vhfa

VERMONT HOUSING FINANCE AGENCY
**MEMORANDUM**

TO: VHFA Board of Commissioners

ASH

FROM: Allan S. Hunt, Executive Director

DATE: February 6, 1998

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 10:00 a.m. on Thursday, February 12, here at the VHFA offices, 164 Saint Paul Street, Burlington, Vermont. The Strategic Planning Session will be from 10:00 a.m. until 12:00 p.m. From 12:00 p.m. until approximately 12:30 p.m. we will recess for lunch (which VHFA will provide) and the meeting will resume with regular agenda items at 12:30 p.m.

Attached is the agenda and Board packet. The master copy of the Board minutes kept on file here at the Agency includes any attachments that may be referenced in the minutes; copies will be made available should any Board members be interested in reviewing them.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Burlington at 10:00 a.m. on February 12!

*ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD*

*Mailing Address:* PO Box 408, Burlington, Vermont 05402-0408
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EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

**VHFA BOARD MEETING AGENDA**
**Vermont Housing Finance Agency**
**164 Saint Paul Street**
**Burlington, Vermont**
**Thursday, February 12 at 10:00 a.m.**

## Strategic Planning Session

**<u>10:00 a.m. – 12:00 p.m.</u>**

1. VHFA Programs and Our External Environment **[McNamara/Gent // Enclosure]**
2. Vermont Homeownership 2000 Summary Report **[McNamara/Gent // Enclosure]**
3. 1996 – 2000 Strategic Plan Update **[McNamara/Gent // Enclosure]**
4. Mid-Year Business Plan Results **[McNamara/Gent // Enclosure]**
5. General Discussion

***Recess for lunch 12:00 p.m. – 12:30 p.m.***

## Regular Agenda Items

**<u>12:30 p.m.</u>**

1. Review and approval of minutes of December 18, 1997
2. Review and approval of minutes of January 15, 1998

**Development**

A. Bridge Financing Request for Officer's Row Affordable Units **[Crady // Enclosure]**
B. Health Property Partners, Level III Community Care Home, Hartford: Letter of Interest for Construction and Permanent Financing **[Reid // Enclosure]**

4. **Operations**

A. Activity Report for December 1997 **[Lothrop // Enclosure]**
B. Quarterly Report of the Results of the Single Family Loan Quality Control Process – October 1, 1997 – December 31, 1997 **[Lothrop // Enclosure]**
C. Update on Loan Servicing **[Lothrop // Enclosure]**
D. Servicing Activity for December 1997 **[Lothrop // Enclosure]**

5. **Administration**

A. Executive Director's Report **[Hunt]**

6. **Finance**

A. Single Family Bond Remarketing **[Schoenbeck // Enclosure]**

7. **Communications**

A. Outreach, Advertising, and Public Relations Results For FY98 Year to Date **[Gent // Enclosure]**

8. Other old or new business to come before the Board



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**vhfa**

**VERMONT HOUSING FINANCE AGENCY**

## Memorandum

TO: Chairman White and theVHFA Board of Commissioners

FROM: Cathleen Gent, Director of Communications *Cathleen Gent*
Mike McNamara, Deputy Director *Mike McNamara*

DATE: February 5, 1998

RE: Strategic Planning Session, 10 AM to Noon, February 12, 1998

At the December Regular Meeting, the Board agreed to begin a review of the Strategic Plan in early 1998, to refine the original plan to ensure that it maintains its relevance in light of changing external factors. As a starting point, we have assembled several reports that will help clarify how the external environment is changing and how we are doing with priorities and timelines from the original plan.

The documents enclosed include the following:

1. VHFA Programs and Our External Environment
2. Vermont Homeownership 2000 Summary Report
3. 1996 – 2000 Strategic Plan Update
4. Mid-Year (Dec. 1997) Business Plan Results

Review of these documents will be followed by a general discussion of how existing programs fit/don't fit with changing circumstances and begin a dialogue on potential new initiatives. In this vein, as Commissioner Randall pointed out at our last meeting, we must ensure that we keep the focus on the agency's larger mission.

Staff will be available to answer questions and offer input during this session. Some additional materials will also be handed out at that time.

We look forward to an interesting and productive discussion on Thursday morning!



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## VHFA PROGRAMS AND OUR EXTERNAL ENVIRONMENT
**February, 1998**

As part of VHFA's strategic plan for fiscal years 1996-2000, the Board of Commissioners and staff conducted an internal and external analysis of the economic, demographic, and financial market trends affecting the delivery of housing in Vermont, housing needs and demands in the state, as well as VHFA's capacity, weaknesses, and strengths. The following summary supplements previous information and provides an overview of new demographic, economic, funding, and business trends that have emerged since 1995, when the first strategic plan was prepared. This is intended to stimulate preliminary discussions as the Board of Commissioners and staff revise VHFA's current strategic plan.

### A. EXTERNAL FACTORS

*Demographic and Housing Market Trends*

According to new U.S. Census information, Vermont's population has been growing slowly during the 1990s. Between 1996 and 1997, the state's population grew by 0.6%, with 589,000 persons living in Vermont. This modest growth rate was below the 0.9% rate for the U.S. as a whole, but above the 0.4% rate for New England. Much of the population change continues to be centered in the Burlington MSA (most of Chittenden County and parts of Franklin and Grand Isle counties).

One significant trend, which appears to be affecting the market for homeownership, is the relative drop in the number of persons between 20 to 34 years of age. According to the most recent estimates produced by the Vermont Department of Health, the number of persons in that age cohort has dropped by 10.1% between 1990 and 1996. Since this is the primary target group for VHFA homeownership programs, loan volume is likely to decrease. This factor, coupled with the reduced incomes for lower-income renters, as reported in the Harvard University 1997 State of the Nation's Housing report, may be seriously reducing the immediate demand for affordable mortgage products. The population less than 18 years of age is increasing, so the prospects for homeownership product demand in 5 to 10 years is very good. By the year 2010, the move-up market will begin to strengthen, in response to the aging of the baby boom "echo."

Two of the fastest growing segments of the U.S. population include ethnic groups and immigrants. Vermont's proportion of ethnic and foreign-born residents is currently small, but may grow significantly in response to the federal INS targeting of northern Vermont to place recent immigrants. These trends are currently creating new demand for affordable rental housing and will eventually result in new homebuyers.

The residential real estate market activity has remained constant for most of the 1990s, with no significant improvements expected in the near future. Despite the lack of growth in numbers of transactions, residential property prices remain at historic highs. The dichotomy between the relatively "sluggish" volume of property transfer activity and high home prices may be related to better sales in higher-end homes during 1997 and a good balance between the number of homebuyers and homes for sale, thus keeping home prices high.

The consistency in the residential real estate market is reflected in Vermont's historical homeownership rates. In 1987, Vermont's rate of homeownership was 70.5%: in 1996, the rate was 70.3%. During this time, the homeownership rate for the country increased from 64.0% to 65.4%. The federal government has made a commitment to expand homeownership, especially in those parts of the U.S. having historically modest levels of homeownership. Much of the expansion in Vermont's homeownership rate occurred during the 1980s, during the booming real estate market.

Trends affecting the demand for affordable rental housing include two general forces. The numbers of persons under age 18 and over age 65 are increasing. In the short term, both these demographic trends are increasing the demand for affordable rental housing. However, the demand for elderly housing will subside during the next ten years, and then begin to rise again as the "baby boomers" reach retirement age beginning in 2010. The demand for elderly rental housing, specifically including "assisted living" or supportive service components is likely to diminish over the next several years. The demand for affordable family rental housing statewide is likely to remain strong for the next decade.

The difficulties in rehabilitating Vermont's aging multiple-unit housing stock make the per unit rehab very expensive. Requests of VHFA to finance affordable rental housing in the last several years have generally been for new construction and for elderly housing. On the other hand, the State of Vermont has made a significant commitment to revitalizing downtown areas and central business districts. The costs and regulatory challenges of developing or preserving affordable rental housing in downtown buildings built prior to 1940 must be addressed to meet the State's commitment.

### *Vermont's Economy*

Vermont's economy has been expanding for over six years. The most recent state economic forecast was released in November 1997 by the New England Economic Project (NEEP), and indicates that growth during 1998 and 1999 is expected to increase at a rate slightly lower than levels recorded in 1996. As the national economy slows, Vermont's job growth is likely to also subside, but remain robust. Job expansion will be 1.5% in 1998 and 1999, with the labor force increasing at a rate of 1.6% in 1998. Personal income is projected to increase by 5.1% in 1998 and 6.0% in 1999.

Vermont's unemployment rate has reached its lowest level in almost 10 years. The November 1997 unemployment rate dropped to 3.6%, with private sector payroll jobs showing particular growth. The state's job engine continues to be in the service sector - business services, hotel and motel employment, and private education.

Consumer confidence in Vermont has strengthened since early 1996, based on the October 1997 Consumer Confidence Index reported by the Vermont Economy Newsletter. This positive confidence is in sync with the state's growing economy. Additionally, the regional differences in consumer confidence are narrowing, highlighting a general positive trend throughout the state. Personal incomes grew at a rate of 5.0% in 1995 and 4.8% in 1996. However, the poverty rate in 1995-1996 was 11.5%, compared with a rate of 9.9% in 1989, thus highlighting a disparity in "wealth" during the state's economic expansion for lower-income Vermonters.

*Banking Industry, Federal Government and Other External Factors*

Recent trends in the banking industry, federal government restructuring, changes in technology and other external factors are altering the way VHFA conducts business. Based on observations of VHFA staff and published reports/materials, the following highlights are presented for the VHFA Board's consideration in updating the Agency's current strategic plan.

Recent trends in the financing and banking industries are likely to affect VHFA homeownership programs in numerous ways:

- New mortgage products and features now offer potential homebuyers options previously available only through VHFA, for example, Fannie Mae and Freddie Mac both offer affordable mortgage products allowing reduced down payments and other features. The need for down payment assistance programs is expected to grow in the future to help new borrowers with limited cash reserves attain homeownership.
- Home mortgage interest rates have been consistently low for over four years, and at times are lower than rates offered through VHFA.
- Seeking greater profits, banks and other lenders have been extending credit to "subprime" borrowers, some of whom traditionally would have obtained home mortgage financing through VHFA. Thus, our "lender of last resort" threshold may be significantly reduced.
- The complexities of managing underwriting risks while meeting the needs of borrowers requires the integration of loan and credit scoring models into the underwriting process for single family borrowers. Fannie and Freddie have already adopted such models, and VHFA is in the process of doing so, with criteria that reflect our market niche.
- Rapid changes nationally in the secondary market are taking place in which large groups of loans are sold for servicing. Keeping track of these loans is difficult for Vermont Home Mortgage Guarantee Board (VHMGB). This trend may make VHMGB's position in the market place less viable, particularly for conventional loan products. The loss of VHMGB would have many implications for VHFA single family programs.

Rising consumer debt, especially coupled with poor credit histories, may also be adding increased "risk" for home mortgage loans in VHFA's portfolio.

- Better financial education programs in elementary and secondary schools, as well as additional homebuyer pre-purchase education programs, are needed. While the pilot Homeownership Centers are beginning to address some of the need for increased education, a coordinated effort among schools, affordable housing professionals, and other groups has not yet occurred.
- Increased delinquencies in VHFA's portfolio must be balanced by an acceptable risk, as determined by the VHFA Board, rating agencies, and the bond market.

Trends in the types of requests for financing through VHFA are changing:

- The demand for federal Housing Credits exceeded Vermont's allocation in 1997 by a ratio of 3:1 and is expected to exceed availability again in 1998 by a ratio of 2:1. If approved by the U.S. Congress, expanded limits for the Housing Credit would enable an additional 68 to 80 rental units to be created or preserved.
- In recent years, for-profit developers have utilized VHFA for construction and permanent financing. Most of this activity is generally for larger new construction projects, and is often for senior housing with "assisted living" or supportive service components. VHFA is not getting many proposals for family housing development.
- There is a consistently strong demand for VHFA's Ventures Program pre-development financing for nonprofit developers. There are few other funding sources for pre-development activities.

Much of Vermont's assisted rental housing, including VHFA financed properties, is privately owned. Increasingly, financing terms, tax law, regulatory restrictions and the reduced commitment of the federal government long-term subsidy are making owning and managing these properties complicated and difficult. For a variety of reasons, including lack of tax benefits, rent adjustment freezes and the uncertainty of future subsidies, many owners are considering prepayment of their existing financing as a way of gaining some relief:

- VHFA faces the prospect of adverse selection, where the best properties prepay, leave the portfolio and are replaced with higher risk loans. In the worst case scenario, we are unable to recycle these prepayments into new loans and must redeem bonds thereby reducing VHFA's assets, mortgage payment revenues and even contract administration fees.
- Our challenge is to find ways to preserve the assisted inventory and keep our bottom line healthy. A permanent Portfolio Restructuring Program begins this process and with the recent approval of VHFA's Management Plan, we are assured of being a central player in any efforts to preserve Vermont's assisted housing units.

Advances in information technology are rapidly changing the way financial institutions must conduct business. VHFA has made several upgrades to our computer system, but additional modifications are needed to stay abreast of accepted business practices:

- Automated audit reviews for multifamily properties, using electronic submission of financial statements on diskette or over the Internet, have been adopted in other states.
- Housing Credit monitoring software to eliminate manual tasks could streamline the workload for Multifamily Management Department staff members.
- A hand-held computer has been developed for use in reporting Housing Credit and contract administration monitoring activities and has been adopted in other states.
- The ability to transfer loan information electronically for single family loans exists in the market place and has been considered as part of the Information Technology planning process. VHFA is still relying on the transfer of loan information with lenders via paper in all areas of our business.

## B. VHFA TODAY

VHFA's current business plan includes a summary of program activities and initiatives that should be considered as part of the Board's review of VHFA's strategic plan. Attached is a document prepared by Mike McNamara, "SWOTs Summary: May 12, 1997," which lists ideas generated in a SWOTs exercise completed by senior VHFA staff in spring 1997.

In addition, several trends related to borrower profiles for VHFA's single family programs warrant special attention. The information presented in the series of tables on the sheet titled "VERMONT" show clear trends for VHFA single family loan activity, for MRB borrower profiles (MOVE and HOUSE), and for our market share for the years 1991 through 1997.

- Loan activity and loan volume in dollars both dropped off considerably during 1997, compared with previous years.
- VHFA continues to serve borrowers at or below 100% and 80% of state and county median income levels.
- VHFA's market share for all primary homes and for those within our purchase price limits decreased during 1997 (for the months January through September), when compared with previous years.
- VHFA's borrower profile has been fairly consistent over the past several years with respect to average income, purchase price, loan amount, and other characteristics.

When compared with Vermont's published HUD median income levels, it can be seen that VHFA continues to serve a broad spectrum of borrowers at or below median income, particularly those at or below 70% of median income. The final two graphs in the attachments demonstrate this point.

**SWOTs Summary by Mike McNamara**
**May 12, 1997**

In an effort to better clarify the preliminary results of the SWOTs survey, I have compiled the results of CORE/Development's "Top Three" by weighting the responses. The first response earned 3 points, the second response earned 2 points and the third response earned 1 point. With all eight responses, the maximum points possible for any response is 24.

| | | | |
|---|---|---|---|
| Strengths: | 1. | Experienced, capable staff | 24 |
| | 2. | Good physical work environment | 7 |
| | 3. | Good agency reputation | 6 |
| | 4. | Financial strength | 4 |
| | 5. | Established Single Family niche | 3 |
| | 6. | Clear mission | 2 |
| | 7. | Base programs work well | 1 |
| | | Employee's flexibility (#12) | |
| Weaknesses: | 1. | Low staff morale | 11 |
| | 2. | "Top down" decision making | 9 |
| | 3. | Micromanagement | 6 |
| | | Complacency of existing staff | 6 |
| | 5. | Computer system/support | 5 |
| | 6. | Interdepartmental communication/cooperation | 3 |
| | 7. | Limited capacity for new activity | 2 |
| | | Planning/focus not clear/changing | 2 |
| | | Method of determining new programs (#19) | 2 |
| Opportunities: | 1. | Direct servicing | 11 |
| | 2. | Changes in financial services industry | 6 |
| | 3. | Potential new (non-housing) markets | 5 |
| | | Shrinking public resources/demise of HUD | 5 |
| | | Growing elderly market | 5 |
| | 6. | New technology | 4 |
| | | Positive political capital (#10 & 23) | 4 |
| | 8. | MF and SF Rehab program | 3 |
| | 9. | More productive use of VHMGB | 2 |
| | | Agency consolidation | 2 |
| | 11. | Name Recognition | 1 |

| | | | |
|---|---|---|---|
| Threats: | 1. | High delinquencies/loan losses | 12 |
| | 2. | State & Federal elimination of funding sources | 10 |
| | 3. | > efficiency of national mortgage markets | 6 |
| | | Threats to VHMGB | 6 |
| | 5. | Increased lender competition | 3 |
| | | Diminished (VHFA) financial resources | 3 |
| | 7. | Changing demographics | 2 |
| | | Poor economy | 2 |
| | 9. | Rapidly changing environment | 1 |
| | | Affordable housing a low priority | 1 |
| | | Agency consolidation | 1 |
| | | Other agencies filling VHFA-type roles (#36) | 1 |

# VERMONT

VERMONT AS OF DECEMBER 1997: 20,425

| | LOANS BY PROGRAM | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | TOTAL LOANS | MOVE | HOUSE | MCC | MOBILE HOME | RECD | VEIC | CVPS | YESS |
| VERMONT | | | | | | | | | |
| 1997 | 735 | 585 | 42 | 96 | | 3 | | | 9 |
| 1996 | 971 | 794 | 46 | 119 | | 12 | | | |
| 1995 | 1,007 | 770 | 67 | 113 | 1 | 56 | 0 | 0 | |
| 1994 | 930 | 723 | 39 | 167 | 0 | 1 | 0 | 0 | |
| 1993 | 901 | 599 | 51 | 245 | 4 | 0 | 2 | 0 | |
| 1992 | 978 | 499 | 57 | 380 | 1 | 19 | 20 | 2 | |
| 1991 | 1,008 | 702 | 27 | 225 | 9 | 28 | 11 | 6 | |

| | LOAN VOLUME | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | MOVE | | HOUSE | | MRB* | | MCC | |
| | $ VOLUME | % STATE | $ VOLUME | % STATE | $ VOLUME | % STATE | $ VOLUME | % STATE |
| VERMONT | | | | | | | | |
| 1997 | $40,347,510 | 100.0% | $2,484,489 | 100.0% | $43,611,277 | 100.0% | $7,331,149 | 100.0% |
| 1996 | $53,617,574 | 100.0% | $2,802,412 | 100.0% | $56,708,038 | 100.0% | $9,135,065 | 100.0% |
| 1995 | $49,884,680 | 100.0% | $4,250,196 | 100.0% | $56,115,509 | 100.0% | $8,501,515 | 100.0% |
| 1994 | $46,182,497 | 100.0% | $2,314,144 | 100.0% | $48,506,636 | 100.0% | $13,487,326 | 100.0% |
| 1993 | $38,386,046 | 100.0% | $3,113,467 | 100.0% | $41,487,770 | 100.0% | $18,525,819 | 100.0% |
| 1992 | $31,796,096 | 100.0% | $3,522,912 | 100.0% | $36,837,347 | 100.0% | $28,756,254 | 100.0% |
| 1991 | $46,196,247 | 100.0% | $1,627,292 | 100.0% | $48,602,273 | 100.0% | $16,426,387 | 100.0% |

| | STATEWIDE MEDIAN INCOMES (MRB) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | STATE MEDIAN | | | COUNTY MEDIAN | | | GREATER OF COUNTY OR STATE | | |
| | MEDIAN | 100% OR BELOW | 80% OR BELOW | MEDIAN | 100% OR BELOW | 80% OR BELOW | MEDIAN USED | 100% OR BELOW | 80% OR BELOW |
| VERMONT | | | | | | | | | |
| 1997 | $40,700 | 91.2% | 52.3% | NA | 81.7% | 55.2% | NA | 94.1% | 63.2% |
| 1996 | $38,900 | 86.4% | 51.2% | NA | 76.1% | 48.7% | NA | 89.2% | 60.2% |
| 1995 | $36,700 | 86.7% | 55.1% | NA | 81.2% | 54.4% | NA | 90.6% | 64.0% |
| 1994 | $36,100 | 91.0% | 50.5% | NA | NA | NA | $36,100 | 91.0% | 50.5% |
| 1993 | $36,100 | 93.0% | 56.6% | NA | NA | NA | $36,100 | 93.0% | 56.6% |
| 1992 | $34,700 | 87.0% | 50.0% | NA | NA | NA | $34,700 | 87.0% | 50.0% |
| 1991 | $34,400 | 89.0% | 46.0% | NA | NA | NA | $34,400 | 89.0% | 46.0% |

| | MARKET SHARE[4] | | | | | | |
|---|---|---|---|---|---|---|---|
| | | WITHIN VHFA PRICE LIMIT[3] | | | ALL PRIMARY HOMES | | |
| | VHFA PURCHASE PRICE LIMIT | % SHARE | VHFA-ASSISTED LOANS | TOTAL PROPERTY TRANSFERS | % SHARE | VHFA-ASSISTED LOANS | TOTAL PROPERTY TRANSFERS |
| VERMONT | | | | | | | |
| 1997 | $126,000 | 18.4% | 555 | 3,023 | 12.7% | 555 | 4,378 |
| 1996 | $120,000 | 23.6% | 971 | 4,107 | 16.1% | 971 | 6,017 |
| 1995 | $120,000 | 24.3% | 1,007 | 4,140 | 16.6% | 1,007 | 6,080 |
| 1994 | $110,000/ $120,000 | 17.5% | 930 | 5,315 | 12.1% | 930 | 7,673 |
| 1993 | $110,000 | 23.7% | 901 | 3,805 | 15.2% | 901 | 5,913 |
| 1992 | $105,000/ $110,000 | 31.5% | 978 | 3,100 | 19.8% | 978 | 4,933 |
| 1991 | $105,000 | 41.2% | 1,008 | 2,449 | 24.6% | 1,008 | 4,097 |

| | VHFA - MRB - BORROWER PROFILE[1] | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | # MRB LOANS | MEDIAN INCOME | MEDIAN PURCH. PRICE | MEDIAN LOAN AMOUNT[2] | MEDIAN BUYER AGE | MEDIAN HOUSE-HOLD SIZE[2] | TOTAL HOUSED | MEDIAN # OF WAGE EARNERS[2] | % FIRST TIME BUYERS |
| VERMONT | | | | | | | | | |
| 1997 | 639 | $30,229 | $73,000 | $68,400 | 31 | 2 | 1,572 | 1 | NA |
| 1996 | 852 | $31,105 | $73,000 | $67,900 | 31 | 2 | 2,175 | 1 | 93.0% |
| 1995 | 770 | $29,030 | $69,500 | $64,785 | 30 | 2.5 | 1,898 | 1.48 | NA |
| 1994 | 723 | $28,669 | $68,421 | $63,801 | 29 | 2.1 | 1,500 | 1.52 | NA |
| 1993 | 599 | $27,840 | $68,000 | $63,658 | 29 | NA | NA | 1.5 | NA |
| 1992 | 499 | $27,780 | $70,000 | $63,699 | 29 | NA | NA | 1.46 | NA |
| 1991 | 702 | NA | NA | $65,806 | | NA | NA | 1.43 | NA |

[1]For years 1991 through 1995, these data are for the Move Program only.

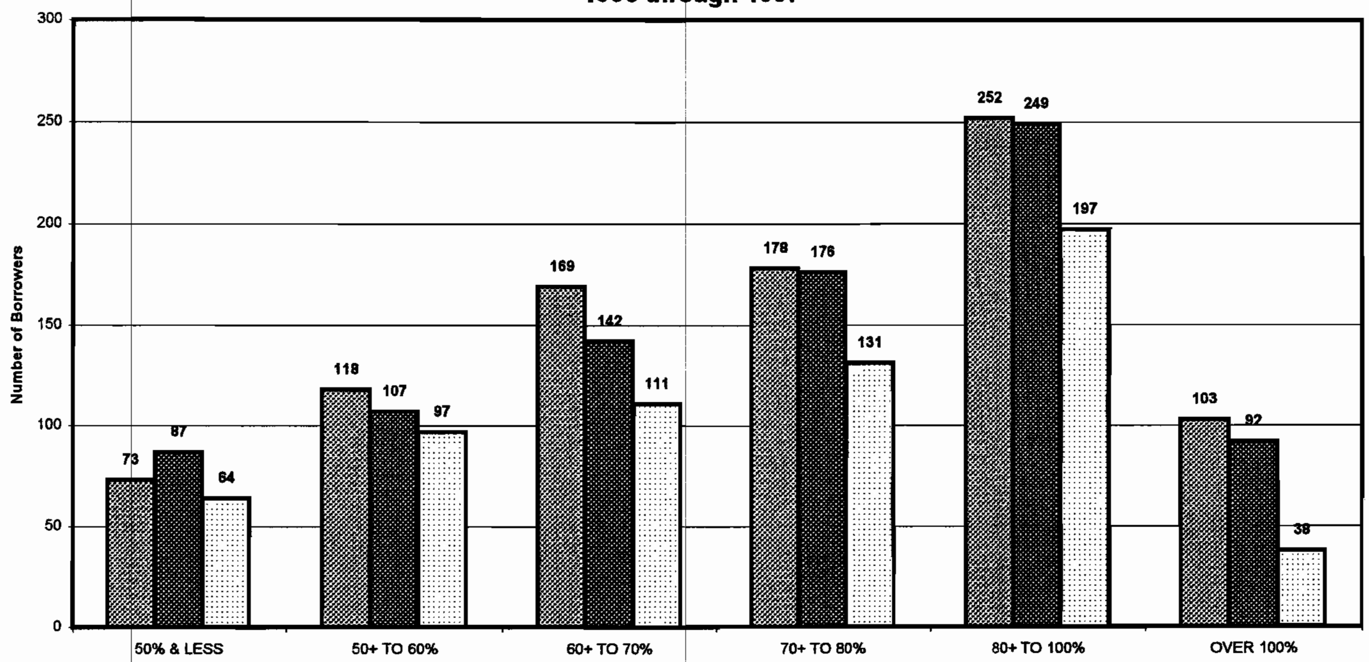
[2]For years 1991 through 1995, these data are the mean values, not the median.

[3]1996 market share does of homes within VHFA's price limit does not reflect the November 1996 price change.

[4] 1997 Market share data represents January through September only.

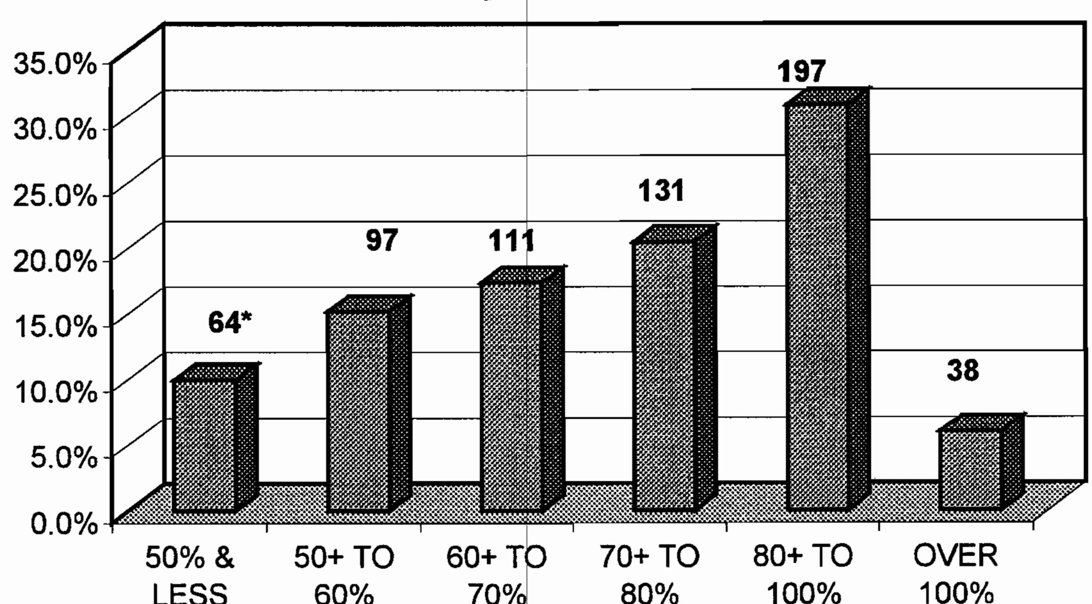
* MRB includes MOBILE HOME, RECD, VEIC,CVPS,YESS

## Distribution of MRB Borrowers Relative to the Greater of State or County Median Incomes: 1995 through 1997




*Numbers represent actual MRB borrowers in 1997.

## 1997 Income Distribution of VHFA MRB Borrowers in relation to the Greater of State or County Median Incomes




*Numbers represent actual MRB borrowers in 1997.

# VT HOMEOWNERSHIP 2000

**A regional look at strategies for housing in the 21$^{st}$ Century**

*Summary for VHFA Board of Commissioners*
*February 6, 1998*

**A Cooperative Initiative between**
**US Dept of Housing & Urban Development**
**And**
**USDA Rural Development**
**And**
**Vermont Housing Finance Agency**

In conjunction with National Homeownership Week, June 9th - 14th, VHFA announced that a cooperative initiative with USDA Rural Development and HUD would be undertaken throughout the year in five locations around the state. With the participation of local real estate professionals, lenders, and nonprofits, VT HOMEOWNERSHIP 2000 events were launched beginning on July 23rd. The goal of these events was to begin to map out a strategy, specific to those local areas of Vermont, which would address the changing needs for affordable homeownership options as we approach the next century.

The format for each event was similar: to look at the program delivery framework that already exists in the local areas, explore new ideas for housing partnerships, and hear suggestions from the participants for ways to more adequately meet specific needs for housing programs and services. The following report provides a summary of the proceedings and a plan of action for future steps. Follow-up work sessions will be developed and scheduled, with initiatives generated at local and state levels.

## VT HOMEOWNERSHIP 2000 SESSIONS

VT HOMEOWNERSHIP 2000 roundtable breakfasts were held in the following locations:

- South Hero - 17 participants
  - ⇨ *(NW Vermont: Chittenden, Franklin, and Grand Isle Counties)*
- Lake Willoughby – 13 participants
  - ⇨ *(NE Kingdom: Caledonia, Essex, and Orleans Counties)*
- Montpelier – 26 participants
  - ⇨ *(Central VT: Lamoille, Orange, and Washington Counties)*
- Springfield – 19 participants
  - ⇨ *(SE Vermont: Windham and Windsor Counties)*
- Rutland – 12 participants
  - ⇨ *(SW Vermont: Addison, Bennington, and Rutland Counties)*

The agenda for each brainstorming session was similar. After an introduction by VHFA staff, short presentations by guest speakers were made. Energy Rated Homes of Vermont (ERH) discussed special energy efficiency loan programs being offered, especially VHFA's YESS program. Rural Development (RD) staff provided an overview of their loan guarantee program and HUD staff explained their agency's initiatives in homeownership. In geographic areas where Homeownership Centers are located as part of VHFA's three-year pilot program, a program update was given to lenders and real estate professionals.

Following the presentations, short group breakout sessions were held in which the assignment was to consider each of four questions. With six to eight participants, the small group format enhanced creative discussions and brainstorming.

For each question, participants provided their thoughts in a facilitated, free-flowing format, then prioritized by importance the problems or opportunities named by the group.

During an ensuing large group discussion, each small group reported their priority items. Then the full group discussed, "Where do we go from here?" Specific recommendations were offered at that time, with participants at every location expressing an interest in pursuing future sessions.

## SUMMARY OF VT HOMEOWNERSHIP 2000 ROUNDTABLE DISCUSSIONS

1. What are the special problems facing homebuyers who need affordable mortgage loan products **TODAY**?

   Credit issues are viewed as the #1 *problem facing homebuyers today.* Everyone in all parts of the state recognized that too easily obtained credit, too much debt, bankruptcies, and lack of savings are major obstacles to new homebuyers. More education was recognized as necessary for all participants in the mortgage process, including real estate professionals and lenders.

2. What loan product features or services are working well **TODAY**?

   The *features that are working well today* are low downpayment requirements, e.g. 5% VHFA, 3% FHA, 100% through RD. Homeownership Centers have started extensive counseling programs, and other organizations, having seen the necessity of homebuyer education, have also taken steps toward educating the public. Opening the lines of communication between the many Vermont housing organizations and the federal agencies (HUD & RD) is a positive step to building partnerships. Some lenders are now allowing rehabilitation funds to be included in their mortgage products, addressing the issues around the aging housing stock in Vermont.

3. In the year **2000**, what special problems will homebuyers face who need affordable mortgage loan products?

   *In the year 2000, homebuyers will face* additional problems in their attempts to obtain an affordable mortgage loan product. Credit problems will continue to plague the potential homebuyer, along with a large increase in personal bankruptcies. The continuing lack of education about debt and savings, combined with the increased cost of living and higher purchases prices, will be major deterrents to home buying. The increasing tendency for corporations to hire long-term temporary employees will add to the lack of job stability already facing Vermonters today.

4. In the year **2000**, what affordable mortgage product features or services will be needed to help homebuyers?

   *To combat these problems in the year 2000,* several affordable mortgage product features will be needed to help homebuyers. Counseling prospective buyers through all levels of homeownership, from pre-purchase to post purchase, including foreclosure if indicated, will continue to be a necessity. Education of lenders, sellers, and real estate professionals will also be needed. Early education in debt management and savings could prevent many of the severe credit problems seen today. Lowered down payment requirements and 100% financing products will continue to be essential for the average Vermont borrower.

## THE FUTURE OF VERMONT HOMEOWNERSHIP 2000

During the recent past, changes in federal government funding, the operating environment for lending institutions, and the residential real estate market have provided challenges to offering opportunities for affordable homeownership in Vermont. VHFA's role in the Vermont HOMEOWNERSHIP 2000 initiative was to organize the first steps of a collaborative effort among many of the providers of affordable housing programs to address the concerns brought about by these changes.

In looking toward the year 2000, these brain storming sessions enabled professionals from lending, real estate and nonprofit organizations to begin to collaborate in creating and sustaining new affordable housing initiatives. The members of the round table discussions at the Vermont HOMEOWNERSHIP 2000 events identified specific challenges and opportunities, which must be addressed as we approach the future.

As a result of the gatherings, local partnerships are emerging. Participants volunteered to begin work on some of the specific ideas and recommendations of their individual groups in their regions of the state. Whenever groups wish to reconvene on their specific undertakings, VHFA will offer to assist in organizing meetings and events for the regional initiatives.

## NEEDS ASSESSMENT - WHERE DO WE (VHFA/VHMGB) GO FROM HERE?

The summary for all locations of the Vermont HOMEOWNERSHIP 2000 events gives us an opportunity to begin to look at strategic possibilities for VHFA programs in the approaching millenium. Some of the suggestions are already under consideration by staff, and other ideas give us an idea of the directions we may consider taking.

- The need for increased homebuyer education at all levels has emerged as a necessity for the future. The Homeownership Center pilot initiative has begun to address part of the need. It will be of utmost importance that VHFA's evaluation of the existing pilot model focus on the viability of expansion of the program statewide.
  - Additionally, VHFA will need to consider its own outreach and education at other levels as well. Expanded availability of educational opportunities for lenders, non-profits, and real estate professionals may be indicated for the future.

- The use of mortgage loan products that incorporate rehabilitation funds has become popular. Although this has been available with VHFA loans, there is an increasing need for a specific rehab loan product for homeowners already having a VHFA loan. This undertaking has been under consideration by VHFA staff.

- Credit issues were shown to be a major problem at virtually every HOMEOWNERSHIP 2000 event. VHFA has begun to address some of these issues through consideration of credit and loan scoring for underwriting purposes, and in the area of risk assessment for the future.

## SUMMARY OF #1 ISSUES

| **1) What are the special problems facing home buyers who need affordable mortgage loan products TODAY?** | |
|---|---|
| South Hero | Credit problems<br>Education of real estate professionals and buyers<br>Down payment |
| Springfield | Credit issues<br>Buyer education (financing, credit)<br>Down payment/closing costs |
| Lake Willoughby | Credit Problems<br>Down payment and closing costs<br>Lack of education |
| Montpelier | Down payment/closing costs<br>Credit problems (lack of knowledge, bad or no credit)<br>Buyer lack of knowledge of the process |
| Rutland | Credit issues<br>Down payment/closing costs |

| **2) What features of available mortgage products are working well TODAY?** | |
|---|---|
| South Hero | Low down payment requirements<br>100% financing/RD<br>Counseling programs |
| Springfield | Counseling at Homeownership Centers<br>Ability to use reestablished credit in mortgage qualification process<br>100% financing and reduced down payment requirements |
| Lake Willoughby | Programs allowing low down payments (FHA/VA)<br>Low interest rates |
| Montpelier | Technology<br>Seller contributions |
| Rutland | Open partnering lines of communications between lenders/VHFA/RD/HUD, etc.<br>Rehabilitation included with mortgage |

| **3) In the year <u>2000</u> what special problems will home buyers face who need affordable mortgage loan products?** | |
|---|---|
| South Hero | Lack of job stability – (temporary help taking from permanent employment)<br>Credit problems |
| Springfield | Continuing lack of education about debt<br>Stable employment/ reasonable wages<br>Increased costs of living |
| Lake Willoughby | Large increase in personal bankruptcies<br>Real estate taxes and personal taxes |
| Montpelier | Balance wants vs. needs<br>Credit problems/down payment problems |
| Rutland | Lack of money management skills<br>Credit issues: bankruptcy, increasing debt, higher ratios<br>Gap between affordability and purchase price |

| **4) In the year <u>2000</u>, what affordable mortgage product features will be needed to help home buyers?** | |
|---|---|
| South Hero | Clearing house for information and referrals: 800# available on web sites, seminars, and schools<br>Education at all levels, lenders/realtors/buyers<br>Early education – basic financial skills |
| Springfield | Support for counseling and homeownership centers<br>Budget and credit counseling<br>Low down payment options |
| Lake Willoughby | 100% financing/low down payments<br>Education of banks, buyers, seller, RE agents |
| Montpelier | Simplify financing process<br>PMI for B & C loans (less than 20% down) |
| Rutland | Homeownership counseling - pre/post/foreclosure<br>Products for condos or community living<br>Lower closing costs |

**VHFA STRATEGIC PLAN 1996-2000**
**Single Family Programs**

| *Number* | *Strategy* | *Orig. Compl. Date* | *Status (as of Jan. '98)* |
|---|---|---|---|
| 2.A.1. | Extend Down Payment Pilot Program with VHMGB | February, 1996 | Initiated with nonprofits through Homeownership Center Pilot Program 2/96 |
| 2.A.2. | Down Payment Assistance Using a Second Mortgage Program | June, 1997 | Initiated with nonprofits through HCPP: FHLB/VHFA Funds 12/97; REO's 6/97 |
| 2.B. | Develop Home and Energy Improvement Lending Programs | February, 1996 | YESS Program 11/96; Title One target 8/98; VT Legislature: possible new program 4/98? |
| 2.C. | Expand Financing Options for Mobile Home Purchases | February, 1997 | No activity |
| 2.D. | Provide Financing for Co-op Housing | December, 1996 | Consider blanket mortgages under MF; investigate DP assistance for share loans |
| 2.E. | Improve Financing for 3 and 4 Unit Owner-Occupied Properties | April, 1997 | Consider feasibility |
| 4.B.2. | Develop Financing for Homeownership for Adults with Developmental Disabilities | December, 1995 | Not feasible without new funding mechanism |
| 9.A.1. | Offer "Introduction to Homeownership" workshops | June, 1997 | EASL, Futures, etc. classes over past 4 years; fee-based classes redirected to HCs |
| 9.A.2. | Offer "Successful Homeownership" post-purchase workshops | June, 1997 | Directed to Homeownership Centers |
| 10.D.1. | Explore reducing servicing fees to servicers | February, 1996 | No activity |
| 10.D.2. | Explore VHFA direct servicing of loans | June, 1997 | Transfer of several portfolios to subservicer |

**Multifamily Programs**

| *Number* | *Strategy* | *Orig. Compl. Date* | *Status (as of Jan. '98)* |
|---|---|---|---|
| 3.A. | Expand Energy Lending Activities | June, 1997 | VT Legislature: possible new program 4/98? |
| 3.B. | Expand (as Consortium) Use of FHLB in Conjunction with LIHTC | March, 1996 | Expanded use of FHLB with LIHTC, but not as a part of consortium |
| 4.B.1. | Collaborate to Develop Programs for Support and Special Needs (Assisted Living Units for the Elderly) | June, 1997 | Financing an elderly "assisted living" facility 2/98 |
| 5.A.1.- 4. | Increase Efficiency of Multifamily Lending Process: 1) Review UW Criteria; 2) Develop new marketing materials; 3) Accelerate Loan Processing; 4) Increase Efficiency of Closing Process. | December, 1995 | 1), 3), and 4) completed and on-going; 2) Fact Sheets now on Home Page |
| 5.B. | Improve Financing for 3 and 4 Unit Investor-Owned Properties. | June, 1997 | Approved as HUD Small Projects Processing lender, 10/ 97; no activity to date |
| 6.A. | Finance Program for Environmental Hazard Management MF Properties. | July, 1999 | Non-VHFA funding sources being used. |
| 6.B. | Financing Housing Infrastructure (Existing mobile home parks). | December, 1997 | Finance improvements when permanent financing is done (Kilbourne) |
| 7.A.1.& 2. | Collaborate with Other Agencies to Achieve Efficiencies: 1) Streamline compliance monitoring; 2) "User-friendly" applications/budget forms | June, 1997 | 1) Combined LIHTC/HOME compliance monitoring 3/96; 2) Forms have been consol-idatedas part of applications; attempting to use common underwriting assumptions. |
| 7.A.3. | Establish standardized reports/data collection in program monitoring | June, 1998 | Completed as part of join compliance monitoring (VHFA and VHCB). |

**General Programs/Activities**

| ***Number*** | ***Strategy*** | ***Orig. Compl. Date*** | ***Status (as of Jan. '98)*** |
|---|---|---|---|
| 1.A. | Encourage and Support a Productive and Positive Work Environment | On-going | Major commit. To IT upgrades 7/97; Employee Survey 11/97 with Focus Groups 2/98-4/98. |
| 4.A. | Address Homelessness (research and public education only) | June, 1996 | Collaborate through Housing Needs initiatives 1/95 and 4/98. |
| 8.A. | Maintain Data Collection, Analysis and Dissemination of Housing Data | December, 1995 | Full-time position re-established 8/97. |
| 10.A.1.& 2. | Expansion of Financing to Non-Housing Activities: 1) Explore feasibility of integrating existing entity functions; 2) Integrate auxiliary financing functions into VHFA | June, 1996 | Re-examining this in light of utility restructuring (energy loan program?) |
| 10.C. | Reduce Operating and User Costs ("paper-less" office by June, 1997). | On-going | Benefits costs stabilized; under-perform CPI for overall budget; not yet achieved "paperless office" |
| 10.D.3. | Maximize revenue through aggressive investment strategy | On-going | Investing more funds into guaranteed investment contracts. |

**VHMGB Programs**

| | | | |
|---|---|---|---|
| 10.B.1.& 2. | Better Utilize VHMGB to Enhance Services/Products of VHFA: 1) Guarantee product for home improvement and 3 to 4 unit owner-occupied. | March, 1997 | 1) VHMGB can guarantee on-site septic and energy conservation under "home improvement" loans; 2) VHMGB can guarantee 3 to 4 unit owner-occupied dwellings. |
| 10.B.3. | Guarantee Program for refi SF loans with LTV higher than 100% | September, 1997 | No acitivity |

vhfa
VERMONT HOUSING FINANCE AGENCY

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

**Thursday, December 18, 1997 at 2:00 p.m.**

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

Agency Staff: Mr. Hunt, Mr. McNamara, Mr. Jarrett, Mr. Erdelyi, Mr. Schoenbeck, Mr. Lothrop, Mr. Falzone, Ms. Caragher, Ms. Reid, Ms. Boucher, Ms. Gent

Other: Mr. Broderick (Housing Vermont), Mr. Rittenhouse (AG Edwards), Mr. Sassorossi (Lake Champlain Housing Development Corporation), Ms. Wright (LCHDC)

Chairman White called the meeting to order at 2:07 p.m. Upon a motion duly made by Mr. Candon and seconded by Ms. Canney, the minutes of November 20, 1997 were unanimously approved as written.

Mr. Erdelyi began by updating the Board on the Credit Allocation Plan. Only an hour before the VHFA Board meeting started, a public hearing was held regarding this plan. During that meeting, a few changes were made to the recommended changes in the memo, included in the Board packet. The full Committee on Joint Tax Credits will be meeting on December 19, 1997, to revisit some of the issues discussed, including special needs housing and its definition in housing credit applications. Mr. Erdelyi explained that there was insufficient notice of the public hearing, and another public hearing will be held in January. Despite this delay, we are very close to the original schedule to have the plan revised in time for an early 1998 round.

Next, Ms. Reid reviewed her memo "Lake Champlain Housing Development Corporation, 1306 Ethan Allen Drive, Colchester & 53-67 East Spring Street, Winooski: Combined Letter of Interest and Commitment for Permanent Financing," included in the Board packet. At the November 1997 Board meeting, the Board approved a $740,000 tax exempt permanent loan, for a 42 unit development located at 1306 Ethan Allen Drive in Colchester and 53-67 East Spring Street in Winooski, currently owned by Lake Champlain Housing Development Corporation. The Board had expressed concern regarding the level of development fees - $100,000 for Housing Vermont and $100,000 for LCHDC. Staff is bringing the project back for the Board to review for two reasons: (1) The Vermont Housing & Conservation Board will allow a fee of $106,000 for LCHDC, based on their development fee policy and (2) LCHDC did not take a fee when they developed the property ten years ago. LCHDC is requesting an additional $6,000 because the project took longer than expected to develop.

The budget, which was represented to the Board at the November meeting, showed that, that the developer would pay, to Colchester on the Community Development Loan, $92,000 up front and the remaining balance of the loan ($56,000) would be forgiven. The Community Development Corporation of Colchester decided at a meeting on December 16 that they couldn't forgive that balance of $56,000, but they would defer it for 15 years at 3%. The sponsor is proposing an option to refinance the balance (assuming an 8% rate over 30 years) which represents a $15.00 per unit per month rent increase in year 16, to offset that debt service. After further discussion, Mr. Candon made a motion to approve the development fee for LCHDC of $106,000, and the motion was unanimously carried after being seconded by Ms.Canney.

Mr. Lothrop reviewed his memo "Yearly Energy Savings System (YESS) Program Update," included in the Board packet. The YESS program is a pilot program which combines VHFA's Mortgages for Vermonters (MOVE), our main homeownership mortgage program, with an energy savings component and special low interest rate. Energy Rated Homes of Vermont did a survey of the eleven borrowers who have gone through the program to date, to see if they could determine how the program could be improved. Some of the information from the surveys included: (1) sixty-percent of the respondents listed the lower interest rate as the primary appeal of the program; (2) seven of the eleven respondents were made aware of the program by either their lender or a real estate agent; and (3) forty-five percent utilized the higher LTV allowed in this program. After reviewing the survey results, staff came up with four recommendations that would improve the program based on the survey responses: (1) Improved Communications – VHFA and ERH will put together a package of information for lenders with as much information as possible to ensure a smoother process; (2) Offer Facilitation (Construction Management) – ERH currently has grant funding to offer construction management services for up to 10 YESS loans. VHFA and ERH will begin to explore other sources of funding for this service; (3) Make Mortgage Insurance Affordable and hassle-free – The VHMGB statute must change in order to participate in this program, staff is looking into this possibility; and (4) Investigate the Possibility of a More Flexible Financing Product – this is an idea that is currently being researched that would allow the YESS borrower to finance energy efficiency measures up to a year after the initial mortgage is made and receive some financial incentives to do that.

Ms. Canney asked out of the eleven users of this program, what was the distribution across the state and whether certain areas utilized YESS extensively. Mr. Lothrop indicated that he didn't have any specific local information, but the majority of the loans were made outside the greater Burlington area. No Board action was required.

Next, Mr. Lothrop discussed his memo "Single Family Program Activity Report For October, 1997" included in the Board packet. Currently in the month of December, we have $1.1 million in reservations compared with $3.4 million in December of last year. For the first couple of weeks in December, he has been tracking reservations and the difference in spread between conventional and VHFA mortgage interest rates for this year as compared to last year. In actuality, the reservations for the first two weeks of December 1997 are within $100,000 of the first two weeks of last December.

The number of REOs went down by one property. The Agency did sell eight properties in October and sold another six in November. The problem is that new REOs are coming on board as fast as they are being sold. The number of loans in foreclosure however, has gone down. VHFA is negotiating a work out plan with fifteen borrowers with loans in foreclosure. Although the number of 90-day accounts in collections did increase, fifty of the accounts are in a payment arrangement. The delinquencies for Vermont Federal have dropped by 26, which brought our delinquency ratio to 9.03%, which is a step in the right direction.

Mr. Falzone reviewed his Director's Report, included in the Board packet. He indicated that there was one delinquency that totaled seventy-seven days. This particular owner had some major health problems and staff was unable to reach him for several weeks, but the problem has been resolved. We are in the process of reviewing the 1998 budgets for our properties, which are reflecting the comprehensive needs strategy that we implemented last year in the 1997 budgets. We are having some good results in both deposit levels and also addressing long-term capital needs. Staff is also developing a prepayment strategy. Mr. Falzone indicated that he will be attending a meeting in Chicago with a group of State Housing Finance Agencies to try to come up with common criteria for Section 8 projects and prepayments of unisured.

Mr. Falzone gave a quick update on Winchester. Housing Vermont and the Merchants Bank did agree to an amended forbearance agreement, which now runs until 2005 and allows the Agency to require up to a $125,000 per year from the Merchants Bank to help fund deficits. This year, deficits are exactly $250,000, so the Merchants Bank will be contributing their maximum amount and we will also be putting in the same amount. If less funds are needed, a reconciliation process has been established that will allow VHFA and the Merchants Bank to recover any excess funds that have been put in. Mr. Jarrett commented that we are hoping that the deficits will go down substantially if we can refund the bonds in 1999.

Mr. Schoenbeck discussed his memo "General Fund Budget Performance" included in the Board packet. He noted that the cashflow work has been completed for our fund balance transfers from the Single Family Housing Bonds into the General fund. Rating agencies have received our request and are reviewing it, but have not yet provided the letters that we need to draw the money out ($2.5 million out of the Single Family Housing Bond). The Single Family originations are slower than projected, but the majority of budgeted fees are the annual fees paid at the beginning of the year for program participation, as opposed to points. We have had more of our loans remain outstanding and consequently interest income is higher than expected and we have had more interest expense than budgeted. This has a lot to do with the Federal Home Loan Bank program and timing of advances. We will need to do a budget adjustment at some point related to the loan income and expense. In the subsidy expense category, we did include a $80,000 annual payment for the Guarantee Board. The Guarantee Board asked us to fund the $300,000 yearly commitment on a quarterly basis. Mr. Schoenbeck indicated that we probably will exceed our budgeted expense and will utilize $50,000 during the first quarter for that purpose. Total expenses are 25.4% of budget and are within the expense parameters for the fiscal year. Legal Expenses have been higher than expected and the subsidy for the Guarantee Board was 75% of the annual allocation as explained earlier. The approved capital budget for the fiscal year is $278,485. Through September 30, 1997 we have expended $84,585 or 30.4% of the capital budget.

Mr. Schoenbeck then gave a brief update on a handout regarding September 30, 1997 Agency-wide financials. The surplus is $774,000, which compares to $931,000 for September 1996. We did not calculate any quarterly loan loss allowance calculations at that time. This year our loan loss allowance calculation, was $374,000. This results in the Agency being a little better off on a comparative basis than we were a year ago, on a gross basis.

Mr. Jarrett discussed his memo "Private Activity Bond Volume Cap" included in the Board packet. Each year the Agency is allocated part of the State's $150 million annual volume cap for private activity bonds. The Agency has been allocated $15 million in volume cap this year, which has been allocated to exempt facility bonds (multifamily developments). The Board must take action before the end of the year to carry forward this private activity volume cap and any additional volume cap allocated by the State. In addition, the Board must allocate the volume cap between single family and multifamily programs. A motion was made by Mr. Candon to approve the "Resolution Relating To Vermont Housing Finance Agency Election To Allocate And Carry Forward 1997 Private Activity Bond Volume Cap Allocation," and was carried unanimously after being seconded by Mr. Smith.

Next, Ms. Gent discussed the memo "Evaluation of Down Payment Assistance Loans" included in the Board packet. Currently, VHFA is not offering a down payment assistance program except for special instances where we take back a property and assist a new borrower, or in conjunction with the Homeownership Centers. The September 1997 analysis reflects trends that we have seen previously. There is not a significant difference between the IORTA loan program and the comparison 95% LTV group, although delinquencies in IORTA loans are slightly higher. There is a significant difference for the down payment assistance loans related to the percentage of loans ever in foreclosure when comparing it to the 95% LTV group. This is a trend that needs continued watching as we develop new down payment assistance programs.

Mr. Hunt then gave his report. He began his discussion by introducing a piece of legislation that Paul Cillo, the Majority Leader of the House, has been working on. This bill may be brought forward when the Legislature convenes in January. The bill provides a section that would modify the VHFA statute, allowing the Agency to do energy efficiency loans for not only residential, but for commercial, industrial, and nonprofit loans. The bill would add an energy charge (kilowatt-hours of energy usage) and would provide a one-tenth of one percent per kilowatt-hour charge during the first couple of years, and then two-tenths of one percent for the remaining part of a six-year period. The monies presumably would flow to the Agency to be used as a revolving loan fund for energy efficiency lending. The overall feeling of the Board was that the Agency should continue to participate in discussions regarding this upcoming bill.

At Mr. Seelig's suggestion, Mr. Hunt proposed to the Agency's national organization at their December 1997 Board meeting, a plan to increase the amount of Low Income Housing Tax

Credits through of a small state set-aside which would have the impact of expanding the amount of housing credits for Vermont and other small states. Despite the national staff's negative recommendation about doing this, (more funding for the small states would take away from big states) Mr. Hunt's proposal was well received. Although the vote was ultimately not in favor of his position, Mr. Hunt was very pleased that he got support from five of the large states.

Mr. Hunt also indicated that he spoke at an Assisted Living Seminar put on by the Agency of Human Services. It was widely attended by both social service and housing people, with roughly 125 attendees. Assisted living has become a very big issue; it has a lot of interest from both housing and human services organizations. Mr. Hunt found the seminar to be both helpful and useful.

Mr. Hunt attended a meeting recently with Mr. Lothrop, Ms. Santerre and the Vermont Bankers Association Mortgage Committee. In that meeting, they rolled out the new Guarantee Board underwriting proposals that will expedite the loan approvals for borrowers with strong credit histories, so that staff may concentrate on reviewing applications with the weaker credit scores. There was also discussion about the collection of property taxes under Act 60, which will dramatically change the way people pay their taxes. Discussions revolved around whether taxes will be paid to the state or towns and if we should be concerned about a senior lien. If it is considered a senior lien, are those people who are delinquent going to be reported back to us? As the Agency gets further involved with Act 60, we realize that there are many issues and problems, some of which have direct impact on our ability to do our job. Mr. Hunt indicated that a 30-page technical correction bill for Act 60 is being developed, which we will monitor closely.

Next, Mr. Jarrett gave a brief update on Essex Town Center. Last month there was a construction closing on the Essex Town Center loan. The Howard Bank made the construction loan, and the Agency guaranteed that construction loan up to $3.2 million. Several days after the closing of the loan, some information became available from the syndicator that their counsel was not satisfied with the way that the Carryover Allocation was done in 1996 on this project. Bob Gensburg submitted an analysis to the lawyer for the syndicator, and after much discussion, the lawyer has agreed with the analysis of how the Carryover Allocation was done. As a consequence, we have not yet locked in our rate with Federal Home Loan Bank.

Lastly, Mr. McNamara briefly discussed the Strategic Plan. Mr. McNamara began his discussion by stating that as the Board thinks about the Strategic Plan, the original question when it first began still applies, "Where does the Board want to see VHFA five years from now?" and "What has changed since the original plan was put together 2 ½ years ago?" We might need to rethink some of the elements in this document. A good example was the major flood that occurred in Montgomery, Vermont, which led to Board discussion as to whether or not VHFA should have a disaster assistance component in a rehabilitation program. We need to continue to ask ourselves what has changed in the last five years or what do we see on the horizon five years from now that our plan should begin to reflect. The Board has recognized the need to upgrade technology and we have taken steps to do so. We also need to look at how current programs are working, the environment we are in now, and how the environment is changing. Chairman White indicated that it would be useful if a status report could be developed for the specific goals that we have set. Chairman White also noted that there should be some discussion on what the environment is now, as opposed to two years ago. It was agreed that a session devoted solely to strategic planning should be booked in early 1998 as part of a regular Board meeting day.

There being no further business, following a motion made by Mr. Candon and seconded by Ms. Canney, the meeting was adjourned at 4:15 p.m.

Respectfully Submitted,

Allan S. Hunt, Secretary

**RESOLUTION RELATING TO**
**VERMONT HOUSING FINANCE AGENCY**
**ELECTION TO ALLOCATE AND CARRYFORWARD**
**1997 PRIVATE ACTIVITY BOND**
**VOLUME CAP ALLOCATION**

WHEREAS, the Vermont Housing Finance Agency (the "Agency") has been allocated $15 million in 1997 private activity bond volume cap by the State of Vermont, which was allocated to exempt facility bonds, $6,115,000 of which was utilized in 1997; and

WHEREAS, the Agency carried forward from 1996 $76,775,000 in volume cap, which was allocated for qualified mortgage bonds and mortgage credit certificates; and

WHEREAS, the Agency does not expect to be allocated additional private activity bond volume cap by the State of Vermont before the end of the current year; and

WHEREAS, in the event the Agency is allocated additional private activity bond volume cap by the State, the Agency desires to elect to utilize any additional volume cap for qualified mortgage bonds and mortgage credit certificates; and

WHEREAS, the Agency desires to carry forward any of its unused volume cap pursuant to section 146 of the Internal Revenue Code of 1986;

NOW, THEREFORE, it is hereby RESOLVED:

1. If the Vermont Housing Finance Agency is allocated any additional volume cap by the State of Vermont on or after December 18, 1997, it elects to allocate all of such additional volume cap for the purposes of issuing qualified mortgage bonds or mortgage credit certificates.

2. The Vermont Housing Finance Agency elects to carry forward $8,885,000 of its unused volume cap pursuant to section 146 of the Internal Revenue Code of 1986 for the purposes of issuing exempt facility bonds and any other remaining unused volume cap for the purposes of issuing qualified mortgage bonds or mortgage credit certificates.

3. The Executive Director, Deputy Director and Director of Finance are directed, and each of them is authorized, to take all steps necessary to carry forward the Agency's unused volume cap, including, but not limited to preparation, execution, and delivery of a Carryforward Election of Unused Private Activity Volume Cap in such form as may be required by the Internal Revenue Service and consistent in content and effect with this Resolution.

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on December 18, 1997.*

*Allan S. Hunt*
*Executive Director and Secretary*
*Vermont Housing Finance Agency*

# VERMONT HOUSING FINANCE AGENCY

**BOARD CONFERENCE CALL MINUTES**
**Vermont Housing Finance Agency**
**164 Saint Paul Street**
**Burlington, Vermont**
**Thursday, January 15, 1998**

**PRESENT:** Chairman White

**VIA SPEAKERPHONE**: Commissioners Canney, Smith (Designee of Douglas), Randall, Seelig

**AGENCY STAFF**: Mr. Hunt, Mr. Schoenbeck, Mr. Jarrett, Mr. Lothrop, and Ms. Gent

The meeting was called to order at 11:01 a.m. Participants were identified by roll call.

Mr. Schoenbeck noted that since we issued $65 million Single Family bonds last June, mortgage rates have been falling. To date, we have purchased about $12 million in mortgages and have commitments on another $6 million. This would leave about $45 million of "unexpended proceeds" that could be remarketed. Currently, bond rates are approximately 55 basic points lower than when we issued the bonds. This would mean that if we remarket the bonds at the current lower rate, we would be able to change our rate of 7.2% to 6.65%. We are required to use Paine Webber to remarket the bonds and pay them for their services.

Mr. Schoenbeck addressed the interest rate adjustment feature costs. The estimated costs would be about $100,000 of fixed costs between us and the underwriters and a potential of an additional $250,000 of fees and commissions if all outstanding bonds have to be remarketed. If 60% of the bondholders retain the bonds, as was the case the last time the Agency remarketed, we would save $150,000 of the potential costs.

There was further discussion about the Agency's ability to temporarily give up the 25 basis point additional charge designed to create additional revenue for losses. Ms Canney and other Commissioners thought this move would make the Agency's rates more competitive with conventional lenders.

After further discussion, a motion was made by Mr. Seelig to (1) give Mr. Hunt, Mr. Schoenbeck, Chairman White and Mr. Douglas (or Mr. Smith) the authority to make decisions to remarket and (2), to reduce the current rate on the Agency's mortgages to 6.95% to make the Agency's rate more competitive with conventional rates and the motion carried unanimously after being seconded by Ms. Canney.

Respectfully Submitted,
Allan S. Hunt

Allan S. Hunt, Secretary

**vhfa**

VERMONT HOUSING FINANCE AGENCY

**MEMORANDUM**

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PAC

DATE: February 6, 1998

RE: Bridge Financing Request for Officer's Row Affordable Units

## SUMMARY OF REQUEST

VHFA staff have been working with Lake Champlain Housing Development Corporation (LCHDC) and the Burlington Community Land Trust (BCLT) to transfer the administration of the second mortgage pool and the affordable units at Officer's Row from LCHDC to BCLT. LCHDC and BCLT initiated an initial discussion with VHFA about a transfer in December 1996. At that time, the Board approved a resolution to give authority to the Executive Director to renegotiate the agreement between LCHDC, VHFA, and the Vermont Housing and Conservation Board (VHCB). VHCB has preliminarily approved the transfer and we expect to be able to complete changes to all agreements and documents for final approval by all parties by April 1, 1998. At the December 1996 meeting, the Board also approved a resolution to provide up to $200,000 in zero percent financing to LCHDC to assist them to acquire affordable units at Officer's Row (see attached memo). The loan matured on December 31, 1997. LCHDC and BCLT again request that VHFA make available $200,000 in zero percent financing to assist during the transition period from LCHDC and BCLT. The source of funding for this request would be VHFA General Funds. The term of the loan would be one year. The borrower will be either LCHDC or BCLT.

## STATUS OF OFFICER'S ROW

LCHDC currently owns two units at Officer's Row. Unit 502D was purchased by LCHDC on September 1, 1995, using funds in the second mortgage pool. Unit 601F was purchased by LCHDC on January 13, 1998, using some of the remaining funds in the second mortgage pool and approximately $15,000 in LCHDC's funds. LCHDC did not want to liquidate the second mortgage pool because those funds must also cover the carrying costs (monthly association fee, insurance, real estate taxes, and utilities) of the units owned by LCHDC.



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LCHDC, BCLT, VHCB, and VHFA expect to transfer the administration of the second mortgage pool and affordable units to BCLT by April 1, 1998. BCLT requested changes to the terms of the second mortgage, appreciation formula, fees, and other requirements that would allow BCLT to administer the affordability and market Officer's Row units similar to HOMELAND resales. The changes would become effective on any resales. The only change for current owners would be a new administrator. (Attached is a table that outlines the current requirements and the new requirements that have been approved by VHCB, VHFA, BCLT, and LCHDC.)

**BOARD ACTION REQUESTED**

Staff requests approval of the attached Resolution to advance funds to LCHDC or BCLT in an amount not to exceed $200,000 at zero percent interest (0%) to assist them to acquire units at Officer's Row, and remarket the units to lower-income households. The term of this loan would be one year.

VERMONT HOUSING FINANCE AGENCY
RESOLUTION AUTHORIZING
BRIDGE FINANCING FOR
LAKE CHAMPLAIN HOUSING DEVELOPMENT CORP.
FOR OPTION PURCHASES OF OFFICERS' ROW UNITS

RESOLVED:

Pursuant to § 621(5) of the Vermont Housing Finance Agency Act, the Executive Director is authorized to enter into an agreement for bridge financing, in the maximum amount of $200,000 at zero percent interest, with Lake Champlain Housing Development Corp. or Burlington Community Land Trust, Inc., substantially in accordance with the provisions and conditions in the attached Memorandum of Patricia A. Crady directed to the "VHFA Board of Commissioners" and dated February 6, 1998. The bridge loan will have a term of twelve months. The Executive Director, the Deputy Director and the Director of Finance are authorized to take all necessary steps and execute all documents necessary to implement the bridge loan authorized herein.

In addition, the Executive Director is authorized to execute new agreements between Lake Champlain Housing Development Corp., the Vermont Housing and Conservation Board and VHFA to include a transfer of responsibilities from Lake Champlain Housing Development Corp. to Burlington Community Land Trust, Inc., and new versions of the Housing Subsidy Covenant and related documents for future buyers of units at Dalton Drive.

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**ATTACHMENT**

| THREE PARTY AGREEMENT OTHER DOCUMENTS | CURRENT REQUIREMENT | NEW REQUIREMENTS |
|---|---|---|
| Resale Price | Market Value | Market Value |
| Second Mortgage | Due at Resale | Due at Resale |
| Interest Rate on Second Mortgage | 5% per annum -- unpaid interest is capitalized; borrowers have the option to pay interest and principal payments | 0% interest |
| Appreciation Share | 50% to Owner -- 50% to Second Mortgage Pool | 25% to Owner -- 75% to Second Mortgage Pool |
| Determination of Second Mortgage Amount | Maximum Amounts based on income and family size; households below 75% of median income are eligible for a larger second mortgage; annual adjustment allowed based on CPI.<br><br>The maximum amount of second mortgage is determined by calculating the amount necessary to bridge the gap between the sale price of the unit and the maximum mortgage that is affordable to the buyer. Current maximums are:<br><br>family size / 75% of median / 85% of median<br>1 / \$19,570 / \$13,810<br>2 / \$23,010 / \$17,250<br>3 / \$28,780 / \$22,440<br>4 / \$34,540 / \$28,780 | Initial second mortgage amounts would be based upon the bedroom size of the unit: 1BR \$12,000; 2BR \$17,000; 3BR \$25,000. Second mortgage amounts for subsequent buyers would increase by 75% of the appreciation minus the development fee.<br><br>If there is not sufficient appreciation to pay the development fee, the balance remaining in the second mortgage pool will be tapped to cover part of the development fee so the second mortgage amount available to the next buyer will not decrease and impact affordability. |
| Administration/Development Fees | An annual administration fee is paid to LCHDC -- this fee is adjusted annually based on the CPI. Effective 1/1/97 this fee was \$11,450.<br><br>The documents allow LCHDC to receive a loan fee (paid by the buyer); however, this fee has never been assessed because it cannot be financed and buyers have not had resources to pay this additional closing cost. | BCLT would receive a \$3,500 development for each unit that is marketed; BCLT would also receive an annual fee of \$100 for each unit that is still on the old system -- As long as there are any units in the old system, there will be a minimum annual fee of \$500. |
| Option Period | 120 Days | 180 Days |
| Purchase Price Exceeds VHFA Maximum | Not addressed in 3 Party Agreement | Second mortgage funds will be used to reduce the purchase price to the maximum allowable by VHFA for existing homes. |
| Reporting Requirement | Quarterly | Annual report of balance in second mortgage pool, balance of second mortgage loans outstanding, and summary of activity and annual review of affordability of units and impact of the new structure on affordability. |
| Other Expenses/Fees Deducted from the Second Mortgage Pool | NONE | The second mortgage pool will cover any monthly carrying costs for units in which BCLT may have to take title (taxes, insurance, utilities, association fees, etc.)<br><br>*Payment of carrying costs from the second mortgage pool will be an exception and not the rule. BCLT has an excellent track record in marketing limited appreciation property.* |

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VERMONT HOUSING FINANCE AGENCY

**MEMORANDUM**

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PAC

DATE: December 4, 1996

RE: Lake Champlain Housing Development Corporation -- Bridge Financing Request for Officers' Row Affordable Units

## SUMMARY OF REQUEST

At the July 1996 meeting, the Board approved a resolution to provide up to $65,000 in zero percent financing to Lake Champlain Housing Development Corporation (LCHDC) to assist them in the remarketing of a unit at Officers' Row. LCHDC did not accept this commitment because they were successful in marketing the unit to another lower income buyer during their option period. LCHDC currently owns one unit and has exercised their option to purchase an additional two units to keep them affordable. LCHDC has again requested assistance in the form of zero percent (0%) financing in a total amount not to exceed $200,000, which LCHDC could access should they need to take title to an Officers' Row unit. LCHDC cannot pay interest on these funds because the carrying costs cannot be passed on to the new buyer. There are uncommitted funds remaining in the second mortgage pool of approximately $140,000; however, only $72,700 is currently available because LCHDC used second mortgage funds to purchase the unit that they presently own. The source of funding for this request would be VHFA General Funds or Multifamily Refunding Savings. The term of the bridge loan would be for one year.

The Burlington Community Land Trust (BCLT) has indicated an interest in assuming the responsibility of the administration of the second mortgage pool and the remarketing of the affordable units at Officers' Row. VHFA staff is working with LCHDC and BCLT to identify changes prior to submitting a proposal for consideration by VHCB and VHFA. Staff requests approval for the Executive Director to renegotiate the agreement between LCHDC, VHCB, and VHFA, which may include the transfer of responsibility for the affordable units to BCLT, and to make any changes to the Housing Subsidy Covenant and related documents for subsequent buyers.



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EQUAL HOUSING OPPORTUNITY

## MARKETING OF UNITS AT OFFICERS' ROW

LCHDC administers the second mortgage pool and monitors affordability of 29 units at the Officers' Row condominium project developed by VHFA. To ensure affordability of the units, LCHDC has an option to purchase units at their appraised value. Once the owner sends LCHDC the appraisal and a notice that the owner intends to sell, LCHDC has 60 days to determine if it will exercise its right of first refusal. If LCHDC exercises its right, it has another 60 days to sell the unit to another income eligible buyer.

LCHDC has been successful in selling some units before they have to purchase them; however, in other cases the units did not sell and funds available in the second mortgage pool were used to purchase the units. LCHDC has also had to take title to units because they could not be marketed while they were occupied (due to poor housekeeping habits or owners who were not willing to show their unit to prospective buyers).

When this project was first developed, VHFA believed that LCHDC would not have to take title to units to keep them affordable, and would be successful in selling the units to a new buyer during their option period by maintaining a waiting list of potential buyers. This has not been the case because potential buyers are unwilling to wait to purchase a home if other options are available. One such option has been BCLT's very successful Homeland Program that provides grants of $12,500 to assist lower-income buyers to purchase a home of their choice. LCHDC has initiated discussions with BCLT to determine the feasibility of either working collaboratively or having BCLT take over the administration of the second mortgage pool and affordability of units at Officers' Row. LCHDC has limited experience working with potential home buyers and marketing units with limited equity, while the primary focus of BCLT has been assisting lower-income households to purchase a home via the Community Land Trust model. BCLT has also been very successful in marketing resales, and is one of the three pilot Homeownership Centers. Units at Officers' Row could be a valuable resource to the Homeownership Center due to a reduction in funding for the Homeland Program.

The outcome of LCHDC and BCLT's discussions may require changes to the agreements between VHCB, VHFA, and LCHDC, and the agreement with future homeowners. One such change that has been discussed is to the Housing Subsidy Covenant whereby LCHDC's option period would not start until the unit is in a marketable condition to show potential buyers (marketable condition would have to be defined). Another option is to change the agreements that currently allow LCHDC to charge a loan origination fee on the second mortgage of $620. LCHDC has not assessed this fee because the buyers they work with usually have a difficult time coming up with funds for other closing costs, and cannot afford the additional fee. If this fee was eligible for financing with the second mortgage, additional funds would be available to offset any expenses should LCHDC have to purchase a unit to preserve its affordability. Any changes must be approved by the Boards of all organizations.

**BOARD ACTION REQUESTED**

Staff requests approval of the attached Resolution to advance funds to LCHDC in an amount not exceed $200,000 at zero percent interest (0%) to assist them to acquire units at Officers' Row, and remarket the units to lower-income households. The term of the bridge loan would be one year. Staff also requests approval for the Executive Director to renegotiate the agreement currently in place between LCHDC, VHCB, and VHFA, which may include a transfer of responsibilities to BCLT, and changes to the Housing Subsidy Covenant and related documents for subsequent buyers.

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VERMONT HOUSING FINANCE AGENCY
RESOLUTION AUTHORIZING
BRIDGE FINANCING FOR
LAKE CHAMPLAIN HOUSING DEVELOPMENT CORP.
FOR OPTION PURCHASES OF DALTON DRIVE UNITS

RESOLVED:

Pursuant to § 621(5) of the Vermont Housing Finance Agency Act, the Executive Director is authorized to enter into an agreement for bridge financing, in the maximum amount of $200,000 at zero percent interest, with Lake Champlain Housing Development Corp., substantially in accordance with the provisions and conditions in the attached Memorandum of Patricia A. Crady directed to the "VHFA Board of Commissioners" and dated December 4, 1996. The bridge loan will have a term of twelve months. The Executive Director, the Deputy Director and the Director of Finance are authorized to take all necessary steps and execute all documents necessary to implement the bridge loan authorized herein. In addition, the Executive Director is authorized to renegotiate the existing agreements between Lake Champlain Housing Development Corp., the Vermont Housing and Conservation Board and VHFA, which may include a transfer of responsibilities from Lake Champlain Housing Development Corp. to Burlington Community Land Trust, Inc., and the Housing Subsidy Covenant and related documents for future buyers of units at Dalton Drive.

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**vhfa**

**VERMONT HOUSING FINANCE AGENCY**

**MEMORANDUM**

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Development Officer *CReid*

DATE: January 30, 1998

RE: Health Property Partners, Level III Community Care Home, Hartford: Letter of Interest for Construction and Permanent Financing

Executive Summary

At the November 1997 meeting, the Board approved guidelines for financing assisted living facilities, specifically pertaining to overall project affordability, affordability of rents, and cash distributions. Since then staff has been proceeding with a proposal from Health Property Partners, a private for profit developer, to finance an assisted living facility (ALF) in Hartford using tax-exempt bonds. Recent events have resulted in the project going forward instead as a Level III Community Care Home (Level III) utilizing **taxable** bonds, for the following reasons. First, the definition of "Residential Housing" in the VHFA Statute has not been updated to include "assisted living", which will take legislative action. We are doubtful that that change can be accomplished this year. Second, the Internal Revenue Service issued a Private Letter Ruling in October 1997, that determined that an ALF in Colorado was a nonresidential health care facility, not a residential facility. This raises questions about whether such a facility could qualify for tax-exempt private activity bond financing and "out-of-cap" housing credit. Since it may take some time for a clarification from the Treasury Department and/or the IRS, the developer plans to obtain licensing for the project as a Level III Community Care Home utilizing taxable financing.

The developer, a to-be formed limited partnership sponsored by Health Property Partners (HPP), proposes to construct a 60-unit mixed income Level III Community Care Home in Hartford. The project is applying for approximately $5,100,000 in taxable construction and permanent financing.

The Development

Projected Funding Sources

| | |
|---|---|
| VHFA First Mortgage (taxable bond) | $5,100,000 |
| Developer Equity | $ 324,000 |
| Total | $5,424,000 |

An appraisal has been ordered and should be completed by the end of January (and in time for the Board meeting).

Project Description, Unit Breakdown and Rents

The project consists of 24 zero-bedroom units (efficiencies) and 36 one-bedroom units, for a total of 60 units. It will be licensed as a Level III Community Care Home, which is defined as *a residential care home licensed to provide room, board, personal care, general supervision, medication management, and nursing overview as defined by...regulations*. The main differences between Level IIIs and ALFs are that ALFs have private rooms with private baths, while Level IIIs have some double occupancy rooms and shared baths (although the proposed facility will have private rooms with private baths). ALFs provide for more consumer choice while Level IIIs are more structured in terms of services provided, and ALFs allow residents to stay longer in the facility as they age and their needs increase. VHFA has financed two Level III Community Care Homes to date, in 1986 and 1987.

The proposed facility will provide three meals per day, housekeeping, personal care, medical assistance, laundry, transportation, and 24 hour per day nursing supervision. Units will be furnished and include private baths and kitchens. Six units will be affordable to households at 43% of area median income; six units will be affordable to households at 57% of area median income; seven units will be affordable to households at 80% of median income; twelve units will be affordable to households at 94% of median income, and twenty nine units are market. (The affordability of the units is calculated using 85% of gross income for housing and service costs. The 85% guideline was discussed and approved at the November Board meeting.) All residents will have access to all services. A breakdown of unit sizes and rents follows:

| Br Size | # Units | Sq Ft | Rent | Unit Type |
|---|---|---|---|---|
| 0-Br | 6 | 352 | $900/mo ($30/day) | <100% Median (43%) |
| 0-Br | 6 | 352 | $1,200/mo ($39/day) | <100% Median (57%) |
| 0-Br | 7 | 352 | $1700/mo ($56/day) | <100% Median (80%) |
| 0-Br | 5 | 352 | $1,900/mo ($62/day) | <100% Median (90%) |
| 1-Br | 7 | 528 | $2,000/mo ($66/day) | <100% Median (95%) |
| 1-Br | 29 | 528 | $3,200/mo ($105/day) | Market |

Sponsor, Management and Market

Health Property Partners, whose principals are Jack Heaton and Francis Murphy, is developing the project. It will be owned by a to-be-formed limited partnership sponsored by HPP. Mr. Heaton and Mr. Murphy have over ten years of experience in housing development, including development of "assisted living". In 1987 HPP developed Equinox Terrace, a 74 bed (and expanding) Community Care Home in Manchester, and recently a 75-bed ALF in Scarborough, Maine. THM Property Management Services, HPP's company, will manage the project once it is completed.

A market study was completed by Atlantic Retirement Communities in July 1997, and supports the project in scope, demographics and location. It defines the primary market area within a 15 mile radius of Hartford, and includes the Woodstock, Norwich, Hanover area. An estimated 3,829 people age 75 and older currently live in the market area; 70% are single persons – the target market for such a facility. This age segment is expected to increase by 33% between 1990 and 2002. The market area includes other residential care facilities, but the market study states that most others provide shared rather than private bathing facilities. Also, there is no entry fee for this development, which distinguishes it from assisted living competitors in the area.

Site and Environmental Concerns

The site is a 10 +/- acre parcel on Route 5 in the Village of Wilder, Town of Hartford and County of Windsor. It is 1.1 miles to Interstate 91 and 1.5 miles from the center of Norwich. It is flat and partially wooded, and located in an area of mixed commercial uses including a florist shop, a lawyer's office, a self-storage unit, and near a condominium project and a single family residence. It is close to a health clinic and four miles to a hospital.

A Level I Environmental Site Assessment was completed by Clay Point Associates, Inc. in September 1997, and found no environmental problems or concerns.

Discussion

We are proposing to issue a taxable bond to finance this development in order to avoid the barriers currently presented by tax-exempt financing and out-of-cap housing credit.

Strengths

a) The sponsor and its management company have considerable experience in developing and managing facilities such as the one proposed.

b) By utilizing taxable debt, the project will not use financial resources that are in short supply and high demand.

Weaknesses

a) The level of affordability isn't as deep or broad as many projects VHFA finances; however, the project meets the minimum 51% overall project affordability, will serve six residents at 43% of area median income, and a total of nineteen (32% of the development) below 80% of area median income. It also creates a mixed income development, in which the market units subsidize the affordable units, rather than requiring an external subsidy.

b) Although we have financed two Level III Community Care Homes in the past, this is a relatively new area for VHFA. Therefore, in order to properly review assumptions and costs, we will obtain independent reviews of both the development and operating budgets for cost reasonableness and adequacy.

Recommended Board Action

Staff recommends Board approval of the attached Resolution to provide a Letter of Interest to provide construction and permanent financing in the amount of approximately $5,100,000 with a loan term of 30 years and amortization period of 30 years, and an interest rate of no more than one and one half points above the cost of the bond. The Letter of Interest shall include the following conditions:

1. Sponsor must provide an appraisal acceptable to VHFA staff which provides a value sufficient to enable VHFA to make the loan within the parameters of VHFA's statutes and multifamily rules on loan-to-value ratio;

2. VHFA reserves the right to withdraw its Letter of Interest if interest rates rise to the point that the long-term financial feasibility of the development is threatened, or if the bond cannot be sold for any reason at terms that makes the project feasible;

3. Sponsor must provide final plans and specifications and an itemized construction budget for approval by VHFA or its agent; the cost of any construction budget review and construction inspections by an agent working on VHFA's behalf will be paid for out of the project's capital budget;

4. VHFA (or its agent) shall review the operating budget for adequacy and cost reasonableness and approve if acceptable;

5. Sponsor shall provide a written statement from the Town of Hartford as to estimated amount of property taxes to be assessed.

6. Sponsor shall provide meaningful personal guarantees throughout the construction period until project completion and breakeven occupancy in a form satisfactory to VHFA;

7. If interest rates fall such that the loan interest rate to the sponsor is lower than 8.5% (as shown in the budget dated 1/30/98), then VHFA reserves the right to reconsider the underwriting assumptions, including but not limited to the rent levels, loan amount, and loan terms.

**RESOLUTION PERTAINING TO LETTER OF INTEREST**
**RE: HEALTH PROPERTY PARTNERS (HARTFORD)**

WHEREAS, a proposal has been presented to the Agency by Health Property Partners, (the "Housing Sponsor") on behalf of a to-be-formed limited partnership involving the construction of a 60 unit Level III Community Care Home located in Hartford, as referenced in a staff memorandum dated January 30, 1998 (the "Development"); and

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

WHEREAS, 31 of the 60 units in the Housing Sponsor's proposal would be affordable to households earning less than 100 percent of median income; and

WHEREAS, the maximum amount of the mortgage loan will not exceed $5,100,000; and

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

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.

2. The construction costs incurred by the Housing Sponsor are for housing development costs within the meaning of the Act.

3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.

4. The Housing Sponsor undertaking the Development will maintain the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income.

5. The security value of the Development will equal at least the amount of the VHFA loan.

6. The Housing Sponsor is expected to qualify as a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

2. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to a to-be-formed limited partnership for the construction and long term financing of the

Development in Hartford in an amount not to exceed $5,100,000. The loan will be amortized and paid over a period of 30 years. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. The Letter of Interest shall include the following conditions:

   a. Sponsor must provide an appraisal acceptable to VHFA staff which provides a value sufficient to enable VHFA to make the loan within the parameters of VHFA's statutes and multifamily rules on loan-to-value ratio;

   b. VHFA reserves the right to withdraw its Letter of Interest if interest rates rise to the point that the long-term financial feasibility of the development is threatened, or if the bond cannot be sold for any reason at terms that makes the project feasible;

   c. Sponsor must provide final plans and specifications and an itemized construction budget for approval by VHFA or its agent; the cost of any construction budget review and construction inspections by an agent working on VHFA's behalf will be paid for out of the project's capital budget;

   d. VHFA (or its agent) shall review the operating budget for adequacy and cost reasonableness and approve if acceptable;

   e. Sponsor shall provide a written statement from the Town of Hartford as to estimated amount of property taxes to be assessed.

   f. Sponsor and its principals shall provide meaningful personal guarantees throughout the construction period until project completion and breakeven occupancy in a form satisfactory to VHFA;

   g. If interest rates fall such that the loan interest rate to the sponsor is lower than 8.5% (as shown in the budget dated 1/30/98), then VHFA reserves the right to reconsider the underwriting assumptions, including but not limited to the rent levels, loan amount, and loan terms.

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|---|---|---|---|---|---|---|---|
| **Heaton Level III Community Care Home - Hartford** | | | | | RUN DATE: | 30-Jan-98 | |
| | | | Increase Services | | | 2.00% | |
| Total Residential Units: | | 60 | Increase Restricted | | | 1.00% | |
| Restricted Units: | | 31 | Increase Market | | | 2.00% | |
| Percent Restricted: | | 51.67% | Expense increase: | | | 2.50% | |
| Avg Net Monthly Rent: | | 2,182 | Vacancy Rate: | | | 7.00% | |
| Total Dev Costs | | 5,424,000 | Partner's Tax Rate: | | | 34.00% | |
| TDC/Unit | | 90,400 | Depreciation Schedule: | | | 27.5 | |
| FINANCING SOURCES | | | | | | | |
| | | Amount | % of TDC | | Interest | Amortization | Term |
| First Mortgage | | 5,100,000 | | 94.03% | 8.50% | 30 | 30 |
| Developers Equity | | 324,000 | | 5.97% | N/A | N/A | |
| | | 5,424,000 | | 100.00% | | | |
| Per Unit Cost = | | 90,400 | | | | | |
| | Gap | 0 | | | | | |

| Heaton Level III Community Care Home - | | DEVELOPMENT BUDGET | | | |
|---|---|---|---|---|---|
| | | | | | |
| | | | Budget | Per Unit | Per s.f. |
| ACQUISITION & CONSTRUCTION | | | | | |
| Land | | | 450,000 | 7,500 | 17.51 |
| Purchase of Building(s) | | | | 0 | 0.00 |
| Sitework | | | 250,000 | 4,167 | 9.73 |
| Construction | | | 2,900,000 | 48,333 | 112.86 |
| Furniture & Equipment | | | 350,000 | | 13.62 |
| OFF SITE IMPROVEMENTS | | | | | 0.00 |
| BOND | | | | | 0.00 |
| General Requirements | | 0.00% | | | 0.00 |
| Contractor Overhead | | 0.00% | | | 0.00 |
| Contractor Profit | 0.0% | 0.00% | | | 0.00 |
| Construction Contingency | | 0.00% | | | 0.00 |
| APPLIANCES | | | | | 0.00 |
| Subtotal | | | 3,950,000 | 65,833 | 153.72 |
| PROFESSIONAL SERVICES | | | | | |
| Architect & Engineering | | | 100,000 | 1,667 | 3.89 |
| Architect Fee - Supervision | | | | 0 | 0.00 |
| Attorney & Permits | | | 125,000 | 2,083 | 4.86 |
| SURVEY/ENGINEERING | | | | | 0.00 |
| ACCOUNTING | | | | | 0.00 |
| Legal - Title & Recording | | | | | 0.00 |
| Subtotal | | | 225,000 | 3,750 | 8.76 |
| INTERIM COSTS | | | | | |
| Construction Insurance | | | | | 0.00 |
| Construction Interest | | | 150,000 | 2,500 | 5.84 |
| Construction Loan Origination Fee | | | | | 0.00 |
| Taxes | | | | | 0.00 |
| Subtotal | | | 150,000 | 2,500 | 5.84 |
| OTHER SOFT COSTS | | | | | |
| Property Appraisal | | | | | 0.00 |
| Market Study | | | | | 0.00 |
| Environmental Report | | | | | 0.00 |
| SEWER & WATER FEES | | | | | 0.00 |
| PERMITS/FEES - STATE | | | | | 0.00 |
| PERMITS/FEES - LOCAL | | | | | 0.00 |
| Tax Credit Fees | | | | | 0.00 |
| Marketing (RENT UP) | | | | | 0.00 |
| Subtotal | | | 0 | 0 | 0.00 |
| FINANCING FEES & EXPENSES | | | | | |
| Credit Report | | | | | 0.00 |
| Permanent Loan Origination Fee | | | 75,000 | 1,250 | 2.92 |
| Credit Enhancement | | | | | 0.00 |
| Cost of Issuance | | | | | 0.00 |
| Title & Recording | | | | | 0.00 |
| Transaction Cost | | | 5,000 | | 0.19 |
| Construction Inspections | | | 5,000 | | 0.19 |
| Subtotal | | | 85,000 | 1,417 | 3.31 |
| SYNDICATION COSTS | | | | | |
| Organizational (Partnership) | | | | 0 | 0.00 |
| Bridge Loan Interest | | | | 0 | 0.00 |
| Tax Opinion | | | | 0 | 0.00 |
| Subtotal | | | 0 | 0 | 0.00 |
| DEVELOPER'S FEES | | | | | |
| Developer's Overhead & Profit | | | 564,000 | 9,400 | 21.95 |
| Consultant Fees | | | | 0 | 0.00 |
| Subtotal | | 12.79% | 564,000 | 9,400 | 21.95 |
| PROJECT RESERVES | | | | | |
| Rent-up (Deficit Escrow) Reserve | | | | 0 | 0.00 |
| Replacement Reserve | | | | 0 | 0.00 |
| Working Capital | | | 450,000 | 7,500 | 17.51 |
| "Pre-Opening" | | | | 0 | 0.00 |
| Subtotal | | | 450,000 | 7,500 | 17.51 |
| TOTAL DEVELOPMENT COSTS | | | 5,424,000 | 90,400 | 211.08 |

| Heaton Level III Community Care Ho | | Rental Income | | | 30-Jan-98 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Restricted Units | | | | | | Total | | | |
| Bedrooms | Type | Square Feet | Number | Rent | Utilities | Annual Rent | Afford to: | Median/ 1 Pers | Daily Rate |
| 0 BR | <100% | 352 | 6 | 900 | included | 64,800 | 43% | 29,800 | 30 |
| 0 BR | <100% | 352 | 6 | 1,200 | included | 86,400 | 57% | 29,800 | 39 |
| 0 BR | <100% | 352 | 7 | 1,700 | included | 142,800 | 80% | 29,800 | 56 |
| 0 BR | <100% | 352 | 5 | 1,900 | included | 114,000 | 90% | 29,801 | 62 |
| 1 BR | <100% | 528 | 7 | 2,000 | included | 168,000 | 95% | 29,800 | 66 |
| | Totals | 10,384 | 31 | | | 576,000 | | | |
| Market Rate Units | | | | | | Total | | | |
| Bedrooms | Type | Square Feet | Number | Rent | Utilities | Annual Rent | Afford to: | Median/ 1 Pers | Daily Rate |
| 1 BR | Market | 528 | 29 | 3,200 | included | 1,113,600 | 152% | 29,800 | 105 |
| | Totals | 15,312 | 29 | | | 1,113,600 | | | |
| All Units | | | | | | | | | |
| | Grand Totals | 25,696 | 60 | | | 1,689,600 | | | |
| | | Less Vacancy | 7% | | | (118,272) | | | |
| | | Vacancy Year One | 40% | | | | | | |
| | | | | | NET RENT | 1,571,328 | | | |
| | | OTHER INCOME | | | | | | | |
| | | Interest Income | | | | 0 | | | |
| | | Parking | | | | 0 | | | |
| | | Total Other Income | | | | 0 | | | |
| | | | | | TOTAL INCOME | 1,571,328 | | | |

**NOTE: 1) These median incomes assume"housing cost" is 85% of residents income (not 30%)**

**2) 51% of all units serve residents below median income.**

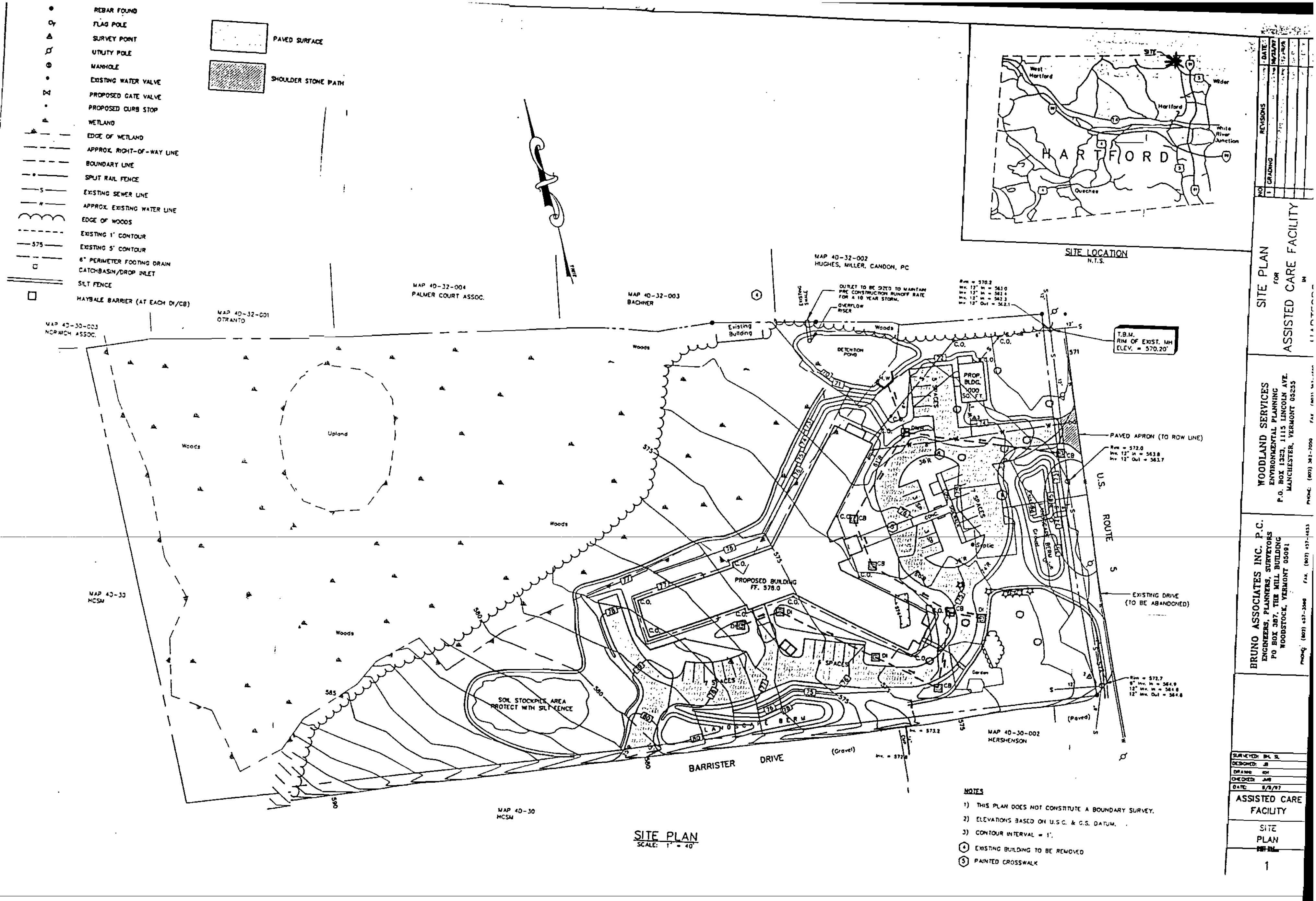
| Heaton Level III Community Ca | EXPENSE BUDGET | | | 30-Jan-98 |
|---|---|---|---|---|
| | | | Per Unit | |
| | Annual | Monthly | Per Month | |
| Administration | | | | |
| Management Fee | 79,352 | 6,613 | 110 | 5.1% |
| Marketing | 0 | 0 | 0 | |
| Residential Care | 402,303 | 33,525 | 559 | |
| Legal | 0 | 0 | 0 | |
| Advertising | 23,108 | 1,926 | 32 | |
| Dietary | 171,477 | 14,290 | 238 | |
| Office PayrollTaxes | 0 | 0 | 0 | |
| Amenities | 30,441 | 2,537 | 42 | |
| Compliance Monitoring | 0 | 0 | 0 | |
| General and Administrative | 93,075 | 7,756 | 129 | |
| TOTAL ADMINISTRATIVE | 799,756 | 66,646 | 1,111 | |
| | | | | |
| Utilities | | | | |
| Water/Sewer | 13,359 | 1,113 | 19 | |
| Electric | 29,565 | 2,464 | 41 | |
| Fuel | 27,156 | 2,263 | 38 | |
| Cable | 4,161 | 347 | 6 | |
| Estimate for Kitchens | 12,045 | 1,004 | 17 | |
| TOTAL UTILITIES | 86,286 | 7,191 | 120 | |
| | | | | |
| Maintenance | | | | |
| Maintenance Payroll | 31,755 | 2,646 | 44 | |
| Supplies | 0 | 0 | 0 | |
| Trash Removal | 6,132 | 511 | 9 | |
| Snow/Grounds | 0 | 0 | 0 | |
| Repairs | 0 | 0 | 0 | |
| Paint/Decorating | 0 | 0 | 0 | |
| Exterminating | 0 | 0 | 0 | |
| Contract Maintenance | 11,388 | 949 | 16 | |
| Housekeeping | 33,945 | 2,829 | 47 | |
| Service Lease | 0 | 0 | 0 | |
| Other | 0 | 0 | 0 | |
| TOTAL MAINTENANCE | 83,220 | 6,935 | 116 | |
| | | | | |
| Taxes | 78,000 | 6,500 | 108 | |
| Insurance | 11,826 | 986 | 16 | |
| Replacement Reserves | 29,753 | 2,479 | 41 | |
| Other | 0 | 0 | 0 | |
| Total | 1,088,841 | 90,737 | 1,512 | |
| | | | | |
| Year 1Total Expenses | 851,753 | | | |
| Year 1 Advertising | | | | |
| Year 1 Management Fee | 50,103 | | | |
| Year 1 Reserves | 20,041 | | | |
| Year 2 Total Expenses | 939,101 | | | |
| Year 2 Management Fee | 79,352 | | | |
| Year 2 Reserves | 30,982 | | | |

| Real Estate Only | RE | | | |
|---|---|---|---|---|
| | | | Per Unit | |
| | Annual | Monthly | Per Month | |
| Administration | | | | |
| Management Fee | 80,669 | 6,722 | 112 | 5% |
| Marketing | | 0 | 0 | |
| Residential Care | | 0 | 0 | |
| Legal | | 0 | 0 | |
| Advertising | 10,406 | 867 | 14 | |
| Dietary | | 0 | 0 | |
| Office PayrollTaxes | | 0 | 0 | |
| Amenities | | 0 | 0 | |
| Compliance Monitoring | | 0 | 0 | |
| General and Administrative | | 0 | 0 | |
| TOTAL ADMINISTRATIVE | 91,075 | 7,590 | 126 | |
| | | | | |
| Utilities | | | | |
| Water/Sewer | 13,359 | 1,113 | 19 | |
| Electric | 29,565 | 2,464 | 41 | |
| Fuel | 27,156 | 2,263 | 38 | |
| Cable | 4,161 | 347 | 6 | |
| Estimate for Kitchens | 12,045 | 1,004 | 17 | |
| TOTAL UTILITIES | 86,286 | 7,191 | 120 | |
| | | | | |
| Maintenance | | | | |
| Maintenance Payroll | 31,755 | 2,646 | 44 | |
| Supplies | | 0 | 0 | |
| Trash Removal | 6,132 | 511 | 9 | |
| Snow/Grounds | | 0 | 0 | |
| Repairs | | 0 | 0 | |
| Paint/Decorating | | 0 | 0 | |
| Exterminating | | 0 | 0 | |
| Contract Maintenance | 11,388 | 949 | 16 | |
| Housekeeping | 33,945 | 2,829 | 47 | |
| Service Lease | | 0 | 0 | |
| Other | | 0 | 0 | |
| TOTAL MAINTENANCE | 83,220 | 6,935 | 116 | |
| | | | | |
| Taxes | 78,000 | 6,500 | 108 | |
| Insurance | 5,913 | 493 | 8 | |
| Replacement Reserves | 29,753 | 2,479 | 41 | |
| Other | | 0 | 0 | |
| Total | 374,247 | 31,187 | 520 | |
| | | | | |
| Year 1Total Expenses | 248,821 | | | |
| Year 1 Reserves | 20,041 | | | |
| Year 2 Total Expenses | 259,009 | | | |
| Year 2 Reserves | 30,982 | | | |

| Services Only | Services | | |
|---|---|---|---|
| | | | Per Unit |
| | Annual | Monthly | Per Month |
| Administration | | | |
| Management Fee | | 0 | 0 |
| Marketing | | 0 | 0 |
| Residential Care | 402,303 | 33,525 | 559 |
| Legal | | 0 | 0 |
| Advertising | 12,702 | 1,059 | 18 |
| Dietary | 171,477 | 14,290 | 238 |
| Office PayrollTaxes | | 0 | 0 |
| Amenities | 30,441 | 2,537 | 42 |
| Compliance Monitoring | | 0 | 0 |
| General and Administrative | 93,075 | 7,756 | 129 |
| TOTAL ADMINISTRATIVE | 709,998 | 59,167 | 986 |
| | | | |
| Utilities | | | |
| Water/Sewer | | 0 | 0 |
| Electric | | 0 | 0 |
| Fuel | | 0 | 0 |
| Cable | | 0 | 0 |
| Estimate for Kitchens | | 0 | 0 |
| TOTAL UTILITIES | 0 | 0 | 0 |
| | | | |
| Maintenance | | | |
| Maintenance Payroll | | 0 | 0 |
| Supplies | | 0 | 0 |
| Trash Removal | | 0 | 0 |
| Snow/Grounds | | 0 | 0 |
| Repairs | | 0 | 0 |
| Paint/Decorating | | 0 | 0 |
| Exterminating | | 0 | 0 |
| Contract Maintenance | | 0 | 0 |
| Housekeeping | | 0 | 0 |
| Service Lease | | 0 | 0 |
| Other | | 0 | 0 |
| TOTAL MAINTENANCE | 0 | 0 | 0 |
| | | | |
| Taxes | | 0 | 0 |
| Insurance | 5,913 | 493 | 8 |
| Replacement Reserves | | 0 | 0 |
| Other | | 0 | 0 |
| Total | 715,911 | 59,659 | 994 |
| | | | |
| Year 1Total Expenses | 602,932 | | |
| Year 1 Reserves | | | |
| Year 2 Total Expenses | 680,092 | | |
| Year 2 Reserves | | | |

| 30-Jan-98 | | Heaton Level III Community Care Hom | | | Cash Flow Projection | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Restricted Residential Rental Income | | | 576,000 | 581,760 | 587,578 | 593,453 | 599,388 | 605,382 | 611,436 | 617,550 | 623,725 | 629,963 | 636,262 | 642,625 | 649,051 | 655,542 | 662,097 |
| Market Residential Rental Income | | | 1,113,600 | 1,124,736 | 1,147,231 | 1,170,175 | 1,193,579 | 1,217,450 | 1,241,799 | 1,266,635 | 1,291,968 | 1,317,807 | 1,344,164 | 1,371,047 | 1,398,468 | 1,426,437 | 1,454,966 |
| Less Res Vacancy | | | (675,840) | (119,455) | (121,437) | (123,454) | (125,508) | (127,598) | (129,726) | (131,893) | (134,099) | (136,344) | (138,630) | (140,957) | (143,326) | (145,739) | (148,194) |
| Plus Other Income | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Actual Income | | | 1,013,760 | 1,587,041 | 1,613,372 | 1,640,175 | 1,667,459 | 1,695,234 | 1,723,509 | 1,752,292 | 1,781,595 | 1,811,426 | 1,841,796 | 1,872,715 | 1,904,193 | 1,936,240 | 1,968,869 |
| Less Rental Operating Expenses | | | 298,924 | 338,361 | 374,247 | 383,603 | 393,193 | 403,023 | 413,098 | 423,426 | 434,011 | 444,862 | 455,983 | 467,383 | 479,067 | 491,044 | 503,320 |
| Less Reserves | | | 20,041 | 30,982 | 29,753 | 30,497 | 31,259 | 32,041 | 32,842 | 33,663 | 34,504 | 35,367 | 36,251 | 37,157 | 38,086 | 39,039 | 40,014 |
| Less Services Operating Expenses | | | 602,932 | 680,092 | 715,911 | 730,229 | 748,485 | 767,197 | 786,377 | 806,036 | 826,187 | 846,842 | 868,013 | 889,713 | 911,956 | 934,755 | 958,124 |
| Net Operating Income | | | 91,863 | 537,606 | 493,461 | 495,846 | 494,522 | 492,974 | 491,192 | 489,168 | 486,892 | 484,356 | 481,549 | 478,461 | 475,083 | 471,403 | 467,410 |
| Less Primary Debt Service | | | 470,575 | 470,575 | 470,575 | 470,575 | 470,575 | 470,575 | 470,575 | 470,575 | 470,575 | 470,575 | 470,575 | 470,575 | 470,575 | 470,575 | 470,575 |
| Cash Flow | | | (378,712) | 67,031 | 22,886 | 25,271 | 23,947 | 22,398 | 20,617 | 18,592 | 16,317 | 13,781 | 10,974 | 7,886 | 4,508 | 828 | (3,165) |
| Oper Subsidy | | | 378,712 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,165 |
| Net Cash | | | 0 | 67,031 | 22,886 | 25,271 | 23,947 | 22,398 | 20,617 | 18,592 | 16,317 | 13,781 | 10,974 | 7,886 | 4,508 | 828 | 0 |
| | | | | | | | | | | | | | | | | | |
| DCR | | | 19.52% | 114.24% | 104.86% | 105.37% | 105.09% | 104.76% | 104.38% | 103.95% | 103.47% | 102.93% | 102.33% | 101.68% | 100.96% | 100.18% | 99.33% |
| Cumulative Replacement Reserve | | | 20,041 | 51,023 | 80,776 | 111,273 | 142,532 | 174,573 | 207,415 | 241,077 | 275,582 | 310,949 | 347,200 | 384,357 | 422,444 | 461,482 | 501,497 |
| Cumulative Cash Flow | | | | | | | | | | | | | | | | | |
| Beginning Balance | | | 450,000 | 142,819 | 167,133 | 194,076 | 219,963 | 244,561 | 267,624 | 288,892 | 308,098 | 324,960 | 339,183 | 350,461 | 358,474 | 362,886 | 366,515 |
| Interest | | 2.0% | 4,500 | 1,428 | 1,671 | 1,941 | 2,200 | 2,446 | 2,676 | 2,889 | 3,081 | 3,250 | 3,392 | 3,505 | 3,585 | 3,629 | 3,665 |
| Withdrawals | | | (378,712) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (3,165) |
| Ending Balance Before Distributions | | | 75,788 | 144,247 | 168,805 | 196,016 | 222,163 | 247,007 | 270,300 | 291,781 | 311,179 | 328,209 | 342,575 | 353,966 | 362,059 | 366,515 | 367,015 |
| Distributions (10% of Equity) | | | (32,400) | (32,400) | (32,400) | (32,400) | (32,400) | (32,400) | (32,400) | (32,400) | (32,400) | (32,400) | (32,400) | (32,400) | (32,400) | (32,400) | (32,400) |
| Ending Balance | | | 43,388 | 111,847 | 136,405 | 163,616 | 189,763 | 214,607 | 237,900 | 259,381 | 278,779 | 295,809 | 310,175 | 321,566 | 329,659 | 334,115 | 334,615 |

| 30-Jan-98 | | | | | | | | | PRO FORM | 30-Jan-98 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 |
| | | | | | | | | | | | | | | | |
| Restricted Residential Rental Incom | 668,718 | 675,405 | 682,159 | 688,981 | 695,871 | 702,829 | 709,858 | 716,956 | 724,126 | 731,367 | 738,681 | 746,068 | 753,528 | 761,064 | 768,674 |
| Market Residential Rental Income | 1,484,065 | 1,513,747 | 1,544,022 | 1,574,902 | 1,606,400 | 1,638,528 | 1,671,299 | 1,704,725 | 1,738,819 | 1,773,595 | 1,809,067 | 1,845,249 | 1,882,154 | 1,919,797 | 1,958,193 |
| Less Res Vacancy | (150,695) | (153,241) | (155,833) | (158,472) | (161,159) | (163,895) | (166,681) | (169,518) | (172,406) | (175,347) | (178,342) | (181,392) | (184,498) | (187,660) | (190,881) |
| Plus Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Actual Income | 2,002,089 | 2,035,911 | 2,070,348 | 2,105,411 | 2,141,112 | 2,177,462 | 2,214,475 | 2,252,163 | 2,290,539 | 2,329,615 | 2,369,406 | 2,409,924 | 2,451,184 | 2,493,200 | 2,535,986 |
| Less Rental Operating Expenses | 515,903 | 528,801 | 542,021 | 555,571 | 569,460 | 583,697 | 598,289 | 613,247 | 628,578 | 644,292 | 660,400 | 676,910 | 693,832 | 711,178 | 728,958 |
| Less Reserves | 41,015 | 42,040 | 43,091 | 44,168 | 45,273 | 46,405 | 47,565 | 48,754 | 49,973 | 51,222 | 52,502 | 53,815 | 55,160 | 56,539 | 57,953 |
| Less Services Operating Expenses | 982,077 | 1,006,629 | 1,031,795 | 1,057,590 | 1,084,029 | 1,111,130 | 1,138,908 | 1,167,381 | 1,196,566 | 1,226,480 | 1,257,142 | 1,288,570 | 1,320,785 | 1,353,804 | 1,387,649 |
| Net Operating Income | 463,094 | 458,441 | 453,442 | 448,082 | 442,349 | 436,231 | 429,713 | 422,782 | 415,423 | 407,621 | 399,362 | 390,629 | 381,407 | 371,678 | 361,426 |
| Less Primary Debt Service | 470,575 | 470,575 | 470,575 | 470,575 | 470,575 | 470,575 | 470,575 | 470,575 | 470,575 | 470,575 | 470,575 | 470,575 | 470,575 | 470,575 | 470,575 |
| Cash Flow | (7,482) | (12,134) | (17,133) | (22,493) | (28,226) | (34,344) | (40,862) | (47,793) | (55,152) | (62,954) | (71,213) | (79,946) | (89,168) | (98,897) | (109,149) |
| Oper Subsidy | 7,482 | 12,134 | 17,133 | 22,493 | 28,226 | 34,344 | 40,862 | 47,793 | 55,152 | 62,954 | 71,213 | 79,946 | 89,168 | 98,897 | 109,149 |
| Net Cash | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | | | | | | | | | |
| DCR | 98.41% | 97.42% | 96.36% | 95.22% | 94.00% | 92.70% | 91.32% | 89.84% | 88.28% | 86.62% | 84.87% | 83.01% | 81.05% | 78.98% | 76.81% |
| Cumulative Replacement Reserve | 542,511 | 584,552 | 627,643 | 671,811 | 717,084 | 763,489 | 811,053 | 859,807 | 909,780 | 961,001 | 1,013,504 | 1,067,319 | 1,122,479 | 1,179,019 | 1,236,972 |
| Cumulative Cash Flow | | | | | | | | | | | | | | | |
| Beginning Balance | 367,015 | 363,204 | 354,702 | 341,116 | 322,034 | 297,028 | 265,654 | 227,449 | 181,930 | 128,597 | 66,929 | (3,615) | (83,596) | (173,600) | (274,233) |
| Interest | 3,670 | 3,632 | 3,547 | 3,411 | 3,220 | 2,970 | 2,657 | 2,274 | 1,819 | 1,286 | 669 | (36) | (836) | (1,736) | (2,742) |
| Withdrawals | (7,482) | (12,134) | (17,133) | (22,493) | (28,226) | (34,344) | (40,862) | (47,793) | (55,152) | (62,954) | (71,213) | (79,946) | (89,168) | (98,897) | (109,149) |
| Ending Balance Before Distributions | 363,204 | 354,702 | 341,116 | 322,034 | 297,028 | 265,654 | 227,449 | 181,930 | 128,597 | 66,929 | (3,615) | (83,596) | (173,600) | (274,233) | (386,124) |
| Distributions (10% of Equity) | (32,400) | (32,400) | (32,400) | (32,400) | (32,400) | (32,400) | (32,400) | (32,400) | (32,400) | (32,400) | 0 | 0 | 0 | 0 | 0 |
| Ending Balance | 330,804 | 322,302 | 308,716 | 289,634 | 264,628 | 233,254 | 195,049 | 149,530 | 96,197 | 34,529 | (3,615) | (83,596) | (173,600) | (274,233) | (386,124) |


REBAR FOUND
FLAG POLE
SURVEY POINT
UTILITY POLE
MANHOLE
EXISTING WATER VALVE
PROPOSED GATE VALVE
PROPOSED CURB STOP
WETLAND
EDGE OF WETLAND
APPROX. RIGHT-OF-WAY LINE
BOUNDARY LINE
SPLIT RAIL FENCE
EXISTING SEWER LINE
APPROX. EXISTING WATER LINE
EDGE OF WOODS
EXISTING 1' CONTOUR
EXISTING 5' CONTOUR
6" PERIMETER FOOTING DRAIN
CATCHBASIN/DROP INLET
SILT FENCE
HAYBALE BARRIER (AT EACH DI/CB)
PAVED SURFACE
SHOULDER STONE PATH
SITE LOCATION
N.T.S.
HARTFORD
West Hartford
Hartford
Quechee
Wilder
White River Junction
SITE
MAP 40-30-003
NORWICH ASSOC.
MAP 40-32-001
OTRANTO
MAP 40-32-004
PALMER COURT ASSOC.
MAP 40-32-003
BACHNER
MAP 40-32-002
HUGHES, MILLER, CANDON, PC
MAP 40-30
HCSM
MAP 40-30-002
HERSHENSON
Existing Building
Existing Swale
OUTLET TO BE SIZED TO MAINTAIN PRE CONSTRUCTION RUNOFF RATE FOR A 10 YEAR STORM.
OVERFLOW RISER
DETENTION POND
T.B.M.
RIM OF EXIST. MH
ELEV. = 570.20'
Woods
Upland
SOIL STOCKPILE AREA
PROTECT WITH SILT FENCE
PROPOSED BUILDING
FF. 578.0
PROP. BLDG.
SPACES
7 SPACES
Septic
LANDSCAPE BERM
Garden
PAVED APRON (TO ROW LINE)
EXISTING DRIVE
(TO BE ABANDONED)
U.S. ROUTE 5
BARRISTER DRIVE
(Gravel)
(Paved)
SITE PLAN
SCALE: 1" = 40'
NOTES
1) THIS PLAN DOES NOT CONSTITUTE A BOUNDARY SURVEY.
2) ELEVATIONS BASED ON U.S.C. & G.S. DATUM.
3) CONTOUR INTERVAL = 1'.
4 EXISTING BUILDING TO BE REMOVED
5 PAINTED CROSSWALK
BRUNO ASSOCIATES INC. P.C.
ENGINEERS, PLANNERS, SURVEYORS
PO BOX 387, THE MILL BUILDING
WOODSTOCK, VERMONT 05091
WOODLAND SERVICES
ENVIRONMENTAL PLANNING
P.O. BOX 1323, 1115 LINCOLN AVE.
MANCHESTER, VERMONT 05255
SITE PLAN
FOR
ASSISTED CARE FACILITY
REVISIONS
1 GRADING
ASSISTED CARE FACILITY
SITE PLAN
1

vhfa

VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: January 6, 1998

RE: Single Family Program Activity Report For December, 1997

## MORTGAGE PURCHASE PROGRAMS

| Month | No. | Amount | Previous Year | No. | Amount |
|---|---|---|---|---|---|
| Reservations | 32 | $ 2,170,590 | | 50 | $ 3,458,787 |
| Purchases | 51 | $ 3,318,677 | | 77 | $ 5,313,634 |

| Period to Date | No. | Amount | Previous Year | No. | Amount |
|---|---|---|---|---|---|
| Reservations | 892 | $62,558,709 | | 1231 | $82,315,238 |
| Purchases | 575 | $39,390,664 | | 836 | $ 56,097,440 |

## MORTGAGE PLUS

| Month | No. | Amount | Previous Year | No. | Amount |
|---|---|---|---|---|---|
| Reservations | 4 | $ 319,000 | | 4 | $ 354,100 |
| Issued | 4 | $ 324,185 | | 12 | $ 866,995 |

| Period to Date | No. | Amount | Previous Year | No. | Amount |
|---|---|---|---|---|---|
| Reservations | 111 | $ 9,466,858 | | 99 | $ 7,403,836 |
| Issued | 82 | $ 6,584,201 | | 100 | $ 7,626,402 |

*ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD*

*Mailing Address:* PO Box 408, Burlington, Vermont 05402-0408
*Delivery Address:* 164 Saint Paul Street, Burlington, Vermont 05401-4364
802 / 864-5743 • 800 / 339-5866 • TDD: 800 / 586-5832
FAX: 802 / 864-5746 • Underwriting FAX: 802 / 863-5422 • home@vhfa.org

**vhfa**

VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

DRL

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

DATE: January 14, 1998

RE: Quarterly Report of the Results of the Single Family Mortgage Loan Quality Control Process - October 1, 1997 through December 31, 1997

## VOLUME

*LOANS SELECTED FOR REVIEW*

A total of 145 loans were guaranteed by VHMGB during the above period. Of these loans, 92 were loans to be purchased by VHFA, and 53 were conventional. The conventional loans were further broken down into 38 fixed rate loans and 15 adjustable rate loans.

Seventeen (17) loans guaranteed by VHMGB were randomly selected by the computer to participate in the quality control process. Of these loans, 11 were to be purchased by VHFA and 6 were conventional loans. The conventional loans were further split as 4 fixed rate and 2 adjustable rate loans.

The chart below demonstrates a comparison by percentage of the loans guaranteed and the loans pulled for quality control review.

| Category | VHFA | Conv. | Fixed | Adj. |
|---|---|---|---|---|
| Total Loans Guaranteed in Period | 63% | 37% | 26% | 11% |
| Total Loans Pulled for QC | 65% | 35% | 24% | 11% |

Based on the above, the loan types selected for quality control review are a reasonably accurate reflection of the loans guaranteed.



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*LOANS WHICH HAVE BEEN COMPLETED*

Eighteen (18) loans completed the quality control process during the period. Most of these loans were selected to participate in the quality control process in the previous period. Of the loans completed, 10 were loans sold or to be sold to VHFA and 8 were conventional loans. The conventional loans were split 7-fixed rate and 1 adjustable rate.

*FINDINGS ON LOANS REVIEWED*

We requested that the original appraiser respond to review appraiser comment on two loans. All responded satisfactorily.

Of the 18 loans completing the quality control process, only one required underwriters to respond to an inquiry. The response was satisfactory.

vhfa

VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: February 4, 1998

RE: Update on Loan Servicing

## Servicing Update

The following is a list of accomplishments made in the Single Family Servicing Area over the past year along with a list of future initiatives.

Accomplishments

- Increased monitoring of delinquencies resulting in more timely interventions and increased loan workouts. In January 1997 we had 22 loans in workout. As of December 1997 there were 84.
- Seminar sponsored by VHFA and presented by Freddie Mac on loss mitigation. There were 37 attendees representing 14 lenders, 6 non-profits and VHFA.
- Instituted procedures to reduce the time to accomplish loss mitigation techniques.
- Contracted with Asset Disposition Management, Inc and the Harold Lewis Group to assist VHFA in selling REO properties. Currently they are managing 24 properties and have sold two.
- Moved the entire foreclosure process to the servicing area and consolidated the servicing staff to the first floor.
- Instituted lenders reporting delinquencies within 5 business days after the end of the month.
- More formalized monthly foreclosure and REO meetings to more closely monitor non-performing assets.
- Developed a Servicer performance measurement tool to be implemented starting with December 1997 figures.
- Discussed with several of our largest servicers, including Albank, Banknorth Mortgage Company, and Vermont National Bank delinquencies and loss mitigation techniques within the last two months.



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Future Projects to Consider for Implementation and/or Continuance

- Continue work with area non-profits for the sale of REO properties.
- Continue emphasis on using loss mitigation techniques.
- Pursue electronic default reporting.
- Host management level meetings with servicers on loss mitigation and other collection techniques.
- Adapt the use of secondary market delinquency loan rating to determine which loans need the most collection attention so staff efforts are put to the best use.
- Locate and contract with a sub-servicer that specializes in "B" & "C" loan paper collections as well as "A" paper collections.

**Credit Scores and Delinquencies**

Both the VHFA and VHMGB board approved changes to underwriting guidelines at their respective previous meetings. These changes were based on providing lower risk loans with less staff review, which would provide more time to review higher risk loans. For the present, risk was going to be determined on the borrowers credit score. All loans with a credit score of 660 or greater would be placed in one of two low loan risk categories.

The following is an analysis of loans on which we have credit scores and delinquency information. VHFA has been entering credit scores of borrowers into our database for approximately the past two years. Note that the loans with credit scores of 660 or greater accounts for 64% of the loans originated in the sample and only 23% of those loans currently delinquent. While the loans in with credit scores of 659 and lower account for 36% of the loans originated in the sample and 77% of those loans currently delinquent.

| [redacted] | No. of Loans in Group | [redacted] | Percent of Loans in Group Currently Delinquent |
|---|---|---|---|
| [redacted] | 2 | [redacted] | 50 % |
| [redacted] | 317 | [redacted] | 4.10% |
| [redacted] | 273 | [redacted] | 1.10% |
| [redacted] | 287 | [redacted] | .35% |

Even though the above analysis is only based on the past two years originations, the above table indicates that by following the new method of underwriting, delinquencies in the future should be positively affected.

**Board Action Requested**

No Board action is required.

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vhfa

VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: February 5, 1998

RE: Servicing Activity for December 1997

## SERVICING ACTIVITY

**Collections:**

| | | |
|---|---|---|
| Last months 90+ accounts: | | 103 |
| New 90 day accounts (+): | 17 | |
| To foreclosure/DIL (-): | 4 | |
| To 60 days or less (-): | 4 | |
| Under payment arrangement or modification: | 61 | |
| 90+ accounts: | | 112 |
| In Foreclosure: | | |
| Last month's foreclosure accounts: | | 53 |
| New foreclosures (+): | 4 | |
| To REO (-): | 5 | |
| Successful interventions (-): | 2 | |
| Negotiating workouts: | 13 | |
| Modifications (-): | 1 | |
| Foreclosure accounts: | | 49 |

**Real Estate Owned:**

| | | |
|---|---|---|
| Last months REO's: | | 69 |
| New REO's (+): | 5 | |
| Properties sold (-): | 3 | |
| Properties under contract: | 6 | |
| Other: | | |
| REOs: | | 71 |



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VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: DECEMBER, 1997

| Lenders | Loans | 30 | Days | 60 | Days | 90+ | Days | Auth | FCL | Delinq | | REO | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ALBANK, FSB | 448 | 29 | 6.47% | 9 | 2.01% | 13 | 2.90% | 4 | 0.89% | 55 | 12.28% | 1 | 0.22% |
| Banknorth Mortgage Co. | 797 | 42 | 5.27% | 8 | 1.00% | 9 | 1.13% | 6 | 0.75% | 65 | 8.16% | 5 | 0.63% |
| Bennington Co-op S&L Assoc. | 55 | 1 | 1.82% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 1 | 1.82% | 0 | 0.00% |
| Brattleboro Savings & Loan | 26 | 0 | 0.00% | 1 | 3.85% | 0 | 0.00% | 0 | 0.00% | 1 | 3.85% | 0 | 0.00% |
| Chittenden Bank | 953 | 66 | 6.93% | 15 | 1.57% | 12 | 1.26% | 6 | 0.63% | 99 | 10.39% | 10 | 1.05% |
| Citizens Savings Bank | 114 | 3 | 2.63% | 2 | 1.75% | 0 | 0.00% | 1 | 0.88% | 6 | 5.26% | 3 | 2.63% |
| Community National Bank | 318 | 13 | 4.09% | 8 | 2.52% | 6 | 1.89% | 1 | 0.31% | 28 | 8.81% | 1 | 0.31% |
| Connecticut River Bank | 4 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Factory Point Nat. Bank | 36 | 2 | 5.56% | 0 | 0.00% | 2 | 5.56% | 0 | 0.00% | 4 | 11.11% | 0 | 0.00% |
| First Brandon Nat. Bank | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| First Nationwide Mortgage | 9 | 2 | 22.22% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 2 | 22.22% | 0 | 0.00% |
| GMAC Mortgage | 6 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Granite Bank (NH) | 2 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Graystone Mortgage Company | 509 | 46 | 9.04% | 12 | 2.36% | 18 | 3.54% | 4 | 0.79% | 80 | 15.72% | 18 | 3.54% |
| Heritage Family Credit Union | 3 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Lyndonville Savings Bank | 57 | 2 | 3.51% | 2 | 3.51% | 0 | 0.00% | 0 | 0.00% | 4 | 7.02% | 0 | 0.00% |
| Mascoma Savings Bank | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Merchants Bank | 291 | 16 | 5.50% | 1 | 0.34% | 4 | 1.37% | 1 | 0.34% | 22 | 7.56% | 3 | 1.03% |
| Mortgage Service Ctr. of NE | 89 | 6 | 6.74% | 3 | 3.37% | 0 | 0.00% | 3 | 3.37% | 12 | 13.48% | 4 | 4.49% |
| National Bank of Middlebury | 65 | 4 | 6.15% | 2 | 3.08% | 1 | 1.54% | 1 | 1.54% | 8 | 12.31% | 0 | 0.00% |
| New England Federal CU | 50 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Northfield Savings Bank | 129 | 10 | 7.75% | 1 | 0.78% | 0 | 0.00% | 1 | 0.78% | 12 | 9.30% | 0 | 0.00% |
| Passumpsic Savings Bank | 173 | 12 | 6.94% | 4 | 2.31% | 1 | 0.58% | 0 | 0.00% | 17 | 9.83% | 4 | 2.31% |
| Peoples Trust Co. | 101 | 2 | 1.98% | 1 | 0.99% | 2 | 1.98% | 1 | 0.99% | 6 | 5.94% | 0 | 0.00% |
| Randolph National Bank | 38 | 3 | 7.89% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 3 | 7.89% | 0 | 0.00% |
| Union Bank | 176 | 11 | 6.25% | 5 | 2.84% | 3 | 1.70% | 0 | 0.00% | 19 | 10.80% | 2 | 1.14% |
| Vermont Development CU | 57 | 5 | 8.77% | 1 | 1.75% | 2 | 3.51% | 1 | 1.75% | 9 | 15.79% | 0 | 0.00% |
| Vermont Federal Bank | 1254 | 94 | 7.50% | 31 | 2.47% | 33 | 2.63% | 6 | 0.48% | 164 | 13.08% | 10 | 0.80% |
| Vermont National Bank | 663 | 26 | 3.92% | 5 | 0.75% | 5 | 0.75% | 12 | 1.81% | 48 | 7.24% | 9 | 1.36% |
| Wells River Savings Bank | 30 | 3 | 10.00% | 0 | 0.00% | 1 | 3.33% | 0 | 0.00% | 4 | 13.33% | 1 | 3.33% |
| Totals | 6455 | 398 | 6.17% | 111 | 1.72% | 112 | 1.74% | 48 | 0.74% | 669 | 10.36% | 71 | 1.10% |
| Totals Previous Month | 6445 | 432 | 6.70% | 93 | 1.44% | 103 | 1.60% | 52 | 0.81% | 680 | 10.55% | 69 | 1.07% |
| Totals Same Mo. Last Yr. | 6314 | 356 | 5.64% | 103 | 1.63% | 80 | 1.27% | 44 | 0.70% | 583 | 9.23% | 51 | 0.81% |

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: DECEMBER, 1997

**ADJUSTED REPORT**

| Lenders | Loans | 30 | Days | 60 | Days | 90+ | Days | Auth | FCL | Delinq | | REO | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ALBANK, FSB | 448 | 29 | 6.47% | 9 | 2.01% | 13 | 2.90% | 4 | 0.89% | 55 | 12.28% | 1 | 0.22% |
| Banknorth Mortgage Co. | 797 | 42 | 5.27% | 8 | 1.00% | 9 | 1.13% | 6 | 0.75% | 65 | 8.16% | 5 | 0.63% |
| Bennington Co-op S&L Assoc. | 55 | 1 | 1.82% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 1 | 1.82% | 0 | 0.00% |
| Brattleboro Savings & Loan | 26 | 0 | 0.00% | 1 | 3.85% | 0 | 0.00% | 0 | 0.00% | 1 | 3.85% | 0 | 0.00% |
| Chittenden Bank | 953 | 66 | 6.93% | 15 | 1.57% | 12 | 1.26% | 6 | 0.63% | 99 | 10.39% | 10 | 1.05% |
| Citizens Savings Bank | 114 | 3 | 2.63% | 2 | 1.75% | 0 | 0.00% | 1 | 0.88% | 6 | 5.26% | 3 | 2.63% |
| Community National Bank | 318 | 13 | 4.09% | 8 | 2.52% | 6 | 1.89% | 1 | 0.31% | 28 | 8.81% | 1 | 0.31% |
| Connecticut River Bank | 4 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Factory Point Nat. Bank | 36 | 2 | 5.56% | 0 | 0.00% | 2 | 5.56% | 0 | 0.00% | 4 | 11.11% | 0 | 0.00% |
| First Brandon Nat. Bank | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| First Nationwide Mortgage | 9 | 2 | 22.22% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 2 | 22.22% | 0 | 0.00% |
| GMAC Mortgage | 6 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Granite Bank (NH) | 2 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Graystone Mortgage Company | 509 | 46 | 9.04% | 12 | 2.36% | 18 | 3.54% | 4 | 0.79% | 80 | 15.72% | 18 | 3.54% |
| Heritage Family Credit Union | 3 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Lyndonville Savings Bank | 57 | 2 | 3.51% | 2 | 3.51% | 0 | 0.00% | 0 | 0.00% | 4 | 7.02% | 0 | 0.00% |
| Mascoma Savings Bank | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Merchants Bank | 291 | 16 | 5.50% | 1 | 0.34% | 4 | 1.37% | 1 | 0.34% | 22 | 7.56% | 3 | 1.03% |
| Mortgage Service Ctr. of NE | 89 | 6 | 6.74% | 3 | 3.37% | 0 | 0.00% | 3 | 3.37% | 12 | 13.48% | 4 | 4.49% |
| National Bank of Middlebury | 65 | 4 | 6.15% | 2 | 3.08% | 1 | 1.54% | 1 | 1.54% | 8 | 12.31% | 0 | 0.00% |
| New England Federal CU | 50 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Northfield Savings Bank | 129 | 10 | 7.75% | 1 | 0.78% | 0 | 0.00% | 1 | 0.78% | 12 | 9.30% | 0 | 0.00% |
| Passumpsic Savings Bank | 173 | 12 | 6.94% | 4 | 2.31% | 1 | 0.58% | 0 | 0.00% | 17 | 9.83% | 4 | 2.31% |
| Peoples Trust Co. | 101 | 2 | 1.98% | 1 | 0.99% | 2 | 1.98% | 1 | 0.99% | 6 | 5.94% | 0 | 0.00% |
| Randolph National Bank | 38 | 3 | 7.89% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 3 | 7.89% | 0 | 0.00% |
| Union Bank | 176 | 11 | 6.25% | 5 | 2.84% | 3 | 1.70% | 0 | 0.00% | 19 | 10.80% | 2 | 1.14% |
| Vermont Development CU | 57 | 5 | 8.77% | 1 | 1.75% | 2 | 3.51% | 1 | 1.75% | 9 | 15.79% | 0 | 0.00% |
| Vermont Federal Bank* | 1254 | 35 | 2.79% | 31 | 2.47% | 33 | 2.63% | 6 | 0.48% | 105 | 8.37% | 10 | 0.80% |
| Vermont National Bank | 663 | 26 | 3.92% | 5 | 0.75% | 5 | 0.75% | 12 | 1.81% | 48 | 7.24% | 9 | 1.36% |
| Wells River Savings Bank | 30 | 3 | 10.00% | 0 | 0.00% | 1 | 3.33% | 0 | 0.00% | 4 | 13.33% | 1 | 3.33% |
| Totals | 6455 | 339 | 5.25% | 111 | 1.72% | 112 | 1.74% | 48 | 0.74% | 610 | 9.45% | 71 | 1.10% |
| Totals Previous Month | 6445 | 432 | 6.70% | 93 | 1.44% | 103 | 1.60% | 52 | 0.81% | 680 | 10.55% | 69 | 1.07% |
| Totals Same Mo. Last Yr. | 6314 | 356 | 5.64% | 103 | 1.63% | 80 | 1.27% | 44 | 0.70% | 583 | 9.23% | 51 | 0.81% |

* Due to conversion issues, some payments received were not posted. This delinquency report takes into account those payments received, but not posted prior to December, 1997 month end.

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: DECEMBER, 1997

| Lenders | Loans | 30 | Days | 60 | Days | 90+ | Days | Auth | FCL | Delinq | | REO | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Large Servicer 400+** | | | | | | | | | | | | | |
| Albank | 448 | 29 | 6.47% | 9 | 2.01% | 13 | 2.90% | 4 | 0.89% | 55 | 12.28% | 1 | 0.22% |
| Banknorth Mortgage Co. | 797 | 42 | 5.27% | 8 | 1.00% | 9 | 1.13% | 6 | 0.75% | 65 | 8.16% | 5 | 0.63% |
| Chittenden Bank | 953 | 66 | 6.93% | 15 | 1.57% | 12 | 1.26% | 6 | 0.63% | 99 | 10.39% | 10 | 1.05% |
| Graystone Mortgage Company | 509 | 46 | 9.04% | 12 | 2.36% | 18 | 3.54% | 4 | 0.79% | 80 | 15.72% | 18 | 3.54% |
| Vermont Federal Bank | 1254 | 94 | 7.50% | 31 | 2.47% | 33 | 2.63% | 6 | 0.48% | 164 | 13.08% | 10 | 0.80% |
| Vermont National Bank | 663 | 26 | 3.92% | 5 | 0.75% | 5 | 0.75% | 12 | 1.81% | 48 | 7.24% | 9 | 1.36% |
| Totals | 4624 | 303 | 6.55% | 80 | 1.73% | 90 | 1.95% | 38 | 0.82% | 511 | 11.05% | 53 | 1.15% |
| Average | 771 | 51 | 6.53% | 13 | 1.63% | 15 | 1.86% | 6 | 0.89% | 85 | 10.92% | 9 | 1.47% |
| **Medium Servicers 399-50** | | | | | | | | | | | | | |
| Bennington Co-op S&L Assoc. | 55 | 1 | 1.82% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 1 | 1.82% | 0 | 0.00% |
| Citizens Savings Bank | 114 | 3 | 2.63% | 2 | 1.75% | 0 | 0.00% | 1 | 0.88% | 6 | 5.26% | 3 | 2.63% |
| Community National Bank | 318 | 13 | 4.09% | 8 | 2.52% | 6 | 1.89% | 1 | 0.31% | 28 | 8.81% | 1 | 0.31% |
| Lyndonville Savings Bank | 57 | 2 | 3.51% | 2 | 3.51% | 0 | 0.00% | 0 | 0.00% | 4 | 7.02% | 0 | 0.00% |
| Merchants Bank | 291 | 16 | 5.50% | 1 | 0.34% | 4 | 1.37% | 1 | 0.34% | 22 | 7.56% | 3 | 1.03% |
| Mortgage Service Ctr. of NE | 89 | 6 | 6.74% | 3 | 3.37% | 0 | 0.00% | 3 | 3.37% | 12 | 13.48% | 4 | 4.49% |
| National Bank of Middlebury | 65 | 4 | 6.15% | 2 | 3.08% | 1 | 1.54% | 1 | 1.54% | 8 | 12.31% | 0 | 0.00% |
| Northfield Savings Bank | 129 | 10 | 7.75% | 1 | 0.78% | 0 | 0.00% | 1 | 0.78% | 12 | 9.30% | 0 | 0.00% |
| Passumpsic Savings Bank | 173 | 12 | 6.94% | 4 | 2.31% | 1 | 0.58% | 0 | 0.00% | 17 | 9.83% | 4 | 2.31% |
| Peoples Trust Co. | 101 | 2 | 1.98% | 1 | 0.99% | 2 | 1.98% | 1 | 0.99% | 6 | 5.94% | 0 | 0.00% |
| Union Bank | 176 | 11 | 6.25% | 5 | 2.84% | 3 | 1.70% | 0 | 0.00% | 19 | 10.80% | 2 | 1.14% |
| Totals | 1568 | 80 | 5.10% | 29 | 1.85% | 17 | 1.08% | 9 | 0.57% | 135 | 8.61% | 17 | 1.08% |
| Average | 143 | 7 | 5.56% | 3 | 1.84% | 2 | 1.32% | 1 | 0.80% | 12 | 9.52% | 2 | 1.16% |
| **Small Servicers 49-** | | | | | | | | | | | | | |
| Brattleboro Savings & Loan | 26 | 0 | 0.00% | 1 | 3.85% | 0 | 0.00% | 0 | 0.00% | 1 | 3.85% | 0 | 0.00% |
| Connecticut River Bank | 4 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Factory Point Nat. Bank | 36 | 2 | 5.56% | 0 | 0.00% | 2 | 5.56% | 0 | 0.00% | 4 | 11.11% | 0 | 0.00% |
| First Brandon Nat. Bank | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| First Nationwide Mortgage | 9 | 2 | 22.22% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 2 | 22.22% | 0 | 0.00% |
| GMAC Mortgage | 6 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Granite Bank (NH) | 2 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Heritage Family Credit Union | 3 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Mascoma Savings Bank | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| New England Federal CU | 50 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Randolph National Bank | 38 | 3 | 7.89% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 3 | 7.89% | 0 | 0.00% |
| Vermont Development CU | 57 | 5 | 8.77% | 1 | 1.75% | 2 | 3.51% | 1 | 1.75% | 9 | 15.79% | 0 | 0.00% |
| Wells River Savings Bank | 30 | 3 | 10.00% | 0 | 0.00% | 1 | 3.33% | 0 | 0.00% | 4 | 13.33% | 1 | 3.33% |
| Totals | 263 | 15 | 5.70% | 2 | 0.76% | 5 | 1.90% | 1 | 0.38% | 23 | 8.75% | 1 | 0.38% |
| Average | 20 | 1 | 4.56% | 0 | 1.18% | 0 | 0.92% | 0 | 0.44% | 2 | 7.09% | 0 | 0.67% |

**ADJUSTED REPORT**

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: DECEMBER, 1997

| Lenders | Loans | 30 | Days | 60 | Days | 90+ | Days | Auth | FCL | Delinq | | REO | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Large Servicer 400+ | | | | | | | | | | | | | |
| Albank | 448 | 29 | 6.47% | 9 | 2.01% | 13 | 2.90% | 4 | 0.89% | 55 | 12.28% | 1 | 0.22% |
| Banknorth Mortgage Co. | 797 | 42 | 5.27% | 8 | 1.00% | 9 | 1.13% | 6 | 0.75% | 65 | 8.16% | 5 | 0.63% |
| Chittenden Bank | 953 | 66 | 6.93% | 15 | 1.57% | 12 | 1.26% | 6 | 0.63% | 99 | 10.39% | 10 | 1.05% |
| Graystone Mortgage Company | 509 | 46 | 9.04% | 12 | 2.36% | 18 | 3.54% | 4 | 0.79% | 80 | 15.72% | 18 | 3.54% |
| Vermont Federal Bank | 1254 | 35 | 2.79% | 31 | 2.47% | 33 | 2.63% | 6 | 0.48% | 105 | 8.37% | 10 | 0.80% |
| Vermont National Bank | 663 | 26 | 3.92% | 5 | 0.75% | 5 | 0.75% | 12 | 1.81% | 48 | 7.24% | 9 | 1.36% |
| Totals | 4624 | 244 | 5.28% | 80 | 1.73% | 90 | 1.95% | 38 | 0.82% | 452 | 9.78% | 53 | 1.15% |
| Average | 771 | 41 | 5.59% | 13 | 1.63% | 15 | 1.86% | 6 | 0.89% | 75 | 9.97% | 9 | 1.47% |
| Medium Servicers 399-50 | | | | | | | | | | | | | |
| Bennington Co-op S&L Assoc. | 55 | 1 | 1.82% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 1 | 1.82% | 0 | 0.00% |
| Citizens Savings Bank | 114 | 3 | 2.63% | 2 | 1.75% | 0 | 0.00% | 1 | 0.88% | 6 | 5.26% | 3 | 2.63% |
| Community National Bank | 318 | 13 | 4.09% | 8 | 2.52% | 6 | 1.89% | 1 | 0.31% | 28 | 8.81% | 1 | 0.31% |
| Lyndonville Savings Bank | 57 | 2 | 3.51% | 2 | 3.51% | 0 | 0.00% | 0 | 0.00% | 4 | 7.02% | 0 | 0.00% |
| Merchants Bank | 291 | 16 | 5.50% | 1 | 0.34% | 4 | 1.37% | 1 | 0.34% | 22 | 7.56% | 3 | 1.03% |
| Mortgage Service Ctr. of NE | 89 | 6 | 6.74% | 3 | 3.37% | 0 | 0.00% | 3 | 3.37% | 12 | 13.48% | 4 | 4.49% |
| National Bank of Middlebury | 65 | 4 | 6.15% | 2 | 3.08% | 1 | 1.54% | 1 | 1.54% | 8 | 12.31% | 0 | 0.00% |
| Northfield Savings Bank | 129 | 10 | 7.75% | 1 | 0.78% | 0 | 0.00% | 1 | 0.78% | 12 | 9.30% | 0 | 0.00% |
| Passumpsic Savings Bank | 173 | 12 | 6.94% | 4 | 2.31% | 1 | 0.58% | 0 | 0.00% | 17 | 9.83% | 4 | 2.31% |
| Peoples Trust Co. | 101 | 2 | 1.98% | 1 | 0.99% | 2 | 1.98% | 1 | 0.99% | 6 | 5.94% | 0 | 0.00% |
| Union Bank | 176 | 11 | 6.25% | 5 | 2.84% | 3 | 1.70% | 0 | 0.00% | 19 | 10.80% | 2 | 1.14% |
| Totals | 1568 | 80 | 5.10% | 29 | 1.85% | 17 | 1.08% | 9 | 0.57% | 135 | 8.61% | 17 | 1.08% |
| Average | 143 | 7 | 5.19% | 3 | 1.84% | 2 | 1.32% | 1 | 0.80% | 12 | 9.16% | 2 | 1.16% |
| Small Servicers 49- | | | | | | | | | | | | | |
| Brattleboro Savings & Loan | 26 | 0 | 0.00% | 1 | 3.85% | 0 | 0.00% | 0 | 0.00% | 1 | 3.85% | 0 | 0.00% |
| Connecticut River Bank | 4 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Factory Point Nat. Bank | 36 | 2 | 5.56% | 0 | 0.00% | 2 | 5.56% | 0 | 0.00% | 4 | 11.11% | 0 | 0.00% |
| First Brandon Nat. Bank | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| First Nationwide Mortgage | 9 | 2 | 22.22% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 2 | 22.22% | 0 | 0.00% |
| GMAC Mortgage | 6 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Granite Bank (NH) | 2 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Heritage Family Credit Union | 3 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Mascoma Savings Bank | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| New England Federal CU | 50 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Randolph National Bank | 38 | 3 | 7.89% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 3 | 7.89% | 0 | 0.00% |
| Vermont Development CU | 57 | 5 | 8.77% | 1 | 1.75% | 2 | 3.51% | 1 | 1.75% | 9 | 15.79% | 0 | 0.00% |
| Wells River Savings Bank | 30 | 3 | 10.00% | 0 | 0.00% | 1 | 3.33% | 0 | 0.00% | 4 | 13.33% | 1 | 3.33% |
| Totals | 263 | 15 | 5.70% | 2 | 0.76% | 5 | 1.90% | 1 | 0.38% | 23 | 8.75% | 1 | 0.38% |
| Average | 20 | 1 | 4.54% | 0 | 1.18% | 0 | 0.92% | 0 | 0.44% | 2 | 7.08% | 0 | 0.67% |

# VERMONT HOUSING FINANCE AGENCY

## Board Property Disposition Report

Month of: December, 1997

### Properties Sold

| Property | Listing Price | Sale Price | Principal Balance | Interest | To Date Expenses | Claim Payment | Actual Gain/ (Loss) | Audit Valuation Offset | Additional Gain/ (Loss) |
|---|---|---|---|---|---|---|---|---|---|
| Provencher Burlington BCLT | $0 | $95,000 | $83,484 | $ 5,706 | $14,006 | $8,196 | $0 | $0 | $0 |
| Goodloe Concord | $15,900 | $11,000 | $37,642 | $ 3,031 | $14,858 | $ 8,400 | ($36,131) | ($26,770) | ($ 9,361) |
| Gibney Richford | $23,900 | $20,000 | $26,311 | $ 3,022 | $11,827 | $ 6,875 | ($14,285) | ($ 7,518) | ($ 6,767) |

### Properties Under Contract

| Property | Listing Price | Contract Price | Principal Balance | Interest | Estimated Expenses | Estimated Claim Payment | Actual Gain/ (Loss) | Audit Valuation Offset | Additional Gain/ (Loss) |
|---|---|---|---|---|---|---|---|---|---|
| Bushee Clarendon | $39,900 | $37,500 | $68,992 | $14,734 | $16,719 | $14,761 | ($48,184) | ($49,269) | $ 1,085 |
| Goulding Kirby | $39,900 | $35,000 | $63,717 | $ 8,080 | $13,047 | $14,000 | ($35,844) | ($27,915) | ($ 7,929) |
| Premont Marshfield | $37,900 | $24,000 | $38,635 | $2,717 | $ 8,445 | $ 7,270 | ($18,528) | ($14,504) | ($ 4,024) |
| Poro Brandon | $59,900 | $53,500 | $61,750 | $ 4,059 | $24,927 | $18,525 | ($18,711) | ($ 8,753) | ($ 9,958) |
| Hamilton Middletown Springs | $59,900 | $38,000 | $78,063 | $ 7,101 | $18,656 | $17,000 | ($48,820) | ($13,700) | ($35,120) |

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VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

**TO:** **VHFA BOARD OF COMMISSIONERS**

**FROM:** **ROGER A. SCHOENBECK, DIRECTOR OF FINANCE** RAS

**DATE:** **FEBRUARY 6, 1998**

**RE:** **SINGLE FAMILY BOND REMARKETING**

Since we spoke with the Board regarding the remarketing of bonds on January 15th, the bond market has bounced around quite a bit mainly due to developments in Iraq and the White House. We have not improved as far as bond rates are concerned, if anything we may have lost 10 basis points from mid-January. That means that if we remarketed the bonds, we would probably be looking at a full spread mortgage of about 6.75%. Pursuant to the decisions made on the Conference Call with the Board, our street mortgage rate is now 6.95%. Conventional rates have ticked up slightly and now average about 7.125%. In the three weeks since we reset the rate, we have taken about $1.5 million in reservations. We still have about $43.5 million of available funds left from the $65 million Single Family bonds issued last June. PaineWebber feels that rates will be more events driven than economic driven in the near term. The Federal Open Market Committee did not change rates in their meeting this week.

We are continuing to explore options to assist in permanently reducing the mortgage rate on the remaining funds, with little or no risk to the Agency. Evensen Dodge has recommended that we could pay the costs of issuance of the remarketing from the bond issue instead of having to subsidize from the General fund. We have recently begun a dialog with Fannie Mae about their interest in purchasing our bonds and committing to a rate in advance. Although they have expressed an interest, the premium charge to commit to a forward rate commitment seems a little steep (as much as 10 basis points). They also require some minimum guaranteed amount of bonds for purchase. We are also reviewing an option to refund the bonds instead of remarketing, which would eliminate our exposure time to changing rates. In a refunding scenario we would issue new bonds to replace the bonds that we would call and use the proceeds of the new issue to call the old bonds. We could time the issuance to optimize the market. A drawback to this plan would be that unless we could get Fannie Mae to purchase the bonds, the costs of issuance would be much higher than in a remarketing scenario. We also would probably have to rebid our investment contracts, which are at a positive yield in the current financing

<u>Recommended Action</u>
Continue to explore options to reduce the mortgage rate on the Single Family Mortgage program in a low risk, cost efficient manner.



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VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

FROM: CG Cathleen Gent, Director of Commissioners

DATE: February 6, 1998

RE: Outreach, Advertising, and Public Relations Results for FY98 Year to Date

In advance of the beginning of the second half of outreach and marketing activities in FY98, this update provides the Board of Commissioners with a review of the activities for the year to date.

| |
|---|
| The Board is invited to the 1998 VHFA Home Buyer Fair, to be held on Saturday, March 14th from 10:00 AM to 4:00 PM at the Hampton Inn in Colchester. We are "pulling out all the stops" to make the fair a great success, and we hope you can come, too. |

## I. OUTREACH

The base for VHFA's community-based outreach activities rests in the areas of consumer education, real estate professional outreach and training (lender and nonprofit).

### A. Lender, Real Estate, and Nonprofit Training

Lender and nonprofit training is designed to educate lenders and housing nonprofit staff who participate in one or more of VHFA/VHMGB's homeownership programs. A special activity conducted during the first half of the fiscal year was the series of brainstorming sessions across the state, VT HOMEOWNERSHIP 2000, with our affordable homeownership partners. Over 100 lenders, real estate professionals, nonprofit staff members, and others participated in five sessions held between July and November. (This activity is described in a separate report.) One VHFA lender session was held, an overview of the YESS Program. A VHFA Real Estate Financing Options class was taught in Burlington, with 19 participants. A VHFA information breakfast seminar was given in Morrisville for 7 non-MLS real estate brokers. In addition, VHFA presented an overview of our programs at a REALTOR board meeting in St. Johnsbury, with 30 attendees.

A number of special training initiatives were offered by VHFA. Twelve Americorps volunteers attended a special VHFA program information session. In addition, Marcia Mattoon provided one-on-one training for Homeownership Center staff members at Gilman Housing Trust, Rockingham Area Community Land Trust, and Rutland West Neighborhood Housing Services. We also coordinated and attended a two-day training session for all four Homeownership Centers on an improved screening, intake, and processing procedure. VHFA has been working with a consultant to develop a module for budgeting and credit that will be used by the Centers beginning in the spring.

Spring outreach activities for lenders and real estate professionals include the following:

- Spring lender training sessions will be focus on introducing new underwriting and reduced documentation requirements for VHFA/VHMGB. Eight lender sessions will be scheduled around Vermont as soon as the final program preparations are completed.
- Three Real Estate Financing Options classes are scheduled for real estate professionals (in Colchester, Brattleboro, and St. Johnsbury). VHFA has already participated in one non-VHFA breakfast session held by Banknorth in St. Albans (January).

### B. Consumer Education

The goal of our consumer education is to reach potential VHFA borrowers through media communications, instruction, and materials which will meet their needs as cost effectively as possible. VHFA presented information in a two-week homebuyer education class in Springfield offered by the Rockingham Area Community Land Trust Homeownership Center, which was attended by 10 potential home buyers. Through those classes, Marcia Mattoon, VHFA's Outreach and Education Manager, also provided instruction for Homeownership Center staff. VHFA also presented information about budgeting and planning for future homeownership in a special Futures class in St. Johnsbury for 10 women receiving AFDC.

Consumer education outreach scheduled for the spring include:

- Two-evening in-depth sessions are scheduled in Burlington (February) and in Brattleboro (March)
- VHFA Home Buyer Fair (March 14)

## II. ADVERTISING & MARKETING

Advertising is one of the principal vehicles in the promotion of VHFA's programs and enhancement of our single family programs. The primary goal for FY98 fall advertising campaign was to increase the number of calls to the Helpline for the months of September through November.

- The number of calls increased 12%, from 798 to 879

    *This was accomplished by launching the campaign in early September, developing a new radio campaign utilizing Mac Parker's voice and new scripts, and including the mail-in response coupon in print ads.*

Another goal for Phase I was to increase the advertising presence in southern Vermont: specifically in Bennington, Windham and Windsor counties, in response to a request from the VHFA Board.

- The three counties all showed an increase in response: Bennington showed a 100% increase (from 22 to 44 calls); Windham showed an increase of 72.5% (from 51 to 88 calls); and Windsor showed an increase of 9% (from 74 to 81 calls). Rutland County also showed an increase of 46%, which may be due in part to the increase in media exposure targeting Windsor County which also reaches into Rutland County (via specific radio stations).
  *Because the overall budget did not increase, the relative increase in spending in Southern Vermont resulted in a decrease in spending in other counties, most notably Addison, Franklin, Lamoille, and Washington counties. Those counties did experience decreases in the number of Helpline calls this fall.*

We decided not to advertise in the Burlington Free Press, due to its significant cost: instead, we advertised in two local papers.

- Despite this change, our Helpline calls from Chittenden County also increased by 9% (from 213 to 232 calls).

    *We did not appear to have any adverse results from our absence in the Free Press.*

The response to media was stronger for both print and radio in the fall 1997.

*Two factors contribute to the improvements: adding a cut-out coupon to the print ad and revising the radio spots.*

When compared with the popular Governor Dean radio ads of the fall 1995 campaign, the percentage of response to radio this year was 11%, compared with 24% in 1995.

- The frequency of radio spots for the fall 1995 campaign was 1,609, compared with 1,349 spots in 1997.

    *If our media budget for this fall had been increased to offset the rate increases we have seen over the past two years which have reduced our buying power in radio, we very likely would have seen a stronger response to that medium.*

The media budget for Phase I was $37,000. The proposed media budget for Phase II is a total of $63,000 - broken into the general campaign ($49,000) and the home buyer fair/classes ($14,000). An additional $14,000 is being added to the campaign: $7,000 to conduct a three-county advertising test for the YESS Program and $7,000 to expand advertising in the counties where we experienced a significant decrease in Helpline calls, namely Addison, Franklin, and Lamoille counties.

The print advertisement began on February 1st and the radio ads began on February 2nd. The general print ads will not be revised from the fall campaign, however the radio advertisement has been modified with a new message.

## III. PUBLIC RELATIONS

In an effort to enhance information dissemination strategies as part of our outreach and overall information dissemination plan, VHFA has increased public relations activities in the last two years. Highlights of the public relations activities initiated in the first half of FY98 include:

- Allan Hunt wrote a commentary discussing the benefits of Act 60 for affordable housing. Five statewide newspapers printed that commentary.
- Ribbon-cuttings Westview Terrace in Springfield and Black River Overlook in Ludlow in July received good media coverage.
- Media coverage of the opening of the HIV/AIDS housing facility at 600 Dalton Drive continued throughout 1997.

The attached Publicity Report lists all media coverage from July through December 1997.

We are in the middle of making preparations for a series of radio interviews for Allan Hunt across the state. In addition, Allan will be in Washington, D.C. for the annual NCSHA Legislative Conference in mid March.

# Vermont Housing Finance Agency
# 1997/98 Publicity Report 2/6/98

| Publication/TV/Radio | Date/Event |
|---|---|
| Burlington Free Press | 1/17/98, "Accomplishments in Affordable Housing," Barbara Grimes |
| Burlington Free Press | 12/6/97, "600 Dalton Drive – A caring Place to live Opens in Colchester for Those with HIV and AIDS" |
| Bennington Banner | 11/15-16/97, "Groundbreaking Ceremonies" (Applegate announcement) |
| Bennington Banner | 11/7/97, "Act 60 Will *Benefit* Affordable Housing" |
| Burlington Free Press | 11/13/97, "Residents Abuzz over New Town Center," Essex Town Center |
| Sunday Rutland Herald & Times Argus | 11/2/97, "Act 60 Means Affordable Housing" |
| Caledonian Record | 10/18/97, "In my Opinion...The Equal Education Opportunity Act: Good for Affordable Housing" |
| Burlington Free Press | 10/17/97, "Elderly Pining for Popular Apartments," Story on Pines complex |
| Bennington Banner | 10/13/97, "Art, Community spirit thrives at brook clean-up", (Applegate) |
| Burlington Free Press | 10/11/97, "VHFA Mortgage Program Help Re-Energize Older Vermont Homes" YESS |
| Burlington Free Press | 10/10/97, "Act 60 Will Help Improve State's Housing Equity, Too" |
| Burlington Free Press | 10/9/97, "Holy Cross apartments open" |
| Addison Independent | 10/6/97, "Act 60 to Aid Affordable Housing |
| Vermont Cares Voice | 10/97, "600 Dalton Drive Set to Open" |
| Springfield Reporter | 7/30/97, "Renovated Westview Housing Project Dedicated |
| Black River Tribune | 7/29/97 – Story on affordable housing project to be published this week |
| Eagle Times | 7/27/97, "Dean Praises Combined Efforts to Create Low Cost Housing" |
| Rutland Daily Herald | 7/25/97, "Low-Income Housing Projects Completed in Springfield and Ludlow" (VHFA not mentioned but story on housing projects) |
| VHFA News Release | 7/24/97, "Affordable Housing Ribbon Cutting in Ludlow" |
| VHFA News Release | 7/24/97, "Springfield Affordable Housing Ribbon Cutting" |
| Burlington Free Press | 7/14/97, "VHFA Lowers Rates" |
| WCAX TV Channel 3 | 7/10/97, Residential Building Energy Standards – Allen Hunt interviewed on camera |

## Open Forum

# Mortgage Good News/Bad News

**BY ALAN GREENSPAN**
*Chairman of the Federal Reserve System*

*Mr. Greenspan recently addressed an economic conference in San Francisco sponsored by the Greenlining Institute, where he spoke about consumer credit, including mortgages. An excerpt of his remarks is presented as our* ***Open Forum.***

A variety of lenders are now regularly experimenting with new, innovative ways to assess and mitigate risk for borrowers who in the past might have been considered uncreditworthy.

This rapid pace of change is creating new mortgage products with ever-lower downpayment requirements. Acceptable loan-to-value ratios and debt-to-income ratios continue to rise. Some lenders are even offering loan products that will provide home-secured financing far exceeding a home's value.

The drive to stretch traditional underwriting criteria is intensifying. Recently, there has been a boom in so-called "subprime" lending, offering a variety of types of mortgage and other loans to borrowers who have less than good credit; such lending is priced for risk and the favorable pricing of securities backed by subprime loans have found acceptance with investors.

A few lenders have announced plans to offer homeowners with impaired credit a credit card secured by home equity, with part of the rationale being that responsible use of such credit cards could help such consumers repair their credit ratings. And some lenders are aggressively

*'Along with unprecedented credit access, some problems are occurring that should alert us all to potential dangers.'*

the overall expansion of lending, the same may not be true of many consumers, especially those with limited means to weather a storm, or who have been encouraged to borrow improvidently.

Should economic or personal difficulties occur, such as the temporary loss

# MEMORANDUM

**TO:** VHFA BOARD OF COMMISSIONERS

**FROM:** ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

**DATE:** JANUARY 14, 1998

**RE:** SINGLE FAMILY BOND REMARKETING

Since we issued $65 million Single Family bonds last June, mortgage rates have been steadily falling. We did include a provision to remarket the portion of bonds equivalent to non-purchased mortgages if bond rates dropped by more than 50 basis points after issuance. To date we have purchased about $12 million in mortgages and have commitments on another $6 million. This would leave about $45 million of "unexpended proceeds" worth of bonds that could be remarketed.

As of this week, bond rates are approximately 55 basis points lower than when we issued the bonds meaning if we could remarket the bonds at the lower rate, we would be able to adjust our mortgage rate from the current 7.2% to 6.65%. This rate would also retain the .25% loss charge factor. We would need to utilize PaineWebber to resell the bonds, pay the fees and go through many of the steps that are involved in a new bond issue.

Additional costs of remarketing the bonds would have to be paid from the General Fund since no provision was made for these potential costs. Costs are only incurred on bonds that are returned. An election can be made by present bondholders to retain their bonds and accept the new rates that are offered from the remarketing. The last time that we remarketed bonds approximately 60% of bondholders elected to retain their bonds. The estimated costs to remarket the bonds would be about $100,000 of fixed costs between us and the underwriters and a potential of an additional $250,000 of fees and commission on bonds that have to be remarketed. If 60% of the bondholders retain the bonds we would save $150,000 of the potential costs. The other risk in remarketing the bonds is that once notice is given to the trustee to declare the remarketing to the existing holders, bond rates could move against us and we would have to actually redeem the bonds instead of remarketing. Our exposure would be limited to about a two-week period. We do not feel that this is a significant risk at this time. We also reviewed the option of refunding the remaining bonds but feel that other than giving us protection from falling rates for the two week period, other reissuance costs would outweigh the benefits.

Another option would be to reduce the rate of the mortgages on the funds remaining, but we estimate that a 25 basis point reduction would cost about $900,000.

<u>Recommended Action</u>
Proceed with a remarketing through PaineWebber.

handout

# vhfa

VERMONT HOUSING FINANCE AGENCY

**MEMORANDUM**

TO: VHFA Board of Commissioners

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

DATE: February 4, 1998

RE: Borrowers Own funds and Credit Score Analysis

**Credit Scores, 3% Borrowers Own Funds Requirement and Delinquencies**

The following is an analysis of loans on which we have credit scores and the borrower invested at least 3% of their own funds. VHMGB instituted a policy, effective with all loans underwritten on or after October 16, 1996, that the borrower must invest at least 3% of their own funds into the mortgage transaction. The table below shows the number of loans originated by credit score range and the delinquencies attributed to those ranges. The two upper ranges are the credit score ranges that the new VHFA underwriting guidelines will use for accelerated loan approval. In addition, the table shows the delinquency information attributable to each category. The loans with credit scores of 660 or greater account for 63% of the loans originated in the sample and none of those loans are currently delinquent. The loans with credit scores of 659 and lower account for 37% of the loans originated in the sample and 100% of those loans currently delinquent.

| *Credit Score Range* | *No. of Loans in Group* | *No. of Loans in Group Currently Delinquent* | *Percent of Loans in Group Currently Delinquent* |
|---|---|---|---|
| <520 | 0 | 0 | 0% |
| 520-659 | 196 | 2 | 1.02% |
| 660-719 | 160 | 0 | 0% |
| 720> | 170 | 0 | 0% |

Even though the above analysis is only based on a year and a half of loans underwritten the above table indicates that requiring a minimum of 3% of the borrowers own funds in the transaction should affect delinquencies positively.



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EQUAL HOUSING OPPORTUNITY

**Credit Scores, Foreclosures and 3% Borrowers Own Funds Requirement**

In a recent brochure, published by Freddie Mac on the value of credit scores, a table was included which showed that borrowers with credit scores of 620 to 660 were likely to have a foreclosure rate of 2½ times those borrowers with credit scores of 661 and greater. In addition, borrowers with a credit score of 619 and below were more likely to have a foreclosure rate 8 times greater than borrowers with a credit score above 661. The table below illustrates our originations using the same credit score ranges as the Freddie Mac table.

decrease

| *Credit Score Range* | *Number of Loans in Group* | *Percent of Total* |
|---|---|---|
| <619 | 73 | 13.9% |
| 620 to 660 | 131 | 24.9% |
| 661> | 322 | 61.2% |

3x

The following table shows the loans in the same credit score groups that 3 % of the borrowers own funds was not required to be put into the transaction.

| *Credit Score Range* | *Number of Loans in Group* | *Percent of Total* |
|---|---|---|
| <619 | 50 | 16.1% |
| 620 to 660 | 46 | 14.9% |
| 661> | 214 | 69.0% |

Based on the above information, it would appear that the 3% borrower own funds requirement has had the affect of reducing the percentage of borrowers in the credit score category that Freddie Mac says is the most susceptible to foreclosure and increases the borrowers in the middle category. The above information is taken from a very limited sample from both a numbers and time frame stand point. This may reduce the validity of the information. Staff will continue to monitor this information to determine the effectiveness of our most recent underwriting changes to be instituted in the near future and the 3% borrowers own funds requirement.

**Board Action Requested** [illegible] of findings of credit scores to the Board.

No Board action is required.

**VERMONT HOUSING FINANCE AGENCY**

**Memorandum**

TO: Chairman White and the VHFA Board of Commissioners

FROM: Allan Hunt, Executive Director

DATE: February 12, 1998

RE: 1998 Regular Board Meeting Schedule

We have reviewed the Meeting Schedule for the balance of the year, with an eye toward reducing the number of meetings slightly. We propose this with the understanding that we may need to meet by telephone from time to time, to address particular projects. Inasmuch as possible, we have stayed with the third Thursday of each month; in some months we have pushed it back to the fourth Thursday. We have scheduled meetings on the fourth Thursday routinely in the past if the third Thursday falls relatively early in the month.

All meetings at 1:00 PM on Thursday; those on 4th Thursday are marked with an asterisk:

- March 19th
- April 23rd*
- June 18th
- July 23rd*
- September 17th
- October 22nd*
- December 17th

We need to finalize the schedule during the February Regular Meeting and determine meeting locations.



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VERMONT HOUSING FINANCE AGENCY

**MEMORANDUM**

TO: VHFA Board of Commissioners

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

DATE: February 4, 1998

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| *Credit Score Range* | *No. of Loans in Group* | *No. of Loans in Group Currently Delinquent* | *Percent of Loans in Group Currently Delinquent* |
|---|---|---|---|
| <520 | 0 | 0 | 0% |
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| 720> | 170 | 0 | 0% |

Even though the above analysis is only based on a year and a half of loans underwritten the above table indicates that requiring a minimum of 3% of the borrowers own funds in the transaction should affect delinquencies positively.

*ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD*

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*Mailing Address:* PO Box 408, Burlington, Vermont 05402-0408
*Delivery Address:* 164 Saint Paul Street, Burlington, Vermont 05401-4364
802 / 864-5743 • 800 / 339-5866 • TDD: 800 / 586-5832
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EQUAL HOUSING OPPORTUNITY

**Credit Scores, Foreclosures and 3% Borrowers Own Funds Requirement**

In a recent brochure, published by Freddie Mac on the value of credit scores, a table was included which showed that borrowers with credit scores of 620 to 660 were likely to have a foreclosure rate of 2½ times those borrowers with credit scores of 661 and greater. In addition, borrowers with a credit score of 619 and below were more likely to have a foreclosure rate 8 times greater than borrowers with a credit score above 661. The table below illustrates our originations using the same credit score ranges as the Freddie Mac table.

| *Credit Score Range* | *Number of Loans in Group* | *Percent of Total* |
|---|---|---|
| <619 | 73 | 13.9% |
| 620 to 660 | 131 | 24.9% |
| 661> | 322 | 61.2% |

The following table shows the loans in the same credit score groups that 3 % of the borrowers own funds was not required to be put into the transaction.

| *Credit Score Range* | *Number of Loans in Group* | *Percent of Total* |
|---|---|---|
| <619 | 50 | 16.1% |
| 620 to 660 | 46 | 14.9% |
| 661> | 214 | 69.0% |

Based on the above information, it would appear that the 3% borrower own funds requirement has had the affect of reducing the percentage of borrowers in the credit score category that Freddie Mac says is the most susceptible to foreclosure and increases the borrowers in the middle category. The above information is taken from a very limited sample from both a numbers and time frame stand point. This may reduce the validity of the information. Staff will continue to monitor this information to determine the effectiveness of our most recent underwriting changes to be instituted in the near future and the 3% borrowers own funds requirement.

**Board Action Requested**

No Board action is required.

**VERMONT HOUSING FINANCE AGENCY**
**FY98 BUSINESS PLAN**
**ACTIVITIES/GOALS/RESULTS**

**FY97 vs. FY98 (July 1, 1997 through June 30, 1998)**

| STRATEGIC PLAN INFO | PROGRAM NAME | FY97 ACTUALS | FY98 GOALS | DEPT | FY98 ACTUALS (July 1, 1997 – December 31, 1997) |
|---|---|---|---|---|---|
| ***1. To encourage and support a work environment that enables staff to realize their full potential as employees of VHFA.*** | | | | | |
| **1a.** | **Encourage and support a productive and positive work environment** | | | | |
| Support | Computer Software/Hardware Convert | All Mitas modules installed; conversion to MS Word and Excel complete; 3 year rolling IT capital budget prepared; year 1 budget approved 6/19/97 | Update existing and add new server; replace (20) and upgrade (20) desktops; conversion to Windows '95 and Office '95. Expand Mitas and software training | Admin | Conversion from Novell server to NT server complete; ISDN line installed; conversion to Office '97 and Outlook complete |
| ***2.*** | ***To enhance affordability and habitability that will maintain and increase homeownership*** | | | | |
| Ongoing | MOVE (Includes IORTA) | 779 mtges purch; $53,415,904 | 750 mortgages purch.; $52,000,000<br>Program suspended | SF Ops | 308 mortgages purch.;$21,233,582 |
| Ongoing | MCC (Mortgage Plus) | 99 MCCs issued; $7,451,056 | 120 MCCs issued; $9,000,000 | SF Ops | 56 MCCs issued; $4,347,853 |
| Ongoing | HOUSE (Includes IORTA) | 44 HOUSE loans purchased; $2,943,442 | 50 loans purch.;$3,300,000 | Development/ SF Ops | 20 HOUSE loans purchased; $1,177,408 |
| Ongoing | Rural VT Mtge | 6 mtges purch; $116,710 | 10 mortgages purch.; $195,000 | SF Ops | 2 mortgages purch; $61,500 |
| Ongoing | SF Development/Construction | No activity | Review program; determine if changes would increase level of activity | Development | No activity |
| Ongoing | Condominium Project Inspections | 40 inspections completed; 20 financials reviewed | Conduct inspections using MF form and photograph at each location (40 inspections; 30 financials); review new projects as requested | MF Mgmt | 15 inspections completed; 2 financials reviewed |
| **NEW** | REO Sales to Nonprofits | | Complete 15 sales | SF Ops | 3 REO sales |
| **NEW** | Officers Row Affordable Units | | Transfer administration from LCHDC to BCLT | Development | Target transfer date is 4/1/98 |
| **2a.** | **Expand Down Payment Assistance** | | | | |
| Ongoing | IORTA Down Payment Assist | Program suspended; using last of 500 loans allocated; 23 loans purch; $1,490,913 | Using remaining 36 of 500 loans allocated | SF Ops | 3 Loan purchased; $191,850 |
| Ongoing | Targeted Use of IORTA Pool | $100,500 transferred to HO Centers ($33,500 each) to create revolving loan fund for down payment and closing costs | Better utilize the RD guarantee program; use IORTA in conjunction with Homeownership Centers and Burlington Enterprise Community | Development | Possible expansion of uses |
| Ongoing 2A #1<br>2E FY97 | Homeownership Centers: Expand Down Payment Assistance; in FY98, Improve Financing for 3-4 unit owner-occupied | Homeownership Center Activity 6/1/96 - 3/31/97; 240 households received services; 16 new homeowners (VHFA loans included in MOVE, HOUSE); 90 households working to become howmeowners; Board approved 4/97 expansion to include RACLT | 4 Homeownership Centers operational; down payment funding from FHLB, AHP & VHFA 0% MF Refunding saving; 40 new homeowners; 4 interventions | Development/ Comm | Homeownership Centers trained on new process 11/6 & 11/7; implement by 1/30/98 |

**EXPLANATION OF STRATEGIC PLAN NOTATIONS:**
**Analyze** = Analyze for future implementation **Implement** = Programs/Initiatives being developed for FY implementation **Ongoing** = Ongoing Program **Support** = Activities in support of programs/strategies

**VERMONT HOUSING FINANCE AGENCY**
**FY98 BUSINESS PLAN**
**ACTIVITIES/GOALS/RESULTS**



**FY97 vs. FY98 (July 1, 1997 through June 30, 1998)**

| STRATEGIC PLAN INFO | PROGRAM NAME | FY97 ACTUALS | FY98 GOALS | DEPT | FY98 ACTUALS (July 1, 1997 – December 31, 1997) |
|---|---|---|---|---|---|
| **#2 FY97** | Down Payment Assistance Using Second Mortgage Program | {Deferred to FY98} | (Defer to FY99) | | |
| **2b.** | **Develop Home and Energy Improvement Lending Programs** | | | | |
| Implement | Home Improvement | No activity | Complete program development for implementation in Spring or Summer 1998 | Development | No activity to date |
| Implement Summer 97 | Qualified Rehabilitation | No activity; defer to Spring 1998 | Defer to FY99 | Development | |
| **2c.** | **Expand Financing Options for Mobile Home Purchases** | | | | |
| Ongoing | Mobile Home Park Financing (MF) | No activity | 2 loans; $415,000 (69 units) | Development | No activity to date |
| **FY97** | Expand Financing Options for Mobile Home Purchases | | Defer to FY99 | | No activity to date |
| **2d.** | **Provide Financing for Co-op Housing** | | | | |
| **FY96-FY97** | Provide Financing for Co-Op Housing | No activity | Status quo: expect some activity in FY98 | Development | Proposal to use IORTA funds for share loans to Board in April or May |
| **2e.** | **Improve Financing for 3 and 4 Unit Owner-Occupied Properties** | | | | |
| **FY97** | Improve Financing for 3-4 Unit Owner-Occupied Properties (Develop financing option through MOVE-HOUSE) | {Deferred to FY98] | Defer to FY99 | Development | |
| ***3.*** | ***To improve flexibility of financing tools as a lender for rental housing*** | | | | |
| Ongoing | LIHTC | 100% of Cal 1997 ceiling reserved; a portion of 1998 ceiling committed | Work with JCTC to amend Allocation Plan; Allocate 100% of available credit | Development | No activity to date in calendar year 1998;notification of Round 1 sent |
| Ongoing | MF Construction | 5 loans committed; 275 units; $7.2 million<br>3 loans closed; 42 units; $3.4 million | 2 loans; $5,200,000 (85 units) | Development | 1 bridge/construction loan; 60 units;$3,700,000 |
| Ongoing | Bridge Financing Initiative | $325,000 loan fund; $123,000 committed | SF bridge - 4 loans; $240,000 | Development | 1 loan closed;$89,000 |
| Ongoing | MF Permanent Financing | 7 loans committed; 330 units; $9,602,006<br>5 loans closed; 156 units; $4,176,531 | 8 loans; $9,925,000 (385 units) | Development | 4 loans committed; 151 units;$3,575,000;<br>6 loans closed; 268 units; $6,825,000;<br>1 construction loan guaranteed; $3,200,000 |
| **3a.** | **Expand Energy Lending Activities** | | | | |
| Ongoing | Expand Energy Lending Activities and Weatherization Assistance | 2 loans committed; $4,124 | VT OEO Weatherization Program 10 loans; $50,000 | Development | No activity to date |
| ***4.*** | ***To create and enhance affordable housing integrated with services to provide realistic alternatives for people with special needs.*** | | | | |

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VERMONT HOUSING FINANCE AGENCY
FY98 BUSINESS PLAN
ACTIVITIES/GOALS/RESULTS



FY97 vs. FY98 (July 1, 1997 through June 30, 1998)

| STRATEGIC PLAN INFO | PROGRAM NAME | FY97 ACTUALS | FY98 GOALS | DEPT | FY98 ACTUALS (July 1, 1997 – December 31, 1997) |
|---|---|---|---|---|---|
| Ongoing | Special Needs Housing | 2 loans; $135,500 (included in HOUSE totals) | Will be developed in conjunction with Homeownership Centers Scattered Site Program | Development | No activity to date |
| **4a.** | **Address Homelessness** | | | | |
| Support FY96 | Address Homelessness | 600 Dalton Drive closed 5/8/97 | 600 Dalton Drive sheduled to open in 11/97 | Development/ Comm | 600 Dalton Drive ribbon cutting 11/97;first residents moved in 11/97 |
| **4b.** | **Collaborate to Develop Programs for Support and Special Needs** | | | | |
| Analyze #2 FY96 | Financing for Assisted Living (Developmentally Disabled Adults) | No activity | Direction unclear at this time; continue to participate in | Development | |
| Analyze #1 FY97 | Financing for Assisted Living (Combine Affordable Housing for Elderly with Supportive Services) | Executive Director participates on Elderly/Assisted Living Taskforce | Monitor state initiatives in these areas | Development | Working on 60 unit Level III CCH in Hartford |
| ***5.*** | ***To increase the efficiency and responsiveness of the multi-family lending process.*** | | | | |
| **5a.** | **Increase Efficiency of Multifamily Lending Process** | | | | |
| Support FY96 #1 #2 #3 #4 | Increase Efficiency of MF Lending Process | Statewide single application forms in final development; underwriting criteria reviewed; closing process improved | Continue efforts in this area to complete application forms and streamline MF lending process | Development | Common forms completed and distributed to: VHCB, CD, RD, VHFA |
| **5b.** | **Improve Financing for small rental projects up to 20 units.** | | | | |
| Analyze FY97 | Improve Financing for 3-4 Unit Investor-Owned Properties (Provide capital for 3-4 unit investor-owned properties) | Preliminary work on Section 108 Revolving Loan Pool w CEDO/LCHDC in Old North End; HUD Small Projects Processing conference | Obtain approval as HUD Small Projects Processing Lender; continue discussions with LCHDC on ONE rehab. program | Admin/ Development | HUD SPP lender application approved 10/22/97 |
| ***6.*** | ***To develop programs to finance the mitigation or elimination of environmental hazards that may inhibit the production or preservation of safe and decent affordable housing.*** | | | | |
| Ongoing | Lead Paint Response | As of 6/30/97 $100,000 loaned for 33 units | Loan $50,000 for 15 commitments (average of $3,333 per loan) | Admin/ Development | All $100,000 committed; $87,289 dispursed |
| **6b.** | **Financing Housing Infrastructure** | **FY98** | | Admin/ | |
| ***7.*** | ***To work with other housing and regulatory agencies to facilitate the development and preservation of affordable housing.*** | | | | |
| Ongoing | Preservation—Section 8 | No activity | Renew efforts to obtain Preservation Agreements where possible | MF Mgmt | Renewed discussions with owners; participate in NCSHA's Section 8 Working Group on preservation |

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FY98 BUSINESS PLAN
ACTIVITIES/GOALS/RESULTS



FY97 vs. FY98 (July 1, 1997 through June 30, 1998)

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|---|---|---|---|---|---|
| Ongoing | Portfolio Reengineering Demonstration | Submitted application to HUD, approved as Vermont processing agent for program | Complete Management Plan for HUD Submission and Approval | MF Mgmt | Management Plan submitted and approved by HUD |
| Ongoing | Preservation of federally - funded housing developments | Applegate acquisition/rehab under negotiation with HUD; all financing except for HUD 204 Up Front grant in place as of 6/30/97; Action on Westgate on hold; monitor | Resolve 204 up front grant issue; closing during Summer; rehab. begins late fall '97 | Development | Applegate closed 9/26/97 |
| Ongoing | VT Housing Ventures | $325,000 new program cap approved<br>5 loans for $131,664 | 5 loans; $125,000 | Development | 4 loans; $110,223 |
| Ongoing | Section 8 Refunding | 0% lending guidelines to Board 04/17/97 | FY98 proposed uses to VHFA Board 8/6/97; Adoption of future years lending guidelines | Finance | Board adoption of uses and continuing dialog re proposed program outline |
| Ongoing | Burlington Enterprise Community | For FY96 and FY97 down payment assistance loans; 16 out of 20 slots reserved; marketing has guaranteed positive response with area lenders and real estate professionals | FY98 market and purchases 10 downpayment assistance loans (IORTA) | Development/ Admin/Comm | No activity to date |
| Support | Housing Vermont | Ongoing evaluation | Reactivate VHFA Bridge financing facility with Housing Vermont ($1,000,000 pool) | Finance | Finalizing new Bridge loan agreement; first draws 1/98; working on revision of funding agreement |
| Support | MF Management | 104 developments (3,023 units) | 108 Developments (3,170 units)<br>Provide effective servicing and monitoring of MF portfolio; administer HUD Section 8 funds, $2.9 million/year | MF Mgmt | 106 developments (3,256 units) |
| Support | LIHTC Compliance Monitoring | 67 projects completed (2,444 units) | 75 Projects (2,574 units) | MF Mgmt | Final Reports on 62 projects completed ( 2,316 units) |
| **7a.** | **Collaborate with Other Agencies To Achieve Efficiencies** | | | | |
| Implement<br>#1 FY96-97<br>#2 FY96-97 | Monitoring: Streamline Statewide Programs (Improve affordable housing program compliance monitoring) | VHFA, HVT, Section 8, tax credit & VHCB monitoring coordinated | Expand VHFA, HVT, Section 8, Tax Credit, RD, FHLB and VHCB monitoring and finalize work on single application | MF Mgmt/ Admin | VHFA, HVT Section 8, Tax Credit & VHCB coordination continues. Agreement with RD to begin scheduling joint site inspections |
| Analyze<br>#3 FY97-98 | Collaborate with Other Agencies to Achieve Efficiencies (Improve overall quality and create efficiencies in gathering data re: monitoring) | Progress with VHCB on underwriting issues & sharing information | Continue on-going interagency collaboration | Dev/ Comm/ Admin | Common form developed and distribution to VHCB, RD, CD, VHFA; ongoing work to standardize where possible |
| ***8.*** | ***To inform policy makers on an ongoing basis regarding affordable housing issues and needs.*** | | | | |
| Support | Statewide Affordable Housing Activity/Promotion | Statewide conference held 09/16/96; next conference to be held in 1998 | Initiate planning for 1998 | Comm | Community Investment Conference planned for 4/98 is cancelled |
| Support | Housing Policies State/Fed Level | Executive Director continues to participate in these groups | Continue current level of activity | Admin | On-going Housing Council and Consolidate Plan meetings; Legislative hearings as required |

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**VERMONT HOUSING FINANCE AGENCY**
**FY98 BUSINESS PLAN**
**ACTIVITIES/GOALS/RESULTS**



**FY97 vs. FY98 (July 1, 1997 through June 30, 1998)**

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|---|---|---|---|---|---|
| Support | HUD Consolidated Plan (formerly CHAS) Performance | LIHTC Allocation Plan completed 03/97 maintaining consistency with HUD Consolidated Plan; awards completed 6/19/97 | Revise LIHTC Allocation Plan in Fall 1997 and implement as applicable in early 1998 | Admin | JCTC meeting 10/28/97 to discuss allocation plan changes |
| **8a.** | **Maintain Data Collection/Analysis/Dissemination of Housing Data** | | | | |
| Support | Data Collection, Analysis, Dissemination of Housing Data | Capacity not maintained at 60% time, position expanded to full time in 6/97 | With full time position, will resume previous level of data analysis, collection, and dissemination for internal and external projects | Comm | Full time research analyst hired 9/98 |
| ***9.*** | ***To promote VHFA's affordable housing programs and to build upon VHFA's successful public education and information efforts.*** | | | | |
| Ongoing | Nonprofit Training/Technical Assist | Housing Counseling Training held 6/97 - 27 attendees | Training for loss mitigation re-sales; HOC training for HOUSE, home maintenance and credit counseling | Development/ Comm | Training for HO Centers intake process held on Nov 6th & 7th, 14 attendees; conducted training for loss mitigation, 37 attendees; Conducted training for HOUSE, 7 attendees; 3 HO Center visits; hired credit/budget consultant for HO Centers; training for VHCB Americorp, 14 attendees |
| Ongoing | Home Buyer Education | 1 home buyer fair; 400 attendees<br>5 home buy basics workshops; 113 attendees<br>2 Pilot home buying basics workshops; 44 attendees, 3 non VHFA events; 39 attendees | 1 home buyer fair;<br>6 home buy basics workshops;<br>2 Pilot home buying basics workshops; non-VHFA events as needed | Comm | 5 Homeownership 2000 events held, 102 attendees; 1 pilot home buying basics workshop, 14 attendees; Futures class, 10 attendees |
| Implement | Homeownership Counseling | Homeownership Center evaluation completed 03/97 | Carry on Homeownership Center evaluation for year two | Comm | Planning for eval. in progress |
| Ongoing | Cooperative Advertising | 3 mailings for nonprofit to 2,556 consumers;<br>$4,000 dispensed to nonprofits<br>$5,500 dispensed to Homeownership Centers | $8,000 allocated for nonprofits;<br>$12,000 allocated for Homeownership Centers | Comm | Awarded $8,000 for non-profits;<br>Awarded $12,000 for Homeownership Centers |
| Support | Lender Training | 10 VHMGB sessions; 135 participants<br>6 VHFA sessions; 102 participants<br>(4 new lenders in 6 months) | VHMGB sessions scheduled as needed; 12 VHFA sessions | Comm | 2 VHFA sessions held, 35 attendees |
| Support | Training for RE Professionals | 3 sessions; 53 participants | 5 class sessions; 6 RE Board meetings; sponsor/VAR R-Gram newsletter | Comm | 3 classes held, 56 attendees; 1 Board meeting, 30 attendees; 1 informational session, 7 attendees |
| Support | Promote VHFA's Affordable Housing Programs Through Advertising | Spring 97 general campaign completed 6/97.4,900 Helpline Calls received; 28% of VHFA borrowers also called helpline | Maintain advertising campaign to generate consumer interest and result in loans at current levels for VHFA homeownership mortgage programs | Comm | Fall 1997 campaign completed 12/97 |

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VERMONT HOUSING FINANCE AGENCY
FY98 BUSINESS PLAN
ACTIVITIES/GOALS/RESULTS



FY97 vs. FY98 (July 1, 1997 through June 30, 1998)

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|---|---|---|---|---|---|
| Support | Communications Plan | Redesign of external newsletter completed, distributed 10/96; Materials for Legislative Conference completed 03/97; Annual Report distributed 01/97; New brochure design underway 6/97 | Develop for program promotion, development of materials and/or outreach to meet VHFA's needs | Comm | New brochure designed and distributed 11/97; sent out 3,500 brochures |
| **9a.** | **Promote Homeownership Through Expansion of Home Buyer Education** | | | | |
| ***10.*** | ***To enhance the long-term financial viability of VHFA by improving efficiency, reducing costs and increasing revenues.*** | | | | |
| Support | Cash Flow: Analyze Alternatives | Began implementation of E&D cash flow services | Fully integrate E&D cash flow services into operation | Finance | Evenson Dodge begins to prepare cash flows on new bond issues and updating existing bond issues |
| Support | Strategic Planning | New SWOT analysis began 03/97; review years 3-5 in preparation for FY98 Business Plan submission | Complete staff - wide survey by September 30; Review current strategic Plan by Dec. 31; Recommend adoption of revised SP in early 1998 | Comm/Admin | Survey results compiled 12/97 |
| Support | Regional Attorneys | Opened 80 cases; handled 129 cases; closed 80 cases | Continue utilization and monitoring of efficiency of regional attorney system | SF Ops | Initiating the expansion of the number of attorneys in regions where we have only one. |
| Support | Loan Servicing | 6519 Loans Serviced by 32 servicers; $350 million; Hired Loan Servicing Manager 11/26/96; reorganized Loan Servicing Department | Relocate LS Dept. into new space; continue close monitoring | Finance/ SF Ops | SF servicing staff moved to first floor; Servicing measurement tool approved by the Board and presented to VBA; will initiate report to servicers as of the end of December, 1997 |
| Analyze | Credit Scoring | Credit scoring for 06/95 and 6/96 received from credit bureau; survey sent to lenders and presentation made to VHMGB Board, refinements need to be made | With Board approval, implementation of credit scoring into underwriting process | SF Ops/ Comm/ Dev | New use of credit scores for underwriting approved by the Board; to be implemented in the spring of 1998 |
| **10a.** | **Expansion of Financing to Non-Housing Activities** | | | | |
| Analyze #1 FY96 | Finance Non-Housing Activities (Integrate existing entity functions) | No actvity | Defer | Finance | |
| Analyze #2 FY96 | Expand Financing to Non-Housing Activities (Integrate auxiliary financing functions) | No activity | Defer | Admin | Potential for administration of septic and energy loan funds, per VT Legislative approval of two pending bills |
| **10b.** | **Better Utilize VHMGB to Enhance Services/Products of VHFA** | | | | |
| Ongoing | VHMGB Program Administration | VHMGB business plan updated 06/97 | See VHMGB business plan (attached) | SF Ops | No activity to date |
| Implement | Proactive Servicing (SF) | | Implement | Finance | Working with DP, SF Ops and MITAS to structure the billing of monthly P&I Payments on serviced loans to lenders |

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**VERMONT HOUSING FINANCE AGENCY**
**FY98 BUSINESS PLAN**
**ACTIVITIES/GOALS/RESULTS**

**FY97 vs. FY98 (July 1, 1997 through June 30, 1998)**

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|---|---|---|---|---|---|
| Analyze #1 FY97 | Utilize VHMGB to Enhance Products/ Services of VHFA (Guarantee home improvement loans) | {Delayed implementation to FY98} | | SF Ops | Delayed implementation to later in FY98 |
| Analyze #2 FY97 | Utilize VHMGB to Enhance Products/ Services of VHFA (Guarantee 3-4 unit owner-occupied residences) | {Delayed implementation to FY98} | Utilize FHA Title I prior to involving VHMGB | SF Ops | Delayed implementation to later in FY98 |
| Support | Quality Control | Quality Control process in compliance with secondary market guidelines; integrated with VHMGB quality control; initial discussions begun to perform quality control on pre-purchase basis rather than post-purchase | Adjust process to incorporate Freddie mac suggestions made at last audit | SF Ops | No activity to date |
| **10c.** | **Reduce Operating and User Costs** | | | | |
| **NEW** | Guides on disk | Accounting and Servicing Guides to lenders on disk 6/30/97 | Have remaining VHFA guides on disk by 9/97 | SF Ops | Loan Accounting, Loan Servicing, Loan Sale and MCC currently on disk; VHMGB should be on in the third quarter of FY98 |
| **10d.** | **Increase Revenues Through Loan Servicing Modifications and New Investment Opportunities** | | | | |
| Analyze #2 FY97 | Increase Revenues (Explore VHFA Direct Servicing) | Subservicing 328 loans; revenues of $20,000 | Subservice at least 700 loans with revenues of $70,000 | SF Ops | Servicing 323 loans which are being sub-serviced |
| Support#1 FY96 | Direct Servicing (Explore reducing servicing fees to servicers) | Subservicing 328 loans; continued analyzing direct servicing option | Continue analyzing direct servicing option | Finance/ SF Ops | Purchase of servicing of an additional 65 loans anticipated for third quarter FY98 |

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**vhfa**

VERMONT HOUSING FINANCE AGENCY

March 9, 1998

Ms. Su Wolters
Department of Administration
Secretary of Administration's Office
Pavilion Office Building
109 State Street
Montpelier, VT 05602

Dear Ms. Wolters:

The Vermont Housing Finance Agency will be having its regular Board Meeting on Thursday, March 19 at 12:00 p.m., at the Association of General Contractors Office, 148 State Street, Montpelier, Vermont.

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

Sincerely,

Kari Caragher

Kari A. Caragher
H.R./Executive Assistant

*ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD*

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EQUAL HOUSING OPPORTUNITY

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VERMONT HOUSING FINANCE AGENCY

**MEMORANDUM**

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director ASH

DATE: March 13, 1998

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will include lunch and will begin at 12:00 p.m. Thursday, March 19, at the Associated General Contractors of Vermont Office, 148 State Street, Montpelier, Vermont. *The Associated General Contractors of Vermont Office is a white building, located on the corner of Bailey Avenue and State Street. There is a large sign on the corner of the property that indicates that it is also the Vermont State Board of Realtors Office. There is plenty of parking, and the entrance is located on the north side.*

Attached is the agenda and Board packet. The master copy of the Board minutes kept on file here at the Agency includes any attachments that may be referenced in the minutes; copies will be made available should any Board members be interested in reviewing them.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier, on March 19!

*ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD*

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EQUAL HOUSING OPPORTUNITY

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VERMONT HOUSING FINANCE AGENCY

**VHFA BOARD MEETING AGENDA**
**ASSOCIATED GENERAL CONTRACTORS OF VERMONT OFFICE**
***148 STATE STREET (FIRST FLOOR)***
***MONTPELIER, VERMONT***
**THURSDAY, MARCH 19TH AT 12:00 P.M.**

**Strategic Planning Session**
**<u>12:00 p.m. – 2:30 p.m. (lunch will be provided)</u>**

1. Recap of February 12th Board discussion **[Enclosure]**

2. Brief Presentations (10 – 15 minutes each)
   - A. **Barbara Grimes** Department of Housing and Community Affairs
   - B. **Robbie Harold** Rural Development
   - C. **Gus Seelig** Vermont Housing & Conservation Trust Fund
   - D. **Mike McNamara** Public Housing **[Enclosure]**

3. Staff program review/ranking
4. Discussion

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**Regular Agenda Items**
**<u>2:30 p.m. – 4:00/4:30 p.m.</u>**

1. Review and approval of the minutes of February 12, 1998

2. **Operations**
   - A. Single Family Program Activity Report For January, 1998 **[Lothrop//Enclosures]**

3. **Administration**
   - A. Executive Director's Report **[Hunt//Enclosure]**
   - B. Information Technology Update **[McNamara]**

4. **Finance**
   - A. General Fund Budget Performance **[Schoenbeck//Enclosure]**
   - B. December 31, 1997 Financials **[Schoenbeck//Enclosure]**

5. **Legal**
   - A. VHMGB Memorandum of Understanding **[Jarrett//Enclosure]**
   - B. Housing Vermont Funding Agreement **[Jarrett//Enclosure]**
   - C. Update on Legal Action **[Jarrett]**

6. Other old or new business to come before the Board



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**vhfa**

**VERMONT HOUSING FINANCE AGENCY**

**Memorandum**

TO: Chairman White and the VHFA Board of Commissioners

FROM: CG Cathleen Gent, Director of Communications
Mike McNamara, Deputy Director M.McN.

DATE: March 13, 1998

RE: Strategic Planning Session, Noon to 2:30 PM, March 19, 1998

We have enclosed three items for your review prior to the Strategic Planning session on Thursday, as follows:

- Summary of SP discussion of February 12th
- Expanded VHFA SP 1996-2000 with added column showing staff review and ranking of programs
- Summary of Public Housing units in Vermont

During the last Strategic Planning session, it was suggested that we provide additional information on how VHFA fits together with the other affordable housing providers and State agencies. Toward this end, we will have brief overview presentations on what DHCA, VHCB, RD and Public Housing Authorities are doing. Dick Williams from Vermont State Housing Authority (VSHA) has agreed to do the same on April 23rd.

We look forward to a productive session on Thursday afternoon.

*ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD*

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EQUAL HOUSING OPPORTUNITY

SUMMARY OF VHFA BOARD OF COMMISSIONERS
STRATEGIC PLANNING DISCUSSION
FEBRUARY 12, 1998

Where Do We Want To Be In 5 Years? This is the central question to consider.

GENERAL ISSUES

- Are the prices reported in VHFA's summary background report high for some parts of the state?
  - Soft markets in some areas of state
- Has VHFA fueled price increases – by raising purchase price limits for Chittenden County? (D. Canney)
- The median incomes of VHFA borrowers are not rising/about 40% of borrowers earn at or below 70% of median income. (A. Hunt)
- Underemployment/difficulty earning a living wage (D. White)
- Some Board members expressed less optimism concerning the outlook for our customers
- Can the organization be sustained prior to the "come back" when target homeownership population will increase again in 7 years? (T. Candon)
  - Do we want to remain the "lender of last resort" until that time?
- Diversify beyond housing? Diversity risk and opportunity? (M. Smith)
- Consolidate? VSHA? VEDA?
- Seeing traditional role changing
  - Find other sources of income beyond single family
- Impact of prepayments on revenues?
- Could we be more competitive in bond issues?
  - Evensen-Dodge is looking at the possible economies of scale in putting together bond deals
- Consider our mission in moving forward
- Needs for homeownership
  - Home improvement loan products
- Income instability across counties
  - Poverty increasing since 1989 (G. Seelig)
  - Income disparity – by region
  - Role of homeownership centers/other organizations
- Echo of S. New England boom
- Cable/Allen report – 1% vacancy rate
  - No new section 8 certificates have been added
- Husky – added impact – Chittenden County
- Partnerships
  - Desperate need for consumer credit counseling services (T. Candon)
- Section 8
  Dynamics of rental housing – Burlington (M. McNamara)
  Northeast Kingdom – quality – rental and homeownership (D. White)

- Costs of rehab vs. new construction for multifamily housing (D. White)
  - Cost of deal weighed against real costs of sprawl, infrastructure
  - Are we pursuing the policy of rehabilitating old housing at all costs?
    - Benefits/cost analysis needed
    - Look at different markets - think of Chittenden County differently for new construction
- Life of projects? (energy efficient)
- Federal grant programs – historic preservation requirements
  Historic preservation state office – too stringent/use of resource costs
- Working wages/market rate rents (Job Gap Study)
- Need to be viewed as "preferred" not "last resort" (L. Randall)
  Niche – "preferred" source
  Offer alternative (fewer products/better quality)
  Freddie/Fannie – not a great leap
  - No better pricing
  CRA – home grown programs
    - Not holding loans generally today
- We <u>are</u> competing (Do we view ourselves as competing with private market?)
- Envelope being pushed (riskier loans)
- Rate sensitive programs – lots of choices/new players in market/broker commissions/banks and mortgage business (D. White)
- Product life cycle – other products taking market share
- Factors driving decisions about financial future
  College/retirement/estate
- "Overqualify" for VHFA/use other products
- Lender "advocates" – relationship not there (like mid 1980s)
- Sale nationally of loans/ commission-based underwriting
- Role – need to help people – "last resort" - may need to keep that as component of what we do (G. Seelig)
- Number of wage earners down
- Have we diversified too much?
- Should we be doing for-profit development/taxable deals? (T. Candon)
  - Multifamily production has not grown
- Rental projects cannot afford debt/income
- Direct loan origination? (T. Candon)
  Send to lenders – lead to other products
- Static marketing budget (D. Canney)
- Who do we serve?
  - Should set targets for who should be served.
- State Housing Authority - active with mobile homes
  - Mobile homes are 3 times riskier to originate (A. Hunt)
- Partnerships with Homeownership Centers
- Partnerships with originators
- Tinker with our message - How do we make sure our social mission is accomplished at the same time economic self-preservation is maintained? (G. Seelig)

**VHMGB**

- Can VHMGB Insure Only VHFA Loans?
- Loss of conventional business
  Consolidation of servicers
  Leaves VHMGB with riskier portfolio
- Short sighted decisions (L. Randall)
  - Legislature borrowing funds
  - Fee changes – long term effects more serious
  - Fees now so close to conventional PMI
  Refinance – PMIs offer ability to roll over premium
  Creates repeat business
- Can VHMGB continue to operate with legislative oversight?
- Automated underwriting systems (PMI attached)
  Piggyback on PMI system?
  If pass (certificate) from GMAC. Etc.
- Disclosure – credit unions less fees
- What happened? Different perspectives
- How to package "product"
- "Advocates" for VHMGB – not as strong
- Erosion of relationship with originators
- Training – minimal before originating
- Working on straight monthly premium
  Inform lender when to stop collecting
- Lenders – selecting servicer – counseling services provided?
  - Value added services more prevalent today
- Captive insurance
- Freddie/Fannie – may offer own insurance – more partnerships with PMIs and Freddie/Fannie

At the conclusion of the meeting, the Board asked VHFA staff to review and rank our existing programs with respect to the value of keeping, expanding or eliminating from two perspectives: business decision <u>and/or</u> political decision.

**VHFA STRATEGIC PLAN 1996-2000**
**Single Family Programs**

| ***Number*** | ***Strategy*** | ***Orig. Compl. Date*** | ***Status (as of Jan. '98)*** | **Staff Program Review/Ranking** |
|---|---|---|---|---|
| 2.A.1. | Extend Down Payment Pilot Program with VHMGB | February, 1996 | Initiated with nonprofits through Homeownership Center Pilot Program 2/96 | *"B"*; Use up existing IORTA funds; improve research/monitoring of loans made |
| 2.A.2. | Down Payment Assistance Using a Second Mortgage Program | June, 1997 | Initiated with nonprofits through HCPP: FHLB/VHFA Funds 12/97; REO's 6/97 | *"A"*; Modified to link with Homeownership Centers; added REO sales to non-profits |
| 2.B. | Develop Home and Energy Improvement Lending Programs | February, 1996 | YESS Program 11/96; Title One target 8/98; VT Legislature: possible new program 4/98? | *"A"*; Research implementation models by FY '99 budget; Title One operating FY '99 |
| 2.C. | Expand Financing Options for Mobile Home Purchases | February, 1997 | No activity | *"B-"*; Research alternative to *GreenTrees*; identify funding source |
| 2.D. | Provide Financing for Co-op Housing | December, 1996 | Consider blanket mortgages under MF; investigate DP assistance for share loans | *"B"*; While no new co-ops are being developed, potential use of IORTA for share loans |
| 2.E. | Improve Financing for 3 and 4 Unit Owner-Occupied Properties | April, 1997 | Consider feasibility | *"C-"*; Not feasible--recommend off list |
| 4.B.2. | Develop Financing for Homeownership for Adults with Developmental Disabilities | December, 1995 | Not feasible without new funding mechanism | *"C-"*; Not feasible w/o MedicaidW--off list |
| 9.A.1. | Offer "Introduction to Homeownership" workshops | June, 1997 | EASL, Futures, etc. classes over past 4 years; fee-based classes redirected to HCs | *"A"*; Continue EASL & Futures; fee-based classes now a Homeownership Ctr. Activity |
| 9.A.2. | Offer "Successful Homeownership" post-purchase workshops | June, 1997 | Directed to Homeownership Centers | *"N/A"*; Homeownership Center Activity |
| 10.D.1. | Explore reducing servicing fees to servicers | February, 1996 | No activity | *"C"*; Unlikely given political realities; direct efforts toward incentives/penalties |
| 10.D.2. | Explore VHFA direct servicing of loans | June, 1997 | Transfer of several portfolios to subservicer | *"B"*; Add additional portfolios to subservicer if/when appropriate |

**Multifamily Programs**

| ***Number*** | ***Strategy*** | ***Orig. Compl. Date*** | ***Status (as of Jan. '98)*** | **Staff Program Review/Ranking** |
|---|---|---|---|---|
| 3.A. | Expand Energy Lending Activities | June, 1997 | VT Legislature: possible new program 4/98? | Review 1/99 VT Legislative Session |
| 3.B. | Expand (as Consortium) Use of FHLB in Conjunction with LIHTC | March, 1996 | Expanded use of FHLB with LIHTC, but not as a part of consortium | *"A"*; Collateral usage OK as is |
| 4.B.1. | Collaborate to Develop Programs for Support and Special Needs (Assisted Living Units for the Elderly) | June, 1997 | Financing an elderly "assisted living" facility 2/98 | *"A"*; Heaton project in pipeline; to Board Apr-98 |
| 5.A.1.- 4. | Increase Efficiency of Multifamily Lending Process: 1) Review UW Criteria; 2) Develop new marketing materials; 3) Accelerate Loan Processing; 4) Increase Efficiency of Closing Process. | December, 1995 | 1), 3), and 4) completed and on-going; 2) Fact Sheets now on Home Page | *"A"*; Continue work on new marketing materials and refining Closing Process |
| 5.B. | Improve Financing for 3 and 4 Unit Investor-Owned Properties. | June, 1997 | Approved as HUD Small Projects Processing lender, 10/ 97; no activity to date | *"C"*; No financing source identified; off list? |
| 6.A. | Finance Program for Environmental Hazard Management MF Properties. | July, 1999 | Non-VHFA funding sources being used. | *"C"*; Case-by-case when properties transfer |
| 6.B. | Financing Housing Infrastructure (Existing mobile home parks). | December, 1997 | Finance improvements when permanent financing is done (Kilbourne) | *"B"*; No formal program developed; continue on a case-by-case basis upon turnover |
| 7.A.1.& 2. | Collaborate with Other Agencies to Achieve Efficiencies: 1) Streamline compliance monitoring; 2) "User-friendly" applications/budget forms | June, 1997 | 1) Combined LIHTC/HOME compliance monitoring 3/96; 2) Forms have been consol-idatedas part of applications; attempting to use common underwriting assumptions. | *"A"*; Completed activities on-going; add Section 8 and common underwriting assumption components |
| 7.A.3. | Establish standardized reports/data collection in program monitoring | June, 1998 | Completed as part of join compliance monitoring (VHFA and VHCB). | *"A"*; On-going join compliance monitoring |

**General Programs/Activities**

| *Number* | *Strategy* | *Orig. Compl. Date* | *Status (as of Jan. '98)* | **Staff Program Review/Ranking** |
|---|---|---|---|---|
| 1.A. | Encourage and Support a Productive and Positive Work Environment | On-going | Major commit. To IT upgrades 7/97; Employee Survey 11/97 with Focus Groups 2/98-4/98. | *"A"*; Continue Focus Group activities; *Note: Separate IT into its own priority category* |
| 4.A. | Address Homelessness (research and public education only) | June, 1996 | Collaborate through Housing Needs initiatives 1/95 and 4/98. | *"B"*; Continue research/public education; finance projects on case-by-case basis |
| 8.A. | Maintain Data Collection, Analysis and Dissemination of Housing Data | December, 1995 | Full-time position re-established 8/97. | *"A"*; FT Research Analyst begins 4/1/98 |
| 10.A.1.& 2. | Expansion of Financing to Non-Housing Activities: 1) Explore feasibility of integrating existing entity functions; 2) Integrate auxiliary financing functions into VHFA | June, 1996 | Re-examining this in light of utility restructuring (energy loan program?) | *"C"*; Revisit in 1999 when Legislature revisits electric utility restructuring |
| 10.C. | Reduce Operating and User Costs ("paper-less" office by June, 1997). | On-going | Benefits costs stabilized; under-perform CPI for overall budget; not yet achieved "paperless office" | *"B"*; Continue on-going activities; move "paperless office" component to IT category |
| 10.D.3. | Maximize revenue through aggressive investment strategy | On-going | Investing more funds into guaranteed investment contracts. | *"B"*; Continue on-going activities |

**VHMGB Programs**

| | | | | |
|---|---|---|---|---|
| 10.B.1.& 2. | Better Utilize VHMGB to Enhance Services/Products of VHFA: 1) Guarantee product for home improvement and 3 to 4 unit owner-occupied. | March, 1997 | 1) VHMGB can guarantee on-site septic and energy conservation under "home improvement" loans; 2) VHMGB can guarantee 3 to 4 unit owner-occupied dwellings. | *"C"*; Use Title One for home improvement loans; *"C-"* for 3-4 unit owner-occupied--stick with SF mortgages only |
| 10.B.3. | Guarantee Program for refi SF loans with LTV higher than 100% | September, 1997 | No activity | *"B-"*; Change in GB statute required to guarantee loans with LTV > 100% |

**Municipally-Based Public Housing in Vermont**

| PH Agency | Conv. PH Units | | Section 8 Existing | | Other Units/Activities |
|---|---|---|---|---|---|
| | *Family* | *Elderly* | *Certs.* | *Vouchers* | |
| Barre | 50 | 319 | 129 | | 15 Family SR; 31 bed Level III; Independence Program; DEG |
| Bennington | 95 | 100 | 104 | 48 | 48 Certs. For Applegate; RAHC Insp., WL, & Ref. Checks |
| Brattleboro | 70 | 214 | 112 | | |
| Burlington | 137 | 209 | 287 | 112 | 15 MR; 22 SRO; 22 SR Mgmt.; 64 @ So. Square; Habitat Project |
| Hartford | | | 43 | | |
| Montpelier | | 60 | 92 | | 16 MR; 128 Mgmt. Agent (S.8 NC, SR & FmHA); 39u/42bed L III |
| Rutland | 75 | 135 | 50 | | |
| St. Albans | | | 43 | 8 | *Note: LCHDC will administer complete Sec. 8 program 4/98* |
| Springfield | | 132 | 61 | | 72 sec. 236; 28 FmHA 515; 58 @ Westview |
| Winooski | 75 | 163 | 100 | 100 | 19 MR; 26 Market rate family; Mgmt. Agent 23 family |
| ***Subtotal*** | ***502*** | ***1,332*** | ***1,021*** | ***268*** | ***575+/-*** |
| **TOTAL** | | **1,834** | | **1,289** | **3,700** |

VSHA has 2,688 Section 8 Existing subsidies distributed throughout Vermont with the exception of Montpelier.

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# VERMONT HOUSING FINANCE AGENCY

## BOARD MINUTES

**Vermont Housing Finance Agency**
**164 Saint Paul Street**
**Burlington, Vermont**

**Thursday, February 12, 1998 at 10:00 a.m.**

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

Agency Staff: Mr. Hunt, Mr. McNamara, Mr. Lothrop, Mr. Schoenbeck, Mr. Jarrett, Ms. Gent, Ms. Caragher, Mr. Falzone, Ms. Reid, Ms. Crady

Chairman White called the meeting to order at 12:50 p.m. Upon a motion duly made by Mr. Seelig and seconded by Ms. Randall, the minutes of December 18, 1997 and January 15, 1998 were unanimously approved as written.

Ms. Crady reviewed her memo "Bridge Financing Request for Officer's Row Affordable Units, included in the Board packet. Ms. Crady indicated that staff has been working with Lake Champlain Housing Development Corporation (LCHDC) and the Burlington Community Land Trust (BCLT) to transfer the administration of the second mortgage pool and the affordable units of Officer's Row from LCHDC to BCLT. In December 1996, the Board approved a resolution to give authority to the Executive Director to renegotiate the agreement between LCHDC, VHFA and the Vermont Housing and Conservation Board (VHCB). VHCB has preliminarily approved the transfer and we hope to be able to complete changes for final approval by April 1, 1998. At the December 1996 meeting, the Board also approved a resolution to provide up to $200,000 in zero percent financing to LCHDC to assist them to acquire affordable units at Officer's Row. The loan matured on December 31, 1997 and LCHDC and BCLT are requesting that VHFA make available $200,000 in zero percent financing to assist them during the transition period from LCHDC to BCLT. The source of funding for this would be our General Fund.

After a brief discussion, Mr. Candon made a motion to approve the "Vermont Housing Finance Agency Resolution Authorizing Bridge Financing For Lake Champlain Housing Development Corp. For Option Purchases Of Officers' Row Units," and carried unanimously after being seconded by Ms. Randall.

Next, Ms. Reid discussed her memo " Health Property Partners, Level III Community Care Home, Hartford: Letter of Interest for Construction and Permanent Financing," included in the Board packet. Ms. Reid noted that staff had been proceeding with a proposal from Health Property Partners, a private for profit developer, to finance an assisted living facility in Hartford using tax-exempt bonds. Due to the following reasons, the project is now moving forward as a Level III Community Care Home: (1) the definition of "Residential Housing" in the VHFA Statute has not been updated to include "assisted living" and (2) the Internal Revenue Service issued a Private Letter Ruling in October 1997 that determined that an assisted living facility in Colorado was a nonresidential health care facility, not a residential facility. The developer is planning to get licensing for the project as a Level III Community Care Home utilizing taxable financing.

The developer is proposing to construct a 60-unit mixed income Level III Community Care Home in Hartford on a 10 acre parcel, which includes 24 zero-bedroom units (efficiencies) and 36 one-bedroom units. Staff is proposing that VHFA issue a taxable bond to finance this development. The project appraised at $8.4 million, which is higher than anticipated. The sponsor and its management company have substantial experience in developing and managing facilities such as this one and by utilizing taxable debt, the project will not use financial resources that are in short supply and high demand. Although the level of affordability isn't as comprehensive as many projects VHFA finances, the project does meet the 51% overall project affordability test, will serve six residents at 43% of area median income, and a total of nineteen below 80% of area median income. After further discussion, Mr. Seelig made a motion to approve the "Resolution Pertaining To Letter Of Interest Re: Health Property Partners (Hartford)," and carried unanimously after being seconded by Ms. Randall.

Next, the memo " Single Family Program Activity Report For December, 1997," was reviewed by Mr. Lothrop. He noted that when comparing VHFA activity for 1996 and 1997, the Agency did considerably less business in 1997. Mr. Lothrop indicated a few reasons for this: (1) the Agency purchased a substantial amount of loans in January that slid into this year's purchase; (2) the average size loan was considerably higher in 1997 than in 1996 and (3) the Agency has had a fallout with reservations because some lenders are sending us VHFA loan packages before underwriting or reviewing them first. The Agency has had a lot of rejections this past year for loans over the income limit, which could have been avoided if the lender had reviewed the loan prior to sending it to VHFA. Mr. Candon indicated that the lender should be evaluating the needs of the customers and then searching for the best option. Ms. Randall suggested that possibly a submission sheet should be required as a cover to the loan submission package, requiring them to do something relative to income. No Board action is required.

"Quarterly Report of the Results of the Single Family Mortgage Loan Quality Control Process – October 1, 1997 through December 31, 1997," was discussed next by Mr. Lothrop. A total of 145 loans were guaranteed by VHMGB during this period, with 92 of the total loans purchased by VHFA and 53 conventional. Seventeen loans were randomly selected by the computer to participate in the quality control process, of which 11 were VHFA purchases and the other six were conventional. There was only one finding on the loans reviewed – we requested that the original appraiser respond to the review appraiser's comment on two loans. All responded satisfactorily. No Board action is required.

Mr. Lothrop updated the Board on the Servicing Activity for December 1997. He indicated that the number of loans under a payment arrangement and negotiating workout in the foreclosures as well as the 90-day accounts has increased drastically from 22 on 1/1/97 to 84 on

12/31/97. Mr. Lothrop also indicated that the Agency sold three REOs in December and 5 properties are under contract. No Board action is required.

Next, Mr. Lothrop updated the Board on Loan Servicing. Mr. Lothrop mentioned a few of the accomplishments the Servicing department has made over the past year: (1) increased monitoring of delinquencies resulting in more timely interventions and increased loan workouts; (2) contracted with Asset Disposition Management, Inc and the Harold Lewis Group to assist VHFA in selling REO properties and (3) instituted lenders reporting delinquencies within five business days after the end of the month. A future project staff is working on implementing is adapting the use of secondary market delinquency loan rating to determine which loans need the most collection attention so staff efforts are put to the best use.

Both VHFA and VHMGB adopted a method of underwriting mortgage loans, using credit scores as a tool, at their previous Board meetings. Under this underwriting method, less staff will provide for less staff time being spent on loans with credit scores of 680 or higher and allow more time to be spent reviewing loans with credit scores less than 680. An analysis of loans originated in the past two years preliminarily indicates that by following the new underwriting methods delinquencies should be effected positively. Mr. Lothrop cautioned that a conclusive analysis would have to be done over a longer origination period.

Next, Mr. Lothrop discussed his handout "Borrowers' Own Funds and Credit Score Analysis," dated February 4, 1998. Mr. Lothrop indicated that VHMGB instituted a policy that the borrower must invest 3% of their own funds into the mortgage transaction. An analysis was produced that shows the number of loans originated by credit score range and the delinquencies attributed to those ranges. Even though the analysis was based on only a year and a half of loans underwritten, it indicates that requiring a minimum of 3% of the borrowers' own funds in their own transaction should affect delinquencies positively. When using the table format that Freddie Mac uses, it appears that the 3% borrower own funds requirement has the effect of reducing the percentage of borrowers in the credit score category that Freddie Mac says is the most susceptible to foreclosure and increases the borrowers in the middle category. No Board action is required.

Mr. Schoenbeck discussed his memo " Single Family Bond Remarketing," included in the Board packet. The bond market hasn't moved much, and we are currently still looking at a mortgage rate of 6.70% or 6.75%. We have recently begun talking with Fannie Mae about their interest in purchasing our bonds and committing to a rate in advance. Although they have expressed an interest, the premium charge to commit to a forward rate is as much as 10 basis points. They also would require some minimum guaranteed amount of bonds for purchase. Right now that doesn't seem to be a workable solution. We are also reviewing an option to refund the bonds instead of remarketing, which would eliminate our exposure time to changing rates. If this were to happen, we would issue bonds to replace the bonds that we would call and use the proceeds of the new issue to call the old bonds. Staff will continue to explore options to reduce the mortgage rate on the Single Family Mortgage program in a low risk, cost efficient manner.

Ms. Gent reviewed her memo " Outreach, Advertising and Public Relations Results for FY98 Year to Date," included in the Board packet. Ms. Gent began by providing the Board with a review of the activities for the year to date. Lender and nonprofit training is designed to educate lenders and housing nonprofit staff who participate in one or more of our homeownership programs. The Board was encouraged to attend VHFA's 7th annual Home Buyer Fair, to be held March 14th in Colchester. Vermont Homeownership 2000, an activity conducted during the first half of the fiscal year, was a brainstorming session held across the state with our affordable homeownership partners. Over 100 lenders, real estate professionals, nonprofit staff members, and others participated in five sessions. Other training that was done follows: one VHFA lender session was held as an overview of the YESS program; a VHFA Real Estate Financing Options class was taught in Burlington with 19 participants; a VHFA breakfast seminar was given in Morrisville for 7 non-MLS real estate brokers. Staff also coordinated a two-day training session for all four Homeownership Centers on improved screening, intake and processing procedures. Spring outreach activities for lenders and real estate professionals include the following: eight spring lender VHFA/VHMGB information sessions will be scheduled around Vermont; three Real Estate Financing Options classes are scheduled for real estate professionals. Outreach also involves consumer education, which is meant to reach potential VHFA borrowers through media communications, instruction and materials, which will meet their needs as cost effectively as possible. VHFA presented information in a two-week homebuyer education class in Springfield offered by the Rockingham Area Community Land Trust Homeownership Center, which ten potential homebuyers attended. VHFA also conducted a two-part home buyer class in Burlington with a session planned in Brattleboro in March.

Advertising is one of the most important tools in promoting VHFA's programs. The goal for FY98 fall advertising campaign was to increase the number of calls to the Helpline for the months of September through November. The number of calls did increase by 12%. Another goal was to increase the advertising in Bennington, Windham and Windsor counties. The three counties did show an increase in response. The response to media was stronger for both print and radio in the fall 1997 compared to the previous year. The print advertisement began on February 1st and the radio ads began on February 2nd.

VHFA has increased public relations activities in the last two years in an effort to enhance information as part of our outreach and overall dissemination plan. Highlights of the public relations activities initiated in the first half of FY98 include: Allan Hunt wrote a commentary carried in 6 newspapers discussing the benefits of Act 60 for affordable housing; numerous ribbon-cuttings received good media coverage; and media coverage of the opening of the HIV/AIDS housing facility at 600 Dalton Drive continued throughout 1997.

Mr. Jarrett then briefly discussed title insurance. Some of the title insurance companies have recently came out with a new product, which provides greater protection for both homeowners and lenders especially in the areas of subdivision permits and zoning problems. The agency has never required title insurance before because staff felt that the problems we encountered were not often covered by title insurance. Mr. Jarrett indicated that he would like the Board to consider requiring title insurance, and that it could be discussed more extensively in a future meeting when we have more information.

Mr. Jarrett also wanted to make the Board aware that the agency was served with a class action complaint. Fortunately they are not seeking damages. It deals with the State's foreclosure laws and seeks to have the federal court declare part of Vermont's foreclosure statute that deals with notice to tenants unconstitutional. In this particular case, the plaintiff had been living in the mobile home with her family, but moved out for a four-month period, then moved back in. It was during the time when she wasn't living there that VHFA brought the foreclosure complaint, so she wasn't named in the complaint. We couldn't find the owner and had to serve him by publication in the newspaper. After the Sheriff served the writ of possession on the plaintiff we had given her two months extra time. We have worked out a stipulation with Legal Aid that will allow the plaintiff to stay in the home until April 1, 1998 without paying rent. After further discussion, the Board agreed that letting this matter go would be a mistake, staff should participate and present our case.

Next, Mr. Hunt gave his report. Mr. Hunt stated that the Pines Senior Housing Project has won another national award. He then indicated that the legislature has been slow for VHFA so far. The septic bill continues to wind its way through the legislature, while the utility de-regulation bill probably won't be acted upon this session. Lastly, Mr. Hunt mentioned that the Housing Credit Allocation Plan has been signed by the Governor and we expect to have a significant number of applications in before the deadline on March 6th.

Mr. McNamara then handed out the meeting schedule for the balance of the year. Mr. McNamara indicated that we have tried to stay to the third Thursday in each month; in some months we have pushed it back to the fourth Thursday. All meetings are scheduled at 1:00 p.m. on Thursdays.

Chairman White then turned the discussion to the Employee Survey. The Board members expressed their interest and commitment to help solve the issues that the employees possess. Ms. Randall pointed out that perhaps the Board needs some clarification on what their role is, since the Board has never had to discuss a matter similar to this one before. Mr. Seelig noted that the Board couldn't manage VHFA, but could help lead them in the right direction. Chairman White also stated that the employee survey would be an agenda item for the foreseeable future. Many Board members commented on the importance of this issue, and how the staff has their full attention and support.

At this time a motion to go into Executive Session for the purpose of discussing the Executive Director's evaluation pursuant to 1 VSA Section 313(a)(3) was made by Mr. Douglas and seconded by Ms. Canney. The motion to come out of Executive Session was made by Mr. Candon and seconded by Mr. Douglas. No formal action was taken after coming out of Executive Session.

There being no further business, following a motion made and seconded, the meeting adjourned at 3:05 p.m.

Respectfully Submitted,

Allan S. Hunt, Secretary

# VERMONT HOUSING FINANCE AGENCY
# RESOLUTION AUTHORIZING
# BRIDGE FINANCING FOR
# LAKE CHAMPLAIN HOUSING DEVELOPMENT CORP.
# FOR OPTION PURCHASES OF OFFICERS' ROW UNITS

RESOLVED:

Pursuant to § 621(5) of the Vermont Housing Finance Agency Act, the Executive Director is authorized to enter into an agreement for bridge financing, in the maximum amount of $200,000 at zero percent interest, with Lake Champlain Housing Development Corp. or Burlington Community Land Trust, Inc., substantially in accordance with the provisions and conditions in the attached Memorandum of Patricia A. Crady directed to the "VHFA Board of Commissioners" and dated February 6, 1998. The bridge loan will have a term of twelve months. The Executive Director, the Deputy Director and the Director of Finance are authorized to take all necessary steps and execute all documents necessary to implement the bridge loan authorized herein.

In addition, the Executive Director is authorized to execute new agreements between Lake Champlain Housing Development Corp., the Vermont Housing and Conservation Board and VHFA to include a transfer of responsibilities from Lake Champlain Housing Development Corp. to Burlington Community Land Trust, Inc., and new versions of the Housing Subsidy Covenant and related documents for future buyers of units at Officers' Row.

*I hereby certify that the foregoing is a true of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on February 12, 1998.*

Allan S. Hunt
Executive Director and Secretary
Vermont Housing and Finance Agency

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**RESOLUTION PERTAINING TO LETTER OF INTEREST**
**RE: HEALTH PROPERTY PARTNERS (HARTFORD)**

WHEREAS, a proposal has been presented to the Agency by Health Property Partners, (the "Housing Sponsor") on behalf of a to-be-formed limited partnership involving the construction of a 60 unit Level III Community Care Home located in Hartford, as referenced in a staff memorandum dated January 30, 1998 (the "Development"); and

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

WHEREAS, 31 of the 60 units in the Housing Sponsor's proposal would be affordable to households earning less than 100 percent of median income; and

WHEREAS, the maximum amount of the mortgage loan will not exceed $5,100,000; and

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

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.

2. The construction costs incurred by the Housing Sponsor are for housing development costs within the meaning of the Act.

3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.

4. The Housing Sponsor undertaking the Development will maintain the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income.

5. The security value of the Development will equal at least the amount of the VHFA loan.

6. The Housing Sponsor is expected to qualify as a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

2. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to a to-be-formed limited partnership for the construction and long term financing of the Development in Hartford in an amount not to exceed $5,100,000. The loan will be amortized and paid over a period of 30 years. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. The Letter of Interest shall include the following conditions:

   a. Sponsor must provide an appraisal acceptable to VHFA staff which provides a value sufficient to enable VHFA to make the loan within the parameters of VHFA's statutes and multifamily rules on loan-to-value ratio;

   b. VHFA reserves the right to withdraw its Letter of Interest if interest rates rise to the point that the long-term financial feasibility of the development is threatened, or if the bond cannot be sold for any reason at terms that makes the project feasible;

   c. Sponsor must provide final plans and specifications and an itemized construction budget for approval by VHFA or its agent; the cost of any construction budget review and construction inspections by an agent working on VHFA's behalf will be paid for out of the project's capital budget;

   d. VHFA (or its agent) shall review the operating budget for adequacy and cost reasonableness and approve if acceptable;

   e. Sponsor shall provide a written statement from the Town of Hartford as to estimated amount of property taxes to be assessed.

   f. Sponsor and its principals shall provide meaningful personal guarantees throughout the construction period until project completion and breakeven occupancy in a form satisfactory to VHFA;

   g. If interest rates fall such that the loan interest rate to the sponsor is lower than 8.5% (as shown in the budget dated 1/30/98), then VHFA reserves the right to reconsider the underwriting assumptions, including but not limited to the rent levels, loan amount, and loan terms.

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, February 12, 1998.*

*Allan S. Hunt*
*Executive Director and Secretary*
*Vermont Housing Finance Agency*

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VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: February 12, 1998

RE: Single Family Program Activity Report For January, 1998

## MORTGAGE PURCHASE PROGRAMS

| Month | No. | Amount | Previous Year | No. | Amount |
|---|---|---|---|---|---|
| Reservations | 35 | $ 2,363,450 | | 62 | $ 4,482,704 |
| Purchases | 43 | $ 2,966,726 | | 47 | $ 3,172,690 |

## MORTGAGE PLUS

| Month | No. | Amount | Previous Year | No. | Amount |
|---|---|---|---|---|---|
| Reservations | 3 | $ 323,000 | | 4 | $ 289,000 |
| Issued | 5 | $ 410,091 | | 10 | $ 783,092 |

*ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD*

*Mailing Address:* PO Box 408, Burlington, Vermont 05402-0408
*Delivery Address:* 164 Saint Paul Street, Burlington, Vermont 05401-4364
802 / 864-5743 • 800 / 339-5866 • TDD: 800 / 586-5832
FAX: 802 / 864-5746 • Underwriting FAX: 802 / 863-5422 • home@vhfa.org

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EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: JANUARY, 1998

| Lenders | Loans | 30 | Days | 60 | Days | 90+ | Days | Auth | FCL | Delinq | | REO | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ALBANK, FSB | 446 | 31 | 6.95% | 11 | 2.47% | 11 | 2.47% | 5 | 1.12% | 58 | 13.00% | 1 | 0.22% |
| Banknorth Mortgage Co. | 797 | 41 | 5.14% | 8 | 1.00% | 10 | 1.25% | 4 | 0.50% | 63 | 7.90% | 6 | 0.75% |
| Bennington Co-op S&L Assoc. | 57 | 1 | 1.75% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 1 | 1.75% | 0 | 0.00% |
| Brattleboro Savings & Loan | 27 | 1 | 3.70% | 1 | 3.70% | 0 | 0.00% | 0 | 0.00% | 2 | 7.41% | 0 | 0.00% |
| Chittenden Bank | 956 | 55 | 5.75% | 13 | 1.36% | 11 | 1.15% | 8 | 0.84% | 87 | 9.10% | 11 | 1.15% |
| Citizens Savings Bank | 115 | 2 | 1.74% | 0 | 0.00% | 0 | 0.00% | 2 | 1.74% | 4 | 3.48% | 2 | 1.74% |
| Community National Bank | 320 | 14 | 4.38% | 7 | 2.19% | 9 | 2.81% | 1 | 0.31% | 31 | 9.69% | 2 | 0.63% |
| Connecticut River Bank | 5 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Factory Point Nat. Bank | 35 | 0 | 0.00% | 2 | 5.71% | 1 | 2.86% | 0 | 0.00% | 3 | 8.57% | 0 | 0.00% |
| First Brandon Nat. Bank | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| First Nationwide Mortgage | 9 | 0 | 0.00% | 1 | 11.11% | 0 | 0.00% | 0 | 0.00% | 1 | 11.11% | 0 | 0.00% |
| GMAC Mortgage | 6 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Granite Bank (NH) | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Graystone Mortgage Company | 503 | 21 | 4.17% | 18 | 3.58% | 21 | 4.17% | 3 | 0.60% | 63 | 12.52% | 19 | 3.78% |
| Heritage Family Credit Union | 3 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Lyndonville Savings Bank | 57 | 3 | 5.26% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 3 | 5.26% | 0 | 0.00% |
| Mascoma Savings Bank | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Merchants Bank | 290 | 15 | 5.17% | 3 | 1.03% | 4 | 1.38% | 2 | 0.69% | 24 | 8.28% | 3 | 1.03% |
| Mortgage Service Ctr. of NE | 89 | 1 | 1.12% | 3 | 3.37% | 3 | 3.37% | 2 | 2.25% | 9 | 10.11% | 2 | 2.25% |
| National Bank of Middlebury | 64 | 5 | 7.81% | 2 | 3.13% | 1 | 1.56% | 0 | 0.00% | 8 | 12.50% | 1 | 1.56% |
| New England Federal CU | 50 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Northfield Savings Bank | 131 | 7 | 5.34% | 1 | 0.76% | 0 | 0.00% | 1 | 0.76% | 9 | 6.87% | 0 | 0.00% |
| Passumpsic Savings Bank | 171 | 10 | 5.85% | 6 | 3.51% | 1 | 0.58% | 0 | 0.00% | 17 | 9.94% | 4 | 2.34% |
| Peoples Trust Co. | 100 | 2 | 2.00% | 0 | 0.00% | 3 | 3.00% | 0 | 0.00% | 5 | 5.00% | 0 | 0.00% |
| Randolph National Bank | 38 | 3 | 7.89% | 1 | 2.63% | 0 | 0.00% | 0 | 0.00% | 4 | 10.53% | 0 | 0.00% |
| Union Bank | 175 | 8 | 4.57% | 3 | 1.71% | 5 | 2.86% | 0 | 0.00% | 16 | 9.14% | 2 | 1.14% |
| Vermont Development CU | 59 | 4 | 6.78% | 0 | 0.00% | 2 | 3.39% | 1 | 1.69% | 7 | 11.86% | 0 | 0.00% |
| Vermont National Bank | 2103 | 112 | 5.33% | 44 | 2.09% | 46 | 2.19% | 17 | 0.81% | 219 | 10.41% | 20 | 0.95% |
| Wells River Savings Bank | 30 | 3 | 10.00% | 0 | 0.00% | 1 | 3.33% | 0 | 0.00% | 4 | 13.33% | 0 | 0.00% |
| Totals | 6639 | 339 | 5.11% | 124 | 1.87% | 129 | 1.94% | 46 | 0.69% | 638 | 9.61% | 73 | 1.10% |
| Totals Previous Month | 6455 | 333 | 5.16% | 111 | 1.72% | 112 | 1.74% | 48 | 0.74% | 604 | 9.36% | 71 | 1.10% |
| Totals Same Mo. Last Yr. | 6266 | 318 | 5.08% | 99 | 1.58% | 90 | 1.44% | 50 | 0.80% | 557 | 8.89% | 56 | 0.89% |

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: January, 1998

| Lenders | Loans | 30 | Days | 60 | Days | 90+ | Days | Auth | FCL | Delinq | | REO | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Large Servicer 400+ | | | | | | | | | | | | | |
| Albank | 446 | 31 | 6.95% | 11 | 2.47% | 11 | 2.47% | 5 | 1.12% | 58 | 13.00% | 1 | 0.22% |
| Banknorth Mortgage Co. | 797 | 41 | 5.14% | 8 | 1.00% | 10 | 1.25% | 4 | 0.50% | 63 | 7.90% | 6 | 0.63% |
| Chittenden Bank | 956 | 55 | 5.75% | 13 | 1.36% | 11 | 1.15% | 8 | 0.84% | 87 | 9.10% | 11 | 1.05% |
| Graystone Mortgage Company | 503 | 21 | 4.17% | 18 | 3.58% | 21 | 4.17% | 3 | 0.60% | 63 | 12.52% | 19 | 3.54% |
| Vermont National Bank | 2103 | 112 | 5.33% | 44 | 2.09% | 46 | 2.19% | 17 | 0.81% | 219 | 10.41% | 20 | 1.36% |
| Totals | 4805 | 260 | 5.41% | 94 | 1.96% | 99 | 2.06% | 37 | 0.77% | 490 | 10.20% | 57 | 1.19% |
| Average | 961 | 52 | 5.47% | 19 | 2.10% | 20 | 2.25% | 7 | 0.77% | 98 | 10.59% | 11 | 1.36% |
| Medium Servicers 399-50 | | | | | | | | | | | | | |
| Bennington Co-op S&L Assoc. | 27 | 1 | 3.70% | 1 | 3.70% | 0 | 0.00% | 0 | 0.00% | 2 | 7.41% | 0 | 0.00% |
| Citizens Savings Bank | 115 | 2 | 1.74% | 0 | 0.00% | 0 | 0.00% | 2 | 1.74% | 4 | 3.48% | 2 | 1.74% |
| Community National Bank | 320 | 14 | 4.38% | 7 | 2.19% | 9 | 2.81% | 1 | 0.31% | 31 | 9.69% | 2 | 0.63% |
| Lyndonville Savings Bank | 57 | 3 | 5.26% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 3 | 5.26% | 0 | 0.00% |
| Merchants Bank | 290 | 15 | 5.17% | 3 | 1.03% | 4 | 1.38% | 2 | 0.69% | 24 | 8.28% | 3 | 1.03% |
| Mortgage Service Ctr. of NE | 89 | 1 | 1.12% | 3 | 3.37% | 3 | 3.37% | 2 | 2.25% | 9 | 10.11% | 2 | 2.25% |
| National Bank of Middlebury | 64 | 5 | 7.81% | 2 | 3.13% | 1 | 1.56% | 0 | 0.00% | 8 | 12.50% | 1 | 1.56% |
| Northfield Savings Bank | 131 | 7 | 5.34% | 1 | 0.76% | 0 | 0.00% | 1 | 0.76% | 9 | 6.87% | 0 | 0.00% |
| Passumpsic Savings Bank | 171 | 10 | 5.85% | 6 | 3.51% | 1 | 0.58% | 0 | 0.00% | 17 | 9.94% | 4 | 2.34% |
| Peoples Trust Co. | 100 | 2 | 2.00% | 0 | 0.00% | 3 | 3.00% | 0 | 0.00% | 5 | 5.00% | 0 | 0.00% |
| Union Bank | 175 | 8 | 4.57% | 3 | 1.71% | 5 | 2.86% | 0 | 0.00% | 16 | 9.14% | 2 | 1.14% |
| Totals | 1539 | 68 | 4.42% | 26 | 1.69% | 26 | 1.69% | 8 | 0.52% | 128 | 8.32% | 16 | 1.04% |
| Average | 140 | 6 | 4.27% | 2 | 1.76% | 2 | 1.42% | 1 | 0.52% | 12 | 7.97% | 1 | 0.97% |
| Small Servicers 49- | | | | | | | | | | | | | |
| Brattleboro Savings & Loan | 27 | 1 | 3.70% | 1 | 3.70% | 0 | 0.00% | 0 | 0.00% | 2 | 7.41% | 0 | 0.00% |
| Connecticut River Bank | 5 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Factory Point Nat. Bank | 35 | 0 | 0.00% | 2 | 5.71% | 1 | 2.86% | 0 | 0.00% | 3 | 8.57% | 0 | 0.00% |
| First Brandon Nat. Bank | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| First Nationwide Mortgage | 9 | 0 | 0.00% | 1 | 11.11% | 0 | 0.00% | 0 | 0.00% | 1 | 11.11% | 0 | 0.00% |
| GMAC Mortgage | 6 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Granite Bank (NH) | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Heritage Family Credit Union | 3 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Mascoma Savings Bank | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| New England Federal CU | 50 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Randolph National Bank | 38 | 3 | 7.89% | 1 | 2.63% | 0 | 0.00% | 0 | 0.00% | 4 | 10.53% | 0 | 0.00% |
| Vermont Development CU | 59 | 4 | 6.78% | 0 | 0.00% | 2 | 3.39% | 1 | 1.69% | 7 | 11.86% | 0 | 0.00% |
| Wells River Savings Bank | 30 | 3 | 10.00% | 0 | 0.00% | 1 | 3.33% | 0 | 0.00% | 4 | 13.33% | 0 | 0.00% |
| Totals | 265 | 11 | 4.15% | 5 | 1.89% | 4 | 1.51% | 1 | 0.38% | 21 | 7.92% | 0 | 0.00% |
| Average | 20 | 1 | 2.32% | 0 | 1.79% | 0 | 0.79% | 0 | 0.15% | 2 | 5.05% | | 0.00% |

| Lenders | 1997 Jun | Jul | Aug | Sep | Oct | Nov | Dec | 1998 Jan | Feb | Mar | Apr | May |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Large Servicer 400+ | | | | | | | | | | | | |
| Albank | 8.24% | 9.19% | 8.54% | 10.29% | 11.86% | 10.24% | 12.28% | 13.00% | | | | |
| Banknorth Mortgage Co. | 8.57% | 7.54% | 8.06% | 8.13% | 8.83% | 8.91% | 8.16% | 7.90% | | | | |
| Chittenden Bank | 8.65% | 9.32% | 8.66% | 7.64% | 8.30% | 9.20% | 10.39% | 9.10% | | | | |
| Graystone Mortgage Company | 11.76% | 11.72% | 14.29% | 14.29% | 12.75% | 17.75% | 15.72% | 12.52% | | | | |
| Vermont National Bank | 7.14% | 7.10% | 6.81% | 6.66% | 8.40% | 9.60% | 7.24% | 10.41% | | | | |
| Vermont Federal Bank | 8.29% | 8.05% | 8.29% | 11.39% | 12.28% | 13.00% | 13.08% | | | | | |
| Average | 8.78% | 8.82% | 9.11% | 9.73% | 10.40% | 11.45% | 11.15% | 10.59% | #DIV/0! | #DIV/0! | #DIV/0! | |
| Medium Servicers 399-50 | | | | | | | | | | | | |
| Bennington Co-op S&L Assoc. | 1.92% | 1.92% | 3.85% | 3.85% | 1.92% | 3.57% | 1.82% | 7.41% | | | | |
| Citizens Savings Bank | 3.60% | 5.41% | 4.42% | 4.39% | 3.54% | 5.26% | 5.26% | 3.48% | | | | |
| Community National Bank | 5.84% | 5.77% | 6.96% | 8.49% | 6.65% | 8.20% | 8.81% | 9.69% | | | | |
| Lyndonville Savings Bank | 5.26% | 3.51% | 1.75% | 3.51% | 3.51% | 10.53% | 7.02% | 5.26% | | | | |
| Merchants Bank | 7.12% | 7.17% | 7.88% | 7.41% | 8.16% | 8.53% | 7.56% | 8.28% | | | | |
| Mortgage Service Ctr. of NE | 14.44% | 8.99% | 8.99% | 10.11% | 8.99% | 12.36% | 13.48% | 10.11% | | | | |
| National Bank of Middlebury | 12.50% | 9.23% | 12.31% | 12.31% | 13.85% | 13.85% | 12.31% | 12.50% | | | | |
| Northfield Savings Bank | 3.91% | 6.25% | 6.30% | 5.51% | 7.87% | 10.85% | 9.30% | 6.87% | | | | |
| Passumpsic Savings Bank | 9.20% | 8.05% | 8.05% | 8.05% | 7.51% | 9.36% | 9.83% | 9.94% | | | | |
| Peoples Trust Co. | 8.08% | 7.29% | 6.19% | 8.08% | 9.09% | 7.92% | 5.94% | 5.00% | | | | |
| Union Bank | 10.00% | 7.06% | 9.36% | 9.36% | 8.62% | 11.36% | 10.80% | 9.14% | | | | |
| Average | 7.44% | 6.42% | 6.91% | 7.37% | 7.25% | 9.25% | 8.38% | 7.97% | #DIV/0! | #DIV/0! | #DIV/0! | |
| Small Servicers 49- | | | | | | | | | | | | |
| Brattleboro Savings & Loan | 4.00% | 4.00% | 4.00% | 8.33% | 3.85% | 3.85% | 3.85% | 7.41% | | | | |
| Connecticut River Bank | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | | | | |
| Factory Point Nat. Bank | 0.00% | 5.71% | 2.86% | 8.33% | 5.71% | 8.33% | 11.11% | 8.57% | | | | |
| First Brandon Nat. Bank | 10.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | | | | |
| First Nationwide Mortgage | 0.00% | 10.00% | 0.00% | 10.00% | 0.00% | 10.00% | 22.22% | 11.11% | | | | |
| Fleet Mortgage | 17.39% | 19.15% | 17.02% | 17.39% | | | | | | | | |
| GMAC Mortgage | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | | | | |
| Granite Bank (NH) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | | | | |
| Heritage Family Credit Union | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | | | | |
| Mascoma Savings Bank | | | | | | 0.00% | 0.00% | 0.00% | | | | |
| New England Federal CU | 0.00% | 0.00% | 0.00% | 2.08% | 0.00% | 0.00% | 0.00% | 0.00% | | | | |
| Randolph National Bank | 2.50% | 2.50% | 5.13% | 7.89% | 7.89% | 7.89% | 7.89% | 10.53% | | | | |
| Vermont Devvelopment CU | 12.50% | 14.29% | 14.29% | 14.29% | 13.21% | 12.73% | 15.79% | 11.86% | | | | |
| Wells River Savings Bank | 6.67% | 6.67% | 6.45% | 6.45% | 6.67% | 6.67% | 13.33% | 13.33% | | | | |
| Average | 4.45% | 5.09% | 4.56% | 6.29% | 2.95% | 3.92% | 6.03% | 4.94% | #DIV/0! | #DIV/0! | #DIV/0! | |
| Total VHFA Delinquency | 8.21% | 8.09% | 8.38% | 9.07% | 9.69% | 10.55% | 10.36% | 9.61% | | | | |

# VHFA

VERMONT HOUSING FINANCE AGENCY

## MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: February 19, 1998

RE: Servicing Activity for January, 1998

### SERVICING ACTIVITY

Collections:

| | | |
|---|---|---|
| Last months 90+ accounts: | | 112 |
| New 90 day accounts (+): | 22 | |
| To foreclosure/DIL (-): | 3 | |
| To 60 days or less (-): | 2 | |
| Under payment arrangement: | 96 | |
| 90+ accounts: | | 129 |
| In Foreclosure: | | |
| Last months' foreclosure accounts: | | 49 |
| New foreclosures (+): | 3 | |
| To REO (-): | 4 | |
| Successful interventions (-): | 2 | |
| Negotiating workouts: | 13 | |
| Foreclosure accounts: | | 46 |
| Real Estate Owned: | | |
| Last months REO's: | | 71 |
| New REO's (+): | 4 | |
| Properties sold (-): | 2 | |
| Properties under contract: | 9 | |
| Other: | | |
| REO's: | | 73 |

*ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD*

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*Mailing Address:* PO Box 408, Burlington, Vermont 05402-0408
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EQUAL HOUSING OPPORTUNITY

# VERMONT HOUSING FINANCE AGENCY

## Board Property Disposition Report

Month of: January, 1998

### Properties Sold

| Property | Listing Price | Sale Price | Principal Balance | Interest | To Date Expenses | Claim Payment | Actual Gain/ (Loss) | Audit Valuation Offset | Additional Gain/ (Loss) |
|---|---|---|---|---|---|---|---|---|---|
| Hamilton<br>Middletown Springs | $59,900 | $38,000 | $78,063 | $ 7,101 | $18,656 | $17,000 | ($48,820) | ($13,700) | ($35,120) |
| Melkonian<br>Walden | $54,900 | $42,500 | $68,056 | $ 3,692 | $ 8,925 | $13,612 | ($24,561) | | ($24,561) |

### Properties Under Contract

| Property | Listing Price | Contract Price | Principal Balance | Interest | Estimated Expenses | Estimated Claim Payment | Actual Gain/ (Loss) | Audit Valuation Offset | Additional Gain/ (Loss) |
|---|---|---|---|---|---|---|---|---|---|
| Bushee<br>Clarendon | $39,900 | $37,500 | $68,992 | $14,734 | $16,719 | $14,761 | ($48,184) | ($49,269) | $ 1,085 |
| Goulding<br>Kirby | $39,900 | $35,000 | $63,717 | $ 8,080 | $13,047 | $14,000 | ($35,844) | ($27,915) | ($ 7,929) |
| Premont<br>Marshfield | $37,900 | $24,000 | $38,635 | $2,717 | $ 8,445 | $ 7,270 | ($18,528) | ($14,504) | ($ 4,024) |
| Poro<br>Brandon | $59,900 | $53,500 | $61,750 | $ 4,059 | $24,927 | $18,525 | ($18,711) | ($ 8,753) | ($ 9,958) |
| Philippi<br>Reading | $49,900 | $39,000 | $66,037 | $ 6,018 | $ 8,721 | $14,800 | ($26,976) | ($25,579) | ($ 1,397) |
| Duby<br>Rutland | $34,900 | $25,000 | $58,579 | $ 4,754 | $10,769 | $12,800 | ($36,302) | ($20,699) | ($15,603) |
| Tomlinson<br>Colchester | $54,900 | $54,000 | $66,378 | $ 5,841 | $12,165 | $14,300 | ($16,084) | ($ 4,439) | ($11,645) |

## Properties Under Contract (Con't)

| Property | Listing Price | Contract Price | Principal Balance | Interest | Estimated Expenses | Estimated Claim Payment | Actual Gain/ (Loss) | Audit Valuation Offset | Additional Gain/ (Loss) |
|---|---|---|---|---|---|---|---|---|---|
| Long<br>Barre | $75,900 | $75,900 | $82,269 | $ 5,232 | $10,718 | $17,975 | ($ 4,344) | ($3,166) | ($ 1,178) |
| Dustin<br>St. Johnsbury | $49,900 | $46,000 | $54,760 | $ 3,124 | $10,996 | $14,140 | ($ 8,740) | ($ 9,345) | $ 605 |

## Properties in the VHFA/Non Profit Sale Program

Massey
Stannard
Gilman Housing Trust

Watkins
Springfield
Rockingham CLT

Richards
Fair Haven
Rutland West NHS

Stocker
Rutland
Rutland West NHS

Holmes
Burlington
BCLT

Davis
Clarendon
Rutland West NHS

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VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt ASH

DATE: March 12, 1998

RE: Executive Director's Report

This has been a very busy period as Cathleen and I gear up for our annual Legislative Conference in Washington March 15 – 17. As you know, there are two bills that have been introduced that will have a great impact on us. S.1251 would raise the per capita amount of private activity bonds that each state can issue from $50 per capita to $75 per capita. As a small state, Vermont would receive $250 million in authority, up from the present $150 million. As a result of neither Senator agreeing to co-sponsor this legislation, VHFA hosted a luncheon for the Senators' key staff and involved representatives from the 4 state issuers of private activity bonds to educate and impress the importance of the Senators sponsorship. Jim Douglas joined our gathering and was very helpful in articulating the importance of this bill to Vermont. We believe this meeting had a positive impact on our guests and would expect Senator Jeffords to agree to co-sponsor the bill as a result of this meeting.

The other important bill is S.1252, which would raise the amount of Low Income Housing Tax Credits each state could utilize from $1.25 per capita to $1.75 per capita. All three of our congressional delegation has agreed to co-sponsor. Our two Senators have written a joint letter to the Chairman of the Finance Committee suggesting a small state minimum of $1.5 million, which would result in nearly doubling what Vermont would get. It is too early to know what the potential for passage is for either the bill or this change.

<u>State Legislation</u> – Things have been very slow for us this year. I have only been asked to appear a couple of times to talk about housing issues. Any role we might have in the utility restructuring discussion appears to be dead for this year. We have been active in discussions around the Act 60 technical corrections as it impacts the use of tax escrows. It is very good news that the taxes paid to the state will no longer be a senior lien to our mortgage, thus reducing or eliminating the need to continue our escrows.



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We are working with Jim Douglas and Kim Rode at the Higher Health and Education Authority (VHEFA) to amend our statutes to add assisted living to our definition of eligible projects. To avoid a turf war, we are agreeing that VHEFA will do assisted living connected to hospitals or nursing homes and we will finance projects proposed by traditional developers.

VHMGB -Staff and I have been working very hard at finding ways to make VHMGB more financially solid. Their financials continue to deteriorate due to rising delinquencies and a trend toward less business. Many factors are at play, with electronic underwriting by banks being of major concern. The VHMGB Board has authorized me to begin a search for a consultant to advise them regarding various options.

Tax Credits – We received 10 applications (half were resubmission's from last year) totaling just over $1 million, with approximately $640,000 available. We expect to bring recommendations to the Board at the April meeting.

Single Family Issues- Slow originations continue to concern us and we will be updating you at the Board meeting on ways to pick up the volume. The servicing side continues to be frustrating, although Cindy Cunningham and her staff are working very hard and have made many improvements in our handling of delinquencies. We would also expect that tax refunds and springtime will help improve things.

Finally, we are very pleased to have two new employees join the VHFA team. Patricia Myette, who we interviewed for the deputy director position, has agreed to join us as the Director of Information Technology. Pats strong banking background should help us with the challenge of electronic communication with the banks and overall management of "big picture" issues. Leslie Plumeau-Black will be joining us as the Research Analyst. Leslie worked at the GAO as a specialist in the housing finance area and this background is likely to be very helpful as we go forward.

# vhfa

VERMONT HOUSING FINANCE AGENCY

**MEMORANDUM**

**TO:** **VHFA BOARD OF COMMISSIONERS**

**FROM:** **ROGER A. SCHOENBECK, DIRECTOR OF FINANCE** RAS

**DATE:** **MARCH 13, 1998**

**RE:** **GENERAL FUND BUDGET PERFORMANCE**

On the reverse side of this memo is the budget performance report for the period ending December 31, 1997 representing the first six months of the fiscal year. Budget categories should be at 50% of the annual budget.

**INCOME.** We are earning income as expected in most income categories.

**FUND TRANSFERS.** The transfers of funds from the Programs to the General Fund have been collected as expected. The difference from the budgeted amounts is based on timing of when we pay debt service to bondholders at which time we make the transfers to the General Fund. We transferred the $2.5 million from the Single Family Housing Bond program during the current quarter, which will put the percentages on a more balanced basis.

**EXPENSES.** Total expenses are 49 % of budget within the expense constraints for the fiscal year. Legal expenses have been higher than expected and the subsidy payments for the Guarantee Board now totals $117,500 compared to the annual allocation budgeted of $73,000.

**CAPITAL BUDGET.** The approved capital budget for the fiscal year is $278,485. Through December 31, 1997 we had expended $154,000 or 55% of the capital budget.

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




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EQUAL HOUSING OPPORTUNITY

**BUDGET PERFORMANCE REPORT**
**VERMONT HOUSING FINANCE AGENCY**
**DECEMBER 31, 1997**

| | | APPROVED BUDGET | | ACTUAL 12/31/97 | PERCENT OF BUDGET |
|---|---|---|---|---|---|
| *INCOME* | | | | | |
| Single family fees | $ | 137,000 | $ | 85,479 | 62.4% |
| Multi-family fees | | 177,000 | | 115,097 | 65.0% |
| Project Administration fees | | 89,200 | | 36,858 | 41.3% |
| Single family servicing fees | | 53,000 | | 12,808 | 24.2% |
| Interest income-loans | | 712,000 | | 396,178 | 55.6% |
| Interest income-invest | | 100,000 | | 51,601 | 51.6% |
| VHMGB charges | | 380,000 | | 166,222 | 43.7% |
| Miscellaneous income | | 60,000 | | 23,472 | 39.1% |
| **TOTAL INCOME** | | **1,708,200** | | **887,715** | **52.0%** |
| *FUND TRANSFERS* | | | | | |
| Single Family Housing Bonds | | 2,500,000 | | 25,682 | 1.0% |
| Single Family Insured Mtg Bonds | | 200,000 | | 100,000 | 50.0% |
| Single Family Mortgage Purchase | | 1,000,000 | | - | 0.0% |
| Single Family Home Mortgage Purchase | | 220,000 | | 49,500 | 22.5% |
| Multi-Family Mortgage Bonds | | 450,000 | | 220,000 | 48.9% |
| Multi-Family Housing Bonds | | 160,000 | | 40,431 | 25.3% |
| Multi-Family Housing Develop Bonds | | 10,000 | | 10,000 | 100.0% |
| Direct Placement Bonds | | 35,000 | | 24,500 | 70.0% |
| **TOTAL TRANSFERS** | | **4,575,000** | | **470,113** | **10.3%** |
| **TOTAL INCOME & TRANSFERS** | | **6,283,200** | | **1,357,828** | **21.6%** |
| *EXPENSES* | | | | | |
| Advertising & Promotion | | 132,000 | | 1,880 | 1.4% |
| Annual report | | 6,500 | | 60 | 0.9% |
| Audit expense | | 43,250 | | 43,000 | 99.4% |
| Commissioners expense | | 5,000 | | 1,055 | 21.1% |
| Consulting fees | | 144,950 | | 39,607 | 27.3% |
| Depreciation | | 172,000 | | 73,791 | 42.9% |
| Dues & Subscriptions | | 37,460 | | 17,788 | 47.5% |
| Insurance | | 203,600 | | 91,489 | 44.9% |
| Interest expense | | 527,500 | | 287,621 | 54.5% |
| Legal expense | | 20,000 | | 17,176 | 85.9% |
| Miscellaneous | | 5,000 | | 3,316 | 66.3% |
| Occupancy expense | | 82,000 | | 26,696 | 32.6% |
| Office expenses | | 37,500 | | 19,308 | 51.5% |
| Organization subsidy expense | | 164,000 | | 180,652 | 110.2% |
| Payroll taxes | | 120,383 | | 56,639 | 47.0% |
| Pension expense | | 135,000 | | 69,664 | 51.6% |
| Postage | | 26,500 | | 7,477 | 28.2% |
| Repairs & Maintenance | | 28,000 | | 17,751 | 63.4% |
| Salaries & Wages | | 1,602,442 | | 786,159 | 49.1% |
| Staff travel & Training | | 75,200 | | 34,789 | 46.3% |
| Telephone | | 45,000 | | 22,431 | 49.8% |
| Trustee & Credit fees | | 235,000 | | 87,829 | 37.4% |
| **TOTAL EXPENSES** | | **3,848,285** | | **1,886,178** | **49.0%** |
| **SURPLUS (DEFICIT)** | **$** | **2,434,915** | **$** | **(528,350)** | **-21.7%** |

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VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

**TO:** **VHFA BOARD OF COMMISSIONERS**

**FROM:** **ROGER A. SCHOENBECK, DIRECTOR OF FINANCE** RAS

**DATE:** **MARCH 13, 1998**

**RE:** **DECEMBER 31, 1997 FINANCIALS**

Attached to this memorandum is the balance sheet and statement of revenues for the bond programs and the General Fund through December 31, 1997. The results continue to be encouraging!

**Balance Sheet.** Total assets are $705 million compared with $715 million in September and $702 million in June of 1997. The fund balances now total $48.6 million compared to $47.4 million in September and $46.7 million at June 30, 1997. We have noticed an acceleration of prepayments of single family mortgages, which has resulted in a reduction in total assets.

**Statement of Revenues.** Revenues exceeded expenses by $1.9 million for the six months ended December 31, 1997, compared to $2 million for the same period last year and $775,000 for the three months ended September 30th. Foreclosure losses were about $670,000 for the current six month period compared to $300,000 for the six month quarter ended December of 1996. This remains an area of concern.

If you have any questions regarding the financial statements as of December 31, 1997, feel free to call me at your convenience or bring your questions to the Board meeting.

# VERMONT HOUSING FINANCE AGENCY
## BALANCE SHEET
## DECEMBER 31, 1997

| | | SINGLE FAMILY | | | | MULTI-FAMILY | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | GENERAL FUND | INSURED MORTGAGE PROGRAM | MORTGAGE PURCHASE PROGRAM | HOME MTG PURCHASE PROGRAM | HOUSING PROGRAM | MORTGAGE PROGRAM | HOUSING PROGRAM | DIRECT PLACEMENT PROGRAM | HOUSING DEVELOPMENT PROGRAM | COMBINED TOTAL |
| ASSETS | | | | | | | | | | |
| Cash and cash equivalents | 2,687,272 | 714,574 | 13,082 | 49,283,518 | 97,093,961 | 4,988,378 | 5,423,821 | 266,310 | 489,692 | 160,960,608 |
| Investments | 1,449,705 | 6,628,751 | 30,845 | 16,435,691 | 46,225,000 | 4,752,891 | 2,747,378 | 0 | 883,562 | 79,153,823 |
| Mortgage and const loans receivable | 10,406,605 | 3,870,996 | 105,536 | 100,611,110 | 252,135,501 | 32,440,086 | 26,341,924 | 14,839,257 | 7,022,907 | 447,773,922 |
| Accrued int rec - mtg and notes | 513,288 | 25,387 | 1,721 | 857,543 | 1,768,433 | 155,568 | 167,176 | 198,875 | 35,109 | 3,723,100 |
| Accrued int rec - investments | 25,310 | 88,710 | 649 | 544,288 | 1,441,793 | 102,110 | 128,967 | 1,645 | 24,463 | 2,357,935 |
| Deferred costs of bond issuance | 0 | 26,133 | 0 | 490,504 | 1,785,935 | 218,815 | 394,260 | 5,392 | 48,185 | 2,969,224 |
| Land | 775,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 775,000 |
| Building | 1,000,834 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,000,834 |
| Office furniture and fixtures | 1,347,629 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,347,629 |
| Accumulated depreciation | (1,044,453) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1,044,453) |
| Other receivables and prepaid expenses | 453,388 | 3,181 | 4,962 | 205,666 | 229,333 | 34,062 | 6,143 | 0 | 0 | 936,735 |
| Interfund receivables (payables) | (790,211) | 5,239 | 1,003,912 | (392,919) | 301,042 | 6,670 | (285,989) | (69,546) | 221,802 | 0 |
| Other assets and REO | 0 | 0 | 9,200 | 2,154,145 | 2,921,112 | 0 | 0 | 0 | 0 | 5,084,457 |
| TOTAL ASSETS | 16,824,367 | 11,362,971 | 1,169,907 | 170,189,546 | 403,902,110 | 42,698,580 | 34,923,680 | 15,241,933 | 8,725,720 | 705,038,814 |
| LIABILITIES AND FUND BALANCES | | | | | | | | | | |
| Deferred loan origination fees | 391,647 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 391,647 |
| Accounts payable | 388,862 | 1,649 | 38 | 34,454 | 289,695 | 0 | (18,051) | 0 | 0 | 696,647 |
| Escrowed cash deposits | 3,413,075 | 0 | 0 | 360 | (22,455) | 0 | 792,414 | 3,587 | 96,135 | 4,283,116 |
| Notes payable | 6,008,733 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6,008,733 |
| Accrued interest payable | 31,509 | 104,818 | 0 | 1,018,893 | 4,093,022 | 1,084,172 | 545,114 | 102,362 | 27,501 | 7,007,391 |
| Bonds payable | 621,084 | 6,815,000 | 0 | 156,905,000 | 390,640,000 | 37,595,000 | 29,125,000 | 14,978,877 | 8,060,000 | 644,739,961 |
| Unamortized discount on bonds | 0 | (94,469) | 0 | (1,959,132) | (2,803,448) | (592,044) | (1,044,669) | (19,197) | (141,760) | (6,654,719) |
| TOTAL LIABILITIES | 10,854,910 | 6,826,998 | 38 | 155,999,575 | 392,196,814 | 38,087,128 | 29,399,808 | 15,065,629 | 8,041,876 | 656,472,776 |
| Fund balance | 5,969,457 | 4,535,973 | 1,169,869 | 14,189,971 | 11,705,296 | 4,611,452 | 5,523,872 | 176,304 | 683,844 | 48,566,038 |
| TOTAL LIABILITIES & FUND BAL | 16,824,367 | 11,362,971 | 1,169,907 | 170,189,546 | 403,902,110 | 42,698,580 | 34,923,680 | 15,241,933 | 8,725,720 | 705,038,814 |

VERMONT HOUSING FINANCE AGENCY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCES
FOR THE SIX MONTHS ENDED DECEMBER 31, 1997

| | | SINGLE FAMILY | | | | MULTI-FAMILY | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | GENERAL FUND | INSURED MORTGAGE PROGRAM | MORTGAGE PURCHASE PROGRAM | HOME MTG PURCHASE PROGRAM | HOUSING PROGRAM | MORTGAGE PROGRAM | HOUSING PROGRAM | DIRECT PLACEMENT PROGRAM | HOUSING DEVELOPMENT PROGRAM | COMBINED TOTAL |
| REVENUES: | | | | | | | | | | |
| Interest Income: | | | | | | | | | | |
| Mortgage and construction loans receivable | 396,179 | 147,179 | 11,331 | 4,691,848 | 9,623,935 | 1,418,231 | 1,292,539 | 516,716 | 317,400 | 18,415,358 |
| Investments | 51,601 | 200,453 | 2,439 | 2,426,525 | 4,817,368 | 293,355 | 214,078 | 8,727 | 45,943 | 8,060,489 |
| Fee Income: | | | | | | | | | | |
| Multi-Family Mortgage Programs | 90,342 | 0 | 0 | 0 | 0 | 0 | 36,857 | 0 | 0 | 127,199 |
| Single Family Mortgage Programs | 175,877 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 175,877 |
| VHMGB income | 166,222 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 166,222 |
| Gain on sales of investments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Miscellaneous income | 27,847 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 27,847 |
| TOTAL REVENUES | 908,068 | 347,632 | 13,770 | 7,118,373 | 14,441,303 | 1,711,586 | 1,543,474 | 525,443 | 363,343 | 26,972,992 |
| EXPENSES: | | | | | | | | | | |
| Financing costs, including interest and amortization of premium, discount and costs of issuance | 287,621 | 232,475 | 0 | 6,210,935 | 12,445,815 | 1,487,508 | 703,273 | 501,063 | 314,532 | 22,183,222 |
| Mortgage service and contract administration fees | 6,016 | 9,989 | 7 | 186,624 | 449,288 | 0 | 0 | 0 | 0 | 651,924 |
| Salaries and benefits | 997,186 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 997,186 |
| Operating expenses | 443,822 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 443,822 |
| Professional fees | 60,177 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 60,177 |
| Trustee and assignee fees | 81,814 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 81,814 |
| Property disposition and loan loss expenses | 2,775 | 0 | 0 | 194,088 | 472,404 | 0 | 0 | 0 | 0 | 669,267 |
| TOTAL EXPENSES | 1,879,411 | 242,464 | 7 | 6,591,647 | 13,367,507 | 1,487,508 | 703,273 | 501,063 | 314,532 | 25,087,412 |
| Excess (deficiency) of revenues over expenses | (971,343) | 105,168 | 13,763 | 526,726 | 1,073,796 | 224,078 | 840,201 | 24,380 | 48,811 | 1,885,580 |
| Fund balance at beginning of year | 6,433,828 | 4,530,805 | 1,156,106 | 13,712,745 | 10,657,183 | 4,607,374 | 4,760,960 | 176,424 | 645,033 | 46,680,458 |
| Transfers to general fund | 506,972 | (100,000) | 0 | (49,500) | (25,683) | (220,000) | (77,289) | (24,500) | (10,000) | 0 |
| Fund balance at end of period | 5,969,457 | 4,535,973 | 1,169,869 | 14,189,971 | 11,705,296 | 4,611,452 | 5,523,872 | 176,304 | 683,844 | 48,566,038 |

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

To: VHFA Board of Commissioners

From: Glenn A. Jarrett, General Counsel

Date: March 13, 1998 GAJ

Re: VHMGB Memorandum of Understanding

BACKGROUND

The Original Memorandum of Understanding with the Vermont Home Mortgage Guarantee Board expired at the end of last year. We have been working on language in an Amended and Restated Memorandum of Understanding.

Attached is a draft of an Amended and Restated Memorandum of Understanding. An earlier draft was presented to the Guarantee Board this week and the Chair was authorized to sign it, with the understanding that some additional changes were to be made based on the discussion at the Guarantee Board meeting.

REQUESTED ACTION:

Authorization for the Executive Director to sign the Amended and Restated Memorandum of Understanding as presented at this meeting, with the authority to make changes approved by legal counsel.



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EQUAL HOUSING OPPORTUNITY

AMENDED AND RESTATED
MEMORANDUM OF UNDERSTANDING

This Amended and Restated Memorandum of Understanding (the "Agreement") is effective as of January 1, 1998, between VERMONT HOUSING FINANCE AGENCY (the "Agency") and VERMONT HOME MORTGAGE GUARANTEE BOARD (the "Board").

The parties hereby agree as follows:

1. This Agreement shall take effect as of the effective date first above written and shall continue until either party gives the other notice of its intent to terminate the Agreement on not less than 60 days notice. Such duties of the parties that pertain to final accountings and payments shall survive the expiration or termination of the Agreement.

2. During the term of this Agreement, the Agency shall administer programs of the Board described below in accordance with the then-current policies and procedures of the Board. The Agency shall hire and retain qualified personnel for the purpose of administering such programs. The Agency may assign duties pertaining to Board programs among its employees in its sole discretion. All employment decisions shall be made in the discretion of the Agency. The Board will not have any employees unless this Agreement is amended.

3. In addition to administration of Board programs, the Agency shall, from time to time, at the request and expense of the Board, develop and administer additional programs and/or revisions to existing programs under guidelines and policies established by the Board, and may, subject

to approval of the Board, contract with actuarial, legal, and other consultants and/or temporary employees to assist it in carrying out such assignments.

4. The Agency shall have custody of such monies and financial records of the Board as the Board shall designate in writing from time to time. All checks in an amount greater than $25,000 shall be signed by a member of the Board. The Agency shall have the duties of a fiduciary with respect to all such monies and financial records. Annually, the Agency shall arrange for an audit of the Board's finances by a qualified certified public accounting firm.

5. Beginning with the fiscal year July 1, 1997 to June 30, 1998, the Board shall compensate the Agency for its services in accordance with the provisions hereof and an annual budget that corresponds to a June 30 fiscal year end. For services rendered, the Agency shall bill the Board on a periodic basis, which may be monthly but in no event less frequently than quarterly. Each bill shall be itemized in sufficient detail to track the line-item categories of the Board's budget. The Board shall promptly pay all bills not contested in good faith. Payment shall be made not later than 30 days after the date of submission.

For so long as the Vermont General Assembly requires the Agency to make a capital contribution to the Board, the Agency shall make such a contribution to the Board on a quarterly basis throughout the fiscal year.

6. Not later than June 1 of each year during the term hereof, the Agency shall present for approval to the Board an estimate of the annual Board budget for the fiscal year commencing on July 1 following. After consultation with the Agency, the Board shall adopt a budget for the ensuing year. The Board shall not fail to adopt a Budget that provides at least for:

   (a) compensation to the Agency for personnel time and benefits attributable to time spent to administer the Board's programs, commensurate with such compensation for Agency employees generally;

   (b) compensation to the Agency for a reasonable pro-ration of actual common overhead expenses; and

   (c) a reasonable allowance to the Agency to cover reimbursement of actual expenses for special projects contemplated to be undertaken on behalf of the Board during the ensuing year.

7. The Agency shall provide each member of the Board with a timely written report of its activities on behalf of the Board before each meeting of the Board. The report will include a list of claims paid. At the request of the Board, with reasonable advance notice from any member of the Board, the Clerk of the Board, the Executive Director of the Agency and/or such personnel as the Executive Director may deem appropriate, shall attend any meeting of the Board for the purpose of further explaining the Agency's report.

8. The Board's programs are:

(a) The Board's general program of guaranteeing loans for financing of primary residences, including all existing subprograms, such as the following: guarantees for Agency loans, loans of conventional lenders, special affordable housing loan programs of conventional lenders, refinance loan programs for conventional lenders, and the down payment assistance program; and

(b) The Board's home improvement loan program.

9. Processing of Claims for Losses Under Board Guarantees. The Agency shall process and pay all claims for losses made by claimants under Board guarantees.

As to any claim, the Agency shall remain responsible to the Board for handling the claimant's questions or complaints, if any, in a manner consistent with the policies of the Board.

10. Upon expiration of this Agreement or such earlier termination as the parties may agree:

(a) The Agency shall, within 180 days after termination or expiration of this Agreement, render its final accounting and bill for services to the Board;

(b) Within 30 days after receipt of the Agency's final accounting and bill for services, the Board shall pay the Agency's final charges;

(c) All files and records of the Board shall be made available to the Board at the offices of the Agency for a period of 90 days, after which period, the Agency, in its discretion, may deposit such files and records in the offices of the State Auditor of Accounts or the Chair of the Board if not physically reclaimed and removed by the Board; and

(d) The Board and the Agency shall take all other steps reasonable and necessary for the orderly transition of day to day administration of Board programs from the Agency to the Board. The reasonable cost for the facilities of the Agency and the time of Agency personnel used in the transition shall be compensable as part of the Agency's final accounting.

11. The purpose of this Agreement is to provide for cost-efficient administration of programs of the Board in accordance with the Rules and Regulations, policies, forms and procedures adopted by the Board. Nothing herein shall be construed to delegate or to attempt to delegate any rulemaking, setting of policy or similar discretionary powers or duties of the Board.

12. The Agency shall not assign or subcontract its performance of this Agreement without the prior written approval of the Board.

13. The Agency will adhere to all applicable State laws and regulations in carrying out the duties assigned to it hereunder.

IN WITNESS WHEREOF, the Board and the Agency have caused this Memorandum of Understanding to be subscribed by their respective Chairs, who are duly authorized, effective the date first above written.

VERMONT HOME MORTGAGE GUARANTEE BOARD

By: ______________________________
Elizabeth Costle, Chair

VERMONT HOUSING FINANCE AGENCY

By: ______________________________
Richard C. White, Chair

**vhfa**

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

To: VHFA Board of Commissioners

From: Glenn A. Jarrett, General Counsel

Date: March 13, 1998 GAJ

Re: Housing Vermont Funding Agreement

BACKGROUND

In May, 1998, the Agency and Housing Vermont signed a Funding Agreement that provided for the $2,000,000 grant that the Agency made available to Housing Vermont for initial operating expenses and for housing development funds. Late last year, Housing Vermont asked if the Agency would consider amending the Funding Agreement to simplify it and eliminate many parts of the original Agreement that were no longer necessary.

Attached is a draft of an Amended and Restated Funding Agreement. Peter Richardson, President of Housing Vermont has approved this draft of the Agreement. This Agreement will apply to new Housing Vermont developments, but the original Funding Agreement will continue to apply to past development deals.

REQUESTED ACTION:

Authorization for the Executive Director to sign the Amended and Restated Funding Agreement as presented at this meeting, with the authority to make changes approved by legal counsel.

# AMENDED AND RESTATED FUNDING AGREEMENT

This Agreement is effective as of the ___ day of March, 1998, by and between Vermont Housing Finance Agency ("VHFA"), a body politic and corporate having its principal place of business in Burlington, Vermont, and Housing Vermont ("HV"), a non-profit corporation organized under the laws of the State of Vermont with its principal place of business in Burlington, Vermont. This Agreement amends and restates that certain Funding Agreement effective May 31, 1988 between the same parties (the "Original Funding Agreement") and applies to developments for which a partnership agreement is entered into after the date first above written. Pursuant to the Original Funding Agreement, VHFA granted HV $2,000,000 for use by HV as operating and housing development funds.

RECITALS

A. HV has for the past ten years made effective use of the funds granted by VHFA for the purposes and according to the policies, terms and conditions of the Original Funding Agreement.

B. VHFA and HV desire to amend and update the provisions of the Original Funding Agreement.

C. Approximately $171,500 of the VHFA grant funds has been properly expended for HV administrative costs that cannot be recovered. Of the remaining funds, approximately $637,500 has been properly invested in illiquid HV investments whose full recovery is not anticipated.

D. The balance of the VHFA grant funds is approximately $1,191,000 (the "Grant Balance") and contributes to HV's Development Loan Fund. The Development Loan Fund currently provides, and will continue to provide, loans for pre-development and bridge financing of qualified investments, as defined in the HV By-Laws.

E. "Residential Housing" means residential housing units designed primarily to provide principal dwelling accommodations, whether on a permanent or temporary basis, for persons or families, which may include the land and improvements thereon and such non-housing facilities or services considered necessary or convenient in connection with the residential housing. "Residential housing" includes, but is not limited to, single or multi-family dwellings, congregate homes, residential care homes as defined in 33 V.S.A. § 7102, nursing homes, transitional housing, emergency shelters for the homeless or displaced, mobile homes, single room occupancy dwellings, group homes for the mentally ill or developmentally disabled, housing cooperative corporations and cooperative interests.

F. "Housing Development Costs" means the costs, other than operating costs, incurred in good faith by HV or any of its affiliates in connection with the actual or anticipated acquisition, construction, rehabilitation of Residential Housing, including, but not limited to, the costs of: its physical construction; acquisition of land, real or personal property, rights, rights-of-way and easements necessary or convenient for its construction, acquisition or rehabilitation; legal, administrative, architectural and related professional services; insurance, project reports, survey, and other preliminary expenses; and working capital, reserves and carrying charges.

AGREEMENT

1. The term of this Agreement shall begin on the effective date and shall end on the date when the Grant Balance is repaid by HV, or some earlier date mutually agreed on by HV and VHFA.

2. HV will continue to conduct its affairs and operate in accordance with the purposes described in its Articles of Association and in its By-Laws. Any amendments to the Articles or By-Laws will continue to require VHFA approval.

3. HV shall maintain its corporate existence during the term of this Agreement. In the event of the voluntary or involuntary dissolution of HV during the term of this Agreement, whether or not VHFA consents to the dissolution, or other Event of Default, as defined herein, HV shall distribute its assets up to the amount of the Grant Balance to VHFA.

4. HV shall maintain its status as an organization exempt from federal income taxes pursuant to § 501(c)(3) of the Internal Revenue Code (the "Code") of 1986, or any comparable provision of a revised Code, and which is not a private foundation pursuant to § 509(a)(1), (2), or (3) of the Code.

5. HV shall maintain the Grant Balance Portion of the Development Loan Fund at all times in one or more interest-bearing accounts. The monies in the Development Loan Fund shall be used for the exclusive purposes of paying Housing Development Costs, making reimbursements for Housing Development Costs advanced from HV's operating funds , or repayment to the Agency.

6. Annually, not later than March 15 of each year during the term of this Agreement, HV shall provide VHFA with its audited financial statements for the preceding year.

7. Annually, not later than April 1, interest earned on idle Grant Balance funds shall be paid to VHFA. Idle funds are those that were not used for Housing Development Costs during the preceding year.

8. The occurrence of one of the following events shall constitute an Event of Default:

(a) the deliberate or fraudulent misapplication of funds by HV or any director or officer of HV;

(b) the voluntary or involuntary dissolution of HV during the term of this Agreement; or

(c) Receipt by HV from the Internal Revenue Service of a notice of revocation of the Corporation's status as, or right to be treated as, an organization exempt from federal income taxes and which is not a private foundation pursuant to § 501(c)(3) and § 509(a)(1),(2) or (3) of the Code.

9. In the case of an Event of Default, and in addition to any other remedy available to VHFA at law or in equity, VHFA shall have the right to bring suit to recover immediate repayment from HV of all monies advanced to HV by VHFA;

The parties have caused this Agreement to be subscribed by their agents effective as of the date first above written.

VERMONT HOUSING FINANCE AGENCY

By: ______________________

Its Executive Director
and duly authorized agent

HOUSING VERMONT

By:______________________

Its President and
duly authorized agent

NOTICE OF EMERGENCY MEETING

The Board of Commissioners of the Vermont Housing Finance Agency will meet via telephone conference call on Thursday, April 9, 1998 at 11:00 a.m. to consider possible changes to the interest rate on the Agency's Single Family Housing Bonds, Series 9 and the use of Interest on Real Estate Trust Accounts funds for persons purchasing foreclosed properties as well as any other matters properly before the meeting. The public may attend the meeting in the 3RD Floor Conference Room at the Agency's offices at 164 St. Paul Street, Burlington, Vermont 05401.

SEND REPORT

APR-08-98 WED 02:30 PM

| # | DATE | START | RECEIVER | TX TIME | PAGES | TYPE | NOTE | M# | DP |
|---|---|---|---|---|---|---|---|---|---|
| 01 | APR-08 | 02:22 PM | 96526399 | 1'10" | 2 | SEND WCAX | OK | 528 | |
| 02 | | 02:23 PM | 918027752423 | 1'13" | 2 | SEND Rutland Herald | OK | 529 | |
| 03 | | 02:25 PM | 96601802 | 32" | 2 | SEND Free Press | OK | 530 | |

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GRAND TOTAL TIME: 30M 43S PAGES: 73

VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Kari Caragher, Executive Assistant

DATE: April 8, 1998

RE: **APRIL 9th CONFERENCE CALL**

Following are the two agenda items for tomorrow's conference call taking place at 11:00 a.m. Topics to be discussed are:

- Suggested Interest Rate Adjustments to the MOVE Program
- Possible Use For Interest On Real Estate Trust Accounts (IORTA) Funds




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VERMONT HOUSING FINANCE AGENCY

**MEMORANDUM**

TO: VHFA Board of Commissioners

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

DATE: April 7, 1998

RE: Suggested Interest Rate adjustments to the MOVE Program

## DISCUSSION

Based on the discussion held at the last Board meeting, staff has been considering what interest rate changes to the MOVE program should be recommend to increase the activity of the MOVE program. As of the close of business on Friday, April 3rd, we had $36.6 million in Series 9 funds not in the mortgage pipeline, less $4 million set aside for the HOUSE and YESS programs. In our deliberations, we considered the cost to VHFA, the effect the changes will have in the marketplace, and the desirability of having multiple offerings for borrowers.

An additional part of our deliberations included the fact that in originating mortgage loans at 6.95%, VHFA was receiving a full spread. What we were losing was the 25 bp built into the bond financing to provide VHFA additional funds to reduce potential loan losses. Staff considered this feature a very important one. As of the close of business Monday, April 6th , the market was in a borderline position that would allow VHFA to re-market the Series 9 bonds. A re-marketing comes with the risk that the market would turn against us before we could complete the transaction. The following are the interest rate options that staff is recommending to the Board.

A no point mortgage option

Staff recommends that we offer a no point option that carries a fixed rate of 7.20%. This option will cost VHFA approximately $100,000 for every $10 million in mortgage money originated. The rationale for this option is to allow a borrower to obtain a VHFA mortgage with less cash up front than currently is required. This option will require VHFA to pay the lenders one point up front. The one point may be able to be paid from the bond program rather than the General Fund.



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A three-year reduced rate mortgage option

In this recommendation a borrower would be able to obtain a rate of 6.20% for the first three years of the mortgage. For all years after the first three, the interest rate would be 7.20%. This option would give a borrower the chance to qualify at a lower interest rate, attracting lower income borrowers to MOVE while re-establishing the 25bp for potential loan losses after the three-year period. In addition, this option will allow VHFA to compete with the FHA one-year adjustable rate mortgage product. This option will cost VHFA approximately $128,475 for every $10 million in mortgage money originated. This calculation is based on an average life of mortgage of eleven years.

Continue to offer a 1-point mortgage option

VHFA would continue to offer a 6.95% interest rate with 1 point. It is the opinion of staff that, to offer a well-rounded set of options, our current option should continue. As of the close of business on Friday, April 3rd ,we have $6.9 million in the pipeline at 6.95%. We would cap this option by adding $5 million to the amount we have in the pipeline once additional options are offered the borrowers. This option will cost VHFA approximately $138,468 for the additional $5 million in mortgage money originated.

By establishing these options in this manner it will not be significant which option is used, as the third option is capped and the cost to VHFA for the other two is comparable. If one of the first two options is more popular than the other, VHFA can transfer funds to this option without it costing VHFA additional monies.

The total estimated cost to VHFA would be approximately $446,909 in instituting the options mentioned above. These compares with an estimated cost of $886,192 to originate the remaining funds at 6.95%, an estimated cost of $278,000 to re-market the issue (if we met the requirement to re-market) and an estimated cost of $350,000 for refunding/issuing a new series of bonds.

## REQUESTED BOARD ACTION

Approval of the recommended MOVE mortgage options

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VERMONT HOUSING FINANCE AGENCY

**MEMORANDUM**

TO: VHFA Board of Commissioners

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

DATE: April 2, 1998

RE: Possible use for Interest On Real Estate Trust Accounts (IORTA) Funds

**DISCUSSION**

In 1994 the General Assembly passed, and the Governor signed into law, a bill that mandated the interest on certain real estate trust accounts be remitted to VHFA to be used for downpayment assistance and closing costs. The law further states that these funds are to be targeted toward Vermont families at or below 90% of median income.

Currently there is $170,000 in IORTA funds available that are not obligated for a specific program. In addition, VHFA is receiving IORTA funds at a rate between $5,000 and $6,000 per month.

One possible use of a portion of these IORTA funds is to provide direct closing costs subsidies for eligible purchasers of VHFA REO properties. The amount of the subsidy for anyone property will be in the $2,500 to $3,000 range.

The following are recommended as requirements for this initiative:

- The maximum subsidy on any single transaction would be 3% of the purchase price;
- There must be a real estate agent involved as the sellers' agent;
- The purchaser must make the dwelling the purchasers' primary residence within 90 days;
- The purchase price may not be less than 5% of the current listing price; and
- The funds will be targeted to borrowers at or below 90% of the higher of the area or state median income. However, upon occasion the incomes may be higher than this.



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EQUAL HOUSING OPPORTUNITY

Final determination for use of the eligible closing costs would be determined by:

1. The settlement statement used in the closing of the purchase transaction to verify that a closing cost subsidy was granted the borrower by VHFA, a real estate commission was paid by VHFA and the maximum amount of subsidy is not exceeded;

2. The current listing agreement to verify, concert with the settlement statement, that the purchase price was within the limit outlined in this memo; and

3. A copy of the application for mortgage to verify the borrower(s) was within the income limit and their intention to occupy the property as their primary residence.

A copy of the listing agreement, settlement statement and mortgage application would be submitted along with a request for reimbursement to verify proper use of the IORTA funds.

It is anticipated that IORTA funds for this initiative could be used in conjunction with a regular IORTA loan and any other 100% financing available. Although VHFA and VHMGB are not offering down payment assistance at this time, there are still several slots available that are being used for the sale of REOs, Homeownership Centers and Starlake Village.

Although staff anticipates that a vast majority of the IORTA funds dedicated to this initiative will be used by VHFA, a request from another financial organization would be granted as long as the criteria was met.

**BOARD ACTION REQUESTED**

Approval of the use of up to $75,000 in IORTA funds for the use in the initiative outlined in this memo.

VERMONT HOUSING FINANCE AGENCY

**MEMORANDUM**

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: April 17, 1998

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will include lunch and begins at 12:00 p.m. Thursday, April 23, at the State Treasurer's Office, Conference Room #2, 133 State Street, Montpelier, Vermont. *Conference Room #2 is located in the basement of the building.*

Attached is the agenda and Board packet. The master copy of the Board minutes kept on file here at the Agency includes any attachments that may be referenced in the minutes; copies will be made available should any Board members be interested in reviewing them.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier, on April 23!

*ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD*

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EQUAL HOUSING OPPORTUNITY

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VERMONT HOUSING FINANCE AGENCY

**MEMORANDUM**

TO: VHFA Board of Commissioners

FROM: Mike McNamara, Deputy Director M. McN.
CG Cathleen Gent, Director of Communications

DATE: April 17, 1998

RE: Strategic Planning Session

We are planning for an hour and a half session at the Board Meeting, from Noon to 1:30 PM. We hope to adhere to the following agenda:

1. Presentation by VSHA Executive Director Richard Williams (10 min.)
2. Questions & Answers (10 min.)
3. Discussion of 1993 *Enterprise Foundation Report (enclosed)* (10 min.)
4. Discussion of staff ranking of existing Strategic Plan programs (60 min.)

We have also enclosed a list of some *Best Practices* of other HFA's, most of which were compiled by NCSHA in 1996 and 1997, and an article from *Standard & Poor's Viewpoint on Housing* for your information.

We look forward to a productive session on Thursday.

**VHFA STRATEGIC PLAN 1996-2000**
**Single Family Programs**

| *Number* | *Strategy* | *Orig. Compl. Date* | *Status (as of Jan. '98)* | **Staff Program Review/Ranking** |
|---|---|---|---|---|
| 2.A.1. | Extend Down Payment Pilot Program with VHMGB | February, 1996 | Initiated with nonprofits through Homeownership Center Pilot Program 2/96 | *"B"*; Use up existing IORTA funds; improve research/monitoring of loans made |
| 2.A.2. | Down Payment Assistance Using a Second Mortgage Program | June, 1997 | Initiated with nonprofits through HCPP: FHLB/VHFA Funds 12/97; REO's 6/97 | *"A"*; Modified to link with Homeownership Centers; added REO sales to non-profits |
| 2.B. | Develop Home and Energy Improvement Lending Programs | February, 1996 | YESS Program 11/96; Title One target 8/98; VT Legislature: possible new program 4/98? | *"A"*; Research implementation models by FY '99 budget; Title One operating FY '99 |
| 2.C. | Expand Financing Options for Mobile Home Purchases | February, 1997 | No activity | *"B-"*; Research alternative to *GreenTrees*; identify funding source |
| 2.D. | Provide Financing for Co-op Housing | December, 1996 | Consider blanket mortgages under MF; investigate DP assistance for share loans | *"B"*; While no new co-ops are being developed, potential use of IORTA for share loans |
| 2.E. | Improve Financing for 3 and 4 Unit Owner-Occupied Properties | April, 1997 | Consider feasibility | *"C-"*; Not feasible–recommend off list |
| 4.B.2. | Develop Financing for Homeownership for Adults with Developmental Disabilities | December, 1995 | Not feasible without new funding mechanism | *"C-"*; Not feasible w/o MedicaidW–off list |
| 9.A.1. | Offer "Introduction to Homeownership" workshops | June, 1997 | EASL, Futures, etc. classes over past 4 years; fee-based classes redirected to HCs | *"A"*; Continue EASL & Futures; fee-based classes now a Homeownership Ctr. Activity |
| 9.A.2. | Offer "Successful Homeownership" post-purchase workshops | June, 1997 | Directed to Homeownership Centers | *"N/A"*; Homeownership Center Activity |
| 10.D.1. | Explore reducing servicing fees to servicers | February, 1996 | No activity | *"C"*; Unlikely given political realities; direct efforts toward incentives/penalties |
| 10.D.2. | Explore VHFA direct servicing of loans | June, 1997 | Transfer of several portfolios to subservicer | *"B"*; Add additional portfolios to subservicer if/when appropriate |

**Multifamily Programs**

| *Number* | *Strategy* | *Orig. Compl. Date* | *Status (as of Jan. '98)* | **Staff Program Review/Ranking** |
|---|---|---|---|---|
| 3.A. | Expand Energy Lending Activities | June, 1997 | VT Legislature: possible new program 4/98? | Review 1/99 VT Legislative Session |
| 3.B. | Expand (as Consortium) Use of FHLB in Conjunction with LIHTC | March, 1996 | Expanded use of FHLB with LIHTC, but not as a part of consortium | *"A"*; Collateral usage OK as is |
| 4.B.1. | Collaborate to Develop Programs for Support and Special Needs (Assisted Living Units for the Elderly) | June, 1997 | Financing an elderly "assisted living" facility 2/98 | *"A"*; Heaton project in pipeline; to Board Apr-98 |
| 5.A.1.- 4. | Increase Efficiency of Multifamily Lending Process: 1) Review UW Criteria; 2) Develop new marketing materials; 3) Accelerate Loan Processing; 4) Increase Efficiency of Closing Process. | December, 1995 | 1), 3), and 4) completed and on-going; 2) Fact Sheets now on Home Page | *"A"*; Continue work on new marketing materials and refining Closing Process |
| 5.B. | Improve Financing for 3 and 4 Unit Investor-Owned Properties. | June, 1997 | Approved as HUD Small Projects Processing lender, 10/ 97; no activity to date | *"C"*; No financing source identified; off list? |
| 6.A. | Finance Program for Environmental Hazard Management MF Properties. | July, 1999 | Non-VHFA funding sources being used. | *"C"*; Case-by-case when properties transfer |
| 6.B. | Financing Housing Infrastructure (Existing mobile home parks). | December, 1997 | Finance improvements when permanent financing is done (Kilbourne) | *"B"*; No formal program developed; continue on a case-by-case basis upon turnover |
| 7.A.1.& 2. | Collaborate with Other Agencies to Achieve Efficiencies: 1) Streamline compliance monitoring; 2) "User-friendly" applications/budget forms | June, 1997 | 1) Combined LIHTC/HOME compliance monitoring 3/96; 2) Forms have been consol-idatedas part of applications; attempting to use common underwriting assumptions. | *"A"*; Completed activities on-going; add Section 8 and common underwriting assumption components |
| 7.A.3. | Establish standardized reports/data collection in program monitoring | June, 1998 | Completed as part of join compliance monitoring (VHFA and VHCB). | *"A"*; On-going join compliance monitoring |

**General Programs/Activities**

| *Number* | *Strategy* | *Orig. Compl. Date* | *Status (as of Jan. '98)* | **Staff Program Review/Ranking** |
|---|---|---|---|---|
| 1.A. | Encourage and Support a Productive and Positive Work Environment | On-going | Major commit. To IT upgrades 7/97; Employee Survey 11/97 with Focus Groups 2/98-4/98. | *"A"*; Continue Focus Group activities; *Note: Separate IT into its own priority category* |
| 4.A. | Address Homelessness (research and public education only) | June, 1996 | Collaborate through Housing Needs initiatives 1/95 and 4/98. | *"B"*; Continue research/public education; finance projects on case-by-case basis |
| 8.A. | Maintain Data Collection, Analysis and Dissemination of Housing Data | December, 1995 | Full-time position re-established 8/97. | *"A"*; FT Research Analyst begins 4/1/98 |
| 10.A.1.& 2. | Expansion of Financing to Non-Housing Activities: 1) Explore feasibility of integrating existing entity functions; 2) Integrate auxiliary financing functions into VHFA | June, 1996 | Re-examining this in light of utility restructuring (energy loan program?) | *"C"*; Revisit in 1999 when Legislature revisits electric utility restructuring |
| 10.C. | Reduce Operating and User Costs ("paper-less" office by June, 1997). | On-going | Benefits costs stabilized; under-perform CPI for overall budget; not yet achieved "paperless office" | *"B"*; Continue on-going activities; move "paperless office" component to IT category |
| 10.D.3. | Maximize revenue through aggressive investment strategy | On-going | Investing more funds into guaranteed investment contracts. | *"B"*; Continue on-going activities |
| **VHMGB Programs** | | | | |
| 10.B.1.& 2. | Better Utilize VHMGB to Enhance Services/Products of VHFA: 1) Guarantee product for home improvement and 3 to 4 unit owner-occupied. | March, 1997 | 1) VHMGB can guarantee on-site septic and energy conservation under "home improvement" loans; 2) VHMGB can guarantee 3 to 4 unit owner-occupied dwellings. | *"C"*; Use Title One for home improvement loans; *"C-"* for 3-4 unit owner-occupied-- stick with SF mortgages only |
| 10.B.3. | Guarantee Program for refi SF loans with LTV higher than 100% | September, 1997 | No activity | *"B-"*; Change in GB statute required to guarantee loans with LTV > 100% |

# 1997 Summaries of Award Winning Entries
## (from The Cutting Edge:
Notable State Achievements in Advancing Affordable Housing)

## Homeownership: Home Improvement and Rehabilitation
7 Entries

**Alaska Housing Finance Corporation**
**Emergency Reconstruction Program (ERP)**

In the summer of 1996, a populated suburban area of south-central Alaska experienced a wildfire that destroyed over 400 buildings, many of them the homes of low income people. Although the Federal Emergency Management Agency provided some short-term financial assistance to replace personal possessions and fund immediate needs, a longer-term solution was needed, particularly for lower income families who had not been carrying insurance on their houses. Using HOME funds as well as excess MRB earnings, the Corporation developed ERP to help this population group borrow funds for the purpose of reconstructing residences. Three-quarters of the homeowners served by this program had incomes of less than 50 percent of area median; over 30 percent had incomes of less than 30 percent of area median. AHFC's mortgage department offered a $25,000 reconstruction loan with zero interest for the first 24 months, 3.875 percent interest thereafter. No payments were required during the first six months, and only principal payments were required during the next 18 months. Additionally, another AHFC department distributed more than $1.5 million in direct grant assistance and coordinated with charitable organizations to provide labor and/or materials for reconstruction efforts.

> **Judges comments:** Every state must be able to respond quickly and effectively when the world falls apart around its citizens; Alaska is this year's outstanding example.

**Minnesota Housing Finance Agency**
**Home Improvement Loan Programs**

Starting with a basic low interest home improvement loan program in 1975, MHFA has enhanced the program over the years to address the growing and changing needs of homeowners. The Agency offers several different programs, including home-improvement loans of $500 to $15,000 for low to moderate income families in owner-occupied homes; loans of up to $25,000 for accessibility improvements to a home where a household member is at risk of institutionalization; and loans of $1,000 to $5,000 for basic energy conservation improvements. Details on the various loan programs have been collected into a single, user-friendly procedural manual. Participating lenders originate and underwrite the loans in accordance with Agency income guidelines and calculations. Loans are then purchased by MFHA.

> **Judges comments:** A model example of a comprehensive statewide program with a proven track record of more than 20 years; the achievement is particularly impressive in light of the toll the state's climate annually takes on the housing stock.

## Homeownership: Encouraging New Production
6 Entries

**California Housing Finance Agency**
**Over-the-Counter–Single Loan Reservation System**

CHFA developed this system in response to problems inherent in the traditional method of bond fund allocation and distribution, through which unexpended and unusable bond proceeds were sometimes left over due to changing market conditions. Under the Single Loan Reservation System, lenders can fax a loan reservation request to CHFA on behalf of borrowers purchasing their first home. This loan reservation locks in an interest rate and loan amount for a period of up to 90 days. The system provides a daily year-round open window in which the Agency offers interest rates up to 100 basis points under the Fannie Mae 60-day rate for fixed loans, for purchase at par. The Single Loan Reservation System emphasizes high housing-cost areas by offering reduced interest rates (at 1/4 point below the statewide rate) to encourage loan origination, higher income limits for new construction (80 percent of federal income limits), and special loan products such as adjustable rate mortgages.

> **Judges comments:** A powerful production program which has used technology to improve over time; noteworthy for targeting its resources to families in need.

## Rental Housing: Empowering New Renters
5 Entries

**Utah Housing Finance Agency**
**Credits-to-Own (CROWN)**

UHFA's lease-to-own program seeks to make homeownership possible for very low income households-those earning less than 45 percent of area median income. CROWN uses the Housing Credit to construct new, single-family homes. These homes are occupied by eligible families, who work toward homeownership through lease payments until the fifteen-year

## Rental Housing: Preservation and Rehabilitation
6 Entries

**Massachusetts Housing Finance Agency**
**Expiring Use Friendly Prepayment Program**

Massachusetts has an estimated 26,000 expiring use units, with MHFA holding nearly half of these units in its portfolio. The Agency has devised a preservation program based on three major principles: maintaining existing low and moderate income residencies and avoiding involuntary displacements; preserving the maximum number of affordable units for at least the remainder of the mortgage term; and targeting those developments that are at greatest risk of prepayment based on per-unit accumulated equity, location, age, capital needs, and other market-based indicators. The program offers replacement loans that allow existing tax-exempt financing to be

**Missouri Housing Development Commission**
**Purchase of HUD Held Mortgages**

MHDC recently assumed twenty-six HUD mortgages, thereby saving over 2,200 units that were in danger of being lost from the state's affordable housing stock. The 26 mortgages, with total outstanding balances of about $30 million, were secured on 19 properties that were originally insured under a variety of FHA programs. In addition to ensuring that the units will continue to be rented to low and moderate income families, MHDC is providing over $8 million in rehabilitation loans and another $720,000 on a special self-sufficiency initiative for tenants. The $8 million loan commitment from MHDC prompted HUD to sell the mortgages for the nominal sum of $10.

> **Judges comments:** Helps transfer valuable housing assets to a state agency better equipped and more committed to handling them with the attention and understanding necessary to preserve affordable housing; congratulations to Dick Grose and the Missouri HDC for their initiative, creativity, and perseverance in dealing with HUD to complete their loan sales transaction.

## Management Innovation

25 Entries

**Maine State Housing Authority**
**MSHA Team Days**

To accommodate considerable recent growth in staff and programs, the Corporation Since 1994, the Authority has provided three annual full day training programs to its staff. The office closes for the day, and all employees attend. MSHA Team Days include plenary sessions for the entire staff (about 100 people) plus smaller breakout sessions taught by in-house and external experts. Team Days help to develop cohesive teams, to improve professional skills and personal growth, to increase understanding of housing issues, and to promote knowledge of each department's specific role in the Authority's mission. The funding for each event, at approximately $3,000, comes from MSHA's general budget.

> **Judges comments:** Excellent initiative for building staff morale and team spirit; good example of cross training and enhanced communication within the staff.

**North Carolina Housing Finance Agency**
**Technical Assistance and Early Communication Program for Property Managers**

This program aims to improve compliance in Housing Credit developments. By encouraging early communication and providing up-front technical assistance, the Agency seeks to ensure that property managers understand and implement all compliance matters and reporting requirements. Compliance workshops are required for property managers or owners before Form 8609 (award of Housing Credits) is signed. These are offered monthly, free of charge, in locations throughout the state. Two-day follow-up training sessions, offered twice annually, carry real estate continuing education credits as a way to encourage participation. Properties with multiple subsidies receive more in-depth technical assistance.

> **Judges comments:** Proactive approach to improving property manager expertise and overall compliance; created a sense of partnership between state monitoring staff and property managers; very good outreach to constituents.

## Communications: Innovative Media

20 Entries

**New Hampshire Housing Finance Authority**
**Realtors Postcard Campaign**

The Authority concluded that it needed to communicate with Realtors in the state to ensure that prospective homeowners were aware of NHHFA mortgage programs. While high-tech options such as electronic mail were considered, the Authority opted for a mail campaign that would be effective in rural areas and other places where Realtors may deal with more low and moderate income families. A series of postcards were designed to zero in on one or two bullet items highlighting particular program features. Since launching this mail campaign, NHHFA has received an increased number of phone calls from Realtors about its programs and has seen a significant upsurge in loan origination.

> **Judges comments:** Cost effective way to recognize a different audience and build relationships; nicely done.

**Summaries of Award Winning Entries**
(from The Cutting Edge: Notable State Achievements in Advancing Affordable Housing)
Complete collection of entries to NCSHA's Annual Awards for Program Excellence

**Homeownership: Empowering New Buyers**

Virginia Housing Development Authority
Delegated Underwriting and Closing Program
VHDA's delegated underwriting and closing program addressed some real estate professionals' hesitation in using VHDA financing because of limited control in establishing and meeting closing dates and coordinating other closing-related transactions. The program significantly reduces the time and costs involved in processing and closing loans at a level comparable with industry standards for conventional loans. Mortgage lenders with demonstrated experience in originating VHDA loans assume the underwriting and closing review responsibilities. Currently, there are 50 approved mortgage lenders with demonstrated experience in originating VHDA loans who have fully assumed the underwriting and closing review responsibilities of such transactions.

**Homeownership: Home Improvement and Rehabilitation**

Maine State Housing Authority
FIX ME
Although Maine has one of the highest homeownership rates in the nation, many of these home are old and in need of substantial repairs. The Authority estimates that there are 53,000 homeowners with incomes at or below 50 percent of area median income; more than half of these are elderly and may live on fixed incomes. FIX ME combines tax-exempt bond resources with either state trust fund money or HOME funds to provide 15-year, low interest loans for repairs. The state's 11 Community Action Program (CAP) agencies administer the program, and several of these CAPs have expanded upon it by combining FIX ME funds with federal weatherization funds, RHS loans, and Community Development Block Grants.

**Management Innovation**

Michigan State Housing Development Authority
Computerized Property Management Inspection System
MSHDA developed a computerized system to help in the scheduling, performance, and reporting of inspections on its nearly 500 properties. The system uses small but powerful hand-held, pen-based computers which replicate the requisite HUD forms and include over 80,000 possible problems encountered in an inspection. Inspectors also carry small portable printers with them, allowing them to immediately deliver a hard copy of the inspection to the property manager.

## Communications: Annual Report and Newsletter

Maine State Housing Authority
Annual Report
MSHA's recent strategic plan indicated that many employees were unaware of the contributions of key partners (realtors, bankers, owners) in the Authority's success; moreover, many had no contact with, or knowledge of, the actual customers of its programs. Thus, MSHA developed its annual report and internal newsletters with the primary goal to enhance communication and understanding between these three groups: the Authority's staff, partners, and customers. The annual report showcased the story of its 25,000th first-time homebuyer, a young couple, featured along with the lender and realtor who worked with them to make their home purchase possible.

## Communications: Innovative Media

Colorado Housing and Finance Authority
Housing Costs Slide Chart
Aimed at community leaders who focus on rural job development but neglect the necessary correlative of housing development, CHFA's slide chart explains, in a simple, graphical manner, the relationship between wages and housing costs. The chart shows how much rent or mortgage payment a person can afford based on hourly income or annual salary. CHFA gives this chart away at meetings; the Authority hopes to create an awareness among community leaders that workers need places to live along with their new jobs.

# 1998 Action Plan

## i. Homeowner Rehabilitation Assistance Program

The Homeowner Rehabilitation Assistance Program is a pilot program that leverages several different resources including the homeowner's ability to pay. This program will provide Weatherization Assistance Program grantees with an allocation of HOME funds to provide homeowner rehabilitation to households with incomes below 80% of area median income utilizing WAP funds, HOME funds, and Title I loans.

The average rehabilitation in excess of the standard weatherization will consist of a new roof, repair or replacement of the heating system, installation of smoke detectors and GFI outlets, window and door replacements, and miscellaneous patching and painting of stucco or siding. Additional rehabilitation may be done with Title I funding.

HOME funds will be limited to $10,000 per unit and should average $6,000 per unit. At a minimum HOME funding will be provided as a 0% interest, due on sale loan. For those households earning more than 60% of median income an amortizing loan schedule may be developed. Households served would be those served by the WAP guidelines and priority would be given to elderly and disabled households. Due to the fact that WAP grantees earn a fee for providing weatherization activities, this program can be administered in conjunction with the WAP program and in cases where HOME funds are utilized, no more than 6% of HOME program administration fees will be allowed.

## ii. Owner Occupied Rehabilitation

The Owner Occupied Rehabilitation Program provides assistance to low income homeowners to rehabilitate their homes. Assistance can be used for meeting applicable codes, standards or ordinances, meeting rehabilitation standards, essential improvements, energy-related improvements, lead-based paint hazard reduction, accessibility for disabled persons, repair or replacement of major housing systems, incipient repairs and general property improvements of a non-luxury nature and site improvements and utility connections.

Assistance will be provided to households with incomes below 60% of area median income adjusted for family size that own the home and occupy the property as a principal residence. The form of assistance will be, at a minimum, a non-amortizing, 0% interest loan, due on sale, transfer or refinance. Prior to rehabilitation a broker's opinion of value may be requested and paid for as an eligible cost to determine the homeowner's investment in the property. A lien placed on the property will specify that the homeowner's investment be recovered from the proceeds of the sale or transfer of the property prior to any repayment of the HOME loan. Further, if the property is transferred to an immediate family member who meets the criteria of an eligible beneficiary the HOME loan may be further deferred.

The Owner Occupied Rehabilitation Program is funded with HOME funds awarded to units of local government, nonprofit organizations or public or private organizations through a competitive application process once a year. Applicants awarded funds will have flexibility in selecting eligible households, defining the geographic area of their program, identifying the number of units to be completed and the type of assistance to be provided beyond the minimum.

## III. Develop Housing Needs Database

The MFA will develop a statewide database of housing needs. The Housing Needs Database will geographically identify priority housing needs in terms of number of low income households and number of affordable housing units available. The database will also allow provide a mechanism for tracking affordable housing activities as they are undertaken. The MFA will work with Councils of Government, Housing Authorities, the University of New Mexico Bureau of Business and Economic Research and Earth Data Analysis Center and other organizations to ensure the viability of the housing needs data.

The Housing Needs Database is expected to provide a tool for determining funding priorities at a county level. The database is expected to provide insight into a range of issues such as need, cost, availability of other resources, market forces and available financing. This will enable the state to better target scarce resources to those activities and those areas where the most benefit may be achieved.

As a result of changes in the housing environment, particularly the consolidation of housing resources into the MFA and new information provided by the Housing Needs Database, a new Five-Year Consolidated Plan will need to be completed in 1998.

# The Next Generation: Challenges Facing State Housing Finance Agencies

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Over the past 20 years, housing finance agencies (HFAs) have been able to generate positive cash flow and strong fund balances from several sources:

- Positive arbitrage on bond indentures,
- Indenture fees,
- Section 8 administration fees, and
- Servicing fees.

Standard & Poor's has developed a mechanism to communicate the creditworthiness of state housing finance agencies separate and distinct from the traditional issue specific rating—the Issuer Credit Rating (ICR). Standard & Poor's has issued 13 ICRs since the introduction of the first HFA ICR in 1991 for Alaska Housing Finance Authority. All are within the 'A' and 'AA' rating categories. 1997 was the first time Standard & Poor's had an opportunity to formally recognize the improved financial position of these HFAs through ICR upgrades and changes in rating outlooks.

Standard & Poor's revised the ICR outlooks to positive from stable for California Housing Finance Agency and Utah Housing Finance Agency. These rating actions were a result of improved financial performance, strong fund balances, and low general obligation rated debt levels. Standard & Poor's also upgraded $600 million of Michigan State Housing Development Authority debt to 'AA-' from 'A+' in connection with the assignment of a 'AA-' ICR to the agency. The Michigan agency is the thirteenth agency to receive an ICR from Standard & Poor's. Finally, we upgraded West Virginia Housing Development Fund's ICR to 'AA+' from 'AA.' The upgrade for the agency's ICR was primarily due to strong and stable fund earnings, significant fund balances, and low GO supported debt.

However, despite this positive trend, the current low interest rate environment, changes in the Section 8 program, and volume cap restrictions have and will continue to impede many of the state HFA's traditional income streams in the future. While not an immediate credit concern, these conditions can adversely affect an agency's bond programs and general fund balances. Therefore, many HFAs are looking for alternative sources of revenue and funding as well as instituting cost containment programs. The success of these efforts should bode well for the continued credit quality state housing agencies have worked so long to achieve.

## STANDARD & POOR'S SURVEY

Standard & Poor's recently conducted a telephone survey of state HFAs to discuss the challenges facing them and how their agencies are rising to meet them. From a random sample of agencies, 60% responded to our calls.

While they all agreed that the industry faces the challenges cited, about half felt that they have already taken steps to insulate themselves in the future. Most of these agencies believe that they have structured their bond programs to be profitable and generate healthy fund balances. In the early 1990s, many of the HFAs refunded their high coupon debt. While the profitability of those programs was initially mitigated when the HFAs took charges against unamoritized cost of issuance, many of those indentures are now reaping the benefits of the long-term cost savings. Also, many HFAs are finding ways to meet their funding needs under the current federal mortgage revenue bonds volume cap while maximizing the full spread they are legally entitled to take on bond deals. In addition, many of these agencies are leveraging the earnings off their general fund and using those revenues to buy down mortgage rates or provide down payment assistance. Other HFAs are taking advantage of the unrestricted spreads available under taxable programs by either blending such debt with tax-exempt debt or issuing straight taxable programs.

The other half of our respondents are preparing to insulate themselves from the challenges ahead in other ways. Seventy percent are pursuing the development of alternative income streams. To date, 60% have profitable loan servicing programs for their own portfolios. The number of agencies that service their own loans has doubled in the past five years *(see CreditWeek Municipal Sept. 29, 1997)*. Of those state HFAs that self-service, they are also servicing a larger percentage of their loan portfolio from year-to-year. Self-servicing has a positive impact on the credit quality of a state HFAs loan portfolio. Quality master servicing by state HFAs keeps delinquency rates of affordable housing portfolios in line with conventional mortgage loans. In the future, the majority of these HFAs feel the greatest growth in alternative income streams will come from servicing non-HFA portfolios.



Portfolio reengineering promises to be one of biggest challenges facing the housing community. However, the program only makes sense from a cost-benefit analysis if the participating HFA has an established multifamily program. Even then, many HFAs do not view portfolio reengineering as a profitable opportunity. When specifically asked about the program, only 25% believed they could financially benefit. Therefore, for many HFAs, their interest in portfolio reengineering is primarily a question of housing preservation. However, the program is still evolving and could present a tremendous opportunity for HFAs. Continued input from interested housing finance agencies may go a long way towards making the program mutually beneficial for the federal government and their HFA partners.

The Community Reinvestment Act (CRA) also presents a tremendous opportunity for the housing industry. Conventional lenders now see CRA loans as a growth area for the future. However, many lenders are struggling with the additional costs associated with underwriting and servicing such loans. Lenders could reduce these costs by contracting for services with HFAs to assist with their CRA loan programs. Standard & Poor's asked participating HFAs if asset management or underwriting of non-HFA portfolios for CRA banks or other institutions is a viable option. HFAs with large multifamily programs responded positively. They felt that taking on contract services with CRA banks would allow them to generate additional income without incurring any incremental costs. We expect to see this area grow in the future.

The survey revealed a variety of alternative income streams and other business opportunities:

- **Innovative loan programs.** Many agencies are creating aggressive products and pricing them accordingly. They include multifamily preservation refinance loans, bridge loans, and single-family construction loans.
- **Mortgage insurance.** California Housing Finance Agency, Massachusetts Housing Finance Agency, and Pennsylvania Housing Finance Agency have established Standard & Poor's rated subsidiaries. Several other HFAs have indicated that they may soon follow.
- **Loan origination:** Many HFAs can use their expertise to originate and sell loans to FNMA and other government sponsored entities.
- **Economic development.** Several HFAs are also economic development agencies and therefore are in an excellent position to leverage their experience in the capital markets for the benefit of their respective state or local municipality.
- **Section 8 administration of HUD-owned projects.** Several agencies feel they have the expertise and the capacity to run the program at a lower cost relative to the federal government. They also feel that if the program moves to block grants, they are in an excellent position to allocate the grants because of their insulation from political influence.
- **Health-related housing.** Many agencies are using their experience and applying it to assisted living projects. This is a growing area that is not only dependent upon good real estate but also quality service providers. HFAs believe that their experience and reputation can provide stability to this emerging market.

These responses signify that agencies are ready to branch out and become full service shops. Standard & Poor's believes several of these business opportunities will become significant components of standard HFA operations.

All of the HFAs contacted agreed that cost containment was key to remaining competitive. Many traditional lenders now see themselves as able to provide affordable housing loans. To meet this challenge, HFAs need to look at their organizations as a business, much like their banking counterparts. Therefore, it was not surprising to find that many of the HFAs have embraced increased automation and streamlining of processes and programs. This has in turn reduced the need for past staffing levels resulting in consolidation of departments, hiring freezes, and downsizing. While some HFAs are contracting out more of their business, the majority are looking to reduce costs by taking in more functions, such as servicing. Many are beginning to measure the success of these changes by adopting cost center-based budgeting. While not every HFA program has to be self-supporting, such a budgeting system allows an agency to efficiently channel its resources and weigh the cost/benefits of its programs. Several agencies are using this information to set fees to cover program costs and establish self-supporting loan programs.

Standard & Poor's concluded the survey by asking the HFAs to look forward five years and address concerns they may have about state appropriations of their fund balances. With examples such as Rhode Island, Alaska, and most recently Tennessee, such transfers of funds from HFAs to their state coffers can occur with little or no warning. While all of our respondents are concerned, the majority are only mildly concerned. However, many of the HFAs are taking steps to mitigate this risk.

General fund appropriations are less likely if an HFA can clearly communicate how their programs benefit the legislatures' constituents. To bolster their reputation within the state, many HFAs work with their legislatures to suggest ways their general funds can be leveraged to assist the state. This might entail using earnings to fund state programs directly administered by the HFA. Some HFAs have developed voluntary transfer plans that provide a percentage of general fund earnings to the state while preserving the general fund for the HFA.

Other HFAs have restricted their general funds to purchase mortgages or provide assistance to various loan programs. Some have even been able to enact legislation to protect their fund balances.

However, the one common trend among all of these agencies has been the growth of capital adequacy studies and strategic planning. Many HFAs have discovered that these are powerful tools that help them manage their growth and allocation of financial resources. These studies and plans are also valuable to the state legislatures who are looking for ways to evaluate the cost/benefits of their respective HFAs.



## STANDARD & POOR'S: THE NEXT GENERATION

Standard & Poor's is continually evaluating the credit impact of the challenges facing state HFAs. At the same time, Standard & Poor's is looking at how to assist with the transition process by providing agency staff and board of directors with impartial, value-added analytically driven credit assessments that can be also used by state oversight boards, housing partners, and investors.

ICRs, traditionally used by third parties to evaluate the creditworthiness of an HFA, are now being used by HFA staff and board members as an internal management tool. Many HFAs are using our ratios as targets in their strategic and capital adequacy plans. Many of the aspects of the ICR rating can be expanded to provide an evaluation of an HFA's asset management, servicing, or underwriting departments.

Also many HFAs are looking to the taxable market for ways to improve their underwriting and streamline their processes. Therefore, many are looking into credit/loan scoring and automated underwriting programs. Standard & Poor's is working with several HFAs to help them assess how they can use these tools in conjunction with our own Residential Mortgage Portfolio Analytics Service.

Standard & Poor's is also looking to help others achieve the level of credit quality and respect in the investment community afforded State HFAs. Toward this end, Standard & Poor's is piloting an evaluation service specifically designed for Pubic Housing Authorities (PHAs) as owners and operators of affordable and low income housing. The service will help PHAs become market oriented, full service owners, and managers of affordable housing with the ability to access the capital markets.

# VERMONT

*An Evaluation of the Organization of State Housing Agencies and the Effectiveness of the State Affordable Housing Delivery System*

February 1993
The Enterprise Foundation
500 American City Building
Columbia, Maryland 21044
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# About The Enterprise Foundation

*The mission of The Enterprise Foundation is to see that all poor people in the United States have the opportunity for fit and affordable housing within a generation and to move up and out of poverty and into the mainstream of American life. Enterprise works from the neighborhood up with over 100 cities and 300 neighborhood groups to produce housing and help local groups link crucial services to residents of the housing produced.*

*Enterprise assesses low-income housing and community services needs, resources and existing programs in communities across the country. This information helps to tailor creative, effective programs that provide housing and access to services for low-income people.*

*Through 1992, Enterprise has helped make possible more than 18,500 new and rehabbed units of housing affordable to people of low income.*

**Assessment Team**

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# 1

# Executive Summary

## A. Introduction

The Enterprise Foundation is a national, nonprofit community development intermediary organization founded in 1981. It is dedicated to the proposition that all poor people in the United States should have the opportunity for fit and affordable housing within a generation and to move up and out of poverty.

The Foundation was asked by the Vermont Department of Housing and Community Affairs to evaluate the effectiveness of the current organizational configuration of state housing agencies and the state's affordable housing delivery system.

The Enterprise evaluation team visited Vermont October 14-16 and interviewed numerous individuals in state housing agencies, other state and local government institutions, nonprofit housing organizations, housing advocates, financial institutions, and for-profit housing developers. Enterprise reviewed housing agency documents and information covering the past three years relating to housing program guidelines and policies, financial materials, organizational issues, operating budgets, personnel costs, jointly funded projects and reserves. Enterprise's evaluation team benefitted from the hospitality and cooperation of the state housing agencies and other Vermonters involved in the housing delivery system.

Our emphasis in this report is the evaluation of state agencies in meeting Vermont's housing needs through low-income housing development and long-term maintenance, management, and preservation.

This report highlights the substantial accomplishments of Vermont's housing agencies in providing hundreds of affordable housing units annually through state and federal programs. It also points out some weaknesses in the current system, including the lack of policy consistency and of coordination in subsidy and financing programs. While the system is fundamentally productive and effective, if these weaknesses can be addressed, Vermont's affordable housing delivery system will be even better. We hope the findings and recommendations in this report will assist the state of Vermont in examining its affordable housing efforts and in further strengthening an already strong system.

As in many states, there are substantial unmet housing needs in Vermont. The estimate of homeless is about 6,000. Nearly 4,000 people are on waiting lists for rental subsidy and public housing programs. Furthermore, 15 percent of Vermont homeowners and 31 percent of Vermont renter households have an excessive housing cost burden, paying more than 35% of their income for housing. A relatively high amount, 36 percent, of Vermont's housing was built prior to 1940, indicating a need for rehabilitation of existing housing.

## B. Vermont Housing Agencies' Principal Roles, Programs And Partners

Vermont's efforts to address these needs involve five state agencies and three state non-profit organizations. These agencies provide a wide range of assistance to nonprofit housing organizations, local jurisdictions, and the private sector. Every year their programs, using the limited state, federal and private funding which is available, produce several hundred units of housing for low-income households and hundreds more for moderate-income first-time homebuyers. Each of the agencies has a distinct role in the housing production system which reflects its historic mission, the requirements of its sources of funding, the different partners on which it relies, and the particular housing needs which it is equipped to address.

**The Department of Housing and Community Affairs** (DHCA) is part of the State's Agency of Development and Community Affairs and administers the federal Community Development Block Grant, which provides funds for housing and other purposes to local jurisdictions.

In its role as the executive agency responsible for state housing policy, DHCA is responsible for the preparation of the State's Comprehensive Housing Affordability Strategy, which is a prerequisite for funding under many federal housing programs. DHCA administers the Community Development Block Grant (CDBG) program. It is also the recipient of the state's allocation of the federal HOME funds which it contracts with the Vermont Housing and Conservation Board to administer, and the federal Low-Income Housing Tax Credit, which it contracts with the Vermont Housing Finance Agency to administer.

The **Vermont Housing and Conservation Board** (VHCB) has a unique, dual purpose: to provide affordable housing and meet land conservation needs. It uses state property transfer tax revenue, state bond funds, federal HOME and other funds to provide subsidies for affordable housing projects and technical assistance and financial support for nonprofit housing developers.

The **Vermont Housing Finance Agency**'s (VHFA) principal purpose is to assist low- and moderate-income first-time homebuyers. The issuance of tax-exempt mortgage revenue bonds allow it to offer such homebuyers below-market interest rates.

VHFA also provides important assistance for low-income rental housing, through bond financing, through the allocation of the federal Low-Income Housing Tax Credits, and through special programs, such as the one which led to the creation of Housing Vermont.

Housing Vermont (HV) is an autonomous nonprofit organization capitalized by VHFA to assist in the development of low-income housing. Since the establishment of the Low-Income Housing Tax Credit, Housing Vermont has specialized in raising tax credit equity for projects which it develops, generally in partnership with local nonprofit housing organizations.

The **Vermont Home Mortgage Guarantee Board** (VHMGB) provides insurance on affordable home mortgages made by VHFA and other Vermont lending institutions. It is supported by insurance fees paid by homebuyers.

The **Vermont State Housing Authority** (VSHA) is responsible for administering the federal Section 8 Rental Assistance Program, and for other federal rental subsidies going to privately owned housing. In addition VSHA also manages a large portfolio of low-income housing. It has helped establish two nonprofit development organizations, Vermont Housing Enterprises, Inc. and The Housing Foundation, Inc.

Vermont Housing Enterprises, Inc., uses Farmers Home Administration (FmHA) low-interest loans and subsidies to develop and manage small multifamily housing mainly in rural areas of the state.

The Housing Foundation, Inc., a nonprofit also established by the Vermont State Housing Authority, purchases at-risk mobile home parks and low-income housing projects and works with tenants to achieve cooperative ownership.

The independence of these agencies is an important element of Vermont's housing system. Competition among the agencies is one of the factors that has encouraged innovation and productivity. Their independence may also be partly responsible for the exceptional success most of the agencies have had in attracting and retaining highly capable and skilled staff.

Nevertheless, while each of the agencies have a different role, and their purposes and requirements sometimes conflict, in general, the agencies and their staffs work together and cooperate toward their common purpose of meeting the housing needs of low-income Vermonters. Their concerted efforts have allowed them to achieve impressive results including:

- preserving low-income housing endangered by expiring low-income use restrictions;
- preserving endangered mobile home parks;
- building the capacity of nonprofit housing organizations; and
- obtaining maximum leverage in the use of the Low Income Housing Tax Credit.

The state housing program delivery system in Vermont is substantially very productive and effective in assisting nonprofit housing developers, local jurisdictions, and the private sector with financial assistance to plan and provide affordable housing, within the limitations of state, federal and private funding.

Over and above specific project and bond reserves, VHFA and VHMGB maintain general fund balances necessary to their ability to function in issuing bonds, maintaining good credit ratings or in the case of VHMGB, insuring mortgages acceptable for sale on the secondary market. Our review revealed that these funds are kept at minimum levels to insure acceptable credit worthiness in the capital markets.

Vermont housing agencies and their leadership generally received high praise for their development expertise and program administration from the individuals interviewed by Enterprise.

## D. Summary of Recommendations

Despite the considerable achievements of Vermont state housing agencies, interviewees expressed concerns about complications, including additional paperwork, costs and time delays involved in dealing with subsidies and financing through multiple housing programs across several state housing agencies.

Specific examples include:

- different guidelines and applications required by each agency and for each program;

- difficulty applicants have in navigating through the decision-making process of different boards with different funding cycles; and

- multiple agency monitoring burdens on sponsors of projects with several sources of subsidy.

The inconsistency or lack of state policies with respect to certain housing development issues results in lost opportunities to increase the effectiveness of affordable housing assistance. Examples include the lack of cost effective construction and design standards and procedures and a long-term strategy for sustaining nonprofit development and management capacity.

There are a number of moderate but effective measures Vermont could take to improve interagency coordination and low- and moderate- income housing program delivery. These include expanding the charge of the recently established Vermont Housing Council, chaired by the Commissioner of Housing and Community Affairs. The Council should be strengthened by Executive Order or legislation, as necessary, to consider and formulate housing policy goals and objectives for housing issues affecting multiple state housing programs and agencies. The Vermont Housing Council members could assign staff to single-issue work groups to investigate policy options, determine how policies affect various programs, and iron out policy differences. The entire Council should meet periodically to make final policy recommendations. Examples of issues which should be considered by the Council include:

- establishing program policies on how to implement targeting to families below 30% of median income and to rationalize the conflicting goals of targeting the lowest-income families and providing mixed-income housing;

- creating a long-term plan for sustaining needed nonprofit housing development capacity and filling gaps in capacity;

- establishing state policy for more effective, long-term funding for the Vermont Housing and Conservation Board and its programs;

- developing a comprehensive strategy for dealing with the complex problems of mobile home parks;

- exploring how project construction and operation costs can be reduced by effective construction and design standards and procedures;
- expanding state efforts to coordinate housing development with the delivery of appropriate services;
- developing common energy efficiency standards;
- coordinating and implementing lead paint abatement and other environmental, health-related policies; and
- establishing priorities between moderate and substantial rehabilitation and between occupied and vacant properties.

The Vermont Housing Council membership is too large and diverse to use as a forum for improving coordination among the four major state housing agencies in considering assistance for specific projects, in developing more streamlined application and monitoring processes, and in implementing consistent policies. Therefore, another coordinating mechanism should be established to carry out such functions.

The Commissioner of Housing and Community Affairs, or another designee of the governor, should chair a Housing Cabinet or other formal process for the four agencies involved with multifamily housing development to meet on a biweekly basis to share information on new and existing affordable housing projects, solve problems with respect to existing projects and identify potential agency issues or concerns with respect to new project applications. The Housing Cabinet would be the forum for DHCA, VHFA, VHCB, and VSHA to consider the most effective means of implementing improvements for the delivery of multifamily housing assistance including the following:

- maintaining an up-to-date user manual with guidelines for all state agency housing development programs;
- providing a single application for assistance used by all Vermont housing agencies;
- conforming funding cycles of state housing agency assistance;
- examining the costs and benefits of an inter-agency computer network;
- establishing one state agency (or alternate lead agencies) to assist nonprofit housing agencies in navigating the state affordable

housing application and decision-making process;

- examining the costs and benefits of an intra-agency computer network;

- consolidating program monitoring reports required by nonprofit organizations as well as state agency financial and management oversight and inspections of housing projects;

- notifying housing agencies and providers, planning commissions and local jurisdictions of housing project and planning applications; and

- considering and implementing policies recommended by the Vermont Housing Council.

# 2

# Housing Conditions and Needs

A detailed analysis of housing conditions and needs in Vermont was not within the scope of The Enterprise Foundation evaluation of Vermont state housing agencies and programs. Still, consideration of information on housing characteristics and the needs of the Vermont population was fundamental to a contextual review of the state housing delivery system.

Data on housing needs in Vermont's Comprehensive Housing Affordability Strategy (CHAS) was generally accepted as accurate by the individuals Enterprise interviewed during this evaluation. Following are compelling statistics from the Vermont CHAS which underscore the need for the most efficient use of scarce housing program funds.

Vermont's population of 562,758 comprises 210,633 households and occupies 210,650 year-round housing units. There are 26,163 single-parent families, an increase of 27.4 percent since 1980. The elderly population also grew 10 percent between 1980 and 1990.

The state median income in 1990 was $29,792 for a family of four. Forty percent (82,091) of Vermont households earned less than 80 percent of their respective county median incomes, 22 percent (46,814) earned less than 50 percent of county median income and 11 percent (23,646) of households earned less than 30 percent of county median income.

## Affordability

With a 1990 median housing price in Vermont of $94,900, homeownership is beyond the means of Vermonters below the state median income.

- Homeowners -- Fifteen percent (13,384) of Vermont homeowners have a housing cost burden of 35 percent or more. Almost 8,500 of these households earn under $20,000 per year.

- Renters -- Thirty-one percent (18,922) of all renter households have a cost burden of 35 percent or more. Roughly 17,000 of these renter households have incomes below $20,000 per year.

## Substandard Housing

Housing units in Vermont that lack complete plumbing number 6,122, located predominately in rural areas according to the 1990 U.S. Census. Furthermore, 36 percent (99,002) of the housing stock in Vermont predates 1940[1], a common indicator of the need for rehabilitation.

Although available 1990 census data does not correlate income with substandard housing, such older, substandard housing tends to have lower rents and be occupied by low-income families who cannot afford rents in standard housing.

## Mobile Homes

Eighteen thousand six-hundred and sixty-four (18,664) mobile homes house 46,952 people in Vermont, representing 10 percent of the occupied housing units in the state. Eighteen percent of the mobile homes are rented.

A special analysis of 1980 Census data by the Department of Housing and Community Affairs showed that the median household income for mobile home owners was 80 percent of the state's median income at the time. We assume that these residents continue to have incomes below the state median and that mobile home parks are an important source of unsubsidized housing for low- and moderate-income families.

## Vermont's Unmet Housing Needs

The CHAS reported an estimate of 6,000 homeless people in Vermont over a one year period[2].

In January 1992, 3,674 names were on Public Housing and Section 8 waiting lists throughout Vermont.

A 1986 study commissioned by the state housing agencies concluded that 2,000 units of additional affordable housing development or rental assistance was necessary annually through 1995 to meet Vermont's housing need.

# 3

# Vermont Housing Agencies: Principal Roles, Organization, Programs And Effectiveness

Working together to address Vermont's affordable housing needs, Vermont's state housing agencies have compiled an impressive set of achievements. These include:

- the preservation of affordable housing such as endangered subsidized projects including Northgate, Highgate and the other "gates" as well as the long-term affordability of the Section 8 housing portfolio;
- preservation of thirteen affordable mobile home parks including 623 lots;
- making perpetual affordability an integral part of assisted affordable housing development;
- building a strong nonprofit housing delivery system; and
- delivering housing assistance effectively in partnership with the nonprofit and private housing and financial sectors.

There are five state housing agencies and three nonprofit housing development organizations initially established or controlled by state agencies. Together they produce hundreds of homeownership opportunities and new or rehabilitated rental units annually. These agencies have different roles and missions within the complex affordable housing delivery system.

The segregation of the various housing agencies has multiple root causes including differing focuses of housing assistance (homeownership versus rental); varying partners in delivery systems (financial institutions, nonprofit organizations, or directly to families); and different sources of funding (federal, state and/or private);

and legislative history.

An overview of the responsibilities and achievements of the agencies is necessary to place The Enterprise Foundation's evaluation findings and recommendations in perspective.

## Vermont Department of Housing and Community Affairs (DHCA)

The Department of Housing and Community Affairs is the principal state housing policy arm and prepares the Comprehensive Housing Affordability Strategy (CHAS). It is located within the Agency of Development and Community Affairs and is supported by state appropriations. Reflecting the varied mission of the department, of its 22 member staff, only four are exclusively focused on housing. Unlike the other state housing agencies, all of its staff, except the Commissioner, are part of the civil service system.

DHCA administers Community Development Block Grants (CDBG) to local governments, 50 percent of which are used for housing planning or project development. DHCA administers Act 252 which requires notification by owners of mobile home parks of plans to close or sell this important resource for low- and moderate-income families. Programs include grants to local community action agencies to organize tenants to purchase mobile home parks. DHCA has contracted with the Vermont Housing and Conservation Board to administer the new federal HOME housing block grant and with the Vermont Housing Finance Agency to administer the allocation of Low Income Housing Tax Credits.

- DHCA has awarded nearly $20 million for 65 block grants resulting in 2,384 affordable housing units.
- DHCA has made 37 planning grants to localities for housing through CDBG.
- DHCA has advised residents of 87 mobile home parks proposed for sale of their rights and assisted residents of 15 parks which were planned for closure.
- DHCA provides annual funding to five community action agencies to assist tenants in mobile home parks at-risk of sale or closure.
- DHCA has assisted eleven homeless shelters through various federal homeless assistance programs including Supplemental Assistance for Facilities to Assist the Homeless (SAFAH), Permanent Housing for Homeless Handicapped (PHH), and Emergency Shelter Grants (now transferred to the Office of Economic Opportunity).
- DHCA administered rental

rehabilitation funds assisting 463 housing units through the Lake Champlain Housing Development Corporation.

## Vermont Housing and Conservation Board (Trust Fund, VHCB)

The Vermont Housing and Conservation Board, a nonprofit corporation, was established by state law in 1987. VHCB has a staff of fourteen. The VHCB mission includes the preservation, rehabilitation or development of housing affordable to families below median income but also is charged with the goal of conserving and protecting agricultural land, historic properties, important natural areas and recreational lands.

The Housing and Conservation Trust Fund administered by VHCB was initially capitalized with state funds of $23 million in its first two years of operation and has since received a portion of the property transfer tax annually and proceeds of state bonds. VHCB's 1992 funds, which also include a special $2 million federal housing appropriation and federal HOME funds, amounts to around $20 million. About 60 percent of its funding is used for housing. VHCB has played a strong role in building strong nonprofit organization capacity including capacity grants, training and technical assistance, and assuring adequate project development and management fees to cover nonprofit services.

- VHCB has awarded funds to projects providing 1,773 perpetually affordable rental units, including 575 units of federally subsidized housing at risk of conversion.

- VHCB has provided funding for 416 units of homeownership and cooperative housing using shared appreciation models to maintain affordability.

- VHCB has helped nonprofits purchase 16 mobile home parks with 558 units of housing resulting in stabilization of rents and correction of water and sewage problems.

- VHCB has provided capacity building grants for organizational development to 20 nonprofit housing developers and several statewide or specialized nonprofits.

- VHCB has provided minigrants for environmental assessments, options, appraisals, energy analysis, and other upfront housing development costs.

- VHCB has funded a statewide Homeland program in conjunction with Vermont's seven community land trusts to assist buyers in purchasing appropriate homes using the land trust model.

- VHCB has actively developed a training and technical assistance program in conjunction with the other housing agencies. The program has included co-sponsorship of a series of workshops on topics such as lead paint, energy efficiency, housing management, and tenant involvement in rental properties.

- VHCB has established a fund to develop small group homes for developmentally disabled persons as the state moves to close the Brandon Training School, and replace it with community settings for former residents.

- VHCB has funded 20 service supported residences ranging from transitional housing for the homeless to a single room occupancy for persons with chronic mental illness to 5 shared residences for elderly individuals no longer able to live independently.

## Vermont Housing Finance Agency (VHFA)

VHFA was established in 1974 to finance and promote affordable housing opportunities for low- and moderate-income Vermonters. VHFA delivers its single-family bond programs through financial institutions and most of its multifamily programs through community-based or state-wide nonprofit agencies. It has a staff of forty-one and receives no state appropriations for programs or operations. Its credit rating is based on its own performance and financial capacity. It does not depend upon the credit of the state in issuing bonds.

VHFA also administers the Low-Income Housing Tax Credit program and provides predevelopment and permanent financing for multifamily rental housing. Single-Family Mortgage Financing

- VHFA has helped more than 15,000 households to achieve homeownership as of March 1992 through low-interest mortgages and mortgage credit certificates under federal authority to issue mortgage revenue bonds.

- In 1991, 87 percent of families assisted through VHFA single-family financing were below state median income[3] with an average income of $28,100 and family size of 2.6. Forty-three percent of borrowers were low-income (below 80% of median) in 1991.

- VHFA finances 25% of all primary homes sold in Vermont mainly to home purchasers unable to secure conventional financing.

- The average price of homes VHFA-financed in 1991 was $71,900[4] well below the state average of $110,400.

- VHFA's delinquency rates in 1990 and 1991 were below those of the Federal Housing Administration (FHA) and Veterans Administration (VA) and is comparable with those of Vermont's private lending institutions.

- VHFA's goal is to respond to submissions from lenders within 48 hours. In most cases they are able to respond within 24 hours. More than 30 financial institutions participate in VHFA programs all over the state. Bank officials interviewed for the Enterprise evaluation gave VHFA high marks for their professional, business-like program operations.

- VHFA operates demonstration/pilot programs to address Vermonters housing needs including low-interest loans and other incentives to promote energy conservation improvements, downpayment assistance, shared appreciation mortgages through nonprofits to insure long-term housing affordability, and a program to expand the supply of mortgage funds in rural areas.

Multifamily Programs

- VHFA has financed over 3,400 units of multifamily housing in more than 100 developments including five mobile home parks which VHFA financed through the sale of bonds to pension funds.

- VHFA has provided more than 30 predevelopment loans through its Vermont Housing Ventures revolving loan fund and makes available construction financing through an arrangement with the Bank of Boston.

- VHFA oversees the financial management of 2,982 units of affordable rental housing. VHFA provides property management and tenant eligibility oversight and administers $2.4 million in annual Section 8 rental subsidy payments for 341 of these units.

- VHFA has negotiated agreements with 11 property owners to ensure continued affordability of federally-assisted housing.

- VHFA has allocated the federal Low-Income Housing Tax Credit authority to developers of over 1,400 units of affordable rental housing have been built or acquired and rehabilitated through private sector equity investments since 1987.

Other VHFA Initiatives

- VHFA capitalized Housing Vermont, a nonprofit development corporation, in 1987 with a $2 million investment.

- VHFA joined with Vermont banks and Fannie Mae to establish a secondary market (Sugar Mae) for nonconventional Vermont loans, freeing up funds for low- and moderate-income housing finance.

- VHFA provided grants for acquisition and rehabilitation of five homeless shelters.

- VHFA has established a supportive service coordination program for 2,400 elderly households living in subsidized housing with support from two foundation grants.

- VHFA helped create Energy Rated Homes of Vermont, a nonprofit entity which conducts energy ratings on residential properties and promotes energy conservation practices.

## Vermont State Housing Authority (VSHA)

The Vermont State Housing Authority was established in 1968 to improve housing conditions and facilities through Section 8 Rental Assistance and other federal housing subsidy programs. It has a staff of 42 and receives no state funding. VSHA has guaranteed mortgages of the Housing Foundation, Inc., a subsidiary nonprofit corporation.

- VSHA manages 2,087 units under the Section 8 Existing Certificate and Voucher Program targeted to low- and very low-income families.

- VSHA has used the maximum 15 percent of its Section 8 Certificates for project-based subsidies in 16 housing projects.

- VSHA provides subsidies and project oversight of 1,589 units of the Section 8 new construction and substantial rehabilitation programs for low-income families.

- VSHA has provided federal moderate rehabilitation subsidies to 158 apartments for low-income families.

The Housing Foundation Inc. (HFI)

The Housing Foundation, Inc. was established by the Vermont State Housing Authority in 1986 to purchase and preserve low-income affordable housing threatened with conversion to market rate housing. Development and management services are provided to HFI by the State Housing Authority and HFI receives most of its income from rents and property management fees for assisted housing units.

- HFI has purchased eight at-risk mobile home parks totalling 461 units and six low-income housing projects representing 136 units.

Vermont Housing Enterprises, Inc.

Vermont Housing Enterprises, Inc. uses Section 8 project-based subsidies and Farmers Home Administration low-interest loans and subsidies to develop low-income housing. Its activities are carried out by VSHA staff.

- Vermont Housing Enterprises, Inc. has preserved 113 units of "at risk" housing and developed 64 new units of elderly housing.

## Vermont Home Mortgage Guarantee Board (VHMGB)

VHMGB insures loans made by VHFA and a variety of lenders throughout the state and is an approved insurer by Fannie Mae and Freddie Mac. VHMGB provides insurance for home mortgages to low- and moderate- income families who are unable to afford 20 percent downpayments. VHMGB insurance costs over 75%[5] less than comparable commercial mortgage insurance, making housing more affordable to the families served by the program. The agency has a staff of eight and receives no state funding as its operating funds are generated through fee income. They are located in the same building as the Vermont Housing Finance Agency and share computer systems and some benefit and payroll functions.

- VHMGB has guaranteed over 20,000 loans since its inception.
- VHMGB saves each family approximately $3,000 in mortgage insurance premiums.
- Only 205 claims have been paid since program inception. Delinquency rates in 1990 and 1991 were 1.2 percent and 1.7 percent respectively.[6]

## Agency of Human Services

The Agency of Human Services includes the departments of Social and Rehabilitation Services, Mental Health, Social Welfare, Health, Corrections, and the Office of Economic Opportunity which operates the housing weatherization program. OEO also operates jobs programs, food and nutrition outreach and the community services block grant.

The Agency of Human Services has important policy contributions to make to the housing agencies because of their role in working with lowest-income families. The agency has been a strong advocate of increasing targeting in affordable housing development to families below 30% of median income.

The Agency is a provider of individual financial support for housing to low-income families and services to special needs populations. It is a critical partner in the development of housing with social services but does not play a direct role in housing development.

- The Office of Economic Opportunity through the Weatherization Trust Fund assists 1,200 low-income families annually with home weatherization improvements.

## Vermont Housing Council

The recently established Vermont State Housing Council was created by Executive Order and has an advisory role for policy coordination and oversight. It is chaired by the DHCA Commissioner and receives administrative support from DHCA. The members of the Council are: VSHA, VHFA, VHCB, Human Services agency, Governor's office of Policy Research and Coordination, Vermont Association of Public Housing Directors, Joint Housing Committee of the Legislature, Department of Labor and Industry, Agency of Natural Resources, nonprofit and for-profit housing providers, a low-income advocate, and the Farmers Home Administration. At the time of Enterprise's evaluation, it was too early to consider its effectiveness in developing and overseeing state housing policy.

## Other Organizations in Vermont's Affordable Housing Delivery System

Housing Vermont

Housing Vermont is a state-wide nonprofit housing development corporation. Housing Vermont has a staff of six people and generates operating funds from project development fees. It has operated almost exclusively as a developer of Low-Income Housing Tax Credit projects. It raises equity for these projects from Vermont financial institutions and corporations. Housing Vermont provides bridge or construction financing or both for projects with equity investments. Housing Vermont has consistently worked in partnership with locally based nonprofit housing organizations. Its activity has significantly contributed to local nonprofit housing development and management capacity.

- Housing Vermont has developed 1,284 units of multifamily housing using the Low-Income Housing Tax Credits.[7]
- Housing Vermont has partnered with 17 local groups in the development and management of tax credit projects.
- Housing Vermont has raised $17.5 million in equity for tax credit projects, both for its equity fund and for project specific investment.
- Housing Vermont has achieved very high leverage of private investment with the tax credit relative to other tax credit developers and its projects are required to remain perpetually affordable.

Vermont also has a very capable group of local and regional nonprofit agencies which play substantial roles in the development of affordable housing including seven community land trusts, community action agencies, a benevolent loan fund and numerous other community-based nonprofit housing developers.

Financial institutions have played a strong role in multifamily housing in recent years by investing substantially in Low-Income Housing Tax Credits and by providing permanent financing for low-income rental housing. They also provide single-family mortgages, often insured by VHMGB, through their conventional and community reinvestment programs.

There are also 10 local public housing authorities who administer Section 8 subsidies and other housing programs.

Small builder/developers also work in partnership with local nonprofits and sometimes work directly with state housing agencies to provide affordable housing.

## Strengths of Current Organizational System

The directors of the Vermont housing agencies, VHFA, VSHA, VHCB, VHMGB and DHCA receive very high marks, from the individuals interviewed by Enterprise, for their commitment to meeting the needs of low- and moderate-income Vermonters and to the specific mission of their individual agencies. There apparently exists a healthy, creative competition among the agency heads which for the most part results in strong motivation among the agencies and their staffs to produce housing for low- and moderate income families and to design new programs to meet shifting housing needs and changes in the housing market.

Vermont's affordable housing programs, policies and organizational approaches to meeting low- and moderate-income housing are national models for other state and local communities. These include the Vermont Housing and Conservation Trust Fund, programs and policies to strengthen nonprofit housing providers, the creation of Housing Vermont and its effective use of Low-Income Housing Tax Credits, the use of a relatively high percentage of CDBG funding for housing, commitment to perpetual affordability in state subsidized housing, and programs to preserve low-income housing including mobile home parks.

## Need for Program Coordination

In general, the greatest area of overlapping responsibilities and programs among the Vermont housing agencies involve low-income multifamily housing subsidies and financing. Of thirty-five housing projects receiving Vermont Housing and Conservation Trust Fund deferred loans and subsidies in Fiscal Year 1990, seven projects also received VHFA financing and eleven projects also received CDBG funds. In Fiscal Year 1991, of 29 housing projects receiving Trust Funds, five also received VHFA financing. In Fiscal Year 1992, of 31 housing projects receiving Trust Funds, three received CDBG and three had VHFA financing.

A number of these projects also received rental rehabilitation and Low Income Housing Tax Credits. Of 21 tax credit projects sponsored by Housing Vermont in conjunction with local nonprofits, 11 have VHFA financing, 15 have Housing and Conservation Trust Funds, six have Community Development Block Grant funds.

Statistics on multiple project subsidies and financing sources from state housing agencies are not kept in any one location and are time consuming and difficult to compile. There is a demonstrated need for a centralized database on projects funded through the various Vermont housing program sources to understand where and how funds are spent and to enable state housing policy makers to make informed housing policy and program decisions.

The multiple layering of subsidy and financing sources to assist affordable housing development is not unique to Vermont. Since the decline of deep federal housing subsidies in the early 1980s, affordable housing developers have been forced to seek smaller amounts of grants and loans from numerous sources in order to make projects work. However, minimizing the number of subsidy sources while still keeping the housing affordable should be a state priority.

Concerns about overlapping agency programs and policies involve confusion about which agency to approach for assistance and which program is appropriate; additional paperwork and monitoring burdens on nonprofit housing developers of dealing with multiple programs and agencies; inconsistent policies on income targeting and other priorities; and time delays in obtaining multiple agency assistance.

Although the local nonprofit housing agency representatives were generally laudatory about the management and staff of Vermont state housing agencies, they strongly supported increased coordination, streamlining of processes, and more clarity and consistency in policy and program delivery. At the time there was no state housing plan like the CHAS to serve as a basis for discussion, and no process for roundtable members to put forth issues for consideration.

## Housing Program Guidelines

A number of nonprofit agencies expressed the view that underwriting guidelines and acceptable parameters for housing projects were unclear.

The VHFA single-family lending guides and procedural manuals and VHMGB user manual appear to be informative and easy-to-use guidebooks. The businesslike, efficient operations of these agencies in single-family financing and insurance programs was cited by the financial institution officers we interviewed.

There are no similar manuals for programs relating to subsidies for affordable low- and moderate-income, multifamily rental projects. There was little consistency between agencies and even within agencies in the format and level of detail provided to prospective applicants.

One nonprofit representative cited the usefulness of a state program guide published by VHFA several years ago and urged that a similar program guide be regularly updated.

## Application Process

Enterprise staff interviewed one local planning commission member who cited her experience in obtaining a CDBG housing planning grant for a consortium of towns to set up a housing partnership. At the same time, another nonprofit agency obtained a $20,000 grant from the Trust Fund to establish up a nonprofit housing board covering the same geographical area. They eventually worked together on a housing needs study and other matters, but certainly valuable time and effort were wasted on the duplicative proposal. It was suggested that housing program applicants be required to notify towns and regional planning commissions of their proposals.

Another local housing board representative discussed preparing applications for assistance for a $115,000 housing project to VHFA, VHCB (for both HOME and Trust Fund assistance), and a local bank. The applicant felt that the burden of coordination was on the nonprofit and that the time involved was excessive. He suggested the responsibility for coordination of state housing programs should be borne by the state housing agencies.

The eight Vermont multifamily assistance applications (ranging from 2 to 21 pages long) reviewed by Enterprise required much similar information describing housing projects, about project sponsors and other sources of subsidy or financing. Consolidation of these applications would reduce the application burdens on nonprofit housing developers.

## Project Review and Underwriting

All the agencies assisting particular housing projects are engaged in some level of underwriting activity to determine the feasibility of the project and the appropriate level of subsidy, equity or financing necessary. Again, the need for multiple layers of subsidy and financing to make low-income projects feasible and the differing requirements of the various funding sources force these multiple reviews.

Inconsistent underwriting standards across the state housing agencies coupled with their different funding cycles sometimes results in pressure on the last agency reviewer to approve a project application about which they have underwriting or other concerns. By the time the project is presented, it may be too late in the development process to make necessary changes to meet these underwriting and other policy requirements. Several interviewees suggested that all agencies have the opportunity to review housing proposals at the initial state application stage to identify potential problems at a point when they can be corrected.

The only significant concern raised with the Enterprise evaluation team about state agency housing staff related to the Department of Housing and Community Affairs. Housing is not the principal focus of the Community Development Program staff which has a broader economic and community development focus, and interviewees expressed frustration with the level of housing development expertise. In light of the fact that approximately 50 percent of the block grant funds are used for housing planning and development, the agency should consider providing housing development training to the community development staff or supplementing the staff for review of housing proposals with DHCA Housing Division personnel, the staff of other state housing agencies or outside housing consultants.

## Project Decision-Making

The timing of state housing agencies' decisions on providing housing subsidies and financing do not all conform.

Both the Vermont Housing Finance Agency and Vermont Housing and Conservation Boards meet monthly or on an as needed basis to consider and make decisions on applications for financing or subsidizing single-family or multifamily housing. Community Development Block Grants for housing are the exception, with the board meeting and deciding on applications only twice per year. There is an emergency application procedure but based on the number of interviewees who raised the CDBG funding cycle as a barrier, it is not meeting the need of the nonprofit housing organizations for timely decisions.

Each of the Boards of Vermont state housing agencies are separate and usually must approve financial assistance for individual affordable housing developments.

Vermont housing agency directors serve on several of the other agency boards. For instance the Executive Director of VHFA and the Commissioner of Housing and Community Affairs are members of the Vermont Housing and Conservation Board. The Commissioner of Housing and Community Affairs and the Executive Director of the Vermont Housing and Conservation Board (not ex officio) serve on the Vermont Housing Finance Agency Board. The seven-member State Housing Authority Board of Commissioners are appointed by the Governor, but does not include any ex officio state agency representatives. The Vermont Community Development Program Board does not have any members representing state housing agencies.

Some additional restructuring of these latter boards to include housing representatives would be useful for better communication between housing agencies and better understanding of each other's activities. Further details on housing agency board representation is included in the appendices.

## Monitoring

Nonprofits complained strongly about the burdens of multiple agency and program monitoring such as preparing separate financial reports for each source of subsidy and financing. State agency staff were generally receptive to the idea of reducing paperwork and duplication through consolidation of monitoring activities. With respect to possibly assigning all monitoring responsibilities to one agency however, concerns were expressed about whether individual funding source's interests would be adequately monitored. Other housing agency personnel view monitoring efforts and especially site visits as opportunities to maintain communications with and provide technical assistance to housing providers. Involvement in monitoring of operational projects is also a way for agencies to judge the consequences of their development decisions.

To overcome many of these problems created by multiple sources of project funding, a number of states have or are considering techniques such as uniform applications (New York, Florida, Ohio, and Maryland); consistent program funding cycles; and agreeing to memorandums of understanding to clarify roles of various state agencies and other sources of assistance (New York). States are finding such efforts are necessary regardless of whether affordable housing programs are implemented by one or more agencies.

## Administrative Costs

There was no indication either from Enterprise's visit to housing agencies or our review of housing agency financial information of any excessive salary or operating expenditures. The administrative costs of the multiple housing agency system in Vermont compared favorably in a survey by The Enterprise Foundation of six states' FY 92 housing agency budgets.

Vermont's administrative costs per employee (salaries and benefits plus general agency operating expenses) are roughly $48,000.[8] Only about 15 percent of Vermont's administrative expenses for housing agencies actually comes from state appropriations. In other surveyed states with combined housing agencies costs were significantly higher: Ohio, $66,000 per employee; Florida, $61,000 per employee; and Maryland, $51,000 per employee. Housing finance agencies in Pennsylvania and Massachusetts also reported per employee administrative costs at $59,000 and $47,000 respectively.

## State Housing Policies Affecting The Delivery Of Affordable Housing

The state of Vermont has set priorities in its Comprehensive Housing Affordability Strategy for the use of state and federal housing assistance programs. However, not all state housing agency administrators agree on the practicality of carrying out some priorities. Furthermore, some policy concerns have simply not been fully addressed.

There is concern, for example, among state housing agencies about whether income targeting to families below 30% of median is possible without significant new rental subsidy dollars. The prevailing view seems to be that rents affordable to families below 45 percent of median income do not cover housing operating costs. Furthermore, the state has had a policy of encouraging a range of incomes (mixed-income) within housing projects and no effort has successfully reconciled these goals.

Other priorities expressed in the CHAS have not been implemented consistently among the housing agencies. For instance, priority six of the Vermont five-year strategy in the CHAS calls for the state to give priority in housing assistance to projects which "demonstrate . . . cost-effectiveness, including building weatherization.[9]" VHFA has provided financing incentives for energy efficient improvements to new and existing single-family housing and requires an energy analysis for multifamily projects. However, state housing programs do not have clear energy standards for multifamily housing. Energy efficiency requirements for multifamily generally vary on a case-by-case basis.

Given the difficulty in providing housing for very low income families, state housing agencies should aggressively pursue methods of reducing operating costs on state supported housing projects through design, materials or construction methods. We do not mean to suggest that nothing at all is being done on this issue by state agencies but they can to more and they should look at this issue together. The relative inexperience of many of the nonprofit and small for-profit developers heightens the importance of whatever guidance the state can provide. Without unduly constraining the options of sponsors, the state agencies could develop guidelines and suggested cost effective models for basic design and materials decisions. Oversight of the development of plans, selection of contractors, and oversight of construction and disbursement of funds are opportunities for state agencies to provide technical assistance and help nonprofit and other housing developers reduce costs.

Much of the current emphasis is on rehabilitation in Vermont's affordable housing programs, especially due to the onset of the most recent recession. Interviewees expressed concern, however, that there was not a clear cut policy across state agencies on rehabilitation versus new construction, and that a common policy would be helpful to program administrators and recipients.

Vermont has been successful in the difficult task of increasing the capacity of nonprofit housing developers. The state has also created three state-wide housing development organizations, Housing Vermont, The Housing Foundation Inc. and Vermont Housing Enterprises, Inc. Housing Vermont has consistently developed projects in partnership with locally based nonprofit organizations. On the other hand, HFI and VHEI have generally developed projects alone and in areas of the state where nonprofit organization capacity is not present. Several interviewees questioned whether HFI and VHEI operations are hindering the development of capacity by local nonprofits and recommended that HFI and VHEI should have a policy of developing more partnerships with local groups.

Several interviewees expressed concern about the lack of a state-wide policy on long-term support for effective nonprofit organizations, on how many nonprofits are enough, and on creating capacity in regions not now adequately served.

Nonprofit community-based organizations are critical partners in the development and management of affordable, low-income housing. Because they share common interests in their local community they are highly motivated and dedicated to insuring the long-term success of affordable housing.

Nonprofits in Vermont can apply to the Vermont Housing and Conservation Board for annual grants for administrative expenses. Demand funds usually exceeds available funding by one-third. These organizations also obtain private sector grants and development and management fees to support their operations. In addition to the burden of chasing multiple funding sources for housing projects, nonprofit housing organizations must also devote extensive time and effort to raising administrative funds.

Several states have instituted multi-year funding for nonprofits to stabilize their funding and give their staffs the opportunity to build their development and management expertise. For the most part, they have also tied this funding to production. Unfortunately, the annual funding structure for the Vermont Housing and Conservation Board does not make it possible to make multi-year funding commitments to nonprofit housing organizations.

Another program funding concern is the recent heavy reliance by VHCB on tax-exempt government bonds to assist affordable housing projects. Tax-exempt government obligation bonds are appropriate for grant subsidies in many cases but their use is very limited for loans to private entities. It may be more appropriate for assistance to some affordable housing projects to be structured as deferred loans rather than grants to take advantage of any future opportunities to recapture Trust Fund subsidies. Taxable bonds or additional dedicated state revenues are options which would permit the use of such loans.

The Vermont Housing and Conservation Board has encouraged the development of regional nonprofit organizations which is preferable to attempting to build nonprofit organizations in every major town or county. Regional organizations can work in partnership with smaller, local nonprofits and provide them with development, financial and property management expertise.

The Vermont Housing and Conservation Board has guidelines for the establishment of developer fees for nonprofit housing organizations to support their project development related activities. Such fees are not similarly structured by the other Vermont housing agencies for projects not receiving Housing and Conservation Trust Funds. Additional policy coordination on this issue would be helpful to nonprofit project planning and long-term nonprofit stability.

The preservation of Vermont's 221 mobile home parks (of five units or more) is of special concern to the state because of the affordable nature of these housing units. Although state agencies have given high priority to preservation activities, several interviewees expressed the view that it is necessary to improve the effectiveness of state efforts through additional revisions to state mobile home park and cooperative ownership laws.

The Housing Foundation, Inc. has purchased several mobile home parks with the intention of converting them to cooperative ownership. The process of converting the parks has proven to be much slower and more difficult than anticipated. This program could have benefitted from more deliberate consideration by all state agencies about its potential benefits and difficulties.

With respect to another policy issue, a number of state agencies have been grappling with the issue of childhood lead poisoning and lead-based paint abatement. The state submitted an application to HUD for funding an abatement program which did not receive federal funding. Issues regarding interagency coordination and communication concerning a common lead paint abatement policy were raised with the Enterprise evaluation team. The current multi-agency housing delivery system did not accommodate coordinated lead policy development.

The long-term stability and success of special needs and very low-income housing may be dependent on programs to find jobs, healthcare, day care, and other critical human services. The state does not have a strong system for coordinating housing and appropriate services. No state service agency representatives are included on housing agency boards. Setting aside funds for services to future residents of specific housing projects under development is one technique for assuring the provision of community services. In New York State, the New York, New York agreement provides funds for services for the mentally handicapped who will reside in SROs now under development.

## General Fund Reserves

Enterprise was asked to evaluate the appropriate level of Vermont housing agency reserves and fund balances in the context of state housing activities and relative to other states housing reserves and fund balances. Reserves are monies set aside specifically as obligations to bondholders or to cover loan losses. General fund balances are often also referred to as reserves and are used for operating expenses and are necessary to meet credit worthiness requirements of the capital markets.

The Vermont Housing Finance Agency maintains the required reserves for fulfillment of its outstanding bondholders' obligations. Nearly $450 million on single-family bonds and nearly $100 million on multifamily bonds were outstanding as of September 30, 1992.

The financial strength and soundness of VHFA is an asset to the state of Vermont because the agency is able to borrow funds at a favorable rate and provide favorable financing for single and multifamily housing to meet Vermont's housing needs.

As it receives no state appropriation, VHFA generates operating funds through fees on single-family and multifamily financing, contract administration, and interest income. In addition to operating expenses, VHFA's general funds are used for such affordable housing purposes as homeless shelters and multifamily housing financing. VHFA further leveraged its financial strength through capitalization of Housing Vermont which has raised $17.5 million in private sector equity to produce nearly 1,300 units of low-income housing. Based on the strength of its capital reserves, VHFA has also guaranteed housing development loans by commercial banks.

Furthermore, at .7 percent, Vermont Housing Finance Agency ranks 36th among other state housing finance agencies in the amount of its general fund balance as a percentage of single family bonds outstanding. The mean percentage among the states is 1.3 percent.[10] In comparing combined fund balances as percentages of bonds outstanding, Vermont ranked 32nd at 6.4 percent. The median state percentage was 8.4.

These facts support our conclusion that the VHFA does not maintain excessive reserves and general funds. Any effort to diminish VHFA's capital base might damage its ability to carry out its mission.

The Vermont Home Mortgage Guarantee Board also receives no state appropriation and supports its operations through mortgage insurance fees. Fannie Mae, to whom many VHMGB insured loans are sold, requires a risk-to-surplus capital ratio of 20:1 to remain an acceptable mortgage insurer even with the full faith and credit of Vermont standing behind VHMGB obligations. This requirement relates to the entire portfolio, not just loans which may be eventually sold to Fannie Mae. Under this requirement, VHMGB must have $3,695,000 at all times in its surplus fund balance over and above reserves for losses and unearned premiums. If VHMGB did not have the full faith and credit of the State of Vermont behind it, Fannie Mae's minimum capital requirement would be $7.5 million[11].

In the past several years, we understand that the State has required that $2 million be moved from the VHMGB reserve funds to general state revenues, bringing these reserves below minimum Fannie Mae requirements. VHMGB reserves are accumulated from fees paid by low- and moderate-income families for mortgage insurance. The shortfall in VHMGB reserves has to be replenished through higher mortgage insurance premiums paid by these low- and moderate-income families.

The removal of VHMGB reserves by the State of Vermont results in an additional financial burden on low- and moderate income, first-time homeowners to raise the state's general revenues. Another consequence of shortages in Fannie Mae's reserves is a delay or elimination of the possibility that Fannie Mae will accept VHMGB insurance on loans it buys with lower down-payments of 5%[12].

The state should consider the advantages of broadening the Vermont Home Mortgage Guarantee Board which currently consists of the Secretary of Development and Community Affairs, the State Treasurer and the Commissioner of Banking, Insurance, and Securities. Including members representing financial institutions would bring a private sector perspective, understanding and expertise to oversee VHMGB operations and financial reserve issues. Private sector board experience with private capital reserve issues should prove valuable to decisions on what level of reserves is most appropriate for VHMGB.

Conflict of interest considerations generally require the separation of mortgage and mortgage insurance functions, so there is no opportunity to combine and reduce the reserves of VHFA and VHMBG. Other states which have mortgage insurance programs such as New York and Maryland operate their mortgage insurance programs within the same large housing finance agency but with distinctly separate staff located in separate quarters and with completely separate program reserves and general funds. The State of New York Mortgage Agency staff refer to a "Chinese Wall" separating the mortgage insurance and project financing operations. Vermont's housing finance agency and mortgage guarantee agency are separate, but they benefit from some of the efficiencies that a single agency enjoys because they share overhead costs with respect to their computer and payroll systems.

The Vermont State Housing Authority maintains several reserve funds restricted to federal programs such as Section 8 and Section 23. The Housing Foundation, Inc., maintains project maintenance and repair reserves. Infrastructure improvements necessary at the HFI-owned mobile home parks have required the use of HFI and VSHA fund balances.

With respect to other housing agencies, The Department of Housing and Community Affairs does not finance or manage housing or generate any fee income and does not have any reserve funds. The Vermont Housing and Conservation Board statute specifically states that "unexpended balances and any earnings shall not revert to the general fund but shall remain in the fund for use in accord with the purposes of this chapter."[13]

Enterprise's review of agency reserves was limited to identifying where these reserves exist, their purpose and how the size of the reserves compare to agency reserves in other states. The appropriateness of financial reserves are decisions normally made by the capital markets through their bond rating agencies or entities doing business with the housing agencies in Vermont such as secondary housing market organizations and financial institutions. Given the requirements of these institutions, there is no indication that these reserves are inappropriate for Vermont housing agencies to adequately carry out their missions.

# 4

# Recommendations For Coordination In Housing Policy And Programs

Vermont is operating housing programs and implementing policies that Enterprise and other states consider to be models for replication elsewhere. The housing program delivery system overall in Vermont is working very well, but it has grown in the number of organizations and programs over the past five years. It now could benefit from some relatively minor but essential improvements.

The increased coordination of housing policies and programs essential to greater internal state administrative efficiency in Vermont and easier to use programs for Vermont's housing partners, especially nonprofit organizations, can be achieved in a number of ways.

Perhaps the most drastic remedy, which Enterprise is not recommending, would be to consider the consolidation of two or more of the housing agencies. The risk of agency consolidation would be the probable loss of the existing creative leadership of the individual agencies, the loss of the current competitive problem-solving environment among the agencies; and the addition of bureaucracy. Enterprise doesn't believe that the coordination problems of the Vermont housing program delivery system warrants such draconian measures. Agency consolidation in itself does not guarantee improved coordination by different staff administering different programs.

Furthermore, there is little evidence or assurance of any significant cost savings which might result from agency consolidation. The administrative costs of the multiple housing agency system in Vermont compared very favorably in a survey by The Enterprise Foundation of six states' FY 92 housing agency budgets. Only about 15 percent of the combined budgets of Vermont's state housing agencies is supported by state appropriations, and those are the budgets of DHCA and VHCB.

There are quite a number of effective measures Vermont should consider to improve interagency policy coordination and housing program delivery through housing developers and nonprofit organizations for low- and moderate-income families.

**Enhancing the Role of the Vermont Housing Council**

The recently established Vermont Housing Council, chaired by the Commissioner of Housing and Community Affairs should be strengthened by Executive Order or legislation, as necessary, to consider and formulate housing policy goals and objectives for issues that cut across state housing programs and agencies. The Executive Order currently governing the Council is very similar to the order which established a housing roundtable several years ago. We understand that the roundtable was not regarded as a success because of its inadequate authority to carry out its mission, and could have a fixed or rotating chairmanship. The enhanced Housing Council would adopt housing policies which would guide policy making by individual housing agencies and their boards.

The Vermont Housing Council members could assign staff to single issue working groups to investigate policy options, determine how policies affect various programs, iron out policy differences, and report back proposed state policy positions to the Council. The entire Council could meet periodically to make final policy recommendations.

Examples of issues which should be considered by the Council include:

- **Establishing program policies related to project income targeting including mixed income and lowest income** -- The state should reconcile the conflicts inherent in these policies and address how housing targeted to families below 30 percent of median income can be supported financially over the long-term.

- **Creating a long-term plan for sustaining needed nonprofit housing development capacity and filling geographical and functional gaps in capacity** -- The state should develop an overall strategy for adequately supporting the appropriate nonprofit development capacity over the long-term to sustain this important institution in the housing delivery system. The state should consider the advantages of providing financial support to a statewide or to regional nonprofit organization(s) which could assist local nonprofits in obtaining public and private funding and provide nonprofits with financial and housing management services.

- **Establishing state policy concerning more effective funding for the Vermont Housing and Conservation Board and its programs.** Reliable dedicated or multi-year funding would enable VHCB to provide multi-year support to nonprofit housing developers to assure their long-term viability. The increased ability for VHCB to use taxable bonds would enable Trust Funds monies to be used for deferred loans for low-income housing projects in lieu of grants.

- **Developing a strategy for dealing with the complex problems of mobile home parks** -- This important issue is likely to require significant efforts on the part of state policy makers to resolve questions regarding state policy and the coordination of state resources. To preserve and to develop as many affordable manufactured home communities as possible, the Council should examine needed revisions to state mobile home park, cooperative homeownership and habitability laws as they apply to mobile home parks. The state must consider options for dealing with future ownership and management of HFI-owned parks.

- **Establishing cost effective construction and design standards** and procedures --The state should explore methods of reducing construction costs by undertaking a systematic review of procedures for guiding the development of plans; reviewing and approving plans; identifying and selecting contractors; establishing terms of construction contracts; and oversight of construction and disbursement of funds.

- **Expanding state efforts to coordinate housing and services** -- The state should strengthen planning for support services part of the housing development process, work to improve communication between housing and human services agencies and work to increase the ability of service programs to provide long-term assistance in conjunction with state-assisted housing.

- **Developing a common energy efficiency standards policy** -- The state needs to explore and establish energy standards for multifamily housing and ensure that standards for single- and multifamily housing are consistently administered across state agencies.

- **Coordinating and implementating a lead paint abatement policy** -- The Housing Council can provide the forum to establish lead paint abatement policy in Vermont, currently under active examination by several state agencies as well as other environmental health policies.

- **Establishing priorities between moderate and substantial rehabilitation and between occupied and vacant properties** -- The state should establish and provide consistent guidelines for housing applicants as to the state's policy to ensure the most effective use of state subsidies and means of meeting state housing needs.

The Vermont Housing Council membership is too large and broad to use as a forum for improving coordination among the five state housing agencies in considering specific project subsidies and financing and in developing more streamlined application and monitoring processes. Another entity, more closely tied to the state housing staff who actually implement programs should be established for that purpose.

**Establishing a New Housing Cabinet**

The Commissioner of Housing and Community Affairs, or other designee of the governor, should chair a Housing Cabinet or other formal process for the four agencies to meet as often as necessary to discuss and resolve problems or changes in existing projects and to identify different housing concerns with respect to the viability of new project applications as well as focussing on implementation of common program and policy objectives. The Housing Cabinet should be established by Executive Order or legislation, as necessary, to insure full participation by the agencies involved in multifamily housing development: DHCA, VHFA, VHCB, and VSHA. Individual agency directors should appoint staff to coordinate implementation of program policies and coordination procedures and to conduct analysis and provide information as needed for deliberations of the Housing Council.

The Housing Cabinet would be the forum for considering and establishing the most effective means of improving the delivery of housing assistance including:

- **Maintaining an up-to-date user manual with guidelines for all state agency housing development programs** -- Vermont state agencies should make available to nonprofit housing organizations one or more program guidelines manuals that are user-friendly, informative and regularly revised to reflect underwriting and policy changes. As part of this effort, the state should provide to nonprofits and other users of state programs annually updated state program guides. A joint housing agency newsletter would also communicate to nonprofit partners and users of state housing programs that the state agencies are working together.

- **Developing a single application for assistance used by all Vermont housing agencies** -- Vermont housing agency staff agreed with nonprofit housing organizations that a single housing project application would be helpful and makes sense to implement. Commonly required information such as contact information, project descriptions, status of approvals and other subsidies or financing and pro formas would be included in the main body of the application. Supplementary application pages would be available for unique information requirements of the individual federal and state programs. The basic application would serve all of the different programs. The cover page(s) of the application should solicit information which would provide an adequate overview of key elements of the proposed project and be circulated to all agencies to identify potential problems as early as possible in the application review process. Ohio, New York, Florida and Maryland have or are in the process of implementing uniform applications across different housing programs.

- **Conforming funding cycles of state housing agencies** -- Vermont DHCA should consider a special housing set-aside to be administered in a funding cycle for the Community Development Block Grant program that better coincides with the timing of VHFA and VHCB monthly project decisions.

- **Examining the costs and benefits of an inter-agency computer network** -- Such a system would facilitate up-to-date record keeping on the status of projects assisted by one or more state agencies. It would also help agencies stay up to date on the status of pending applications enabling potential problems to be identified and addressed in a more systematic way.

- **Establishing one state agency (or alternate lead agencies) to assist nonprofit housing agencies in navigating the state affordable housing application and decision-making process** -- Community-based nonprofit housing organizations who are not high volume producers do not have the capacity to deal efficiently with the complex, labor and time-consuming development application process. There are a number of steps Vermont should consider and implement to make this process less burdensome. The state could identify one agency office to act as a "one-stop shopping" center for nonprofit applicants. The state of Ohio has "one-stop shopping" for all its development grants programs including CDBG and HOME wherein the state determines which program subsidies will be provided for each project. An alternative but potentially less reliable system would be for a designated coordinating or lead agency to be assigned per project applicant. In either case, the role of the state would be to provide information on all funding sources and policies; provide direction to nonprofits in preparing their applications and to shepherd the applicant through the decision-making process with each of the other state housing agencies. The state may wish to expand the role of the Vermont Housing and Conservation Board which is often the first state agency to receive housing project applications or the First Stop program of the Department of Housing and Community Affairs which provides program information and technical assistance.

- **Consolidating program monitoring reports required by nonprofit organizations as well as state agency financial and management oversight and inspections of housing projects** -- The state housing agencies should examine their existing monitoring forms and requirements and develop a uniform financial reporting form for nonprofit and other housing developers and managers. Other opportunities to lessen the burden of project monitoring should be examined by the housing agencies such as having a lead agency handle monitoring site visits on specific projects.

- **Notifying all housing agencies and providers, planning commissions and local jurisdictions of housing project and planning applications** -- It is critical to avoid duplication regarding the allocation of funds and effort in an environment where demand always outstrips the availability of affordable housing subsidy resources. The existing Vermont Interagency Coordination System (VICS), provides weekly lists to several state agencies and 12 regional planning commissions. Currently only DHCA and VSHA among the housing agencies receive this notification of applications for federal funds. This procedure could easily be expanded to include the VHFA and VHCB and eliminate the possibility that funds could be awarded to two different groups for the same planning project. It would also allow project problems to be identified early in the affordable housing development and application process.

- **Implementing statewide the policies recommended by the Vermont Housing Council** -- The Housing Cabinet will need to develop practical procedures and guidelines for implementing state housing policies established or revised by the Housing Council on income targeting, level of housing rehabilitation, lead-based paint abatement, energy efficiency, cost effective construction and design, mobile home parks and other important state issues. This joint policy implementation effort will insure that policies will be carried out in a consistent manner, considering all agencies' practical considerations and viewpoints.

The Housing Council and Housing Cabinet recommended here will give Vermont state housing agencies the opportunity to build consensus and use each others' expertise to solve the problems raised in this report and problems which will inevitably arise in the future. Consensus or uniformity is the goal but may not apply to all issues. The purpose of these recommended entities would be to increase collaboration rather than to limit the agencies' ability to respond to state housing needs.

As mentioned earlier in this report, Vermont's commitment to addressing affordable housing problems and many of its housing policies and programs are considered models for other states facing similar housing needs. Vermont's multiagency system is fundamentally productive and effective. We are offering recommendations for fine-tuning an already well functioning system.

# 5

# Appendices

| | |
|---|---|
| Appendix A | Comparative Chart of State Housing Agencies |
| Appendix B | List of Interviewees |
| Appendix C | Endnotes |

## Appendix A

| VERMONT STATE HOUSING AGENCIES | PRINCIPAL RESPONSIBILITIES | BOARD COMPOSITION | STAFF | FINANCING SOURCES AND SUBSIDIES | ADMINISTRATIVE BUDGET (SALARIES, BENEFITS AND GENERAL OPERATING) AND SOURCES OF FUNDS |
|---|---|---|---|---|---|
| **Vermont Department of Housing and Community Affairs (DHCA)** | Administers CDBG which funds housing planning and development, coordinates state housing policy development through CHAS, and administers programs assisting mobile home residents | Community Development Board consists of 9 members appointed by the governor. | 22 - but only 4 plus Commissioner focus on housing | Community Development Block Grants, \$5.8M in FY 92. Of this, approximately \$2.5M was used to support development of over 100 units of affordable housing.[1]<br>Act 252, FY 92 \$25,000. | ●CDBG, FEMA, Rental Rehabilitation Program, Emergency Shelter Grants and state appropriations.<br>●FY 92 total DHCA administrative costs were \$1,072,930.<br>●FY 92 housing administrative costs were \$227,730[2]. |
| **Vermont Housing and Conservation Board (VHCB)** | Provides affordable housing loans and grants to nonprofits and local governments and operating support for nonprofit housing developers | 9 members - 5 citizens appointed by the Governor and 4 ex-officio members who head state agencies: VHFA, DHCA, Agriculture, & Natural Resources. | 10[3] (Staff focus on both housing and conservation.) | For both housing and conservation in FY 92, property transfer taxes were \$1.4M and state bond proceeds were \$5M.<br>VHCB supported the development of 31 housing projects (462 units) with \$4M[4].<br>During federal FY 92 HOME was \$3M and HUD special project grants \$2M (not expended until state FY 93). | ●Receives state appropriations.<br>●FY 92 administrative costs were \$499,000[5]. |
| **Vermont Housing Finance Agency (VHFA)** | Provides mortgages for low- and moderate-income first-time homebuyers. Allocates Low Income Housing Tax Credit and provides multi-family predevelopment and permanent mortgage financing | 8 members - 4 citizens, Executive Director of VHCB, Commissioner of DHCA, State Treasurer, and Deputy Commissioner of Banking, Insurance, and Securities. | 41 | In FY 92 VHFA made 978 SF loans including \$38.9M in mortgage revenue bonds and \$28.8M in mortgage credit certificate loans.<br>6 multifamily projects with 192 units totaled \$3.9M[6]. VHFA also made \$.6M in 5 (115 units) MF energy conversion loans. | ●Receives no state appropriations. Operating funds are generated through fees on bond issuance, bond refinancing, federal project oversight, interest income etc.<br>●FY 92 administrative costs were \$2,200,571[7]. |
| **Vermont Home Mortgage Guarantee Board (VHMGB)** | Provides insurance on home mortgages for low- and moderate-income homebuyers. | 3 members - State Treasurer, Commissioner of Banking, Insurance, and Securities, and Commissioner of DHCA. | 8 | VHMGB issued 1,056 loan guarantees in FY 92 for \$14 million in guarantee coverage. | ●Receives no state appropriations, income is generated through mortgage insurance fees.<br>●Administrative costs for FY 92 were \$472,809[8]. |
| **Vermont State Housing Authority (VSHA)** | Administers federal rental subsidies for low-income families. Preserves at-risk mobile home parks and multifamily housing through nonprofit developer affiliates. | 7 members appointed by the Governor. | 42 | VSHA provided \$20.6M in rental subsidies for 4,177 units in FY 92 (through Section 8 Certificates, Vouchers, Moderate Rehab, and New Construction/Sub Rehab). VSHA also manages 397 multifamily and 463 mobile home lots. | ●Receives no state appropriations; income is generated through Section 8 and other federal program administrative fees.<br>●Administrative costs for FY 92 were \$1,660,094[9]. |

1. Source: community development staff, DHCA.

2. Source: Commissioner of Housing and Community Affairs.

3. Staff of the VHCB rose to 14 in FY 93 due to the administration of the new federal HOME program and special federal housing appropriations.

4. Source: Larry Mires, VHCB staff.

5. Source: Vermont Housing and Conservation Board, Larry Mires. FY 93 administrative costs will be $750,000 because of significant increases in program funding between FY 92 and FY 93. Most of the increased administrative expenses will be paid for with federal funds.

6. In FY 91 VHFA financed 5 projects with 337 units with $7.5 million.

7. Vermont Housing Finance Agency, 1992 Annual Report, page 25.

8. Source: Executive Director, Vermont Home Mortgage Guarantee Board.

9. Source: Executive Director, VSHA.

## VERMONT

## LIST OF INTERVIEWEES

Rick DeAngelis, Central Vermont Community Land Trust, Vermont Housing Finance Authority
Pat Barberi, DHCA
Kathleen Raymond Berk, Section 8, Vermont State Housing Authority
Beverly Bishop, DHCA
Sister Lucille Bonvouloir, Committee On Temporary Shelter
Joe Boutin, The Howard Bank
Amanda Canavan, Executive Director, Vermont Home Mortgage Guarantee Board
Sarah Carpenter, Cathedral Square Corporation
Jill Chapman Milazzo, DHCA
Sue Cobb, Assistant Project Manager, Housing Vermont
Steve Coble, DHCA
Vaughn Collins, Project Manager, Housing Vermont
Pat Crady, Development Coordinator/Single-Family, Vermont Housing Finance Agency
Dudley Davis, The Merchants Bank
Jeff Francis, Deputy Director, VHFA
Don Dickson, Legislative Council
Elizabeth Mullikin Drake, Commissioner, DHCA
Beth Edgar, Housing Specialist, Department of Mental Health
John Ewing, Bank of Vermont
Barbara Farr, Executive Director, Lamoille County Regional Planning Commission
Con Hogan, Secretary, Agency of Human Services
Allan Hunt, Executive Director, VHFA
Glenn Jarrett, In-House Counsel, VHFA
Irene Jenkins, Director of Development, VHFA
Frank Kochman, Attorney
Kathy Beyer Kehoe, Vice President of Operations, Housing Vermont
Roman Kokodyniak, Community Development Director, DHCA
Mark Koppelkam, Multi-Family Underwriter, VHFA
Jim Libby, General Counsel, VHCB
Scott Mansfield, Independent Contractor/Developer

Mike McNamara, Burlington Housing Authority
Larry Mires, Administrative Officer, VHCB
Dan Morrissey, Wright & Morrissey, Burlington
Polly Nichol, Projects Director, VHCB
Mary Parent, Financial Officer, Housing Vermont
Avram Patt, Director, OEO
Pat Peterson, Director of Housing, Department of Housing and Community
Tom Peterson, Budget, VSHA
Meg Pond, SHARE (Shared Housing Alternatives for Rural Elders)
Kenn Sassorossi, Executive Director, Lake Champlain Housing Development Corporation
Andrea Scarborough, DHCA
Roger Schoenbeck, Director of Finance, VHFA
Gus Seelig, Executive Director, VHCB
Brian Smith, Howard Mental Health, Affordable Housing Coalition
Sue Struble, The Merchants Bank
Brenda Torpy, Burlington Community Land Trust
Nancy Wasserman, Community Loan Fund
Roger Wilder, Homeless Advocate
Richard Williams, Executive Director, Vermont State Housing Authority
Michael Richardson, Housing Vermont
Joe Zehnder, Montpelier CD Director

# ENDNOTES

1. The Vermont Comprehensive Housing Affordability Strategy: Fiscal Years 1992-1996.

2. Based on information in the CHAS provided by the State Office of Economic Opportunity.

3. HUD determined Median Income is available for each Vermont County and is adjusted for family size. The state family median was $34,400 for a family of four in 1991.

4. Housing Data Notebook, Vermont Housing Finance Agency.

5. VHMGB charges a one-time fee at mortgage closing that does not exceed 1% of the mortgage amount. Private insurers charge a comparable first-year premium, but also charge renewal premiums for every year the insurance is in force (from seven to ten years). For a $74,000 loan for example, VHMBG's fee would be $630 and a private insurer could charge $700 plus $3,000 over a ten year period. Source: VHMGB.

6. Delinquency rates reflect mortgages payments over 60 days delinquent or real estate owned.

7. Some of these units would also be counted under VHFA multifamily units in cases where VHFA provided the first mortgages.

8. See housing agency summary organization chart in Appendix.

9. Vermont Comprehensive Housing Affordability Strategy: Fiscal Years 1992-1996, February 1992, page 95.

10. Moody's Investors Service (expand reference)

11. Letter from Michael F. Molesky, Fannie Mae Vice President for Lender and Credit Risk Analysis to Amanda L. Pearson, Executive Director of the Vermont Home Mortgage Guarantee Board, March 20, 1990.

12. Letter from Michael F. Molesky, Fannie Mae Vice President for Lender and Credit Risk Analysis to Amanda L. Canavan, Executive Director of the Vermont Home Mortgage Guarantee Board, January 28, 1993.

13. Subchapter 1, Section 312 of Chapter 15. Vermont Housing and Conservation Trust Fund, 1987.

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VERMONT HOUSING FINANCE AGENCY

**BOARD AGENDA**
**State Treasurer's Office – Conference Room #2**
**133 State Street**
**Montpelier, Vermont 05633**
Thursday, April 23rd from 12 p.m. – 4:30 p.m. *(Lunch will be included)*

**STRATEGIC PLANNING SESSION 12:00 – 1:30**

1. Richard Williams, VSHA
2. Discussion of Enterprise Foundation Report
3. Discussion of Program Ratings

**REGULAR AGENDA ITEMS 1:30 – 3:30**

1. Review and approval of minutes of March 19th and April 9th, 1998

2. **DEVELOPMENT**
   A. Letter of Commitment:Level III Community Care Home, Hartford (Health Property Partners) **[Reid//Enclosure]**

3. **OPERATIONS**
   A. Single Family Program Activity Reports for February 1998 **[Lothrop//Enclosures]**
   B. "Spot Loans" in Condominiums and Planned Unit Dev. **[Lothrop//Enclosure]**
   C. Possible Use of 0% Funds to assist with VHFA Distressed Property and in the Sale of VHFA REOs **[Lothrop//Enclosure]**

4. **COMMUNICATIONS**
   A. Homeownership Centers: Summary Report and Request For Support **[Gent/Black-Plumeau/Crady//Enclosure]**

5. **LEGAL**
   A. Litigation Update **[Jarrett]**

6. **MULTIFAMILY MANAGMENT**
   A. Revised Preservation Strategy **[Falzone//Enclosure]**
   B. HUD-Held Note Sale/Purchase **[Falzone//Enclosure]**

7. **FINANCE**
   A. March 31, 1998 General Fund Budget Report **[Schoenbeck//Enclosure]**
   B. Proposed General Fund Budget Adjustments **[Schoenbeck//Enclosure]**

8. **ADMINISTRATION**
   A. Executive Director's Report **[Hunt]**
   B. Lender of Last Resort Policy **[Hunt//Enclosure]**

9. Focus Group Discussion
10. Other old or new business to come before the Board



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VERMONT HOUSING FINANCE AGENCY
# BOARD MINUTES
**Associated General Contractors of Vermont/Vermont Board of Realtors**
**148 State Street**
**Montpelier, VT 05601**

**Thursday, March 19, 1998 at 2:45 p.m.**

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

Staff: Mr. Hunt, Mr. McNamara, Mr. Schoenbeck, Mr. Lothrop, Mr. Falzone, Mr. Jarrett, Ms. Caragher, Ms. Gent

Chairman White called the meeting to order at 2:50 p.m. Upon a motion duly made by Ms. Canney and seconded by Mr. Candon, the minutes of February 12, 1998 were unanimously approved as written.

Mr. Lothrop briefly reviewed his memo " Single Family Program Activity Report For January, 1998," included in the Board packet. He indicated that the amount of business currently coming to VHFA compared to last year is down but, when comparing February's numbers to last year, there is not as much of a difference.

Mr. Lothrop then discussed the Delinquency Statistical Report, included in the Board packet. Delinquencies have increased this month: one factor contributing to this is Vermont National Bank's posting problems. Ms. Randall suggested that, because Banknorth Mortgage Company has a very successful loss mitigation program, perhaps they would be willing to hold an educational seminar or do some mentoring to assist other lenders. It was also mentioned that perhaps these delinquency reports should be mailed, not only to the servicing managers of each lending institution, but also to the president.

Next, Mr. Lothrop discussed his memo "Servicing Activity for January, 1998," included in the Board packet. Of the 129 loans that are 90 day accounts, 96 loans are in a workout plan. Research tells us that 70% of those workout plans will be successful, and will not fall into foreclosure. Chairman White asked if we have utilized any Homeownership Centers for post purchase counseling. Mr. Lothrop indicated that we have utilized their services a few times, and that once the centers have had more training, we will utilize them more often. Mr. Hunt also indicated that he has met with the Homeownership Centers and discussed this possibility and will be meeting with them again before long. Mr. Lothrop announced that Peter Barry, our Loan Modification Foreclosure Specialist, may be leaving VHFA in July or August to pursue a different career. It is one intention of staff to hire an individual now with the anticipation that the person will be well trained to replace Peter. In the meantime, the new person hired will assist



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in selling our current portfolio of REO properties. The Servicing Department will also be reviewing other job responsibilities within the department to insure the most efficient operation.

Mr. Schoenbeck reviewed his memo " General Fund Budget Performance," included in the Board packet. Total expenses are 49% of budget within the expense constraints for the fiscal year. Legal expenses have been higher than projected and the subsidy payments for the Guarantee Board now total $117,500 compared to the annual allocation budgeted of $73,000. Through December 31, 1997, we have expended 55% of the approved capital budget for this fiscal year. Mr. Schoenbeck asked whether the Board is interested in greater involvement with our budgetary process and through the creation and interaction of a budget committee as we discussed last year. Chairman White indicated that a budget committee would make sense. Mr. Schoenbeck stated that at the April Board meeting, we will update the Board as to where the Agency is and determine what budget amendments may be required.

Next, Mr. Schoenbeck discussed his memo "December 31, 1997 Financials," included in the Board packet. Mr. Schoenbeck indicated that the results continue to be promising. We have noticed an acceleration of prepayments of single family mortgages, which resulted in a reduction in total assets. Revenues exceeded expenses by $1.9 million for the six months ending December 31, 1997, compared to $2 million for the same period last year and $775,000 for the three months ending September 30. Foreclosure losses were about $670,000 for the current six month period compared to $300,000 for the six month period ending December 1996. This still remains an area of concern.

Mr. Schoenbeck gave an update on the bond remarketing. He indicated that we are 5 to 10 basis points away from where we were at our conference call with the Board in January. We would be able to offer a mortgage rate of 6.75% or 6.80% if we were remarketing today. If we continue to offer a mortgage rate of 6.95% and all our mortgages stayed out for 30 years, the Agency would lose $2.4 million from originally projected earnings. If the mortgages stayed out for 11 years, the Agency would lose $1.2 million. One idea Mr. Schoenbeck suggested was to have a interest rate for the first year of 6.20% and then raise it to 7.20%. This would hopefully motivate homebuyers to use our program, and at the same time, wouldn't cost the Agency much money. Chairman White asked if we could offer a fixed payment for the borrower to eliminate a big jump in their mortgage payments, or perhaps shorten the term. Equity would be built more quickly by this method. Ms. Randall suggested that a 7.25% interest rate with no points would be very competitive. She also noted that a no point program works better and requires less money down. Mr. Schoenbeck responded that eliminating points would cost $400,000. Ms. Canney suggested that a menu of choices would be preferable. Chairman White suggested that staff looks into these and other options and come up with some suggestions. After staff has developed some additional suggestions, Chairman White asked that they be sent to the Board members so that they can discuss and review further.

Mr. Jarrett then briefly discussed his memo " VHMGB Memorandum of Understanding," included in the Board packet. The original Memorandum of Understanding with VHMGB expired at the end of last year. Since then, staff has been working on language in an Amended and Restated Memorandum of Understanding. This new agreement has been made shorter and also allows either party to terminate their agreement after they have given 60 days notice. After a brief discussion, a motion was made by Mr. Seelig to approve the Amended and Restated Memorandum of Understanding as presented at this meeting, with authorization for the Executive Director to sign and make changes approved by legal counsel, and carried unanimously after being seconded by Mr. Candon.

Next, Mr. Jarrett reviewed his memo "Housing Vermont Funding Agreement," included in the Board packet. Last year, Housing Vermont asked if the Agency would consider amending the Funding Agreement to simplify it and eliminate many parts of the original Agreement that were no longer necessary. Peter Richardson, President of Housing Vermont, has approved this draft to the Agreement. This Agreement will apply to new Housing Vermont developments, but the original Funding Agreement will continue to apply to past development deals. After further discussion, a motion was made to approve the Amended and Restated Funding Agreement as presented at this meeting, with the authority for the Executive Director to sign and make changes approved by legal counsel, and carried unanimously after being seconded by Ms. Canney.

Mr. Jarrett updated the Board on our Vermont Legal Aid class action case. The Plaintiffs have amended their federal court complaint and brought a new action in state court, adding two banks as defendants. The Agency has to respond within the next two weeks. Also, in the amended complaint the Plaintiffs ask for damages. Mr. Jarrett noted that we are unsure what the damages could be considering the tenant has been living there rent-free for the past four months. Mr. Jarrett will keep the Board updated as we continue through the process.

Mr. Jarrett also updated the Board on Winchester Place. The pending lawsuit apparently was settled in a 12-hour mediation last Friday.

Next, in his Director's Report, Mr. Hunt discussed two federal bills that have been introduced: (1) S.1251, which would raise the per capita amount of private activity bonds that each state can issue from \$50 per capita to \$75 per capita; and (2) S.1252, which would raise the amount of Low Income Housing Tax Credits each state could utilize from \$1.25 per capita to \$1.75 per capita. Both of these bills will have a great impact on VHFA. The major issue is whether the two bills will move through congress this year. Mr. Hunt then announced our two newest hires; Leslie Black-Plumeau who will be joining VHFA as Research Analyst and Patricia Myette who will be our Director of Information Technology. Mr. Hunt acknowledged that he is very happy to have them both on board and that they will be a great addition to our team. Next, he informed the Board that the National Council of State Housing Agencies (NCSHA) Boards will be holding its annual conference in Vermont this year. It will be held at the Stoweflake in Stowe from August 23rd – 25th. Mr. Hunt encouraged the Board to participate in this conference. Mr. Hunt updated the Board on Tax Credits indicating that we have received 10 Tax Credit applications totaling just over \$1 million, with approximately \$640,000 available (this number includes our commitment to Applegate).

Mr. McNamara gave a brief update on information technology. Sherri Mullin (our present Data Processing Manager) will be stepping back and working only 30 hours when Pat Myette begins employment with us. Mr. McNamara indicated that the NT Servers are up and running and Microsoft Outlook has now been installed on each employee's computer. We did replace 20 desktops and have updated the rest. We have moved everyone to Microsoft 97 this year instead of waiting until next year. Staff also now has access to the internet through a ISDN line. Each employee also has outside e-mail capability. Mitas will be visiting us between April 28th–30th and will be working on implementing a VHMGB monthly payment program. Ms. Randall asked that the Board be given a year 2000 technology plan on a quarterly basis once Pat has settled in.

Lastly, Chairman White asked if there were any comments or concerns regarding the focus groups. Mr. Lothrop indicated that at the Communications Focus Group meeting, employees asked what time frame exists for a reply from the Board. Chairman White indicated that he believed it to be 90 days after he has received the recommendation. Ms. Randall also suggested that the Board should discuss what their role is as we move forward. Chairman White agreed and noted that they will have that discussion soon.

There being no further business, following a motion made by Mr. Seelig and seconded by Mr. Candon, the meeting adjourned at 4:20 p.m.

Respectfully Submitted,

Allan S. Hunt, Secretary

VERMONT HOUSING FINANCE AGENCY

# BOARD CONFERENCE CALL MINUTES

**Vermont Housing Finance Agency**
**164 Saint Paul Street**
**Burlington, Vermont**
**Thursday, April 9, 1998**

VIA SPEAKERPHONE: Chairman White, Commissioners Seelig, Douglas, Candon (designee of Costle), Brown (designee of Shouldice), Canney, Randall, Mr. Schoenbeck

AGENCY STAFF: Mr. Hunt, Mr. Lothrop, Mr. Jarrett, Ms. Caragher, Mr. McNamara, Ms. Gent

The meeting was called to order at 11:02 a.m. Participants were identified by roll call.

Mr. Lothrop reviewed his memo "Suggested Interest Rate adjustments to the MOVE Program," dated April 7, 1998. Based on last month's Board meeting discussion, staff has been considering what can to be done to increase the activity of the MOVE program. While discussing possible proposals, staff has considered the cost to VHFA, the effect the changes will have in the marketplace, and the desirability of having multiple offerings for borrowers. After several discussions, staff is recommending the following three interest rate options to the Board: (1) Staff recommends that we offer a no point option that carries a fixed rate of 7.20%. This option will cost VHFA approximately $100,000 for every $10 million in mortgage money originated. This would allow a borrower to obtain a VHFA mortgage with less cash up front than currently is required and would also require VHFA to pay the lenders one point up front. Staff feels that this option will be very well received within the market; (2) Staff is further recommending an option that would allow a borrower to obtain a rate of 6.20% for the first three years of the mortgage. After the first three years, the rate would be 7.20%. This would give a borrower the chance to qualify at a lower interest rate, while re-establishing the 25 bp for potential loan losses after the three-year period. This option will cost VHFA approximately $128,475 for every $10 million in mortgage money originated. There would be a 1 point origination fee with this option; and (3) VHFA would continue to offer a 6.95% interest rate with 1 point. We would cap this option by adding $5 million to the amount we have in the pipeline (as of April 3, we have $6.9 million in the pipeline) once additional options are offered to the borrowers.

Mr. Schoenbeck was asked how the bond market was acting and he indicated that rates have been bouncing around quite a lot. The 30-year treasury yield is sometimes a good indicator. At this point, we could not remarket our bonds because we would not meet the 50 bp trigger target. If we could, and rates stayed the same, we could look at possibly 6.70%. The cost



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of doing a new issue would be higher and we would have to pay a commission on all of the bonds sold. If in the interim rates moved against us, we would be out of mortgage funds.

Chairman White asked the Board's thought of these options. Ms. Randall indicated that she felt that these options are marketable and would be accepted. Ms. Randall also commented, that while the programs are competitive, the difficulty rests on the marketing side and assuring that the lenders are aware of the programs. Ms. Canney asked what type of campaign we would use to market these programs. Ms. Gent noted that we would have to modify the ads to highlight our rates. Ms. Randall suggested that staff could possibly hang posters up at the upcoming Home Show to help market these new options for borrowers. Ms. Gent agreed that it is a great idea and she will look into doing that immediately. After further discussion, a motion was made by Mr. Douglas to approve the recommended MOVE mortgage options and carried unanimously after being seconded by Ms. Canney.

Next, Mr. Lothrop discussed his memo " Possible use for Interest On Real Estate Trust Accounts (IORTA) Funds," dated April 2, 1998. In 1994, the General Assembly passed, and the Governor signed into law, a bill that mandated the interest on certain real estate trust accounts be remitted to VHFA to be used for downpayment assistance and closing costs. The law stated that these funds are to be targeted toward Vermont families at or below 90% of median income. Presently, there is $170,000 in IORTA funds available that are not obligated for a specific program. VHFA is also receiving $5,000 - $6,000 in IORTA funds per month. In today's market, the seller of the property pays all or most of the borrower's closing costs. This would help sell our REOs and help reduce our loan losses. The memo also indicated that, if another lender is trying to sell an REO to a borrower, the funds could be available to that institution.

A possible use of a portion of these IORTA funds is to provide closing costs subsidies for eligible purchasers of VHFA REO properties. Staff is recommending the following requirements for use with these funds:

- The maximum subsidy on any single transaction would be 3% of the purchase price;
- There must be a real estate agent involved as the sellers agent;
- The purchaser must make the dwelling the purchasers' primary residence within 90 days;
- The purchase price may not be less than 5% of the current listing price; and
- The funds will be targeted to borrowers at or below 90% of the higher of the area or state median income. However, upon occasion the income may be higher than this.

Ms. Randall suggested that we might create some problems by opening these funds up to other institutions. Chairman White agreed with Ms. Randall, indicating that he also has concerns with making these funds available.

After further discussion, it was the consensus of the Board to eliminate the possibility of other lenders using these funds. The Board also agreed that nonprofits or real estate agents must be involved as the seller's agent. The Board expressed concerns about the targeted income percentage and suggested that staff present them with a report of the income of the borrowers that utilize the program. A motion was made by Ms. Canney to approve the use of up to $75,000 in IORTA funds for the use in the initiative outlined above with the amended changes, and carried unanimously after being seconded by Mr. Candon.

Chairman White then asked Mr. Douglas, Ms. Canney and Ms. Randall to participate as members of a Budget Committee. Mr. Schoenbeck indicated he would meet with the committee to discuss the current years budget and the FY99 budget.

Chairman White indicated that we would be having a special Board meeting May 7th. We will be reviewing two separate items: (1) Evenson Dodge will be here to present a special summary to the Board regarding the financial review report that they are currently working on for us; and (2) There will be a discussion of the Joint Committee on Tax Credit recommendations for the allocation of the tax credits. The meeting will be held in Burlington from 12:00 p.m. – 4:00 p.m. with a working lunch.

There being no further business, the meeting adjourned at 11:55 a.m.

Sincerely,

Allan S. Hunt, Secretary

# VERMONT HOUSING FINANCE AGENCY

**MEMORANDUM**

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Development Officer CReid

DATE: April 17, 1998

RE: Health Property Partners, Level III Community Care Home, Hartford: Letter of Commitment for Construction and Permanent Financing

<u>Executive Summary</u>

At the February 1998 meeting, the Board approved a Letter of Interest to finance a Level III Community Care Home in the amount of $5,100,000. The 60-unit new construction project is located in Hartford and is being developed by Upper Valley Terraces Limited Partnership, whose principals are Jack Heaton and Frank Murphy of Health Property Partners.

<u>Status of Conditions of Letter of Interest</u>

1. Sponsor must provide an appraisal acceptable to VHFA staff which provides a value sufficient to enable VHFA to make the loan within the parameters of VHFA's statutes and multifamily rules on loan-to-value ratio:

The Sponsor obtained an appraisal from Mr. Jerry Walls of Concord (N.H.) Realty Advisors, which valued the property at unrestricted market rates (at staff request) in the amount of $8,460,000. Using the restricted rates, the value drops dramatically (to half of the loan amount), as the high value attributed to the project is largely due to the market rental income and value of the business (rates are higher due to services rather than to real estate expenses). The appraiser comes well recommended. The appraisal supports the higher requested loan amount (discussed later in this memo), and using market rates, provides VHFA a loan-to-value ratio of 61%.

2. VHFA reserves the right to withdraw its Letter of Interest if interest rates rise to the point that the long-term financial feasibility of the development is threatened, or if the bond cannot be sold for any reason at terms that makes the project feasible:

The rate the project is being underwritten at is now 9% (up from 8.5% from the February Board meeting), and the project appears viable at 9%, with the same rent schedule but with a slightly



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lower debt coverage ratio – 110%. Staff is still reviewing options on how best to finance this project but anticipate using a taxable bond.

3. Sponsor must provide final plans and specifications and an itemized construction budget for approval by VHFA or its agent; the cost of any construction budget review and construction inspections by an agent working on VHFA's behalf will be paid for out of the project's capital budget:

Final plans and specifications are not completed yet. VHFA will hire a construction inspector (the cost of which is included in the development budget) to review plans, specifications and the construction budget, to inspect the property during the construction process and review and approve requisitions.

4. VHFA (or its agent) shall review the operating budget for adequacy and cost reasonableness and approve if acceptable:

In addition to Management Department review, VHFA hired as a consultant a well-regarded developer from New Jersey who has worked on mixed income assisted living developments. Staff is now comfortable with the adequacy and cost reasonableness of the operating budget. In addition, the consultant who performed the market study (also a reputable firm) was asked to review certain assumptions for reasonableness (i.e. rent-up assumptions, income and expense trending), and those assumptions met with her approval.

5. Sponsor shall provide a written statement from the Town of Hartford as to estimated amount of property taxes to be assessed:

An estimate from the Town has not yet been received but is expected soon.

6. Sponsor shall provide meaningful personal guarantees throughout the construction period until project completion and breakeven occupancy in a form satisfactory to VHFA;

The developer is the general contractor, and will subcontract with Cheshire Builders of N.H. with whom they have worked before on several similar developments. The general contractor will have a payment and performance bond to ensure that the work will be completed as planned and per specifications. The contingency amount has been increased, to 6.5% of hard construction costs. Therefore VHFA staff is not requiring a Letter of Credit through the construction period.

The lease up reserve has also been increased, in order to cover expenses during the rent up period. It has been sized according to a more conservative lease up schedule, specifically the outer time period cited in the market study.

This latter change has resulted in the developer requesting a higher loan amount, to $5,200,000. The loan to value ratio, as stated earlier, is 61%, and the debt coverage ratio has decreased, but is acceptable to staff at 110%.

7. If interest rates fall such that the loan interest rate to the sponsor is lower than 8.5% (as shown in the budget dated 1/30/98), then VHFA reserves the right to reconsider the underwriting assumptions, including but not limited to the rent levels, loan amount, and loan terms.

Currently we are assuming a 9% rate.

Update on Other Issues

- Department of Aging & Disabilities (DAD): At the February Board meeting, the Board requested feedback from the DAD stating their comments on the need for such a development, and the DAD's commitment to the project. The DAD's Senior Planner responded that there is clearly a need for affordable alternatives to nursing homes such as the proposed project, and that demographic data supports the need for subsidized units. In addition, studies indicate that consumers "overwhelmingly" prefer a living arrangement with privacy, such as the proposed (private room, bath, and kitchen). The DAD also recognizes that "the public rates will never allow for a 100% public funded project", and that "it is on the backbone of such public-private projects that... residential alternatives will prosper." Unfortunately, the DAD has no financial resources to assist developments such as this. Beginning this spring/summer, medicaid waivers will be combined into a pool, and consumers who are eligible for them can choose how (and where) they want to use them, either home care, enhanced residential care, or in an assisted living facility. Therefore, since the potential financial assistance is consumer-based, rather than project-based, it is not income VHFA can count on in underwriting the project.

- Tax Liability: At the November 1997 Board Meeting, the Board approved allowing owners' tax liability to be paid out of cash flow in addition to distributions (10% of equity), as this has been raised as a problem for many existing VHFA owners. The owner in this case will receive substantial tax benefits in the early years of the project (largely due to depreciation). These tax benefits will be accrued over time to offset tax liability; therefore tax liability will not be an expense of the project until later years (see attached 30-year cash flow).

- Term of Affordability: Residential developments that VHFA finances generally have a 15 year minimum affordability provision, due to Housing Credit and Tax Exempt Bond restrictions. However, this development is being financed with taxable bond financing, and has no specific affordability provision. Bond financing generally contains a 10-year prepayment lock-out, and after discussions with the developer, we are proposing a minimum 10-year affordability provision for this loan. A minimum ten-year affordability provision would mirror the prepayment lock-out period, and would enable the developer to sell at market value rather than at the restricted value. There is a significant difference between the appraised value as a market rent project and as a restricted rent project. If the affordability restrictions remained beyond a prepayment lock-out, the owner would have difficulty opting out of the property since the value with the restricted rents is lower than the loan amount. While ten years is a shorter affordability period than VHFA generally prefers, this project is using taxable financing and no soft money, and therefore is not competing with the scarce resources that other projects are.

- Rent Structure/Marketing: This is a mixed income project, with 51% of the units affordable to households below 100% of area median income. The actual rents charged may differ from the rent schedule in the attached budget. The owners will attempt to rent the units based on the rent schedule, and to serve a broad spectrum of households at different levels of income. The Regulatory Agreement will, in addition to stating that 51% of the development will serve households below 100% of area median income, state that it is a goal of the project to serve 6 households below 50% of median, 6 households below 60% of median, 7 households below 80% of median, and 12 households below 95% of median. In order to ensure that the affordable units will have rents that remain affordable and serve households at different levels of income, a residual receipts account will be established for rental income collected in excess of the gross rental income projected for the 31 affordable units. This fund will remain with the project, and may later be used to subsidize affordable units whose occupants have spent down their assets and have difficulty paying.

  In order to avoid difficulties with marketing a multi-tiered rent structure for similar units with identical services, the developer has proposed publicly advertising the project at the market rents, with a statement that there is financial assistance available for eligible (i.e. lower income) applicants. However, in direct outreach to agencies such as Area Agency on Aging and Visiting Nurses Association, specific income and rent information will be provided to assist with referrals and to ensure that low income elders in need of this type of housing will know they can apply. The market study consultant has stated that the affordable units will rent up right away; it is the market units that may take longer to rent up. The financial feasibility of the project relies in part on filling enough market units in a timely manner, as the higher rents are subsidizing the lower rents. This proposed marketing process should also allow some confidentiality between residents having different incomes.

There was some concern raised among Board members at the February meeting regarding the market rents. Both the appraiser and the market study consultant confirmed that the market rents were well within the going range, and there is no entry fee in this facility, which is a benefit over some of the other facilities.

Recommended Board Action

Staff recommends Board approval of the attached Resolution to provide a Letter of Commitment to provide construction and permanent financing in the amount of up to $5,200,000 with a loan term of up to 30 years and amortization period of 30 years, and an interest rate of no more than one and one half points above the cost of the bond. The Loan will carry affordability restrictions for at least ten years. The Letter of Commitment shall include the conditions from the Letter of Interest (except for the conditions pertaining to receipt of an acceptable appraisal, and review and approval of the operating budget, both of which have been met), with one addition:

1. If interest rates fall such that the loan interest rate to the sponsor is lower than 9% (as shown in the budget dated 4/17/98), then VHFA reserves the right to reconsider the underwriting assumptions, including but not limited to rent levels and loan amount.

**RESOLUTION PERTAINING TO COMMITMENT LETTER**
**RE: HEALTH PROPERTY PARTNERS (HARTFORD)**

WHEREAS, a proposal has been presented to the Agency by Health Property Partners, (the "Housing Sponsor") on behalf of a to-be-formed limited partnership involving the construction of a 60 unit Level III Community Care Home located in Hartford, as referenced in a staff memorandum dated April 17, 1998 (the "Development"); and

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

WHEREAS, 31 of the 60 units in the Housing Sponsor's proposal would be affordable to households earning less than 100 percent of median income; and

WHEREAS, the maximum amount of the mortgage loan will not exceed $5,200,000; and

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

It is hereby DETERMINED:

1. The Development is primarily for occupancy by persons and families of low and moderate income.

2. The construction costs to be incurred by the Housing Sponsor are for housing development costs within the meaning of the Act.

3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.

4. The Housing Sponsor undertaking the Development will increase the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income.

5. The security value of the Development will equal at least the amount of the VHFA loan.

6. The Housing Sponsor is expected to qualify as a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director may, in his discretion, issue a Commitment Letter for loans for the construction and long-term financing of the Development, in an amount not to exceed $5,200,000. The term of the construction loan shall be one year, with an

interest rate to be determined based on the Agency's cost of funds plus an override. Interest only shall be payable on the construction loan until the closing of the term loan.

2. The term loan shall be amortized over a period of up to 30 years, but all principal and accrued interest shall be due not more than 30 years from the date of the term loan. The interest rate shall be determined by the Executive Director based on the Agency's cost of funds plus an override. The Commitment Letter may be issued to Health Property Partners as a representative of the to-be-formed limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, the following conditions, and such further requirements as the Agency may establish:

   a. VHFA reserves the right to withdraw its Commitment if interest rates rise to the point that the long-term financial feasibility of the development is threatened, or if the bond cannot be sold for any reason at terms that makes the project feasible;

   b. Sponsor must provide final plans and specifications and an itemized construction budget for approval by VHFA or its agent; the cost of any construction budget review and construction inspections by an agent working on VHFA's behalf will be paid for out of the project's capital budget;

   c. Sponsor shall provide a written statement from the Town of Hartford as to estimated amount of property taxes to be assessed.

   d. Sponsor and its principals shall provide sufficient security throughout the construction period until project completion and breakeven occupancy in a form satisfactory to VHFA;

   e. If interest rates fall such that the loan interest rate to the sponsor is lower than 9.0% (as shown in the budget dated 4/17/98), then VHFA reserves the right to reconsider the underwriting assumptions, including but not limited to the rent levels, loan amount, and loan terms.

3. The Executive Director is authorized to take all necessary steps to either carry out a taxable bond financing to provide proceeds with which to make the authorized loans or to structure a transaction with the Federal Home Loan Bank of Boston to provide such proceeds.

4. The Executive Director, Deputy Director and Director of Finance are authorized to execute any and all documents necessary to effectuate the closing of these loans.

| Heaton Level III Community Care Home - Hartford | | | | | RUN DATE: | 17-Apr-98 | |
|---|---|---|---|---|---|---|---|
| | | | Increase Services | | | 2.00% | |
| Total Residential Units: | | 60 | Increase Restricted | | | 1.00% | |
| Restricted Units: | | 31 | Increase Market | | | 2.00% | |
| Percent Restricted: | | 51.67% | Expense increase: | | | 2.50% | |
| Avg Net Monthly Rent: | | 2,182 | Vacancy Rate: | | | 7.00% | |
| Total Dev Costs | | 5,524,000 | Partner's Tax Rate: | | | 48.75% | |
| TDC/Unit | | 92,067 | Long Term Depreciation Schedule: | | | 27.5 | |
| | | | Short Term Depreciation Schedule: | | | 7 | |
| FINANCING SOURCES | | | | | | | |
| | | Amount | % of TDC | | Interest | Amortization | Term |
| First Mortgage | | 5,200,000 | | 94.13% | 9.00% | 30 | 30 |
| Developers Equity | | 324,000 | | 5.87% | N/A | N/A | |
| | | 5,524,000 | | 100.00% | | | |
| Per Unit Cost = | | 92,067 | | | | | |
| | Gap | 0 | | | | | |

| Heaton Level III Community Care Home - | | DEVELOPMENT BUDGET | | | |
|---|---|---|---|---|---|
| | | | Budget | Per Unit | Per s.f. |
| ACQUISITION & CONSTRUCTION | | | | | |
| Land | | | 450,000 | 7,500 | 17.51 |
| Purchase of Building(s) | | | | 0 | 0.00 |
| Sitework | | | 0 | 0 | 0.00 |
| Construction | | | 3,050,000 | 50,833 | 118.70 |
| Furniture & Equipment | | | 243,845 | 4,064 | 9.49 |
| OFF SITE IMPROVEMENTS | | | | | 0.00 |
| BOND | | | | | 0.00 |
| General Requirements | | 0.00% | | | 0.00 |
| Contractor Overhead | | 0.00% | | | 0.00 |
| Contractor Profit | 0.0% | 0.00% | | | 0.00 |
| Construction Contingency | | 6.56% | 200,000 | | 7.78 |
| APPLIANCES | | | | | 0.00 |
| Subtotal | | | 3,943,845 | 65,731 | 153.48 |
| PROFESSIONAL SERVICES | | | | | |
| Architect & Engineering | | | 100,000 | 1,667 | 3.89 |
| Architect Fee - Supervision | | | | 0 | 0.00 |
| Attorney & Permits | | | 125,000 | 2,083 | 4.86 |
| SURVEY/ENGINEERING | | | | | 0.00 |
| ACCOUNTING | | | | | 0.00 |
| Legal - Title & Recording | | | | | 0.00 |
| Subtotal | | | 225,000 | 3,750 | 8.76 |
| INTERIM COSTS | | | | | |
| Construction Insurance | | | | | 0.00 |
| Construction Interest | | | 153,155 | 2,553 | 5.96 |
| Construction Loan Origination Fee | | | | | 0.00 |
| Taxes | | | | | 0.00 |
| Subtotal | | | 153,155 | 2,553 | 5.96 |
| OTHER SOFT COSTS | | | | | |
| Property Appraisal | | | | | 0.00 |
| Market Study | | | | | 0.00 |
| Environmental Report | | | | | 0.00 |
| SEWER & WATER FEES | | | | | 0.00 |
| PERMITS/FEES - STATE | | | | | 0.00 |
| PERMITS/FEES - LOCAL | | | | | 0.00 |
| Tax Credit Fees | | | | | 0.00 |
| Marketing (RENT UP) | | | | | 0.00 |
| Subtotal | | | 0 | 0 | 0.00 |
| FINANCING FEES & EXPENSES | | | | | |
| Credit Report | | | | | 0.00 |
| Permanent Loan Origination Fee | | | 78,000 | 1,300 | 3.04 |
| Credit Enhancement | | | | 0 | 0.00 |
| Cost of Issuance | | | | 0 | 0.00 |
| Title & Recording | | | | 0 | 0.00 |
| Transaction Cost | | | 5,000 | 83 | 0.19 |
| Construction Inspections | | | 5,000 | 83 | 0.19 |
| Subtotal | | | 88,000 | 1,467 | 3.42 |
| SYNDICATION COSTS | | | | | |
| Organizational (Partnership) | | | | 0 | 0.00 |
| Bridge Loan Interest | | | | 0 | 0.00 |
| Tax Opinion | | | | 0 | 0.00 |
| Subtotal | | | 0 | 0 | 0.00 |
| DEVELOPER'S FEES | | | | | |
| Developer's Overhead & Profit | | | 564,000 | 9,400 | 21.95 |
| Consultant Fees | | | | 0 | 0.00 |
| Subtotal | | 12.79% | 564,000 | 9,400 | 21.95 |
| PROJECT RESERVES | | | | | |
| Rent-up (Deficit Escrow) Reserve | | | 550,000 | 9,167 | 21.40 |
| Replacement Reserve | | | | 0 | 0.00 |
| Working Capital | | | | 0 | 0.00 |
| "Pre-Opening" | | | | 0 | 0.00 |
| Subtotal | | | 550,000 | 9,167 | 21.40 |
| TOTAL DEVELOPMENT COSTS | | | 5,524,000 | 92,067 | 126.19 |

| Heaton Level III Community Care Ho | | Rental Income | | | 17-Apr-98 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Restricted Units | | | | | | Total | | | | |
| Bedrooms | Type | Square Feet | Number | Rent | Utilities | Annual Rent | Afford to: | Median/ 1 Pers | Daily Rate | |
| 0 BR | <100% | 352 | 6 | 900 | included | 64,800 | 43% | 29,800 | 30 | |
| 0 BR | <100% | 352 | 6 | 1,200 | included | 86,400 | 57% | 29,800 | 39 | |
| 0 BR | <100% | 352 | 7 | 1,700 | included | 142,800 | 80% | 29,800 | 56 | |
| 0 BR | <100% | 352 | 5 | 1,900 | included | 114,000 | 90% | 29,801 | 62 | |
| 1 BR | <100% | 528 | 7 | 2,000 | included | 168,000 | 95% | 29,800 | 66 | |
| | Totals | 10,384 | 31 | | | 576,000 | | | | |
| | | | | | | | | | | |
| Market Rate Units | | | | | | Total | | | | |
| Bedrooms | Type | Square Feet | Number | Rent | Utilities | Annual Rent | Afford to: | Median/ 1 Pers | Daily Rate | |
| 1 BR | Market | 528 | 29 | 3,200 | included | 1,113,600 | 152% | 29,800 | 105 | |
| | Totals | 15,312 | 29 | | | 1,113,600 | | | | |
| All Units | | | | | | | | | | |
| | Grand Totals | 25,696 | 60 | | | 1,689,600 | | | | |
| | | | | | | | | | | |
| | | Less Vacancy | 7% | | | (118,272) | | | | |
| | | Vacancy Year One | 45% | | | | | | | |
| | | | | | NET RENT | 1,571,328 | | 43,775 | Gross Sq Ft | |
| | | OTHER INCOME | | | | | | | Includes common areas | |
| | | | | | | | | | | |
| | | Interest Income | | | | 0 | | | | |
| | | Parking | | | | 0 | | | | |
| | | Total Other Income | | | | 0 | | | | |
| | | | | | | | | | | |
| | | | | | TOTAL INCOME | 1,571,328 | | | | |
| | | | | | | | | | | |

**NOTE: 1) These median incomes assume"housing cost" is 85% of residents income (not 30%)**

**2) 51% of all units serve residents below median income.**

| Heaton Level III Community Ca | EXPENSE BUDGET | | | Real Estate Only | RE | | | Services Only | Services | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Per Unit | | | | Per Unit | | | | Per Unit | |
| | Annual | Monthly | Per Month | | Annual | Monthly | Per Month | | Annual | Monthly | Per Month | |
| Administration | | | | Administration | | | | Administration | | | | |
| Management Fee | 81,197 | 6,766 | 113 | Management Fee | 28,419 | 2,368 | 39 | Management Fee | 52,778 | 4,398 | 73 | 3% |
| Marketing | 0 | 0 | 0 | Marketing | | 0 | 0 | Marketing | | 0 | 0 | |
| Residential Care | 391,743 | 32,645 | 544 | Residential Care | | 0 | 0 | Residential Care | 391,743 | 32,645 | 544 | |
| Legal | 0 | 0 | 0 | Legal | | 0 | 0 | Legal | | 0 | 0 | |
| Advertising | 23,011 | 1,918 | 32 | Advertising | 10,666 | 889 | 15 | Advertising | 12,345 | 1,029 | 17 | |
| Dietary | 166,976 | 13,915 | 232 | Dietary | | 0 | 0 | Dietary | 166,976 | 13,915 | 232 | |
| Office PayrollTaxes | 0 | 0 | 0 | Office PayrollTaxes | | 0 | 0 | Office PayrollTaxes | | 0 | 0 | |
| Amenities | 29,641 | 2,470 | 41 | Amenities | | 0 | 0 | Amenities | 29,641 | 2,470 | 41 | |
| Compliance Monitoring | 0 | 0 | 0 | Compliance Monitoring | | 0 | 0 | Compliance Monitoring | | 0 | 0 | |
| General and Administrative | 90,632 | 7,553 | 126 | General and Administrative | | 0 | 0 | General and Administrative | 90,632 | 7,553 | 126 | |
| TOTAL ADMINISTRATIVE | 783,200 | 65,267 | 1,088 | TOTAL ADMINISTRATIVE | 39,085 | 3,257 | 54 | TOTAL ADMINISTRATIVE | 744,115 | 62,010 | 1,033 | |
| | | | | | | | | | | | | |
| Utilities | | | | Utilities | | | | Utilities | | | | |
| Water/Sewer | 13,359 | 1,113 | 19 | Water/Sewer | 13,359 | 1,113 | 19 | Water/Sewer | | 0 | 0 | |
| Electric | 29,565 | 2,464 | 41 | Electric | 29,565 | 2,464 | 41 | Electric | | 0 | 0 | |
| Fuel | 27,156 | 2,263 | 38 | Fuel | 27,156 | 2,263 | 38 | Fuel | | 0 | 0 | |
| Cable | 4,161 | 347 | 6 | Cable | 4,161 | | 0 | Cable | | 0 | 0 | |
| Estimate for Kitchens | 9,889 | 824 | 14 | Estimate for Kitchens | 9,889 | 824 | 14 | Estimate for Kitchens | | 0 | 0 | |
| TOTAL UTILITIES | 84,130 | 7,011 | 117 | TOTAL UTILITIES | 84,130 | 7,011 | 117 | TOTAL UTILITIES | 0 | 0 | 0 | |
| | | | | | | | | | | | | |
| Maintenance | | | | Maintenance | | | | Maintenance | | | | |
| Maintenance Payroll | 31,755 | 2,646 | 44 | Maintenance Payroll | 31,755 | 2,646 | 44 | Maintenance Payroll | | 0 | 0 | |
| Supplies | 2,650 | 221 | 4 | Supplies | 2,650 | 221 | 4 | Supplies | | 0 | 0 | |
| Trash Removal | 6,132 | 511 | 9 | Trash Removal | 6,132 | 511 | 9 | Trash Removal | | 0 | 0 | |
| Snow/Grounds | 0 | 0 | 0 | Snow/Grounds | | 0 | 0 | Snow/Grounds | | 0 | 0 | |
| Repairs | 0 | 0 | 0 | Repairs | | 0 | 0 | Repairs | | 0 | 0 | |
| Paint/Decorating | 0 | 0 | 0 | Paint/Decorating | | 0 | 0 | Paint/Decorating | | 0 | 0 | |
| Exterminating | 0 | 0 | 0 | Exterminating | | 0 | 0 | Exterminating | | 0 | 0 | |
| Contract Maintenance | 11,388 | 949 | 16 | Contract Maintenance | 11,388 | 949 | 16 | Contract Maintenance | | 0 | 0 | |
| Housekeeping | 33,054 | 2,755 | 46 | Housekeeping | 33,054 | 0 | 0 | Housekeeping | | 0 | 0 | |
| Service Lease | 0 | 0 | 0 | Service Lease | | 0 | 0 | Service Lease | | 0 | 0 | |
| Other | 0 | 0 | 0 | Other | | 0 | 0 | Other | | 0 | 0 | |
| TOTAL MAINTENANCE | 84,979 | 7,082 | 118 | TOTAL MAINTENANCE | 84,979 | 7,082 | 118 | TOTAL MAINTENANCE | 0 | 0 | 0 | |
| | | | | | | | | | | | | |
| Taxes | 79,950 | 6,663 | 111 | Taxes | 79,950 | 6,663 | 111 | Taxes | | 0 | 0 | |
| Insurance | 34,840 | 2,903 | 48 | Insurance | 17,420 | 1,452 | 24 | Insurance | 17,420 | 1,452 | 24 | |
| Replacement Reserves | 31,487 | 2,624 | 44 | Replacement Reserves | 31,487 | 2,624 | 44 | Replacement Reserves | | 0 | 0 | |
| Other | 0 | 0 | 0 | Other | | 0 | 0 | Other | | 0 | 0 | |
| Total | 1,098,586 | 91,549 | 1,526 | Total | 337,051 | 28,088 | 468 | Total | 761,535 | 63,461 | 1,058 | |
| | | | | | | | | | | | | |
| Year 1Total Expenses | 759,281 | | | Year 1Total Expenses | 246,275 | | | Year 1Total Expenses | 513,006 | | | |
| Year 1 Advertising | | | | | | | | | | | | |
| Year 1 Management Fee | 40,671 | | | | | | | | | | | |
| Year 1 Reserves | 16,355 | | | Year 1 Reserves | 16,355 | | | Year 1 Reserves | | | | |
| Year 2 Total Expenses | 939,101 | | | Year 2 Total Expenses | 259,009 | | | Year 2 Total Expenses | 680,092 | | | |
| Year 2 Management Fee | 77,454 | | | | | | | | | | | |
| Year 2 Reserves | 30,982 | | | Year 2 Reserves | 30,982 | | | Year 2 Reserves | | | Total Sq Ft | |

| 17-Apr-98 | Heaton Level III Community Care Hom | Cash Flow Projection | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Restricted Residential Rental Income | | 576,000 | 581,760 | 587,578 | 593,453 | 599,388 | 605,382 | 611,436 | 617,550 | 623,725 | 629,963 | 636,262 | 642,625 | 649,051 | 655,542 | 662,097 |
| Market Residential Rental Income | | 1,113,600 | 1,135,872 | 1,158,589 | 1,181,761 | 1,205,396 | 1,229,504 | 1,254,094 | 1,279,176 | 1,304,760 | 1,330,855 | 1,357,472 | 1,384,622 | 1,412,314 | 1,440,560 | 1,469,372 |
| Less Res Vacancy | | (760,320) | (120,234) | (122,232) | (124,265) | (126,335) | (128,442) | (130,587) | (132,771) | (134,994) | (137,257) | (139,561) | (141,907) | (144,296) | (146,727) | (149,203) |
| Plus Other Income | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Actual Income | | 929,280 | 1,597,398 | 1,623,935 | 1,650,950 | 1,678,449 | 1,706,444 | 1,734,943 | 1,763,955 | 1,793,491 | 1,823,561 | 1,854,173 | 1,885,339 | 1,917,070 | 1,949,375 | 1,982,266 |
| Less Rental Operating Expenses | | 260,510 | 286,118 | 305,564 | 313,203 | 321,033 | 329,059 | 337,285 | 345,717 | 354,360 | 363,219 | 372,300 | 381,607 | 391,148 | 400,926 | 410,949 |
| Less Reserves | | 16,355 | 30,982 | 31,487 | 32,274 | 33,081 | 33,908 | 34,756 | 35,625 | 36,515 | 37,428 | 38,364 | 39,323 | 40,306 | 41,314 | 42,347 |
| Less Services Operating Expenses | | 539,442 | 730,437 | 761,535 | 776,766 | 792,301 | 808,147 | 824,310 | 840,796 | 857,612 | 874,764 | 892,260 | 910,105 | 928,307 | 946,873 | 965,810 |
| Net Operating Income | | 112,973 | 549,861 | 525,350 | 528,707 | 532,034 | 535,330 | 538,592 | 541,817 | 545,004 | 548,149 | 551,250 | 554,304 | 557,309 | 560,262 | 563,160 |
| Less Primary Debt Service | | 502,085 | 502,085 | 502,085 | 502,085 | 502,085 | 502,085 | 502,085 | 502,085 | 502,085 | 502,085 | 502,085 | 502,085 | 502,085 | 502,085 | 502,085 |
| Cash Flow | | (389,112) | 47,776 | 23,265 | 26,622 | 29,950 | 33,246 | 36,507 | 39,733 | 42,919 | 46,064 | 49,165 | 52,220 | 55,225 | 58,178 | 61,075 |
| Oper Subsidy | | 389,112 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Cash | | 0 | 47,776 | 23,265 | 26,622 | 29,950 | 33,246 | 36,507 | 39,733 | 42,919 | 46,064 | 49,165 | 52,220 | 55,225 | 58,178 | 61,075 |
| | | | | | | | | | | | | | | | | |
| DCR | | 23% | 110% | 105% | 105% | 106% | 107% | 107% | 108% | 109% | 109% | 110% | 110% | 111% | 112% | 112% |
| | | | | | | | | | | | | | | | | |
| Replacement Reserve Deposit | | 16,355 | 30,982 | 31,487 | 32,274 | 33,081 | 33,908 | 34,756 | 35,625 | 36,515 | 37,428 | 38,364 | 39,323 | 40,306 | 41,314 | 42,347 |
| Interest on Replacement Reserve Acct | 3% | 245 | 491 | 929 | 945 | 968 | 992 | 1,017 | 1,043 | 1,069 | 1,095 | 1,123 | 1,151 | 1,180 | 1,209 | 1,239 |
| Cumulative Replacement Reserves | | 16,600 | 48,073 | 80,489 | 113,708 | 147,757 | 182,658 | 218,431 | 255,098 | 292,682 | 331,206 | 370,693 | 411,166 | 452,652 | 495,175 | 538,761 |
| | | | | | | | | | | | | | | | | |
| Cumulative Cash Flow | | | | | | | | | | | | | | | | |
| Beginning Balance | | 550,000 | 135,342 | 153,608 | 147,484 | 144,627 | 145,074 | 148,859 | 156,015 | 166,574 | 180,565 | 198,015 | 218,950 | 243,393 | 271,365 | 302,885 |
| Plus Deposits | | 0 | 47,776 | 23,265 | 26,622 | 29,950 | 33,246 | 36,507 | 39,733 | 42,919 | 46,064 | 49,165 | 52,220 | 55,225 | 58,178 | 61,075 |
| Interest | 2% | 6,853 | 2,889 | 3,011 | 2,921 | 2,897 | 2,939 | 3,049 | 3,226 | 3,471 | 3,786 | 4,170 | 4,623 | 5,148 | 5,743 | 6,409 |
| Withdrawals | | (389,112) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ending Balance Before Distributions | | 167,742 | 186,008 | 179,884 | 177,027 | 177,474 | 181,259 | 188,415 | 198,974 | 212,965 | 230,415 | 251,350 | 275,793 | 303,765 | 335,285 | 370,369 |
| Distributions to Owner | | (32,400) | (32,400) | (32,400) | (32,400) | (32,400) | (32,400) | (32,400) | (32,400) | (32,400) | (32,400) | (32,400) | (32,400) | (32,400) | (32,400) | (32,400) |
| Distributions to Owner for Tax Liability | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ending Balance | | 135,342 | 153,608 | 147,484 | 144,627 | 145,074 | 148,859 | 156,015 | 166,574 | 180,565 | 198,015 | 218,950 | 243,393 | 271,365 | 302,885 | 337,969 |
| | | | | | | | | | | | | | | | | |
| Net Operating Income | | 112,973 | 549,861 | 525,350 | 528,707 | 532,034 | 535,330 | 538,592 | 541,817 | 545,004 | 548,149 | 551,250 | 554,304 | 557,309 | 560,262 | 563,160 |
| Plus Reserves | | 16,355 | 30,982 | 31,487 | 32,274 | 33,081 | 33,908 | 34,756 | 35,625 | 36,515 | 37,428 | 38,364 | 39,323 | 40,306 | 41,314 | 42,347 |
| Plus Interest on Replacement Reserve Acct | | 245 | 491 | 929 | 945 | 968 | 992 | 1,017 | 1,043 | 1,069 | 1,095 | 1,123 | 1,151 | 1,180 | 1,209 | 1,239 |
| Less Amortized Fees | | (1,700) | (1,700) | (1,700) | (1,700) | (1,700) | (1,700) | (1,700) | (1,700) | (1,700) | (1,700) | (1,700) | (1,700) | (1,700) | (1,700) | (1,700) |
| Less Interest Expense | | (466,558) | (463,226) | (459,580) | (455,593) | (451,232) | (446,462) | (441,244) | (435,537) | (429,294) | (422,466) | (414,997) | (406,828) | (397,892) | (388,118) | (377,427) |
| Less Long Term Depreciation | | (153,742) | (153,742) | (153,742) | (153,742) | (153,742) | (153,742) | (153,742) | (153,742) | (153,742) | (153,742) | (153,742) | (153,742) | (153,742) | (153,742) | (153,742) |
| Less Short Term Depreciation | | (34,835) | (34,835) | (34,835) | (34,835) | (34,835) | (34,835) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Taxable Income (Loss) | | (527,262) | (72,169) | (92,091) | (83,944) | (75,425) | (66,508) | (22,321) | (12,494) | (2,148) | 8,765 | 20,298 | 32,509 | 45,462 | 59,225 | 73,877 |
| Cumulative Tax Income/(Loss) | | (527,262) | (599,430) | (691,521) | (775,466) | (850,891) | (917,398) | (939,719) | (952,213) | (954,360) | (945,596) | (925,298) | (892,789) | (847,327) | (788,102) | (714,225) |
| | | | | | | | | | | | | | | | | |
| Tax Liability/(Benefit) | | (257,040) | (35,182) | (44,894) | (40,923) | (36,770) | (32,422) | (10,881) | (6,091) | (1,047) | 4,273 | 9,895 | 15,848 | 22,163 | 28,872 | 36,015 |
| | | | | | | | | | | | | | | | | |
| Cumulative Tax Liability/(Benefit) | | (257,040) | (292,222) | (337,117) | (378,040) | (414,809) | (447,232) | (458,113) | (464,204) | (465,251) | (460,978) | (451,083) | (435,234) | (413,072) | (384,200) | (348,185) |
| | | | | | | | | | | | | | | | | |
| Distributions to Owner | | 32,400 | 32,400 | 32,400 | 32,400 | 32,400 | 32,400 | 32,400 | 32,400 | 32,400 | 32,400 | 32,400 | 32,400 | 32,400 | 32,400 | 32,400 |
| Distributions to Pay Owner's Taxes | 48.75% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| 17-Apr-98 | | | | | | | | PRO FORM | 17-Apr-98 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | | 30 |
| Restricted Residential Rental Income | 668,718 | 675,405 | 682,159 | 688,981 | 695,871 | 702,829 | 709,858 | 716,956 | 724,126 | 731,367 | 738,681 | 746,068 | 753,528 | 761,064 | 768,674 |
| Market Residential Rental Income | 1,498,759 | 1,528,734 | 1,559,309 | 1,590,495 | 1,622,305 | 1,654,751 | 1,687,846 | 1,721,603 | 1,756,035 | 1,791,156 | 1,826,979 | 1,863,518 | 1,900,789 | 1,938,805 | 1,977,581 |
| Less Res Vacancy | (151,723) | (154,290) | (156,903) | (159,563) | (162,272) | (165,031) | (167,839) | (170,699) | (173,611) | (176,577) | (179,596) | (182,671) | (185,802) | (188,991) | (192,238) |
| Plus Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Actual Income | 2,015,754 | 2,049,850 | 2,084,565 | 2,119,913 | 2,155,903 | 2,192,550 | 2,229,865 | 2,267,860 | 2,306,550 | 2,345,946 | 2,386,063 | 2,426,915 | 2,468,515 | 2,510,877 | 2,554,017 |
| Less Rental Operating Expenses | 421,223 | 431,754 | 442,548 | 453,611 | 464,952 | 476,575 | 488,490 | 500,702 | 513,220 | 526,050 | 539,201 | 552,681 | 566,498 | 580,661 | 595,177 |
| Less Reserves | 43,405 | 44,490 | 45,603 | 46,743 | 47,911 | 49,109 | 50,337 | 51,595 | 52,885 | 54,207 | 55,562 | 56,951 | 58,375 | 59,835 | 61,330 |
| Less Services Operating Expenses | 985,127 | 1,004,829 | 1,024,926 | 1,045,424 | 1,066,333 | 1,087,659 | 1,109,413 | 1,131,601 | 1,154,233 | 1,177,317 | 1,200,864 | 1,224,881 | 1,249,379 | 1,274,366 | 1,299,854 |
| Net Operating Income | 565,999 | 568,777 | 571,490 | 574,135 | 576,708 | 579,206 | 581,626 | 583,962 | 586,212 | 588,372 | 590,436 | 592,401 | 594,263 | 596,016 | 597,656 |
| Less Primary Debt Service | 502,085 | 502,085 | 502,085 | 502,085 | 502,085 | 502,085 | 502,085 | 502,085 | 502,085 | 502,085 | 502,085 | 502,085 | 502,085 | 502,085 | 502,085 |
| Cash Flow | 63,914 | 66,692 | 69,405 | 72,050 | 74,623 | 77,122 | 79,541 | 81,878 | 84,128 | 86,287 | 88,352 | 90,317 | 92,178 | 93,931 | 95,571 |
| Oper Subsidy | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Cash | 63,914 | 66,692 | 69,405 | 72,050 | 74,623 | 77,122 | 79,541 | 81,878 | 84,128 | 86,287 | 88,352 | 90,317 | 92,178 | 93,931 | 95,571 |
| | | | | | | | | | | | | | | | |
| DCR | 113% | 113% | 114% | 114% | 115% | 115% | 116% | 116% | 117% | 117% | 118% | 118% | 118% | 119% | 119% |
| | | | | | | | | | | | | | | | |
| Replacement Reserve Deposit | 43,405 | 44,490 | 45,603 | 46,743 | 47,911 | 49,109 | 50,337 | 51,595 | 52,885 | 54,207 | 55,562 | 56,951 | 58,375 | 59,835 | 61,330 |
| Interest on Replacement Reserve Acct | 1,270 | 1,302 | 1,335 | 1,368 | 1,402 | 1,437 | 1,473 | 1,510 | 1,548 | 1,587 | 1,626 | 1,667 | 1,709 | 1,751 | 1,795 |
| Cumulative Replacement Reserves | 583,437 | 629,229 | 676,166 | 724,277 | 773,590 | 824,137 | 875,947 | 929,052 | 983,485 | 1,039,278 | 1,096,467 | 1,155,085 | 1,215,169 | 1,276,755 | 1,339,880 |
| | | | | | | | | | | | | | | | |
| Cumulative Cash Flow | | | | | | | | | | | | | | | |
| Beginning Balance | 337,969 | 376,629 | 418,876 | 464,717 | 514,156 | 567,193 | 532,377 | 487,627 | 431,758 | 363,473 | 281,352 | 183,837 | 69,227 | 131,007 | 195,807 |
| Plus Deposits | 63,914 | 66,692 | 69,405 | 72,050 | 74,623 | 77,122 | 79,541 | 81,878 | 84,128 | 86,287 | 88,352 | 90,317 | 92,178 | 93,931 | 95,571 |
| Interest | 7,146 | 7,955 | 8,836 | 9,789 | 10,813 | 10,996 | 10,200 | 9,194 | 7,952 | 6,448 | 4,652 | 2,531 | 2,002 | 3,268 | 4,594 |
| Withdrawals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ending Balance Before Distributions | 409,029 | 451,276 | 497,117 | 546,556 | 599,593 | 655,310 | 622,118 | 578,698 | 523,838 | 456,209 | 374,355 | 276,685 | 163,407 | 228,207 | 295,972 |
| Distributions to Owner | (32,400) | (32,400) | (32,400) | (32,400) | (32,400) | (32,400) | (32,400) | (32,400) | (32,400) | (32,400) | (32,400) | (32,400) | (32,400) | (32,400) | (32,400) |
| Distributions to Owner for Tax Liability | 0 | 0 | 0 | 0 | 0 | (90,533) | (102,091) | (114,540) | (127,965) | (142,457) | (158,118) | (175,058) | 0 | 0 | 0 |
| Ending Balance | 376,629 | 418,876 | 464,717 | 514,156 | 567,193 | 532,377 | 487,627 | 431,758 | 363,473 | 281,352 | 183,837 | 69,227 | 131,007 | 195,807 | 263,572 |
| | | | | | | | | | | | | | | | |
| Net Operating Income | 565,999 | 568,777 | 571,490 | 574,135 | 576,708 | 579,206 | 581,626 | 583,962 | 586,212 | 588,372 | 590,436 | 592,401 | 594,263 | 596,016 | 597,656 |
| Plus Reserves | 43,405 | 44,490 | 45,603 | 46,743 | 47,911 | 49,109 | 50,337 | 51,595 | 52,885 | 54,207 | 55,562 | 56,951 | 58,375 | 59,835 | 61,330 |
| Plus Interest on Replacement Reserve Acct | 1,270 | 1,302 | 1,335 | 1,368 | 1,402 | 1,437 | 1,473 | 1,510 | 1,548 | 1,587 | 1,626 | 1,667 | 1,709 | 1,751 | 1,795 |
| Less Amortized Fees | (1,700) | (1,700) | (1,700) | (1,700) | (1,700) | (1,700) | (1,700) | (1,700) | (1,700) | (1,700) | (1,700) | (1,700) | (1,700) | (1,700) | (1,700) |
| Less Interest Expense | (365,733) | (352,943) | (338,952) | (323,649) | (306,911) | (288,602) | (268,576) | (246,671) | (222,711) | (196,504) | (167,839) | (136,484) | (102,188) | (64,675) | (23,643) |
| Less Long Term Depreciation | (153,742) | (153,742) | (153,742) | (153,742) | (153,742) | (153,742) | (153,742) | (153,742) | (153,742) | (153,742) | (153,742) | (153,742) | 0 | 0 | 0 |
| Less Short Term Depreciation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Taxable Income (Loss) | 89,499 | 106,185 | 124,033 | 143,155 | 163,669 | 185,709 | 209,418 | 234,955 | 262,492 | 292,219 | 324,344 | 359,094 | 550,458 | 591,226 | 635,438 |
| Cumulative Tax Income/(Loss) | (624,725) | (518,541) | (394,507) | (251,353) | (87,684) | 98,025 | 307,443 | 542,398 | 804,890 | 1,097,110 | 1,421,454 | 1,780,547 | 2,331,005 | 2,922,231 | 3,557,669 |
| | | | | | | | | | | | | | | | |
| Tax Liability/(Benefit) | 43,631 | 51,765 | 60,466 | 69,788 | 79,789 | 90,533 | 102,091 | 114,540 | 127,965 | 142,457 | 158,118 | 175,058 | 268,348 | 288,223 | 309,776 |
| | | | | | | | | | | | | | | | |
| Cumulative Tax Liability/(Benefit) | (304,554) | (252,789) | (192,322) | (122,534) | (42,746) | 47,787 | 149,879 | 264,419 | 392,384 | 534,841 | 692,959 | 868,017 | 1,136,365 | 1,424,588 | 1,734,364 |
| | | | | | | | | | | | | | | | |
| Distributions to Owner | 32,400 | 32,400 | 32,400 | 32,400 | 32,400 | 32,400 | 32,400 | 32,400 | 32,400 | 32,400 | 32,400 | 32,400 | 32,400 | 32,400 | 32,400 |
| Distributions to Pay Owner's Taxes | 0 | 0 | 0 | 0 | 0 | 90,533 | 102,091 | 114,540 | 127,965 | 142,457 | 158,118 | 175,058 | 268,348 | 288,223 | 309,776 |

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: MARCH, 1998

| Lenders | Loans | 30 | Days | 60 | Days | 90+ | Days | Auth | FCL | Delinq | | REO | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ALBANK, FSB | 438 | 21 | 4.79% | 11 | 2.51% | 7 | 1.60% | 4 | 0.91% | 43 | 9.82% | 3 | 0.68% |
| Banknorth Mortgage Co. | 785 | 30 | 3.82% | 2 | 0.25% | 11 | 1.40% | 5 | 0.64% | 48 | 6.11% | 6 | 0.76% |
| Bennington Co-op S&L Assoc. | 56 | 1 | 1.79% | 0 | 0.00% | 1 | 1.79% | 0 | 0.00% | 2 | 3.57% | 0 | 0.00% |
| Brattleboro Savings & Loan | 27 | 1 | 3.70% | 1 | 3.70% | 0 | 0.00% | 0 | 0.00% | 2 | 7.41% | 0 | 0.00% |
| Chittenden Bank | 945 | 44 | 4.66% | 9 | 0.95% | 9 | 0.95% | 11 | 1.16% | 73 | 7.72% | 9 | 0.95% |
| Citizens Savings Bank | 116 | 5 | 4.31% | 0 | 0.00% | 0 | 0.00% | 1 | 0.86% | 6 | 5.17% | 1 | 0.86% |
| Community National Bank | 321 | 11 | 3.43% | 3 | 0.93% | 4 | 1.25% | 1 | 0.31% | 19 | 5.92% | 2 | 0.62% |
| Connecticut River Bank | 5 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Factory Point Nat. Bank | 35 | 1 | 2.86% | 1 | 2.86% | 2 | 5.71% | 0 | 0.00% | 4 | 11.43% | 0 | 0.00% |
| First Brandon Nat. Bank | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| First Nationwide Mortgage | 8 | 1 | 12.50% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 1 | 12.50% | 0 | 0.00% |
| GMAC Mortgage | 7 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Granite Bank (NH) | 2 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Graystone Mortgage Company | 555 | 38 | 6.85% | 11 | 1.98% | 22 | 3.96% | 3 | 0.54% | 74 | 13.33% | 18 | 3.24% |
| Heritage Family Credit Union | 3 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Lyndonville Savings Bank | 60 | 1 | 1.67% | 2 | 3.33% | 0 | 0.00% | 0 | 0.00% | 3 | 5.00% | 0 | 0.00% |
| Mascoma Savings Bank | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Merchants Bank | 288 | 7 | 2.43% | 2 | 0.69% | 1 | 0.35% | 4 | 1.39% | 14 | 4.86% | 3 | 1.04% |
| Mortgage Service Ctr. of NE | 88 | 8 | 9.09% | 1 | 1.14% | 1 | 1.14% | 1 | 1.14% | 11 | 12.50% | 4 | 4.55% |
| New England Federal CU | 48 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Northfield Savings Bank | 133 | 6 | 4.51% | 1 | 0.75% | 0 | 0.00% | 1 | 0.75% | 8 | 6.02% | 0 | 0.00% |
| Passumpsic Savings Bank | 169 | 14 | 8.28% | 3 | 1.78% | 2 | 1.18% | 0 | 0.00% | 19 | 11.24% | 3 | 1.78% |
| Peoples Trust Co. | 98 | 4 | 4.08% | 1 | 1.02% | 2 | 2.04% | 0 | 0.00% | 7 | 7.14% | 0 | 0.00% |
| Randolph National Bank | 38 | 3 | 7.89% | 0 | 0.00% | 1 | 2.63% | 0 | 0.00% | 4 | 10.53% | 0 | 0.00% |
| Union Bank | 177 | 9 | 5.08% | 3 | 1.69% | 4 | 2.26% | 0 | 0.00% | 16 | 9.04% | 2 | 1.13% |
| Vermont Development CU | 60 | 4 | 6.67% | 0 | 0.00% | 2 | 3.33% | 0 | 0.00% | 6 | 10.00% | 1 | 1.67% |
| Vermont National Bank | 1916 | 114 | 5.95% | 30 | 1.57% | 48 | 2.51% | 19 | 0.99% | 211 | 11.01% | 20 | 1.04% |
| Wells River Savings Bank | 29 | 1 | 3.45% | 0 | 0.00% | 2 | 6.90% | 0 | 0.00% | 3 | 10.34% | 0 | 0.00% |
| Totals | 6409 | 324 | 5.06% | 81 | 1.26% | 119 | 1.86% | 50 | 0.78% | 574 | 8.96% | 72 | 1.12% |
| Totals Previous Month | 6466 | 375 | 5.80% | 108 | 1.67% | 134 | 2.07% | 49 | 0.76% | 666 | 10.30% | 74 | 1.14% |
| Totals Same Mo. Last Yr. | 6316 | 309 | 4.89% | 89 | 1.41% | 69 | 1.09% | 51 | 0.81% | 518 | 8.20% | 61 | 0.97% |

| Lenders | 1997 Jun | Jul | Aug | Sep | Oct | Nov | Dec | 1998 Jan | Feb | Mar |
|---|---|---|---|---|---|---|---|---|---|---|
| Large Servicer 400+ | | | | | | | | | | |
| Albank | 8.24% | 9.19% | 8.54% | 10.29% | 11.86% | 10.24% | 12.28% | 13.00% | 10.99% | 9.82% |
| Banknorth Mortgage Co. | 8.57% | 7.54% | 8.06% | 8.13% | 8.83% | 8.91% | 8.16% | 7.90% | 8.45% | 6.11% |
| Chittenden Bank | 8.65% | 9.32% | 8.66% | 7.64% | 8.30% | 9.20% | 10.39% | 9.10% | 10.15% | 7.72% |
| Graystone Mortgage Company | 11.76% | 11.72% | 14.29% | 14.29% | 12.75% | 17.75% | 15.72% | 12.52% | 16.17% | 13.33% |
| Vermont National Bank | 7.14% | 7.10% | 6.81% | 6.66% | 8.40% | 9.60% | 7.24% | 10.41% | 11.50% | 11.01% |
| Vermont Federal Bank | 8.29% | 8.05% | 8.29% | 11.39% | 12.28% | 13.00% | 13.08% | | | |
| Average | 8.78% | 8.82% | 9.11% | 9.73% | 10.40% | 11.45% | 11.15% | 10.59% | 11.45% | 9.60% |
| Medium Servicers 399-50 | | | | | | | | | | |
| Bennington Co-op S&L Assoc. | 1.92% | 1.92% | 3.85% | 3.85% | 1.92% | 3.57% | 1.82% | 7.41% | 3.51% | 3.57% |
| Citizens Savings Bank | 3.60% | 5.41% | 4.42% | 4.39% | 3.54% | 5.26% | 5.26% | 3.48% | 6.09% | 5.17% |
| Community National Bank | 5.84% | 5.77% | 6.96% | 8.49% | 6.65% | 8.20% | 8.81% | 9.69% | 7.79% | 5.92% |
| Lyndonville Savings Bank | 5.26% | 3.51% | 1.75% | 3.51% | 3.51% | 10.53% | 7.02% | 5.26% | 5.00% | 5.00% |
| Merchants Bank | 7.12% | 7.17% | 7.88% | 7.41% | 8.16% | 8.53% | 7.56% | 8.28% | 8.65% | 4.86% |
| Mortgage Service Ctr. of NE | 14.44% | 8.99% | 8.99% | 10.11% | 8.99% | 12.36% | 13.48% | 10.11% | 12.36% | 12.50% |
| National Bank of Middlebury | 12.50% | 9.23% | 12.31% | 12.31% | 13.85% | 13.85% | 12.31% | 12.50% | 9.38% | |
| Northfield Savings Bank | 3.91% | 6.25% | 6.30% | 5.51% | 7.87% | 10.85% | 9.30% | 6.87% | 7.52% | 6.02% |
| Passumpsic Savings Bank | 9.20% | 8.05% | 8.05% | 8.05% | 7.51% | 9.36% | 9.83% | 9.94% | 9.36% | 11.24% |
| Peoples Trust Co. | 8.08% | 7.29% | 6.19% | 8.08% | 9.09% | 7.92% | 5.94% | 5.00% | 9.09% | 7.14% |
| Union Bank | 10.00% | 7.06% | 9.36% | 9.36% | 8.62% | 11.36% | 10.80% | 9.14% | 9.09% | 9.04% |
| Average | 7.44% | 6.42% | 6.91% | 7.37% | 7.25% | 9.25% | 8.38% | 7.97% | 7.99% | 7.27% |
| Small Servicers 49- | | | | | | | | | | |
| Brattleboro Savings & Loan | 4.00% | 4.00% | 4.00% | 8.33% | 3.85% | 3.85% | 3.85% | 7.41% | 3.70% | 7.41% |
| Connecticut River Bank | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Factory Point Nat. Bank | 0.00% | 5.71% | 2.86% | 8.33% | 5.71% | 8.33% | 11.11% | 8.57% | 11.43% | 11.43% |
| First Brandon Nat. Bank | 10.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| First Nationwide Mortgage | 0.00% | 10.00% | 0.00% | 10.00% | 0.00% | 10.00% | 22.22% | 11.11% | 11.11% | 12.50% |
| Fleet Mortgage | 17.39% | 19.15% | 17.02% | 17.39% | | | | | | |
| GMAC Mortgage | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Granite Bank (NH) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Heritage Family Credit Union | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Mascoma Savings Bank | | | | | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| New England Federal CU | 0.00% | 0.00% | 0.00% | 2.08% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Randolph National Bank | 2.50% | 2.50% | 5.13% | 7.89% | 7.89% | 7.89% | 7.89% | 10.53% | 10.53% | 10.53% |
| Vermont Devvelopment CU | 12.50% | 14.29% | 14.29% | 14.29% | 13.21% | 12.73% | 15.79% | 11.86% | 11.86% | 10.00% |
| Wells River Savings Bank | 6.67% | 6.67% | 6.45% | 6.45% | 6.67% | 6.67% | 13.33% | 13.33% | 10.00% | 10.34% |
| Average | 4.45% | 5.09% | 4.56% | 6.29% | 2.95% | 3.92% | 6.03% | 4.94% | 4.65% | 5.06% |
| Total VHFA Delinquency | 8.21% | 8.09% | 8.38% | 9.07% | 9.69% | 10.55% | 10.36% | 9.61% | 10.30% | 8.96% |

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: MARCH, 1998

| Lenders | Loans | 30 | Days | 60 | Days | 90+ | Days | Auth | FCL | Delinq | | REO | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Large Servicer 400+ | | | | | | | | | | | | | |
| Albank | 438 | 21 | 4.79% | 11 | 2.51% | 7 | 1.60% | 4 | 0.91% | 43 | 9.82% | 3 | 0.22% |
| Banknorth Mortgage Co. | 785 | 30 | 3.82% | 2 | 0.25% | 11 | 1.40% | 5 | 0.64% | 48 | 6.11% | 6 | 0.63% |
| Chittenden Bank | 945 | 44 | 4.66% | 9 | 0.95% | 9 | 0.95% | 11 | 1.16% | 73 | 7.72% | 9 | 1.05% |
| Graystone Mortgage Company | 555 | 38 | 6.85% | 11 | 1.98% | 22 | 3.96% | 3 | 0.54% | 74 | 13.33% | 18 | 3.54% |
| Vermont National Bank | 1916 | 114 | 5.95% | 30 | 1.57% | 48 | 2.51% | 19 | 0.99% | 211 | 11.01% | 20 | 1.36% |
| Totals | 4639 | 247 | 5.32% | 63 | 1.36% | 97 | 2.09% | 42 | 0.91% | 449 | 9.68% | 56 | 1.21% |
| Average | 928 | 49 | 5.21% | 13 | 1.45% | 19 | 2.08% | 8 | 0.85% | 90 | 9.60% | 11 | 1.36% |
| Medium Servicers 399-50 | | | | | | | | | | | | | |
| Bennington Co-op S&L Assoc. | 27 | 1 | 3.70% | 1 | 3.70% | 0 | 0.00% | 0 | 0.00% | 2 | 7.41% | 0 | 0.00% |
| Citizens Savings Bank | 116 | 5 | 4.31% | 0 | 0.00% | 0 | 0.00% | 1 | 0.86% | 6 | 5.17% | 1 | 0.86% |
| Community National Bank | 321 | 11 | 3.43% | 3 | 0.93% | 4 | 1.25% | 1 | 0.31% | 19 | 5.92% | 2 | 0.62% |
| Lyndonville Savings Bank | 60 | 1 | 1.67% | 2 | 3.33% | 0 | 0.00% | 0 | 0.00% | 3 | 5.00% | 0 | 0.00% |
| Merchants Bank | 288 | 7 | 2.43% | 2 | 0.69% | 1 | 0.35% | 4 | 1.39% | 14 | 4.86% | 3 | 1.04% |
| Mortgage Service Ctr. of NE | 88 | 8 | 9.09% | 1 | 1.14% | 1 | 1.14% | 1 | 1.14% | 11 | 12.50% | 4 | 4.55% |
| Northfield Savings Bank | 133 | 6 | 4.51% | 1 | 0.75% | 0 | 0.00% | 1 | 0.75% | 8 | 6.02% | 0 | 0.00% |
| Passumpsic Savings Bank | 169 | 14 | 8.28% | 3 | 1.78% | 2 | 1.18% | 0 | 0.00% | 19 | 11.24% | 3 | 1.78% |
| Peoples Trust Co. | 98 | 4 | 4.08% | 1 | 1.02% | 2 | 2.04% | 0 | 0.00% | 7 | 7.14% | 0 | 0.00% |
| Union Bank | 177 | 9 | 5.08% | 3 | 1.69% | 4 | 2.26% | 0 | 0.00% | 16 | 9.04% | 2 | 1.13% |
| Totals | 1477 | 66 | 4.47% | 17 | 1.15% | 14 | 0.95% | 8 | 0.54% | 105 | 7.11% | 15 | 1.02% |
| Average | 148 | 7 | 4.66% | 2 | 1.50% | 1 | 0.82% | 1 | 0.45% | 11 | 7.43% | 2 | 1.00% |
| Small Servicers 49- | | | | | | | | | | | | | |
| Brattleboro Savings & Loan | 27 | 1 | 3.70% | 1 | 3.70% | 0 | 0.00% | 0 | 0.00% | 2 | 7.41% | 0 | 0.00% |
| Connecticut River Bank | 5 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Factory Point Nat. Bank | 35 | 1 | 2.86% | 1 | 2.86% | 2 | 5.71% | 0 | 0.00% | 4 | 11.43% | 0 | 0.00% |
| First Brandon Nat. Bank | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| First Nationwide Mortgage | 8 | 1 | 12.50% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 1 | 12.50% | 0 | 0.00% |
| GMAC Mortgage | 7 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Granite Bank (NH) | 2 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Heritage Family Credit Union | 3 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Mascoma Savings Bank | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| New England Federal CU | 48 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Randolph National Bank | 38 | 3 | 7.89% | 0 | 0.00% | 1 | 2.63% | 0 | 0.00% | 4 | 10.53% | 0 | 0.00% |
| Vermont Development CU | 60 | 4 | 6.67% | 0 | 0.00% | 2 | 3.33% | 0 | 0.00% | 6 | 10.00% | 1 | 1.67% |
| Wells River Savings Bank | 29 | 1 | 3.45% | 0 | 0.00% | 2 | 6.90% | 0 | 0.00% | 3 | 10.34% | 0 | 0.00% |
| Totals | 264 | 11 | 4.17% | 2 | 0.76% | 7 | 2.65% | 0 | 0.00% | 20 | 7.58% | 1 | 0.38% |
| Average | 20 | 1 | 2.95% | 0 | 0.52% | 1 | 1.52% | - | 0.00% | 2 | 4.98% | 0 | 0.15% |

vhfa
VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: March 2, 1998

RE: Single Family Program Activity Report for February 1998

## MORTGAGE PURCHASE PROGRAMS

| Month | No. | Amount | Previous Year | No. | Amount |
|---|---|---|---|---|---|
| Reservations | 45 | $ 3,177,400 | | 62 | $ 4,425,052 |
| Purchases | 36 | $ 2,355,908 | | 61 | $ 4,161,507 |

| Period to Date | No. | Amount | Previous Year | No. | Amount |
|---|---|---|---|---|---|
| Reservations | 80 | $ 5,540,850 | | 124 | $ 8,917,756 |
| Purchases | 79 | $ 5,322,634 | | 108 | $ 7,334,197 |

## MORTGAGE PLUS

| Month | No. | Amount | Previous Year | No. | Amount |
|---|---|---|---|---|---|
| Reservations | 4 | $ 321,100 | | 4 | $ 307,200 |
| Issued | 5 | $ 399,793 | | 2 | $ 121,756 |

| Period to Date | No. | Amount | Previous Year | No. | Amount |
|---|---|---|---|---|---|
| Reservations | 7 | $ 644,100 | | 8 | $ 596,200 |
| Issued | 10 | $ 809,884 | | 12 | $ 904,848 |



*Mailing Address:* PO Box 408, Burlington, Vermont 05402-0408
*Delivery Address:* 164 Saint Paul Street, Burlington, Vermont 05401-4364
802 / 864-5743 • 800 / 339-5866 • TDD: 800 / 586-5832
FAX: 802 / 864-5746 • Underwriting FAX: 802 / 863-5422 • home@vhfa.org

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EQUAL HOUSING OPPORTUNITY

# vhfa

VERMONT HOUSING FINANCE AGENCY

## MEMORANDUM

TO: VHFA Board of Commissioners

DRL

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

DATE: March 19, 1998

RE: Servicing Activity for February, 1998

### SERVICING ACTIVITY

Collections:

| | | |
|---|---|---|
| Last months 90+ accounts: | | 129 |
| New 90 day accounts (+): | 19 | |
| To foreclosure/DIL (-): | 7 | |
| To 60 days or less (-): | 7 | |
| Under payment arrangement: | 99 | |
| 90+ accounts: | | 134 |

In Foreclosure:

| | | |
|---|---|---|
| Last months foreclosure accounts: | | 46 |
| New foreclosures (+): | 7 | |
| To REO (-): | 5 | |
| Successful interventions (-): | | |
| Negotiating workouts: | 14 | |
| Foreclosure accounts: | | 48 |

Real Estate Owned:

| | | |
|---|---|---|
| Last months REO's: | | 73 |
| New REO's (+): | 5 | |
| Properties sold (-): | 4 | |
| Properties under contract: | 14 | |
| Other: | | |
| REO's: | | 74 |

*ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD*

*Mailing Address:* PO Box 408, Burlington, Vermont 05402-0408
*Delivery Address:* 164 Saint Paul Street, Burlington, Vermont 05401-4364
802 / 864-5743 • 800 / 339-5866 • TDD: 800 / 586-5832
FAX: 802 / 864-5746 • Underwriting FAX: 802 / 863-5422 • home@vhfa.org

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EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: FEBRUARY, 1998

| Lenders | Loans | 30 | Days | 60 | Days | 90+ | Days | Auth | FCL | Delinq | | REO | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ALBANK, FSB | 446 | 27 | 6.05% | 8 | 1.79% | 9 | 2.02% | 5 | 1.12% | 49 | 10.99% | 1 | 0.22% |
| Banknorth Mortgage Co. | 793 | 41 | 5.17% | 10 | 1.26% | 12 | 1.51% | 4 | 0.50% | 67 | 8.45% | 6 | 0.76% |
| Bennington Co-op S&L Assoc. | 57 | 1 | 1.75% | 1 | 1.75% | 0 | 0.00% | 0 | 0.00% | 2 | 3.51% | 0 | 0.00% |
| Brattleboro Savings & Loan | 27 | 1 | 3.70% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 1 | 3.70% | 0 | 0.00% |
| Chittenden Bank | 956 | 65 | 6.80% | 10 | 1.05% | 12 | 1.26% | 10 | 1.05% | 97 | 10.15% | 10 | 1.05% |
| Citizens Savings Bank | 115 | 3 | 2.61% | 2 | 1.74% | 0 | 0.00% | 2 | 1.74% | 7 | 6.09% | 2 | 1.74% |
| Community National Bank | 321 | 11 | 3.43% | 6 | 1.87% | 8 | 2.49% | 0 | 0.00% | 25 | 7.79% | 2 | 0.62% |
| Connecticut River Bank | 5 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Factory Point Nat. Bank | 35 | 2 | 5.71% | 1 | 2.86% | 1 | 2.86% | 0 | 0.00% | 4 | 11.43% | 0 | 0.00% |
| First Brandon Nat. Bank | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| First Nationwide Mortgage | 9 | 1 | 11.11% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 1 | 11.11% | 0 | 0.00% |
| GMAC Mortgage | 7 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Granite Bank (NH) | 2 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Graystone Mortgage Company | 501 | 40 | 7.98% | 13 | 2.59% | 25 | 4.99% | 3 | 0.60% | 81 | 16.17% | 17 | 3.39% |
| Heritage Family Credit Union | 3 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Lyndonville Savings Bank | 60 | 2 | 3.33% | 1 | 1.67% | 0 | 0.00% | 0 | 0.00% | 3 | 5.00% | 0 | 0.00% |
| Mascoma Savings Bank | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Merchants Bank | 289 | 17 | 5.88% | 0 | 0.00% | 5 | 1.73% | 3 | 1.04% | 25 | 8.65% | 3 | 1.04% |
| Mortgage Service Ctr. of NE | 89 | 7 | 7.87% | 1 | 1.12% | 1 | 1.12% | 2 | 2.25% | 11 | 12.36% | 3 | 3.37% |
| National Bank of Middlebury | 64 | 3 | 4.69% | 1 | 1.56% | 1 | 1.56% | 1 | 1.56% | 6 | 9.38% | 1 | 1.56% |
| New England Federal CU | 49 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Northfield Savings Bank | 133 | 8 | 6.02% | 0 | 0.00% | 0 | 0.00% | 2 | 1.50% | 10 | 7.52% | 0 | 0.00% |
| Passumpsic Savings Bank | 171 | 11 | 6.43% | 3 | 1.75% | 2 | 1.17% | 0 | 0.00% | 16 | 9.36% | 4 | 2.34% |
| Peoples Trust Co. | 99 | 7 | 7.07% | 0 | 0.00% | 2 | 2.02% | 0 | 0.00% | 9 | 9.09% | 0 | 0.00% |
| Randolph National Bank | 38 | 2 | 5.26% | 2 | 5.26% | 0 | 0.00% | 0 | 0.00% | 4 | 10.53% | 0 | 0.00% |
| Union Bank | 176 | 8 | 4.55% | 3 | 1.70% | 5 | 2.84% | 0 | 0.00% | 16 | 9.09% | 2 | 1.14% |
| Vermont Development CU | 59 | 5 | 8.47% | 0 | 0.00% | 2 | 3.39% | 0 | 0.00% | 7 | 11.86% | 1 | 1.69% |
| Vermont National Bank | 1930 | 112 | 5.80% | 44 | 2.28% | 49 | 2.54% | 17 | 0.88% | 222 | 11.50% | 21 | 1.09% |
| Wells River Savings Bank | 30 | 1 | 3.33% | 2 | 6.67% | 0 | 0.00% | 0 | 0.00% | 3 | 10.00% | 1 | 3.33% |
| Totals | 6466 | 375 | 5.80% | 108 | 1.67% | 134 | 2.07% | 49 | 0.76% | 666 | 10.30% | 74 | 1.14% |
| Totals Previous Month | 6639 | 339 | 5.11% | 124 | 1.87% | 129 | 1.94% | 46 | 0.69% | 638 | 9.61% | 73 | 1.10% |
| Totals Same Mo. Last Yr. | 6305 | 337 | 5.34% | 91 | 1.44% | 87 | 1.38% | 50 | 0.79% | 565 | 8.96% | 56 | 0.89% |

**ADJUSTED REPORT**

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: FEBRUARY, 1998

| Lenders | Loans | 30 | Days | 60 | Days | 90+ | Days | Auth | FCL | Delinq | | REO | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ALBANK, FSB | 446 | 27 | 6.05% | 8 | 1.79% | 9 | 2.02% | 5 | 1.12% | 49 | 10.99% | 1 | 0.22% |
| Banknorth Mortgage Co. | 793 | 41 | 5.17% | 10 | 1.26% | 12 | 1.51% | 4 | 0.50% | 67 | 8.45% | 6 | 0.76% |
| Bennington Co-op S&L Assoc. | 57 | 1 | 1.75% | 1 | 1.75% | 0 | 0.00% | 0 | 0.00% | 2 | 3.51% | 0 | 0.00% |
| Brattleboro Savings & Loan | 27 | 1 | 3.70% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 1 | 3.70% | 0 | 0.00% |
| Chittenden Bank | 956 | 65 | 6.80% | 10 | 1.05% | 12 | 1.26% | 10 | 1.05% | 97 | 10.15% | 10 | 1.05% |
| Citizens Savings Bank | 115 | 3 | 2.61% | 2 | 1.74% | 0 | 0.00% | 2 | 1.74% | 7 | 6.09% | 2 | 1.74% |
| Community National Bank | 321 | 11 | 3.43% | 6 | 1.87% | 8 | 2.49% | 0 | 0.00% | 25 | 7.79% | 2 | 0.62% |
| Connecticut River Bank | 5 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Factory Point Nat. Bank | 35 | 2 | 5.71% | 1 | 2.86% | 1 | 2.86% | 0 | 0.00% | 4 | 11.43% | 0 | 0.00% |
| First Brandon Nat. Bank | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| First Nationwide Mortgage | 9 | 1 | 11.11% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 1 | 11.11% | 0 | 0.00% |
| GMAC Mortgage | 7 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Granite Bank (NH) | 2 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Graystone Mortgage Company | 501 | 40 | 7.98% | 13 | 2.59% | 25 | 4.99% | 3 | 0.60% | 81 | 16.17% | 17 | 3.39% |
| Heritage Family Credit Union | 3 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Lyndonville Savings Bank | 60 | 2 | 3.33% | 1 | 1.67% | 0 | 0.00% | 0 | 0.00% | 3 | 5.00% | 0 | 0.00% |
| Mascoma Savings Bank | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Merchants Bank | 289 | 17 | 5.88% | 0 | 0.00% | 5 | 1.73% | 3 | 1.04% | 25 | 8.65% | 3 | 1.04% |
| Mortgage Service Ctr. of NE | 89 | 7 | 7.87% | 1 | 1.12% | 1 | 1.12% | 2 | 2.25% | 11 | 12.36% | 3 | 3.37% |
| National Bank of Middlebury | 64 | 3 | 4.69% | 1 | 1.56% | 1 | 1.56% | 1 | 1.56% | 6 | 9.38% | 1 | 1.56% |
| New England Federal CU | 49 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Northfield Savings Bank | 133 | 8 | 6.02% | 0 | 0.00% | 0 | 0.00% | 2 | 1.50% | 10 | 7.52% | 0 | 0.00% |
| Passumpsic Savings Bank | 171 | 11 | 6.43% | 3 | 1.75% | 2 | 1.17% | 0 | 0.00% | 16 | 9.36% | 4 | 2.34% |
| Peoples Trust Co. | 99 | 7 | 7.07% | 0 | 0.00% | 2 | 2.02% | 0 | 0.00% | 9 | 9.09% | 0 | 0.00% |
| Randolph National Bank | 38 | 2 | 5.26% | 2 | 5.26% | 0 | 0.00% | 0 | 0.00% | 4 | 10.53% | 0 | 0.00% |
| Union Bank | 176 | 8 | 4.55% | 3 | 1.70% | 5 | 2.84% | 0 | 0.00% | 16 | 9.09% | 2 | 1.14% |
| Vermont Development CU | 59 | 5 | 8.47% | 0 | 0.00% | 2 | 3.39% | 0 | 0.00% | 7 | 11.86% | 1 | 1.69% |
| Vermont National Bank | 1930 | 91 | 4.72% | 44 | 2.28% | 45 | 2.33% | 17 | 0.88% | 197 | 10.21% | 21 | 1.09% |
| Wells River Savings Bank | 30 | 1 | 3.33% | 2 | 6.67% | 0 | 0.00% | 0 | 0.00% | 3 | 10.00% | 1 | 3.33% |
| Totals | 6466 | 354 | 5.47% | 108 | 1.67% | 130 | 2.01% | 49 | 0.76% | 641 | 9.91% | 74 | 1.14% |
| Totals Previous Month | 6639 | 339 | 5.11% | 124 | 1.87% | 129 | 1.94% | 46 | 0.69% | 638 | 9.61% | 73 | 1.10% |
| Totals Same Mo. Last Yr. | 6305 | 337 | 5.34% | 91 | 1.44% | 87 | 1.38% | 50 | 0.79% | 565 | 8.96% | 56 | 0.89% |

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: January, 1998

| Lenders | Loans | 30 | Days | 60 | Days | 90+ | Days | Auth | FCL | Delinq | | REO | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Large Servicer 400+ | | | | | | | | | | | | | |
| Albank | 446 | 27 | 6.05% | 8 | 1.79% | 9 | 2.02% | 5 | 1.12% | 49 | 10.99% | 1 | 0.22% |
| Banknorth Mortgage Co. | 793 | 41 | 5.17% | 10 | 1.26% | 12 | 1.51% | 4 | 0.50% | 67 | 8.45% | 6 | 0.63% |
| Chittenden Bank | 956 | 65 | 6.80% | 10 | 1.05% | 12 | 1.26% | 10 | 1.05% | 97 | 10.15% | 10 | 1.05% |
| Graystone Mortgage Company | 501 | 40 | 7.98% | 13 | 2.59% | 25 | 4.99% | 3 | 0.60% | 81 | 16.17% | 17 | 3.54% |
| Vermont National Bank | 1930 | 112 | 5.80% | 44 | 2.28% | 49 | 2.54% | 17 | 0.88% | 222 | 11.50% | 21 | 1.36% |
| Totals | 4626 | 285 | 6.16% | 85 | 1.84% | 107 | 2.31% | 39 | 0.84% | 516 | 11.15% | 55 | 1.19% |
| Average | 925 | 57 | 6.36% | 17 | 1.80% | 21 | 2.46% | 8 | 0.83% | 103 | 11.45% | 11 | 1.36% |
| Medium Servicers 399-50 | | | | | | | | | | | | | |
| Bennington Co-op S&L Assoc. | 27 | 1 | 3.70% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 1 | 3.70% | 0 | 0.00% |
| Citizens Savings Bank | 115 | 3 | 2.61% | 2 | 1.74% | 0 | 0.00% | 2 | 1.74% | 7 | 6.09% | 2 | 1.74% |
| Community National Bank | 321 | 11 | 3.43% | 6 | 1.87% | 8 | 2.49% | 0 | 0.00% | 25 | 7.79% | 2 | 0.62% |
| Lyndonville Savings Bank | 60 | 2 | 3.33% | 1 | 1.67% | 0 | 0.00% | 0 | 0.00% | 3 | 5.00% | 0 | 0.00% |
| Merchants Bank | 289 | 17 | 5.88% | 0 | 0.00% | 5 | 1.73% | 3 | 1.04% | 25 | 8.65% | 3 | 1.04% |
| Mortgage Service Ctr. of NE | 89 | 7 | 7.87% | 1 | 1.12% | 1 | 1.12% | 2 | 2.25% | 11 | 12.36% | 3 | 3.37% |
| National Bank of Middlebury | 64 | 3 | 4.69% | 1 | 1.56% | 1 | 1.56% | 1 | 1.56% | 6 | 9.38% | 1 | 1.56% |
| Northfield Savings Bank | 133 | 8 | 6.02% | 0 | 0.00% | 0 | 0.00% | 2 | 1.50% | 10 | 7.52% | 0 | 0.00% |
| Passumpsic Savings Bank | 171 | 11 | 6.43% | 3 | 1.75% | 2 | 1.17% | 0 | 0.00% | 16 | 9.36% | 4 | 2.34% |
| Peoples Trust Co. | 99 | 7 | 7.07% | 0 | 0.00% | 2 | 2.02% | 0 | 0.00% | 9 | 9.09% | 0 | 0.00% |
| Union Bank | 176 | 8 | 4.55% | 3 | 1.70% | 5 | 2.84% | 0 | 0.00% | 16 | 9.09% | 2 | 1.14% |
| Totals | 1544 | 78 | 5.05% | 17 | 1.10% | 24 | 1.55% | 10 | 0.65% | 129 | 8.35% | 17 | 1.10% |
| Average | 140 | 7 | 5.05% | 2 | 1.04% | 2 | 1.18% | 1 | 0.74% | 12 | 8.00% | 2 | 1.07% |
| Small Servicers 49- | | | | | | | | | | | | | |
| Brattleboro Savings & Loan | 27 | 1 | 3.70% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 1 | 3.70% | 0 | 0.00% |
| Connecticut River Bank | 5 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Factory Point Nat. Bank | 35 | 2 | 5.71% | 1 | 2.86% | 1 | 2.86% | 0 | 0.00% | 4 | 11.43% | 0 | 0.00% |
| First Brandon Nat. Bank | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| First Nationwide Mortgage | 9 | 1 | 11.11% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 1 | 11.11% | 0 | 0.00% |
| GMAC Mortgage | 7 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Granite Bank (NH) | 2 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Heritage Family Credit Union | 3 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Mascoma Savings Bank | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| New England Federal CU | 49 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Randolph National Bank | 38 | 2 | 5.26% | 2 | 5.26% | 0 | 0.00% | 0 | 0.00% | 4 | 10.53% | 0 | 0.00% |
| Vermont Development CU | 59 | 5 | 8.47% | 0 | 0.00% | 2 | 3.39% | 0 | 0.00% | 7 | 11.86% | 1 | 1.69% |
| Wells River Savings Bank | 30 | 1 | 3.33% | 2 | 6.67% | 0 | 0.00% | 0 | 0.00% | 3 | 10.00% | 1 | 3.33% |
| Totals | 266 | 12 | 4.51% | 5 | 1.88% | 3 | 1.13% | 0 | 0.00% | 20 | 7.52% | 2 | 0.75% |
| Average | 20 | 1 | 3.01% | 0 | 1.19% | 0 | 0.53% | - | 0.00% | 2 | 4.73% | 0 | 0.41% |

| Lenders | 1997 Jun | Jul | Aug | Sep | Oct | Nov | Dec | 1998 Jan | Feb |
|---|---|---|---|---|---|---|---|---|---|
| Large Servicer 400+ | | | | | | | | | |
| Albank | 8.24% | 9.19% | 8.54% | 10.29% | 11.86% | 10.24% | 12.28% | 13.00% | 10.99% |
| Banknorth Mortgage Co. | 8.57% | 7.54% | 8.06% | 8.13% | 8.83% | 8.91% | 8.16% | 7.90% | 8.45% |
| Chittenden Bank | 8.65% | 9.32% | 8.66% | 7.64% | 8.30% | 9.20% | 10.39% | 9.10% | 10.15% |
| Graystone Mortgage Company | 11.76% | 11.72% | 14.29% | 14.29% | 12.75% | 17.75% | 15.72% | 12.52% | 16.17% |
| Vermont National Bank | 7.14% | 7.10% | 6.81% | 6.66% | 8.40% | 9.60% | 7.24% | 10.41% | 11.50% |
| Vermont Federal Bank | 8.29% | 8.05% | 8.29% | 11.39% | 12.28% | 13.00% | 13.08% | | |
| Average | 8.78% | 8.82% | 9.11% | 9.73% | 10.40% | 11.45% | 11.15% | 10.59% | 11.45% |
| Medium Servicers 399-50 | | | | | | | | | |
| Bennington Co-op S&L Assoc. | 1.92% | 1.92% | 3.85% | 3.85% | 1.92% | 3.57% | 1.82% | 7.41% | 3.51% |
| Citizens Savings Bank | 3.60% | 5.41% | 4.42% | 4.39% | 3.54% | 5.26% | 5.26% | 3.48% | 6.09% |
| Community National Bank | 5.84% | 5.77% | 6.96% | 8.49% | 6.65% | 8.20% | 8.81% | 9.69% | 7.79% |
| Lyndonville Savings Bank | 5.26% | 3.51% | 1.75% | 3.51% | 3.51% | 10.53% | 7.02% | 5.26% | 5.00% |
| Merchants Bank | 7.12% | 7.17% | 7.88% | 7.41% | 8.16% | 8.53% | 7.56% | 8.28% | 8.65% |
| Mortgage Service Ctr. of NE | 14.44% | 8.99% | 8.99% | 10.11% | 8.99% | 12.36% | 13.48% | 10.11% | 12.36% |
| National Bank of Middlebury | 12.50% | 9.23% | 12.31% | 12.31% | 13.85% | 13.85% | 12.31% | 12.50% | 9.38% |
| Northfield Savings Bank | 3.91% | 6.25% | 6.30% | 5.51% | 7.87% | 10.85% | 9.30% | 6.87% | 7.52% |
| Passumpsic Savings Bank | 9.20% | 8.05% | 8.05% | 8.05% | 7.51% | 9.36% | 9.83% | 9.94% | 9.36% |
| Peoples Trust Co. | 8.08% | 7.29% | 6.19% | 8.08% | 9.09% | 7.92% | 5.94% | 5.00% | 9.09% |
| Union Bank | 10.00% | 7.06% | 9.36% | 9.36% | 8.62% | 11.36% | 10.80% | 9.14% | 9.09% |
| Average | 7.44% | 6.42% | 6.91% | 7.37% | 7.25% | 9.25% | 8.38% | 7.97% | 7.99% |
| Small Servicers 49- | | | | | | | | | |
| Brattleboro Savings & Loan | 4.00% | 4.00% | 4.00% | 8.33% | 3.85% | 3.85% | 3.85% | 7.41% | 3.70% |
| Connecticut River Bank | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Factory Point Nat. Bank | 0.00% | 5.71% | 2.86% | 8.33% | 5.71% | 8.33% | 11.11% | 8.57% | 11.43% |
| First Brandon Nat. Bank | 10.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| First Nationwide Mortgage | 0.00% | 10.00% | 0.00% | 10.00% | 0.00% | 10.00% | 22.22% | 11.11% | 11.11% |
| Fleet Mortgage | 17.39% | 19.15% | 17.02% | 17.39% | | | | | |
| GMAC Mortgage | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Granite Bank (NH) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Heritage Family Credit Union | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Mascoma Savings Bank | | | | | | 0.00% | 0.00% | 0.00% | 0.00% |
| New England Federal CU | 0.00% | 0.00% | 0.00% | 2.08% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Randolph National Bank | 2.50% | 2.50% | 5.13% | 7.89% | 7.89% | 7.89% | 7.89% | 10.53% | 10.53% |
| Vermont Devvelopment CU | 12.50% | 14.29% | 14.29% | 14.29% | 13.21% | 12.73% | 15.79% | 11.86% | 11.86% |
| Wells River Savings Bank | 6.67% | 6.67% | 6.45% | 6.45% | 6.67% | 6.67% | 13.33% | 13.33% | 10.00% |
| Average | 4.45% | 5.09% | 4.56% | 6.29% | 2.95% | 3.92% | 6.03% | 4.94% | 4.65% |

# VERMONT HOUSING FINANCE AGENCY

## Board Property Disposition Report

Month of: February, 1998

### Properties Sold

| Property | Listing Price | Sale Price | Principal Balance | Interest | To Date Expenses | Claim Payment | Actual Gain/ (Loss) | Audit Valuation Offset | Additional Gain/ (Loss) |
|---|---|---|---|---|---|---|---|---|---|
| Bushee Clarendon | $39,900 | $37,500 | $68,992 | $14,734 | $16,719 | $14,761 | ($48,184) | ($52,565) | $ 4,381 |
| Poro Brandon | $59,900 | $53,500 | $61,750 | $ 4,059 | $24,927 | $18,525 | ($18,711) | ($ 9,958) | ($ 8,753) |
| Duby Rutland | $34,900 | $25,000 | $58,579 | $ 4,754 | $10,769 | $12,800 | ($36,302) | ($21,263) | ($15,039) |
| Tomlinson Colchester | $54,900 | $54,000 | $66,378 | $ 5,841 | $12,165 | $14,300 | ($16,084) | ($ 5,134) | ($10,950) |

### Properties Under Contract

| Property | Listing Price | Contract Price | Principal Balance | Interest | Estimated Expenses | Estimated Claim Payment | Actual Gain/ (Loss) | Audit Valuation Offset | Additional Gain/ (Loss) |
|---|---|---|---|---|---|---|---|---|---|
| Goulding Kirby | $39,900 | $35,000 | $63,717 | $ 8,080 | $13,047 | $14,000 | ($35,844) | ($29,642) | ($ 6,202) |
| Long Barre | $75,900 | $75,900 | $82,269 | $ 5,232 | $10,718 | $17,975 | ($ 4,344) | ($4,376) | ($ 32) |
| Dustin St. Johnsbury | $49,900 | $46,000 | $54,760 | $ 3,124 | $10,996 | $14,140 | ($ 8,740) | ($10,628) | $ 1,888 |
| Cole Brattleboro | $47,900 | $,43,000 | $55,204 | $ 3,767 | $16,063 | $12,380 | ($19,654) | ($13,093) | ($ 6,561) |
| Disorda Brandon | $43,900 | $39,000 | $55,329 | $ 5,047 | $15,642 | $12,800 | ($24,218) | ($ 9,870) | ($14,348) |

## Properties Under Contract (Con't)

| Property | Listing Price | Contract Price | Principal Balance | Interest | Estimated Expenses | Estimated Claim Payment | Actual Gain/ (Loss) | Audit Valuation Offset | Additional Gain/ (Loss) |
|---|---|---|---|---|---|---|---|---|---|
| O'Neill Highgate | $89,900 | $89,900 | $79,717 | $ 9,304 | $23,022 | $14,092 | ($ 8,051) | ( $3,377) | ($ 4,674) |
| Petite St. Albans | $44,900 | $37,000 | $72,765 | $ 4,572 | $14,785 | $33,552 | ($21.570) | ($ 2,689) | ($18,881) |
| Wood Barre | $74,900 | $65,000 | $76,151 | $ 8,411 | $38,514 | $17,000 | ($41, 076) | ($36,777) | ($ 4,299 |
| O'Dell Barre | $39,900 | $39,000 | $68,740 | $ 3,818 | $ 7,784 | $27,496 | ($13,846) | ($33,342) | $19,496 |
| Holmes Burlington BCLT | $0 | $83,000 | $70,971 | $ 6,487 | $ 4,121 | $0 | $0 | $ 5,993 | ($ 5,993) |
| Bushey Fairfield | $64,900 | $64,900 | $57,867 | $ 5,686 | $13,678 | $12,331 | $0 | $0 | $0 |
| Lynch Rockingham | $33,500 | $32,500 | $45,517 | $ 4,991 | $15,315 | $10,000 | ($23,323) | ($32,573) | $ 9,250 |
| Gideos Rockingham | $62,900 | $54,000 | $68,250 | $ 5,743 | $22,676 | $15,000 | ($27,669) | ($24,002) | ($ 3,667) |

vhfa
VERMONT HOUSING FINANCE AGENCY

**MEMORANDUM**

TO: VHFA Board of Commissioners

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

DATE: April 15, 1998

RE: Change to VHFA Condominium and Planned Unit Development (PUD) procedures. Allowing for "Spot Loans" in non-approved projects

Staff has recently been asked on several occasions by lenders and real estate agents whether VHFA would purchase loans on a "spot" basis in non-VHFA approved condominium projects and/or PUDs. Spot loan approval is a customary practice by Freddie Mac and Fannie Mae. Fannie Mae calls them "Type A" projects, while Freddie Mac refers to them as "Class III". A Class III projects is one that meets the following criteria:

- ✓ The homeowner or condominium association has been controlled by the unit owners (other than the developer) for at least two years;
- ✓ All of the common elements and amenities have been completed; and
- ✓ The project is not subject to phasing or add-ons.

The process would operate in the following fashion. VHFA would not review any condominium documents, but manages its risk by relying on lender's warrantees.

The lender is responsible for gathering the necessary information in its files, and providing the warrantees. Customary practice is for the lender to have the homeowner association, condominium association or management company complete a questionnaire. Questionnaires from three lenders have been reviewed, and they contain similar information. All mortgage investors ask lenders to reserve loans in projects at time of application, whether they are spot loans or not, and occasionally ask for the information from the questionnaire.

Fannie Mae's only requirement for PUDs is that the homeowners association has been turned over to the unit owners.



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There are several advantages to allowing spot loans in condominiums and PUDs:

- Staff would have more time to evaluate those projects that present greater risk.
- Our process would more closely resemble the secondary market, which should make VHFA a viable option for these projects.
- Reliance on lenders' warrantees would be similar to our current underwriting philosophy of greater dependence on lender's expertise.
- Less documentation could result in quicker turn-around for borrowers.

The major disadvantage is lack of pertinent information that could affect our risk.

In addition to limiting our risk by using this program with only established condominium and PUD projects, we would limit the number of units in projects approved in this way. The following would be additional restrictions:

- Limit the spot program to condominium projects with four or more units. Our experience has shown us that small projects involve greater risk; and
- Limit the number of loans that will be done on a spot basis to 20% of the total units, or one unit, whatever is greater.

Staff recommends that the only warranty required from the lender is that the property meets either Fannie Mae Type A or Freddie Mac Class III condominium requirements, or Fannie Mae Type E PUD requirements.

Projects that do not meet our spot guidelines, or that have reached the limit for spot loans, can be further evaluated through our current condominium and PUD requirements. This process is not meant to restrict the number of loans that we purchase. Rather, it is intended to reduce the amount of paperwork required for projects in which we are likely to have limited risk.

Staff will be recommending a similar procedure for VHMGB at the next VHMGB Board meeting. It is the opinion of staff that properly structured, spot lending would not put VHFA undue risk. And would increase its potential use by the lending community.

If the Board adopts this procedure, the loan would subject to repurchase if the lender misrepresents the warrantee.

## REQUESTED BOARD ACTION

Incorporate "Spot Lending" in the current VHFA condominium and PUD procedures as outlined in this memorandum

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VERMONT HOUSING FINANCE AGENCY

**MEMORANDUM**

TO: VHFA Board of Commissioners

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

DATE: April 15, 1998

RE: Possible use of 0% funds to assist with VHFA distressed property and in the sale of VHFA REOs

## DISCUSSION

Staff has been researching possible uses of the multi-family refunding proceeds to assist in (1) selling REO properties and (2) preventing loans from going into default. This memo is meant to outline options to be considered. To assist in the deliberations, attached to this memo is a worksheet showing the receipts and uses of the 0% funds through March 31, 1998.

<u>Selling REO Properties</u>

One use would be to use a portion of the 0% funds to assist an otherwise qualified buyer to purchase a VHFA REO. This would be accomplished by reducing the amount of amortizing debt the borrower would have to carry. As part of the sale, VHFA would offer the borrower a non-amortizing second mortgage that would be paid when the borrower sells the property. As an example: If the sale price was $80,000 the maximum financing a borrower would be able to obtain is 95% of $80,000 or $76,000. At a fixed interest rate of 7% for 30 years this would mean a monthly payment of $505.63. If VHFA offered a non-amortizing second mortgage of $10,000 at 0%, the payment would be reduced by $66.53 to $439.10. This means the annual income needed by an otherwise qualified borrower to purchase this property could be reduced by $2,655. This calculation assumes a maximum housing ratio of 30% and a monthly tax and insurance payment of $150.

Another use would be to use the 0% money to pay for needed repairs/improvements to make the dwelling livable. In this case a qualified buyer could afford to purchase the dwelling, but could not afford to purchase it and make needed repairs at the same time. VHFA would make a 0% non-amortizing second mortgage for the amount up to $10,000 of repairs and/or improvements needed to make the property habitable.

Keeping VHFA Borrowers in Their Home

A good use of 0% funds would be to assist worthy borrowers to stay in their homes. Making repairs to homes to of an emergency nature when (1) the borrowers can afford the mortgage payment, but not the mortgage payment and the financing to repair major problems with the dwelling and (2) when the financing of repairs and or improvements to make needed repairs would exceed the maximum loan-to-value lenders would allow may prevent a property from ever becoming an REO. Examples of these repairs would include replacing a failed septic system, drilling of a new well, replacing a failed heating system, etc. In some rare cases, the funds may be used to pay back taxes owed by the homeowner.

Anticipated Needs

As of March 31, 1998 VHFA had a total of 52 loans in the process of foreclosure and 51 properties in REO status that were not under contract. The servicing staff has reviewed the loans in these categories to determine the number of loans and amount of funding that could potentially be used. The following outlines this potential use.

| Category | Number of Loans | Potential amount of 0% Funds |
|---|---|---|
| **In Foreclosure** | 16 | $160,000 |
| **Current REOs** | 23 | $230,000 |
| **Total** | 39 | $390,000 |

**GENERAL**

The following would be the basic requirements of this initiative:

- The guidelines would allow for a 0% loan in amount not to exceed $10,000. In rare instances this guideline may be exceeded;
- The funds can only be used for what is needed. No swimming pools, pay off car loans or cash out;
- The dwelling must be the primary residence of the borrower;
- The second mortgage will be co-terminus with the first mortgage;
- The second mortgage will have a due on sale clause;
- The household income of the borrower will be within the current VHFA income limits;

- ❖ Before the funds could be committed, the request would have to go before a loan committee consisting of the Director of Single Family Operations, Director of Finance, Loan Servicing Manager and Underwriting Supervisor. If consensus to make or not make the loan can' t be reached, the Executive Director, or his appointee, will make the final decision; and

- ❖ Staff would report back to the Board on how these funds were used.

## REQUESTED BOARD ACTION

Approval for the use of up to $250,000 of the 0% multi-family refunding proceeds as outlined in this memorandum, subject to bond counsel approval.

**EXCESS YIELD ANALYSIS**
**MULTI-FAMILY HOUSING BONDS**
**June 1, 1995-March 31, 1998**

| DATE | EXPLANATION | EARNINGS | USES | BALANCE |
|---|---|---|---|---|
| Jun-95 | Excess cost of issuance | 80,492 | 102,619 | (22,127) |
| Jul-95 | | 80,492 | | 58,365 |
| Aug-95 | | 80,492 | | 138,857 |
| Sep-95 | St. Johnsbury Loan | 80,492 | 401,110 | (181,761) |
| Oct-95 | | 80,492 | | (101,269) |
| Nov-95 | Winchester | 80,492 | 28,638 | (49,415) |
| Dec-95 | Winchester | 80,492 | 50,057 | (18,980) |
| Jan-96 | Winchester | 80,492 | 31,648 | 29,864 |
| Feb-96 | Winchester | 80,492 | 23,800 | 86,556 |
| Mar-96 | Winchester | 80,492 | 12,975 | 154,073 |
| Apr-96 | Winchester | 80,492 | 12,430 | 222,135 |
| May-96 | Winchester | 80,492 | 23,322 | 279,305 |
| Jun-96 | Winchester | 80,492 | 30,568 | 329,229 |
| Jul-96 | Winchester | 80,492 | 12,254 | 397,467 |
| Aug-96 | Winchester | 80,492 | 16,064 | 461,895 |
| Sep-96 | Winchester | 80,492 | 12,373 | 530,014 |
| Oct-96 | Winchester | 80,492 | 10,120 | 600,386 |
| Nov-96 | Winchester | 80,492 | 13,377 | 667,501 |
| Dec-96 | Winchester | 80,492 | 16,782 | 731,211 |
| 10/96-12/96 | Construction loan-Winchester | 0 | 406,423 | 324,788 |
| Jan-97 | Winchester | 80,492 | 31,663 | 373,617 |
| Feb-97 | VHCB-Lead loan program | 0 | 21,143 | 352,474 |
| Feb-97 | Winchester | 80,492 | 21,157 | 411,809 |
| Mar-97 | Winchester | 80,492 | 10,114 | 482,187 |
| Apr-97 | Winchester | 80,492 | 9,557 | 553,122 |
| May-97 | Winchester | 80,492 | 20,618 | 612,996 |
| Jun-97 | Winchester | 80,492 | 9,818 | 683,670 |
| Jun-97 | VHCB-Lead loan program | 0 | 45,743 | 637,927 |
| Jul-97 | Winchester | 80,492 | 9,386 | 709,033 |
| Aug-97 | Winchester | 80,492 | 13,188 | 776,337 |
| Sep-97 | Winchester | 80,492 | 9,492 | 847,337 |
| Sep-97 | Point School assoc (6/96) | 0 | 2,000 | 845,337 |
| Sep-97 | Pine manor | 0 | 30,000 | 815,337 |
| Sep-97 | Pine Meadow | 0 | 192,710 | 622,627 |
| Oct-97 | Winchester | 80,492 | 7,209 | 695,910 |
| Nov-97 | Winchester | 80,492 | 10,550 | 765,852 |
| Dec-97 | Winchester | 80,492 | 13,937 | 832,407 |
| Dec-97 | REO loans | 0 | 40,000 | 792,407 |
| Jan-98 | Winchester | 80,492 | 15,054 | 857,845 |
| Feb-98 | Winchester | 80,492 | 9,470 | 928,867 |
| Feb-98 | VHCB-Lead loan program | 0 | 20,404 | 908,463 |
| Mar-98 | Winchester | 80,492 | 9,470 | 979,485 |

***Yield Committments***

| | |
|---|---|
| Westgage Premium Notes | 370,000 |
| Lead Loan Program (200,000) | 112,710 |
| REO Program (200,000) | 160,000 |
| Winchester Support | 125,000 |
| Mad River Meadows | 60,000 |
| **Total Commitments** | **827,710** |

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VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cathleen L. Gent, Director of Communications CG
Leslie Black-Plumeau, Research Analyst LB-P
Patricia A. Crady, Development Coordinator

DATE: April 16, 1998

RE: Homeownership Centers: Summary Report and Evaluation of Year Two & Request for Support for Year Three

The Homeownership Center pilot project was initiated in November 1995 with VHFA and the Burlington Community Land Trust (BCLT), Gilman Housing Trust (GHT), and Rutland West Neighborhood Housing Services (RWNHS). In April 1997, Rockingham Area Community Land Trust (RACLT) joined the collaboration. The four Homeownership Centers are fully operational and provide pre-purchase (and limited post-purchase) education, counseling, and technical assistance to residents of Caledonia, Chittenden, Essex, Orleans, Rutland, and parts of southern Windsor County, northern Windham County, and two towns in Bennington County.

## OVERVIEW OF YEAR TWO ACCOMPLISHMENTS

Year Two of the Homeownership Center pilot program was highlighted by expanded consumer activity as well as numerous capacity building initiatives, including the development and strengthening of partnerships, intensive staff training and development, a major effort to standardize and streamline the customer intake process, and program marketing/outreach initiatives. Through the capacity building work, the Homeownership Centers are positioning themselves to provide a full range of services in Year Three.

A review of the second year's activities has been completed which shows that about 251 households attended classes and 605 households received individual services during the period January 1997 through December 1997. The four Homeownership Centers are actively working with approximately 269 households, and have assisted 56 others to become homeowners. Specific information about Year Two activities is included below in the "Services provided by the Centers in Year Two" section.

Numerous training sessions provided important capacity building tools during the second year of the pilot project. A "Homeownership Counseling" training session sponsored by VHFA, Neighborhood Reinvestment Corporation, and VHCB in June 1997 provided an overview for local nonprofits of the role of homeownership counseling and the specific components of a good counseling program. That training was conducted by two consultants who work closely with the Neighborhood Reinvestment Corporation. A second two-day training was held in November 1997: this training was specifically devoted to helping the Centers develop a standardized customer intake process.

In addition, Marcia Mattoon, VHFA's Outreach Program Manager, held training sessions and visited each Center throughout the year to provide one-on-one guidance for Center staff. In September, Marcia held a training session on VHFA's HOUSE program. She also taught an "Introduction to Homeownership" training for Americorps volunteers working this year in local nonprofits, which was sponsored by VHCB. In an effort to provide one-on-one training assistance to the Centers, Marcia visited each Center at least twice during the year. Marcia also co-instructed Rockingham Area Community Land Trust's initial consumer classes in October 1997 and one at RWNHS in March 1998.

Another training/classroom development activity was the development of a budget and credit rebuilding module for use in the Homeownership Center classroom curriculum. Dantzscher and Associates in South Burlington met with Center staffs, taught a budget and credit rebuilding module at each Center location, and is completing the module which will be used by the Centers. Dantzscher and Associates may be retained to teach additional classes for the Centers.

The Homeownership Centers and VHFA have agreed to use the Neighborworks 2000 customer tracking software developed by Neighborhood Reinvestment Corporation. This software will allow tracking and monitoring of all Homeownership Center customers and clients, as well as the ability to generate reports for VHFA and Neighborhood Reinvestment Corporation reporting purposes.

One specific objective during the second year of the pilot project was for the Homeownership Centers to expand their partnerships with national funding sources and with local lenders and real estate firms.

- In June 1997, all four Centers became affiliates of the NeighborWorks network (Neighborhood Reinvestment). This association will bring many benefits to the Centers: additional funding, training, organizational planning assistance, etc. **The Neighborhood Reinvestment Corporation has cited VHFA's partnership with the Centers as one of the primary reasons why the Centers were selected to become NeighborWorks organizations.** In March 1998, all four were also invited to join the NeighborWorks National Campaign for Homeownership as designated homeownership centers, which will bring additional resources to the Centers.
- VHFA and the Homeownership Centers received funding from the Federal Home Loan Bank for $240,000 in down payment assistance to up to 40 eligible home buyers.

- The Homeownership Centers participated in the Homeownership 2000 Brainstorming sessions held between July and November 1997. These forums gave the Centers an opportunity to expand their contact base with lenders and real estate professionals in their geographic areas.
- Allan Hunt met with the Homeownership Centers and former bank executives to "brainstorm" about ways to expand partnerships with lenders.

In February 1998, the Homeownership Centers made a proposal for a "Loan Intervention Program" with VHFA. The initial proposal included provisions which fall outside the range of loan intervention activities being considered by VHFA. Currently, VHFA staff are preparing a proposal which better reflects the Agency's goals for the Centers to consider.

VHFA is also collaborating with the Homeownership Centers in the area of program marketing. A brochure is being developed which will create a recognized image for use across the state. VHFA also supports individual Homeownership marketing efforts by contributing to the costs of paid advertising. In a related activity, the Homeownership Centers are working with Neighborhood Reinvestment Corporation, in partnership with VHFA, on a general marketing plan for consumers and local partners. While Neighborhood Reinvestment will be providing a grant for this marketing plan initiative, a portion of the costs will be shared by VHFA.

Throughout the year, VHFA has provided capacity funding of $80,000 ($20,000 for each organization for calendar year 1997), which has enabled the Homeownership Centers to hire staff and build needed organizational capacity to operate the centers. In addition to the capacity funding, VHFA has contributed financially to the Homeownership Centers in numerous ways:

- $6,000 - VHFA's contribution toward the purchase of four laptop computers. One-half of the total cost of the laptops ($12,000) will be shared by the centers through fundraising or other collaborations.
- $3,411 - VHFA's portion toward the Homeownership Counseling Training (June 1997) - This training session, sponsored by VHFA, VHCB, and Neighborhood Reinvestment, was open to staff members from all local nonprofits, including the Homeownership Centers.
- $3,702 - Standardized Customer Intake Process - A special training session for the Homeownership Centers (November 1997)
- $4,000 - Dantzscher and Associates - For development of budget and credit rebuilding module to use in consumer classes (Spring 1998)
- $1,900 - Microsoft Access and Neighborworks 2000 Software Training (February 1998)
- $10,000 - Homeownership Center Cooperative Marketing Campaign - used to develop new statewide brochure and to partially subsidize advertising campaign costs (FY98)

## SERVICES PROVIDED BY THE CENTERS IN YEAR TWO

### A. Classes and Workshops

The Centers provided classes or workshops to 251 households in 1997. Almost all of the classes were orientation sessions and general homebuyer education workshops. Among the class attendees, the most commonly noted obstacles to homeownership were lack of down payment/closing costs, credit problems, and insufficient income. The income levels of class attendees are shown below:

| | Number of Households Attending Classes in 1997 | | | | |
|---|---|---|---|---|---|
| **Household Income** | **BCLT** | **GHT** | **RACLT** | **RWNHS** | **All Centers** |
| $15,000 or less | *13 | *16 | *2 | *6 | 37 |
| $15,001 - $20,000 | *17 | *4 | *10 | *11 | 42 |
| $20,001 - $25,000 | *21 | 5 | * 8 | 14 | 48 |
| $25,001 - $30,000 | 26 | 2 | 1 | 10 | 39 |
| $30,001 - $35,000 | 20 | 2 | 0 | 2 | 24 |
| $35,001 - $40,000 | 7 | 1 | 0 | 0 | 8 |
| $40,001 - $50,000 | 11 | 0 | 0 | 0 | 11 |
| Over $50,000 | 4 | 0 | 0 | 1 | 5 |
| Data not available | 13 | 0 | 4 | 20 | 37 |
| Total attendees | 132 | 30 | 25 | 64 | 251 |

Note: Shading indicates those income levels that include or are below 70% of the area median. Asterisks indicate those that include or are below 50% of the area median.

RACLT noted that it experienced delays in starting up its operations as a Homeownership Center due to a staff shortage. This Center did not begin serving customers until October 1997. RACLT is currently searching for an Americorp worker to assist it with its database tracking, marketing, and counseling efforts.

### B. One-on-one Services

The Centers provided individual services to 605 households in 1997, as shown in below:

| | **BCLT** | **GHT** | **RACLT** | **RWNHS** | **All Centers** |
|---|---|---|---|---|---|
| Households Receiving Individual Services in 1997 | 160 | 52 | 49 | 344 | 605 |

Most of the individual services provided by each Center were in the areas of budget and credit counseling and developing credit rebuilding and reduction plans. Each Center also assisted some households with delinquency issues. RWNHS was the most active in this area, assisting 13 borrowers with conventional, RD, and Neighborhood Housing Services loans through loan interventions and workouts. BCLT plans to develop delinquency and post-purchase programs in 1998.

C. Home Purchases

About 56 clients served by the Centers purchased a home in 1997, using a variety of types of first mortgages, as shown below:

| | Number of Clients Who Purchased Homes in 1997 | | | | |
|---|---|---|---|---|---|
| **Type of Mortgage** | **BCLT** | **GHT** | **RACLT** | **RWNHS** | **All Centers** |
| VHFA | 15 | 0 | 0 | 2 | 17 |
| RD | 0 | 4 | 5 | 2 | 11 |
| Conventional | 4 | 0 | 2 | 13 | 19 |
| RWNHS | 0 | 0 | 0 | 5 | 5 |
| Other* | 1 | 0 | 0 | 1 | 2 |
| Unknown | 1 | 0 | 1 | 0 | 2 |
| Total Purchases | 21 | 4 | 8 | 23 | 56 |

*BCLT described one purchase as "mobile home" and RWNHS described one as "family financing."

The Centers used a variety of other grants and loans, including IORTA loans, Homeland grants, and HUD Special Purpose grants to assist their clients. The combined loan-to-value ratios for all financing used by Center clients purchasing homes in 1997 are shown below:

| | Number of Clients Who Purchased Homes in 1997 | | | | |
|---|---|---|---|---|---|
| **Combined LTV** | **BCLT** | **GHT** | **RACLT** | **RWNHS** | **All Centers** |
| Over 100% | 0 | 2 | 0 | 1 | 3 |
| 95% to 100% | 5 | 2 | 7 | 17 | 31 |
| 90% to 94% | 3 | 0 | 0 | 3 | 6 |
| 85% to 89% | 3 | 0 | 0 | 0 | 3 |
| 80% to 84% | 2 | 0 | 0 | 1 | 3 |
| 79% and below | 1 | 0 | 0 | 1 | 2 |
| Unknown | 7 | 0 | 1 | 0 | 8 |
| Total | 21 | 4 | 8 | 23 | 56 |

BCLT noted in its activity report that the number of their customers who purchased a home grew substantially between 1996 and 1997, from 3 to 21.

**YEAR THREE GOALS**

The focus during Year Two primary shifted to capacity building and training activities when VHFA and the Centers found that they were experiencing "growing pains" during Year One. VHFA remains concerned about the performance of the Centers as they expand their program offerings, particularly in some areas of the state: VHFA will be monitoring developments closely during Year Three.

General goals were established at the outset of the Homeownership Center pilot project. A comprehensive program evaluation will be performed during Year Three that will include an assessment of progress toward these goals, which include the following:

- To provide access to a complete finance and service package that would allow individuals and families at or below 70% of median income to purchase and rehabilitate (where necessary) their own homes;
- To increase the number of owner occupied dwellings, especially in neighborhoods with a high percentage of non-owner occupied housing;
- To preserve and improve older housing stock;
- To assist low-income families to purchase two-family homes;
- To study the shared and unique operating conditions, characteristics of successful partnerships, and special challenges faced by each organization;
- To determine whether the Homeownership Centers are successful in reaching Vermonters who would not otherwise become home owners;
- To understand the special problems faced by those customers whose needs cannot be met by the programs; and
- To monitor the use of each type of service offered and determine its-cost effectiveness.

The extent to which these goals have been met through the pilot project will be evaluated primarily by reviewing the Centers' reports and customer files, through a mail survey to current and past customers, by meeting with Center staff and area partners such as lenders and real estate professionals, and by considering the results of the most recent NeighborWorks review for each Center. The scope of this evaluation may be limited by the quality and extent of customer data maintained by the Centers and the relatively short time period during which the Centers have been operating.

In addition to the general goals for the pilot project, VHFA has identified specific goals for Year Three. These goals include:

- The Homeownership Centers will each use the standardized customer intake process developed in November 1997;
- The Homeownership Centers will offer a full range of pre-purchase and post-purchase education services as specified in the contracts;
- The Centers will collaborate with VHFA in conducting the comprehensive evaluation;
  - The reasons for selecting loan products will be analyzed with respect to the benefits for the borrowers.
- A cost recovery plan and related marketing plan will be developed and implemented for the Homeownership Centers;
- The Homeownership Centers will originate 40 loans with VHFA (via VDCU) as part of the Federal Home Loan Bank loan program.
- As part of NRC's Campaign for Homeownership, each center has set a goal of assisting 30 new clients to purchase homes in 1998;

- VHFA, following dialogs with each Center, will set VHFA loan volume goals (in addition to those made through the Federal Home Loan Bank program) to be achieved by the end of Year Three.

The Centers also have developed plans for their locations. According to BCLT, the tracking and education system changes that it made in the Fall of 1997 will enable it to more efficiently serve customers, develop a more effective customer tracking system, and to develop a lender referral system. RACLT plans to increase its marketing efforts for sponsors, increase programs throughout their service area, and hope that additional staff and streamlining of the intake process and storage of data will enhance its progress during 1998. GHT plans to cover more of the Northeast Kingdom with orientation sessions and homebuyer training in 1998 and is looking for additional collaborations such as their current arrangement involving sharing of an RD staff person to boost their success in 1998. GHT also plans to move their office to a location that is more central to their service area and to change their name to the Homeownership Center of the Northeast Kingdom. Indicated goals for RWNHS have included promoting the services of the Homeownership Center and expansion of services into Bennington and Addison Counties in Year Three. VHFA has requested that RWNHS not pursue its multi-county expansion during the pilot program.

## BOARD ACTION REQUESTED

Staff requests approval from the Board for operating support for the Homeownership Centers located at Burlington Community Land Trust, Gilman Housing Trust, Rockingham Area Community Land Trust, and Rutland West Neighborhood Housing Services for Year Three of the Homeownership Center pilot project. The total funding request is for $80,000 in the amount of $20,000 for each Center for calendar year 1998. Since approximately $40,000 has already been included in the FY98 budget, the FY99 budget request for the rest of calendar year 1998 should be approximately $40,000.

# MEMORANDUM

**TO:** VHFA Board of Commissioners

**FROM:** Samuel J. Falzone, Director, Multifamily Management

**DATE:** April 15, 1998

**RE:** **HUD-held Note Sale/Purchase**

In 1995, VHFA was unsuccessful in an application under a pilot program to be selected as one of three HFAs that would be given the opportunity to negotiate with HUD on the sale of all HUD-held subsidized mortgages in the HFA's state. The Vermont properties that were eligible under such a program include Highgate (Barre), Westgate (W. Brattleboro) and Mountain View Apartments (Springfield). These activities were part of a continuing effort by HUD to reduce the operational and budgetary costs of maintaining their multifamily portfolio.

HUD is now actively encouraging all states to consider a purchase of its HUD-held inventory and over the past several months we have been working on renewing our efforts to buy the notes on these three properties where we have varying degrees of interest. Housing Vermont owns Highgate and Mountain View and VHFA has Premium Note obligations on Westgate relating to the purchase of Northgate. This potential sale presents VHFA an opportunity to purchase debt on these properties at a deep discounted price and better control the future affordability of these properties. Roger, Allan and I have been discussing this transaction with PaineWebber and Evensen Dodge and it also appears that there may be a significant upside to the Agency's bottom line if we can purchase these notes from HUD at the price ranges identified. The combined outstanding principal balance on these notes is $3.9 million and we are being advised to submit an initial offer to HUD in the $1.3 million range (33 cents on the dollar). Each of these notes would offer the continuation of interest reduction subsidy payments by HUD over the remaining life of the original loans (2011-2013). It is these interest reduction payments that provide the real value and security for the purchase of these notes especially since they will not be purchased with the current FHA insurance.

If we are successful in our bid to purchase the HUD notes, a second phase of the transaction would allow us to focus on putting Westgate, the final of the four "Gates" properties, into nonprofit ownership in the same way we have structured Northgate, Highgate and Applegate. VHFA has a continuing obligation to pay the current owners of Westgate $40,000 a year under the Premium Notes. This obligation would hopefully be eliminated as part of the negotiations during the sale to the new nonprofit owner that would likely include Housing Vermont.



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***Delivery Address:*** **164 Saint Paul Street, Burlington, Vermont 05401-4364**
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**FAX: 802 / 864-5746 • Underwriting FAX: 802 / 863-5422 • home@vhfa.org**

We have sought the advice of David Smith, Recapitalization Advisors, Inc. (Recap), to assist us in our analysis of the Note Sale/Purchase and ultimately, help us in our attempt to preserve Westgate. VHFA has entered into a consulting contract with Recap to help us with the issues related to the Note Sale/Purchases and David has already provided our working group with valuable insight on how we could improve our offer to HUD in acquiring these notes. In the absence of a federal Preservation Program, the challenge of designing a proposal leading to Westgate's acquisition in the nonprofit model that includes Housing Vermont is complex. David has an excellent track record of accomplishment in these areas and is recognized nationally as a leader in affordable housing preservation.

**RECOMMENDED BOARD ACTION:**

Authorize the Executive Director to submit a formal proposal to HUD that would indicate VHFA's interest in purchasing the three HUD-held notes for a price in the $1.3 million range and allow staff to continue the work related to the ownership transfer of Westgate Apartments.

If HUD accepts our offer to purchase these notes, authorize the Executive Director to take all necessary steps to carry out a taxable financing to provide proceeds with which to purchase the HUD notes and authorize the Executive Director, Deputy Director and Director of Finance to execute any and all documents necessary to close the transaction.

VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

**TO:** VHFA Board of Commissioners

**FROM:** Samuel J. Falzone, Director, Multifamily Management

**DATE:** April 15, 1998

**RE:** **Revised Preservation Strategy**

Under our existing multifamily preservation program, we have successfully entered into 26 Preservation Agreements covering 544 units of VHFA financed Section 8 housing. All of this activity occurred between 1989 and 1995. As of the current date, VHFA has also had 20 prepayments of Section 8 multifamily properties with six of these occurring in the last two years. Owners, and the partnerships they represent, have had to face an ever-increasing tax burden related to their properties and this has been the motivation for both entering Preservation Agreements and seeking relief through a conventional refinancing of VHFA's loan.

The Section 8 portfolio is a valuable source of income to the Agency, including fees, yearly transfers from bond reserves and spread on the bonds. The current low interest rate environment, coupled with the low outstanding principal balances on many of our multifamily loans has created an attractive opportunity for both owners and outside lenders who see these properties as cherries that can be added to their affordable housing inventory. Many local banks and private mortgage companies have begun to actively solicit refinancing business from VHFA's high quality Section 8 portfolio. This situation has put us in the position of having to decide whether or not we want to compete with this group of outside lenders.

I believe that by improving the preservation incentives we have in our toolbox, we can successfully negotiate commitments from owners to honor the remaining term of the HAP Contract and VHFA mortgage. These improvements could make us competitive and would include:

1) The ability to offer small additional general fund loans for the purpose of restructuring the ownership and dealing with partnership tax liability. These loans would be payable from revised return on equity distributions and, in some cases, would offer an interest only feature with a balloon payment due at the end of VHFA's first mortgage term.

*ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD*

***Mailing Address:*** **PO Box 408, Burlington, Vermont 05402-0408**
***Delivery Address:*** **164 Saint Paul Street, Burlington, Vermont 05401-4364**
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2) Replace existing general fund and energy loans with 0% loans in order to improve a property's cash flow and ability to pay increased partner distributions.

3) In some situations, we may need to share our earnings on the refunding proceeds with some of those 33 projects that are responsible for generating this resource. It is critical that we do everything possible to keep these properties from refinancing and prepaying their VHFA loans because there would be a corresponding reduction in our 0% loan pool.

4) Further simplify and moderate the regulatory requirements by eliminating quarterly reports and joint control over replacement reserve accounts.

5) Use more simplified and user friendly legal documents to accomplish the objectives of our Preservation Agreement. With Glenn's help, we have successfully drafted one five-page document that replaces four documents totaling over 20 pages (see attached).

The above additional incentives are important options VHFA needs in order to compete with the outside lenders who are very interested in this lucrative market. When added to the existing preservation options we have available, there is a very good chance that we can preserve the housing and our bottom line. In addition to these incentives, we can also offer owners the protection of being under the HFA umbrella which, up until now, has been treated as a special class of properties outside the reach of administrative rent reductions.

In exchange for these incentives VHFA gets a lock-in for the full HAP Contract and Mortgage term, negotiated affordability beyond the term of the HAP, an option and right of first refusal, and the continuing cash flow produced by the Section 8 portfolio.

**RECOMMENDED BOARD ACTION**

As an addition to the existing preservation options that have been sanctioned by the Board's action in 1988 and 1993, authorize the Executive Director to negotiate and sign Preservation Agreements with owners using the additional incentives outlined in this memo.

**HOUSING SUBSIDY COVENANT,**
**PRESERVATION AGREEMENT AND**
**AMENDMENT TO REGULATORY AGREEMENT**
**[Conant Square Associates]**

This Agreement is dated effective as of the ____ day of _______, 1998, by and between Conant Square Associates (the "Owner"), a Vermont limited partnership having its principal place of business in Brandon, Vermont, by and through its general partner, Frank Guillot and VERMONT HOUSING FINANCE AGENCY (the "Agency"), a body politic and corporate created under and pursuant to the provisions of the Vermont Housing Finance Agency Act, Title 10, Chapter 25, Vermont Statutes Annotated and includes an amendment to that certain regulatory agreement dated December 21, 1979 (the "Regulatory Agreement"), a memorandum of which is recorded at Book 85, Page 144 of the Town of Brandon Land Records.

W I T N E S S E T H

WHEREAS, Owner is the holder of legal title to certain property situated in Brandon, County of Rutland, State of Vermont, upon which has been erected a housing development consisting of 19 apartment units and other improvements and chattels (the "Development"), said Development being more particularly described in Schedule A, attached hereto and made a part hereof. It is the intention of the parties that this agreement shall be recorded in the Land Records of the Town of Brandon and shall run with the land;

WHEREAS, the parties desire to make provisions for the continued operation of the premises as Section 8 housing for the elderly and for continuation of the Housing Assistance Payments contract between the owner and the United States Department of Housing and Urban Development ("HUD") that relates to the premises and bears Section 8 Substantial Rehabilitation project number VT36-H007-070, and that was collaterally assigned to the Agency;

WHEREAS, the Agency wishes to preserve the Development for low and moderate income use and the Owner wishes to obtain a greater cash flow from the Development including access to surplus operating funds; and

WHEREAS, the Agency is unwilling to approve an increase in Owner's recognized equity position and its return on equity unless the Owner agrees, inter alia, to maintain the Housing Assistance Payments ("HAP") Contract applicable to the Development in full force and effect, to renew the HAP Contract at each opportunity, and take all actions necessary to obtain any other rental assistance, subsidies, certificates, or vouchers that may be available at or about the time of the expiration of the full HAP Contract term.

NOW, THEREFORE, the Owner and the Agency agree that this agreement shall constitute a housing subsidy covenant pursuant to 27 V.S.A. § 610, as follows:

## ARTICLE 1: DEFINITIONS

1.01 The "Original Equity Position" means the amount of money recognized as Equity in the Regulatory Agreement, which equals $41,750.

1.02 The "Preservation Equity Position" means the Original Equity Position adjusted upward to reflect (a) the aggregate principal payments made on account of the Note through December

31, 1996; and (b) the Owner's willingness to enter into this Agreement. The Preservation Equity Position equals $192,718.

1.03 The "Mortgage" means the mortgage and security agreement dated December 21, 1979 and recorded at Book 85, Page 140-43 of the Town of Brandon Land Records.

1.04 The term "Fair Market Value" means the fair market value of the Development determined as of the date of the option to purchase, taking into account the legal restrictions on rent and occupancy, if any, then imposed on the Development, including, without limitation, restrictions imposed by the Note, the Mortgage, the Regulatory Agreement, the HAP Contract and HUD Restrictions.

## ARTICLE 2: THE AGENCY'S UNDERTAKINGS

2.01 The Agency and the Owner hereby amend the Regulatory Agreement to incorporate the Preservation Equity Position, which increases the recognized equity position and the annual permitted return on equity as an incentive to the Owner to maintain the Development as affordable housing in accordance with the terms of Article 3 of this Agreement.

2.02 The Regulatory Agreement between the parties dated December 21, 1979 is hereby amended as follows:

2.02.1.1 Paragraph 2(f) of the Regulatory Agreement is amended to substitute the following for the present paragraph 2(f): The equity in the Development is set at $192,718. This equity shall be known as the "Preservation Equity". The Preservation Equity will be increased every year by an amount equal to the annual increase in the National Consumer Price Index-All Items, as maintained by the United States Department of Labor for the previous year.

2.02.1.2 Paragraph 8(b) is amended by striking the words "two thousand five hundred five " and the numbers "$2,505" and by substituting the words "eleven thousand five hundred sixty-three" and the numbers "$11,563".

2.02.1.3 The remaining provisions of the Regulatory Agreement are to remain unchanged and in full force and effect.

## ARTICLE 3: THE OWNER'S UNDERTAKINGS

3.01 The full 30 year term of the Housing Assistance Payments contract expires on December 16, 2009.

3.02 Owner agrees that, with respect to the residential units that must be occupied by persons or families of low and moderate income, (1) it will renew the HAP Contract at every opportunity to do so, (2) it will seek to extend the HAP Contract, if any such extension may be obtained under applicable law, and (3) it will take all actions necessary to obtain any other assistance that may hereafter become available to reduce or subsidize the rentals of said units in order to maximize affordability until December 16, 2018.

3.03 The Owner will not prepay or seek to prepay the Note and Mortgage before the maturity date of the Note.

3.04 If the Development's budgeted income, including Tenant Rents and Housing Assistance Payments, is not sufficient to meet reasonable operating expenses and owner's distribution because of HUD imposed reductions or restrictions in Contract Rents, the owner may choose not to renew the Housing Assistance Payments Contract at the expiration of a renewal term, but must give notice to the Agency not less than one year before the end of the then current renewal term of the Housing Assistance Payments Contract.

## ARTICLE 4: OPTION AGREEMENT

4.01 Upon notification to the Agency that the Owner seeks to invoke the provisions of paragraph 3.04 in order to not renew the Housing Assistance Payments Contract, or seeks to sell the Development, the owner shall deliver to the Agency or its assignee an option to purchase the project upon payment to Owner by the Agency of the sum of $1,000, which sum shall be applied toward the purchase price at the time of closing. In the event of an Excepted Transfer, as defined below, or a sale to a purchaser that agrees, in writing, to an assignment of this Agreement, together with all its rights, duties, and obligations, Owner shall not be obligated to deliver the option referred to in the previous sentence.

Notwithstanding any other provision or implication of this agreement, it is the intent of the parties that this agreement shall not apply to a transfer of the Property by descent, decree of distribution, or operation of law, nor to a transfer by the Owner in connection with a divorce, or a transfer of interests between partners of the Owner, or a transfer of interest to the wife and children of the General Partner, which transfer shall be known as an Excepted Transfer, so long as any such transfer is not, in the reasonable judgment of the Agency, an attempt to circumvent the provisions of this Preservation Agreement and Amendment to Regulatory Agreement; provided, however, that the person or persons who hold the Property as the result of an Excepted Transfer shall be bound by the terms hereof in the event of a subsequent sale of the Property which is not an Excepted Transfer.

4.02 The option will be effective, and the terms of the option shall begin on, the date that THE AGENCY or its assignee delivers payment of the $1,000 to the owner and the option shall extend, and the terms of the option may be exercised, until 90 days after the parties receive the appraisal referred to in Paragraph 4.03, below. The option may be assigned by the Agency.

4.03 The option price will be determined by an appraisal of the Development performed by an appraiser with an MAI or SRPA designation by the Appraisal Institute, or a comparable designation by a nationally recognized appraisers organization. The cost of the appraisal will be the responsibility of the option holder. The option price will be the greater of the Fair Market Value of the Development determined in accordance with the terms below or the outstanding principal balance of all debt secured by the Development as to which the Agency was the lender or to which the Agency consented at the time such debt incurred.

4.04 Notice of the exercise of the option shall be given to the Owner within the period specified in § 4.02 in person or by certified mail, postage prepaid, to owner at the address specified in its then-current correspondence with the Agency in matters relating to the administration of the Development.

4.05 Closing will be held within 90 days of the delivery of the Agency's notice to exercise the option. The Owner will provide the purchaser with a warranty deed, and will execute any and all documents reasonably required by purchaser.

## ARTICLE 5: MISCELLANEOUS

5.01 Term. This Agreement shall take effect as of the ____ day of ________, 1998 and shall remain in effect until December 16, 2018, except that the provisions of sections 2.02 and any restrictions on Equity in the Development or distributions shall terminate upon the payment in full of the promissory note secured by the Mortgage and the termination of the Regulatory Agreement according to its terms.

5.02 This Agreement and the covenants contained herein shall bind, and the benefits shall inure to, respectively, the Owner, its successors and assigns, and all subsequent owners of the Development or any interest therein, and the Agency and its successors and assigns.

5.03 In the event of a material breach of this agreement, the prevailing party shall be entitled to recover its costs and expenses of action, including, without limitation, reasonable attorneys fees.

5.04 The invalidity of any clause, part or provision of this Agreement shall not affect the validity of the remaining portions thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the date first above written.

Conant Square Associates

______________________________ ______________________________

Witness General Partner and authorized agent

Vermont Housing Finance Agency

______________________________ ______________________________

Witness Its authorized agent

STATE OF VERMONT
__________ COUNTY, SS:

Personally appeared at _____________ in said County, _____, general partner of the __________ Partnership and acknowledged the foregoing Agreement as and for ____ free act and deed and the free act and deed of the ___________ Partnership, this ___ day of _________, 1998.
Before me,

______________
Notary Public

STATE OF VERMONT
CHITTENDEN COUNTY, SS:

Personally appeared at Burlington, in said County ________________, the duly authorized agent of Vermont Housing Finance Agency, and acknowledged the foregoing Agreement as and for ____ free act and deed and the free act and deed of the Vermont Housing Finance Agency, this ____ day of __________,1998.

Before me,

_________________
Notary Public

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VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

**TO:** **VHFA BOARD OF COMMISSIONERS**

**FROM:** **ROGER A. SCHOENBECK, DIRECTOR OF FINANCE** RAS

**DATE:** **APRIL 17, 1998**

**RE:** **GENERAL FUND BUDGET PERFORMANCE**

On the reverse side of this memo is the budget performance report for the period ending March 31, 1998 representing the first nine months of the fiscal year. Budget categories should be at approximately 75% of the annual budget.

**INCOME.** Most income categories are performing as expected. Single family servicing fees will be addressed in the budget adjustment memo.

**FUND TRANSFERS.** The transfers of funds from the Programs to the General Fund have been collected as expected. The $2.5 million from the Single Family Housing Bond program was transferred during the current quarter, which has helped our liquidity position. Unfortunately, Sanwa Bank could not renew expiring bond program letters of credit and we have funded $950,000 in cash on a temporary basis. We are working with the Bank of America as a replacement provider at which time we should be able to return the cash to the General Fund.

**EXPENSES.** Total expenses are 71% of budget and within the expense constraints for the fiscal year. We have proposed increase adjustments to legal expenses, consulting fees, annual report, and miscellaneous expenses to be offset by decreases in occupancy and advertising. We will need to increase the budget for the subsidy payments for the Guarantee Board which were originally budgeted for $73,000 and we estimate now will total $225,000 for the fiscal year.

**CAPITAL BUDGET.** The approved capital budget for the fiscal year is $278,485. Through March 31, 1998 we had expended $178,500 or 64% of the capital budget. We believe that we will come in under budget for the year.

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

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# BUDGET PERFORMANCE REPORT
# VERMONT HOUSING FINANCE AGENCY
# MARCH 31, 1998

| | | APPROVED BUDGET | | ACTUAL 3/31/98 | PERCENT OF BUDGET |
|---|---|---|---|---|---|
| *INCOME* | | | | | |
| Single family fees | $ | 137,000 | $ | 115,419 | 84.2% |
| Multi-family fees | | 177,000 | | 130,673 | 73.8% |
| Project Administration fees | | 89,200 | | 73,716 | 82.6% |
| Single family servicing fees | | 53,000 | | 12,808 | 24.2% |
| Interest income-loans | | 712,000 | | 572,734 | 80.4% |
| Interest income-invest | | 100,000 | | 74,141 | 74.1% |
| VHMGB charges | | 380,000 | | 254,773 | 67.0% |
| Miscellaneous income | | 60,000 | | 32,429 | 54.0% |
| **TOTAL INCOME** | | **1,708,200** | | **1,266,693** | **74.2%** |
| *FUND TRANSFERS* | | | | | |
| Single Family Housing Bonds | | 2,500,000 | | 2,450,484 | 98.0% |
| Single Family Insured Mtg Bonds | | 200,000 | | 100,000 | 50.0% |
| Single Family Mortgage Purchase | | 1,000,000 | | 1,000,000 | 100.0% |
| Single Family Home Mortgage Purchase | | 220,000 | | 49,500 | 22.5% |
| Multi-Family Mortgage Bonds | | 450,000 | | 440,000 | 97.8% |
| Multi-Family Housing Bonds | | 160,000 | | 112,013 | 70.0% |
| Multi-Family Housing Develop Bonds | | 10,000 | | 10,000 | 100.0% |
| Direct Placement Bonds | | 35,000 | | 33,000 | 94.3% |
| **TOTAL TRANSFERS** | | **4,575,000** | | **4,194,997** | **91.7%** |
| **TOTAL INCOME & TRANSFERS** | | **6,283,200** | | **5,461,690** | **86.9%** |
| *EXPENSES* | | | | | |
| Advertising & Promotion | | 132,000 | | 28,527 | 21.6% |
| Annual report | | 6,500 | | 10,406 | 160.1% |
| Audit expense | | 43,250 | | 43,000 | 99.4% |
| Commissioners expense | | 5,000 | | 1,568 | 31.4% |
| Consulting fees | | 144,950 | | 92,842 | 64.1% |
| Depreciation | | 172,000 | | 110,338 | 64.2% |
| Dues & Subscriptions | | 37,460 | | 28,331 | 75.6% |
| Insurance | | 203,600 | | 150,641 | 74.0% |
| Interest expense | | 527,500 | | 300,812 | 57.0% |
| Legal expense | | 20,000 | | 22,249 | 111.2% |
| Miscellaneous | | 5,000 | | 9,380 | 187.6% |
| Occupancy expense | | 82,000 | | 47,777 | 58.3% |
| Office expenses | | 37,500 | | 29,558 | 78.8% |
| Organization subsidy expense | | 164,000 | | 246,788 | 150.5% |
| Payroll taxes | | 120,383 | | 87,975 | 73.1% |
| Pension expense | | 135,000 | | 100,893 | 74.7% |
| Postage | | 26,500 | | 11,609 | 43.8% |
| Repairs & Maintenance | | 28,000 | | 23,304 | 83.2% |
| Salaries & Wages | | 1,602,442 | | 1,163,951 | 72.6% |
| Staff travel & Training | | 75,200 | | 46,466 | 61.8% |
| Telephone | | 45,000 | | 34,181 | 76.0% |
| Trustee & Credit fees | | 235,000 | | 145,080 | 61.7% |
| **TOTAL EXPENSES** | | **3,848,285** | | **2,735,676** | **71.1%** |
| **SURPLUS (DEFICIT)** | $ | **2,434,915** | $ | **2,726,014** | **112.0%** |

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VERMONT HOUSING FINANCE AGENCY

**MEMORANDUM**

**TO:** **VHFA BOARD OF COMMISSIONERS**

**FROM:** **ROGER A. SCHOENBECK, DIRECTOR OF FINANCE** RAS

**DATE:** **APRIL 17, 1998**

**RE:** **GENERAL FUND BUDGET ADJUSTMENT REQUESTS**

As discussed at the last Board meeting, following are areas of the budget that we feel need adjustment to balance through the end of the fiscal year. Although adjustments are needed in multiple categories, we have been able to offset increases with corresponding decreases, with the exception of the contribution required to meet our statutory mandate to provide capital assistance to the Vermont Home Mortgage Guarantee Board.

***Single Family Servicing Fees.*** We originally budgeted $53,000 to recognize the savings on servicing purchased through the lenders. Although we have realized the savings anticipated, they are being earned in the bond programs and not the General Fund. We have not yet figured out how to transfer those savings to the General Fund. Due to these circumstances, we should reduce our budgeted income by $35,000.

***VHMGB Adjustments.*** The Vermont Home Mortgage Guarantee Board is expected to incur additional expenses of approximately $15,000, in the area of consulting to provide suggestions for future operations. This charge will increase both consulting expense and VHMGB income since their expenses are grossed up in our expenses. There will be no bottom line impact to this change. The more significant item is the subsidy expense area where we originally budgeted $73,000 as the cash subsidy payment portion of our annual $300,000 contribution of increasing their capital position. Since VHFA activity has been so low, we are now estimating that we will need to increase the cash subsidy for the year by $150,000.

***Advertising.*** We had some excess funds available from the bond programs to assist with advertising so we should be able to reduce the general fund advertising budget by $19,000.

***Annual Report.*** We expected that we would be able to use Barbara Parker to assist with the annual report when we budgeted expenses. Since she left, we were forced to pay more for outside assistance and need an increase of $4,000 to balance this category.




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***Legal expense.*** The class action suit, required legal publication notices and work by Kutak Rock on non-bond transactions related to multi-family funding require an increase in legal expense of $10,000.

***Consulting Fees.*** The employee survey project is expected to cost $8,000-$10,000 when completed, the VHMGB consultant engagement (mentioned above) is estimated at $15,000 and multi-family management issues related to insurance and the HUD Note purchase of $10,000 were not originally budgeted. In addition, the Evensen Dodge financial study will cost $5,000 more than budgeted. The VHMGB increase will be offset by income and we expect to save about $10,000 in data processing consulting, which leaves us with a $15,000 increase needed.

***Miscellaneous expenses.*** We wrote off a Ventures loan of $2,800 during this year, which has been charged to this category. In addition, we expended funds in support of the United Way campaign and also incurred heavier than expected expenses for employee anniversary recognition gifts (which are being recognized throughout the year, instead of only at the annual holiday party). We need an increase of $5,000 to balance this category.

***Occupancy expenses.*** We budgeted for payment in lieu of taxes for $15,000. Since we have had no notice of taxes due or expected, we feel we can reduce this category by $15,000.

**RECOMMENDED BOARD ACTION**

Approval of the adjustments to the operating budget as referenced above, which result in a decrease in income of $20,000 and an increase in expenses of $150,000 (related to the increased cash subsidy for VHMGB). The projected surplus in the General Fund for the year will decrease from $2,434,915 to $2,264,915.

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VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan Hunt, Executive Director

DATE: April 15, 1998

RE: Lender of Last Resort

We have had many discussions over the years about being, in effect, the Single Family lender of "last resort." What this means is that we have told our originating lenders that " the program is intended to assist only those persons who are financially unable to compete successfully in the normal housing market." (See language attached from Procedural Guide). I believe this policy originated a very long time ago when there was some concern about VHFA competing with lenders (i.e. taking loan business away from their portfolio loans). Additionally, this policy is well received by our Congressional delegation, who find it comforting that our loans go only to borrowers who can't qualify for other mortgage programs. Finally, in the past, we were concerned about running out of mortgage money and desired to target it to the most needy.

The downside of such a policy is that it has had the effect of limiting our market and perhaps resulted in adverse selection, meaning we are only buying the riskiest loans. Given the multitude of other affordable mortgage programs, it would appear our policy is driving good business away and leading to a riskier portfolio (i.e. these other mortgage programs are taking the best of the affordable loans and leaving the worse for us). The policy also creates uncertainty in the lender mind as to whether we will buy the loan. In order for the lender to avoid the uncertainty, they often send it in a different direction. Given our methods and success in providing mortgage money on an ongoing basis, the issue of availability is no longer a problem.

While it might be best to discuss a change in policy in the context of the Strategic Plan, we believe a change at this point may be in the best interest of the Agency in both getting the current money utilized and increasing the strength of the portfolio. While it is impossible to gauge the amount of business being lost, we believe it is considerable as a result of numerous lender conversations.

**Board Action**

Eliminate the policy, which limits the program to only those persons who are financially unable to compete successfully in the normal housing market. All income and purchase price restrictions would remain in effect.

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# LOAN ORIGINATION

## ELIGIBILITY REQUIREMENTS (Continued)

*Purchase Price Limits* – The purchase price, also referred to as the Acquisition Cost of a Residence, cannot exceed the purchase price limit specified in the current VHFA Brochure Insert / Homeownership Programs. See "Acquisition Cost" in this Guide for further details.

*Conventional Mortgage Eligibility and Assets* – At the time of application, a Mortgagor must *not* be qualified *without* government assistance (including Mortgage Credit Certificates) for a loan of equal down payment and amortization terms under any other fixed interest rate Mortgage Loan program then being offered by the Lender. Mortgagor assets must also be considered. While the Program has no definite limitations for Mortgagor assets, fixed or liquid, this does not mean assets are irrelevant. The Program is intended to assist only those persons who are financially unable to compete successfully in the normal housing market.

*New Mortgage Requirement* –VHFA funds are restricted to new purchases. VHFA Mortgage Loan proceeds may not be used to replace an existing mortgage (including a mortgage on unimproved land) or debt for which the Mortgagor was liable, or which was incurred on behalf of the Mortgagor. The only exception to this requirement is the replacement of a construction period loan, a bridge loan or other temporary financing which had an original term of 24 months or less. (*Example:* A loan with a five-year term on which less than 24 payments have been made does **not** meet the requirement.)

*Principal Residence Requirement* – The Mortgagor must occupy the Residence as their Principal Residence within 60 days after the loan closing date. VHFA will not finance properties to be used as an investment property or recreational home or if the Mortgagor is planning to use more than 15 percent of the property for a trade or business.

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VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Personnel Task Force

DATE: April 17, 1998

RE: Personnel Task Force Minutes

The Personnel Task Force has agreed that the Board will be given a copy of the minutes from each of our meetings. Attached we have included the minutes from our first three meetings.

Listed below is the name of our facilitator, if you have any questions or comments please feel free to contact her. Thank you for taking the time to review these minutes.

Judy Boutin **863-4478**
*Email address*: ***Palmerjb@vbimail.champlain.edu***

**PERSONNEL TASK FORCE**

Minutes of February 24, 1998

Attendance:
Judy Boutin (Facilitator), Kari Caragher, Veronica Santucci, Scott Baker, Glenn Jarrett, Sue Joachim, Peter Barry, Polly Thibault, Lisa Merry, Sherri Mullin, Kim Roy

After an initial introduction from everyone involved with the task force, the group agreed on the issues to be covered by the group. The group then went on to agree on task force ground rules and operating guidelines. They are as follows:

- Confidentiality
  - During discussion, no names will be used unless appropriate.
  - If the discussion should stay in the room, say so.
- Information in the form of minutes will be shared with staff.
- Responsibility for taking minutes will be shared on a rotational basis.
- Everyone's opinion should be respected.
- Create and maintain a safe and comfortable environment.
- Summarize and make recommendations on issue at hand before going on.
- Discuss agenda before next meeting in order to be prepared.

At this point the group had time to start discussing issues. The first one chosen for discussion was comments surrounding employee birthdays.

*Issue:* **Negative Comments re: Birthday Parties**

One of the morale "busters" that was noted quite frequently in the survey was the "off the cuff" comments made from upper management about the time spent celebrating employee birthdays. The feeling was that assumptions were being made that too much time was being spent celebrating the birthday. People felt that what should be a celebratory event was turning into a negative event, and that they were not being treated like professional adults.

Recommendations:

- Everyone needs to be personally responsible for not letting the celebration get out of hand.
  - Recognize the time and go back to work when appropriate.
- Include everyone in the celebration.
- Don't be defensive in response to comments.
- Determine appropriateness of comments –take personal responsibility for comments made.
- Upper management should refrain from making "off the cuff" comments.

**NO BOARD RECOMMENDATION IS NECESSARY**

The meeting ended after agreeing on when the taskforce would meet next. It was decided that the group would continue the discussion revolving around comments surrounding morale busters.

## PERSONNEL TASK FORCE

Minutes of March 12, 1998

Attendance:
Judy Boutin, Kari Caragher, Veronica Santucci, Scott Baker, Glenn Jarrett, Peter Barry, Polly Thibault, Lisa Merry, Sherri Mullin, Kim Roy

After a brief review of what was covered at the last meeting, it was decided to continue the conversation surrounding comments made from upper management.

*Issue:* **Negative Comments re: Holiday Parties**

Another Morale Buster noted frequently in the survey surrounds the holiday party. Although the agency does provide holiday parties, it felt that the celebration had to be "downplayed" as to not give the general public the opinion that the State's funds are being misused. One instance that stands in everyone's mind was the year that the agency's name was taken off the front of the restaurant while the party was in progress.

Most members of the group felt that in the last couple of years that there has been improvement in how the holiday parties have been handled. We expect this trend to continue.

Recommendation:

At this point, only one VFHA employee is responsible for organizing the holiday party. This makes it hard to determine everyone's likes and dislikes. In order to insure consensus, it is recommended that an informal Holiday Committee be formed by staff volunteers who are interested in planning future Holiday Parties. Everyone is welcome to join and those interested should contact a PPRC representative to sign up.

**NO BOARD RECOMMENDATION IS NECESSARY**

*Issue:* **E-Mail**

Recommendation:

As noted in the survey, some employees were upset that e-mail was only available to a few departments and there was some confusion as to the general policy surrounding personal use of e-mail. Since the completion of the survey, the majority of the Agency now has access to e-mail and an e-mail policy has been written. This new policy should be available to staff in the next few weeks and it is our recommendation that the taskforce read it to be sure all issues are addressed at that time.

**NO BOARD RECOMMENDATION IS NECESSARY**

*Issue*: **Dress code**

There was general feeling around the table that the current dress code policy is adequate. It was agreed on that the facilitator would go back through the survey and get specific comments and concerns about the policy. The members of the taskforce also agreed to go back to their respective departments and get staff input on the issue to be discussed at a later date.

It is strongly encouraged that staff communicates any concerns about this issue to one of the focus group members.

*Issue:* **Parking Issue**

There was general discussion about parking; specifically the availability and the cost of parking. The feeling around the table was that they recognized that parking is not ideal, but that it is workable.

No recommendation is suggested at this time. This issue was tabled for later discussion. The facilitator and taskforce members need to investigate the issue further before we come up with recommendations.

Again, it is strongly encouraged that staff communicates any concerns about this issue to one of the focus group members.

Topics to be discussed on Thursday, March 26, 1998

- Recap on Dress code and Parking – discuss any concerns voiced by staff
- Morale Busters – please communicate any specific topics that you wish to be discussed to a focus group member or call Judy directly at 863-4478
- Inconsistencies in Pay scale
- Mike and Carmen will be on the agenda to speak about salary structures and the Performance Evaluation process.

# PERSONNEL TASK FORCE

Minutes of March 26th, 1998

Attendance:
Judy Boutin, Kim Fitzgerald, Kari Caragher, Veronica Santucci, Scott Baker, Glenn Jarrett, Peter Barry, Polly Thibault, Lisa Merry, guests: Mike McNamara and Carmen Blatt.

*Issue:* **Payscale and Performance Evaluation**

Mike began the discussion by explaining how and when the pay scales are used. It is used when new employees are hired at VHFA and when someone is promoted from within the organization.

It was also noted that the payscale was updated December 1995. However, since Palmer and Associates are the ones who come up with the salary ranges, Mike felt that they should review it for consistency. The most recent update to the payscale was done in house.

Mike and Carmen explained how the Performance Evaluation process works and why it is being done the way it is now, compared to how it has been handled in the past.

Mike explained that the board approves salary increases and then directors receive a "pool" of money to be distributed at their discretion.

Every one in the agency has their performance evaluated at the same time every year. (April/May). There was quite a bit of talk about directors waiting until performance evaluation time to bring up critical instances. There was also discussion about doing quarterly updates.

There was also discussion surrounding the issue of receiving a higher salary increase or bonus based on merit rather than cost of living without affecting other members of the department. Judy will be checking with Palmer and Associates to see what the normal standards are.

Questions were also asked of Mike and Carmen as to the job posting process and discussion was spent around the subject of having the opportunity to be promoted from within.

*Issue:* **PPRC's Role**

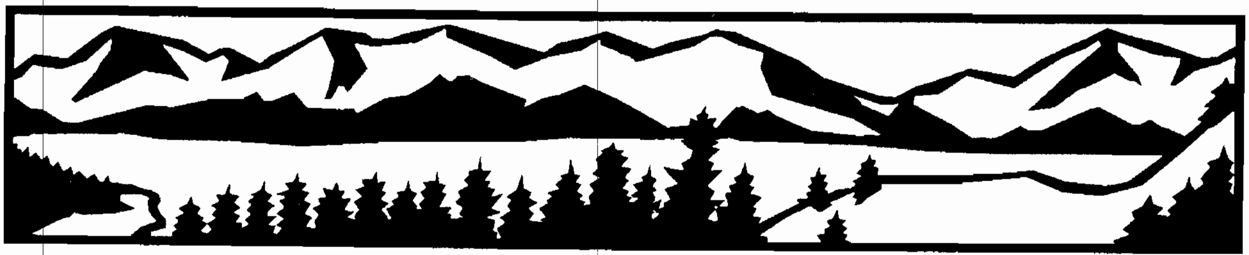
Time was spent clearing up the confusion of what PPRC role is in the organization. There are a few new employees on the taskforce who felt the review was beneficial.

The following is a summary of what their role is:
- A forum to discuss or change personnel policies and make any suggested changes to Core.

- A method for employees to voice their concerns or suggestions. Each department has a PPRC representative to channel their ideas through.

Due to the lack of time, discussion surrounding JDQ and performance evaluations will continue at the next meeting.

The meeting was finished up by discussing the scheduling of the next two meetings and a quick review on what the survey results were on the dress code issue. Further discussion will follow with recommendations.



## National Conference of State Housing Boards'
# Educational & Development Workshop
### August 23 - 25, 1998 • Stowe, Vermont

The 1998 National Conference of State Housing Boards' Educational & Development Workshop will be held at the Stoweflake Inn & Resort in Stowe, Vermont. This conference is designed for board members of state Housing Finance Agencies and open to HFA Executive Directors. Workshop topics include the roles and responsibilities of HFA board members, multifamily underwriting issues, welfare reform, Section 8 project-based contract renewal strategies, protecting HFA reserves, and partnerships with nonprofits. New and experienced board members alike will benefit from the conference sessions.

Stoweflake Inn & Resort is located in the heart of Stowe, Vermont, between old Stowe Village and Mount Mansfield, a quaint New England town filled with cultural and recreational activities. This beautiful mountain playground provides the perfect backdrop for all the outdoor sports you can imagine including hiking, golfing, tennis, boating, and hot air balloon flights. The special NCSHA room rate is $135 single/double. To ensure availability and the discounted rate, reservations must be made by July 8, 1998. Call the hotel at (802)253-7355 and identify yourself as an NCSHB attendee. *Note: Each reservation must be guaranteed by a $200 deposit, payable to the hotel, by check, money order, or major credit card.*

Burlington International Airport is a 45-minute taxi ride from the Stoweflake Inn & Resort. Delta Airlines offers a discount of 5 percent lower than any published discount round trip fares. Restrictions may apply. A 10 percent discount is offered on full fares for passengers not qualifying for any published discounts. Call (800)241-6760 and refer to File #108859A. No advance reservations or ticketing is required. United Airlines offers a discount of 5 percent lower than any published discount round trip fares. Restrictions may apply. For those passengers not qualifying for any published discounts, a 10 percent discount is offered on fares with a seven-day advance purchase. Call (800)521-4041 and refer to File #571HW.

***More information will be mailed soon!***

Bd

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VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

ASH

FROM: Allan S. Hunt, Executive Director

DATE: April 30, 1998

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The first two hours of the meeting will begin at 10:00 a.m. Thursday, May 7th at the New England Federal Credit Union, 1 Harvest Lane, Williston, Vermont. The meeting will then continue here at the VHFA Offices, 164 Saint Paul Street, Burlington, Vermont at 12:00 p.m. Lunch will be provided.

Attached is the agenda and Board packet. The master copy of the Board minutes kept on file here at the Agency includes any attachments that may be referenced in the minutes; copies will be made available should any Board members be interested in reviewing them.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Williston, on May 7th!

*If you need directions to the New England Federal Credit Union, please call Kari Caragher at (802) 652-3413.*



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VERMONT HOUSING FINANCE AGENCY

**BOARD AGENDA**
Vermont Housing Finance Agency
164 Saint Paul Street
Burlington, Vermont

Thursday, May 7th
10:00 a.m. – 12:00 p.m.(Williston)
12:00 p.m. – 4:00 p.m. (Burlington)
*(Lunch will be provided)*

1. Evensen Dodge Presentation of Financial Study **[Sent under separate cover]**
   - (90 Minutes)

2. 1998 Housing Tax Credit Allocation: Joint Committee On Tax Credits Recommendation **[Enclosure]**
   - (30 Minutes)

3. Strategic Planning: Staff Ranking of Programs **[Enclosure]**
   - (60 Minutes)

4. Lender of Last Resort **[Enclosure]**
   - (30 Minutes)

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VERMONT HOUSING FINANCE AGENCY

**TO:** **VHFA BOARD OF COMMISSIONERS**

**FROM:** **ROGER A. SCHOENBECK, DIRECTOR OF FINANCE** RAS

**DATE:** **APRIL 30, 1998**

**RE:** **EVENSEN DODGE FINANCIAL STUDY REPORT**

You will be receiving by separate delivery (Federal Express) a copy of the Evensen Dodge Financial Plan and Risk Based Capital Analysis. Al Hans of Evensen Dodge will be at the Board meeting and will further elaborate on the report.

***We believe that this report is a critical component of strategic planning and the defining document of our future financial planning.***

Please take the time to review the document so that you are prepared to get your important questions answered. If you are pressed for time the most important parts of the report are the executive summary and parts five and six. The first four sections consist of background and risk profile analysis information. We have set aside 2 hours of the meeting for the presentation which will include a visual exhibition, discussion of assumptions, engagement approach, highlights of the study and allow time for questions.

If you have questions or topics you would like covered or further explained (especially if you are unable to attend the meeting), please contact Allan or myself at your convenience.



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VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

**To:** VHFA Board Of Directors

**From:** Joe Erdelyi, Multifamily Development Underwriter JE
Cindy Reid, Development Officer CR

**Date:** April 30, 1998

**Re:** 1998 Round One Housing Credit Meeting Results and Joint Committee Recommendations

On Tuesday, April 28 there was a public meeting on the first round of reservations for Housing Credits in 1998. Every development was represented by at least one member of its development team. Given the amount of credits applied for, it appeared when applications were received that there would only be one round, and both staff recommendations and the Joint Committee on Tax Credits (JCTC) recommendations have confirmed this – all of the 1998 credits are recommended for reservation at this time. The attached staff memo describes the projects and the process staff used to rank them. Some of the projects that ranked lower came as a surprise to staff, given the history of the program in serving many smaller family rehab projects in historic buildings. The main reason these projects ranked lower is due to the difficulty that smaller, occupied projects have in offering rents that are affordable to households at or below 30% of Area Median Gross Income. Nevertheless, the ranking in the memo represents the priorities outlined in the Allocation Plan, in staff's opinion.

The Committee members discussed the staff ranking and also considered their individual experiences, including serving on the Housing Council and in developing the state's Consolidated Plan. There was a general feeling among the Committee members that the Park Village proposal in Brandon met more state priorities than The Maples proposal because: 1) Rutland County has had most of its elderly affordable housing needs met, and Brandon was creating fewer new elderly units than The Maples; 2) re-use of the Brandon Training School campus was a high state priority; 3) the Brandon proposal creates new family units, which there is an overall statewide need for; and 4) the Brandon proposal involves the rehabilitation of existing structures, which is a state priority over new construction. The Committee then unanimously voted to recommend to fully fund all of the applications except the Maples, which would receive $110,000 out of a staff-recommended amount of $220,871 in credits. Two of the projects funded would receive advance binding commitments from the 1999 Housing Credit ceiling: McAuley would receive all of its credits ($88,000) and Park Place II would receive a portion of its credits ($17,575 out of a total of $75,000 in credits) from the 1999 ceiling.

Enclosure



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RESOLUTION REGARDING
LOW INCOME HOUSING TAX CREDIT
PROJECT RESERVATIONS

WHEREAS, on November 18, 1993 the Board agreed with a staff recommendation that the Board consider and approve staff recommendations on specific Low Income Housing Tax Credit (LIHTC) project reservations after such recommendations had been presented to and considered by the Joint Committee on Tax Credits (JCTC); and

WHEREAS, the JCTC met on April 28, 1998 and considered recommendations for reservations of tax credits for 10 proposed projects; and

WHEREAS, the Agency staff recommended all but three of the projects to the JCTC for reservations, but expressed concern to the JCTC regarding the "readiness to proceed" and "need and demand" criteria for the Park Village proposal in Brandon, and sought guidance from the JCTC because of these concerns. The JCTC modified the staff's recommendations to fully fund all of the applications except the Maples in Rutland, which would receive $110,000 in credits; and

WHEREAS, staff has prepared a memorandum dated April 30, 1998 containing a description of the projects (the "Memorandum"), and

NOW, THEREFORE, it is hereby RESOLVED:

1. The Board has considered the projects discussed in the Memorandum.

2. The Agency approves the reservation for the projects recommended by the JCTC in the amounts listed:

| | | |
|---|---|---|
| Pearl/Union SRO | Burlington | $55,000 |
| Cora B. Whitney Apts. | Bennington | 73,399 |
| Park Place II | Burlington | 75,000 |
| The Maples | Rutland | 110,000 |
| Park Village Apts. | Brandon | 171,851 |
| McAuley Square | Burlington | 88,000 |
| Slapp Hill Housing | Hardwick | 47,500 |
| Barre and Bailey Streets | Montpelier | 50,000 |
| Bennington Arts | Bennington | 73,000 |

subject to the payment of applicable reservation fees, and subject to the conditions discussed in the Memorandum.

3. All ($88,000) of the McAuley Square credits and $17,575 of the Park Place II credits will be advance binding commitments from the 1999 Housing Credit ceiling.

4. Lakeview Housing in Newport, which was seeking $35,900 in credits, will attempt to secure out of cap credits by seeking tax-exempt bond funding. If that attempt is unsuccessful, Lakeview Housing will receive $35,900 in an advance binding commitment from the 1999 ceiling.

5. The Agency staff may increase or decrease LIHTC allocations by up to five percent, if appropriate, based upon changes in development costs.

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VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

**To:** Joint Tax Credit Committee

**From:** Joe Erdelyi, Multifamily Development Underwriter
Cindy Reid, Development Officer CR

**Date:** April 24, 1998

**Re:** 1998 Round One Housing Credit Reservation Meeting

Enclosed is the packet for the upcoming meeting of the Joint Committee on Tax Credits. The meeting is set for:

**Tuesday, April 28, 1998**
**1:30 PM**
**National Life Building, 6th Floor Conference Room**
**Montpelier**

Please let us know if you cannot attend. We look forward to seeing you there.

Enclosures



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EQUAL HOUSING OPPORTUNITY

**AGENDA**

Joint Committee on Tax Credits
April 28, 1998
Agency of Commerce and Community Development
National Life Building, 6th Floor Conference Room, Montpelier, 1:30 p.m.

I. Review Minutes of Joint Committee on Tax Credits meeting of 1/12/98

II. Staff Presentation of 1998 LIHTC Projects:

a. *Pearl/Union, Burlington (Housing Vermont, Burlington Community Land Trust)*

b. *Cora B. Whitney Apartments, Bennington (Regional Affordable Housing Corp.)*

c. *Park Place II, Burlington (Housing Vermont, Burlington Community Land Trust)*

d. *The Maples, Rutland (Green Mountain Development Group)*

e. *Lakeview Housing, Newport (Housing Vermont, Gilman Housing Trust)*

f. *Park Village Apartments, Brandon (Holmberg Construction Inc.)*

g. *McAuley Square (Housing Vermont, Cathedral Square Corporation)*

h. *Slapp Hill, Hardwick (Housing Vermont, Lamoille Housing Partnership)*

i. *Barre/Bailey, Montpelier (Housing Vermont, Central Vermont Community Land Trust)*

j. *Bennington Arts, Bennington (Housing Vermont, Vermont Arts Exchange)*

III. Housing Credit Applicant Project Presentations *(five minutes each)*

III. Discussion of Housing Credit Reservations and Committee Action

IV. Adjourn

**JOINT COMMITTEE ON TAX CREDITS**
**1:15 P.M., January 12, 1998**
**AGENCY OF COMMERCE & COMMUNITY DEVELOPMENT, MONTPELIER**

PRESENT:

| | |
|---|---|
| JCTC members: | Allan Hunt, Barbara Grimes, Gus Seelig, Richard Williams, John Taylor |
| VHFA staff: | Mike McNamara, Joe Erdelyi |
| Public: | Richard White (Community National Bank and VHFA Board Chair), Roberta Harold (RD), John Giebink (Green Mountain Development Group), Stephanie O'Brien Kennaugh (O'Brien Realty) |

Staff discussed the areas outlined in the memo in order:

1. Status of Previously Recommended Changes:

Staff summarized the changes made based on input from the last public hearing. The Committee found the changes acceptable. John Giebink asked about the definition of special needs housing, which was proposed to be left as staff initially recommended. He felt it would be difficult for large projects to find tenants for half of the units that have been put through a state-approved screening process prior to applying for credits. It was pointed out that the proposed language does not specify when the developer will need to demonstrate that the tenants served will meet the definition of "special needs." It was also stated that a proposal that had such a list of tenants would, all other things being equal, be more competitive than one which relies only on the developer's commitment to meet this standard in the future. Joe Erdelyi stated that there was a recent private letter ruling by the IRS that calls into question the ability to use tax credits on assisted living facilities, which (along with nursing homes) have been the primary methods of serving special needs housing. John Giebink also raised the issue of per project limits, and a letter he sent to staff on the subject was discussed. The Committee felt the limit staff recommended of 30% of the per capita credit limit, with exceptions for projects of statewide significance, was adequate, and that this was a limit that the Committee could waive on a case-by-case basis.

2. Definition of "Blight":

The Committee endorsed the definition with one change: "…fire damage" was changed to read "…fire or other natural disaster." The definition will read as follows: "Blight" means a condition that exists when the majority of a building in uninhabitable or unusable due to neglect, condemnation, or damage from fire or other natural disaster

3. Definition of "Statewide Significance":

There was a question regarding the example given of extraordinary environmental clean-up costs. Joe Erdelyi responded that most rehab budgets these days include lead paint and asbestos abatement, and this type of abatement alone and to the extent usually encountered would not meet this test. Dick White expressed a concern that this exception to the limit on per project credits not be over-used and that its narrowly-defined scope not be broadened. His concern was that any applicant seeking a large allocation would attempt to pressure staff and the Committee into granting the status of "statewide significance" to the project, thereby diluting the effectiveness of having a per project limit.

The Committee endorsed the definition with one change: "…to the State" was changed to "…for Vermonters." The definition will read as follows: "Statewide significance" is defined as… (a project) which if it does not go forward: 1) will result in a loss of considerable federal funding for Vermonters; 2) will result in the displacement of a large number of low income households; 3) will result in the continued presence of significant health hazards (e.g. extraordinary environmental cleanup is a component of the project and the cost of that cleanup is high).

4. Major changes in a proposal when Reservation/Carryover is issued:

There was considerable discussion on the topic. The Committee did not want to see minor changes every time they occurred, and were assured that this is not happening now and would not happen in the future. The Committee also wanted to make sure that they were involved in the decision making process if a complete recapture of credits was being contemplated due to a major change, or even if a project reduced in size from its original proposal, with a reduced allocation, was being considered. Joe Erdelyi pointed out that many Carryover Allocations have historically ended up getting pushed back to late December, despite an (usual) October Carryover deadline, and calling a meeting of the Committee at that time of year and on short notice could be a problem. However, if the October deadline is strictly enforced, there should be no problem. The Committee endorsed the proposal with one change, that "bedroom size" be changed to "number of bedrooms per unit".

Gus Seelig asked that staff again consider adding definitions to the Allocation Plan that would make a distinction between "need" and "demand" for the proposed housing in a community. Allan Hunt said staff would work on this.

The meeting was adjourned at 2:20 P.M.

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VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: Joint Tax Credit Committee

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

DATE: April 24, 1998

RE: 1998 Round One Housing Credit Reservations

VHFA received ten applications for housing credits in this round. The state's total 1998 credit ceiling available for this round is $639,046. The attached summary sheet shows the relevant data for each project. There will be no credit authority remaining for an additional allocation in 1998 if credits are reserved at the recommended levels.

## PROJECT EVALUATION

Ten applications were accepted for evaluation. Of these ten, one application did not meet a threshold requirement to demonstrate the need and demand for the proposed housing with an independent market study as required by the Plan. Consideration of market studies has not always been the most critical factor in the Committee's past deliberations, and staff did permit the developer to submit this study after the application deadline. The applicant has commissioned a study, and since the Committee expressed a desire to see all applications evaluated regardless of staff recommendations, this project is included for consideration.

Staff developed a table for each of the four evaluation criteria, ranking the projects from highest to lowest in order of how well they met each criteria (Tables A through D). Because no point scoring system exists, staff looked for a natural "break point" in each table, which represents the separation of the proposals that are stronger at meeting the criterion from those that are not as strong. **All of the proposals met the basic rent and income qualification as tax credit eligible projects.** There was not an effort made to draw this line at the midpoint of the table. Rather, the line was drawn where the proposals seemed to cluster above and below.

*ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD*

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Table A, which looks at the income targeting of each project, contains the percentage of tax credit assisted units in each income category. All of the applicants elected to have the 40/60 minimum set-aside, which means that the projects must at least have 40% of the units affordable to households at 60% of area median.

Table B summarizes the materials that applicants submitted in support of the development's ability to meet the listed priorities. This table required more subjective judgment than the others. Some developments are well located for the type of housing proposed, but are not in an existing downtown or in other ways meeting the Consolidated Plan priorities. In fact, one proposed change to the Consolidated Plan for 1998 would recognize the construction of new housing units in communities with very low vacancy rates (<2%) or no housing available for rehabilitation as an exception to the general preference for preservation over new construction.

The separation of proposals in the "Readiness to Proceed" chart (Table C) occurs at the point below which all of the proposals look like they will need to wait until approximately October 1998 until either funding commitments or local approvals can be secured; staff usually in the past have used October as a deadline for carryover allocations. Applicants are presumed to have used their best judgment in providing a project schedule.

The "Geographic Targeting" criterion (Table D) as written asks whether the town the housing is proposed for has any housing of the type proposed. Unlike last year, all of the proposals this year are in towns that currently have assisted, affordable housing of the type proposed (i.e., family or elderly). In evaluating geographic targeting, staff considered that two of the proposals involved the preservation of existing housing that is currently part of the assisted, affordable housing stock. Failure to preserve this housing might create an affordable housing shortage where currently the problem is the age and condition of the housing. As with last year, these preservation projects were given priority over the creation of new units in communities that have already seen some units similar to the type proposed in the past.

Finally, Table E summarizes the proposals' rankings, with all projects "above the line" in each table receiving a "+", and all those below the line receiving a "-". The project summarizes following are presented in the order listed in Table E.

In doing its evaluation, staff has occasionally adjusted the credits down from the requested amount for a variety of reasons which have been discussed with the sponsors. The two most common reasons are: 1) that the applicable federal rate used when the reservations are made is less than was used by the sponsors when application was made; and 2) that the adjustments the sponsors made based on the proposal exceeding the per unit cost limitations were not done consistently.

## PROJECT SUMMARIES

| | |
|---|---|
| **Name:** | Pearl & Union SRO |
| **Location:** | Burlington, Chittenden County |
| **Sponsor:** | Housing Vermont & Burlington Community Land Trust (BCLT) |
| **Unit Breakdown:** | Twenty one 0-Bedroom Single Room Occupancy (SRO) units, 95-304 square feet (average is 187 s.f.); two units will be handicapped accessible |
| **Cost:** | $971,326 total; $46,256/unit; $88.53/s.f. hard construction cost |
| **Income Targeting:** | Four units are at or below 30% of Area Median Income; Seventeen units at or below 40% of Area Median Income; all of the units are tax credit restricted units. |

These two properties were initially made into a student housing cooperative known as the Green Mountain Housing Cooperative (GMHC), which was formed with the assistance of the Champlain Valley Mutual Housing Federation (CVMHF). Over time, residency was opened to non-students. Short-term financing was used, and the cooperative has been unsuccessful in securing long-term financing. The proposal is to transfer the properties to a limited partnership whose general partners are BCLT and a Housing Vermont subsidiary. The partnership would then allow the properties to run either as a leasing cooperative or with the management assistance of GMHC, preserving the original goals of the development while enabling it to receive housing credits. Along with the credits, other debt and soft funding from the City, VHCB, the AHP program, and others would allow approximately $300,000 in improvements to be done, and would provide stable, long-term affordable financing. Single Room Occupancy housing (housing with small individual living rooms and shared kitchens and/or bathrooms) is specifically permitted under the Housing Credit program. The project will serve some homeless people referred by the Committee on Temporary Shelter. Full time students, however, are generally not permitted as tenants in tax credit properties, with a few exceptions. For this reason, the development will be run just as a cooperative, not a student cooperative, for the credit compliance period.

**Recommendation:** Staff recommends a reservation of credits in the amount of $55,000, subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than October 31, 1998 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must demonstrate that requisite financing has been committed according to the following schedule:

| | |
|---|---|
| VHCB | May 15, 1998 |
| AHP | June 19, 1998 |
| Neighborworks | June 30, 1998 |
| Permanent Loan | June 30, 1998 |

"Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

3) Sponsor must provide evidence of competitive bidding.

| | |
|---|---|
| **Name:** | Cora B. Whitney Apartments |
| **Location:** | Bennington, Bennington County |
| **Sponsor:** | Regional Affordable Housing Corporation |
| **Unit Breakdown:** | Twenty two 1-Bedroom, 431 – 675 square feet (average square footage was 523 s. f.); two units will be fully handicapped accessible and the rest will be adaptable |
| **Cost:** | $2,003,533 total; $91,070/unit; $125/s.f. hard construction cost |
| **Income Targeting:** | One unit at or below 30% of median; Ten units at or below 50% of median income; Eleven total units are tax credit restricted; Eleven units are unrestricted. |

This application was submitted last year and did not receive a reservation of credits. Since then there have been some changes to the Allocation Plan, and the profile of applicants is different this year as well. The combination of these two factors has made the proposal more competitive. The per unit cost of the project is high due to the difficulty of rehabilitation a school building into senior housing that will have full elevator service and be fully accessible/adaptable. To help offset this high cost the developer is taking a fairly modest fee (6.13%). To achieve the affordability shown in the pro forma, the developer has initiated a capital campaign to raise approximately $200,000, which (with interest) will provide a 20-year operating subsidy of $15,000 per year. All approvals are in hand, and all but $50,000 in capital budget sources have been committed. The application specified that this project will serve frail elders, and in order to receive credit for this in the project ranking, staff recommend that the reservation include a condition that the majority of the tax credit units (no less than six units) be occupied both initially and on an ongoing basis by tenants who need assistance with activities of daily living as described in the Allocation Plan.

**Recommendation:** Staff recommends a reservation of credits in the amount of $73,399 subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than October 31, 1998 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must demonstrate that requisite financing has been committed according to the following schedule:

| | |
|---|---|
| VCDP | June 30, 1998 |
| Permanent Loan | June 30, 1998 |

| | |
|---|---|
| Capital Campaign Funds | December 31, 1998 (or the project's carryover allocation date, whichever is earlier) |

"Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

3) Sponsor shall document that initially and on an ongoing basis the majority of the tax credit restricted units (not less than 6 units) will be occupied by tenants who need assistance with at least one activity of daily living as described in the state's Allocation Plan. The Allocating Agency may withhold issuance of the IRS Forms 8609 until this documentation can be provided.

4) Sponsor must provide evidence of additional funding or cost savings to fill the funding gap (approximately $18,000) created by the lower credit amount than applied for.

5) Sponsor must provide evidence of competitive bidding.

| | |
|---|---|
| **Name:** | Park Place II |
| **Location:** | Burlington, Chittenden County |
| **Sponsor:** | Housing Vermont and Burlington Community Land Trust (BCLT) |
| **Unit Breakdown:** | Four 0-Bedroom, 405 square feet; Ten 1-Bedroom, 520-700 square feet (average 591 s.f.); One unit is handicapped accessible. |
| **Cost:** | $1,441,191 total; $102,942/unit; $83.84/s.f. hard construction cost |
| **Income Targeting:** | One unit is below 30% of Area Median Income; Six units are below 50% of Area Median Income; Seven units are below 60% of Area Median Income. All are tax credit units. |

Park Place II is the acquisition and rehabilitation of a burned out historic downtown building in Burlington, and will create 14 units of affordable cooperative housing. The project is co-sponsored by Housing Vermont and Burlington Community Land Trust (BCLT). Park Place I, which received an allocation of credits last year, is 20 units, and at the time it received its allocation, the remainder of the project (now called Park Place II) was to be a combination of commercial space and market housing. The developer decided to sell to Housing Vermont. In addition to the 14 units of cooperative housing, 5,500 square feet of commercial space will be developed. The per unit development cost is high due to the structural repairs needed, the historic nature of the rehabilitation, and the fire rating associated with the commercial space. The sponsor is applying for VHCB, HOME, Burlington Housing Trust Fund, Federal Home Loan Bank Affordable Housing Program, Neighborworks, and a permanent loan; the sponsor anticipates zoning approval in May.

**Recommendation:** Staff recommends a reservation of credits in the amount of $75,000, subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than October 31, 1998 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must demonstrate that requisite financing has been committed according to the following schedule:

| | |
|---|---|
| VHCB | May 15, 1998 |
| AHP | June 19, 1998 |
| Neighborworks | June 30, 1998 |
| HOME & BHTF | June 30, 1998 |
| Permanent Loan | June 30, 1998 |

"Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

3) Sponsor must demonstrate that zoning approval has been obtained by May 30, 1998.

4) Sponsor must provide evidence of competitive bidding.

| | |
|---|---|
| **Name:** | The Maples |
| **Location:** | Rutland, Rutland County |
| **Sponsor:** | Green Mountain Development Group |
| **Unit Breakdown:** | Forty Two 1-Bedroom, 625 square feet; Nine 2-Bedroom, 865 square feet; all units will be handicapped adaptable, made accessible on an as-needed basis. |
| **Cost:** | $3,592,622 total; $70,444/unit; $80.44/s.f. hard construction cost. |
| **Income Targeting:** | Five units at or below 30% of Area Median Income; Seven units at or below 50% of Area Median Income; Twenty Four units at or below 60% of Area Median Income; Fifteen units unrestricted. (36 tax credit units total) |

The developer submitted with the application a plan to serve frail elderly tenants in a majority of the units who need assistance with at least one activity of daily living. The Rutland Area Visiting Nurse Association will screen every prospective tenant of the Maples to identify their individual needs. The location of the Maples site is in a part of the City that the Master Plan identifies as a growth center for "high density senior housing and health care related facilities." This Master Plan has been adopted by the city and approved by the regional planning commission. Regarding funding commitments, the developer has a brief letter from a bank regarding the financing, but the project does not appear to have been through the bank's loan approval process yet. (However, unlike scarce public funds that are allocated in rounds, debt approval usually can occur at any time and would likely not delay the project.) The VCDP funds requested are substantial, and the request is under consideration for the June round. Finally, the local opposition for this project that was present last year has reportedly dwindled, with no opposing neighbors at the last public hearing. The project has all local approvals and anticipates Act 250 approval by July.

**Recommendation:** Staff recommends a reservation of credits in the amount of $220,871, subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than October 31, 1998 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must demonstrate that requisite financing has been committed according to the following schedule:

| | |
|---|---|
| VCDP | June 30, 1998 |
| Permanent Loan | July 31, 1998 |

"Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

3) Sponsor must demonstrate that Act 250 approval has been obtained by July 31, 1998.

4) Sponsor must provide evidence of competitive bidding or documentation that the builder's overhead, builder's profit, and general requirements are not in excess of the limits proscribed in the state's Allocation Plan.

5) Sponsor shall document that initially and on an ongoing basis the majority of the tax credit restricted units (not less than 19 units) will be occupied by tenants who need assistance with at least one activity of daily living as described in the state's Allocation Plan. The Allocating Agency may withhold issuance of the IRS Forms 8609 until this documentation can be provided.

**Name:** Lakeview Housing
**Location:** Newport, Orleans County
**Sponsor:** Housing Vermont & Gilman Housing Trust (GHT)
**Unit Breakdown:** Two 0-Bedroom, 400-575 square feet (average 488 s.f.); Nine 1-Bedroom, 620-825 square feet (average 734 s.f.); Two 2-Bedroom, 890-1,000 square feet (average 945 s.f.); Three 3-Bedroom, 1,600 square feet; Three units will be handicapped accessible
**Cost:** $1,422,036 total; $88,877/unit; $55/s.f. hard construction cost
**Income Targeting:** All sixteen units are at or below 30% of Area Median Income (all are tax credit restricted); all of the units have project based rental assistance and low interest financing from Rural Development.

Lakeview Housing is an acquisition/rehabilitation project involving three historic buildings in the City of Newport. Two buildings are currently in Gilman Housing Trust's (GHT) portfolio, and the third building is currently owned by a partnership called Northeastern Vermont Housing Company, consisting of Housing Vermont (HVT), GHT and AHEAD (a N.H. nonprofit). The project is co-sponsored by HVT and GHT. The properties are located at 115 West Main Street (Governor Prouty Inn), 2 Field Avenue and 68 Highland Avenue and are in walking distance of downtown. All properties are currently occupied; six are elderly and ten are family. The project will complete much needed rehabilitation; in addition, the Rural Development rental assistance will greatly enhance affordability by allowing tenants to pay no more than 30% of their income for rent. The project has existing VHCB and VCDP funding, and is applying for RD Loan and rental assistance, VHCB Lead funds, Federal Home Loan Bank Affordable Housing Program funding, and a REEP (energy conversion) grant.

**Recommendation:** Staff is pursuing a plan to obtain $35,900 in out-of-cap housing credits for this project. In discussions with RD, the sponsor, and our bond counsel, it appears viable to provide short-term tax-exempt financing (qualifying the project for out-of-cap credit) and then use RD as a permanent take-out at the end of the first year of the tax credit compliance period. Therefore, staff is not recommending a reservation of housing credits at this time. However, this project does rank highly overall, so if this strategy doesn't work, staff recommends as a backup that we could issue an advance binding commitment of 1999 ceiling credits.

Staff would like the Committee to read the following summaries with the understanding that at the end of these summaries there is further discussion on which of the following projects are recommended for reservations.

| | |
|---|---|
| **Name:** | Park Village Apartments (at the former Brandon Training School) |
| **Location:** | Brandon, Rutland County |
| **Sponsor:** | Holmberg Construction Inc. |
| **Unit Breakdown:** | Twenty Seven 1-Bedroom, 428-806 square feet (average 534 s.f.); Eight 2-Bedroom, 792-956 square feet (average 852 s.f.); Four 3-Bedroom, 806-974 square feet (average 897 s.f.); |
| **Cost:** | $2,658,468 total; $68,166/unit; $69.52/s.f. hard construction cost |
| **Income Targeting:** | Four of the units at or below 30% of Area Median Income; Nine of the units at or below 50% of Area Median Income; Thirteen of the units at or below 60% of Area Median Income; (26 total tax credit units) Thirteen units will be unrestricted. |

The proposal is similar to the application from last year, consisting of the same three buildings and the same mix of family and elderly units. The credit request and financing are also similar. As with the Cora Whitney application, the changes to the Plan, the income targeting, and the profile of the other applicants make this project rank higher than last year. The development would create 39 new housing units, and in accordance with the Plan the market need for more than twenty newly created units needs to be demonstrated. (One change to the Plan last year was that the market study requirement was added.) About one week before the deadline for applications, the developer indicated to staff that there he had not yet commissioned a market study, and was told by staff that the application would be accepted with the market study pending, but that the demonstration of market need was a threshold requirement and that the study should be done as soon as possible. Although this study has been commissioned and is being done, it is not ready in time for staff to consider prior to making recommendations under this round. A second and perhaps more significant change is that an application to the State by the town of Brandon for $583,000 in VCDP funds was not submitted for consideration in the current round. The developer intends to use either VCDP funding under its next round (applications in August, decision in October) or the FHLB AHP program (applications in October, decisions probably in December). Staff concern is that a reservation to this project now would mean other proposals that could be ready to proceed much sooner would have to wait until this project receives its funding commitment (or not). If this project fails to secure either of these funding sources it could be too late in the year to have another funding round, and work on the other projects will have been halted for six or eight months. Because of the lateness and competitiveness of the AHP funding round, and the fact that there are applications waiting for credits should this project fail to secure its funding, staff recommend that the deadline for "soft" funding correspond to the second VCDP cycle this year.

**Recommendation:** See discussion after the project summaries. A reservation of credits in the amount of $171,851 would be subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than November 31, 1998 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must demonstrate that requisite financing has been committed according to the following schedule:

| | |
|---|---|
| Permanent Loan | July 31, 1998 |
| VCDP | October 31, 1998 |

"Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

3) Sponsor must provide evidence of competitive bidding or documentation that the builder's overhead, builder's profit, and general requirements are not in excess of the limits proscribed in the state's Allocation Plan.

4) Sponsor must provide evidence of additional funding or cost savings to fill the funding gap (approximately $7,000) created by the lower credit amount than applied for.

| | |
|---|---|
| **Name:** | McAuley Square |
| **Location:** | Burlington, Chittenden County |
| **Sponsor:** | Housing Vermont and Cathedral Square Corporation (CSC) |
| **Unit Breakdown:** | Ten 1-Bedroom, 610-710 square feet (average 659 s.f.); Five 2-Bedroom, 900 square feet; Four 3-Bedroom, 1,050 square feet. Six units are for pregnant and parenting teen mothers attending the Lund Family Center Program; one unit is a manager's unit for the "Lund units". Twelve units are "Reach up/Scholar" units for single parents on public assistance attending Trinity College. Three units will be handicapped accessible. |
| **Cost:** | $1,823,034 total; $95,949/unit; $86.17/s.f. hard construction cost. |
| **Income Targeting:** | Four units are at 30% of Area Median Income; eleven units are below 40% of Area Median Income; two units are below 50% of Area Median Income; Two units are at 50% of Area Median Income. All are tax credit units. |

McAuley Square is a new construction project proposed for a 6.07 acre site on Mansfield Avenue in Burlington currently owned by the Sisters of Mercy. The project was awarded tax credits last year, but returned their credits due to delays in permitting. The project combines housing for single parents on public assistance attending the Trinity College Community Service Scholars Program (12 "Scholar units"), and housing for teen parents attending the Lund Family Center Program (six "Lund units" + one manager's unit). [The project also includes elderly housing (55 units), one additional Scholar unit located in an elderly housing building, and market rate ownership units (18 units) for a total of 93 units; this memo, however, does not consider these units, only the 12 "Scholar units" and the seven "Lund units" previously described.] Services will be provided by Trinity College and various social service agencies for the "Scholar" and "Lund" units. Housing Vermont and Cathedral Square Corporation (CSC) are sponsoring this development, and CSC will retain the Right of First Refusal in year 15. The project has received funding commitments from VHCB, HOME, HUD Supportive Housing Program (McKinney Homeless Funds), Burlington Housing Trust Fund, Burlington Inclusionary Funds, and the Federal Home Loan Bank Affordable Housing Program. Permanent financing is all that remains to be secured (by 7/98), in addition to equity commitments. The project seeks local planning approval by 5/14/98, and Act 250 approval (by 7/98). There is local opposition to the project which could delay the permitting process.

**Recommendation:** See discussion after the project summaries. A reservation of credits in the amount of $88,000 would be subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than October 31, 1998 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must demonstrate that requisite financing has been committed according to the following schedule:

| | |
|---|---|
| Permanent Loan | July 30, 1998 |

"Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

3) Sponsor must demonstrate that local planning approval has been obtained by May 20, 1998, and Act 250 approval by July 30, 1998.

4) Sponsor must provide evidence of competitive bidding.

| | |
|---|---|
| **Name:** | Slapp Hill Housing |
| **Location:** | Hardwick, Caledonia County |
| **Sponsor:** | Housing Vermont and Lamoille Housing Partnership (LHP) |
| **Unit Breakdown:** | Three 1-Bedroom, 620-650 square feet (average 640 s.f.); Five 2-Bedroom, 778-1,062 square feet (average 880 s.f.); Five 3-Bedroom, 896-1,484 (average 1,086 s.f.); One 4-Bedroom, 1,346 square feet. Two units are handicapped accessible. |
| **Cost:** | $1,362,701 total; $97,336/unit; $69.67/s.f. hard construction cost |
| **Income Targeting:** | Eleven units are below 50% of Area Median Income, and are all tax credit units; one unit is below 60% of Area Median Income and is an "other restricted" (HOME) unit; two units are unrestricted (market) units, and are below 60% of Area Median Income. |

Slapp Hill Housing in Hardwick is an acquisition rehabilitation project co-sponsored by Housing Vermont and Lamoille Housing Partnership (LHP). The project consists of three historic buildings totaling 14 units of family housing. The buildings are all within walking distance of the downtown area. All three properties have suffered serious deferred maintenance. The project has received all of its funding, including VHCB, HOME, VCDP, a Town of Hardwick grant, VHCB Lead and feasibility funds, a NETO grant (energy conversion) and a Corrections Department grant (for demolition); the project needs no permitting and is ready to proceed. The Town has provided much support to get this project off the ground. When the project was first initiated, it consisted of four buildings and a lower per unit development cost. During the funding process, one building dropped out and thus the per unit development cost rose.

**Recommendation:** See discussion after the project summaries. A reservation of credits in the amount of $47,500 would be subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than October 31, 1998 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must provide evidence of competitive bidding.

| | |
|---|---|
| **Name:** | Barre and Bailey Streets |
| **Location:** | Montpelier, Washington County |
| **Sponsor:** | Housing Vermont & Central Vermont Community Land Trust (CVCLT) |
| **Unit Breakdown:** | Three 0-Bedroom, 320-434 square feet (average 396 s.f.); Eight 1-Bedroom, 456-640 square feet (average 578 s.f.); Two 2-Bedroom, 682-1,109 square feet (average 896 s.f.); Two 3-Bedroom, 1,134-1,512 square feet (average 1,323 s.f.); One commercial unit 1,300 square feet; three units will be handicapped accessible |
| **Cost:** | \$1,332,499 total; \$88,833/unit; \$59.60/s.f. hard construction cost (residential portion) |
| **Income Targeting:** | Five units are at or below 50% of Area Median Income; Six units are at or below 60% of Area Median Income; in addition, there are two restricted (HOME units @ 60% of area median income) and two unrestricted (market) units @ 60% of area median income. |

The development consists of two adjacent buildings on the corner of Baldwin Avenue and Bailey Street in Montpelier, and a building on Barre Street adjacent to several properties currently owned by CVCLT. The Barre Street property has a commercial space on the ground floor and apartments above. The other two buildings are in an area that serves as a border between a residential neighborhood and commercial uses, and if the proposal is not undertaken it seems possible (if not likely) that they could be converted in use and the housing units could be lost. The units are occupied, and although some of the current tenants have incomes below 30% of median, the rent structure is targeted to households at or below 50% of median in order to make the overall project financially feasible. The development has all required approvals and anticipates VHCB funding and a small permanent loan commitment, both in May.

**Recommendation:** See discussion after the project summaries. A reservation of credits in the amount of \$50,000 would be subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than October 31, 1998 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must demonstrate that requisite financing has been committed according to the following schedule:

| | |
|---|---|
| Permanent Loan | May 31, 1998 |
| VHCB & HOME | May 31, 1998 |
| VHCB Lead | May 31, 1998 |

"Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

3) Sponsor must provide evidence of competitive bidding.

| | |
|---|---|
| **Name:** | Bennington Arts Housing |
| **Location:** | Bennington, Bennington County |
| **Sponsor:** | Housing Vermont and Vermont Arts Exchange |
| **Unit Breakdown:** | Three 0-Bedroom, 720-850 square feet (average 763 s.f.); Five 1-Bedroom, 616-768 square feet (average 677 s.f.); Four 2-Bedroom, 900-980 square feet (average 941 s.f.); Two 3-Bedroom, 1,300-1,452 square feet (average 1,376 s.f.); One 4-Bedroom, 1,232 square feet. Three units will be handicapped accessible. |
| **Cost:** | $1,392,510 total; $92,834/unit; $51.40/s.f. hard construction cost |
| **Income Targeting:** | Eight units are at 50% of Area Median Income; six units are below 60% of Area Median Income; one unit is affordable to 62% of Area Median Income and is unrestricted (the other fourteen units are all tax credit units). |

Bennington Arts Housing is an acquisition/rehabilitation project consisting of five historic buildings. Two include the adaptive re-use of old firehouses that are no longer used, and three are apartment buildings in need of repair. Housing Vermont and the Vermont Arts Exchange are co-sponsors of the project; together their goal is to create 15 units of housing for low-income artists and families. Vermont Arts Exchange will provide supporting arts, social services and community development programs. (VAE has played a vital role in providing community development and arts programs for children during the redevelopment of Applegate). The firehouses are currently vacant, and the apartment houses are occupied. The project is applying for VHCB (including Lead and Energy Feasibility funds), HOME, Federal Home Loan Bank Affordable Housing Program, Historic Preservation, Cultural Facilities Fund, and a permanent loan. The sponsor anticipates zoning approval by 6/98.

**Recommendation:** See discussion after the project summaries. A reservation of credits in the amount of $73,000 would be subject to the following conditions:

Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than October 31, 1998 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

1) Sponsor must demonstrate that requisite financing has been committed according to the following schedule:

| | |
|---|---|
| VHCB (including Lead) & HOME | May 15, 1998 |
| Cultural Facilities Fund | May 30, 1998 |
| AHP | June 19, 1998 |
| Historic Preservation Funds | June 30, 1998 |
| Permanent Loan | June 30, 1998 |

"Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

2) Sponsor must demonstrate that zoning approval has been obtained by June 30, 1998.

3) Sponsor must provide evidence of competitive bidding.

**Discussion:**

In ranking the projects following the existing Allocation Plan, staff was somewhat surprised by the results in this round. Although the Allocation Plan is intended to be in large part consistent with the state's Consolidated Plan, the three lowest ranking projects in this round all follow the profile of family involving rehabilitation, long-term affordability (through non-profit sponsorship), and projects that preserve historic structures and preserve historic settlement patterns. The discrepancy lies primarily in the first evaluation criterion, serving the lowest income for the longest term, which is a requirement of the Allocation Plan from the tax code. The debate over providing affordability for the longest-term is now moot since all applicants are required by the Plan through one mechanism or another to put the property into long term affordability. Unfortunately, without operating subsidies it is very hard for smaller projects with large units (that are already occupied by tenants whom no one wants to displace) to set rents affordable to the lowest income groups. Larger projects simply can afford to do it more easily because of the economies of running larger operations. If the Committee perceive this to be a deficiency in the Allocation Plan as staff does, next year's Plan ought to contain some significant changes to address this issue.

Staff strongly recommend a point scoring system over the current ranking system, and would appreciate any and all proposals regarding the evaluation categories and their relative weights. Two ideas along these lines are: 1) switching the first and second evaluation criteria so that the evaluation of lowest income for the longest term is done after the projects are scored for compliance with the state's consolidated plan priorities (some research would have to be done to see of this has been tried elsewhere and if a strict reading of the tax code would permit it); and 2) going to a more efficient, quantifiable scoring system. Last heard, Vermont was one of only two states that does not use point scoring in its Allocation Plan. The priorities within the "Consolidated Plan" criterion are currently not in any order, and assigning more points to some of these categories would give them greater weight. The "Geographic Distribution" criterion had no real impact on the ranking this round. Under point scoring it would be easier to give consideration to towns or counties that have been historically underserved, either by this program or by all programs. It would also be easy to give an edge to towns or counties that did not receive any credits in just the last year or the last round, if desired.

Regarding the funding of projects this round: by a strict reading of the Plan, if all applicants are considered, then as Table E indicates, all applications but Montpelier, Hardwick, and Bennington Arts would receive a reservation of credits. Staff have expressed two concerns regarding the Brandon proposal, and the greater of these concerns is that the development will not hear about funding that is needed to make the project work at the rent levels shown until late in the year. The sellers of the buildings in the other three proposals may, for example, elect not to hold the properties under sales contract that long, and if so the proposals that were evaluated would change, probably altering their ranking and requiring another round for re-evaluation. Staff has ranked **all** the projects based on the four evaluation criteria, as shown on Table E. However, staff also believes it is reasonable to withhold Brandon from consideration based on: 1) lack of demonstrated need; and 2) concerns about readiness to proceed. Therefore, we are looking to the guidance of the Committee on this issue.

# VHFA 1998 LOW INCOME HOUSING TAX CREDITS APPLICATIONS TO DATE AND ANALYSIS

| | |
|---|---|
| 1998 Per Capita Credits | 736,250 |
| 1998 Returns | -0- |
| 1998 National Pool (estimated) | 10,000 |
| Total Available: | 746,250 |
| Less Applegate Commitment: | 107,204 |
| Remaining for Allocation in 1998: | 639,046 |

| Project Name | City | Sponsor | Total # of Units | # of LIHTC Units | Project Type | Recommended Allocation | Credit Type | Non-Profit? | Total Development Cost | Total Cost Per Unit | Allocation Per Unit | Equity Yield Per $ of Tax Credit | Housing Credit Equity | Dev. Fee as % of TDC | Developer's Fee |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Pearl & Union SRO | Burlington | HVT/BCLT | 21 | 21 | Acquisition/rehab | 55,000 | Both | Yes | 971,326 | 46,254 | 2,619 | $0.76 | 414,252 | 9.8 | 86,500 |
| Park Village Apts. | Brandon | Holmberg Construction, Inc. | 39 | 26 | Acquisition/Rehab | 171,851 | Both | No | 2,658,469 | 68,166 | 6,610 | 0.73 | 1,244,245 | 14.95 | 340,250 |
| The Maples | Rutland | Green Mt. Development Group | 51 | 36 | New Construction | 220,871 | 9% | No | 3,592,622 | 70,444 | 6,135 | 0.74 | 1,618,101 | 9.69 | 310,630 |
| Barre & Bailey Streets | Montpelier | HVT/CVCLT | 15 | 11 | Acquisition/Rehab | 50,000 | Both | Yes | 1,332,499 | 83,281 | 4,545 | 0.88 | 443,600 | 12.68 | 149,950 |
| Cora B. Whitney Apts. | Bennington | RAHC | 22 | 11 | Rehab | 73,399 | 9% | Yes | 2,003,533 | 91,070 | 6,673 | 0.82 | 614,855 | 6.13 | 114,000 |
| Slapp Hill Housing | Hardwick | HVT/Lamoille Housing Partnership | 14 | 11 | Acquisition/Rehab | 47,500 | 9% | Yes | 1,362,701 | 97,336 | 4,318 | 0.88 | 414,861 | 6.28 | 80,500 |
| Bennington Arts Housing | Bennington | HVT/Vermont Arts Exchange | 15 | 14 | Acquisition/Rehab | 73,000 | Both | Yes | 1,433,247 | 95,550 | 5,214 | 0.85 | 617,633 | 10.08 | 131,250 |
| Lakeview Housing | Newport | HVT/Gilman Housing Trust | 16 | 16 | Acquisition/Rehab | 0 | 4% | Yes | 1,419,147 | 88,697 | 0f | 0.76 | 270,112 | 10.51 | 135,000 |
| McAuley Square | Burlington | HVT/Cathedral Square Corporation | 19 | 19 | New Construction | 88,000 | 9% | Yes | 1,823,034 | 95,949 | 4,632 | .077 | 668,617 | 5.22 | 90,500 |
| Park Place II | Burlington | HVT/BCLT | 14 | 14 | Acquisition/Rehab | 75,000 | 9% | Yes | 1,441,191 | 102,942 | 5,357 | 0.87 | 700,167 | 10.04 | 131,500 |
| | | TOTALS | 226 | 179 | | 854,621 | | | 18,037,769 | | | | | | |

24-Apr-98 **Pearl & Union SRO**

| | | | |
|---|---|---|---|
| Commercial Unit | 1 | | |
| Total Residential Units: | 17 | Increase in Income from Rental Units: | 1.50% |
| Housing Credit Restricted Units: | 17 | Increase in Income from Other Sources: | 1.50% |
| Percent Restricted: | 100.00% | Increase in Income from Commercial: | 1.50% |
| Total Development Cost: | 971,326 | Expense increase: | 3.00% |
| Total Development Cost per Unit: | 57,137 | Vacancy Rate: | 5% |
| Total Development Cost Per SF: | 259 | Partner's Tax Rate: | 34% |
| | | Long Depreciation Schedule: | 27.5 years |
| Max Credit Potential: | 58,273 | Short Depreciation Schedule: | 7 years |
| Credit Amount Allocated: | 55,000 | Sponsor's Estimated Yield: | 75.61% |
| LIHTC - 9% | 8.36% | (May '98) | |
| LIHTC - 4% | 3.58% | | |

SOURCES

| | | % of Total Development Cost | Interest Rate | Amortization | Term |
|---|---|---|---|---|---|
| First Mortgage | 204,064 | 21.01% | 7.50% | 27 | 27 |
| HOME | 26,250 | 2.70% | 6.88% | 0 | 30 |
| VHCB G-P | 90,000 | 9.27% | 0.00% | 0 | 20 |
| VHCB New | 57,750 | 5.95% | 0.00% | 0 | 30 |
| Neighborworks Loan | 21,000 | 2.16% | 6.88% | 0 | 30 |
| BHTF/BCLT Loan | 28,000 | 2.88% | 0% | 0 | 30 |
| AHP Grant | 48,000 | 4.94% | N/A | N/A | |
| Historic Equity | 82,000 | 8.44% | N/A | N/A | |
| Tax Credit Equity | 414,500 | 42.67% | N/A | N/A | |
| TOTAL SOURCES | 971,564 | 100.02% | | | |

USES

| | | |
|---|---|---|
| Acquisition | 456,633 | 47.01% |
| Construction Hard Costs | 331,530 | 34.13% |
| Soft Costs | 183,163 | 18.86% |
| TOTAL USES | 971,326 | 100% |
| Gap | (238) | |

PER UNIT COST LIMIT CALCULATION

| | per unit limits | number of units | |
|---|---|---|---|
| 0 Br | 73,380 | 21 | 1,540,980 |
| 1 Br | 78,380 | 0 | 0 |
| 2 Br | 83,380 | 0 | 0 |
| 3 Br | 88,380 | 0 | 0 |
| 4 Br | 93,380 | 0 | 0 |
| Maximum cost allowed under the per unit cost limits | | | 1,540,980 |
| Projected total cost, excluding cash accounts | | | 971,326 |
| | | (over)/under | 569,654 |

| | | |
|---|---|---|
| General Partner's Capital Contribution | 4,159 | 1.00% |
| Limited Partner's Capital Contribution | 411,705 | 99.00% |
| Total Equity | 415,864 | |

APPLICABLE FRACTION CALCULATION

| | |
|---|---|
| Tax Credit Restricted Units | 21 |
| Total Units | 21 |
| Unit Fraction | 100.00% |
| Tax Credit Square Footage | 3,745 |
| Total Residential Square Footag | 3,745 |
| Square Footage Fraction | 100.00% |
| Applicable Fraction | 100.00% |

## #### Pearl & Union SRO

| # | Item | Budget | Acquisition Basis | Construction Basis | Residential Depreciation | Historic Credit Basis | Other |
|---|---|---|---|---|---|---|---|
| | ACQUISITION | | | | | | |
| 1 | Land | 81,564 | | | | | |
| 2 | Purchase of Building(s) | 371,569 | 371,569 | | 371,569 | 0 | |
| 3 | Rent Loss During Contract | 0 | | | | | |
| 4 | Property Appraisal | 2,000 | 2,000 | | 2,000 | 2,000 | |
| 5 | Legal - Title and Recording | 1,500 | 1,500 | | 1,500 | 0 | |
| | Subtotal - Acquisition | 456,633 | | | | | |
| | CONSTRUCTION HARD COSTS | | | | | | |
| 6 | Rehabilitation-Residential | 294,000 | | 294,000 | 294,000 | 294,000 | |
| 7 | Rehabilitation-Commercial | 0 | | 0 | 0 | 0 | |
| 8 | Accessory Buildings | 0 | | 0 | 0 | 0 | |
| 9 | Sitework | 0 | | 0 | 0 | 0 | |
| 10 | Commercial Space Costs (if any) | 0 | | | | | |
| 11 | General Requirements | 0 | | 0 | 0 | 0 | |
| 12 | Contractor Overhead | 0 | | 0 | 0 | 0 | |
| 13 | Contractor Profit | 0 | | 0 | 0 | 0 | |
| 14 | Construction Contingency | 33,930 | | 33,930 | 33,930 | 33,930 | |
| 15 | Construction Management | 0 | | 0 | 0 | 0 | |
| 16 | Construction Bond Fee | 0 | | 0 | 0 | 0 | |
| 17 | Hazardous Materials Abatement | 0 | | 0 | 0 | 0 | |
| 18 | Off-Site Improvements | 0 | | 0 | 0 | 0 | |
| 19 | Furnishings, Fixtures, & Equipment | 3,600 | | 3,600 | 0 | 0 | |
| 20 | Other (__________) | 0 | | | | | |
| | Subtotal - Hard Costs | 331,530 | | | | | |
| | SOFT COSTS | | | | | | |
| 21 | Architectural | 24,000 | | 24,000 | 24,000 | 24,000 | |
| 22 | Engineering | 0 | | 0 | 0 | 0 | |
| 23 | Legal/Accounting | 12,000 | | 12,000 | 12,000 | 12,000 | |
| 24 | Relocation | 10,000 | | 10,000 | 10,000 | 10,000 | |
| 25 | Environmental Assessment | 2,700 | | 2,700 | 2,700 | 2,700 | |
| 26 | Energy Assessment | 0 | | 0 | 0 | 0 | |
| 27 | Permits/Fees | 2,646 | | 2,646 | 2,646 | 2,646 | |
| 28 | Independent Market Study | 0 | | 0 | 0 | 0 | |
| 29 | Construction Period Insurance | 3,000 | | 3,000 | 3,000 | 3,000 | |
| 30 | Construction Interest | 15,000 | | 15,000 | 15,000 | 15,000 | |
| 31 | Construction Loan Origination Fee | 0 | | 0 | 0 | 0 | |
| 32 | Taxes During Construction | 3,500 | | 3,500 | 3,500 | 3,500 | |
| 33 | Clerk of the Works | 5,000 | | 5,000 | 5,000 | 5,000 | |
| 34 | Marketing | 500 | | | | | |
| 35 | Tax Credit Fees | 1,900 | | 1,900 | 1,900 | 1,900 | |
| 36 | Soft Cost Contingency | 2,617 | | 2,617 | 2,617 | 2,617 | |
| 37 | Permanent Loan Origination Fee | 1,800 | | | | | |
| 38 | Lender's Counsel's Fee | 0 | | 0 | 0 | 0 | |
| 39 | Other (Rent Loss) | 12,000 | | 12,000 | 12,000 | 0 | |
| | SYNDICATION COSTS | | | | | | |
| 40 | Organizational (Partnership) | 0 | | | | | |
| 41 | Bridge Loan Fees and Expenses | 0 | | | | | |
| 42 | Syndication Consultant | 0 | | | | | |
| 43 | Tax Opinion | 0 | | | | | |
| | DEVELOPER'S FEES | | | | | | |
| 44 | Developer's Fees | 56,500 | | 56,500 | 56,500 | 56,500 | |
| 45 | Other Partnership Fees | 30,000 | | 30,000 | 30,000 | 30,000 | |
| 46 | Consultant Fees | 0 | | 0 | 0 | 0 | |
| | RESERVES | | | | | | |
| 47 | Working Capital | 0 | | | | | |
| 48 | Rent-up (Deficit Escrow) Reserve | 0 | | | | | |
| 49 | Other Operating Reserves | 0 | | | | | |
| 50 | Sinking Fund | 0 | | | | | |
| 51 | Replacement Reserves | 0 | | | | | |
| | Subtotal - Soft Costs | 183,163 | | | | | |
| | TOTALS | 971,326 | 375,069 | 512,393 | 883,862 | 498,793 | |
| | ESS: Amount of Non-qualified Financing | | | | | 0 | |
| | ESS: Adjustment for per unit cost limits | | | | | | |
| | ESS: Historic tax Credit (Residential Portion) | | | 99,759 | 99,759 | 20% | Historic Cred |
| | Total Eligible Basis | | 375,069 | 412,634 | | 99,759 | Annual Histo |
| | ES: Adjusted for QCT/DDA | 130.0% | | 536,425 | | | |
| | ES: Applicable Fraction | 100.00% | 375,069 | 536,425 | | | |
| | Total Qualified Basis | | 375,069 | 536,425 | 784,103 | Long Term Depreciable Basis | |
| | ES: Applicable Percentage | | 3.58% | 8.36% | 27.5 | Depreciation Schedule | |
| | Total Annual Credit Qualified | | 13,427 | 44,845 | 28,513 | Annual Depreciation | |

| | | | |
|---|---|---|---|
| Total Tax Credits Requested | 55,000 | 58,273 | 0 Short Term Depreciable Basis |
| Estimated Net Syndication Proceeds (**excluding historic credit equity**) | 411,705 | | 7 Depreciation Schedule |
| Estimated Yield - Housing Credit Syndication | 75.61% | | 0 Annual Depreciation |
| Equity Gap | 496,262 | | |
| Credits Needed to fill Equity Gap | 66,296 | | |

| | | Check all Applicable | | | | | | | | A | | | | | B | | | | | | C | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Building # | Unit # | HOME Unit | Lead Paint Unit | Project Based Assistance | Tax Credit Unit | VHCB Restricted | Accessible | Adaptable | Unrestricted | Number of Bedrooms | Proposed Square Footage | Proposed Rent | Utility Allowance for Tenant-Paid Utilities | Gross Rent (Rent + Tenant-Paid Utilities) | OCCUPIED BY: Income level of residents to be served: | | | | | | AFFORDABLE TO: Units affordable to residents at: | | | | | |
| | | | | | | | | | | | | | | | <30% | <50% | <60% | <80% | <100% | >100% | 30% | 50% | 60% | 65% | 80% | 100%+ |
| Pearl St | 1 | | | | 1 | 1 | 1 | | | 0 | 255 | 326 | 0 | 326 | | | 1 | | | | | 1 | | | | |
| | 2 | | | | 1 | 1 | 1 | | | 0 | 195 | 315 | 0 | 315 | | | 1 | | | | | 1 | | | | |
| | 3 | | | | 1 | 1 | | | | 0 | 240 | 330 | 0 | 330 | | 1 | | | | | | 1 | | | | |
| | 4 | | | | 1 | 1 | | | | 0 | 175 | 305 | 0 | 305 | | 1 | | | | | | 1 | | | | |
| | 5 | 1 | | | 1 | 1 | | | | 0 | 200 | 330 | 0 | 330 | | | 1 | | | | | 1 | | | | |
| | 6 | | | | 1 | 1 | | | | 0 | 105 | 240 | 0 | 240 | 1 | | | | | | 1 | | | | | |
| | 7 | | | | 1 | 1 | | | | 0 | 255 | 330 | 0 | 330 | | | 1 | | | | | 1 | | | | |
| | 8 | | | | 1 | 1 | | | | 0 | 170 | 300 | 0 | 300 | | 1 | | | | | | 1 | | | | |
| | 9 | | | | 1 | 1 | | | | 0 | 190 | 325 | 0 | 325 | | 1 | | | | | | 1 | | | | |
| | 10 | | | | 1 | 1 | | | | 0 | 170 | 300 | 0 | 300 | | 1 | | | | | | 1 | | | | |
| | 11 | | | | 1 | 1 | | | | 0 | 95 | 240 | 0 | 240 | 1 | | | | | | 1 | | | | | |
| | 12 | | | | 1 | 1 | | | | 0 | 295 | 290 | 0 | 290 | | 1 | | | | | | 1 | | | | |
| | 13 | | | | 1 | 1 | | | | 0 | 195 | 300 | 0 | 300 | | | 1 | | | | | 1 | | | | |
| | 14 | | | | 1 | 1 | | | | 0 | 140 | 300 | 0 | 300 | | | 1 | | | | | 1 | | | | |
| | 15 | | | | 1 | 1 | | | | 0 | 165 | 300 | 0 | 300 | | 1 | | | | | | 1 | | | | |
| Union St | 1 | | | | 1 | 1 | | | | 0 | 126 | 300 | 0 | 300 | | | 1 | | | | | 1 | | | | |
| | 2 | | | | 1 | 1 | | | | 0 | 120 | 300 | 0 | 300 | | | 1 | | | | | 1 | | | | |
| | 3 | 1 | | | 1 | 1 | | | | 0 | 120 | 300 | 0 | 300 | | 1 | | | | | | 1 | | | | |
| | 4 | | | | 1 | 1 | | | | 0 | 120 | 300 | 0 | 300 | | 1 | | | | | | 1 | | | | |
| | 5 | | | | 1 | 1 | | | | 0 | 110 | 240 | 0 | 240 | 1 | | | | | | 1 | | | | | |
| | 6 | | | | 1 | 1 | | | | 0 | 304 | 240 | 0 | 240 | | 1 | | | | | 1 | | | | | |
| Total # Units | 21 | | | | | | | | | Totals: | 3,745 | 6,211 | | Total # Units | 3 | 10 | 8 | 0 | 0 | 0 | 4 | 17 | 0 | 0 | 0 | 0 |

24-Apr-98 **Pearl & Union SRO**

| HC Restricted Units Bedrooms | Type | Average Square Feet | Number | Average Rent | Utilities | Total Annual Rent |
|---|---|---|---|---|---|---|
| 0 Br | | 178 | 21 | 296 | | 74,532 |
| 1 Br | | 0 | 0 | 0 | | 0 |
| 2 Br | | 0 | 0 | 0 | | 0 |
| 3 Br | | 0 | 0 | 0 | | 0 |
| 4+ Br | | 0 | 0 | | | 0 |
| | Totals | 3,745 | 21 | | | 74,532 |

| Non-HC Restricted Units Bedrooms | Type | Square Feet | Number | Rent | Utilities | Total Annual Rent |
|---|---|---|---|---|---|---|
| 0 Br | | 0 | 0 | 0 | | 0 |
| 1 Br | | 0 | 0 | 0 | | 0 |
| 2 Br | | 0 | 0 | 0 | | 0 |
| 3 Br | | 0 | 0 | 0 | | 0 |
| 4+ Br | | 0 | 0 | 0 | | 0 |
| | Totals | 0 | 0 | | | 0 |
| All Units | | | | | | |
| | Grand Totals | 3,745 | 21 | | | 74,532 |

| | | |
|---|---|---|
| Less Vacancy | 5.00% | (3,727) |
| | NET RENT | 70,805 |

OTHER INCOME

| | |
|---|---|
| Laundry | 1,500 |
| Parking | 270 |
| Commercial Space Income | 0 |
| Other | 60 |
| TOTAL INCOME | 72,635 |

# 24-Apr-98 **Pearl & Union SRO**

| | Annual | Monthly | Per Unit Per Month | |
|---|---|---|---|---|
| Administration | | | | |
| Management Fee | 7,560 | 630 | 30 | 10.4% |
| Supportive Services | 0 | 0 | 0 | |
| Audit/Accounting | 3,500 | 292 | 14 | |
| Legal | 500 | 42 | 2 | |
| Compliance Monitoring | 504 | 42 | 2 | |
| Marketing | 300 | 25 | 1 | |
| Other | 2,016 | 168 | 8 | |
| TOTAL ADMINISTRATIVE | 14,380 | 1,198 | 57 | |
| Utilities | | | | |
| Electricity | 3,950 | 329 | 16 | |
| Fuel | 4,700 | 392 | 19 | |
| Water and Sewer | 2,450 | 204 | 10 | |
| Fire Alarm / Emergency | | 0 | 0 | |
| Other | | 0 | 0 | |
| TOTAL UTILITIES | 11,100 | 925 | 44 | |
| Maintenance | | | | |
| Maintenance / Janitor Payroll | 4,800 | 400 | 19 | |
| Janitor Supplies | | 0 | 0 | |
| Exterminating | | 0 | 0 | |
| Trash Removal | 1,400 | 117 | 6 | |
| Snow Removal | 300 | 25 | 1 | |
| Grounds | 0 | 0 | 0 | |
| Repairs Material | | 0 | 0 | |
| Repairs Contract | | 0 | 0 | |
| HVAC Repairs / Maintenance | | 0 | 0 | |
| Elevator Contract / Repairs | | 0 | 0 | |
| Painting and Decorating | 1,000 | 83 | 4 | |
| Other | | 0 | 0 | |
| TOTAL MAINTENANCE | 7,500 | 625 | 30 | per unit month |
| Real Estate Taxes | 8,600 | 717 | 34 | excl. ds & res. |
| Property Insurance | 3,725 | 310 | 15 | 180 |
| Replacement Reserves | 2,629 | 219 | 10 | |
| Primary Debt Service | 17,649 | 1,471 | 70 | |
| Other "must pay" debt service | | 0 | 0 | |
| Other | | 0 | 0 | |
| Total | 65,583 | 5,465 | 260 | |

| 24-Apr-98 | | Pearl & Union SRO | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | |
| Operating Income | | | | | | | | | | | | | | | | | |
| Gross Rent | | 74,532 | 75,650 | 76,785 | 77,937 | 79,106 | 80,292 | 81,497 | 82,719 | 83,960 | 85,219 | 86,497 | 87,795 | 89,112 | 90,448 | 91,805 | |
| Other Income | | 1,830 | 1,857 | 1,885 | 1,914 | 1,942 | 1,971 | 2,001 | 2,031 | 2,061 | 2,092 | 2,124 | 2,156 | 2,188 | 2,221 | 2,254 | |
| Vacancy and other losses | | (3,727) | (3,782) | (3,839) | (3,897) | (3,955) | (4,015) | (4,075) | (4,136) | (4,198) | (4,261) | (4,325) | (4,390) | (4,456) | (4,522) | (4,590) | |
| Total Operating Income | | 72,635 | 73,725 | 74,831 | 75,953 | 77,093 | 78,249 | 79,423 | 80,614 | 81,823 | 83,051 | 84,296 | 85,561 | 86,844 | 88,147 | 89,469 | |
| Operating Expenses | | | | | | | | | | | | | | | | | |
| Total Expenses (excl Reserves) | | 45,305 | 46,664 | 48,064 | 49,506 | 50,991 | 52,521 | 54,097 | 55,719 | 57,391 | 59,113 | 60,886 | 62,713 | 64,594 | 66,532 | 68,528 | |
| Reserves | | 2,629 | 2,668 | 2,708 | 2,749 | 2,790 | 2,832 | 2,875 | 2,918 | 2,962 | 3,006 | 3,051 | 3,097 | 3,143 | 3,190 | 3,238 | |
| Total Operating Expense | | 47,934 | 49,333 | 50,773 | 52,255 | 53,782 | 55,353 | 56,971 | 58,637 | 60,353 | 62,119 | 63,937 | 65,810 | 67,737 | 69,722 | 71,766 | |
| Net Operating Income | | 24,701 | 24,392 | 24,058 | 23,698 | 23,311 | 22,896 | 22,451 | 21,977 | 21,471 | 20,932 | 20,359 | 19,751 | 19,107 | 18,425 | 17,703 | |
| Less Primary Debt Service | | 17,649 | 17,649 | 17,649 | 17,649 | 17,649 | 17,649 | 17,649 | 17,649 | 17,649 | 17,649 | 17,649 | 17,649 | 17,649 | 17,649 | 17,649 | |
| Less Secondary Debt Service | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Annual Cash Flow | | 7,052 | 6,743 | 6,409 | 6,049 | 5,662 | 5,247 | 4,802 | 4,328 | 3,822 | 3,283 | 2,710 | 2,102 | 1,458 | 775 | 54 | |
| Operating Subsidies / Sinking Fund | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Net Cash | | 7,052 | 6,743 | 6,409 | 6,049 | 5,662 | 5,247 | 4,802 | 4,328 | 3,822 | 3,283 | 2,710 | 2,102 | 1,458 | 775 | 54 | |
| DCR | | 139.96% | 138.21% | 136.31% | 134.27% | 132.08% | 129.73% | 127.21% | 124.52% | 121.65% | 118.60% | 115.36% | 111.91% | 108.26% | 104.39% | 100.30% | |
| Cumulative Cash Flow | | | | | | | | | | | | | | | | | |
| Beginning Balance | | 0 | 7,123 | 13,934 | 20,407 | 26,516 | 32,235 | 37,534 | 42,385 | 46,756 | 50,615 | 53,931 | 56,668 | 58,791 | 60,264 | 61,047 | |
| Deposits | | 7,052 | 6,743 | 6,409 | 6,049 | 5,662 | 5,247 | 4,802 | 4,328 | 3,822 | 3,283 | 2,710 | 2,102 | 1,458 | 775 | 54 | |
| Interest | 2.0% | 71 | 67 | 64 | 60 | 57 | 52 | 48 | 43 | 38 | 33 | 27 | 21 | 15 | 8 | 1 | |
| Withdrawals | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Ending Balance | | 7,123 | 13,934 | 20,407 | 26,516 | 32,235 | 37,534 | 42,385 | 46,756 | 50,615 | 53,931 | 56,668 | 58,791 | 60,264 | 61,047 | 61,101 | |
| Cumulative Replacement Reserves | | | | | | | | | | | | | | | | | |
| Beginning Balance | | 0 | 2,655 | 5,350 | 8,086 | 10,863 | 13,681 | 16,541 | 19,445 | 22,392 | 25,383 | 28,419 | 31,500 | 34,628 | 37,803 | 41,025 | |
| Deposits | | 2,629 | 2,668 | 2,708 | 2,749 | 2,790 | 2,832 | 2,875 | 2,918 | 2,962 | 3,006 | 3,051 | 3,097 | 3,143 | 3,190 | 3,238 | |
| Interest | 2.0% | 26 | 27 | 27 | 27 | 28 | 28 | 29 | 29 | 30 | 30 | 31 | 31 | 31 | 32 | 32 | |
| Withdrawals | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Ending Balance | | 2,655 | 5,350 | 8,086 | 10,863 | 13,681 | 16,541 | 19,445 | 22,392 | 25,383 | 28,419 | 31,500 | 34,628 | 37,803 | 41,025 | 44,296 | |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | |
| Net Operating Income | | 24,701 | 24,392 | 24,058 | 23,698 | 23,311 | 22,896 | 22,451 | 21,977 | 21,471 | 20,932 | 20,359 | 19,751 | 19,107 | 18,425 | 17,703 | |
| Plus Reserves | | 2,629 | 2,668 | 2,708 | 2,749 | 2,790 | 2,832 | 2,875 | 2,918 | 2,962 | 3,006 | 3,051 | 3,097 | 3,143 | 3,190 | 3,238 | |
| Less Interest Expense | | (18,473) | (18,384) | (18,288) | (18,182) | (18,068) | (17,944) | (17,808) | (17,662) | (17,502) | (17,329) | (17,140) | (16,936) | (16,714) | (16,473) | (16,211) | |
| Less Long Depreciation | | (28,513) | (28,513) | (28,513) | (28,513) | (28,513) | (28,513) | (28,513) | (28,513) | (28,513) | (28,513) | (28,513) | (28,513) | (28,513) | (28,513) | (28,513) | |
| Less Short Depreciation | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Taxable Income (Loss) | | (19,656) | (19,836) | (20,034) | (20,248) | (20,479) | (20,728) | (20,995) | (21,280) | (21,583) | (21,904) | (22,243) | (22,601) | (22,977) | (23,371) | (23,782) | |
| Cash Flow | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Plus Tax Savings | | 6,683 | 6,744 | 6,811 | 6,884 | 6,963 | 7,048 | 7,138 | 7,235 | 7,338 | 7,447 | 7,563 | 7,684 | 7,812 | 7,946 | 8,086 | |
| Plus Tax Credits | | 55,000 | 55,000 | 55,000 | 55,000 | 55,000 | 55,000 | 55,000 | 55,000 | 55,000 | 55,000 | | | | | | |
| After Tax Cash Flow | | 61,683 | 61,744 | 61,811 | 61,884 | 61,963 | 62,048 | 62,138 | 62,235 | 62,338 | 62,447 | 7,563 | 7,684 | 7,812 | 7,946 | 8,086 | |
| Total Years | 15 | | | | | | | | | | | | | | | | |
| Reinvestment Rate | 12.00% | | | | | | | | | | | | | | | | |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | |
| Current After Tax Cash Flows | | 61,683 | 61,744 | 61,811 | 61,884 | 61,963 | 62,048 | 62,138 | 62,235 | 62,338 | 62,447 | 7,563 | 7,684 | 7,812 | 7,946 | 8,086 | |
| Future Value of Cash Flows at Yr 15: | | 337,626 | 301,752 | 269,714 | 241,100 | 215,541 | 192,711 | 172,315 | 154,092 | 137,810 | 123,260 | 13,328 | 12,091 | 10,975 | 9,967 | 9,056 | |
| Discount Rate: | 6.00% | | | | | | | | | | | | | | | | |
| Capital Contribution Number. | 1 | 2 | 3 | 4 | | | | | | | | | | | | | |
| Date of Capital Contribution: | 01-Sep-98 | 01-Mar-99 | 01-Aug-99 | | | | | | | | | | | | | | |
| Amount of Capital Contribution: | 24,825 | 347,550 | 124,125 | 0 | | | | | | | | | | | | | |
| Present Value of Contributions: | 24,825 | 337,223 | 117,405 | 0 | | | | | | | | | | | | | |
| Cash Flows | (479,453) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 2,201,338 |
| IRR: | 10.70% | | | | | | | | | | | | | | | | |
| Equity Yield. | 88.05% | | | | | | | | | | | | | | | | |

27-Apr-98 **Cora B Whitney**

| | | | |
|---|---|---|---|
| Total Residential Units: | 22 | Increase in Income from Rental Units: | 2.00% |
| Housing Credit Restricted Units: | 11 | Increase in Income from Other Sources: | 1.00% |
| Percent Restricted: | 50.00% | Increase in Income from Commercial: | 0.00% |
| Total Development Cost: | 2,003,533 | Expense increase: | 2.65% |
| Total Development Cost per Unit: | 91,070 | Vacancy Rate: | 5% |
| Total Development Cost Per SF: | 174 | Partner's Tax Rate: | 38% |
| | | Long Depreciation Schedule: | 27.5 years |
| Max Credit Potential: | 73,399 | Short Depreciation Schedule: | 7 years |
| Credit Amount Allocated: | 73,399 | Sponsor's Estimated Yield: | 81.25% |
| LIHTC - 9% | 8.36% | (May '98) | |
| LIHTC - 4% | 3.58% | | |

**SOURCES**

| | | % of Total Development Cost | Interest Rate | Amortization | Term |
|---|---|---|---|---|---|
| First Mortgage | 630,725 | 31.48% | 6.50% | 30 | 20 |
| HOME Deferred Loan | 258,950 | 12.92% | 6.38% | 30 | 30 |
| VHCB Loan - Deferred | 123,000 | 6.14% | 0.00% | 20 | int. only |
| VHCB Grant | 63,500 | 3.17% | 6.50% | 30 | grant |
| VCDP Deferred Loan | 50,000 | 2.50% | 0.00% | 30 | 30 |
| Town BRLP Loan | 40,000 | 2.00% | 5.50% | 20 | 20 |
| VCLF Loan | 40,700 | 2.03% | 6.00% | 30 | 30 |
| Historic Credit Equity | 181,455 | 9.06% | N/A | N/A | |
| Housing Tax Credit Equity | 596,378 | 29.77% | N/A | N/A | |
| TOTAL SOURCES | 1,984,708 | 99.06% | | | |

**USES**

| | | |
|---|---|---|
| Acquisition | 155,600 | 7.77% |
| Construction Hard Costs | 1,434,633 | 71.61% |
| Soft Costs | 413,300 | 20.63% |
| TOTAL USES | 2,003,533 | 100.00% |
| Gap | 18,825 | |

PER UNIT COST LIMIT CALCULATION

| | per unit limits | number of units | |
|---|---|---|---|
| 0 Br | 73,380 | 0 | 0 |
| 1 Br | 78,380 | 22 | 1,724,360 |
| 2 Br | 83,380 | 0 | 0 |
| 3 Br | 88,380 | 0 | 0 |
| 4 Br | 93,380 | 0 | 0 |
| Maximum cost allowed under the per unit cost limits | | | 1,724,360 |
| Projected total cost, excluding cash accounts and other exclusions | | | 1,783,093 |
| | | (over)/under | (58,733) |

| | | |
|---|---|---|
| General Partner's Capital Contribution | 5,964 | 1.00% |
| Limited Partner's Capital Contribution | 590,414 | 99.00% |
| Total Equity | 596,378 | |

APPLICABLE FRACTION CALCULATION

| | |
|---|---|
| Tax Credit Restricted Units | 11 |
| Total Units | 22 |
| Unit Fraction | 50.00% |
| Tax Credit Square Footage | 5,227 |
| Total Residential Square Footage | 11,506 |
| Square Footage Fraction | 45.43% |
| Applicable Fraction | 45.43% |

27-Apr-98 **Cora B Whitney**

| | | Budget | Acquisition Basis | Construction Basis | Residential Depreciation | Historic Credit Basis | Other |
|---|---|---|---|---|---|---|---|
| | ACQUISITION | | | | | | |
| 1 | Land | 27,000 | | | | | |
| 2 | Purchase of Building(s) | 123,000 | | | 123,000 | | |
| 3 | Demolition (without replacement) | 0 | | | | | |
| 4 | Property Appraisal | 1,500 | | | 1,500 | | |
| 5 | Legal - Title and Recording | 4,100 | | | 4,100 | | |
| | Subtotal - Acquisition | 155,600 | | | | | |
| | CONSTRUCTION HARD COSTS | | | | | | |
| 6 | Rehabilitation | 1,244,080 | | 1,244,080 | 1,244,080 | 702,617 | |
| 7 | New Building(s) | 0 | | | | | |
| 8 | Accessory Buildings | 0 | | | | | |
| 9 | Sitework | 30,000 | | 30,000 | 30,000 | 20,983 | |
| 10 | Commercial Space Costs (if any) | 0 | | | | | |
| 11 | General Requirements | 0 | | | | | |
| 12 | Contractor Overhead | 0 | | | | | |
| 13 | Contractor Profit | 0 | | | | | |
| 14 | Construction Contingency | 105,553 | | 94,998 | 94,998 | 66,446 | |
| 15 | Construction Management | 0 | | | | | |
| 16 | Construction Bond Fee | 0 | | | | | |
| 17 | Hazardous Materials Abatement | 45,000 | | 45,000 | 45,000 | 45,000 | |
| 18 | Off-Site Improvements | 0 | | | | | |
| 19 | Furnishings, Fixtures, & Equipment | 10,000 | | 10,000 | 10,000 | | |
| 20 | Other (________________) | 0 | | | | | |
| | Subtotal - Hard Costs | 1,434,633 | | | | | |
| | SOFT COSTS | | | | | | |
| 21 | Architectural | 111,101 | | 111,101 | 111,101 | 77,709 | |
| 22 | Engineering | 0 | | | | | |
| 23 | Legal/Accounting | 13,000 | | 13,000 | 13,000 | 9,092 | |
| 24 | Relocation | 0 | | 0 | 0 | | |
| 25 | Environmental Assessment | 1,500 | | 1,500 | 1,500 | 1,049 | |
| 26 | Energy Assessment | 1,500 | | 1,500 | 1,500 | 1,049 | |
| 27 | Permits/Fees | 9,021 | | 9,021 | 9,021 | 6,761 | |
| 28 | Independent Market Study | 0 | | 0 | 0 | | |
| 29 | Construction Period Insurance | 2,550 | | 2,550 | 2,550 | 1,302 | |
| 30 | Construction Interest | 35,438 | | 35,438 | 35,438 | 24,787 | |
| 31 | Construction Loan Origination Fee | 17,000 | | 17,000 | 17,000 | 11,891 | |
| 32 | Taxes During Construction | 3,600 | | 3,600 | 3,600 | 3,000 | |
| 33 | Clerk of the Works | 10,000 | | 10,000 | 10,000 | 6,994 | |
| 34 | Marketing | 7,500 | | | 7,500 | | |
| 35 | Tax Credit Fees | 2,840 | | 2,840 | 2,840 | | |
| 36 | Soft Cost Contingency | 10,000 | | 10,000 | 8,500 | 5,945 | |
| 37 | Permanent Loan Origination Fee | 6,000 | | | 6,000 | | |
| 38 | Lender's Counsel's Fee | 3,000 | | | 3,000 | | |
| 39 | Other (estimate, feas., historic) | 8,750 | | 3,250 | 3,250 | 3,025 | |
| | SYNDICATION COSTS | | | | | | |
| 40 | Organizational (Partnership) | 0 | | | | | |
| 41 | Bridge Loan Fees and Expenses | 0 | | | | | |
| 42 | Syndication Consultant | 25,000 | | | 25,000 | | |
| 43 | Tax Opinion | 3,000 | | | 3,000 | | |
| | DEVELOPER'S FEES | | | | | | |
| 44 | Developer's Fees | 114,000 | | 114,000 | 114,000 | 79,737 | |
| 45 | Other Partnership Fees | 0 | | | | | |
| 46 | Consultant Fees | 0 | | | | | |
| | RESERVES | | | | | | |
| 47 | Working Capital | 22,000 | | | | | |
| 48 | Rent-up (Deficit Escrow) Reserve | 5,000 | | | | | |
| 49 | Other Operating Reserves | 0 | | | | | |
| 50 | Sinking Fund | 0 | | | | | |
| 51 | Replacement Reserves | 1,500 | | | | | |
| | Subtotal - Soft Costs | 413,300 | | | | | |
| | TOTALS | 2,003,533 | 0 | 1,758,878 | 1,920,478 | 1,067,387 | |
| LESS: | Amount of Non-qualified Financing | | | | | | |
| LESS: | Adjustment for per unit cost limits | | | 58,733 | | | |
| LESS: | Historic tax Credit (Residential Portion) | | | 213,477 | 213,477 | 20% | Historic Credit Rate |
| | Total Eligible Basis | | 0 | 1,486,668 | | 213,477 | Annual Historic Credit |
| TIMES: | Adjusted for QCT/DDA | 130.0% | | 1,932,668 | | | |
| TIMES: | Applicable Fraction | 45.43% | 0 | 877,981 | | | |
| | Total Qualified Basis | | 0 | 877,981 | 1,618,301 | Long Term Depreciable Basis | |
| TIMES: | Applicable Percentage | | 3.58% | 8.36% | 27.5 | Depreciation Schedule | |
| | Total Annual Credit Qualified | | 0 | 73,399 | 58,847 | Annual Depreciation | |

| | |
|---|---|
| Total Tax Credits Requested | 75,673 |
| Estimated Net Syndication Proceeds (**excluding historic credit equity**) | 608,706 |
| Estimated Yield - Housing Credit Syndication | 81.25% |
| Equity Gap | 796,658 |
| Credits Needed to fill Equity Gap | 99,039 |

98,700 Short Term Depreciable Basis

7 Depreciation Schedule

14,100 Annual Depreciation

27-Apr-98 **Cora B Whitney**

| HC Restricted Units Bedrooms | Type | Average Square Feet | Number | Average Rent | Utilities | Total Annual Rent |
|---|---|---|---|---|---|---|
| 0 Br | | | 0 | 0 | | 0 |
| 1 Br | | 475 | 11 | 340 | | 44,868 |
| 2 Br | | | 0 | 0 | | 0 |
| 3 Br | | | 0 | 0 | | 0 |
| 4+ Br | | | 0 | 0 | | 0 |
| | 72,017 | 5,227 | 11 | | | 44,868 |

| Non-HC Restricted Units Bedrooms | Type | Square Feet | Number | Rent | Utilities | Total Annual Rent |
|---|---|---|---|---|---|---|
| 0 Br | | | 0 | 0 | | 0 |
| 1 Br | | 571 | 11 | 656 | | 86,544 |
| 2 Br | | | 0 | 0 | | 0 |
| 3 Br | | | 0 | 0 | | 0 |
| 4+ Br | | | 0 | 0 | | 0 |
| | Totals | 6,279 | 11 | | | 86,544 |
| All Units | | | | | | |
| | Grand Totals | 11,506 | 22 | | | 131,412 |
| | | Less Vacancy | 5.00% | | | (6,571) |
| | | | | | NET RENT | 124,841 |

OTHER INCOME

| | |
|---|---|
| Laundry | 2,288 |
| Parking | 0 |
| Commercial Space Income | 0 |
| Other (Rent Subsidy Income) | 15,000 |
| TOTAL INCOME | 142,129 |

form revision date: 2/27/97

27-Apr-98

# Cora B Whitney

| | | Check all Applicable | | | | | | | | A | | | | | B | | | | | | C | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Building # | Unit # | HOME Unit | Lead Paint Unit | Project Based Assistance | Tax Credit Unit | VHCB Restricted | Accessible | Adaptable | Unrestricted | Number of Bedrooms | Proposed Square Footage | Proposed Rent | Utility Allowance for Tenant-Paid Utilities | Gross Rent (Rent + Tenant-Paid Utilities) | OCCUPIED BY: Income level of residents to be served: | | | | | | AFFORDABLE TO: Units affordable to residents at: | | | | | |
| | | | | | | | | | | | | | | | <30% | <50% | <60% | <80% | <100% | >100% | 30% | 50% | 60% | 65% | 80% | 100%+ |
| 1 | 1 | | | | | | | 1 | 1 | 1 | 643 | 589 | 0 | 589 | | | | | 1 | | | | | | 1 | |
| 1 | 2 | | | | | | | 1 | 1 | 1 | 644 | 589 | 0 | 589 | | | | | 1 | | | | | | 1 | |
| 1 | 3 | 1 | | | 1 | | | 1 | | 1 | 514 | 221 | 0 | 221 | 1 | | | | | | 1 | | | | | |
| 1 | 4 | | | | | | | 1 | 1 | 1 | 590 | 589 | 0 | 589 | | | | | 1 | | | | | | 1 | |
| 1 | 5 | 1 | | | 1 | | | 1 | | 1 | 534 | 331 | 0 | 331 | | 1 | | | | | | 1 | | | | |
| 1 | 6 | | | | | | | 1 | 1 | 1 | 592 | 589 | 0 | 589 | | | | | 1 | | | | | | 1 | |
| 1 | 7 | 1 | | | 1 | | | 1 | | 1 | 457 | 331 | 0 | 331 | | 1 | | | | | | 1 | | | | |
| 1 | 8 | 1 | | | 1 | | 1 | | | 1 | 458 | 331 | 0 | 331 | | 1 | | | | | | 1 | | | | |
| 1 | 9 | | | | | | | 1 | 1 | 1 | 476 | 662 | 0 | 662 | | | | | 1 | | | | | | 1 | |
| 1 | 10 | 1 | | | 1 | | | 1 | | 1 | 434 | 331 | 0 | 331 | | 1 | | | | | | 1 | | | | |
| 1 | 11 | 1 | | | 1 | | | 1 | | 1 | 431 | 361 | 0 | 361 | | 1 | | | | | | 1 | | | | |
| 1 | 12 | 1 | | | 1 | | | 1 | | 1 | 514 | 361 | 0 | 361 | | 1 | | | | | | 1 | | | | |
| 1 | 13 | | | | | | | 1 | 1 | 1 | 556 | 662 | 0 | 662 | | | | | 1 | | | | | | 1 | |
| 1 | 14 | | | | | | | 1 | 1 | 1 | 571 | 662 | 0 | 662 | | | | | 1 | | | | | | 1 | |
| 1 | 15 | | | | 1 | | | 1 | | 1 | 517 | 368 | 0 | 368 | | 1 | | | | | | 1 | | | | |
| 1 | 16 | | | | | | | 1 | 1 | 1 | 675 | 662 | 0 | 662 | | | | | 1 | | | | | | 1 | |
| 1 | 17 | | | | | | | 1 | 1 | 1 | 644 | 736 | 0 | 736 | | | | | 1 | | | | | | 1 | |
| 1 | 18 | | | | | | | 1 | 1 | 1 | 457 | 736 | 0 | 736 | | | | | 1 | | | | | | 1 | |
| 1 | 19 | | | | 1 | | 1 | | | 1 | 458 | 368 | 0 | 368 | | 1 | | | | | | 1 | | | | |
| 1 | 20 | | | | 1 | | | 1 | | 1 | 476 | 368 | 0 | 368 | | 1 | | | | | | 1 | | | | |
| 1 | 21 | | | | 1 | | | 1 | | 1 | 434 | 368 | 0 | 368 | | 1 | | | | | | 1 | | | | |
| 1 | 22 | | | | | | | 1 | 1 | 1 | 431 | 736 | 0 | 736 | | | | | 1 | | | | | | 1 | |
| Total # Units | 22 | | | | 11 | | | | 11 | Totals: | 11,506 | 10,951 | | Total # Units | 1 | 10 | 0 | 0 | 11 | 0 | 1 | 10 | 0 | 0 | 11 | 0 |

27-Apr-98 **Cora B Whitney**

| | Annual | Monthly | Per Unit Per Month | |
|---|---|---|---|---|
| **Administration** | | | | |
| Management Fee | 9,240 | 770 | 35 | 6.5% |
| Supportive Services | | 0 | 0 | |
| Audit/Accounting | 3,500 | 292 | 13 | |
| Legal | 1,000 | 83 | 4 | |
| Compliance Monitoring | 528 | 44 | 2 | |
| Marketing | 500 | 42 | 2 | |
| Other | 500 | 42 | 2 | |
| TOTAL ADMINISTRATIVE | 15,268 | 1,272 | 58 | |
| **Utilities** | | | | |
| Electricity | 4,400 | 367 | 17 | |
| Fuel | 7,500 | 625 | 28 | |
| Water and Sewer | 5,346 | 446 | 20 | |
| Fire Alarm / Emergency | 500 | 42 | 2 | |
| Other | | 0 | 0 | |
| TOTAL UTILITIES | 17,746 | 1,479 | 67 | |
| **Maintenance** | | | | |
| Maintenance / Janitor Payroll | 7,500 | 625 | 28 | |
| Janitor Supplies | 625 | 52 | 2 | |
| Exterminating | 625 | 52 | 2 | |
| Trash Removal | 3,500 | 292 | 13 | |
| Snow Removal | 1,500 | 125 | 6 | |
| Grounds | 2,500 | 208 | 9 | |
| Repairs Material | 2,500 | 208 | 9 | |
| Repairs Contract | 5,000 | 417 | 19 | |
| HVAC Repairs / Maintenance | | 0 | 0 | |
| Elevator Contract / Repairs | | 0 | 0 | |
| Painting and Decorating | 2,000 | 167 | 8 | |
| Other | | 0 | 0 | |
| TOTAL MAINTENANCE | 25,750 | 2,146 | 98 | |
| | | | | per unit month |
| Real Estate Taxes | 15,424 | 1,285 | 58 | excl. ds & res. |
| Property Insurance | 3,600 | 300 | 14 | 295 |
| Replacement Reserves | 6,768 | 564 | 26 | |
| Primary Debt Service | | 0 | 0 | |
| Other "must pay" debt service | | 0 | 0 | |
| Other | | 0 | 0 | |
| Total | 84,556 | 7,046 | 320 | |

27-Apr-98 **Cora B Whitney**

| | Year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Operating Income | | | | | | | | | | | | | | | | |
| Gross Rent | | 131,412 | 134,040 | 136,721 | 139,455 | 142,245 | 145,089 | 147,991 | 150,951 | 153,970 | 157,050 | 160,190 | 163,394 | 166,662 | 169,995 | 173,395 |
| Other Income | | 17,288 | 17,461 | 17,635 | 17,812 | 17,990 | 18,170 | 18,352 | 18,535 | 18,720 | 18,908 | 19,097 | 19,288 | 19,481 | 19,675 | 19,872 |
| Vacancy and other losses | | (6,571) | (6,702) | (6,836) | (6,973) | (7,112) | (7,254) | (7,400) | (7,548) | (7,699) | (7,852) | (8,010) | (8,170) | (8,333) | (8,500) | (8,670) |
| Total Operating Income | | 142,129 | 144,799 | 147,520 | 150,295 | 153,122 | 156,005 | 158,943 | 161,939 | 164,992 | 168,105 | 171,278 | 174,512 | 177,810 | 181,171 | 184,598 |
| Operating Expenses | | | | | | | | | | | | | | | | |
| Total Expenses (excl. Reserves) | | 77,788 | 79,849 | 81,965 | 84,137 | 86,367 | 88,656 | 91,005 | 93,417 | 95,892 | 98,434 | 101,042 | 103,720 | 106,468 | 109,290 | 112,186 |
| Reserves | | 6,768 | 6,903 | 7,041 | 7,182 | 7,326 | 7,472 | 7,622 | 7,774 | 7,930 | 8,088 | 8,250 | 8,415 | 8,583 | 8,755 | 8,930 |
| Total Operating Expense | | 84,556 | 86,753 | 89,007 | 91,320 | 93,693 | 96,128 | 98,627 | 101,191 | 103,822 | 106,522 | 109,292 | 112,135 | 115,052 | 118,045 | 121,116 |
| Net Operating Income | | 57,573 | 58,046 | 58,514 | 58,975 | 59,429 | 59,877 | 60,316 | 60,747 | 61,170 | 61,583 | 61,985 | 62,377 | 62,758 | 63,126 | 63,482 |
| Less Primary Debt Service | | 54,069 | 54,069 | 54,069 | 54,069 | 54,069 | 54,476 | 54,476 | 54,476 | 54,476 | 54,476 | 54,476 | 54,476 | 54,476 | 54,476 | 54,476 |
| Less Secondary Debt Service | | 500 | 531 | 563 | 598 | 635 | 2,339 | 510 | 553 | 599 | 648 | 702 | 761 | 824 | 892 | 966 |
| Annual Cash Flow | | 3,004 | 3,446 | 3,881 | 4,307 | 4,725 | 3,062 | 5,330 | 5,719 | 6,095 | 6,458 | 6,807 | 7,141 | 7,458 | 7,758 | 8,040 |
| Operating Subsidies / Sinking Fund | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Cash | | 3,004 | 3,446 | 3,881 | 4,307 | 4,725 | 3,062 | 5,330 | 5,719 | 6,095 | 6,458 | 6,807 | 7,141 | 7,458 | 7,758 | 8,040 |
| DCR | | 105.51% | 106.31% | 107.10% | 107.88% | 108.64% | 105.39% | 109.69% | 110.39% | 111.07% | 111.72% | 112.34% | 112.93% | 113.49% | 114.01% | 114.50% |
| Cumulative Cash Flow | | | | | | | | | | | | | | | | |
| Beginning Balance | | 27,000 | 31,144 | 35,836 | 41,151 | 47,104 | 53,713 | 58,924 | 66,610 | 74,993 | 84,088 | 93,910 | 104,474 | 115,794 | 127,884 | 140,757 |
| Interest | 4.0% | 1,140 | 1,246 | 1,433 | 1,646 | 1,884 | 2,149 | 2,357 | 2,664 | 3,000 | 3,364 | 3,756 | 4,179 | 4,632 | 5,115 | 5,630 |
| Deposits | | 3,004 | | | | | | | | | | | | | | |
| Withdrawals | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ending Balance | | 31,144 | 35,836 | 41,151 | 47,104 | 53,713 | 58,924 | 66,610 | 74,993 | 84,088 | 93,910 | 104,474 | 115,794 | 127,884 | 140,757 | 154,427 |
| Cumulative Replacement Reserves | | | | | | | | | | | | | | | | |
| Beginning Balance | | 1,500 | 1,695 | 1,901 | 2,118 | 2,346 | 2,587 | 2,840 | 3,106 | 3,386 | 3,680 | 3,989 | 4,313 | 4,654 | 5,012 | 5,387 |
| Deposits | | 6,768 | 6,903 | 7,041 | 7,182 | 7,326 | 7,472 | 7,622 | 7,774 | 7,930 | 8,088 | 8,250 | 8,415 | 8,583 | 8,755 | 8,930 |
| Interest | 4.0% | 195 | 206 | 217 | 228 | 240 | 253 | 266 | 280 | 294 | 309 | 325 | 341 | 358 | 376 | 394 |
| Withdrawals | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ending Balance | | 1,695 | 1,901 | 2,118 | 2,346 | 2,587 | 2,840 | 3,106 | 3,386 | 3,680 | 3,989 | 4,313 | 4,654 | 5,012 | 5,387 | 5,781 |
| | | 64,341 | 64,950 | 65,555 | 66,157 | 66,755 | | | | | | | | | | |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Net Operating Income | | 57,573 | 58,046 | 58,514 | 58,975 | 59,429 | 59,877 | 60,316 | 60,747 | 61,170 | 61,583 | 61,985 | 62,377 | 62,758 | 63,126 | 63,482 |
| Plus Reserves | | 6,768 | 6,903 | 7,041 | 7,182 | 7,326 | 7,472 | 7,622 | 7,774 | 7,930 | 8,088 | 8,250 | 8,415 | 8,583 | 8,755 | 8,930 |
| Less Interest Expense | | (61,911) | (62,398) | (62,916) | (63,465) | (64,048) | (63,410) | (65,937) | (66,637) | (67,380) | (68,167) | (69,002) | (69,887) | (70,825) | (71,819) | (72,874) |
| Less Long Depreciation | | (58,847) | (58,847) | (58,847) | (58,847) | (58,847) | (58,847) | (58,847) | (58,847) | (58,847) | (58,847) | (58,847) | (58,847) | (58,847) | (58,847) | (58,847) |
| Less Short Depreciation | | (14,100) | (14,100) | (14,100) | (14,100) | (14,100) | (14,100) | (14,100) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Taxable Income (Loss) | | (70,517) | (70,396) | (70,308) | (70,255) | (70,241) | (69,008) | (70,947) | (56,963) | (57,127) | (57,343) | (57,613) | (57,941) | (58,331) | (58,785) | (59,309) |
| Cash Flow | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Plus Tax Savings | | 26,796 | 26,750 | 26,717 | 26,697 | 26,691 | 26,223 | 26,960 | 21,646 | 21,708 | 21,790 | 21,893 | 22,018 | 22,166 | 22,338 | 22,538 |
| Plus Historic Credit | | 213,477 | | | | | | | | | | | | | | |
| Plus Tax Credits | | 73,399 | 73,399 | 73,399 | 73,399 | 73,399 | 73,399 | 73,399 | 73,399 | 73,399 | 73,399 | | | | | |
| After Tax Cash Flow | | 313,673 | 100,149 | 100,116 | 100,096 | 100,090 | 99,622 | 100,359 | 95,045 | 95,107 | 95,189 | 21,893 | 22,018 | 22,166 | 22,338 | 22,538 |
| Total Years | 15 | | | | | | | | | | | | | | | |
| Reinvestment Rate | 5.00% | | | | | | | | | | | | | | | |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Current After Tax Cash Flows | | 313,673 | 100,149 | 100,116 | 100,096 | 100,090 | 99,622 | 100,359 | 95,045 | 95,107 | 95,189 | 21,893 | 22,018 | 22,166 | 22,338 | 22,538 |
| Future Value of Cash Flows at Yr 15: | | 652,103 | 198,289 | 188,784 | 179,758 | 171,189 | 162,274 | 155,689 | 140,425 | 133,826 | 127,563 | 27,942 | 26,763 | 25,660 | 24,628 | 23,664 |
| Discount Rate: | 7.00% | | | | | | | | | | | | | | | |
| Capital Contribution Number: | 1 | 2 | 3 | 4 | | | | | | | | | | | | |
| Date of Capital Contribution: | 01-Aug-99 | 27-Apr-98 | 27-Apr-98 | 27-Apr-98 | | | | | | | | | | | | |
| Amount of Capital Contribution: | 790,161 | 0 | 0 | 0 | | | | | | | | | | | | |
| Present Value of Contributions: | 790,161 | 0 | 0 | 0 | | | | | | | | | | | | |
| Cash Flows | (790,161) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,238,555 |
| IRR: | 7.19% | | | | | | | | | | | | | | | |
| Equity Yield: | 109% | | | | | | | | | | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 24-Apr-98 | **Park Place HLP, Phase II** | | | | | |
| | | | | | | |
| Total Residential Units: | 14 | Increase in Income from Rental Units: | | | 1.50% | |
| Housing Credit Restricted Units: | 14 | Increase in Income from Other Sources: | | | 1.50% | |
| Percent Restricted: | 100.00% | Increase in Income from Commercial: | | | 1.50% | |
| Total Development Cost: | 1,441,191 | Expense increase: | | | 3.00% | |
| Total Development Cost per Unit: | 102,942 | Vacancy Rate: | | | 5% | |
| Total Development Cost Per SF: | 131 | Partner's Tax Rate: | | | 35% | |
| | | Long Depreciation Schedule: | | | 27.5 | years |
| Max Credit Potential: | 75,093 | Short Depreciation Schedule: | | | 7 | years |
| Credit Amount Allocated: | 75,000 | Sponsor's Estimated Yield: | | | 111.50% | |
| | | | | | | |
| LIHTC - 9% | 8.36% | | (May '98) | | | |
| LIHTC - 4% | 3.58% | | | | | |
| SOURCES | | | | | | |
| | | % of Total Development Cost | | Interest Rate | Amortization | Term |
| First Mortgage | 120,000 | | 8.33% | 8.50% | 30 | 30 |
| VHCB -Deferred | 225,400 | | 15.64% | 0.00% | 0 | 30 |
| HOME- Deferred | 140,000 | | 9.71% | 6.00% | 0 | 30 |
| Neighborworks-Deferred | 70,000 | | 4.86% | 6.00% | 0 | 30 |
| BHTF - Loan | 50,000 | | 3.47% | 0.00% | 0 | 30 |
| Other Equity | 0 | | 0.00% | N/A | N/A | |
| Tax Credit Equity | 836,250 | | 58.02% | N/A | N/A | |
| TOTAL SOURCES | 1,441,650 | | 100.03% | | | |
| | | | | | | |
| USES | | | | | | 2,161,086 |
| Acquisition | 287,666 | | 19.96% | | | 1,441,650 |
| Construction Hard Costs | 922,250 | | 63.99% | | | 719,436 |
| Soft Costs | 231,275 | | 16.05% | | | |
| TOTAL USES | 1,441,191 | | 100% | | | |
| | | | | | | |
| Gap | (459) | | | | | |
| PER UNIT COST LIMIT CALCULATION | | | | | | |
| | per unit limits | | number of units | | | |
| 0 Br | 73,380 | | 4 | 293,520 | | |
| 1 Br | 78,380 | | 10 | 783,800 | | |
| 2 Br | 83,380 | | 0 | 0 | | |
| 3 Br | 88,380 | | 0 | 0 | | |
| 4 Br | 93,380 | | 0 | 0 | | |
| Maximum cost allowed under the per unit cost limits | | | | 1,077,320 | | |
| Projected total cost, excluding cash accounts | | | | 1,430,691 | cst/allwd cst ratio | 75.30% |
| | | (over)/under | | (353,371) | | |
| | | | | | | |
| General Partner's Capital Contribution | | | | 8,363 | 1% | |
| Limited Partner's Capital Contribution | | | | 827,888 | 99% | |
| Total Equity | | | | 836,250 | | |
| APPLICABLE FRACTION CALCULATION | | | | | | |
| | | Tax Credit Restricted Units | | 14 | | |
| | | Total Units | | 14 | | |
| | | Unit Fraction | | 100.00% | | |
| | | | | | | |
| | | Tax Credit Square Footage | | 11,000 | | |
| | | Total Residential Square Footage | | 11,000 | | |
| | | Square Footage Fraction | | 100.00% | | |
| | | | | | | |
| | | Applicable Fraction | | 100% | | |

| 24-Apr-98 | **Park Place HLP, Phase II** | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Budget | Acquisition Basis | Construction Basis | Residential Depreciation | Historic Credit Basis | Other |
| | ACQUISITION | | | | | | |
| 1 | Land | 51,000 | | | | | |
| 2 | Purchase of Building(s) | 232,333 | 232,333 | | 232,333 | 0 | |
| 3 | Demolition (without replacement) | 0 | | | 0 | 0 | |
| 4 | Property Appraisal | 1,000 | 0 | 1,000 | 1,000 | 1,000 | |
| 5 | Legal - Title and Recording | 3,333 | 3,333 | | 3,333 | 0 | |
| | Subtotal - Acquisition | 287,666 | 235,666 | 1,000 | 236,666 | 1,000 | |
| | CONSTRUCTION HARD COSTS | | | | | | |
| 6 | Rehabilitation | 838,000 | | 838,000 | 838,000 | 838,000 | |
| 7 | New Building(s) | 0 | | 0 | 0 | 0 | |
| 8 | Accessory Buildings | 0 | | 0 | 0 | 0 | |
| 9 | Sitework | 19,500 | | 19,500 | 19,500 | 19,500 | |
| 10 | Commercial Space Costs (if any) | 0 | | | | | |
| 11 | General Requirements | 0 | | 0 | 0 | 0 | |
| 12 | Contractor Overhead | 0 | | 0 | 0 | 0 | |
| 13 | Contractor Profit | 0 | | 0 | 0 | 0 | |
| 14 | Construction Contingency | 52,850 | | 52,850 | 52,850 | 52,850 | |
| 15 | Construction Management | 0 | | 0 | 0 | 0 | |
| 16 | Construction Bond Fee | 0 | | 0 | 0 | 0 | |
| 17 | Hazardous Materials Abatement | 0 | | 0 | 0 | 0 | |
| 18 | Off-Site Improvements | 0 | | 0 | 0 | 0 | |
| 19 | Furnishings, Fixtures, & Equipment | 11,900 | | 11,900 | 11,900 | 11,900 | |
| 20 | Other (_______________) | 0 | | 0 | 0 | 0 | |
| | Subtotal - Hard Costs | 922,250 | | 922,250 | 910,350 | 910,350 | |
| | SOFT COSTS | | | | | | |
| 21 | Architectural | 49,075 | | 49,075 | 49,075 | 49,075 | |
| 22 | Engineering | 0 | | 0 | 0 | 0 | |
| 23 | Legal/Accounting | 3,333 | | 3,333 | 3,333 | 3,333 | |
| 24 | Relocation | 0 | | 0 | 0 | 0 | |
| 25 | Environmental Assessment | 0 | | 0 | 0 | 0 | |
| 26 | Energy Assessment | 0 | | 0 | 0 | 0 | |
| 27 | Permits/Fees | 5,498 | | 5,498 | 5,498 | 5,498 | |
| 28 | Independent Market Study | 0 | | 0 | 0 | 0 | |
| 29 | Construction Period Insurance | 2,000 | | 2,000 | 2,000 | 2,000 | |
| 30 | Construction Interest | 16,667 | | 16,667 | 16,667 | 16,667 | |
| 31 | Construction Loan Origination Fee | 0 | | 0 | 0 | 0 | |
| 32 | Taxes During Construction | 4,885 | | 4,885 | 4,885 | 4,885 | |
| 33 | Clerk of the Works | 0 | | 0 | 0 | 0 | |
| 34 | Marketing | 0 | | | | | |
| 35 | Tax Credit Fees | 5,617 | | 5,617 | 5,617 | 5,617 | |
| 36 | Soft Cost Contingency | 2,200 | | 2,200 | 2,200 | 2,200 | |
| 37 | Permanent Loan Origination Fee | 0 | | | | | |
| 38 | Lender's Counsel's Fee | 0 | | 0 | 0 | 0 | |
| 39 | Other (rent loss) | 0 | | 0 | 0 | 0 | |
| | SYNDICATION COSTS | | | | | | |
| 40 | Organizational (Partnership) | 0 | | | | | |
| 41 | Bridge Loan Fees and Expenses | 0 | | | | | |
| 42 | Syndication Consultant | 0 | | | | | |
| 43 | Tax Opinion | 0 | | | | | |
| | DEVELOPER'S FEES | | | | | | |
| 44 | Developer's Fees | 64,500 | | 64,500 | 64,500 | 64,500 | |
| 45 | Other Partnership Fees | 63,500 | | 63,500 | 63,500 | 63,500 | |
| 46 | Consultant Fees | 3,500 | | 3,500 | 3,500 | 3,500 | |
| | RESERVES | | | | | | |
| 47 | Working Capital | 10,500 | | | | | |
| 48 | Rent-up (Deficit Escrow) Reserve | 0 | | | | | |
| 49 | Other Operating Reserves | 0 | | | | | |
| 50 | Sinking Fund | 0 | | | | | |
| 51 | Replacement Reserves | 0 | | | | | |
| | Subtotal - Soft Costs | 231,275 | | 220,775 | 220,775 | 220,775 | |
| | TOTALS | 1,441,191 | 235,666 | 1,144,025 | 1,355,891 | 1,132,125 | |
| LESS: | Amount of Non-qualified Financing | | 0 | 0 | 0 | 0 | |
| LESS: | Historic tax Credit (Residential Portion) | | | 226,425 | | | |
| TIMES: | Adjusted for Excess Costs | 75.30% | | 690,959 | 226,425 | 20% | Historic Cre |
| | Total Eligible Basis | | 235,666 | 690,959 | | 226,425 | Annual Hist |
| TIMES: | Adjusted for QCT/DDA | 130.0% | | 898,247 | | | |
| TIMES: | Applicable Fraction | 100.00% | 235,666 | 898,247 | | | |
| | Total Qualified Basis | | 235,666 | 898,247 | 1,129,466 | Long Term Depreciable Basi | |
| TIMES: | Applicable Percentage | | 0.00% | 8.36% | 27.5 | Depreciation Schedule | |
| | Total Annual Credit Qualified | | 0 | 75,093 | 41,071 | Annual Depreciation | |
| | | | | | | | |
| | Total Tax Credits Requested | 75,000 | | 75,093 | 11,900 | Short Term Depreciable Basi | |
| | Estimated Net Syndication Proceeds (**excluding historic credit equity**) | 643,789 | | | 7 | Depreciation Schedule | |
| | Estimated Yield - Housing Credit Syndication | 86.71% | | | 1,700 | Annual Depreciation | |
| | Equity Gap | 643,789 | | | | | |
| | Credits Needed to fill Equity Gap | 75,000 | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 24-Apr-98 | **Park Place HLP, Phase II** | | | | | |
| HC Restricted Units | | | Average | | Average | | Total |
| | Bedrooms | Type | Square Feet | Number | Rent | Utilities | Annual Rent |
| | 0 Br | | 405 | 4 | 354 | | 16,992 |
| | 1 Br | | 591 | 10 | 479 | | 57,528 |
| | 2 Br | | 0 | 0 | 0 | | 0 |
| | 3 Br | | 0 | 0 | 0 | | 0 |
| | Common Area | | 3,470 | 0 | 0 | | 0 |
| | | Totals | 11,000 | 14 | | | 74,520 |
| Non-HC Restricted Units | | | | | | | Total |
| | Bedrooms | Type | Square Feet | Number | Rent | Utilities | Annual Rent |
| | Commercial | | 0 | 0 | 0 | | 0 |
| | 1 Br | | | 0 | 0 | | 0 |
| | 2 Br | | | 0 | 0 | | 0 |
| | 3 Br | | | 0 | 0 | | 0 |
| | 4+ Br | | | 0 | 0 | | 0 |
| | | Totals | 0 | 0 | | | 0 |
| All Units | | | | | | | |
| | | Grand Totals | 11,000 | 14 | | | 74,520 |
| | | | Less Vacancy | 5.00% | | | (3,726) |
| | | | | | | NET RENT | 70,794 |
| | | | OTHER INCOME | | | | |
| | | | Laundry | | | | 1,000 |
| | | | Parking | | | | 0 |
| | | | Commercial Space Income | | | | 0 |
| | | | Other | | | | 0 |
| | | | | | | TOTAL INCOME | 71,794 |

| 24-Apr-98 | **Park Place HLP, Phase II** | | | |
|---|---|---|---|---|
| | | | Per Unit | |
| | Annual | Monthly | Per Month | |
| Administration | | | | |
| Management Fee | 6,720 | 560 | 40 | 9.4% |
| Supportive Services | 1,680 | 140 | 10 | |
| Audit/Accounting | 2,520 | 210 | 15 | |
| Legal | 840 | 70 | 5 | |
| Compliance Monitoring | 336 | 28 | 2 | |
| Marketing | 0 | 0 | 0 | |
| Other | 3,024 | 252 | 18 | |
| TOTAL ADMINISTRATIVE | 15,120 | 1,260 | 90 | |
| | | | | |
| Utilities | | | | |
| Electricity | 840 | 70 | 5 | |
| Fuel | 5,880 | 490 | 35 | |
| Water and Sewer | 4,200 | 350 | 25 | |
| Fire Alarm / Emergency | 336 | 28 | 2 | |
| Other | 0 | 0 | 0 | |
| TOTAL UTILITIES | 11,256 | 938 | 67 | |
| | | | | |
| Maintenance | | | | |
| Maintenance / Janitor Payroll | 6,720 | 560 | 40 | |
| Janitor Supplies | 0 | 0 | 0 | |
| Exterminating | 336 | 28 | 2 | |
| Trash Removal | 2,016 | 168 | 12 | |
| Snow Removal | 672 | 56 | 4 | |
| Grounds | 336 | 28 | 2 | |
| Repairs Material | 0 | 0 | 0 | |
| Repairs Contract | 0 | 0 | 0 | |
| HVAC Repairs / Maintenance | 0 | 0 | 0 | |
| Elevator Contract / Repairs | 840 | 70 | 5 | |
| Painting and Decorating | 1,008 | 84 | 6 | |
| Other | 672 | 56 | 4 | |
| TOTAL MAINTENANCE | 12,600 | 1,050 | 75 | |
| | | | | per unit month |
| Real Estate Taxes | 8,568 | 714 | 51 | excl. ds & res. |
| Property Insurance | 1,680 | 140 | 10 | 293 |
| Replacement Reserves | 4,032 | 336 | 24 | |
| Primary Debt Service | 0 | 0 | 0 | |
| Other "must pay" debt service | 0 | 0 | 0 | |
| Other | 0 | 0 | 0 | |
| Total | 53,256 | 4,438 | 317 | |

24-Apr-98

# Park Place HLP, Phase II

| | Check all Applicable | | | | | | | | A | | | | | B | | | | | | C | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Building # | Unit # | HOME Unit | Lead Paint Unit | Project Based Assistance | Tax Credit Unit | VHCB Restricted | Accessible | Adaptable | Unrestricted | Number of Bedrooms | Proposed Square Footage | Proposed Rent | Utility Allowance for Tenant-Paid Utilities | Gross Rent (Rent + Tenant-Paid Utilities) | OCCUPIED BY: Income level of residents to be served: | | | | | | AFFORDABLE TO: Units affordable to residents at: | | | | | |
| | | | | | 1 | | | | | | | | | | <30% | <50% | <60% | <80% | <100% | >100% | 30% | 50% | 60% | 65% | 80% | 100%+ |
| | 1 | | | | 1 | 1 | | | | 0 | 405 | 230 | 17 | 247 | | 1 | | | | | 1 | | | | | |
| | 2 | 1 | | | 1 | 1 | | | | 0 | 405 | 395 | 17 | 412 | | 1 | | | | | | 1 | | | | |
| | 3 | 1 | | | 1 | 1 | | | | 0 | 405 | 395 | 17 | 412 | | 1 | | | | | | 1 | | | | |
| | 4 | | | | 1 | 1 | | | | 0 | 405 | 395 | 17 | 412 | | 1 | | | | | | 1 | | | | |
| | 5 | | | | 1 | 1 | | | | 1 | 520 | 420 | 22 | 442 | | 1 | | | | | | 1 | | | | |
| | 6 | 1 | | | 1 | 1 | | | | 1 | 520 | 420 | 22 | 442 | | 1 | | | | | | 1 | | | | |
| | 7 | | | | 1 | 1 | 1 | | | 1 | 520 | 420 | 22 | 442 | | 1 | | | | | | 1 | | | | |
| | 8 | | | | 1 | 1 | | | | 1 | 520 | 505 | 22 | 527 | | | 1 | | | | | | 1 | | | |
| | 9 | | | | 1 | 1 | | | | 1 | 520 | 505 | 22 | 527 | | | 1 | | | | | | 1 | | | |
| | 10 | | | | 1 | 1 | | | | 1 | 520 | 505 | 22 | 527 | | | 1 | | | | | | 1 | | | |
| | 11 | | | | 1 | 1 | | | | 1 | 695 | 505 | 22 | 527 | | | 1 | | | | | | 1 | | | |
| | 12 | 1 | | | 1 | 1 | | | | 1 | 695 | 505 | 22 | 527 | | | 1 | | | | | | 1 | | | |
| | 13 | | | | 1 | 1 | | | | 1 | 700 | 505 | 22 | 527 | | | 1 | | | | | | 1 | | | |
| | 14 | | | | 1 | 1 | | | | 1 | 700 | 505 | 22 | 527 | | | 1 | | | | | | 1 | | | |
| Total # Units | 14 | 4 | 0 | 0 | 14 | 14 | 1 | 0 | 0 | Totals: | 7,530 | 6,210 | Total # Units: | | 0 | 7 | 7 | 0 | 0 | 0 | 1 | 6 | 7 | 0 | 0 | 0 |

| 24-Apr-98 | | Park Place HLP, Phase II | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Operating Income | | | | | | | | | | | | | | | | |
| Gross Rent | | 74,520 | 75,638 | 76,772 | 77,924 | 79,093 | 80,279 | 81,483 | 82,706 | 83,946 | 85,205 | 86,484 | 87,781 | 89,097 | 90,434 | 91,790 |
| Other Income | | 1,000 | 1,015 | 1,030 | 1,046 | 1,061 | 1,077 | 1,093 | 1,110 | 1,126 | 1,143 | 1,161 | 1,178 | 1,196 | 1,214 | 1,232 |
| Vacancy and other losses | | (3,726) | (3,782) | (3,839) | (3,896) | (3,955) | (4,014) | (4,074) | (4,135) | (4,197) | (4,260) | (4,324) | (4,389) | (4,455) | (4,522) | (4,590) |
| Total Operating Income | | 71,794 | 72,871 | 73,964 | 75,073 | 76,200 | 77,343 | 78,503 | 79,680 | 80,875 | 82,089 | 83,320 | 84,570 | 85,838 | 87,126 | 88,433 |
| Operating Expenses | | | | | | | | | | | | | | | | |
| Total Expenses (excl. Reserves) | | 49,224 | 50,701 | 52,222 | 53,788 | 55,402 | 57,064 | 58,776 | 60,539 | 62,355 | 64,226 | 66,153 | 68,138 | 70,182 | 72,287 | 74,456 |
| Reserves | | 4,032 | 4,092 | 4,154 | 4,216 | 4,279 | 4,344 | 4,409 | 4,475 | 4,542 | 4,610 | 4,679 | 4,749 | 4,821 | 4,893 | 4,966 |
| Total Operating Expense | | 53,256 | 54,793 | 56,376 | 58,005 | 59,681 | 61,408 | 63,185 | 65,014 | 66,898 | 68,836 | 70,832 | 72,887 | 75,002 | 77,180 | 79,422 |
| Net Operating Income | | 18,538 | 18,078 | 17,588 | 17,069 | 16,518 | 15,935 | 15,318 | 14,666 | 13,978 | 13,252 | 12,488 | 11,683 | 10,836 | 9,946 | 9,011 |
| Less Primary Debt Service | | 11,072 | 11,072 | 11,072 | 11,072 | 11,072 | 11,072 | 11,072 | 11,072 | 11,072 | 11,072 | 11,072 | 11,072 | 11,072 | 11,072 | 11,072 |
| Less Secondary Debt Service | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Annual Cash Flow | | 7,466 | 7,005 | 6,516 | 5,997 | 5,446 | 4,862 | 4,246 | 3,594 | 2,906 | 2,180 | 1,415 | 610 | (237) | (1,127) | (2,062) |
| Operating Subsidies / Sinking Fund | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 237 | 1,127 | 2,062 |
| Net Cash | | 7,466 | 7,005 | 6,516 | 5,997 | 5,446 | 4,862 | 4,246 | 3,594 | 2,906 | 2,180 | 1,415 | 610 | 0 | 0 | 0 |
| DCR | | 167.43% | 163.27% | 158.85% | 154.16% | 149.18% | 143.92% | 138.34% | 132.46% | 126.24% | 119.69% | 112.78% | 105.51% | 97.86% | 89.82% | 81.38% |
| Cumulative Cash Flow | | | | | | | | | | | | | | | | |
| Beginning Balance | | 0 | 7,466 | 14,620 | 21,429 | 27,854 | 33,857 | 39,396 | 44,430 | 48,912 | 52,796 | 56,031 | 58,567 | 60,349 | 61,319 | 61,419 |
| Interest | 2.0% | 0 | 149 | 292 | 429 | 557 | 677 | 788 | 889 | 978 | 1,056 | 1,121 | 1,171 | 1,207 | 1,226 | 1,228 |
| Withdrawals | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (237) | (1,127) | (2,062) |
| Ending Balance | | 7,466 | 14,620 | 21,429 | 27,854 | 33,857 | 39,396 | 44,430 | 48,912 | 52,796 | 56,031 | 58,567 | 60,349 | 61,319 | 61,419 | 60,586 |
| Cumulative Replacement Reserves | | | | | | | | | | | | | | | | |
| Beginning Balance | | 0 | 4,032 | 8,205 | 12,523 | 16,990 | 21,609 | 26,385 | 31,321 | 36,423 | 41,693 | 47,137 | 52,759 | 58,564 | 64,556 | 70,740 |
| Interest | 2.0% | 0 | 81 | 164 | 250 | 340 | 432 | 528 | 626 | 728 | 834 | 943 | 1,055 | 1,171 | 1,291 | 1,415 |
| Withdrawals | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ending Balance | | 4,032 | 8,205 | 12,523 | 16,990 | 21,609 | 26,385 | 31,321 | 36,423 | 41,693 | 47,137 | 52,759 | 58,564 | 64,556 | 70,740 | 77,121 |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Net Operating Income | | 18,538 | 18,078 | 17,588 | 17,069 | 16,518 | 15,935 | 15,318 | 14,666 | 13,978 | 13,252 | 12,488 | 11,683 | 10,836 | 9,946 | 9,011 |
| Plus Reserves | | 4,032 | 4,092 | 4,154 | 4,216 | 4,279 | 4,344 | 4,409 | 4,475 | 4,542 | 4,610 | 4,679 | 4,749 | 4,821 | 4,893 | 4,966 |
| Less Interest Expense | | (22,765) | (23,441) | (24,155) | (24,910) | (25,707) | (26,548) | (27,438) | (28,377) | (29,369) | (30,416) | (31,521) | (32,688) | (33,919) | (35,219) | (36,590) |
| Less Long Depreciation | | (41,071) | (41,071) | (41,071) | (41,071) | (41,071) | (41,071) | (41,071) | (41,071) | (41,071) | (41,071) | (41,071) | (41,071) | (41,071) | (41,071) | (41,071) |
| Less Short Depreciation | | (1,700) | (1,700) | (1,700) | (1,700) | (1,700) | (1,700) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Taxable Income (Loss) | | (42,967) | (44,042) | (45,184) | (46,396) | (47,681) | (49,042) | (48,783) | (50,307) | (51,920) | (53,625) | (55,426) | (57,327) | (59,334) | (61,452) | (63,685) |
| Cash Flow | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Plus Tax Savings | | 15,038 | 15,415 | 15,815 | 16,239 | 16,688 | 17,165 | 17,074 | 17,608 | 18,172 | 18,769 | 19,399 | 20,065 | 20,767 | 21,508 | 22,290 |
| Plus Tax Credits | | 301,425 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | | | | | |
| After Tax Cash Flow | | 316,463 | 90,415 | 90,815 | 91,239 | 91,688 | 92,165 | 92,074 | 92,608 | 93,172 | 93,769 | 19,399 | 20,065 | 20,767 | 21,508 | 22,290 |
| Total Years | 15 | | | | | | | | | | | | | | | |
| Reinvestment Rate | 12.00% | | | | | | | | | | | | | | | |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Current After Tax Cash Flows | | 316,463 | 90,415 | 90,815 | 91,239 | 91,688 | 92,165 | 92,074 | 92,608 | 93,172 | 93,769 | 19,399 | 20,065 | 20,767 | 21,508 | 22,290 |
| Future Value of Cash Flows at Yr 15: | | 1,720,445 | 441,867 | 396,269 | 355,463 | 318,942 | 286,249 | 255,328 | 229,293 | 205,974 | 185,083 | 34,188 | 31,572 | 29,176 | 26,980 | 24,964 |
| Discount Rate: | 6.00% | | | | | | | | | | | | | | | |
| Capital Contribution Number: | 1 | 2 | 3 | 4 | | | | | | | | | | | | |
| Date of Capital Contribution: | 01-Sep-98 | 01-Mar-99 | 01-Aug-99 | 24-Apr-98 | | | | | | | | | | | | |
| Amount of Capital Contribution: | 41,394 | 496,733 | 289,761 | 0 | | | | | | | | | | | | |
| Present Value of Contributions: | 41,394 | 481,973 | 274,073 | 0 | | | | | | | | | | | | |
| Cash Flows | 797,440 | (180,269) | (199,346) | 90,815 | 91,239 | 91,688 | 92,165 | 92,074 | 92,608 | 93,172 | 93,769 | 19,399 | 20,065 | 20,767 | 21,508 | 22,290 |
| IRR: | 16.69% | | | | | | | | | | | | | | | |
| Equity Yield: | 82% | (Includes both Housing Credit and Historic Credit Equity) | | | | | | | | | | | | | | |

24-Apr-98 **The Maples**

| | | | |
|---|---|---|---|
| Total Residential Units: | 51 | Increase in Income from Rental Units: | 1.50% |
| Housing Credit Restricted Units: | 36 | Increase in Income from Other Sources: | 1.50% |
| Percent Restricted: | 70.59% | Increase in Income from Commercial: | 0.00% |
| Total Development Cost: | 3,592,622 | Expense increase: | 2.50% |
| Total Development Cost per Unit: | 70,444 | Vacancy Rate: | 5% |
| Total Development Cost Per SF: | 106 | Partner's Tax Rate: | 35% |
| | | Long Depreciation Schedule: | 27.5 years |
| Max Credit Potential: | 245,639 | Short Depreciation Schedule: | 7 years |
| Credit Amount Allocated: | 220,871 | Sponsor's Estimated Yield: | 74.00% |
| LIHTC - 9% | 8.36% | (May '98) | |
| LIHTC - 4% | 3.58% | | |

**SOURCES**

| | | % of Total Development Cost | Interest Rate | Amortization | Term |
|---|---|---|---|---|---|
| First Mortgage | 1,450,000 | 40.36% | 7.20% | 30 | 30 |
| HOME | | 0.00% | 1.00% | 20 | int. only |
| VCDP | 504,000 | 14.03% | 0.00% | 30 | grant |
| Other Equity | 20,521 | 0.57% | N/A | N/A | |
| Tax Credit Equity | 1,618,101 | 45.04% | N/A | N/A | |
| TOTAL SOURCES | 3,592,622 | 100.00% | | | |

**USES**

| | | |
|---|---|---|
| Acquisition | 209,550 | 5.83% |
| Construction Hard Costs | 2,718,455 | 75.67% |
| Soft Costs | 664,617 | 18.50% |
| TOTAL USES | 3,592,622 | 100% |
| Gap | 0 | |

PER UNIT COST LIMIT CALCULATION

| | per unit limits | | number of units | |
|---|---|---|---|---|
| 0 Br | 73,380 | | 0 | 0 |
| 1 Br | 78,380 | | 42 | 3,291,960 |
| 2 Br | 83,380 | | 9 | 750,420 |
| 3 Br | 88,380 | | 0 | 0 |
| 4 Br | 93,380 | | 0 | 0 |
| Maximum cost allowed under the per unit cost limits | | | | 4,042,380 |
| Projected total cost, excluding cash accounts | | | | 3,516,622 |
| | | (over)/under | | 525,758 |

| | | |
|---|---|---|
| General Partner's Capital Contribution | 16,344 | 1.00% |
| Limited Partner's Capital Contribution | 1,618,101 | 99.00% |
| Total Equity | 1,634,445 | |

APPLICABLE FRACTION CALCULATION

| | |
|---|---|
| Tax Credit Restricted Units | 36 |
| Total Units | 51 |
| Unit Fraction | 70.59% |
| Tax Credit Square Footage | 23,460 |
| Total Residential Square Footage | 34,035 |
| Square Footage Fraction | 68.93% |
| Applicable Fraction | 68.93% |

| | | Budget | Acquisition Basis | Construction Basis | Residential Depreciation | Historic Credit Basis | Other |
|---|---|---|---|---|---|---|---|
| | ACQUISITION | | | | | | |
| 1 | Land | 204,000 | | | | | |
| 2 | Purchase of Building(s) | 0 | | | | | |
| 3 | Demolition (without replacement) | 0 | | | | | |
| 4 | Property Appraisal | 3,000 | | 3,000 | 3,000 | | |
| 5 | Legal - Title and Recording | 2,550 | | | | | |
| | Subtotal - Acquisition | 209,550 | | | | | |
| | CONSTRUCTION HARD COSTS | | | | | | |
| 6 | Rehabilitation | 0 | | | | | |
| 7 | New Building(s) | 2,049,444 | | 2,049,444 | 2,049,444 | | |
| 8 | Accessory Buildings | 0 | | | | | |
| 9 | Sitework | 295,000 | | 295,000 | 295,000 | | |
| 10 | Commercial Space Costs (if any) | 0 | | | | | |
| 11 | General Requirements | 0 | | | | | |
| 12 | Contractor Overhead | 0 | | | | | |
| 13 | Contractor Profit | 0 | | | | | |
| 14 | Construction Contingency | 111,147 | | 111,147 | 111,147 | | |
| 15 | Construction Management | 120,864 | | 120,864 | 120,864 | | |
| 16 | Construction Bond Fee | 0 | | | | | |
| 17 | Hazardous Materials Abatement | 0 | | | | | |
| 18 | Off-Site Improvements | 0 | | | | | |
| 19 | Furnishings, Fixtures, & Equipment | 142,000 | | 142,000 | 142,000 | | |
| 20 | Other (__________) | 0 | | | | | |
| | Subtotal - Hard Costs | 2,718,455 | | | | | |
| | SOFT COSTS | | | | | | |
| 21 | Architectural | 41,000 | | 41,000 | 41,000 | | |
| 22 | Engineering | 20,000 | | 20,000 | 20,000 | | |
| 23 | Legal/Accounting | 28,000 | | 28,000 | 28,000 | | |
| 24 | Relocation | 0 | | 0 | 0 | | |
| 25 | Environmental Assessment | 3,000 | | 3,000 | 3,000 | | |
| 26 | Energy Assessment | 0 | | 0 | 0 | | |
| 27 | Permits/Fees | 60,250 | | 60,250 | 60,250 | | |
| 28 | Independent Market Study | 3,000 | | 3,000 | 3,000 | | |
| 29 | Construction Period Insurance | 5,437 | | 5,437 | 5,437 | | |
| 30 | Construction Interest | 41,760 | | 41,760 | 41,760 | | |
| 31 | Construction Loan Origination Fee | 20,500 | | 20,500 | 20,500 | | |
| 32 | Taxes During Construction | 5,000 | | 5,000 | 5,000 | | |
| 33 | Clerk of the Works | 0 | | 0 | | | |
| 34 | Marketing | 20,000 | | | | | |
| 35 | Tax Credit Fees | 9,040 | | | 9,040 | | |
| 36 | Soft Cost Contingency | 5,000 | | 5,000 | 5,000 | | |
| 37 | Permanent Loan Origination Fee | 0 | | | | | |
| 38 | Lender's Counsel's Fee | 5,000 | | 5,000 | 5,000 | | |
| 39 | Other (Consultants) | 9,000 | | 9,000 | 9,000 | | |
| | SYNDICATION COSTS | | | | | | |
| 40 | Organizational (Partnership) | 2,000 | | | | | |
| 41 | Bridge Loan Fees and Expenses | 0 | | | | | |
| 42 | Syndication Consultant | 0 | | | | | |
| 43 | Tax Opinion | 0 | | | | | |
| | DEVELOPER'S FEES | | | | | | |
| 44 | Developer's Fees | 214,630 | | 214,630 | 214,630 | | |
| 45 | Other Partnership Fees | 0 | | | | | |
| 46 | Consultant Fees | 96,000 | | 96,000 | 96,000 | | |
| | RESERVES | | | | | | |
| 47 | Working Capital | 25,000 | | | | | |
| 48 | Rent-up (Deficit Escrow) Reserve | 51,000 | | | | | |
| 49 | Other Operating Reserves | 0 | | | | | |
| 50 | Sinking Fund | 0 | | | | | |
| 51 | Replacement Reserves | 0 | | | | | |
| | Subtotal - Soft Costs | 664,617 | | | | | |
| | TOTALS | 3,592,622 | 0 | 3,279,032 | 3,146,072 | 0 | |
| LESS: | Amount of Non-qualified Financing | | | 0 | | | |
| LESS: | Adjustment for per unit cost limits | | | | | | |
| LESS: | Historic tax Credit (Residential Portion) | | | 0 | 0 | 20% Historic Credit Rate | |
| | Total Eligible Basis | | 0 | 3,279,032 | | 0 Annual Historic Credit | |
| TIMES: | Adjusted for QCT/DDA | 130.0% | | 4,262,742 | | | |
| TIMES: | Applicable Fraction | 68.93% | 0 | 2,938,267 | | | |
| | Total Qualified Basis | | 0 | 2,938,267 | 3,146,072 Long Term Depreciable Basis | | |
| TIMES: | Applicable Percentage | | 3.58% | 8.36% | 27.5 Depreciation Schedule | | |
| | Total Annual Credit Qualified | | 0 | 245,639 | 114,403 Annual Depreciation | | |

| | |
|---|---|
| Total Tax Credits Requested | 220,871 |
| Estimated Net Syndication Proceeds (**excluding historic credit equity**) | 1,618,101 |
| Estimated Yield - Housing Credit Syndication | 74.00% |
| Equity Gap | 1,618,101 |
| Credits Needed to fill Equity Gap | 220,871 |

142,000 Short Term Depreciable Basis

7 Depreciation Schedule

20,286 Annual Depreciation

24-Apr-98 **The Maples**

HC Restricted Units

| Bedrooms | Type | Average Square Feet | Number | Average Rent | Utilities | Total Annual Rent |
|---|---|---|---|---|---|---|
| 0 Br | | | 0 | 0 | | 0 |
| 1 Br | | 625 | 32 | 385 | | 147,747 |
| 2 Br | | 865 | 4 | 516 | | 24,768 |
| 3 Br | | | 0 | 0 | | 0 |
| 4+ Br | | | 0 | 0 | | 0 |
| | Totals | 23,460 | 36 | | | 172,515 |

Non-HC Restricted Units

| Bedrooms | Type | Square Feet | Number | Rent | Utilities | Total Annual Rent |
|---|---|---|---|---|---|---|
| 0 Br | | | 0 | 0 | | 0 |
| 1 Br | | 625 | 10 | 625 | | 75,000 |
| 2 Br | | 865 | 5 | 750 | | 45,000 |
| 3 Br | | | 0 | 0 | | 0 |
| 4+ Br | | | 0 | 0 | | 0 |
| | Totals | 10,575 | 15 | | | 120,000 |
| All Units | | | | | | |
| | Grand Totals | 34,035 | 51 | | | 292,515 |

| | | |
|---|---|---|
| Less Vacancy | 5.00% | (14,626) |
| | NET RENT | 277,889 |

OTHER INCOME

| | |
|---|---|
| Laundry | 7,956 |
| Net Services | 8,305 |
| Commercial Space Income | 0 |
| Other | 4,153 |
| TOTAL INCOME | 298,303 |

24-Apr-98 **The Maples**

| | | Check all Applicable | | | | | | | | A | | | | | B | | | | | | C | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Building # | Unit # | HOME Unit | Lead Paint Unit | Project Based Assistance | Tax Credit Unit | VHCB Restricted | Accessible | Adaptable | Unrestricted | Number of Bedrooms | Proposed Square Footage | Proposed Rent | Utility Allowance for Tenant-Paid Utilities | Gross Rent (Rent + Tenant-Paid Utilities) | OCCUPIED BY: Income level of residents to be served: | | | | | | AFFORDABLE TO: Units affordable to residents at: | | | | | |
| | | | | | | | | | | | | | | | <30% | <50% | <60% | <80% | <100% | >100% | 30% | 50% | 60% | 65% | 80% | 100%+ |
| 1 | 1 | | | | 1 | | 1 | | | 2 | 865 | 516 | 0 | 516 | | | 1 | | | | | | 1 | | | |
| 1 | 3 | | | | 1 | | 1 | | | 1 | 625 | 215 | 0 | 215 | 1 | | | | | | 1 | | | | | |
| 1 | 5 | | | | 1 | | 1 | | | 1 | 625 | 358 | 0 | 358 | | 1 | | | | | | 1 | | | | |
| 1 | 7 | | | | 1 | | 1 | | | 1 | 625 | 430 | 0 | 430 | | | 1 | | | | | | 1 | | | |
| 1 | 9 | | | | 1 | | 1 | | | 1 | 625 | 430 | 0 | 430 | | | 1 | | | | | | 1 | | | |
| 1 | 11 | | | | 1 | | 1 | | | 1 | 625 | 358 | 0 | 358 | | 1 | | | | | | 1 | | | | |
| 1 | 13 | | | | 1 | | 1 | | | 1 | 625 | 215 | 0 | 215 | 1 | | | | | | 1 | | | | | |
| 1 | 101 | | | | 1 | | 1 | | | 2 | 865 | 516 | 0 | 516 | | | 1 | | | | | | 1 | | | |
| 1 | 102 | | | | 1 | | 1 | | | 2 | 865 | 516 | 0 | 516 | | | 1 | | | | | | 1 | | | |
| 1 | 103 | | | | 1 | | 1 | | | 1 | 625 | 430 | 0 | 430 | | | 1 | | | | | | 1 | | | |
| 1 | 104 | | | | | | 1 | | 1 | 1 | 625 | 625 | 0 | 625 | | | | | 1 | | | | | | 1 | |
| 1 | 105 | | | | 1 | | 1 | | | 1 | 625 | 430 | 0 | 430 | | | 1 | | | | | | 1 | | | |
| 1 | 106 | | | | 1 | | 1 | | | 1 | 625 | 358 | 0 | 358 | | 1 | | | | | | 1 | | | | |
| 1 | 107 | | | | 1 | | 1 | | | 1 | 625 | 430 | 0 | 430 | | | 1 | | | | | | 1 | | | |
| 1 | 108 | | | | | | 1 | | 1 | 1 | 625 | 625 | 0 | 625 | | | | | 1 | | | | | | 1 | |
| 1 | 109 | | | | 1 | | 1 | | | 1 | 625 | 430 | 0 | 430 | | | 1 | | | | | | 1 | | | |
| 1 | 110 | | | | | | 1 | | 1 | 1 | 625 | 625 | 0 | 625 | | | | | 1 | | | | | | 1 | |
| 1 | 111 | | | | 1 | | 1 | | | 1 | 625 | 430 | 0 | 430 | | | 1 | | | | | | 1 | | | |
| 1 | 112 | | | | 1 | | 1 | | | 1 | 625 | 358 | 0 | 358 | | 1 | | | | | | 1 | | | | |
| 1 | 113 | | | | 1 | | 1 | | | 1 | 625 | 215 | 0 | 215 | 1 | | | | | | 1 | | | | | |
| 1 | 114 | | | | 1 | | 1 | | | 1 | 625 | 358 | 0 | 358 | | 1 | | | | | | 1 | | | | |
| 1 | 117 | | | | 1 | | 1 | | | 2 | 865 | 516 | 0 | 516 | | | 1 | | | | | | 1 | | | |
| 1 | 119 | | | | | | 1 | | 1 | 2 | 865 | 750 | 0 | 750 | | | | | 1 | | | | | | 1 | |
| 1 | 121 | | | | 1 | | 1 | | | 1 | 625 | 358 | 0 | 358 | | 1 | | | | | | 1 | | | | |
| 1 | 122 | | | | 1 | | 1 | | | 1 | 625 | 358 | 0 | 358 | | 1 | | | | | | 1 | | | | |
| 1 | 123 | | | | 1 | | 1 | | | 1 | 625 | 430 | 0 | 430 | | | 1 | | | | | | 1 | | | |
| 1 | 124 | | | | 1 | | 1 | | | 1 | 625 | 215 | 0 | 215 | 1 | | | | | | 1 | | | | | |
| 1 | 125 | | | | 1 | | 1 | | | 1 | 625 | 215 | 0 | 215 | 1 | | | | | | 1 | | | | | |
| 1 | 201 | | | | | | 1 | | 1 | 2 | 865 | 750 | 0 | 750 | | | | | 1 | | | | | | 1 | |
| 1 | 202 | | | | | | 1 | | 1 | 2 | 865 | 750 | 0 | 750 | | | | | 1 | | | | | | 1 | |
| 1 | 203 | | | | | | 1 | | 1 | 1 | 625 | 625 | 0 | 625 | | | | | 1 | | | | | | 1 | |
| 1 | 204 | | | | 1 | | 1 | | | 1 | 625 | 430 | 0 | 430 | | | 1 | | | | | | 1 | | | |
| 1 | 205 | | | | 1 | | 1 | | | 1 | 625 | 430 | 0 | 430 | | | 1 | | | | | | 1 | | | |
| 1 | 206 | | | | 1 | | 1 | | | 1 | 625 | 430 | 0 | 430 | | | 1 | | | | | | 1 | | | |
| 1 | 207 | | | | | | 1 | | 1 | 1 | 625 | 625 | 0 | 625 | | | | | 1 | | | | | | 1 | |
| 1 | 208 | | | | 1 | | 1 | | | 1 | 625 | 430 | 0 | 430 | | | 1 | | | | | | 1 | | | |
| 1 | 209 | | | | 1 | | 1 | | | 1 | 625 | 430 | 0 | 430 | | | 1 | | | | | | 1 | | | |
| 1 | 210 | | | | | | 1 | | 1 | 1 | 625 | 625 | 0 | 625 | | | | | 1 | | | | | | 1 | |
| 1 | 211 | | | | 1 | | 1 | | | 1 | 625 | 430 | 0 | 430 | | | 1 | | | | | | 1 | | | |
| 1 | 212 | | | | 1 | | 1 | | | 1 | 625 | 430 | 0 | 430 | | | 1 | | | | | | 1 | | | |
| 1 | 213 | | | | | | 1 | | 1 | 1 | 625 | 625 | 0 | 625 | | | | | 1 | | | | | | 1 | |
| 1 | 214 | | | | 1 | | 1 | | | 1 | 625 | 430 | 0 | 430 | | | 1 | | | | | | 1 | | | |
| 1 | 215 | | | | | | 1 | | 1 | 1 | 625 | 625 | 0 | 625 | | | | | 1 | | | | | | 1 | |
| 1 | 216 | | | | | | 1 | | 1 | 2 | 865 | 750 | 0 | 750 | | | | | 1 | | | | | | 1 | |
| 1 | 217 | | | | 1 | | 1 | | | 1 | 625 | 430 | 0 | 430 | | | 1 | | | | | | 1 | | | |
| 1 | 219 | | | | | | 1 | | 1 | 2 | 865 | 750 | 0 | 750 | | | | | 1 | | | | | | 1 | |
| 1 | 221 | | | | 1 | | 1 | | | 1 | 625 | 430 | 0 | 430 | | | 1 | | | | | | 1 | | | |
| 1 | 222 | | | | 1 | | 1 | | | 1 | 625 | 430 | 0 | 430 | | | 1 | | | | | | 1 | | | |
| 1 | 223 | | | | | | 1 | | 1 | 1 | 625 | 625 | 0 | 625 | | | | | 1 | | | | | | 1 | |
| 1 | 224 | | | | | | 1 | | 1 | 1 | 625 | 625 | 0 | 625 | | | | | 1 | | | | | | 1 | |
| 1 | 225 | | | | 1 | | 1 | | | 1 | 625 | 430 | 0 | 430 | | | 1 | | | | | | 1 | | | |
| Total # Units | 51 | | | | | | | | | Totals: | 34,035 | 24,245 | | Total # Units | 5 | 7 | 24 | 0 | 15 | 0 | 5 | 7 | 24 | 0 | 15 | 0 |

24-Apr-98 **The Maples**

| | Annual | Monthly | Per Unit Per Month | |
|---|---|---|---|---|
| Administration | | | | |
| Management Fee | 32,698 | 2,725 | 53 | 11.0% |
| Supportive Services | 3,570 | 298 | 6 | |
| Audit/Accounting | 3,000 | 250 | 5 | |
| Legal | 500 | 42 | 1 | |
| Compliance Monitoring | 612 | 51 | 1 | |
| Marketing | 500 | 42 | 1 | |
| Other | | 0 | 0 | |
| TOTAL ADMINISTRATIVE | 40,880 | 3,407 | 67 | |
| | | | | |
| Utilities | | | | |
| Electricity | 13,464 | 1,122 | 22 | |
| Fuel | 11,016 | 918 | 18 | |
| Water and Sewer | 3,060 | 255 | 5 | |
| Fire Alarm / Emergency | 1,020 | 85 | 2 | |
| Other | | 0 | 0 | |
| TOTAL UTILITIES | 28,560 | 2,380 | 47 | |
| | | | | |
| Maintenance | | | | |
| Maintenance / Janitor Payroll | 18,000 | 1,500 | 29 | |
| Janitor Supplies | 600 | 50 | 1 | |
| Exterminating | 600 | 50 | 1 | |
| Trash Removal | 4,284 | 357 | 7 | |
| Snow Removal | 4,000 | 333 | 7 | |
| Grounds | 3,000 | 250 | 5 | |
| Repairs Material | | 0 | 0 | |
| Repairs Contract | 3,600 | 300 | 6 | |
| HVAC Repairs / Maintenance | | 0 | 0 | |
| Elevator Contract / Repairs | 2,400 | 200 | 4 | |
| Painting and Decorating | 1,020 | 85 | 2 | |
| Other | 1,020 | 85 | 2 | |
| TOTAL MAINTENANCE | 38,524 | 3,210 | 63 | |
| | | | | per unit month |
| Real Estate Taxes | 31,365 | 2,614 | 51 | excl. ds & res. |
| Property Insurance | 3,060 | 255 | 5 | 233 |
| Replacement Reserves | 12,750 | 1,063 | 21 | |
| Primary Debt Service | 118,109 | 9,842 | 193 | |
| Other "must pay" debt service | | 0 | 0 | |
| Other (Ptshp supervision fee) | 2,500 | 208 | 4 | |
| Total | 275,748 | 22,979 | 451 | |

form revision date: 2/27/97

24-Apr-98

**The Maples**

| | Year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Operating Income | | | | | | | | | | | | | | | | |
| Gross Rent | | 292,515 | 296,903 | 301,356 | 305,877 | 310,465 | 315,122 | 319,848 | 324,646 | 329,516 | 334,459 | 339,475 | 344,568 | 349,736 | 354,982 | 360,307 |
| Other Income | | 20,414 | 20,720 | 21,031 | 21,346 | 21,667 | 21,992 | 22,322 | 22,656 | 22,996 | 23,341 | 23,691 | 24,047 | 24,407 | 24,773 | 25,145 |
| Vacancy and other losses | | (14,626) | (14,845) | (15,068) | (15,294) | (15,523) | (15,756) | (15,992) | (16,232) | (16,476) | (16,723) | (16,974) | (17,228) | (17,487) | (17,749) | (18,015) |
| Total Operating Income | | 298,303 | 302,778 | 307,319 | 311,929 | 316,608 | 321,357 | 326,178 | 331,070 | 336,036 | 341,077 | 346,193 | 351,386 | 356,657 | 362,007 | 367,437 |
| Operating Expenses | | | | | | | | | | | | | | | | |
| Total Expenses (excl. Reserves) | | 144,889 | 148,511 | 152,224 | 156,030 | 159,930 | 163,929 | 168,027 | 172,227 | 176,533 | 180,947 | 185,470 | 190,107 | 194,860 | 199,731 | 204,724 |
| Reserves | | 12,750 | 12,941 | 13,135 | 13,332 | 13,532 | 13,735 | 13,941 | 14,151 | 14,363 | 14,578 | 14,797 | 15,019 | 15,244 | 15,473 | 15,705 |
| Total Operating Expense | | 157,639 | 161,452 | 165,359 | 169,362 | 173,463 | 177,664 | 181,968 | 186,378 | 190,896 | 195,525 | 200,267 | 205,126 | 210,104 | 215,204 | 220,429 |
| Net Operating Income | | 140,664 | 141,325 | 141,960 | 142,567 | 143,145 | 143,693 | 144,209 | 144,692 | 145,140 | 145,552 | 145,926 | 146,260 | 146,553 | 146,803 | 147,007 |
| Less Primary Debt Service | | 118,109 | 118,109 | 118,109 | 118,109 | 118,109 | 118,109 | 118,109 | 118,109 | 118,109 | 118,109 | 118,109 | 118,109 | 118,109 | 118,109 | 118,109 |
| Less Secondary Debt Service | 1.15 | 4,208 | 4,782 | 5,334 | 5,862 | 6,365 | 6,842 | 7,290 | 7,710 | 8,100 | 8,458 | 8,783 | 9,074 | 9,328 | 9,545 | 9,723 |
| Annual Cash Flow | | 18,347 | 18,434 | 18,517 | 18,596 | 18,671 | 18,743 | 18,810 | 18,873 | 18,931 | 18,985 | 19,034 | 19,077 | 19,116 | 19,148 | 19,175 |
| Operating Subsidies / Sinking Fund | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Cash | | 18,347 | 18,434 | 18,517 | 18,596 | 18,671 | 18,743 | 18,810 | 18,873 | 18,931 | 18,985 | 19,034 | 19,077 | 19,116 | 19,148 | 19,175 |
| DCR | | 115 00% | 115 00% | 115 00% | 115 00% | 115 00% | 115 00% | 115.00% | 115 00% | 115.00% | 115 00% | 115 00% | 115.00% | 115.00% | 115 00% | 115.00% |
| Cumulative Cash Flow | | | | | | | | | | | | | | | | |
| Beginning Balance | | 0 | 815 | 1,733 | 2,754 | 3,874 | 5,094 | 6,410 | 7,820 | 9,322 | 10,913 | 12,590 | 14,350 | 16,189 | 18,104 | 20,090 |
| Deposits | | 18,347 | 18,434 | 18,517 | 18,596 | 18,671 | 18,743 | 18,810 | 18,873 | 18,931 | 18,985 | 19,034 | 19,077 | 19,116 | 19,148 | 19,175 |
| Interest | 2 0% | 183 | 201 | 220 | 241 | 264 | 289 | 316 | 345 | 376 | 408 | 442 | 478 | 515 | 554 | 594 |
| Withdrawals | | (17,716) | (17,716) | (17,716) | (17,716) | (17,716) | (17,716) | (17,716) | (17,716) | (17,716) | (17,716) | (17,716) | (17,716) | (17,716) | (17,716) | (17,716) |
| Ending Balance | | 815 | 1,733 | 2,754 | 3,874 | 5,094 | 6,410 | 7,820 | 9,322 | 10,913 | 12,590 | 14,350 | 16,189 | 18,104 | 20,090 | 22,142 |
| Cumulative Replacement Reserves | | | | | | | | | | | | | | | | |
| Beginning Balance | | 0 | 12,878 | 26,206 | 39,997 | 54,262 | 69,015 | 84,268 | 100,034 | 116,327 | 133,160 | 150,547 | 168,503 | 187,042 | 206,180 | 225,931 |
| Deposits | | 12,750 | 12,941 | 13,135 | 13,332 | 13,532 | 13,735 | 13,941 | 14,151 | 14,363 | 14,578 | 14,797 | 15,019 | 15,244 | 15,473 | 15,705 |
| Interest | 2 0% | 128 | 387 | 655 | 933 | 1,221 | 1,518 | 1,825 | 2,142 | 2,470 | 2,809 | 3,159 | 3,520 | 3,893 | 4,278 | 4,676 |
| Withdrawals | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ending Balance | | 12,878 | 26,206 | 39,997 | 54,262 | 69,015 | 84,268 | 100,034 | 116,327 | 133,160 | 150,547 | 168,503 | 187,042 | 206,180 | 225,931 | 246,311 |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Net Operating Income | | 140,664 | 141,325 | 141,960 | 142,567 | 143,145 | 143,693 | 144,209 | 144,692 | 145,140 | 145,552 | 145,926 | 146,260 | 146,553 | 146,803 | 147,007 |
| Plus Reserves | | 12,750 | 12,941 | 13,135 | 13,332 | 13,532 | 13,735 | 13,941 | 14,151 | 14,363 | 14,578 | 14,797 | 15,019 | 15,244 | 15,473 | 15,705 |
| Less Interest Expense | | (103,938) | (102,884) | (101,751) | (100,533) | (99,225) | (97,820) | (96,310) | (94,687) | (92,944) | (91,071) | (89,059) | (86,897) | (84,574) | (82,078) | (79,397) |
| Less Long Depreciation | | (114,403) | (114,403) | (114,403) | (114,403) | (114,403) | (114,403) | (114,403) | (114,403) | (114,403) | (114,403) | (114,403) | (114,403) | (114,403) | (114,403) | (114,403) |
| Less Short Depreciation | | (20,286) | (20,286) | (20,286) | (20,286) | (20,286) | (20,286) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Taxable Income (Loss) | | (85,213) | (83,306) | (81,344) | (79,322) | (77,236) | (75,079) | (52,561) | (50,247) | (47,844) | (45,343) | (42,739) | (40,021) | (37,179) | (34,205) | (31,087) |
| Cash Flow | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Plus Tax Savings | | 29,824 | 29,157 | 28,470 | 27,763 | 27,032 | 26,278 | 18,397 | 17,586 | 16,745 | 15,870 | 14,959 | 14,007 | 13,013 | 11,972 | 10,880 |
| Plus Tax Credits | | 220,871 | 220,871 | 220,871 | 220,871 | 220,871 | 220,871 | 220,871 | 220,871 | 220,871 | 220,871 | | | | | |
| After Tax Cash Flow | | 250,695 | 250,028 | 249,341 | 248,634 | 247,903 | 247,149 | 239,268 | 238,457 | 237,616 | 236,741 | 14,959 | 14,007 | 13,013 | 11,972 | 10,880 |
| Total Years | 15 | | | | | | | | | | | | | | | |
| Reinvestment Rate | 12 00% | | | | | | | | | | | | | | | |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Current After Tax Cash Flows | | 250,695 | 250,028 | 249,341 | 248,634 | 247,903 | 247,149 | 239,268 | 238,457 | 237,616 | 236,741 | 14,959 | 14,007 | 13,013 | 11,972 | 10,880 |
| Future Value of Cash Flows at Yr 15 | | 1,372,198 | 1,221,915 | 1,087,999 | 968,671 | 862,345 | 767,607 | 663,508 | 590,412 | 525,294 | 467,285 | 26,362 | 22,041 | 18,282 | 15,017 | 12,186 |
| Discount Rate: | 6 00% | | | | | | | | | | | | | | | |
| Capital Contribution Number | 1 | 2 | 3 | 4 | | | | | | | | | | | | |
| Date of Capital Contribution | 01-Sep-98 | 01-Jan-99 | 01-May-99 | 01-Nov-99 | | | | | | | | | | | | |
| Amount of Capital Contribution | 323,620 | 809,051 | 323,620 | 161,810 | | | | | | | | | | | | |
| Present Value of Contributions | 323,620 | 792,767 | 310,828 | 150,721 | | | | | | | | | | | | |
| Cash Flows | (1,577,937) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8,621,120 |
| IRR: | 11 99% | | | | | | | | | | | | | | | |
| Equity Yield: | 72 16% | | | | | | | | | | | | | | | |

| 24-Apr-98 | **Lakeview HLP Newport** | | | |
|---|---|---|---|---|
| Total Residential Units: | 16 | Increase in Income from Rental Units: | 1.50% | |
| Housing Credit Restricted Units: | 16 | Increase in Income from Other Sources: | 1.50% | |
| Percent Restricted: | 100.00% | Increase in Income from Commercial: | 1.50% | |
| Total Development Cost: | 1,422,036 | Expense increase: | 3.00% | |
| Total Development Cost per Unit: | 88,877 | Vacancy Rate: | 5% | |
| Total Development Cost Per SF: | 100 | Partner's Tax Rate: | 35% | |
| | | Long Depreciation Schedule: | 27.5 | years |
| Max Credit Potential: | 36,879 | Short Depreciation Schedule: | 7 | years |
| Credit Amount Allocated: | 35,900 | Sponsor's Estimated Yield: | 122.42% | |
| | | | | |
| LIHTC - 9% | 8.36% | (May '98) | | |
| LIHTC - 4% | 3.58% | | | |

| SOURCES | | % of Total Development Cost | Interest Rate | Amortization | Term |
|---|---|---|---|---|---|
| First Mortgage - RD | 800,000 | 56.26% | 1.00% | 50 | 30 |
| VHCB -Deferred | 71,405 | 5.02% | 7.00% | 0 | 30 |
| VCDP - Deferred | 8,120 | 0.57% | 0.00% | 0 | 30 |
| VHCB - Lead Loan - Defer | 14,000 | 0.98% | 0.00% | 0 | 30 |
| VHCB - Grant w/feasibility | 22,000 | 1.55% | N/A | N/A | |
| AHP | 58,880 | 4.14% | N/A | N/A | |
| REEP | 8,000 | 0.56% | N/A | N/A | |
| Tax Credit Equity | 439,488 | 30.91% | N/A | N/A | |
| TOTAL SOURCES | 1,421,893 | 99.99% | | | |

| USES | | |
|---|---|---|
| Acquisition | 309,339 | 21.75% |
| Construction Hard Costs | 787,900 | 55.41% |
| Soft Costs | 324,797 | 22.84% |
| TOTAL USES | 1,422,036 | 100% |
| | | |
| Gap | 143 | |

| PER UNIT COST LIMIT CALCULATION | | | | | |
|---|---|---|---|---|---|
| | per unit limits | number of units | | | |
| 0 Br | 73,380 | 2 | 146,760 | | |
| 1 Br | 78,380 | 9 | 705,420 | | |
| 2 Br | 83,380 | 2 | 166,760 | | |
| 3 Br | 88,380 | 3 | 265,140 | | |
| 4 Br | 93,380 | 0 | 0 | | |
| Maximum cost allowed under the per unit cost limits | | | 1,284,080 | | |
| Projected total cost, excluding cash accounts | | | 1,402,036 | Excess Cost | |
| | | (over)/under | (117,956) | Ratio | 91.59% |

| | | |
|---|---|---|
| General Partner's Capital Contribution | 4,395 | 1% |
| Limited Partner's Capital Contribution | 435,093 | 99% |
| Total Equity | 439,488 | |

| APPLICABLE FRACTION CALCULATION | |
|---|---|
| Tax Credit Restricted Units | 16 |
| Total Units | 16 |
| Unit Fraction | 100.00% |
| | |
| Tax Credit Square Footage | 14,270 |
| Total Residential Square Footage | 14,270 |
| Square Footage Fraction | 100.00% |
| | |
| Applicable Fraction | 100% |

| 24-Apr-98 | **Lakeview HLP** | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Budget | Acquisition Basis | Construction Basis | Residential Depreciation | Historic Credit Basis | Other |
| | ACQUISITION | | | | | | |
| 1 | Land | 44,453 | | | | | |
| 2 | Purchase of Building(s) | 259,402 | 259,402 | | 259,402 | 0 | |
| 3 | Demolition (without replacement) | 0 | | | 0 | 0 | |
| 4 | Property Appraisal | 2,000 | 2,000 | | 2,000 | 2,000 | |
| 5 | Legal - Title and Recording | 3,484 | 3,484 | | 3,484 | 0 | |
| | Subtotal - Acquisition | 309,339 | 264,886 | | 264,886 | 2,000 | |
| | CONSTRUCTION HARD COSTS | | | | | | |
| 6 | Rehabilitation | 689,000 | | 689,000 | 689,000 | 689,000 | |
| 7 | New Building(s) | 0 | | 0 | 0 | 0 | |
| 8 | Accessory Buildings | 0 | | 0 | 0 | 0 | |
| 9 | Sitework | 0 | | 0 | 0 | 0 | |
| 10 | Commercial Space Costs (if any) | 0 | | | | | |
| 11 | General Requirements | 0 | | 0 | 0 | 0 | |
| 12 | Contractor Overhead | 0 | | 0 | 0 | 0 | |
| 13 | Contractor Profit | 0 | | 0 | 0 | 0 | |
| 14 | Construction Contingency | 68,900 | | 68,900 | 68,900 | 68,900 | |
| 15 | Construction Management | 0 | | 0 | 0 | 0 | |
| 16 | Construction Bond Fee | 0 | | 0 | 0 | 0 | |
| 17 | Hazardous Materials Abatement | 20,000 | | 20,000 | 20,000 | 20,000 | |
| 18 | Off-Site Improvements | 0 | | 0 | 0 | 0 | |
| 19 | Furnishings, Fixtures, & Equipment | 10,000 | | 10,000 | 10,000 | 10,000 | |
| 20 | Other (__________________) | 0 | | 0 | 0 | 0 | |
| | Subtotal - Hard Costs | 787,900 | | 757,900 | 757,900 | 757,900 | |
| | SOFT COSTS | | | | | | |
| 21 | Architectural | 41,000 | | 41,000 | 41,000 | 41,000 | |
| 22 | Engineering | 0 | | 0 | 0 | 0 | |
| 23 | Legal/Accounting | 10,000 | | 10,000 | 10,000 | 10,000 | |
| 24 | Relocation | 16,000 | | 16,000 | 16,000 | 16,000 | |
| 25 | Environmental Assessment | 0 | | 0 | 0 | 0 | |
| 26 | Energy Assessment | 2,800 | | 2,800 | 2,800 | 2,800 | |
| 27 | Permits/Fees | 4,873 | | 4,873 | 4,873 | 4,873 | |
| 28 | Independent Market Study | 3,000 | | 3,000 | 3,000 | 3,000 | |
| 29 | Construction Period Insurance | 2,008 | | 2,008 | 2,008 | 2,008 | |
| 30 | Construction Interest | 50,000 | | 50,000 | 50,000 | 50,000 | |
| 31 | Construction Loan Origination Fee | 0 | | 0 | 0 | 0 | |
| 32 | Taxes During Construction | 2,000 | | 2,000 | 2,000 | 2,000 | |
| 33 | Clerk of the Works | 15,000 | | 15,000 | 15,000 | 15,000 | |
| 34 | Marketing | 2,000 | | | | | |
| 35 | Tax Credit Fees | 1,366 | | 1,366 | 1,366 | 1,366 | |
| 36 | Soft Cost Contingency | 4,750 | | 4,750 | 4,750 | 4,750 | |
| 37 | Permanent Loan Origination Fee | 0 | | | | | |
| 38 | Lender's Counsel's Fee | 0 | | 0 | 0 | 0 | |
| 39 | Other (rent loss) | 15,000 | | 15,000 | 15,000 | 15,000 | |
| | SYNDICATION COSTS | | | | | | |
| 40 | Organizational (Partnership) | 0 | | | | | |
| 41 | Bridge Loan Fees and Expenses | 0 | | | | | |
| 42 | Syndication Consultant | 0 | | | | | |
| 43 | Tax Opinion | 0 | | | | | |
| | DEVELOPER'S FEES | | | | | | |
| 44 | Developer's Fees | 61,000 | | 61,000 | 61,000 | 61,000 | |
| 45 | Other Partnership Fees | 64,000 | | 64,000 | 64,000 | 64,000 | |
| 46 | Consultant Fees | 10,000 | | 10,000 | 10,000 | 10,000 | |
| | RESERVES | | | | | | |
| 47 | Working Capital | 20,000 | | | | | |
| 48 | Rent-up (Deficit Escrow) Reserve | 0 | | | | | |
| 49 | Other Operating Reserves | 0 | | | | | |
| 50 | Sinking Fund | 0 | | | | | |
| 51 | Replacement Reserves | 0 | | | | | |
| | Subtotal - Soft Costs | 324,797 | | 302,797 | 302,797 | 302,797 | |
| | TOTALS | 1,422,036 | 264,886 | 1,060,697 | 1,315,583 | 1,062,697 | |
| LESS: | Amount of Non-qualified Financing | | 0 | 21,000 | 7,000 | 7,000 | |
| LESS: | Historic tax Credit (Residential Portion) | | | 204,139 | | | |
| TIMES: | Excess Cost Ratio | 92% | | 765,261 | 211,139 | 20% | Historic Cre |
| | Total Eligible Basis | | 264,886 | 765,261 | | 211,139 | Annual Hist |
| TIMES: | Adjusted for QCT/DDA | 100.00% | | 765,261 | | | |
| TIMES: | Applicable Fraction | 100.00% | 264,886 | 765,261 | | | |
| | Total Qualified Basis | | 264,886 | 765,261 | 1,097,444 | Long Term Depreciable Basi | |
| TIMES: | Applicable Percentage | | 3.58% | 3.58% | 27.5 | Depreciation Schedule | |
| | Total Annual Credit Qualified | | 9,483 | 27,396 | 39,907 | Annual Depreciation | |
| | | | | | | | |
| | Total Tax Credits Requested | 35,900 | | 36,879 | 10,000 | Short Term Depreciable Basi | |
| | Estimated Net Syndication Proceeds (**excluding historic credit equity**) | 260,019 | | | 7 | Depreciation Schedule | |
| | Estimated Yield - Housing Credit Syndication | 73.16% | | | 1,429 | Annual Depreciation | |
| | Equity Gap | 447,631 | | | | | |
| | Credits Needed to fill Equity Gap | 61,803 | | | | | |
| | | | | | | | |
| | | | | | | | 176,800 |
| | Building by Bulding Basis x Fraction = | 36,030 | | | | | 291,443 |
| | Building by Bulding Equity Gap = | 38,859 | | | | | 468,243 |

| 24-Apr-98 | Lakeview HLP | | | | | |
|---|---|---|---|---|---|---|
| HC Restricted Units | | Average | | Average | | Total |
| Bedrooms | Type | Square Feet | Number | Rent | Utilities | Annual Rent |
| 0 Br | | 488 | 2 | 380 | | 9,120 |
| 1 Br | | 734 | 9 | 455 | | 49,140 |
| 2 Br | | 945 | 2 | 565 | | 13,560 |
| 3 Br | | 1,600 | 3 | 695 | | 25,020 |
| 4+ Br | | | 0 | 0 | | 0 |
| | Totals | 14,270 | 16 | | | 96,840 |
| Non-HC Restricted Units | | | | | | Total |
| Bedrooms | Type | Square Feet | Number | Rent | Utilities | Annual Rent |
| 0 Br | | | 0 | 0 | | 0 |
| 1 Br | | | 0 | 0 | | 0 |
| 2 Br | | | 0 | 0 | | 0 |
| 3 Br | | | 0 | 0 | | 0 |
| 4+ Br | | | 0 | 0 | | 0 |
| | Totals | 0 | 0 | | | 0 |
| All Units | | | | | | |
| | Grand Totals | 14,270 | 16 | | | 96,840 |
| | | Less Vacancy | 5.00% | | | (4,842) |
| | | | | | NET RENT | 91,998 |
| | | OTHER INCOME | | | | |
| | | Laundry | | | | 1,350 |
| | | Parking | | | | 0 |
| | | Commercial Space Income | | | | 0 |
| | | Other | | | | 0 |
| | | | | | TOTAL INCOME | 93,348 |

| 24-Apr-98 | **Lakeview HLP** | | | |
|---|---|---|---|---|
| | | | Per Unit | |
| | Annual | Monthly | Per Month | |
| Administration | | | | |
| Management Fee | 9,408 | 784 | 49 | 10.1% |
| Supportive Services | 0 | 0 | 0 | |
| Audit/Accounting | 3,705 | 309 | 19 | |
| Legal | 960 | 80 | 5 | |
| Compliance Monitoring | 384 | 32 | 2 | |
| Marketing | 45 | 4 | 0 | |
| Other | 1,728 | 144 | 9 | |
| TOTAL ADMINISTRATIVE | 16,230 | 1,353 | 85 | |
| | | | | |
| Utilities | | | | |
| Electricity | 6,720 | 560 | 35 | |
| Fuel | 9,408 | 784 | 49 | |
| Water and Sewer | 2,880 | 240 | 15 | |
| Fire Alarm / Emergency | 0 | 0 | 0 | |
| Other | 0 | 0 | 0 | |
| TOTAL UTILITIES | 19,008 | 1,584 | 99 | |
| | | | | |
| Maintenance | | | | |
| Maintenance / Janitor Payroll | 10,560 | 880 | 55 | |
| Janitor Supplies | 0 | 0 | 0 | |
| Exterminating | 0 | 0 | 0 | |
| Trash Removal | 1,920 | 160 | 10 | |
| Snow Removal | 0 | 0 | 0 | |
| Grounds | 2,688 | 224 | 14 | |
| Repairs Material | 0 | 0 | 0 | |
| Repairs Contract | 0 | 0 | 0 | |
| HVAC Repairs / Maintenance | 0 | 0 | 0 | |
| Elevator Contract / Repairs | 0 | 0 | 0 | |
| Painting and Decorating | 1,536 | 128 | 8 | |
| Other | 192 | 16 | 1 | |
| TOTAL MAINTENANCE | 16,896 | 1,408 | 88 | |
| | | | | per unit month |
| Real Estate Taxes | 7,645 | 637 | 40 | excl. ds & res. |
| Property Insurance | 2,496 | 208 | 13 | 324 |
| Replacement Reserves | 4,800 | 400 | 25 | |
| Primary Debt Service | 20,338 | 1,695 | 106 | |
| Other "must pay" debt service | 0 | 0 | 0 | |
| Other | 0 | 0 | 0 | |
| Total | 87,413 | 7,284 | 455 | |

| | | Check all Applicable | | | | | | | | A | | | | | B | | | | | | C | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Building # | Unit # | HOME Unit | Lead Paint Unit | Project Based Assistance | Tax Credit Unit | VHCB Restricted | Accessible | Adaptable | Unrestricted | Number of Bedrooms | Proposed Square Footage | Proposed Rent | Utility Allowance for Tenant-Paid Utilities | Gross Rent (Rent + Tenant-Paid Utilities) | OCCUPIED BY: Income level of residents to be served: | | | | | | AFFORDABLE TO: Units affordable to residents at: | | | | | |
| | | | | | 1 | | | | | | | | | | <30% | <50% | <60% | <80% | <100% | >100% | 30% | 50% | 60% | 65% | 80% | 100%+ |
| W Main | 1 | | | 1 | 1 | | 1 | | | 1 | 825 | 455 | 0 | 455 | | 1 | | | | | 1 | | | | | |
| | 2 | | | 1 | 1 | | | | | 1 | 825 | 455 | 0 | 455 | | 1 | | | | | 1 | | | | | |
| | 3 | | | 1 | 1 | | | | | 1 | 825 | 455 | 0 | 455 | | 1 | | | | | 1 | | | | | |
| | 4 | | | 1 | 1 | | | | | 1 | 825 | 455 | 0 | 455 | | 1 | | | | | 1 | | | | | |
| | 5 | | | 1 | 1 | | | | | 0 | 575 | 380 | 0 | 380 | | 1 | | | | | 1 | | | | | |
| | 6 | | | 1 | 1 | | | | | 1 | 825 | 455 | 0 | 455 | | 1 | | | | | 1 | | | | | |
| Field Ave. | 1 | | | 1 | 1 | 1 | 1 | | | 1 | 620 | 455 | 0 | 455 | | 1 | | | | | 1 | | | | | |
| | 2 | | | 1 | 1 | 1 | | | | 1 | 620 | 455 | 0 | 455 | | 1 | | | | | 1 | | | | | |
| | 3 | | | 1 | 1 | 1 | | | | 0 | 400 | 380 | 0 | 380 | | 1 | | | | | 1 | | | | | |
| | 4 | | | 1 | 1 | 1 | | | | 2 | 890 | 565 | 0 | 565 | | 1 | | | | | 1 | | | | | |
| | 5 | | | 1 | 1 | 1 | | | | 1 | 620 | 455 | 0 | 455 | | 1 | | | | | 1 | | | | | |
| | 6 | | | 1 | 1 | 1 | | | | 1 | 620 | 455 | 0 | 455 | | 1 | | | | | 1 | | | | | |
| Highland | 1 | | 1 | 1 | 1 | 1 | | | | 2 | 1,000 | 565 | 0 | 565 | | 1 | | | | | 1 | | | | | |
| | 2 | | 1 | 1 | 1 | 1 | 1 | | | 3 | 1,600 | 695 | 0 | 695 | | 1 | | | | | 1 | | | | | |
| | 3 | | 1 | 1 | 1 | 1 | | | | 3 | 1,600 | 695 | 0 | 695 | | 1 | | | | | 1 | | | | | |
| | 4 | | 1 | 1 | 1 | 1 | | | | 3 | 1,600 | 695 | 0 | 695 | | 1 | | | | | 1 | | | | | |
| Total # Units | 16 | 0 | 4 | 16 | 16 | 10 | 3 | 0 | 0 | Totals: | 14,270 | 8,070 | Total # Units: | | 0 | 16 | 0 | 0 | 0 | 0 | 16 | 0 | 0 | 0 | 0 | 0 |

| 24-Apr-98 | | Lakeview HLP | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Operating Income | | | | | | | | | | | | | | | | |
| Gross Rent | | 96,840 | 98,293 | 99,767 | 101,263 | 102,782 | 104,324 | 105,889 | 107,477 | 109,090 | 110,726 | 112,387 | 114,073 | 115,784 | 117,520 | 119,283 |
| Other Income | | 1,350 | 1,370 | 1,391 | 1,412 | 1,433 | 1,454 | 1,476 | 1,498 | 1,521 | 1,544 | 1,567 | 1,590 | 1,614 | 1,638 | 1,663 |
| Vacancy and other losses | | (4,842) | (4,915) | (4,988) | (5,063) | (5,139) | (5,216) | (5,294) | (5,374) | (5,454) | (5,536) | (5,619) | (5,704) | (5,789) | (5,876) | (5,964) |
| Total Operating Income | | 93,348 | 94,748 | 96,169 | 97,612 | 99,076 | 100,562 | 102,071 | 103,602 | 105,156 | 106,733 | 108,334 | 109,959 | 111,609 | 113,283 | 114,982 |
| Operating Expenses | | | | | | | | | | | | | | | | |
| Total Expenses (excl. Reserves) | | 62,275 | 64,143 | 66,068 | 68,050 | 70,091 | 72,194 | 74,360 | 76,590 | 78,888 | 81,255 | 83,692 | 86,203 | 88,789 | 91,453 | 94,197 |
| Reserves | | 4,800 | 4,872 | 4,945 | 5,019 | 5,095 | 5,171 | 5,249 | 5,327 | 5,407 | 5,488 | 5,571 | 5,654 | 5,739 | 5,825 | 5,912 |
| Total Operating Expense | | 67,075 | 69,015 | 71,013 | 73,069 | 75,186 | 77,365 | 79,608 | 81,918 | 84,295 | 86,743 | 89,263 | 91,857 | 94,528 | 97,278 | 100,109 |
| Net Operating Income | | 26,273 | 25,733 | 25,157 | 24,543 | 23,891 | 23,198 | 22,463 | 21,684 | 20,861 | 19,990 | 19,071 | 18,102 | 17,080 | 16,005 | 14,873 |
| Less Primary Debt Service | | 20,338 | 20,338 | 20,338 | 20,338 | 20,338 | 20,338 | 20,338 | 20,338 | 20,338 | 20,338 | 20,338 | 20,338 | 20,338 | 20,338 | 20,338 |
| Less Secondary Debt Service | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Annual Cash Flow | | 5,935 | 5,394 | 4,818 | 4,205 | 3,552 | 2,859 | 2,124 | 1,346 | 522 | (348) | (1,267) | (2,237) | (3,258) | (4,334) | (5,465) |
| Operating Subsidies / Sinking Fund | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 348 | 1,267 | 2,237 | 3,258 | 4,334 | 5,465 |
| Net Cash | | 5,935 | 5,394 | 4,818 | 4,205 | 3,552 | 2,859 | 2,124 | 1,346 | 522 | 0 | 0 | 0 | 0 | 0 | 0 |
| DCR | | 129.18% | 126.52% | 123.69% | 120.67% | 117.46% | 114.06% | 110.44% | 106.62% | 102.57% | 98.29% | 93.77% | 89.00% | 83.98% | 78.69% | 73.13% |
| Cumulative Cash Flow | | | | | | | | | | | | | | | | |
| Beginning Balance | | 0 | 5,935 | 11,448 | 16,495 | 21,030 | 25,002 | 28,361 | 31,053 | 33,019 | 34,202 | 34,538 | 33,961 | 32,404 | 29,794 | 26,056 |
| Interest | 2.0% | 0 | 119 | 229 | 330 | 421 | 500 | 567 | 621 | 660 | 684 | 691 | 679 | 648 | 596 | 521 |
| Withdrawals | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (348) | (1,267) | (2,237) | (3,258) | (4,334) | (5,465) |
| Ending Balance | | 5,935 | 11,448 | 16,495 | 21,030 | 25,002 | 28,361 | 31,053 | 33,019 | 34,202 | 34,538 | 33,961 | 32,404 | 29,794 | 26,056 | 21,111 |
| Cumulative Replacement Reserves | | | | | | | | | | | | | | | | |
| Beginning Balance | | 0 | 4,800 | 9,768 | 14,908 | 20,226 | 25,725 | 31,410 | 37,287 | 43,360 | 49,634 | 56,115 | 62,808 | 69,719 | 76,852 | 84,214 |
| Interest | 2.0% | 0 | 96 | 195 | 298 | 405 | 514 | 628 | 746 | 867 | 993 | 1,122 | 1,256 | 1,394 | 1,537 | 1,684 |
| Withdrawals | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ending Balance | | 4,800 | 9,768 | 14,908 | 20,226 | 25,725 | 31,410 | 37,287 | 43,360 | 49,634 | 56,115 | 62,808 | 69,719 | 76,852 | 84,214 | 91,811 |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Net Operating Income | | 26,273 | 25,733 | 25,157 | 24,543 | 23,891 | 23,198 | 22,463 | 21,684 | 20,861 | 19,990 | 19,071 | 18,102 | 17,080 | 16,005 | 14,873 |
| Plus Reserves | | 4,800 | 4,872 | 4,945 | 5,019 | 5,095 | 5,171 | 5,249 | 5,327 | 5,407 | 5,488 | 5,571 | 5,654 | 5,739 | 5,825 | 5,912 |
| Less Interest Expense | | (12,942) | (12,817) | (12,691) | (12,564) | (12,436) | (12,306) | (12,175) | (12,043) | (11,910) | (11,775) | (11,639) | (11,501) | (11,362) | (11,222) | (11,080) |
| Less Long Depreciation | | (39,907) | (39,907) | (39,907) | (39,907) | (39,907) | (39,907) | (39,907) | (39,907) | (39,907) | (39,907) | (39,907) | (39,907) | (39,907) | (39,907) | (39,907) |
| Less Short Depreciation | | (1,429) | (1,429) | (1,429) | (1,429) | (1,429) | (1,429) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Taxable Income (Loss) | | (23,204) | (23,548) | (23,925) | (24,338) | (24,787) | (25,273) | (24,371) | (24,939) | (25,549) | (26,203) | (26,904) | (27,652) | (28,450) | (29,299) | (30,201) |
| Cash Flow | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Plus Tax Savings | | 8,121 | 8,242 | 8,374 | 8,518 | 8,675 | 8,846 | 8,530 | 8,729 | 8,942 | 9,171 | 9,416 | 9,678 | 9,957 | 10,255 | 10,571 |
| Plus Tax Credits | | 247,039 | 35,900 | 35,900 | 35,900 | 35,900 | 35,900 | 35,900 | 35,900 | 35,900 | 35,900 | | | | | |
| After Tax Cash Flow | | 255,161 | 44,142 | 44,274 | 44,418 | 44,575 | 44,746 | 44,430 | 44,629 | 44,842 | 45,071 | 9,416 | 9,678 | 9,957 | 10,255 | 10,571 |
| Total Years | 15 | | | | | | | | | | | | | | | |
| Reinvestment Rate | 12.00% | | | | | | | | | | | | | | | |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Current After Tax Cash Flows | | 255,161 | 44,142 | 44,274 | 44,418 | 44,575 | 44,746 | 44,430 | 44,629 | 44,842 | 45,071 | 9,416 | 9,678 | 9,957 | 10,255 | 10,571 |
| Future Value of Cash Flows at Yr 15: | | 1,387,175 | 215,726 | 193,188 | 173,052 | 155,057 | 138,973 | 123,208 | 110,499 | 99,132 | 88,963 | 16,595 | 15,229 | 13,989 | 12,863 | 11,839 |
| Discount Rate: | 6.00% | | | | | | | | | | | | | | | |
| Capital Contribution Number: | 1 | 2 | 3 | 4 | | | | | | | | | | | | |
| Date of Capital Contribution: | 01-Sep-98 | 01-Jun-99 | 01-Sep-99 | | | | | | | | | | | | | |
| Amount of Capital Contribution: | 21,755 | 261,056 | 152,283 | 0 | | | | | | | | | | | | |
| Present Value of Contributions: | 21,755 | 249,445 | 143,296 | 0 | | | | | | | | | | | | |
| Cash Flows | (414,495) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,755,488 |
| IRR: | 13.46% | | | | | | | | | | | | | | | |
| Equity Yield: | 73.43% | | | | | | | | | | | | | | | |

24-Apr-98 **Park Village Apartments, Brandon**

| | | | |
|---|---|---|---|
| Total Residential Units: | 39 | Increase in Income from Rental Units: | 2.00% |
| Housing Credit Restricted Units: | 26 | Increase in Income from Other Sources: | 1.00% |
| Percent Restricted: | 66.67% | Increase in Income from Commercial: | 2.00% |
| Total Development Cost: | 2,658,468 | Expense increase: | 3.00% |
| Total Development Cost per Unit: | 68,166 | Vacancy Rate: | 5.00% |
| Total Development Cost Per SF: | 107 | Partner's Tax Rate: | 35% |
| | | Long Depreciation Schedule: | 27.5 years |
| Max Credit Potential: | 171,851 | Short Depreciation Schedule: | 7 years |
| Credit Amount Allocated: | 171,851 | Sponsor's Estimated Yield: | 71.97% |
| LIHTC - 9% | 8.36% | (May '98) | |
| LIHTC - 4% | 3.58% | | |

SOURCES

| | | % of Total Development Cost | Interest Rate | Amortization | Term |
|---|---|---|---|---|---|
| First Mortgage | 496,400 | 18.67% | 8.40% | 30 | 30 |
| Deferred Developer's Fee Note | 238,440 | 8.97% | 6.00% | 30 | int. only |
| VCDP | 583,000 | 21.93% | 0.00% | 40 | |
| Historic Credit Equity | 108,826 | 4.09% | N/A | N/A | |
| Tax Credit Equity | 1,224,386 | 46.06% | N/A | N/A | |
| TOTAL SOURCES | 2,651,052 | 99.72% | | | |

USES

| | | |
|---|---|---|
| Acquisition | 315,637 | 11.87% |
| Construction Hard Costs | 1,725,371 | 64.90% |
| Soft Costs | 617,460 | 23.23% |
| TOTAL USES | 2,658,468 | 100.00% |
| Gap | 7,416 | |

PER UNIT COST LIMIT CALCULATION

| | per unit limits | number of units | |
|---|---|---|---|
| 0 Br | 73,380 | 0 | 0 |
| 1 Br | 78,380 | 27 | 2,116,260 |
| 2 Br | 83,380 | 8 | 667,040 |
| 3 Br | 88,380 | 4 | 353,520 |
| 4 Br | 93,380 | 0 | 0 |
| Maximum cost allowed under the per unit cost limits | | | 3,136,820 |
| Projected total cost, excluding cash accounts | | | 2,615,468 |
| | | (over)/under | 521,352 |

| | | |
|---|---|---|
| General Partner's Capital Contribution | 12,368 | 1.00% |
| Limited Partner's Capital Contribution | 1,224,386 | 99.00% |
| Total Equity | 1,236,754 | |

APPLICABLE FRACTION CALCULATION

| | |
|---|---|
| Tax Credit Restricted Units | 26 |
| Total Units | 39 |
| Unit Fraction | 66.67% |
| Tax Credit Square Footage | 16,924 |
| Total Residential Square Footage | 24,819 |
| Square Footage Fraction | 68.19% |
| Applicable Fraction | 66.67% |

24-Apr-98 **Park Village Apartments, Brandon**

| # | | Budget | Acquisition Basis | Construction Basis | Residential Depreciation | Historic Credit Basis | Other |
|---|---|---|---|---|---|---|---|
| | ACQUISITION | | | | | | |
| 1 | Land | 55,080 | | | | | |
| 2 | Purchase of Building(s) | 250,920 | 147,600 | | 250,920 | | |
| 3 | Demolition (without replacement) | 0 | | | | | |
| 4 | Property Appraisal | 2,000 | 1,333 | | 2,000 | | |
| 5 | Legal - Title and Recording | 7,637 | 5,091 | | 7,637 | | |
| | Subtotal - Acquisition | 315,637 | | | | | |
| | CONSTRUCTION HARD COSTS | | | | | | |
| 6 | Rehabilitation | 1,509,383 | | 1,050,061 | 1,509,383 | 459,322 | |
| 7 | New Building(s) | 0 | | | | | |
| 8 | Accessory Buildings | 0 | | | | | |
| 9 | Sitework | 0 | | | | | |
| 10 | Commercial Space Costs (if any) | 0 | | | | | |
| 11 | General Requirements | 0 | | | | | |
| 12 | Contractor Overhead | 0 | | | | | |
| 13 | Contractor Profit | 0 | | | | | |
| 14 | Construction Contingency | 150,938 | | 90,563 | 135,844 | 45,281 | |
| 15 | Construction Management | 0 | | | | | |
| 16 | Construction Bond Fee | 0 | | | | | |
| 17 | Hazardous Materials Abatement | 65,050 | | 52,550 | 65,050 | 12,500 | |
| 18 | Off-Site Improvements | 0 | | | | | |
| 19 | Furnishings, Fixtures, & Equipment | 0 | | | | | |
| 20 | Other (________________) | 0 | | | | | |
| | Subtotal - Hard Costs | 1,725,371 | | | | | |
| | SOFT COSTS | | | | | | |
| 21 | Architectural | 45,281 | | 30,188 | 45,281 | 15,094 | |
| 22 | Engineering | 0 | | | 0 | | |
| 23 | Legal/Accounting | 13,000 | | 8,667 | 13,000 | 4,333 | |
| 24 | Relocation | 0 | | | 0 | | |
| 25 | Environmental Assessment | 2,000 | | 1,333 | 2,000 | 667 | |
| 26 | Energy Assessment | 0 | | | 0 | | |
| 27 | Permits/Fees | 9,715 | | 5,476 | 9,715 | 4,238 | |
| 28 | Independent Market Study | 0 | | | 0 | | |
| 29 | Construction Period Insurance | 4,500 | | 3,015 | 4,500 | | |
| 30 | Construction Interest | 48,500 | | 32,333 | 48,500 | 16,167 | |
| 31 | Construction Loan Origination Fee | 18,500 | | 12,333 | 18,500 | 6,167 | |
| 32 | Taxes During Construction | 4,344 | | 2,881 | 4,344 | | |
| 33 | Clerk of the Works | 0 | | | 0 | | |
| 34 | Marketing | 15,000 | | | 15,000 | | |
| 35 | Tax Credit Fees | 7,120 | | 7,120 | 7,120 | | |
| 36 | Soft Cost Contingency | 10,000 | | 6,667 | 8,500 | 2,833 | |
| 37 | Permanent Loan Origination Fee | 11,250 | | | 11,250 | | |
| 38 | Lender's Counsel's Fee | 0 | | | | | |
| 39 | Other (hist. Preservation/cd admin) | 12,000 | | 500 | 12,000 | 3,500 | |
| | SYNDICATION COSTS | | | | | | |
| 40 | Organizational (Partnership) | 0 | | | | | |
| 41 | Bridge Loan Fees and Expenses | 0 | | | | | |
| 42 | Syndication Consultant | 30,000 | | | 30,000 | | |
| 43 | Tax Opinion | 3,000 | | | 3,000 | | |
| | DEVELOPER'S FEES | | | | | | |
| 44 | Developer's Fees | 306,000 | | 204,000 | 306,000 | 102,000 | |
| 45 | Other Partnership Fees | 0 | | | | | |
| 46 | Consultant Fees | 34,250 | | 22,833 | 34,250 | 11,417 | |
| | RESERVES | | | | | | |
| 47 | Working Capital | 39,000 | | | | | |
| 48 | Rent-up (Deficit Escrow) Reserve | 2,500 | | | | | |
| 49 | Other Operating Reserves | 0 | | | | | |
| 50 | Sinking Fund | 0 | | | | | |
| 51 | Replacement Reserves | 1,500 | | | | | |
| | Subtotal - Soft Costs | 617,460 | | | | | |
| | TOTALS | 2,658,468 | 154,024 | 1,530,520 | 2,543,794 | 683,519 | |
| | LESS: Amount of Non-qualified Financing | | | | | | |
| | LESS: Adjustment for per unit cost limits | | | | | | |
| | LESS: Historic tax Credit (Residential Portion) | | | | 136,704 | 20% Historic Credit Rate | |
| | Total Eligible Basis | | 154,024 | 1,530,520 | | 136,704 Annual Historic Credit | |
| | TIMES: Adjusted for QCT/DDA | 130.0% | | 1,989,676 | | | |
| | TIMES: Applicable Fraction | 66.67% | 154,024 | 1,989,676 | | | |
| | Total Qualified Basis | | 154,024 | 1,989,676 | 2,407,090 | Long Term Depreciable Basis | |
| | TIMES: Applicable Percentage | | 3.58% | 8.36% | 27.5 | Depreciation Schedule | |
| | Total Annual Credit Qualified | | 5,514 | 166,337 | 87,531 | Annual Depreciation | |

| | | |
|---|---|---|
| Total Tax Credits Requested | 172,892 | 171,851 |
| Estimated Net Syndication Proceeds (**excluding historic credit equity**) | 1,231,803 | |
| Estimated Yield - Housing Credit Syndication | 71.97% | |
| Equity Gap | 1,231,802 | |
| Credits Needed to fill Equity Gap | 172,892 | |

| | |
|---|---|
| 0 | Short Term Depreciable Basis |
| 7 | Depreciation Schedule |
| 0 | Annual Depreciation |

24-Apr-98 **Park Village Apartments, Brandon**

| HC Restricted Units Bedrooms | Type | Average Square Feet | Number | Average Rent | Utilities | Total Annual Rent |
|---|---|---|---|---|---|---|
| 0 Br | | | 0 | 0 | | 0 |
| 1 Br | | 540 | 18 | 363 | | 78,324 |
| 2 Br | | 904 | 4 | 369 | | 17,688 |
| 3 Br | | 897 | 4 | 551 | | 26,448 |
| 4+ Br | | | 0 | 0 | | 0 |
| | Totals | 16,924 | 26 | | | 122,460 |

| Non-HC Restricted Units Bedrooms | Type | Square Feet | Number | Rent | Utilities | Total Annual Rent |
|---|---|---|---|---|---|---|
| 0 Br | | | 0 | 0 | | 0 |
| 1 Br | | 522 | 9 | 542 | | 58,500 |
| 2 Br | | 800 | 4 | 685 | | 32,880 |
| 3 Br | | | 0 | 0 | | 0 |
| 4+ Br | | | 0 | 0 | | 0 |
| | Totals | 7,895 | 13 | | | 91,380 |
| All Units | | | | | | |
| | Grand Totals | 24,819 | 39 | | | 213,840 |
| | Less Vacancy | | 0.00% | | | 0 |
| | | | | | NET RENT | 213,840 |
| | OTHER INCOME | | | | | |
| | Laundry | | | | | 3,042 |
| | Parking | | | | | 0 |
| | Commercial Space Income | | | | | 0 |
| | Other | | | | | 0 |
| | | | | | TOTAL INCOME | 216,882 |

# Park Village Apartments, Brandon

| Building # | Unit # | HOME Unit (Check all Applicable) | Lead Paint Unit | Project Based Assistance | Tax Credit Unit | VHCB Restricted | Accessible | Adaptable | Unrestricted | A: Number of Bedrooms | Proposed Square Footage | Proposed Rent | Utility Allowance for Tenant-Paid Utilities | Gross Rent (Rent + Tenant-Paid Utilities) | B: OCCUPIED BY: Income level of residents to be served: <30% | <50% | <60% | <80% | <100% | >100% | C: AFFORDABLE TO: Units affordable to residents at: 30% | 50% | 60% | 65% | 80% | 100%+ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 6 | 1 | | | | | | | 1 | 1 | 1 | 525 | 475 | | 475 | | | | 1 | | | | | | | 1 | |
| 6 | 2 | | | | | | | 1 | 1 | 1 | 525 | 475 | | 475 | | | | 1 | | | | | | | 1 | |
| 6 | 3 | | | | | | 1 | | 1 | 1 | 525 | 475 | | 475 | | | | 1 | | | | | | | 1 | |
| 6 | 4 | | | | | | | 1 | 1 | 1 | 520 | 575 | | 575 | | | | 1 | | | | | | | 1 | |
| 6 | 5 | | | | | | 1 | | 1 | 2 | 800 | 685 | | 685 | | | | 1 | | | | | | | 1 | |
| 6 | 6 | | | | | | | 1 | 1 | 1 | 520 | 575 | | 575 | | | | 1 | | | | | | | 1 | |
| 6 | 7 | | | | | | | 1 | 1 | 1 | 520 | 575 | | 575 | | | | 1 | | | | | | | 1 | |
| 6 | 8 | | | | | | | 1 | 1 | 2 | 800 | 685 | | 685 | | | | 1 | | | | | | | 1 | |
| 6 | 9 | | | | | | | 1 | 1 | 1 | 520 | 575 | | 575 | | | | 1 | | | | | | | 1 | |
| 6 | 10 | | | | | | 1 | | 1 | 2 | 800 | 685 | | 685 | | | | 1 | | | | | | | 1 | |
| 6 | 11 | | | | | | | 1 | 1 | 1 | 520 | 575 | | 575 | | | | 1 | | | | | | | 1 | |
| 6 | 12 | | | | | | 1 | | 1 | 1 | 520 | 575 | | 575 | | | | 1 | | | | | | | 1 | |
| 6 | 13 | | | | | | | 1 | 1 | 2 | 800 | 685 | | 685 | | | | 1 | | | | | | | 1 | |
| 7 | 1 | | | | 1 | | 1 | | | 1 | 472 | 215 | | 215 | 1 | | | | | | 1 | | | | | |
| 7 | 2 | | | | 1 | | | 1 | | 1 | 560 | 215 | | 215 | 1 | | | | | | 1 | | | | | |
| 7 | 3 | | | | 1 | | 1 | | | 1 | 582 | 358 | | 358 | | 1 | | | | | | 1 | | | | |
| 7 | 4 | | | | 1 | | | 1 | | 1 | 492 | 358 | | 358 | | 1 | | | | | | 1 | | | | |
| 7 | 5 | | | | 1 | | 1 | | | 1 | 472 | 358 | | 358 | | 1 | | | | | | 1 | | | | |
| 7 | 6 | | | | 1 | | | 1 | | 1 | 560 | 358 | | 358 | | 1 | | | | | | 1 | | | | |
| 7 | 7 | | | | 1 | | | 1 | | 1 | 568 | 358 | | 358 | | 1 | | | | | | 1 | | | | |
| 7 | 8 | | | | 1 | | | 1 | | 1 | 445 | 358 | | 358 | | 1 | | | | | | 1 | | | | |
| 7 | 9 | | | | 1 | | | 1 | | 1 | 428 | 430 | | 430 | | | 1 | | | | | | 1 | | | |
| 7 | 10 | | | | 1 | | | 1 | | 1 | 524 | 430 | | 430 | | | 1 | | | | | | 1 | | | |
| 7 | 11 | | | | 1 | | | 1 | | 1 | 582 | 430 | | 430 | | | 1 | | | | | | 1 | | | |
| 7 | 12 | | | | 1 | | | 1 | | 1 | 492 | 430 | | 430 | | | 1 | | | | | | 1 | | | |
| 7 | 13 | | | | 1 | | | 1 | | 1 | 428 | 430 | | 430 | | | 1 | | | | | | 1 | | | |
| 7 | 14 | | | | 1 | | | 1 | | 1 | 524 | 430 | | 430 | | | 1 | | | | | | 1 | | | |
| 7 | 15 | | | | 1 | | | 1 | | 1 | 568 | 430 | | 430 | | | 1 | | | | | | 1 | | | |
| 7 | 16 | | | | 1 | | | 1 | | 1 | 445 | 430 | | 430 | | | 1 | | | | | | 1 | | | |
| 8 | 1 | | | | 1 | | | 1 | | 2 | 956 | 218 | 40 | 258 | 1 | | | | | | 1 | | | | | |
| 8 | 2 | | | | 1 | | 1 | | | 3 | 974 | 551 | 45 | 596 | | | 1 | | | | | | 1 | | | |
| 8 | 3 | | | | 1 | | | 1 | | 1 | 772 | 183 | 32 | 215 | 1 | | | | | | 1 | | | | | |
| 8 | 4 | | | | 1 | | 1 | | | 2 | 925 | 390 | 40 | 430 | | 1 | | | | | | 1 | | | | |
| 8 | 5 | | | | 1 | | | 1 | | 3 | 900 | 551 | 45 | 596 | | | 1 | | | | | | 1 | | | |
| 8 | 6 | | | | 1 | | | | | 2 | 792 | 390 | 40 | 430 | | 1 | | | | | | 1 | | | | |
| 8 | 7 | | | | 1 | | | | | 3 | 908 | 551 | 45 | 596 | | | 1 | | | | | | 1 | | | |
| 8 | 8 | | | | 1 | | | | | 1 | 806 | 326 | 32 | 358 | | 1 | | | | | | 1 | | | | |
| 8 | 9 | | | | 1 | | | | | 2 | 943 | 476 | 40 | 516 | | | 1 | | | | | | 1 | | | |
| 8 | 10 | | | | 1 | | | | | 3 | 806 | 551 | 45 | 596 | | | 1 | | | | | | 1 | | | |
| Total # Units | 39 | | | | | | | | | Totals: | 24,819 | 17,820 | Total # Units: | | 4 | 9 | 13 | 13 | 0 | 0 | 4 | 9 | 13 | 0 | 13 | 0 |

## 24-Apr-98 **Park Village Apartments, Brandon**

| | Annual | Monthly | Per Unit Per Month | |
|---|---|---|---|---|
| Administration | | | | |
| Management Fee | 18,500 | 1,542 | 40 | 8.5% |
| Supportive Services | | 0 | 0 | |
| Audit/Accounting | 4,250 | 354 | 9 | |
| Legal | 1,000 | 83 | 2 | |
| Compliance Monitoring | 936 | 78 | 2 | |
| Marketing | 500 | 42 | 1 | |
| Other | | 0 | 0 | |
| TOTAL ADMINISTRATIVE | 25,186 | 2,099 | 54 | |
| | | | | |
| Utilities | | | | |
| Electricity | 13,700 | 1,142 | 29 | |
| Fuel | 15,000 | 1,250 | 32 | |
| Water and Sewer | 3,723 | 310 | 8 | |
| Fire Alarm / Emergency | 500 | 42 | 1 | |
| Other | | 0 | 0 | |
| TOTAL UTILITIES | 32,923 | 2,744 | 70 | |
| | | | | |
| Maintenance | | | | |
| Maintenance / Janitor Payroll | 7,500 | 625 | 16 | |
| Janitor Supplies | 625 | 52 | 1 | |
| Exterminating | 625 | 52 | 1 | |
| Trash Removal | 4,950 | 413 | 11 | |
| Snow Removal | 3,500 | 292 | 7 | |
| Grounds | 5,000 | 417 | 11 | |
| Repairs Material | 6,000 | 500 | 13 | |
| Repairs Contract | 9,420 | 785 | 20 | |
| HVAC Repairs / Maintenance | | 0 | 0 | |
| Elevator Contract / Repairs | | 0 | 0 | |
| Painting and Decorating | 4,500 | 375 | 10 | |
| Other | | 0 | 0 | |
| TOTAL MAINTENANCE | 42,120 | 3,510 | 90 | |
| | | | | per unit month excl. ds & res. |
| Real Estate Taxes | 31,033 | 2,586 | 66 | |
| Property Insurance | 5,600 | 467 | 12 | 292 |
| Replacement Reserves | 8,019 | 668 | 17 | |
| Primary Debt Service | | 0 | 0 | |
| Other "must pay" debt service | | 0 | 0 | |
| Other | | 0 | 0 | |
| Total | 144,881 | 12,073 | 310 | |

| 24-Apr-98 | Park Village Apartments, Brandon | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Operating Income | | | | | | | | | | | | | | | | |
| Gross Rent | | 213,840 | 218,117 | 222,479 | 226,929 | 231,467 | 236,097 | 240,819 | 245,635 | 250,548 | 255,559 | 260,670 | 265,883 | 271,201 | 276,625 | 282,157 |
| Other Income | | 3,042 | 3,072 | 3,103 | 3,134 | 3,166 | 3,197 | 3,229 | 3,261 | 3,294 | 3,327 | 3,360 | 3,394 | 3,428 | 3,462 | 3,497 |
| Vacancy and other losses | | (25,661) | (10,906) | (11,124) | (11,346) | (11,573) | (11,805) | (12,041) | (12,282) | (12,527) | (12,778) | (13,033) | (13,294) | (13,560) | (13,831) | (14,108) |
| Total Operating Income | | 191,221 | 210,283 | 214,458 | 218,716 | 223,059 | 227,489 | 232,007 | 236,615 | 241,314 | 246,108 | 250,997 | 255,983 | 261,069 | 266,256 | 271,546 |
| Operating Expenses | | | | | | | | | | | | | | | | |
| Total Expenses (excl Reserves) | | 136,862 | 140,968 | 145,197 | 149,553 | 154,039 | 158,661 | 163,420 | 168,323 | 173,373 | 178,574 | 183,931 | 189,449 | 195,132 | 200,986 | 207,016 |
| Reserves | | 8,019 | 8,179 | 8,343 | 8,510 | 8,680 | 8,854 | 9,031 | 9,211 | 9,396 | 9,583 | 9,775 | 9,971 | 10,170 | 10,373 | 10,581 |
| Total Operating Expense | | 144,881 | 149,147 | 153,540 | 158,063 | 162,719 | 167,514 | 172,451 | 177,534 | 182,768 | 188,157 | 193,706 | 199,420 | 205,303 | 211,360 | 217,597 |
| Net Operating Income | | 46,340 | 61,136 | 60,918 | 60,654 | 60,340 | 59,975 | 59,556 | 59,080 | 58,546 | 57,950 | 57,290 | 56,563 | 55,766 | 54,896 | 53,949 |
| Less Primary Debt Service | | 45,381 | 45,381 | 45,381 | 45,381 | 45,381 | 45,381 | 45,381 | 45,381 | 45,381 | 45,381 | 45,381 | 45,381 | 45,381 | 45,381 | 45,381 |
| Less Secondary Debt Service | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Annual Cash Flow | | 959 | 15,755 | 15,537 | 15,273 | 14,959 | 14,594 | 14,175 | 13,699 | 13,165 | 12,569 | 11,909 | 11,182 | 10,385 | 9,515 | 8,568 |
| Operating Subsidies / Sinking Fund | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Cash | | 959 | 15,755 | 15,537 | 15,273 | 14,959 | 14,594 | 14,175 | 13,699 | 13,165 | 12,569 | 11,909 | 11,182 | 10,385 | 9,515 | 8,568 |
| DCR | | 102.11% | 134.72% | 134.24% | 133.65% | 132.96% | 132.16% | 131.23% | 130.19% | 129.01% | 127.70% | 126.24% | 124.64% | 122.88% | 120.97% | 118.88% |
| Cumulative Cash Flow | | | | | | | | | | | | | | | | |
| Beginning Balance | | 0 | 969 | 16,901 | 32,931 | 49,015 | 65,104 | 81,146 | 97,085 | 112,863 | 128,417 | 143,680 | 158,582 | 173,047 | 186,997 | 200,347 |
| Deposits | | 959 | 15,755 | 15,537 | 15,273 | 14,959 | 14,594 | 14,175 | 13,699 | 13,165 | 12,569 | 11,909 | 11,182 | 10,385 | 9,515 | 8,568 |
| Interest | 2.0% | 10 | 177 | 493 | 811 | 1,130 | 1,448 | 1,765 | 2,079 | 2,389 | 2,694 | 2,993 | 3,283 | 3,565 | 3,835 | 4,093 |
| Withdrawals | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ending Balance | | 969 | 16,901 | 32,931 | 49,015 | 65,104 | 81,146 | 97,085 | 112,863 | 128,417 | 143,680 | 158,582 | 173,047 | 186,997 | 200,347 | 213,007 |
| Cumulative Replacement Reserves | | | | | | | | | | | | | | | | |
| Beginning Balance | | 1,500 | 9,629 | 18,086 | 26,878 | 36,017 | 45,512 | 55,375 | 65,616 | 76,245 | 87,276 | 98,718 | 110,534 | 121,757 | 123,953 | 126,192 |
| Deposits | | 8,019 | 8,179 | 8,343 | 8,510 | 8,680 | 8,854 | 9,031 | 9,211 | 9,396 | 9,583 | 9,775 | 9,971 | 10,170 | 10,373 | 10,581 |
| Interest | 2.0% | 110 | 277 | 450 | 629 | 815 | 1,009 | 1,210 | 1,419 | 1,635 | 1,860 | 2,093 | 2,323 | 2,457 | 2,501 | 2,547 |
| Withdrawals | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ending Balance | | 9,629 | 18,086 | 26,878 | 36,017 | 45,512 | 55,375 | 65,616 | 76,245 | 87,276 | 98,720 | 110,586 | 122,827 | 134,384 | 136,828 | 139,320 |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Net Operating Income | | 46,340 | 61,136 | 60,918 | 60,654 | 60,340 | 59,975 | 59,556 | 59,080 | 58,546 | 57,950 | 57,290 | 56,563 | 55,766 | 54,896 | 53,949 |
| Plus Reserves | | 8,019 | 8,179 | 8,343 | 8,510 | 8,680 | 8,854 | 9,031 | 9,211 | 9,396 | 9,583 | 9,775 | 9,971 | 10,170 | 10,373 | 10,581 |
| Less Interest Expense | | (55,859) | (55,525) | (55,161) | (54,766) | (54,336) | (53,869) | (53,361) | (52,808) | (52,208) | (51,555) | (50,845) | (50,073) | (49,233) | (48,320) | (47,328) |
| Less Long Depreciation | | (87,531) | (87,531) | (87,531) | (87,531) | (87,531) | (87,531) | (87,531) | (87,531) | (87,531) | (87,531) | (87,531) | (87,531) | (87,531) | (87,531) | (87,531) |
| Less Short Depreciation | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Taxable Income (Loss) | | (89,030) | (73,740) | (73,430) | (73,133) | (72,847) | (72,571) | (72,305) | (72,047) | (71,797) | (71,552) | (71,310) | (71,069) | (70,828) | (70,582) | (70,328) |
| Cash Flow | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Plus Tax Savings | | 31,161 | 25,809 | 25,701 | 25,596 | 25,496 | 25,400 | 25,307 | 25,217 | 25,129 | 25,043 | 24,958 | 24,874 | 24,790 | 24,704 | 24,615 |
| Plus Tax Credits | | 171,851 | 171,851 | 171,851 | 171,851 | 171,851 | 171,851 | 171,851 | 171,851 | 171,851 | 171,851 | | | | | |
| After Tax Cash Flow | | 203,012 | 197,660 | 197,552 | 197,447 | 197,347 | 197,251 | 197,158 | 197,068 | 196,980 | 196,894 | 24,958 | 24,874 | 24,790 | 24,704 | 24,615 |
| Total Years | 15 | | | | | | | | | | | | | | | |
| Reinvestment Rate | 12.00% | | | | | | | | | | | | | | | |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Current After Tax Cash Flows | | 203,012 | 197,660 | 197,552 | 197,447 | 197,347 | 197,251 | 197,158 | 197,068 | 196,980 | 196,894 | 24,958 | 24,874 | 24,790 | 24,704 | 24,615 |
| Future Value of Cash Flows at Yr 15 | | 1,111,197 | 965,986 | 862,015 | 769,251 | 686,483 | 612,631 | 546,734 | 487,932 | 435,460 | 388,634 | 43,985 | 39,140 | 34,828 | 30,988 | 27,569 |
| Discount Rate: | 6.00% | | | | | | | | | | | | | | | |
| Capital Contribution Number: | 1 | 2 | 3 | 4 | | | | | | | | | | | | |
| Date of Capital Contribution: | 24-Apr-98 | 24-Apr-98 | 24-Apr-98 | 24-Apr-98 | | | | | | | | | | | | |
| Amount of Capital Contribution: | 1,236,754 | 0 | 0 | 0 | | | | | | | | | | | | |
| Present Value of Contributions: | 1,236,754 | 0 | 0 | 0 | | | | | | | | | | | | |
| Cash Flows | (1,236,754) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 7,042,832 |
| IRR: | 12.30% | | | | | | | | | | | | | | | |
| Equity Yield: | 72.69% | | | | | | | | | | | | | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 24-Apr-98 | **McAuley - Scholar and Lund** | | | | | | |
| Total Residential Units: | | 19 | Increase in Income from Rental Units: | | | 1.50% | | |
| Housing Credit Restricted Units: | | 19 | Increase in Income from Other Sources: | | | 1.50% | | |
| Percent Restricted: | | 100.00% | Increase in Income from Commercial: | | | 1.50% | | |
| Total Development Cost: | | 1,823,034 | Expense increase: | | | 3.00% | | |
| Total Development Cost per Unit: | | 95,949 | Vacancy Rate: | | | 4% | | |
| Total Development Cost Per SF: | | 119 | Partner's Tax Rate: | | | 35% | | |
| | | | Long Depreciation Schedule: | | | 27.5 | years | |
| Max Credit Potential: | | 88,318 | Short Depreciation Schedule: | | | 7 | years | |
| Credit Amount Allocated: | | 88,000 | Sponsor's Estimated Yield: | | | 76.75% | | |
| | | | | | | | | |
| LIHTC - 9% | | 8.36% | (May '98) | | | | | |
| LIHTC - 4% | | 3.58% | | | | | | |
| SOURCES | | | | | | | | |
| | | | % of Total Development Cost | | Interest Rate | Amortization | Term | |
| First Mortgage | | 75,000 | | 4.11% | 8.00% | 30 | 30 | |
| McKinney - HUD SHP - Loan | | 367,417 | | 20.15% | 6.00% | 0 | 30 | |
| HOME - Deferred | | 50,000 | | 2.74% | 6.00% | 0 | 30 | |
| VHCB -- Deferred | | 435,000 | | 23.86% | 0.00% | 0 | 30 | |
| FHLBB - AHP | | 90,500 | | 4.96% | | | | |
| BHTF - Grant | | 15,000 | | 0.82% | | | | |
| COB - Replacement | | 121,500 | | 6.66% | 0.00% | 0 | 30 | |
| Other Equity | | 0 | | 0.00% | N/A | N/A | | |
| Tax Credit Equity | | 668,617 | | 36.68% | N/A | N/A | | |
| | TOTAL SOURCES | 1,823,034 | | 100.00% | | | | |
| | | | | | | | | |
| USES | | | | | | | | |
| Acquisition | | 250,124 | | 13.72% | | | | |
| Construction Hard Costs | | 1,317,572 | | 72.27% | | | | |
| Soft Costs | | 255,338 | | 14.01% | | | | |
| | TOTAL USES | 1,823,034 | 100% | | | | | |
| | | | | | | | | |
| | Gap | 0 | | | | | | |
| PER UNIT COST LIMIT CALCULATION | | | | | | | | |
| | | per unit limits | | number of units | Lund | number of units | Scholar | |
| | 0 Br | 73,380 | | 0 | 0 | 0 | 0 | |
| | 1 Br | 78,380 | | 7 | 548,660 | 3 | 235,140 | |
| | 2 Br | 83,380 | | 0 | 0 | 5 | 416,900 | |
| | 3 Br | 88,380 | | 0 | 0 | 4 | 353,520 | |
| | 4 Br | 93,380 | | 0 | 0 | 0 | 0 | |
| Maximum cost allowed under the per unit cost limits | | | | | 548,660 | | 1,005,560 | |
| Projected total cost, excluding cash accounts | | | | | 700,477 | 78% | 1,105,558 | 91% |
| | | | (over)/under | | (151,817) | | (99,998) | |
| | | | | | | | | |
| General Partner's Capital Contribution | | | | | 6,754 | 1% | | |
| Limited Partner's Capital Contribution | | | | | 668,617 | 99% | | |
| Total Equity | | | | | 675,371 | | | |
| APPLICABLE FRACTION CALCULATION | | | | | | | | |
| | | | Tax Credit Restricted Units | | 19 | | | |
| | | | Total Units | | 19 | | | |
| | | | Unit Fraction | | 100.00% | | | |
| | | | | | | | | |
| | | | Tax Credit Square Footage | | 15,290 | | | |
| | | | Total Residential Square Footage | | 15,290 | | | |
| | | | Square Footage Fraction | | 100.00% | | | |
| | | | | | | | | |
| | | | Applicable Fraction | | 100% | | | |

24-Apr-98 **McAuley - Scholar and Lund**

| # | | Budget | Acquisition Basis | Construction Basis-Scholar | Residential Depreciation | Construction Basis - Lund | Other |
|---|---|---|---|---|---|---|---|
| | ACQUISITION | | | | | | |
| 1 | Land | 247,000 | | | | | |
| 2 | Purchase of Building(s) | 0 | 0 | | 0 | 0 | |
| 3 | Demolition (without replacement) | 0 | | | 0 | 0 | |
| 4 | Property Appraisal | 1,496 | 0 | 945 | 0 | 551 | |
| 5 | Legal - Title and Recording | 1,628 | 0 | | 0 | 0 | |
| | Subtotal - Acquisition | 250,124 | 0 | 945 | 0 | 551 | |
| | CONSTRUCTION HARD COSTS | | | | | | |
| 6 | Rehabilitation | 1,125,305 | | 731,600 | 1,125,305 | 393,705 | |
| 7 | New Building(s) | 0 | | 0 | 0 | 0 | |
| 8 | Accessory Buildings | 0 | | 0 | 0 | 0 | |
| 9 | Sitework | 103,801 | | 60,000 | 103,801 | 43,801 | |
| 10 | Commercial Space Costs (if any) | 0 | | | | 0 | |
| 11 | General Requirements | 0 | | 0 | 0 | 0 | |
| 12 | Contractor Overhead | 0 | | 0 | 0 | 0 | |
| 13 | Contractor Profit | 0 | | 0 | 0 | 0 | |
| 14 | Construction Contingency | 72,316 | | 40,742 | 72,316 | 31,574 | |
| 15 | Construction Management | 0 | | 0 | 0 | 0 | |
| 16 | Construction Bond Fee | 0 | | 0 | 0 | 0 | |
| 17 | Hazardous Materials Abatement | 0 | | 0 | 0 | 0 | |
| 18 | Off-Site Improvements | 0 | | 0 | 0 | 0 | |
| 19 | Furnishings, Fixtures, & Equipment | 16,150 | | 10,200 | 0 | 5,950 | |
| 20 | Other (____________________) | 0 | | 0 | 0 | 0 | |
| | Subtotal - Hard Costs | 1,317,572 | | 832,342 | 1,301,422 | 469,080 | |
| | SOFT COSTS | | | | | | |
| 21 | Architectural | 70,900 | | 43,665 | 70,900 | 27,235 | |
| 22 | Engineering | 0 | | 0 | 0 | 0 | |
| 23 | Legal/Accounting | 10,500 | | 4,500 | 10,500 | 6,000 | |
| 24 | Relocation | 0 | | 0 | 0 | 0 | |
| 25 | Environmental Assessment | 7,266 | | 3,766 | 7,266 | 3,500 | |
| 26 | Energy Assessment | 0 | | 0 | 0 | 0 | |
| 27 | Permits/Fees | 13,031 | | 7,673 | 13,031 | 5,358 | |
| 28 | Independent Market Study | 3,200 | | 1,700 | 3,200 | 1,500 | |
| 29 | Construction Period Insurance | 3,850 | | 2,450 | 3,850 | 1,400 | |
| 30 | Construction Interest | 13,500 | | 9,000 | 13,500 | 4,500 | |
| 31 | Construction Loan Origination Fee | 0 | | 0 | 0 | 0 | |
| 32 | Taxes During Construction | 6,350 | | 3,850 | 6,350 | 2,500 | |
| 33 | Clerk of the Works | 10,171 | | 6,424 | 10,171 | 3,747 | |
| 34 | Marketing | 0 | | | | | |
| 35 | Tax Credit Fees | 2,710 | | 1,820 | 2,710 | 890 | |
| 36 | Soft Cost Contingency | 6,360 | | 5,000 | 6,360 | 1,360 | |
| 37 | Permanent Loan Origination Fee | 0 | | | | | |
| 38 | Lender's Counsel's Fee | 0 | | 0 | 0 | 0 | |
| 39 | Other (rent loss) | 0 | | 0 | 0 | 0 | |
| | SYNDICATION COSTS | | | | | | |
| 40 | Organizational (Partnership) | 0 | | | | | |
| 41 | Bridge Loan Fees and Expenses | 0 | | | | | |
| 42 | Syndication Consultant | 0 | | | | | |
| 43 | Tax Opinion | 0 | | | | | |
| | DEVELOPER'S FEES | | | | | | |
| 44 | Developer's Fees | 41,000 | | 9,000 | 41,000 | 32,000 | |
| 45 | Other Partnership Fees | 49,500 | | 7,500 | 49,500 | 42,000 | |
| 46 | Consultant Fees | 0 | | 0 | 0 | 0 | |
| | RESERVES | | | | | | |
| 47 | Working Capital | 9,500 | | | | | |
| 48 | Rent-up (Deficit Escrow) Reserve | 7,500 | | | | | |
| 49 | Other Operating Reserves | 0 | | | | | |
| 50 | Sinking Fund | 0 | | | | | |
| 51 | Replacement Reserves | 0 | | | | | |
| | Subtotal - Soft Costs | 255,338 | | 106,348 | 238,338 | 131,990 | |
| | TOTALS | 1,823,034 | 0 | 939,635 | 1,539,760 | 601,621 | |
| LESS: | Amount of Non-qualified Financing | | | 0 | 0 | 0 | |
| LESS: | Historic tax Credit (Residential Portion) | | | 0 | | 0 | |
| TIMES: | Excess Cost Ratio | 91% | | 854,645 | 78% | 471,229 | |
| | Total Eligible Basis | | 0 | 854,645 | | 0 | |
| TIMES: | Adjusted for QCT/DDA | 100.0% | | 854,645 | | 0 | |
| TIMES: | Applicable Fraction | 100.00% | 0 | 854,645 | | 0 | |
| | Total Qualified Basis | | 0 | 854,645 | | 471,229 | |
| TIMES: | Applicable Percentage | | 3.58% | 8.36% | | 3.58% | |
| | Total Annual Credit Qualified | | 0 | 71,448 | | 16,870 | |
| | | | | | 1,539,759 | Long Term Depreciable Basi | |
| | Total Tax Credits Requested | 88,000 | | 88,318 | 27.5 | Depreciation Schedule | |
| | Estimated Net Syndication Proceeds **(excluding historic credit equity)** | 668,617 | | | 55,991 | Annual Depreciation | |
| | Estimated Yield - Housing Credit Syndication | 76.75% | | | | | |
| | Equity Gap | 668,617 | | | 16,150 | Short Term Depreciable Basi | |
| | Credits Needed to fill Equity Gap | 88,000 | | | 7 | Depreciation Schedule | |
| | | | | | 2,307 | Annual Depreciation | |
| | Max Credit Allocated = | 88,000 | | | | | |

| | 24-Apr-98 | McAuley - Scholar and Lund | | | | | |
|---|---|---|---|---|---|---|---|
| HC Restricted Units | | | Average | | Average | | Total |
| | Bedrooms | Type | Square Feet | Number | Rent | Utilities | Annual Rent |
| | 0 Br | | 0 | 0 | 0 | | 0 |
| | 1 Br | | 659 | 10 | 318 | | 38,100 |
| | 2 Br | | 900 | 5 | 315 | | 18,896 |
| | 3 Br | | 1,050 | 4 | 571 | | 27,384 |
| | 4+ Br | | 0 | 0 | 0 | | 0 |
| | | Totals | 15,290 | 19 | | | 84,380 |
| Non-HC Restricted Units | | | | | | | Total |
| | Bedrooms | Type | Square Feet | Number | Rent | Utilities | Annual Rent |
| | 0 Br | | 0 | 0 | 0 | | 0 |
| | 1 Br | | 0 | 0 | 0 | | 0 |
| | 2 Br | | 0 | 0 | 0 | | 0 |
| | 3 Br | | 0 | 0 | 0 | | 0 |
| | Commercial | | 0 | 0 | 0 | | 0 |
| | | Totals | 0 | 0 | | | 0 |
| All Units | | | | | | | |
| | | Grand Totals | 15,290 | 19 | | | 84,380 |
| | | | Less Vacancy | 4.00% | | | (3,375) |
| | | | | | | NET RENT | 81,005 |
| | | | OTHER INCOME | | | | |
| | | | Laundry | | | | 600 |
| | | | Parking | | | | 0 |
| | | | Commercial Space Income | | | | 0 |
| | | | Other | | | | 0 |
| | | | | | | TOTAL INCOME | 81,605 |

| 24-Apr-98 | **McAuley - Scholar and Lund** | | | |
|---|---|---|---|---|
| | | | Per Unit | |
| | Annual | Monthly | Per Month | |
| Administration | | | | |
| Management Fee | 9,120 | 760 | 40 | 11.2% |
| Supportive Services | 0 | 0 | 0 | |
| Audit/Accounting | 5,300 | 442 | 23 | |
| Legal | 1,260 | 105 | 6 | |
| Compliance Monitoring | 456 | 38 | 2 | |
| Marketing | 400 | 33 | 2 | |
| Other | 1,596 | 133 | 7 | |
| TOTAL ADMINISTRATIVE | 18,132 | 1,511 | 80 | |
| | | | | |
| Utilities | | | | |
| Electricity | 5,700 | 475 | 25 | |
| Fuel | 4,560 | 380 | 20 | |
| Water and Sewer | 8,400 | 700 | 37 | |
| Fire Alarm / Emergency | 0 | 0 | 0 | |
| Other | 0 | 0 | 0 | |
| TOTAL UTILITIES | 18,660 | 1,555 | 82 | |
| | | | | |
| Maintenance | | | | |
| Maintenance / Janitor Payroll | 7,980 | 665 | 35 | |
| Janitor Supplies | 0 | 0 | 0 | |
| Exterminating | 0 | 0 | 0 | |
| Trash Removal | 2,736 | 228 | 12 | |
| Snow Removal | 456 | 38 | 2 | |
| Grounds | 0 | 0 | 0 | |
| Repairs Material | 0 | 0 | 0 | |
| Repairs Contract | 0 | 0 | 0 | |
| HVAC Repairs / Maintenance | 0 | 0 | 0 | |
| Elevator Contract / Repairs | 0 | 0 | 0 | |
| Painting and Decorating | 756 | 63 | 3 | |
| Other | 0 | 0 | 0 | |
| TOTAL MAINTENANCE | 11,928 | 994 | 52 | |
| | | | | per unit month |
| Real Estate Taxes | 12,420 | 1,035 | 54 | excl. ds & res. |
| Property Insurance | 2,736 | 228 | 12 | 280 |
| Replacement Reserves | 3,800 | 317 | 17 | |
| Primary Debt Service | 0 | 0 | 0 | |
| Other "must pay" debt service | 0 | 0 | 0 | |
| Other | 0 | 0 | 0 | |
| Total | 67,676 | 5,640 | 297 | |

24-Apr-98

# McAuley - Scholar and Lund

| Building # | Unit # | HOME Unit | Lead Paint Unit | Project Based Assistance | Tax Credit Unit | VHCB Restricted | Accessible | Adaptable | Unrestricted | Number of Bedrooms | Proposed Square Footage | Proposed Rent | Utility Allowance for Tenant-Paid Utilities | Gross Rent (Rent + Tenant-Paid Utilities) | B: OCCUPIED BY: Income level of residents to be served: <30% | <50% | <60% | <80% | <100% | >100% | C: AFFORDABLE TO: Units affordable to residents at: 30% | 50% | 60% | 65% | 80% | 100%+ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Check all Applicable | | | | | | | | A | | | | | | | | | | | | | | | | |
| | | | | | 1 | | | | | | | | | | | | | | | | | | | | | |
| Lund | 1 | 1 | | | 1 | 1 | 1 | | | 1 | 675 | 315 | 0 | 315 | 1 | | | | | | | 1 | | | | |
| | 2 | 1 | | | 1 | 1 | | | | 1 | 675 | 315 | 0 | 315 | 1 | | | | | | | 1 | | | | |
| | 3 | | | | 1 | 1 | | | | 1 | 675 | 315 | 0 | 315 | 1 | | | | | | | 1 | | | | |
| | 4 | | | | 1 | 1 | | | | 1 | 675 | 315 | 0 | 315 | | 1 | | | | | | 1 | | | | |
| | 5 | | | | 1 | 1 | | | | 1 | 675 | 315 | 0 | 315 | | 1 | | | | | | 1 | | | | |
| | 6 | | | | 1 | 1 | | | | 1 | 675 | 315 | 0 | 315 | | 1 | | | | | | 1 | | | | |
| | 7 | | | | 1 | 1 | | | | 1 | 710 | 315 | 0 | 315 | | | 1 | | | | | 1 | | | | |
| | | | | | | | | | | | | | | 0 | | | | | | | | | | | | |
| Scholar | 1 | | | | 1 | 1 | 1 | | | 2 | 900 | 300 | 30 | 330 | 1 | | | | | | 1 | | | | | |
| | 2 | | | | 1 | 1 | 1 | | | 2 | 900 | 300 | 30 | 330 | 1 | | | | | | 1 | | | | | |
| | 3 | | | | 1 | 1 | | | | 3 | 1,050 | 601 | 35 | 636 | | 1 | | | | | | 1 | | | | |
| | 4 | | | | 1 | 1 | | | | 2 | 900 | 300 | 30 | 330 | 1 | | | | | | 1 | | | | | |
| | 5 | | | | 1 | 1 | | | | 3 | 1,050 | 601 | 35 | 636 | | 1 | | | | | | 1 | | | | |
| | 6 | | | | 1 | 1 | | | | 3 | 1,050 | 540 | 35 | 575 | | 1 | | | | | | 1 | | | | |
| | 7 | | | | 1 | 1 | | | | 2 | 900 | 300 | 30 | 330 | 1 | | | | | | 1 | | | | | |
| | 8 | | | | 1 | 1 | | | | 3 | 1,050 | 540 | 35 | 575 | | 1 | | | | | | 1 | | | | |
| | 9 | | | | 1 | 1 | | | | 1 | 610 | 325 | 30 | 355 | | 1 | | | | | | 1 | | | | |
| | 10 | | | | 1 | 1 | | | | 1 | 610 | 325 | 30 | 355 | | 1 | | | | | | 1 | | | | |
| | 11 | | | | 1 | 1 | | | | 1 | 610 | 325 | 30 | 355 | | 1 | | | | | | 1 | | | | |
| | 12 | | | | 1 | 1 | | | | 2 | 900 | 375 | 35 | 410 | | 1 | | | | | | 1 | | | | |
| Total # Units | 19 | 2 | 0 | 0 | 19 | 19 | 3 | 0 | 0 | Totals: | 15,290 | 7,037 | Total # Units: | | 7 | 11 | 1 | 0 | 0 | 0 | 4 | 15 | 0 | 0 | 0 | 0 |

| 24-Apr-98 | | McAuley - Scholar and Lund | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Operating Income | | | | | | | | | | | | | | | | |
| Gross Rent | | 84,380 | 85,646 | 86,931 | 88,235 | 89,558 | 90,902 | 92,265 | 93,649 | 95,054 | 96,480 | 97,927 | 99,396 | 100,887 | 102,400 | 103,936 |
| Other Income | | 600 | 609 | 618 | 627 | 637 | 646 | 656 | 666 | 676 | 686 | 696 | 707 | 717 | 728 | 739 |
| Vacancy and other losses | | (3,375) | (3,426) | (3,477) | (3,529) | (3,582) | (3,636) | (3,691) | (3,746) | (3,802) | (3,859) | (3,917) | (3,976) | (4,035) | (4,096) | (4,157) |
| Total Operating Income | | 81,605 | 82,829 | 84,072 | 85,333 | 86,613 | 87,912 | 89,231 | 90,569 | 91,928 | 93,307 | 94,706 | 96,127 | 97,569 | 99,032 | 100,518 |
| Operating Expenses | | | | | | | | | | | | | | | | |
| Total Expenses (excl. Reserves) | | 63,876 | 65,792 | 67,766 | 69,799 | 71,892 | 74,049 | 76,271 | 78,559 | 80,916 | 83,343 | 85,843 | 88,419 | 91,071 | 93,803 | 96,617 |
| Reserves | | 3,800 | 3,857 | 3,915 | 3,974 | 4,033 | 4,094 | 4,155 | 4,217 | 4,281 | 4,345 | 4,410 | 4,476 | 4,543 | 4,611 | 4,681 |
| Total Operating Expense | | 67,676 | 69,649 | 71,680 | 73,773 | 75,926 | 78,143 | 80,426 | 82,776 | 85,196 | 87,688 | 90,253 | 92,895 | 95,615 | 98,415 | 101,298 |
| | | | | | | | | | | | | | | | | |
| Net Operating Income | | 13,930 | 13,180 | 12,391 | 11,561 | 10,687 | 9,769 | 8,805 | 7,793 | 6,731 | 5,619 | 4,453 | 3,232 | 1,954 | 617 | (780) |
| | | | | | | | | | | | | | | | | |
| Less Primary Debt Service | | 6,604 | 6,604 | 6,604 | 6,604 | 6,604 | 6,604 | 6,604 | 6,604 | 6,604 | 6,604 | 6,604 | 6,604 | 6,604 | 6,604 | 6,604 |
| Less Secondary Debt Service | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Annual Cash Flow | | 7,326 | 6,577 | 5,787 | 4,957 | 4,083 | 3,165 | 2,201 | 1,189 | 127 | (985) | (2,151) | (3,372) | (4,650) | (5,987) | (7,384) |
| Operating Subsidies / Sinking Fund | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 985 | 2,151 | 3,372 | 4,650 | 5,987 | 7,384 |
| Net Cash | | 7,326 | 6,577 | 5,787 | 4,957 | 4,083 | 3,165 | 2,201 | 1,189 | 127 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | | | | | | | | | | |
| DCR | | 210.93% | 199.59% | 187.64% | 175.06% | 161.83% | 147.93% | 133.33% | 118.00% | 101.93% | 85.08% | 67.43% | 48.94% | 29.59% | 9.35% | -11.82% |
| Cumulative Cash Flow | | | | | | | | | | | | | | | | |
| Beginning Balance | | 0 | 7,326 | 14,049 | 20,117 | 25,476 | 30,069 | 33,836 | 36,713 | 38,637 | 39,537 | 39,342 | 37,978 | 35,366 | 31,423 | 26,065 |
| Interest | 2.0% | 0 | 147 | 281 | 402 | 510 | 601 | 677 | 734 | 773 | 791 | 787 | 760 | 707 | 628 | 521 |
| Withdrawals | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (985) | (2,151) | (3,372) | (4,650) | (5,987) | (7,384) |
| Ending Balance | | 7,326 | 14,049 | 20,117 | 25,476 | 30,069 | 33,836 | 36,713 | 38,637 | 39,537 | 39,342 | 37,978 | 35,366 | 31,423 | 26,065 | 19,202 |
| | | | | | | | | | | | | | | | | |
| Cumulative Replacement Reserves | | | | | | | | | | | | | | | | |
| Beginning Balance | | 0 | 3,800 | 7,733 | 11,803 | 16,012 | 20,366 | 24,867 | 29,519 | 34,327 | 39,294 | 44,425 | 49,723 | 55,194 | 60,841 | 66,670 |
| Interest | 2.0% | 0 | 76 | 155 | 236 | 320 | 407 | 497 | 590 | 687 | 786 | 888 | 994 | 1,104 | 1,217 | 1,333 |
| Withdrawals | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ending Balance | | 3,800 | 7,733 | 11,803 | 16,012 | 20,366 | 24,867 | 29,519 | 34,327 | 39,294 | 44,425 | 49,723 | 55,194 | 60,841 | 66,670 | 72,684 |
| | | | | | | | | | | | | | | | | |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Net Operating Income | | 13,930 | 13,180 | 12,391 | 11,561 | 10,687 | 9,769 | 8,805 | 7,793 | 6,731 | 5,619 | 4,453 | 3,232 | 1,954 | 617 | (780) |
| Plus Reserves | | 3,800 | 3,857 | 3,915 | 3,974 | 4,033 | 4,094 | 4,155 | 4,217 | 4,281 | 4,345 | 4,410 | 4,476 | 4,543 | 4,611 | 4,681 |
| Less Interest Expense | | (31,022) | (30,970) | (30,914) | (30,853) | (30,787) | (30,715) | (30,638) | (30,554) | (30,463) | (30,365) | (30,258) | (30,143) | (30,018) | (29,882) | (29,736) |
| Less Long Depreciation | | (55,991) | (55,991) | (55,991) | (55,991) | (55,991) | (55,991) | (55,991) | (55,991) | (55,991) | (55,991) | (55,991) | (55,991) | (55,991) | (55,991) | (55,991) |
| Less Short Depreciation | | (2,307) | (2,307) | (2,307) | (2,307) | (2,307) | (2,307) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Taxable Income (Loss) | | (71,591) | (72,231) | (72,906) | (73,617) | (74,365) | (75,151) | (73,669) | (74,535) | (75,442) | (76,393) | (77,387) | (78,426) | (79,512) | (80,645) | (81,827) |
| | | | | | | | | | | | | | | | | |
| Cash Flow | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Plus Tax Savings | | 25,057 | 25,281 | 25,517 | 25,766 | 26,028 | 26,303 | 25,784 | 26,087 | 26,405 | 26,737 | 27,085 | 27,449 | 27,829 | 28,226 | 28,639 |
| Plus Tax Credits | | 88,000 | 88,000 | 88,000 | 88,000 | 88,000 | 88,000 | 88,000 | 88,000 | 88,000 | 88,000 | | | | | |
| After Tax Cash Flow | | 113,057 | 113,281 | 113,517 | 113,766 | 114,028 | 114,303 | 113,784 | 114,087 | 114,405 | 114,737 | 27,085 | 27,449 | 27,829 | 28,226 | 28,639 |
| | | | | | | | | | | | | | | | | |
| Total Years | 15 | | | | | | | | | | | | | | | |
| Reinvestment Rate | 12.00% | | | | | | | | | | | | | | | |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Current After Tax Cash Flows | | 113,057 | 113,281 | 113,517 | 113,766 | 114,028 | 114,303 | 113,784 | 114,087 | 114,405 | 114,737 | 27,085 | 27,449 | 27,829 | 28,226 | 28,639 |
| Future Value of Cash Flows at Yr 15: | | 614,631 | 553,617 | 495,332 | 443,230 | 396,651 | 355,007 | 315,533 | 282,476 | 252,913 | 226,471 | 47,734 | 43,192 | 39,098 | 35,406 | 32,076 |
| | | | | | | | | | | | | | | | | |
| Discount Rate: | 6.00% | | | | | | | | | | | | | | | |
| Capital Contribution Number: | 1 | 2 | 3 | 4 | | | | | | | | | | | | |
| Date of Capital Contribution: | 01-Oct-98 | 01-Jun-99 | 01-Jan-00 | | | | | | | | | | | | | |
| Amount of Capital Contribution: | 33,431 | 401,170 | 234,016 | 0 | | | | | | | | | | | | |
| Present Value of Contributions: | 33,431 | 385,249 | 216,855 | 0 | | | | | | | | | | | | |
| Cash Flows | (635,535) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4,133,366 |
| | | | | | | | | | | | | | | | | |
| IRR: | 13.30% | | | | | | | | | | | | | | | |
| Equity Yield: | 72.95% | | | | | | | | | | | | | | | |

| | | | | |
|---|---|---|---|---|
| 24-Apr-98 | **Slapp Hill Housing (Hardwick)** | | | |
| Total Residential Units: | 14 | Increase in Income from Rental Units: | 1.50% | |
| Housing Credit Restricted Units: | 11 | Increase in Income from Other Sources: | 1.50% | |
| Percent Restricted: | 78.57% | Increase in Income from Commercial: | 1.50% | |
| Total Development Cost: | 1,362,701 | Expense increase: | 3.00% | |
| Total Development Cost per Unit: | 97,336 | Vacancy Rate: | 7.50% | |
| Total Development Cost Per SF: | 104 | Partner's Tax Rate: | 34% | |
| | | Long Depreciation Schedule: | 27.5 | years |
| Max Credit Potential: | 55,750 | Short Depreciation Schedule: | 7 | years |
| Credit Amount Allocated: | 47,500 | Sponsor's Estimated Yield: | 126.00% | |
| LIHTC - 9% | 8.36% | (May '98) | | |
| LIHTC - 4% | 3.58% | | | |

| SOURCES | | % of Total Development Cost | Interest Rate | Amortization | Term |
|---|---|---|---|---|---|
| First Mortgage | 0 | 0.00% | 8.50% | 0 | 20 |
| HOME | 209,794 | 15.40% | 6.88% | 0 | 30 |
| VCDP | 327,859 | 24.06% | 0.00% | 0 | 20 |
| VHCB Loan | 162,477 | 11.92% | 0.00% | 0 | 30 |
| Town of Hardwick Grant | 10,000 | 0.73% | N/A | N/A | N/A |
| VHCB Lead Loan | 35,750 | 2.62% | 0 | 0 | 30 |
| VHCB Feasibility Grant | 8,450 | 0.62% | 0 | 0 | 0 |
| NETO | 8,000 | 0.59% | N/A | N/A | N/A |
| Corrections | 2,000 | 0.15% | N/A | N/A | N/A |
| Tax Credit Equity | 598,500 | 43.92% | N/A | N/A | N/A |
| TOTAL SOURCES | 1,362,830 | 100.01% | | | |

| USES | | |
|---|---|---|
| Acquisition | 162,828 | 11.95% |
| Construction Hard Costs | 912,415 | 66.96% |
| Soft Costs | 287,458 | 21.09% |
| TOTAL USES | 1,362,701 | 100% |
| Gap | (129) | |

| PER UNIT COST LIMIT CALCULATION | per unit limits | | number of units | | |
|---|---|---|---|---|---|
| 0 Br | 73,380 | | 0 | 0 | |
| 1 Br | 78,380 | | 3 | 235,140 | |
| 2 Br | 83,380 | | 5 | 416,900 | |
| 3 Br | 88,380 | | 5 | 441,900 | |
| 4 Br | 93,380 | | 1 | 93,380 | |
| Maximum cost allowed under the per unit cost limits | | | | 1,187,320 | |
| Projected total cost, excluding cash accounts | | | | 1,308,201 | 90.76% |
| | | (over)/under | | (120,881) | |

| | | |
|---|---|---|
| General Partner's Capital Contribution | 5,985 | 1.00% |
| Limited Partner's Capital Contribution | 592,515 | 99.00% |
| Total Equity | 598,500 | |

| APPLICABLE FRACTION CALCULATION | |
|---|---|
| Tax Credit Restricted Units | 11 |
| Total Units | 14 |
| Unit Fraction | 78.57% |
| | |
| Tax Credit Square Footage | 10,285 |
| Total Residential Square Footage | 13,096 |
| Square Footage Fraction | 78.54% |
| | |
| Applicable Fraction | 78.54% |

| ### | Slapp Hill Housing (Hardwick) | Budget | Acquisition Basis | Construction Basis | Residential Depreciation | Historic Credit Basis | Other |
|---|---|---|---|---|---|---|---|
| | ACQUISITION | | | | | | |
| 1 | Land | 21,908 | | | | | |
| 2 | Purchase of Building(s) | 136,092 | 136,092 | | 136,092 | 0 | |
| 3 | Demolition (without replacement) | 0 | | | | | |
| 4 | Property Appraisal | 2,000 | 2,000 | | 2,000 | 2,000 | |
| 5 | Legal - Title and Recording | 2,828 | 2,828 | | 2,828 | 0 | |
| | Subtotal - Acquisition | 162,828 | | | | | |
| | CONSTRUCTION HARD COSTS | | | | | | |
| 6 | Rehabilitation | 693,743 | | 693,743 | 693,743 | 693,743 | |
| 7 | New Building(s) | 0 | | | | | |
| 8 | Accessory Buildings | 0 | | | | | |
| 9 | Sitework | 26,450 | | 26,450 | 26,450 | 26,450 | |
| 10 | Commercial Space Costs (if any) | 0 | | | | | |
| 11 | General Requirements | 0 | | | | | |
| 12 | Contractor Overhead | 0 | | | | | |
| 13 | Contractor Profit | 0 | | | | | |
| 14 | Construction Contingency | 134,465 | | 134,465 | 134,465 | 134,465 | |
| 15 | Construction Management | 0 | | | | | |
| 16 | Construction Bond Fee | 0 | | | | | |
| 17 | Hazardous Materials Abatement | 45,500 | | 45,500 | 45,500 | 45,500 | |
| 18 | Off-Site Improvements | 0 | | | | | |
| 19 | Furnishings, Fixtures, & Equipment | 12,257 | | 12,257 | 12,257 | 0 | |
| 20 | Other (__________) | 0 | | | | | |
| | Subtotal - Hard Costs | 912,415 | | | | | |
| | SOFT COSTS | | | | | | |
| 21 | Architectural | 62,000 | | 62,000 | 62,000 | 62,000 | |
| 22 | Engineering | 0 | | | | | |
| 23 | Legal/Accounting | 10,500 | | 10,500 | 10,500 | 10,500 | |
| 24 | Relocation | 24,000 | | 24,000 | 100 | 100 | |
| 25 | Environmental Assessment | 8,480 | | 8,480 | 8,480 | 8,480 | |
| 26 | Energy Assessment | 0 | | 0 | 0 | 0 | |
| 27 | Permits/Fees | 3,832 | | 3,832 | 3,832 | 3,832 | |
| 28 | Independent Market Study | 2,000 | | 2,000 | 2,000 | 2,000 | |
| 29 | Construction Period Insurance | 5,750 | | 5,750 | 5,750 | 5,750 | |
| 30 | Construction Interest | 16,500 | | 16,500 | 16,500 | 16,500 | |
| 31 | Construction Loan Origination Fee | 0 | | | | | |
| 32 | Taxes During Construction | 0 | | | | | |
| 33 | Clerk of the Works | 24,000 | | 24,000 | 24,000 | 24,000 | |
| 34 | Marketing | 0 | | | | | |
| 35 | Tax Credit Fees | 3,375 | | 3,375 | 3,375 | 3,375 | |
| 36 | Soft Cost Contingency | 4,213 | | 4,213 | 4,213 | 4,213 | |
| 37 | Permanent Loan Origination Fee | 0 | | | | | |
| 38 | Lender's Counsel's Fee | 0 | | | | | |
| 39 | Other (__________) | 0 | | | | | |
| | SYNDICATION COSTS | | | | | | |
| 40 | Organizational (Partnership) | 0 | | | | | |
| 41 | Bridge Loan Fees and Expenses | 0 | | | | | |
| 42 | Syndication Consultant | 0 | | | | | |
| 43 | Tax Opinion | 0 | | | | | |
| | DEVELOPER'S FEES | | | | | | |
| 44 | Developer's Fees | 24,500 | | 24,500 | 24,500 | 24,500 | |
| 45 | Other Partnership Fees | 56,000 | | 56,000 | 56,000 | 56,000 | |
| 46 | Consultant Fees | 11,808 | | 11,808 | 11,808 | 11,808 | |
| | RESERVES | | | | | | |
| 47 | Working Capital | 10,500 | | | | | |
| 48 | Rent-up (Deficit Escrow) Reserve | 20,000 | | | | | |
| 49 | Other Operating Reserves | 0 | | | | | |
| 50 | Sinking Fund | 0 | | | | | |
| 51 | Replacement Reserves | 0 | | | | | |
| | Subtotal - Soft Costs | 287,458 | | | | | |
| | TOTALS | 1,362,701 | 140,920 | 1,169,373 | 1,274,136 | 1,135,216 | |
| ESS: | Amount of Non-qualified Financing | | | 8,450 | | 8,450 | |
| ESS: | Adjustment for per unit cost limits | | | 90.76% | | | |
| ESS: | Historic tax Credit (Residential Portion) | | | 225,353 | 225,353 | 20% | Historic Credit Rate |
| | Total Eligible Basis | | 140,920 | 849,121 | | 225,353 | Annual Historic Credit |
| ES: | Adjusted for QCT/DDA | 100.0% | | 849,121 | | | |
| ES: | Applicable Fraction | 78.54% | 110,672 | 666,861 | | | |
| | Total Qualified Basis | | 110,672 | 666,861 | 1,048,783 | Long Term Depreciable Basis | |
| ES: | Applicable Percentage | | 0.00% | 8.36% | 27.5 | Depreciation Schedule | |
| | Total Annual Credit Qualified | | 0 | 55,750 | 38,138 | Annual Depreciation | |
| | Total Tax Credits Requested | 47,500 | | | 12,257 | Short Term Depreciable Basis | |
| | Estimated Net Syndication Proceeds (**excluding historic credit equity**) | 400,189 | | | 7 | Depreciation Schedule | |
| | Estimated Yield - Housing Credit Syndication | 75.00% | | | 1,751 | Annual Depreciation | |
| | Equity Gap | 400,189 | | | | | |
| | Credits Needed to fill Equity Gap | 53,898 | | | | | |
| | Building by Building Basis x Fraction Amount | 58,402 | | | | | |
| | Building by Building Equity Gap Amount | 52,095 | | | | | |
| | Total Amount Allocated | 47,500 | | | | | |
| | **Allocation by Building:** | | | | | | |
| | **Church** | **12,463** | | | | | |
| | **Highland** | **22,642** | | | | | |
| | **Slapp Hill** | **12,395** | | | | | |
| | **Total Amount Allocated** | **47,500** | | | | | |

form revision date 2/19/97

| 24-Apr-98 | **Slapp Hill Housing (Hardwick)** | | | | | |
|---|---|---|---|---|---|---|
| HC Restricted Units | | Average | | Average | | Total |
| Bedrooms | Type | Square Feet | Number | Rent | Utilities | Annual Rent |
| 0 Br | | | 0 | 0 | | 0 |
| 1 Br | | 640 | 3 | 300 | | 10,800 |
| 2 Br | | 795 | 2 | 350 | | 8,400 |
| 3 Br | | 1,086 | 5 | 380 | | 22,800 |
| 4+ Br | | 1,346 | 1 | 470 | | 5,640 |
| | Totals | 10,285 | 11 | | | 47,640 |
| Non-HC Restricted Units | | | | | | Total |
| Bedrooms | Type | Square Feet | Number | Rent | Utilities | Annual Rent |
| 0 Br | | | 0 | 0 | | 0 |
| 1 Br | | | 0 | 0 | | 0 |
| 2 Br | | 937 | 3 | 400 | | 14,400 |
| 3 Br | | | 0 | 0 | | 0 |
| 4+ Br | | | 0 | 0 | | 0 |
| | Totals | 2,811 | 3 | | | 14,400 |
| All Units | | | | | | |
| | Grand Totals | 13,096 | 14 | | | 62,040 |
| | | Less Vacancy | 7.50% | | | (4,653) |
| | | | | | NET RENT | 57,387 |
| | | OTHER INCOME | | | | |
| | | Laundry | | | | 900 |
| | | Parking | | | | 0 |
| | | Commercial Space Income | | | | 0 |
| | | Other | | | | 252 |
| | | | | | TOTAL INCOME | 58,539 |

| 24-Apr-98 | **Slapp Hill Housing (Hardwick)** | | | |
|---|---|---|---|---|
| | | | Per Unit | |
| | Annual | Monthly | Per Month | |
| Administration | | | | |
| Management Fee | 7,056 | 588 | 42 | 12.1% |
| Supportive Services | 0 | 0 | 0 | |
| Audit/Accounting | 3,500 | 292 | 21 | |
| Legal | 828 | 69 | 5 | |
| Compliance Monitoring | 336 | 28 | 2 | |
| Marketing | | 0 | 0 | |
| Other | 1,344 | 112 | 8 | |
| TOTAL ADMINISTRATIVE | 13,064 | 1,089 | 78 | |
| | | | | |
| Utilities | | | | |
| Electricity | 4,536 | 378 | 27 | |
| Fuel | 5,880 | 490 | 35 | |
| Water and Sewer | 1,680 | 140 | 10 | |
| Fire Alarm / Emergency | | 0 | 0 | |
| Other | | 0 | 0 | |
| TOTAL UTILITIES | 12,096 | 1,008 | 72 | |
| | | | | |
| Maintenance | | | | |
| Maintenance / Janitor Payroll | 8,400 | 700 | 50 | |
| Janitor Supplies | | 0 | 0 | |
| Exterminating | | 0 | 0 | |
| Trash Removal | 2,016 | 168 | 12 | |
| Snow Removal | | 0 | 0 | |
| Grounds | 1,680 | 140 | 10 | |
| Repairs Material | | 0 | 0 | |
| Repairs Contract | | 0 | 0 | |
| HVAC Repairs / Maintenance | | 0 | 0 | |
| Elevator Contract / Repairs | | 0 | 0 | |
| Painting and Decorating | 336 | 28 | 2 | |
| Other | | 0 | 0 | |
| TOTAL MAINTENANCE | 12,432 | 1,036 | 74 | |
| | | | | per unit month |
| Real Estate Taxes | 9,240 | 770 | 55 | excl. ds & res. |
| Property Insurance | 2,856 | 238 | 17 | 296 |
| Replacement Reserves | 4,500 | 375 | 27 | |
| Primary Debt Service | | 0 | 0 | |
| Other "must pay" debt service | | 0 | 0 | |
| Other | | 0 | 0 | |
| Total | 54,188 | 4,516 | 323 | |

24-Apr-98

# Slapp Hill Housing (Hardwick)

| | | Check all Applicable | | | | | | | | A | | | | | B | | | | | | C | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Building # | Unit # | HOME Unit | Lead Paint Unit | Project Based Assistance | Tax Credit Unit | VHCB Restricted | Accessible | Adaptable | Unrestricted | Number of Bedrooms | Proposed Square Footage | Proposed Rent | Utility Allowance for Tenant-Paid Utilities | Gross Rent (Rent + Tenant-Paid Utilities) | OCCUPIED BY: Income level of residents to be served: | | | | | | AFFORDABLE TO: Units affordable to residents at: | | | | | |
| | | | | | | | | | | | | | | | <30% | <50% | <60% | <80% | <100% | >100% | 30% | 50% | 60% | 65% | 80% | 100%+ |
| Maple St | 1 | | | | 1 | 1 | 1 | | | 1 | 620 | 300 | 35 | 335 | | | 1 | | | | | 1 | | | | |
| (Slapp Hill) | 2 | | | | | | | | 1 | 2 | 912 | 400 | 44 | 444 | | | | | | 1 | | | 1 | | | |
| | 3 | 1 | 1 | | 1 | 1 | | | | 2 | 812 | 350 | 44 | 394 | | 1 | | | | | | 1 | | | | |
| | 4 | | | | 1 | 1 | | | | 1 | 650 | 300 | 35 | 335 | | 1 | | | | | | 1 | | | | |
| | 5 | | | | 1 | 1 | | | | 1 | 650 | 300 | 35 | 335 | | | 1 | | | | | 1 | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Church St | 1 | 1 | 1 | | 1 | 1 | | | | 3 | 1,200 | 400 | 50 | 450 | | | 1 | | | | | 1 | | | | |
| | 2 | | | | | | | | 1 | 2 | 1,062 | 400 | 44 | 444 | | | | | | 1 | | | 1 | | | |
| | 3 | | 1 | | 1 | 1 | | | | 3 | 1,484 | 300 | 50 | 350 | | | 1 | | | | | 1 | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Highland Ave | 1 | 1 | | | | | 1 | | 1 | 2 | 838 | 400 | 44 | 444 | | | | | | 1 | | | 1 | | | |
| | 2 | | 1 | | 1 | 1 | | | | 3 | 922 | 400 | 50 | 450 | | | 1 | | | | | 1 | | | | |
| | 3 | | 1 | | 1 | 1 | | | | 3 | 896 | 400 | 50 | 450 | | | 1 | | | | | 1 | | | | |
| | 4 | | 1 | | 1 | 1 | | | | 3 | 927 | 400 | 50 | 450 | | | 1 | | | | | 1 | | | | |
| | 5 | 1 | 1 | | 1 | 1 | | | | 2 | 778 | 350 | 44 | 394 | | 1 | | | | | | 1 | | | | |
| | 6 | | 1 | | 1 | 1 | | | | 4 | 1,346 | 470 | 56 | 526 | | | 1 | | | | | 1 | | | | |
| Total # Units | 14 | 4 | 8 | 0 | 11 | 11 | 2 | 0 | 3 | Totals: | 13,097 | 5,170 | | Total # Units | 0 | 3 | 8 | 0 | 0 | 3 | 0 | 11 | 3 | 0 | 0 | 0 |

| 24-Apr-98 | | Slapp Hill Housing (Hardwick) | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Operating Income | | | | | | | | | | | | | | | | 3 |
| Gross Rent | | 62,040 | 62,971 | 63,915 | 64,874 | 65,847 | 66,835 | 67,837 | 68,855 | 69,888 | 70,936 | 72,000 | 73,080 | 74,176 | 75,289 | 76,418 |
| Other Income | | 1,152 | 1,169 | 1,187 | 1,205 | 1,223 | 1,241 | 1,260 | 1,279 | 1,298 | 1,317 | 1,337 | 1,357 | 1,377 | 1,398 | 1,419 |
| Vacancy and other losses | | (4,653) | (4,723) | (4,794) | (4,866) | (4,939) | (5,013) | (5,088) | (5,164) | (5,242) | (5,320) | (5,400) | (5,481) | (5,563) | (5,647) | (5,731) |
| Total Operating Income | | 58,539 | 59,417 | 60,308 | 61,213 | 62,131 | 63,063 | 64,009 | 64,969 | 65,944 | 66,933 | 67,937 | 68,956 | 69,990 | 71,040 | 72,106 |
| Operating Expenses | | | | | | | | | | | | | | | | |
| Total Expenses (excl. Reserves) | | 49,688 | 51,179 | 52,714 | 54,295 | 55,924 | 57,602 | 59,330 | 61,110 | 62,943 | 64,832 | 66,777 | 68,780 | 70,843 | 72,969 | 75,158 |
| Reserves | | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 |
| Total Operating Expense | | 54,188 | 55,679 | 57,214 | 58,795 | 60,424 | 62,102 | 63,830 | 65,610 | 67,443 | 69,332 | 71,277 | 73,280 | 75,343 | 77,469 | 79,658 |
| Net Operating Income | | 4,351 | 3,738 | 3,094 | 2,418 | 1,707 | 961 | 179 | (641) | (1,500) | (2,399) | (3,340) | (4,324) | (5,353) | (6,428) | (7,552) |
| Less Primary Debt Service | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Less Secondary Debt Service | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Annual Cash Flow | | 4,351 | 3,738 | 3,094 | 2,418 | 1,707 | 961 | 179 | (641) | (1,500) | (2,399) | (3,340) | (4,324) | (5,353) | (6,428) | (7,552) |
| Operating Subsidies / Sinking Fund | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 641 | 1,500 | 2,399 | 3,340 | 4,324 | 5,353 | 6,428 | 7,552 |
| Net Cash | | 4,351 | 3,738 | 3,094 | 2,418 | 1,707 | 961 | 179 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| DCR | | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Cumulative Cash Flow | | | | | | | | | | | | | | | | |
| Beginning Balance | | 0 | 4,351 | 8,176 | 11,434 | 14,081 | 16,069 | 17,352 | 17,878 | 17,594 | 16,447 | 14,377 | 11,325 | 7,228 | 2,019 | (4,369) |
| Interest | 2.0% | 0 | 87 | 164 | 229 | 282 | 321 | 347 | 358 | 352 | 329 | 288 | 226 | 145 | 40 | 0 |
| Withdrawals | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (641) | (1,500) | (2,399) | (3,340) | (4,324) | (5,353) | (6,428) | (7,552) |
| Ending Balance | | 4,351 | 8,176 | 11,434 | 14,081 | 16,069 | 17,352 | 17,878 | 17,594 | 16,447 | 14,377 | 11,325 | 7,228 | 2,019 | (4,369) | (11,921) |
| Cumulative Replacement Reserves | | | | | | | | | | | | | | | | |
| Beginning Balance | | 0 | 4,500 | 9,090 | 13,772 | 18,547 | 23,418 | 28,387 | 33,454 | 38,623 | 43,896 | 49,274 | 54,759 | 60,354 | 66,061 | 71,883 |
| Interest | 2.0% | 0 | 90 | 182 | 275 | 371 | 468 | 568 | 669 | 772 | 878 | 985 | 1,095 | 1,207 | 1,321 | 1,438 |
| Withdrawals | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ending Balance | | 4,500 | 9,090 | 13,772 | 18,547 | 23,418 | 28,387 | 33,454 | 38,623 | 43,896 | 49,274 | 54,759 | 60,354 | 66,061 | 71,883 | 77,820 |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Net Operating Income | | 4,351 | 3,738 | 3,094 | 2,418 | 1,707 | 961 | 179 | (641) | (1,500) | (2,399) | (3,340) | (4,324) | (5,353) | (6,428) | (7,552) |
| Plus Reserves | | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 |
| Less Interest Expense | | (14,434) | (14,434) | (14,434) | (14,434) | (14,434) | (14,434) | (14,434) | (14,434) | (14,434) | (14,434) | (14,434) | (14,434) | (14,434) | (14,434) | (14,434) |
| Less Long Depreciation | | (38,138) | (38,138) | (38,138) | (38,138) | (38,138) | (38,138) | (38,138) | (38,138) | (38,138) | (38,138) | (38,138) | (38,138) | (38,138) | (38,138) | (38,138) |
| Less Short Depreciation | | (1,751) | (1,751) | (1,751) | (1,751) | (1,751) | (1,751) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Taxable Income (Loss) | | (45,471) | (46,084) | (46,728) | (47,405) | (48,116) | (48,861) | (47,892) | (48,712) | (49,571) | (50,470) | (51,411) | (52,395) | (53,424) | (54,500) | (55,623) |
| Cash Flow | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Plus Tax Savings | | 15,460 | 15,669 | 15,888 | 16,118 | 16,359 | 16,613 | 16,283 | 16,562 | 16,854 | 17,160 | 17,480 | 17,814 | 18,164 | 18,530 | 18,912 |
| Plus Tax Credits | | 272,853 | 47,500 | 47,500 | 47,500 | 47,500 | 47,500 | 47,500 | 47,500 | 47,500 | 47,500 | | | | | |
| After Tax Cash Flow | | 288,313 | 63,169 | 63,388 | 63,618 | 63,859 | 64,113 | 63,783 | 64,062 | 64,354 | 64,660 | 17,480 | 17,814 | 18,164 | 18,530 | 18,912 |
| Total Years | 15 | | | | | | | | | | | | | | | |
| Reinvestment Rate | 12.00% | | | | | | | | | | | | | | | |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Current After Tax Cash Flows | | 288,313 | 63,169 | 63,388 | 63,618 | 63,859 | 64,113 | 63,783 | 64,062 | 64,354 | 64,660 | 17,480 | 17,814 | 18,164 | 18,530 | 18,912 |
| Future Value of Cash Flows at Yr 15: | | 1,578,103 | 308,712 | 276,591 | 247,853 | 222,138 | 199,125 | 176,876 | 158,615 | 142,266 | 127,627 | 30,805 | 28,031 | 25,519 | 23,244 | 21,181 |
| Discount Rate: | 6.00% | | | | | | | | | | | | | | | |
| Capital Contribution Number: | 1 | 2 | 3 | 4 | | | | | | | | | | | | |
| Date of Capital Contribution: | 01-Jul-98 | 01-Feb-99 | 01-Apr-99 | | | | | | | | | | | | | |
| Amount of Capital Contribution: | 29,626 | 355,509 | 207,380 | 0 | | | | | | | | | | | | |
| Present Value of Contributions: | 29,626 | 342,996 | 198,124 | 0 | | | | | | | | | | | | |
| Cash Flows | (570,746) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,566,687 |
| IRR: | 12.99% | | | | | | | | | | | | | | | |
| Equity Yield: | 82% | (Includes both Housing Credit and Historic Credit Equity) | | | | | | | | | | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| 24-Apr-98 | **Barre and Bailey Streets HLP** | | | | |
| | | | | | |
| Total Residential Units: | 15 | Increase in Income from Rental Units: | | 1.50% | |
| Housing Credit Restricted Units: | 11 | Increase in Income from Other Sources: | | 1.50% | |
| Percent Restricted: | 73.33% | Increase in Income from Commercial: | | 1.50% | |
| Total Development Cost: | 1,332,499 | Expense increase: | | 3.00% | |
| Total Development Cost per Unit: | 88,833 | Vacancy Rate: | | 5% | |
| Total Development Cost Per SF: | 130 | Partner's Tax Rate: | | 35% | |
| | | Long Depreciation Schedule: | | 27.5 | years |
| Max Credit Potential: | 55,040 | Short Depreciation Schedule: | | 7 | years |
| Credit Amount Allocated: | 50,000 | Sponsor's Estimated Yield: | | 118.00% | |
| | | | | | |
| LIHTC - 9% | 8.36% | (May '98) | | | |
| LIHTC - 4% | 3.58% | | | | |
| **SOURCES** | | | | | |
| | | % of Total Development Cost | Interest Rate | Amortization | Term |
| First Mortgage - RD | 75,000 | 5.63% | 8.50% | 30 | 30 |
| VHCB -Deferred | 260,000 | 19.51% | 0.00% | 0 | 30 |
| HOME - Deferred | 388,300 | 29.14% | 6.88% | 30 | 30 |
| VHCB - Lead Loan - Deferred | 14,000 | 1.05% | 0.00% | 0 | 30 |
| VHCB - Grant w/feasibility | 5,100 | 0.38% | N/A | N/A | |
| Historic Equity | 149,113 | 11.19% | N/A | N/A | |
| Tax Credit Equity | 440,887 | 33.09% | N/A | N/A | |
| TOTAL SOURCES | 1,332,400 | 99.99% | | | |
| | | | | | |
| **USES** | | | | | |
| Acquisition | 406,210 | 30.48% | | | |
| Construction Hard Costs | 661,094 | 49.61% | | | |
| Soft Costs | 265,195 | 19.90% | | | |
| TOTAL USES | 1,332,499 | 100% | | | |
| | | | | | |
| Gap | 99 | | | | |
| PER UNIT COST LIMIT CALCULATION | | | | | |
| | per unit limits | number of units | | | |
| 0 Br | 73,380 | 3 | 220,140 | | |
| 1 Br | 78,380 | 8 | 627,040 | | |
| 2 Br | 83,380 | 2 | 166,760 | | |
| 3 Br | 88,380 | 2 | 176,760 | | |
| 4 Br | 93,380 | 0 | 0 | | |
| Maximum cost allowed under the per unit cost limit: | | | 1,190,700 | | |
| Projected total cost, excluding cash accounts | | | 1,207,945 | | |
| | | (over) under | (17,245) | | |
| | | | | | |
| General Partner's Capital Contribution | | | 5,900 | 1% | |
| Limited Partner's Capital Contribution | | | 584,100 | 99% | |
| Total Equity | | | 590,000 | | |
| APPLICABLE FRACTION CALCULATION | | | | | |
| | | Tax Credit Restricted Units | 11 | | |
| | | Total Units | 15 | | |
| | | Unit Fraction | 73.33% | | |
| | | | | | |
| | | Tax Credit Square Footage | 7,494 | | |
| | | Total Residential Square Footage | 10,251 | | |
| | | Square Footage Fraction | 73.11% | | |
| | | | | | |
| | | Applicable Fraction | 73% | | |

| 24-Apr-98 | **Barre and Bailey Streets HLP** | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Budget | Acquisition Basis | Construction Basis | Residential Depreciation | Historic Credit Basis | Other |
| | ACQUISITION | | | | | | |
| 1 | Land | 72,343 | | | | | |
| 2 | Purchase of Building(s) | 329,563 | 329,563 | | 329,563 | 0 | |
| 3 | Demolition (without replacement) | 0 | | | 0 | 0 | |
| 4 | Property Appraisal | 1,198 | 1,198 | | 1,198 | 1,198 | |
| 5 | Legal - Title and Recording | 3,106 | 3,106 | | 3,106 | 0 | |
| | Subtotal - Acquisition | 406,210 | 333,867 | | 333,867 | 1,198 | |
| | CONSTRUCTION HARD COSTS | | | | | | |
| 6 | Rehabilitation | 470,548 | | 470,548 | 470,548 | 470,548 | |
| 7 | New Building(s) | 0 | | 0 | 0 | 0 | |
| 8 | Accessory Buildings | 0 | | 0 | 0 | 0 | |
| 9 | Sitework | 14,037 | | 14,037 | 14,037 | 14,037 | |
| 10 | Commercial Space Costs (if any) | 112,130 | | | | 112,130 | |
| 11 | General Requirements | 0 | | 0 | 0 | 0 | |
| 12 | Contractor Overhead | 0 | | 0 | 0 | 0 | |
| 13 | Contractor Profit | 0 | | 0 | 0 | 0 | |
| 14 | Construction Contingency | 51,629 | | 51,629 | 51,629 | 51,629 | |
| 15 | Construction Management | 0 | | 0 | 0 | 0 | |
| 16 | Construction Bond Fee | 0 | | 0 | 0 | 0 | |
| 17 | Hazardous Materials Abatement | 0 | | 0 | 0 | 0 | |
| 18 | Off-Site Improvements | 0 | | 0 | 0 | 0 | |
| 19 | Furnishings, Fixtures, & Equipment | 12,750 | | 12,750 | 0 | 0 | |
| 20 | Other (________________) | 0 | | 0 | 0 | 0 | |
| | Subtotal - Hard Costs | 661,094 | | 536,214 | 536,214 | 648,344 | |
| | SOFT COSTS | | | | | | |
| 21 | Architectural | 44,723 | | 44,723 | 44,723 | 44,723 | |
| 22 | Engineering | 0 | | 0 | 0 | 0 | |
| 23 | Legal/Accounting | 10,206 | | 10,206 | 10,206 | 10,206 | |
| 24 | Relocation | 12,424 | | 12,424 | 12,424 | 12,424 | |
| 25 | Environmental Assessment | 5,325 | | 5,325 | 5,325 | 5,325 | |
| 26 | Energy Assessment | 0 | | 0 | 0 | 0 | |
| 27 | Permits/Fees | 3,542 | | 3,542 | 3,542 | 3,542 | |
| 28 | Independent Market Study | 0 | | 0 | 0 | 0 | |
| 29 | Construction Period Insurance | 3,550 | | 3,550 | 3,550 | 3,550 | |
| 30 | Construction Interest | 17,084 | | 17,084 | 17,084 | 17,084 | |
| 31 | Construction Loan Origination Fee | 0 | | 0 | 0 | 0 | |
| 32 | Taxes During Construction | 6,656 | | 6,656 | 6,656 | 6,656 | |
| 33 | Clerk of the Works | 7,987 | | 7,987 | 7,987 | 7,987 | |
| 34 | Marketing | 444 | | | | | |
| 35 | Tax Credit Fees | 2,618 | | 2,618 | 2,618 | 2,618 | |
| 36 | Soft Cost Contingency | 4,250 | | 4,250 | 4,250 | 4,250 | |
| 37 | Permanent Loan Origination Fee | 0 | | | | | |
| 38 | Lender's Counsel's Fee | 0 | | 0 | 0 | 0 | |
| 39 | Other (rent loss) | 13,312 | | 13,312 | 13,312 | 13,312 | |
| | SYNDICATION COSTS | | | | | | |
| 40 | Organizational (Partnership) | 0 | | | | | |
| 41 | Bridge Loan Fees and Expenses | 0 | | | | | |
| 42 | Syndication Consultant | 0 | | | | | |
| 43 | Tax Opinion | 0 | | | | | |
| | DEVELOPER'S FEES | | | | | | |
| 44 | Developer's Fees | 45,385 | | 45,385 | 45,385 | 45,385 | |
| 45 | Other Partnership Fees | 60,000 | | 60,000 | 60,000 | 60,000 | |
| 46 | Consultant Fees | 27,689 | | 27,689 | 27,689 | 27,689 | |
| | RESERVES | | | | | | |
| 47 | Working Capital | 0 | | | | | |
| 48 | Rent-up (Deficit Escrow) Reserve | 0 | | | | | |
| 49 | Other Operating Reserves | 0 | | | | | |
| 50 | Sinking Fund | 0 | | | | | |
| 51 | Replacement Reserves | 0 | | | | | |
| | Subtotal - Soft Costs | 265,195 | | 264,751 | 264,751 | 264,751 | |
| | TOTALS | 1,332,499 | 333,867 | 800,965 | 1,134,832 | 914,293 | |
| LESS: | Amount of Non-qualified Financing | | | 19,100 | 5,100 | 5,100 | |
| LESS: | Historic tax Credit (Residential Portion) | | | 181,839 | | | |
| LESS: | High Cost Adjustment | | | 17,245 | 181,839 | 20% | Historic Cre |
| | Total Eligible Basis | | 333,867 | 582,781 | | 181,839 | Annual Hist |
| TIMES: | Adjusted for QCT/DDA | 130.0% | | 757,616 | | | |
| TIMES: | Applicable Fraction | 73.11% | 244,074 | 553,856 | | | |
| | Total Qualified Basis | | 244,074 | 553,856 | 947,893 | Long Term Depreciable Basi | |
| TIMES: | Applicable Percentage | | 3.58% | 8.36% | 27.5 | Depreciation Schedule | |
| | Total Annual Credit Qualified | | 8,738 | 46,302 | 34,469 | Annual Depreciation | |
| | Total Tax Credits Requested | 50,000 | | 55,040 | 12,750 | Short Term Depreciable Basi | |
| | Estimated Net Syndication Proceeds (**excluding historic credit equity**) | 435,437 | | | 7 | Depreciation Schedule | |
| | Estimated Yield - Housing Credit Syndication | 87.97% | | | 1,821 | Annual Depreciation | |
| | Equity Gap | 440,986 | | | | | |
| | Credits Needed to fill Equity Gap | 50,637 | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 24-Apr-98 | **Barre and Bailey Streets HLP** | | | | | |
| HC Restricted Units | | | Average | | Average | | Total |
| | Bedrooms | Type | Square Feet | Number | Rent | Utilities | Annual Rent |
| | 0 Br | | 377 | 2 | 329 | | 7,896 |
| | 1 Br | | 573 | 6 | 391 | | 28,152 |
| | 2 Br | | 896 | 2 | 467 | | 11,209 |
| | 3 Br | | 1,512 | 1 | 524 | | 6,287 |
| | 4+ Br | | | | | | |
| | | Totals | 7,494 | 11 | | | 53,544 |
| Non-HC | Restricted Units | | | | | | Total |
| | Bedrooms | Type | Square Feet | Number | Rent | Utilities | Annual Rent |
| | 0 Br | | 434 | 1 | 350 | | 4,200 |
| | 1 Br | | 595 | 2 | 406 | | 9,744 |
| | 2 Br | | 0 | 0 | 0 | | 0 |
| | 3 Br | | 1,134 | 1 | 523 | | 6,276 |
| | | Totals | 2,757 | 4 | | | 20,220 |
| All Units | | | | | | | |
| | | Grand Totals | 10,251 | 15 | | | 73,764 |
| | | | Less Vacancy | 5.00% | | | (3,688) |
| | | | | | | NET RENT | 70,076 |
| | | | OTHER INCOME | | | | |
| | | | Laundry | | | | 600 |
| | | | Parking | | | | 0 |
| | Commercial SF: | 1,300 | Commercial Space Income | | | | 6,900 |
| | | | less commercial vacancy | | | | (345) |
| | | | | | | TOTAL INCOME | 77,231 |

| 24-Apr-98 | **Barre and Bailey Streets HLP** | | | |
|---|---|---|---|---|
| | | | Per Unit | |
| | Annual | Monthly | Per Month | |
| Administration | | | | |
| Management Fee | 8,640 | 720 | 48 | 11.2% |
| Supportive Services | 0 | 0 | 0 | |
| Audit/Accounting | 3,000 | 250 | 17 | |
| Legal | 1,500 | 125 | 8 | |
| Compliance Monitoring | 264 | 22 | 1 | |
| Marketing | 0 | 0 | 0 | |
| Other | 1,940 | 162 | 11 | |
| TOTAL ADMINISTRATIVE | 15,344 | 1,279 | 85 | |
| | | | | |
| Utilities | | | | |
| Electricity | 1,500 | 125 | 8 | |
| Fuel | 3,000 | 250 | 17 | |
| Water and Sewer | 7,000 | 583 | 39 | |
| Fire Alarm / Emergency | 0 | 0 | 0 | |
| Other | 0 | 0 | 0 | |
| TOTAL UTILITIES | 11,500 | 958 | 64 | |
| | | | | |
| Maintenance | | | | |
| Maintenance / Janitor Payroll | 7,500 | 625 | 42 | |
| Janitor Supplies | 0 | 0 | 0 | |
| Exterminating | 0 | 0 | 0 | |
| Trash Removal | 1,650 | 138 | 9 | |
| Snow Removal | 900 | 75 | 5 | |
| Grounds | 0 | 0 | 0 | |
| Repairs Material | 250 | 21 | 1 | |
| Repairs Contract | 1,000 | 83 | 6 | |
| HVAC Repairs / Maintenance | 0 | 0 | 0 | |
| Elevator Contract / Repairs | 0 | 0 | 0 | |
| Painting and Decorating | 0 | 0 | 0 | |
| Other | 0 | 0 | 0 | |
| TOTAL MAINTENANCE | 11,300 | 942 | 63 | |
| | | | | per unit month |
| Real Estate Taxes | 13,500 | 1,125 | 75 | excl. ds & res. |
| Property Insurance | 5,000 | 417 | 28 | 315 |
| Replacement Reserves | 4,950 | 413 | 28 | |
| Primary Debt Service | 0 | 0 | 0 | |
| Other "must pay" debt service | 0 | 0 | 0 | |
| Other | 0 | 0 | 0 | |
| Total | 61,594 | 5,133 | 342 | |

# Barre and Bailey Streets HLP

| | | Check all Applicable | | | | | | | | A | | | | | B | | | | | | C | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Building # | Unit # | HOME Unit | Lead Paint Unit | Project Based Assistance | Tax Credit Unit | VHCB Restricted | Accessible | Adaptable | Unrestricted | Number of Bedrooms | Proposed Square Footage | Proposed Rent | Utility Allowance for Tenant-Paid Utilities | Gross Rent (Rent + Tenant-Paid Utilities) | OCCUPIED BY: Income level of residents to be served: | | | | | | AFFORDABLE TO: Units affordable to residents at: | | | | | |
| | | | | | 1 | | | | | | | | | | <30% | <50% | <60% | <80% | <100% | >100% | 30% | 50% | 60% | 65% | 80% | 100%+ |
| 37 Barre | c1 | | | | | | | | | | 1,300 | 575 | 0 | 575 | | | | | | | | | | | | |
| 37 Barre | 2 | 1 | | | 1 | 1 | 1 | | | 0 | 320 | 329 | 27 | 356 | | | 1 | | | | | 1 | | | | |
| 37 Barre | 3 | 1 | 1 | | 1 | 1 | | | | 1 | 640 | 362 | 35 | 397 | | 1 | | | | | | 1 | | | | |
| 37 Barre | 4 | 1 | 1 | | 1 | 1 | | | | 2 | 1,109 | 433 | 44 | 477 | | 1 | | | | | | 1 | | | | |
| 37 Barre | 5 | 1 | 1 | | 1 | 1 | | | | 1 | 640 | 406 | 35 | 441 | | | 1 | | | | | | 1 | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 11.5 Bailey | 7b | 1 | 1 | | 1 | 1 | 1 | | | 1 | 567 | 406 | 35 | 441 | | | 1 | | | | | | 1 | | | |
| 11.5 Bailey | 7f | 1 | 1 | | 1 | 1 | | | | 1 | 567 | 406 | 35 | 441 | | | 1 | | | | | | 1 | | | |
| 11.5 Bailey | 8 | | | | | | | | 1 | 3 | 1,134 | 523 | 139 | 662 | | | 1 | | | | | | 1 | | | |
| 11.5 Bailey | 9 | | | | | 1 | | | | 1 | 567 | 406 | 35 | 441 | | | 1 | | | | | | 1 | | | |
| 11.5 Bailey | 10 | 1 | 1 | | 1 | 1 | | | | 1 | 567 | 406 | 35 | 441 | | | 1 | | | | | | 1 | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 9.5-11 Bailey | 1 | | | | | 1 | | | | 1 | 622 | 406 | 35 | 441 | | | | 1 | | | | | 1 | | | |
| 9.5-11 Bailey | 2 | 1 | 1 | | 1 | 1 | 1 | | | 1 | 456 | 362 | 35 | 397 | | 1 | | | | | | 1 | | | | |
| 9.5-11 Bailey | 3 | 1 | 1 | | 1 | 1 | | | | 0 | 434 | 329 | 27 | 356 | | 1 | | | | | | 1 | | | | |
| 9.5-11 Bailey | 4 | | | | | | | | 1 | 0 | 434 | 350 | 27 | 377 | | | 1 | | | | | | 1 | | | |
| 9.5-11 Bailey | 5 | 1 | 1 | | 1 | 1 | | | | 2 | 682 | 500 | 44 | 544 | | | 1 | | | | | | 1 | | | |
| 9.5-11 Bailey | 6 | 1 | 1 | | 1 | 1 | | | | 3 | 1,512 | 523 | 139 | 662 | | | 1 | | | | | | 1 | | | |
| Total # Units | 15 | | | | | | | | | Totals: | 10,251 | 6,147 | Total # Units: | | 0 | 4 | 10 | 1 | 0 | 0 | 0 | 5 | 10 | 0 | 0 | 0 |

| 24-Apr-98 | | Barre and Bailey Streets HLP | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Operating Income | | | | | | | | | | | | | | | | |
| Gross Rent | | 73,764 | 74,870 | 75,994 | 77,133 | 78,290 | 79,465 | 80,657 | 81,867 | 83,095 | 84,341 | 85,606 | 86,890 | 88,194 | 89,516 | 90,859 |
| Other Income | | 7,500 | 7,613 | 7,727 | 7,843 | 7,960 | 8,080 | 8,201 | 8,324 | 8,449 | 8,575 | 8,704 | 8,835 | 8,967 | 9,102 | 9,238 |
| Vacancy and other losses | | (4,033) | (4,124) | (3,800) | (3,857) | (3,915) | (3,973) | (4,033) | (4,093) | (4,155) | (4,217) | (4,280) | (4,345) | (4,410) | (4,476) | (4,543) |
| Total Operating Income | | 77,231 | 78,359 | 79,921 | 81,119 | 82,336 | 83,571 | 84,825 | 86,097 | 87,389 | 88,699 | 90,030 | 91,380 | 92,751 | 94,142 | 95,554 |
| Operating Expenses | | | | | | | | | | | | | | | | |
| Total Expenses (excl. Reserves) | | 56,644 | 58,343 | 60,094 | 61,896 | 63,753 | 65,666 | 67,636 | 69,665 | 71,755 | 73,908 | 76,125 | 78,409 | 80,761 | 83,184 | 85,679 |
| Reserves | | 4,950 | 5,024 | 5,100 | 5,176 | 5,254 | 5,333 | 5,413 | 5,494 | 5,576 | 5,660 | 5,745 | 5,831 | 5,918 | 6,007 | 6,097 |
| Total Operating Expense | | 61,594 | 63,368 | 65,193 | 67,073 | 69,007 | 70,998 | 73,048 | 75,159 | 77,331 | 79,567 | 81,869 | 84,239 | 86,679 | 89,191 | 91,776 |
| Net Operating Income | | 15,637 | 14,991 | 14,727 | 14,047 | 13,329 | 12,573 | 11,776 | 10,938 | 10,058 | 9,132 | 8,160 | 7,141 | 6,072 | 4,952 | 3,778 |
| Less Primary Debt Service | | 6,920 | 6,920 | 6,920 | 6,920 | 6,920 | 6,920 | 6,920 | 6,920 | 6,920 | 6,920 | 6,920 | 6,920 | 6,920 | 6,920 | 6,920 |
| Less Secondary Debt Service | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Annual Cash Flow | | 8,717 | 8,071 | 7,807 | 7,127 | 6,409 | 5,652 | 4,856 | 4,018 | 3,137 | 2,212 | 1,240 | 221 | (848) | (1,969) | (3,142) |
| Operating Subsidies / Sinking Fund | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 848 | 1,969 | 3,142 |
| Net Cash | | 8,717 | 8,071 | 7,807 | 7,127 | 6,409 | 5,652 | 4,856 | 4,018 | 3,137 | 2,212 | 1,240 | 221 | 0 | 0 | 0 |
| DCR | | 225.96% | 216.63% | 212.82% | 202.98% | 192.61% | 181.68% | 170.17% | 158.06% | 145.33% | 131.96% | 117.92% | 103.19% | 87.74% | 71.55% | 54.60% |
| Cumulative Cash Flow | | | | | | | | | | | | | | | | |
| Beginning Balance | | 0 | 8,805 | 16,957 | 24,843 | 32,042 | 38,515 | 44,225 | 49,130 | 53,189 | 56,358 | 58,592 | 59,845 | 60,067 | 59,228 | 57,278 |
| Interest | 2.0% | 88 | 82 | 79 | 72 | 65 | 57 | 49 | 41 | 32 | 22 | 13 | 2 | 8 | 19 | 31 |
| Withdrawals | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (848) | (1,969) | (3,142) |
| Ending Balance | | 8,805 | 16,957 | 24,843 | 32,042 | 38,515 | 44,225 | 49,130 | 53,189 | 56,358 | 58,592 | 59,845 | 60,067 | 59,228 | 57,278 | 54,167 |
| Cumulative Replacement Reserves | | | | | | | | | | | | | | | | |
| Beginning Balance | | 0 | 4,950 | 10,073 | 15,374 | 20,858 | 26,529 | 32,392 | 38,452 | 44,715 | 51,186 | 57,869 | 64,771 | 71,897 | 79,254 | 86,846 |
| Interest | 2.0% | 0 | 99 | 201 | 307 | 417 | 531 | 648 | 769 | 894 | 1,024 | 1,157 | 1,295 | 1,438 | 1,585 | 1,737 |
| Withdrawals | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ending Balance | | 4,950 | 10,073 | 15,374 | 20,858 | 26,529 | 32,392 | 38,452 | 44,715 | 51,186 | 57,869 | 64,771 | 71,897 | 79,254 | 86,846 | 94,680 |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Net Operating Income | | 15,637 | 14,991 | 14,727 | 14,047 | 13,329 | 12,573 | 11,776 | 10,938 | 10,058 | 9,132 | 8,160 | 7,141 | 6,072 | 4,952 | 3,778 |
| Plus Reserves | | 4,950 | 5,024 | 5,100 | 5,176 | 5,254 | 5,333 | 5,413 | 5,494 | 5,576 | 5,660 | 5,745 | 5,831 | 5,918 | 6,007 | 6,097 |
| Less Interest Expense | | (33,068) | (33,018) | (32,964) | (32,904) | (32,840) | (32,769) | (32,693) | (32,609) | (32,519) | (32,420) | (32,313) | (32,196) | (32,069) | (31,930) | (31,779) |
| Less Long Depreciation | | (34,469) | (34,469) | (34,469) | (34,469) | (34,469) | (34,469) | (34,469) | (34,469) | (34,469) | (34,469) | (34,469) | (34,469) | (34,469) | (34,469) | (34,469) |
| Less Short Depreciation | | (1,821) | (1,821) | (1,821) | (1,821) | (1,821) | (1,821) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Taxable Income (Loss) | | (48,772) | (49,293) | (49,427) | (49,972) | (50,547) | (51,154) | (49,973) | (50,646) | (51,354) | (52,097) | (52,876) | (53,693) | (54,547) | (55,440) | (56,373) |
| Cash Flow | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Plus Tax Savings | | 17,070 | 17,253 | 17,299 | 17,490 | 17,691 | 17,904 | 17,490 | 17,726 | 17,974 | 18,234 | 18,507 | 18,793 | 19,092 | 19,404 | 19,731 |
| Plus Tax Credits | | 231,839 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | | | | | |
| After Tax Cash Flow | | 248,909 | 67,253 | 67,299 | 67,490 | 67,691 | 67,904 | 67,490 | 67,726 | 67,974 | 68,234 | 18,507 | 18,793 | 19,092 | 19,404 | 19,731 |
| Total Years | 15 | | | | | | | | | | | | | | | |
| Reinvestment Rate | 12.00% | | | | | | | | | | | | | | | |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Current After Tax Cash Flows | | 248,909 | 67,253 | 67,299 | 67,490 | 67,691 | 67,904 | 67,490 | 67,726 | 67,974 | 68,234 | 18,507 | 18,793 | 19,092 | 19,404 | 19,731 |
| Future Value of Cash Flows at Yr 15: | | 1,353,186 | 328,671 | 293,661 | 262,940 | 235,468 | 210,900 | 187,156 | 167,688 | 150,269 | 134,682 | 32,615 | 29,570 | 26,822 | 24,340 | 22,098 |
| Discount Rate: | 6.00% | | | | | | | | | | | | | | | |
| Capital Contribution Number: | 1 | 2 | 3 | 4 | | | | | | | | | | | | |
| Date of Capital Contribution: | 01-Jul-98 | 15-Nov-98 | 01-Apr-09 | 24-Apr-98 | | | | | | | | | | | | |
| Amount of Capital Contribution: | 29,205 | 350,460 | 204,435 | 0 | | | | | | | | | | | | |
| Present Value of Contributions: | 29,205 | 342,549 | 106,251 | 0 | | | | | | | | | | | | |
| Cash Flows | (478,005) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,460,065 |
| IRR: | 14.11% | | | | | | | | | | | | | | | |
| Equity Yield: | 70.81% | | | | | | | | | | | | | | | |

| 24-Apr-98 | **Bennington Arts Housing** | | | | | |
|---|---|---|---|---|---|---|
| Total Residential Units: | 15 | Increase in Income from Rental Units: | | | 1.50% | |
| Housing Credit Restricted Units: | 14 | Increase in Income from Other Sources: | | | 1.50% | |
| Percent Restricted: | 93.33% | Increase in Income from Commercial: | | | 1.50% | |
| Total Development Cost: | 1,392,510 | Expense increase: | | | 3.00% | |
| Total Development Cost per Unit: | 92,834 | Vacancy Rate: | | | 5% | |
| Total Development Cost Per SF: | 104 | Partner's Tax Rate: | | | 34% | |
| | | Long Depreciation Schedule: | | | 27.5 | years |
| Max Credit Potential: | 73,695 | Short Depreciation Schedule: | | | 7 | years |
| Credit Amount Allocated: | 73,000 | Sponsor's Estimated Yield: | | | 84.20% | |
| | | | | | | |
| LIHTC - 9% | 8.36% | | (May '98) | | | |
| LIHTC - 4% | 3.58% | | | | | |
| SOURCES | | | | | | |
| | | % of Total Development Cost | | Interest Rate | Amortization | Term |
| First Mortgage | 62,500 | | 4.49% | 8.25% | 30 | 30 |
| HOME loan | 253,400 | | 18.20% | 7.00% | 30 | 30 |
| HP Grant | 10,000 | | 0.72% | 0 | 0 | 0 |
| VHCB Loan | 210,000 | | 15.08% | 0.00% | 0 | 25 |
| Cultural Facilities Fund Grant | 4,000 | | 0.29% | 0 | | 30 |
| VHCB Lead Loan | 14,000 | | 1.01% | 7.00% | 30 | 30 |
| Energy Audit Grant | 1,316 | | 0.09% | 0 | | |
| AHP Grant | 75,000 | | 5.39% | 0 | | |
| Tax Credit Equity | 762,692 | | 54.77% | N/A | N/A | |
| TOTAL SOURCES | 1,392,908 | | 100.03% | | | |
| | | | | | | |
| USES | | | | | | |
| Acquisition | 435,400 | | 31.27% | | | |
| Construction Hard Costs | 648,139 | | 46.54% | | | |
| Soft Costs | 308,971 | | 22.19% | | | |
| TOTAL USES | 1,392,510 | | 100% | | | |
| | | | | | | |
| Gap | (398) | | | | | |
| PER UNIT COST LIMIT CALCULATION | | | | | | |
| | per unit limits | | number of units | | | |
| 0 Br | 73,380 | | 3 | 220,140 | | |
| 1 Br | 78,380 | | 5 | 391,900 | | |
| 2 Br | 83,380 | | 4 | 333,520 | | |
| 3 Br | 88,380 | | 2 | 176,760 | | |
| 4 Br | 93,380 | | 1 | 93,380 | | |
| Maximum cost allowed under the per unit cost limits | | | | 1,215,700 | | |
| Projected total cost, excluding cash accounts | | | | 1,392,510 | | 87% |
| | | (over)/under | | (176,810) | | |
| | | | | | | |
| General Partner's Capital Contribution | | | | 6,147 | 1.00% | |
| Limited Partner's Capital Contribution | | | | 762,692 | 99.00% | |
| Total Equity | | | | 768,839 | | |
| APPLICABLE FRACTION CALCULATION | | | | | | |
| | | Tax Credit Restricted Units | | 14 | | |
| | | Total Units | | 15 | | |
| | | Unit Fraction | | 93.33% | | |
| | | | | | | |
| | | Tax Credit Square Footage | | 12,703 | | |
| | | Total Residential Square Footage | | 13,423 | | |
| | | Square Footage Fraction | | 94.64% | | |
| | | | | | | |
| | | Applicable Fraction | | 93.33% | | |

| 24-Apr-98 | Bennington Arts Housing | Budget | Acquisition Basis | Construction Basis | Residential Depreciation | Historic Credit Basis | Other |
|---|---|---|---|---|---|---|---|
| | ACQUISITION | | | | | | |
| 1 | Land | 75,960 | | | | | |
| 2 | Purchase of Building(s) | 346,040 | 346,040 | | 346,040 | 0 | |
| 3 | Rent Loss During Contract | 5,000 | | | | | |
| 4 | Property Appraisal | 3,500 | 3,500 | | 3,500 | 3,500 | |
| 5 | Legal - Title and Recording | 4,900 | 4,900 | | 4,900 | 4,900 | |
| | Subtotal - Acquisition | 435,400 | | | | | |
| | CONSTRUCTION HARD COSTS | | | | | | |
| 6 | Rehabilitation | 555,135 | | 555,135 | 555,135 | 555,135 | |
| 7 | New Building(s) | 0 | | 0 | 0 | 0 | |
| 8 | Accessory Buildings | 0 | | 0 | 0 | 0 | |
| 9 | Sitework | 0 | | 0 | 0 | 0 | |
| 10 | Commercial Space Costs (if any) | 0 | | | | | |
| 11 | General Requirements | 0 | | 0 | 0 | 0 | |
| 12 | Contractor Overhead | 0 | | 0 | 0 | 0 | |
| 13 | Contractor Profit | 0 | | 0 | 0 | 0 | |
| 14 | Construction Contingency | 63,004 | | 63,004 | 63,004 | 63,004 | |
| 15 | Construction Management | 0 | | 0 | 0 | 0 | |
| 16 | Construction Bond Fee | 0 | | 0 | 0 | 0 | |
| 17 | Hazardous Materials Abatement | 18,000 | | 18,000 | 18,000 | 18,000 | |
| 18 | Off-Site Improvements | 0 | | 0 | 0 | 0 | |
| 19 | Furnishings, Fixtures, & Equipment | 12,000 | | 12,000 | 0 | 0 | |
| 20 | Other (RENT LOSS) | 0 | | 0 | 0 | 0 | |
| | Subtotal - Hard Costs | 648,139 | | | | | |
| | SOFT COSTS | | | | | | |
| 21 | Architectural | 45,048 | | 45,048 | 45,048 | 45,048 | |
| 22 | Constr. Estimating/Inspection | 2,500 | | 2,500 | 2,500 | 2,500 | |
| 23 | Legal/Accounting | 12,500 | | 12,500 | 12,500 | 12,500 | |
| 24 | Relocation | 17,500 | | 17,500 | 17,500 | 17,500 | |
| 25 | Environmental Assessment | 5,400 | | 5,400 | 5,400 | 5,400 | |
| 26 | Energy Assessment | 4,500 | | 4,500 | 4,500 | 4,500 | |
| 27 | Permits/Fees | 6,359 | | 6,359 | 6,359 | 6,359 | |
| 28 | Independent Market Study | 0 | | 0 | 0 | 0 | |
| 29 | Construction Period Insurance | 12,081 | | 12,081 | 12,081 | 12,081 | |
| 30 | Construction Interest | 24,000 | | 24,000 | 24,000 | 24,000 | |
| 31 | Construction Loan Origination Fee | 0 | | 0 | 0 | 0 | |
| 32 | Taxes During Construction | 0 | | 0 | 0 | 0 | |
| 33 | Clerk of the Works | 15,000 | | 15,000 | 15,000 | 15,000 | |
| 34 | Marketing | 0 | | | | | |
| 35 | Tax Credit Fees | 2,675 | | 2,675 | 2,675 | 2,675 | |
| 36 | Soft Cost Contingency | 3,718 | | 3,718 | 3,718 | 3,718 | |
| 37 | Permanent Loan Origination Fee | 740 | | | | | |
| 38 | Lender's Counsel's Fee | 0 | | | | | |
| 39 | Other (Rent Loss) | 16,000 | | 16,000 | 16,000 | 16,000 | |
| | SYNDICATION COSTS | | | | | | |
| 40 | Organizational (Partnership) | 0 | | | | | |
| 41 | Bridge Loan Fees and Expenses | 0 | | | | | |
| 42 | Syndication Consultant | 0 | | | | | |
| 43 | Tax Opinion | 0 | | | | | |
| | DEVELOPER'S FEES | | | | | | |
| 44 | HV Fee | 71,250 | | 71,250 | 71,250 | 71,250 | |
| 45 | Local Partner Fee | 60,000 | | 60,000 | 60,000 | 60,000 | |
| 46 | Consultant Fees | 9,700 | | 9,700 | 9,700 | 9,700 | |
| | RESERVES | | | | | | |
| 47 | Working Capital | 0 | | | | | |
| 48 | Rent-up (Deficit Escrow) Reserve | 0 | | | | | |
| 49 | Other Operating Reserves | 0 | | | | | |
| 50 | Sinking Fund | 0 | | | | | |
| 51 | Replacement Reserves | 0 | | | | | |
| | Subtotal - Soft Costs | 308,971 | | | | | |
| | TOTALS | 1,392,510 | 354,440 | 956,370 | 1,298,810 | 952,770 | |
| | Amount of Non-qualified Financing & HTC | | 117,434 | 213,607 | | 11,316 | |
| LESS: | Basis less Non-qual. And HTC | | | 742,763 | | | |
| TIMES: | Total times Excess Cost Factor | 87.30% | | 648,453 | 188,291 | 20% | Historic Credit Rate |
| | Total Eligible Basis | | 237,006 | 648,453 | | 188,291 | Annual Historic Credit |
| TIMES: | Adjusted for QCT/DDA | 130.0% | | 842,989 | | | |
| TIMES: | Applicable Fraction | 93.33% | 221,206 | 786,790 | | | |
| | Total Qualified Basis | | 221,206 | 786,790 | 1,110,519 | Long Term Depreciable Basis | |
| TIMES: | Applicable Percentage | | 3.58% | 8.36% | 27.5 | Depreciation Schedule | |
| | Total Annual Credit Qualified | | 7,919 | 65,776 | 40,383 | Annual Depreciation | |
| | Total Tax Credits Requested | 73,000 | | 73,695 | 0 | Short Term Depreciable Basis | |
| | Estimated Net Syndication Proceeds **(excluding historic credit equity)** | 608,538 | | | 7 | Depreciation Schedule | |
| | Estimated Yield - Housing Credit Syndication | 84.20% | | | 0 | Annual Depreciation | |
| | Equity Gap | 837,294 | | | | | |
| | Credits Needed to fill Equity Gap | 100,441 | | | | | |

| 24-Apr-98 | **Bennington Arts Housing** | | | | | |
|---|---|---|---|---|---|---|
| HC Restricted Units | | Average | | Average | | Total |
| Bedrooms | Type | Square Feet | Number | Rent | Utilities | Annual Rent |
| 0 Br | | 785 | 2 | 372 | | 8,928 |
| 1 Br | | 677 | 5 | 365 | | 21,900 |
| 2 Br | | 941 | 4 | 460 | | 22,080 |
| 3 Br | | 1,376 | 2 | 558 | | 13,392 |
| 4+ Br | | 1,232 | 1 | 621 | | 7,452 |
| | Totals | 12,703 | 14 | | | 73,752 |
| Non-HC Restricted Units | | | | | | Total |
| Bedrooms | Type | Square Feet | Number | Rent | Utilities | Annual Rent |
| 0 Br | Market | 720 | 1 | 427 | | 5,124 |
| 1 Br | | | 0 | 0 | | 0 |
| 2 Br | | | 0 | | | 0 |
| 3 Br | | | 0 | 0 | | 0 |
| 4+ Br | | | 0 | 0 | | 0 |
| | Totals | 720 | 1 | | | 5,124 |
| All Units | | | | | | |
| | Grand Totals | 13,423 | 15 | | | 78,876 |
| | | Less Vacancy | 5.00% | | | (3,944) |
| | | | | | NET RENT | 74,932 |
| | | OTHER INCOME | | | | |
| | | Laundry | | | | 0 |
| | | Parking | | | | 0 |
| | | Commercial Space Income | | | | 0 |
| | | Other | | | | 0 |
| | | | | | TOTAL INCOME | 74,932 |

| 24-Apr-98 | **Bennington Arts Housing** | | | |
|---|---|---|---|---|
| | | | Per Unit | |
| | Annual | Monthly | Per Month | |
| Administration | | | | |
| Management Fee | 7,200 | 600 | 40 | 10.7% |
| Supportive Services | 0 | 0 | 0 | |
| Audit/Accounting | 3,160 | 263 | 18 | |
| Legal | 700 | 58 | 4 | |
| Compliance Monitoring | 1,440 | 120 | 8 | |
| Marketing | | 0 | 0 | |
| VHFA | 360 | 30 | 2 | |
| TOTAL ADMINISTRATIVE | 12,860 | 1,072 | 71 | |
| | | | | |
| Utilities | | | | |
| Electricity | 720 | 60 | 4 | |
| Fuel | 5,940 | 495 | 33 | |
| Water and Sewer | 4,500 | 375 | 25 | |
| Fire Alarm / Emergency | | 0 | 0 | |
| Other | | 0 | 0 | |
| TOTAL UTILITIES | 11,160 | 930 | 62 | |
| | | | | |
| Maintenance | | | | |
| Maintenance / Janitor Payroll | 7,000 | 583 | 39 | |
| Janitor Supplies | | 0 | 0 | |
| Exterminating | | 0 | 0 | |
| Trash Removal | 2,040 | 170 | 11 | |
| Snow Removal | | 0 | 0 | |
| Grounds | 1,000 | 83 | 6 | |
| Repairs Material | | 0 | 0 | |
| Repairs Contract | | 0 | 0 | |
| HVAC Repairs / Maintenance | | 0 | 0 | |
| Elevator Contract / Repairs | | 0 | 0 | |
| Painting and Decorating | 400 | 33 | 2 | |
| Other | | 0 | 0 | |
| TOTAL MAINTENANCE | 10,440 | 870 | 58 | |
| | | | | per unit month |
| Real Estate Taxes | 12,495 | 1,041 | 69 | excl. ds & res. |
| Property Insurance | 5,600 | 467 | 31 | 292 |
| Replacement Reserves | 4,500 | 375 | 25 | |
| Primary Debt Service | **5,634** | **470** | **31** | not included |
| Other "must pay" debt service | | 0 | 0 | |
| Other | | 0 | 0 | |
| Total | 57,055 | 4,755 | 317 | |

form revision date: 2/19/97

# Bennington Arts Housing

| | | Check all Applicable | | | | | | | | A | | | | | B | | | | | | C | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Building # | Unit # | HOME Unit | Lead Paint Unit | Project Based Assistance | Tax Credit Unit | VHCB Restricted | Accessible | Adaptable | Unrestricted | Number of Bedrooms | Proposed Square Footage | Proposed Rent | Utility Allowance for Tenant-Paid Utilities | Gross Rent (Rent + Tenant-Paid Utilities) | OCCUPIED BY: Income level of residents to be served: <30% | <50% | <60% | <80% | <100% | >100% | AFFORDABLE TO: Units affordable to residents at: 30% | 50% | 60% | 65% | 80% | 100%+ |
| Bradford | 1 | 1 | 1 | | 1 | 1 | | | | 2 | 900 | 395 | 44 | 439 | | 1 | | | | | | 1 | | | | |
| | 2 | | | | | | | | 1 | 0 | 720 | 400 | 27 | 427 | | | | | | 1 | | | | | | 1 |
| | 3 | 1 | | | 1 | 1 | | | | 0 | 720 | 310 | 27 | 337 | | 1 | | | | | | 1 | | | | |
| | 4 | 1 | 1 | | 1 | 1 | 1 | | | 3 | 1,300 | 505 | 50 | 555 | | | 1 | | | | | | 1 | | | |
| Stark | 1 | | | | 1 | 1 | | | | 0 | 850 | 380 | 27 | 407 | | | 1 | | | | | | 1 | | | |
| Sage Street | 1 | 1 | 1 | | 1 | 1 | | | | 2 | 963 | 395 | 44 | 439 | | 1 | | | | | | 1 | | | | |
| | 2 | 1 | 1 | | 1 | 1 | 1 | | | 3 | 1,452 | 510 | 50 | 560 | | | 1 | | | | | | 1 | | | |
| | 3 | 1 | 1 | | 1 | 1 | | | | 2 | 980 | 440 | 44 | 484 | | | 1 | | | | | | 1 | | | |
| North Benn | 1 | | | | 1 | 1 | 1 | | | 1 | 768 | 330 | 35 | 365 | | 1 | | | | | | 1 | | | | |
| | 2 | | | | 1 | 1 | | | | 1 | 616 | 330 | 35 | 365 | | 1 | | | | | | 1 | | | | |
| | 3 | | | | 1 | 1 | | | | 1 | 768 | 330 | 35 | 365 | | 1 | | | | | | 1 | | | | |
| | 4 | | | | 1 | 1 | | | | 1 | 616 | 330 | 35 | 365 | | 1 | | | | | | 1 | | | | |
| | 5 | | 1 | | 1 | 1 | | | | 2 | 920 | 435 | 44 | 479 | | | 1 | | | | | | 1 | | | |
| | 6 | | 1 | | 1 | 1 | | | | 4 | 1,232 | 565 | 56 | 621 | | | 1 | | | | | | 1 | | | |
| | 7 | | | | 1 | 1 | | | | 1 | 616 | 330 | 35 | 365 | | 1 | | | | | | 1 | | | | |
| Total # Units | 15 | 6 | 7 | 0 | 14 | 14 | 3 | 0 | 1 | Totals: | 13,421 | 5,985 | | Total # Units | 0 | 8 | 6 | 0 | 0 | 1 | 0 | 8 | 6 | 0 | 0 | 1 |

| 24-Apr-98 | | Bennington Arts Housing | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Operating Income | | | | | | | | | | | | | | | | 3 |
| Gross Rent | | 78,876 | 80,059 | 81,260 | 82,479 | 83,716 | 84,972 | 86,246 | 87,540 | 88,853 | 90,186 | 91,539 | 92,912 | 94,306 | 95,720 | 97,156 |
| Other Income | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Vacancy and other losses | | (3,944) | (4,003) | (4,063) | (4,124) | (4,186) | (4,249) | (4,312) | (4,377) | (4,443) | (4,509) | (4,577) | (4,646) | (4,715) | (4,786) | (4,858) |
| Total Operating Income | | 74,932 | 76,056 | 77,197 | 78,355 | 79,530 | 80,723 | 81,934 | 83,163 | 84,411 | 85,677 | 86,962 | 88,266 | 89,590 | 90,934 | 92,298 |
| Operating Expenses | | | | | | | | | | | | | | | | |
| Total Expenses (excl. Reserves) | | 46,921 | 48,329 | 49,778 | 51,272 | 52,810 | 54,394 | 56,026 | 57,707 | 59,438 | 61,221 | 63,058 | 64,950 | 66,898 | 68,905 | 70,972 |
| Reserves | | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 |
| Total Operating Expense | | 51,421 | 52,829 | 54,278 | 55,772 | 57,310 | 58,894 | 60,526 | 62,207 | 63,938 | 65,721 | 67,558 | 69,450 | 71,398 | 73,405 | 75,472 |
| Net Operating Income | | 23,511 | 23,228 | 22,919 | 22,583 | 22,220 | 21,829 | 21,408 | 20,956 | 20,472 | 19,955 | 19,404 | 18,817 | 18,192 | 17,529 | 16,826 |
| Less Primary Debt Service | | 5,634 | 5,634 | 5,634 | 5,634 | 5,634 | 5,634 | 5,634 | 5,634 | 5,634 | 5,634 | 5,634 | 5,634 | 5,634 | 5,634 | 5,634 |
| Less Secondary Debt Service | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Annual Cash Flow | | 17,877 | 17,593 | 17,284 | 16,949 | 16,586 | 16,194 | 15,773 | 15,322 | 14,838 | 14,321 | 13,769 | 13,182 | 12,558 | 11,895 | 11,191 |
| Operating Subsidies / Sinking Fund | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Cash | | 17,877 | 17,593 | 17,284 | 16,949 | 16,586 | 16,194 | 15,773 | 15,322 | 14,838 | 14,321 | 13,769 | 13,182 | 12,558 | 11,895 | 11,191 |
| DCR | | 417.27% | 412.24% | 406.75% | 400.80% | 394.36% | 387.42% | 379.94% | 371.93% | 363.34% | 354.17% | 344.38% | 333.95% | 322.87% | 311.10% | 298.62% |
| Cumulative Cash Flow | | | | | | | | | | | | | | | | |
| Beginning Balance | | 0 | 17,877 | 35,827 | 53,828 | 71,853 | 89,876 | 107,868 | 125,799 | 143,636 | 161,347 | 178,895 | 196,242 | 213,349 | 230,174 | 246,672 |
| Interest | 2.0% | 0 | 358 | 717 | 1,077 | 1,437 | 1,798 | 2,157 | 2,516 | 2,873 | 3,227 | 3,578 | 3,925 | 4,267 | 4,603 | 4,933 |
| Withdrawals | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ending Balance | | 17,877 | 35,827 | 53,828 | 71,853 | 89,876 | 107,868 | 125,799 | 143,636 | 161,347 | 178,895 | 196,242 | 213,349 | 230,174 | 246,672 | 262,797 |
| Cumulative Replacement Reserves | | | | | | | | | | | | | | | | |
| Beginning Balance | | 0 | 4,500 | 9,090 | 13,772 | 18,547 | 23,418 | 28,387 | 33,454 | 38,623 | 43,896 | 49,274 | 54,759 | 60,354 | 66,061 | 71,883 |
| Interest | 2.0% | 0 | 90 | 182 | 275 | 371 | 468 | 568 | 669 | 772 | 878 | 985 | 1,095 | 1,207 | 1,321 | 1,438 |
| Withdrawals | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ending Balance | | 4,500 | 9,090 | 13,772 | 18,547 | 23,418 | 28,387 | 33,454 | 38,623 | 43,896 | 49,274 | 54,759 | 60,354 | 66,061 | 71,883 | 77,820 |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Net Operating Income | | 23,511 | 23,228 | 22,919 | 22,583 | 22,220 | 21,829 | 21,408 | 20,956 | 20,472 | 19,955 | 19,404 | 18,817 | 18,192 | 17,529 | 16,826 |
| Plus Reserves | | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 |
| Less Interest Expense | | (23,856) | (23,813) | (23,767) | (23,717) | (23,662) | (23,603) | (23,539) | (23,469) | (23,394) | (23,311) | (23,222) | (23,125) | (23,020) | (22,906) | (22,782) |
| Less Long Depreciation | | (40,383) | (40,383) | (40,383) | (40,383) | (40,383) | (40,383) | (40,383) | (40,383) | (40,383) | (40,383) | (40,383) | (40,383) | (40,383) | (40,383) | (40,383) |
| Less Short Depreciation | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Taxable Income (Loss) | | (36,227) | (36,468) | (36,731) | (37,016) | (37,325) | (37,657) | (38,013) | (38,396) | (38,804) | (39,238) | (39,701) | (40,191) | (40,710) | (41,259) | (41,839) |
| Cash Flow | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Plus Tax Savings | | 12,317 | 12,399 | 12,489 | 12,585 | 12,690 | 12,803 | 12,925 | 13,054 | 13,193 | 13,341 | 13,498 | 13,665 | 13,842 | 14,028 | 14,225 |
| Plus Tax Credits | | 261,291 | 73,000 | 73,000 | 73,000 | 73,000 | 73,000 | 73,000 | 73,000 | 73,000 | 73,000 | | | | | |
| After Tax Cash Flow | | 273,608 | 85,399 | 85,489 | 85,585 | 85,690 | 85,803 | 85,925 | 86,054 | 86,193 | 86,341 | 13,498 | 13,665 | 13,842 | 14,028 | 14,225 |
| Total Years | 15 | | | | | | | | | | | | | | | |
| Reinvestment Rate | 12.00% | | | | | | | | | | | | | | | |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Current After Tax Cash Flows | | 273,608 | 85,399 | 85,489 | 85,585 | 85,690 | 85,803 | 85,925 | 86,054 | 86,193 | 86,341 | 13,498 | 13,665 | 13,842 | 14,028 | 14,225 |
| Future Value of Cash Flows at Yr 15: | | 1,497,611 | 417,355 | 373,029 | 333,439 | 298,078 | 266,492 | 238,276 | 213,068 | 190,546 | 170,422 | 23,789 | 21,502 | 19,446 | 17,597 | 15,932 |
| Discount Rate: | 6.00% | | | | | | | | | | | | | | | |
| Capital Contribution Number: | 1 | 2 | 3 | 4 | | | | | | | | | | | | |
| Date of Capital Contribution: | 01-Nov-98 | 01-Jul-99 | 01-Jan-00 | | | | | | | | | | | | | |
| Amount of Capital Contribution: | 38,135 | 457,615 | 266,942 | 0 | | | | | | | | | | | | |
| Present Value of Contributions: | 38,135 | 439,527 | 248,648 | 0 | | | | | | | | | | | | |
| Cash Flows | (726,309) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4,096,582 |
| IRR: | 12.22% | | | | | | | | | | | | | | | |
| Equity Yield: | 80% | | | | | | | | | | | | | | | |

# Table A

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | INCOME TARGETING TABLE | | | | | |
| | TAX CREDIT RESTRICTED | | | | | | | |
| | | | | | | | Over 60 | "other" |
| | <=30 | 31-39 | 40-49 | 50 | 51-59 | 60 | "market" | restricted |
| **Lakeview Housing, Newport** | | | 100% | | | | | |
| **"Sample" 515*** | 71% | 12.5% | 12.5% | | 4% | | | |
| **McAuley Square, Burlington** | 21% | 58% | 11% | 11% | | | | |
| **Pearl/Union, Burlington** | 19% | 81% | | | | | | |
| **Park Village Apts, Brandon** | 10% | | | 23% | | 33% | 33% | |
| **Maples, Rutland** | 10% | | | 14% | | 47% | 29% | |
| **Park Place II, Burlington** | 7% | | 43% | | 50% | | | |
| **Cora B. Whitney, Bennington** | 5% | | 27% | 18% | | | 50% | |
| **Slapp Hill, Hardwick** | | | 79% | | | | 14% | 7% |
| **Barre/Bailey, Montpelier** | | | 13% | 20% | 33% | 7% | 13% | 13% |
| **Bennington Arts** | | | | 53% | 40% | | 7% | |

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

## Table B

| | | State Consolidated Plan Priorities Table | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Rehab | Mixed Income | Growth Center | < 30% | Special Needs | Federally At-Risk | Family Housing | Downtown Blight | To[illegible] (of 8) |
| Cora B. Whitney, Bennington | X | X | X | X | X | | * | | 71% |
| Lakeview Housing, Newport | X | | X | X | | | X | | 50% |
| Pearl/Union, Burlington | X | | X | X | X | | | | 50% |
| Park Place II, Burlington | X | | X | X | | | | X | 50% |
| Slapp Hill, Hardwick | X | X | X | | | | X | | 50% |
| Maples, Rutland | | X | X | X | X | | | | 50% |
| Bennington Arts | X | X | X | | | | X | | 50% |
| Barre/Bailey, Montpelier | X | X | X | | | | X | | 50% |
| Park Village Apts, Brandon | X | X | | X | | | X | | 50% |
| McAuley Square, Burlington | | | | X | X | | X | | 38% |

Note: Projects within each of the eight sections are not ranked in order of priority

* Bennington has documented a greater need for elderly housing, so this criteria was not considered

**Table C**

| | Readiness to Proceed Table | |
|---|---|---|
| | | |
| | **PERMITS** | **FUNDING** |
| | | |
| **Slapp Hill, Hardwick** | In Hand | All Committed |
| | | |
| **Barre/Bailey, Montpelier** | None Needed | Loan 5/98 |
| | | VHCB & HOME 5/98 |
| | | VHCB Lead 5/98 |
| | | |
| **Pearl/Union, Burlington** | None Needed | VHCB 5/98 |
| | | Neighborworks 6/98 |
| | | Permanent Loan restructuring 6/98 |
| | | AHP 6/98 |
| | | |
| **Park Place II, Burlington** | Zoning Approval 5/98 | AHP 6/98 |
| | | VHCB 5/98 |
| | | Neighborworks 6/98 |
| | | City Home & BHTF Funds 6/98 |
| | | Loan 6/98 |
| | | |
| **Bennington Arts** | Zoning Approval 6/98 | Permanent Loan 6/98 |
| | | VHCB & HOME 5/98 |
| | | VHCB Lead 5/98 |
| | | AHP 6/98 |
| | | Historic Preservation Funds 6/98 |
| | | Cultural Facilities Fund Grant 5/98 |
| | | |
| **Cora B. Whitney, Bennington** | All approved | VCDP $50,000 by 6/98 |
| | | $200k capital campaign (need by PIS) |
| | | |
| **Lakeview Housing, Newport** | Zoning Approval 6/98 | RD Loan Reservation6/98 |
| | | VHCB Lead 5/98 |
| | | REEP (Energy grant) 6/98 |
| | | |
| **Maples, Rutland** | Act 250 7/98 | VCDP 6/98 |
| | opposition? | Preliminary Loan Commitment Only |
| | | |
| **McAuley Square, Burlington** | Act 250 7/98; Planning 5/98 | Loan 7/98 |
| | Local Opposition | |
| | | |
| | | |
| **Park Village Apts, Brandon** | None Needed | VCDP 10/98 or AHP 12/98 |
| | | Preliminary Loan Commitment Only |

## Table D

| | | | | | |
|---|---|---|---|---|---|
| | | GEOGRAPHIC TARGETING | | | |
| **Lakeview Housing, Newport** | N/A | | | | |
| **Pearl/Union, Burlington** | N/A | | | | |
| **Barre/Bailey, Montpelier** | N | | | | |
| **Bennington Arts** | N | | | | |
| **Cora B. Whitney, Bennington** | N | | | | |
| **Maples, Rutland** | N | | | | |
| **McAuley, Burlington** | N | | | | |
| **Park Place II, Burlington** | N | | | | |
| **Park Village Apts, Brandon** | N | | | | |
| **Slapp Hill, Hardwick** | N | | | | |

**Note: "N/A" indicates that the development is already part of the stock of affordable, assisted housing. The proposal is for preservation of affordable housing.**

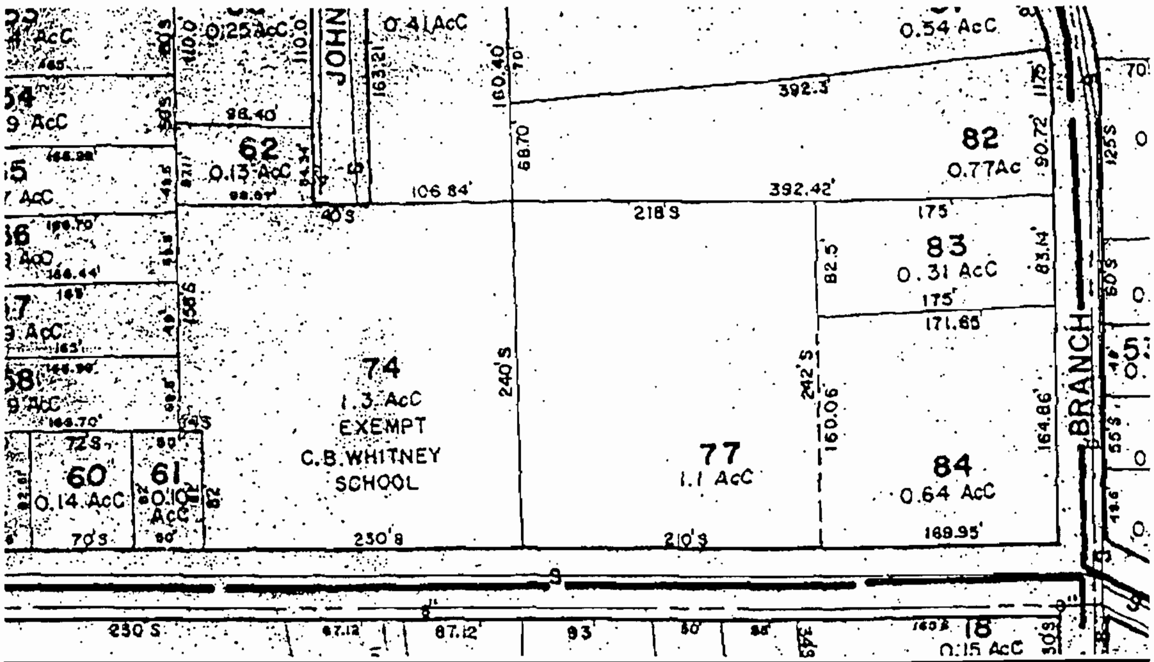
# Table E

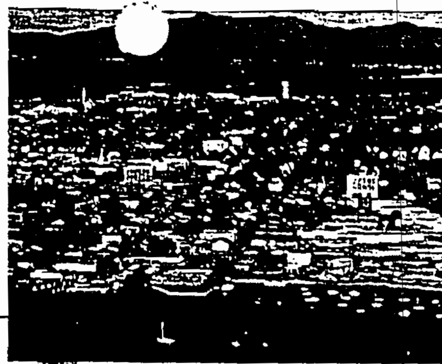
| | | | | |
|---|---|---|---|---|
| Round 1 Housing Credits | 4/21/98 | | | |
| Rating of Applications | | | Requested | Cumulative |
| | | | Credit Amount | Credit |
| 4 + | | | | |
| Pearl/Union, Burlington | ++++ | | 55,000 | 55,000 |
| | | | | 55,000 |
| 3 + | | | | 55,000 |
| Cora B. Whitney, Bennington | +++- | | 73,399 | 128,399 |
| Park Place II, Burlington | +++- | | 75,000 | 203,399 |
| Maples, Rutland | +++- | | 220,871 | 424,270 |
| Lakeview Housing, Newport | ++-+ | | * | 424,270 |
| | | | | 424,270 |
| 2 + | | | | 424,270 |
| Park Village Apts, Bran | ++-- | | 171,851 | 596,121 |
| McAuley Square, Burlington | +-+- | | 88,000 | 684,121 |
| Slapp Hill, Hardwick | -++- | | 47,500 | 731,621 |
| Barre/Bailey, Montpelier | -++- | | 50,000 | 781,621 |
| Bennington Arts | -++- | | 73,000 | 854,621 |
| | | | | |
| | | Total | 854,621 | |

Note: * Newport's requested credit amount is not included as it will get out-of-cap credit (see recommendations).


PEARL AND UNION
Continue on Page 59
Ethan Allen Homestead
BURLINGTON
WINOOSKI
Winooski High School
J F Kennedy Elementary School
Landry Park
St Francis School
Winooski
Burlington HS
Rock Point School
North Beach Park
Cemetery
Wheeler Elementary School
Lawrence Barnes
Burlington College
St Joseph Parish School
Trinity College
PROJECT LOCATIONS
Police Station
PO
Fleming Museum
University Health Center
Fletcher Allen Health Care Center
Waterfront Park and Promenade
Battery Park
Spirit of Ethan Allen Cruise Ship
Burlington Community Boathouse
University of Vermont
Union Station
Lake Champlain Ferries
Edmunds Elementary/Middle School
Champlain College
BURLINGTON
Smalley Park
LAKE CHAMPLAIN
Burlington Bay
South Burlington
Dorset Square Mall
University Mall
Central School
Calahan Park
Lakeside Park
Champlain Elementary School
Crescent Woods Park
Oak Ledge
Oakledge Park
Burlington Waterfront Bikeway
Rice Memorial High School
Frederick H Tuttle Middle School
South Burlington HS
Library
Factory Outlet Mall
South Burlington Outlet Ctr
Library
Potash Brook

# TAX MAP


JOHN
BRANCH
74
1.3 AcC
EXEMPT
C.B. WHITNEY
SCHOOL
77
1.1 AcC
82
0.77Ac
83
0.31 AcC
84
0.64 AcC
62
0.13 AcC
60
0.14 AcC
61
0.10 AcC
18
0.15 AcC
0.54 AcC
0.41 AcC
0.25 AcC
392.3
392.42'
218'S
210'S
230'S
240'S
175
171.65
169.95'
164.86'



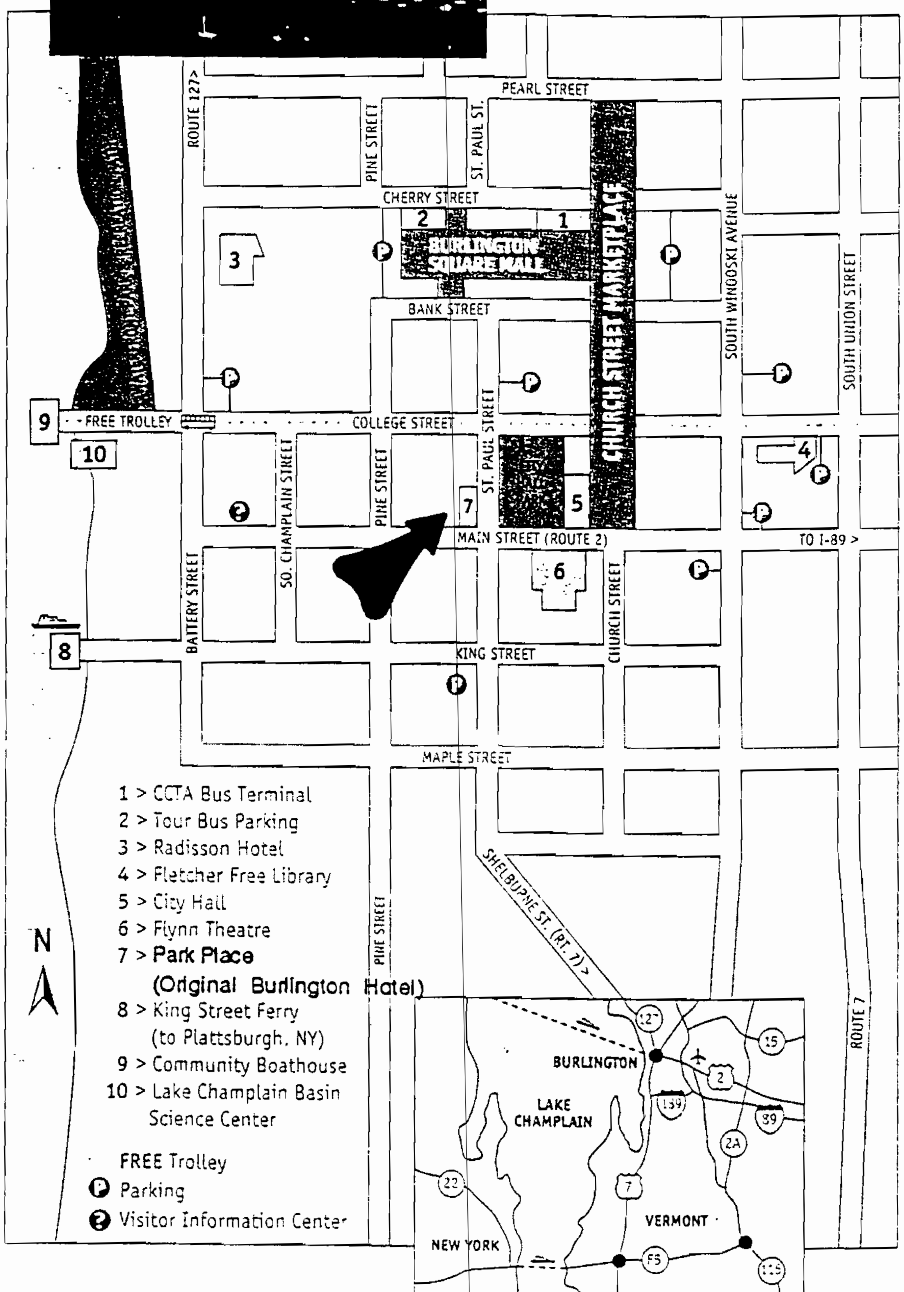
*Approximately:*

*100 miles to Montreal*

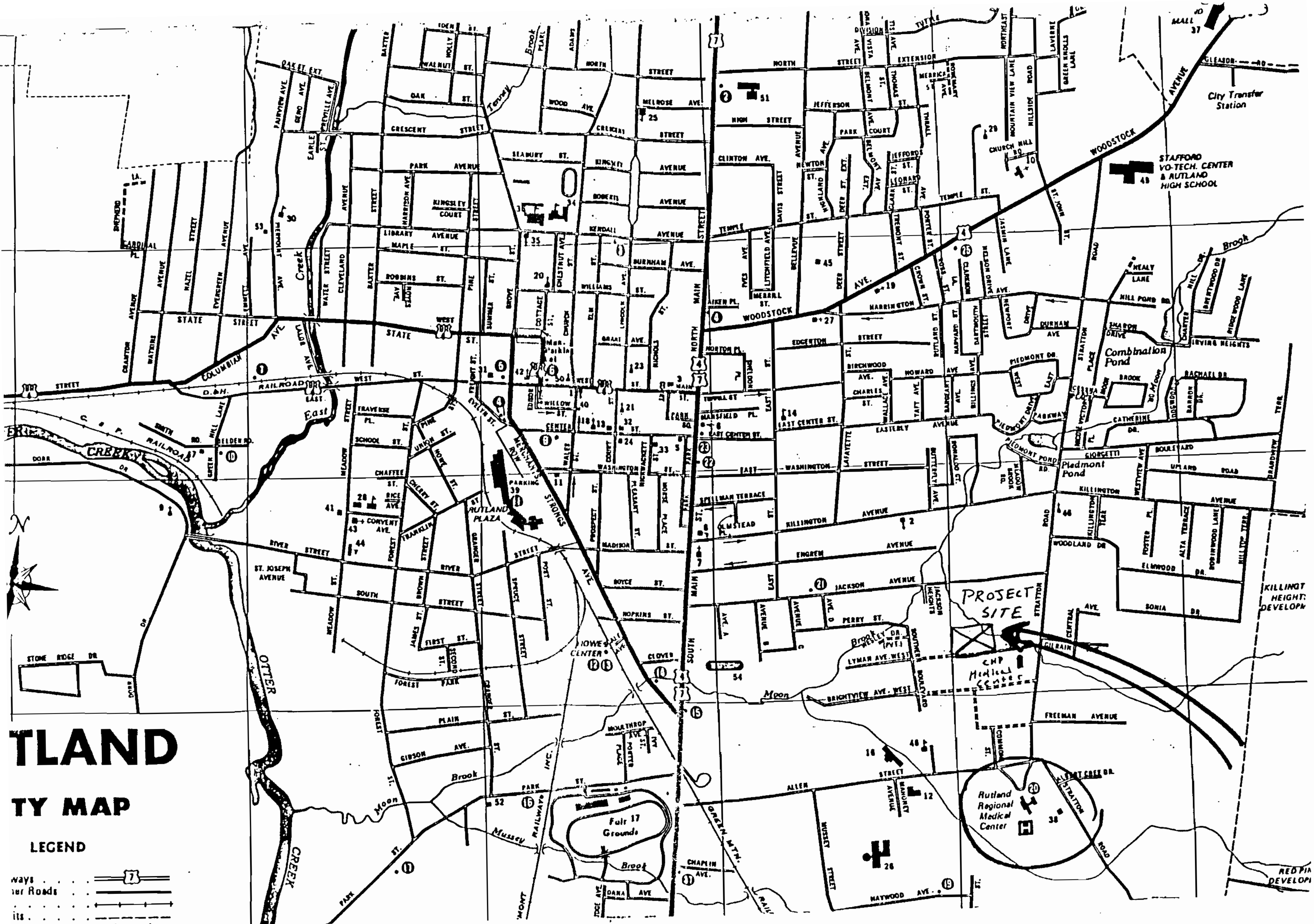
*150 miles to Albany*

*230 miles to Boston*

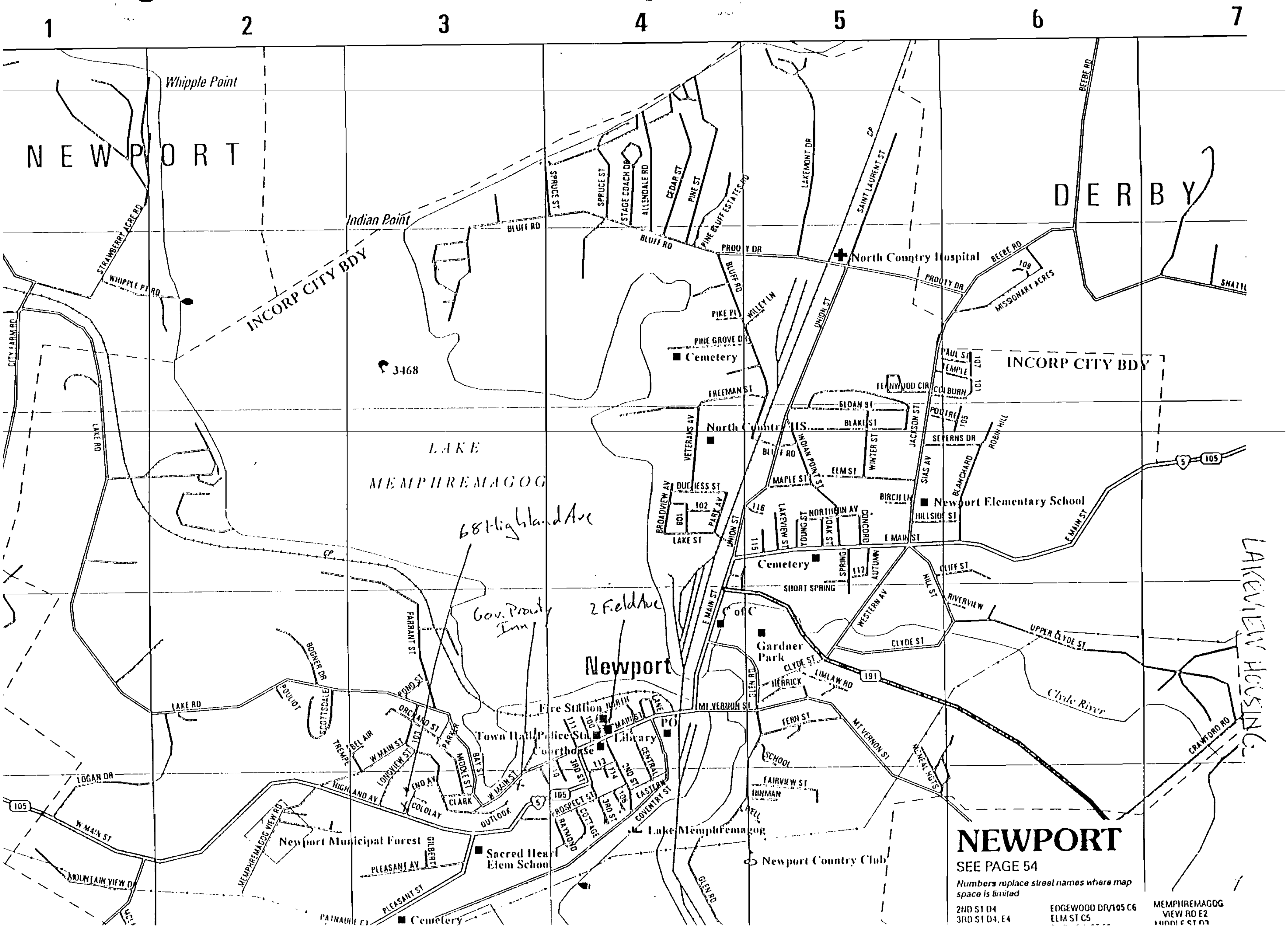
*300 miles to NYC*



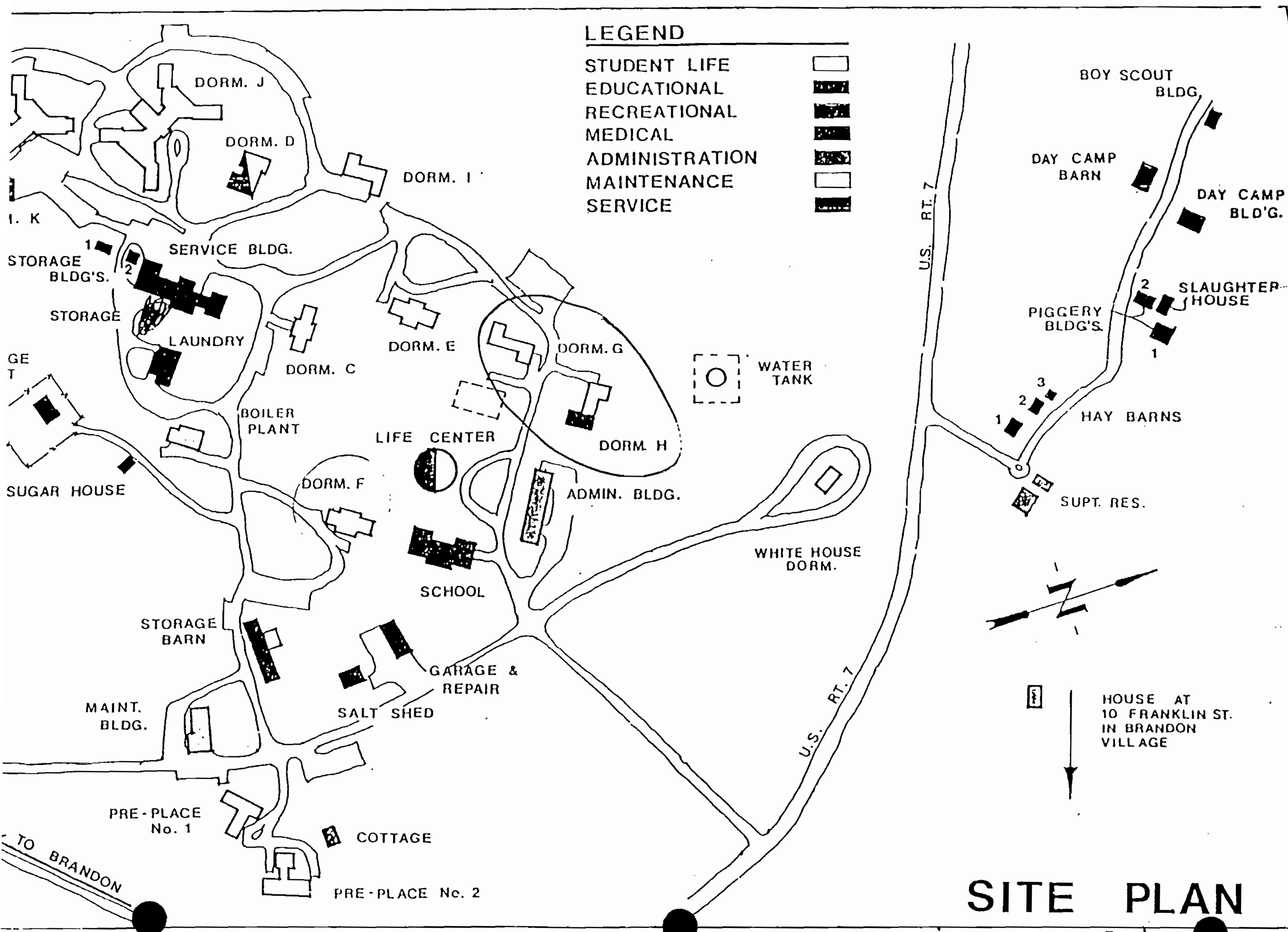

# LOCATION MAP


TLAND
TY MAP
LEGEND
PROJECT SITE
CHP Medical Center
Rutland Regional Medical Center
Fair Grounds
City Transfer Station
STAFFORD VO-TECH. CENTER & RUTLAND HIGH SCHOOL
Combination Pond
Piedmont Pond
RUTLAND PLAZA
HOWE CENTER
KILLINGTON HEIGHTS DEVELOPMENT
OTTER CREEK
WOODSTOCK AVE.
NORTH MAIN STREET
SOUTH MAIN
STATE STREET

THE MAPLES



NEWPORT
SEE PAGE 54
Numbers replace street names where map space is limited
2ND ST D4
3RD ST D4, E4
EDGEWOOD DR/105 C6
ELM ST C5
MEMPHREMAGOG VIEW RD E2
NEWPORT
DERBY
INCORP CITY BDY
LAKE MEMPHREMAGOG
Newport
Whipple Point
Indian Point
North Country Hospital
North Country HS
Newport Elementary School
Cemetery
Gardner Park
Fire Station
Town Hall
Police Sta
Courthouse
Library
PO
Sacred Heart Elem School
Newport Municipal Forest
Newport Country Club
Lake Memphremagog
Clyde River
3468
LAKEVIEW HOUSING
68 Highland Ave
Gov. Prouty Inn
2 Field Ave



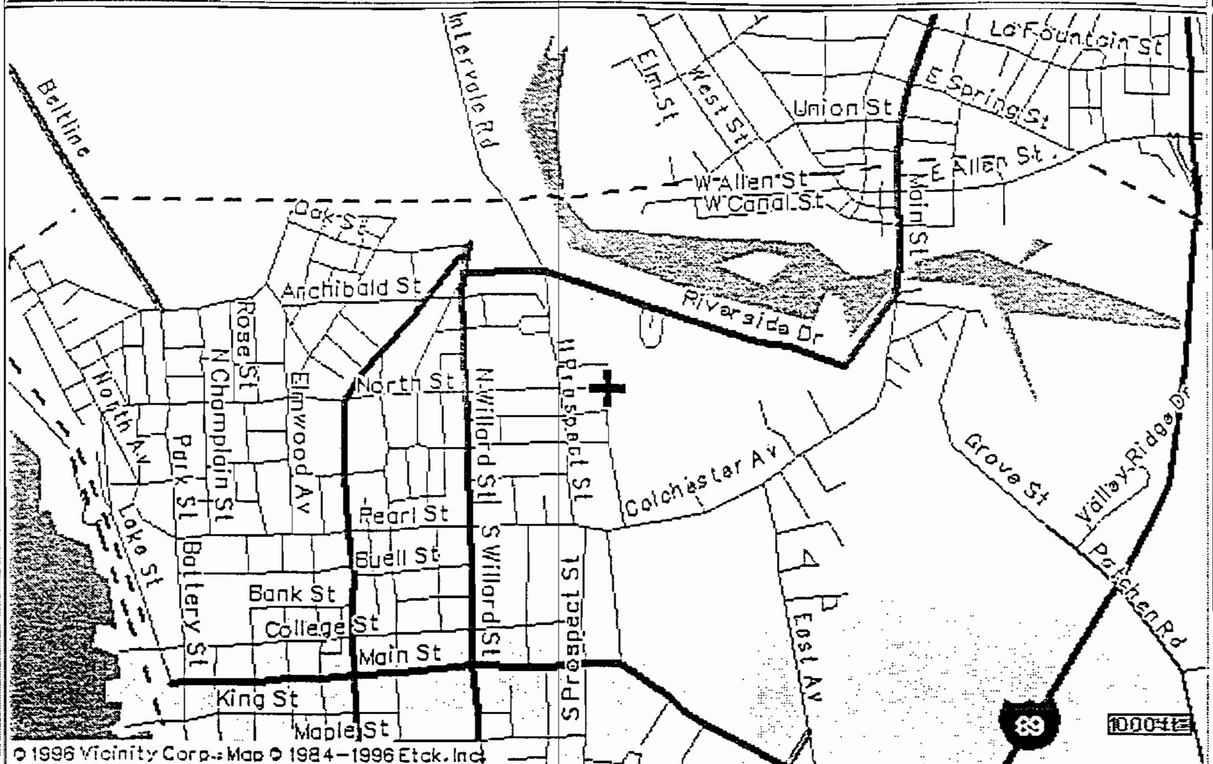

# SITE PLAN

PARK VILLAGE - BRANDON

EXHIBIT 2B

MCAULEY SQUARE

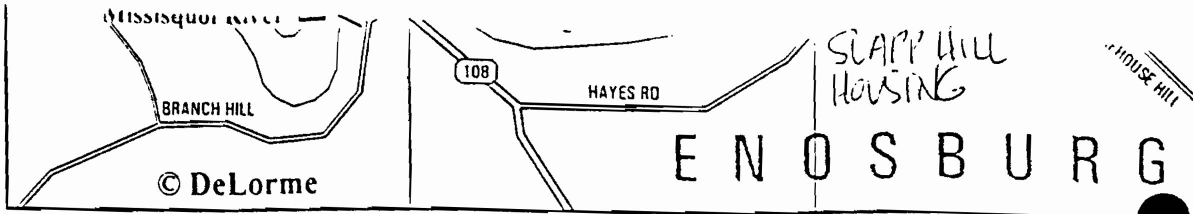
**152 Mansfield Ave, Burlington, VT**

| NW | Day · North · Night | NE |
|---|---|---|
| West |  | East |
| SW | Small (400x250) · South · Large (600x375) | SE |
| | Zoom Out · Zoom In | |



[ Driving Directions | Locate Businesses NEW! | New Address | Print Preview | Mail a Map ]

C




D

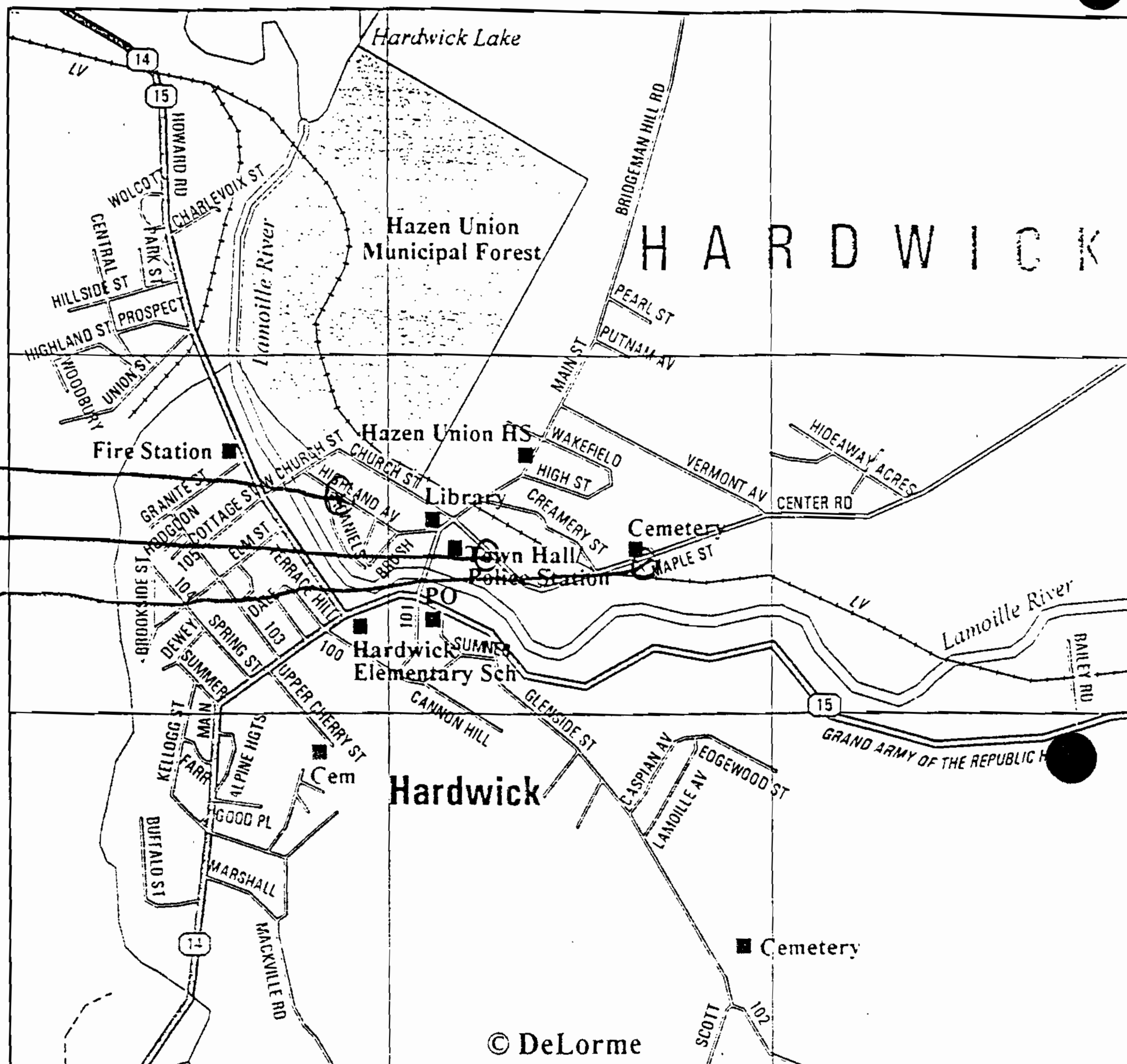
E

F

① Highland Ave

② Church St.

③ Maple St.




# HARDWICK

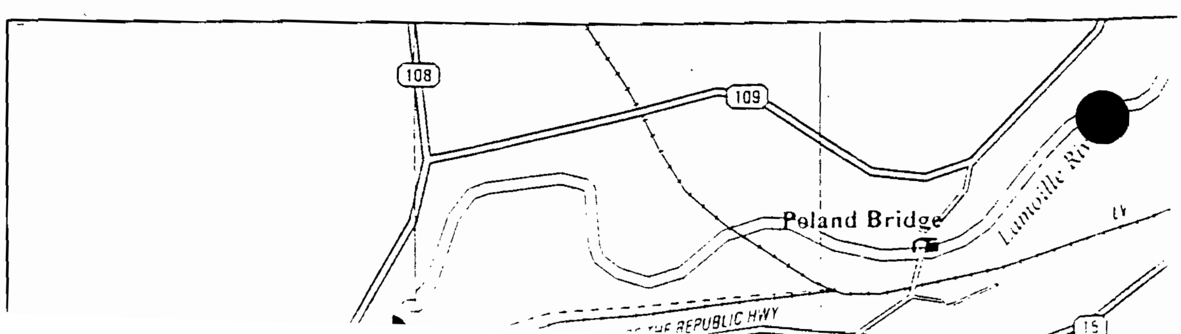
SEE PAGE 47

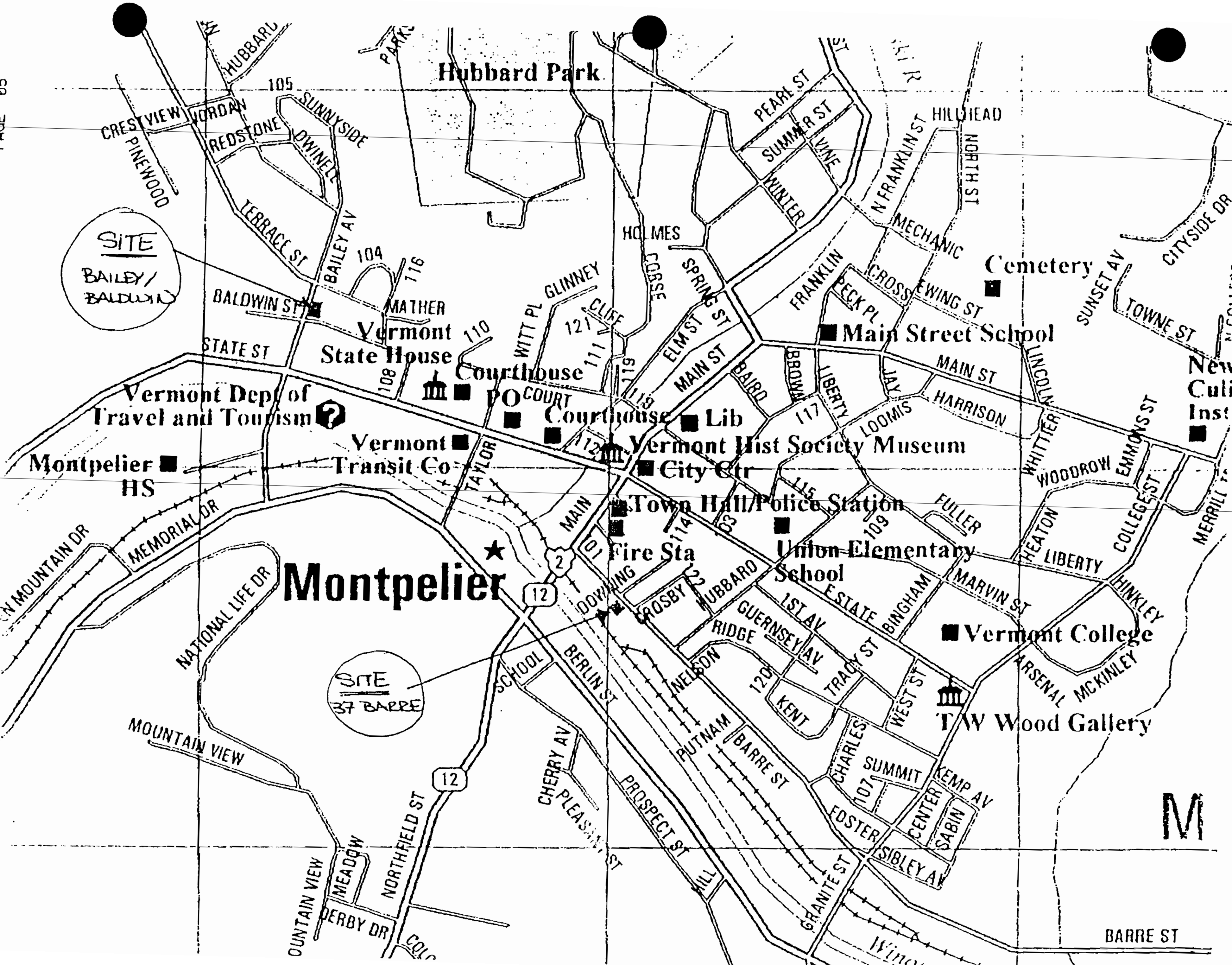
*Numbers replace street names where map space is limited*


ALPINE HEIGHTS RD F1
BAILEY RD E3
BRIDGEMAN HILL RD D2
BROOKSIDE ST E1
BRUSH AV E1
BUFFALO ST F1
CANNON HILL RD E2
CASPIAN AV F2
CENTER RD E3
CENTRAL ST D1
CHARLEVOIX ST D1
CHURCH ST E1
COTTAGE ST E1
CREAMERY ST E2
DALE ST E1
DANIELS RD E1
DEWEY ST E1
EDGEWOOD ST F2
ELM ST E1
FARR ST F1
GLENSIDE ST E2
GOOD PL F1
GRAND ARMY OF THE REPUBLIC HWY F3
GRANITE ST E1
HIDEAWAY ACRES E3
HIGH ST E2
HIGHLAND AV E1
HIGHLAND ST E1
HILLSIDE ST D1
HODGDON ST E1
HOLTON HILL NO 1 RD/100 E1
HOLTON HILL NO 2 RD/101 E2
HOPKINS HILL RD/102 F2
HOWARD RD D1
KELLOGG ST F1
LAMOILLE AV F2
LOWER CHERRY ST/ 103 E1
LOWER SPRING ST/ 104 E1
MACKVILLE RD F1
MAIN ST E2, F1
MAPLE ST E2
MARSHALL ST F1
MICHAUD ST/105 E1
PARK ST D1
PEARL ST D2
PROSPECT ST D1
PUTNAM AV D2
SCOTT RD F2
SPRING ST E1
SUMMER ST E1
SUMNER ST E2
TERRACE HILL RD E
UNION ST E1
UPPER CHERRY ST
VERMONT AV E2
W CHURCH ST E1
WAKEFIELD ST E2
WOLCOTT ST D1
WOODBURY ST E1

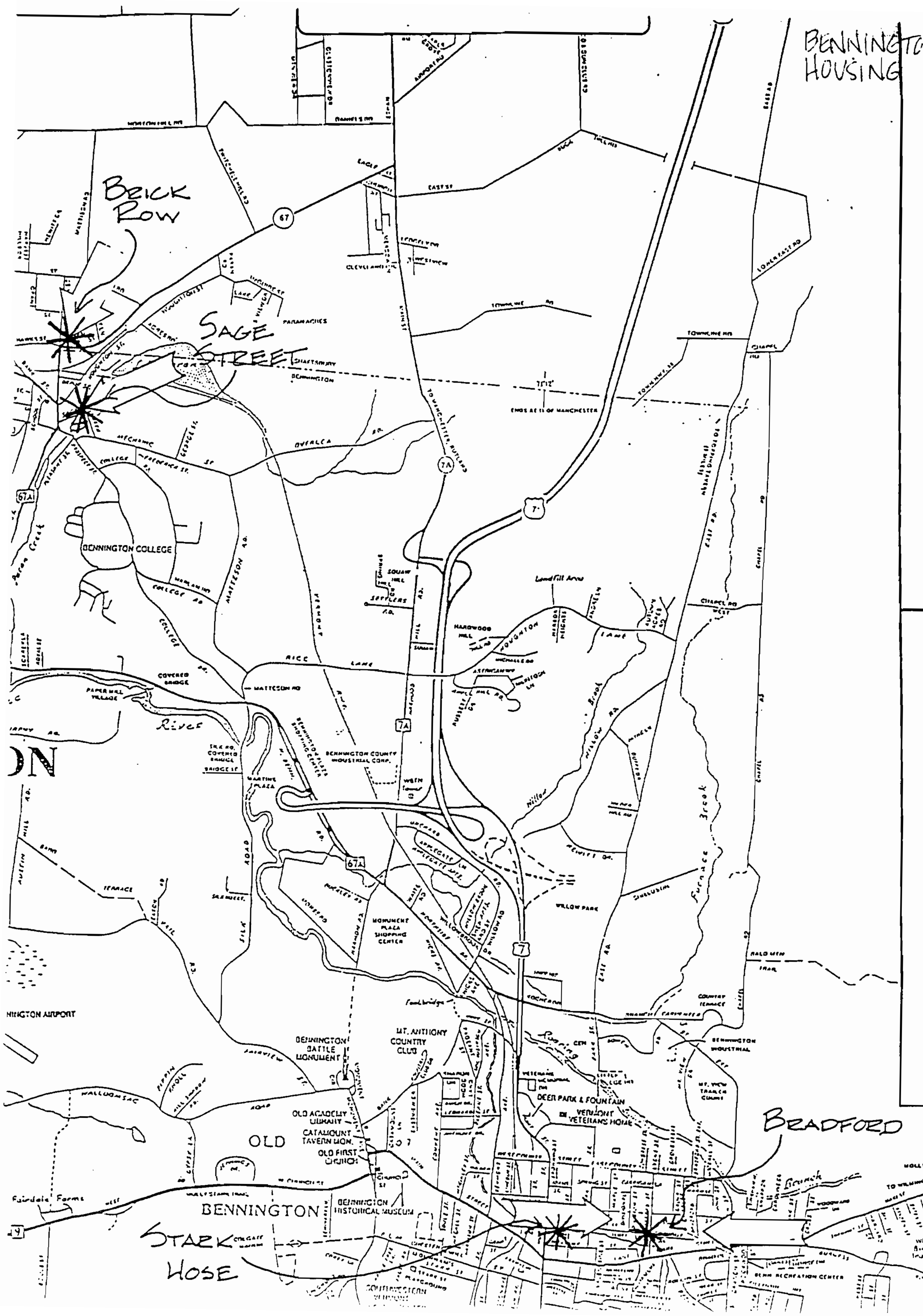

G

H




Montpelier
Hubbard Park
Vermont State House
Courthouse
PO
Courthouse
Lib
Vermont Hist Society Museum
City Ctr
Town Hall/Police Station
Fire Sta
Union Elementary School
Main Street School
Cemetery
Vermont College
T W Wood Gallery
Vermont Dept of Travel and Tourism
Vermont Transit Co
Montpelier HS
New Culi Inst
SITE BAILEY/ BALDWIN
SITE 37 BARRE
STATE ST
MAIN ST
BARRE ST
BERLIN ST
PROSPECT ST
NORTHFIELD ST
MEMORIAL DR
NATIONAL LIFE DR
MOUNTAIN VIEW
TERRACE ST
BAILEY AV
BALDWIN ST
ELM ST
SPRING ST
FRANKLIN
N FRANKLIN ST
NORTH ST
COLLEGE ST
LIBERTY
EMMONS ST
TOWNE ST
SUNSET AV
CITYSIDE DR
CRESTVIEW
JORDAN
REDSTONE
SUNNYSIDE
DWINELL
PINEWOOD
HUBBARD
MATHER
GLINNEY
WITT PL
CLIFF
COURT
TAYLOR
HOLMES
CORSE
PEARL ST
SUMMER ST
VINE
WINTER
MECHANIC
CROSS
EWING ST
PECK PL
BAIRD
BROWN
JAY
HARRISON
LOOMIS
LINCOLN
WHITTIER
WOODROW
HEATON
FULLER
MARVIN ST
HINKLEY
MCKINLEY
ARSENAL
BINGHAM
E STATE
1ST AV
GUERNSEY AV
RIDGE
HUBBARD
CROSBY
DOWNING
NELSON
PUTNAM
TRACY ST
KENT
WEST ST
CHARLES
SUMMIT
KEMP AV
CENTER
SABIN
FOSTER
SIBLEY AV
GRANITE ST
HILL
CHERRY AV
PLEASANT ST
SCHOOL
MEADOW
DERBY DR
N MOUNTAIN DR
MERRILL
HILLHEAD
104
105
107
108
109
110
111
112
114
115
116
117
119
120
121
2
12

BENNINGTON ARTS HOUSING



vhfa
VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: April 30, 1998

RE: Housing Credit Summary

Attached is an excellent overview of the Housing Credit program prepared by the E&Y Kenneth Leventhal Real Estate Group. It is the first national comprehensive study and description of the program that I have seen for at least 5 years. I think it is well worth reading to gain an understanding of a complex, yet important program!

*ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD*

*Mailing Address:* PO Box 408, Burlington, Vermont 05402-0408
*Delivery Address:* 164 Saint Paul Street, Burlington, Vermont 05401-4364
802 / 864-5743 • 800 / 339-5866 • TDD: 800 / 586-5832
FAX: 802 / 864-5746 • Underwriting FAX: 802 / 863-5422 • home@vhfa.org

EQUAL HOUSING OPPORTUNITY

# Executive Summary

E&Y Kenneth Leventhal Real Estate Group's principal findings are summarized as follows:

1. **The Housing Credit is meeting real housing needs and Congressional intent.**

   - Since its inception, the Housing Credit has created almost 900,000 apartments, approximately 40% of all the multi-family rental housing produced nationwide in the past decade.

   - The Housing Credit program is serving tenants with average incomes well below the maximum income levels permitted under Section 42. Our analysis of a representative sample of Housing Credit developments demonstrates that the average household income of tenants in these properties was only <u>38%</u> of area median income, more than a third below the allowable maximum.

   - America has a tremendous need for safe, decent, and affordable housing. In 1993, the most recent year for which comprehensive data is available, 77% of the households that had incomes qualifying for Housing Credit properties lived either in substandard housing or faced excessive rent burdens. From 1974 through 1993, the inventory of unsubsidized affordable apartments dropped by 38%, a net loss of approximately 3 million apartments.

2. **Failure to index the Housing Credit has reduced its purchasing power.**

   - Housing Credit allocations are limited to $1.25 per capita, a figure which remains unchanged despite ten years of inflation. As development costs have risen, failure to index the Housing Credit has significantly reduced its purchasing power.

3. **The Housing Credit has become more efficient and cost-effective.**

   - Housing Credit prices have risen by 52% in real terms over the past ten years. In 1987, a dollar of Housing Credit raised approximately 42¢ in net equity for housing development; in 1996 that same dollar leveraged an average of 65¢ in investor equity. The significant increase in equity raised per dollar of Housing Credit translates to more capital going towards the development of affordable housing.

   - Investor yields have fallen dramatically as Housing Credit prices have steadily increased. In 1990, institutional investors expected an 18% aggregate after-tax internal rate of return; by the end of 1996 that yield had fallen to an average of 10 - 12%, a 40% decrease.

4. **Increased competition for Housing Credits has created apartments that will remain affordable for increasingly longer periods of time.**

- Since its inception, demand for the Housing Credit has grown at least fourfold. In 1988, the second year of the program, only 67% of available credits were allocated to qualified properties. In 1995, 97% of the available credit authority was allocated. More than $3 in applications were received by the states for every dollar of Housing Credit they could allocate.

- States have used high demand to negotiate better affordability. In 1987, the typical Housing Credit property had a low-income usage restriction period ("lock-in period") of 15 years (the statutory minimum). In 1995, the average lock-in period was 42 years, nearly three times as long.

5. **The Housing Credit is being targeted to areas of greatest need.**

- Through their Qualified Allocation Plans, the states are targeting Housing Credits where they are most needed. In 1995, more than 70% of all Housing Credit units were located in either urban or rural areas, with 30% located in suburban areas.

- The credit is also being used to support important policy initiatives such as Public Housing Agency ("PHA") privatization, which help states and the private sector shoulder burdens formerly borne by the federal government.

6. **The Housing Credit program creates public-policy benefits that demand-side programs such as Section 8 vouchers do not.**

- Through their QAP's, states are able to target Housing Credit properties to special populations not normally served by the conventional rental marketplace. Our survey revealed that individual states have identified at least twelve different tenant populations to be targeted, based on statewide need.

# Introduction

The Low Income Housing Tax Credit (referred to as the "Housing Credit" in this report) is the primary vehicle for developing affordable rental housing in the United States. The Housing Credit was created a decade ago as part of a series of sweeping changes to the Internal Revenue Code enacted through the Tax Reform Act of 1986. During the past years, the Housing Credit program has created and/or rehabilitated almost 900,000 apartment units for low-income families.

Over the first decade of its existence, the Housing Credit has shown significant and continuous improvement in all areas relevant to public policy. Demand for Housing Credits has risen steadily, resulting in:

- More cost-effective use of the credit,
- Longer affordability lock-in periods,
- More housing units produced per credit dollar,
- More low income households being served,
- Greater involvement of non-profit organizations, and
- More effective due diligence and compliance monitoring.

These improvements have resulted from a variety of important factors, including:

- Rising demand resulting from increased experience with the credit and continued growth in the number of tenants in need of decent, affordable housing,
- Statutory improvements enacted principally in 1989, 1990, and 1993,
- Growing capacity and responsibility by the state Housing Credit agencies, and
- Permanent extension of the program in 1993.

Unlike every other federal housing initiative, the Housing Credit is principally administered by state Housing Credit agencies ("HCA's"). The HCA's are, in most cases, the state housing finance agencies. These agencies are at the forefront of the national debate on housing policy matters, speaking principally through the National Council of State Housing Agencies ("NCSHA").

In the interest of contributing to the public dialogue concerning the Housing Credit, NCSHA engaged the E & Y Kenneth Leventhal Real Estate Group ("EYKL") to study the effectiveness of the Housing Credit. Our study was focused on:

- How the Housing Credit equity market has developed and evolved,
- The need for the type of housing generated by Housing Credits,
- A profile of the tenants living in Housing Credit developments,
- The efficiency of the Housing Credit as a means of developing affordable housing, and
- The benefits produced by the program beyond the housing provided.

## Methodology

Our study involved substantial primary data collection through questionnaires which were prepared by the U.S. General Accounting Office ("GAO") and circulated to state HCA's and selected credit property owner/ managers. In addition, we prepared our own survey instruments which were directed to owner/ managers and capital sources such as equity syndicators and major corporate investors. Further details are provided in Appendix D.

## Data Sources

In the course of our study, we reviewed data from:

- The 1993 American Housing Survey prepared by the U.S. Census Bureau,
- A Housing Credit database recently prepared by Abt Associates, Inc. under contract to the U. S. Department of Housing and Urban Development (HUD),
- Data collected directly by the GAO as part of its study of the Housing Credit,
- Annual reports prepared by NCSHA and member agencies, and
- Data collected directly by EYKL in this assignment.

## Participants

This study was prepared by and under the direction of EYKL's Affordable Housing Services Group located in Boston, Massachusetts. Our work was aided considerably by:

- *Recapitalization Advisors, Inc. (Recap)* of Boston, a nationally recognized firm specializing in quantitative analysis of existing affordable housing, which contributed a comparison of the Housing Credit with existing and prior affordable housing programs and an analysis of its cost-effectiveness, as well as making other important contributions to the report, and
- *Ernst & Young's Tax Policy and Economic Analysis* office in Washington, DC, which quantified the need for additional low-income housing from the American Housing Survey and other sources.

A report of this scope is the product of cooperation and significant effort of many people. Fred Copeman and Eric Darling are the principal authors of this report, although many others at Ernst & Young LLP contributed their talents and energy, including Gary Goldman, Richard Floreani, and Marc Caruso.

# Section 1

## Overview of the Low-Income Housing Tax Credit

### Principal Findings

1. The Credit's statutory affordability tests -- the minimum set-aside, eligibility and rent caps -- meet Congress's legislative goals of effectively targeting Housing Credit apartments to families with genuine housing needs.

2. Demand for Housing Credits exceeds supply: for every $1 of credit allocated in 1995, developers applied for more than $3.

3. Over the last ten years, investor demand for Housing Credits has steadily driven up equity prices, from 42¢ to 65¢ per dollar, a 52 percent increase in real terms. Higher equity prices mean that the Housing Credit is buying more private resources and costing the federal government less.

4. Over the last ten years, state HCA's have used intense competition to motivate the private sector to accept longer affordability lock-in periods. In 1995, the average Housing Credit property committed to a lock-in of 42 years, significantly beyond even the previous standard of 30 years.

5. Competitive pressures and HCA oversight have also squeezed development fees, with developers earning less profit per property and deferring that profit until the property is operating successfully.

### Background

Congress has utilized the Internal Revenue Code (the "Code") to provide economic incentives for the production of low-income housing since the early 1970s. The tax policy reasons for this are very straightforward: low-income housing does not produce the cash flow or the appreciation potential for investors that other types of real estate offer. Thus, simply stated, investors have no economic motivation to invest in low-income housing without some form of tax incentive.

Traditionally, tax incentives for the development of low-income housing included:

- Tax-exempt bond financing,
- Accelerated depreciation,
- Deductions for construction period interest and taxes, and
- Five-year amortization period for qualified rehabilitation expenditures.

In addition, other types of tax benefits provided for market-rate rental housing generally were available to owners of low-income housing properties as well.

In 1982, Congress significantly enhanced tax benefits for all types of real estate investment. As a result of these changes, the syndication of real estate tax shelters became a cottage industry. By the mid-1980s, the tax benefits inherent in real estate ownership had become more important in many transactions than the underlying real estate. At the same time, real estate markets had become badly overbuilt in many sectors.

In enacting the Tax Reform Act of 1986, Congress decided that it had been too generous in providing tax incentives for real estate, and sharply reduced deductions for depreciation of real property and special incentives for developing low-income rental housing. In addition, Congress placed severe restrictions on the ability of individual taxpayers and closely held corporations to use tax losses and/or credits from real estate investments.

While Congress was reducing the incentives to invest in real estate generally, it was aware that it needed to continue to provide some form of incentive to taxpayers willing to invest in low-income rental housing. Congress, however, was concerned that pre-'86 tax incentives were not proportional to the number of apartments they created for low-income tenants.

Accordingly, Congress enacted Section 42 of the Code which, for the first time, provided a low-income housing tax credit. The Housing Credit is the first affordable housing subsidy program in which the level of subsidy is directly proportional not only to the construction cost of the housing, but also to the number of units occupied by low-income households.

## How the Housing Credit Works

In the next several pages, we have set out a basic explanation of how the Housing Credit generates capital for the development of affordable housing. A more complete discussion of the fundamentals of Section 42 has been provided in Appendix A.

### Project Qualification

The Housing Credit is available only for apartments set aside for a minimum of 30 years for occupancy at restricted rents by tenants earning less than 60% of the area median income. The development in which these units are located must also satisfy a number of tests.

#### Minimum Set-Aside Test

For an apartment to be eligible for the Housing Credit, the entire development must meet the minimum set-aside test. This ensures that some number of apartment units will be available to low-income households.

## Minimum set-aside (Section 42(g))

- At least 20% of the apartments in the development must be both rent restricted and rented to individuals whose household income is 50% or less of the area median gross income *(the 20/50 test)*, or

- At least 40% of the apartments in the development must be both rent restricted and rented to individuals whose household income is 60% or less of the area median gross income *(the 40/60 test)*.

**The Gross Rent Test**

The gross rent test limits the rent charged to a qualified tenant. The rent charged may not exceed 30% of the "imputed" income applicable to such rental unit.

## Imputed Income

Since the area median income varies with household size, the Housing Credit rules assume a standard size household for each possible size of apartment unit (measured by the number of bedrooms). Except for units with no separate bedrooms (such as studio apartments), the rule assumes an occupancy of 1.5 persons per bedroom.

Assume, for example, a Housing Credit project which elects to set aside a minimum of 40% of its units for qualifying households. Assume further that the 1995 median income for a family of three in the area in which this property was built is $40,000 and that the tenants must pay their own utility bills which are estimated to be $60 per month. Under these facts, the maximum monthly rent which can be charged to a household renting a two-bedroom unit would be:

Figure 1-1: Calculation of Maximum Allowable Section 42 Rent

| | | |
|---|---|---|
| 1. 60% of annual area median income | | $24,000 |
| 2. 60% of monthly median income | (/12) | 2,000 |
| 3. 30% of max. monthly income | (x.30) | 600 |
| 4. Less: monthly utility allowance | | (60) |
| 5. Maximum allowable rent | | **$540** |

## Housing Credit Calculations

We have noted that the Housing Credit is proportional both to the actual cost of the low-income units created as well as to the measure of their affordability. The following is a brief discussion of the factors which make up the credit calculation illustrated by a hypothetical project.

The cost of development, known as *eligible basis*, represents the cost of the buildings, site improvements, furnishings, and equipment which make up the residential portion of any development. Land, commercial property and other nonresidential costs are not included in eligible basis.

The *qualified basis* of a development is calculated by multiplying the eligible basis by a factor representing the level of actual affordable tenancy. This factor is generally calculated as the number of qualified rental units, divided by the total number of rental units. The qualified basis of a development may be different every year, as the qualified occupancy varies with the number of qualified tenants.

Finally, the qualified basis is multiplied by the *Housing Credit rate* to arrive at the annual Housing Credit which may be claimed by an investor. There are two separate credit rates - the "9% credit" and the "4% credit", which are applied to different types of credit properties (see below - "How Housing Credits Attract Equity"). These rates vary monthly according to movements in interest rates, with the actual amount calculated by the Treasury Department according to a statutory formula.

Housing Credits calculated using this process are available annually over a ten year period, provided that the development maintains its qualification under the Housing Credit rules. The following example illustrates how Housing Credits are calculated.

Assume that a development of 50 residential units, all of which are set aside for qualified low-income tenants, has the following costs. A project with this cost structure would calculate its Housing Credit in this fashion:

**Figure 1-2: Calculation of Maximum Housing Credit Award**

| | |
|---|---|
| 1. Total Development Costs | $2,750,000 |
| 2. Less: Land, Working Capital and Other Ineligible Costs | (250,000) |
| 3. **Eligible** Housing **Credit** Basis | 2,500,000 |
| 4. Percentage of Qualified Units | x 100% |
| 5. **Qualified** Housing **Credit** Basis | 2,500,000 |
| 6. Applicable Annual Housing **Credit** rate | x 8.65% |
| 7. Annual, or "Steady-State" Housing **Credits** | 216,250 |

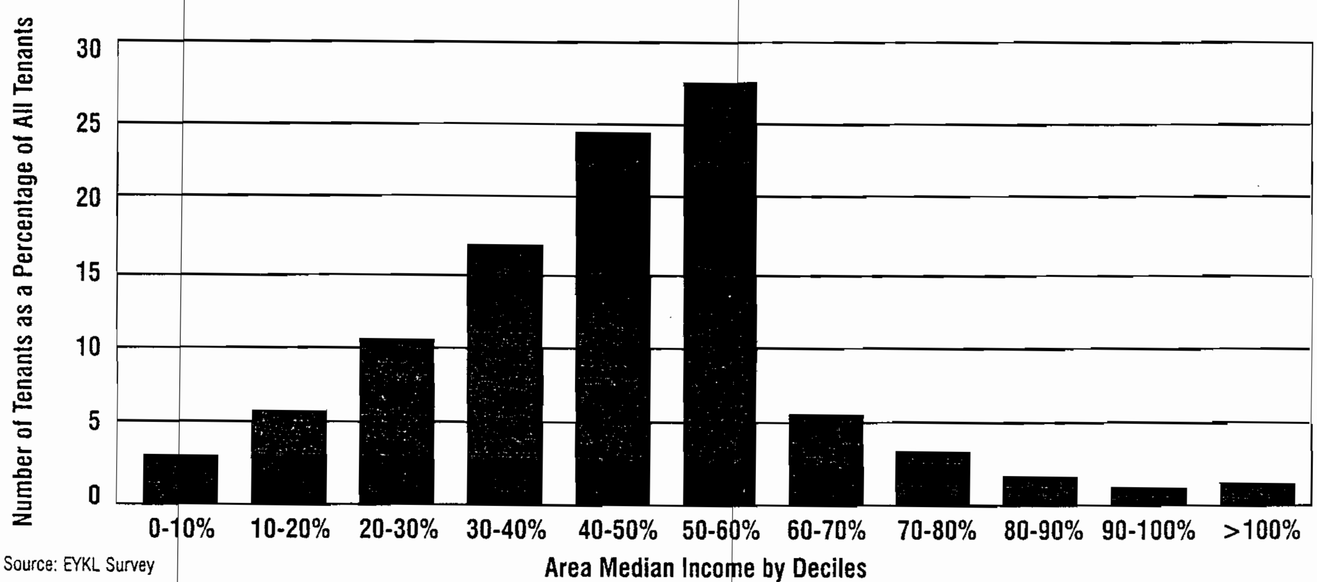
## Who Lives in Housing Credit Properties?

While Section 42 limits the income of qualified tenants to either 50% or 60% of area median income, a significant number of tenants in Housing Credit properties have considerably lower annual incomes than these statutory maximums. Data collected by EYKL during the course of this study shows that for a sample totaling 10,767 Housing Credit units placed in service between 1992 and 1994, the average tenant had income equal to **38%** of the area median income ("AMI"). For tenants who were not receiving any rental subsidies (approximately two thirds of the sample), annual income averaged **45%** of AMI, and for those who did receive some form of subsidy (the remaining one third), the average annual income was **23%** of AMI.

The Exhibits below show the distribution of average tenant incomes measured in our survey:

Exhibit 1-1

Tenant Incomes by Percent of Area Median Income (For Tenants Not Receiving Rental Subsidies)

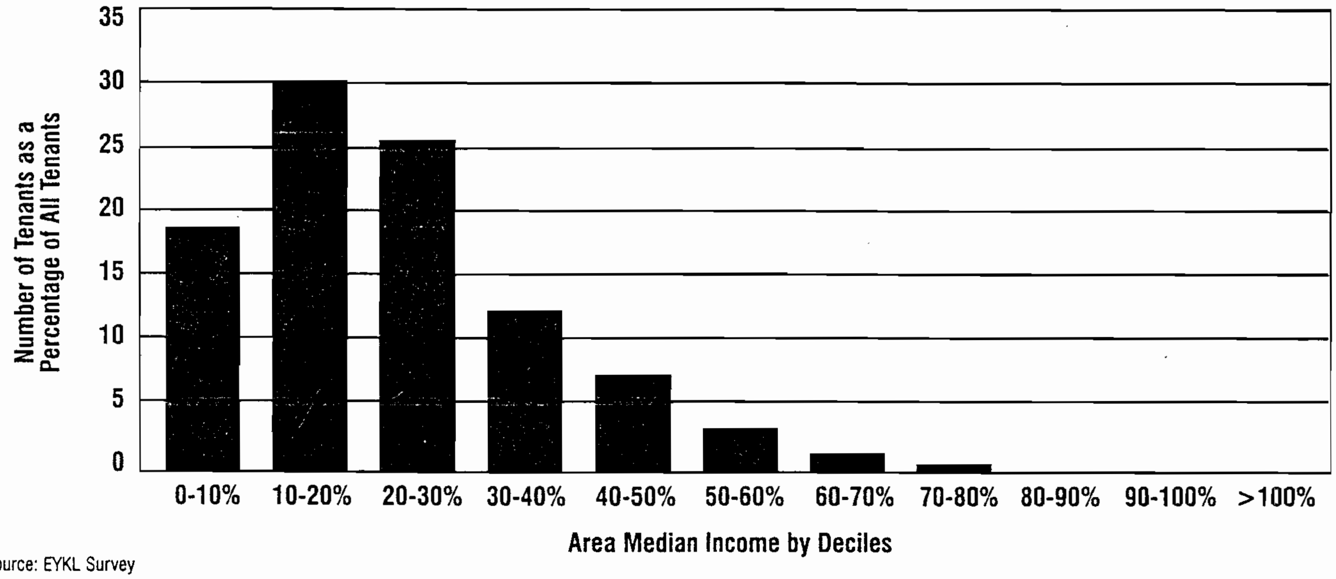



Source: EYKL Survey

Exhibit 1-1 shows the income distribution for tenants whose rent was not subsidized by any outside source, such as the Section 8 program. Lower income tenants can be housed in Housing Credit properties because of the nature of the debt service in such developments (see Section 3). However, rental income must still be sufficient to cover operating expenses and some level of debt service. This makes it difficult for Housing Credit properties to serve tenants with incomes below 30% of area median income. Indeed, rents affordable to individuals at the 45% of AMI level may not be sufficient in high cost areas to fully cover these expenses, even without taking the debt service into account.

The significance of our analysis is that average tenant incomes are substantially lower than what some critics of the Housing Credit have claimed.

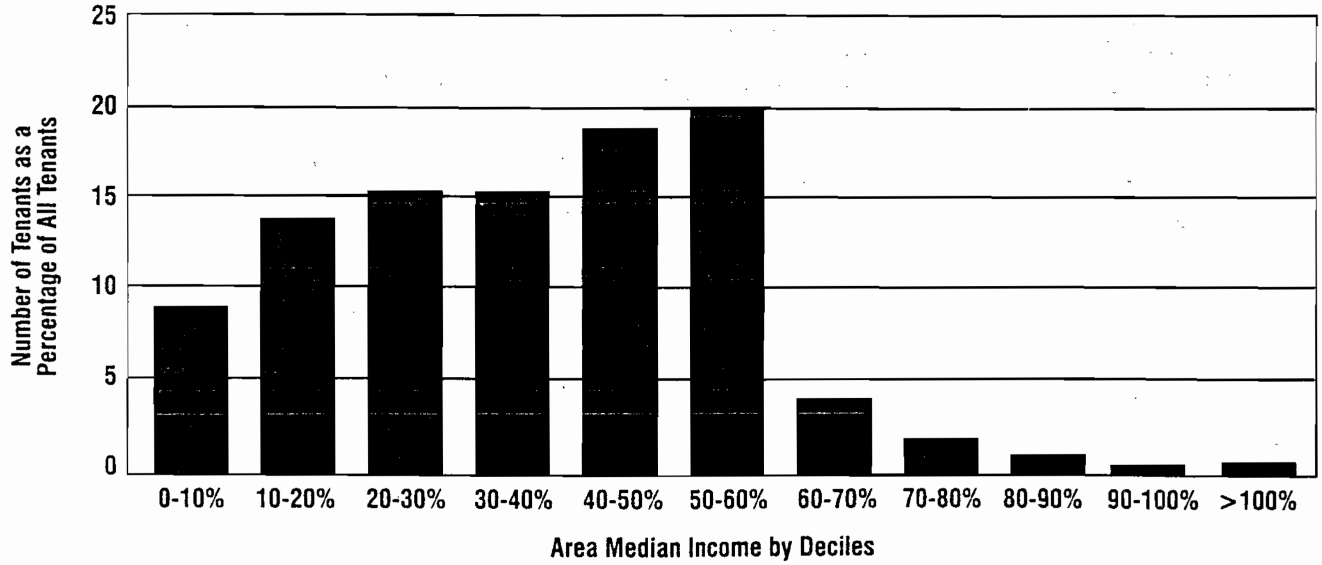
Exhibit 1-2
Tenant Incomes as a Percentage of Area Median Income
(For Tenants Who Are Receiving Rental Subsides)




Source: EYKL Survey

The income levels reflected above contrast sharply with tenant incomes shown in Exhibit 1-1. This demonstrates that the Housing Credit, by itself, may not be sufficient to make many projects feasible which serve tenants in the 0 - 30% range.

Exhibit 1-3
Tenant Incomes as a Percentage of Area Median Income
(For All Housing Credit Tenants)




Source: EYKL Survey

# Overview of the Low-Income Housing Tax Credit

A criticism sometimes heard of the Housing Credit program[1] is that, by limiting the incomes of tenants generally to no more than 60% of AMI, the program will predominately serve those tenants whose income is between 50% and 60% of AMI, when the shortage of affordable housing is greater at lower income levels. Exhibit 1-3, showing the income distribution of all tenants in the sample survey, shows that Housing Credit properties were actually serving tenants with significantly lower income than these critics had expected.

These exhibits clearly demonstrate that rental units developed using the Housing Credit are being occupied by tenants whose housing needs cannot be met by market range housing at many income levels. It should be noted that the small percentage of tenants whose income was nominally above the 60% income limit can be explained by the fact that, if a tenant is initially qualified, subsequent increases in their income will not require them to move out of the development.

### Rents Paid in Housing Credit Properties

We note that while the Housing Credit program imposes a gross rent limitation, the actual rents being charged to tenants in the Housing Credit projects which we studied were often a good deal lower. Our survey of over 10,000 rental units which qualified for the Housing Credit shows that the average rent charged for an unsubsidized rental unit was affordable for a household with income in excess of 43% of AMI (that is, the rent paid would be less than 30% of household income).

# How Housing Credits Attract Equity

The maximum Housing Credit allocated to owners of qualified low-income housing projects is equal to:

- <u>40% of the qualified development cost</u> (30% on a present value basis) for projects which have qualified acquisition costs or the benefit of a federal subsidy, such as a HUD loan or tax-exempt bond financing (the "4% credit"), or
- <u>90% of the qualified development cost</u> (70% on a present value basis) for projects which are financed without a federal subsidy (the "9% credit").

At these levels, the Housing Credit results in a greater credit amount than tax credits available under prior tax law, such as the 10% credit for investment in machinery or equipment, or the 25% credit for expenditures incurred to rehabilitate certified historic structures. The difference in the level of incentive recognizes the fundamental distinction between those assets which can and cannot generate non-tax economic returns for investors.

The classic economic model for financing the construction of multi-family housing was based on 80% mortgage financing and 20% investor equity. Cash flow from operations, sheltered with depreciation deductions, permitted the investor to realize a "market" rate of return on an after-tax basis. Housing Credit projects, by contrast, employ a wide variety of financing models depending on: development costs, local income levels and tenant income levels, among other factors. Thus, for example, in a market with average income levels and development costs, the capital budget for a Housing Credit project might look like the following:

**Figure 1-3: Calculation of Anticipated Investor Equity**

| | |
|---|---|
| Apartment Units: | 50 |
| Average Per Unit Development Cost: | $55,000 |
| Total Development Costs | 2,750,000 |
| Mortgage Financing | (1,425,000) |
| **Equity from Investors** | **$ 1,325,000** |

If this project qualified for the amount of Housing Credit shown in Figure 1-2, the $2,162,500 of Housing Credits realized over a ten year period would attract an investment of approximately $1.3 million.

While this example illustrates the manner in which Housing Credits are calculated, it is just the first step in understanding how Housing Credits attract investor equity. The gross amount of Housing Credits generated by an actual project are then discounted by the investor marketplace to reflect certain economic realities:

1. Since Housing Credits are typically realized over a 10 year period[2], their present value is considerably lower than their nominal value,

2. Investors are exposed to both Housing Credit recapture risk and many of the same types of risk to which real estate in general is subject, and

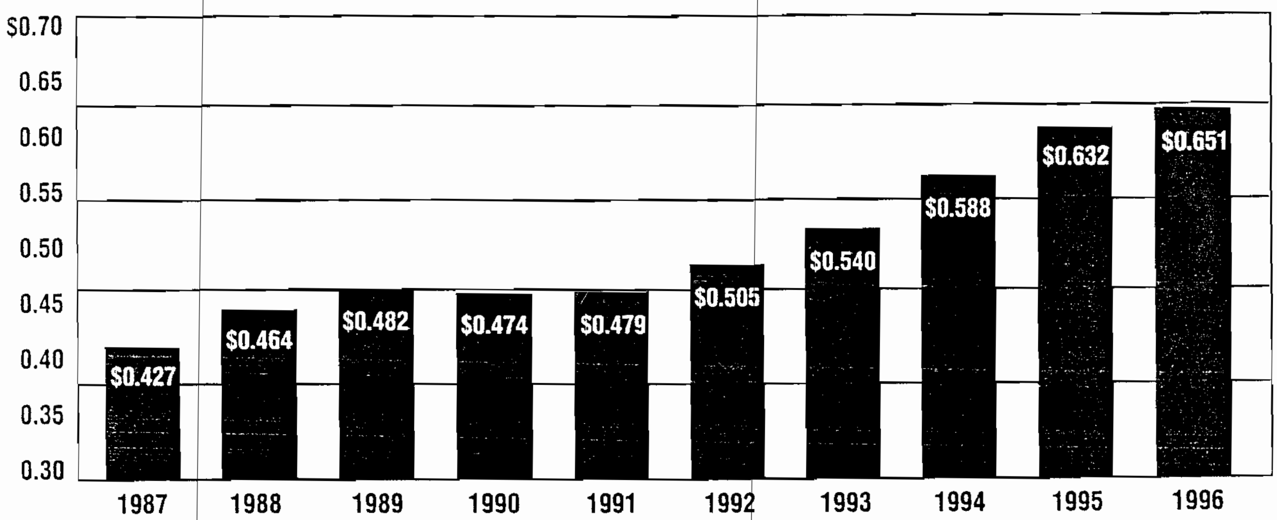
3. Since the Housing Credits (and related tax losses) typically represent the sole source of economic return to the investor, credits must "trade" for less than their face amount to create a level of return which is acceptable to an investor.

## Present Value

Present value is the discounted amount of a future payment or series of payments "brought back" to the current time. In other words, receiving $10,000 ten years from now has the same approximate value as receiving $5,000 today.

As more fully described in Section 3, the price at which Housing Credits are sold in the market has increased dramatically since the Housing Credit program was enacted. Where $1 of annual Housing Credit attracted $.42 of investor equity in 1987, the same $1 of credit attracts $.65 at current market pricing, a <u>55%</u> increase in the amount of investor equity which the credit attracts (see Exhibit 1-4). This price increase allows Housing Credit projects to lower their debt service and thus contributes to the ability of such developments to meet the needs of low income households.

Exhibit 1-4
Surveyed Weighted Average Tax Credit Pricing: 1987 - 1996




Source: EYKL Sponsor Survey

The importance of rising credit prices to the Housing Credit Program cannot be over-emphasized. As prices rise, the federal government gets an increasingly higher "return" on its tax expenditure dollars.

## The Housing Credit Development Process

The development of Housing Credit projects is a multi-year process. The stages of project development may be briefly summarized as follows:

1. Developers typically begin by assessing the feasibility of a site for low-income housing. This is often a lengthy process as judgments are made about construction costs, financing options, project size, unit configuration and local government approval.

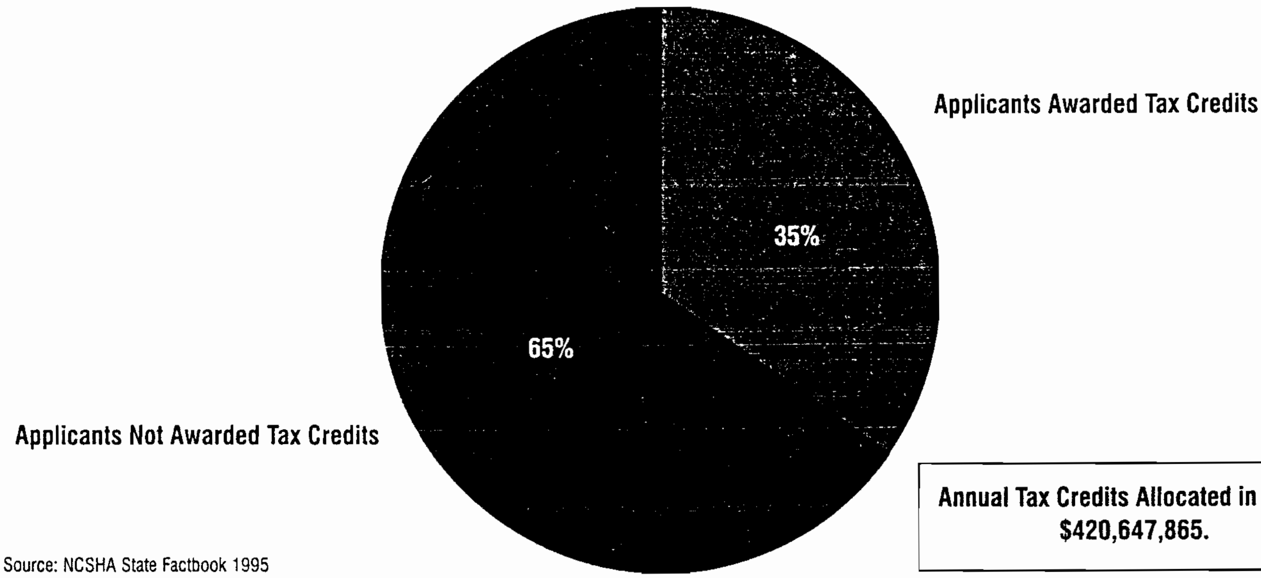
2. The developer then gains site control through the purchase of an option, or an outright purchase of the land or existing property (in the case of an acquisition/rehabilitation).

3. An application is made to the appropriate state HCA for a reservation of Housing Credits based on the project's estimated development and operating costs.

4. The developer must secure all necessary government approvals, zoning rights, access to utilities, environmental reviews, building permits, etc.

5. The project must secure commitments for debt financing from construction and permanent mortgage lenders. It is also customary to seek a non-binding commitment for capital from an equity syndicator or institutional investor. However, in order to secure these commitments, it is typically necessary for the developer to receive at least a conditional reservation of Housing Credits, which may take an extended period of time. As Exhibit 1-5 demonstrates, the national ratio of applications to credit allocations is approximately 3:1, reflecting the ferocious competition for Housing Credits.

Exhibit 1-5
Tax Credit Allocations as a Percentage of Total Applications



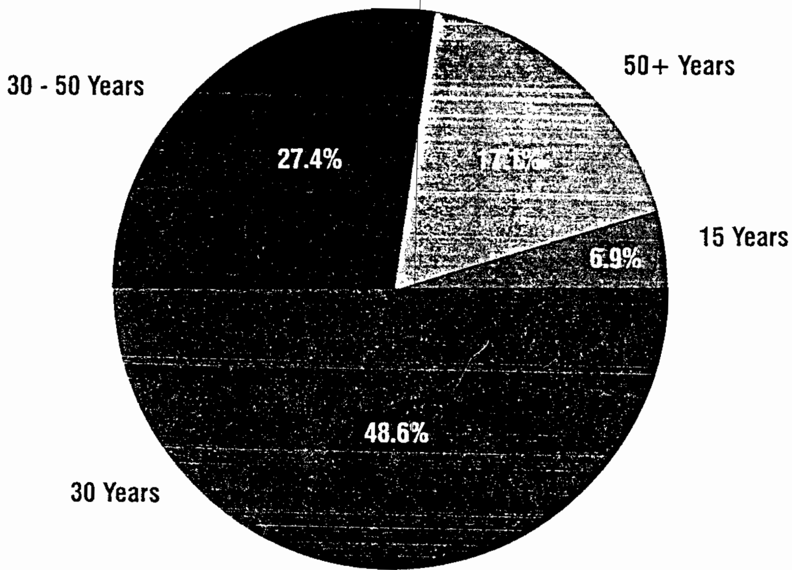

Annual Tax Credits Allocated in 1995 - $420,647,865.

Source: NCSHA State Factbook 1995

6. The state Housing Credit agencies review all applications for Housing Credits and typically rank them. Once the state is ready to reserve Housing Credit authority to a particular project, its owners must be willing to enter into a regulatory agreement which restricts the property to low-income housing usage for a minimum of thirty years[3]. As a practical matter, most states either mandate restricted use periods in excess of thirty years, or effectively compel election of a longer restricted use period by granting significant preference points for such elections in their scoring systems (see Exhibit 1-6).

Exhibit 1-6

Average Lock-in Period - 1995




Source: NCSHA State Factbook 1995

7. With a Housing Credit reservation and equity commitment in hand, the developer is able to close on a construction loan and commence construction. When construction is complete, the developer must engage an independent accountant that can verify the project's actual development costs to the state agency.

In most Housing Credit projects, an affiliate of the developer is engaged to supervise the project's lease-up, ensure the tenants are income qualified and act as property manager on a day-to-day basis. In the typical case, the developer is subject to a series of powerful economic incentives to ensure that qualified low-income tenants are being served, the gross rent limits are observed and the other compliance and verification requirements of Section 42 are being met. These include a combination of benchmarks and financial penalties, such as:

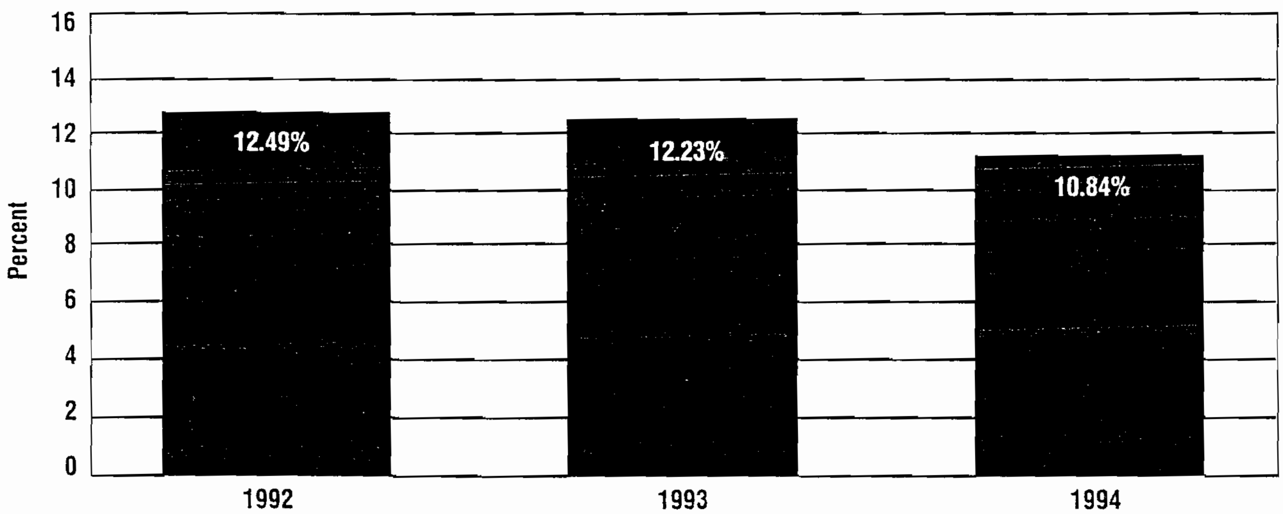
a. Recapture of Housing Credits if low-income units are not rented to qualified households at affordable levels,
b. Deferral of a substantial portion of the development fee until the project has achieved 100% low-income occupancy,
c. Requiring the developer to set aside capital for operating reserves, and
d. Requiring the developer to indemnify equity investors against shortfalls in Housing Credits (for example, if a portion of the project had been rented to tenants that were not income-eligible and the qualified Housing Credit basis of the project were to decrease).

Like other real estate, the development of Housing Credit projects holds the potential for significant returns to the developer. In the early years of the program, development fees were quite high in some cases.

During the years 1992 - 1994, development fees averaged 12% of adjusted development cost (total development costs less land). Development fees have been under even greater pressure during the past two years due to the competition for Housing Credits and the influence of the capital markets as increasingly sophisticated investors participate in such investments. HCA's have also contributed substantially to developer fee reduction, with many establishing development fee limits and through preference in the credit allocation process for developments with lower fees. This pressure on development fees takes two forms - the average permitted development fee has been decreasing and, perhaps more importantly, the payment of that fee is increasingly funded by future property performance, as opposed to syndication proceeds.

Exhibit 1-7

Development Fees as a Percentage of Adjusted Development Costs




Source: U.S. General Accounting Office, Property Data Collection Instrument

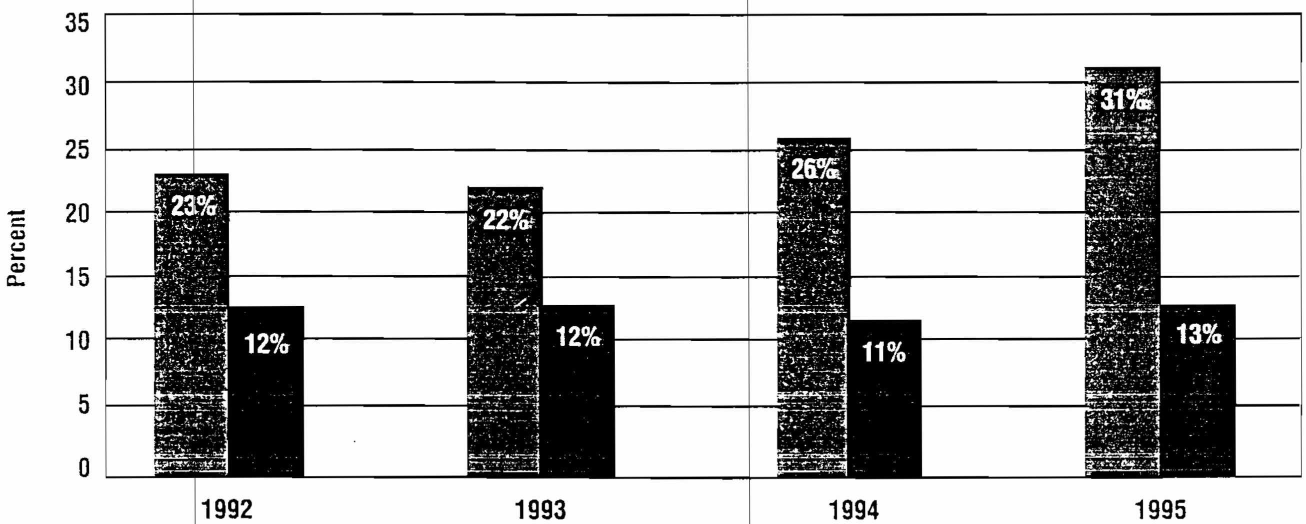
## Characteristics of Housing Credit Properties

To better understand the attributes of Housing Credit properties, we developed data concerning types of developers, building and tenant characteristics and geographic location, the results of which are summarized below:

### Non-Profit Developers

Section 42(h)(5) of the Code requires that 10% of Housing Credits be set aside for projects developed by non-profit organizations. In designing their 1995 Qualified Allocation Plans, state HCA's determined their own minimum set aside at an average of 13%. In practice, a significant number of states allocated in excess of 50% of their 1995 Housing Credit allocation to projects developed or co-developed by non-profit organizations; overall 31% of the 1995 national credit allocation went to non-profit organizations[4].

Exhibit 1-8
Non-Profits Receiving Tax Credits

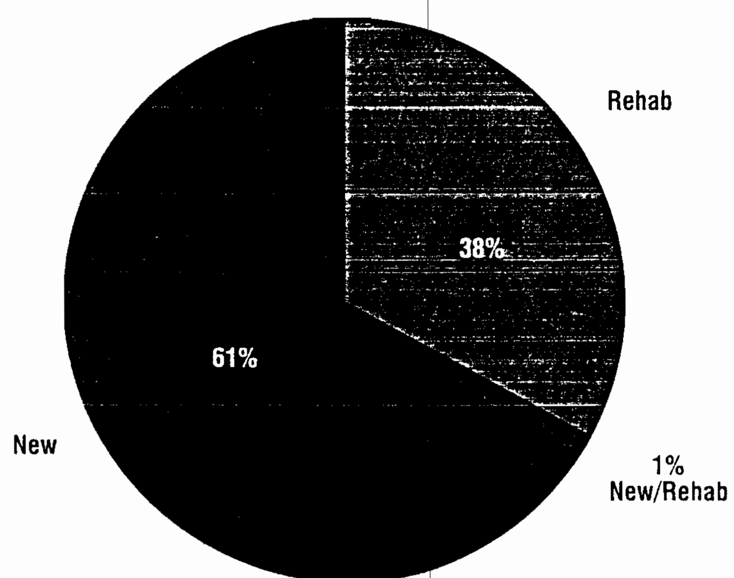



Source: NCSHA State Factbook 1995

## Type of Construction

The Housing Credit program was designed to create both new affordable housing units as well as the substantial rehabilitation of existing units. As reflected in Exhibit 1-9, a majority of Housing Credit projects involved new construction (61%), followed by rehabilitation projects (38%). The remainder were projects with both new construction and rehabilitation components (1%).

Exhibit 1-9
Type of Construction

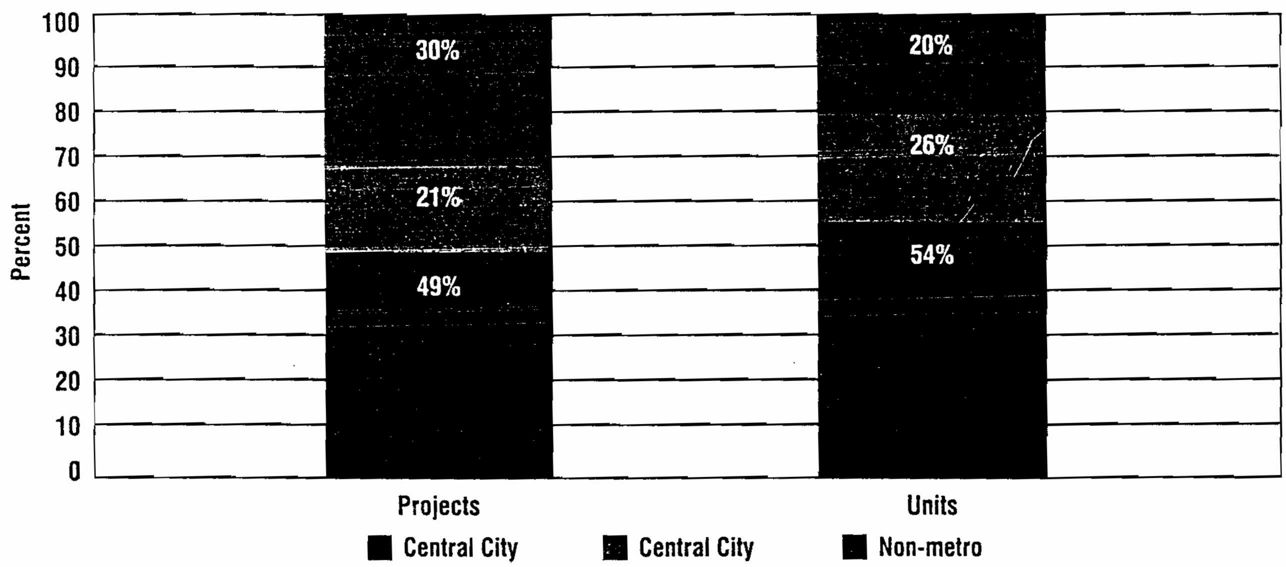



Source: HUD LIHTC Database

## Location of Housing Credit Housing

Exhibit 1-10 shows the distribution of Housing Credit projects and units among urban, suburban and rural areas. The largest number of Housing Credit projects and units in the sample were located in urban areas. The percentage of units in urban areas (54%) was slightly greater than the percentage of projects in the other areas (49%), indicating that urban projects tended to be more densely populated than projects in other areas. Similarly, suburban projects accounted for 21% of projects and 26% of units, indicating a predominance of projects with more units. On the other hand, rural projects accounted for 30% of Housing Credit projects but only 20% of units, indicating that rural projects tend to have smaller unit counts.

Exhibit 1-10
Location of Tax Credit Housing



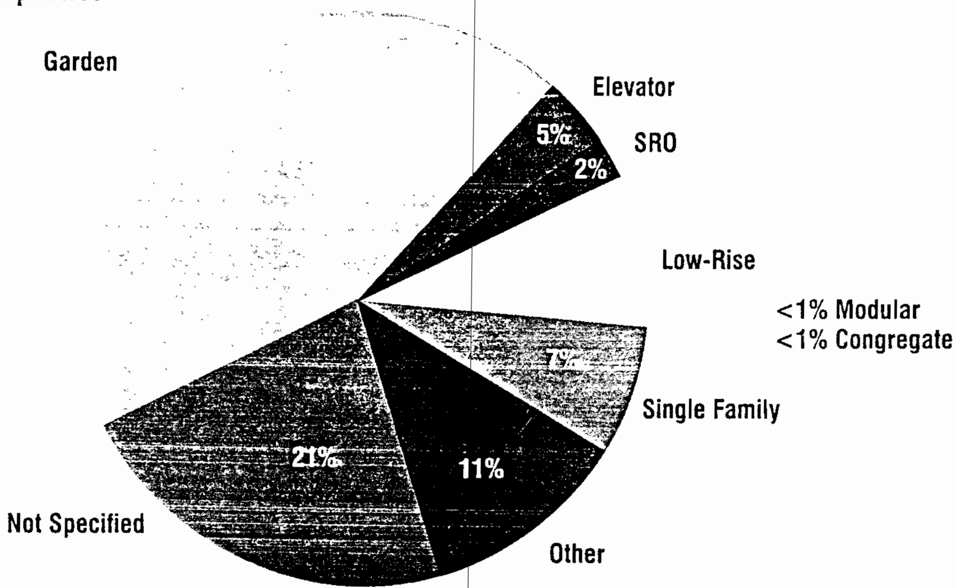

Source: HUD LIHTC Database

## Housing Credit Building Types

The predominant type of Housing Credit development we surveyed was the "Garden Style" development (45%), which is a group of low-rise buildings situated on a sizable, usually landscaped plot. Given the land area required for this configuration, this building type is most often located in suburban or rural locations. The next largest identified building type was standard low-rise buildings (9%), followed by single family homes (7%) and elevator buildings (5%). Single room occupancy (SRO) developments accounted for 2% of Housing Credit developments, followed by a small number of congregate and modular complexes.

Exhibit 1-11

Types of Tax Credit Properties




Source: HUD LIHTC Database

**Footnotes**

1 Nelson, Katherine P. "Whose Shortage of Affordable Housing?" Housing Policy Debate, Volume 5, No. 4.

2 The first year of the Credit Period is prorated by monthly occupancy. The credits not taken in that year are deferred to the eleventh year, so that a project may realize Housing Credits over eleven years.

3 Section 42(h)(6) permits owners to sell the property at the conclusion of the housing credit compliance period under limited circumstances (see Appendix B)

4 *State Factbook 1995,* National Council of State Housing Agencies

# Section 2

## Understanding the Housing Credit Development Process

**The Housing Credit has been remarkably successful as a means of developing affordable rental housing. Indeed, it has become the principal tool for creating affordable housing in the United States. The process of developing Housing Credit properties takes several years and requires the participation of developers, state agencies, equity syndicators, investors and many others to succeed. This section summarizes our findings about how that process works, and the role that each of the principal participants play.**

### Principal Findings

1. In ten years, the Housing Credit has created nearly 900,000 rental apartments for low income families. It is an essential component of federal support for affordable rental housing.

2. State HCA's are empowered to ensure developments are making progress and Housing Credits are efficiently utilized.

3. The Qualified Allocation Plan ("QAP") appears to be highly effective in insuring that state HCA's target Housing Credits to properties located in areas where they are most needed.

4. State HCA's have adopted underwriting practices which require them to allocate the minimum credit needed to make Housing Credit properties viable.

5. As increasingly sophisticated investors dominate the Housing Credit marketplace, real estate expertise in the private sector is sharpening the analysis of local market demand and project feasibility.

6. Developers who surmount the lengthy permitting and zoning approvals required to develop Housing Credit properties must also secure debt and equity financing from increasingly sophisticated and demanding sources.

7. Strong investor demand for Housing Credits has driven down intermediaries costs such as equity syndication fees and expenses, which now average only 9¢ per dollar of equity raised from institutional investors.

8. Most states have adopted NCSHA recommended best practices to meet the underwriting and compliance monitoring requirements delegated to them under Section 42. The best practices clarify the statute and, in some cases, recommend higher standards.

9. Targeting properties for deeper rent buydowns or in more difficult locations has resulted in an increase in multi-sourcing (combining resources from several programs).

# State Credit Allocation Agencies and the Housing Credit Program

The Housing Credit has been described as a housing program hiding inside an Internal Revenue Code section. In many ways the program fits the metaphor, since its Federal administration is conducted solely by the U.S. Department of the Treasury and the Internal Revenue Service, as opposed to by HUD. In enacting Section 42, Congress allocated a fixed amount of Housing Credits to the states based on their population, and allowed the states wide discretion to develop their own priority systems for allocating credits. Each state is subject to an annual ceiling in its credit authority which is initially equal to $1.25 multiplied by the state population. In addition to this amount, a state's credit ceiling may include unallocated credits from the prior year, credits previously allocated but returned by a project and/or any credits allocated through a national pool of unused credits.

States allocate their Housing Credits initially by reserving credits for particular projects and later by making actual allocations. State HCA's "reserve" credits after receiving applications and scoring them under their QAP. Although each state uses its own allocation criteria, these plans share certain common characteristics:

- Each plan must set forth selection criteria consistent with local housing needs,
- Each plan must give priority to projects with the largest portion of credits used for construction and acquisition costs, rather than development fees or other intermediary costs, and
- Each plan must give priority to projects serving the lowest income tenants for the longest period of time.

## Qualified Allocation Plans (Section 42(m))

The Code requires each HCA to produce a Qualified Allocation Plan which describes the selection criteria and procedures the HCA will follow in allocating its respective share of Housing Credits. The QAP also outlines the procedures the HCA follow in monitoring for noncompliance and notifying the IRS of such noncompliance.

Originally Congress intended that allocations would be made to projects in the year they were placed in service. However, a statutory exception to this rule was enacted in 1988 for so-called "carryover" allocations. Given the long lead time inherent in the residential development process (typically 18-24 months), owners are permitted to "carry" Housing Credits to the end of the second calendar year following the year of the allocation. While most Housing Credit projects now rely on carryover allocations, the owner and the HCA must observe a series of specific requirements to achieve this result:

1. The owner must incur an amount in excess of 10% (the "10% test") of the project's reasonably anticipated development costs by the end of the year in which the allocation is first made. For this purpose, an owner using the accrual method of accounting and anticipating total development costs of $7 million would have to incur a liability in excess of $700,000 by the end of the year in which the HCA awards its allocation.

2. The building or buildings which are part of a project which has met the 10% test, must be placed in service within two years of the end of the calendar year in which the carryover allocation is made.

3. The HCA must certify that the project has met the 10% test in order to issue a carryover allocation. The agency typically requires the project owner to demonstrate compliance with the 10% test by identifying the costs it has incurred, receiving confirmation of such costs from an independent CPA or law firm and/or receiving documentation of legal ownership of the property.

### Accrual Method

A method of accounting in which income and expenses are recorded on the period when they are earned or incurred regardless of when they are actually received or paid.

### Carryover, 10% Test (Section 42(h))

Carryover allocations were conceived to allow project owners enough lead time to accommodate the length of the development process. The primary purpose of the 10% Test was to give the states a mechanism to ensure the developments were making adequate progress toward completion. If the project is deemed not to be making adequate progress (incurring less than 10% of expected costs in the year of the reservation), the state revokes the Housing Credit reservation and reallocate the credits to another project.

## The Underwriting Process

State HCA's must make their allocation decisions over an extended period of time because of the nature of the Housing Credit development process. The agency's incremental underwriting may be summarized in the following steps:

1. The agency is required to revise and publish its Qualified Allocation Plan annually based on public input and a re-assessment of the state's housing priorities. The QAP allows the states to target the Housing Credit to particular population groups, take stock of changes in the industry and to survey local areas and their affordable housing needs.

2. Applications are then scored and typically ranked according to a point system outlined in the QAP. The HCA evaluates the applicant's development, management and financial capability, its proposed financing sources, the housing needs of the market in which the project will be located and whether the project is economically feasible based on its proposed rents and expenses, among other factors. On this basis, Housing Credits are reserved to the highest rated projects.

3. The agency's reservation of credit authority becomes a formal allocation when the owner satisfies the 10% test, in the case of a carryover allocation, or certifies its actual development costs in the case of a project placed in service by the end of the year of allocation.

4. When the HCA has determined that the award of a formal allocation (or carryover allocation) may be appropriate, the original underwriting is re-evaluated.

5. The HCA may require the owner to enter into a restrictive covenant for a minimum of thirty years, which runs with the title to the property. This covenant restricts the use of the property for low-income tenancy and restricts rents to levels at or below those permitted under the gross rent provisions. The restrictive covenant also memorializes the owner's set-aside election, agreements for special needs tenants and any other material terms agreed to as part of its application for Housing Credits.

6. Before the owner of a project can claim Housing Credits, it must receive IRS Form 8609 from the HCA. The form requires the owner to certify the amount of development costs, qualified Housing Credit basis, its eligible basis, the applicable Housing Credit percentage, the date the property was placed in service and other mandatory tax elections. The HCA is then required to certify the accuracy of the credit allocation, the applicable Housing Credit percentage and the minimum qualified basis allowable.

In the early years of the program (prior to 1989), state HCA's had to make allocation decisions with very little guidance about how to do their underwriting. However, most HCA's have now created sophisticated underwriting mechanisms which:

- target Housing Credits to lower-income tenants,
- scrutinize local market demand, and site suitability,
- squeeze intermediary costs to the maximum extent possible, and
- screen projects which are infeasible from a real estate perspective.

In addition, most states have adopted NCSHA recommended best practices in fulfilling their credit responsibilities. The best practices are a set of voluntary model standards which toughen Housing Credit development underwriting, processing and monitoring. Examples include guidance on per unit apartment costs and developer fee limits. The HCA's have generally adapted the best practices to suit the needs of their respective states and local market conditions.

We have observed some differences from state to state in the nature and quality of their project underwriting. However, in our judgment, the aggressive use of strict underwriting standards by the states has transformed the Housing Credit program in a profound and lasting fashion.

**Compliance and Reporting Responsibilities**

The income tax regulations provide that each HCA adopt procedures for monitoring for noncompliance and that it report any such instances to the Internal Revenue Service. These monitoring procedures must provide, at a minimum:

1. That the state test whether tenant certification records are being maintained on-site for the six year minimum period set out in the statute.

2. For owner certification of their compliance with the minimum set-aside test and other requirements on an annual basis. Other annual certifications include whether the property is suitable for occupancy based on local health and building codes, whether each tenant has certified its annual income and provided documentation, whether the residential units and project amenities included in eligible basis have been provided to all tenants on a comparable basis and whether each low-income unit in the project met the rent restriction requirements.

3. That the HCA conduct on-site inspections of at least 20% of all Housing Credit projects within its jurisdiction each year to assess compliance with the above requirements.

he HCA is required to notify project owners of any noncompliance. Project owners have a period of time not in excess of 90 days to supply ny missing documentation or bring the project back into compliance. The agency is then required to file IRS Form 8823 "Low-Income ousing Credit Agencies Report of Noncompliance" to report all instances of noncompliance, the nature of the noncompliance and whether the wner has corrected the problem.

## Developers and the Housing Credit Program

he development of Housing Credit projects differs in very significant ways from the development of market rate housing. Developers of credit roperties must be willing to undertake added financial risk, ensure compliance with Housing Credit income and rent restrictions and coordinate multiple approval processes and financing sources.

### Affordable Development Characteristics

Unlike market-rate housing, Housing Credit developments mandate that residents are chosen from a specific income segment of the housing market. Rents are restricted to a level which may not be more than 30% of the imputed income limitation for the size of the apartment unit and cannot rise above this level, regardless of changes in the market. However, rents can rise in proportion to increases in area median income. The result is that the net operating income ("NOI") of a typical affordable development will generally be less than the NOI of a market rate development. In order to finance affordable housing projects, Housing Credit equity is typically essential to reduce the property's financing needs. It is not uncommon, particularly in deeply targeted properties, for the property's NOI to be insufficient to fund the gap between the equity component and total development costs. Therefore, "soft" secondary financing (debt which requires repayment only from available cash flow) or grants to the project may be necessary to complete the financing. It is not at all uncommon to find several sources of financing, in addition to the primary mortgage loan in Housing Credit projects.

#### Net Operating Income

Net Operating Income is operating revenue (rental income), minus operating expenses. Operating expenses include utilities, administrative costs and real estate taxes.

The construction of an affordable development may be very similar to that of market rate properties. Accordingly, actual construction costs often do not differ markedly from market rate construction costs. At the same time, there are factors which tend to increase the cost of affordable housing developments. The complexity of the Housing Credit regulations creates additional legal and accounting costs, syndication fees and other transactional costs. At the same time, the ability of the Housing Credit program to bring both institutional capital and the due diligence expertise of the private sector creates a net benefit.

The additional time and expertise required to secure multiple sources of debt financing, pursue the Housing Credit application process and locate equity capital necessitates either considerable in-house resources or outside consultants. Finally, the expense of administering tenant compliance, maintaining records and fulfilling various reporting requirements is significant, notwithstanding its mitigation of the types of fraud and abuse which have been common in other federal outlay programs.

## Operating Risks

It is difficult to quantify how the operating risks of an affordable housing property differ from similar market rate housing, partly due to the wide variation in financing and subsidy structures which are found in these developments. Generally, the additional risks attributable to operations in affordable housing are not materially different. The financial risks, however, are definitely different. For instance, most affordable housing properties have limited potential to generate cash flow from operations. It is unlikely that most properties will generate significant residual value, if any after the statutory fifteen year holding period. Thus, it is more important for the developer to realize a profit from the development process and be less dependent on cash flow from operations than is the case in a typical market rate property.

A factor often overlooked when discussing the economics of owning and developing affordable housing is the provision of social services for the tenants, which may constitute a significant portion of the property's cost of operation. These services may consist of a meals program, occasional or light duty provision of health services, job training, drug counseling and other such services. This is an aspect of operating affordable housing projects which is not customarily present in market-rate complexes.

## Required Skill Sets

While developers need to have long term planning skills, construction expertise, and experience with real estate operations as a general matter, these may not be sufficient to develop affordable housing.

The additional skills required include:

- The ability to apply for and secure Housing Credit allocations,
- The capacity to work closely with government agencies, tenant groups, social service agencies and others (often simultaneously), and
- Competence in negotiating for multiple sources of debt and equity in a highly sophisticated capital markets environment.

There is no a single profile for developers of affordable housing. Developers come from both the for-profit and the non-profit communities. For-profit and non-profit developers tend to have dissimilar resources and experience and thus bring different strengths to bear on the development process. Many for-profit developers have strong construction skills as well as financial strength, ties to the banking community, in-house expertise in property management and development experience. Non-profit developers tend to have strong political skills and the ability to work within HCA guidelines, the ability to organize and work with tenant and other advocacy groups, and the ability to find and qualify for special sources of financing and operational support.

We have observed an increasing trend toward the establishment of development joint ventures which include both for-profit and non-profit partners. These joint ventures often develop larger properties which require a more complex and comprehensive approach toward development than might be the case with more typical, housing credit projects.

## Developer Compensation

Evolution in both the developer profile, state regulation and the nature of the Housing Credit development process have combined to influence the manner in which developer compensation is determined. In the early years of the program, development fees were merely a function of development cost, were relatively high in many cases and often paid early in the life of the project. As the HCA's have become increasingly active in the area, average development fees have fallen to 10-12% of development costs.

The amount of the fee actually paid to the developer is subject to two major constraints. The first, and more formal of the constraining forces, is the state allocating agency. The Housing Credit statute mandates that the states allocate only the minimum amount of credit necessary for a project's financial feasibility. In making the determination of the minimum amount of credit necessary, 50 of the 51 credit agencies which responded to our survey have adopted policies which limit the developer fees to a percentage of project cost, adjusted in various ways according to each agency's QAP. Neither the method of calculation nor the base upon which the calculation is performed is standardized among the various states. Nonetheless, the states are, by this means, satisfying the statutory requirement that the potential equity raise be evaluated for both sufficiency and excessive payments.

The second, and currently more significant, constraint upon the size of the development fee is the availability of funds with which to pay the fee. Since the development fee is merely another use of project funds, and since it may be the use with the lowest priority of payment, the fee becomes the buffer between any shortfalls in debt financing or construction cost overruns. As total financing proceeds are generally dependent on interest rates, the funds available to fully pay the development fee can vary widely. The trend in recent years is for less of the fee to be paid up front and for more of the fee to be deferred, with payment, either from cash flow or from residual proceeds.

## Multi-Sourcing

Recent experience with the Housing Credit has shown an increasing use of multi-sourcing--combining multiple financial resources to make a property viable. Whereas in a prior era multi-sourcing was sometimes taken as evidence of over-subsidization, in the current environment it reflects the economic reality that, since current resources are limited, very many properties cannot be developed if they use only a single funding source (see Appendix C, Statutory Origins and Development of the IRC Section 42).

In today's Housing Credit development markets, many Housing Credit properties find it necessary to combine the credit with other resources such as:

- HOME,
- CDBG,
- HOPE VI,
- State or local soft financing, and
- Real estate tax abatements

**VHFA STRATEGIC PLAN 1996-2000**
**Single Family Programs**

| *Number* | *Strategy* | *Orig. Compl. Date* | *Status (as of Jan. '98)* | **Staff Program Review/Ranking** |
|---|---|---|---|---|
| 2.A.1. | Extend Down Payment Pilot Program with VHMGB | February, 1996 | Initiated with nonprofits through Homeownership Center Pilot Program 2/96 | *"B"*; Use up existing IORTA funds; improve research/monitoring of loans made |
| 2.A.2. | Down Payment Assistance Using a Second Mortgage Program | June, 1997 | Initiated with nonprofits through HCPP: FHLB/VHFA Funds 12/97; REO's 6/97 | *"A"*; Modified to link with Homeownership Centers; added REO sales to non-profits |
| 2.B. | Develop Home and Energy Improvement Lending Programs | February, 1996 | YESS Program 11/96; Title One target 8/98; VT Legislature: possible new program 4/98? | *"A"*; Research implementation models by FY '99 budget; Title One operating FY '99 |
| 2.C. | Expand Financing Options for Mobile Home Purchases | February, 1997 | No activity | *"B-"*; Research alternative to *GreenTrees*; identify funding source |
| 2.D. | Provide Financing for Co-op Housing | December, 1996 | Consider blanket mortgages under MF; investigate DP assistance for share loans | *"B"*; While no new co-ops are being developed, potential use of IORTA for share loans |
| 2.E. | Improve Financing for 3 and 4 Unit Owner-Occupied Properties | April, 1997 | Consider feasibility | *"C-"*; Not feasible--recommend off list |
| 4.B.2. | Develop Financing for Homeownership for Adults with Developmental Disabilities | December, 1995 | Not feasible without new funding mechanism | *"C-"*; Not feasible w/o MedicaidW--off list |
| 9.A.1. | Offer "Introduction to Homeownership" workshops | June, 1997 | EASL, Futures, etc. classes over past 4 years; fee-based classes redirected to HCs | *"A"*; Continue EASL & Futures; fee-based classes now a Homeownership Ctr. Activity |
| 9.A.2. | Offer "Successful Homeownership" post-purchase workshops | June, 1997 | Directed to Homeownership Centers | *"N/A"*; Homeownership Center Activity |
| 10.D.1. | Explore reducing servicing fees to servicers | February, 1996 | No activity | *"C"*; Unlikely given political realities; direct efforts toward incentives/penalties |
| 10.D.2. | Explore VHFA direct servicing of loans | June, 1997 | Transfer of several portfolios to subservicer | *"B"*; Add additional portfolios to subservicer if/when appropriate |

**Multifamily Programs**

| *Number* | *Strategy* | *Orig. Compl. Date* | *Status (as of Jan. '98)* | **Staff Program Review/Ranking** |
|---|---|---|---|---|
| 3.A. | Expand Energy Lending Activities | June, 1997 | VT Legislature: possible new program 4/98? | Review 1/99 VT Legislative Session |
| 3.B. | Expand (as Consortium) Use of FHLB in Conjunction with LIHTC | March, 1996 | Expanded use of FHLB with LIHTC, but not as a part of consortium | *"A"*; Collateral usage OK as is |
| 4.B.1. | Collaborate to Develop Programs for Support and Special Needs (Assisted Living Units for the Elderly) | June, 1997 | Financing an elderly "assisted living" facility 2/98 | *"A"*; Heaton project in pipeline; to Board Apr-98 |
| 5.A.1.- 4. | Increase Efficiency of Multifamily Lending Process: 1) Review UW Criteria; 2) Develop new marketing materials; 3) Accelerate Loan Processing; 4) Increase Efficiency of Closing Process. | December, 1995 | 1), 3), and 4) completed and on-going; 2) Fact Sheets now on Home Page | *"A"*; Continue work on new marketing materials and refining Closing Process |
| ~~5.B.~~ | ~~Improve Financing for 3 and 4 Unit~~ Investor-Owned Properties. | ~~June, 1997~~ | ~~Approved as HUD Small Projects Processing~~ lender, 10/ 97; no activity to date | ~~*"C"*; No financing source identified; off list?~~ |
| 6.A. | Finance Program for Environmental Hazard Management MF Properties. | July, 1999 | Non-VHFA funding sources being used. | *"C"*; Case-by-case when properties transfer |
| 6.B. | Financing Housing Infrastructure (Existing mobile home parks). | December, 1997 | Finance improvements when permanent financing is done (Kilbourne) | *"B"*; No formal program developed; continue on a case-by-case basis upon turnover |
| 7.A.1.& 2. | Collaborate with Other Agencies to Achieve Efficiencies: 1) Streamline compliance monitoring; 2) "User-friendly" applications/budget forms | June, 1997 | 1) Combined LIHTC/HOME compliance monitoring 3/96; 2) Forms have been consol-idatedas part of applications; attempting to use common underwriting assumptions. | *"A"*; Completed activities on-going; add Section 8 and common underwriting assumption components |
| 7.A.3. | Establish standardized reports/data collection in program monitoring | June, 1998 | Completed as part of join compliance monitoring (VHFA and VHCB). | *"A"*; On-going join compliance monitoring |

**General Programs/Activities**

| *Number* | *Strategy* | *Orig. Compl. Date* | *Status (as of Jan. '98)* | **Staff Program Review/Ranking** |
|---|---|---|---|---|
| 1.A. | Encourage and Support a Productive and Positive Work Environment | On-going | Major commit. To IT upgrades 7/97; Employee Survey 11/97 with Focus Groups 2/98-4/98. | *"A"*; Continue Focus Group activities; *Note: Separate IT into its own priority category* |
| 4.A. | Address Homelessness (research and public education only) | June, 1996 | Collaborate through Housing Needs initiatives 1/95 and 4/98. | *"B"*; Continue research/public education; finance projects on case-by-case basis |
| 8.A. | Maintain Data Collection, Analysis and Dissemination of Housing Data | December, 1995 | Full-time position re-established 8/97. | *"A"*; FT Research Analyst begins 4/1/98 |
| 10.A.1.& 2. | Expansion of Financing to Non-Housing Activities: 1) Explore feasibility of integrating existing entity functions; 2) Integrate auxiliary financing functions into VHFA | June, 1996 | Re-examining this in light of utility restructuring (energy loan program?) | *"C"*; Revisit in 1999 when Legislature revisits electric utility restructuring |
| 10.C. | Reduce Operating and User Costs ("paper-less" office by June, 1997). | On-going | Benefits costs stabilized; under-perform CPI for overall budget; not yet achieved "paperless office" | *"B"*; Continue on-going activities; move "paperless office" component to IT category |
| 10.D.3. | Maximize revenue through aggressive investment strategy | On-going | Investing more funds into guaranteed investment contracts. | *"B"*; Continue on-going activities |

**VHMGB Programs**

| | | | | |
|---|---|---|---|---|
| 10.B.1.& 2. | Better Utilize VHMGB to Enhance Services/Products of VHFA: 1) Guarantee product for home improvement and 3 to 4 unit owner-occupied. | March, 1997 | 1) VHMGB can guarantee on-site septic and energy conservation under "home improvement" loans; 2) VHMGB can guarantee 3 to 4 unit owner-occupied dwellings. | *"C"*; Use Title One for home improvement loans; *"C-"* for 3-4 unit owner-occupied--stick with SF mortgages only |
| 10.B.3. | Guarantee Program for refi SF loans with LTV higher than 100% | September, 1997 | No activity | *"B-"*; Change in GB statute required to guarantee loans with LTV > 100% |

VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan Hunt, Executive Director

DATE: April 15, 1998

RE: Lender of Last Resort

We have had many discussions over the years about being, in effect, the Single Family lender of "last resort." What this means is that we have told our originating lenders that " the program is intended to assist only those persons who are financially unable to compete successfully in the normal housing market." (See language attached from Procedural Guide). I believe this policy originated a very long time ago when there was some concern about VHFA competing with lenders (i.e. taking loan business away from their portfolio loans). Additionally, this policy is well received by our Congressional delegation, who find it comforting that our loans go only to borrowers who can't qualify for other mortgage programs. Finally, in the past, we were concerned about running out of mortgage money and desired to target it to the most needy.

The downside of such a policy is that it has had the effect of limiting our market and perhaps resulted in adverse selection, meaning we are only buying the riskiest loans. Given the multitude of other affordable mortgage programs. it would appear our policy is driving good business away and leading to a riskier portfolio (i.e. these other mortgage programs are taking the best of the affordable loans and leaving the worse for us). The policy also creates uncertainty in the lender mind as to whether we will buy the loan. In order for the lender to avoid the uncertainty, they often send it in a different direction. Given our methods and success in providing mortgage money on an ongoing basis, the issue of availability is no longer a problem.

While it might be best to discuss a change in policy in the context of the Strategic Plan, we believe a change at this point may be in the best interest of the Agency in both getting the current money utilized and increasing the strength of the portfolio. While it is impossible to gauge the amount of business being lost, we believe it is considerable as a result of numerous lender conversations.

## Board Action

Eliminate the policy, which limits the program to only those persons who are financially unable to compete successfully in the normal housing market. All income and purchase price restrictions would remain in effect.



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EQUAL HOUSING OPPORTUNITY

# LOAN ORIGINATION

## ELIGIBILITY REQUIREMENTS (Continued)

*Purchase Price Limits* – The purchase price, also referred to as the Acquisition Cost of a Residence, cannot exceed the purchase price limit specified in the current VHFA Brochure Insert / Homeownership Programs. See "Acquisition Cost" in this Guide for further details.

*Conventional Mortgage Eligibility and Assets* – At the time of application, a Mortgagor must *not* be qualified *without* government assistance (including Mortgage Credit Certificates) for a loan of equal down payment and amortization terms under any other fixed interest rate Mortgage Loan program then being offered by the Lender. Mortgagor assets must also be considered. While the Program has no definite limitations for Mortgagor assets, fixed or liquid, this does not mean assets are irrelevant. The Program is intended to assist only those persons who are financially unable to compete successfully in the normal housing market.

*New Mortgage Requirement* –VHFA funds are restricted to new purchases. VHFA Mortgage Loan proceeds may not be used to replace an existing mortgage (including a mortgage on unimproved land) or debt for which the Mortgagor was liable, or which was incurred on behalf of the Mortgagor. The only exception to this requirement is the replacement of a construction period loan, a bridge loan or other temporary financing which had an original term of 24 months or less. (*Example:* A loan with a five-year term on which less than 24 payments have been made does **not** meet the requirement.)

*Principal Residence Requirement* – The Mortgagor must occupy the Residence as their Principal Residence within 60 days after the loan closing date. VHFA will not finance properties to be used as an investment property or recreational home or if the Mortgagor is planning to use more than 15 percent of the property for a trade or business.

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VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: April 23, 1998

RE: Executive Director's Report

**Federal Legislation**

I am happy to report that all three members of our congressional delegation are now co-sponsoring the Private Activity Bond Bill and the Low Income Housing Tax Credit Bill! I have been working on the other small states to generate support for a small state floor of $1,500,000 for the housing credit. We would expect action on these two bills to be part of any Tax bill effort later this summer.

**State Legislation**

As you know, they wrapped up their work on Tuesday. It was a very slow session from my perspective, but two bills will have an important impact on us. The Act 60 Technical Corrections Bill was passed and contains language making the state portion of property taxes a subordinate lien to the mortgagees interest. Also, the so-called Bianchi Bill was passed clarifying certain title issues that arose from a Supreme Court decision, thus allowing some closings to happen that were delayed.

We were unsuccessful on two fronts. Jim Douglas's effort to add an assisted living definition to our statute was unsuccessful after the Governor expressed concern about the financial viability of projects of this type. We obviously need to do some education with the fifth floor and try again next session. A state low income housing tax credit was discussed by the Senate Finance Committee as part of the Downtown bill. While the concept drew some Committee interest, it was felt that we were too far into the session to seriously consider it. We hope to bring it up next year.



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**VHMGB**

I have identified four consultants and sent them an RFP on behalf of the VHMGB. Responses are expected on May 15, with a report due by August 1,1998. The consultant's report will cover recommendations on the operations, fee structure and long term viability of the Board. At least one potential consultant has visited us to gain some insight into the issues.

**Single Family**

As you know, the three rate options were rolled out last Monday. It is too early to gauge the response. In the meantime, Roger continues to closely monitor the market. We seem to be making progress on the delinquency and REO front, with the servicing staff working very hard to make the most of our "strong" economy and good weather.

**Multifamily and Multifamily Management**

Staff has spent a lot of time on the Heaton proposal, as it requires some significant changes in underwriting and funding from the more vanilla projects. I think staff has done an excellent job working through many issues, both internally and externally with the developer!

Sam and his staff have been very busy with both routine things and a number of interesting initiatives, some of which you will hear more about today. A possible purchase of the Westgate note from HUD may well open up an opportunity to facilitate the sale of that property to a non profit, thus completing that initiative begun nearly 10 years ago!

Joe Erdelyi has dreamed up a unique idea to preserve tax credits in conjunction with Rural Development financed projects. The basic concept is for us to finance the project using tax-exempt bonds for approximately two years, thus entitling the project to out of cap tax credits. RD would take out our financing, thus giving the project the benefit of their lower interest rate. Without this approach, the project would most likely qualify for $39,000 in highly sought after credits!

**Special Events**

Finally, I attended two festive occasions. Along with Dick White and other staff, we attended the 30th anniversary of the Vermont State Housing Authority. Speakers included former Governor Phil Hoff, Senator Leahy and Congressman Sanders and Governor Dean. All spoke of their support for affordable housing and several mentioned the good work of VHFA!

I also attended the annual meeting of the Federal Home Loan Bank, where we were recognized as an active participate in their programs!

VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: April 30, 1998

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at the State Treasurer's Office, Conference Room #1 (in the basement of the building), 133 State Street, Montpelier, Vermont. The Board and Allan will be having a separate luncheon meeting from 11:00 a.m. – 1:00 p.m. and then at 1:00 p.m. the regular meeting will begin.

Attached is the agenda and Board packet. The master copy of the Board minutes kept on file here at the Agency includes any attachments that may be referenced in the minutes; copies will be made available should any Board members be interested in reviewing them.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier June 18th!



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VERMONT HOUSING FINANCE AGENCY

# BOARD AGENDA

State Treasurer's Office
133 Main Street
Montpelier, VT 05633
Thursday, June 18th from 11:00 a.m. – 4:00 p.m.
*Lunch will be provided*

**11:00 a.m. – 1:00 p.m.**
The Board and Allan will be having a luncheon meeting

**Regular Agenda Items**
**1:00 p.m. – 4:00 p.m.**

1. Review and approval of minutes of April 23 and May 7, 1998

2. DEVELOPMENT
   A. Barre & Bailey Street Apartments, Montpelier Combined Letter of Interest/Commitment Letter for permanent financing [Erdelyi//Enclosure]

3. OPERATIONS
   A. Single Family Program Activity Report for April 98 [Lothrop//Enclosure]
   B. Servicing Activity for April 1998 [Lothrop//Enclosure]
   C. Request for proposal (RFP) to provide sub-servicing services to VHFA [Lothrop//Enclosure]

4. MULTIFAMILY MANAGEMENT
   A. Director's Report [Falzone//Enclosure]
   B. Revised Preservation Strategy [Falzone//Enclosure]

5. FINANCE
   A. Proposed Fiscal Year June 1999 Budget [Schoenbeck//Enclosure]
   B. March 31, 1998 Financials [Schoenbeck]
   C. Evensen Dodge Financial Study Report [Schoenbeck//Enclosure]
   D. Single Family Series 9 Options [Schoenbeck//Enclosure]

6. LEGAL
   A. Title Insurance [Jarrett//Enclosure]
   B. Litigation Update [Jarrett]

7. ADMINISTRATION
   A. Executive Director's Report [Hunt//Enclosure]
   B. Year 2000 Report [McNamara]

8. Focus Group Recommendations and Discussion [Enclosures]

9. Other old or new business to come before the Board



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EQUAL HOUSING OPPORTUNITY

# VERMONT HOUSING FINANCE AGENCY

**BOARD MINUTES**
**State Treasurer's Office**
**133 State Street**
**Montpelier, Vermont**

**Thursday, April 23rd 1998**

PRESENT: Chairman White; Commissioners, Canney, Randall, Seelig, Douglas, Brown (designee for Shouldice)

Staff: Mr. Hunt, Mr. McNamara, Ms. Gent, Ms. Caragher, Mr. Falzone, Mr. Jarrett, Mr. Lothrop, Mr. Schoenbeck, Ms. Reid, Ms. Myette, Ms. Black-Plumeau

Other: Mr. Cole (AG Edwards)

Chairman White called the meeting to order at 1:45 p.m. Upon a motion duly made by Mr. Seelig and seconded by Mr. Douglas, the minutes of March 19th and April 9th 1998 were unanimously approved as written with one minor change.

Ms. Reid reviewed her memo " Health Property Partners, Level III Community Care Home, Hartford: Letter of Commitment for Construction and Permanent Financing," included in the Board packet. At the February 1998 meeting, the Board approved a Letter of Interest to finance a Level III Community Care Home in the amount of $5,100,000. The project is located in Hartford, Vermont and is being developed by Upper Valley Terraces Limited Partnership, whose principals are Jack Heaton and Frank Murphy of Health Property Partners. Since the February Board meeting there have been a few changes: (1) The rate the project is being underwritten at is now 9% (up from 8.5%) and the project appears feasible at 9%, with the same rent schedule but with a lower debt coverage ratio- 110%; and (2) The lease up reserve has increased in order to cover expenses during the rent up period. This change has resulted in the developer requesting a higher loan amount of $5,200,000.

The Board had a few concerns regarding the development of this project: (1) In the Letter of Commitment it stated that "Sponsor shall provide meaningful personal guarantees throughout the construction period until project completion and breakeven occupancy in a form satisfactory to VHFA" – where are their personal guarantees? Chairman White expressed concerns that there are no meaningful personal guarantees on the payment of this loan and there is no equity (other than the developer fees) in this deal. Ms. Reid responded by indicating that in working further with the budget, we increased the construction contingency and staff felt comfortable with it between 5% – 10% of hard construction costs. The developer will also be the general contractor and as such will provide a payment and performance bond for VHFA through the construction



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period. Mr. Jarrett indicated that the developers were willing to sign the personal guarantee forms, but we were told that there were not many assets to back up their guarantees; (2) Another concern was whether or not there are any conditions saying that the developers can only earn their fees when the work is done. Ms. Reid noted that they get paid when construction is complete and; (3) The ten year affordability provision for this loan was a concern among the Board members; most of the Board felt that ten years was a short time span. Most people are moving to the development for stability, and the Board asked what could insure that the people still living there in ten years could stay even if they couldn't afford the market rent. Ms. Reid noted that if the owners receive more income then projected on the affordable units, the excess income would be put into a residual receipts account which would offset the affordable rents after year ten.

The Board agreed that staff should negotiate with the developers that the twelve lowest income tenants residing in the development in year ten should be able to stay there at the same rents until there is turnover, regardless of how long it is. There should be no displacement for the twelve affordable units. If the developers do not agree to this, then staff would have the flexibility of negotiating an additional five years of affordability and tenant protection for the twelve units.

During this discussion, it was brought to the Board's attention that Jack Heaton's construction company had filed bankruptcy ten years ago. VHFA did not suffer any losses from his bankruptcy and staff believes it was for reorganization purposes. The Board expressed concern, and Mr. Hunt addressed their concern by indicating that he believes it is not unprecedented and that VHFA has had several successful developers who have had their corporation go bankrupt or out of business. The Board requested that staff obtain information, to their satisfaction, regarding the bankruptcy. After further discussion, a motion was made by Mr. Seelig to approve the "Resolution Pertaining to Commitment Letter Re: Health Property Partners (Hartford)," with the following changes: (1) The twelve lowest-income tenants who are living at the project at year ten are protected from any rent increases until there is turnover and that tenants of all affordable units moving into the project sign a disclosure form which explains this to them; and (2) Staff should try to negotiate a right of first refusal with the developers. The motion carried unanimously after being seconded by Mr. Brown.

Next, Mr. Lothrop reviewed Single Family Program Activity for February 1998. The activity for February is slower than last year, and the figures for April show that we have done $2.2 million in reservations so far as compared to $7.9 million last year. One week ago, we instituted rate changes and, of those rate changes, we have done: 21 loans at $1.3 million at 6.95% (which is the most expensive option); 4 loans for $254,000 at 0 points for 7.20%; and we haven't done any at the 6.20% for three year option.

Mr. Lothrop discussed the delinquency figures next. The total delinquencies for March dropped by 1.34% from the previous month. Mr. Lothrop indicated that there are a lot of loans in a workout plan, and he feels that the procedures the Servicing Department has put into place are finally starting to pay dividends. An interesting feature that Mr. Lothrop pointed out was that in the total loan category we dropped 173 total loans between January and February and 157 total loans between February and March due to prepayments.

Mr. Lothrop briefly touched on the REO Disposition Report. He pointed out that VHFA has a lot of properties currently under contract. As of right now, we have 72 REOs and 26 of those are under contract to be sold. It seems that our REOs are starting to sell, and if we can dispose of the other REOs while the selling season is here, then we will be in good shape going into the winter season.

Next, Mr. Lothrop discussed his memo "Change to VHFA Condominium and Planned Unit Development (PUD) procedures. Allowing for Spot Loans in non-approved projects." Lenders and real estate agents have asked staff whether VHFA would purchase loans on a "spot" basis in non-VHFA approved condo projects and/or PUDs. Both Fannie Mae and Freddie Mac use spot loan approval. By allowing spot loans, VHFA would limit its risk by the number of properties that we will actually finance in any project. Mr. Seelig asked why some condominium associations are not currently approved by VHFA. Mr. Lothrop answered by indicating that when the condominiums were originally built, the developers opted not to come and get VHFA approval.

Some advantages to allowing spot loans in condominiums and PUDs are as follows: staff would have more time to evaluate those projects that present greater risk; our process would more resemble the secondary market; and less documentation could result in quicker turn-around for borrowers. The one major disadvantage is the lack of pertinent information that could affect our risk. After further discussion, Mr. Seelig made a motion to incorporate "Spot Lending" in the current VHFA condominium and PUD procedures as outlined in this memorandum, and the motion carried unanimously after being seconded by Ms. Canney.

Lastly, Mr. Lothrop discussed his memo "Possible use of 0% funds to assist with VHFA distressed properties and in the sale of VHFA REOs," included in the Board packet. Staff has been researching possible uses of the multifamily refunding proceeds. One use would be to use 0% funds to assist a qualified buyer to purchase a VHFA REO. We would reduce the amount of amortizing debt the borrower would have to carry and, as part of the sale, VHFA would offer the borrower a non-amortizing second mortgage that would be paid when the borrower sells the property. Another use would be to use the 0% money to pay for needed repairs/improvements to make the dwelling livable. VHFA would make a 0% non-amortizing second mortgage for the amount up to $10,000 for repairs and/or improvements needed to make the property habitable. It was the general agreement of the Board that there doesn't need to be a loan committee for these approvals, maybe just a recording tool of some kind. After further discussion, Mr. Seelig made a motion to approve the use of up to $250,000 of the 0% multifamily refunding proceeds as outlined in this memorandum, subject to bond counsel approval, and the motion carried unanimously after being seconded by Ms. Canney.

Ms. Gent and Ms. Black-Plumeau reviewed their memo "Homeownership Centers: Summary Report and Evaluation of Year Two & Request for Support for Year Three," included in the Board packet. Ms. Gent indicated that we are now in our third calendar year of the pilot program. We have four Homeownership Centers currently operating, and all are fully operational and provide pre-purchase education, counseling, and technical assistance to residents in certain counties around Vermont. Staff is asking for total funding in the amount of $80,000 for the calendar year 1998. $20,000 would go to each of the four Centers. Since approximately

$40,000 has already been included in the FY98 budget, the FY99 budget request for the rest of 1998 is $40,000.

Ms. Gent gave a brief overview of the activities of year two: (1) Expanded consumer activity as well as strengthening and development of partnerships, intensive staff training and program marketing/outreach initiatives; (2) Marcia Mattoon, VHFA's Outreach Program Manager, held training sessions and visited each Center throughout the year to provided one-on-one guidance for Center staff; and (3) The Homeownership Centers participated in the Homeownership 2000 Brainstorming Sessions held between July and November 1997. These gave the Centers an opportunity to expand their contact base with lenders and real estate professionals in their geographic areas. Also, in February 1998, the Homeownership Centers made a proposal for a "Loan Intervention Program" with VHFA. The initial proposal included provisions which fall outside the range of loan intervention activities being considered by VHFA. Currently, staff is preparing a proposal for the centers to consider which better reflects the Agency's goals.

Ms. Black-Plumeau briefly reviewed goals for the Homeownership Center evaluation that will take place year three. Ms. Gent explained that VHFA remains concerned about the performance of the Centers as they expand their programs, and staff will be monitoring developments closely during year three. A few specific goals for year three follow: the Homeownership Centers will each use the customer intake process developed in November 1997; a cost recovery plan and related marketing plan will be developed and implemented for the Centers; and the Centers will offer a full range of pre-purchase and post-purchase education services as specified in the contracts.

After further discussion, Ms. Randall made a motion to approve the staff's request for operating support for the Homeownership Centers for year three of the Homeownership Center pilot project in the amount of $30,000 for calendar year 1998 through June 1999, and the motion carried unanimously after being seconded by Mr. Brown.

Mr. Jarrett gave a brief update on the litigation involving Winchester Place. To date, not all of the defendants have signed on to the settlement papers. We have received one check from them, but the second check has not yet come in. Our lawyers have asked the court for a status conference, which is scheduled for May 4th.

Mr. Jarrett then mentioned that as far as the class action goes, two other lenders have been brought into the action; First Vermont Bank and Key Bank. They both have now responded to most of the plaintiff's allegations in both the Federal and the State court suits. There are hearings set for both courts in the near future. Staff should have a clearer picture once the hearings have concluded.

Mr. Falzone then reviewed his memo "HUD-held Note Sale/Purchase," included in the Board packet. Mr. Falzone indicated that currently there are three HUD-held notes in Vermont; Highgate Apartments in Barre; Westgate Apartments in West Brattleboro; and Mountain View Apartments in Springfield. Housing Vermont owns Highgate and Mountain View and VHFA has Premium Note obligations on Westgate relating to the purchase of Northgate. Staff sees an opportunity to purchase debt on these properties and better control the future affordability for them. Mr. Falzone indicated that staff would like to submit a formal proposal to HUD that would indicate our interest in purchasing the three HUD-held notes for a price in the $1.3 million range and allow staff to continue the work related to the ownership transfer of Westgate Apartments. Mr. Falzone also indicated that if we were successful in our bid to purchase these notes, it would allow staff to focus on placing Westgate into nonprofit ownership. Staff has been consulting with David Smith of Recapitalization Advisors, Inc who has already provided staff with insight on how we could improve our offer to HUD. After further discussion, a motion was made by Mr. Douglas to approve the recommended Board action, and the motion carried unanimously after being seconded by Ms. Randall.

Mr. Schoenbeck reviewed his memo "General Fund Budget Adjustment Requests," included in the Board packet. Mr. Schoenbeck briefly discussed a few of the adjustments that have been made to the budget to balance us through the end of the fiscal year. The Vermont Home Mortgage Guarantee Board is expected to incur approximately $15,000 more in the area of consulting to provide suggestions for future operations. A more important item is the subsidy expense area where we originally budgeted $73,000 as the cash subsidy payment portion of our annual $300,000 contribution of increasing their capital position. Since VHFA activity has been slow, we will need to increase the subsidy by $150,000 for the year. Due to additional funds available from the bond programs, we can reduce the general fund advertising budget by $19,000. The class action suit, legal publication notices and work by Kutak Rock require an increase in legal expense of $10,000. After Mr. Schoenbeck's brief overview, a motion was made by Mr. Seelig to approve the adjustments made to the operating budget, and the motion carried unanimously after being seconded by Mr. Douglas.

Mr. Schoenbeck mentioned that the three members of the Board that are serving on the Budget Committee (Ms. Randall, Ms. Canney and Mr. Douglas) have received a four-page outline of the budget process. The committee will be meeting in the very near future to come up with some recommendations for the Board on the actual budget.

Mr. Hunt noted that he did not have his written Executive Director's Report with him, but that we would be mailing it to the Board on May 1st. He briefly indicated that staff has been doing a lot of work on identifying a potential consultant for the Vermont Home Mortgage Guarantee Board. We do have four organizations that we have talked to and that we think would do a great job for us. All four of the organizations have received the Request for Proposal, and we should be receiving their responses in mid May.

Mr. Hunt decided to defer his memo "Lender of Last Resort," until the May 7th Board Meeting due the time frame of today's meeting. Chairman White suggested that the Board looks over the memo in the meantime and they could act on it on May 7th.

Next, Chairman White indicated that were some complaints from staff on the nature on how the Personnel Focus Group was going forward, but that things seem to be going better. The Communications Focus Group was also having problems with procedure, but things are moving along much smoother with that group also. Chairman White noted that it is premature to discuss the issues that the focus groups are currently discussing, should wait until they are completely done their work. Both groups are working hard to meet their 90-day window. It may extend into June, but the groups are hoping they can wrap this up in May.

Mr. Falzone indicated that the owner of our SouthMeadow project would like to prepay his loan due to the low interest rates. He could significantly reduce his debt service cost if he was able to prepay now, rather than wait the four additional years required by his mortgage documents. Staff has been negotiating with the owner in an attempt to secure extended affordability for up to 30 units. This extended affordability would provide five to ten years beyond the existing 20-year restrictions at rent levels comparable to the tax credit program. After further discussion, a motion was made by Ms. Randall to give staff the flexibility to negotiate with the owner and protect affordability, and carried unanimously after being seconded by Mr. Seelig.

Lastly, Mr. McNamara announced that the Green Mountain Habitat for Humanity Subchapter at the University of Vermont (UVM), has been chosen by Oprah Winfrey's "Angels" to do one of her 205 houses throughout the United States. Ms. Gent has discussed this with our advertising consultant, who believes that it could be a major public relations opportunity for the Agency. They need a $35,000 sponsor committed by tomorrow. The theory is we would make a commitment to get it done, and then go out and find the partners. Mr. McNamara sees the partners to be the VHFA, City of Burlington, UVM, Vermont Housing and Conservation Board (VHCB) and perhaps the Home Builders Association of Northern Vermont. Mr. Seelig added that VHCB's Board has given them funds for strictly Habitat projects, and he believes that funds may still be available. A motion was made by Mr. Seelig to sponsor this project; the motion carried unanimously after being seconded by Mr. Douglas.

At this time a motion to go into Executive Session for the purpose of discussing the Executive Director's evaluation pursuant to 1 VSA Section 313 (a)(3) was made. The motion to come out of Executive Session was made by Mr. Seelig and seconded by Mr. Douglas. No formal action was taken after coming out of Executive Session.

There being no further business, following a motion made and seconded, the meeting adjourned at 4:05 p.m.

Sincerely,

Allan S. Hunt, Secretary

**RESOLUTION PERTAINING TO COMMITMENT LETTER**
**RE: HEALTH PROPERTY PARTNERS (HARTFORD)**

WHEREAS, a proposal has been presented to the Agency by Health Property Partners, (the "Housing Sponsor") on behalf of a to-be-formed limited partnership involving the construction of a 60 unit Level III Community Care Home located in Hartford, as referenced in a staff memorandum dated April 17, 1998 (the "Development"); and

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

WHEREAS, 31 of the 60 units in the Housing Sponsor's proposal would be affordable to households earning less than 100 percent of median income; and

WHEREAS, the maximum amount of the mortgage loan will not exceed $5,200,000; and

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

It is hereby DETERMINED:

1. The Development is primarily for occupancy by persons and families of low and moderate income.

2. The construction costs to be incurred by the Housing Sponsor are for housing development costs within the meaning of the Act.

3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.

4. The Housing Sponsor undertaking the Development will increase the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income.

5. The security value of the Development will equal at least the amount of the VHFA loan.

6. The Housing Sponsor is expected to qualify as a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director may, in his discretion, issue a Commitment Letter for loans for the construction and long-term financing of the Development, in an amount not to exceed $5,200,000. The term of the construction loan shall be one year, with an

interest rate to be determined based on the Agency's cost of funds plus an override. Interest only shall be payable on the construction loan until the closing of the term loan.

2. The term loan shall be amortized over a period of up to 30 years, but all principal and accrued interest shall be due not more than 30 years from the date of the term loan. The interest rate shall be determined by the Executive Director based on the Agency's cost of funds plus an override. The Commitment Letter may be issued to Health Property Partners as a representative of the to-be-formed limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, the following conditions, and such further requirements as the Agency may establish:

   a. VHFA reserves the right to withdraw its Commitment if interest rates rise to the point that the long-term financial feasibility of the development is threatened, or if the bond cannot be sold for any reason at terms that makes the project feasible;

   b. Sponsor must provide final plans and specifications and an itemized construction budget for approval by VHFA or its agent; the cost of any construction budget review and construction inspections by an agent working on VHFA's behalf will be paid for out of the project's capital budget;

   c. Sponsor shall provide a written statement from the Town of Hartford as to estimated amount of property taxes to be assessed.

   d. Sponsor and its principals shall provide sufficient security throughout the construction period until project completion and breakeven occupancy in a form satisfactory to VHFA;

   e. If interest rates fall such that the loan interest rate to the sponsor is lower than 9.0% (as shown in the budget dated 4/17/98), then VHFA reserves the right to reconsider the underwriting assumptions, including but not limited to the rent levels, loan amount, and loan terms.

3. The Executive Director is authorized to take all necessary steps to either carry out a taxable bond financing to provide proceeds with which to make the authorized loans or to structure a transaction with the Federal Home Loan Bank of Boston to provide such proceeds.

4. The Executive Director, Deputy Director and Director of Finance are authorized to execute any and all documents necessary to effectuate the closing of these loans.

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, April 23, 1998.*

*Allan S. Hunt*
*Executive Director and Secretary*
*Vermont Housing Finance Agency*

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# VERMONT HOUSING FINANCE AGENCY
## BOARD MINUTES
**164 Saint Paul Street**
**Burlington, Vermont**

**Thursday, May 7 1998 at 12:30 p.m.**

PRESENT: Chairman White; Commissioners Candon (designee of Costle), Canney, Randall, Grimes (designee of Shouldice), Seelig (via telephone), Douglas.

Staff: Mr. Hunt, Mr. McNamara, Ms. Gent, Ms. Caragher, Mr. Jarrett, Mr. Lothrop, Mr. Falzone, Mr. Schoenbeck, Mr. Erdelyi, Ms. Reid, Ms. Crady, Ms. Myette, Ms. Black-Plumeau, Mr. Gutchell, Mr. Baker, Ms. Joachim, Ms. Santerre, Ms. Boucher, Ms. Cunningham.

Other: Mr. Dodge (Evensen Dodge), Mr. Broderick (Housing Vermont), Mr. Brush (Green Mountain Development Group, Inc.), Mr. Giebink (Green Mountain Development Group, Inc.), Mr. Rendall (Legal Counsel for Green Mountain Development Group, Inc), Mr. Richardson (Capital Ideas, Inc.), Ms. Leriche (Lamoille Housing Partnership), Ms. Winchell (Central Vermont Community Land Trust), Senator Maynard (Rutland), Ms. Owen (Cathedral Square Corp.), Ms. Houghton (Burlington Community Land Trust).

Chairman White called the meeting to order at 12:30 p.m. The first item on the agenda was the presentation of the 1998 Financial Study prepared by Evensen Dodge. Mr. Hans was here from Evensen Dodge to present it to the Board.

During Mr. Han's presentation, the Board asked several questions and discussed issues raised by the study. Mr. Hans was requested to prepare an analysis of two additional areas: (1) the impact on the Study if single family program volume dropped to $30 million per year and; (2) a review consistent with the 1993 Study to indicate the Agency's financial position if no future bond offerings were to occur. Mr. Hans indicated that could be done and we could provide the additional data prior to the next Board meeting. After the presentation was completed, Chairman White thanked Mr. Hans on behalf of the Commissioners for his presentation and the valuable study.

Next, the Board considered the 1998 Housing Tax Credit Allocation, including the Joint Committee on Tax Credits (JCTC) recommendations. Chairman White asked Mr. Jarrett, VHFA Legal Counsel, to begin by briefly highlighting the process so the Board is reminded of its area of responsibility. Mr. Jarrett began by stating that the tax credit allocation process involves several different organizations. The Agency of Commerce and Community Development is the state housing credit agency and

VHFA is the issuing authority under two executive orders issued by Governor Kunin; a Memorandum of Understanding between the two agencies and rules that were promulgated through the Administrative Procedures Act. In the Executive Order are the rules governing the JCTC and its role in the tax credit process. VHFA has the responsibility of reviewing and approving credit applications in compliance with the policies of DCA and the requirements of the federal law. Over the years, the JCTC has taken an advisory role in the allocation process and has made recommendations to VHFA. In the final assessment, it is the VHFA Board that has the responsibility to allocate the credits. If a shortage of credits exists, as it currently does, VHFA is to allocate the credit available according to the priorities established by the Allocation Plan.

Mr. Erdelyi then gave an overview on the supply and demand for the 1998 allocation. Applications for the ten projects we received represents $907,000 in credits. After reviewing the applications and adjusting the credit requests based on cost limits and credit rates, the amount of credit staff would recommend for all ten applications (if there were enough credits for every application) is $891,000. Mr. Erdelyi indicated that staff worked with the applicant from one of those ten applications (Lakeview Apartments in Newport, Vermont) and came up with an alternate plan to fund that outside of the state ceiling. That request was for $35,900. After subtracting $35,900 from the $891,000 the total for the nine remaining projects is $855,000, which is the demand for this round.

The available credit is estimated to be roughly $746,000 in credits. Last year we forward committed $107,000 in 1998 credits to the Applegate project in Bennington. That leaves approximately $639,000, which is the amount of credits available for this round. With $639,000 in available credits and $855,000 in applications, the difference is $216,000 in credit or about 30% more than the ceiling. Last year, the demand exceeded the supply by a factor of 3 to 1 (the demand was $2.1 million and the supply was $700,000).

Next, Mr. Erdelyi briefly reviewed what took place during the JCTC meeting last week. The JCTC discussed staff's ranking and considered it in light of the State Consolidated Plan priorities. The committee elected to use this year's credits and $105,000 of next year's credits to fund all of the projects in full, with the exception of the Maples proposal. The Maples project was asking for $220,000 in credits and the recommendation from the committee was to reserve only $110,000 in credits. The committee did forward commit $105,000 from next year's credits for McAuley and Park Place II projects.

Chairman White noted that staff had recommended all of the projects, except for Montpelier, Hardwick and Bennington. Ms. Randall stated that after reviewing the projects, there appeared to be a number of conditions, varying from very minor to more complete. Ms. Randall also expressed her concern regarding the completion of tax credit projects – are there projects that we are allocating tax credits for that will not use them? It has happened before in the past, and her concern is that it could happen again. Mr. Erdelyi answered by indicating that last year we did have a project that didn't use all of their tax credits. This year JCTC made a recommendation that two of the projects using next year's allocations have until December 1999 instead of December 1998 to use their credits. All of the other projects look feasible for incurring 10% of the costs and getting an allocation for this year.

Next, Mr. Giebink (Green Mountain Development Group, Inc.) addressed the Board regarding the Maples project. Mr. Giebink introduced himself and his partner Mr. Brush, and then briefly discussed their concerns. Mr. Giebink indicated that Vermont has in place both an enabling regulation and an Allocation Plan. The Allocation Plan is reviewed annually and amendments are made to that plan when deemed necessary. From a developer's standpoint, based on the Allocation Plan, the developers submit projects because they believe they have best combined the needs of the community with the criteria set forth in the plan. Mr. Giebink stated his concern is that JCTC overruled VHFA staff recommendations for allocating tax credits this year. Each project was ranked according to how it met the criteria, and then it was placed in one of three groups; the Maples project received three stars (out of a possible four). Under the state regulation and the Allocation Plan, the projects that received the three or four stars should receive a reservation of 1998 credits. Under the plan, VHFA has the discretion to then determine where to commit 1998 and 1999 credits. Mr. Giebink stated that he believes that the Allocation Plan is not being followed and added that if changes need to be made in the Allocation Plan, than it should be done so that developers know what needs to be done differently when developing projects.

Ms. Leriche (Lamoille Housing Partnership and Hardwick project) briefly stated that, in terms of the credits being allocated, the Hardwick project would use these credits. The current owners of the building have extended the contract once and revised the contract with the Lamoille Housing Partnership. Ms. Leriche indicated that she is sure that they will lose the purchase and sales agreement because the owners are getting impatient. This is the last piece of funding needed to proceed and, if all goes well, they will be ready to close next Monday. Ms. Leriche indicated that the Lamoille Housing Partnership is very eager to do this project and the entire community is involved and very excited. In terms of the construction schedule, Ms. Leriche noted that the plan is to complete this project by November 1998, therefore, a tax credit allocation this year is absolutely necessary.

Next, Ms. Winchell (Central Vermont Community Land Trust) addressed the Board regarding three buildings they have on two separate properties. The larger of the two properties is eleven units of housing in downtown on the edge of a mixed income and mixed tenure residential area. Most of the homes are owner-occupied, even those which have apartments in them. Ms. Winchell noted that the owner has made it very clear that if we don't get an allocation of tax credits for this year, he has other constraints that will force him to cancel the sale.

Mr. Broderick (Housing Vermont) addressed the Board next by stating that the JCTC was created for a reason. The Committee reviews staff's summaries and represent the state's central housing policy makers and the state's understanding of what has been put into the plan. Mr. Broderick indicated that the committee should meet to review the tax credit allocation. He indicated that the fact that we could have had three or four elderly projects in Rutland County this year is why we have the JCTC: to consider need, what the priorities are and make recommendations that are in the publics' interest. Mr. Broderick also added that the three projects that scored low are scattered sites, downtown, historic rehabilitations, with very low income family tenants living in them.

Mr. Brush (Green Mountain Development Group, Inc.) addressed the Board and indicated that he strongly disagreed with what Mr. Broderick had just presented to the Board. He indicated that it is not right to expect developers to spend as much as $50,000 with no assurance of a fair process.

Senator Maynard (Rutland) addressed the Board next. He indicated that he came to find out whether the process was fair or unfair. Rutland has a great opportunity to have the Maples project where it is conveniently located by the bus line and next to a medical center. Senator Maynard expressed his concern by stating that if there was something wrong with the system, than he would hope that the process would be changed and new criteria would be added.

Next, Ms. Grimes commented on her perspective. As far as process, the Allocation Plan does rely on the State Consolidated Plan priorities. The only disagreement she has is in the letter from the Green Mountain Development Group, Inc. They made a very strong position that VHFA is to allocate the available supply in accordance with the priorities set by the Allocation Plan. Her differences with the staff recommendation center on need and Consolidated Plan priorities. With Brandon and Maples in the same market area, she is not convinced that the market can support both projects. She indicated that staff has made recommendations to the JCTC and now the JCTC has made recommendations to the VHFA Board; the Board must decide how to proceed.

Chairman White asked what the Allocation Plan mentions regarding geography. Mr. Erdelyi indicated that one of the required elements in the plan was geographical targeting in some way. Mr. Erdelyi also stated that both last year and this year in the plan, we looked at each town where the proposal came from, which is the fourth piece of the evaluation process. Ms. Grimes stated that, when looking at the language in the plan, it states that the project is in a location that has been under-served historically and having its affordable housing needs met. When the committee discussed the geographic targeting in the Allocation Plan, we looked at the need to keep in mind the geographic needs of the state. Mr. Seelig indicated that the committee wasn't trying to discriminate geographically, so much as to look at the questions relative of need and how these projects ranked against need.

Mr. McNamara then stated that we have made changes to the Allocation Plan. For example, last year we did fund the Park Place project in Burlington. One of the primary arguments that was made for that project was that it was a significant burned out building in a downtown area. Last year, that was not in the Allocation Plan, but the JCTC recommended it last year and the Board supported it. Mr. McNamara indicated that he feels that what came out of the JCTC did add value to this process. Mr. McNamara went on to indicate that unlike last year, when four projects were left out at the end of the process (Cora B. Whitney, The Maples, McAuley and Brandon), this year only half of one project is left in the pipeline (the Maples).

After further discussion, a motion was made by Ms. Randall that $215,000 be committed from 1999 credits rather than $105,000 and that the Maples project be funded for the full $220,000 in credits. The motion carried unanimously after being seconded by Mr. Douglas.

Staff ranking of programs in the Strategic Plan was discussed next. After reviewing the first few programs on the list, the Board agreed that they had no major changes to make to the staff ranking, and that it wasn't necessary to go down the entire list to review each item separately. The Board recognized that VHFA can not currently finance 3-4 unit owner occupied homes, so the Housing Council will take up that topic and look for other financing resources. Chairman White indicated that there would be time set aside at the next Board meeting to discuss Strategic Plan.

The Strategic Plan discussion led into the memo "Lender of Last Resort" included in the Board packet. Mr. Hunt indicated that this policy went into effect quite some time ago when there was concern about VHFA competing with lenders. In the past, there was a concern about running out of mortgage money, so VHFA decided to target the most needy. The negative factor of this policy is that it limits our market and leaves us with the riskier loans. The policy also allows lenders to question whether we will buy the loan from them, which may motivate them to send it somewhere else. Staff believes that this is driving away good business and that it would be in the Agency's best interest to eliminate the policy. After further discussion, Ms. Canney made a motion to eliminate the policy, which limits the program to only those persons who are financially unable to compete successfully in the normal housing market, and the motion carried unanimously after being seconded by Mr. Douglas.

There being no further business, following a motion made by Ms. Canney and seconded by Mr. Candon, the meeting adjourned at 4:05 p.m.

Sincerely,

Allan S. Hunt, Secretary

RESOLUTION REGARDING
LOW INCOME HOUSING TAX CREDIT
PROJECT RESERVATIONS

WHEREAS, on November 18, 1993 the Board agreed with a staff recommendation that the Board consider and approve staff recommendations on specific Low Income Housing Tax Credit (LIHTC) project reservations after such recommendations had been presented to and considered by the Joint Committee on Tax Credits (JCTC); and

WHEREAS, the JCTC met on April 28, 1998 and considered recommendations for reservations of tax credits for 10 proposed projects; and

WHEREAS, the Agency staff recommended all but three of the projects to the JCTC for reservations, but expressed concern to the JCTC regarding the "readiness to proceed" and "need and demand" criteria for the Park Village proposal in Brandon, and sought guidance from the JCTC because of these concerns. The JCTC modified the staff's recommendations to fully fund all of the applications except the Maples in Rutland, which would receive $110,000 in credits; and

WHEREAS, staff has prepared a memorandum dated April 30, 1998 containing a description of the projects (the "Memorandum"), and

NOW, THEREFORE, it is hereby RESOLVED:

1. The Board has considered the projects discussed in the Memorandum.

2. The Agency approves the reservation for the projects recommended by the JCTC in the amounts listed:

| | | |
|---|---|---|
| Pearl/Union SRO | Burlington | $55,000 |
| Cora B. Whitney Apts. | Bennington | 73,399 |
| Park Place II | Burlington | 75,000 |
| The Maples | Rutland | 220,000 |
| Park Village Apts. | Brandon | 171,851 |
| McAuley Square | Burlington | 88,000 |
| Slapp Hill Housing | Hardwick | 47,500 |
| Barre and Bailey Streets | Montpelier | 50,000 |
| Bennington Arts | Bennington | 73,000 |

subject to the payment of applicable reservation fees, and subject to the conditions discussed in the Memorandum.

3. All ($88,000) of the McAuley Square credits, $110,000 of the Maples credits and $17,575 of the Park Place II credits will be advance binding commitments from the 1999 Housing Credit ceiling.

4. Lakeview Housing in Newport, which was seeking $35,900 in credits, will attempt to secure out of cap credits by seeking tax-exempt bond funding. If that attempt is unsuccessful, Lakeview Housing will receive $35,900 in an advance binding commitment from the 1999 ceiling.

5. The Agency staff may increase or decrease LIHTC allocations by up to five percent, if appropriate, based upon changes in development costs.

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, May 7, 1998.*

*Allan S. Hunt*
*Executive Director and Secretary*
*Vermont Housing Finance Agency*

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VERMONT HOUSING FINANCE AGENCY

**MEMORANDUM**

**TO:** VHFA Board of Commissioners

**FROM:** Joseph A. Erdelyi, Multifamily Development Underwriter JE

**DATE:** June 12, 1998

**RE:** Barre & Bailey Street Apartments, Montpelier Combined Letter of Interest/ Commitment Letter for permanent financing

## EXECUTIVE SUMMARY

Central Vermont Community Land Trust and Housing Vermont are endeavoring to purchase and rehabilitate 15 units of rental housing and 1,300 square feet of commercial space in three existing buildings in Montpelier. All other funding has been committed and they are seeking $85,000 in debt financing from VHFA.

## THE DEVELOPMENT

Projected Funding Sources

| | | |
|---|---|---|
| First Mortgage – VHFA | $84,449 | 6.34% |
| VHCB –Deferred | $260,000 | 19.51% |
| HOME – Deferred | $362,890 | 27.23% |
| VHCB - Lead Loan – Deferred | $14,000 | 1.05% |
| VHCB - Grant w/feasibility | $5,100 | 0.38% |
| Historic Equity | $141,924 | 10.65% |
| Tax Credit Equity | $464,136 | 34.83% |
| TOTAL SOURCES | $1,332,499 | 100.00% |

The sponsors have received appraisals on all of the buildings which in the aggregate show a value of $422,000, which would provide VHFA with a Loan-To-Value Ratio of 20%.

The development has already received a commitment for a Ventures loan from VHFA in the amount of $25,350 of which $7,640 has been spent on pre-development expenses.

## Unit Breakdown and Rents

There are 15 rental apartments currently; the sponsor plans to do renovations including structural work, re-roofing, replacing all doors and windows, lead paint and asbestos abatement, some electrical and plumbing, and some unit reconfiguration and upgraded finishes. Nine of the 15 units will be HOME-assisted under the proposed financing, and 13 of the units have VHCB restrictions on rent and tenant incomes. Eleven units are restricted under the tax credit program, and the rent restrictions are well below the maximum levels permitted under the tax credit program. There will be two handicapped-accessible units in the project. The unit size and rent breakdown is as follows:

| Size | # | Proposed Rents | Current Rents |
|---|---|---|---|
| 0 BR | 3 | \$329-\$350 | \$377-\$382 |
| 1 BR | 8 | \$362-\$406 | \$385-\$485 |
| 2 BR | 2 | \$433-\$500 | \$519-\$539 |
| 3 BR | 2 | \$523 | \$614-\$634 |

These rents include heat and hot water, with the exception of one unit. Tenants pay for electricity.

## Sponsor, Management and Market

The property has a history of full occupancy; currently there are two vacant units, which are being kept vacant to facilitate the rehabilitation and keep relocation costs down. Community Property Management (CPM), the property management arm of CVCLT, will manage the property through the construction phase. Housing Vermont has not yet decided whether to allow CPM to continue to manage the property as a tax credit development on a trial basis when the work is complete, or to contract with other property management. Housing Vermont intends to make this determination by late fall. VHFA's Regulatory Agreement gives VHFA the right to replace management if the property is not being effectively managed.

## Site and Environmental Concerns

The three buildings are located on two sites (see attached map); the lots are small, with approximately six total on-site parking spaces and adequate street parking available. The sponsor has expressed its intention to have a Capital Needs Assessment done, as VHFA now requires. The buildings are located within close walking distance to numerous facilities and services in downtown Montpelier. One of the lots is adjacent to the Winooski River and in a floodplain, and the sponsor has flood insurance on the other buildings they own that are adjacent to this lot. VHFA will require flood insurance as a condition of its loan. The two buildings on the corner of Bailey Ave. and Baldwin Street are on the edge of a mixed commercial/residential area where conversions of use have recently occurred. There is the potential that these units would be lost to the rental housing stock through conversion to office space if they are not acquired and renovated by the sponsor.

The sponsor has requested that VHFA accept a "Transaction Screen" in lieu of a Phase One Environmental Site Assessment (ESA). This screen lists the previous owners and in this way may identify potential environmental hazards. Staff have a concern that whatever is done meet the appropriate level of inquiry necessary to qualify for the "innocent landowner" defense of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). A condition on the VHFA loan will be that the sponsor either obtain a Level One ESA or provide a legal opinion satisfactory to VHFA that the Transaction Screen meet this standard.

**DISCUSSION**

The sponsor has requested financing from the Section 8 recycled funds, because of the low interest rate of 7.22%. Because these funds are from tax exempt bonds and the project is "mixed-use" (commercial and residential), VHFA's Rules on Grants, Loans and Advances to Assist the Planning, Construction, Rehabilitation and Operation of Residential Housing; Mortgage Loans to Housing Sponsors for Single Family Developments require that any scattered site development have lots that are contiguous. Given that the project needs this level of debt financing and the tax-exempt rate for financial feasibility, staff is recommending that the Board grant a waiver from this rule.

**Strengths**

a. The population served at this development is very low income. The property has a history of low vacancy rates, which demonstrates the strong need for this housing. The proposed financing would improve the physical condition of the units and preserve the affordability with use restriction covenants.

b. This project has received funding commitments from all of the funding sources shown except for the debt and the sponsors have site control in the form of a Purchase and Sales Agreement. The project demonstrates financial feasibility for at least the term of the debt financing.

**Weaknesses**

a. This project is expensive to develop, at around $89,000 per unit residential cost. While this is not out of line with the cost of other downtown rehabilitation projects, (particularly when the unit count is small and there are some larger-sized units in the project), staff have expressed to Housing Vermont concern about high costs of this type of development, and we expect to work together to address the issue in the near future. All of the funding needed to do this development has been secured except for the debt, and VHFA will have a first position mortgage with a very low loan-to-value ratio.

b. VHFA has financed three other developments with CVCLT in recent years with mixed results. Housing Vermont's experience will enhance the strength of the development and gives staff greater confidence in undertaking this proposal from CVCLT. In addition, CVCLT has recently merged with Barre Neighborhood Housing Services and is under new leadership. By helping CVCLT and Housing Vermont acquire and rehabilitate this development, the ability of this community-based non profit to continue to successfully own and operate affordable housing in the central Vermont area is enhanced.

## RECOMMENDED BOARD ACTION

Staff recommends Board approval of the attached Resolution to provide a Letter of Interest to provide permanent financing in an amount of up to $85,000, loan term and amortization period of 20 years, and interest rate of 7.22%. Staff further recommends that the Board authorize the Executive Director to issue a Commitment Letter upon satisfaction of certain conditions. The proposed source of funds is Section 8 recycled funds and VHFA General Funds. The letter shall include the following conditions:

1. Sponsor must provide a Level I Environmental Site Assessment and testing for lead and asbestos, with satisfactory remediation measures being incorporated into the work specifications; in lieu of a Level One ESA the sponsor may provide a Transaction Screen, if it is accompanied by a legal opinion satisfactory to VHFA that the Transaction Screen qualify VHFA for the "innocent landowner" defense of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA)

2. Sponsor must provide final plans and specifications for VHFA approval by permanent loan closing;

3. Sponsor must provide VHFA with a copy of the Capital Needs Assessment (CNA) that is being done, which will follow VHFA's accepted format for CNAs;

4. Sponsor must fund operating cash/working capital account by permanent loan closing in the amount of $7,000;

5. Sponsor must provide evidence of competitive bidding by permanent loan closing, with bids approximately at budgeted levels, to maintain the overall financial feasibility.

**RESOLUTION PERTAINING TO**
**LETTER OF INTEREST AND COMMITMENT LETTER**
**RE: BARRE AND BAILEY STREETS (MONTPELIER)**

WHEREAS, a proposal has been presented to the Agency by Central Vermont Community Land Trust, Inc., of Montpelier and Housing Vermont, (the "Sponsors") involving the acquisition and rehabilitation of a scattered site, mixed use development on Barre and Bailey Streets in Montpelier, with three buildings on two sites currently containing 15 rental apartments and a commercial space (the "Development"); and

WHEREAS, the proposal contemplates a permanent mortgage loan of up to $85,000 with an amortization period of 20 years, with an interest rate of 7.22% per annum, with the funds coming from the Agency's recycled Section 8 proceeds and the General Fund; and

WHEREAS, the Sponsor has obtained commitments for a deferred loan of $260,000 and a lead paint loan of $14000 from the Vermont Housing and Conservation Board and a HOME deferred loan of $362,890; and

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

WHEREAS, the Board has been presented with a memorandum dated June 12, 1998 from Joseph Erdelyi (the "Memorandum"); and

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

WHEREAS, based on the Memorandum, the Agency determines that a waiver of paragraph 2 of Chapter Four of the Agency's Rules on Grants, Loans and Advances to Assist the Planning, Construction, Rehabilitation and Operation of Residential Housing, Mortgage Loans to Housing Sponsors for Single Family Developments is justified because strict adherence to the rule requiring scattered site, mixed-use developments to be contiguous would cause undue hardship to the Sponsor;

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.

2. The rehabilitation costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.

3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of

the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.

4. The housing sponsor undertaking the Development will maintain the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.

5. The security value of the Development will equal at least the amount of the Agency's loan after the rehabilitation.

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

7. More than one half of each of (a) the total floor area and (b) the total development cost of the Development will be allocated to dwelling units for persons and families of low and moderate income.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director may, in his discretion, issue a Letter of Interest for a loan for the acquisition and rehabilitation of the Development, in an amount to be determined by the Executive Director, but not to exceed $85,000. The loan shall bear interest at a rate of 7.22% per annum and shall be amortized over a period of 20 years.

2. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.

3. The Executive Director may, in his discretion, issue a Commitment Letter for a loan for the acquisition and/or rehabilitation of the Development, in an amount to be determined by the Executive Director, but not to exceed $85,000. The term of the loan shall be 20 years. The loan shall bear interest at a rate of 7.22% per annum. The Commitment Letter may be issued to Central Vermont Community Land Trust, Inc. and/or Housing Vermont or a to-be-formed limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the submission of the following in form and content acceptable to the Agency:

    a) Sponsor must provide a Level I Environmental Site Assessment and testing for lead and asbestos, with satisfactory remediation measures being incorporated into the work specifications; in lieu of a Level One ESA the sponsor may provide a Transaction Screen, if it is accompanied by a legal opinion satisfactory to VHFA that the Transaction Screen qualify VHFA for the "innocent landowner" defense of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA)

b) Sponsor must provide final plans and specifications for VHFA approval by permanent loan closing;

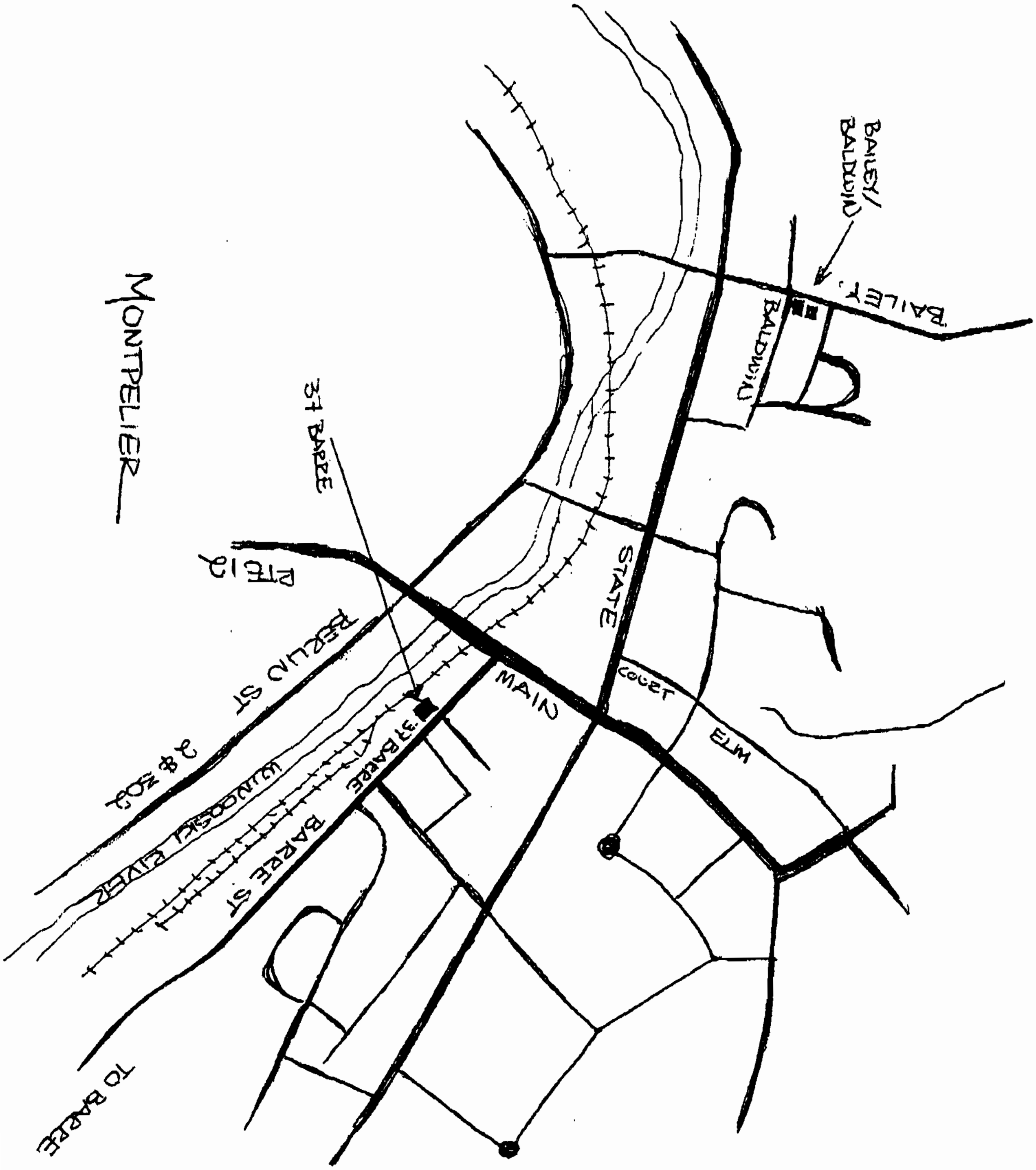
c) Sponsor must provide VHFA with a copy of the Capital Needs Assessment (CNA) that is being done, which will follow VHFA's accepted format for CNAs;

d) Sponsor must fund operating cash/working capital account by permanent loan closing in the amount of $7,000;

e) Sponsor must provide evidence of competitive bidding by permanent loan closing, with bids approximately at budgeted levels, to maintain the overall financial feasibility.

4. The commitment of the Agency shall be subject to receipt, on or before the date of the closing, of a commitment fee in an amount equal to one percent (1.0%) of the principal amount of the first mortgage loan.

5. The Executive Director, the Deputy Director and the Director of Finance, or any of them, are authorized to take all necessary steps and execute all documents required to effectuate this loan.


MONTPELIER
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ELM
BALDWIN
BAILEY
BAILEY/
BALDWIN

10-Jun-98 **Barre and Bailey Streets HLP**

| | | | |
|---|---|---|---|
| Total Residential Units: | 15 | Increase in Income from Rental Units: | 1.50% |
| Housing Credit Restricted Units: | 11 | Increase in Income from Other Sources: | 1.50% |
| Percent Restricted: | 73.33% | Increase in Income from Commercial: | 1.50% |
| Total Development Cost: | 1,332,499 | Expense increase: | 3.00% |
| Total Development Cost per Unit: | 88,833 | Vacancy Rate: | 5% |
| Total Development Cost Per SF: | 130 | Partner's Tax Rate: | 35% |
| | | Long Depreciation Schedule: | 27.5 years |
| Max Credit Potential: | 55,810 | Short Depreciation Schedule: | 7 years |
| Credit Amount Allocated: | 50,000 | Sponsor's Total Estimated Yield: | 121.21% |
| | | Sponsor's Estimated Yield - Housing Credits Only: | 89.47% |
| LIHTC - 9% | 8.36% | (May '98) | |
| LIHTC - 4% | 3.58% | | |

**SOURCES**

| | | % of Total Development Cost | Interest Rate | Amortization | Term |
|---|---|---|---|---|---|
| First Mortgage - VHFA | 84,449 | 6.34% | 7.22% | 20 | 20 |
| VHCB -Deferred | 260,000 | 19.51% | 0.00% | 0 | 30 |
| HOME - Deferred | 362,890 | 27.23% | 6.88% | 30 | 30 |
| VHCB - Lead Loan - Deferred | 14,000 | 1.05% | 0.00% | 0 | 30 |
| VHCB - Grant w/feasibility | 5,100 | 0.38% | N/A | N/A | |
| Historic Equity | 141,924 | 10.65% | N/A | N/A | |
| Tax Credit Equity | 464,136 | 34.83% | N/A | N/A | |
| TOTAL SOURCES | 1,332,499 | 100.00% | | | |

**USES**

| | | |
|---|---|---|
| Acquisition | 406,210 | 30.48% |
| Construction Hard Costs | 661,094 | 49.61% |
| Soft Costs | 265,195 | 19.90% |
| TOTAL USES | 1,332,499 | 100% |
| Gap | 0 | |

PER UNIT COST LIMIT CALCULATION

| | per unit limits | number of units | |
|---|---|---|---|
| 0 Br | 73,380 | 3 | 220,140 |
| 1 Br | 78,380 | 8 | 627,040 |
| 2 Br | 83,380 | 2 | 166,760 |
| 3 Br | 88,380 | 2 | 176,760 |
| 4 Br | 93,380 | 0 | 0 |
| Maximum cost allowed under the per unit cost limits | | | 1,190,700 |
| Projected total cost, excluding cash accounts | | | 1,207,945 |
| (over)/under | | | (17,245) |

| | | |
|---|---|---|
| General Partner's Capital Contribution | 6,061 | 1% |
| Limited Partner's Capital Contribution | 599,999 | 99% |
| Total Equity | 606,060 | |

APPLICABLE FRACTION CALCULATION

| | |
|---|---|
| Tax Credit Restricted Units | 11 |
| Total Units | 15 |
| Unit Fraction | 73.33% |
| Tax Credit Square Footage | 7,494 |
| Total Residential Square Footage | 10,251 |
| Square Footage Fraction | 73.11% |
| Applicable Fraction | 73% |

Allocation of Sources

| # | Item | Total Budget | Commercial Budget | Budget | Per Unit | Per s.f. | First Mortgage - VHFA $84,449, 7.5%, 20/20 | VHCB - Deferred $260,000, 0%, due in 30 years | HOME - Deferred $362,890, 6.88% simple interest, due in 30 yrs | VHCB - Lead Loan - Deferred $14,000, 0%, due in 30 years | VHCB - Grant w/feasibility grant | Tax Credit Equity and Historic Equity | TOTAL SOURCES |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | ACQUISITION | | | | | | | | | | | | |
| 1 | Land | 78,137 | 2,897 | 75,240 | 5,016 | 7.34 | - | 72,343 | - | - | - | 2,897 | 75,240 |
| 2 | Purchase of Building(s) | 339,863 | 13,197 | 326,666 | 21,778 | 31.87 | - | 187,657 | 141,906 | - | - | (2,897) | 326,666 |
| 3 | Demolition (without replacement) | 0 | | 0 | 0 | 0.00 | - | - | - | - | - | - | 0 |
| 4 | Property Appraisal | 1,350 | 152 | 1,198 | 80 | 0.12 | - | - | - | - | 1,199 | - | 1,199 |
| 5 | Legal - Title and Recording | 3,500 | 394 | 3,106 | 207 | 0.30 | - | - | - | - | - | 3,106 | 3,106 |
| | Subtotal - Acquisition | 422,850 | 16,640 | 406,210 | 27,081 | 39.63 | | | | | | | |
| | CONSTRUCTION HARD COSTS | | | | | | | | | | | | |
| 6 | Rehabilitation | 525,000 | 54,452 | 470,548 | 31,370 | 45.90 | 84,449 | - | 180,010 | 14,000 | - | 192,089 | 470,548 |
| 7 | New Building(s) | 0 | | 0 | 0 | 0.00 | - | - | - | - | - | - | 0 |
| 8 | Accessory Buildings | 0 | | 0 | 0 | 0.00 | - | - | - | - | - | - | 0 |
| 9 | Sitework | 15,010 | 973 | 14,037 | 936 | 1.37 | - | - | - | - | - | 14,037 | 14,037 |
| 10 | Commercial Space Costs (if any) | 0 | | 112,130 | 7,475 | 10.94 | - | - | - | - | 152 | 111,979 | 112,131 |
| 11 | General Requirements | 0 | | 0 | 0 | 0.00 | - | - | - | - | - | - | 0 |
| 12 | Contractor Overhead | 0 | | 0 | 0 | 0.00 | - | - | - | - | - | - | 0 |
| 13 | Contractor Profit | 0 | | 0 | 0 | 0.00 | - | - | - | - | - | - | 0 |
| 14 | Construction Contingency | 58,176 | 6,547 | 51,629 | 3,442 | 5.04 | - | - | - | - | - | 51,629 | 51,629 |
| 15 | Construction Management | 0 | | 0 | 0 | 0.00 | - | - | - | - | - | - | 0 |
| 16 | Construction Bond Fee | 0 | | 0 | 0 | 0.00 | - | - | - | - | - | - | 0 |
| 17 | Hazardous Materials Abatement | 0 | | 0 | 0 | 0.00 | - | - | - | - | - | - | 0 |
| 18 | Off-Site Improvements | 0 | | 0 | 0 | 0.00 | - | - | - | - | - | - | 0 |
| 19 | Furnishings, Fixtures, & Equipment | 12,750 | | 12,750 | 850 | 1.24 | - | - | - | - | - | 12,750 | 12,750 |
| 20 | Other (__________) | 0 | | 0 | 0 | 0.00 | - | - | - | - | - | - | 0 |
| | Subtotal - Hard Costs | 610,936 | 61,972 | 661,094 | 44,073 | 64.49 | | | | | | | |
| | SOFT COSTS | | | | | | | | | | | | |
| 21 | Architectural | 50,395 | 5,672 | 44,723 | 2,982 | 4.36 | - | - | 40,974 | - | 3,749 | - | 44,723 |
| 22 | Engineering | 0 | | 0 | 0 | 0.00 | - | - | - | - | - | - | 0 |
| 23 | Legal/Accounting | 11,500 | 1,294 | 10,206 | 680 | 1.00 | - | - | - | - | - | 10,206 | 10,206 |
| 24 | Relocation | 14,000 | 1,576 | 12,424 | 828 | 1.21 | - | - | - | - | - | 12,424 | 12,424 |
| 25 | Environmental Assessment | 6,000 | 675 | 5,325 | 355 | 0.52 | - | - | - | - | - | 5,324 | 5,324 |
| 26 | Energy Assessment | 0 | | 0 | 0 | 0.00 | - | - | - | - | - | - | 0 |
| 27 | Permits/Fees | 3,879 | 337 | 3,542 | 236 | 0.35 | - | - | - | - | - | 3,542 | 3,542 |
| 28 | Independent Market Study | 0 | | 0 | 0 | 0.00 | - | - | - | - | - | - | 0 |
| 29 | Construction Period Insurance | 4,000 | 450 | 3,550 | 237 | 0.35 | - | - | - | - | - | 3,550 | 3,550 |
| 30 | Construction Interest | 19,250 | 2,166 | 17,084 | 1,139 | 1.67 | - | - | - | - | - | 17,084 | 17,084 |
| 31 | Construction Loan Origination Fee | 0 | | 0 | 0 | 0.00 | - | - | - | - | - | - | 0 |
| 32 | Taxes During Construction | 7,500 | 844 | 6,656 | 444 | 0.65 | - | - | - | - | - | 6,656 | 6,656 |
| 33 | Clerk of the Works | 9,000 | 1,013 | 7,987 | 532 | 0.78 | - | - | - | - | - | 7,988 | 7,988 |
| 34 | Marketing | 500 | 56 | 444 | 30 | 0.04 | - | - | - | - | - | 443 | 443 |
| 35 | Tax Credit Fees | 2,950 | 332 | 2,618 | 175 | 0.26 | - | - | - | - | - | 2,618 | 2,618 |
| 36 | Soft Cost Contingency | 4,789 | 539 | 4,250 | 283 | 0.41 | - | - | - | - | - | 4,249 | 4,249 |
| 37 | Permanent Loan Origination Fee | 0 | | 0 | 0 | 0.00 | - | - | - | - | - | - | 0 |
| 38 | Lender's Counsel's Fee | 0 | | 0 | 0 | 0.00 | - | - | - | - | - | - | 0 |
| 39 | Other (rent loss) | 15,000 | 1,688 | 13,312 | 887 | 1.30 | - | - | - | - | - | 13,312 | 13,312 |
| | SYNDICATION COSTS | | | | | | | | | | | | |
| 40 | Organizational (Partnership) | 0 | | 0 | 0 | 0.00 | - | - | - | - | - | - | 0 |
| 41 | Bridge Loan Fees and Expenses | 0 | | 0 | 0 | 0.00 | - | - | - | - | - | - | 0 |
| 42 | Syndication Consultant | 0 | | 0 | 0 | 0.00 | - | - | - | - | - | - | 0 |
| 43 | Tax Opinion | 0 | | 0 | 0 | 0.00 | - | - | - | - | - | - | 0 |
| | DEVELOPER'S FEES | | | | | | | | | | | | |
| 44 | HVT Fees | 58,750 | 6,612 | 52,138 | 3,476 | 5.09 | - | - | - | - | - | 52,138 | 52,138 |
| 45 | CVCLT Fees | 60,000 | 6,753 | 53,247 | 3,550 | 5.19 | - | - | - | - | - | 53,248 | 53,248 |
| 46 | Consultant Fees | 31,200 | 3,511 | 27,689 | 1,846 | 2.70 | - | - | - | - | - | 27,688 | 27,688 |
| | RESERVES | | | | | | | | | | | | |
| 47 | Working Capital | 0 | | 0 | 0 | 0.00 | - | - | - | - | - | - | 0 |
| 48 | Rent-up (Deficit Escrow) Reserve | 0 | | 0 | 0 | 0.00 | - | - | - | - | - | - | 0 |
| 49 | Other Operating Reserves | 0 | | 0 | 0 | 0.00 | - | - | - | - | - | - | 0 |
| 50 | Sinking Fund | 0 | | 0 | 0 | 0.00 | - | - | - | - | - | - | 0 |
| 51 | Replacement Reserves | 0 | | 0 | 0 | 0.00 | - | - | - | - | - | - | 0 |
| | Subtotal - Soft Costs | 298,713 | 33,518 | 265,195 | 17,680 | 25.87 | | | | | | | |
| | TOTAL DEVELOPMENT COSTS | 1,332,499 | 112,130 | 1,332,499 | 88,833 | 130 | 84,449 | 260,000 | 362,890 | 14,000 | 5,100 | 606,060 | 1,332,499 |

10-Jun-98 **Barre and Bailey Streets HLP**

| HC Restricted Units Bedrooms | Type | Average Square Feet | Number | Average Rent | Utilities | Total Annual Rent |
|---|---|---|---|---|---|---|
| 0 Br | | 377 | 2 | 329 | | 7,896 |
| 1 Br | | 573 | 6 | 391 | | 28,152 |
| 2 Br | | 896 | 2 | 467 | | 11,209 |
| 3 Br | | 1,512 | 1 | 524 | | 6,287 |
| 4+ Br | | | | | | |
| | Totals | 7,494 | 11 | | | 53,544 |

| Non-HC Restricted Units Bedrooms | Type | Square Feet | Number | Rent | Utilities | Total Annual Rent |
|---|---|---|---|---|---|---|
| 0 Br | | 434 | 1 | 350 | | 4,200 |
| 1 Br | | 595 | 2 | 406 | | 9,744 |
| 2 Br | | 0 | 0 | 0 | | 0 |
| 3 Br | | 1,134 | 1 | 523 | | 6,276 |
| | Totals | 2,757 | 4 | | | 20,220 |
| All Units | | | | | | |
| | Grand Totals | 10,251 | 15 | | | 73,764 |

| | | |
|---|---|---|
| Less Vacancy | 5.00% | (3,688) |
| | NET RENT | 70,076 |

OTHER INCOME

| | | |
|---|---|---|
| | Laundry | 600 |
| | Parking | 0 |
| Commercial SF: 1,300 | Commercial Space Income | 6,900 |
| | less commercial vacancy | (345) |
| | TOTAL INCOME | 77,231 |

10-Jun-98 **Barre and Bailey Streets HLP**

| | Annual | Monthly | Per Unit Per Month | |
|---|---|---|---|---|
| Administration | | | | |
| Management Fee | 8,640 | 720 | 48 | 11.2% |
| Supportive Services | 0 | 0 | 0 | |
| Audit/Accounting | 3,000 | 250 | 17 | |
| Legal | 1,500 | 125 | 8 | |
| Compliance Monitoring | 264 | 22 | 1 | |
| Marketing | 0 | 0 | 0 | |
| Other | 1,940 | 162 | 11 | |
| TOTAL ADMINISTRATIVE | 15,344 | 1,279 | 85 | |
| | | | | |
| Utilities | | | | |
| Electricity | 1,500 | 125 | 8 | |
| Fuel | 3,000 | 250 | 17 | |
| Water and Sewer | 7,000 | 583 | 39 | |
| Fire Alarm / Emergency | 0 | 0 | 0 | |
| Other | 0 | 0 | 0 | |
| TOTAL UTILITIES | 11,500 | 958 | 64 | |
| | | | | |
| Maintenance | | | | |
| Maintenance / Janitor Payroll | 7,500 | 625 | 42 | |
| Janitor Supplies | 0 | 0 | 0 | |
| Exterminating | 0 | 0 | 0 | |
| Trash Removal | 1,650 | 138 | 9 | |
| Snow Removal | 900 | 75 | 5 | |
| Grounds | 0 | 0 | 0 | |
| Repairs Material | 250 | 21 | 1 | |
| Repairs Contract | 1,000 | 83 | 6 | |
| HVAC Repairs / Maintenance | 0 | 0 | 0 | |
| Elevator Contract / Repairs | 0 | 0 | 0 | |
| Painting and Decorating | 0 | 0 | 0 | |
| Other | 0 | 0 | 0 | |
| TOTAL MAINTENANCE | 11,300 | 942 | 63 | |
| | | | | per unit month |
| Real Estate Taxes | 13,500 | 1,125 | 75 | excl. ds & res. |
| Property Insurance | 5,000 | 417 | 28 | 315 |
| Replacement Reserves | 4,950 | 413 | 28 | |
| Primary Debt Service | 7,991 | 666 | 44 | |
| Other "must pay" debt service | 0 | 0 | 0 | |
| Other | 0 | 0 | 0 | |
| Total | 69,585 | 5,799 | 387 | |

10-Jun-98 **Barre and Bailey Streets HLP**

| | Year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Operating Income** | | | | | | | | | | | | | | | | | | | | | |
| Gross Rent | | 73,764 | 74,870 | 75,994 | 77,133 | 78,290 | 79,465 | 80,657 | 81,867 | 83,095 | 84,341 | 85,606 | 86,890 | 88,194 | 89,516 | 90,859 | 92,222 | 93,605 | 95,010 | 96,435 | 97,881 |
| Other Income | | 7,500 | 7,613 | 7,727 | 7,843 | 7,960 | 8,080 | 8,201 | 8,324 | 8,449 | 8,575 | 8,704 | 8,835 | 8,967 | 9,102 | 9,238 | 9,377 | 9,517 | 9,660 | 9,805 | 9,952 |
| Vacancy and other losses | | (4,033) | (4,124) | (3,800) | (3,857) | (3,915) | (3,973) | (4,033) | (4,093) | (4,155) | (4,217) | (4,280) | (4,345) | (4,410) | (4,476) | (4,543) | (4,611) | (4,680) | (4,750) | (4,822) | (4,894) |
| Total Operating Income | | 77,231 | 78,359 | 79,921 | 81,119 | 82,336 | 83,571 | 84,825 | 86,097 | 87,389 | 88,699 | 90,030 | 91,380 | 92,751 | 94,142 | 95,554 | 96,988 | 98,443 | 99,919 | 101,418 | 102,939 |
| **Operating Expenses** | | | | | | | | | | | | | | | | | | | | | |
| Total Expenses (excl. Reserves) | | 56,644 | 58,343 | 60,094 | 61,896 | 63,753 | 65,666 | 67,636 | 69,665 | 71,755 | 73,908 | 76,125 | 78,409 | 80,761 | 83,184 | 85,679 | 88,250 | 90,897 | 93,624 | 96,433 | 99,326 |
| Reserves | | 4,950 | 5,024 | 5,100 | 5,176 | 5,254 | 5,333 | 5,413 | 5,494 | 5,576 | 5,660 | 5,745 | 5,831 | 5,918 | 6,007 | 6,097 | 6,189 | 6,281 | 6,376 | 6,471 | 6,568 |
| Total Operating Expense | | 61,594 | 63,368 | 65,193 | 67,073 | 69,007 | 70,998 | 73,048 | 75,159 | 77,331 | 79,567 | 81,869 | 84,239 | 86,679 | 89,191 | 91,776 | 94,438 | 97,178 | 100,000 | 102,904 | 105,894 |
| Net Operating Income | | 15,637 | 14,991 | 14,727 | 14,047 | 13,329 | 12,573 | 11,776 | 10,938 | 10,058 | 9,132 | 8,160 | 7,141 | 6,072 | 4,952 | 3,778 | 2,550 | 1,264 | (80) | (1,486) | (2,955) |
| Less Primary Debt Service | | 7,991 | 7,991 | 7,991 | 7,991 | 7,991 | 7,991 | 7,991 | 7,991 | 7,991 | 7,991 | 7,991 | 7,991 | 7,991 | 7,991 | 7,991 | 7,991 | 7,991 | 7,991 | 7,991 | 7,991 |
| Less Secondary Debt Service | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Annual Cash Flow | | 7,646 | 7,000 | 6,736 | 6,056 | 5,338 | 4,582 | 3,785 | 2,947 | 2,066 | 1,141 | 169 | (850) | (1,919) | (3,040) | (4,213) | (5,442) | (6,727) | (8,072) | (9,477) | (10,946) |
| Operating Subsidies / Sinking Fund | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 850 | 1,919 | 3,040 | 4,213 | 5,442 | 6,727 | 8,072 | 9,477 | 10,946 |
| Net Cash | | 7,646 | 7,000 | 6,736 | 6,056 | 5,338 | 4,582 | 3,785 | 2,947 | 2,066 | 1,141 | 169 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| DCR | | 195.68% | 187.60% | 184.29% | 175.78% | 166.80% | 157.33% | 147.37% | 136.88% | 125.86% | 114.28% | 102.12% | 89.36% | 75.98% | 61.96% | 47.28% | 31.91% | 15.82% | -1.01% | -18.60% | -36.98% |
| **Cumulative Cash Flow** | | | | | | | | | | | | | | | | | | | | | |
| Beginning Balance | | 0 | 7,722 | 14,869 | 21,822 | 28,156 | 33,829 | 38,794 | 43,005 | 46,412 | 48,963 | 50,605 | 51,282 | 50,945 | 49,535 | 46,991 | 43,248 | 38,238 | 31,894 | 24,141 | 14,905 |
| Deposits | | 7,646 | 7,000 | 6,736 | 6,056 | 5,338 | 4,582 | 3,785 | 2,947 | 2,066 | 1,141 | 169 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest | 2.0% | 76 | 147 | 216 | 279 | 335 | 384 | 426 | 460 | 485 | 501 | 508 | 513 | 509 | 495 | 470 | 432 | 382 | 319 | 241 | 149 |
| Withdrawals | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (850) | (1,919) | (3,040) | (4,213) | (5,442) | (6,727) | (8,072) | (9,477) | (10,946) |
| Ending Balance | | 7,722 | 14,869 | 21,822 | 28,156 | 33,829 | 38,794 | 43,005 | 46,412 | 48,963 | 50,605 | 51,282 | 50,945 | 49,535 | 46,991 | 43,248 | 38,238 | 31,894 | 24,141 | 14,905 | 4,109 |
| **Cumulative Replacement Reserves** | | | | | | | | | | | | | | | | | | | | | |
| Beginning Balance | | 0 | 4,950 | 10,074 | 15,325 | 20,706 | 11,220 | 16,718 | 22,352 | 28,124 | 34,037 | 25,094 | 31,147 | 37,348 | 43,698 | 50,203 | 41,863 | 48,532 | 55,362 | 62,355 | 69,514 |
| Deposits | | 4,950 | 5,024 | 5,100 | 5,176 | 5,254 | 5,333 | 5,413 | 5,494 | 5,576 | 5,660 | 5,745 | 5,831 | 5,918 | 6,007 | 6,097 | 6,189 | 6,281 | 6,376 | 6,471 | 6,568 |
| Interest | 2.0% | 50 | 100 | 152 | 205 | 260 | 166 | 221 | 278 | 337 | 397 | 308 | 370 | 433 | 497 | 563 | 481 | 548 | 617 | 688 | 761 |
| Withdrawals | (15,000) | 0 | 0 | 0 | 0 | (15,000) | 0 | 0 | 0 | 0 | (15,000) | 0 | 0 | 0 | 0 | (15,000) | 0 | 0 | 0 | 0 | (15,000) |
| Ending Balance | | 4,950 | 10,074 | 15,325 | 20,706 | 11,220 | 16,718 | 22,352 | 28,124 | 34,037 | 25,094 | 31,147 | 37,348 | 43,698 | 50,203 | 41,863 | 48,532 | 55,362 | 62,355 | 69,514 | 61,843 |

vhfa

VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: May 1, 1998

RE: Single Family Program Activity Report For April, 98

## MORTGAGE PURCHASE PROGRAMS

| Month | No. | Amount | Previous Year | No. | Amount |
|---|---|---|---|---|---|
| Reservations | 69 | $ 4,916,589 | | 107 | $ 7,956,153 |
| Purchases | 22 | $ 1,494,901 | | 46 | $ 2,911,527 |

| Period to Date | No. | Amount | Previous Year | No. | Amount |
|---|---|---|---|---|---|
| Reservations | 195 | $13,521,943 | | 317 | $22,967,530 |
| Purchases | 123 | $ 8,357,948 | | 196 | $13,216,689 |

## MORTGAGE PLUS

| Month | No. | Amount | Previous Year | No. | Amount |
|---|---|---|---|---|---|
| Reservations | 2 | $ 148,000 | | 11 | $ 922,350 |
| Issued | 6 | $ 494,016 | | 6 | $ 415,390 |

| Period to Date | No. | Amount | Previous Year | No. | Amount |
|---|---|---|---|---|---|
| Reservations | 12 | $ 939,956 | | 30 | $ 2,466,268 |
| Issued | 21 | $ 1,690,300 | | 15 | $ 1,156,292 |



*Mailing Address:* PO Box 408, Burlington, Vermont 05402-0408
*Delivery Address:* 164 Saint Paul Street, Burlington, Vermont 05401-4364
802 / 864-5743 • 800 / 339-5866 • TDD: 800 / 586-5832
FAX: 802 / 864-5746 • Underwriting FAX: 802 / 863-5422 • home@vhfa.org

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EQUAL HOUSING OPPORTUNITY

vhfa
VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: May 26,1998

RE: Servicing Activity for April 1998

## SERVICING ACTIVITY

Collections:

| | | |
|---|---|---|
| Last months 90+ accounts: | | 119 |
| New 90 day accounts (+): | 6 | |
| To foreclosure/DIL (-): | 2 | |
| To 60 days or less (-): | 21 | |
| Under payment arrangement: | | |
| 90+ accounts: | | 102 |

In Foreclosure:

| | | |
|---|---|---|
| Last months foreclosure accounts: | | 50 |
| New foreclosures (+): | 4 | |
| To REO (-): | 4 | |
| Successful interventions (-): | | |
| Negotiating workouts: | 1 | |
| Foreclosure accounts: | | 50 |

Real Estate Owned:

| | | |
|---|---|---|
| Last months REO's: | | 72 |
| New REO's (+): | 6 | |
| Properties sold (-): | 15 | |
| Properties under contract: | | |
| Other: | | |
| REO's: | | 63 |



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EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: APRIL, 1998

| Lenders | Loans | 30 | Days | 60 | Days | 90+ | Days | Auth | FCL | Delinq | | REO | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ALBANK, FSB | 435 | 26 | 5.98% | 8 | 1.84% | 7 | 1.61% | 4 | 0.92% | 45 | 10.34% | 3 | 0.69% |
| Banknorth Mortgage Co. | 783 | 31 | 3.96% | 5 | 0.64% | 11 | 1.40% | 5 | 0.64% | 52 | 6.64% | 6 | 0.77% |
| Bennington Co-op S&L Assoc. | 57 | 1 | 1.75% | 1 | 1.75% | 0 | 0.00% | 0 | 0.00% | 2 | 3.51% | 0 | 0.00% |
| Brattleboro Savings & Loan | 27 | 1 | 3.70% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 1 | 3.70% | 0 | 0.00% |
| Chittenden Bank | 935 | 52 | 5.56% | 8 | 0.86% | 10 | 1.07% | 11 | 1.18% | 81 | 8.66% | 9 | 0.96% |
| Citizens Savings Bank | 115 | 7 | 6.09% | 0 | 0.00% | 0 | 0.00% | 1 | 0.87% | 8 | 6.96% | 2 | 1.74% |
| Community National Bank | 318 | 16 | 5.03% | 4 | 1.26% | 3 | 0.94% | 1 | 0.31% | 24 | 7.55% | 2 | 0.63% |
| Connecticut River Bank | 5 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Factory Point Nat. Bank | 35 | 3 | 8.57% | 0 | 0.00% | 1 | 2.86% | 0 | 0.00% | 4 | 11.43% | 0 | 0.00% |
| First Brandon Nat. Bank | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| First Nationwide Mortgage | 8 | 2 | 25.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 2 | 25.00% | 0 | 0.00% |
| GMAC Mortgage | 7 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Granite Bank (NH) | 2 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Graystone Mortgage Company | 559 | 49 | 8.77% | 5 | 0.89% | 19 | 3.40% | 4 | 0.72% | 77 | 13.77% | 12 | 2.15% |
| ~~Heritage Family Credit Union~~ | ~~5~~ | ~~0~~ | ~~0.00%~~ | ~~0~~ | ~~0.00%~~ | ~~0~~ | ~~0.00%~~ | ~~0~~ | ~~0.00%~~ | ~~0~~ | ~~0.00%~~ | ~~0~~ | ~~0.00%~~ |
| Lyndonville Savings Bank | 60 | 2 | 3.33% | 0 | 0.00% | 1 | 1.67% | 0 | 0.00% | 3 | 5.00% | 0 | 0.00% |
| Mascoma Savings Bank | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Merchants Bank | 283 | 7 | 2.47% | 1 | 0.35% | 1 | 0.35% | 4 | 1.41% | 13 | 4.59% | 3 | 1.06% |
| Mortgage Service Ctr. of NE | 87 | 9 | 10.34% | 1 | 1.15% | 1 | 1.15% | 1 | 1.15% | 12 | 13.79% | 4 | 4.60% |
| New England Federal CU | 48 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Northfield Savings Bank | 133 | 5 | 3.76% | 2 | 1.50% | 0 | 0.00% | 2 | 1.50% | 9 | 6.77% | 0 | 0.00% |
| Passumpsic Savings Bank | 166 | 10 | 6.02% | 2 | 1.20% | 3 | 1.81% | 0 | 0.00% | 15 | 9.04% | 3 | 1.81% |
| Peoples Trust Co. | 97 | 6 | 6.19% | 1 | 1.03% | 2 | 2.06% | 0 | 0.00% | 9 | 9.28% | 0 | 0.00% |
| Randolph National Bank | 38 | 2 | 5.26% | 1 | 2.63% | 1 | 2.63% | 0 | 0.00% | 4 | 10.53% | 0 | 0.00% |
| Union Bank | 177 | 9 | 5.08% | 5 | 2.82% | 3 | 1.69% | 0 | 0.00% | 17 | 9.60% | 0 | 0.00% |
| Vermont Development CU | 62 | 1 | 1.61% | 3 | 4.84% | 2 | 3.23% | 0 | 0.00% | 6 | 9.68% | 1 | 1.61% |
| Vermont National Bank | 1901 | 87 | 4.58% | 38 | 2.00% | 37 | 1.95% | 17 | 0.89% | 179 | 9.42% | 17 | 0.89% |
| Wells River Savings Bank | 29 | 2 | 6.90% | 1 | 3.45% | 0 | 0.00% | 0 | 0.00% | 3 | 10.34% | 1 | 3.45% |
| Totals | 6374 | 328 | 5.15% | 86 | 1.35% | 102 | 1.60% | 50 | 0.78% | 566 | 8.88% | 63 | 0.99% |
| Totals Previous Month | 6409 | 324 | 5.06% | 81 | 1.26% | 119 | 1.86% | 50 | 0.78% | 574 | 8.96% | 72 | 1.12% |
| Totals Same Mo. Last Yr. | 6336 | 297 | 4.69% | 67 | 1.06% | 58 | 0.92% | 64 | 1.01% | 486 | 7.67% | 65 | 1.03% |

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: APRIL, 1998

| Lenders | Loans | 30 | Days | 60 | Days | 90+ | Days | Auth | FCL | Delinq | | REO | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Large Servicer 400+ | | | | | | | | | | | | | |
| Albank | 435 | 26 | 5.98% | 8 | 1.84% | 7 | 1.61% | 4 | 0.92% | 45 | 10.34% | 3 | 0.22% |
| Banknorth Mortgage Co. | 783 | 31 | 3.96% | 5 | 0.64% | 11 | 1.40% | 5 | 0.64% | 52 | 6.64% | 6 | 0.63% |
| Chittenden Bank | 935 | 52 | 5.56% | 8 | 0.86% | 10 | 1.07% | 11 | 1.18% | 81 | 8.66% | 9 | 1.05% |
| Graystone Mortgage Company | 559 | 49 | 8.77% | 5 | 0.89% | 19 | 3.40% | 4 | 0.72% | 77 | 13.77% | 12 | 3.54% |
| Vermont National Bank | 1901 | 87 | 4.58% | 38 | 2.00% | 37 | 1.95% | 17 | 0.89% | 179 | 9.42% | 17 | 1.36% |
| Totals | 4613 | 245 | 5.31% | 64 | 1.39% | 84 | 1.82% | 41 | 0.89% | 434 | 9.41% | 47 | 1.02% |
| Average | 923 | 49 | 5.77% | 13 | 1.25% | 17 | 1.89% | 8 | 0.87% | 87 | 9.77% | 9 | 1.36% |
| Medium Servicers 399-50 | | | | | | | | | | | | | |
| Bennington Co-op S&L Assoc. | 27 | 1 | 3.70% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 1 | 3.70% | 0 | 0.00% |
| Citizens Savings Bank | 115 | 7 | 6.09% | 0 | 0.00% | 0 | 0.00% | 1 | 0.87% | 8 | 6.96% | 2 | 1.74% |
| Community National Bank | 318 | 16 | 5.03% | 4 | 1.26% | 3 | 0.94% | 1 | 0.31% | 24 | 7.55% | 2 | 0.63% |
| Lyndonville Savings Bank | 60 | 2 | 3.33% | 0 | 0.00% | 1 | 1.67% | 0 | 0.00% | 3 | 5.00% | 0 | 0.00% |
| Merchants Bank | 283 | 7 | 2.47% | 1 | 0.35% | 1 | 0.35% | 4 | 1.41% | 13 | 4.59% | 3 | 1.06% |
| Mortgage Service Ctr. of NE | 87 | 9 | 10.34% | 1 | 1.15% | 1 | 1.15% | 1 | 1.15% | 12 | 13.79% | 4 | 4.60% |
| Northfield Savings Bank | 133 | 5 | 3.76% | 2 | 1.50% | 0 | 0.00% | 2 | 1.50% | 9 | 6.77% | 0 | 0.00% |
| Passumpsic Savings Bank | 166 | 10 | 6.02% | 2 | 1.20% | 3 | 1.81% | 0 | 0.00% | 15 | 9.04% | 3 | 1.81% |
| Peoples Trust Co. | 97 | 6 | 6.19% | 1 | 1.03% | 2 | 2.06% | 0 | 0.00% | 9 | 9.28% | 0 | 0.00% |
| Union Bank | 177 | 9 | 5.08% | 5 | 2.82% | 3 | 1.69% | 0 | 0.00% | 17 | 9.60% | 0 | 0.00% |
| Totals | 1463 | 72 | 4.92% | 16 | 1.09% | 14 | 0.96% | 9 | 0.62% | 111 | 7.59% | 14 | 0.96% |
| Average | 146 | 7 | 5.20% | 2 | 0.93% | 1 | 0.97% | 1 | 0.53% | 11 | 7.63% | 1 | 0.98% |
| Small Servicers 49- | | | | | | | | | | | | | |
| Brattleboro Savings & Loan | 27 | 1 | 3.70% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 1 | 3.70% | 0 | 0.00% |
| Connecticut River Bank | 5 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Factory Point Nat. Bank | 35 | 3 | 8.57% | 0 | 0.00% | 1 | 2.86% | 0 | 0.00% | 4 | 11.43% | 0 | 0.00% |
| First Brandon Nat. Bank | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| First Nationwide Mortgage | 8 | 2 | 25.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 2 | 25.00% | 0 | 0.00% |
| GMAC Mortgage | 7 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Granite Bank (NH) | 2 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Heritage Family Credit Union | 5 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Mascoma Savings Bank | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| New England Federal CU | 48 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Randolph National Bank | 38 | 2 | 5.26% | 1 | 2.63% | 1 | 2.63% | 0 | 0.00% | 4 | 10.53% | 0 | 0.00% |
| Vermont Development CU | 62 | 1 | 1.61% | 3 | 4.84% | 2 | 3.23% | 0 | 0.00% | 6 | 9.68% | 1 | 1.61% |
| Wells River Savings Bank | 29 | 2 | 6.90% | 1 | 3.45% | 0 | 0.00% | 0 | 0.00% | 3 | 10.34% | 1 | 3.45% |
| Totals | 268 | 11 | 4.10% | 5 | 1.87% | 4 | 1.49% | 0 | 0.00% | 20 | 7.46% | 2 | 0.75% |
| Average | 21 | 1 | 3.94% | 0 | 0.91% | 0 | 0.73% | | 0.00% | 2 | 5.58% | 0 | 0.41% |

| Lenders | 1997 Jun | Jul | Aug | Sep | Oct | Nov | Dec | 1998 Jan | Feb | Mar | Apr |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Large Servicer 400+ | | | | | | | | | | | |
| Albank | 8.24% | 9.19% | 8.54% | 10.29% | 11.86% | 10.24% | 12.28% | 13.00% | 10.99% | 9.82% | 10.34% |
| Banknorth Mortgage Co. | 8.57% | 7.54% | 8.06% | 8.13% | 8.83% | 8.91% | 8.16% | 7.90% | 8.45% | 6.11% | 6.64% |
| Chittenden Bank | 8.65% | 9.32% | 8.66% | 7.64% | 8.30% | 9.20% | 10.39% | 9.10% | 10.15% | 7.72% | 8.66% |
| Graystone Mortgage Company | 11.76% | 11.72% | 14.29% | 14.29% | 12.75% | 17.75% | 15.72% | 12.52% | 16.17% | 13.33% | 13.77% |
| Vermont National Bank | 7.14% | 7.10% | 6.81% | 6.66% | 8.40% | 9.60% | 7.24% | 10.41% | 11.50% | 11.01% | 9.42% |
| Vermont Federal Bank | 8.29% | 8.05% | 8.29% | 11.39% | 12.28% | 13.00% | 13.08% | | | | |
| Average | 8.78% | 8.82% | 9.11% | 9.73% | 10.40% | 11.45% | 11.15% | 10.59% | 11.45% | 9.60% | 9.77% |
| Medium Servicers 399-50 | | | | | | | | | | | |
| Bennington Co-op S&L Assoc. | 1.92% | 1.92% | 3.85% | 3.85% | 1.92% | 3.57% | 1.82% | 7.41% | 3.51% | 3.57% | 3.70% |
| Citizens Savings Bank | 3.60% | 5.41% | 4.42% | 4.39% | 3.54% | 5.26% | 5.26% | 3.48% | 6.09% | 5.17% | 6.96% |
| Community National Bank | 5.84% | 5.77% | 6.96% | 8.49% | 6.65% | 8.20% | 8.81% | 9.69% | 7.79% | 5.92% | 7.55% |
| Lyndonville Savings Bank | 5.26% | 3.51% | 1.75% | 3.51% | 3.51% | 10.53% | 7.02% | 5.26% | 5.00% | 5.00% | 5.00% |
| Merchants Bank | 7.12% | 7.17% | 7.88% | 7.41% | 8.16% | 8.53% | 7.56% | 8.28% | 8.65% | 4.86% | 4.59% |
| Mortgage Service Ctr. of NE | 14.44% | 8.99% | 8.99% | 10.11% | 8.99% | 12.36% | 13.48% | 10.11% | 12.36% | 12.50% | 13.79% |
| National Bank of Middlebury | 12.50% | 9.23% | 12.31% | 12.31% | 13.85% | 13.85% | 12.31% | 12.50% | 9.38% | | |
| Northfield Savings Bank | 3.91% | 6.25% | 6.30% | 5.51% | 7.87% | 10.85% | 9.30% | 6.87% | 7.52% | 6.02% | 6.77% |
| Passumpsic Savings Bank | 9.20% | 8.05% | 8.05% | 8.05% | 7.51% | 9.36% | 9.83% | 9.94% | 9.36% | 11.24% | 9.04% |
| Peoples Trust Co. | 8.08% | 7.29% | 6.19% | 8.08% | 9.09% | 7.92% | 5.94% | 5.00% | 9.09% | 7.14% | 9.28% |
| Union Bank | 10.00% | 7.06% | 9.36% | 9.36% | 8.62% | 11.36% | 10.80% | 9.14% | 9.09% | 9.04% | 9.60% |
| Average | 7.44% | 6.42% | 6.91% | 7.37% | 7.25% | 9.25% | 8.38% | 7.97% | 7.99% | 7.27% | 7.80% |
| Small Servicers 49- | | | | | | | | | | | |
| Brattleboro Savings & Loan | 4.00% | 4.00% | 4.00% | 8.33% | 3.85% | 3.85% | 3.85% | 7.41% | 3.70% | 7.41% | 3.70% |
| Connecticut River Bank | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Factory Point Nat. Bank | 0.00% | 5.71% | 2.86% | 8.33% | 5.71% | 8.33% | 11.11% | 8.57% | 11.43% | 11.43% | 11.43% |
| First Brandon Nat. Bank | 10.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| First Nationwide Mortgage | 0.00% | 10.00% | 0.00% | 10.00% | 0.00% | 10.00% | 22.22% | 11.11% | 11.11% | 12.50% | 25.00% |
| Fleet Mortgage | 17.39% | 19.15% | 17.02% | 17.39% | | | | | | | |
| GMAC Mortgage | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Granite Bank (NH) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Heritage Family Credit Union | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Mascoma Savings Bank | | | | | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| New England Federal CU | 0.00% | 0.00% | 0.00% | 2.08% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Randolph National Bank | 2.50% | 2.50% | 5.13% | 7.89% | 7.89% | 7.89% | 7.89% | 10.53% | 10.53% | 10.53% | 10.53% |
| Vermont Devvelopment CU | 12.50% | 14.29% | 14.29% | 14.29% | 13.21% | 12.73% | 15.79% | 11.86% | 11.86% | 10.00% | 9.68% |
| Wells River Savings Bank | 6.67% | 6.67% | 6.45% | 6.45% | 6.67% | 6.67% | 13.33% | 13.33% | 10.00% | 10.34% | 10.34% |
| Average | 4.45% | 5.09% | 4.56% | 6.29% | 2.95% | 3.92% | 6.03% | 4.94% | 4.65% | 5.06% | 5.92% |
| Total VHFA Delinquency | 8.21% | 8.09% | 8.38% | 9.07% | 9.69% | 10.55% | 10.36% | 9.61% | 10.30% | 8.96% | 8.88% |

# VERMONT HOUSING FINANCE AGENCY

## Board Property Disposition Report

Month of: April, 1998

### Properties Sold

| Property | Listing Price | Sale Price | Principal Balance | Interest | To Date Expenses | Claim Payment | Actual Gain/ (Loss) | Audit Valuation Offset | Additional Gain/ (Loss) |
|---|---|---|---|---|---|---|---|---|---|
| Cole Brattleboro | $47,900 | $,43,000 | $55,204 | $ 3,767 | $16,063 | $12,380 | ($19,654) | ($13,706) | ($ 5,948) |
| Disorda Brandon | $43,900 | $39,000 | $55,329 | $ 5,047 | $15,642 | $12,800 | ($24,218) | ($11,375) | ($12,833) |
| Petite St. Albans | $44,900 | $37,000 | $72,765 | $ 4,572 | $14,785 | $33,552 | ($21,570) | ($ 3,495) | ($18,075) |
| Wood Barre | $74,900 | $65,000 | $76,151 | $ 8,411 | $38,514 | $17,000 | ($41, 076) | ($37,693) | ($ 3,383) |
| O'Dell Barre | $39,900 | $39,000 | $68,740 | $ 3,818 | $ 7,784 | $27,496 | ($13,846) | ($35,793) | $21,947 |
| Holmes Burlington BCLT | $0 | $83,000 | $70,971 | $ 6,487 | $ 4,121 | $0 | $ 1,421 | $ 5,570 | ($ 4,149) |
| Lynch Rockingham | $33,500 | $32,500 | $45,517 | $ 4,991 | $15,315 | $10,000 | ($23,323) | ($20,954) | ($ 2,369) |
| Mattison Rutland | $29,500 | $18,000 | $61,399 | $ 5,404 | $ 9,667 | $14,239 | ($44,231) | ($41,250) | ($ 2,981) |
| Cleveland Hyde Park | $64,900 | $60,000 | $73,250 | $ 8,775 | $15,551 | $15,800 | ($46,708) | ($18,629) | ($28,079) |
| Phillipi Reading | $49,900 | $39,000 | $66,037 | $ 6,018 | $ 9,966 | $14,800 | ($28,221) | ($26,238) | ($ 1,983) |
| Belavance Hardwick | $$39,900 | $28,000 | $49,862 | $ 6,380 | $12,699 | $10,750 | ($30,191) | ($11,654) | ($18,537) |

## Properties Sold (Con't)

| Property | Listing Price | Sale Price | Principal Balance | Interest | To Date Expenses | Claim Payment | Actual Gain/ (Loss) | Audit Valuation Offset | Additional Gain/ (Loss) |
|---|---|---|---|---|---|---|---|---|---|
| Yana Lincoln | $74,900 | $68,500 | $88,591 | $ 9,932 | $23,478 | $19,219 | ($34,282) | ($24,382) | ($ 9,899) |
| Hayes West Rutland | $29,900 | $29,000 | $62,164 | $ 9,572 | $12,896 | $13,200 | ($42,432) | ($47,124) | $ 4,692 |

## Properties Under Contract

| Property | Listing Price | Contract Price | Principal Balance | Interest | Estimated Expenses | Estimated Claim Payment | Actual Gain/ (Loss) | Audit Valuation Offset | Additional Gain/ (Loss) |
|---|---|---|---|---|---|---|---|---|---|
| Premont Marshfield | $34,000 | $16,000 | $38,635 | $ 2,717 | $ 8,462 | $ 6.635 | ($27,179) | ($14,447) | ($12,732) |
| Bushey Fairfield | $64,900 | $64,900 | $57,867 | $ 5,686 | $13,678 | $12,331 | $0 | ($ 7,976) | $ 7,976 |
| Gideos Rockingham | $62,900 | $54,000 | $68,250 | $ 5,743 | $22,676 | $15,000 | ($27,669) | ($26,464) | ($ 1,205) |
| Wood Clarendon | $44,900 | $44,900 | $78,159 | $15,140 | $16,645 | $16,900 | ($48,144) | ($65,908) | $17,764 |
| Walling Bloomfield | $54,900 | $52,500 | $68,369 | $ 3,217 | $ 8,922 | $14,500 | ($13,508) | ($29,793) | $16,285 |
| Barsalow Rutland | $59,900 | $54,900 | $71,266 | $ 8,580 | $19,574 | $15,200 | ($42,828) | ($25,774) | ($17,054) |
| Harrington Rutland | $74,500 | $68,000 | $74,657 | $ 8,574 | $14,720 | $16,250 | ($24,932) | ($22,032) | ($ 2,900) |
| Thompson Putney | $49,900 | $44,000 | $58,538 | $ 4,730 | $ 8,393 | $10,350 | ($8,918) | ($16,248) | $ 7,330 |
| Longe Bakersfield | $59,900 | $51,000 | $65,064 | $ 5,579 | $ 9,742 | $13,980 | ($15,405) | ($15,692) | $ 287 |
| D'Auria Lyndon | $35,900 | $29,000 | $57,523 | $ 4,444 | $10,100 | $ 9,410 | ($33,657) | ($32,114) | ($ 1,543) |
| Carbee St. Albans | $71,900 | $69,900 | $78,406 | $ 7,036 | $13,148 | $28,690 | $ 0 | $ 0 | $ 0 |

## Properties Under Contract (Con't)

| Property | Listing Price | Contract Price | Principal Balance | Interest | Estimated Expenses | Estimated Claim Payment | Actual Gain/ (Loss) | Audit Valuation Offset | Additional Gain/ (Loss) |
|---|---|---|---|---|---|---|---|---|---|
| Grey St. Johnsbury | $37,900 | $31,000 | $54,801 | $ 251 | $ 9,400 | $11,676 | ($21,776) | $ 3,786 | ($25,562) |
| Blow Proctor | $69,900 | $68,000 | $73,223 | $ 6,374 | $16,964 | $12,860 | ($15,701) | ($19,480) | $ 3,779 |
| Robie St Johnsbury | $39,900 | $32,000 | $48,426 | $ 3,370 | $16,560 | $ 9,426 | ($26,930) | ($ 6,758) | ($20,172) |
| Toms Hubbardton | $67,900 | $65,000 | $73,348 | $ 9,983 | $29,913 | $12,075 | ($36,169) | ($35,590) | ($ 579) |
| Loughan Pittsford | $52,500 | $50,000 | $69,113 | $ 8,319 | $11,047 | $17,852 | ($20,627) | ($15,677) | ($ 4,950) |
| Johnson Colchester | $73,500 | $66,000 | $73,034 | $ 9,706 | $12,579 | $16,000 | ($13,319) | ($10,393) | ($ 2,926) |
| Burnie Benson | $34,500 | $30,000 | $68,964 | $ 2,814 | $16,229 | $14,000 | ($44,007) | ($47,404) | $ 3,397 |
| Avery Barre | $44,900 | $44,900 | $48,664 | $ 3,883 | $ 9,674 | $10,600 | ($ 6,721) | ($ 8,389) | $ 1,668 |
| Sumner Castleton | $69,900 | $62,000 | $72,568 | $10,526 | $14,996 | $18,142 | ($ 2,952) | ($14,405) | $11,453 |
| Lynch Castleton | $69,500 | $67,500 | $67,967 | $ 9,836 | $34,942 | $14,500 | ($30,745) | ($20,954) | ($ 9,791) |
| Larock Poultney | $44,500 | $41,000 | $60,307 | $11,283 | $32,119 | $15,014 | ($48,695) | ($52,798) | $ 4,103 |
| Berthiaume St. Johnsbury\ | $31,900 | $26,000 | $48,261 | $ 6,021 | $14,102 | $ 9,636 | ($32,748) | ($ 4,747) | ($28,001) |
| Fredriksen Rockingham | $49,500 | $47,000 | $57,067 | $ 5,121 | $15,017 | $12,600 | ($17,605) | ($23,604) | $ 5,999 |
| Perry Rutland | $49,500 | $52,000 | $62,191 | $ 5,197 | $14,548 | $18,657 | ($11,279) | ($30,436) | $19,157 |

## Properties Under Contract (Con't)

| Property | Listing Price | Contract Price | Principal Balance | Interest | Estimated Expenses | Estimated Claim Payment | Actual Gain/ (Loss) | Audit Valuation Offset | Additional Gain/ (Loss) |
|---|---|---|---|---|---|---|---|---|---|
| Patenaude<br>Westmore | $74,500 | $67,500 | $71,470 | $ 4,475 | $ 9,397 | $15,220 | ($ 2,622) | ($16,420) | $13,798 |
| Lamphere<br>Sheffield | $52,900 | $50,000 | $74,437 | $ 5,317 | $11,168 | $16,000 | ($20,068) | ($20,817) | $ 748 |

## Properties in the VHFA/Non Profit Sale Program

Watkins
Springfield
Rockingham CLT

Richards
Fair Haven
Rutland West NHS

Stocker
Rutland
Rutland West NHS

Mullen
Burlington
BCLT

vhfa

VERMONT HOUSING FINANCE AGENCY

**MEMORANDUM**

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Single Family Operations
Cynthia J. Cunningham, Loan Servicing Manager

DATE: June 5, 1998

RE: Request for Proposal (RFP) to provide sub-servicing services to VHFA

## DISCUSSION

VHFA negotiated and signed the first sub-servicing agreement with Graystone Mortgage Corporation (GMC) on April 30, 1995. After three years, we believe it is time again to solicit proposals for these services to insure that VHFA is paying for the best possible service. In addition, we want to make sure that there are not some additional services that could be provided by a sub-servicer that we are unaware of.

Cindy and I have not been entirely pleased with the quality of sub-servicing VHFA has been receiving recently from GMC in the areas of loss mitigation and the handling of escrow accounts.

I have developed an RFP that will be available at the Board meeting for your review. The RFP consists of five sections:

1. A cover letter;
2. A VHFA information sheet covering the characteristics of the sub-servicing portfolio;
3. A sample sub-servicing agreement;
4. A sub-servicer information form; and
5. A list of required submissions.

I anticipate placing a notice in the Vermont Bankers Association newsletter to reach any Vermont banks that may be interested in responding to the RFP. In addition, I have developed a list of approximately six firms that are capable of providing sub-servicing services to VHFA. This list was derived from professional publications, discussions with other HFAs, and communications with some of the firms themselves. A few of these sub servicers are The Leader Mortgage Company, Dovenmuehle Mortgage Inc. (Sub-services for New Hampshire Housing), and Lincoln Service Mortgage Corporation.

## REQUESTED BOARD ACTION

Approval to move forward with the RFP for sub-servicing services.

**vhfa**

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

**TO:** VHFA Board of Commissioners

**FROM:** Samuel J. Falzone, Director, Multifamily Management

**DATE:** June 11, 1998

**RE:** MULTIFAMILY DIRECTOR'S REPORT

The attached report for the year ending December 31, 1997 is provided for the Board's information and includes the status of various audited financial aspects of the Multifamily portfolio. The report also contains narratives on Department activity and detailed project reports through May 1998.

I will be happy to answer any questions at the Board Meeting in Montpelier on the 18th or you may contact me by phone at (652-3435).

# MULTIFAMILY MANAGEMENT
# DIRECTOR'S REPORT
**For the Year Ending December 31, 1997**

## 1. DELINQUENT MORTGAGE LOAN PAYMENTS

| PROJECT NAME | PENALTY/INTEREST | MONTH | TOTAL DAYS LATE |
|---|---|---|---|
| NONE | | | |

## 2. ACC AND HAP CONTRACT AMENDMENTS REQUIRED

| PROJECT NAME | ORIGINAL ACC | CURRENT AMENDMENT | RESERVE BALANCE |
|---|---|---|---|
| 21 Main Street | $46,200 | * | 11,548 |
| Abenaki Family Housing | 103,909 | * | (2,800) |
| Bardwell House | 558,504 | * | (64,052) |
| Bemis Block | 83,769 | * | (1,692) |
| Benson Heights | 106,700 | * | (20,367) |
| Brookside Apts. | 33,198 | 43,198 | 1,388 |
| Bobbin Mill | 397,273 | 425,273 | 42,480 |
| Canterbury N & S | 217,324 | * | 15,351 |
| Chester Arthur | 56,737 | 66,737 | 4,328 |
| Colonial Apts. | 68,784 | 94,312 | 5,336 |
| Colonial Village- E&F | 60,360 | * | 29,066 |
| Conant Square Inn | 79,896 | * | (7,603) |
| Garden Apts. | 72,876 | 94,876 | 23,253 |
| Graystone Village | 139,002 | * | 5,391 |
| Green Hill Apts. | 93,814 | 107,814 | 2,264 |
| Hardwick Family Housing | 61,197 | * | 19,002 |
| Hebert Farm | 53,448 | * | (10,304) |
| Hillside Acres | 75,216 | * | 23,853 |
| Holy Angels Commons | 227,988 | * | 54,487 |
| Homestead Mews | 180,403 | * | (36,176) |
| Jeri-Hill | 182,326 | 222,326 | 37,129 |
| Lamoille View Apts. | 101,976 | * | 40,167 |
| Lane Shops | 215,040 | * | 72,967 |
| Lower Welden | 105,937 | * | 22,959 |

## 2. ACC AND HAP CONTRACT AMENDMENTS REQUIRED (Cont.)

| PROJECT NAME | ORIGINAL ACC | CURRENT AMENDMENT | RESERVE BALANCE |
|---|---|---|---|
| Mad River Meadows | $190,194 | * | (50,159) |
| Maple St./K.S.N.R.C. | 57,900 | 79,900 | (7,189) |
| Meadow Lane | 88,452 | * | (29,161) |
| Mellishwood Houses II | 63,612 | * | 6,312 |
| Mill Village | 102,127 | * | 508 |
| Mountain View/Fairfax | 150,785 | * | (5,328) |
| Mountain View Hancock | 35,220 | * | 1,087 |
| Parsons Hill | 110,401 | * | (16,242) |
| Pine Grove | 101,496 | * | (28,589) |
| Pine Manor | 114,285 | * | (9,272) |
| Point School Apts | 44,196 | * | (1,188) |
| Proctor Place | 80,254 | * | (4,916) |
| Prospect/Forest Homes | 82,463 | * | (7,207) |
| Randall Apts. | 60,528 | 81,528 | 12,389 |
| Randolph Circle | 127,080 | * | (8,423) |
| Roaring Brook Housing | 78,552 | * | 63,395 |
| Saxtons River | 103,776 | 150,776 | 27,353 |
| School House Apts. | 76,449 | * | (24,369) |
| School Street Apts. | 68,028 | 78,028 | 11,472 |
| Sugarwood Apts. | 101,647 | * | (5,252) |
| Sunrise Manor | 141,960 | * | (32,335) |
| Valley View | 156,152 | * | (36,370) |
| Village Apts. | 60,168 | * | 23,508 |
| Walden Mountain | 99,096 | 121,096 | 7,461 |
| West Burke Housing | 115,664 | * | (7,312) |
| Westminster Family | 86,555 | * | (15,763) |
| Willey Street Apts. | 106,186 | * | (6,343) |

* amendment reverted to original ACC amount

## 3. CASH FLOW PROBLEMS:

| PROJECT | CASH POSITION AS OF 12/31/97 | OPERATING PROFIT/LOSS | |
|---|---|---|---|
| | | BUDGET | ACTUAL |
| Depot Square | $1,065 | $2,500 | ($6,169) |
| Proctor Place | $3,939 | $25,514 | $727 |
| School St. Apts. | $3,865 | $3,277 | ($4,318) |
| Templeton | $28,945 | $143 | ($15,574) |
| Winchester | $41,998 | ($284,589) | ($274,716) |

## 4. MULTIFAMILY PRESERVATION AGREEMENTS

| PROJECT NAME | # YEARS LOCKED IN | OPTION (Y/N) |
|---|---|---|
| Abenaki Family Housing | 60 | NP* |
| Brownway | 20 | Y |
| Cummings Street** | 28 | NP* |
| Depot II** | 40 | NP* |
| Dogwood Glen | 20 | NP* |
| Duggan Row | 20 | Y |
| Eno Apts. | 19 | Y |
| Garden Apts. | 20 | Y |
| Graystone Village | Perpetuity | NP* |
| Harrington Apts. | 19 | Y |
| Hidden Pines | 50 | Y |
| Highgate** | Perpetuity | NP* |
| King St. Apts. | 20 | Y |
| Lake Champlain Apts. | 20 | Y |
| Lane Shops** | 15 | Y |
| Linden Terrace | 50 | NP* |
| Lower Weldon St. Apts. | 17 | Y |
| Maple St./Hardwick | 18 | Y |
| Meadow Lane** | 15 | N |
| Mellishwood I & II | 25 | Y |
| Mountain View/Fairfax | 18 | Y |
| Northgate** | Perpetuity | NP* |
| Olde Windsor Village | 23 | NP* |
| Prospect/Forest Homes | 22 | NP* |
| Randolph House** | 48 | NP* |
| Rockingham | 71 | Y |
| School Street Apts. | 20 | NP* |
| Village Apts.** | 19 | NP* |
| Walden Mtn. Apts. | 17 | Y |

** LIHTC

* Non-Profit

# MULTIFAMILY MANAGEMENT MONTHLY ACTIVITY REPORT
## For the Month ending May 31, 1998

A. Multifamily Management Activity – Narratives

1. Prepayment/Preservation
2. Condo Inspections and Financial Reviews
3. Tax Credit Audits and MF Financial Statement Reviews

B. Project Reports

1. 700 Riverside Ave
2. Abenaki Acres
3. Allen Apartments
4. Conant Square
5. Cummings Street
6. Depot Square Apartments
7. Duggan Row House
8. Garden Apartments
9. Highgate
10. Hillside MHP
11. Holy Angels Commons
12. Mad River Meadows
13. Maple Street Apartments
14. Mellishwood Apartments
15. Northgate
16. Parsons Hill
17. Pine Manor
18. Pine Meadow
19. Proctor Place
20. Randall Apartments
21. Roaring Brook
22. Templeton Court
23. Valley View
24. Walden Mountain
25. Westview Terrace
26. Winchester Place

## A. MULTIFAMILY MANAGEMENT ACTIVITY – NARRATIVES

1) **Prepayment/Preservation** – The past few months have seen increased emphasis and activity on this issue. After completing a risk assessment, especially geared to the 33 properties that make up our source of 0% refunding proceeds, staff began to negotiate with the owners of these properties in an attempt to lock in our full mortgage and HAP contract term. Our degree of success will ultimately remove any exposure we now have in the loss of these 0% funds that are being used by VHFA. We have also been working with Housing Vermont (HVT) and Lake Champlain Development Corporation (LCHDC) on ways that they can acquire these Section 8 properties and enter Preservation Agreements. Multifamily staff has also continued to work with existing owners on redefining their relationship with VHFA while addressing partnership tax issues, gaining prepayment protection and securing affordability. This work involves specific properties in St. Albans, Vergennes, Waitsfield, Winooski, Brandon, St. Johnsbury, Lyndonville and Burlington.

2) **Condo Inspections and Financial Reviews** - Multifamily staff has continued the process of visiting VHFA approved Condo properties and doing formal physical inspections. We have also implemented a method for receiving the annual meeting minutes, financial statements and annual operating budgets for these condo associations. The documents are reviewed to determine the financial condition of these properties and how well the associations are handling their responsibility to maintain the asset value of the property. Through these activities and early detection, VHFA's potential losses resulting from foreclosure are expected to be moderated. More than 120 Condo properties have been inspected thus far and formal financial reviews have been completed on 30 associations.

3) **Tax Credit Audits and MF Financial Statement Reviews** – Largely through Kim Roy's efforts, VHFA's tax credit compliance monitoring responsibilities have been handled effectively and efficiently over the past four years. The model program has earned praise from the GAO during their visit and has been acclaimed by states such as Virginia, Maine and New Hampshire as they begin to implement their own compliance-monitoring program. The entire multifamily department supports Kim's primary role in this activity and assists with billing, physical inspections and tenant file reviews for tax credit properties.

## B. PROJECT REPORTS:

1. **700 Riverside Ave** - Many improvements have been made at this Burlington property since the new ownership took over on November 14, 1997. The following are some of the improvements that have been made: three additional hot water heaters have been replaced (all of the 8 original hot water heaters have now been replaced), drainage has been upgraded and landscaping issues have been addressed. Since this property has a very limited operating budget, the money to cover these expenditures has come out of the owner's pocket. A new replacement reserve account has also been established in order to address future needs. The owner agreed to cover any shortfalls as part of the acquisition deal.

2. **Abenaki Acres** - We continue to struggle with the management practices at Abenaki Acres. For the third year in a row the audit was not submitted on time and is 90 days over due. We are in the process of sending a Notice of Intent to Declare Default. The notice will give Abenaki Self-Help 30 days to resolve this situation and we may ultimately have to replace them as manager of this property.

3. **Allen Apartments** – LCHDC is researching the possibility of purchasing this 17-unit property in Winooski. Louis Laun, owner, has had the property listed with Lang Associates for more than three months with no interest thus far. LCHDC currently manages the property and VHFA would help with 0% funds to accomplish the acquisition, ensure long-term affordability and to keep our current 9.5% mortgage in place.

4. **Conant Square** – We are still working out final details with the owner with regards to a Preservation Agreement at this Brandon property. VHFA has agreed to provide a new first mortgage for the remaining principal balance plus $38,000 at the original rate of 8.25%. The amortization will be extended out for 30 years with a balloon payment in 12 years (the expiration of the HAP Contract). In exchange, the owner has agreed to extend affordability of the property for 9 years beyond the expiration of the HAP contract.

5. **Cummings Street** – Cummings Street's HAP contract expired on May 29, 1998. The owner (HVT) and the management company have been working closely with HUD to secure a one-year extension. They have heard verbally from HUD that an extension has been granted but the paperwork is still pending.

6. **Depot Square Apartments** – An increase in taxes and utilities has resulted in much higher operating expenses than projected. A special rent adjustment is being processed by the Vermont State Housing Authority to adjust for these increases. Vacancies were also a problem during 1997 leading to a $6,000 loss. As of the end of May '98, all but one vacancy has been filled.

7. **Duggan Row House** – Joe Duggan, owner, has been diagnosed with a terminal illness with six months to live. In an effort to make an informed choice about whether to sell this 16-unit

property in Burlington, Keller, Navin and O'Brien Appraisers have been hired to do an appraisal as soon as possible. Kurt Kaffenburger, appraiser, has completed the physical inspection and has committed to completing his report by the third week in June. Due to a VHFA Preservation Agreement, VHFA has an option to purchase the property. Our goal is to support the Duggans in whatever they may decide.

8. **Garden Apartments** – As mentioned in Director's Reports last year, this project ended with a loss due to the tenant damage found when two long time residents moved out at the beginning of 1997. Now, in the first quarter of this year the expenses are right on target with a profit exceeding budgeted projections by $500.

9. **Highgate** - As of 5/31 there were three vacancies at Highgate, the longest was of only 15 days duration! All three are being rented this week. The first quarter cost of operations was about 3% or $6,150 above budget while total income was about 2% or $4,706 less than projected. A one-year HAP contract extension to June 30, 1999 is probable.

10. **Hillside MHP** – The state's slow sand filtration study has been completed and the owner has received approval for a $150,000 loan from the Vermont Drinking Water State Revolving Fund. The loan will be in two parts: $18,000 for engineering and the balance for constructing the system. This loan, along with the remainder of the VHFA Escrow, will be needed to complete this system. Engineering is underway and construction should be starting soon.

11. **Holy Angels Commons** – With an important $46,000 commitment from Residential Energy Efficiency Program (REEP), the long-delayed $196,000 energy conversion at this 31-unit elderly housing project should finally proceed. A VHFA Energy Loan will provide the balance of the funding in return for a mortgage lock-in and an agreement to honor the full term of the HAP Contract.

12. **Mad River Meadows** - The energy conversion at this 24-unit property has been deferred until the owner determines if the property will be sold. The cost of the conversion, after REEP participation, is estimated to be about $144,000. This projected expense could satisfy the $3,000 per unit minimum needed to qualify for the acquisition/rehab tax credit allocation, a likely component of any sale, hence the delay in proceeding at this time.

13. **Maple Street Apartments** – We have approved the use of Residual Receipts to fund an outreach coordinator position at Maple Street Apartments in Burlington. We are very excited about this program, and believe it will help to stabilize this community of 37 residents, many of whom have disabilities. Kathy Varney started on May 18th.

14. **Mellishwood Apartments** – Mellishwood's property taxes are going to be significantly impacted by ACT 60. Based on the new tax rate for Woodstock, taxes will increase by an alarming 30% (or $6,000) at this property. The owner is currently working with the town assessors to appeal the property's assessment.

15. **Northgate Apartments** - A Three-Party Agreement has been concluded, after much negotiation among VHFA, NHLP and NNP. $250,000 of Deficit Escrow has been used with VHFA approval to enlarge and enhance the Community Building. The Premium Replacement Note (originally $875,000) was reduced by $291,000, the "Zero Percent Loan" made by VHFA to NHLP. While admittedly a protracted and difficult process, the end result is that this property has not only enhanced its long-term financial position but is in a commanding market position for the future with its expanded community space.

16. **Parsons Hill** – Any health emergency that may have existed arising from the safety of the water supply at this 12 unit family housing property has ended. A new storage tank has been installed and testing shows the water is free of contaminants. HUD has granted a one- year income eligibility waiver for all 12 units. The 80% of median income level will help to promote a return to full occupancy and help to re-establish a dependable income stream. The legal issues associated with this matter continue to slowly move through the courts. The project has exhausted its reserves and the project operating account balance is negligible. The owner/manager has attempted to continue operations in the face of minimal income due to prolonged vacancies and unpaid/withheld rents. The cost of unit turnovers and legal fees has been significant. The outlook is not encouraging.

17. **Pine Manor** – The Management Agent has been replaced at our request after failing to meet their responsibilities. Delinquent property taxes, unpaid property insurance premiums, late annual financial statements and quarterly reports, a missing Capital Needs Assessment, and mortgage delinquencies all precipitated our action.

18. **Pine Meadow** – Vacancies are still a concern and the new management company has established a waiting list to address this issue. At the end of May they were successful in reducing the vacancies down to two units. Wood trim repairs are scheduled to be completed this summer. The owner hopes that these improvements will improve the property's marketability.

19. **Proctor Place** – Income was not realized as expected during 1997. There has been a long-term commercial space vacancy as well as vacancy losses in the residential rents. Higher than projected maintenance expenses also added to the low operating profit for the year.

20. **Randall Apartments** – On August 29, 1998 an energy conversion was finally completed at Randall Apartments. BED contributed $10,800 and the remaining $15,000 came out of the replacement reserve account - no loan was required. They have had a successful heating season and BHA is now considering purchasing the property. An appraisal is currently in process.

21. **Roaring Brook** - The four duplexes on Burton Hill will receive vinyl siding this summer. This should be a cost-effective improvement to this property. These buildings were built very tight and peeling exterior paint has been an ongoing problem.

22. **Templeton Court** – As of 12/31/97, Templeton had a loss of $15,574. Although the property was maintained as efficiently as possible, tenant income was down by over $33,000. In order for the 1998 budget to be approved, a special rent increase had to be sought. Knowing that this trend can not continue, we have asked VSHA to relax their stringent occupancy requirements at this property. This site contains mostly 3 and 4 bedroom units and their administrative plan requires that siblings share a bedroom unless there is more than six years in age between them . This requirement makes it difficult to fill four-bedroom units adequately. We are hopeful this requirement will be waived or that the policy will be changed. In addition, they are applying for a drug elimination grant for $125,000 to add youth recreation programs, a computer area, and activity center.

23. **Valley View** - The $115,000 energy conversion has been completed at this 24-unit housing project for the elderly under the REEP program.

24. **Walden Mountain** – As acknowledged by the Managing General Partner, the substantial deferred maintenance and persistent vacancies have undermined the financial position and performance of this four building project built on three sites in two towns. This 18-unit project housing both elderly and families struggles to overcome an inadequate initial rehab coupled with a weak rental market. Given the significant underfunding of the reserves as indicated by the Capital Needs Assessment, it is likely that additional assistance from VHFA will be necessary.

25. **Westview Terrace** – Most of the warranty issues discovered last summer have been resolved. However, the problems with the windows are ongoing. Even after adjustments and replacement parts, there are still 14 windows that will not open. We understand that the hardware manufacturer has again agreed to upgrade the hardware for these casement windows.

26. **Winchester Place** – The Amendment to Winchester Place Forbearance Agreement was successfully concluded between VHFA and Winchester Associates. Simply stated, this defines the terms under which Winchester Place will continue to operate while being unable to pay both debt service and other operating expenses through 2004. The current year operating deficit is projected to be $250,000, half of which will be extend in Accomodation Loans from VHFA. In every other way, the project is operating well with minimal vacancies – although with many costly turnovers at this time of the year.

**vhfa**

VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

**TO:** VHFA Board of Commissioners

**FROM:** Samuel J. Falzone, Director, Multifamily Management

**DATE:** April 15, 1998

**RE:** **Revised Preservation Strategy**

Under our existing multifamily preservation program, we have successfully entered into 26 Preservation Agreements covering 544 units of VHFA financed Section 8 housing. All of this activity occurred between 1989 and 1995. As of the current date, VHFA has also had 20 prepayments of Section 8 multifamily properties with six of these occurring in the last two years. Owners, and the partnerships they represent, have had to face an ever-increasing tax burden related to their properties and this has been the motivation for both entering Preservation Agreements and seeking relief through a conventional refinancing of VHFA's loan.

The Section 8 portfolio is a valuable source of income to the Agency, including fees, yearly transfers from bond reserves and spread on the bonds. The current low interest rate environment, coupled with the low outstanding principal balances on many of our multifamily loans has created an attractive opportunity for both owners and outside lenders who see these properties as cherries that can be added to their affordable housing inventory. Many local banks and private mortgage companies have begun to actively solicit refinancing business from VHFA's high quality Section 8 portfolio. This situation has put us in the position of having to decide whether or not we want to compete with this group of outside lenders.

I believe that by improving the preservation incentives we have in our toolbox, we can successfully negotiate commitments from owners to honor the remaining term of the HAP Contract and VHFA mortgage. These improvements could make us competitive and would include:

1) The ability to offer small additional general fund loans for the purpose of restructuring the ownership and dealing with partnership tax liability. These loans would be payable from revised return on equity distributions and, in some cases, would offer an interest only feature with a balloon payment due at the end of VHFA's first mortgage term.

2) Replace existing general fund and energy loans with 0% loans in order to improve a property's cash flow and ability to pay increased partner distributions.

3) In some situations, we may need to share our earnings on the refunding proceeds with some of those 33 projects that are responsible for generating this resource. It is critical that we do everything possible to keep these properties from refinancing and prepaying their VHFA loans because there would be a corresponding reduction in our 0% loan pool.

4) Further simplify and moderate the regulatory requirements by eliminating quarterly reports and joint control over replacement reserve accounts.

5) Use more simplified and user friendly legal documents to accomplish the objectives of our Preservation Agreement. With Glenn's help, we have successfully drafted one five-page document that replaces four documents totaling over 20 pages (see attached).

The above additional incentives are important options VHFA needs to consider in order to compete with the outside lenders who are very interested in this lucrative market. When added to the existing preservation options we have available, there is a very good chance that we can preserve the housing and our bottom line. In addition to these incentives, we can also offer owners the protection of being under the HFA umbrella which, up until now, has been treated as a special class of properties outside the reach of administrative rent reductions.

In exchange for these incentives VHFA gets a lock-in for the full HAP Contract and Mortgage term, negotiated affordability beyond the term of the HAP, an option and right of first refusal, and the continuing cash flow produced by the Section 8 portfolio.

## RECOMMENDED BOARD ACTION

As an addition to the existing preservation options that have been sanctioned by the Board's action in 1988 and 1993, authorize the Executive Director to negotiate and sign Preservation Agreements with owners using the additional incentives outlined in this memo.

**HOUSING SUBSIDY COVENANT,
PRESERVATION AGREEMENT AND
AMENDMENT TO REGULATORY AGREEMENT
[Conant Square Associates]**

This Agreement is dated effective as of the ____ day of ________, 1998, by and between Conant Square Associates (the "Owner"), a Vermont limited partnership having its principal place of business in Brandon, Vermont, by and through its general partner, Frank Guillot and VERMONT HOUSING FINANCE AGENCY (the "Agency"), a body politic and corporate created under and pursuant to the provisions of the Vermont Housing Finance Agency Act, Title 10, Chapter 25, Vermont Statutes Annotated and includes an amendment to that certain regulatory agreement dated December 21, 1979 (the "Regulatory Agreement"), a memorandum of which is recorded at Book 85, Page 144 of the Town of Brandon Land Records.

WITNESSETH

WHEREAS, Owner is the holder of legal title to certain property situated in Brandon, County of Rutland, State of Vermont, upon which has been erected a housing development consisting of 19 apartment units and other improvements and chattels (the "Development"), said Development being more particularly described in Schedule A, attached hereto and made a part hereof. It is the intention of the parties that this agreement shall be recorded in the Land Records of the Town of Brandon and shall run with the land;

WHEREAS, the parties desire to make provisions for the continued operation of the premises as Section 8 housing for the elderly and for continuation of the Housing Assistance Payments contract between the owner and the United States Department of Housing and Urban Development ("HUD") that relates to the premises and bears Section 8 Substantial Rehabilitation project number VT36-H007-070, and that was collaterally assigned to the Agency;

WHEREAS, the Agency wishes to preserve the Development for low and moderate income use and the Owner wishes to obtain a greater cash flow from the Development including access to surplus operating funds; and

WHEREAS, the Agency is unwilling to approve an increase in Owner's recognized equity position and its return on equity unless the Owner agrees, inter alia, to maintain the Housing Assistance Payments ("HAP") Contract applicable to the Development in full force and effect, to renew the HAP Contract at each opportunity, and take all actions necessary to obtain any other rental assistance, subsidies, certificates, or vouchers that may be available at or about the time of the expiration of the full HAP Contract term.

NOW, THEREFORE, the Owner and the Agency agree that this agreement shall constitute a housing subsidy covenant pursuant to 27 V.S.A. § 610, as follows:

## ARTICLE 1: DEFINITIONS

1.01 The "Original Equity Position" means the amount of money recognized as Equity in the Regulatory Agreement, which equals $41,750.

1.02 The "Preservation Equity Position" means the Original Equity Position adjusted upward to reflect (a) the aggregate principal payments made on account of the Note through December 31, 1996; and (b) the Owner's willingness to enter into this Agreement. The Preservation Equity Position equals $192,718.

1.03 The "Mortgage" means the mortgage and security agreement dated December 21, 1979 and recorded at Book 85, Page 140-43 of the Town of Brandon Land Records.

1.04 The term "Fair Market Value" means the fair market value of the Development determined as of the date of the option to purchase, taking into account the legal restrictions on rent and occupancy, if any, then imposed on the Development, including, without limitation, restrictions imposed by the Note, the Mortgage, the Regulatory Agreement, the HAP Contract and HUD Restrictions.

**ARTICLE 2: THE AGENCY'S UNDERTAKINGS**

2.01 The Agency and the Owner hereby amend the Regulatory Agreement to incorporate the Preservation Equity Position, which increases the recognized equity position and the annual permitted return on equity as an incentive to the Owner to maintain the Development as affordable housing in accordance with the terms of Article 3 of this Agreement.

2.02 The Regulatory Agreement between the parties dated December 21, 1979 is hereby amended as follows:

2.02.1.1 Paragraph 2(f) of the Regulatory Agreement is amended to substitute the following for the present paragraph 2(f): The equity in the Development is set at $192,718. This equity shall be known as the "Preservation Equity". The Preservation Equity will be increased every year by an amount equal to the annual increase in the National Consumer Price Index-All Items, as maintained by the United States Department of Labor for the previous year.

2.02.1.2 Paragraph 8(b) is amended by striking the words "two thousand five hundred five " and the numbers "$2,505" and by substituting the words "eleven thousand five hundred sixty-three" and the numbers "$11,563".

2.02.1.3 The remaining provisions of the Regulatory Agreement are to remain unchanged and in full force and effect.

**ARTICLE 3: THE OWNER'S UNDERTAKINGS**

3.01 The full 30 year term of the Housing Assistance Payments contract expires on December 16, 2009.

3.02 Owner agrees that, with respect to the residential units that must be occupied by persons or families of low and moderate income, (1) it will renew the HAP Contract at every opportunity to do so, (2) it will seek to extend the HAP Contract, if any such extension may be obtained under applicable law, and (3) it will take all actions necessary to obtain any other assistance that may hereafter become available to reduce or subsidize the rentals of said units in order to maximize affordability until December 16, 2018.

3.03 The Owner will not prepay or seek to prepay the Note and Mortgage before the maturity date of the Note.

3.04 If the Development's budgeted income, including Tenant Rents and Housing Assistance Payments, is not sufficient to meet reasonable operating expenses and owner's distribution because of HUD imposed reductions or restrictions in Contract Rents, the owner may choose not to renew the Housing Assistance Payments Contract at the expiration of a renewal term, but must give notice to the Agency not less than one year before the end of the then current renewal term of the Housing Assistance Payments Contract.

## ARTICLE 4: OPTION AGREEMENT

4.01 Upon notification to the Agency that the Owner seeks to invoke the provisions of paragraph 3.04 in order to not renew the Housing Assistance Payments Contract, or seeks to sell the Development, the owner shall deliver to the Agency or its assignee an option to purchase the project upon payment to Owner by the Agency of the sum of $1,000, which sum shall be applied toward the purchase price at the time of closing. In the event of an Excepted Transfer, as defined below, or a sale to a purchaser that agrees, in writing, to an assignment of this Agreement, together with all its rights, duties, and obligations, Owner shall not be obligated to deliver the option referred to in the previous sentence.

Notwithstanding any other provision or implication of this agreement, it is the intent of the parties that this agreement shall not apply to a transfer of the Property by descent, decree of distribution, or operation of law, nor to a transfer by the Owner in connection with a divorce, or a transfer of interests between partners of the Owner, or a transfer of interest to the wife and children of the General Partner, which transfer shall be known as an Excepted Transfer, so long as any such transfer is not, in the reasonable judgment of the Agency, an attempt to circumvent the provisions of this Preservation Agreement and Amendment to Regulatory Agreement; provided, however, that the person or persons who hold the Property as the result of an Excepted Transfer shall be bound by the terms hereof in the event of a subsequent sale of the Property which is not an Excepted Transfer.

4.02 The option will be effective, and the terms of the option shall begin on, the date that THE AGENCY or its assignee delivers payment of the $1,000 to the owner and the option shall extend, and the terms of the option may be exercised, until 90 days after the parties receive the appraisal referred to in Paragraph 4.03, below. The option may be assigned by the Agency.

4.03 The option price will be determined by an appraisal of the Development performed by an appraiser with an MAI or SRPA designation by the Appraisal Institute, or a comparable designation by a nationally recognized appraisers organization. The cost of the appraisal will be the responsibility of the option holder. The option price will be the greater of the Fair Market Value of the Development determined in accordance with the terms below or the outstanding principal balance of all debt secured by the Development as to which the Agency was the lender or to which the Agency consented at the time such debt incurred.

4.04 Notice of the exercise of the option shall be given to the Owner within the period specified in § 4.02 in person or by certified mail, postage prepaid, to owner at the address specified in its then-current correspondence with the Agency in matters relating to the administration of the Development.

4.05 Closing will be held within 90 days of the delivery of the Agency's notice to exercise the option. The Owner will provide the purchaser with a warranty deed, and will execute any and all documents reasonably required by purchaser.

## ARTICLE 5: MISCELLANEOUS

5.01 Term. This Agreement shall take effect as of the ____ day of ________, 1998 and shall remain in effect until December 16, 2018, except that the provisions of sections 2.02 and any restrictions on Equity in the Development or distributions shall terminate upon the payment in full of the promissory note secured by the Mortgage and the termination of the Regulatory Agreement according to its terms.

5.02 This Agreement and the covenants contained herein shall bind, and the benefits shall inure to, respectively, the Owner, its successors and assigns, and all subsequent owners of the Development or any interest therein, and the Agency and its successors and assigns.

5.03 In the event of a material breach of this agreement, the prevailing party shall be entitled to recover its costs and expenses of action, including, without limitation, reasonable attorneys fees.

5.04 The invalidity of any clause, part or provision of this Agreement shall not affect the validity of the remaining portions thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the date first above written.

Conant Square Associates

______________________________ ______________________________

Witness General Partner and authorized agent

Vermont Housing Finance Agency

______________________________ ______________________________

Witness Its authorized agent

STATE OF VERMONT
__________ COUNTY, SS:

Personally appeared at ______________ in said County, _____, general partner of the __________ Partnership and acknowledged the foregoing Agreement as and for ___ free act and deed and the free act and deed of the ___________ Partnership, this ___ day of _________, 1998.

Before me,

________________
Notary Public

STATE OF VERMONT
CHITTENDEN COUNTY, SS:

Personally appeared at Burlington, in said County _________________, the duly authorized agent of Vermont Housing Finance Agency, and acknowledged the foregoing Agreement as and for ____ free act and deed and the free act and deed of the Vermont Housing Finance Agency, this ____ day of __________,1998.

Before me,

________________
Notary Public

VERMONT HOUSING FINANCE AGENCY
BALANCE SHEET
MARCH 31,1998

| | | SINGLE FAMILY | | | | MULTI-FAMILY | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | GENERAL FUND | INSURED MORTGAGE PROGRAM | MORTGAGE PURCHASE PROGRAM | HOME MTG PURCHASE PROGRAM | HOUSING PROGRAM | MORTGAGE PROGRAM | HOUSING PROGRAM | DIRECT PLACEMENT PROGRAM | HOUSING DEVELOPMENT PROGRAM | COMBINED TOTAL |
| **ASSETS** | | | | | | | | | | |
| Cash and cash equivalents | 3,201,355 | 1,334,771 | 18,148 | 55,690,970 | 98,098,718 | 4,701,561 | 3,167,993 | 293,266 | 691,619 | 167,198,402 |
| Investments | 1,449,750 | 6,478,028 | 30,791 | 16,433,954 | 46,225,000 | 4,747,792 | 2,747,396 | 0 | 883,649 | 78,996,360 |
| Mortgage and const loans receivable | 11,899,345 | 3,601,461 | 104,361 | 96,401,476 | 254,143,712 | 30,796,071 | 27,966,402 | 14,473,370 | 6,985,473 | 446,371,672 |
| Accrued int rec - mtg and notes | 549,936 | 20,828 | 1,050 | 817,234 | 1,786,483 | 153,807 | 172,766 | 114,868 | 34,927 | 3,651,899 |
| Accrued int rec - investments | 21,181 | 57,569 | 1,827 | 1,691,001 | 3,546,229 | 40,229 | 182,897 | 1,326 | 6,992 | 5,549,251 |
| Deferred costs of bond issuance | 0 | 24,851 | 0 | 485,984 | 1,771,464 | 216,260 | 388,808 | 5,292 | 47,533 | 2,940,192 |
| Land | 775,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 775,000 |
| Building | 1,000,834 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,000,834 |
| Office furniture and fixtures | 1,362,332 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,362,332 |
| Accumulated depreciation | (1,081,650) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1,081,650) |
| Other receivables and prepaid expenses | 465,099 | 3,181 | 4,963 | 167,529 | 194,732 | 17,031 | 0 | 0 | 0 | 852,535 |
| Interfund receivables (payables) | 1,473,566 | 5,239 | 3,912 | (407,465) | (691,801) | 5,498 | (706,185) | 60,183 | 257,054 | 0 |
| Other assets and REO | 0 | 0 | 0 | 2,022,795 | 2,750,534 | 0 | 0 | 0 | 0 | 4,773,329 |
| TOTAL ASSETS | 21,116,748 | 11,525,928 | 165,052 | 173,303,478 | 407,825,072 | 40,678,249 | 33,920,077 | 14,948,305 | 8,907,247 | 712,390,156 |
| **LIABILITIES AND FUND BALANCES** | | | | | | | | | | |
| Deferred loan origination fees | 348,039 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 348,039 |
| Accounts payable | 508,874 | 1,369 | 38 | 32,287 | 290,266 | 0 | 7,021 | 0 | 0 | 839,855 |
| Escrowed cash deposits | 3,765,725 | 0 | 0 | 0 | (94,947) | 0 | 582,289 | 0 | 97,397 | 4,350,464 |
| Notes payable | 6,636,928 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6,636,928 |
| Accrued interest payable | 50,197 | 209,635 | 0 | 4,075,572 | 10,232,554 | 355,387 | 199,570 | 70,964 | 182,193 | 15,376,072 |
| Bonds payable | 621,084 | 6,815,000 | 0 | 156,905,000 | 390,640,000 | 36,410,000 | 28,190,000 | 14,718,798 | 8,060,000 | 642,359,882 |
| Unamortized discount on bonds | 0 | (89,952) | 0 | (1,941,247) | (2,780,330) | (585,339) | (1,028,953) | (18,983) | (139,840) | (6,584,644) |
| TOTAL LIABILITIES | 11,930,847 | 6,936,052 | 38 | 159,071,612 | 398,287,543 | 36,180,048 | 27,949,927 | 14,770,779 | 8,199,750 | 663,326,596 |
| Fund balance | 9,185,901 | 4,589,876 | 165,014 | 14,231,866 | 9,537,529 | 4,498,201 | 5,970,150 | 177,526 | 707,497 | 49,063,560 |
| TOTAL LIABILITIES & FUND BAL | 21,116,748 | 11,525,928 | 165,052 | 173,303,478 | 407,825,072 | 40,678,249 | 33,920,077 | 14,948,305 | 8,907,247 | 712,390,156 |

VERMONT HOUSING FINANCE AGENCY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCES
FOR THE NINE MONTHS ENDED MARCH 31, 1998

| | | SINGLE FAMILY | | | | MULTI-FAMILY | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | GENERAL FUND | INSURED MORTGAGE PROGRAM | MORTGAGE PURCHASE PROGRAM | HOME MTG PURCHASE PROGRAM | HOUSING PROGRAM | MORTGAGE PROGRAM | HOUSING PROGRAM | DIRECT PLACEMENT PROGRAM | HOUSING DEVELOPMENT PROGRAM | COMBINED TOTAL |
| REVENUES: | | | | | | | | | | |
| Interest Income: | | | | | | | | | | |
| Mortgage and construction loans receivable | 592,129 | 215,562 | 14,548 | 6,915,089 | 14,576,741 | 2,103,138 | 2,258,148 | 770,051 | 474,955 | 27,920,361 |
| Investments | 61,214 | 301,222 | 3,682 | 3,718,597 | 7,046,280 | 447,641 | 318,203 | 12,705 | 69,307 | 11,978,851 |
| Fee Income: | | | | | | | | | | |
| Multi-Family Mortgage Programs | 106,039 | 0 | 0 | 0 | 0 | 0 | 55,286 | 0 | 0 | 161,325 |
| Single Family Mortgage Programs | 251,302 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 251,302 |
| Grant income | 24,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 24,000 |
| VHMGB income | 253,273 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 253,273 |
| Gain on sales of investments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Miscellaneous income | 40,128 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 40,128 |
| TOTAL REVENUES | 1,328,085 | 516,784 | 18,230 | 10,633,686 | 21,623,021 | 2,550,779 | 2,631,637 | 782,756 | 544,262 | 40,629,240 |
| EXPENSES: | | | | | | | | | | |
| Financing costs, including interest and amortization of premium, discount and costs of issuance | 400,360 | 343,092 | 0 | 9,314,677 | 18,660,231 | 2,219,952 | 1,236,718 | 748,654 | 471,798 | 33,395,482 |
| Mortgage service and contract administration fees | 9,023 | 14,621 | 122 | 264,550 | 682,000 | 0 | 0 | 0 | 0 | 970,316 |
| Salaries and benefits | 1,512,953 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,512,953 |
| Operating expenses | 715,301 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 715,301 |
| Professional fees | 65,249 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 65,249 |
| Trustee and assignee fees | 139,064 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 139,064 |
| Property disposition and loan loss expenses | 2,775 | 0 | 9,200 | 485,838 | 949,960 | 0 | 0 | 0 | 0 | 1,447,773 |
| TOTAL EXPENSES | 2,844,725 | 357,713 | 9,322 | 10,065,065 | 20,292,191 | 2,219,952 | 1,236,718 | 748,654 | 471,798 | 38,246,138 |
| Excess (deficiency) of revenues over expenses | (1,516,640) | 159,071 | 8,908 | 568,621 | 1,330,830 | 330,827 | 1,394,919 | 34,102 | 72,464 | 2,383,102 |
| Fund balance at beginning of year | 6,433,828 | 4,530,805 | 1,156,106 | 13,712,745 | 10,657,183 | 4,607,374 | 4,760,960 | 176,424 | 645,033 | 46,680,458 |
| Transfers to general fund | 4,268,713 | (100,000) | (1,000,000) | (49,500) | (2,450,484) | (440,000) | (185,729) | (33,000) | (10,000) | (0) |
| Fund balance at end of period | 9,185,901 | 4,589,876 | 165,014 | 14,231,866 | 9,537,529 | 4,498,201 | 5,970,150 | 177,526 | 707,497 | 49,063,560 |

**vhfa**

VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

**TO:** VHFA BOARD OF COMMISSIONERS

**FROM:** ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

**DATE:** JUNE 11, 1998

**RE:** PROPOSED FISCAL YEAR JUNE 1999 BUDGET

The accompanying table shows the current year approved budget (after amendments from the last Board meeting), the proposed budget for FY99 as formulated by staff, amended by the Board Budget Committee and a dollar and percentage comparison between the two years.

As a reminder, we are showing total expenses including Vermont Home Mortgage Guarantee Board expenses in the various categories and also showing the charges to VHMGB as income.

An ongoing goal of our budgeting and financial process is to generate a surplus and increase the General Fund balance, while keeping fund balance transfers relatively constant.

**Income.** Total income is expected to be very similar to FY98. We have increased interest income on loans due to the portfolio of Federal Home Loan Bank financed loans that we now hold. Rental income is the predominant item in the miscellaneous category study. See consulting fees below for an explanation of the increase in VHMGB charges.

**Single Family Fee Income.** The large decrease in Single Family Fees is due to the fact that we have initiated a 0 point mortgage program and assume we will be paying the lenders $100,000 for the point they do not collect at closing. We are expecting to increase our single family mortgage activity by 18% to about $42 million.

**Multi-family Fee Income.** Multi-family fee income is projected to be generated from financing approximately $13.5 million of developments, tax credit and monitoring fees.

**Fund Balance Transfers.** The amounts indicated in this area of the budget represent transfers from existing bond programs to help supplement income to pay expenses and are consistent with the assumptions in the financial study performed by Evensen Dodge. Last year we had higher than normal transfers to assist in dealing with the General Fund liquidity problem. The budgeted takeout from the Mortgage Purchase program will be the final draw from this bond program.



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**Expenses.** The following part of this memorandum will discuss individual expense items, which are either areas of special interest or items that show a significant increase or decrease over the FY98 budget. Total budgeted operating expenses are significantly higher compared to the prior year due to the consulting expense increases listed below.

**Advertising/Annual Report.** This coming year will be the 25th anniversary of VHFA and it is expected that some celebration and recognition activities will take place to commemorate this milestone. It should also be noted that during the FY98 fiscal year we cut advertising and promotion by $19,000. In addition, we expect to have $50,000 available from bond funding to support advertising related to new single family bond issuance (this is the same as in past years.)

**Consulting Fees.** Since the budget committee met, the Vermont Home Mortgage Guarantee Board has authorized a consulting engagement that is expected to approach $75,000. This has been added to the budget and has changed the consulting fee category from a small increase to a significant increase. This expense is offset by an income increase of the same amount. Also due to feedback from the Board budget committee and additional research on the Year 2000 conversion problem we have added $25,000 for expenses related to this initiative. The Board budget committee also requested an addition of $20,000 for Board related consulting.

**Interest Expense.** We are expecting to borrow somewhat less this coming year based on the transfer of fund balances which assisted our liquidity position. If higher borrowing were necessary we would expect to have an offsetting increase in interest income.

**Legal Expense**. There have been multiple legal issues that have come up recently which we believe will require ongoing outside legal fees. The class action suit and the continuing problems at Castleton are two examples of expected issues.

**Miscellaneous Expense.** Included in this category in FY98 was a Ventures loan write-off of $2,500, which we do not anticipate to reoccur. We have also made a conscious decision to reduce the cost of outside Agency functions.

**Pension Expense.** We expect there to be less forfeitures available from departing employees to offset current year expense than FY98.

**Repairs and Maintenance.** The upgrade of computer equipment and software has increased the cost of support and maintenance contracts.

**Salaries and Wages**. Staff has suggested an increase of 4% to be available for current employees consisting of a 2.1% cost of living and a 1.9% merit pool. Staffing has been reduced by 1.5 positions from the beginning of FY98, however, several new hires were significantly more expensive than the positions that were replaced. The Board budget committee added 1% or $16,000 as a pool to pay for incentive/recognition awards and to assist in comparability adjustments that might be necessary from the work done by the payroll system consultant.

**Staff Travel and Training.** This increase is due to recognition that our Informational Technology department needs significantly more training than has been allocated in the past.

**Organization Subsidy Expense.** This category has been moved "below the line" to better compare operating expenses from year to year without the consideration of subsidy/grants paid to other organizations. This category includes subsidies for the four homeownership centers at $30,000 each, sustaining membership fee of $15,000 to Housing Vermont and the second year subsidy for the Vermont Home Mortgage Guarantee Board at $190,000 (a decrease of $43,000 from FY98).

**Capital Budget.** The capital portion of the budget consists of two parts. As you may remember last year we budgeted for improvements to the front entranceway at an approximate cost of $65,000. Due to permitting problems and other delays this work will not get underway until after July 1st. This work still needs to be done and therefore needs to be budgeted again along with about $40,000 for brick and windowsill refurbishing.

The computer (informational technology/data processing) budget is expected to be $126,000. This is the second year of the three-year plan approved by the Board last year. This year's prominent purchases will be for upgraded desktop units costing about $50,000 and major upgrades to window versions of our primary operating software package totaling $33,000.

The total capital related budget and equipment budget is $241,000 compared to a budget of $278,485 for fiscal year 1998. We are continuing to investigate word-imaging systems but have not yet built that into the budget. We may be coming back to the Board sometime during the fiscal year looking for an adjustment to the budget for imaging.

***Recommended Board Action***
Approval of the operating and capital budgets as presented.

# PROPOSED BUDGET
# VERMONT HOUSING FINANCE AGENCY
# F/Y/E JUNE 30, 1999

| | *APPROVED* *FYE 6/30/98* | *PROPOSED* *FYE 6/30/99* | *$ INCREASE* *(DECREASE)* | *PERCENT* *CHANGE* |
|---|---|---|---|---|
| ***INCOME*** | | | | |
| Single family fees | 137,000 | 30,000 | (107,000) | -78.1% |
| Multi-family fees | 177,000 | 226,000 | 49,000 | 27.7% |
| Project Administration fees | 89,200 | 95,000 | 5,800 | 6.5% |
| Single family servicing fees | 18,000 | 22,000 | 4,000 | 22.2% |
| Interest income-loans | 712,000 | 790,000 | 78,000 | 11.0% |
| Interest income-invest | 100,000 | 100,000 | 0 | 0.0% |
| VHMGB charges | 395,000 | 455,000 | 60,000 | 15.2% |
| Miscellaneous income | 60,000 | 45,000 | (15,000) | -25.0% |
| **TOTAL INCOME** | **1,688,200** | **1,763,000** | 74,800 | 4.4% |
| ***FUND TRANSFERS*** | | | | |
| Single Family Housing Bonds | 2,500,000 | 1,500,000 | (1,000,000) | -40.0% |
| Single Family Insured Mtg Bonds | 200,000 | 200,000 | 0 | 0.0% |
| Single Family Mortgage Purchase | 1,000,000 | 175,000 | (825,000) | -82.5% |
| Single Family Home Mortgage Purcha | 220,000 | 120,000 | (100,000) | -45.5% |
| Multi-Family Mortgage Bonds | 450,000 | 440,000 | (10,000) | -2.2% |
| Multi-Family Housing Bonds | 160,000 | 160,000 | 0 | 0.0% |
| Multi-Family Housing Develop Bonds | 10,000 | 20,000 | 10,000 | 100[illegible] |
| Direct Placement Bonds | 35,000 | 35,000 | 0 | 0.0% |
| **TOTAL TRANSFERS** | **4,575,000** | **2,650,000** | **(1,925,000)** | **-42.1%** |
| **TOTAL INCOME & TRANSFERS** | **6,263,200** | **4,413,000** | **(1,850,200)** | **-29.5%** |
| ***EXPENSES*** | | | | |
| Advertising & Promotion | 113,000 | 140,900 | 27,900 | 24.7% |
| Annual report | 10,500 | 12,000 | 1,500 | 14.3% |
| Audit expense | 43,250 | 44,500 | 1,250 | 2.9% |
| Commissioners expense | 5,000 | 3,500 | (1,500) | -30.0% |
| Consulting fees | 174,950 | 264,950 | 90,000 | 51.4% |
| Depreciation | 172,000 | 156,000 | (16,000) | -9.3% |
| Dues & Subscriptions | 37,460 | 36,065 | (1,395) | -3.7% |
| Insurance | 203,600 | 205,845 | 2,245 | 1.1% |
| Interest expense | 527,500 | 480,000 | (47,500) | -9.0% |
| Legal expense | 30,000 | 30,000 | 0 | 0.0% |
| Miscellaneous | 10,000 | 6,500 | (3,500) | -35.0% |
| Occupancy expense | 67,000 | 67,000 | 0 | 0.0% |
| Office expenses | 37,500 | 38,500 | 1,000 | 2.7% |
| Payroll taxes | 120,383 | 125,537 | 5,154 | 4.3% |
| Pension expense | 135,000 | 145,000 | 10,000 | 7.4% |
| Postage | 26,500 | 23,000 | (3,500) | -13.2% |
| Repairs & Maintenance | 28,000 | 35,000 | 7,000 | 25.0% |
| Salaries & Wages | 1,602,442 | 1,698,091 | 95,649 | 6.0% |
| Staff travel & Training | 75,200 | 83,650 | 8,450 | 11.2% |
| Telephone | 45,000 | 48,000 | 3,000 | 6.7% |
| Trustee & Credit fees | 235,000 | 225,000 | (10,000) | -4[illegible] |
| **TOTAL OPERATING EXPENSES** | **3,699,285** | **3,869,038** | **169,753** | **4[illegible]** |
| Organization subsidy expense | 314,000 | 325,000 | 11,000 | 3.5% |
| **TOTAL EXPENSES** | **4,013,285** | **4,194,038** | **180,753** | **4.5%** |
| **SURPLUS (DEFICIT)** | **2,249,915** | **218,962** | **(2,030,953)** | **-90.3%** |

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**VERMONT HOUSING FINANCE AGENCY**

# MEMORANDUM

**TO:** VHFA BOARD OF COMMISSIONERS

**FROM:** ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

**DATE:** JUNE 12, 1998

**RE:** SINGLE FAMILY SERIES 9 OPTIONS

We spoke with the Board regarding a potential remarketing of bonds in January and February, at which time it was decided not to proceed due to the high costs and uncertainty of rate changes in the bond market. Recent events keyed by Mr. Greenspan's remarks have again moved the bond market in our favor and provided us an opportunity to review our options. Based on rates in the market, if we remarketed the bonds, we would probably be looking at a full spread mortgage of about 6.65% (allowing us to recapture the 25 basis points we currently have given up to move the mortgage money). Pursuant to the decision made at the last Board meeting, our street mortgage rate is now 6.95%. We now have about $12 million in the pipeline at that rate and have exceeded the Board commitment by about $500,000. Conventional rates on one point mortgages now average about 7.083%. We still have about $28 million of available funds left from the $65 million Single Family Series 9 Bonds issued last June.

You may remember from the last Board meeting that it is costing us about $140,000 per $5 million in lost spread to continue to offer a 6.95% mortgage. There has been very little interest in the no point 7.2% mortgage or the 6.2% for three years and step-up to 7.2% one-point options we have offered. The cost of the other two choices are $50,000-$65,000 per $5 million.

We are again examining options to assist in permanently reducing the mortgage rate on the remaining funds, with little or no risk to the Agency. We could pay the costs of issuance of the remarketing from the bond issue instead of having to subsidize from the General fund. We have reestablished a dialog with FannieMae about their interest in purchasing our bonds and committing to a rate in advance. We believe this could be worked out but the bigger issue for them is wanting to have a fixed guaranteed amount of bonds for purchase. This is more problematic since we are required to give the existing bondholders the option to retain their bonds, before remarketing. We believe that we can get a handle on the number of bonds likely to be retained by having PaineWebber check with the original purchasers of the long bonds to get their preference. We would be willing to offer to pay a penalty fee to FannieMae if we could not deliver a fixed number of bonds. The consensus of the working group is that a refunding bond issuance (issuing new bonds to take out the old bonds) continues to be too expensive and has other inherent problems. Two of these issues are having to rebid our investment contracts, which are at a positive yield in the current financing and renegotiate bond insurance.

***Recommended Board Action***

Continue to negotiate with FannieMae on the remarketed bonds and explore options to reduce the mortgage rate on the Single Family Mortgage program in a low risk, cost efficient manner.



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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

To: VHFA Board of Commissioners

From: Glenn A. Jarrett GAJ

Date: June 11, 1998

Re: Title Insurance

**BACKGROUND:**

Several months ago, I spoke to you briefly about the possibility of requiring title insurance on loans to be purchased by VHFA. One of the catalysts for this inquiry was the introduction of new title policies that offered more comprehensive coverage than the standard policies, albeit at a higher cost. As you know, VHFA has not required title insurance in the past, in large part because of the additional cost to our borrowers.

**DISCUSSION:**

I have looked at the new enhanced title policies being offered in Vermont. The major title insurance companies doing business in Vermont are all offering virtually the same product. The title insurance company representatives are divided about whether the added protection is worth the higher premium. There is also a great deal of divergence about whether the new policies will provide meaningful coverage for lenders.

The major areas in which these new policies provide expanded coverage are subdivision permits and municipal permits. The subdivision provision reads:

> The failure of the Land to be a lawfully created parcel according to state statutes governing subdivision of Land and local ordinances adopted pursuant thereto.

This provision does not speak of a parcel being in compliance with subdivision statutes. Subdivision permits often require certifications from design professional after the installation of a septic system or water system. It is unclear whether the provision would cover the situation where a subdivision permit is issued, but the required certifications were not filed. VHFA has encountered far more of these instances than the absence of a required subdivision permit.



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The provision regarding municipal permits has resulted in split opinions among the title insurance companies. Most of the representatives of major Vermont title insurers believe that the provision covers only valid building permits. One company representative thinks it covers more. The infamous Bianchi decision concerned a certificate of occupancy, which, according to the majority of the title insurers, would not be covered by this provision.

An examination of the new, enhanced, owner's policy reveals that the owner's policy arguably gives more protection with reference to zoning regulations than that given a lender.

The cost of these policies would be significant for VHFA borrowers. A loan policy for a $70,000 loan would cost the borrower $252.00 and a combination of a loan and an owner's policy at the same level would cost the borrower $385.00.

**RECOMMENDATIONS:**

These enhanced policies are quite new. One or two lenders are currently requiring these policies. Given the cost to the borrower and the uncertain extent of the coverage afforded by these policies, at present I cannot recommend that VHFA make them mandatory. We will keep monitoring this issue as the lending community gains experience with the new policies. In the future, we may come back to the Board with a different recommendation.

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**VERMONT HOUSING FINANCE AGENCY**
**MEMORANDUM**

TO: VHFA Board of Commissioners

ASH

FROM: Allan S. Hunt, Executive Director

DATE: June 10, 1998

RE: EXECUTIVE DIRECTOR'S REPORT

I have been battling a sciatic nerve problem in my back and leg, which is extremely uncomfortable and has required both physical therapy and some bed rest. It seems to be improving, but at a very slow pace.

This seems to be a period of many external (as well as internal) meetings. Highlights include the following:

- A conference on sprawl held at the Statehouse in which all state agencies and entities were encouraged to consider how their funding policies contribute to sprawl.
- I attended open houses in Fair Haven (a family tax credit project), Burlington (a youth-built home using VHFA financing), and the new offices at the Vermont Energy Investment Corporation (VEIC). VEIC was started with a lot of help from VHFA and is now a 30 person successful consulting company on energy conservation.
- I also participated in a half-hour call in show in St. Albans on affordable housing.

I have been spending a considerable amount of time on the VHMGB search for a consultant. Four responses were received, and out of those four, we focused on just two. Phone interviews were held with those two firms in which key staff had an opportunity to question the consultants and gain clarity regarding their proposals. At this time, I believe we have a leading candidate who will serve the Board well. They will begin their work the week of June 15.

The budget process has also required some of my time. I believe the staff has been very thoughtful in their requests this year, leading to a very modest increase in the FY99 proposed budget. Roger reports that the Board budget committee was a very helpful and productive process. It will hopefully result in quick action concerning the budget.

The HUD note sale proposal has been submitted to HUD after an extensive amount of work done by Sam, Roger, and their staffs. Our proposal has been sent on to Washington, as the office in Manchester, which had encouraged us to submit the proposal, now indicates that approval is out of their hands. I have asked Senator Leahy's staff to assist us in securing the necessary approvals.



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Finally, I have begun discussions with the Housing Council and Peter Richardson of Housing Vermont regarding my concerns about the escalating costs of multifamily projects. The enclosed charts prepared by staff show Vermont relative to other states, as well as showing a historical trend for tax credit projects. As the average rehab per unit costs creeps towards $100,000 per unit, I think it is reasonable to examine the reasons why this is happening. We will be looking at development budgets and operating budgets for new construction and rehabilitation to see if we can pinpoint why rehab is so expensive and whether or not spending more initially will reduce expenses over the long run.

Attachments

# MEMORANDUM

**To:** Allan

**CC:** Joe and Cathleen

**From:** Leslie Leslie

**Date:** June 8, 1998

**Subject:** Tax Credit Unit Costs

Joe and I have been looking at the average per unit costs of the tax credit projects placed in service during the past five years. As shown in the attached graph, these costs have risen for the substantial rehabilitation projects placed in service in Vermont, remained about the same for new construction, and fluctuated for acquisition and rehabilitation.

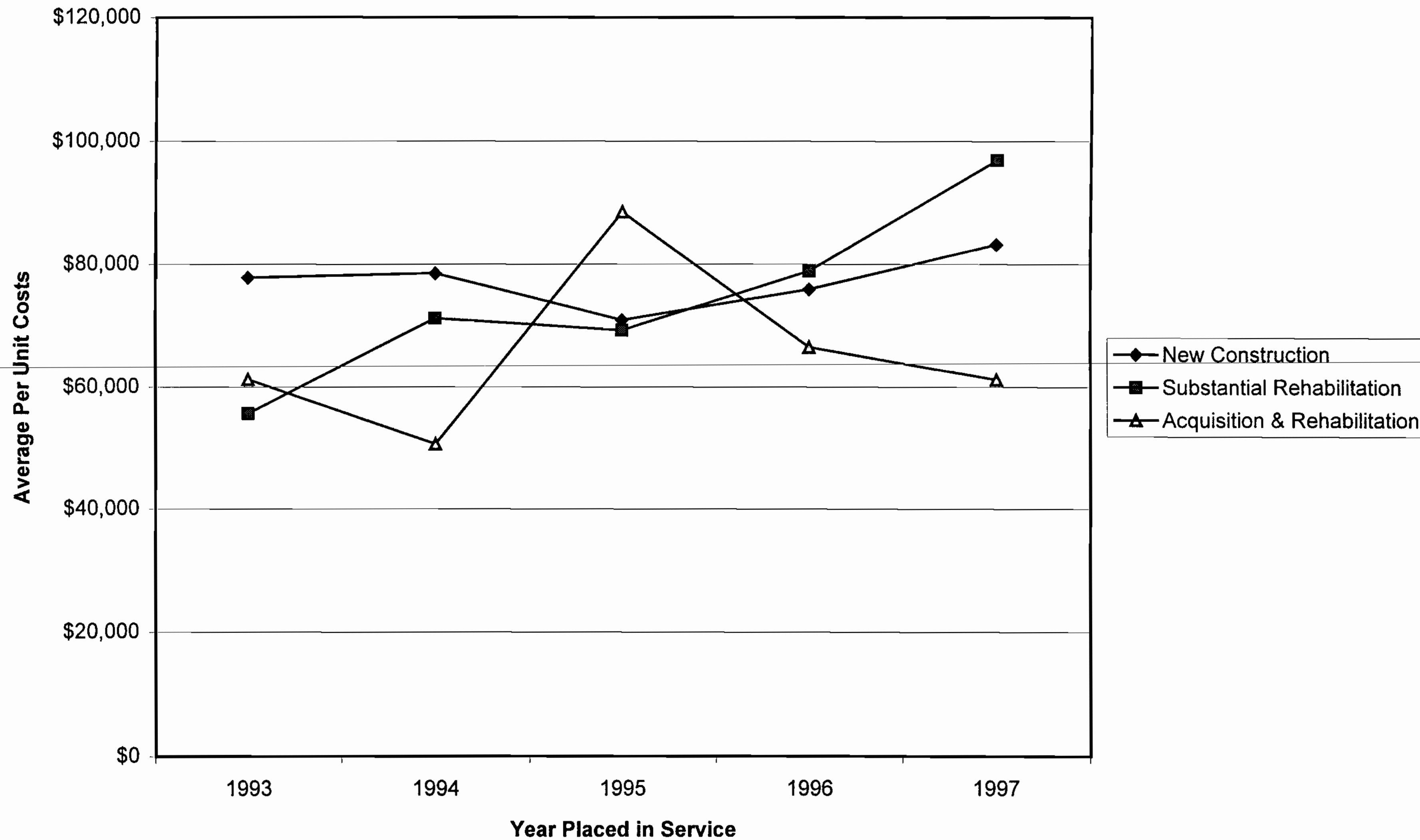
We also looked at the number of states with average per unit costs higher than Vermont, according to NCSHA's annual survey data. As the attached table shows, only 9 of the 47 other states that participated in the survey had median per unit costs for new construction that were higher than Vermont. However, all of the New England states except Rhode Island were included among these 9 states (i.e. had costs **higher** than Vermont). In fact, the New England states were fairly consistently among the 15 states with the highest new construction costs per unit. In at least 3 of the years, Maine, Massachusetts, New Hampshire, and Connecticut had average new construction costs higher than Vermont.

# NCSHA Annual Survey of Allocating Agencies

| | new construction | | | substantial rehabilitation | | | acquisition and rehabilitation | | |
|---|---|---|---|---|---|---|---|---|---|
| | sample | number above VT | percentile | sample | number above VT | percentile | sample | number above VT | percentile |
| 1993 | 46 | 6 | 84.8% | 29 | 8 | 69.0% | 35 | 9 | 71.4% |
| 1994 | 45 | 6 | 84.4% | 32 | 7 | 75.0% | 34 | 19 | 41.2% |
| 1995 | 49 | 13 | 71.4% | 31 | 11 | 61.3% | 37 | 0 | 97.3% |
| 1996 | 45 | 12 | 71.1% | 26 | 7 | 69.2% | 38 | 13 | 63.2% |
| 1997 | 48 | 9 | 79.2% | 26 | 7 | 69.2% | 39 | 17 | 53.8% |

The sample number represents the number of Allocating Agencies responding to the survey question. The number above VT represents the number of respondents whose median or average per unit cost was higher than that in Vermont.

## Development Costs for Tax Credit Units in Vermont




Note: The number of tax credit projects placed in service in VT each year is relatively small, typically ranging between 6 and 10 projects.

VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

**TO:** VHFA Board of Commissioners

**FROM:** Personnel Focus Group *
Vermont Housing Finance Agency

**DATE:** June 10, 1998

**RE:** Foundation and Completion of the Personnel Focus Group

It is with pride and satisfaction that we respectfully submit our final meeting minutes and our completed recommendations. As you are aware, the group began meeting on February 24, 1998. It was comprised of representatives from most departments throughout VHFA.

We have addressed the personnel issues that arose as a result of the Employee Survey from the fall of 1997. Although there were many important issues discussed throughout this long process, on most issues, the group was able to make recommendations within VHFA, not requiring immediate Board action.

We look forward to your response regarding these items. The entire Personnel Focus Group wishes to thank you for your time and consideration.

**RECOMMENDED FUTURE ACTION:**

The Personnel Focus Group to meet in three months to review findings of the Board of Commissioners and monitor implementations of recommendations.

*Veronica Santucci, Polly Thibault, Lisa Merry, Sue Joachim, Kari Caragher, Scott Baker, Glenn Jarrett, Sherri Mullin, Kim Roy, Peter Barry and Facilitator Judy Boutin.



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EQUAL HOUSING OPPORTUNITY

PERSONNEL FOCUS GROUP

MAY 6, 1998

Present: Judy Boutin, Vern, Kim R., Scott, Kari, Sherri, Glenn, Polly, Lisa, Peter

AGENDA:

| | | |
|---|---|---|
| 1. | Review Housekeeping items | } |
| 2. | Review minutes from last meeting & approve | } 20 minutes |
| 3. | Discuss action items | 15 minutes |
| 4. | Performance appraisal process/JDQ | 60 minutes |
| 5. | Flex Time | 15 minutes |
| 6. | Agree on Today's minutes | 5 minutes |
| 7. | Decide on topic for next mtg & minute taker | 5 minutes |

Review of minutes of April 22:

Minor clarifications were suggested. Add the length of the term of PPRC reps.
Add "by CORE" at end of fourth bullet under action items for next meeting
Minutes of April 22 were approved. The minutes from April 9 and April 22 will be shared with staff.

ACTION ITEMS:

- Glenn reported on his research on casual dress on optional holidays. In 1995, PPRC recommended that staff members working on optional holidays be allowed to wear casual dress. CORE approved this on November 21, 1995.

- Polly passed out copies of the handbook section relating to parking and bus fare reimbursement. PPRC has requested that the maximum reimbursement be raised from $30 to $40 per month. Some changes to the handbook are needed to clarify the reimbursement. It was noted that only half of the bus fare expended by an employee is reimbursed. VHFA pays the full cost of parking at the commuter lot on Pine Street. Should there be an incentive to using public transportation, such as payment in full? This was not thought to be necessary.

- Some departments require more detail on the expense account about metered parking than others. The employees should talk
to the manager or managers who require additional itemization.

- Kim supplied the phone number for the contact for the Burlington Parking Council. If an employee wants to volunteer to go to these monthly meetings, he or she would be welcome to do that.

- Peter and Veronica reported on their research on PPRC suggestions that were rejected by CORE. In 1990, an issue regarding tuition reimbursement was rejected. This suggestion included a sliding scale for reimbursement. Another rejected suggestion from 1992 concerned a contribution from the Agency for employees who wanted to enroll in health clubs. CORE decided then to discontinue the subsidy for the YMCA because of complaints of discrimination, by not subsidizing other physical activities, like skiing or other health clubs besides the YMCA. A third example was the decision by CORE in August 1996 to not allow personal messages, like items for sale on the e-mail system. The group discussed the fact that the perception is that CORE shoots down far more PPRC suggestions than the research showed. Peter and Vern had to go back to 1990 to find a third example. It was suggested that the 1995 handbook revisions stimulated the survey responses about frequent rejections of PPRC recommendations. The possibility was raised that survey respondents may not understand the system, since some suggestions to PPRC may be rejected at that level. It was pointed out that a survey dating to 1991 asked employees questions about PPRC. A suggestion was made that a PPRC questionnaire should be done, possibly every two years. **We recommend beginning an annual PPRC questionnaire, beginning in 1999. PPRC will distribute a questionnaire at the beginning of each year.**

- An issue arose about whether minutes were done at PPRC meetings. They are kept for regular meetings, but the recent meetings to revise the Employee Handbook are not being kept. **Minutes from regular PPRC meetings will be made available to all the staff.** Should PPRC and CORE meet on a regular basis? **The two groups will meet quarterly or as the need arises, beginning after the next regular PPRC meeting.**

- A suggestion was made in the survey to elect a PPRC representative to present recommendations to CORE other than the Deputy Director. In light of the meeting proposed between the two groups, this suggestion was viewed as unnecessary.

- The term of the PPRC reps was discussed. One year was thought to be too short and three years too long. PPRC will review the terms served by the reps. **The last PPRC rep from a department will serve as an alternate when the regular representative is not available to attend a meeting.**

- PPRC reps to discuss issues with individual departments. That should happen.

- How to organize parties? A special events committee, consisting of volunteers was suggested. Kari will post a sign when there is a special event coming up to solicit volunteers to work on party planning.

<u>DISCUSSION TOPICS</u>

FLEX TIME (Alternate Work Schedules)

The next topic was alternate work schedules. There were four responses on the survey concerning alternate work schedules. One person wanted to work four longer days and have Friday afternoon off. Two people said they wanted more flex hours. These comments were not transformed into suggestions by the group because it seemed that the alternate work schedule option was available and utilized by approximately 10 people. The group recommended that individuals concerned should approach their director regarding an Alternate Work Schedule.

Judy reported on survey responses concerning compensation and benefits. 29 people were satisfied with both. Several were dissatisfied with one or the other.

PERFORMANCE APPRAISAL PROCESS AND JDQs

Judy raised the question what constructive changes were suggested for the performance appraisal process in the survey. Included in the comments were the following:

> It is important to give employees feedback throughout the year, not just around the time of the evaluation.
>
> The appraisal should be two way.
>
> Salary increases should be based on job performance, not cost of living.
>
> Making sure pay increases for people switching jobs are significant, not token.
>
> How the message is delivered is very important.

Employees should be told year round how they are doing, the appraisal should be an ongoing process.

Sufficient time should be provided for the employee to review the appraisal.

Supervisors should get ongoing training on giving positive feedback, doing continuing appraisals and how to give constructive criticism.

Staff input in the directors' and Executive Director's performance appraisal should be sought.

We were able to categorize these comments into five areas:

*Standardized, consistent, objective increases tied to job performance, accountability and ongoing manager training in evaluations.*

As changes are being made in the appraisal form, the group felt that we were not in the position to comment on it. The new form addresses the first area called out above and the implementation of the form has taken care of the next two areas. All directors should be held accountable to complete performance appraisals on a timely basis. Timely and regular feedback is important.

Pay increases were discussed. The group felt that VHFA, as a governmental entity, is similar to a non-profit and does not have a large amount of money to devote to raises. It would be preferable to tie salary increases to performance, but the opportunity to do that is limited. It was pointed out that employees should keep the total compensation package in mind, including the generous benefits VHFA provides. COLA increases are part of an employees' raise, but directors don't all consider performance in granting increases.

THE FUTURE

The next meeting will be Wednesday, May 20 at 10:30. Sherri will be the minute taker. The subsequent meeting will be Wednesday, June 3 at 10:00. We will finish the performance appraisal discussion, talk about the JDQ process, discuss grievances and the posting process and promotions and the timeliness of hiring. We still have to discuss whether we have the necessary technology and training and Mitas.

Judy will check morale busters to see if they have all been addressed.

PERSONNEL FOCUS GROUP

May 20, 1998

Present: Judy Boutin, Veronica Santucci, Polly Thibault, Lisa Merry, Sue Joachim, Kari Caragher, Scott Baker, Glenn Jarrett, Sherri Mullin, Kim Roy, Peter Barry

AGENDA:
1. HR Administrator to give brief overview of Current Posting Process and Promotions
2. Review Ground Rules
3. Review Minutes and agenda
4. Review Action Items
5. Performance Appraisals/JDQ's
6. Grievance Policy

➢ OVERVIEW BY HUMAN RESOURCE ADMINISTRATOR

**Current Posting Process:**
- When a position becomes available, the position's director goes to the HR Administrator.
- There are no written ground rules regarding the posting of a position.
- Generally, the position hits the posting board at the same time as it hits the paper.
- Positions are generally posted in the Burlington Free Press and our Web page. If time allows, it also may go to the state board and NCSHA.
- All resumes are submitted to the HR Administrator. There is a due date for resumes on the job posting.
- HR Administrator does the preliminary screening of the resumes and sorts them into 3 piles: Yes, Maybe and No. Directors and/or supervisors will review yes's, and sometimes maybe's and no's.
- HR Administrator makes calls for setting up interviews.
- All interested internal employees will be interviewed.
- Director will sit down one on one with an employee that wasn't chosen for the position.
- Interviews will be conducted by the director and/or the supervisor, and anyone else deemed necessary for the position.
- If an internal employee is offered and accepts the position, there is no set time for them to move to the new position, but generally within two weeks.

**Promotions:**
- Promotions do not get posted.
- Again, there are no written rules. There generally are not many promotions.
- Usually when a person has been performing the job for a length of time, their supervisor will submit a revised JDQ to the HR Administrator. The revised JDQ would be ranked by an outside consultant and then returned to the HR Administrator, who will inform the department director whether or not there is any change.
- If a supervisor or department director feels that an employee deserves a promotion, they would write a memo justifying their request, which would be reviewed by the Deputy and Executive Directors and a decision would be made. If it is an existing position, then a re-ranking of the JDQ may or may not be necessary. If it is promotion to a newly created position, then a new JDQ would be necessary.
- When changing grade levels, current policy for a pay increase is the higher of 5% of the current salary or the minimum of the new grade level.

**New Hire:**

- They will receive an offer letter with a start date.
- The first day, they will meet with their manager and HR Administrator to discuss benefits, handbook, any forms, etc.
- There is generally a 6 month introductory period, after which the person is reviewed.
- VHFA employees are employed at will, which means that either the employee can leave the job or the agency can terminate employment at any time.

➢ MINUTES

- Minutes from previous meeting were discussed and reviewed, minor changes were made, and the minutes were then approved.

➢ **Actions:**

- Judy reviewed morale busters to make sure that we have discussed all that were noted in the survey. All morale busters have been discussed that pertain to our group.

➢ **Internal Job Posting Process:**

***The Focus Group made the following recommendations:***

- ***All positions will be posted through the internal e-mail system.***
- ***Interested Employees should give a cover letter and resume to the HR Administrator.***
- ***The positions' Director will meet with all interested internal employees to discuss the opportunities.***
- ***The Director will also meet with any internal candidate that does not get the position to discuss why they didn't get the position.***
- ***When feasible, if the new hiree is internal, they will start the new position within 3 weeks.***

➢ **Timing of Posting:**

***The group recommends that, within one week of an employee giving notice, the JDQ will be discussed with the HR Administrator, and if there are no changes, the job will be posted within that time frame.***

➢ **Performance Appraisal:**

- A new performance appraisal was passed out at the full staff meeting.

***The group recommends that the board restore a discretionary employee recognition pool, which is to be used to compensate employees for outstanding performance. This pool should not be tied to the annual job performance review process and should be distributed any time throughout the fiscal year.***

➢ **Grievance:**

A grievance policy currently exists as a problem resolution policy, which is located in the handbook on the S: Drive. ***The group recommends that employees view this document for more information.***

➢ **NEXT MEETING:**

The next meeting will be June 3 at 10:00 in the Board Room. Sue will be the minute taker. We will be discussing Training issues in general. We will also put together a summary sheet of all the recommendations we have come up with. All group members should bring copies of all the minutes to the next meeting.

# PERSONNEL FOCUS GROUP

Minutes of Wed., June 3, 1998

Attendance:
Judy Boutin (facilitator), Kari Caragher, Veronica Santucci, Polly Thibault, Sue Joachim, Kim Roy, Glenn Jarrett, Peter Barry, Sherri Mullin, Lisa Merry

Absent:
Scott Baker

Agenda:

1. Director of IT to Discuss Mitas
2. Review Minutes and Approve
3. Mitas/DP Issues
4. Training in General
5. Summary Statement for Board
6. Agree on Today's Minutes

## PRESENTATION BY DIRECTOR OF INFORMATION TECHNOLOGIES

After having attended the NCSHA Conference recently, it was found that we are much more integrated with the Mitas System than other larger organizations who have separate vendors/programs for different aspects of their organizations and are spending large amounts of money to integrate them.

With the addition of Director of IT, more time is available for DP staff to concentrate on Mitas issues. There have also been opportunities to go to special training and network with local vendors, which found no opposition from Mitas.

Training is usually done by Mitas when they come to do a major update/install to the system. That is not expected to change in the near future. Three additional people will be hired by Mitas to further implement their system. For example, they are hiring someone with expertise in loan origination to help bridge the gap between their software and the users' needs. Mitas has been responsive to recent requests and that is hoped to continue.

The Windows version of Mitas will not be installed until at least late summer. They are going to be in the process of installing California VA first and do not presently have the resources to do it any sooner. It is expected that this new Windows version will streamline many procedures. It will also contain more on-screen help, which is the method of choice by Mitas for documentation of their system and its usage.

Minutes:
After review, discussion, and minor changes, the minutes from the previous meeting were approved.

**MITAS AND DP ISSUES**

There were nine responses on the survey. The comments included removal of the Mitas system, need for better documentation/understanding, hiring a "top-notch" programmer for VHFA, creating a better DP Department, and a few were negative comments to vent overall frustration.

## Issues:

- Understaffing of both Mitas and DP
- Lack of Adequate Documentation
- Processing of DP Requests

## Clarification of the Issues:

### Understaffing

This is being addressed by Mitas in their plan to hire three additional staff.

Usually 10% of staff would be dedicated to a DP Department and in VHFA's case that would be 4 to 4.5 people. At the time of the survey we had only 2 people. The situation is being improved through the hiring of a Director of IT thus keeping Mitas and CORE informed on issues and giving present DP staff more time for training and performing their specific roles (Mitas and technical support). The concept of networking with local vendors when Mitas is not available has also been introduced and seems to be working well so that VHFA has budgeted funds for the next fiscal year.

### Lack of Adequate Documentation

Mitas has hired additional staff with prior experience in banking (for example, loan origination) to help them get a deeper understanding of the user needs. They will then be improving their on-screen help but do not plan to produce manuals. Many in-house departmental procedure manuals have been created by VHFA staff to decrease confusion.

Comments were made that there must be easier/quicker ways to accomplish the same tasks with fewer keystrokes and screens to access. Special reports are difficult to generate.

Mitas has the ability to "hook up" to our system and investigate problems we may be having. With prior approval of IT staff, this arrangement will remain in place. When the Windows version is installed we will see a big improvement in the area of documentation.

### Processing of DP Requests

Staff need to contact their DP Rep with issues. Written requests with samples of what is needed are also welcome. Presently we are using the "Open List" format but are looking into new processes and may go back to the written "DP Request" format. Progress is being made in reducing the number of outstanding items on the list.

## Recommendations:

- Yearly "Needs Assessment" be done on Mitas by IT staff with input from staff at the beginning of April, so that the data can be incorporated into the budget process.

**TRAINING**

## Issues:

- Access to Training
- Criteria/Types of Training

## Clarification of the Issues:

### Access to Training

All employees should have access to training.

### Criteria/Types of Training

Criteria for educational courses will be contingent upon the requirements of the job as stated in the JDQ. VHFA staff are encouraged to take courses within their departmental budget constraints.

## Recommendations:

- Retain a consultant for a training needs/assessment, to provide VHFA with examples of the following training: communication skills, stress management, wellness, conflict and negotiation skills, etc.
- All staff is encouraged to attend personal and professional growth seminars in-house that are offered by VHFA. Recommend two a year for wellness/soft skills not to exceed eight hours.
- All supervisors go through supervisory training.

## Action Items:

- Sue to find out if the annual fee paid by VHFA to the Employee Assistant Program includes any workshops.

## Action Item Response:

- There is one workshop included in the annual fee paid to EAP. They do have a list of workshops to choose from and there is a fee of $100 per hour for additional workshops.

# PERSONNEL FOCUS GROUP RECOMMENDATIONS
## June 10, 1998

**Below are the guidelines agreed upon by the Board of Commissioners and VHFA staff at the time the focus groups were formed.**

- All recommendations will go directly to the Board of Commissioners and Senior Management (Executive Director and Deputy Director) **simultaneously** and in written form.
- A response from the Board of Commissioners and Senior Management should be returned to the Focus Groups within three months.
  - The focus groups would like feedback regarding recommendations including as much information as possible.
  - The focus groups would like an implementation timeline.
- The focus groups would like a commitment from the Board of Commissioners stating that there will be an ongoing evaluation or process for reviewing the overall "health" of VHFA.

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# BOARD OF COMMISSIONERS RECOMMENDATIONS

## EMPLOYEE RECOGNITION

**It is our recommendation that the Board of Commissioners restore a discretionary employee recognition pool to compensate outstanding job performance.**

- The distribution of this pool should not be tied to the annual job performance review process and may be distributed any time throughout the fiscal year.

| **RESPONSIBILITY:** | **IMPLEMENTATION:** |
|---|---|
| Board of Commissioners | Directors |

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# INTERNAL RECOMMENDATIONS

## PERSONNEL POLICY REVIEW COMMITTEE (PPRC)

**Based on many misconceptions of PPRC and its role, we recommend the following:**

- PPRC will meet with CORE on a quarterly basis (or more often if needed) to keep communication lines open.
- Minutes from all regular PPRC meetings will be available to staff via e-mail.
- PPRC should review, revise and distribute their mission statement to staff.
- PPRC should distribute a questionnaire to all staff at the beginning of each year regarding the perception of PPRC's role.
- The previous PPRC representative will serve as an alternate if the current representative is unable to attend the meeting.

| **RESPONSIBILITY:** | **IMPLEMENTATION:** |
|---|---|
| PPRC | PPRC/Deputy Director |

## INTERNAL JOB POSTINGS

**There is currently no formal internal job posting policy in place. It is our recommendation that the following process be consistently applied.**

- Within one week of receiving an employee's resignation, the director and/or supervisor will review the Job Description Questionnaire with the Human Resources Administrator.
- The external advertisement and the internal posting will occur simultaneously.
- All open positions will be posted via e-mail.
- Interested employees should submit a cover letter/resume to the Human Resources Administrator.
- The director offering the open position will meet with all interested employees to discuss opportunities.
- The director will meet with any internal candidate who is not offered the position.
- If feasible, the internal hire will transfer into the new position within three weeks.

**RESPONSIBILITY:**
Deputy Director/Human Resources

**IMPLEMENTATION:**
Human Resources/Supervisors

## TRAINING

**Listed below are recommendations for training needs.**

**<u>MITAS</u>**

- An annual Mitas "needs assessment" should be conducted by the Information Technology Director, with input from all staff. This assessment should be completed in April in order to incorporate our needs into the budget.

**RESPONSIBILITY:**
Information Technology Director

**IMPLEMENTATION:**
Information Technology Staff

**<u>STAFF DEVELOPMENT</u>**

- All supervisors should attend supervisory training to enhance their skills.
- VHFA should retain a consultant to provide a training needs/assessment. Examples of trainings could include: communication skills, stress management, wellness, conflict and negotiation skills, etc.
- VHFA should host two personal and/or professional trainings per year. All employees are encouraged to attend these on-site seminars.

**RESPONSIBILITY:**
Human Resources

**IMPLEMENTATION:**
Human Resources

## GRIEVANCE (PROBLEM RESOLUTION)

**There was a request that the focus group develop a grievance policy.**

- There is an existing grievance (problem resolution) policy in place that is located on the S drive *(s:\handbook.doc)*.
- This policy is currently being reviewed by PPRC.

**RESPONSIBILITY:**
PPRC

**IMPLEMENTATION:**
PPRC

## ALTERNATE WORK SCHEDULES

**At VHFA, an alternate work schedule consists of working hours other than during the standard business hours, which are 8:00 a.m. - 4:30 p.m.**

- To determine its feasibility, an employee interested in an alternate work schedule should approach their director/supervisor.

**RESPONSIBILITY:**
Staff

**IMPLEMENTATION:**
Director/Supervisor

## DRESS CODE

**Twenty-five percent of survey respondents addressed the issue of the dress code policy. Based on these responses and group discussion, we recommend the following in conjunction with the existing dress code policy:**

- The dress code policy should be enforced consistently by all supervisors.
- The possibility of offering a year round casual dress code should be reviewed by PPRC.
- A suggestion was made to elect Fridays as "Charity Day" where employees would pay $1.00 to wear sneakers and/or blue jeans. Proceeds would go to charities chosen by the employees. This suggestion should be reviewed by PPRC.

**RESPONSIBILITY:**
PPRC/Supervisor/Director

**IMPLEMENTATION:**
Staff

## PARKING

**Based on the minimal number of responses, the group felt that the current parking arrangement was adequate. Staff with further concerns should contact the Chairperson of the Burlington Parking Transportation Council to attend monthly meetings for parking alternatives.**

**RESPONSIBILITY:**
Staff

**IMPLEMENTATION:**
Staff

## SPECIAL EVENTS

In the past it has been the responsibility of one staff member to coordinate all events. It is our recommendation that employees volunteer to join a newly created Special Events Committee. *This committee has been established as a result of this recommendation.*

**RESPONSIBILTY:**
Staff

**IMPLEMENTATION:**
Staff

## BIRTHDAY CELEBRATIONS

One of the "morale busters" noted quite frequently in the survey was negative comments surrounding the celebration of employee birthdays.

- Management should refrain from negative comments.
- Staff should not be defensive regarding negative comments.
- Staff should take personal responsibility and recognize the time.
- The appropriate staff/group should be included in the celebration.

**RESPONSIBILITY:**
Staff

**IMPLEMENTATION:**
Staff

VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

FROM: The Communications Focus Group[1]

DATE: June 9, 1998

RE: Recommendations from the Communications Focus Group

The Communications Focus Group is comprised of representatives from all VHFA departments. The Group has been meeting over the past several months to discuss issues derived from the VHFA Employee Survey that was completed in the fall of 1997. At our initial meeting, we agreed that recommendations would be decided based on the consensus of everyone who participated in the discussion of a particular issue, and that draft recommendations would be available to all staff for comments prior to being finalized. Any staff member was invited to join the group and participate in discussions and recommendations. Draft recommendations were discussed in a meeting on May 29, 1998, with Richard White, Allan Hunt, and Michael McNamara.

Attached are the final recommendations of the Communications Focus Group. Where appropriate, specific comments about implementation are noted. Primarily, implementation is the responsibility of those individuals or groups listed on the table. The Group believes that the majority of the issues that were identified by the VHFA Employee Survey can be broadly categorized as resulting from a need to improve leadership and management skills. Management skills can be addressed through a program of on-going training for all directors, managers, and supervisors. Leadership is a more difficult issue to address through training.

The Group is appreciative of the time it has been given by senior management and the Board to work together to recommend solutions for some of the issues faced by VHFA. Going forward, we would like to continue to participate in their implementation as a group or with other VHFA Staff and Board members. The Group also wants to thank and acknowledge the efforts of our Management Consultant, Terri O'Shea, who kept the Group on track and focused on the issues.

Cathleen Gent and Patricia Crady will be available at the Board meeting to represent the Communications Focus Group and answer any questions.

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[1] The Communications Focus Group members include: Carmen Blatt from Administration; Cathleen Gent and Patty Harvell from Communications; Joe Erdelyi, Cindy Reid, and Pat Crady from Development; Doug Lothrop, Jeanne Boucher, and Cindy Cunningham from Single Family Operations; Sam Falzone from Multifamily Management; and Martha Fleming and Mary Thompson from Finance.



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EQUAL HOUSING OPPORTUNITY

**Final Recommendations - Communications Focus Group**
**June 9, 1998**

| | **Performance Appraisals and the JDQ Process** | **Primary Responsibility** | **Implementation Responsibility** |
|---|---|---|---|
| (1) | The JDQ process, grade classifications and job posting process should be reviewed and updated by Management. These processes should be clearly described (e.g. new hires and job re-evaluations), and available to all employees. Every attempt should be made to see that these procedures are evenly applied and fair. **[This process needs to be revisited on a regular basis with Human Resources and an appropriate consulting organization]** | Deputy Director | Deputy Director/ Human Resources |
| (2) | The JDQ and position description should be reviewed at each performance evaluation. These items should be used as tools to see if they are still relevant to the actual job assignments being completed. | Supervisors | Supervisors |
| (3) | Supervisors should be reviewed on their ability to manage people. **[Deputy Director and Human Resources should research models for feedback and make recommendations]** | Deputy Director | Deputy Director |
| (4) | The Board should uphold the Chairman's commitment to obtain staff input prior to doing a performance evaluation on the Executive Director. **[With models from the Deputy Director]** | Board | Board |
| | **Supervisory Skills** | | |
| (5) | All supervisors should receive training in upgrading their skills on a regular basis. (e.g. time management, motivational strategies, performance evaluations, decision making, conducting effective meetings) Where possible, group training is preferable so supervisors can process and implement methods and techniques in a consistent manner. | Deputy Director | Deputy Director/ Human Resources |
| (6) | Supervisors should understand the motivational value of recognizing good work by individuals and groups. Recognition issues should be included as an aspect of supervisory training. | Deputy Director/ Supervisors | Deputy Director/ Human Resources |
| | **Decision Making** | | |
| (7) | Decisions made by the Executive Director and Core should reflect the advice, opinions and expertise of staff who can help them better understand the details and implications of each option. Decisions should be consistent and based on sound long-term business considerations and not be in reaction to a specific instance. Staff input in the decision making process should be encouraged and will result in greater ownership and investment in the outcome by staff. Ad Hoc Committees may need to be formed that cross department barriers to implement. | Executive Director/ Core | Executive Director/ Core/ Ad Hoc Committees |

Note: "Supervisors" include: Executive Director, Deputy Director, Core members, and other supervisors.
**[Recommendations for implementation are in bold and square brackets]**

| | **Decision Making - Continued** | **Primary Responsibility** | **Implementation Responsibility** |
|---|---|---|---|
| (8) | Decisions should include a plan of who should be involved, what resources are needed, who should be the point person, a timeline and what level of authority is needed for implementation. The Executive Director and Directors should follow-up and monitor the timeline. | Executive Director/ Deputy Director/ Core | Supervisors |
| (9) | When consensus as a decision-making tool can not be achieved or is not appropriate, the Executive Director should demonstrate appropriate leadership by making the decision, sticking to it, defending it and following through with implementation. | Executive Director | Executive Director |
| (10) | All supervisors, as well as Core, should be involved in long and short-term planning. **[All Supervisors should be involved in the Strategic Planning and Business/ Implementation Plan and any changes]** | Executive Director | Executive Director/ Core/ Supervisors |
| (11) | Directors should communicate changing priorities at the earliest practical moment so that staff can be prepared. Staff should be encouraged to ask supervisors to clarify the priority of the request versus the priority of other projects currently being worked on. Supervisors should also be informed as to what may be delayed due to this change in priorities. **[Human Resources: Look into training to ensure that this happens.]** | Executive Director/ Core/ Supervisors | All Staff |
| | **Senior Management, Executive Director and Deputy Director** | | |
| (12) | The Executive Director's primary responsibility is to implement policy for the Agency with input from Core. He should delegate responsibility for implementation to Directors and managers and rely on them to insure that policies are carried out. Staff must be held accountable. His support of staff is critical and he should provide appropriate leadership when difficult issues surface. All Directors should monitor staff progress through ongoing meetings and follow up on reports given to them by staff. | Executive Director | Executive Director/ Core/ Supervisors |
| (13) | In order to set a positive work environment and effective leadership role, the Executive Director needs to be interested in and engaged with staff during meetings. (All Directors should exhibit this same trait.) | Executive Director | Executive Director |
| (14) | If the Executive Director feels the need to change or modify a staff recommendation, he should be willing to take responsibility by signing off on the decision. (All Directors should be prepared to do the same.) | Executive Director | Executive Director |

| | **Senior Management, Executive Director and Deputy Director - Continued** | **Primary Responsibility** | **Implementation Responsibility** |
|---|---|---|---|
| (15) | In any VHFA business activity that is sponsored by or involves someone that has a personal relationship with the Executive Director or other VHFA employee, the VHFA employee should remove themselves from the decision making and evaluation process of the activity. VHFA employees should not place themselves in a position of advocacy for issues and programs that may constitute a conflict of interest. **[The current Conflict of Interest Policy should be revised to reflect the above.]** | Deputy Director | Human Resources/ Core/ PPRC |
| (16) | The Deputy Director should not show favoritism to any one department or individual in the Agency (This also applies generally to all Directors). | Executive Director | Deputy Director |
| (17) | If the Deputy Director finds himself in a position where he cannot fulfill his responsibilities, he needs to prioritize and delegate them so the work gets done. If tasks cannot be delegated, the Deputy Director needs to inform Agency staff of what's going on and why the items cannot be completed on schedule. (This also applies generally to all Directors) | Deputy Director | Deputy Director |
| (18) | The Deputy Director's position description is outdated and needs to be revised, specifically regarding lines of supervision and authority. | Executive Director | Executive Director/ Deputy Director |
| (19) | The Organizational Chart needs to be reviewed and revised to more accurately reflect these lines of authority and responsibility. | Executive Director/ Deputy Director (With Board approval) | Executive Director/ Deputy Director |
| | **Recognition Issues** | | |
| (20) | Supervisors should promote teamwork and recognition by sharing credit and acknowledge other's contribution to special projects, presentations, etc. For example, supervisors should include the name of key contributors in Board Memos. | Supervisors | Supervisors |
| (21) | All staff should assume responsibility for recognition of each other's accomplishments. | All Staff/ Human Resources | All Staff/ Human Resources |
| (22) | The Board should consider a recognition program as a means of rewarding employees whose performance has been exemplary. If adopted, clear guidelines on how the program works and who administers it should be distributed to all employees. | Board | Deputy Director/ Ad Hoc Committee(s)/ Core |

| | **Meetings** | **Primary Responsibility** | **Implementation Responsibility** |
|---|---|---|---|
| (23) | Regularly scheduled department staff meetings should be a forum for planning and sharing information rather than simply a reporting mechanism. | Department Directors | All Staff |
| (24) | All employees should be prepared for meetings by having read materials supplied to them in advance of a scheduled meeting. | Deputy Director/ Human Resources | All Staff |
| (25) | In order for meetings to be more effective for all involved, meetings, whether scheduled or impromptu, should begin with a statement of purpose and/or the goal(s) of the meeting. It is up to the participants of a meeting to decide if formal minutes are necessary or if individual notes will suffice. | Deputy Director/ Human Resources | All Staff |
| (26) | Any record (minutes) of the meeting should state if the goal has been accomplished and any decisions made should be noted. While minutes are not always necessary, if minutes are kept, they should be distributed to those involved in a timely fashion. | Deputy Director & Human Resources | All Staff/ Minute Taker |
| (27) | Minutes for Core, PPRC etc. should be readily available to staff using an attachment to E-mail within one week of the meeting. Agendas should be e-mailed to all staff prior to meeting. | Deputy Director | Minute Taker |
| | **Interdepartmental Communications** | | |
| (28) | There needs to be a process for getting different departments together to discuss what's working, what's not working and how things might be improved. There also needs to be a process for identifying which departments or people need to get together, what they'll discuss, who needs to be involved, for how long and how often. **[Process should encourage communication between non-Core members]** | Core | Core/All Staff |
| | **Strategic Planning** | | |
| (29) | VHFA's Strategic Plan and planning process is not currently working. The Strategic Plan is a five-year plan that must be both realistic and able to be implemented. **[The Board and Executive Director need to develop a Strategic Plan that is realistic and that guides the Agency]** | Board/ Executive Director | Board/ Executive Director |
| (30) | A separate Implementation Plan should be updated once a year and specifically tie back to the Strategic Plan. The Implementation Plan should include specific "measures of success", time frames, needed resources, and who is responsible for completing items. The Implementation Plan should be reviewed annually to be sure it is compatible with the overall mission and Strategic Plan. | Executive Director | Executive Director/ Deputy Director/ Core |

| | **Strategic Planning-Continued** | **Primary Responsibility** | **Implementation Responsibility** |
|---|---|---|---|
| (31) | The implementation of Strategic Plan should be updated once a year, generally. In the event that a project or program that is very time-sensitive arises and necessitates a change mid-year then: 1) the implementation plan administrator (either the Executive Director or the Deputy Director) needs to identify which departments will be affected by the change; 2) the managers of the departments affected need to have an opportunity to identify the impact of the change, possibly including which items on the current implementation plan will be delayed or dropped; and 3) Core needs to convene to discuss and agree upon the change in a timely manner. | Executive Director/ Deputy Director | Executive Director/ Deputy Director/ Core |
| | **Monitoring** | | |
| (32) | The progress of the implementation of these recommendations will be monitored on a quarterly basis (initially), then on a semi-annual basis. | Board | Board/ Focus Group/ Ad Hoc Committee |

**vhfa**

VERMONT HOUSING FINANCE AGENCY

May 21, 1998

Mr. Charles Brush
Green Mountain Development Group
7 Aspen Drive
South Burlington, VT 05403-6247

Dear Charlie:

Thank you very much for sharing the good news about the National Association of Homebuilders recently approved resolution regarding support of the small state funding floor for tax credits! It is indeed good news for our state and I appreciate your efforts in making this happen. Certainly this initiative, if enacted in conjunction with the overall per capita increase in the housing credit bill, would go a long way towards addressing this states affordable housing problems. You and the homebuilders are to be commended for your efforts in this regard.

Sincerely,

Allan S. Hunt
Executive Director

cc: VHFA Board of Commissioners

*ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD*

*Mailing Address:* PO Box 408, Burlington, Vermont 05402-0408
*Delivery Address:* 164 Saint Paul Street, Burlington, Vermont 05401-4364
802 / 864-5743 • 800 / 339-5866 • TDD: 800 / 586-5832
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EQUAL HOUSING OPPORTUNITY

Resolution No. 5

Date: May 14, 1998
City: Washington, D.C.

NAHB Resolution

| | |
|---|---|
| Title: | Small State Funding Floor for the Low Income Housing Tax Credit Program |
| Original Sponsor: | Housing Credit Group of the Multifamily Council |

WHEREAS, the annual amount of authority allocated to each state under the Low Income Housing Tax Credit Program is set at $1.25 per capita;

WHEREAS, states with small populations receive comparatively little funding under the tax credit program to address their affordable rental housing needs; and

WHEREAS, although the National Association of Home Builders is advocating an increase of Low Income Housing Tax Credit authority to $1.75 per capita, even this increase would not significantly help states and territories with small populations without reducing credits available to other states to meet their affordable housing needs,

NOW, THEREFORE, BE IT RESOLVED that the National Association of Home Builders urge Congress to establish a floor of $1.5 million for annual authority for the Low Income Housing Tax Credit Program for states and territories with small populations without reducing credits available to other states and permit the floor to be indexed annually for inflation.

| | |
|---|---|
| Board of Directions Action: | Approved |
| Joint Executive/Resolutions Committee Action: | Recommends Approval |
| Resolution Committee Action: | Recommends Approval |
| Rural Housing Council Board of Trustees Action: | Recommends Approval |
| Rural Housing Political/Legislative Committee Action: | Recommends Approval |
| Federal Government Affairs Committee Action: | Recommends Approval |
| Taxation Subcommittee of the Federal Government Affairs Committee Action: | Recommends Approval |
| Housing Finance Committee Action: | Recommends Approval |
| Multifamily Finance Subcommittee of the Housing Finance Committee Action: | Recommends Approval |
| NAHB's Multifamily Council Board of Trustees Action: | Recommends Approval |
| Housing Credit Group of NAHB's Multifamily Council Action: | Recommends Approval |

HOTEL DEADLINE JULY 8

National Conference of State Housing Boards'

# 1998 Educational & Development Workshop

**August 23 – 25, 1998**
**Stoweflake Inn and Resort**
**Stowe, Vermont**

# About the Workshop

The National Conference of State Housing Boards' Educational & Development Workshop is especially designed for state Housing Finance Agency (HFA) board members. HFA executive directors are also welcome to attend. The two-day program promises to be invaluable to both new and veteran board members.

Topics featured this year include: roles and responsibilities of HFA board members; award-winning HFA programs your agency can replicate; preliminary assessments of welfare reform on HFA programs; HFA experience in Section 8 mortgage restructurings; strategies for protecting HFA reserves; the role of HFA boards in developing Housing Credit allocation plans; and effective HFA partnerships with nonprofits.

The annual NCSHB Educational & Development Workshop is a once-a-year opportunity for HFA board members and executive directors from around the country to get to know and learn from one another in an informal, relaxed setting. This is one conference you won't want to miss!

**Stowe**

The Stoweflake Inn and Resort is located in the heart of Stowe, Vermont, between old Stowe Village and Mount Mansfield, a quaint New England town filled with culture and recreational activities. You will enjoy the elegance and versatility of a complete vacation and recreation environment. Stowe's picturesque setting is ideal for all the outdoor sports you can imagine, including hiking, golfing, tennis, and boating. There are also countless antique shops, craft stores, and quaint restaurants to enjoy.

**Nearby Attractions**

Vermont has some of the Northeast's top hiking trails, including The Long Trail which spans the entire state and travels directly over Mount Mansfield. Many trails that branch off The Long Trail are perfect for day-hikes of any level.

There are endless places to bike in Stowe. You can bring your own, rent, or use one of the Stoweflake Inn and Resort's complimentary one-speed bikes. The Inn has a 5.5-mile paved recreation path accessible from the property.

**Sunday, August 23**

| | |
|---|---|
| 10:00 am - 6:00 pm | Conference Registration |
| 4:00 pm - 5:30 pm | **How Developments in Washington Will Affect HFAs** |
| 6:00 pm - 7:00 pm | President's Welcoming Reception |

**Monday, August 24**

| | |
|---|---|
| 7:30 am - 5:00 pm | Conference Registration |
| 7:30 am - 8:30 am | Continental Breakfast |
| 8:30 am - 9:00 am | Welcome and Opening Plenary |
| 9:00 am - 10:15 am | **Partnering with Nonprofits** |
| 10:15 am - 10:30 am | Break |
| 10:30 am - 12:00 pm | **The HFA Role in Preserving Section 8 Housing** |
| 12:00 pm - 1:00 pm | Luncheon |
| 1:00 pm - 2:15 pm | **The Roles and Responsibilities of Board Members** |
| 2:15 pm - 2:30 pm | Break |
| 2:30 pm - 3:45 pm | **The Board Role in Developing Housing Credit Allocation Plans** |
| 3:45 pm - 5:00 pm | **What Has Welfare Reform Meant So Far for HFAs** |
| 6:30 pm - 9:00 pm | Reception and Dinner |

**Tuesday, August 25**

| | |
|---|---|
| 7:30 am - 8:30 am | NCSHB Board of Directors Meeting |
| 8:00 am - 9:00 am | Continental Breakfast |
| 9:00 am - 10:30 am | **Award-Winning HFA Programs You Can Use** |
| 10:30 am - 12:00 pm | **Strategies for Protecting HFA Reserves** |

# Registration Information

## Stoweflake Inn and Resort

The Stoweflake Inn and Resort is as magnificent as its mountainous surroundings. This AAA four-diamond property features everything from gracious accommodations to fine dining and outdoor activities.

## Hotel Reservations

NCSHA has secured a block of rooms at the Stoweflake Inn and Resort. Room rates are $135 single or double for a standard room. For information on higher levels of accommodation, please ask the reservations department. For reservations, call (802)253-7355 and identify yourself as an NCSHB attendee. To ensure availability and the special discount rate, you must make your reservations no later than July 8, 1998. Each reservation must be guaranteed by a $200 deposit, payable to the hotel, by check, money order, or major credit card.

## Airline Travel

Delta Airlines offers a discount 5 percent lower than any published discount round trip fares. Restrictions may apply. A 10 percent discount is offered on full fares for passengers not qualifying for any published discounts. Call (800)241-6760 and refer to File #108859A. No advance reservations or ticketing required.

United Airlines offers a discount of 5 percent lower than any published discount round trip fares. Restrictions may apply. For those passengers not qualifying for any published discounts, a 10 percent discount is offered on fares with a seven-day advance purchase. Call (800)521-4041 and refer to File #571HW.

## Car Rental

Hertz is the official car rental supplier. Special rates for conference attendees are applicable one week before and after the meeting dates. Call (800)654-2240 and request meeting #5595.

## Weather & Attire

Daytime temperatures in August in Vermont can be in the 80s. The mornings and evenings, however, are cool, so be sure to bring a jacket. All NCSHB activities, including the meetings, are casual attire.

## Cancellation Policy

No refunds will be given for written cancellations received after August 19, 1998, or for registrants who fail to attend the conference. Cancellations received after August 12 will be subject to a $50 processing fee. All cancellations must be accompanied by a letter of explanation. "No shows" will be billed.

## Special Needs

If you have special needs under the Americans with Disabilities Act, please explain them on a separate page and include with your registration.

## NCSHB's 1998 Educational & Development Workshop

**August 23 – 25 • Stowe, Vermont**

Name ______________________

Title ______________________

State Housing Agency Name ______________________

Address ______________________

City, State, Zip ______________________

Phone ______________________

Please return to:
NCSHA
444 North Capitol St., NW, Suite 438
Washington, DC 20001
(202)624-7710 • Fax (202)624-5899

| Postmarked: | Before 8/13 | After 8/13 |
|---|---|---|
| Workshop attendees | $495 | $545 |
| Adult guest/spouse | $85 | $85 |
| Children under age 18 | $45 | $45 |

Total __________

Guest and children's fees cover all meal functions and receptions.

Refunds will be made in full only if cancellation is received in writing on or before August 12, 1998.

❑ Please indicate if you are a new board member.

List spouse/guest names and children's names and ages:

______________________

______________________

______________________

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

To: VHFA Board of Commissioners

From: Glenn A. Jarrett GAJ

Date: June 17, 1998

Re: Request for Proposals for Bond Counsel Services

**BACKGROUND:**

Some months ago, I spoke with you about doing an RFP for bond counsel. It has been five years since our last RFP for bond counsel. Several months ago I spoke with the Chairman and he agreed to postpone the RFP from the Spring of this year to Summer, due to Board workload on such things as strategic planning, focus groups and the budget. Attached is a draft of the RFP I would like to send out. The proposed timetable would be to send out the RFP at the end of June or beginning of July with responses due on July 31, 1998. Screening and interviews would take place in August with final selection expected in September.

If you have any comments or suggestions, please feel free to convey them to me.

**REQUESTED ACTION:**

Approval of the RFP in substantially the form presented, with modifications as requested by the Commissioners.



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DRAFT
FOR DISCUSSION ONLY

# REQUEST FOR PROPOSALS
to serve as
BOND COUNSEL

The Board of Commissioners of the Vermont Housing Finance Agency ("VHFA") has directed the VHFA staff to review the qualifications of law firms that may be interested in serving as bond counsel to VHFA. We invite you to submit a written proposal describing your law firm's qualifications for this position.

If you choose to respond to this request for proposals ("RFP"), please provide the information requested in Items 1 through 17 below, and submit seven copies of your firm's proposal to VHFA, 164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408 by 2 p.m. on Friday, July 31, 1998. Any additional information that you believe would be helpful may also be included. However, proposals should be limited to no more than 10 pages, excluding the appendices described below. VHFA may, at its discretion, require an oral presentation, and expects to schedule such presentations during the month of August, with a final decision expected to be made by the Board of Commissioners during the month of September.

## A. GENERAL INFORMATION

1. Provide a brief description of your firm, including, but not limited to the following:

   a. Location(s).

   b. Number of Partners and Associates.

   c. Experience in housing area, including the number of lawyers and support personnel working in that area of your practice.

   d. Describe your firm's commitment to affirmative action goals generally, and to equal employment of women and minorities in particular. Specify the number of women and minority attorneys currently among your firm's partners and associates, listing each category separately.

   e. Indicate whether or not your firm has any knowledge of any active investigations or criminal proceedings by the Securities and Exchange Commission or any other state or federal agency involving your public finance department members or practices. If so, please provide a brief description of such investigation and the name and phone number of a person whom VHFA could contact to obtain more information. Identify any material litigation, administrative proceedings or investigations regarding your firm that is ongoing or has been settled or otherwise concluded during the past two years.

16. What services or contributions has your firm provided to the people or State of Vermont in the last two years? Please list counsel relationships with state agencies or instrumentalities. Please discuss pro bono services or charitable contributions within the State.

17. How could your firm be helpful to VHFA as it seeks to develop new programs for housing?

E. RFP REVIEW AND SELECTION CRITERIA

At a meeting of the VHFA Board of Commissioners or a committee of the Board, scheduled after review of the proposals, certain of the firms that have responded may be asked to make oral presentations. If so, those firms will be given not less than five (5) business days' notice of the date, time and place of the oral presentation.

The Board, after recommendations by the committee, will make the decision. The Board will make its selection based upon the demonstrated competence, experience, knowledge and qualifications of the firms, and on the reasonableness of the proposed fee for the services. By this RFP, however, VHFA has not committed itself to employ bond counsel at all or for any specific term. The term of the contract will be two years, with the possibility of a two year extension. Any firm selected must have the ability to certify that as of the date the engagement begins, the firm is in good standing with respect to, or in full compliance with, a plan to pay any and all taxes due the State of Vermont.

VHFA reserves the right to make its decision after receipt of responses and VHFA's decision on these matters is final. VHFA reserves the right to reject any and all proposals.

NOTE: Vermont Housing Finance Agency reserves the right to terminate any contract with Bond Counsel if VHFA believes that Bond Counsel is not rendering the appropriate services or if there is a change in the status of key partners or associates of the firm.

Please find enclosed, for your information, copies of the Agency's Official Statement for its Single Family Housing Bonds, Series 9. For further information, please contact either the undersigned or Roger A. Schoenbeck, Director of Finance, at (802) 652-3436.

The Board of Commissioners and staff appreciate your consideration of the Agency's programs and look forward to receiving your response.

Sincerely,

Glenn A. Jarrett
General Counsel

# vhfa

VERMONT HOUSING FINANCE AGENCY

## MEMORANDUM

TO: VHFA Board of Commissioners

ASH

FROM: Allan S. Hunt, Executive Director

DATE: July 17, 1998

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held on July 23rd here at the Vermont Housing Finance Agency's office, 164 Saint Paul Street, Burlington, Vermont. The meeting will begin at 1:30 p.m.

Attached is the agenda and Board packet. The master copy of the Board minutes kept on file here at the Agency includes any attachments that may be referenced in the minutes; copies will be made available should any Board members be interested in reviewing them.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Burlington July 23rd!



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VERMONT HOUSING FINANCE AGENCY

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

Thursday, July 23rd at 1:30 p.m.

1. Review and approval of minutes of June 18th 1998.

2. DEVELOPMENT
   A. Lakeview Housing, Newport: Letter of Interest and Commitment for Interim Financing {Reid//Enclosure}
   B. Homestead Greene, North Bennington: Letter of Interest and Commitment for Interim Financing {Erdelyi//Enclosure}

3. OPERATIONS
   A. Single Family Program Activity Report for May 1998 {Lothrop//Enclosure}
   B. Servicing Activity for May 1998 {Lothrop//Enclosure}
   C. VHFA Mandatory Escrow Requirement {Lothrop//Enclosure}

4. COMMUNICATIONS
   A. Advertising & Public Relations Activities for FY98 & FY99 {Gent//Enclosure}
   B. Community-Based Outreach for FY98 & FY99 {Gent//Enclosure}

5. FINANCE
   A. Single Family Series 9 Options {Schoenbeck//Enclosure}

6. LEGAL
   A. Annual Meeting Resolution {Jarrett//Enclosure}

7. ADMINISTRATION
   A. Executive Director's Report {Hunt}
   B. FY98 Business Plan Results {McNamara//Enclosure}
   C. Habitat for Humanity "Oprah House" {McNamara//Enclosure}

8. Other old or new business to come before the Board.

*ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD*

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EQUAL HOUSING OPPORTUNITY

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VERMONT HOUSING FINANCE AGENCY

BORED Minutes!
State Treasurer's Office
133 State Street, Conference #1
Montpelier, Vermont

Thursday, June 18th, 1998 at 1:00 p.m.

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

Staff: Mr. Hunt, Mr. McNamara, Mr. Lothrop, Mr. Schoenbeck, Mr. Falzone, Mr. Erdelyi, Mr. Jarrett, Ms. Caragher, Ms. Gent, Ms. Myette, Ms. Crady, Ms. Santucci, Mr. Barry

Other: Mr. Broderick (Housing Vermont), Mr. Hahn (Central Vermont Community Land Trust)

Chairman White called the meeting to order at 1:15 p.m. A motion was made by Mr. Seelig to approve the minutes of April 23rd and May 7th with the following changes to the May 7th minutes: Mr. Seelig and Ms. Randall left the meeting after the tax credit discussion; and Mr. Richardson (Capital Ideas, Inc.) addressed the Board during the tax credit discussion indicating that the market study performed on Brandon shows a great need for the project. Mr. Richardson also noted that the study showed a need for 153 family units versus the 10 that are being proposed; and the need for 62 elderly units versus the 29 being proposed. The motion carried unanimously after being seconded by Ms. Randall.

Mr. Seelig had a question regarding the lender of last resort policy, which was discussed at the May 7th Board meeting. He asked if we deleted the lender of last resort from our policy and whether we replaced it with anything. Chairman White indicated that we did delete the lender of last resort from our policy and Mr. Hunt added that a couple of sentences were deleted from our Procedural Guide.

Mr. Erdelyi discussed his memo "Barre & Bailey Street Apartments, Montpelier Combined Letter of Interest/Commitment Letter for Permanent Financing," included in the Board packet. Central Vermont Community Land Trust (CVCLT) and Housing Vermont are attempting to purchase and rehabilitate 15 units of rental housing and 1,300 square feet of commercial space in three existing buildings in Montpelier. All other funding has been committed and they are seeking $85,000 in debt financing from VHFA. Mr. Erdelyi indicated that this loan would use up the last of the old Section 8 recycled money. The sponsor plans to do renovations including structural work, re-roofing, replacing all doors and windows, etc. The residents served at this development are very low income and the property has a history of low vacancy rates. The proposed financing would improve the physical condition of the units. The project also demonstrates financial feasibility for at least the term of the debt financing.



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Mr. Erdelyi indicated that he would like to correct the section in his memo where he mentioned that CVCLT recently "merged" with Barre Neighborhood Housing Services by noting that CVCLT has taken over the assets and liabilities of the Barre Neighborhood Housing Services.

Mr. Hahn (Executive Director, CVCLT) then addressed the Board. The merger with Barre Neighborhood Housing Services is scheduled to be completed during a meeting taking place later this evening. Mr. Hahn noted that this merger is an exciting landmark for consolidation within central Vermont. CVCLT has applied to Neighborhood Reinvestment and has made it through the first cut. They will be doing an on-site assessment scheduled for later this summer. In terms of the Montpelier project, they are progressing very smoothly and the real estate closing is scheduled for July 30th. He also mentioned that, because currently there is a very good market for construction, they will be going out to bid in August and perhaps asking contractors to bid an early fall start as opposed to a late fall start.

Mr. Candon mentioned that he hadn't seen the deferred piece under the Projected Funding Sources on the first page of the memo before, and questioned whether that has been standard. Mr. Erdelyi answered by indicating that it was a summary from a spreadsheet and that it is not a regular amortizing principal and interest loan. Mr. Candon also asked what the definition of a "transaction screen" was. Mr. Broderick indicated that it looks at the activity on the property and the neighboring property, at a reduced cost. Mr. Candon asked if it was a good process, and Mr. Broderick said that he believes it is a good process, but that it does involve ongoing research. After further discussion, a motion was made by Mr. Candon to approve the "Resolution Pertaining to Letter of Interest and Commitment Letter Re: Barre and Bailey Streets (Montpelier)" and to authorize the Executive Director to issue a Commitment Letter upon satisfaction of certain conditions. The motion carried unanimously after being seconded by Ms. Randall.

Next, Mr. Lothrop reviewed his memo "Single Family Program Activity Report for April 98," included in the Board packet. Mr. Lothrop stated that the activity for this month seems to be good so far and we are running steady at approximately $1 million in reservations per week. As of June 17, 1998 we are at $2.6 million in reservations as compared to $5.4 million for June 1997, and we still have half of the month left. It is conceivable that we can match what we did last June. Mr. Lothrop also noted, however, that the overall activity in the program is down significantly from last year.

Mr. Lothrop discussed his memo "Servicing Activity for April 1998," included in the Board packet. Mr. Lothrop noted that, with the exception of loans in foreclosure (which remains the same), the numbers have decreased. On the delinquency report, the delinquencies dropped 8 basis points from the previous month. For the month of May, they did increase slightly. Ms. Randall asked what reactions, if any, Mr. Lothrop received regarding the mailing that went out to the CEOs. Mr. Lothrop indicated that the mailing has not gone out to the CEOs yet. It is scheduled to be sent in July for the June numbers.

Mr. Lothrop briefly reviewed the Property Disposition Report. He noted that in May the numbers of sales were approximately the same as in April. Activity on the REOs is brisk. We presently are down to 46 REOs from a high of 72. Ms. Canney asked how our programs (for borrowers buying our REOs) are being utilized. Mr. Lothrop noted that the IORTA funds seem to have the most effect with people purchasing REOs. We had a couple of potential candidates for the 0% down program, but one of them came in over the income limit and the other candidate didn't qualify credit-wise. Currently we have not committed any.

Mr. Lothrop then discussed the memo "Request for Proposal (RFP) to provide sub-servicing services to VHFA," included in the Board packet. VHFA negotiated and signed the first sub-servicing agreement with Graystone Mortgage Corporation (GMC) in 1995. After three years, staff feels it is time to solicit proposals to assure that VHFA is paying for the best possible service. Staff would also like to see if additional services could be provided for the same cost or close to the same cost. Mr. Hunt asked how many loans we currently sub-service. Mr. Lothrop noted that we currently sub-service 536 loans. Following a brief discussion, a motion was made by Ms. Canney to move forward with the RFP for sub-servicing services, and the motion carried unanimously after being seconded by Mr. Douglas. Mr. Hunt noted that it might be useful to wait until Mortgage Dynamics Inc (MDI) has done the first part of their report; they may be able to broaden our list of potential sub-servicers, and help us fine-tune our guidelines. The Board agreed with his suggestion.

Next, Mr. Falzone reviewed his Director's Report. Mr. Falzone pointed out the two most significant items in the Report; (1) staff continues to make good progress using the residential energy efficiency program that has been funded by the Department of Energy; and (2) Parsons Hill (Castleton) is our largest concern at this point. Many tenants have chosen to move out and some have stopped paying their rent. There have been a lot of turnover costs and the property's funds have been exhausted in terms of existing reserves and operating cash. We have put forth a proposal in which we will agree to advance the owners funds to keep the property going and to meet their operating expenses until it reaches stable occupancy. We have not received a strong commitment to go ahead with this proposal which was sent out a month ago.

Mr. Falzone indicated that Winchester (in terms of cash flow and operating deficit loans) continues to require $250,000 in loans that we are making jointly with the Merchants Bank. Mr. Candon asked what our dollar exposure is on the Castleton property. Mr. Falzone noted there is a $450,000 outstanding principal balance on the loan. Mr. Falzone stated that the biggest problem we are facing is that they could declare bankruptcy. If this occurred, VHFA might be forced to foreclose on the owner of the property, which would be difficult to remarket. Mr. Falzone noted that we would probably put it into receivership and have an interim manager. Staff is focusing on having the owner get new tenants to occupy the vacant units, which is why we are offering them an advance. We have not heard back from them and we have not yet received their June mortgage payment. Mr. Candon asked what the value of the property was and Mr. Falzone replied that the property is worth somewhere in the $500,000 range.

Mr. Candon asked whether we have provided a Notice of Intent to Declare Default to Abenaki Acres and Mr. Jarrett indicated that we have. Mr. Candon also questioned whether Mellishwood Apartments in Woodstock received a re-appraisal or if they are trying to go through the property needs assessment in order to offset the taxes. Mr. Falzone stated that they are trying to have the property looked at with provisions that are provided under Act 60, which gives special consideration if there is long term affordability and preservation, etc.

Mr. Falzone gave an overview of his memo "Revised Preservation Strategy," included in the Board packet. Under our existing multifamily preservation program, we have successfully entered into 26 Preservation Agreements covering 544 units of VHFA financed Section 8 housing. Currently, VHFA has had twenty prepayments of Section 8 multifamily properties, with six of these occurring in the last two years. Mr. Falzone stated that the issue facing us today is controlling affordability and keeping the portfolio within VHFA. More importantly, we need to keep the portfolio intact as it represents both an important asset to VHFA and a source of income. Mr. Falzone stated that VHFA's main objective is to try and keep housing affordable for as long as possible while providing some relief for what is now a large tax liability that these partnerships are facing. Staff is asking for the ability to offer additional general fund loans for the purpose of restructuring the ownership and dealing with partnership tax liability. Mr. Falzone noted that, by improving the preservation incentives, we could successfully compete with outside lenders and keep these loans in our portfolio.

Mr. Seelig asked whether, when we make loans today, do we have a provision that states that borrowers can't prepay their loan? Mr. Jarrett responded that generally we prohibit borrowers from prepaying their loans. Mr. Seelig also asked, as an owner, what is VHFA offering today that is different from what we offered in the past? Mr. Falzone stated that, for the first time, we are offering additional advances under the first mortgage with additional general fund loans. We also would like to change the amortization with a balloon payment, which is something we have never offered. Ms. Randall asked whether the negotiations of preservation agreements have come to the Board in the past. Mr. Falzone replied by stating that the Board has given staff the authority to negotiate preservation agreements on two separate occasions. Ms. Randall noted that staff should have the latitude to negotiate Preservation Agreements and the Board should give staff the flexibility to do so. Mr. Falzone added that he has been serving on a national preservation task force through NCSHA and noted that we are doing much of what the task force is recommending. After further discussion, a motion was made by Mr. Douglas to authorize the Executive Director to negotiate and sign Preservation Agreements with owners using the additional incentives outlined in the memo. The motion carried unanimously after being seconded by Ms. Randall.

Next, Mr. Schoenbeck handed out the March 31, 1998 Financials. On the income statement, the surplus for the year is $2,383,000, which is consistent to what we were expecting, with one exception: our property disposition and loan loss expenses this year are $1,447,000. This quarter we recognized $800,000 in loan losses. Mr. Schoenbeck indicated that, if we hadn't recognized so many loan losses, our surplus would have been much higher. Mr. Schoenbeck clarified to the Board how the loan losses are calculated: the loan losses are not necessarily disposed of properties and that losses are recognized during the time we hold the properties in addition to when we actually dispose of the properties. We have only purchased $36 million worth of mortgages for the fiscal year, which is significantly lower than in the past. Ms. Randall stated that she believes it would be wise to bring in someone to VHFA for one year to work solely on property disposition and loss mitigation in our portfolio. Ms. Randall is very concerned that this situation will not change in the next twelve months. Mr. Lothrop indicated that he believes it is a reasonable suggestion to look into, but would rather wait for the consultant's report to see what they suggest. Ms. Randall mentioned that we couldn't add another piece of work to what staff currently does, but a new employee could review all loans that are 30 days past due and deal directly with lenders to solve the problem. Mr. Hunt indicated that currently we have two employees who call lenders once a month and, if a lender fails to contact past due borrowers, then these two employees attempt to make contact. Mr. Hunt also noted that a number of our REOs are being contracted out to two firms and presently one of the firms, the Harold Lewis Group, is doing an exceptional job.

Ms. Canney believes that we should try to have the Homeownership Centers help us out, in return for our support of the Homeownership Centers. Mr. Hunt indicated that we did receive a proposal from the Homeownership Centers, which staff didn't feel was realistic, for post intervention work. Staff has developed a response to that proposal and it lays out specific roles to get them involved. Ms. Randall expressed concern regarding VHFA transferring the risk to another place that we ultimately don't control. Ms. Randall also stated that, in her opinion, we should hire the best collector we can and have them collect loans for us. Ms. Randall feels that, as a Board, regarding the $800,000 in loan losses, we have a fiscal responsibility to deal with mitigating some of our losses. Mr. Seelig asked if the level of staff was increased or if we did some rearranging within departments. Mr. Hunt indicated that we did rearrange staff within departments.

Ms. Canney indicated that staff should develop some alternatives to help stop some of these losses. Mr. Candon asked how other HFAs deal with their recoveries. Mr. Hunt stated that a lot of the agencies are FHA insured, which has both good and bad consequences. Some of the agencies that don't have FHA insurance are experiencing what we are finding now. Chairman White expressed his concern with our delinquencies and noted that we need to continue to look for ways to mitigate losses. Chairman White also indicated that maybe we will need to make adjustments in the budget to accommodate that objective.

Mr. Schoenbeck noted that, on the financial statements, $970,000 is the amount the servicers are retaining for mortgage servicing in the single-family portfolio for the nine month period. Currently, lenders are earning $1.3 million per year for servicing. Part of our Strategic Planning discussions have been about self-servicing loans; $1.3 million is the pool of money that is available for that. We cannot take that $1.3 million away at this point from the lenders, but there are ways to purchase the servicing back. If we could use that $1.3 million, there are a lot of things we could do in-house to assist in servicing the portfolio. Mr. Schoenbeck also noted that the value of the 70 REOs that we were holding at the end of March is $4.8 million.

Next, Mr. Schoenbeck reviewed his memo "Proposed Fiscal Year June 1999 Budget," included in the Board packet. Mr. Douglas began the discussion by stating that this year Chairman White appointed a budget committee, consisting of Ms. Randall, Ms. Canney and Mr. Douglas. The committee met with Mr. Schoenbeck to review the proposed budget and found the process to be very helpful. The two changes that the committee made to the budget are: (1) to include a $16,000 pool for incentive or recognition under salary and wages; and (2) to add an additional $20,000 for consulting purposes. Mr. Schoenbeck explained that, since the committee met, we have added $75,000 to the budget for VHMGB consulting fees. This increase caused a 2% increase in our expenses, although VHMGB will be billed back for the consulting agreement. Mr. Schoenbeck also noted that after staff addressed the Year 2000 compliance issue, we felt we should add $25,000 to the budget for consulting fees to assure we are year 2000 compliant. Mr. Schoenbeck indicated that the committee was concerned about the advertising and annual report increase, but he noted that we expect to spend more than the prior year, given that 1999 is VHFA's 25th Anniversary. Chairman White asked whether the committee has approved these changes. Mr. Douglas indicated that the budget committee feels comfortable with these changes. Mr. Douglas made a motion to approve the operating and capital budgets as presented and the motion carried unanimously after being seconded by Ms. Randall.

Following the motion, Mr. Seelig indicated that at the last Board meeting he had expressed interest in both supporting and possibly expanding Homeownership Centers. Since that time he has spoken to Neighborhood Reinvestment and they are very interested in evaluating whether they should add to their network of support in central Vermont. Mr. Seelig noted that the budget shows $120,000 for the homeownership centers; he thought that the annual cost was only $80,000. Ms. Gent indicated that we also included money for the first part of 1998. Ms. Crady noted that the funds in the budget are for the calendar year 1998 and the first six months of 1999. Mr. Seelig then asked whether we want to create a contingency line for additional staff if necessary and for possible expansion of the homeownership centers. Mr. Schoenbeck indicated that he would rather wait to make the budget adjustment when we have an actual number and bring it to the Board at that time.

Next, Chairman White asked that we hear from the Focus Groups. Ms. Crady and Ms. Gent represented the Communications Focus Group. Ms. Gent began by noting that the group started meeting back in February 1998 due to the Employee Survey completed in the October 1997. The group included representation from each department in the Agency. The discussions were very spirited at times and included a range of both sensitive and general topics. Ms. Gent stated that the final recommendations that have been presented to the Board are what the group believes to be a constructive plan to help develop an implementation plan. Ms. Crady thanked the Board, Mr. Hunt, Mr. McNamara, and all other staff members who allowed their employees to spend time meeting with these focus groups. Ms. Crady indicated that it was a tremendous team effort and a great process. Ms. Crady also noted that VHFA should continue building strong indepartmental teams. Chairman White noted that, at the last Communications Focus Group meeting he attended, he recognized that there was a need for cross department communications. Chairman White noted that, in terms of process, the Board would review these recommendations thoroughly and respond to the group in ninety days. On behalf of himself and the Board, Chairman White thanked the members of the focus group by expressing his appreciation for all their hard work. Mr. Hunt asked how many hours were spent during the process and Ms. Crady replied that it took approximately twenty hours. Mr. Douglas asked if the consultant was part of the process, and Ms. Gent indicated that she was. Mr. Seelig noted that a number of items seem to be easily implemented and that it might be helpful to get updates on those items that have been dealt with at regular Board meetings.

Next, representing the Personnel Focus Group, were Mr. Barry and Ms. Santucci. Mr. Barry and Ms. Santucci began by introducing themselves to the Board. Mr. Barry noted that there were ten staff members in the focus group and, for some, it was the first time working with staff from a different department. Mr. Barry also thought that overall, it was a good process and that it can only enhance the work climate in the Agency. It was mentioned that the focus group only addressed items that were mentioned three or more times on the Employee Survey. Ms. Santucci agreed with Mr. Barry and stated that it was both a learning process and a very helpful experience. Chairman White and the Board thanked the group for their efforts and indicated that they would review the recommendations and respond in ninety days.

Mr. Schoenbeck then discussed the Evensen Dodge update. Evensen Dodge prepared this updated report based on a request from the Board at the May 7th meeting. Mr. Schoenbeck explained that in the report it states that positive financial activity over the past 5 years has added 10 additional years of financial stability to FY2022, which is significant. Mr. Schoenbeck also thought a surprising finding was that even if our activity on single family programs were to fall to $30 million per year, it would not have a significant impact on our funding into the future.

Mr. Schoenbeck reviewed the "Single Family Series 9 Options" as described in his memo, included in the Board packet. Staff spoke with the Board in January and February regarding a potential remarketing of bonds. At that time, it was decided not to proceed due to the high costs and uncertainty of rate changes in the bond market. In the last few weeks, the bond market has moved in our favor, which has made us review our remarketing options. Staff did take the steps necessary to institute a remarketing and PaineWebber has responded to show that we have met the target of ½ point under the rates that the bonds were originally issued a year ago. Therefore we are eligible to remarket if we so elect. Mr. Schoenbeck received a report this morning from Mr. Feery (Paine Webber) showing that the market has moved back a little. Mr. Feery believes they could place bonds at the rates they put on the certificates, which would give us a 6.65% mortgage rate. Mr. Schoenbeck explained that we are currently negotiating with FannieMae to see if we can lock something in to enable us to guarantee what kind of a rate we would get. That is a condition of how we would move forward. The Board did authorize $5 million to be put into the 6.95% pool, which is a ¼ point less than we are allowed to earn, but that money has been used up. We made reservations of about $1½ million more than what was committed. Staff believes that if we could get the lock in with Fannie Mae, we would get a lower rate and it wouldn't cost us as much as giving up the quarter point with the 6.95% rate.

Chairman White asked how the Board left the remarketing of bonds at the last meeting when it was first discussed. Mr. Schoenbeck indicated that both the Board and staff agreed that we were uncomfortable remarketing at that point and that it would be tabled until further discussion. Mr. Seelig asked if staff thought it was likely to get a lock in from FannieMae. Mr. Schoenbeck believes that we can work something out with FannieMae. FannieMae has said that they need to know how many bonds we would be purchasing, but on a remarketing we can't guarantee that because everyone has the option to keep their bonds or put them back. The bonds FannieMae is interested in are the long bonds, which were sold to a couple of institutional investors. PaineWebber believes they can talk to these institutions and get a sense for whether they are going to retain their bonds or not. With the right financial incentive, we believe we can give FannieMae a commitment that, if they don't get as much as expected, we would pay them a fee.

Mr. Schoenbeck explained that, once we get the approval to move forward with this, we would begin incurring costs with underwriters, lawyers, etc. Staff wants to make sure that the Board is comfortable with this before proceeding any further because, if we start negotiating with FannieMae, things should start moving fairly quickly. Ms. Randall asked what the rate would be. Mr. Schoenbeck stated it would be 6.65% with 1 point, which is 55 basis points under what we currently offer.

Mr. Schoenbeck mentioned that our three year 6.20% program hasn't received any activity thus far. Mr. Hunt explained that, after meeting with the Vermont Bankers Association yesterday, the reason for no activity is that that program is not currently set up on their computer systems. He believes that several of the major banks are presently working on getting the program up and running on their computer systems. Ms. Canney added that the feedback she has received regarding the program is that it isn't being utilized because sellers are agreeing to pay the closing costs and, if it includes one point to get the house sold, they are willing to do it. Both Mr. Hunt and Ms. Canney believe that we should continue to offer this program. Mr. Schoenbeck pointed out that we need some direction from the Board as to how we are going to continue our money since the Board had just approved a certain limit on funds at the 6.95% rate, which are exhausted. Part of that recommendation would be to continue until we have a new program because staff doesn't want to end the 6.95% rate even though it is somewhat costly to the Agency.

Ms. Canney questioned whether our monthly VHMGB insurance payment option program had begun. Mr. Schoenbeck noted that it has been put into effect. Ms. Canney also asked how it is being received by the lenders. Mr. Lothrop indicated that a few have used it and he believes that most of the lenders are still analyzing it. Some lenders that Ms. Canney has spoken to are not aware that this is available. Ms. Randall feels that we should come up with a way to notify other lenders, outside the Vermont Bankers Association, of our monthly VHMGB billing to try and convince them that VHFA is an option. Mr. Candon mentioned that he attended a Vermont Mortgage Bankers Association meeting this past week and there were a number of bankers as well as licensed lenders in that group that we should consider. After further discussion, Mr. Seelig made a motion to: (1) continue to negotiate with FannieMae on the remarketed bonds and to assure the lock-in with FannieMae before proceeding; (2) explore options to reduce the mortgage rate on the Single Family Mortgage program in a low risk, cost efficient manner; and (3) the current pricing on our mortgages will stay the same. The motion carried unanimously after being seconded by Ms. Canney.

Next, Mr. Jarrett reviewed his memo "Title Insurance," included in the Board packet. Mr. Jarrett noted that he has reviewed the new enhanced title policies that are being offered in Vermont by all of the major title insurance companies. The major area in which these new policies provide expanded coverage are municipal permits. Mr. Jarrett explained that after studying these policies, he believes that the cost to the VHFA borrower would be significant and at this time he cannot recommend that VHFA make title insurance mandatory. Ms. Canney asked why some lenders require it even though VHFA doesn't? Mr. Jarrett indicated that they require it because, in the case where VHFA asks them to buy back a loan, the title insurance would help the lender out. Mr. Jarrett noted that he would continue to monitor this issue as the lending community gains experience with the new policies.

Mr. Jarrett then gave a brief litigation update. Mr. Jarrett explained that the Winchester lawsuit has been settled and the final lawyer has signed the settlement agreement and sent it out to his client. In one week, we should have all the signed documents in hand and then the money will be released to Winchester. The other lawsuit is the legal class action suit. The judge did deny the motions to dismiss and stated that he felt that the statute was unconstitutional and tenants should have the opportunity to be heard. The judge denied Legal Aid's motion to have the case treated as a class action. We have not heard from the judge in the state court action. Last week we received a letter from the plaintiff's lawyer offering to settle with VHFA if we would pay $2,500 in attorney fees plus $5,000 for damages and agree to go through the landlord tenant act procedures in future foreclosures.

We have sent a letter to the individual plaintiff saying, under the provisions of the landlord tenant law, they have 60 days to vacate. Mr. Jarrett does not believe there are any damages; in addition, the tenant has been living there rent-free for the past seven months. Ms. Randall suggested that we counter offer and give the tenant $2,000 and have her vacate the house by August 15. Mr. Lothrop noted that, as outlined in the in the plaintiff's settlement offer, he doesn't agree with requiring VHFA to abide by the tenants law in all other cases, because if we did that, the losses on our REOs would increase.

Ms. Canney asked if there were any rules against the law to offer incentives to the tenants to vacate. Mr. Jarrett indicated that there are no rules against it and that landlords often do that. Ms. Canney then asked if VHFA has a policy in place to offer those incentives. Mr. Jarrett answered that we don't have a policy in place because every time we have had a tenant move in after the complaint was brought, they vacated before the foreclosure was finished. Mr. Jarrett briefly gave an overview of his meeting last week with the other defendants. It was made clear that the other defendants want to get out also. We have agreed with the other defendants and the Bankers Association to come up with ideas that will be discussed at a meeting in September.

Mr. Jarrett briefly mentioned the U.S. Supreme Court decision on the case regarding IOLTA funds. IOLTA is based on a theory that the people putting money into an IOLTA account (interest bearing account) do not have a property interest in that money. The Supreme Court said that such people do have a property interest in that money. Mr. Jarrett expressed concern because even though the case is not over, it certainly casts a shadow on our continued ability to obtain money under the IORTA program.

Next, Mr. Jarrett discussed his memo "Request for Proposals for Bond Counsel Services," which was handed out at the meeting. It has been five years since our last RFP for bond counsel. Mr. Jarrett indicated that he had spoken to Chairman White a few months ago and had agreed to postpone the RFP from the spring of this year to the summer, due to the budget, strategic planning, etc. Staff would like to send the RFP out at the end of June with responses due on July 31, 1998. Interviews would take place in August and the final selection should be completed by September. Mr. Jarrett explained that, in line with the current state policy, the contract would be for two years. After a brief discussion, Mr. Seelig made a motion to approve the RFP in the form presented, and the motion carried unanimously after being seconded by Mr. Candon.

In his Executive Director's Report, Mr. Hunt reminded the Board of the NCSHA Conference coming up in August and indicated that we are holding two rooms at the Stoweflake Inn & Resort for Sunday, August 23 and Monday, August 24$^{th}$ for anyone interested in attending. Mr. Hunt asked that, if anyone would like to attend, to please let either him or Kari Caragher know as soon as possible. Chairman White is planning to attend on Sunday night. Mr. Hunt has invited the Governor to speak on Monday, but has not heard back as to whether he will be available. There is also a letter from the Governor and other information being sent out to a number of state boards, which will hopefully attract more attendance.

Mr. Hunt indicated that we have heard from HUD regarding the proposal we submitted to them for the three project notes. They have thanked us for the proposal but do not want to sell the properties to us because all the projects are performing well. Mr. Hunt noted that hopefully this is not the end of it, and that maybe there is more that staff can do. Staff is going to try and have a dialog with HUD at some point to discuss this further.

Mr. Hunt explained that the letter he sent to Charlie Brush, included in the Board packet, was to thank him for his help in getting the homebuilders to support a small state setaside for tax credits. Mr. Brush was able to get the National Association of Homebuilders to support it. We still do not know whether there will be a bill to support the tax credit increase this year.

Mr. Douglas asked whether there were any issues from the Sprawl Conference that we should consider and are we part of the problem and/or solution? Mr. Hunt answered that he believes we should keep a consideration when we are approving projects and that we should take a hard look at new construction tax credit projects that are built in a non-central area. This creates a larger awareness for the cost of Sprawl and also helps to get agencies to not support the effort without giving it a lot of thought. Mr. Seelig added that one of the things that came up at the conference was to eventually have a dialog with people about what kind of incentives we need to create to get people to develop where we want them to develop. He also mentioned that the speaker from Maryland talked about creating incentives to get people to buy homes in existing neighborhoods and, if that takes off, there could be a role for VHFA to play. Mr. McNamara noted that, during the recent tax credit process, he believes it was evident that the cost (costs of infrastructure are not included in rural areas) to rehabilitate units in downtown areas can be higher than building further out in more rural areas; but that infrastructure costs to build in rural areas are usually not accounted for. Mr. Hunt added that it is very costly to build downtown and we are not able to produce a lot of units because of that high cost; therefore we are not meeting our goals and mandates in trying to serve as many people as possible.

Mr. McNamara briefly updated the Board on Year 2000. He explained that he and Pat Myette have been working on this and just had the first meeting earlier this week with members from almost every department. At the meeting, they asked each department to analyze any particular software programs that they might have and any needs so that an inventory can be developed showing how deep the problems and needs are. Mr. McNamara noted that we do realize that we have to certify virtually everything in this Agency from the elevator to our computer systems. Ms. Myette noted that one positive issue is that Mitas is year 2000 compliant and always has been. Chairman White asked if we were planning to test Mitas verify certification that they are in fact year 2000 compliant. Ms. Myette stated that we would be testing them to assure that they are. Mr. McNamara also added that we would be reporting on this monthly to the Board. Ms. Randall added that, in that report, she would like areas highlighted where we might have an exposure and where we might have to make some investments. In closing, Mr. Douglas noted that we really do need to take this issue seriously.

There being no further business, following a motion made by Mr. Douglas and seconded by Mr. Candon, the meeting adjourned at 3:50 p.m.

Sincerely,

Allan S. Hunt, Secretary

**RESOLUTION PERTAINING TO**
**LETTER OF INTEREST AND COMMITMENT LETTER**
**RE: BARRE AND BAILEY STREETS (MONTPELIER)**

WHEREAS, a proposal has been presented to the Agency by Central Vermont Community Land Trust, Inc., of Montpelier and Housing Vermont, (the "Sponsors") involving the acquisition and rehabilitation of a scattered site, mixed use development on Barre and Bailey Streets in Montpelier, with three buildings on two sites currently containing 15 rental apartments and a commercial space (the "Development"); and

WHEREAS, the proposal contemplates a permanent mortgage loan of up to $85,000 with an amortization period of 20 years, with an interest rate of 7.22% per annum, with the funds coming from the Agency's recycled Section 8 proceeds and the General Fund; and

WHEREAS, the Sponsor has obtained commitments for a deferred loan of $260,000 and a lead paint loan of $14,000 from the Vermont Housing and Conservation Board and a HOME deferred loan of $362,890; and

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

WHEREAS, the Board has been presented with a memorandum dated June 12, 1998 from Joseph Erdelyi (the "Memorandum"); and

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

WHEREAS, based on the Memorandum, the Agency determines that a waiver of paragraph 2 of Chapter Four of the Agency's Rules on Grants, Loans and Advances to Assist the Planning, Construction, Rehabilitation and Operation of Residential Housing, Mortgage Loans to Housing Sponsors for Single Family Developments is justified because strict adherence to the rule requiring scattered site, mixed-use developments to be contiguous would cause undue hardship to the Sponsor;

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.

2. The rehabilitation costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.

3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of

the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.

4. The housing sponsor undertaking the Development will maintain the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.

5. The security value of the Development will equal at least the amount of the Agency's loan after the rehabilitation.

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

7. More than one half of each of (a) the total floor area and (b) the total development cost of the Development will be allocated to dwelling units for persons and families of low and moderate income.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director may, in his discretion, issue a Letter of Interest for a loan for the acquisition and rehabilitation of the Development, in an amount to be determined by the Executive Director, but not to exceed $85,000. The loan shall bear interest at a rate of 7.22% per annum and shall be amortized over a period of 20 years.

2. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.

3. The Executive Director may, in his discretion, issue a Commitment Letter for a loan for the acquisition and/or rehabilitation of the Development, in an amount to be determined by the Executive Director, but not to exceed $85,000. The term of the loan shall be 20 years. The loan shall bear interest at a rate of 7.22% per annum. The Commitment Letter may be issued to Central Vermont Community Land Trust, Inc. and/or Housing Vermont or a to-be-formed limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the submission of the following in form and content acceptable to the Agency:

   a) Sponsor must provide a Level I Environmental Site Assessment and testing for lead and asbestos, with satisfactory remediation measures being incorporated into the work specifications; in lieu of a Level One ESA the sponsor may provide a Transaction Screen, if it is accompanied by a legal opinion satisfactory to VHFA that the Transaction Screen qualify VHFA for the "innocent landowner" defense of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA)

b) Sponsor must provide final plans and specifications for VHFA approval by permanent loan closing;

c) Sponsor must provide VHFA with a copy of the Capital Needs Assessment (CNA) that is being done, which will follow VHFA's accepted format for CNAs;

d) Sponsor must fund operating cash/working capital account by permanent loan closing in the amount of $7,000;

e) Sponsor must provide evidence of competitive bidding by permanent loan closing, with bids approximately at budgeted levels, to maintain the overall financial feasibility.

4. The commitment of the Agency shall be subject to receipt, on or before the date of the closing, of a commitment fee in an amount equal to one percent (1.0%) of the principal amount of the first mortgage loan.

5. The Executive Director, the Deputy Director and the Director of Finance, or any of them, are authorized to take all necessary steps and execute all documents required to effectuate this loan.

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on June 18, 1998.*

*Allan S. Hunt*
*Executive Director and Secretary*
*Vermont Housing Finance Agency*

VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cynthia L. Reid, Development Officer CReid

DATE: July 14, 1998

RE: Lakeview Housing, Newport: Letter of Interest and Commitment for Interim Financing

## Executive Summary

Lakeview Housing Limited Partnership, consisting of Gilman Housing Trust (GHT) and Housing Vermont (HVT), and a to-be-determined limited partner, is seeking to acquire and rehab 16 units of rental housing in three buildings in Newport. Currently two of the properties are owned by GHT and the third is owned by a partnership consisting of GHT, HVT and a New Hampshire nonprofit called AHEAD. The three properties are located in or near the downtown, and all are in need of rehab. The project is seeking permanent low interest financing and rental assistance from Rural Development (RD) which will greatly enhance affordability. The proposal presented in this memo is for VHFA to provide $1,000,000 in interim tax-exempt financing until the year following the end of the construction period (from Fall 1998 to January 2000). RD will then take out the interim financing with its permanent loan. By utilizing tax-exempt financing on an interim basis, the project will be able to benefit from Housing Credits outside of the State's cap.

## The Development

| Projected Funding Sources | Amount | % of TDC |
|---|---|---|
| RD First Mortgage | $800,000 | 56% |
| Equity (Housing & Historic Credit) | 454,129 | 32% |
| VHCB Deferred Loan | 71,405 | 5% |
| VHCB Grant & Feasibility | 20,700 | 1% |
| AHP Grant | 80,000 | 5.5% |
| REEP (energy conversion grant) | 8,000 | 0.5% |
| Total Sources | $1,434,234 | 100% |

All of the funding is committed except for the RD loan; RD expects to issue a commitment letter to the limited partnership in early August. The Housing Credits automatically come with the tax-exempt financing being proposed. RD has ordered an appraisal and expects to have it available by the first week of August.



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FAX: 802 / 864-5746 • Underwriting FAX: 802 / 863-5422 • home@vhfa.org

EQUAL HOUSING OPPORTUNITY

Project Description, Unit Breakdown and Rents

The project consists of three buildings totaling 16 apartments. The Governor Prouty Inn at 115 West Main Street contains six elderly apartments, and was the former home of Governor Winston Prouty; 2 Field Avenue houses six family units and is in the downtown; 68 Highland Avenue is on the edge of Newport and has four family apartments. The proposed rehabilitation includes an energy conversion (electric to oil), re-roofing, electrical and plumbing upgrades, installation of a sprinkler system, fire rating, window repairs, interior and exterior upgrades and installation of a second means of egress in one of the buildings. All of the units will be restricted under the tax credit program, and all will receive RD rental assistance upon the permanent closing. There will be three handicapped accessible units. The unit size and breakdown is as follows:

| Size | # | Proposed Rents |
|---|---|---|
| 0 BR | 2 | $380 |
| 1 BR | 9 | $455 |
| 2 BR | 2 | $565 |
| 3 BR | 3 | $695 |

Because all units will have RD rental assistance, tenants will pay 30% of their income for rent. Rents include all utilities. This is an occupied project and will remain largely occupied through construction. Until the RD rental assistance comes into effect (at the permanent closing), tenants will pay their current rents. Current rents range in affordability to tenants from 40% - 45% of area median income, and are as follows:

| Size | # | Current Avg Rents |
|---|---|---|
| 0 BR | 2 | $275 |
| 1 BR | 9 | $358 |
| 2 BR | 2 | $410 |
| 3 BR | 3 | $490 |

As units turnover (during the period between the construction completion and permanent closing), rents affordable to households at 50% of area median income will be charged. This is in order to charge a standard rent (currently the rents range greatly), and assist the cash flow during the construction period. HVT and GHT anticipate little turnover (none among the elderly and little among the family units).

Sponsor, Management and Market

The property has a history of high occupancy. Two of the properties are managed by GHT and one (Governor Prouty Inn) is managed by North Country Management Corporation (NCMC), which is owned by a partnership of GHT, HVT and AHEAD. When the limited partnership takes ownership of the three properties this fall, NCMC will become the sole manager. During a site visit to the properties, VHFA staff were impressed by the quality of management of NCMC.

NCMC manages 520 units of housing in Northern Vermont and New Hampshire and currently manages four other Housing Credit properties.

A market study was commissioned for this project from Planning Decisions (formerly Market Decisions) of Maine. The study concluded that the development is a "very safe proposition" as it does not create new units (and there is an estimated demand for 155 units), it will have rental assistance, enhance the living conditions for the current tenants, and "improve the overall downtown neighborhood quality."

Site and Environmental Concerns

The buildings are located on three separate small lots sited in the city (see attached map). All three are serviced by municipal water/sewer. Two of the buildings are within close walking distance of the downtown.

Level I Environmental Site Assessments have been completed on each property. The reports cited some solid waste at two of the properties, some petroleum staining on the soil of a former garage, a stored 55 gallon drum in a trash room, and a possible underground storage tank at a third (the tank has not been found but is apparently still listed with the Vermont Waste Management Division). VHFA's loan will be conditioned on the remediation of these issues, including the resolution of the underground storage tank.

Discussion

VHFA staff has worked with the sponsor and with RD on this proposal to utilize interim tax-exempt financing and thus benefit from out-of-cap Housing Credits. The RD permanent loan will take out the interim financing once the construction is complete and the tax-exempt financing and Housing Credit conditions have been met. At this time VHFA does not have a purchaser for the short-term tax-exempt bond, although staff does not anticipate a problem in identifying an investor. It is staff's intention to issue a single bond for this project and the North Bennington project.

Strengths

a. The project utilizes tax-exempt financing and out-of-cap Housing Credits, both of which are not widely used, and therefore the project does not compete for limited resources with other affordable housing projects.

b. The condition of the units and their affordability will be enhanced by the rehabilitation and the project-based RD rental assistance.

c. The GHT/HVT development team has much experience. In addition, this is an opportunity for VHFA to do business in the Northeast Kingdom.

Weaknesses

a. This will be the first deal in which we use this type of financing structure, with interim tax-exempt financing, a permanent RD takeout, and out-of-cap Credits. However, the Joint Committee on Tax Credits and the VHFA Board of Commissioners both approved a forward commitment of 1999 Housing Credits should this structure be unsuccessful.

b. This structure adds cost to the project (and thus adds cost per unit), however we are working with Housing Vermont on the cost issue, and this structure allows less resources to be used rather than competing with other affordable housing developments for scarce resources.

Recommended Board Action

Staff recommends Board approval of the attached Resolution to provide a Letter of Interest and Commitment to provide interim financing in the amount of up to $1,000,000 with a loan term of up to 18 months, interest only payments on the principal amount advanced, and an interest rate of no more than three quarters of a point above the cost of the bond. The Letter of Interest and Commitment shall include the following conditions:

1. Sponsor must provide a commitment of $800,000 in permanent financing from RD;

2. Sponsor must address all of the Environmental Site Assessment findings in the rehab scope of work, including resolving whether or not there is an underground storage tank, and if so, provide for its removal;

3. Outstanding issues with RD must be resolved to VHFA's satisfaction, including obtaining assurance that the RD loan commitment can be assigned to VHFA as a new general partner, should either of the current general partners be unable to perform;

4. Sponsor must provide an appraisal satisfactory to VHFA prior to closing which demonstrates adequate value in the project;

5. Sponsor must provide final plans and specifications for VHFA approval by VHFA loan closing;

6. Sponsor must provide evidence of competitive bidding by loan closing, with bids approximately at budgeted levels, to maintain overall feasibility.

**RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST AND COMMITMENT LETTER RE: INTERIM FINANCING (NEWPORT)**

WHEREAS, a proposal has been presented to the Agency by Lakeview Housing Limited Partnership (the "Sponsor"), a limited partnership whose general partners are Gilman Housing Trust and Housing Vermont, involving the acquisition and rehabilitation of 16 units of rental housing (10 family and 6 elderly) located in three buildings in Newport, Vermont (the "Development"); and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia L. Reid dated July 14, 1998 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.

2. The acquisition and rehabilitation costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.

3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.

4. The housing sponsor undertaking the Development will maintain or increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.

5. The security value of the Development will equal at least the amount of the Agency's loan.

6. The Sponsor and its general partners are financially responsible organizations and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan in the approximate amount of $1,000,000 as interim tax-exempt financing to the Lakeview Housing Limited Partnership for the acquisition and rehabilitation of three buildings totaling 16 apartments located at 115 West Main Street, 2 Field Avenue and 68 Highland Avenue, all in Newport, Vermont. The term of the loan will be approximately 18 months, with interest only payments due until the maturity date of the loan and an interest rate of not more than 75 basis points above the Agency's cost of funds. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance or for other purposes with the consent of the Agency.

2. The Letter of Interest shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:

   a) Sponsor must provide VHFA with a commitment for not less than $800,000 in term financing from Rural Development;

   b) Sponsor must address the Environmental Site Assessment findings in the rehab scope of work, including resolving whether or not there is an underground storage tank, and if so, provide for its removal;

   c) Outstanding issues with RD must be resolved to VHFA's satisfaction, including obtaining assurance that the RD loan commitment can be assigned to VHFA as a new general partner, should either of the current general partners be unable to perform;

   d) Sponsor must provide an appraisal satisfactory to VHFA prior to closing which demonstrates adequate value in the project;

   e) Sponsor must provide final plans and specifications for VHFA approval by VHFA loan closing;

   f) Sponsor must provide evidence of competitive bidding by loan closing, with bids approximately at budgeted levels, to maintain overall feasibility.

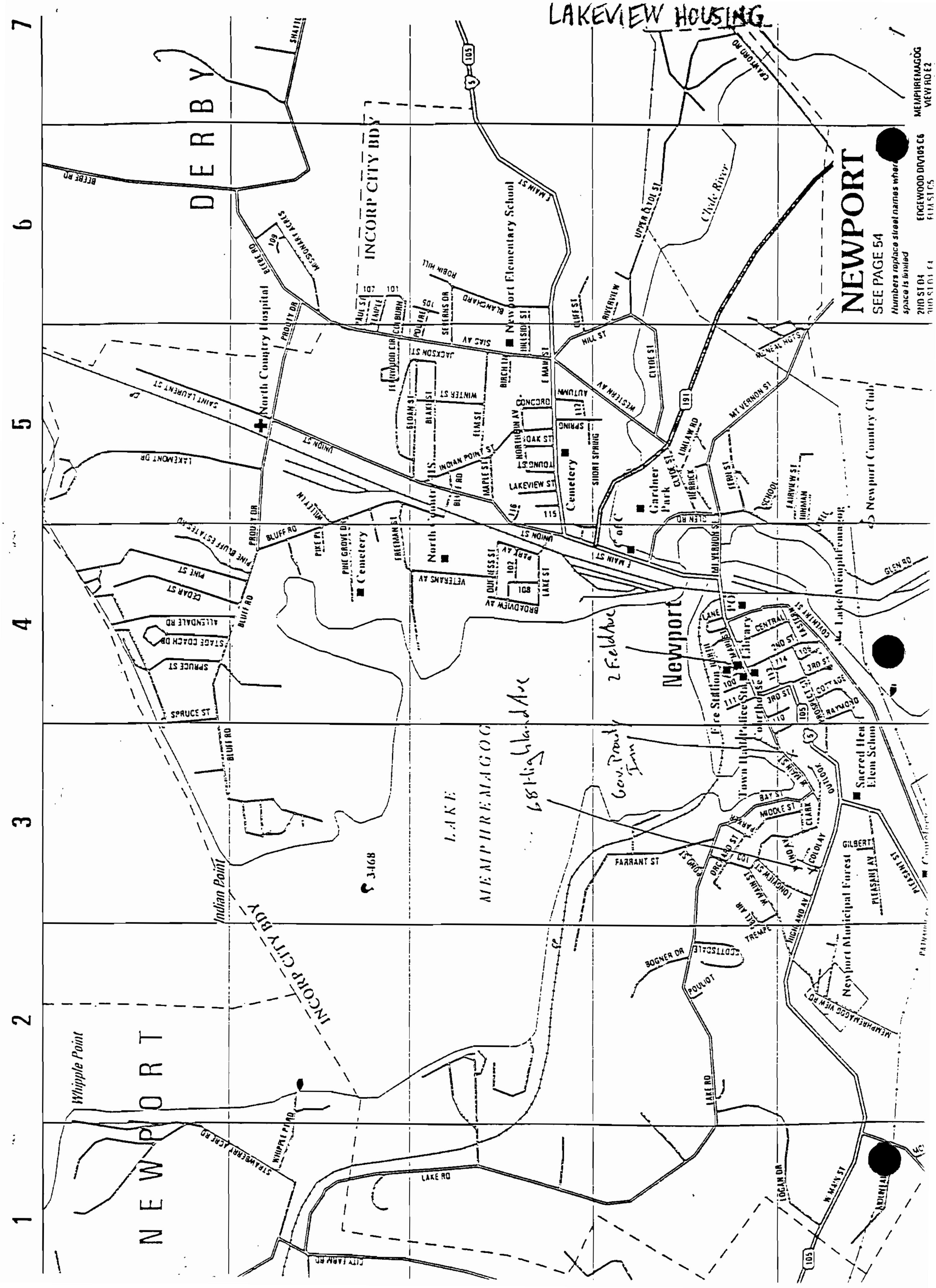
3. The Executive Director may, in his discretion, issue a Commitment Letter for an interim loan for the acquisition and rehabilitation of the Development, in an amount not to exceed $1,000,000.

4. The loan shall be due and payable approximately 18 months from the date the loan is made, interest only payments shall be due before maturity, and the interest rate

shall not exceed 75 basis points above the Agency's cost of funds. The source of funds shall be tax-exempt bond proceeds. The Commitment Letter may be issued to Housing Vermont and the Gilman Land Trust as representatives of the limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

5. The Executive Director, Deputy Director and Director of Finance are hereby authorized to take all necessary steps and execute any and all documents required to effectuate this loan.

LAKEVIEW HOUSING



| | | | | | | |
|---|---|---|---|---|---|---|
| 17-Jul-98 | **Lakeview HLP Newport** | | | | | |
| Total Residential Units: | 16 | Increase in Income from Rental Units: | | | 1.00% | |
| Housing Credit Restricted Units: | 16 | Increase in Income from Other Sources: | | | 1.00% | |
| Percent Restricted: | 100.00% | Increase in Income from Commercial: | | | N/A | |
| Total Development Cost: | 1,451,398 | Expense increase: | | | 2.50% | |
| Total Development Cost per Unit: | 90,712 | Vacancy Rate: | | | 2% | |
| Total Development Cost Per SF: | 102 | Partner's Tax Rate: | | | 35% | |
| | | Long Depreciation Schedule: | | | 27.5 | years |
| Max Credit Potential: | 37,299 | Short Depreciation Schedule: | | | 7 | years |
| Credit Amount Allocated: | 35,900 | Sponsor's Estimated Yield: | | | 121.03% | |
| LIHTC - 9% | 8.35% | | (July '98) | | | |
| LIHTC - 4% | 3.58% | | | | | |
| **SOURCES** | | | | | | |
| | | % of Total Development Cost | | Interest Rate | Amortization | Term |
| First Mortgage - RD | 800,000 | | 55.12% | 1.00% | 50 | 30 |
| VHCB -Deferred | 71,405 | | 4.92% | 7.00% | 0 | 30 |
| VHCB - Grant w/feasibility | 20,700 | | 1.43% | N/A | N/A | |
| AHP | 80,000 | | 5.51% | N/A | N/A | |
| REEP | 8,000 | | 0.55% | N/A | N/A | |
| Tax Credit Equity | 471,293 | | 32.47% | N/A | N/A | |
| TOTAL SOURCES | 1,451,398 | | 100.00% | | | |
| VHFA Construction Loan | 1,000,000 | | | 6.75% | N/A | 1.5 |
| **USES** | | | | | | |
| Acquisition | 309,339 | | 21.31% | | | |
| Construction Hard Costs | 799,254 | | 55.07% | | | |
| Soft Costs | 342,805 | | 23.62% | | | |
| TOTAL USES | 1,451,398 | | 100% | | | |
| Gap | 0 | | | | | |
| PER UNIT COST LIMIT CALCULATION | | | | | | |
| | per unit limits | | number of units | | | |
| 0 Br | 73,380 | | 2 | 146,760 | | |
| 1 Br | 78,380 | | 9 | 705,420 | | |
| 2 Br | 83,380 | | 2 | 166,760 | | |
| 3 Br | 88,380 | | 3 | 265,140 | | |
| 4 Br | 93,380 | | 0 | 0 | | |
| Maximum cost allowed under the per unit cost limits | | | 16 | 1,284,080 | | |
| Projected total cost, excluding cash accounts | | | | 1,390,783 | Excess Cost | |
| | | (over)/under | | (106,703) | Ratio | 92.33% |
| General Partner's Capital Contribution | | | | 4,345 | 1% | |
| Limited Partner's Capital Contribution | | | | 430,153 | 99% | |
| Total Equity | | | | 434,498 | | |
| APPLICABLE FRACTION CALCULATION | | | | | | |
| | | Tax Credit Restricted Units | | 16 | | |
| | | Total Units | | 16 | | |
| | | Unit Fraction | | 100.00% | | |
| | | Tax Credit Square Footage | | 14,270 | | |
| | | Total Residential Square Footage | | 14,270 | | |
| | | Square Footage Fraction | | 100.00% | | |
| | | Applicable Fraction | | 100% | | |

| 16-Jul-98 | **Lakeview HLP Newport** | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Budget | Acquisition Basis | Construction Basis | Residential Depreciation | Historic Credit Basis | Other |
| | ACQUISITION | | | | | | |
| 1 | Land | 44,453 | | | | | |
| 2 | Purchase of Building(s) | 259,402 | 259,402 | | 259,402 | 0 | |
| 3 | Demolition (without replacement) | 0 | | | 0 | 0 | |
| 4 | Property Appraisal | 2,000 | 2,000 | | 2,000 | 2,000 | |
| 5 | Legal - Title and Recording | 3,484 | 3,484 | | 3,484 | 0 | |
| | Subtotal - Acquisition | 309,339 | 264,886 | | 264,886 | 2,000 | |
| | CONSTRUCTION HARD COSTS | | | | | | |
| 6 | Rehabilitation | 657,140 | | 657,140 | 657,140 | 657,140 | |
| 7 | New Building(s) | 0 | | 0 | 0 | 0 | |
| 8 | Accessory Buildings | 0 | | 0 | 0 | 0 | |
| 9 | Sitework | 39,000 | | 39,000 | 39,000 | 0 | |
| 10 | Commercial Space Costs (if any) | 0 | | | | | |
| 11 | General Requirements | 0 | | 0 | 0 | 0 | |
| 12 | Contractor Overhead | 0 | | 0 | 0 | 0 | |
| 13 | Contractor Profit | 0 | | 0 | 0 | 0 | |
| 14 | Construction Contingency | 69,614 | | 69,614 | 69,614 | 69,614 | |
| 15 | Construction Management | 0 | | 0 | 0 | 0 | |
| 16 | Construction Bond Fee | 0 | | 0 | 0 | 0 | |
| 17 | Hazardous Materials Abatement | 20,000 | | 20,000 | 20,000 | 20,000 | |
| 18 | Off-Site Improvements | 0 | | 0 | 0 | 0 | |
| 19 | Furnishings, Fixtures, & Equipment | 12,500 | | 12,500 | 0 | 0 | |
| 20 | Cost Estimating/Inspecting | 1,000 | | 1,000 | 1,000 | 1,000 | |
| | Subtotal - Hard Costs | 799,254 | | 799,254 | 786,754 | 747,754 | |
| | SOFT COSTS | | | | | | |
| 21 | Architectural | 44,000 | | 44,000 | 44,000 | 44,000 | |
| 22 | Constr Estimating/Inspection | 0 | | 0 | 0 | 0 | |
| 23 | Legal/Accounting | 15,000 | | 13,500 | 15,000 | 13,500 | |
| 24 | Relocation | 16,000 | | 16,000 | 16,000 | 16,000 | |
| 25 | Environmental Assessment | 0 | | 0 | 0 | 0 | |
| 26 | Energy Assessment | 0 | | 0 | 0 | 0 | |
| 27 | Permits/Fees | 4,793 | | 4,793 | 4,793 | 4,793 | |
| 28 | Independent Market Study | 2,750 | | 2,750 | 2,750 | 2,750 | |
| 29 | Construction Period Insurance | 6,762 | | 6,086 | 6,762 | 6,086 | |
| 30 | Construction Interest | 38,250 | | 28,688 | 38,250 | 28,688 | |
| 31 | Construction Loan Origination Fee | 0 | | 0 | 0 | 0 | |
| 32 | Taxes During Construction | 0 | | 0 | 0 | 0 | |
| 33 | Clerk of the Works | 9,000 | | 9,000 | 9,000 | 9,000 | |
| 34 | Marketing | 1,600 | | | 2,000 | | |
| 35 | Tax Credit Fees | 1,285 | | 1,285 | 1,285 | 1,285 | |
| 36 | Soft Cost Contingency | 4,750 | | 4,750 | 4,750 | 4,750 | |
| 37 | Permanent Loan Origination Fee | 0 | | | | | |
| 38 | Lender's Counsel's Fee | 0 | | 0 | 0 | 0 | |
| 39 | Other (rent loss) | 10,000 | | 0 | 10,000 | 0 | |
| | SYNDICATION COSTS | | | | | | |
| 40 | Organizational (Partnership) | 0 | | | | | |
| 41 | Bridge Loan Fees and Expenses | 0 | | | | | |
| 42 | Syndication Consultant | 0 | | | | | |
| 43 | Tax Opinion | 0 | | | | | |
| | DEVELOPER'S FEES | | | | | | |
| 44 | Developer's Fees | 62,000 | | 62,000 | 62,000 | 62,000 | |
| 45 | Other Partnership Fees | 64,000 | | 64,000 | 64,000 | 64,000 | |
| 46 | Consultant Fees | 2,000 | | 2,000 | 2,000 | 2,000 | |
| | RESERVES | | | | | | |
| 47 | Working Capital | 28,615 | | | | | |
| 48 | Rent-up (Deficit Escrow) Reserve | 32,000 | | | | | |
| 49 | Other Operating Reserves | 0 | | | | | |
| 50 | Sinking Fund | 0 | | | | | |
| 51 | Replacement Reserves | 0 | | | | | |
| | Subtotal - Soft Costs | 342,805 | | 258,851 | 282,590 | 258,851 | |
| | TOTALS | 1,451,398 | 264,886 | 1,058,105 | 1,334,230 | 1,008,605 | |
| LESS: | Amount of Non-qualified Financing | | 0 | 49,247 | 167,130 | 7,000 | |
| LESS: | Historic tax Credit (Residential Portion) | | | 167,300 | | | |
| TIMES: | Excess Cost Ratio | 92% | | 776,993 | | 20% | Historic Cre |
| | Total Eligible Basis | | 264,886 | 776,993 | | | |
| TIMES: | Adjusted for QCT/DDA | 100.00% | | 776,993 | | 153,430 | Annual Hist |
| TIMES: | Applicable Fraction | 100.00% | 264,886 | 776,993 | | | |
| | Total Qualified Basis | | 264,886 | 776,993 | 1,167,100 | Long Term Depreciable Basi | |
| TIMES: | Applicable Percentage | | 3.58% | 3.58% | 27.5 | Depreciation Schedule | |
| | Total Annual Credit Qualified | | 9,483 | 27,816 | 42,440 | Annual Depreciation | |
| | | | | | | | |
| | Total Tax Credits Requested | 36,181 | | 37,299 | 12,500 | Short Term Depreciable Basi | |
| | Estimated Net Syndication Proceeds **(excluding historic credit equity)** | 340,878 | | | 7 | Depreciation Schedule | |
| | Estimated Yield - Housing Credit Syndication | 95.17% | | | 1,786 | Annual Depreciation | |
| | Equity Gap | 340,878 | | | | | |
| | Credits Needed to fill Equity Gap | 36,181 | | | | | |
| | | | | | | | |
| | | | | | | | 176,800 |
| | Building by Bulding Basis x Fraction = | 36,532 | | | | | 291,443 |
| | Building by Bulding Equity Gap = | 36,209 | | | | | 468,243 |

17-Jul-98 Lakeview HLP Newport

| # | Item | Budget | Per Unit | Per s.f. | RD - First Mortgage | VHCB Deferred | AHP | VHCB Grant/Feas | REEP Grant | Tax Credit Equity | TOTAL SOURCES |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Terms:___ | Terms:___ | Terms: | Terms: | Terms: Grant_ | Terms: | |
| | ACQUISITION | | | | | | | | | | |
| 1 | Land | 44,453 | 2,778 | 3.12 | | 0 | 44,453 | 0 | | 0 | 44,453 |
| 2 | Purchase of Building(s) | 259,402 | 16,213 | 18.18 | 109,330 | 71,405 | | 15,000 | | 63,667 | 259,402 |
| 3 | Demolition (without replacement) | 0 | 0 | 0.00 | | | | | | 0 | 0 |
| 4 | Property Appraisal | 2,000 | 125 | 0.14 | | | | 400 | | 1,600 | 2,000 |
| 5 | Legal - Title and Recording | 3,484 | 218 | 0.24 | | | | | | 3,484 | 3,484 |
| | Subtotal - Acquisition | 309,339 | 19,334 | 21.68 | | | | | | | |
| | CONSTRUCTION HARD COSTS | | | | | | | | | | |
| 6 | Rehabilitation | 657,140 | 41,071 | 46.05 | 597,000 | | 24,266 | | 8,000 | 27,874 | 657,140 |
| 7 | New Building(s) | 0 | 0 | 0.00 | | | | | | 0 | 0 |
| 8 | Accessory Buildings | 0 | 0 | 0.00 | | | | | | 0 | 0 |
| 9 | Sitework | 39,000 | 2,438 | 2.73 | | | 6,414 | | | 32,586 | 39,000 |
| 10 | Commercial Space Costs (if any) | 0 | 0 | 0.00 | | | | | | 0 | 0 |
| 11 | General Requirements | 0 | 0 | 0.00 | | | | | | 0 | 0 |
| 12 | Contractor Overhead | 0 | 0 | 0.00 | | | | | | 0 | 0 |
| 13 | Contractor Profit | 0 | 0 | 0.00 | | | | | | 0 | 0 |
| 14 | Construction Contingency | 69,614 | 4,351 | 4.88 | 68,900 | | | | | 714 | 69,614 |
| 15 | Construction Management | 0 | 0 | 0.00 | | | | | | 0 | 0 |
| 16 | Construction Bond Fee | 0 | 0 | 0.00 | | | | | | 0 | 0 |
| 17 | Hazardous Materials Abatement | 20,000 | 1,250 | 1.40 | | | | 651 | | 19,349 | 20,000 |
| 18 | Off-Site Improvements | 0 | 0 | 0.00 | | | | | | 0 | 0 |
| 19 | Furnishings, Fixtures, & Equipment | 12,500 | 781 | 0.88 | | | 4,117 | | | 8,383 | 12,500 |
| 20 | Cost Estimating/Inspecting | 1,000 | 63 | 0.07 | | | | | | 1,000 | 1,000 |
| | Subtotal - Hard Costs | 799,254 | 49,953 | 56.01 | | | | | | | |
| | SOFT COSTS | | | | | | | | | | |
| 21 | Architectural | 44,000 | 2,750 | 3.08 | 12,770 | | | 3,836 | | 27,394 | 44,000 |
| 22 | Constr Estimating/Inspection | 0 | 0 | 0.00 | | | | | | 0 | 0 |
| 23 | Legal/Accounting | 15,000 | 938 | 1.05 | | | | | | 15,000 | 15,000 |
| 24 | Relocation | 16,000 | 1,000 | 1.12 | | | | | | 16,000 | 16,000 |
| 25 | Environmental Assessment | 0 | 0 | 0.00 | | | | | | 0 | 0 |
| 26 | Energy Assessment | 0 | 0 | 0.00 | | | | | | 0 | 0 |
| 27 | Permits/Fees | 4,793 | 300 | 0.34 | | | | | | 4,793 | 4,793 |
| 28 | Independent Market Study | 2,750 | 172 | 0.19 | | | | | | 2,750 | 2,750 |
| 29 | Construction Period Insurance | 6,762 | 423 | 0.47 | | | | | | 6,762 | 6,762 |
| 30 | Construction Interest | 38,250 | 2,391 | 2.68 | | | | | | 38,250 | 38,250 |
| 31 | Construction Loan Origination Fee | 0 | 0 | 0.00 | | | | | | 0 | 0 |
| 32 | Taxes During Construction | 0 | 0 | 0.00 | | | | | | 0 | 0 |
| 33 | Clerk of the Works | 9,000 | 563 | 0.63 | | | | | | 9,000 | 9,000 |
| 34 | Marketing | 1,600 | 100 | 0.11 | | | 750 | | | 850 | 1,600 |
| 35 | Tax Credit Fees | 1,285 | 80 | 0.09 | | | | | | 1,285 | 1,285 |
| 36 | Soft Cost Contingency | 4,750 | 297 | 0.33 | | | | | | 4,750 | 4,750 |
| 37 | Permanent Loan Origination Fee | 0 | 0 | 0.00 | | | | | | 0 | 0 |
| 38 | Lender's Counsel's Fee | 0 | 0 | 0.00 | | | | | | 0 | 0 |
| 39 | Other (rent loss) | 10,000 | 625 | 0.70 | | | | | | 10,000 | 10,000 |
| | SYNDICATION COSTS | | | | | | | | | | |
| 40 | Organizational (Partnership) | 0 | 0 | 0.00 | | | | | | 0 | 0 |
| 41 | Bridge Loan Fees and Expenses | 0 | 0 | 0.00 | | | | | | 0 | 0 |
| 42 | Syndication Consultant | 0 | 0 | 0.00 | | | | | | 0 | 0 |
| 43 | Tax Opinion | 0 | 0 | 0.00 | | | | | | 0 | 0 |
| | DEVELOPER'S FEES | | | | | | | | | | |
| 44 | Developer's Fees | 62,000 | 3,875 | 4.34 | | | | | | 62,000 | 62,000 |
| 45 | Other Partnership Fees | 64,000 | 4,000 | 4.48 | | | | | | 64,000 | 64,000 |
| 46 | Consultant Fees | 2,000 | 125 | 0.14 | | | | 1,463 | | 537 | 2,000 |
| | RESERVES | | | | | | | | | | |
| 47 | Working Capital | 28,615 | 1,788 | 2.01 | | | | | | 28,615 | 28,615 |
| 48 | Rent-up (Deficit Escrow) Reserve | 32,000 | 2,000 | 2.24 | | | | | | 32,000 | 32,000 |
| 49 | Other Operating Reserves | 0 | 0 | 0.00 | | | | | | 0 | 0 |
| 50 | Sinking Fund | 0 | 0 | 0.00 | | | | | | 0 | 0 |
| 51 | Replacement Reserves | 0 | 0 | 0.00 | | | | | | 0 | 0 |
| | Subtotal - Soft Costs | 342,805 | 21,425 | 24.02 | | | | | | | |
| | TOTAL DEVELOPMENT COSTS | 1,451,398 | 90,712 | 102 | 788,000 | 71,405 | 80,000 | 21,350 | 8,000 | 482,643 | 1,451,398 |

| 16-Jul-98 | **Lakeview HLP Newport** | | | | | |
|---|---|---|---|---|---|---|
| | | | | | | |
| HC Restricted Units | | Average | | Average | | Total |
| Bedrooms | Type | Square Feet | Number | Rent | Utilities | Annual Rent |
| | | | | | | |
| 0 Br | | 488 | 2 | 380 | | 9,120 |
| 1 Br | | 734 | 9 | 455 | | 49,140 |
| 2 Br | | 945 | 2 | 565 | | 13,560 |
| 3 Br | | 1,600 | 3 | 695 | | 25,020 |
| 4+ Br | | | 0 | 0 | | 0 |
| | Totals | 14,270 | 16 | | | 96,840 |
| | | | | | | |
| Non-HC Restricted Units | | | | | | Total |
| Bedrooms | Type | Square Feet | Number | Rent | Utilities | Annual Rent |
| | | | | | | |
| 0 Br | | | 0 | 0 | | 0 |
| 1 Br | | | 0 | 0 | | 0 |
| 2 Br | | | 0 | 0 | | 0 |
| 3 Br | | | 0 | 0 | | 0 |
| 4+ Br | | | 0 | 0 | | 0 |
| | Totals | 0 | 0 | | | 0 |
| All Units | | | | | | |
| | Grand Totals | 14,270 | 16 | | | 96,840 |
| | | | | | | |
| | | Less Vacancy | 2.00% | | | (1,937) |
| | | | | | | |
| | | | | | NET RENT | 94,903 |
| | | OTHER INCOME | | | | |
| | | | | | | |
| | | Laundry | | | | 1,350 |
| | | Parking | | | | 0 |
| | | Commercial Space Income | | | | 0 |
| | | Other | | | | 0 |
| | | | | | | |
| | | | | | TOTAL INCOME | 96,253 |
| | | | | | | |

| | | Check all Applicable | | | | | | | | A | | | | | B | | | | | | C | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Building # | Unit # | HOME Unit | Lead Paint Unit | Project Based Assistance | Tax Credit Unit | VHCB Restricted | Accessible | Adaptable | Unrestricted | Number of Bedrooms | Proposed Square Footage | Proposed Rent | Utility Allowance for Tenant-Paid Utilities | Gross Rent (Rent + Tenant-Paid Utilities) | OCCUPIED BY: Income level of residents to be served: | | | | | | AFFORDABLE TO: Units affordable to residents at: | | | | | |
| | | | | | | | | | | | | | | | <30% | <50% | <60% | <80% | <100% | >100% | 30% | 50% | 60% | 65% | 80% | 100%+ |
| Prouty | 1 | | | 1 | 1 | | 1 | | | 1 | 825 | 455 | 0 | 455 | | 1 | | | | | 1 | | | | | |
| | 2 | | | 1 | 1 | | | | | 1 | 825 | 455 | 0 | 455 | | 1 | | | | | 1 | | | | | |
| | 3 | | | 1 | 1 | | | | | 1 | 825 | 455 | 0 | 455 | | 1 | | | | | 1 | | | | | |
| | 4 | | | 1 | 1 | | | | | 1 | 825 | 455 | 0 | 455 | | 1 | | | | | 1 | | | | | |
| | 5 | | | 1 | 1 | | | | | 0 | 575 | 380 | 0 | 380 | | 1 | | | | | 1 | | | | | |
| | 6 | | | 1 | 1 | | | | | 1 | 825 | 455 | 0 | 455 | | 1 | | | | | 1 | | | | | |
| Field Ave. | 1 | | | 1 | 1 | 1 | 1 | | | 1 | 620 | 455 | 0 | 455 | | 1 | | | | | 1 | | | | | |
| | 2 | | | 1 | 1 | 1 | | | | 1 | 620 | 455 | 0 | 455 | | 1 | | | | | 1 | | | | | |
| | 3 | | | 1 | 1 | 1 | | | | 0 | 400 | 380 | 0 | 380 | | 1 | | | | | 1 | | | | | |
| | 4 | | | 1 | 1 | 1 | | | | 2 | 890 | 565 | 0 | 565 | | 1 | | | | | 1 | | | | | |
| | 5 | | | 1 | 1 | 1 | | | | 1 | 620 | 455 | 0 | 455 | | 1 | | | | | 1 | | | | | |
| | 6 | | | 1 | 1 | 1 | | | | 1 | 620 | 455 | 0 | 455 | | 1 | | | | | 1 | | | | | |
| Highland | 1 | | | 1 | 1 | 1 | | | | 2 | 1,000 | 565 | 0 | 565 | | 1 | | | | | 1 | | | | | |
| | 2 | | | 1 | 1 | 1 | 1 | | | 3 | 1,600 | 695 | 0 | 695 | | 1 | | | | | 1 | | | | | |
| | 3 | | | 1 | 1 | 1 | | | | 3 | 1,600 | 695 | 0 | 695 | | 1 | | | | | 1 | | | | | |
| | 4 | | | 1 | 1 | 1 | | | | 3 | 1,600 | 695 | 0 | 695 | | 1 | | | | | 1 | | | | | |
| Total # Units | 16 | 0 | 0 | 16 | 16 | 10 | 3 | 0 | 0 | Totals: | 14,270 | 8,070 | Total # Units: | | 0 | 16 | 0 | 0 | 0 | 0 | 16 | 0 | 0 | 0 | 0 | 0 |

| 16-Jul-98 | **Lakeview HLP Newport** | | | |
|---|---|---|---|---|
| | | | Per Unit | |
| | Annual | Monthly | Per Month | |
| Administration | | | | |
| Management Fee | 9,408 | 784 | 49 | 9.8% |
| Supportive Services | 0 | 0 | 0 | |
| Audit/Accounting | 3,750 | 313 | 20 | |
| Legal | 960 | 80 | 5 | |
| Compliance Monitoring | 384 | 32 | 2 | |
| Marketing | 0 | 0 | 0 | |
| Other | 1,728 | 144 | 9 | |
| TOTAL ADMINISTRATIVE | 16,230 | 1,353 | 85 | |
| | | | | |
| Utilities | | | | |
| Electricity | 6,720 | 560 | 35 | |
| Fuel | 9,408 | 784 | 49 | |
| Water and Sewer | 2,880 | 240 | 15 | |
| Fire Alarm / Emergency | 0 | 0 | 0 | |
| Other | 0 | 0 | 0 | |
| TOTAL UTILITIES | 19,008 | 1,584 | 99 | |
| | | | | |
| Maintenance | | | | |
| Maintenance / Janitor Payroll | 10,560 | 880 | 55 | |
| Janitor Supplies | 0 | 0 | 0 | |
| Exterminating | 0 | 0 | 0 | |
| Trash Removal | 1,920 | 160 | 10 | |
| Snow Removal | 0 | 0 | 0 | |
| Grounds | 2,688 | 224 | 14 | |
| Repairs Material | 0 | 0 | 0 | |
| Repairs Contract | 0 | 0 | 0 | |
| HVAC Repairs / Maintenance | 0 | 0 | 0 | |
| Elevator Contract / Repairs | 0 | 0 | 0 | |
| Painting and Decorating | 1,536 | 128 | 8 | |
| Other | 192 | 16 | 1 | |
| TOTAL MAINTENANCE | 16,896 | 1,408 | 88 | |
| | | | | per unit month |
| Real Estate Taxes | 7,645 | 637 | 40 | excl. ds & res. |
| Property Insurance | 2,496 | 208 | 13 | 324 |
| Replacement Reserves | 4,800 | 400 | 25 | |
| Primary Debt Service | 20,338 | 1,695 | 106 | |
| Other "must pay" debt service | 0 | 0 | 0 | |
| Other | 0 | 0 | 0 | |
| Total | 87,413 | 7,284 | 455 | |

| 16-Jul-98 | | Lakeview HLP Newport | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Operating Income | | | | | | | | | | | | | | | | |
| Gross Rent | | 96,840 | 97,808 | 98,786 | 99,774 | 100,772 | 101,780 | 102,798 | 103,826 | 104,864 | 105,912 | 106,972 | 108,041 | 109,122 | 110,213 | 111,315 |
| Other Income | | 1,350 | 1,364 | 1,377 | 1,391 | 1,405 | 1,419 | 1,433 | 1,447 | 1,462 | 1,476 | 1,491 | 1,506 | 1,521 | 1,536 | 1,552 |
| Vacancy and other losses | | (1,937) | (1,956) | (1,976) | (1,995) | (2,015) | (2,036) | (2,056) | (2,077) | (2,097) | (2,118) | (2,139) | (2,161) | (2,182) | (2,204) | (2,226) |
| Total Operating Income | | 96,253 | 97,216 | 98,188 | 99,170 | 100,161 | 101,163 | 102,175 | 103,196 | 104,228 | 105,271 | 106,323 | 107,387 | 108,461 | 109,545 | 110,641 |
| Operating Expenses | | | | | | | | | | | | | | | | |
| Total Expenses (excl. Reserves) | | 62,275 | 63,832 | 65,428 | 67,063 | 68,740 | 70,458 | 72,220 | 74,025 | 75,876 | 77,773 | 79,717 | 81,710 | 83,753 | 85,847 | 87,993 |
| Reserves | | 4,800 | 4,848 | 4,896 | 4,945 | 4,995 | 5,045 | 5,095 | 5,146 | 5,198 | 5,250 | 5,302 | 5,355 | 5,409 | 5,463 | 5,517 |
| Total Operating Expense | | 67,075 | 68,680 | 70,324 | 72,009 | 73,735 | 75,503 | 77,315 | 79,172 | 81,074 | 83,023 | 85,019 | 87,065 | 89,162 | 91,310 | 93,510 |
| Net Operating Income | | 29,178 | 28,536 | 27,864 | 27,161 | 26,427 | 25,660 | 24,860 | 24,025 | 23,155 | 22,248 | 21,304 | 20,321 | 19,299 | 18,235 | 17,130 |
| Less Primary Debt Service | | 20,338 | 20,338 | 20,338 | 20,338 | 20,338 | 20,338 | 20,338 | 20,338 | 20,338 | 20,338 | 20,338 | 20,338 | 20,338 | 20,338 | 20,338 |
| Less Secondary Debt Service | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Annual Cash Flow | | 8,840 | 8,197 | 7,525 | 6,822 | 6,088 | 5,321 | 4,521 | 3,686 | 2,816 | 1,910 | 965 | (17) | (1,040) | (2,103) | (3,208) |
| Operating Subsidies / Sinking Fund | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 17 | 1,040 | 2,103 | 3,208 |
| Net Cash | | 8,840 | 8,197 | 7,525 | 6,822 | 6,088 | 5,321 | 4,521 | 3,686 | 2,816 | 1,910 | 965 | 0 | 0 | 0 | 0 |
| DCR | | 143.46% | 140.30% | 137.00% | 133.54% | 129.93% | 126.16% | 122.23% | 118.12% | 113.85% | 109.39% | 104.75% | 99.92% | 94.89% | 89.66% | 84.23% |
| Cumulative Cash Flow | | | | | | | | | | | | | | | | |
| Beginning Balance | | 7,154 | 15,637 | 23,647 | 31,145 | 38,090 | 44,440 | 50,150 | 55,174 | 59,464 | 62,970 | 65,639 | 67,417 | 68,248 | 68,073 | 66,832 |
| Interest | 2.0% | 143 | 313 | 473 | 623 | 762 | 889 | 1,003 | 1,103 | 1,189 | 1,259 | 1,313 | 1,348 | 1,365 | 1,361 | 1,337 |
| Withdrawals for Operating Losses | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (17) | (1,040) | (2,103) | (3,208) |
| Withdrawals for Owner's Distribution | | (500) | (500) | (500) | (500) | (500) | (500) | (500) | (500) | (500) | (500) | (500) | (500) | (500) | (500) | (500) |
| Ending Balance | | 15,637 | 23,647 | 31,145 | 38,090 | 44,440 | 50,150 | 55,174 | 59,464 | 62,970 | 65,639 | 67,417 | 68,248 | 68,073 | 66,832 | 64,460 |
| Cumulative Replacement Reserves | | | | | | | | | | | | | | | | |
| Beginning Balance | | 0 | 4,800 | 9,744 | 14,835 | 20,078 | 1,474 | 6,548 | 11,775 | 17,156 | 22,697 | 4,401 | 9,791 | 15,342 | 21,058 | 26,942 |
| Interest | 2.0% | 0 | 96 | 195 | 297 | 402 | 29 | 131 | 235 | 343 | 454 | 88 | 196 | 307 | 421 | 539 |
| Withdrawals* | | 0 | 0 | 0 | 0 | (24,000) | 0 | 0 | 0 | 0 | (24,000) | 0 | 0 | 0 | 0 | (24,000) |
| Ending Balance | | 4,800 | 9,744 | 14,835 | 20,078 | 1,474 | 6,548 | 11,775 | 17,156 | 22,697 | 4,401 | 9,791 | 15,342 | 21,058 | 26,942 | 8,998 |
| | * = assumes $1,500 per unit is used every 5 years. | | | | | | | | | | | | | | | |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Net Operating Income | | 29,178 | 28,536 | 27,864 | 27,161 | 26,427 | 25,660 | 24,860 | 24,025 | 23,155 | 22,248 | 21,304 | 20,321 | 19,299 | 19,300 | 19,301 |
| Plus Reserves | | 4,800 | 4,848 | 4,896 | 4,945 | 4,995 | 5,045 | 5,095 | 5,146 | 5,198 | 5,250 | 5,302 | 5,355 | 5,409 | 5,410 | 5,411 |
| Less Interest Expense | | (12,942) | (12,817) | (12,691) | (12,564) | (12,436) | (12,306) | (12,175) | (12,043) | (11,910) | (11,775) | (11,639) | (11,501) | (11,362) | (11,222) | (11,080) |
| Less Long Depreciation | | (42,440) | (42,440) | (42,440) | (42,440) | (42,440) | (42,440) | (42,440) | (42,440) | (42,440) | (42,440) | (42,440) | (42,440) | (42,440) | (42,440) | (42,440) |
| Less Short Depreciation | | (1,786) | (1,786) | (1,786) | (1,786) | (1,786) | (1,786) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Taxable Income (Loss) | | (23,189) | (23,659) | (24,157) | (24,684) | (25,240) | (25,827) | (24,661) | (25,312) | (25,997) | (26,717) | (27,472) | (28,265) | (29,094) | (28,952) | (28,808) |
| Cash Flow | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Plus Tax Savings | | 8,116 | 8,281 | 8,455 | 8,639 | 8,834 | 9,040 | 8,631 | 8,859 | 9,099 | 9,351 | 9,615 | 9,893 | 10,183 | 10,133 | 10,083 |
| Plus Tax Credits | | 35,900 | 35,900 | 35,900 | 35,900 | 35,900 | 35,900 | 35,900 | 35,900 | 35,900 | 35,900 | | | | | |
| After Tax Cash Flow | | 44,016 | 44,181 | 44,355 | 44,539 | 44,734 | 44,940 | 44,531 | 44,759 | 44,999 | 45,251 | 9,615 | 9,893 | 10,183 | 10,133 | 10,083 |
| Total Years | 15 | | | | | | | | | | | | | | | |
| Reinvestment Rate | 12.00% | | | | | | | | | | | | | | | |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Current After Tax Cash Flows | | 44,016 | 44,181 | 44,355 | 44,539 | 44,734 | 44,940 | 44,531 | 44,759 | 44,999 | 45,251 | 9,615 | 9,893 | 10,183 | 10,133 | 10,083 |
| Future Value of Cash Flows at Yr 15: | | 239,293 | 215,916 | 193,542 | 173,524 | 155,610 | 139,576 | 123,489 | 110,822 | 99,479 | 89,317 | 16,946 | 15,566 | 14,306 | 12,711 | 11,293 |
| Discount Rate: | 6.00% | | | | | | | | | | | | | | | |
| Capital Contribution Number: | 1 | 2 | 3 | 4 | | | | | | | | | | | | |
| Date of Capital Contribution: | 01-Sep-98 | 01-Jun-99 | 01-Sep-99 | | | | | | | | | | | | | |
| Amount of Capital Contribution: | 21,508 | 258,092 | 150,553 | 0 | | | | | | | | | | | | |
| Present Value of Contributions: | 21,508 | 246,613 | 141,669 | 0 | | | | | | | | | | | | |
| Cash Flows | (409,789) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,611,389 |
| IRR: | 9.56% | | | | | | | | | | | | | | | |
| Equity Yield: | 115.30% | | | | | | | | | | | | | | | |

vhfa

VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Multifamily Development Underwriter

DATE: July 14, 1998

RE: Homestead Greene, North Bennington: Letter of Interest and Commitment for Interim Financing

## Executive Summary

Staff are seeking the Board's approval to provide $975,000 in short-term tax-exempt bond financing to Homestead Greene, a 17 unit new construction elderly development in North Bennington. The US Department of Agriculture, Rural Housing Service, Rural Development Division (RD) will be providing subsidized permanent financing and rental assistance under its 515 program. This type of subsidized financing would only enable the development to receive the lesser "4%" Housing Credit, and our proposal will enable the sponsors, Jack Heaton and Frank Murphy, to receive this credit outside the State's competitive allocation process. These credits are in addition to the State's annual credit ceiling, and thus are a resource for providing affordable housing that the State often cannot utilize. This loan would utilize the State's "volume cap" of tax-exempt bonds it can issue, but because of the small state minimum there is not fierce competition for tax-exempt bond authority at this time, and VHFA currently has an allocation of bond authority sufficient to do both this loan and the Newport loan.

## The Development

| Permanent Funding Sources | Amount | % of TDC |
|---|---|---|
| RD First Mortgage | $994,250 | 67% |
| Housing Credit Equity | 414,050 | 28% |
| Deferred Developer Fees | 68,331 | 5% |
| Total Sources | $1,476,631 | 100% |

The sponsor has received a reservation of funds from RD. Staff have reviewed an appraisal (done by an RD staff appraiser) which valued the land and buildings with the rental assistance and subsidized financing. This appraised value as of September 1997 was $1,025,000, which would give RD a loan-to-value ratio of 97%. Our multifamily rules limit the LTV ratio to for-profit borrowers to 95% of security value. In this case, the maximum loan amount we could make



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would be approximately $975,000. Staff recommend that the sponsor fill any gap with either deferred developer fees, additional tax credit equity, or a combination of the two.

Staff have considered requiring a more recent appraisal that also would provide a "market" value of the development. However, it is entirely on the strength of the RD takeout commitment that we are recommending a loan of this size.

Project Description, Unit Breakdown and Rents

The project consists of four buildings totaling 17 one-bedroom apartments. All of the units will be restricted under the tax credit program, and all will receive RD rental assistance upon the permanent closing. There will be one handicapped accessible unit, but all will be adaptable. The unit size and breakdown is as follows:

| Size | # | Contract Rents |
|---|---|---|
| 1 BR | 17 | $785 |

Because all units will have RD rental assistance, tenants will pay 30% of their income for rent. Rents include all utilities (gas heat and hot water, electricity).

Sponsor, Management and Market

The site is adjacent to Homestead Mews, a 22-unit Section 8 elderly development that VHFA financed in 1982 and was also developed by Jack Heaton. The project is well maintained and has a waiting list of tenants. (Homestead Mews is currently served by an on-site septic system; with the construction of Homestead Greene, both projects will be connected to municipal sewer and achieve some cost savings over joining the municipal system individually. Some of the cash reserves of Homestead Mews will be used towards this cost.) THM, Inc., Jack Heaton's management company, will be the property manager. They have a history of managing senior housing, and currently manage 19 properties. Bennington is one of the few communities in the State in which the Consolidated Plan specifically identifies a need for more elderly housing.

The Board expressed concern at its discussion of the Hartford Level III Community Care Home regarding a prior bankruptcy filing of Wooden Indian Inc., a development company owned by Jack Heaton. VHFA's general counsel has talked to the first mortgage lender on the development involved, who reports that they were made whole in the process, and continued to do business with him afterwards.

RD required a market analysis, which was done in June 1997 by Douglas J. Kennedy and Associates. The study concludes that there is a real need for 50 elderly units, that elderly in Bennington have a high propensity to rent, and that a hypothetical project of 20 to 25 units could expect to be 50% - 75% rented upon construction completion and fully rented within three to four months. RD has a list of 45 communities in the State where they believe the strongest need to be for their type of assisted housing, and Bennington is on that list. Because of the deep rental subsidy, the project is likely to achieve and maintain full occupancy. One consideration of the

Housing Credit Allocation Plan is the impact this development might have on the existing housing stock in the community. Given that the households served are very low income and that there are 17 newly created units in a community of 16,000 people, staff feel there will be little or no net negative impact.

Site and Environmental Concerns

The site is in the village of North Bennington, approximately four miles northwest of Bennington and is served by municipal water and sewer (see attached map). The land consists of an 8.5 acre portion of a larger (49 acre) site known as the Colvin Farm, and the site has approximately 516 feet of frontage on Vermont Route 67. There are no buildings on the site. The sponsor has told staff that a Level I Environmental Site Assessment has been commissioned but is not yet completed. RD also does its own environmental review and has made a finding of no significant impact. VHFA's loan will be conditioned on the remediation of any hazardous conditions found in the Level I ESA.

Discussion

VHFA staff have worked with the sponsor and with RD on this proposal to utilize interim tax-exempt financing and thus benefit from out-of-cap Housing Credits. The Allocation Plan (portions of which apply to out-of-cap credits as well) requires that the sponsor provide an option to a non-profit to purchase the property at the end of the initial 15 year compliance period at a specified formula price, and the sponsor has verbally agreed to this. This ownership is designed to ensure that affordable housing created by the Housing Credit program remain as affordable housing over the long term. With this RD 515 financing, there is already a prohibition on prepayment by RD that is intended to accomplish the same objective.

VHFA hopes to utilize a single bond for both this loan and the Newport loan since they have approximately the same term and are both using short-term tax-exempt funds. At this time we do not have a purchaser for such a bond, but staff do not anticipate a problem in finding an investor. (Private placement of this bond would keep intermediary costs down and possibly help to achieve a lower rate.)

Strengths

a. The project utilizes tax exempt financing and out-of-cap Housing Credits, both of which have historically not been widely used, and therefore the project does not compete for limited resources with other affordable housing projects.

b. Because of the rental assistance and subsidized financing, this development will serve very low income seniors, a group that VHFA usually cannot reach in great numbers with the debt and Housing Credit programs we currently administer.

c. Because of the Housing Credits, this development will ultimately come into non-profit ownership, ensuring its permanence as affordable housing.

d. This model of using short-term tax-exempt financing has the blessing of many tax accountants and attorneys, including those at the IRS and our own bond counsel. By successfully implementing this model we will relieve pressure from the competitive tax credit allocation rounds and be able to produce more housing with the limited resources we have.

Weaknesses

a. This development, in conjunction with the Newport development, has a financing structure that is entirely dependant on the RD loan commitment. Without the RD financing and rental assistance, the project would not only fail to be financially feasible in the long term, but also the value of the development would be substantially reduced, almost certainly to a level below our financing amount. However, RD 515 financing is a well-established program with a long history of producing affordable housing in Vermont. RD closely oversees all aspects of development, including appraisal, environmental, and construction specification and inspection. The sponsors have developed 11 other projects under this program successfully, and staff are confident that RD will provide the funding if the project is built to their satisfaction.

b. This financing structure may add cost to the project. The project will require an "internal" rent subsidy, because the rental assistance will not be provided until the RD permanent loan has closed, which will occur after the first calendar year of occupancy in which credits are claimed. (The tax-exempt financing needs to be out for this period to qualify the development for the credits.) We are, however, endeavoring to get RD to agree to a two phase closing: the first closing would be for some nominal amount at construction completion, and would enable the tenants to receive the rental assistance upon move-in. The second closing would occur at the end of the first year of the credit compliance period, and would take out the VHFA financing. Whichever method is used, the project will be financially feasible over the long term. The latter method would allow the project to show a lower capital (development) budget.

c. By doing two loans simultaneously with one sponsor (Homestead Greene and Hartford Community Care), VHFA may be increasing its risk should problems arise with the sponsor. However, the sponsor has developed projects using both debt and Housing Credits with VHFA successfully in the past. In addition, our standard construction requirements are that the contractor provide either a performance and payment bond or an irrevocable letter of credit in VHFA's favor in the amount of 25% of the construction contract. (While this is <u>in addition to</u> the developer's personal guarantee, it is generally good security during construction). The sponsor is acting as general contractor on the Hartford development, but is hiring an unrelated contractor on this one. Finally, we have told the sponsor and RD that we need to have the RD commitment be assignable to VHFA or its designee. RD has agreed in principle to allowing VHFA to replace the sponsors as general partner so long as the actual partnership remains in place, which would accomplish the same objective.

**Recommended Board Action**

Staff recommends Board approval of the attached Resolution to provide a Letter of Interest and Commitment to provide interim financing in the amount of up to $975,000 with a loan term of up to 18 months, interest only payments on the principal amount advanced, and an interest rate of no more than one and one-half points above the cost of the bond. The Letter of Interest and Commitment shall include the following conditions:

1. Sponsor must address the Environmental Site Assessment findings (if any) in the construction specifications/scope of work;

2. Outstanding issues with RD must be resolved to VHFA's satisfaction, including obtaining assurance that the RD loan commitment will remain in effect in the event that VHFA replace the sponsor(s) as new general partners, should the current general partners fail to satisfy the terms of the partnership agreement or any of VHFA's loan documents;

3. Sponsor must provide final plans and specifications for VHFA approval prior to VHFA loan closing;

4. Sponsor must receive all required local approvals and Act 250 approval, with any special conditions imposed addressed in the construction specifications and development budget;

5. Sponsor must provide personal guarantees of completion of the construction satisfactory to VHFA.

6. Sponsor must provide VHFA with evidence that a right of first refusal/option to purchase consistent with Vermont's Allocation Plan has been executed with a qualified non-profit satisfactory to VHFA.

**RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST AND COMMITMENT LETTER RE: INTERIM FINANCING (NORTH BENNNINGTON)**

WHEREAS, a proposal has been presented to the Agency by Jack Heaton and Frank Murphy (the "Sponsors") involving the construction of 17 units of elderly rental housing in North Bennington, Vermont (the "Development"); and

WHEREAS, the Sponsors will be forming a limited partnership, which is expected to qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joseph Erdelyi dated July 14, 1998 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.

2. The acquisition and rehabilitation costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.

3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.

4. The housing sponsor undertaking the Development will increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.

5. The security value of the Development will equal at least the amount of the Agency's loan.

6. The Sponsor and its general partners are financially responsible organizations and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan in the maximum amount of $975,000 as interim tax-exempt financing to a to-be-formed limited partnership for the construction of 17 apartments located on the Colvin Farm in North

Bennington, Vermont. The term of the loan will be approximately 18 months, with interest only payments due until the maturity date of the loan and an interest rate of not more than 150 basis points above the Agency's cost of funds. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance or for other purposes with the consent of the Agency.

2. The Letter of Interest shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:

a) Sponsor must provide VHFA with a commitment for not less than $990,000 in term financing from Rural Development;

b) Sponsor must address the Environmental Site Assessment findings (if any) in the construction specifications/scope of work;

c) Outstanding issues with RD must be resolved to VHFA's satisfaction, including obtaining assurance that the RD loan commitment will remain in effect in the event that VHFA replace the sponsor(s) as new general partners, should the current general partners fail to satisfy the terms of the partnership agreement or any of VHFA's loan documents;

d) Sponsor must provide final plans and specifications for VHFA approval prior to VHFA loan closing;

e) Sponsor must receive all required local approvals and Act 250 approval, with any special conditions imposed addressed in the construction specifications and development budget;

f) Sponsor must provide personal guarantees of completion of the construction satisfactory to VHFA.

g) Sponsor must provide VHFA with evidence that a right of first refusal/option to purchase consistent with Vermont's Allocation Plan has been executed with a qualified non-profit satisfactory to VHFA.

3. The Executive Director may, in his discretion, issue a Commitment Letter for an interim loan for the acquisition and rehabilitation of the Development, in an amount not to exceed $975,000.

4. The loan shall be due and payable approximately 18 months from the date the loan is made, interest only payments shall be due before maturity, and the interest rate shall not

exceed 150 basis points above the Agency's cost of funds. The source of funds shall be tax-exempt bond proceeds. The Commitment Letter may be issued to Jack Heaton and Frank Murphy as representatives of the limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

5. The Executive Director, Deputy Director and Director of Finance are hereby authorized to take all necessary steps and execute any and all documents required to effectuate this loan.

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17-Jul-98 **Homestead Greene**

| | | | |
|---|---|---|---|
| Total Residential Units: | 17 | Increase in Income from Rental Units: | 1.00% |
| Housing Credit Restricted Units: | 17 | Increase in Income from Other Sources: | 1.00% |
| Percent Restricted: | 100.00% | Increase in Income from Commercial: | 1.00% |
| Total Development Cost: | 1,476,631 | Expense increase: | 2.50% |
| Total Development Cost per Unit: | 86,861 | Vacancy Rate: | 2% |
| Total Development Cost Per SF: | 108 | Partner's Tax Rate: | 49% |
| | | Long Depreciation Schedule: | 27.5 years |
| Max Credit Potential: | 59,150 | Short Depreciation Schedule: | 7 years |
| Credit Amount Allocated: | 59,150 | Sponsor's Estimated Yield: | 70.00% |
| LIHTC - 9% | 8.35% | (July '98) | |
| LIHTC - 4% | 3.58% | | |

**SOURCES**

| | | % of Total Development Cost | Interest Rate | Amortization | Term |
|---|---|---|---|---|---|
| First Mortgage | 994,250 | 67.33% | 1.00% | 50 | 30 |
| Deferred Developer's Fees | 68,331 | 4.63% | 5.00% | N/A | |
| Other Equity | | | | | |
| Tax Credit Equity | 414,050 | 28.04% | N/A | N/A | |
| TOTAL SOURCES | 1,476,631 | 100.00% | | | |

**USES**

| | | |
|---|---|---|
| Acquisition | 58,500 | 3.96% |
| Construction Hard Costs | 1,058,156 | 71.66% |
| Soft Costs | 359,975 | 24.38% |
| TOTAL USES | 1,476,631 | 100% |
| Gap | 0 | |

PER UNIT COST LIMIT CALCULATION

| | per unit limits | number of units | |
|---|---|---|---|
| 0 Br | 73,380 | 0 | 0 |
| 1 Br | 78,380 | 17 | 1,332,460 |
| 2 Br | 83,380 | 0 | 0 |
| 3 Br | 88,380 | 0 | 0 |
| 4 Br | 93,380 | 0 | 0 |
| Maximum cost allowed under the per unit cost limits | | | 1,332,460 |
| Projected total cost, excluding cash accounts | | | 1,405,131 |
| | | (over)/under | (72,671) |

| | | |
|---|---|---|
| General Partner's Capital Contribution | 4,141 | 1.00% |
| Limited Partner's Capital Contribution | 409,910 | 99.00% |
| Total Equity | 414,050 | |

APPLICABLE FRACTION CALCULATION

| | |
|---|---|
| Tax Credit Restricted Units | 17 |
| Total Units | 17 |
| Unit Fraction | 100.00% |
| Tax Credit Square Footage | 13,716 |
| Total Residential Square Footage | 13,716 |
| Square Footage Fraction | 100.00% |
| Applicable Fraction | 100.00% |

| | | | Budget | Per Unit | Per s.f. | Debt Terms:___ | Equity Terms:___ | Def Fee Terms:___ | TOTAL SOURCES |
|---|---|---|---|---|---|---|---|---|---|
| | ACQUISITION | | | | | | | | |
| 1 | Land | | 55,000 | 3,235 | 4.01 | | 55,000 | | 55,000 |
| 2 | Purchase of Building(s) | | | 0 | 0.00 | | | | 0 |
| 3 | Demolition (without replacement) | | | 0 | 0.00 | | | | 0 |
| 4 | Property Appraisal | | 2,500 | 147 | 0.18 | | 2,500 | | 2,500 |
| 5 | Legal - Title and Recording | | 1,000 | 59 | 0.07 | | 1,000 | | 1,000 |
| | Subtotal - Acquisition | | 58,500 | 3,441 | 4.27 | | | | |
| | CONSTRUCTION HARD COSTS | | | | | | | | |
| 6 | Rehabilitation | | | 0 | 0.00 | | | | 0 |
| 7 | New Building(s) | | 679,408 | 39,965 | 49.53 | 672,327 | 7,081 | | 679,408 |
| 8 | Accessory Buildings | | | 0 | 0.00 | | | | 0 |
| 9 | Sitework | | 201,000 | 11,824 | 14.65 | 201,000 | | | 201,000 |
| 10 | Commercial Space Costs (if any) | | | 0 | 0.00 | | | | 0 |
| 11 | General Requirements | 6.0% | 52,824 | 3,107 | 3.85 | 52,824 | | | 52,824 |
| 12 | Contractor Overhead | 1.8% | 15,600 | 918 | 1.14 | 15,600 | | | 15,600 |
| 13 | Contractor Profit | 6.0% | 52,824 | 3,107 | 3.85 | 52,824 | | | 52,824 |
| 14 | Construction Contingency | | | 0 | 0.00 | | | | 0 |
| 15 | Construction Management | | | 0 | 0.00 | | | | 0 |
| 16 | Construction Bond Fee | | 2,500 | 147 | 0.18 | | 2,500 | | 2,500 |
| 17 | Hazardous Materials Abatement | | | 0 | 0.00 | | | | 0 |
| 18 | Off-Site Improvements | | 40,000 | 2,353 | 2.92 | | 40,000 | | 40,000 |
| 19 | Furnishings, Fixtures, & Equipment | | 14,000 | 824 | 1.02 | | 14,000 | | 14,000 |
| 20 | Other (________________) | | | 0 | 0.00 | | | | 0 |
| | Subtotal - Hard Costs | | 1,058,156 | 62,244 | 77.15 | | | | |
| | SOFT COSTS | | | | | | | | |
| 21 | Architectural | | 30,000 | 1,765 | 2.19 | | 30,000 | | 30,000 |
| 22 | Engineering | | 20,000 | 1,176 | 1.46 | | 20,000 | | 20,000 |
| 23 | Legal/Accounting | | 4,000 | 235 | 0.29 | | 4,000 | | 4,000 |
| 24 | Relocation | | | 0 | 0.00 | | | | 0 |
| 25 | Environmental Assessment | | 2,500 | 147 | 0.18 | | 2,500 | | 2,500 |
| 26 | Energy Assessment | | | 0 | 0.00 | | | | 0 |
| 27 | Permits/Fees | | 10,000 | 588 | 0.73 | | 10,000 | | 10,000 |
| 28 | Independent Market Study | | 3,500 | 206 | 0.26 | | 3,500 | | 3,500 |
| 29 | Construction Period Insurance | | 2,000 | 118 | 0.15 | | 2,000 | | 2,000 |
| 30 | Construction Interest | | 23,000 | 1,353 | 1.68 | | 23,000 | | 23,000 |
| 31 | Construction Loan Origination Fee | | 4,875 | 287 | 0.36 | | 4,875 | | 4,875 |
| 32 | Taxes During Construction | | 600 | 35 | 0.04 | | 600 | | 600 |
| 33 | Clerk of the Works | | | 0 | 0.00 | | | | 0 |
| 34 | Marketing | | | 0 | 0.00 | | | | 0 |
| 35 | Tax Credit Fees | | 3,000 | 176 | 0.22 | | 3,000 | | 3,000 |
| 36 | Soft Cost Contingency | | | 0 | 0.00 | | | | 0 |
| 37 | Permanent Loan Origination Fee | | | 0 | 0.00 | | | | 0 |
| 38 | Lender's Counsel's Fee | | 5,000 | 294 | 0.36 | | 5,000 | | 5,000 |
| 39 | Other (construction inspector) | | 5,000 | 294 | 0.36 | | | | 0 |
| | SYNDICATION COSTS | | | | | | | | |
| 40 | Organizational (Partnership) | | | 0 | 0.00 | | | | 0 |
| 41 | Bridge Loan Fees and Expenses | | | 0 | 0.00 | | | | 0 |
| 42 | Syndication Consultant | | | 0 | 0.00 | | | | 0 |
| 43 | Tax Opinion | | | 0 | 0.00 | | | | 0 |
| | DEVELOPER'S FEES | | | | | | | | |
| 44 | Developer's Fees | 14.2% | 175,000 | 10,294 | 12.76 | | 111,869 | 63,131 | 175,000 |
| 45 | Other Partnership Fees | | | 0 | 0.00 | | | | 0 |
| 46 | Consultant Fees | | | 0 | 0.00 | | | | 0 |
| | RESERVES | | | | | | | | |
| 47 | Working Capital | | 22,000 | 1,294 | 1.60 | | 22,000 | | 22,000 |
| 48 | Rent-up (Deficit Escrow) Reserve | | 49,500 | 2,912 | 3.61 | | 49,500 | | 49,500 |
| 49 | Other Operating Reserves | | | 0 | 0.00 | | | | 0 |
| 50 | Sinking Fund | | | 0 | 0.00 | | | | 0 |
| 51 | Replacement Reserves | | | 0 | 0.00 | | | | 0 |
| | Subtotal - Soft Costs | | 359,975 | 21,175 | 26.24 | | | | |
| | TOTAL DEVELOPMENT COSTS | | 1,476,631 | 86,861 | 108 | 994,575 | 413,925 | 63,131 | 1,471,631 |

1,471,631

17-Jul-98 **Homestead Greene**

| | | Budget | Acquisition Basis | Construction Basis | Residential Depreciation | Historic Credit Basis | Other |
|---|---|---|---|---|---|---|---|
| | ACQUISITION | | | | | | |
| 1 | Land | 55,000 | | | | | |
| 2 | Purchase of Building(s) | 0 | | | | | |
| 3 | Demolition (without replacement) | 0 | | | | | |
| 4 | Property Appraisal | 2,500 | | | | | |
| 5 | Legal - Title and Recording | 1,000 | | | | | |
| | Subtotal - Acquisition | 58,500 | | | | | |
| | CONSTRUCTION HARD COSTS | | | | | | |
| 6 | Rehabilitation | 0 | | | | | |
| 7 | New Building(s) | 679,408 | | 679,408 | 679,408 | | |
| 8 | Accessory Buildings | 0 | | | | | |
| 9 | Sitework | 201,000 | | 201,000 | 201,000 | | |
| 10 | Commercial Space Costs (if any) | 0 | | | | | |
| 11 | General Requirements | 52,824 | | 52,824 | 52,824 | | |
| 12 | Contractor Overhead | 15,600 | | 15,600 | 15,600 | | |
| 13 | Contractor Profit | 52,824 | | 52,824 | 52,824 | | |
| 14 | Construction Contingency | 0 | | | | | |
| 15 | Construction Management | 0 | | | | | |
| 16 | Construction Bond Fee | 2,500 | | 2,500 | 2,500 | | |
| 17 | Hazardous Materials Abatement | 0 | | | | | |
| 18 | Off-Site Improvements | 40,000 | | 40,000 | 40,000 | | |
| 19 | Furnishings, Fixtures, & Equipment | 14,000 | | 14,000 | 14,000 | | |
| 20 | Other (____________________) | 0 | | | | | |
| | Subtotal - Hard Costs | 1,058,156 | | | | | |
| | SOFT COSTS | | | | | | |
| 21 | Architectural | 30,000 | | 30,000 | 30,000 | | |
| 22 | Engineering | 20,000 | | 20,000 | 20,000 | | |
| 23 | Legal/Accounting | 4,000 | | 4,000 | 4,000 | | |
| 24 | Relocation | 0 | | | | | |
| 25 | Environmental Assessment | 2,500 | | 2,500 | 2,500 | | |
| 26 | Energy Assessment | 0 | | | | | |
| 27 | Permits/Fees | 10,000 | | 10,000 | 10,000 | | |
| 28 | Independent Market Study | 3,500 | | 3,500 | 3,500 | | |
| 29 | Construction Period Insurance | 2,000 | | 2,000 | 2,000 | | |
| 30 | Construction Interest | 23,000 | | 23,000 | 23,000 | | |
| 31 | Construction Loan Origination Fee | 4,875 | | 4,875 | 4,875 | | |
| 32 | Taxes During Construction | 600 | | 600 | 600 | | |
| 33 | Clerk of the Works | 0 | | | | | |
| 34 | Marketing | 0 | | | | | |
| 35 | Tax Credit Fees | 3,000 | | | | | |
| 36 | Soft Cost Contingency | 0 | | | | | |
| 37 | Permanent Loan Origination Fee | 0 | | | | | |
| 38 | Lender's Counsel's Fee | 5,000 | | 5,000 | 5,000 | | |
| 39 | Other (construction inspector) | 5,000 | | 5,000 | 5,000 | | |
| | SYNDICATION COSTS | | | | | | |
| 40 | Organizational (Partnership) | 0 | | | | | |
| 41 | Bridge Loan Fees and Expenses | 0 | | | | | |
| 42 | Syndication Consultant | 0 | | | | | |
| 43 | Tax Opinion | 0 | | | | | |
| | DEVELOPER'S FEES | | | | | | |
| 44 | Developer's Fees | 175,000 | | 175,000 | 175,000 | | |
| 45 | Other Partnership Fees | 0 | | | | | |
| 46 | Consultant Fees | 0 | | | | | |
| | RESERVES | | | | | | |
| 47 | Working Capital | 22,000 | | | | | |
| 48 | Rent-up (Deficit Escrow) Reserve | 49,500 | | | | | |
| 49 | Other Operating Reserves | 0 | | | | | |
| 50 | Sinking Fund | 0 | | | | | |
| 51 | Replacement Reserves | 0 | | | | | |
| | Subtotal - Soft Costs | 359,975 | | | | | |
| | TOTALS | 1,476,631 | 0 | 1,343,631 | 1,329,631 | 0 | |
| LESS: | Amount of Non-qualified Financing | | | | | | |
| LESS: | Adjustment for per unit cost limits | | | 72,671 | | | |
| LESS: | Historic tax Credit (Residential Portion) | | | 0 | 0 | | |
| | Total Eligible Basis | | 0 | 1,270,960 | | | |
| TIMES: | Adjusted for QCT/DDA | 130.0% | | 1,652,248 | | | |
| TIMES: | Applicable Fraction | 100.00% | 0 | 1,652,248 | | | |
| | Total Qualified Basis | | 0 | 1,652,248 | | | |
| TIMES: | Applicable Percentage | | 3.58% | 3.58% | | | |
| | Total Annual Credit Qualified | | 0 | 59,150 | | | |

20% Historic Credit Rate
0 Annual Historic Credit

| | |
|---|---|
| 1,329,631 | Long Term Depreciable Basis |
| 27.5 | Depreciation Schedule |
| 48,350 | Annual Depreciation |
| 14,000 | Short Term Depreciable Basis |
| 7 | Depreciation Schedule |
| 2,000 | Annual Depreciation |

| | |
|---|---|
| Total Tax Credits Requested | 59,150 |
| Estimated Net Syndication Proceeds (**excluding historic credit equity**) | 414,050 |
| Estimated Yield - Housing Credit Syndication | 70.00% |
| Equity Gap | 414,050 |
| Credits Needed to fill Equity Gap | 59,747 |

17-Jul-98 **Homestead Greene**

| HC Restricted Units Bedrooms | Type | Average Square Feet | Number | Average Rent | Utilities | Total Annual Rent |
|---|---|---|---|---|---|---|
| 0 Br | | | 0 | 0 | | 0 |
| 1 Br | | 807 | 17 | 785 | | 160,140 |
| 2 Br | | | 0 | 0 | | 0 |
| 3 Br | | | 0 | 0 | | 0 |
| 4+ Br | | | 0 | 0 | | 0 |
| | Totals | 13,716 | 17 | | | 160,140 |

| Non-HC Restricted Units Bedrooms | Type | Square Feet | Number | Rent | Utilities | Total Annual Rent |
|---|---|---|---|---|---|---|
| 0 Br | | | 0 | 0 | | 0 |
| 1 Br | | | 0 | 0 | | 0 |
| 2 Br | | | 0 | 0 | | 0 |
| 3 Br | | | 0 | 0 | | 0 |
| 4+ Br | | | 0 | 0 | | 0 |
| | Totals | 0 | 0 | | | 0 |
| All Units | | | | | | |
| | Grand Totals | 13,716 | 17 | | | 160,140 |
| | Less Vacancy | | 2.00% | | | (3,203) |
| | | | | | NET RENT | 156,937 |

OTHER INCOME

| | |
|---|---|
| Laundry | 0 |
| Parking | 0 |
| Commercial Space Income | 0 |
| Other | 400 |
| TOTAL INCOME | 157,337 |

17-Jul-98 **Homestead Greene**

| | Annual | Monthly | Per Unit Per Month | |
|---|---|---|---|---|
| Administration | | | | |
| Management Fee | 9,180 | 765 | 45 | 5.8% |
| Supportive Services | | 0 | 0 | |
| Audit/Accounting | 2,375 | 198 | 12 | |
| Legal | 100 | 8 | 0 | |
| Compliance Monitoring | | 0 | 0 | |
| Marketing | 500 | 42 | 2 | |
| Other | 700 | 58 | 3 | |
| TOTAL ADMINISTRATIVE | 12,855 | 1,071 | 63 | |
| | | | | |
| Utilities | | | | |
| Electricity | 6,400 | 533 | 31 | |
| Fuel | 10,000 | 833 | 49 | |
| Water and Sewer | 3,000 | 250 | 15 | |
| Fire Alarm / Emergency | | 0 | 0 | |
| Other | | 0 | 0 | |
| TOTAL UTILITIES | 19,400 | 1,617 | 95 | |
| | | | | |
| Maintenance | | | | |
| Maintenance / Janitor Payroll | 7,500 | 625 | 37 | |
| Janitor Supplies | | 0 | 0 | |
| Exterminating | | 0 | 0 | |
| Trash Removal | 2,800 | 233 | 14 | |
| Snow Removal | 3,500 | 292 | 17 | |
| Grounds | 3,000 | 250 | 15 | |
| Repairs Material | 500 | 42 | 2 | |
| Repairs Contract | 1,500 | 125 | 7 | |
| HVAC Repairs / Maintenance | | 0 | 0 | |
| Elevator Contract / Repairs | | 0 | 0 | |
| Painting and Decorating | 1,000 | 83 | 5 | |
| Other | 1,200 | 100 | 6 | |
| TOTAL MAINTENANCE | 21,000 | 1,750 | 103 | per unit month |
| Real Estate Taxes | 18,000 | 1,500 | 88 | excl. ds & res. |
| Property Insurance | 1,500 | 125 | 7 | 357 |
| Replacement Reserves | 10,000 | 833 | 49 | |
| Primary Debt Service | 25,277 | 2,106 | 124 | |
| Other "must pay" debt service | | 0 | 0 | |
| Other | 2,700 | 225 | 13 | |
| Total | 110,732 | 9,228 | 543 | |

form revision date: 2/27/97

17-Jul-98

## Homestead Greene

| | | Check all Applicable | | | | | | | A | | | | | B | | | | | | C | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Building # | Unit # | HOME Unit | Lead Paint Unit | Project Based Assistance | Tax Credit Unit | VHCB Restricted | Accessible | Adaptable | Unrestricted | Number of Bedrooms | Proposed Square Footage | Proposed Rent | Utility Allowance for Tenant-Paid Utilities | Gross Rent (Rent + Tenant-Paid Utilities) | OCCUPIED BY: Income level of residents to be served: <30% | <50% | <60% | <80% | <100% | >100% | AFFORDABLE TO: Units affordable to residents at: 30% | 50% | 60% | 65% | 80% | 100%+ |
| 1 | 1 | | | | 1 | | 1 | | | 1 | 762 | 785 | | 785 | | 1 | | | | | | 1 | | | | |
| 1 | 2 | | | | 1 | | | 1 | | 1 | 762 | 785 | | 785 | | 1 | | | | | | 1 | | | | |
| 1 | 3 | | | | 1 | | | 1 | | 1 | 762 | 785 | | 785 | | 1 | | | | | | 1 | | | | |
| 1 | 4 | | | | 1 | | | 1 | | 1 | 762 | 785 | | 785 | | 1 | | | | | | 1 | | | | |
| 2 | 5 | | | | 1 | | | 1 | | 1 | 762 | 785 | | 785 | | 1 | | | | | | 1 | | | | |
| 2 | 6 | | | | 1 | | | 1 | | 1 | 762 | 785 | | 785 | | 1 | | | | | | 1 | | | | |
| 2 | 7 | | | | 1 | | | 1 | | 1 | 762 | 785 | | 785 | | 1 | | | | | | 1 | | | | |
| 2 | 8 | | | | 1 | | | 1 | | 1 | 762 | 785 | | 785 | | 1 | | | | | | 1 | | | | |
| 3 | 9 | | | | 1 | | | 1 | | 1 | 762 | 785 | | 785 | | 1 | | | | | | 1 | | | | |
| 3 | 10 | | | | 1 | | | 1 | | 1 | 762 | 785 | | 785 | | 1 | | | | | | 1 | | | | |
| 3 | 11 | | | | 1 | | | 1 | | 1 | 762 | 785 | | 785 | | 1 | | | | | | 1 | | | | |
| 3 | 12 | | | | 1 | | | 1 | | 1 | 762 | 785 | | 785 | | 1 | | | | | | 1 | | | | |
| 3 | 13 | | | | 1 | | | 1 | | 1 | 762 | 785 | | 785 | | 1 | | | | | | 1 | | | | |
| 4 | 14 | | | | 1 | | | 1 | | 1 | 953 | 785 | | 785 | | 1 | | | | | | 1 | | | | |
| 4 | 15 | | | | 1 | | | 1 | | 1 | 953 | 785 | | 785 | | 1 | | | | | | 1 | | | | |
| 4 | 16 | | | | 1 | | | 1 | | 1 | 953 | 785 | | 785 | | 1 | | | | | | 1 | | | | |
| 4 | 17 | | | | 1 | | | 1 | | 1 | 953 | 785 | | 785 | | 1 | | | | | | 1 | | | | |
| Total # Units | 17 | | | | | | | | | Totals: | 13,716 | 13,345 | | Total # Units: | 0 | 17 | 0 | 0 | 0 | 0 | 0 | 17 | 0 | 0 | 0 | 0 |

17-Jul-98 **Homestead Greene** PRO FOR 17-Jul-98

| Year | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Operating Income** | | | | | | | | | | | | | | | | |
| Gross Rent | | 160,140 | 161,741 | 163,359 | 164,992 | 166,642 | 168,309 | 169,992 | 171,692 | 173,409 | 175,143 | 176,894 | 178,663 | 180,450 | 182,254 | 184,077 |
| Other Income | | 400 | 404 | 408 | 412 | 416 | 420 | 425 | 429 | 433 | 437 | 442 | 446 | 451 | 455 | 460 |
| Vacancy and other losses | 2% | (3,203) | (3,235) | (3,267) | (3,300) | (3,333) | (3,366) | (3,400) | (3,434) | (3,468) | (3,503) | (3,538) | (3,573) | (3,609) | (3,645) | (3,682) |
| Total Operating Income | | 157,337 | 158,911 | 160,500 | 162,105 | 163,726 | 165,363 | 167,017 | 168,687 | 170,374 | 172,077 | 173,798 | 175,536 | 177,291 | 179,064 | 180,855 |
| **Operating Expenses** | | | | | | | | | | | | | | | | |
| Total Expenses (excl Reserves) | | 75,455 | 77,341 | 79,275 | 81,257 | 83,288 | 85,370 | 87,505 | 89,692 | 91,935 | 94,233 | 96,589 | 99,003 | 101,479 | 104,016 | 106,616 |
| Reserves | | 10,000 | 10,100 | 10,201 | 10,303 | 10,406 | 10,510 | 10,615 | 10,721 | 10,829 | 10,937 | 11,046 | 11,157 | 11,268 | 11,381 | 11,495 |
| Total Operating Expense | | 85,455 | 87,441 | 89,476 | 91,560 | 93,694 | 95,881 | 98,120 | 100,414 | 102,763 | 105,170 | 107,635 | 110,160 | 112,747 | 115,396 | 118,111 |
| Net Operating Income | | 71,882 | 71,469 | 71,024 | 70,545 | 70,031 | 69,482 | 68,897 | 68,273 | 67,610 | 66,908 | 66,163 | 65,376 | 64,545 | 63,668 | 62,744 |
| Less Primary Debt Service | | 25,277 | 25,277 | 25,277 | 25,277 | 25,277 | 25,277 | 25,277 | 25,277 | 25,277 | 25,277 | 25,277 | 25,277 | 25,277 | 25,277 | 25,277 |
| Less Secondary Debt Service | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Annual Cash Flow | | 46,605 | 46,192 | 45,747 | 45,268 | 44,755 | 44,206 | 43,620 | 42,996 | 42,334 | 41,631 | 40,886 | 40,099 | 39,268 | 38,391 | 37,467 |
| Operating Subsidies / Sinking Fund | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Cash | | 46,605 | 46,192 | 45,747 | 45,268 | 44,755 | 44,206 | 43,620 | 42,996 | 42,334 | 41,631 | 40,886 | 40,099 | 39,268 | 38,391 | 37,467 |
| DCR | | 284.38% | 282.74% | 280.98% | 279.09% | 277.06% | 274.89% | 272.57% | 270.10% | 267.48% | 264.70% | 261.75% | 258.64% | 255.35% | 251.88% | 248.23% |
| **Cumulative Cash Flow** | | | | | | | | | | | | | | | | |
| Beginning Balance | | 0 | 38,313 | 73,080 | 104,566 | 133,012 | 158,637 | 181,644 | 220,237 | 264,100 | 308,179 | 352,439 | 396,841 | 441,345 | 485,908 | 530,486 |
| Plus: Deposits | | 46,605 | 46,192 | 45,747 | 45,268 | 44,755 | 44,206 | 43,620 | 42,996 | 42,334 | 41,631 | 40,886 | 40,099 | 39,268 | 38,391 | 37,467 |
| Plus: Interest | 2.0% | 383 | 1,114 | 1,776 | 2,376 | 2,916 | 3,403 | 4,019 | 4,843 | 5,723 | 6,606 | 7,493 | 8,382 | 9,273 | 10,164 | 11,055 |
| Less: Withdrawals for operating losses | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Less: Withdrawls for distribution | | (3,977) | (3,977) | (3,977) | (3,977) | (3,977) | (3,977) | (3,977) | (3,977) | (3,977) | (3,977) | (3,977) | (3,977) | (3,977) | (3,977) | (3,977) |
| Less. Withdrawls for payment of def fee | | (4,699) | (8,562) | (12,060) | (15,221) | (18,068) | (20,625) | (5,069) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ending Balance | | 38,313 | 73,080 | 104,566 | 133,012 | 158,637 | 181,644 | 220,237 | 264,100 | 308,179 | 352,439 | 396,841 | 441,345 | 485,908 | 530,486 | 575,032 |
| **Cumulative Replacement Reserves** | | | | | | | | | | | | | | | | |
| Beginning Balance | | 0 | 10,100 | 20,506 | 31,224 | 42,262 | 2,907 | 13,582 | 24,579 | 35,905 | 47,568 | 8,844 | 20,180 | 31,857 | 43,883 | 56,265 |
| Deposits | | 10,000 | 10,100 | 10,201 | 10,303 | 10,406 | 10,510 | 10,615 | 10,721 | 10,829 | 10,937 | 11,046 | 11,157 | 11,268 | 11,381 | 11,495 |
| Interest | 2.0% | 100 | 306 | 517 | 735 | 1,239 | 165 | 382 | 605 | 835 | 1,339 | 290 | 520 | 757 | 1,001 | 1,505 |
| Withdrawals | 51,000 | 0 | 0 | 0 | 0 | (51,000) | 0 | 0 | 0 | 0 | (51,000) | 0 | 0 | 0 | 0 | (51,000) |
| Ending Balance | | 10,100 | 20,506 | 31,224 | 42,262 | 2,907 | 13,582 | 24,579 | 35,905 | 47,568 | 8,844 | 20,180 | 31,857 | 43,883 | 56,265 | 18,265 |
| **Deferred Developer Fee** | | | | | | | | | | | | | | | | |
| Beginning Balance | | 68,331 | 67,049 | 61,839 | 52,871 | 40,293 | 24,240 | 4,827 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest | 5.0% | 3,417 | 3,352 | 3,092 | 2,644 | 2,015 | 1,212 | 241 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Payment to owner from cash flow | | (4,699) | (8,562) | (12,060) | (15,221) | (18,068) | (20,625) | (5,069) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ending Balance | | 67,049 | 61,839 | 52,871 | 40,293 | 24,240 | 4,827 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Year | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Operating Income** | | | | | | | | | | | | | | | |
| Gross Rent | 185,918 | 187,777 | 189,655 | 191,551 | 193,467 | 195,401 | 197,355 | 199,329 | 201,322 | 203,335 | 205,369 | 207,422 | 209,497 | 211,592 | 213,707 |
| Other Income | 464 | 469 | 474 | 478 | 483 | 488 | 493 | 498 | 503 | 508 | 513 | 518 | 523 | 529 | 534 |
| Vacancy and other losses | (3,718) | (3,756) | (3,793) | (3,831) | (3,869) | (3,908) | (3,947) | (3,987) | (4,026) | (4,067) | (4,107) | (4,148) | (4,190) | (4,232) | (4,274) |
| Total Operating Income | 182,664 | 184,490 | 186,335 | 188,198 | 190,080 | 191,981 | 193,901 | 195,840 | 197,799 | 199,776 | 201,774 | 203,792 | 205,830 | 207,888 | 209,967 |
| **Operating Expenses** | | | | | | | | | | | | | | | |
| Total Expenses (excl Reserves) | 109,281 | 112,013 | 114,814 | 117,684 | 120,626 | 123,642 | 126,733 | 129,901 | 133,149 | 136,477 | 139,889 | 143,387 | 146,971 | 150,646 | 154,412 |
| Reserves | 11,610 | 11,726 | 11,843 | 11,961 | 12,081 | 12,202 | 12,324 | 12,447 | 12,572 | 12,697 | 12,824 | 12,953 | 13,082 | 13,213 | 13,345 |
| Total Operating Expense | 120,891 | 123,739 | 126,657 | 129,646 | 132,707 | 135,844 | 139,057 | 142,348 | 145,720 | 149,175 | 152,714 | 156,339 | 160,053 | 163,858 | 167,757 |
| Net Operating Income | 61,773 | 60,751 | 59,678 | 58,553 | 57,373 | 56,138 | 54,844 | 53,492 | 52,078 | 50,602 | 49,061 | 47,453 | 45,777 | 44,030 | 42,210 |
| Less Primary Debt Service | 25,277 | 25,277 | 25,277 | 25,277 | 25,277 | 25,277 | 25,277 | 25,277 | 25,277 | 25,277 | 25,277 | 25,277 | 25,277 | 25,277 | 483,297 |
| Less Secondary Debt Service | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Annual Cash Flow | 36,496 | 35,474 | 34,401 | 33,276 | 32,096 | 30,861 | 29,567 | 28,215 | 26,801 | 25,325 | 23,784 | 22,176 | 20,500 | 18,753 | (441,087) |
| Operating Subsidies / Sinking Fund | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 441,087 |
| Net Cash | 36,496 | 35,474 | 34,401 | 33,276 | 32,096 | 30,861 | 29,567 | 28,215 | 26,801 | 25,325 | 23,784 | 22,176 | 20,500 | 18,753 | 0 |
| DCR | 244.38% | 240.34% | 236.10% | 231.65% | 226.98% | 222.09% | 216.97% | 211.62% | 206.03% | 200.19% | 194.09% | 187.73% | 181.10% | 174.19% | 8.73% |
| **Cumulative Cash Flow** | | | | | | | | | | | | | | | |
| Beginning Balance | 575,032 | 619,496 | 663,826 | 707,968 | 751,866 | 795,458 | 838,684 | 881,476 | 923,766 | 965,483 | 1,006,551 | 1,046,892 | 1,086,424 | 1,125,061 | 1,162,715 |
| Plus: Deposits | 36,496 | 35,474 | 34,401 | 33,276 | 32,096 | 30,861 | 29,567 | 28,215 | 26,801 | 25,325 | 23,784 | 22,176 | 20,500 | 18,753 | 0 |
| Plus: Interest | 11,945 | 12,833 | 13,718 | 14,598 | 15,473 | 16,341 | 17,202 | 18,052 | 18,892 | 19,720 | 20,534 | 21,333 | 22,115 | 22,878 | 27,431 |
| Less: Withdrawals for operating losses | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (441,087) |
| Less: Withdrawls for distribution | (3,977) | (3,977) | (3,977) | (3,977) | (3,977) | (3,977) | (3,977) | (3,977) | (3,977) | (3,977) | (3,977) | (3,977) | (3,977) | (3,977) | (3,977) |
| Less. Withdrawls for payment of def fee | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ending Balance | 619,496 | 663,826 | 707,968 | 751,866 | 795,458 | 838,684 | 881,476 | 923,766 | 965,483 | 1,006,551 | 1,046,892 | 1,086,424 | 1,125,061 | 1,162,715 | 745,082 |
| **Cumulative Replacement Reserves** | | | | | | | | | | | | | | | |
| Beginning Balance | 18,265 | 30,361 | 42,819 | 55,647 | 68,853 | 31,683 | 44,648 | 57,999 | 71,743 | 85,891 | 49,669 | 63,626 | 77,995 | 92,785 | 108,005 |
| Deposits | 11,610 | 11,726 | 11,843 | 11,961 | 12,081 | 12,202 | 12,324 | 12,447 | 12,572 | 12,697 | 12,824 | 12,953 | 13,082 | 13,213 | 13,345 |
| Interest | 486 | 732 | 985 | 1,245 | 1,749 | 763 | 1,026 | 1,297 | 1,576 | 2,080 | 1,133 | 1,416 | 1,708 | 2,008 | 2,512 |
| Withdrawals | 0 | 0 | 0 | 0 | (51,000) | 0 | 0 | 0 | 0 | (51,000) | 0 | 0 | 0 | 0 | (51,000) |
| Ending Balance | 30,361 | 42,819 | 55,647 | 68,853 | 31,683 | 44,648 | 57,999 | 71,743 | 85,891 | 49,669 | 63,626 | 77,995 | 92,785 | 108,005 | 72,862 |
| **Deferred Developer Fee** | | | | | | | | | | | | | | | |
| Beginning Balance | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Payment to owner from cash flow | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ending Balance | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Net Operating Income | | 71,882 | 71,469 | 71,024 | 70,545 | 70,031 | 69,482 | 68,897 | 68,273 | 67,610 | 66,908 | 66,163 | 65,376 | 64,545 | 63,668 | 62,744 |
| Plus Reserves | | 10,000 | 10,100 | 10,201 | 10,303 | 10,406 | 10,510 | 10,615 | 10,721 | 10,829 | 10,937 | 11,046 | 11,157 | 11,268 | 11,381 | 11,495 |
| Less Interest Expense | | (13,289) | (13,070) | (12,653) | (12,047) | (11,258) | (10,295) | (9,161) | (8,756) | (8,590) | (8,422) | (8,253) | (8,082) | (7,909) | (7,734) | (7,558) |
| Less Long Depreciation | | (48,168) | (48,168) | (48,168) | (48,168) | (48,168) | (48,168) | (48,168) | (48,168) | (48,168) | (48,168) | (48,168) | (48,168) | (48,168) | (48,168) | (48,168) |
| Less Short Depreciation | | (2,000) | (2,000) | (2,000) | (2,000) | (2,000) | (2,000) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Taxable Income (Loss) | | 18,425 | 18,331 | 18,403 | 18,633 | 19,011 | 19,530 | 22,182 | 22,071 | 21,681 | 21,254 | 20,788 | 20,283 | 19,736 | 19,146 | 18,513 |
| Cash Flow | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Plus Tax Savings | | (8,982) | (8,936) | (8,972) | (9,084) | (9,268) | (9,521) | (10,814) | (10,759) | (10,570) | (10,361) | (10,134) | (9,888) | (9,621) | (9,334) | (9,025) |
| Plus Tax Credits | | 59,150 | 59,150 | 59,150 | 59,150 | 59,150 | 59,150 | 59,150 | 59,150 | 59,150 | 59,150 | | | | | |
| After Tax Cash Flow | | 50,168 | 50,214 | 50,178 | 50,066 | 49,882 | 49,629 | 48,336 | 48,391 | 48,580 | 48,789 | (10,134) | (9,888) | (9,621) | (9,334) | (9,025) |
| Total Years | 15 | | | | | | | | | | | | | | | |
| Reinvestment Rate | 12.00% | | | | | | | | | | | | | | | |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Current After Tax Cash Flows | | 50,168 | 50,214 | 50,178 | 50,066 | 49,882 | 49,629 | 48,336 | 48,391 | 48,580 | 48,789 | (10,134) | (9,888) | (9,621) | (9,334) | (9,025) |
| Future Value of Cash Flows at Yr 15: | | 274,596 | 245,399 | 218,953 | 195,058 | 173,518 | 154,141 | 134,040 | 119,813 | 107,396 | 96,300 | (17,860) | (15,559) | (13,517) | (11,708) | (10,108) |

| | |
|---|---|
| Original Basis | 1,338,631 |
| Less Depreciation | (734,526) |
| Basis at Sale | 604,105 |
| Sales Price | 746,198 |
| Gain | 142,093 |
| Exit Tax | 69,270 |

10% 70% 20%

| | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Discount Rate: | 6.00% | | | | | | | | | | | | | | | |
| Capital Contribution Number: | 1 | 2 | 3 | 4 | | | | | | | | | | | | |
| Date of Capital Contribution: | 01-Sep-98 | 01-Jun-99 | 01-Sep-99 | 17-Jul-98 | | | | | | | | | | | | |
| Amount of Capital Contribution: | (41,405) | (289,835) | (82,810) | 0 | | | | | | | | | | | | |
| Present Value of Contributions: | (41,405) | (276,944) | (77,923) | 0 | | | | | | | | | | | | |
| Cash Flows | (396,272) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,650,462 |
| IRR: | 9.98% | | | | | | | | | | | | | | | |
| Equity Yield: | 68% | | | | | | | | | | | | | | | |

**vhfa**

VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: June 4, 1998

RE: Single Family Program Activity Report For May 1998

## MORTGAGE PURCHASE PROGRAMS

| Month | No. | Amount | Previous Year | No. | Amount |
|---|---|---|---|---|---|
| Reservations | 89 | $ 6,462,555 | | 138 | $ 9,727,349 |
| Purchases | 27 | $ 1,767,067 | | 50 | $ 3,492,875 |

| Period to Date | No. | Amount | Previous Year | No. | Amount |
|---|---|---|---|---|---|
| Reservations | 284 | $19,984,498 | | 455 | $32,694,879 |
| Purchases | 150 | $10,125,015 | | 246 | $16,709,564 |

## MORTGAGE PLUS

| Month | No. | Amount | Previous Year | No. | Amount |
|---|---|---|---|---|---|
| Reservations | 4 | $ 302,900 | | 12 | $1,044,020 |
| Issued | 1 | $ 85,500 | | 7 | $ 465,044 |

| Period to Date | No. | Amount | Previous Year | No. | Amount |
|---|---|---|---|---|---|
| Reservations | 16 | $ 1,242,856 | | 42 | $ 3,510,288 |
| Issued | 22 | $ 1,777,800 | | 22 | $ 1,621,336 |

*ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD*

*Mailing Address:* PO Box 408, Burlington, Vermont 05402-0408
*Delivery Address:* 164 Saint Paul Street, Burlington, Vermont 05401-4364
802 / 864-5743 • 800 / 339-5866 • TDD: 800 / 586-5832
FAX: 802 / 864-5746 • Underwriting FAX: 802 / 863-5422 • home@vhfa.org

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EQUAL HOUSING OPPORTUNITY

vhfa
VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: June 26, 1998

RE: Servicing Activity for May 1998

## SERVICING ACTIVITY

Collections:

| | | |
|---|---|---|
| Last months 90+ accounts: | | 102 |
| New 90 day accounts (+): | 12 | |
| To foreclosure/DIL (-): | 8 | |
| To 60 days or less (-): | 4 | |
| Under payment arrangement: | 75 | |
| 90+ accounts: | | 102 |
| In Foreclosure: | | |
| Last months foreclosure accounts: | | 50 |
| New foreclosures (+): | 9 | |
| To REO (-): | 3 | |
| Successful interventions (-): | | |
| Negotiating workouts: | 2 | |
| Foreclosure accounts: | | 56 |

Real Estate Owned:

| | | |
|---|---|---|
| Last months REO's: | | 63 |
| New REO's (+): | 3 | |
| Properties sold (-): | 15 | |
| Properties under contract: | 16 | |
| Other: | | |
| REO's: | | 51 |



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FAX: 802 / 864-5746 • Underwriting FAX: 802 / 863-5422 • home@vhfa.org

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EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: May, 1998

| Lenders | Loans | 30 | Days | 60 | Days | 90+ | Days | Auth | FCL | Delinq | | REO | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ALBANK, FSB | 428 | 27 | 6.31% | 12 | 2.80% | 5 | 1.17% | 5 | 1.17% | 49 | 11.45% | 3 | 0.70% |
| Banknorth Mortgage Co. | 771 | 25 | 3.24% | 10 | 1.30% | 10 | 1.30% | 7 | 0.91% | 52 | 6.74% | 6 | 0.78% |
| Bennington Co-op S&L Assoc. | 58 | 1 | 1.72% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 1 | 1.72% | 0 | 0.00% |
| Brattleboro Savings & Loan | 27 | 0 | 0.00% | 1 | 3.70% | 0 | 0.00% | 0 | 0.00% | 1 | 3.70% | 0 | 0.00% |
| Chittenden Bank | 917 | 50 | 5.45% | 9 | 0.98% | 5 | 0.55% | 12 | 1.31% | 76 | 8.29% | 6 | 0.65% |
| Citizens Savings Bank | 114 | 2 | 1.75% | 1 | 0.88% | 0 | 0.00% | 1 | 0.88% | 4 | 3.51% | 2 | 1.75% |
| Community National Bank | 314 | 14 | 4.46% | 3 | 0.96% | 5 | 1.59% | 2 | 0.64% | 24 | 7.64% | 1 | 0.32% |
| Connecticut River Bank | 5 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Factory Point Nat. Bank | 36 | 6 | 16.67% | 0 | 0.00% | 1 | 2.78% | 0 | 0.00% | 7 | 19.44% | 0 | 0.00% |
| First Brandon Nat. Bank | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| First Nationwide Mortgage | 8 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| GMAC Mortgage | 7 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Granite Bank (NH) | 2 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Graystone Mortgage Company | 544 | 53 | 9.74% | 11 | 2.02% | 21 | 3.86% | 5 | 0.92% | 90 | 16.54% | 7 | 1.29% |
| Heritage Family Credit Union | 5 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Lyndonville Savings Bank | 59 | 2 | 3.39% | 1 | 1.69% | 1 | 1.69% | 0 | 0.00% | 4 | 6.78% | 0 | 0.00% |
| Mascoma Savings Bank | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Merchants Bank | 277 | 7 | 2.53% | 1 | 0.36% | 0 | 0.00% | 3 | 1.08% | 11 | 3.97% | 2 | 0.72% |
| Mortgage Service Ctr. of NE | 87 | 6 | 6.90% | 1 | 1.15% | 2 | 2.30% | 1 | 1.15% | 10 | 11.49% | 4 | 4.60% |
| New England Federal CU | 48 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Northfield Savings Bank | 134 | 7 | 5.22% | 1 | 0.75% | 0 | 0.00% | 2 | 1.49% | 10 | 7.46% | 0 | 0.00% |
| Passumpsic Savings Bank | 165 | 13 | 7.88% | 0 | 0.00% | 3 | 1.82% | 0 | 0.00% | 16 | 9.70% | 2 | 1.21% |
| Peoples Trust Co. | 96 | 5 | 5.21% | 1 | 1.04% | 2 | 2.08% | 0 | 0.00% | 8 | 8.33% | 0 | 0.00% |
| Randolph National Bank | 36 | 2 | 5.56% | 0 | 0.00% | 1 | 2.78% | 0 | 0.00% | 3 | 8.33% | 0 | 0.00% |
| Union Bank | 178 | 5 | 2.81% | 7 | 3.93% | 3 | 1.69% | 0 | 0.00% | 15 | 8.43% | 0 | 0.00% |
| Vermont Development CU | 64 | 1 | 1.56% | 3 | 4.69% | 2 | 3.13% | 0 | 0.00% | 6 | 9.38% | 1 | 1.56% |
| Vermont National Bank | 1901 | 91 | 4.79% | 41 | 2.16% | 41 | 2.16% | 18 | 0.95% | 191 | 10.05% | 16 | 0.84% |
| Wells River Savings Bank | 29 | 4 | 13.79% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 4 | 13.79% | 1 | 3.45% |
| Totals | 6312 | 321 | 5.09% | 103 | 1.63% | 102 | 1.62% | 56 | 0.89% | 582 | 9.22% | 51 | 0.81% |
| Totals Previous Month | 6374 | 328 | 5.15% | 86 | 1.35% | 102 | 1.60% | 50 | 0.78% | 566 | 8.88% | 63 | 0.99% |
| Totals Same Mo. Last Yr. | 6336 | 297 | 4.69% | 67 | 1.06% | 58 | 0.92% | 64 | 1.01% | 486 | 7.67% | 65 | 1.03% |

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: MAY, 1998

| Lenders | Loans | 30 | Days | 60 | Days | 90+ | Days | Auth | FCL | Delinq | | REO | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Large Servicer 400+ | | | | | | | | | | | | | |
| Albank | 428 | 27 | 6.31% | 12 | 2.80% | 5 | 1.17% | 5 | 1.17% | 49 | 11.45% | 3 | 0.22% |
| Banknorth Mortgage Co. | 771 | 25 | 3.24% | 10 | 1.30% | 10 | 1.30% | 7 | 0.91% | 52 | 6.74% | 6 | 0.63% |
| Chittenden Bank | 917 | 50 | 5.45% | 9 | 0.98% | 5 | 0.55% | 12 | 1.31% | 76 | 8.29% | 6 | 1.05% |
| Graystone Mortgage Company | 544 | 53 | 9.74% | 11 | 2.02% | 21 | 3.86% | 5 | 0.92% | 90 | 16.54% | 7 | 3.54% |
| Vermont National Bank | 1901 | 91 | 4.79% | 41 | 2.16% | 41 | 2.16% | 18 | 0.95% | 191 | 10.05% | 16 | 1.36% |
| Totals | 4561 | 246 | 5.39% | 83 | 1.82% | 82 | 1.80% | 47 | 1.03% | 458 | 10.04% | 38 | 0.83% |
| Average | 912 | 49 | 5.91% | 17 | 1.85% | 16 | 1.81% | 9 | 1.05% | 92 | 10.61% | 8 | 1.36% |
| Medium Servicers 399-50 | | | | | | | | | | | | | |
| Bennington Co-op S&L Assoc. | 27 | 0 | 0.00% | 1 | 3.70% | 0 | 0.00% | 0 | 0.00% | 1 | 3.70% | 0 | 0.00% |
| Citizens Savings Bank | 114 | 2 | 1.75% | 1 | 0.88% | 0 | 0.00% | 1 | 0.88% | 4 | 3.51% | 2 | 1.75% |
| Community National Bank | 314 | 14 | 4.46% | 3 | 0.96% | 5 | 1.59% | 2 | 0.64% | 24 | 7.64% | 1 | 0.32% |
| Lyndonville Savings Bank | 59 | 2 | 3.39% | 1 | 1.69% | 1 | 1.69% | 0 | 0.00% | 4 | 6.78% | 0 | 0.00% |
| Merchants Bank | 277 | 7 | 2.53% | 1 | 0.36% | 0 | 0.00% | 3 | 1.08% | 11 | 3.97% | 2 | 0.72% |
| Mortgage Service Ctr. of NE | 87 | 6 | 6.90% | 1 | 1.15% | 2 | 2.30% | 1 | 1.15% | 10 | 11.49% | 4 | 4.60% |
| Northfield Savings Bank | 134 | 7 | 5.22% | 1 | 0.75% | 0 | 0.00% | 2 | 1.49% | 10 | 7.46% | 0 | 0.00% |
| Passumpsic Savings Bank | 165 | 13 | 7.88% | 0 | 0.00% | 3 | 1.82% | 0 | 0.00% | 16 | 9.70% | 2 | 1.21% |
| Peoples Trust Co. | 96 | 5 | 5.21% | 1 | 1.04% | 2 | 2.08% | 0 | 0.00% | 8 | 8.33% | 0 | 0.00% |
| Union Bank | 178 | 5 | 2.81% | 7 | 3.93% | 3 | 1.69% | 0 | 0.00% | 15 | 8.43% | 0 | 0.00% |
| Totals | 1451 | 61 | 4.20% | 17 | 1.17% | 16 | 1.10% | 9 | 0.62% | 103 | 7.10% | 11 | 0.76% |
| Average | 145 | 6 | 4.01% | 2 | 1.45% | 2 | 1.12% | 1 | 0.52% | 10 | 7.10% | 1 | 0.86% |
| Small Servicers 49- | | | | | | | | | | | | | |
| Brattleboro Savings & Loan | 27 | 0 | 0.00% | 1 | 3.70% | 0 | 0.00% | 0 | 0.00% | 1 | 3.70% | 0 | 0.00% |
| Connecticut River Bank | 5 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Factory Point Nat. Bank | 36 | 6 | 16.67% | 0 | 0.00% | 1 | 2.78% | 0 | 0.00% | 7 | 19.44% | 0 | 0.00% |
| First Brandon Nat. Bank | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| First Nationwide Mortgage | 8 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| GMAC Mortgage | 7 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Granite Bank (NH) | 2 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Heritage Family Credit Union | 5 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Mascoma Savings Bank | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| New England Federal CU | 48 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Randolph National Bank | 36 | 2 | 5.56% | 0 | 0.00% | 1 | 2.78% | 0 | 0.00% | 3 | 8.33% | 0 | 0.00% |
| Vermont Development CU | 64 | 1 | 1.56% | 3 | 4.69% | 2 | 3.13% | 0 | 0.00% | 6 | 9.38% | 1 | 1.56% |
| Wells River Savings Bank | 29 | 4 | 13.79% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 4 | 13.79% | 1 | 3.45% |
| Totals | 269 | 13 | 4.83% | 4 | 1.49% | 4 | 1.49% | 0 | 0.00% | 21 | 7.81% | 2 | 0.74% |
| Average | 21 | 1 | 3.03% | 0 | 0.71% | 0 | 0.73% | - | 0.00% | 2 | 4.46% | 0 | 0.41% |

| Lenders | 1997 Jun | Jul | Aug | Sep | Oct | Nov | Dec | 1998 Jan | Feb | Mar | Apr | May |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Large Servicer 400+** | | | | | | | | | | | | |
| Albank | 8.24% | 9.19% | 8.54% | 10.29% | 11.86% | 10.24% | 12.28% | 13.00% | 10.99% | 9.82% | 10.34% | 11.45% |
| Banknorth Mortgage Co. | 8.57% | 7.54% | 8.06% | 8.13% | 8.83% | 8.91% | 8.16% | 7.90% | 8.45% | 6.11% | 6.64% | 6.74% |
| Chittenden Bank | 8.65% | 9.32% | 8.66% | 7.64% | 8.30% | 9.20% | 10.39% | 9.10% | 10.15% | 7.72% | 8.66% | 8.29% |
| Graystone Mortgage Company | 11.76% | 11.72% | 14.29% | 14.29% | 12.75% | 17.75% | 15.72% | 12.52% | 16.17% | 13.33% | 13.77% | 16.54% |
| Vermont National Bank | 7.14% | 7.10% | 6.81% | 6.66% | 8.40% | 9.60% | 7.24% | 10.41% | 11.50% | 11.01% | 9.42% | 10.05% |
| Vermont Federal Bank | 8.29% | 8.05% | 8.29% | 11.39% | 12.28% | 13.00% | 13.08% | | | | | |
| Average | 8.78% | 8.82% | 9.11% | 9.73% | 10.40% | 11.45% | 11.15% | 10.59% | 11.45% | 9.60% | 9.77% | 10.61% |
| **Medium Servicers 399-50** | | | | | | | | | | | | |
| Bennington Co-op S&L Assoc. | 1.92% | 1.92% | 3.85% | 3.85% | 1.92% | 3.57% | 1.82% | 7.41% | 3.51% | 3.57% | 3.70% | 3.70% |
| Citizens Savings Bank | 3.60% | 5.41% | 4.42% | 4.39% | 3.54% | 5.26% | 5.26% | 3.48% | 6.09% | 5.17% | 6.96% | 3.51% |
| Community National Bank | 5.84% | 5.77% | 6.96% | 8.49% | 6.65% | 8.20% | 8.81% | 9.69% | 7.79% | 5.92% | 7.55% | 7.64% |
| Lyndonville Savings Bank | 5.26% | 3.51% | 1.75% | 3.51% | 3.51% | 10.53% | 7.02% | 5.26% | 5.00% | 5.00% | 5.00% | 6.78% |
| Merchants Bank | 7.12% | 7.17% | 7.88% | 7.41% | 8.16% | 8.53% | 7.56% | 8.28% | 8.65% | 4.86% | 4.59% | 3.97% |
| Mortgage Service Ctr. of NE | 14.44% | 8.99% | 8.99% | 10.11% | 8.99% | 12.36% | 13.48% | 10.11% | 12.36% | 12.50% | 13.79% | 11.49% |
| National Bank of Middlebury | 12.50% | 9.23% | 12.31% | 12.31% | 13.85% | 13.85% | 12.31% | 12.50% | 9.38% | | | |
| Northfield Savings Bank | 3.91% | 6.25% | 6.30% | 5.51% | 7.87% | 10.85% | 9.30% | 6.87% | 7.52% | 6.02% | 6.77% | 7.46% |
| Passumpsic Savings Bank | 9.20% | 8.05% | 8.05% | 8.05% | 7.51% | 9.36% | 9.83% | 9.94% | 9.36% | 11.24% | 9.04% | 9.70% |
| Peoples Trust Co. | 8.08% | 7.29% | 6.19% | 8.08% | 9.09% | 7.92% | 5.94% | 5.00% | 9.09% | 7.14% | 9.28% | 8.33% |
| Union Bank | 10.00% | 7.06% | 9.36% | 9.36% | 8.62% | 11.36% | 10.80% | 9.14% | 9.09% | 9.04% | 9.60% | 8.43% |
| Average | 7.44% | 6.42% | 6.91% | 7.37% | 7.25% | 9.25% | 8.38% | 7.97% | 7.99% | 7.27% | 7.80% | 7.33% |
| **Small Servicers 49-** | | | | | | | | | | | | |
| Brattleboro Savings & Loan | 4.00% | 4.00% | 4.00% | 8.33% | 3.85% | 3.85% | 3.85% | 7.41% | 3.70% | 7.41% | 3.70% | 3.70% |
| Connecticut River Bank | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Factory Point Nat. Bank | 0.00% | 5.71% | 2.86% | 8.33% | 5.71% | 8.33% | 11.11% | 8.57% | 11.43% | 11.43% | 11.43% | 19.44% |
| First Brandon Nat. Bank | 10.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| First Nationwide Mortgage | 0.00% | 10.00% | 0.00% | 10.00% | 0.00% | 10.00% | 22.22% | 11.11% | 11.11% | 12.50% | 25.00% | 0.00% |
| Fleet Mortgage | 17.39% | 19.15% | 17.02% | 17.39% | | | | | | | | |
| GMAC Mortgage | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Granite Bank (NH) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Heritage Family Credit Union | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Mascoma Savings Bank | | | | | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| New England Federal CU | 0.00% | 0.00% | 0.00% | 2.08% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Randolph National Bank | 2.50% | 2.50% | 5.13% | 7.89% | 7.89% | 7.89% | 7.89% | 10.53% | 10.53% | 10.53% | 10.53% | 8.33% |
| Vermont Devvelopment CU | 12.50% | 14.29% | 14.29% | 14.29% | 13.21% | 12.73% | 15.79% | 11.86% | 11.86% | 10.00% | 9.68% | 9.38% |
| Wells River Savings Bank | 6.67% | 6.67% | 6.45% | 6.45% | 6.67% | 6.67% | 13.33% | 13.33% | 10.00% | 10.34% | 10.34% | 13.79% |
| Average | 4.45% | 5.09% | 4.56% | 6.29% | 2.95% | 3.92% | 6.03% | 4.94% | 4.65% | 5.06% | 5.92% | 4.28% |
| Total VHFA Delinquency | 8.21% | 8.09% | 8.38% | 9.07% | 9.69% | 10.55% | 10.36% | 9.61% | 10.30% | 8.96% | 8.88% | 9.22% |

# VERMONT HOUSING FINANCE AGENCY

## Board Property Disposition Report

Month of: May, 1998

### Properties Sold

| Property | Listing Price | Sale Price | Principal Balance | Interest | To Date Expenses | Claim Payment | Actual Gain/ (Loss) | Audit Valuation Offset | Additional Gain/ (Loss) |
|---|---|---|---|---|---|---|---|---|---|
| Premont Marshfield | $34,000 | $16,000 | $38,635 | $ 2,717 | $ 8,462 | $ 6.635 | ($27,179) | ($14,447) | ($12,732) |
| Wood Clarendon | $44,900 | $44,900 | $78,159 | $15,140 | $16,645 | $16,900 | ($48,144) | ($65,908) | $17,764 |
| Walling Bloomfield | $54,900 | $52,500 | $68,369 | $ 3,217 | $ 8,922 | $14,500 | ($13,508) | ($29,793) | $16,285 |
| Barsalow Rutland | $59,900 | $54,900 | $71,266 | $ 8,580 | $19,574 | $15,200 | ($42,828) | ($25,774) | ($17,054) |
| Harrington Rutland | $74,500 | $68,000 | $74,657 | $ 8,574 | $14,720 | $16,250 | ($24,932) | ($22,032) | ($ 2,900) |
| Thompson Putney | $49,900 | $44,000 | $58,538 | $ 4,730 | $ 8,393 | $10,350 | ($8,918) | ($16,248) | $ 7,330 |
| Longe Bakersfield | $59,900 | $51,000 | $65,064 | $ 5,579 | $ 9,742 | $13,980 | ($15,405) | ($15,692) | $ 287 |
| Grey St. Johnsbury | $37,900 | $31,000 | $54,801 | $ 251 | $ 9,400 | $11,676 | ($21,776) | $ 3,786 | ($25,562) |
| Blow Proctor | $69,900 | $68,000 | $73,223 | $ 6,374 | $16,964 | $12,860 | ($15,701) | ($19,480) | $ 3,779 |
| Robie St Johnsbury | $39,900 | $32,000 | $48,426 | $ 3,370 | $16,560 | $ 9,426 | ($26,930) | ($ 6,758) | ($20,172) |
| Johnson Colchester | $73,500 | $66,000 | $73,034 | $ 9,706 | $12,579 | $16,000 | ($13,319) | ($10,393) | ($ 2,926) |

## Properties Sold (Con't)

| Property | Listing Price | Sale Price | Principal Balance | Interest | To Date Expenses | Claim Payment | Actual Gain/ (Loss) | Audit Valuation Offset | Additional Gain/ (Loss) |
|---|---|---|---|---|---|---|---|---|---|
| Burnie Benson | $34,500 | $30,000 | $68,964 | $ 2,814 | $16,229 | $14,000 | ($44,007) | ($47,404) | $ 3,397 |
| Avery Barre | $44,900 | $44,900 | $48,664 | $ 3,883 | $ 9,674 | $10,600 | ($ 6,721) | ($ 8,389) | $ 1,668 |
| Lynch Castleton | $69,500 | $67,500 | $67,967 | $ 9,836 | $34,942 | $14,500 | ($30,745) | ($20,954) | ($ 9,791) |
| Walling Bloomfield | $54,900 | $52,500 | $68,369 | $ 3,217 | $12,833 | $14,500 | ($17,419) | ($29,793) | $12,374 |
| Stocker Rutland | $72,500 | $70,000 | $77,747 | $ 8,738 | $43,438 | $16,800 | ($43,123) | ($25,245) | ($17,878) |

## Properties Under Contract

| Property | Listing Price | Contract Price | Principal Balance | Interest | Estimated Expenses | Estimated Claim Payment | Actual Gain/ (Loss) | Audit Valuation Offset | Additional Gain/ (Loss) |
|---|---|---|---|---|---|---|---|---|---|
| Bushey Fairfield | $64,900 | $64,900 | $57,867 | $ 5,686 | $13,678 | $12,331 | $0 | ($ 7,976) | $ 7,976 |
| Gideos Rockingham | $62,900 | $54,000 | $68,250 | $ 5,743 | $22,676 | $15,000 | ($27,669) | ($26,464) | ($ 1,205) |
| D'Auria Lyndon | $35,900 | $29,000 | $57,523 | $ 4,444 | $10,100 | $ 9,410 | ($33,657) | ($32,114) | ($ 1,543) |
| Carbee St. Albans | $71,900 | $69,900 | $78,406 | $ 7,036 | $13,148 | $28,690 | $ 0 | $ 0 | $ 0 |
| Toms Hubbardton | $67,900 | $65,000 | $73,348 | $ 9,983 | $29,913 | $12,075 | ($36,169) | ($35,590) | ($ 579) |
| Loughan Pittsford | $52,500 | $50,000 | $69,113 | $ 8,319 | $11,047 | $17,852 | ($20,627) | ($15,677) | ($ 4,950) |
| Sumner Castleton | $69,900 | $62,000 | $72,568 | $10,526 | $14,996 | $18,142 | ($ 2,952) | ($14,405) | $11,453 |

## Properties Under Contract (Con't)

| Property | Listing Price | Contract Price | Principal Balance | Interest | Estimated Expenses | Estimated Claim Payment | Actual Gain/ (Loss) | Audit Valuation Offset | Additional Gain/ (Loss) |
|---|---|---|---|---|---|---|---|---|---|
| Larock Poultney | $44,500 | $41,000 | $60,307 | $11,283 | $32,119 | $15,014 | ($48,695) | ($52,798) | $ 4,103 |
| Berthiaume St. Johnsbury\ | $31,900 | $26,000 | $48,261 | $ 6,021 | $14,102 | $ 9,636 | ($32,748) | ($ 4,747) | ($28,001) |
| Fredriksen Rockingham | $49,500 | $47,000 | $57,067 | $ 5,121 | $15,017 | $12,600 | ($17,605) | ($23,604) | $ 5,999 |
| Perry Rutland | $49,500 | $52,000 | $62,191 | $ 5,197 | $14,548 | $18,657 | ($11,279) | ($30,436) | $19,157 |
| Patenaude Westmore | $74,500 | $67,500 | $71,470 | $ 4,475 | $ 9,397 | $15,220 | ($ 2,622) | ($16,420) | $13,798 |
| Lamphere Sheffield | $52,900 | $50,000 | $74,437 | $ 5,317 | $11,168 | $16,000 | ($20,068) | ($20,817) | $ 748 |
| Gonyaw Charleston | $34,900 | $32,000 | $50,495 | $ 3,248 | $ 7,700 | $12.624 | ($16,819) | ($16,937) | $ 118 |
| Nickerson Montpelier | $64,900 | $65,900 | $61,615 | $ 6,648 | $12,260 | $14,623 | $0 | ($ 3,132) | $3,132 |
| Walton St. Johnsbury | $69,900 | $67,000 | $73,732 | $ 6,009 | $ 13,120 | $12,741 | $0 | ($ 8,793) | $8,793 |

## Properties in the VHFA/Non Profit Sale Program

Watkins
Springfield
Rockingham CLT

Richards
Fair Haven
Rutland West NHS

Mullen
Burlington
BCLT

# vhfa

VERMONT HOUSING FINANCE AGENCY

**MEMORANDUM**

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director
Douglas R. Lothrop, Director of Single Family Operations
Jacklyn R. Santerre, Assistant Director of Single Family Operations
Jeanne Boucher, Underwriting Supervisor
Cindy J. Cunningham, Loan Servicing Supervisor
Cathleen Gent, Director of Communications

DATE: July 16, 1998

RE: VHFA mandatory escrow requirement

**DISCUSSION**

At their meeting held on June 17, 1998, the Mortgage Committee (The Committee) of the Vermont Bankers Association requested that VHFA reconsider its requirement that escrows be established on all new loans reserved after March 17, 1997 as discussed by the VHFA Board at its meetings of December 11, 1996 and February 6, 1997.

VHFA initiated the escrow requirement at the suggestion of The Committee's sub-committee at a meeting held at VHFA on January 9, 1997. Apparently some participating lenders are having difficulty in administering mandatory escrow account. The issue stems from the requirements for administering mandatory escrow accounts as published by HUD.

Staff has reviewed the request of The Committee. Based on the amount of delinquent property taxes some borrowers accrue, the uncertainties surrounding Act 60 and how that will play out, and the losses that the VHFA has been taking recently, staff believes that the escrow requirement should continue for the time being.

In order to deal with the administration of the escrow issue, We suggest that VHFA would be willing to allow participating lenders to have potential borrowers opt for a voluntary escrow on loans purchased by VHFA. If the escrow were to be terminated, without VHFA written permission, than the loan would have to be repurchased by the participating lender. VHFA has reached such an agreement with one of our participating lenders, the Northfield Savings Bank. They seemed to have found that the agreement works well. Another scenario that a participating lender could pursue would be to sell loans to VHFA servicing released and this would eliminate on going escrow administration.

**RECOMMENDED BOARD ACTION**

Reaffirm the current VHFA policy of requiring tax and insurance escrows on all mortgage loans purchased by VHFA, to be revisited again in 12 months.



*Mailing Address:* PO Box 408, Burlington, Vermont 05402-0408
*Delivery Address:* 164 Saint Paul Street, Burlington, Vermont 05401-4364
802 / 864-5743 • 800 / 339-5866 • TDD: 800 / 586-5832
FAX: 802 / 864-5746 • Underwriting FAX: 802 / 863-5422 • home@vhfa.org

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EQUAL HOUSING OPPORTUNITY

# VHFA
VERMONT HOUSING FINANCE AGENCY

**MEMORANDUM**

TO: VHFA Board of Commissioners

FROM: CG Cathleen Gent, Director of Communications

DATE: July 15, 1998

RE: Advertising and Public Relations Activities for FY98 & FY99

Outreach, advertising and public relations are the primary vehicles used in the promotion of VHFA's programs and enhancement of our single family portfolio. Our consumer outreach programs, professional training efforts, advertising campaign, and press-related opportunities all contribute to "getting the word out" about VHFA.

## A. Advertising Activities

Advertising is an important tool in the promotion of VHFA's programs and contact with would-be home buyers. The primary goal for the FY98 advertising campaign was to maintain the same level of calls to the VHFA Helpline and related program activity as occurred during FY97. The FY98 budget was $103,000, the same level as approved in FY97. However, due to increased media costs, an extra expenditure of $10,000 was approved by the VHFA Board to allow our statewide advertising campaign to remain intact.

In the Fall 1997 campaign, we saw a 12% increase in the number of calls to the Helpline compared to the previous year. The print advertisement was revised in the fall to enhance the mail-in coupon, and proved to be very successful. The coupon concept, which was introduced two years ago, provides a convenient and straight-forward vehicle for the public to get information, especially for those who cannot easily phone us. The popularity of the coupon has increased each year, and improvements to the coupon have encouraged its use. People also respond positively to the idea of sending in a coupon to get an information packet.

The Spring 1998 campaign results were not as positive as expected. Calls to the Helpline decreased by 8%, despite larger media expenditures. For the entire FY98 year, the number of Helpline calls dropped from 4,600 to 4,000, representing a decrease of 13% overall. In comparing the response by print versus radio, the response to print advertisements was stronger (a 70% to 30% ratio). The spring version of the radio ads did not prove to be successful. A casual, "folksy" invitation for interested home buyers to call our Helpline does not appear to be a sufficient "call to action." The radio advertisements will be revised significantly for the fall campaign.

At the suggestion of the Board, the three interest rate options introduced in March were specifically cited in our ads. The inclusion of the rates did not result in increased calls, probably because the interest rates were not competitive with what was offered by other lenders.

In summary, the FY98 advertising campaign results were disappointing. However, it should be kept in mind that, during the months of the spring campaign, VHFA's interest rate was not favorable with conventional loan products and that a great deal of competition currently exists in the marketplace. When compared with the 50% reduction in VHFA loan activity, the public's interest in VHFA products remains fairly strong. As you know, VHFA is working to re-market our current pool to reduce the interest rate on the street. This will hopefully, in turn, reinvigorate the level of interest in the marketplace for our product and encourage loan activity. Additionally, we are working to sustain/develop program features that are positively differentiated from other secondary market products.

A cooperative advertising program with local nonprofits and Homeownership Centers also was offered during FY98. A total of $5,900 was allocated to local nonprofits and $12,000 was provided to the four Homeownership Centers.

*For FY99, a statewide advertising campaign will be run. The budget has been increased to $107,000, an increase of 3%. The fall campaign will be shorter and more concentrated in the earlier part of the home buying season. Additionally, the radio advertisement will be revised with a simpler, more direct message. For the spring campaign, a link to our 25th anniversary will be highlighted, hopefully with celebrity spokespeople taping radio spots. In addition, a cooperative advertising program will be run for nonprofits and Homeownership Centers at a level comparable to FY98.*

**B. Public Relations Activities**

In an effort to enhance information dissemination strategies as part of our outreach and overall information dissemination plan, VHFA has increased public relations activities in the last two years. Highlights of the public relations activities initiated in FY98 include:

- Allan Hunt wrote a commentary discussing the benefits of Act 60 for affordable housing. Five statewide newspapers printed that commentary.

- Media coverage of the opening of the HIV/AIDS housing facility at 600 Dalton Drive continued throughout 1997.
- The announcement of the PROGRESS Program with the Federal Home Loan Bank and the Homeownership Center of Chittenden County (on behalf of the four Centers) received very good coverage.

The attached Publicity Report lists all media coverage from July 1997 through June 1998.

*VHFA's 25th anniversary will take place during FY99. A series of events and press opportunities will be initiated in tandem with our 25th anniversary. Additionally, other press opportunities will be pursued regarding multifamily open houses, the Housing Credit Program, our collaboration with Green Mountain Habitat's Oprah House and the House Next Door, new VHFA programs, and other activities undertaken by VHFA.*

# Vermont Housing Finance Agency
# 1997/98 Publicity Report 6/30/98

| Publication/TV/Radio | Date/Event |
|---|---|
| WPTZ TV Channel 5 | 6/12/98, PROGRESS Program press event, interview with Allan Hunt |
| WVNY TV Channel 22 | 6/12/98, PROGRESS Program press event, interview with Allan Hunt |
| Burlington Free Press | 6/13/98, "Dreams for Home Come True," Introduction of PROGRESS Program |
| WWSR, St. Albans | 5/28/98, radio interview with Allan Hunt |
| Rutland Herald | 5/14/98, "Housing Plan Set at BTS," interview with Cathleen Gent about former Brandon Training School receiving Housing Credits |
| Barton Chronicle | 4/15/98, "Tips for Buying a First Home," interview with Cathleen Gent |
| Rutland Business Journal | March/April 1998, "Area Home Sales Soared in 1997 With Taxpayer Relief Act, Low Interest Rates as Foundation" --discussion about VHFA products in Rutland County |
| WCAX TV Channel 3 | 3/14/98, VHFA Home Buyer Fair – Interview with Cathleen Gent |
| Burlington Free Press | 1/17/98, "Accomplishments in Affordable Housing," Barbara Grimes |
| Burlington Free Press | 12/6/97, "600 Dalton Drive – A caring Place to live Opens in Colchester for Those with HIV and AIDS" |
| Bennington Banner | 11/15-16/97, "Groundbreaking Ceremonies" (Applegate announcement) |
| Bennington Banner | 11/7/97, "Act 60 Will *Benefit* Affordable Housing" |
| Burlington Free Press | 11/13/97, "Residents Abuzz over New Town Center," Essex Town Center |
| Sunday Rutland Herald & Times Argus | 11/2/97, "Act 60 Means Affordable Housing" |
| Caledonian Record | 10/18/97, "In my Opinion...The Equal Education Opportunity Act: Good for Affordable Housing" |
| Burlington Free Press | 10/17/97, "Elderly Pining for Popular Apartments," Story on Pines complex |
| Bennington Banner | 10/13/97, "Art, Community spirit thrives at brook clean-up", (Applegate) |
| Burlington Free Press | 10/11/97, "VHFA Mortgage Program Help Re-Energize Older Vermont Homes" YESS |
| Burlington Free Press | 10/10/97, "Act 60 Will Help Improve State's Housing Equity, Too" |
| Burlington Free Press | 10/9/97, "Holy Cross apartments open" |
| Addison Independent | 10/6/97, "Act 60 to Aid Affordable Housing |
| Vermont Cares Voice | 10/97, "600 Dalton Drive Set to Open" |

| | |
|---|---|
| Springfield Reporter | 7/30/97, "Renovated Westview Housing Project Dedicated |
| Black River Tribune | 7/29/97 – Story on affordable housing project to be published this week |
| Eagle Times | 7/27/97, "Dean Praises Combined Efforts to Create Low Cost Housing" |
| Rutland Daily Herald | 7/25/97, "Low-Income Housing Projects Completed in Springfield and Ludlow" (VHFA not mentioned but story on housing projects) |
| VHFA News Release | 7/24/97, "Affordable Housing Ribbon Cutting in Ludlow" |
| VHFA News Release | 7/24/97, "Springfield Affordable Housing Ribbon Cutting" |
| Burlington Free Press | 7/14/97, "VHFA Lowers Rates" |
| WCAX TV Channel 3 | 7/10/97, Residential Building Energy Standards – Allen Hunt interviewed on camera |

vhfa
VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

FROM: CG Cathleen Gent, Director of Communications

DATE: July 16, 1998

RE: Community-Based Outreach for FY98 & FY99

Outreach, advertising and public relations are the primary vehicles used in the promotion of VHFA's programs and enhancement of our single family portfolio. Our consumer outreach programs, professional training efforts, advertising campaign, and press-related opportunities all contribute to "getting the word out" about VHFA.

The base for VHFA's community-based outreach activities rests in the areas of consumer education, real estate professional outreach, and training (lender and nonprofit). From July 1997 through June 1998, the Communications Department completed a total of 52 outreach events for over 1,500 consumers, real estate professionals, nonprofit providers, and lenders. Of the events, 28% were for lenders, 26% were for Homeownership Centers, 25% were for real estate professionals, 18% were for consumers, and 3% were "other" outreach - for Rural Development staff and Americorps volunteers.

## A. Lender, Real Estate, and Nonprofit Outreach

Vermont Homeownership 2000

Between July and November 1997, a series of breakfast brain-storming discussions were held in five locations around the state, called Vermont Homeownership 2000. These sessions brought together lenders, real estate professionals, nonprofit housing providers, and our sponsoring partners (USDA-Rural Development and HUD). In total, 102 participants attended these sessions, which identified that credit problems are the number one obstacle for Vermonters trying to buy homes. Too much debt along with a lack of savings and cash needed for down payments and closing costs are also major factors.

By the year 2000, education will need to be expanded to help future home buyers, both at the elementary and secondary level and while preparing to purchase a home. Early education about debt management and savings could prevent many severe problems. Counseling prospective home buyers will continue to be important. In addition to education, affordable mortgage features such as low down payment options and 100% financing will be needed.

Lender Training Events

A total of 241 lenders participated in 12 lender training sessions during this fiscal year. The majority of these sessions (eight) were held in the spring to announce new VHFA and VHMGB underwriting changes. Other training sessions included: overview of VHFA programs for new originators; Mortgage Plus Program (MCC); HOUSE; Yearly Energy Savings System (YESS). A special training was held for USDA-Rural Development staff members The target goal of 12 lender training sessions for FY98 was met.

All sessions were revamped this year and developed as specific training needs arose. One tool which has proven to be especially beneficial in lender training is the use of a LCD projector, requiring only one-quarter the time to develop each module and providing a more professional, high-quality presentation.

*Plans for lender training in FY99 have not been finalized, however, one session has already been scheduled, an overview of VHFA programs for new originators. During the past two years, we have employed a regional approach rather than provide individual institutional training. The demand for lender training appears to exceed our ability to offer sessions, since the elimination two years ago of the training position dedicated exclusively to lender training. At the conclusion of the consultant work with VHMGB later this summer, a decision will be made regarding whether to reinstate the lender training position on a full-time basis.*

Real Estate Professional Outreach

VHFA Financing Options, the four credit hour Vermont Real Estate Commission-approved course for real estate professionals, was offered at 7 locations during FY98: Brattleboro, Burlington, Colchester, Fairlee, Manchester, St. Johnsbury, and Waterbury. This class was extremely popular again this year, with 186 participants receiving credit toward renewal or reactivation of a real estate license. Because a student fee of $30 is charged for the VHFA Financing Options class, this activity generated a net income of over $2,000. With 8 classes actually held, our goal for FY98 of offering 5 sessions was exceeded.

Three other real estate outreach events also took place this year. At the request of a local lender, a breakfast VHFA overview session was held in Morrisville for real estate professionals there. Two Boards of REALTORS® were also visited: Orleans County and the Northeast Kingdom. Additionally, we participated in three different focus group events at the request of the Northwest Vermont Board of REALTORS®, looking at the future of the real estate business, the current MLS system from the point of view of the associate members, and relationships between the Board and its partner organizations.

The Vermont Association of REALTORS® did not hold a convention this year. We have, however, worked closely with VAR and regularly utilize their statewide R Gram publication to notify real estate professionals of changes at VHFA and VHMGB.

*For FY99, a total of five VHFA Financing Options classes are scheduled to be conducted.*

Nonprofit Events

The majority of nonprofit outreach in FY98 was in conjunction with the Homeownership Center Pilot initiative. As reported to the Board in the Year 2 summary report (April 1998), VHFA has provided a significant level of outreach and support during the year to the four Centers. The need for specific and consistent processes, ongoing training, and technical support required that VHFA provide special staff and capital support. While the level of involvement was greater than anticipated at the beginning of the year, VHFA staff were pleased to assist the Centers to the degree that was needed.

- A two-day training session was coordinated by VHFA. Taught by a Neighborhood Reinvestment Corporation affiliated consultant, this training was specifically devoted to helping the Centers develop a standardized customer intake process.
- Marcia Mattoon, VHFA's Outreach Program Manager, held three training sessions and visited each Center throughout the year to provide one-on-one guidance for Center staff. Marcia also co-instructed with Rutland West and at Rockingham Area Community Land Trust consumer classes.
- Another training/classroom development activity was the development of a budget and credit-rebuilding module for use in the Homeownership Center classroom curriculum. Dantzscher and Associates of South Burlington met with Center staff, taught a budget and credit rebuilding module at each Center location, and completed the module which will be used by the Centers. Dantzscher and Associates may be retained to teach additional classes for the Centers.
- Technical training was coordinated through VHFA for the Centers to receive Microsoft Access and Neighborworks 2000 software training.

At the request and assistance of Vermont Housing and Conservation Board, a training module was developed and presented to 14 Americorps volunteers. The sessions focused on homeownership and the mortgage process.

***While no specific goals are being set for FY99, VHFA is committed to providing staff and resource support for the Homeownership Centers, in the form of additional training, one-on-one sessions, and finding additional resources as needed.***

## B. Consumer Outreach

The goal of VHFA's consumer outreach is to reach potential VHFA borrowers through media communications, classes, dissemination of materials, and coordinated activities with our affordable housing partners. This outreach is designed to serve a wide range of customers in varying stages of the home buying process, as cost effectively as possible.

### Consumer Education

A total of 92 consumers received direct education from VHFA in FY98 through multiple formats. Three "Home Buying Basics" classes were taught in two-evening sessions, in Bennington, Burlington, and Brattleboro. The classes in Bennington and Burlington were offered through local adult education programs. VHFA also taught consumer education sessions at two Homeownership Centers. In addition, a session was provided for a group of 10 FUTURES students in St. Johnsbury.

"Home Buying Basics" classes are an overview of the home buying process. Material is presented to help a consumer begin on the road to homeownership: preparation through budgeting, credit and savings; prequalifying (how much they can afford); shopping for a home and mortgage, including the application and closing process; and the responsibilities of homeownership.

VHFA also taught consumer education sessions in two Homeownership Centers, namely Rutland West and Rockingham. The purpose of VHFA's participation in these classes was to demonstrate teaching methods for consumers and to reinforce the benefits of the curricula being adopted by the centers.

As we have done in previous years, VHFA provided a session for a group of 10 FUTURES students in St. Johnsbury. VHFA's participation in the class was to help participants, mothers receiving AFDC, think about their future decisions - including home buying - and the steps needed to reach personal long-term goals.

At the outset of the fiscal year, a decision was made to reduce the number of consumer classes, especially in the areas served by Homeownership Centers. Burlington is an exception, since the demand for classes far exceeds the availability through the Center there. Additionally, because the need for outreach associated with the Homeownership Center pilot program was so much greater than anticipated (see below), staff time for expanding other VHFA consumer classes was greatly curtailed.

Despite the changes during the year which required adjustments in direction, the goals for consumer outreach activities during FY98 were met: three two-evening classes were held, two sessions with Homeownership Centers customers took place, and special FUTURES instruction was provided.

*Consumer education goals are increased for FY99. If the lender training position is reinstated, more time would be available for offering consumer classes. Nine "Home*

*Buying Basics" adult education classes are proposed, primarily in the areas of the state without Homeownership Centers. Other additional consumer education and outreach will be provided as needed.*

Home Buyer Fairs

VHFA's Home Buyer Fair provides free information to would-be home buyers in a casual, non-sales, fun environment. Through the participation of our housing partners, a full range of information about housing and mortgage financing options is available.

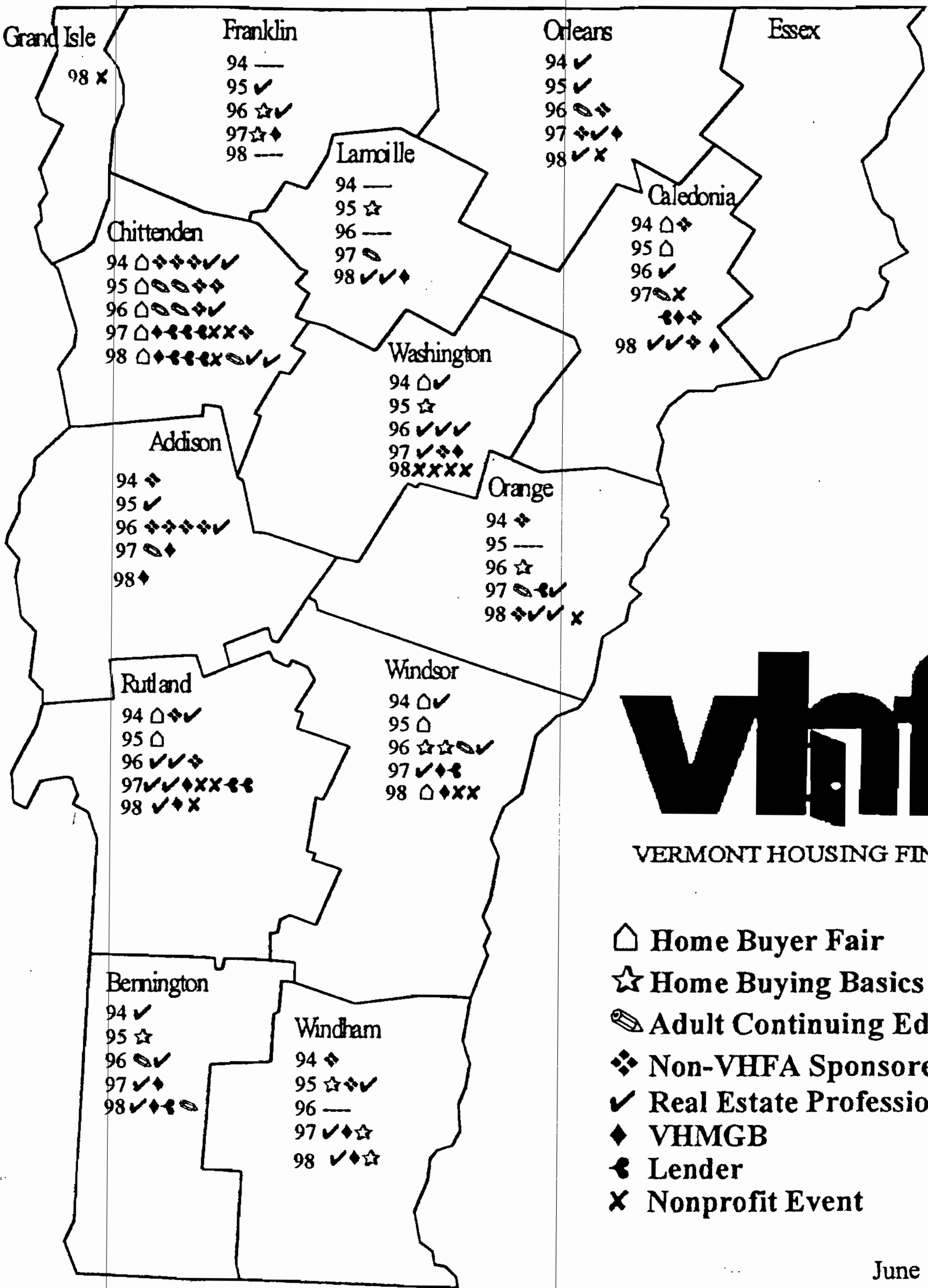
Two Home Buyer Fairs were held in FY98: in Colchester (March) and Chester (June). A total of 665 customers attended both fairs, 625 in Colchester and 40 in Chester.

This was a critical year for the Vermont Home Buyer Fair held in Colchester. Initiated in 1992, attendance at the fair (vendors and public) had dropped off in recent years and we wanted to gauge whether the fair concept had extended beyond its useful life span. Approximately 625 potential home buyers attended the 1998 fair, an increase of 25% over 1997 attendance. Both the consumer public and vendor participants were very satisfied with the event, and echoed "encore" sentiments for next year. The Homeownership Center of Chittenden County held three orientation sessions at the Fair for over 100 attendees. With all costs tabulated, the Vermont Fair was successful. The net cost (expenses minus income) of holding the fair was $9,381, translating to a $15 per participant cost.

The second of the two Home Buyer Fairs was held in Chester for the benefit of the Rockingham Area Community Land Trust Homeownership Center. Though the event was attended by only 40 consumers, it was very successful in that it generated 12 new clients for the Homeownership Center.

*Given the public relations and tangible benefits of holding the annual fair in northwestern Vermont, I propose that the Vermont Home Buyer Fair be held again in FY99. Additionally, smaller fairs around the state held in conjunction with the Homeownership Centers will be pursued.*

# VHFA OUTREACH FY94 - FY98




VERMONT HOUSING FINANCE AGENCY

- ⌂ Home Buyer Fair
- ☆ Home Buying Basics
- ✎ Adult Continuing Education
- ❖ Non-VHFA Sponsored Events
- ✔ Real Estate Professional
- ♦ VHMGB
- Lender
- ✘ Nonprofit Event

June 1998

**vhfa**

VERMONT HOUSING FINANCE AGENCY

**TO:** **VHFA BOARD OF COMMISSIONERS**

**FROM:** **ROGER A. SCHOENBECK, DIRECTOR OF FINANCE** RAS

**DATE:** **JULY 17, 1998**

**RE:** **SINGLE FAMILY SERIES 9 OPTIONS**

The volume of loan activity continues to fall off and is now in the $800,000 per week range when we would expect to average $2 million per week at this time of year. We have also seen a further deterioration in our rate advantage where our one point rate of 6.95% rate is the same as the conventional market and our 7.2% no point rate is only 5 basis points better than the conventional market. We still have about $25 million of mortgage proceeds available.

Last month we proposed a plan of action to negotiate a pre-sale to FannieMae of remarketed bonds to produce a lower mortgage rate on our Series 9 bonds and receive some protection on rising rates during the two week remarketing period. We ran into some stumbling blocks with the bond lawyers and cannot proceed with that plan. Based upon the discussions during document preparation, we have come up with another option that mitigates our risk to a great extent.

The latest idea proposed by PaineWebber is called a swaption (a combined swap option hedge vehicle). This is a complicated concept but to simplify, we would purchase an insurance policy from a reinsurance firm that would reimburse us if rates on treasuries increased by more than 25 basis points between the time we notified existing bondholders of the remarketing and the time we remarketed the bonds (the two week window). The reimbursement formula would be an upfront payment to us by the swap agent of the present value calculation of the increased interest cost over the remaining term. The cost of the swaption would be $20,000. The swaption would lock-in rates 25 basis points higher than the rates that exist at the option date. This assumes that the Treasury market moves in tandem with the tax-exempt market. Swaptions are priced only on a taxable interest rate market. Tax-exempt rates are at historic highs compared to the taxable market and we believe that there is very little risk that those markets would move further apart. The more likely scenario is that the taxable market could move higher and the tax-exempt market could stay relatively constant meaning we could recover funds from the swaption and be in an even better relative position to conventional rates.

In today's market, PaineWebber estimates we could sell bonds at 45 basis points less than we sold them last year. If we took the full savings and applied them to the street mortgage rate, we could offer a 6.75% no point mortgage or a 6.5% one-point mortgage. We have the ability to recycle prepayments into new mortgage loans with this issue for a period of ten years. It would be our recommendation at this point to apply the total savings on the new bond rates directly to the mortgage rate and work with our financial advisor (Evensen Dodge) to recover the forgone yield into recycled mortgages when the market conditions are right at some point over the next ten years.

We have priced out the cost of a remarketing of the remaining $25 million of uncommitted mortgage proceeds and assuming a 40% retention rate by existing bondholders estimate that it would cost about $200,000 (including the cost of the swaption). As we have discussed in the past we could also refund the bonds (issue new bonds to take out the remaining old bonds) at a cost of $300,000. A refunding would not need the swaption feature since you would sell new bonds at a time when you were comfortable with the market. The refunding would take a little longer to get ready to sell and would also have some other minor negatives including use of new bond volume cap and a lower reinvestment rate on the bond proceeds. As you may recall, a third option is to internally subsidize the mortgage rate but the cost to do that would be $700,000 for 25 basis points and almost $1.3 million for 45 basis points on $25 million.

According to John Feery of PaineWebber, there is a huge oversupply in the tax-exempt market at this time. His assumption is that the oversupply should dissipate over the next couple of weeks. This would seem to work well with the timing of completing the document preparation for the remarketing. We would continue to monitor the market and decide when to trigger the notice to remarket the bonds, which would start the sequence of events. The schedule then would anticipate notice to existing holders by the end of July and sale of remarketed bonds around the third week of August. In the interim, we believe that it would be prudent to reduce the current mortgage rate by 25 basis points to mirror the swaption.

***Recommended Board Action***

Approval to remarket $25 million of Series 9 bonds under the parameters as discussed in this memorandum and reduce the current mortgage rate programs by 25 basis points.

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VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Glenn A. Jarrett, General Counsel GAJ

DATE: July 9, 1998

RE: Annual Meeting

**BACKGROUND:**

As you know, the Agency is required by its by-laws to conduct an annual meeting in July unless the Chairman for good cause designates another date. A Vice-Chairman and a Treasurer must be elected. At present, Gus is Vice-Chairman and Roger is Treasurer.

Attached is a resolution setting out some necessary decisions and delegations. Delegations and duties specified in prior resolutions are incorporated by reference.

**REQUESTED ACTION:**

Approval of the attached resolution.

*ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD*

*Mailing Address:* PO Box 408, Burlington, Vermont 05402-0408
*Delivery Address:* 164 Saint Paul Street, Burlington, Vermont 05401-4364
802 / 864-5743 • 800 / 339-5866 • TDD: 800 / 586-5832
FAX: 802 / 864-5746 • Underwriting FAX: 802 / 863-5422 • home@vhfa.org

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

RESOLVED, In addition to the officers specified as "Authorized Officers" under particular bond resolutions of the Agency, the Deputy Director shall be an "Authorized Officer" within the meaning of any and every bond resolution of the Agency whether now existing or to exist in the future.

RESOLVED, _____________ is elected Vice Chairman of the Agency for the fiscal year commencing July 1, 1998 and until his successor be elected and qualified.

RESOLVED, Roger A. Schoenbeck is elected Treasurer of the Agency for the fiscal year commencing July 1, 1998 and until his successor be elected and qualified.

RESOLVED, the following persons shall be authorized to sign checks drawn against the Agency's General Fund:

| | | |
|---|---|---|
| Executive Director | ____________________ | Allan S. Hunt |
| Deputy Director | ____________________ | Michael F. McNamara |
| Director of Single Family Operations | ____________________ | Douglas R. Lothrop |
| Director of Finance | ____________________ | Roger A. Schoenbeck |
| Controller | ____________________ | Timothy M. Gutchell |

Any check in an amount over $1,000 payable against the General Fund must be signed by at least two of the foregoing persons. Any payroll check shall be valid and negotiable when signed by any one of the foregoing persons.

RESOLVED, all actions taken in the resolution entitled "Resolutions Adopted at the Annual Meeting of the Vermont Housing Finance Agency, August 6, 1997" not inconsistent with the resolutions contained herein are deemed to be ratified and will continue in force until changed by affirmative action of the Board of Commissioners.

RESOLVED, that the individuals whose titles are listed below be and hereby are authorized to execute documents of the following character for all of the Agency's single family loan programs, whether secured or unsecured:

The Agency's Director of Single Family Operations, Assistant Director of Single Family Operations, Loan Servicing Manager, Real Estate Disposition Specialist and Foreclosure Specialist:

A. Listing Agreements with real estate brokers for the sale of real estate owned by the Agency;

B. Deeds, property transfer tax returns, and other documents necessary or convenient for the transfer of real estate owned by the Agency;

C. Endorsements to property insurance claim checks pertaining to property on which the Agency holds a valid lien, in amounts up to $10,000 for the Foreclosure Specialist, the Real Estate Disposition Specialist and without limit for the Loan Servicing Manager, Assistant Director of Single Family Operations and Director of Single Family Operations;

D. Preparation and execution of claim forms to primary and pool insurers on property on which the Agency holds a valid lien;

E. Consent to actions of the following character:

1. Release and addition of signers of notes held by the Agency;

2. Creation of easements and rights of way and the partial release of mortgages held by the Agency for purposes of permitting the creation of easements and rights of way over property on which the Agency holds a valid lien; and

F. In addition to the individuals whose titles are listed above, the Agency's Loan Servicing Specialists are authorized to give authorizations to lenders and other appropriate persons for actions of the following character:

1. Foreclosure or other acquisition of title to property on which the Agency has a valid lien;

2. Necessary repairs and improvements to real estate owned by the Agency;

3. Actions necessary to make property in which the Agency has an interest secure;

4. Forbearance and modification agreements with delinquent borrowers;

5. Affidavits of amounts due and other affidavits required in foreclosure actions; and

6. Acknowledgment of receipt of liens junior to the lien of the Agency.

G. The Director of Single Family Operations, the Assistant Director of Single Family Operations and the Loan Servicing Manager are hereby authorized to execute Purchase and Sales Contracts for real estate owned by the Agency.

RESOLVED, that the Agency's Loan Servicing Manager, Real Estate Disposition Specialist and any other employee designated by the Executive Director or the Director of Single Family Operations be, and hereby is, authorized to sign any documents in connection with real estate auctions approved by the Agency that are necessary for the sale of Agency-owned property in an auction.

| | | |
|---|---|---|
| Assistant Director of Single Family Operations | ______________ | Jacklyn R. Santerre |
| Loan Servicing Manager | ______________ | Cynthia J. Cunningham |
| Real Estate Disposition Specialist | ______________ | Linda C. Wilson |
| Foreclosure Specialist | ______________ | ______________ (Vacant) |
| Loan Servicing Specialist | ______________ | Judith Smith |
| Loan Servicing Specialist | ______________ | Darren Keniston |

RESOLVED, that the Director of Single Family Operations and the Assistant Director of Single Family Operations are hereby authorized to execute any and all agreements with lenders for the Agency's mortgage programs;

RESOLVED, that the Executive Director, Deputy Director, Director of Finance, Director of Single Family Operations and Deputy Director of Single Family Operations are hereby authorized to sign mortgage discharges;

RESOLVED, that the following employees of Vermont Housing Finance Agency are hereby authorized to have access to all safekeeping vault boxes of the Agency for the purposes of safekeeping and retrieving any and all books, papers and documents of the Agency:

Director of Finance: ______________________________
(Signature)

Controller: ______________________________
(Signature)

Lender Accounting Coordinator: ______________________________
(Signature)

Portfolio Accountant: ______________________________
(Signature)

Investment/Portfolio Assistant: ______________________________
(Signature)

RESOLVED, that the Director of Multi-Family Management be and hereby is authorized to execute documents of the following character relating to the Agency's multi-family portfolio:

A. Endorsements to property insurance claim checks on multi-family properties on which the Agency has a mortgage;

B. Mortgagor's requests to use restricted project funds including, but not limited to, project cost escrows, replacement reserve accounts, residual receipt accounts, deficit escrows and working capital, whether cash or letter of credit;

C. Authorizations of annual distributions to owners based on annual financial statements;

D. Requests of owners to undertake major capital improvements and utility conversions;

E. ACC and HAP Contract amendment renewals;

F. UCC-1, UCC-3 forms;

G. Housing Credit Reports of Non-Compliance (Form 8823).

Director of
Multi-Family Management ______________________________ Samuel J. Falzone

All documents of the foregoing types heretofore executed on behalf of the Agency by the Agency's Director of Multi-Family Management are hereby RATIFIED AND CONFIRMED as the authorized acts of Vermont Housing Finance Agency.

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

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VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Mike McNamara, Deputy Director M. McN.

DATE: July 17, 1998

RE: FY98 BUSINESS PLAN RESULTS

In preparation for the July 23rd Board of Commissioners meeting, attached is a summary of results for the FY98 business plan.

The Department Directors and I look forward to discussing with you the summary of activities over the past year.



***Mailing Address:*** **PO Box 408, Burlington, Vermont 05402-0408**
***Delivery Address:*** **164 Saint Paul Street, Burlington, Vermont 05401-4364**
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**FAX: 802 / 864-5746 • Underwriting FAX: 802 / 863-5422 • home@vhfa.org**

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY
FY98 BUSINESS PLAN
ACTIVITIES/GOALS/RESULTS

FY97 vs. FY98 (July 1, 1997 through June 30, 1998)

| STRATEGIC PLAN INFO | PROGRAM NAME | FY97 ACTUALS | FY98 GOALS | DEPT | FY98 ACTUALS (July 1, 1997 – June 30, 1998) |
|---|---|---|---|---|---|
| ***1. To encourage and support a work environment that enables staff to realize their full potential as employees of VHFA.*** | | | | | |
| **1a.** | **Encourage and support a productive and positive work environment** | | | | |
| Support | Computer Software/Hardware Convert | All Mitas modules installed; conversion to MS Word and Excel complete; 3 year rolling IT capital budget prepared; year 1 budget approved 6/19/97 | Update existing and add new server; replace (20) and upgrade (20) desktops; conversion to Windows '95 and Office '95. Expand Mitas and software training | Admin | Conversion from Novell server to NT server complete; ISDN line installed; conversion to Office '97 and Outlook complete. Year 2 IT budget approved 6/18/97. |
| ***2.*** | ***To enhance affordability and habitability that will maintain and increase homeownership*** | | | | |
| Ongoing | MOVE (Includes IORTA) | 779 mtges purch; $53,415,904 | 750 mortgages purch.; $52,000,000 | SF Ops | 481 mortgages purch.;$32,889,791 |
| Ongoing | MCC (Mortgage Plus) | 99 MCCs issued; $7,451,056 | 120 MCCs issued; $9,000,000 | SF Ops | 84 MCCs issued; $6,535,427 |
| Ongoing | HOUSE (Includes IORTA) | 44 HOUSE loans purchased; $2,943,442 | 50 loans purch.;$3,300,000 | Development/ SF Ops | 38 HOUSE loans purchased; $2,339,471 |
| Ongoing | Rural VT Mtge | 6 mtges purch; $116,710 | 10 mortgages purch.; $195,000 | SF Ops | 20 mortgages purch; $466,492 |
| Ongoing | SF Development/Construction | No activity | Review program; determine if changes would increase level of activity | Development | No activity |
| Ongoing | Condominium Project Inspections | 40 inspections completed; 20 financials reviewed | Conduct inspections using MF form and photograph at each location (40 inspections; 30 financials); review new projects as requested | MF Mgmt | 35 inspections completed; 19 financials reviewed |
| **NEW** | REO Sales to Nonprofits | | Complete 15 sales | SF Ops | 6 REO sales |
| **NEW** | Officers Row Affordable Units | | Transfer administration from LCHDC to BCLT | Development | Transfer completed 4/1/98. |
| **2a.** | **Expand Down Payment Assistance** | | | | |
| Ongoing | IORTA Down Payment Assist | Program suspended; using last of 500 loans allocated; 23 loans purch; $1,490,913 | Using remaining 36 of 500 loans allocated | SF Ops | 4 loans purchased; $291,008 |
| Ongoing | Targeted Use of IORTA Pool | $100,500 transferred to HO Centers ($33,500 each) to create revolving loan fund for down payment and closing costs | Better utilize the RD guarantee program; use IORTA in conjunction with Homeownership Centers and Burlington Enterprise Community | Development | Expanded for down payment and closing cost assistance for REO sales. |

**EXPLANATION OF STRATEGIC PLAN NOTATIONS:**
**Analyze** = Analyze for future implementation **Implement** = Programs/Initiatives being developed for FY implementation **Ongoing** = Ongoing Program **Support** = Activities in support of programs/strategies

**VERMONT HOUSING FINANCE AGENCY**
**FY98 BUSINESS PLAN**
**ACTIVITIES/GOALS/RESULTS**



**FY97 vs. FY98 (July 1, 1997 through June 30, 1998)**

| STRATEGIC PLAN INFO | PROGRAM NAME | FY97 ACTUALS | FY98 GOALS | DEPT | FY98 ACTUALS (July 1, 1997 – June 30, 1998) |
|---|---|---|---|---|---|
| Ongoing 2A #1<br>2E FY97 | Homeownership Centers: Expand Down Payment Assistance; in FY98, Improve Financing for 3-4 unit owner-occupied | Homeownership Center Activity 6/1/96 - 3/31/97; 240 households received services; 16 new homeowners (VHFA loans included in MOVE, HOUSE); 90 households working to become homeowners; Board approved 4/97 expansion to include RACLT | 4 Homeownership Centers operational; down payment funding from FHLB, AHP & VHFA 0% MF Refunding saving; 40 new homeowners; 4 interventions | Development/ Comm | Homeownership Centers trained on new intake process on 11/6 & 11/7; 3 out of 4 have implemented the new process. RACLT's Homeownership Center became operational in September 1997. Center activity in calendar year 1997: 251 households attended classes; 605 received individual services; 56 new homeowners; 269 households working to become homeowners; more than 13 households received post-purchase delinquency counseling. |
| #2 FY97 | Down Payment Assistance Using Second Mortgage Program | {Deferred to FY98} | (Defer to FY99) | | |
| **2b.** | **Develop Home and Energy Improvement Lending Programs** | | | | |
| Implement | Home Improvement | No activity | Complete program development for implementation in Spring or Summer 1998 | Development | No activity to date |
| Implement Summer 97 | Qualified Rehabilitation | No activity; defer to Spring 1998 | Defer to FY99 | Development | |
| **2c.** | **Expand Financing Options for Mobile Home Purchases** | | | | |
| Ongoing | Mobile Home Park Financing (MF) | No activity | 2 loans; $415,000 (69 units) | Development | No activity to date |
| **FY97** | Expand Financing Options for Mobile Home Purchases | | Defer to FY99 | | No activity to date |
| **2d.** | **Provide Financing for Co-op Housing** | | | | |
| **FY96-FY97** | Provide Financing for Co-Op Housing | No activity | Status quo: expect some activity in FY98 | Development | Proposal to use IORTA funds for share loans postponed. |
| **2e.** | **Improve Financing for 3 and 4 Unit Owner-Occupied Properties** | | | | |
| **FY97** | Improve Financing for 3-4 Unit Owner-Occupied Properties (Develop financing option through MOVE-HOUSE) | {Deferred to FY98} | Defer to FY99 | Development | |
| ***3.*** | ***To improve flexibility of financing tools as a lender for rental housing*** | | | | |
| Ongoing | LIHTC | 100% of Cal 1997 ceiling reserved; a portion of 1998 ceiling committed | Work with JCTC to amend Allocation Plan; Allocate 100% of available credit | Development | 100% of Calendar Year 1998 credits reserved 5/98; a portion of 1999 ceiling also committed. |
| Ongoing | MF Construction | 5 loans committed; 275 units; $7.2 million<br>3 loans closed; 42 units; $3.4 million | 2 loans; $5,200,000 (85 units) | Development | 1 loan committed, 60 units, $5,200,000; 1 bridge/construction loan closed, 60 units,$3,700,000. |
| Ongoing | Bridge Financing Initiative | $325,000 loan fund; $123,000 committed | SF bridge - 4 loans; $240,000 | Development | 1 loan closed;$89,000 |

**EXPLANATION OF STRATEGIC PLAN NOTATIONS:**
**Analyze** = Analyze for future implementation **Implement** = Programs/Initiatives being developed for FY implementation **Ongoing** = Ongoing Program **Support** = Activities in support of programs/strategies

VERMONT HOUSING FINANCE AGENCY
FY98 BUSINESS PLAN
ACTIVITIES/GOALS/RESULTS



FY97 vs. FY98 (July 1, 1997 through June 30, 1998)

| STRATEGIC PLAN INFO | PROGRAM NAME | FY97 ACTUALS | FY98 GOALS | DEPT | FY98 ACTUALS (July 1, 1997 – June 30, 1998) |
|---|---|---|---|---|---|
| Ongoing | MF Permanent Financing | 7 loans committed; 330 units; $9,602,006<br>5 loans closed; 156 units; $4,176,531 | 8 loans; $9,925,000 (385 units) | Development | 6 loans committed, 226 units,$8,860,000;<br>7 loans closed, 375 units, $8,740,000;<br>1 construction loan guaranteed, $3,200,000 |
| **3a.** | **Expand Energy Lending Activities** | | | | |
| Ongoing | Expand Energy Lending Activities and Weatherization Assistance | 2 loans committed; $4,124 | VT OEO Weatherization Program 10 loans; $50,000 | Development | Weatherization Program cancelled. |
| ***4.*** | ***To create and enhance affordable housing integrated with services to provide realistic alternatives for people with special needs.*** | | | | |
| Ongoing | Special Needs Housing | 2 loans; $135,500 (included in HOUSE totals) | Will be developed in conjunction with Homeownership Centers Scattered Site Program | Development | No activity to date |
| **4a.** | **Address Homelessness** | | | | |
| Support FY96 | Address Homelessness | 600 Dalton Drive closed 5/8/97 | 600 Dalton Drive scheduled to open in 11/97 | Development/ Comm | 600 Dalton Drive ribbon cutting 11/97;first residents moved in 11/97 |
| **4b.** | **Collaborate to Develop Programs for Support and Special Needs** | | | | |
| Analyze #2 FY96 | Financing for Assisted Living (Developmentally Disabled Adults) | No activity | Direction unclear at this time; continue to participate in Elderly/Assisted Living Taskforce. | Development | |
| Analyze #1 FY97 | Financing for Assisted Living (Combine Affordable Housing for Elderly with Supportive Services) | Executive Director participates on Elderly/Assisted Living Taskforce | Monitor state initiatives in these areas | Development | Financing committed for 60 unit Level III CCH in Hartford (to close in FY99). |
| ***5.*** | ***To increase the efficiency and responsiveness of the multi-family lending process.*** | | | | |
| **5a.** | **Increase Efficiency of Multifamily Lending Process** | | | | |
| Support FY96<br>#1<br>#2<br>#3<br>#4 | Increase Efficiency of MF Lending Process | Statewide single application forms in final development; underwriting criteria reviewed; closing process improved | Continue efforts in this area to complete application forms and streamline MF lending process | Development | Common forms completed and distributed to: VHCB, CD, RD, VHFA |
| **5b.** | **Improve Financing for small rental projects up to 20 units.** | | | | |
| Analyze FY97 | Improve Financing for 3-4 Unit Investor-Owned Properties (Provide capital for 3-4 unit investor-owned properties) | Preliminary work on Section 108 Revolving Loan Pool w CEDO/LCHDC in Old North End; HUD Small Projects Processing conference | Obtain approval as HUD Small Projects Processing Lender; continue discussions with LCHDC on ONE rehab. program | Admin/ Development | HUD SPP lender application approved 10/22/97 |
| ***6.*** | ***To develop programs to finance the mitigation or elimination of environmental hazards that may inhibit the production or preservation of safe and decent affordable housing.*** | | | | |
| Ongoing | Lead Paint Response | As of 6/30/97 $100,000 loaned for 33 units | Loan $50,000 for 15 commitments (average of $3,333 per loan) | Admin/ Development | $120,550 committed. $108,208 disbursed. (For years 1 and 2) |

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FY97 vs. FY98 (July 1, 1997 through June 30, 1998)

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|---|---|---|---|---|---|
| | Financing Housing Infrastructure (Correct health and safety problems in mobile home parks) | | Develop collaborations with strategy 2.c. for. mobile home parks. | Admin/ Development | No activity. |
| ***7. To work with other housing and regulatory agencies to facilitate the development and preservation of affordable housing.*** | | | | | |
| Ongoing | Preservation—Section 8 | No activity | Renew efforts to obtain Preservation Agreements where possible | MF Mgmt | Board approved revised strategy. Renewed discussions with owners; participate in NCSHA's Section 8 Working Group on preservation |
| Ongoing | Portfolio Reengineering Demonstration | Submitted application to HUD, approved as Vermont processing agent for program | Complete Management Plan for HUD Submission and Approval | MF Mgmt | Management Plan submitted and approved by HUD |
| Ongoing | Preservation of federally - funded housing developments | Applegate acquisition/rehab under negotiation with HUD; all financing except for HUD 204 Up Front grant in place as of 6/30/97; Action on Westgate on hold; monitor | Resolve 204 up front grant issue; closing during Summer; rehab. begins late fall '97 | Development | Applegate loan closed 9/26/97; rehab construction underway. |
| Ongoing | VT Housing Ventures | $325,000 new program cap approved<br>5 loans for $131,664 | 5 loans; $125,000 | Development | 12 loans; $340,936 |
| Ongoing | Section 8 Refunding | 0% lending guidelines to Board 04/17/97 | FY98 proposed uses to VHFA Board 8/6/97; Adoption of future years lending guidelines | Finance | Board adoption of uses and continuing dialog re proposed program outline |
| Ongoing | Burlington Enterprise Community | For FY96 and FY97 down payment assistance loans; 16 out of 20 slots reserved; marketing has guaranteed positive response with area lenders and real estate professionals | FY98 market and purchases 10 downpayment assistance loans (IORTA) | Development/ Admin/Comm | No activity to date |
| Support | Housing Vermont | Ongoing evaluation | Reactivate VHFA Bridge financing facility with Housing Vermont ($1,000,000 pool) | Finance | New bridge loan agreement in place; funds are being drawn; funding agreement's been redrafted. |
| Support | MF Management | 104 developments (3,023 units) | 108 Developments (3,170 units)<br>Provide effective servicing and monitoring of MF portfolio; administer HUD Section 8 funds, $2.9 million/year | MF Mgmt | 110 developments (3,261 units) |
| Support | LIHTC Compliance Monitoring | 67 projects completed (2,444 units) | 75 Projects (2,574 units) | MF Mgmt | Final reports on 77 projects completed (3,282 units) |
| **7a.** | **Collaborate with Other Agencies To Achieve Efficiencies** | | | | |
| Implement<br>#1 FY96-97<br>#2 FY96-97 | Monitoring: Streamline Statewide Programs (Improve affordable housing program compliance monitoring) | VHFA, HVT, Section 8, tax credit & VHCB monitoring coordinated | Expand VHFA, HVT, Section 8, Tax Credit, RD, FHLB and VHCB monitoring and finalize work on single application | MF Mgmt/ Admin | VHFA, HVT Section 8, Tax Credit & VHCB coordination continues. Agreement with RD to begin scheduling joint site inspections |
| Analyze<br>#3 FY97-98 | Collaborate with Other Agencies to Achieve Efficiencies (Improve overall quality and create efficiencies in gathering data re: monitoring) | Progress with VHCB on underwriting issues & sharing information | Continue on-going interagency collaboration | Dev/ Comm/ Admin | Common form developed and distribution to VHCB, RD, CD, VHFA; ongoing work to standardize where possible |
| ***8. To inform policy makers on an ongoing basis regarding affordable housing issues and needs.*** | | | | | |

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| Support | Statewide Affordable Housing Activity/Promotion | Statewide conference held 09/16/96; next conference to be held in 1998 | Initiate planning for 1998 | Comm | Services Enriched Housing Conference scheduled for 9/98. |
| Support | Housing Policies State/Fed Level | Executive Director continues to participate in these groups | Continue current level of activity | Admin | On-going Housing Council and Consolidate Plan meetings; Legislative hearings as required |
| Support | HUD Consolidated Plan (formerly CHAS) Performance | LIHTC Allocation Plan completed 03/97 maintaining consistency with HUD Consolidated Plan; awards completed 6/19/97 | Revise LIHTC Allocation Plan in Fall 1997 and implement as applicable in early 1998 | Admin | JCTC meeting 10/28/97 to discuss allocation plan changes; changes incorporated 12/97. |
| **8a.** | **Maintain Data Collection/Analysis/Dissemination of Housing Data** | | | | |
| Support | Data Collection, Analysis, Dissemination of Housing Data | Capacity not maintained at 60% time, position expanded to full time in 6/97 | With full time position, will resume previous level of data analysis, collection, and dissemination for internal and external projects | Comm | Full time research analyst hired 9/97 |
| ***9.*** | ***To promote VHFA's affordable housing programs and to build upon VHFA's successful public education and information efforts.*** | | | | |
| Ongoing | Nonprofit Training/Technical Assist | Housing Counseling Training held 6/97 - 27 attendees | Training for loss mitigation re-sales; HOC training for HOUSE, home maintenance and credit counseling | Development/ Comm | Training for HO Centers intake process held on Nov 6th & 7th, 14 attendees; conducted training for loss mitigation, 37 attendees; 6 HO Center visits; hired credit/budget consultant for HO Centers; training for VHCB Americorp, 14 attendees; 3 work sessions; 1 Buyer Prequalification training, 10 attendees. |
| Ongoing | Home Buyer Education | 1 home buyer fair; 400 attendees<br>5 home buy basics workshops; 113 attendees<br>2 Pilot home buying basics workshops; 44 attendees, 3 non VHFA events; 39 attendees | 1 home buyer fair;<br>6 home buy basics workshops;<br>2 Pilot home buying basics workshops; non-VHFA events as needed | Comm | 5 Homeownership 2000 events held, 102 attendees; 3 home buying basics workshops, 82 attendees; Futures class, 10 attendees; 2 Home Buyer Fairs, 665 attendees. |
| Implement | Homeownership Counseling | Homeownership Center evaluation completed 03/97 | Carry on Homeownership Center evaluation for year two | Comm | Second year evaluation of pilot project completed 4/98. Planning for evaluation of entire 3-year pilot project in progress. |
| Ongoing | Cooperative Advertising | 3 mailings for nonprofit to 2,556 consumers;<br>$4,000 dispensed to nonprofits<br>$5,500 dispensed to Homeownership Centers | $8,000 allocated for nonprofits;<br>$12,000 allocated for Homeownership Centers | Comm | Allocated $5,100 for non-profits;<br>Allocated $12,000 for Homeownership Centers |
| Support | Lender Training | 10 VHMGB sessions; 135 participants<br>6 VHFA sessions; 102 participants<br>(4 new lenders in 6 months) | VHMGB sessions scheduled as needed; 12 VHFA sessions | Comm | 4 VHFA sessions held, 60 attendees; 8 VHFA/VHMGB sessions, 181 attendees. |
| Support | Training for RE Professionals | 3 sessions; 53 participants | 5 class sessions; 6 RE Board meetings; sponsor/VAR R-Gram newsletter | Comm | 7 classes held, 189 attendees; 1 Board meeting, 30 attendees; 1 informational session, 7 attendees; attended 2 Board roundtables. |
| Support | Promote VHFA's Affordable Housing Programs Through Advertising | Spring 97 general campaign completed 6/97.4,900 Helpline Calls received; 28% of VHFA borrowers also called Helpline | Maintain advertising campaign to generate consumer interest and result in loans at current levels for VHFA homeownership mortgage programs | Comm | FY98 campaign completed; 4,000 Helpline calls received; 15% of VHFA borrowers called Helpline. |

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| Support | Communications Plan | Redesign of external newsletter completed, distributed 10/96; Materials for Legislative Conference completed 03/97; Annual Report distributed 01/97; New brochure design underway 6/97 | Develop for program promotion, development of materials and/or outreach to meet VHFA's needs | Comm | New brochure designed and distributed 11/97; sent out 3,500 brochures. |
| **9a.** | **Promote Homeownership Through Expansion of Home Buyer Education** | | | | |
| *10.* | *To enhance the long-term financial viability of VHFA by improving efficiency, reducing costs and increasing revenues.* | | | | |
| Support | Cash Flow: Analyze Alternatives | Began implementation of E&D cash flow services | Fully integrate E&D cash flow services into operation | Finance | Evenson Dodge is preparing cash flows on new bond issues and has completed updating existing bond issues, including redemption runs. |
| Support | Strategic Planning | New SWOT analysis began 03/97; review years 3-5 in preparation for FY98 Business Plan submission | Complete staff - wide survey by September 30; Review current strategic Plan by Dec. 31; Recommend adoption of revised SP in early 1998 | Comm/Admin | Survey results compiled 12/97. Communications and Personnel Focus Groups report to VHFA Board 6/98. Several Board strategic planning sessions held. |
| Support | Regional Attorneys | Opened 80 cases; handled 129 cases; closed 80 cases | Continue utilization and monitoring of efficiency of regional attorney system | SF Ops | Researching new methodology for regional attorneys to make the process more efficient. |
| Support | Loan Servicing | 6519 Loans Serviced by 32 servicers; $350 million; Hired Loan Servicing Manager 11/26/96; reorganized Loan Servicing Department | Relocate LS Dept. into new space; continue close monitoring | Finance/ SF Ops | SF servicing staff moved to first floor; Servicing measurement tool approved by the Board, presented to VBA, and sent to servicers (completed 5/31/98). Delinquency statistics to be mailed to CEOs beginning with delinquency report for the end of June 1998. |
| Analyze | Credit Scoring | Credit scoring for 06/95 and 6/96 received from credit bureau; survey sent to lenders and presentation made to VHMGB Board, refinements need to be made | With Board approval, implementation of credit scoring into underwriting process | SF Ops/ Comm/ Dev | Use of credit scores for underwriting in effect as approved by Board 5/98. |
| **10a.** | **Expansion of Financing to Non-Housing Activities** | | | | |
| Analyze #1 FY96 | Finance Non-Housing Activities (Integrate existing entity functions) | No activity | Defer | Finance | |
| Analyze #2 FY96 | Expand Financing to Non-Housing Activities (Integrate auxiliary financing functions) | No activity | Defer | Admin | Potential for administration of septic and energy loan funds, per VT Legislative approval of two pending bills |
| **10b.** | **Better Utilize VHMGB to Enhance Services/Products of VHFA** | | | | |
| Ongoing | VHMGB Program Administration | VHMGB business plan updated 06/97 | See VHMGB business plan (attached) | SF Ops | Ongoing. See VHMGB Business Plan. |
| Implement | Proactive Servicing (SF) | | Implement | Finance | DP, SF Ops and MITAS to structure the billing of monthly P&I Payments on serviced loans to lenders |

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|---|---|---|---|---|---|
| Analyze #1 FY97 | Utilize VHMGB to Enhance Products/ Services of VHFA (Guarantee home improvement loans) | {Delayed implementation to FY98} | | SF Ops | Delayed implementation. |
| Analyze #2 FY97 | Utilize VHMGB to Enhance Products/ Services of VHFA (Guarantee 3-4 unit owner-occupied residences) | {Delayed implementation to FY98} | Utilize FHA Title I prior to involving VHMGB | SF Ops | Delayed implementation. |
| Support | Quality Control | Quality Control process in compliance with secondary market guidelines; integrated with VHMGB quality control; initial discussions begun to perform quality control on pre-purchase basis rather than post-purchase | Adjust process to incorporate Freddie Mac suggestions made at last audit | SF Ops | No activity to date. |
| **10c.** | **Reduce Operating and User Costs** | | | | |
| **NEW** | Guides on disk | Accounting and Servicing Guides to lenders on disk 6/30/97 | Have remaining VHFA guides on disk by 9/97 | SF Ops | Loan Accounting, Loan Servicing, Loan Sale, MCC, and VHMGB distributed to lenders on disk; update of guides to Word 97 complete. |
| **10d.** | **Increase Revenues Through Loan Servicing Modifications and New Investment Opportunities** | | | | |
| Analyze #2 FY97 | Increase Revenues (Explore VHFA Direct Servicing) | Subservicing 328 loans; revenues of $20,000 | Subservice at least 700 loans with revenues of $70,000 | SF Ops | Sub-servicing 401 loans. |
| Support#1 FY96 | Direct Servicing (Explore reducing servicing fees to servicers) | Subservicing 328 loans; continued analyzing direct servicing option | Continue analyzing direct servicing option | Finance/ SF Ops | Anticipating purchase of additional 120 loans. Negotiating with Citizens Savings Bank & Trust Co. |

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# VERMONT HOUSING FINANCE AGENCY

## MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Mike McNamara, Deputy Director M. McN.
Cathleen Gent, Director of Communications CG

DATE: July 14, 1998

RE: Habitat for Humanity "Oprah House"

At the April 23rd meeting of the VHFA Board of Commissioners, a resolution was unanimously adopted for VHFA to sponsor the Habitat for Humanity "Oprah" house on Batchelder Street in Burlington. An amount of up to $35,000 was authorized, with funding partners to be sought out to reduce VHFA's share.

As we pursued this further with Green Mountain Habitat for Humanity, it became clear that they would actually be doing two houses on adjacent lots: *The Oprah House* and *The House Next Door*. Aside from the labor, which is mostly donated, each house costs approximately $60,000. This covers land acquisition, infrastructure hook-ups (water, sewer and electrical) and non-donated materials/labor.

As we set out to get donations, we agreed with Habitat that donations received should go equally to both houses. In addition, a children's art competition was held to come up with a sign concept for the project. Most of the sign design costs were donated by the graphic design consultants, with VHFA funding the balance. The sign will get considerable airplay on Channel 5 as this project moves forward this summer.

Prior to our involvement, VHCB had funded $10,000 in each lot (48 and 52 Batchelder Street) toward site acquisition. Since then we have raised $39,000 in cash an in-kind contributions from nine different sources. Additional funding of $3,500 per house is expected from the City of Burlington Housing Trust Fund later this summer. Burlington Electric Department has agreed to waive their hook-up fees ($1,000 each) as well as provide energy efficient materials/training. The Gas Company has also waived their fees. While the Department of Public Works cannot waive their excavation fee, they are actively looking to reduce their costs as much as possible.



**Mailing Address:** PO Box 408, Burlington, Vermont 05402-0408
**Delivery Address:** 164 Saint Paul Street, Burlington, Vermont 05401-4364
802 / 864-5743 • 800 / 339-5866 • TDD: 800 / 586-5832
FAX: 802 / 864-5746 • Underwriting FAX: 802 / 863-5422 • home@vhfa.org

EQUAL HOUSING OPPORTUNITY

Several other organizations are making substantial donations toward both houses. The following list shows all donations made to date. As the primary funder of *The Oprah House*, VHFA will receive the majority of public relations coverage for this project. A complete media public relations plan will be developed and implemented upon final commitments from donors.

| The donations thus far look like this: | *The Oprah House* | *The House Next Door* |
|---|---|---|
| VHCB | $10,000 | $10,000 |
| First Congregational Church | 5,000 | 5,000 |
| Anonymous | 5,000 | 5,000 |
| City of Burlington | 3,500 | 3,500 |
| Gannett Foundation | 2,500 | 2,500 |
| Ronald McDonald Foundation | 2,500 | 2,500 |
| Burlington Electric Department | 1,000 | 1,000 |
| Windham Foundation | 1,000 | 1,000 |
| Phish | 1,000 | 1,000 |
| Walsh Electric Supply/Oakes Electric | 1,000 | 1,000 |
| Patrick Foundation | 500 | 500 |
| *Subtotal:* | *$33,000* | *$33,000* |
| VHFA (including sign cost) | *27,700* | *(27,000) Gap* |
| **Total:** | **$60,700** | **$60,000** |

Channel 5 is taking the lead on organizing more "grass roots" fundraising through 30 second PSA spots directing people to area businesses that are supporting this project through coin drops, special promotions, etc. VHFA will be recognized in each of these spots as the primary sponsor and WPTZ will also use our sponsorship as a lead in to hard news stories on affordable housing issues. We will also be scheduling one or two work days at the site for VHFA/other housing agencies. Mayor Clavelle and soon-to-be Secretary of the Agency of Commerce and Community Development Molly Lambert have already agreed to participate.

**Recommendation:** While fundraising will continue until the gap is filled, VHFA needs to commit to a specific amount for our sponsorship of this project. For the sake of discussion, we recommend that $27,700 be comitted for VHFA's sponsorship of *The Oprah House*. In addition, we ask that the Board of Commissioners consider the option of applying the remaining $7,300 toward closing the gap for *The House Next Door*.

NEWS RELEASE

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# CENTER ON BUDGET AND POLICY PRIORITIES

EMBARGOED FOR RELEASE:
11:00 a.m., (ET) Monday, June 15, 1998
Local Contacts on Page 5

CONTACT: Robert Greenstein,
Herbert Schaffner, Michelle Bazie
(202) 408-1080

## STUDY FINDS AFFORDABLE HOUSING SHORTAGE AT ALL-TIME HIGH

### Three of Every Five Poor Renters Spend More than Half of Income on Housing

The shortage of low-rent housing in the United States reached a record high in 1995 when the number of low-income renter households exceeded the number of low-cost rental units by 4.4 million, according to a study released by the Center on Budget and Policy Priorities.

With nearly two low-income renters for every low-cost unit, most poor renters paid large proportions of their incomes for housing, the study found. Based on Census data for 1995, the most recent data available, the study reported that three of every five poor renters paid more than half of their incomes for rent and utilities. The typical poor renter family paid 60 percent of income for these costs.

To be considered affordable under federal standards, housing should consume no more than 30 percent of a low-income family's income. The study found 82 percent of poor renter families paying more than 30 percent of income for rent and utilities in 1995.

The shortage of affordable housing grew substantially even in the 1990s, according to the study, despite strong economic growth. Between 1991 — when the recession of the early 1990s reached bottom — and 1995, the gap rose by one million, with the number of low-cost units declining another 100,000 and the number of low-income renters rising 900,000.

The study found that two of every three poor renters receive no housing assistance. Roughly two million low-income households remain on waiting lists for such assistance. The report also noted that legislation before Congress could make it more difficult for poor families to gain access to the limited supply of subsidized housing.

### Housing Shortage Affects All Regions

The severe shortage of low-income rental housing affects every region of the country, with the greatest shortage in the West, where there were nearly three low-income renters for each low-cost unit. The study also found large housing shortages in nearly all of the nation's 45 largest metropolitan areas as well as in rural areas. The Center's study, *In Search of Shelter: The Growing Shortage of Affordable*

*Rental Housing*, includes data on all 45 large metro areas for which the Census Bureau collects housing data.

Many of the poor families facing affordability problems are working families, the analysis found. Over half of all poor renter families with children have one or more working adults. Some 78 percent of working poor renters spent more than 30 percent of income on housing in 1995.

"The number of low-income families unable to find apartments they can rent without paying the lion's share of their income has continued mounting despite economic growth," said Jennifer Daskal, the study's author. "These families, many of them working poor families with children, have little money left for other necessities."

**Widening Gap Reflects Economic, Policy Trends**

The report noted that in 1970, the number of low-cost rental units *exceeded* the number of low-income renters by 300,000. By 1995, there were only 6.1 million low-rent units for the nation's 10.5 million low-income renter households, a shortage of 4.4 million units. This shift occurred because the number of low-income renter families climbed sharply over this 25-year period while the number of low-rent units in the private market declined. (The study defines low-income renter households as those with incomes below $12,000 a year, as measured in 1995 dollars, about equal to the poverty line for a family of three. Low-rent units are defined as those costing no more than $300 a month in 1995 dollars; units at that cost level would consume 30 percent of the income of a family with a $12,000 income.)

The report found that expansions in federal housing assistance since the 1970s have helped to address the loss of affordable private housing and kept the affordable housing gap from growing still wider. Subsidized housing now accounts for half of all low-cost rental units in the country, the study said, up from one-fourth in 1975.

Nevertheless, policy changes in recent years have nearly halted the extension of housing assistance to more low-income households. The number of new housing subsidies the federal government funded in 1997 was one-seventh the number of new subsidies funded 20 years earlier, in 1977. If the new commitments had not been reduced so sharply, the study noted, the affordable housing shortage would be less acute today.

The study found that renters at higher income levels do not encounter housing affordability problems of comparable severity. Some 59 percent of poor renters paid at least half of their income for housing in 1995, compared with 20 percent of renters with incomes between 100 percent and 200 percent of poverty and just two percent of renters with incomes exceeding twice the poverty line.

The study found improvement in one area — the proportion of poor renters living in physically deficient housing fell from 22 percent in 1985 to 14 percent in 1995. The proportions of poor renters living in overcrowded housing or housing in which families are doubled up, however, stayed the same or increased. The study also found that 55 percent of all poor renters living in physically deficient, overcrowded, or "doubled-up" housing spent at least half of their income for such housing.

## Congressional Action Could Exacerbate or Ease Affordable Housing Shortage

Several proposals before Congress could affect the magnitude of the affordable housing shortage in coming years, the study said. Today, housing assistance becomes available primarily through turnover, as some families leave the program. Legislation both the House and Senate have passed would allow housing authorities to allocate a large share of available units to families with incomes well above the poverty line. This would aggravate the shortage of affordable housing among poor renters, the study said, including the working poor.

The study sounded a warning particularly about the provisions that would shift a portion of federal housing vouchers from poor families to those who have higher incomes and less need for government rent subsidies. Some poor families living in blighted areas now can use vouchers to move to areas with better job opportunities, enabling them to seek employment that may lift them out of poverty, the study said. Housing vouchers also can help working poor families struggling to raise their children on low wages to make ends meet.

"The congressional bills would force working poor families and parents moving from welfare to work to sit even longer on waiting lists for housing assistance, while shortening the wait for less needy families. That would be unwise policy, " the Center's director, Robert Greenstein, commented.

The study also reported that in recent years, Congress has reversed a longstanding policy of gradually increasing the number of low-income households provided rent subsidies each year, a policy designed to help offset the ongoing decline in the number of low-cost rental units in the private housing market. The discontinuation of this policy has contributed to the worsening of the low-income housing shortage, the study found. It also noted that a pending Administration proposal to provide 50,000 new rental vouchers for use in state and local programs that would seek to move families from welfare to work and support working poor families could modestly ease the growing rental housing shortages among low-income families, while also promoting welfare reform efforts.

The Center on Budget and Policy Priorities is a nonpartisan research organization and policy institute that conducts research and analysis on a range of government policies and programs, and specializes in issues related to fiscal policy, social welfare and nutrition policy. It is supported primarily by foundation grants.

# # # #

STATE OF VERMONT
COUNTY OF CHITTENDEN, SS.

| | | |
|---|---|---|
| VERMONT TENANTS, INC. and HEATHER GROSS, STACIA TARBELL, and AARON PRINCE, Plaintiffs, | ) | CHITTENDEN SUPERIOR COURT |
| v. | ) | DOCKET NO. S 285-98CnC |
| VERMONT HOUSING FINANCE AGENCY, KEY BANK OF VERMONT, and FIRST VERMONT BANK, Defendants. | ) | |

CHITTENDEN COUNTY CLERK
FILED IN CLERKS OFFICE
JUL 13 1998
DIANE A. LAVALLEE
CLERK

## OPINION AND ORDER

This action is before the Court on Defendants' Motion to Dismiss pursuant to V.R.C.P. 12(b)(6). Plaintiffs are represented by Stephen Norman, Esq.; Defendants are represented by Michael Marks, Esq., Matthew J. Carter, Esq., and Elizabeth A. Glynn, Esq.

Plaintiff Vermont Tenants, Inc. is a non-profit organization which provides information and advocacy services to Vermont residential tenants. It brings this action on behalf of three named Plaintiffs who allegedly have been evicted or threatened with eviction without sufficient notice and opportunity to be heard, as authorized by Vermont law.

The Plaintiffs' threatened or actual evictions were conducted in conjunction with writs of possession issued pursuant to 12 V.S.A. § 4523(b). Section 4523(b) provides:

> The plaintiff shall file a copy of the complaint in the town clerk's office in each town where the mortgaged property is located. The clerk of the town shall minute on the margin of the record of the mortgage that a copy of foreclosure proceedings on the mortgage is filed. The filing shall be sufficient notice of the pendency of the action to all persons who acquire any

> interest or lien on the mortgaged premises between the dates of filing the copy of foreclosure and the recording of the final judgment in the proceedings. Without further notice or service, those persons shall be bound by the judgment entered in the cause and be foreclosed from all rights or equity in the premises as completely as though they had been parties in the original action.

The Plaintiffs claim that the Defendants' actions are prohibited and made actionable by 9 V.S.A. §§ 4463 and 4464, which require all owners of residential property to evict residential tenants only pursuant to the procedures set forth in the Residential Rental Agreements Act ("RRAA"), 9 V.S.A. § 4451, et seq. In other words, Plaintiffs assert that the provisions of 12 V.S.A. § 4523(b), as applied to residential tenants, were superceded and impliedly repealed by the enactment of the RRAA in 1986, and are therefore void as so applied. The sole question before this Court is whether the RRAA impliedly repeals the foreclosure statute.

Vermont's foreclosure process, as defined by V.R.C.P. 80.1, explicitly allows the foreclosure of tenants without resort to eviction proceedings. If a tenant has a recorded interest, or occupies the premises before the foreclosure is filed, the tenant is a party to the foreclosure proceeding and, consequently, must be served with personal notice. If, however, the premises are occupied after the filing of the foreclosure complaint, the statute requires no further notice. See V.R.C.P. 80.1(b)(1); 12 V.S.A. § 4523(b).

The Vermont Supreme Court has explicitly stated that Section 4523 forecloses any rights by anyone claiming to become a tenant after the recording of a foreclosure complaint. In Green Mountain Bank v. Bruehl, 148 Vt. 567 (1987), the Court held:

> Once notice is given by filing the complaint in the town clerk's office, the foreclosure action supersedes [sic] any after-acquired interest, and the possessors of any such interest are "foreclosed from all rights or equity in the premises as completely as though they had been parties in the original action." 12 V.S.A § 4523(b).

Id. at 569. Vermont law thus recognizes no property interest that can be conveyed or acquired after a proper notice of foreclosure has been recorded in the land records.

Plaintiffs argue that the RRAA impliedly repealed 12 V.S.A. § 4523 and V.R.C.P. 80.1, and overturned the Supreme Court's decision in Green Mountain Bank. There is a presumption against implied repeal of one statute by another. State v. Foley, 140 Vt. 643, 646 (1982). Repeal may be implied only if the statutes "are so far repugnant that they cannot stand together" or that "the later act covers the whole subject of the former and plainly shows that it was intended as a substitute therefor." Id. at 645-646 (citations omitted).

We believe that neither exception to the presumption against implied repeal pertains here. Certainly, the RRAA does not cover the whole subject of mortgage foreclosures. Nor is it repugnant to accord foreclosing mortgagees different procedures to evict tenants than are granted other types of landlords. We fail to find any basis for inferring that the RRAA impliedly repealed any of the statutes or court rules governing foreclosures.

We note, however, that our ruling in no way attempts to address the question of whether the procedure set forth in 12 V.S.A. § 4523 comports with due process. The issue of whether, under a constitutional law analysis, mortgagees may terminate residential leases and evict tenants without giving tenants actual notice of the pendency of foreclosure proceedings has been left to the discretion of another court, and we limit our holding accordingly.

ORDER

Defendants' Motion to Dismiss is GRANTED.

Dated at Burlington, Vermont, this 13th day of July, 1998.

Linda Levitt, Presiding Judge

NUVEEN

John Nuveen & Co. Incorporated
333 West Wacker Drive
Chicago, IL 60606-1286
(312) 917-7700

July 8, 1998



Mr. Allan S. Hunt
Executive Director
Vermont Housing Finance Agency
164 St. Paul Street
Burlington, VT 05401-4234

Dear Al:

*What more can we do to overcome the obstacles of homeownership?* This is a question the we hear occasionally from state HFA board members, interested legislators, housing advocates, and the general public. This question continues to be asked at the same time homeownership in the United States is at an all time record. State HFA's should be credited for this record, having brought homeownership to over a million families.

It is easy to demand that state HFA's lend to more families without considering the consequences of making bad loans. Defaulted loans can create a tarnished credit record for young families, and deplete precious resources from state HFA's. Many of the so called "obstacles" to homeownership are in place because they have a direct relation to mortgage defaults.

Interestingly, some obstacles to homeownership have no bearing on defaults, while others are less significant than one would believe. These obstacles warrant greater examination, as they can help state HFA's enhance an already impressive record of homeownership.

Nuveen has taken a closer look into the obstacles to homeownership, and our findings are included in the attached report. We would be happy to meet with you to discuss the report in greater detail. If you would like us to visit with you, or if you have any comments/questions, etc. please call me at 312-917-7902.

Sincerely yours,

Rick

Douglas F. (Rick) Johnston, Jr.
Director of Housing Finance

Attachment

NUVEEN

# Obstacles to Homeownership

Through their various programs, state housing agencies have enabled millions of families to purchase their first home. Having accomplished so much, the question inevitably arises, "What more can be done?"

By carefully evaluating the obstacles to homeownership, state housing agencies can design new programs or modify existing programs to reach a larger constituency.

July, 1998

## INTRODUCTION

In order to access more first time homebuyers, it is critical to have an understanding of what prevents families from being able to purchase a home. By having a sense of what barriers could have the greatest impact on homeownership, state housing agencies can focus on the proper solutions.

Borrowing opportunities for first-time homebuyers are better today than ever in history. Interest rates are at historical lows, and programs for first time homebuyers are more abundant and innovative than ever. Today, many families are purchasing their first home with less than a few thousand dollars, and mortgage payments often are equal to rent on an after tax basis. As a result of these factors, The Joint Center for Housing Studies at Harvard University reports that home ownership is at its highest level in history.

While state housing agencies can be proud of these homeownership statistics, many may ask if there is more that can be done. Can state HFA's reach out and help those whose needs are even greater? While it is challenging to serve those in greater need with limited resources, today's low interest rates may indicate that now may be the best time to try.

Based on nationwide surveys conducted by both Fannie Mae and Freddie Mac, the primary barriers to home ownership are:

- Lack of Information and Understanding
- Credit History
- Insufficient Income Ratio
- Downpayment and Closing Costs
- LTV Limits
- Limited Housing Stock

This report is designed to look into these barriers with the hope of stimulating thought as to how to overcome them.

### LACK OF INFORMATION AND UNDERSTANDING REGARDING THE PROCESS OF BUYING A HOME

Several nationwide studies have been completed which have attempted to identify the obstacles to homeownership. <u>These studies have found that a lack of understanding about the mortgage process is one of the leading impediments to home ownership.</u> According to a Fannie Mae survey, two-thirds of low to moderate income renters are somewhat unfamiliar with terms and conditions of owning real estate.

This lack of information is detrimental when entering a loan office of a mortgage lending institution. Small mortgage amounts and a more time consuming education process provide poor incentive for lenders to work with first time homebuyers. As a result, many renters report that the mortgage process is intrusive, degrading, and stressful. Renters comment that many lenders are indifferent, bureaucratic, and not sensitive to someone who has not been through the process. Other renters report that the process of obtaining a mortgage loan is long, tedious, and frustrating.

Many of the survey respondents do not know: (1) what it takes to qualify as a homeowner, (2) how much house they can afford, or (3) what financing terms are reasonable. In addition, these respondents indicated that they don't understand the terms related to housing, such as escrow accounts, title insurance, and loan points. There is some trepidation in evaluating the proper purchase price for a home based on criteria such as location, or physical condition. In addition, negotiating the price with the seller is often intimidating. Many potential homebuyers are fearful of the responsibility of owning and maintaining a home, including the payment of property taxes and proper home insurance. Others are unaware of how to maintain a good credit record, or even what constitutes a credit history.

Lender education is also lacking. Lenders continually need to be trained to work with less sophisticated borrowers, and to be familiar with the newest affordable housing programs available. They must also make the effort to understand the newest and most innovative programs to reach first time homebuyers. Lenders can be reluctant to learn a new underwriting process or a new program, because it takes an investment of time for the loan officers.

In today's affordable housing environment, many lenders assert that homebuyer education is somewhat fragmented, with a wide range of courses and seminars available. While homeownership and credit counseling are often required under various lending programs, there are no standards for quality and content of the courses.

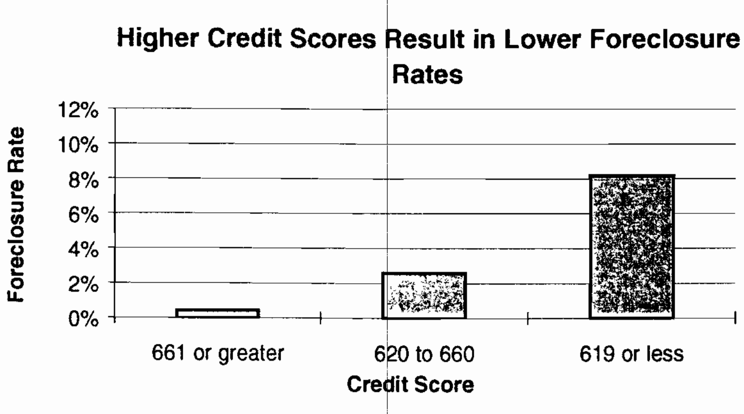
Recognizing the lack of standardized, accredited homeownership training, the nation's leading lenders have created the American Homeowner Education and Counseling Institute (the "Institute"). Funded by NCSHA, Fannie Mae, Freddie Mac, MICA (Mortgage Insurance Company Association), national associations of homebuilders and realtors, and other leading private lenders, the Institute plans to create standardized courses for homeownership and credit counseling, credit counselor certification standards, as well as to provide further study of the barriers of home ownership.

## CREDIT HISTORY PROBLEMS OR AN INABILITY TO DETERMINE CREDIT

A credit history does not necessarily mean a history of borrowing. Lenders have come a long way in creating a non-traditional credit history, and today will accept a record of timely payments with respect a number of fixed expenses including rent, as well as phone, electric, and gas bills. Nonetheless, a poor credit history (or no history) often prevents renters from being able to obtain a mortgage loan to buy a home.

In today's mortgage market, credit scoring has become a very sophisticated endeavor. FICO and MDS scoring systems reflect information gathered on millions of mortgage loans and what aspects of credit history are likely to predict defaults.

Freddie Mac's 1996 Study of Barriers to Homeownership show that credit history is the single most important factor in determining the likelihood of repayment of debt. As illustrated in the chart below, a borrower with a low credit score is over 18 times more likely to experience a foreclosure than a borrower with a high credit score:




*Source: Freddie Mac Survey*

In addition, a poor credit score is also a good predictor of delinquencies both on mortgage loans and other debts:

| | High-Risk Borrowers (FICO < 620) | Lower-Risk Borrowers (FICO > 660) |
|---|---|---|
| ***60 days or more delinquent on a loan payment now or in the past*** | *88%* | *17%* |
| Currently 60 days or more delinquent on a loan payment | 35% | 1% |
| ***Derogatory public record such as bankruptcy or lien*** | *24%* | *2%* |
| Outstanding balances, 80% or more of available credit limits | 23% | 6% |
| ***More than four applicant-generated credit inquiries in past year*** | *20%* | *5%* |
| More than three new accounts opened in past year | 13% | 9% |

*Note: Chart from Freddie Mac's "Automated Underwriting: Making Mortgage Lending Simpler and Fairer for America's Families," September 1996, p.26.*

As illustrated by the charts above, a poor credit record is a very accurate predictor of mortgage defaults and delinquencies.

A tarnished credit history will occasionally unfairly penalize a borrower if missed payments are due to circumstances beyond the borrower's control. For example, a depressed local economy, corporate downsizing or medical problems might force a borrower to be delinquent or default on obligations. California has a mortgage insurance program whereby certain late payments will not be counted adversely toward a borrower's credit record if the credit problems were due to layoffs. Late payments (30 to 60 days) which are cured by the borrower within the last two years will not count against the applicant.

Credit counseling can help those families remedy their debt problems, and get themselves back on track. For those renters with credit problems, many believe that they are best served by intensive credit counseling long before entertaining homeownership. Generally speaking, two years of a good credit record can enable a borrower to qualify for a mortgage loan, and usually means that the borrower has a strong likelihood of maintaining a good credit history in the future.

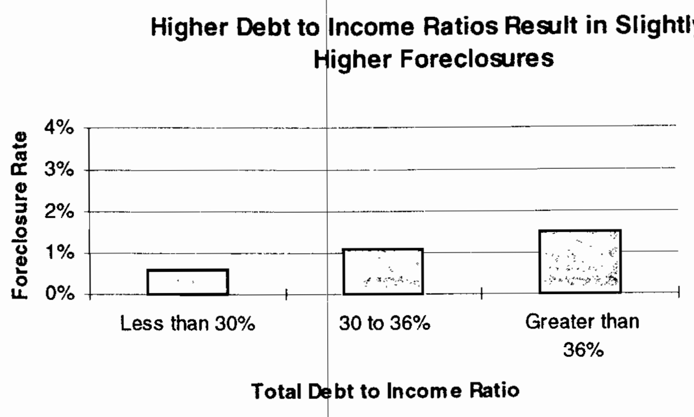
Some wage earners change jobs frequently, which can be viewed positively if the borrower finds increasingly higher skilled and higher paying jobs. For those who can't keep a job, counseling or job training may be necessary before embarking on such a major step as purchasing a home.

Many families receive cash income, which is a legitimate source of income for underwriting purposes as long as it is reported, and if the borrower can demonstrate employment. Lenders will avoid processing mortgage applications for those who don't report cash income to taxing authorities, as they do not want to be a part of illegal activity, such as tax evasion.

BORROWERS DO NOT MEET INCOME RATIO REQUIREMENTS OF STANDARD PROGRAMS

Standard underwriting ratios determine how much of a borrower's income can be allocated to mortgage payments, insurance and taxes. Homebuyers must satisfy two ratios: one determines the maximum payment permitted for the mortgage, insurance and taxes versus total income, and the other compares total income to payments toward all debt. The typical ratios used for affordable housing loan programs are 33% for mortgage debt payments to income and 38% total debt payments to income.

Debt to income ratios are also a factor in predicting the likelihood of repayment, but interestingly not as much as other factors mentioned in this report:




*Source: Freddie Mac Survey*

Debt-to-Income ratios are an indicator which must be examined carefully and in the proper context. Interestingly, the costs of living are not generally considered, but can have an effect on a borrowers ability to pay. For example, certain areas have below average costs for food, taxes, medicine, and other items which compose the family budget. This could mean that more of a family's budget could be allocated to housing expenses.

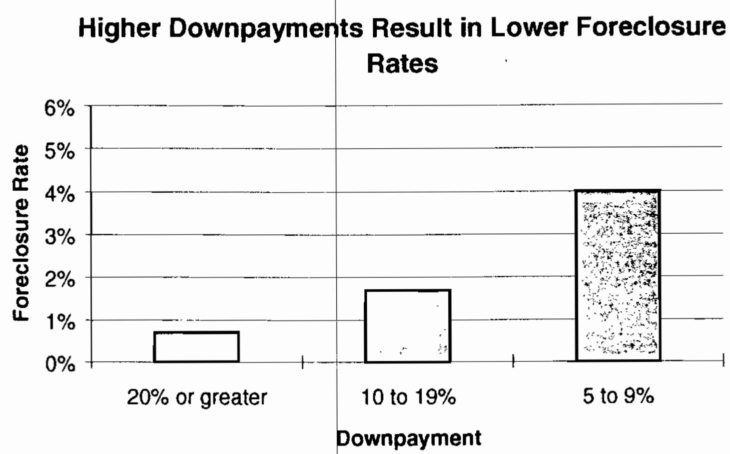
In addition, standard debt to income ratios may be unduly conservative for families or individuals with no children. Households with no children can generally afford to pay a greater portion of their income to housing than those with several children who must pay the expenses of raising them. To a lesser extent, the ratios also penalize families who have a spouse or other relative providing free child care. Couples where both spouses work can often be approved to borrow more even though they must incur child care expenses.

Underwriting ratios can be modified if the borrower can demonstrate a record of paying a higher percentage of income to housing expenses. However, this record usually needs to be demonstrated for a period of at least two years. Generally, no credit is generally given to the family who demonstrates the ability to segregate income for savings, or who may be able to demonstrate greater ability to pay do to the reduction of certain expenses such as credit card bills.

INABILITY TO PROVIDE FUNDS FOR DOWNPAYMENT AND/OR CLOSING COSTS

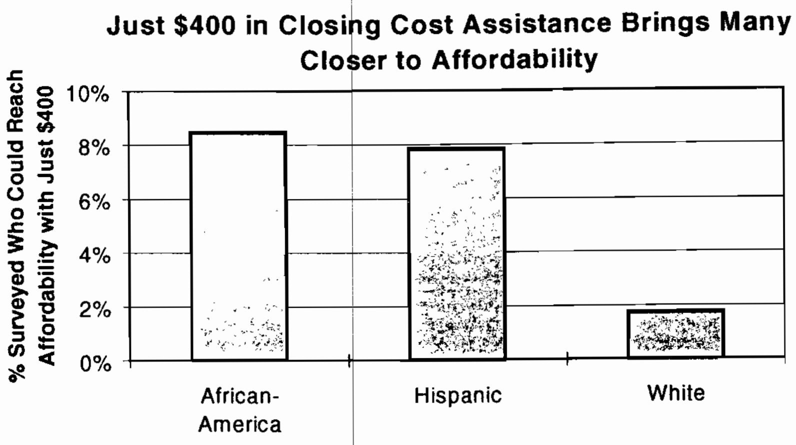
Under current FHA and Fannie Mae criteria, borrowers can make a downpayment for as little as 3% of the purchase price of a home. In addition, buyers must pay closing costs equal to 3 to 6% of the mortgage amount. According to Fannie Mae's 1997 national housing survey, 44% of families surveyed viewed funds for downpayment and closing costs as a major obstacle to homeownership (down from 52% in 1996).

As indicated in the chart below, the amount of downpayment also affects the likelihood of mortgage default.




*Source: Freddie Mac Survey*

Scarcity of funds is a critical problem for low income families who are forced to rent versus own their home. What is particularly interesting is the sensitivity to cash at hand in relation to the threshold of homeownership. A relatively small amount of funds makes a large difference in affordability – particularly for minorities. The chart below shows what percentage of renters can achieve homeownership with an additional $400 in assistance for closing costs:




*Source: Freddie Mac Survey*

In spite of the ability of these funds to assist first time homebuyers, the resources to provide such assistance are far exceeded by demand. Naturally, a policy decision arises as to how this scarce resource should be allocated. Does a state housing agency try to benefit more homebuyers by severely limiting the downpayment/closing cost assistance, or should it try to serve lower income borrowers with greater assistance, albeit to fewer families?

LACK OF HOUSING STOCK AVAILABLE WHICH FAMILIES CAN AFFORD

Across the United States, costs of homeownership rise because of limited supply of affordable housing. With many states experiencing substantial growth, the imbalance of supply and demand is particularly profound. As a result, keeping the price of housing relatively low is important in helping first time homebuyers to be able to afford their first home.

Many state housing agencies are becoming actively involved in increasing the supply of affordable single family housing stock. While there frequently has existed bond proceeds set aside for the purchase of mortgage loans from newly constructed homes, states have actively begun to facilitate development.

The components of the cost of a new home include the cost and risk of securing the land, developing the land, bringing utilities to the site, constructing the homes, and having to deal with local government throughout the entire process. Upon completion of the home, interest, taxes and insurance have a significant effect on the costs of homeownership.

As a result, state housing agencies are beginning to examine all of the costs of homeownership, and making a concerted effort to reduce them. In one example, a state housing agency reduced the purchase price of newly constructed homes by 20% by undertaking the following:

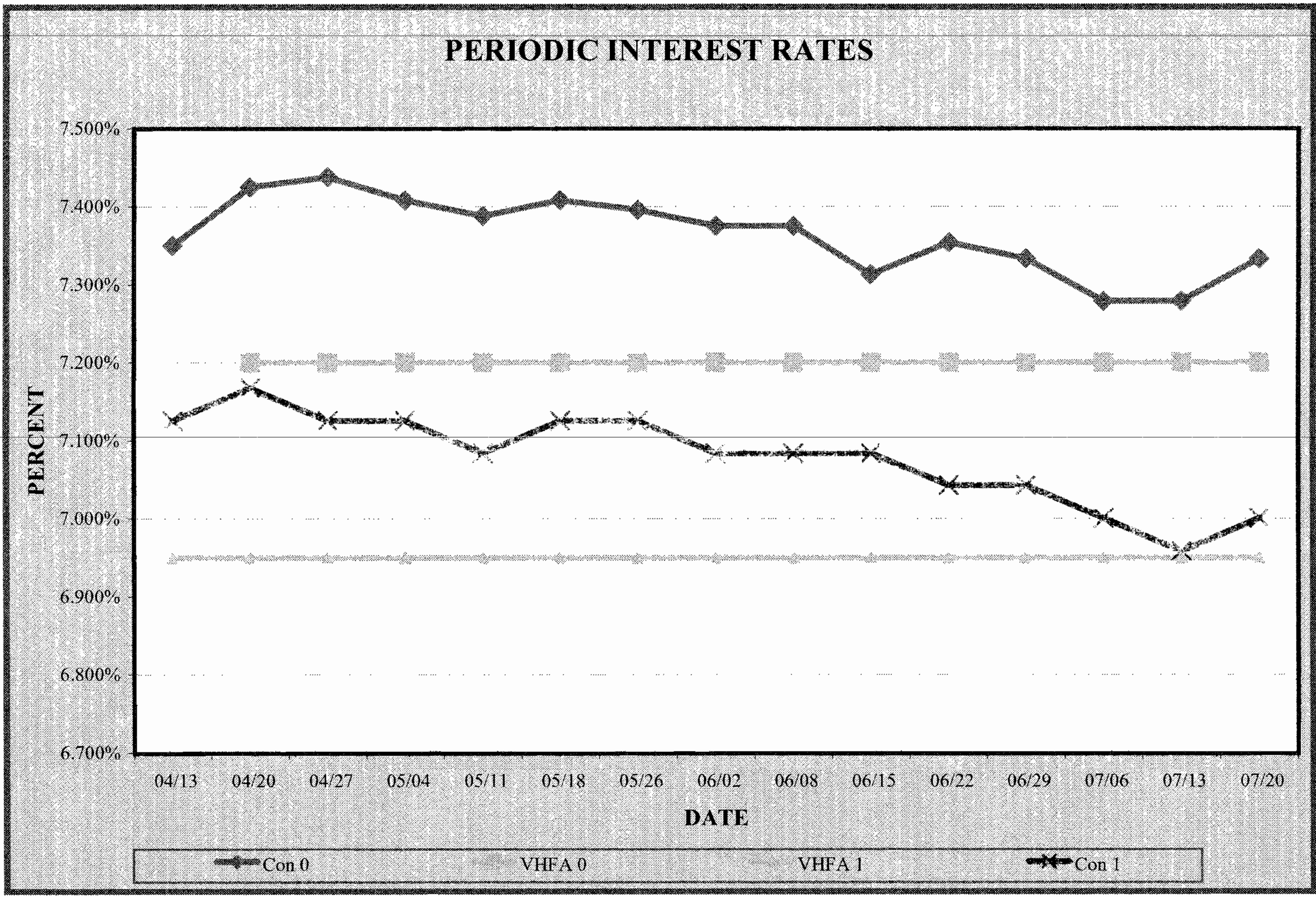
- Identifying property suitable for single family construction for sale at an attractive price.
- Making a subordinate land loan to a selected developer at a below market rate.
- Lending funds to develop the property (streets, curbs, gutters, utilities, etc.).
- Enlisting local government to abate a portion of property taxes and to waive hook up fees.
- Providing low rate construction financing.
- In the meantime, the state agency set aside its first time homebuyer mortgage funds for the project, and provided downpayment assistance. As a result, many families were able to afford a new home at about the same cost as their monthly rent.

## CONCLUSION

State housing agencies have done a tremendous job in making homes for affordable for first time buyers. Nonetheless, constituents, appointed board members, and elected officials will continue to ask what more can be done. By addressing the particular obstacles to homeownership, state housing agencies can better be positioned to target solutions.

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: JUNE, 1998

| Lenders | Loans | 30 | Days | 60 | Days | 90+ | Days | Auth | FCL | Delinq | | REO | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ALBANK, FSB | 424 | 23 | 5.42% | 10 | 2.36% | 5 | 1.18% | 7 | 1.65% | 45 | 10.61% | 2 | 0.47% |
| Banknorth Mortgage Co. | 766 | 25 | 3.26% | 6 | 0.78% | 11 | 1.44% | 8 | 1.04% | 50 | 6.53% | 5 | 0.65% |
| Bennington Co-op S&L Assoc. | 59 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Brattleboro Savings & Loan | 27 | 2 | 7.41% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 2 | 7.41% | 0 | 0.00% |
| Chittenden Bank | 910 | 51 | 5.60% | 5 | 0.55% | 8 | 0.88% | 15 | 1.65% | 79 | 8.68% | 7 | 0.77% |
| Citizens Savings Bank | 116 | 4 | 3.45% | 1 | 0.86% | 1 | 0.86% | 0 | 0.00% | 6 | 5.17% | 2 | 1.72% |
| Community National Bank | 310 | 13 | 4.19% | 8 | 2.58% | 4 | 1.29% | 2 | 0.65% | 27 | 8.71% | 1 | 0.32% |
| Connecticut River Bank | 5 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Factory Point Nat. Bank | 35 | 4 | 11.43% | 2 | 5.71% | 1 | 2.86% | 0 | 0.00% | 7 | 20.00% | 0 | 0.00% |
| First Brandon Nat. Bank | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| First Nationwide Mortgage | 8 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| GMAC Mortgage | 7 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Granite Bank (NH) | 2 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Graystone Mortgage Company | 533 | 39 | 7.32% | 8 | 1.50% | 19 | 3.56% | 6 | 1.13% | 72 | 13.51% | 6 | 1.13% |
| Heritage Family Credit Union | 5 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Lyndonville Savings Bank | 58 | 1 | 1.72% | 1 | 1.72% | 1 | 1.72% | 0 | 0.00% | 3 | 5.17% | 0 | 0.00% |
| Mascoma Savings Bank | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Merchants Bank | 272 | 11 | 4.04% | 1 | 0.37% | 2 | 0.74% | 3 | 1.10% | 17 | 6.25% | 2 | 0.74% |
| Mortgage Service Ctr. of NE | 86 | 7 | 8.14% | 2 | 2.33% | 2 | 2.33% | 1 | 1.16% | 12 | 13.95% | 2 | 2.33% |
| New England Federal CU | 47 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Northfield Savings Bank | 130 | 6 | 4.62% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 6 | 4.62% | 1 | 0.77% |
| Passumpsic Savings Bank | 166 | 12 | 7.23% | 3 | 1.81% | 2 | 1.20% | 0 | 0.00% | 17 | 10.24% | 1 | 0.60% |
| Peoples Trust Co. | 95 | 4 | 4.21% | 2 | 2.11% | 2 | 2.11% | 0 | 0.00% | 8 | 8.42% | 0 | 0.00% |
| Randolph National Bank | 36 | 1 | 2.78% | 1 | 2.78% | 1 | 2.78% | 0 | 0.00% | 3 | 8.33% | 0 | 0.00% |
| Union Bank | 181 | 4 | 2.21% | 5 | 2.76% | 5 | 2.76% | 0 | 0.00% | 14 | 7.73% | 0 | 0.00% |
| Vermont Development CU | 67 | 2 | 2.99% | 3 | 4.48% | 2 | 2.99% | 0 | 0.00% | 7 | 10.45% | 1 | 1.49% |
| Vermont National Bank | 1886 | 94 | 4.98% | 28 | 1.48% | 38 | 2.01% | 18 | 0.95% | 178 | 9.44% | 14 | 0.74% |
| Wells River Savings Bank | 29 | 3 | 10.34% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 3 | 10.34% | 1 | 3.45% |
| Totals | 6262 | 306 | 4.89% | 86 | 1.37% | 104 | 1.66% | 60 | 0.96% | 556 | 8.88% | 45 | 0.72% |
| Totals Previous Month | 6312 | 321 | 5.09% | 103 | 1.63% | 102 | 1.62% | 56 | 0.89% | 582 | 9.22% | 51 | 0.81% |
| Totals Same Mo. Last Yr. | 6357 | 335 | 5.27% | 68 | 1.07% | 61 | 0.96% | 58 | 0.91% | 522 | 8.21% | 67 | 1.05% |


PERIODIC INTEREST RATES
7.500%
7.400%
7.300%
7.200%
7.100%
7.000%
6.900%
6.800%
6.700%
PERCENT
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04/27
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05/11
05/18
05/26
06/02
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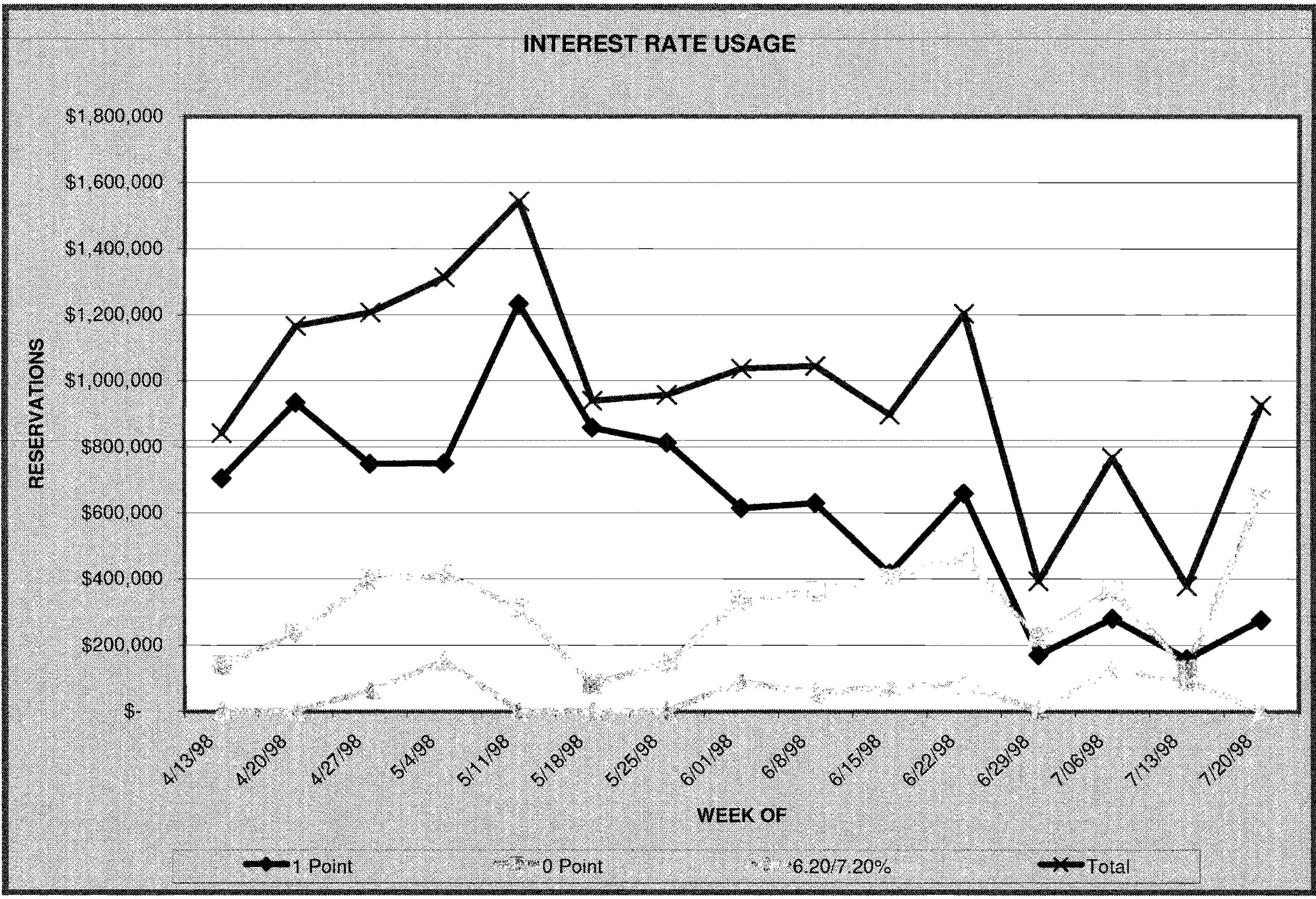
DATE
Con 0
VHFA 0
VHFA 1
Con 1



INTEREST RATE USAGE
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4/20/98
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5/4/98
5/11/98
5/18/98
5/25/98
6/01/98
6/8/98
6/15/98
6/22/98
6/29/98
7/06/98
7/13/98
7/20/98
WEEK OF
1 Point
0 Point
6.20/7.20%
Total

vhfa

VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: August 14, 1998

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held via conference call on August 20th and will begin at 11:30 a.m.

Enclosed is information regarding the Single Family Bond Remarketing and the Bond Counsel RFP.

Please feel free to contact me should you have any questions prior to the meeting.



*Mailing Address:* PO Box 408, Burlington, Vermont 05402-0408
*Delivery Address:* 164 Saint Paul Street, Burlington, Vermont 05401-4364
802 / 864-5743 • 800 / 339-5866 • TDD: 800 / 586-5832
FAX: 802 / 864-5746 • Underwriting FAX: 802 / 863-5422 • home@vhfa.org

VERMONT HOUSING FINANCE AGENCY

# BOARD AGENDA

Vermont Housing Finance Agency
164 Saint Paul Street
Burlington, Vermont

Thursday, August 20th at 11:30 a.m.

VIA CONFERENCE CALL

1. **FINANCE**
   A. Single Family Bond Remarketing {Schoenbeck//Enclosures}

2. **LEGAL**
   A. Bond Counsel RFP {Jarrett// Enclosure}

*ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD*

*Mailing Address:* PO Box 408, Burlington, Vermont 05402-0408
*Delivery Address:* 164 Saint Paul Street, Burlington, Vermont 05401-4364
802 / 864-5743 • 800 / 339-5866 • TDD: 800 / 586-5832
FAX: 802 / 864-5746 • Underwriting FAX: 802 / 863-5422 • home@vhfa.org

EQUAL HOUSING OPPORTUNITY

vhfa

VERMONT HOUSING FINANCE AGENCY

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

DATE: AUGUST 14, 1998

RE: SINGLE FAMILY SERIES 9 REMARKETING

Since the Board meeting on July 23rd, we have been busy completing the remarketing of the $25 million of Series 9 bonds. The financial markets have been skittish because of concerns of both the Japanese and Russian economies. These fears have had the effect of driving prices down in the stock market and increasing rates in the bond market. The outcome in the markets is contrary to the direction we were hoping to see. Of the $25 million of bonds called for remarketing, approximately $7 million (or 28%) of bonds are being retained by the current owners. This is a little less than the 40% retention rate we were assuming. This has the impact of increasing our costs slightly to pay the expenses of remarketing more bonds. In spite of the market, PaineWebber was able to pre-market the returned bonds with maturities in 2029 and 2037 to FannieMae at rates consistent with the certificate that was prepared showing rates approximately 50 basis points lower than what the bonds were originally sold for in June of 1997. We were also able to negotiate a slight saving in sales commissions on the bonds sold to FannieMae. These long maturities account for almost $16 million of the $18 million of bonds that need to be remarketed. The remaining $2 million of bonds will be offered for sale on Tuesday, August 18th. The sale of the bonds as expected will enable us to offer the mortgage rates contemplated at the Board meeting in July. We are anticipating that we would be able to offer a one-point mortgage at 6.45-6.50% or a no-point mortgage at 6.70-6.75%.

Enclosed with this memorandum are three documents. The preliminary reoffering memorandum (PRM) is the document distributed to potential buyers of the remarketed bonds. The supplemental remarketing agreement is the document that forms the purchase contract between VHFA and the underwriters. The "Thirteenth Supplemental Single Family Housing Bond Resolution" is the document that approves the remarketing and incorporates the acceptance and adoption of both the PRM and the remarketing agreement.

The underwriters, bond counsels and financial advisor will be on the conference call to further elaborate on the financing and answer any questions. I will be on vacation on Monday, Tuesday and Wednesday morning next week, but should be available on Wednesday afternoon and Thursday if you have any questions prior to the conference call.

***Recommended Board Action***

Adoption of the "Thirteenth Supplemental Single Family Housing Bond Resolution" which by reference incorporates the acceptance and adoption of both the preliminary reoffering memorandum and the remarketing agreement.



*Mailing Address:* PO Box 408, Burlington, Vermont 05402-0408
*Delivery Address:* 164 Saint Paul Street, Burlington, Vermont 05401-4364
802 / 864-5743 • 800 / 339-5866 • TDD: 800 / 586-5832
FAX: 802 / 864-5746 • Underwriting FAX: 802 / 863-5422 • home@vhfa.org

EQUAL HOUSING OPPORTUNITY

# SUPPLEMENTAL REMARKETING AGREEMENT

This Supplemental Remarketing Agreement (the "Supplemental Agreement") dated as of August __, 1998 among the Vermont Housing Finance Agency (the "Agency"), and PaineWebber Incorporated, Smith Barney, Inc., and A.G. Edwards & Sons, Inc. (collectively, the "Agent"), acting jointly and severally, for whom PaineWebber Incorporated is the authorized representative, supplements the Remarketing Agreement dated as of June 27, 1997 among the Agency and the Agent, each relating to the Agency's $65,000,000 Single Family Housing Bonds, Series 9, dated June 1, 1997 (the "Bonds" or the "Series 9 Bonds") . The Bonds were issued pursuant to the Agency's Single Family Housing Bond Resolution adopted September 20, 1990 (as heretofore amended and supplemented, the "General Resolution") and its Twelfth Supplemental Single Family Housing Bond Resolution (the "Twelfth Supplemental Resolution") adopted on June 9, 1997. The interest rate on [$25,000,000] of the Series 9 Bonds (the "Adjusted Rate Bonds") is to be adjusted pursuant thereto and to the Agency's Thirteenth Supplemental Single Family Housing Bond Resolution adopted on August ___, 1998, (the "Thirteenth Supplemental Resolution" and together with the General Resolution and the Twelfth Supplemental Resolution, the "Resolution"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Resolution.

## A. REPRESENTATIONS AND AGREEMENTS RELATING TO THE SERIES 9 BONDS ON AN ADJUSTMENT DATE.

1. Representations and Warranties of the Agency. The Agency represents and warrants that:

(a) The Agency will furnish to the Agent for use in remarketing the Bonds on or prior to the Adjustment Date the Agency's Reoffering Memorandum dated August ___, 1998 that describes the Adjusted Rate Bonds. The statements and information contained in the Reoffering Memorandum, both as of the date of the Reoffering Memorandum and at all times subsequent thereto up to and including a date 25 days following the "End of the Underwriting Period" (hereinafter defined), are and will be true, correct and complete in all material respects and does not omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) Since the date of the Agency's most recent statement of financial condition, there will not have occurred any material adverse change in the financial condition or general affairs of the Agency, except as set forth or contemplated by the Reoffering Memorandum.

2. Certain Agreements of the Agency. The Agency agrees with the Agent that:

(a) The Agency will notify the Agent promptly but in any event prior to the Adjustment Date of: (i) any fact or occurrence as a result of which the Reoffering Memorandum would be or become misleading or any representation or warranty of the Agency herein would become false, (ii) any material adverse change in the financial condition or general affairs of the Agency or the financial condition of the Resolution except as set forth in or contemplated in the Reoffering Memorandum, (iii) any reduction in or withdrawal of the ratings on the Series 9 Bonds or any suggestion by either Moody's or S&P that it is considering a possible reduction in or withdrawal of its respective rating on the Series 9 Bonds, (iv) any adverse change or threatened adverse change, in the Federal or Vermont income tax treatment of income earned on the Bonds for holders of the Bonds (v) any event of default under the Resolution or any event which, with notice or lapse of time or both, would constitute such an event of default, or (vi) any change in the dates for the redemption or purchase of the Bonds or any other change in the terms thereof.

(b) The Agency will at its expense, within five (5) days after the Certification Date, furnish the Agent such number of copies of the Reoffering Memorandum as the Agent may reasonably request. As soon as practicable after receipt thereof, the Agent shall deliver the Reoffering Memorandum and any supplement or amendment thereto, to a nationally recognized municipal securities information repository. The Agency hereby authorizes the use of copies of the Reoffering Memorandum and the Resolution in connection with the public offering and sale of the Adjusted Rate Bonds and ratifies the use by the Agent, prior to the date hereof, of the Preliminary Reoffering Memorandum of the Agency, dated August 5, 1998. If any event occurs, subsequent to the date hereof and prior to such delivery or subsequent to such delivery and within 25 days following the End of the Underwriting Period relating to the Adjustment Date, as a result of which the Reoffering Memorandum, as then amended or supplemented, would in the judgment of the Agent, include an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Agency will amend or supplement the Reoffering Memorandum to correct such statement or supply such omitted fact prior to delivery thereof to the Agent or as promptly thereafter as possible, as applicable; provided, however, that any such amendment or supplement shall be subject to the approval of the Agent and its counsel. The Agency will furnish to the Agent such number of copies of the Reoffering Memorandum, as so amended, or such supplement, as the Agent may reasonably request.

(c) The Agency will furnish the Agent copies of all reports and financial statements relating to the financial affairs and condition of the Agency or the financial condition of the Resolution promptly after they are made available to the public by the Agency and such additional information concerning the operations and financial condition of the Agency or the Resolution as the Agent may from time to time reasonably request.

(d) Prior to or simultaneously with the execution of this Supplemental Agreement, the Agency shall cause to be delivered to the Agent from KPMG Peat Marwick a letter substantially in the form set forth in Exhibit A hereto.

(e) Between the date of this Supplemental Agreement and the Adjustment Date, the Agency will not, without the prior consent of the Agent, issue any bonds, notes or other obligations for borrowed money except for such borrowings as may be described in or contemplated by the Reoffering Memorandum, and, except in the ordinary course of its business of conducting its programs as described in or contemplated by the Reoffering Memorandum and except as otherwise described in or contemplated by the Reoffering Memorandum, will not incur any liabilities, direct or contingent, and there will not have been any adverse change of a material nature in the financial position or in the results of operations of the Agency as disclosed in the Reoffering Memorandum.

(f) The adoption by the Agency of the Thirteenth Supplemental Resolution, the execution of the Commitment Agreements, the Purchase and Servicing Agreements and this Supplemental Agreement, and compliance with the terms and provisions thereof and hereof, under the circumstances contemplated thereby and hereby, do not and will not in any material respect conflict with the by-laws of the Agency or any existing law, court order or consent decree to which the Agency is subject, and, such execution, delivery and compliance does not and will not constitute on the part of the Agency a a breach or default under any agreement or other instrument to which the Agency is a party.

3. Remarketing; Pricing.

(a) Pursuant to the Thirteenth Supplemental Resolution, the Agency has appointed the Agent as its exclusive Agent for the remarketing of the Bonds. In reliance on the representations contained herein and subject to the terms hereof, in the event of a mandatory tender and remarketing of Series 9 Bonds called for tender on any Adjustment Date and remarketed as Bonds bearing interest at the Adjusted Interest Rate pursuant to the provisions of Section 203 of the Twelfth Supplemental Resolution, the Agent agrees to use its best efforts to solicit offers to purchase, at a price of 100% of the principal amount thereof plus accrued interest if any, thereon, the Adjusted Rate Bonds that it has been advised by the Trustee are to be purchased pursuant to Section 203(B) of the Twelfth Supplemental Resolution and to perform the other obligations of the Agent as set forth in Sections 203(A)(1), 203(A)(4), 203(A)(5) and 203(B) of the Twelfth Supplemental Resolution with respect to determination of the Pro-Forma Adjusted Interest Rate on the Certification Date, determination of the Adjusted Interest Rate on the Calculation Date and determination of the schedule of Principal Installments (including Sinking Fund Installments, if any) for the Adjusted Rate Bonds on the Certification Date and the Calculation Date, all as such actions are described in the Twelfth Supplemental Resolution.

(b) In the event that there shall have occurred any outbreak or escalation of hostilities or other national or international calamity or crisis, the effect of such outbreak escalation, calamity or crisis on the financial markets of the United States being such as, in the reasonable opinion of the Agent, would affect materially and adversely the ability of the Agent to remarket the Bonds; or there shall be in force a general suspension of trading on the New York Stock Exchange or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on the New York Stock Exchange, whether by virtue of a determination by that Exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction; or a general banking moratorium shall have been declared by Federal or New York or Vermont authorities having jurisdiction and be in force; or there shall be established any new restriction on transactions in securities materially adversely affecting the market for the Bonds or any securities of the general character of the Bonds (including the imposition of any limitation on interest rates) or the extension of credit by, or the charge to the net capital requirements of underwriters established by the New York Stock Exchange, the Securities and Exchange Commission, any other Federal or state agency or the Congress of the United States, or by Executive Order that, in the reasonable judgment of the Agent, would materially adversely affect the market price of the Adjusted Rate Bonds or the marketability of the Bonds which in the Agent's judgment makes it impracticable or inadvisable to proceed with a solicitation of offers to purchase the Adjusted Rate Bonds; or any actual or proposed decision, rule or regulation of the Securities and Exchange Commission or other governmental agency or court shall have been made or issued that would make the Bonds or securities of the general character of the Bonds subject to the registration requirements of the Securities Act of 1933 or require the qualification of the Resolution under the Trust Indenture Act of 1939, as amended; or an actual or imminent default or a moratorium in respect of payment of any U.S. Treasury bills, bonds or notes the effect of which in the Agent's judgment makes it impractical for the Agent to market the Adjusted Rate Bonds; or legislation shall be introduced in or enacted by the Congress of the United States or enacted by the State of Vermont, or shall have been reported out of committee of either body of the Congress of the United States or be pending in committee of either body or be reported out of or pending in a joint committee of Congress or legislation pending in the Congress of the United States shall be amended, or a decision shall be rendered by a court of the United States or the State of Vermont, including the Tax Court of the United States, or a ruling shall be made or a regulation shall be proposed or made or a press release or other form of notice shall be issued by the Treasury Department of the United States or the Internal Revenue Service or other Federal or Vermont authority having jurisdiction, with respect to Federal or Vermont taxation upon revenues or other income of the general character to be derived by the Agency or by any similar body, or upon interest on obligations of the general character of the Series 9 Bonds, that may have the purpose or effect, directly or indirectly, of changing the Federal income tax consequences or Vermont tax consequences of any of the transactions contemplated in connection herewith, and that, in the reasonable opinion of the Agent, affects materially and adversely the market for, or sale of, the Bonds by the Agent at the contemplated offering prices or yields or there shall have occurred any of the events contemplated by Section A 2(a) hereof, whether the Agent learns thereof from the Agency or otherwise, and so long as such situation continues to exist, the Agent shall have the right to suspend its efforts to solicit offers to purchase the Adjusted Rate Bonds.

(c) As compensation for its services in connection with the remarketing of Adjusted Rate Bonds hereunder, the Agency shall pay to the Agent a remarketing fee equal to $_______. The Agency shall pay any expenses incident to the performance of its obligations hereunder including but not limited to: (i) the fees and disbursements of Bond Counsel; (ii) the cost of preparing and printing the Preliminary Reoffering Memorandum and the Reoffering Memorandum; (iii) the fees of rating agencies; and (iv) the fees and disbursements of any other counsel, experts or consultants retained by the Agency. The Agent shall pay: (i) all advertising expenses in connection with the public offering of the Adjusted Rate Bonds; ;(ii) the cost of preparing the Blue Sky

Memorandum and this Supplemental Agreement; (iii) all other expenses incurred by them or any of them in connection with their public offering and distribution of the Adjusted Rate Bonds, including the fees and disbursements of counsel retained by them; and (iv) all expenses incurred by them in connection with their performance in the capacity of Agent for the Adjusted Rate Bonds. Such fee shall be payable on the Adjustment Date.

4. Documents to be delivered at or prior to the Adjustment Date. At or prior to the Adjustment Date, the Agent shall receive:

(a) the opinion of Bond Counsel dated the Adjustment Date, in substantially the form included as Appendix VI to the Reoffering Memorandum;

(b) the opinion of Bond Counsel, dated the Adjustment Date, addressed to the Agency and to the Agent, to the effect that (i) this Supplemental Agreement has been duly authorized, executed and delivered by the Agency and, assuming due authorization, execution and delivery by the Agent, constitutes a binding agreement of the Agency in accordance with its terms; (ii) the Agency has duly approved the Reoffering Memorandum and has duly ratified the distribution of the Preliminary Reoffering Memorandum; (iii) the statements contained in the Reoffering Memorandum under the headings entitled: "Introductory Statement," "The Agency" (as to the subheading "Purpose and Powers" only), "Single Family Mortgage Purchase Program" (as to the first paragraph only under the subheading "Mortgage Insurance Requirements"), "Security for the Bonds", "The Series 9 Adjusted Rate Bonds," "Book-Entry System" (as to the eighth and fourteenth paragraphs under such heading only), "Summary of Certain Provisions of the General Resolution" "Pledge and Agreement of the State," "Continuing Disclosure", "Tax Exemption," "Certain Federal Income Tax Matters" and Appendix IV - "Definitions of Certain Terms" are correct and do not omit any matter that in their opinion, should be included or referred to therein and that is not included elsewhere in the Reoffering Memorandum; (iv) the Resolution and the Series 9 Bonds conform as to form and tenor with the terms and provisions thereof as summarized and set out in the Reoffering Memorandum; (v) based upon the examinations that they have made as Bond Counsel, and without having undertaken to determine independently the accuracy or completeness of the statements contained in the Reoffering Memorandum, nothing has come to their attention that would lead them to believe that the Reoffering Memorandum contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, it being understood that in rendering such opinion Bond Counsel is not required to express an opinion with respect to financial statements and other financial and statistical data included in the Reoffering Memorandum, or in Appendix V - "Certain Information Regarding Credit Enhancement Providers"; and (vi) under existing law so the Series 9 Bonds may be offered and sold without registration under the Securities Act of 1933, as amended, and the Thirteenth Supplemental Resolution is not required to be qualified under the Trust Indenture Act of 1939, as amended.

(c) the opinion of Glenn A. Jarrett, General Counsel of the Agency, dated the Adjustment Date and addressed to the Agency and the Agent, to the effect that, with respect to matters of Vermont law only, (i) the Agency is a body politic and corporate of the State of Vermont, duly organized, validly existing and in good standing under the laws of the State of Vermont and has the power to enter into the transactions contemplated by the Reoffering Memorandum; (ii) this Supplemental Agreement has been duly authorized, executed and delivered by the Agency and, assuming due authorization, execution and delivery by the other parties to the same, constitutes a valid and binding agreement of the Agency in accordance with its terms; (iii) the Agency has duly approved the Reoffering Memorandum and has duly ratified the distribution of the Preliminary Reoffering Memorandum; (iv) the information in the Reoffering Memorandum with respect to the Commitment Agreements and the Purchase and Servicing Agreements is correct and does not omit any statement that, in his opinion, should be included or referred to therein, and the Commitment Agreements and the Purchase and Servicing Agreements conform as to form and tenor with the, terms, provisions and descriptions thereof as summarized and set out in the Reoffering Memorandum; (v) based upon the examinations that he has made as counsel for the Agency but without having undertaken to determine independently the accuracy or completeness of the statements contained in the Reoffering Memorandum, nothing has come to his attention that would lead him to believe that the Reoffering Memorandum (except for Appendices I, II, IIA, V, VI and VII, as to which he need express no opinion) contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, it being understood that in rendering such opinion counsel for the Agency shall not be required to express an opinion with respect to financial statements and other financial data included in the Reoffering Memorandum; (vi) under the Act, the Series 9 Bonds and the interest thereon and the income therefrom are exempt from all Vermont taxation, franchise fees and special assessments of every kind, except for transfer, inheritance and estate taxes; (vii) to the best of his knowledge, there is no action, suit, proceeding, investigation at law or in equity before or by any court, judicial board or body, pending or threatened, against or affecting the Agency, wherein an unfavorable decision, ruling or finding would affect materially and adversely the transactions contemplated by the Reoffering Memorandum or the validity of the Resolution, the Series 9 Bonds, the Mortgage Loans, the Commitment Agreements, the Purchase and Servicing Agreements, the Remarketing Agreement, or this Supplemental Agreement; and (viii) the adoption of the Thirteenth Supplemental Resolution, the execution of the Commitment Agreements, the Purchase and Servicing Agreements, the Series 9 Reimbursement Agreement and this Supplemental Agreement, and compliance with the terms and provisions thereof and hereof, under the circumstances contemplated thereby and hereby, do not and will not in any material respect conflict with the by-laws of the Agency or any existing law, court order or consent decree to which the Agency is subject, and, to the best of his knowledge after due inquiry, such execution, delivery and compliance does not and will not constitute on the part of the Agency a breach of or default under any agreement or other instrument to which the Agency is a party; it being understood that in rendering such opinion General Counsel of the Agency is entitled to rely on the opinion of the Vermont Department of Taxes with respect to the opinion expressed in clause (vi), need render no opinion as to the requirement of registration of the Series 9 Bonds under the Securities Act of 1933, as amended, or under the similar provisions of any state statute or regulation, and need render no opinion as to any matter of Federal law;

(d) the opinion of Orrick, Herrington & Sutcliffe LLP, New York, New York, counsel for the Agent, dated the Adjustment Date and addressed to the Agent, to the effect that (i) under existing laws, the Adjusted Rate Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Thirteenth Supplemental Resolution is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended; and (ii) without having undertaken to determine independently the accuracy or completeness of the statements contained in the Reofffering Memorandum, but on the basis of their conferences with the representatives of the Agency, counsel for the Agency, Bond Counsel and the Agent and their examination of certain documents referred to in the Reoffering Memorandum, no information has come to their attention that would cause them to believe that the Reoffering Memorandum, as of its date and the Adjustment Date, contains or contained an untrue statement of a material fact or omits or omitted to state any material fact required to be stated therein or that is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; it being understood that in rendering such opinion counsel for the Agent is not required to express an opinion with respect to financial statements and other financial, statistical or numerical data included in the Reoffering Memorandum or any information concerning the book-entry system for registration of the Bonds, DTC, Ambac Assurance, FNMA, the Insurer or the Sanwa Bank, Limited;

(e) a certificate, dated the Adjustment Date, signed by the Chairman and the Executive Director or the Director of Finance of the Agency and in form and substance satisfactory to the Agent, to the effect that (i) the representations, agreements and warranties of the Agency contained herein and in the Remarketing Agreement are each true and correct in all material respects as of the Adjustment Date; (ii) the Remarketing Agreement, the General Resolution and the Twelfth Supplemental Resolution are in full force and effect as of the Adjustment Date; (iii) the Commitment Agreements, the Purchase and Servicing Agreements and this Supplemental Agreement have been duly executed by the Agency and, assuming due execution by the other parties thereto, constitute binding agreements of the Agency that are in full force and effect; (iv) no litigation is pending or to their knowledge, threatened (a) to restrain or enjoin the remarketing of the Adjusted Rate Bonds or the making of loans with the proceeds of the Adjusted Rate Bonds, (b) in any way contesting or affecting any authority for the issuance or validity of the Bonds or the remarketing of the Adjusted Rate Bonds as contemplated herein, any proceedings of the Agency taken with respect to the issuance or resale of the Bonds, the pledge or application of any money or security provided for the payment of the Bonds or the validity of the Resolution, the Commitment Agreements, the Purchase and Servicing Agreements, the Remarketing Agreement or this Supplemental Agreement, or (c) in any way contesting the existence or powers of the Agency; and (v) to the best of their knowledge, no event affecting the Agency has occurred since the date of the Reoffering Memorandum that should be disclosed in the Reoffering Memorandum for the purpose for which it is to be used or that is necessary to be disclosed therein to make the statements and information therein not misleading in any material respect;

(f) a letter of KPMG Peat Marwick, dated the Adjustment Date and addressed to the Agency and the Agent to the effect that such accountants reaffirm, as of a date not more than five business days prior to the Adjustment Date, the statements made in the letter furnished by such accountants pursuant to paragraph A 2(d) hereof;

(g) a certified copy of each of the Arbitrage Projection Certificate, the Remarketing Projection of Revenues, the Adjustment Rating Certificate and the Certificate of the Agency with regard to the balance or deposit in the Bond Reserve Fund, all delivered in accordance with Section 203(A)(4) of the Twelfth Supplemental Resolution.

(h) a certificate of the Agency directing the call of Bonds for tender and exchange, delivered in accordance with Section 203(A)(2) of the Twelfth Supplemental Resolution.

(i) such additional legal opinions, certificates, proceedings, instruments and other documents as the Agent or Bond Counsel may reasonably request to evidence compliance by the Agency with legal requirements, the truth and accuracy, as of the Adjustment Date, of the representations of the Agency herein and in the Reoffering Memorandum and the due performance or satisfaction by the Agency at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Agency.

If the Agency shall be unable to satisfy the conditions to the Agent's obligations contained in this Supplemental Agreement with respect to the Bonds or if the Agent's obligations shall be terminated for any reason permitted by this Supplemental Agreement, this Supplemental Agreement shall terminate and neither the Agent nor the Agency shall have any further obligation hereunder.

5. <u>The Agent</u>.

(a) The Agent will be acting solely as the Agency's agent in the re-sale of the Adjusted Rate Bonds, and the Agent's responsibility is limited to the use of its best efforts to solicit offers to purchase the Adjusted Rate Bonds.

(b) The Agent, in its individual capacity, either as principal or agent, may buy, sell, own, hold and deal in any of the Bonds, and may join in any action which any holder of Bonds may be entitled to take, with the like effect as if it did not act in any capacity hereunder. The Agent, in its individual capacity, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Agency and may act as depositary, trustee or agent for any committee or body of holders of Bonds or other obligations of the Agency as freely as if it did not act in any capacity hereunder.

(c) The Agent shall incur no liability to the Agency or any other person for its action as Agent pursuant to the terms of this Supplemental Agreement except for its willful misconduct or gross negligence. In setting the various interest rates relating to the Adjusted Rate Bonds referred to above, the Agent shall not be liable for any error made in good faith.

B. GENERAL PROVISIONS.

1. Intention of Parties. It is the express intention of the parties hereto that no purchase, sale or transfer of any Bonds, as herein provided, or the setting of interest rates in respect thereof, shall constitute or be construed to be the extinguishment of any Bond or the indebtedness represented thereby or the reissuance of any Bond or the refunding of any indebtedness represented thereby. This Supplemental Agreement is made solely for the benefit of the Agency and the Agent (including the successors or assigns thereof) and no other person, partnership, association or corporation shall acquire or have any rights hereunder or by virtue hereof. All representations and agreements of the Agency in this Supplemental Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Agent and shall survive any remarketing of the Adjusted Rate Bonds.

2. Amendments.

(a) The Agency agrees not to amend the Resolution insofar as it relates to this Supplemental Agreement or the rights and duties of the Agent hereunder without the prior written consent of the Agent.

(b) This Supplemental Agreement may not be amended except by a writing signed by each of the parties hereto.

3. Term. Unless previously terminated, this Supplemental Agreement shall remain in full force and effect until the earlier of the Adjustment Date, if any, pursuant to the Thirteenth Supplemental Resolution, or _______, 1998. The Agency may terminate this Agreement at any time by giving at least five business days' prior written notice to the Agent and the Trustee. The Agent may terminate this Agreement at any time by giving at least ten business days' prior written notice to the Agency and the Trustee. The representations, warranties and agreements of the Agency set forth herein shall remain in full force and effect regardless of any investigation (or any statement as to the results thereof) made by or on behalf of the Agent and shall survive the termination or expiration of this Agreement.

4. Blue Sky Qualification of Securities. The Agency agrees to cooperate with the Agent in the qualification of the Adjusted Rate Bonds for reoffering and resale and the determination of the eligibility of the Adjusted Rate Bonds for investment under the laws of such jurisdictions as the Agent shall designate and will use its best efforts to continue any such qualification in effect so long as required for the distribution of the Adjusted Rate Bonds by the Agent, provided that the Agency shall not be required to qualify to do business in any jurisdiction where it is not now so qualified or to take any action which would subject it to general or special service of process in any jurisdiction where it is not now so subject. It is understood and agreed that the Agency shall not be responsible for compliance with or the consequences of failure to comply with applicable "Blue Sky" laws; provided, however, the inability of the Agent to remarket the Adjusted Rate Bonds because of the failure of the Agency to cooperate with the Agent shall not be a default hereunder by the Agent.

5. Notices. Unless otherwise provided herein, all notices, certificates, requests or other communications hereunder shall be deemed given when delivered in writing by hand or sent by facsimile transmission, tested telex or registered mail, postage prepaid, addressed as follows:

| | |
|---|---|
| If to the Agency: | Vermont Housing Finance Agency<br>164 St. Paul Street<br>Burlington, Vermont 05401-4634<br>Attention: Mr. Allan S. Hunt<br>Executive Director |
| If to the Agent: | PaineWebber Incorporated<br>1285 Avenue of the Americas<br>New York, New York 10019<br>Attention: Mr. Andrew F. Gurley |

Each of the above parties may, by written notice given hereunder to the others, designate any further or different addresses to which, or means by which, subsequent notices, certificates requests or other communications shall be sent.

6. End of the Underwriting Period. For purposes of this Supplemental Agreement, the End of the Underwriting Period shall mean the earlier of (a) the Adjustment Date unless the Agency has been notified in writing to the contrary by the Agent on or prior to such Adjustment Date, or (b) the date on which the "End of the Underwriting Period" for the Bonds has occurred under Rule 15c2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934 (the "Rule").

The Agency may request from the Agent from time to time, and the Agent shall provide to the Agency upon such request, such information as may be reasonably required by it in order to determine whether the "End of the Underwriting Period" for the Bonds has occurred under the Rule with respect to the unsold balances of Bonds that are held by the Agent for sale to the public within the meaning of the Rule. If there remains any unsold balance of Bonds for sale to the public within the meaning of the Rule, then the Agent shall promptly notify the Agency in writing that, in its opinion, the End of the Underwriting Period for the Bonds under the Rule has occurred on a date which shall be set forth in such notification. The Agency shall be entitled to treat as the End of the Underwriting Period for the Bonds, the date specified by the Agent in such notification.

7. Governing Law. This Supplemental Agreement shall be governed by and construed in accordance with the laws of the State of New York.

8. Counterparts. This Supplemental Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument.

9. Supplement to Remarketing Agreement. This Supplemental Agreement supplements the Remarketing Agreement dated June 24, 1997 and, in accordance with Section 6(b) thereof, all parties thereto have agreed to so supplement such Agreement and evidence such agreement

by their signatures hereto. Except as supplemented by the terms hereof, the Remarketing Agreement shall remain in full force and effect in accordance with the terms thereof.

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

Vermont Housing Finance Agency

By: ______________________________
Name:
Title:

PaineWebber Incorporated
Smith Barney, Inc.
A.G. Edwards & Sons, Inc.

By: PaineWebber Incorporated

By: ______________________________
Managing Director

OH&S DRAFT
8/7/98

Exhibit A
to the
Supplemental Remarketing Agreement

PROPOSED FORM OF ACCOUNTANT'S LETTER

[LETTERHEAD OF KPMG PEAT MARWICK]

August __, 1998

Vermont Housing Finance Agency
P.O. Box 408
Burlington, Vermont 05402

PaineWebber Incorporated
Smith Barney, Inc.
A.G. Edwards & Sons, Inc.
c/o PaineWebber Incorporated
1285 Avenue of the Americas
New York, New York 10019

Ladies and Gentlemen:

We audited, in accordance with generally accepted auditing standards, the balance sheet of Vermont Housing Finance Agency (the "Agency") as of June 30, 1997, and the related statements of revenues, expenses and changes in fund balances and cash flows for the year then ended, and have issued our report thereon dated September 19, 1997. Those financial statements and our report thereon are included in the Preliminary Reoffering Memorandum of the Agency, dated August ___, 1998 (the "Reoffering Memorandum"), relating to the reoffering of $[25,000,000] aggregate principal amount of Single Family Housing Bonds, Series 9 (the "Bonds").

We have applied certain agreed-upon procedures, as discussed below, solely to assist you in connection with the proposed issuance of the Bonds. It is understood that this report is solely for your information and is not to be referred to or distributed for any other purpose.

We have not audited any financial statements of the Agency as of any date or for any period subsequent to June 30, 1997; although we have conducted an audit for the year ended June 30, 1997, the purpose, and therefore the scope, of the audit was to enable us to express an opinion on the financial statements as of and for the year ended June 30, 1997, but not on the financial statements for any interim period within that year or for any period subsequent to June 30, 1997. Therefore, we are unable to and do not express any opinion on the unaudited balance sheet of the Agency as of March 31, 1998 and the related unaudited statements of revenues, expenses and changes in fund balances and cash flows for the nine-month period ended March 31, 1998, included in the Reoffering Memorandum, or on the financial position, results of operations or cash flows as of any date or for any period subsequent to June 30, 1997.

Our procedures and findings are as follows:

1. We compared the amount of the principal debt outstanding at June 30, 1998 on page 1, under the heading "Introductory Statement" of the Reoffering Memorandum to the corresponding amount appearing in schedules prepared by the Agency as of June 30, 1998 and found it to be in agreement.

2. We compared the amounts of issued and outstanding principal debt at June 30, 1998 on page 6, under the heading "The Agency-Outstanding Indebtedness" of the Reoffering Memorandum to the corresponding amounts appearing in schedules prepared by the Agency as of June 30, 1998 and found them to be in agreement.

3. We compared the amount on deposit in the Bond Reserve Fund at June 30, 1998 and the amount of the Bond Reserve Fund Requirement at such date on page 16 under the heading "Security for the Bonds-Bond Reserve Fund" to the corresponding amounts appearing in schedules prepared by the Agency as of June 30, 1998 and found them to be in agreement.

4. We compared the amounts at June 30, 1998 under the headings "Portfolio of Loans Outstanding under the Single Family Housing Bond Program" and "Delinquency Statistics for the Single Family Housing Bond Program" in APPENDIX I - "Certain Information Relating to the Agency's Existing Single Family Housing Bond Program", including the amounts in the footnotes therein, to the corresponding amounts appearing in the schedules prepared by the Agency as of June 30, 1998 and found them to be in agreement.

Because the above procedures do not constitute an audit conducted in accordance with generally accepted auditing standards, we do not express an opinion on any of the accounts or items referred to above. Had we performed additional procedures or had we conducted an audit of the financial statements in accordance with generally accepted auditing standards, matters might have come to our attention that would have been reported to you. This report relates only to the accounts and items specified above and does not extend to any financial statements of Vermont Housing Finance Agency taken as a whole.

Very truly yours,

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

To: VHFA Board of Commissioners

From: Glenn A. Jarrett GAJ

Date: August 12, 1998

Re: Bond Counsel RFP

The Agency received four responses to our Request for Proposals from law firms. The firms are Kutak Rock, our current bond counsel, Ballard, Spahr, Andrews & Ingersoll, a Philadelphia-based firm, Hawkins, Delafield & Wood, a firm based in New York, and Orrick, Herrington & Sutcliffe, which has served as Underwriters' counsel on almost all VHFA bond issues over the years.

I have analyzed the proposals and other than price, I do not see a great difference between the qualifications of the four firms. As for price, Kutak is much less expensive than the other firms. Both Ballard and Hawkins made an effort and reduced their normal hourly rates, while Orrick did not. Here are the rates for partners and associates for the four firms:

| | Ballard | Hawkins | Kutak | Orrick |
|---|---|---|---|---|
| Partners | $190 | $240 | $175 | $370-400 |
| Associates | $150 | $150-190 | $100 | $260 |

We also asked the firms to estimate their fees for several sizes of bond issue that the Agency might be engaged in. The three firms other than Kutak ranged from $30,000 to $45,000 for a $50,000,000 single family issue (plus expenses). Kutak quoted its actual charges on the last two single family issues, which were $16,746 and $18,318.

Because Agency staff is happy with the work and service we receive from Kutak and because their proposed fees are so much lower than the other firms, we recommend that the Board choose Kutak Rock to serve as the Agency's bond counsel for a two year period and the Board authorize staff to enter into such an agreement with Kutak Rock.

Staff does not feel there is a need to have the firms' lawyers travel to Vermont to make oral presentations to the Board or to a committee. However, if any Board member feels differently, it can be arranged. If so, please contact me at 652-3426 and I will send you copies of the proposals.

*ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD*

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EQUAL HOUSING OPPORTUNITY

KR DRAFT
08/13/98

# VERMONT HOUSING FINANCE AGENCY

# THIRTEENTH SUPPLEMENTAL SINGLE FAMILY HOUSING BOND RESOLUTION

Adopted August 20, 1998

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EXHIBIT A

## THIRTEENTH SUPPLEMENTAL SINGLE FAMILY HOUSING BOND RESOLUTION

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

## ARTICLE I

## DEFINITIONS AND AUTHORITY

**Section 101. Short Title**. This resolution is hereinafter sometimes referred to as the "Thirteenth Supplemental Resolution."

**Section 102. Definitions and Interpretation**.

(A) Except as provided in Paragraph (B) of this Section, all terms used herein shall have the same meanings as are given such terms in Section 101 of the Resolution (as defined herein) and Section 102 of the Issuance Resolution (as defined herein), as applicable.

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

"*Adjustment Date*" means August 26, 1998 with respect to the Series 9 Adjusted Rate Bonds authorized to be remarketed pursuant to this Thirteenth Supplemental Resolution.

"*Issuance Resolution*" means the Twelfth Supplemental Single Family Housing Bond Resolution of the Agency adopted June 9, 1997.

"*Reoffering Memorandum*" means the Reoffering Memorandum of the Agency describing the Series 9 Adjusted Rate Bonds, in preliminary form dated August 5, 1998, and in final form dated the date of execution of the Supplemental Remarketing Agreement.

"*Remarketing Agreement*" means the Supplemental Remarketing Agreement executed in connection with the issuance of the Series 9 Adjusted Rate Bonds by the Agency and the Remarketing Agent.

"*Series 9 Adjusted Interest Rates*" means the rates of interest to be borne by the Series 9 Adjusted Rate Bonds subsequent to the Adjustment Date.

"***Series 9 Adjusted Rate Bonds***" means all Series 9 Bonds on which the interest rate has been adjusted to the Series 9 Adjusted Interest Rates on the Adjustment Date and any Series 9 Adjusted Rate Bonds authenticated and delivered under the Resolution thereafter upon transfer of, or in exchange or substitution for, any such Series 9 Adjusted Rate Bonds.

"***Supplemental Remarketing Agreement***" means the Supplemental Remarketing Agreement, dated as of August __, 1998, by and between the Agency and the Remarketing Agent.

**Section 103. Authority**. This Thirteenth Supplemental Resolution supplements the Resolution and the Twelfth Supplemental Resolution and is adopted pursuant to Section 701 of the Resolution and in accordance with the Act.

## ARTICLE II

## REMARKETING OF SERIES 9 ADJUSTED RATE BONDS

**Section 201. Authorization**. The Agency has heretofore determined that there remains on deposit in the Series 9 Purchase Account not less than $25,000,000 attributable to the Series 9 Bonds. The Agency has further determined that the conditions precedent to the remarketing of Series 9 Bonds in an aggregate principal amount of $25,000,000 as Adjusted Rate Bonds have been satisfied. In order to provide funds for Loans which will be less than the prevailing rate of interest on comparable loans available in the State without assistance from the Agency, the remarketing of $25,000,000 of the Series 9 Bonds as the Series 9 Adjusted Rate Bonds on the terms set forth herein is hereby authorized.

**Section 202. Amounts, Maturities and Interest Rates**. The Series 9 Adjusted Rate Bonds shall mature on the dates in the principal amounts and bear interest from August 20, 1998, at the rates set forth in the following table:

[Remainder of page intentionally left blank]

| Maturity Date | Principal Amount | Interest Rate | Maturity Date | Principal Amount | Interest Rate |
|---|---|---|---|---|---|
| November 1, 1999 | $ 75,000 | % | November 1, 2006 | $ 190,000 | % |
| May 1, 2000 | 75,000 | | May 1, 2007 | 205,000 | |
| November 1, 2000 | 85,000 | | November 1, 2007 | 215,000 | |
| May 1, 2001 | 90,000 | | May 1, 2008 | 225,000 | |
| November 1, 2001 | 95,000 | | November 1, 2008 | 230,000 | |
| May 1, 2002 | 105,000 | | May 1, 2009 | 240,000 | |
| November 1, 2002 | 115,000 | | November 1, 2009 | 245,000 | |
| May 1, 2003 | 125,000 | | May 1, 2010 | 250,000 | |
| November 1, 2003 | 135,000 | | November 1, 2010 | 260,000 | |
| May 1, 2004 | 140,000 | | May 1, 2012 | 825,000 | |
| November 1, 2004 | 150,000 | | May 1, 2017 | 3,410,000 | |
| May 1, 2005 | 160,000 | | May 1, 2029 | 13,875,000 | |
| November 1, 2005 | 170,000 | | May 1, 2037 | 3,125,000 | |
| May 1, 2006 | 185,000 | | | | |

**Section 203. Sinking Fund Redemption**. The Series 9 Adjusted Rate Bonds maturing May 1, 2012, May 1, 2017, May 1, 2029 and May 1, 2037 shall be subject to redemption prior to maturity in part on May 1 and November 1 in each of the following years and in the following Principal Amounts through application of Sinking Fund Installments at a Redemption Price equal to the Principal Amount of each Series 9 Adjusted Rate Bond or portion thereof to be redeemed, plus accrued interest to the redemption date. Unless none of the Series 9 Adjusted Rate Bonds maturing on such dates shall then be Outstanding, there shall be due and the Agency shall in all events pay, as and for Sinking Fund Installments for the retirement of such Series 9 Adjusted Rate Bonds the following amounts on May 1 and November 1, as the case may be, of each of the following years; provided, however, that when there has been special or optional redemption of such Series 9 Adjusted Rate Bonds, or purchase of such Series 9 Adjusted Rate Bonds in lieu of redemption as provided in the Resolution, the amount of each future Sinking Fund Installment shown will be reduced as provided in the certificate of an Authorized Officer filed pursuant to Section 509(F) of the Resolution prior to such special or optional redemption or purchase; and provided further that, if the Agency shall adjust the interest rate of the Series 9 Adjusted Rate Bonds pursuant to Section 203 of the Issuance Resolution, the amount of each Sinking Fund Installment shown below shall be adjusted by the Trustee to reflect the schedule of Principal Installments for the Series 9 Adjusted Rate Bonds prepared by the Remarketing Agent in accordance with Section 203(A)(5) of the Issuance Resolution:

[Remainder of page intentionally left blank]

## Sinking Fund Installments

### Series 9 Bonds Maturing May 1, 2012

| Date | Amount |
|---|---|
| May 1, 2011 | $265,000 |
| November 1, 2011 | 275,000 |
| May 1, 2012* | 285,000 |

*Maturity

### Series 9 Bonds Maturing May 1, 2017

| Date | Amount | Date | Amount |
|---|---|---|---|
| November 1, 2012 | $295,000 | May 1, 2015 | $ 345,000 |
| May 1, 2013 | 305,000 | November 1, 2015 | 355,000 |
| November 1, 2013 | 315,000 | May 1, 2016 | 365,000 |
| May 1, 2014 | 325,000 | November 1, 2016 | 380,000 |
| November 1, 2014 | 335,000 | May 1, 2017* | 390,000 |

*Maturity

### Series 9 Bonds Maturing May 1, 2029

| Date | Amount | Date | Amount |
|---|---|---|---|
| November 1, 2017 | $400,000 | November 1, 2023 | $590,000 |
| May 1, 2018 | 415,000 | May 1, 2024 | 610,000 |
| November 1, 2018 | 430,000 | November 1, 2024 | 625,000 |
| May 1, 2019 | 440,000 | May 1, 2025 | 645,000 |
| November 1, 2019 | 455,000 | November 1, 2025 | 665,000 |
| May 1, 2020 | 470,000 | May 1, 2026 | 690,000 |
| November 1, 2020 | 485,000 | November 1, 2026 | 710,000 |
| May 1, 2021 | 500,000 | May 1, 2027 | 735,000 |
| November 1, 2021 | 515,000 | November 1, 2027 | 760,000 |
| May 1, 2022 | 535,000 | May 1, 2028 | 785,000 |
| November 1, 2022 | 550,000 | November 1, 2028 | 810,000 |
| May 1, 2023 | 570,000 | May 1, 2029* | 485,000 |

*Maturity

**Series 9 Bonds Maturing May 1, 2037**

| Date | Amount | Date | Amount |
|---|---|---|---|
| November 1, 2029 | $315,000 | November 1, 2033 | $190,000 |
| May 1, 2030 | 315,000 | May 1, 2034 | 170,000 |
| November 1, 2030 | 310,000 | November 1, 2034 | 145,000 |
| May 1, 2031 | 300,000 | May 1, 2035 | 125,000 |
| November 1, 2031 | 280,000 | November 1, 2035 | 100,000 |
| May 1, 2032 | 260,000 | May 1, 2036 | 75,000 |
| November 1, 2032 | 240,000 | November 1, 2036 | 55,000 |
| May 1, 2033 | 215,000 | May 1, 2037* | 30,000 |

*Maturity

**Section 204. Remarketing.**

(A) The Series 9 Adjusted Rate Bonds which shall not have been retained by the owners hereof shall be remarketed by the Remarketing Agent on the terms and conditions, and upon the representations set forth in the Remarketing Agreement, as supplemented by the Supplemental Remarketing Agreement, which Supplemental Remarketing Agreement is hereby approved, subject to such changes, additions and deletions as may be approved by the Chairman, Vice-Chairman or the Executive Director, and the execution and delivery thereof on behalf of the Agency by the Chairman, Vice-Chairman or Executive Director is hereby authorized in all respects.

(B) The distribution of the preliminary Reoffering Memorandum is hereby ratified and confirmed in all respects. The final Reoffering Memorandum is hereby approved, subject to such changes, additions and deletions as may be approved by the Chairman, Vice-Chairman or Executive Director, and the execution and delivery thereof on behalf of the Agency by the Chairman, Vice-Chairman or Executive Director is hereby authorized in all respects.

(C) The Series 9 Adjusted Rate Bonds shall be delivered upon compliance with the provisions of Section 203 of the Initial Resolution, at the time and place provided by the Supplemental Remarketing Agreement.

## ARTICLE III

## FORM OF SERIES 9 ADJUSTED RATE BONDS

**Section 301. Form of Series 9 Adjusted Rate Bonds.** The Series 9 Adjusted Rate Bonds shall be in such form and shall bear such terms and conditions, not inconsistent with the Resolution, the Initial Resolution and this Thirteenth Supplemental Resolution, as the Chairman, Executive Director or other Authorized Officer of the Agency shall determine and certify to the Trustee on or before the Adjustment Date.

## ARTICLE IV

## MISCELLANEOUS

**Section 401. Authorization of Officers**. The Chairman, Vice Chairman or any other Commissioner of the Agency, Executive Director, Deputy Director, Treasurer, Director of Finance, Director of Single Family Operations and Secretary of the Agency are hereby authorized and directed to do all acts and things and to execute and deliver any all documents, certificates and other instruments necessary or desirable to effectuate the transaction contemplated by this Thirteenth Supplemental Resolution, the Initial Resolution, the Resolution, the Supplemental Remarketing Agreement, the Remarketing Agreement and the Reoffering Memorandum.

**Section 402. Supplemental Remarketing Agreement**. The Supplemental Remarketing Agreement is hereby approved in substantially the form presented at this meeting with such changes, omissions, insertions and revisions thereto as the Chairman, the Executive Director or any other Authorized Officer executing the same may deem advisable, the execution thereof by such person to be conclusive evidence of the approval thereof. The aforementioned officers of the Agency are, and each of them is, hereby authorized to execute the Supplemental Remarketing Agreement and, upon such execution, to deliver it to the Remarketing Agent.

**Section 403. Remarketing Agent**. The Remarketing Agent is hereby appointed by the Agency to serve as Remarketing Agent with respect to the remarketing of the Series 9 Adjusted Rate Bonds.

**Section 404. Effective Date**. This Thirteenth Supplemental Resolution shall take effect immediately.

vhfa

VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

**TO:** **VHFA Board of Commissioners**

ASH

**FROM:** **Allan S. Hunt, Executive Director**

**DATE:** **August 25, 1998**

**RE:** **Abenaki Acres Default**

As you may recall from recent Board meeting discussions and reading the MF Director's Report, this 12 unit family property located in Swanton has been an ongoing concern. On June 17,1998, we sent the Abenaki Self-Help Association a 30-day Notice of Intent to Declare Default letter for their failure to provide VHFA with audited financial statements as required by HUD's Housing Assistance Payments (HAP) Contract, Regulations and our Regulatory Agreement. It has now been more than 60 days and we have had little response except from the auditor who says the audit is complete and in draft form. In addition, their August mortgage payment is delinquent and we have learned that a key long-term employee has been terminated.

Last month we sent the Abenakis a letter, advising them that we were imposing a forfeiture of management fee for each month that the audit is delinquent. This action had no effect and we haven't even received a phone call. Short of declaring a default, we have one remaining option available to us that will help protect project funds that may be in jeopardy due to the unstable nature of Abenaki ownership and management. Our invoking the Assignment of Housing Assistance Payments by notifying the Vermont State Housing Authority would require VSHA to send us the monthly Housing Assistance Payments that are due for Abenaki Acres. We would, in turn, offer to make mortgage, tax, insurance and other payments due after our review and approval of invoices and bills submitted by management. We have discussed this option at today's Core meeting and it is the preferred course of action.

I am using this correspondence to both inform you and solicit any reservations you may have about our sending the letter invoking the Assignment that we plan to mail on Friday, as it is possible that it may result in some negative publicity. Please feel free to call me at (652-3421) or Glenn (652-3426) should you like to discuss this matter.



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# VERMONT HOUSING FINANCE AGENCY

## MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: September 18th, 1998

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held on September 24th here at the Vermont Housing Finance Agency's office, 164 Saint Paul Street, Burlington, Vermont. The meeting will begin at 1:00 p.m.

Attached is the agenda and Board packet. The master copy of the Board minutes kept on file here at the Agency includes any attachments that may be referenced in the minutes; copies will be made available should any Board members be interested in reviewing them.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Burlington September 24th!



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VERMONT HOUSING FINANCE AGENCY

# BOARD AGENDA

Vermont Housing Finance Agency
164 Saint Paul Street
Burlington, Vermont

Thursday, September 24th at 1:00 p.m.

1. Review and approval of minutes of July 23rd and August 20th

2. OPERATIONS
   A. Single Family Program Activity Report for July, 1998 {Lothrop//Enclosure}
   B. Servicing Activity for July, 1998 {Lothrop//Enclosure}
   C. Homeownership Center Intervention Agreement {Crady/Lothrop/Cunningham/Gent//Enclosure}

3. FINANCE
   A. Fiscal Year June, 30 1998 Results {Schoenbeck//Enclosure}

4. LEGAL
   A. Litigation Update {Jarrett}

5. ADMINISTRATION
   A. Executive Director's Report {Hunt}
   B. Year 2000 Update {Loller//Enclosure}

6. Update on Search Process {Chairman White}

7. Focus Group Recommendations {Chairman White}

8. Other old or new business to come before the Board

*ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD*

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VERMONT HOUSING FINANCE AGENCY

# BOARD MINUTES

Vermont Housing Finance Agency
164 Saint Paul Street
Burlington, Vermont

Thursday, July 23rd, 1998 at 1:30 p.m.

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

Staff: Mr. Hunt, Mr. McNamara, Mr. Falzone, Ms. Gent, Ms. Caragher, Ms. Loller, Mr. Schoenbeck, Mr. Lothrop, Mr. Erdelyi, Ms. Reid

Other: Mr. Dillon (Housing Vermont), Mr. Toth (Salomon Smith Barney), Mr. Sohn (Salomon Smith Barney), Mr. Gurley (PaineWebber), Mr. Irvin (PaineWebber), Mr. Dormitzer (PaineWebber)

Chairman White called the meeting to order at 1:35 p.m. A motion was made by Mr. Douglas to approve the minutes of June 18th with two changes: on page four, second paragraph, seventh sentence; change the word "wise" to "should consider" and in the tenth sentence; add that Ms. Randall mentioned that we may not be able to add the additional burden to staff. The motion carried unanimously after being seconded by Ms. Randall.

Ms. Reid reviewed her memo "Lakeview Housing, Newport: Letter of Interest and Commitment for Interim Financing," included in the Board packet. Lakeview Housing Limited Partnership, consisting of Gilman Housing Trust (GHT), Housing Vermont (HVT) and a to-be-determined limited partner, is seeking to acquire and rehab 16 units of rental housing in three buildings in Newport. The proposal involves using interim tax-exempt financing through the construction period so that the project can qualify for out of cap tax credits. All of the units are occupied and will stay occupied through the construction period. The project is seeking permanent low interest financing and rental assistance from Rural Development (RD) which will greatly enhance affordability. Ms. Reid indicated that there may exist a possibility for RD to close a portion of their loan when construction is completed and thus begin the rental assistance early and not wait until the permanent take out which looks like it will be in January 2000. Ms. Reid indicated she does not have any updates to give the Board and that we are waiting for the appraisal, which we should have in a couple weeks.

Staff is proposing that VHFA provide $1,000,000 in interim tax-exempt financing until the year following the end of the construction period (from fall 1998 to January 2000). RD will then take out the interim financing with its permanent loan. All of the funding is committed except for the RD loan for which RD is expecting to issue a commitment letter to the limited partnership in early August. Ms. Reid noted that VHFA needs a permanent commitment from RD before proceeding. Mr. Dillon (Housing Vermont) indicated that he anticipates a commitment letter for permanent financing by August 6th. Ms. Randall asked if staff expects the clean up costs to be a concern. Ms. Reid answered no; the issues were all minor. After a brief discussion, a motion was made by Mr.



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Douglas to approve the "Resolution Pertaining to Combined Letter of Interest and Commitment Letter Re: Interim Financing (Newport)." The motion carried unanimously after being seconded by Mr. Brown.

Mr. Erdelyi discussed his memo "Homestead Greene, North Bennington: Letter of Interest and Commitment for Interim Financing," included in the Board packet. Staff is proposing to provide $975,000 in short-term tax-exempt bond financing to Homestead Greene, a 17 unit new construction elderly development in North Bennington. Staff has come up with a way to work with the RD 515 program with tax-exempt funds in order to decrease the demand on the housing credits that we currently have. Rural Development will be providing subsidized permanent financing and rental assistance under its 515 program. This type of financing would enable the development to receive the lesser "4%" Housing Credit, and the proposal would enable the sponsors to receive this credit outside the State's allocation process. The sponsor has received a reservation of funds from RD using their funds from last year. Staff has reviewed the appraisal, and the value as of September 1997, was $1,025,000, which gives RD a loan-to-value of 97%. Our multifamily rules limit the LTV ratio to 95% of security value, which produced the proposed loan amount of $975,000.

Mr. Candon asked what the mechanics on the bonding would be and how it would work. Mr. Erdelyi indicated that staff hopes to find someone who will buy a single VHFA bond from which we can make both of these loans (Newport and North Bennington). By privately placing that bond it would save on some costs and possibly achieve a better rate. Mr. Schoenbeck noted that he does not think that short term bond will be difficult to place. Mr. Schoenbeck also noted that there is a large demand for short-term tax exempt bonds in Vermont. After further discussion, a motion was made by Mr. Douglas to approve the "Resolution Pertaining to Combined Letter of Interest and Commitment Letter Re: Interim Financing (North Bennington)." The motion carried unanimously after being seconded by Ms. Randall.

Next, Mr. Lothrop briefly reviewed his memo "Single Family Program Activity Report for May 1998," included in the Board packet. As compared to last year, we are doing significantly less activity. So far through the month of July, we have done $3 million in reservations as compared to $6.8 million in July 1997. Mr. Lothrop then handed out graphs for the Board to review. The graphs show periodic interest rates from April through July that display conventional rates compared to our rates and the activity by interest rates.

Mr. Lothrop discussed the "Servicing Activity for May 1998," included in the Board packet. Mr. Lothrop indicated at the last Board meeting that delinquencies had gone up slightly for the month of May. However, for the month of June, the delinquencies did decrease slightly to 8.8%. For the month of May, we sold 16 REOs with 15 still under contract. Currently, our REOs are down to 45 and of those 45, 12 of them are under contract. The number of REOs in our portfolio is decreasing. Ms. Randall asked what we pay for commission on the sale of REOs. Mr. Lothrop indicated that it is 6%. It was then asked how we list the REOs. Mr. Lothrop indicated that we list them in the MLS. Ms. Randall then asked if we use the same individual to list the properties and how that process works. Mr. Lothrop noted that most of the time we use the same agents as they have always done a good job for us, although in the southern part of the state we have a management company that both manages the properties and sells the properties for us. They select agents based on their knowledge and track record.

{Ms. Canney arrived}

"VHFA mandatory escrow requirement" was reviewed by Mr. Lothrop next. Mr. Lothrop indicated that the Mortgage Committee of the Vermont Bankers Association requested that VHFA reconsider its requirement that escrows be established on all new loans reserved after March 17, 1997. VHFA initiated the escrow requirement at the suggestion of the Mortgage Committee's sub-committee. Apparently, some lenders are having some difficulty administering mandatory escrow accounts. Staff has reviewed the request of the committee and believes that, due to the uncertainties of Act 60, the losses that VHFA has taken lately, etc., we should continue the escrow requirement for the time being. Staff is suggesting that VHFA allow participating lenders to have potential borrowers opt for a voluntary escrow on loans purchased by VHFA. If the escrow were to be terminated without VHFA written consent, then the loan would have to be repurchased by the lender. Mr. Lothrop indicated that the smaller banks are aware of this and are OK with the process. Ms. Randall believes that we should be disclosing this to everyone and not just a select few. Ms. Randall believes that the VHFA policy should state that,unless other arrangements are made, escrows for taxes and insurance are mandatory. After a brief discussion,a motion was made by Ms. Randall to reaffirm the current VHFA policy of requiring tax and insurance escrows on all mortgage loans purchased by VHFA, to be revisited again in 12 months. The motion carried unanimously after being seconded by Ms. Canney.

Next, Mr. Schoenbeck introduced representatives from Smith Barney and Paine Webber. They were present at the Board meeting to review and discuss Mr. Schoenbeck's memo "Single Family Series 9 Options." Last month, staff proposed a plan of action to negotiate a pre-sale to Fannie Mae of remarketed bonds to produce a lower mortgage rate on our Series 9 bonds and receive some protection from rising rates during the two week remarketing period. Mr. Gurley indicated that we ran into some legal issues and now cannot proceed with that plan, but we have come up with another option that lessens our risk. Paine Webber proposed this option called a swaption (a combined swap option hedge vehicle). The swaption would work by purchasing insurance policy from a reinsurance firm that would reimburse us if rates on treasuries increased by more than 25 basis point between the time we notified existing bondholders of the remarketing and the time we remarketed the bonds (the two week window). The reimbursement would be an upfront payment to us by the swap agent of the present value calculation of the increased interest cost over the remaining term. The cost of the swaption would be $20,000. Swaptions are priced only on a taxable interest rate market.

The discussion continued as to the benefits and shortcomings of the "swaption." It was agreed that it was far from a perfect hedge, but was meant to give the Agency some protection in the most likely negative market conditions. The most likely case where we would benefit from the swaption is when we least needed it, i.e. rising taxable rates and stable tax-exempt rates. PaineWebber and Salomon Smith Barney representatives agreed that it was extremely unlikely that the swaption was necessary in today's financial market.

Ms. Randall made a motion to remarket our current bonds without the swaption. The motion carried unanimously after being seconded by Mr. Brown.

Further discussion then ensued regarding an interim rate reduction. Mr. Schoenbeck indicated that the financial proformas indicated that, if bonds were remarketed at today's market rates, we would be able to reduce mortgage rates by 45-50 basis points. Mr. Lothrop stated the rate options for the MOVE program that we have currently: 6.95% with 1 point; 6.20% for 3 years increasing to 7.20% at one point and; 7.20% with no points. After further discussion, Ms. Canney made a motion to approve the staff's recommendation that each of the rates be reduced by 25 basis points, except for the 6.20% for 3 years increasing to 7.20% with one point, which will be modified to 6.20% for 3 years increasing to 7.20% with no points. The motion carried unanimously after being seconded by Mr. Brown.

Ms. Gent reviewed her memo "Advertising and Public Relations Activities for FY98 & FY99," included in the Board packet. The goal for the FY98 advertising campaign was to maintain the same level of calls to the Helpline and related program activity as occurred during FY97. The FY98 budget was $103,000 plus an extra $10,000 to allow our statewide advertising campaign to remain intact. Ms. Gent indicated that, in the fall of 1997, we had a 12% increase in the Helpline calls as compared to last year. The mail-in coupon has been very successful thus far, and the number of coupons we receive seems to be steadily increasing. In the spring, our Helpline calls decreased by 8%. Our calls went from 4,600 to 4,000 which represents a 13% decrease overall. In the spring we also revised our radio ads, which did not prove to be successful. We will be revising our radio ads for the fall campaign. Ms. Canney indicated that she has had consumers tell her that when they call the Helpline they get voicemail, and instead of leaving a message they hang up. We also provided funds for Homeownership Centers and nonprofits last year and will continue to do that.

Ms. Gent stated that the FY98 advertising results were disappointing. She also stated that our interest rates have not been favorable when compared with the conventional rates and that a great deal of competition currently exists in the marketplace. Ms. Randall suggested that perhaps we could try working with a partner in marketing. General discussion ensued around possibly forming a formal group consisting of mortgage brokers, bankers and originators. The group could meet regularly for brainstorming session to discuss outreach efforts. Ms. Canney suggested that perhaps the radio ads could focus more on actual numbers rather than what our current rate is.

Ms. Gent indicated that we had 30 public relative events and activities last year. In FY99, we have our 25th anniversary coming up along with the Housing Credit Program, our collaboration with Green Mountain Habitat's Oprah House and the House Next Door, etc.

Next, Ms. Gent reviewed her memo "Community-Based Outreach for FY98 & FY99," included in the Board packet. From July 1997 through June 1998, the Communications Department completed a total of 52 outreach events for over 1,500 consumers, real estate professionals, nonprofit providers, and lenders. Of the events, 28% were for real estate professionals, 18% were for consumers, and 3% were "other" outreach. Between July and November 1997, we held breakfast brainstorming sessions in five locations around the state, called Vermont Homeownership 2000. These sessions included lenders, real estate professionals, nonprofit housing providers and our sponsoring partners.

We had a total of 241 lenders attend our 12 lender training sessions, of which 8 sessions were to announce program changes. Our goal for lender training was met for the year. The real estate outreach was popular this year. We had 186 participants in 8 events, which exceeded our goal by 3 sessions. We also plan to have five more sessions this year. Staff spent more time than anticipated with the Homeownership Centers. The need for specific and consistent processes, ongoing training and technical support required that VHFA provide special staff and capital support. Ms. Gent indicated that no specific goals for FY99 have been set, but VHFA will continue to provide resource support and staff for the Homeownership Centers, in the form of additional training, one-on-one sessions and finding additional resource as needed.

A total of 92 consumers received direct education from us in FY98 through multiple formats. Three "Home Buying Basics" classes were taught in Bennington, Brattleboro and Burlington. We also taught consumer education at two Homeownership Centers. We have increased consumer education goals for FY99 by proposing 9 adult education classes, primarily in the areas without Homeownership Centers. We also held 2 Home Buyers Fairs in FY98: in Colchester and in Chester. We had 625 attendees in Colchester and 40 in Chester. Ms. Gent indicated that the Home Buyers Fair is costly to the Agency and asked if the Board thinks it is worth having again. Ms. Randall asked how many lenders and vendors participated at the fair in Colchester and what do we charge each vendor. Ms. Gent indicated there were 7 or 8 lenders of the 26 vendors and we charge $200 - $400 to participate in the fair. Ms. Randall suggested that if we gave them an option to participate for free, we might get more partners to be vendors and that could prove to be valuable. Ms. Canney suggested that perhaps VHFA could participate in other fairs or homeshows held throughout the state. Mr. Douglas asked if we received any business from the Home Buyers Fair. Ms. Gent indicated that at least 10% of the Home Buyers Fair participants purchased homes using VHFA financing. The Board agreed that we should continue to hold our Home Buyers Fair.

Next, Chairman White briefly indicated that in Mr. Jarrett's memo "Annual Meeting," it names Mr. Seelig as the Vice Chairman and Roger as the Treasurer. Ms. Randall made a motion to approve the "Resolution Adopted at the Annual Meeting of Vermont Housing Finance Agency, July 23, 1998." The motion carried unanimously after being seconded by Ms. Canney.

Chairman White mentioned to the Board that he had met with staff and had thanked them for all of their time and effort with the Focus Groups and also noted that the Board would be responding back to them within 90 days. Chairman White noted that there are 2 or 3 issues that the Board needs to review and discuss. He suggested that he prepare an outline of these issues and mail them out to the Board members for review before the next Board meeting.

In terms of issues relating to Mr. Hunt's departure, Chairman White noted that he would like to appoint a Search Committee that will meet to seek a replacement for Mr. Hunt. Chairman White appointed Ms. Randall, Mr. Seelig, and Mr. Douglas to the committee and indicated that he will be chairing it. He will also be appointing 2 staff members to join the committee. The first Search Committee meeting is scheduled to be one week from today and Joan Palmer from Palmer and Associates will be present to assist us with the advertising. Ms. Palmer will be the repository of the resumes as they come in so that she may do some initial review before providing them to the Search Committee. Chairman White asked that the Board meeting scheduled for September 17th be changed to September 24th so that it gives the Search Committee an additional week. Chairman White is hopeful that he will be presenting the new candidate to the Board and staff at the September 24th Board meeting.

In terms of advertising this position, Governor Dean has suggested that we look within Vermont first before making a nation wide search. The Board agreed and Chairman White noted that we would advertise in Vermont and in the Housing Finance Agencies publication. The Search Committee will inform the Board members and staff of all potential candidates so, if they have input on a candidate, it will allow them to discuss it with the Search Committee.

Chairman White has scheduled 3 Search Committee meetings; July 20th at 10:00 a.m., August 20th at 10:00 a.m. and September 3rd at 10:00 a.m. All meetings will be held here at the VHFA office. Chairman White is hoping to conduct interviews on September 14, 15 and 16. Staff and CORE members will have the opportunity to meet the candidates when they are here for their interview.

Chairman White asked that someone make a motion to accept Mr. Hunt's resignation. Mr. Douglas made a motion to accept Mr. Hunt's resignation with all the terms and conditions as presented, with regret and gratitude for his many years of service to the Agency. The motion carried unanimously after being seconded by Mr. Candon.

{Chairman White left the meeting}

In his Executive Director's Report, Mr. Hunt stated that the majority of his focus for the last month has been working with the consultants (Mortgage Dynamics, Inc.) that we hired to work on the VHMGB program. The consultants have had several visits here, interviewed several staff and have been out interviewing numerous lenders across the state. We should be receiving a draft report from them next week and then we will proceed from there. Mr. Hunt mentioned that the consultants would be contacting Mr. Douglas to discuss some issues with him and to also get some feedback. Mr. Hunt has been impressed with their knowledge thus far and believes that they have a good handle on how lenders are thinking today and what Freddie Mac and Fannie Mae are all about. Mr. Hunt believes that this report will not only shed light on VHMGB issues, but will have a similar impact on VHFA. It was mentioned that there should be a joint meeting of both VHFA and VHMGB Board members when the consultants present the final report. Mr. Hunt said there would be and he noted that he believes that the meeting will prove to be both important and beneficial.

Mr. Hunt mentioned that he attended an Executive Director's Retreat a couple weeks ago. The problems that we are facing here are the problems that are being faced by a lot by housing finance agencies around the country. Mr. Hunt believes that the problems are magnified here because we are a small state. There is a large concern with what Fannie Mae ultimately has in mind for housing finance agencies, considering they have already begun to take the best part of our market. All housing finance agencies are concerned and are striving to keep their projects viable and financially viable, especially since the best part of their market is being taken by other organizations.

Mr. McNamara briefly reviewed the FY98 Business Plan results. Mr. McNamara indicated that if anyone had any questions or concerns regarding the information in the business plan, to let him know and he would address their concern. Mr. Douglas asked if there were any concerns that the Board should look at. Mr. McNamara noted that the business plan ties into the strategic plan and that the strategic plan still is not yet complete.

Mr. Candon asked if we were going to discuss the Federal Court case regarding IOLTA funds and asked if we had been contacted by anyone. Mr. Hunt does not believe that we have been contacted, but will ask Mr. Jarrett next week when he returns from vacation.

Mr. McNamara discussed his memo "Habitat for Humanity Oprah House," included in the Board packet. At the April Board meeting a resolution was approved for VHFA to sponsor the "Oprah House." The amount of $35,000 was authorized, with funding partners to be sought to reduce VHFA's share. As we proceeded, we realized that the Habitat for Humanity would actually be doing two houses on adjacent lots. Aside from the labor, which is mostly donated, each house costs approximately $60,000. Vermont Housing and Conservation Trust Fund has funded $10,000 towards each lot. VHFA has raised $19,000 from 3 different sources. An additional funding of $3,500 per house is expected from the City of Burlington Housing Trust Fund later this summer and Burlington Electric has agreed to waive their hook-up fees ($1,000 each) as well as provide energy efficient materials/training. The Gas Company has waived their fees and the Department of Public Works cannot waive their excavation fee, but are actively looking to reduce their costs as much as possible.

Mr. McNamara indicated that the publicity that VHFA will receive would be better than originally anticipated. People have gotten very excited about this project and Channel 5 has done a very good PSA piece that will run regularly throughout the program that will identify VHFA as the primary sponsor of this project. While fundraising will continue until the gap is filled, staff would like the Board to indicate a specific amount that VHFA will contribute to this project. Mr. Douglas asked what the project's time frame is. Mr. McNamara indicated that they are actively moving ahead with completion and occupancy by the end of the year.

Mr. Brown believes that, considering we committed $35,000 to the project and have raised $19,000 thus far, that would leave the Agency responsible for the additional $16,000. With the cost of the VHFA sign ($700),VHFA's contribution totals $16,700. This is the amount that Mr. Brown believes we should contribute. After further discussion, a motion was made by Mr. Brown to contribute $16,700 to the "Oprah House." The motion carried unanimously after being seconded by Ms. Randall.

There being no further business, following a motion made by Mr. Candon and seconded by Mr. Brown, the meeting adjourned at 3:55 p.m.

Sincerely,

Allan S. Hunt, Secretary

# VERMONT HOUSING FINANCE AGENCY

## BOARD MINUTES

Vermont Housing Finance Agency
164 Saint Paul Street
Burlington, Vermont

Thursday, August 20, 1998 at 11:30 a.m.

PRESENT: Chairman White, Commissioners Randall and Seelig

Staff: Mr. Hunt, Mr. Jarrett, Mr. Lothrop, Ms. Gent, Mr. Schoenbeck, Ms. Caragher

Via telephone: Commissioners Canney and Douglas, Mr. Gurley (PaineWebber), Mr. Amsden (Kutak Rock), Ms. Crost (Orrick, Herrington & Sutcliffes), Mr. Hans (Evensen Dodge), Mr. Dormitzer (PaineWebber)

The meeting was called to order by Chairman White at 11:30 a.m. Participants were identified by roll call.

Mr. Schoenbeck began by reviewing his memo "Single Family Series 9 Remarketing," included in the Board packet. Of the $25 million of bonds called for remarketing, approximately $7 million of bonds are being retained by the current owners. PaineWebber was able to premarket the returned bonds with maturities in 2029 and 2037 to FannieMae at rates consistent with the certificate that was prepared showing rates 50 basis points lower than what the bonds were originally sold for in June 1997. These long maturities account for all but $2 million of bonds available for remarketing. Staff is anticipating that VHFA will be able to offer a one-point mortgage at 6.45% - 6.50% or a no-point mortgage rate at 6.70% - 6.75%.

Mr. Gurley recapped Mr. Schoenbeck's memo and indicated that he believes VHFA made the right decision to premarket the returned bonds to FannieMae. Ms. Randall asked how long it would take to market the $25 million with the new rates. Mr. Lothrop indicated that we should have it reserved by May or June 1999. Mr. Hunt added that currently the market is very active and, with our new advertising campaign kicking off in the fall, it should really help get the money reserved. The Board was concerned about rates dropping in the next few months and what effect that would have on VHFA if rates did drop. Mr. Gurley reassured the Board by indicating that he does not believe that rates will drop dramatically at this point.

Mr. Schoenbeck mentioned that the "Supplemental Remarketing Agreement," included in the Board packet, was accurate, excluding some minor changes that will need to be made. After further discussion, Mr. Seelig made a motion to adopt the "Thirteenth Supplemental Single Family Housing Bond Resolution," which by reference incorporates the acceptance and adoption of both the preliminary reoffering memorandum and the supplemental remarketing agreement, which is now called the



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"Supplemental Remarketing and Purchase Agreement." The motion carried unanimously after being seconded by Ms. Randall.

After the motion was made, a brief discussion then ensued. Mr. Douglas asked if there is a limit to the number of times we can remarket. Mr. Gurley indicated that there is not a limit to the number of times we remarket, but there is a time limit. Ms. Canney asked that the Board be updated at monthly meetings regarding where staff sees VHFA in the market and what we are doing to remain competitive within the market.

Chairman White asked when our rates would be announced to the public. Mr. Lothrop indicated the rates would be effective Monday, August 24th, but lenders would be notified tomorrow, August 21st.

Ms. Canney asked whether the new rate was for new reservations or if it could be used on older reservations also. Mr. Lothrop stated that the new rate would be for new reservations only. Mr. Schoenbeck stated that the funds for the older reservations are based on the old rates and, because we haven't lowered our cost of funds on those mortgages, VHFA would take a loss since bonds were not remarketed for those particular mortgages. Ms. Canney expressed her concern regarding this and Chairman White suggested that we add it to the agenda for the next Board meeting.

Before the underwriters ended their call, Chairman White thanked them for all their good work.

Next, Mr. Jarrett's memo "Bond Counsel RFP, " was briefly discussed. The Agency received four responses to our Request for Proposals. After reviewing the proposals, Mr. Jarrett did not find a great difference between the qualifications of the firms. As for price, Kutak Rock (our current bond counsel) is much less expensive than the other firms. Staff is pleased with the work and service we receive from Kutak Rock and believe that, because their fees are less expensive, we should keep them as our bond counsel for a two-year period.

Mr. Douglas asked if Kutak Rock's current rates were the same as stated in the memo. Mr. Jarrett indicated that the rates are the same as in the memo, and they have held those rates for the last five years. After further discussion, Mr. Seelig made a motion to keep Kutak Rock as the Agency's bond counsel for a two-year period. The motion carried unanimously after being seconded by Ms. Randall.

Chairman White asked that if any Board member had changes, comments, or questions regarding the draft for the focus groups that he mailed to them and to please get back to him before the next scheduled Board meeting. If he does not hear from anyone, he will assume that his draft is adequate. Chairman White mentioned that, earlier this morning, the Search Committee met to review several resumes that were submitted for the Executive Director position. The position will be advertised again next week, which will hopefully produce a second pool of resumes to be reviewed at the next Search Committee Meeting next month. Chairman White is hopeful that the committee can choose applicants to interview at the next meeting.

Lastly, Ms. Gent reminded the Board that the NHSCB Conference in Stowe is happening this weekend. Mr. Hunt indicated that participation is expected to be the highest it has ever been.

There being no further business, following a motion made by Ms. Randall and seconded by Mr. Seelig, the meeting adjourned at 12:00 p.m.

Sincerely,

Allan S. Hunt, Secretary

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

RESOLVED, In addition to the officers specified as "Authorized Officers" under particular bond resolutions of the Agency, the Deputy Director shall be an "Authorized Officer" within the meaning of any and every bond resolution of the Agency whether now existing or to exist in the future.

RESOLVED, Gustave Seelig is elected Vice Chairman of the Agency for the fiscal year commencing July 1, 1998 and until his successor be elected and qualified.

RESOLVED, Roger A. Schoenbeck is elected Treasurer of the Agency for the fiscal year commencing July 1, 1998 and until his successor be elected and qualified.

RESOLVED, the following persons shall be authorized to sign checks drawn against the Agency's General Fund:

| | | |
|---|---|---|
| Executive Director | [signature] | Allan S. Hunt |
| Deputy Director | [signature] | Michael F. McNamara |
| Director of Single Family Operations | [signature] | Douglas R. Lothrop |
| Director of Finance | [signature] | Roger A. Schoenbeck |
| Controller | [signature] | Timothy M. Gutchell |

Any check in an amount over $1,000 payable against the General Fund must be signed by at least two of the foregoing persons. Any payroll check shall be valid and negotiable when signed by any one of the foregoing persons.

RESOLVED, all actions taken in the resolution entitled "Resolutions Adopted at the Annual Meeting of the Vermont Housing Finance Agency, August 6, 1997" not inconsistent with the resolutions contained herein are deemed to be ratified and will continue in force until changed by affirmative action of the Board of Commissioners.

RESOLVED, that the individuals whose titles are listed below be and hereby are authorized to execute documents of the following character for all of the Agency's single family loan programs, whether secured or unsecured:

The Agency's Director of Single Family Operations, Assistant Director of Single Family Operations, Loan Servicing Manager, Real Estate Disposition Specialist and Foreclosure Specialist:

A. Listing Agreements with real estate brokers for the sale of real estate owned by the Agency;

B. Deeds, property transfer tax returns, and other documents necessary or convenient for the transfer of real estate owned by the Agency;

C. Endorsements to property insurance claim checks pertaining to property on which the Agency holds a valid lien, in amounts up to $10,000 for the Foreclosure Specialist, the Real Estate Disposition Specialist and without limit for the Loan Servicing Manager, Assistant Director of Single Family Operations and Director of Single Family Operations;

D. Preparation and execution of claim forms to primary and pool insurers on property on which the Agency holds a valid lien;

E. Consent to actions of the following character:

1. Release and addition of signers of notes held by the Agency;

2. Creation of easements and rights of way and the partial release of mortgages held by the Agency for purposes of permitting the creation of easements and rights of way over property on which the Agency holds a valid lien; and

F. In addition to the individuals whose titles are listed above, the Agency's Loan Servicing Specialists are authorized to give authorizations to lenders and other appropriate persons for actions of the following character:

1. Foreclosure or other acquisition of title to property on which the Agency has a valid lien;

2. Necessary repairs and improvements to real estate owned by the Agency;

3. Actions necessary to make property in which the Agency has an interest secure;

4. Forbearance and modification agreements with delinquent borrowers;

5. Affidavits of amounts due and other affidavits required in foreclosure actions; and

6. Acknowledgment of receipt of liens junior to the lien of the Agency.

G. The Director of Single Family Operations, the Assistant Director of Single Family Operations and the Loan Servicing Manager are hereby authorized to execute Purchase and Sales Contracts for real estate owned by the Agency.

RESOLVED, that the Agency's Loan Servicing Manager, Real Estate Disposition Specialist and any other employee designated by the Executive Director or the Director of Single Family Operations be, and hereby is, authorized to sign any documents in connection with real estate auctions approved by the Agency that are necessary for the sale of Agency-owned property in an auction.

| | | |
|---|---|---|
| Assistant Director of Single Family Operations | | Jacklyn R. Santerre |
| Loan Servicing Manager | | Cynthia J. Cunningham |
| Real Estate Disposition Specialist | | Linda C. Wilson |
| Foreclosure Specialist | | Pauline Thibault |
| Loan Servicing Specialist | | Judith Smith |
| Loan Servicing Specialist | | Darren Keniston |

RESOLVED, that the Director of Single Family Operations and the Assistant Director of Single Family Operations are hereby authorized to execute any and all agreements with lenders for the Agency's mortgage programs;

RESOLVED, that the Executive Director, Deputy Director, Director of Finance, Director of Single Family Operations and Deputy Director of Single Family Operations are hereby authorized to sign mortgage discharges;

RESOLVED, that the following employees of Vermont Housing Finance Agency are hereby authorized to have access to all safekeeping vault boxes of the Agency for the purposes of safekeeping and retrieving any and all books, papers and documents of the Agency:

Director of Finance: ______________________
(Signature)

Controller: Timothy M. [signature]
(Signature)

Lender Accounting Coordinator: Susan B. Joachim
(Signature)

Portfolio Accountant: Martha C. Fleming
(Signature)

Investment/Portfolio Assistant: Lisa Merry
(Signature)

RESOLVED, that the Director of Multi-Family Management be and hereby is authorized to execute documents of the following character relating to the Agency's multi-family portfolio:

A. Endorsements to property insurance claim checks on multi-family properties on which the Agency has a mortgage;

B. Mortgagor's requests to use restricted project funds including, but not limited to, project cost escrows, replacement reserve accounts, residual receipt accounts, deficit escrows and working capital, whether cash or letter of credit;

C. Authorizations of annual distributions to owners based on annual financial statements;

D. Requests of owners to undertake major capital improvements and utility conversions;

E. ACC and HAP Contract amendment renewals;

F. UCC-1, UCC-3 forms;

G. Housing Credit Reports of Non-Compliance (Form 8823).

Director of
Multi-Family Management [signature] Samuel J. Falzone

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

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held in Burlington, Vermont, on July 23, 1998.*

*Allan S. Hunt*
*Executive Director and Secretary*
*Vermont Housing Finance Agency*

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**RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST AND COMMITMENT LETTER RE: INTERIM FINANCING (NEWPORT)**

WHEREAS, a proposal has been presented to the Agency by Lakeview Housing Limited Partnership (the "Sponsor"), a limited partnership whose general partners are Gilman Housing Trust and Housing Vermont, involving the acquisition and rehabilitation of 16 units of rental housing (10 family and 6 elderly) located in three buildings in Newport, Vermont (the "Development"); and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia L. Reid dated July 14, 1998 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.

2. The acquisition and rehabilitation costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.

3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.

4. The housing sponsor undertaking the Development will maintain or increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.

5. The security value of the Development will equal at least the amount of the Agency's loan.

6. The Sponsor and its general partners are financially responsible organizations and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan in the approximate amount of $1,000,000 as interim tax-exempt financing to the Lakeview Housing Limited Partnership for the acquisition and rehabilitation of three buildings totaling 16 apartments located at 115 West Main Street, 2 Field Avenue and 68 Highland Avenue, all in Newport, Vermont. The term of the loan will be approximately 18 months, with interest only payments due until the maturity date of the loan and an interest rate of not more than 75 basis points above the Agency's cost of funds. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance or for other purposes with the consent of the Agency.

2. The Letter of Interest shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:

   a) Sponsor must provide VHFA with a commitment for not less than $800,000 in term financing from Rural Development;

   b) Sponsor must address the Environmental Site Assessment findings in the rehab scope of work, including resolving whether or not there is an underground storage tank, and if so, provide for its removal;

   c) Outstanding issues with RD must be resolved to VHFA's satisfaction, including obtaining assurance that the RD loan commitment can be assigned to VHFA as a new general partner, should either of the current general partners be unable to perform;

   d) Sponsor must provide an appraisal satisfactory to VHFA prior to closing which demonstrates adequate value in the project;

   e) Sponsor must provide final plans and specifications for VHFA approval by VHFA loan closing;

   f) Sponsor must provide evidence of competitive bidding by loan closing, with bids approximately at budgeted levels, to maintain overall feasibility;

   g) Sponsor must receive all required local, state and federal permits and approvals, with any special conditions addressed in the construction specifications and development budget.

3. The Executive Director may, in his discretion, issue a Commitment Letter for an interim loan for the acquisition and rehabilitation of the Development, in an amount not to exceed $1,000,000.

4. The loan shall be due and payable approximately 18 months from the date the loan is made, interest only payments shall be due before maturity, and the interest rate shall not exceed 75 basis points above the Agency's cost of funds. The source of funds shall be tax-exempt bond proceeds. The Commitment Letter may be issued to Housing Vermont and the Gilman Land Trust as representatives of the limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

5. The Executive Director, Deputy Director and Director of Finance are hereby authorized to take all necessary steps and execute any and all documents required to effectuate this loan.

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held in Burlington, Vermont, on July 23, 1998.*

*Allan S. Hunt*
*Executive Director and Secretary*
*Vermont Housing Finance Agency*

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**RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST AND COMMITMENT LETTER RE: INTERIM FINANCING (NORTH BENNINGTON)**

WHEREAS, a proposal has been presented to the Agency by Jack Heaton and Frank Murphy (the "Sponsors") involving the construction of 17 units of elderly rental housing in North Bennington, Vermont (the "Development"); and

WHEREAS, the Sponsors will be forming a limited partnership, which is expected to qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joseph Erdelyi dated July 14, 1998 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.

2. The acquisition and rehabilitation costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.

3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.

4. The housing sponsor undertaking the Development will increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.

5. The security value of the Development will equal at least the amount of the Agency's loan.

6. The Sponsor and its general partners are financially responsible organizations and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan in the maximum amount of $975,000 as interim tax-exempt financing to a to-be-formed limited partnership for the construction of 17 apartments located on the Colvin Farm in North Bennington, Vermont. The term of the loan will be approximately 18 months, with interest only payments due until the maturity date of the loan and an interest rate of not more than 150 basis points above the Agency's cost of funds. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance or for other purposes with the consent of the Agency.

2. The Letter of Interest shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:

   a) Sponsor must provide VHFA with a commitment for not less than $990,000 in term financing from Rural Development;

   b) Sponsor must address the Environmental Site Assessment findings (if any) in the construction specifications/scope of work;

   c) Outstanding issues with RD must be resolved to VHFA's satisfaction, including obtaining assurance that the RD loan commitment will remain in effect in the event that VHFA replace the sponsor(s) as new general partners, should the current general partners fail to satisfy the terms of the partnership agreement or any of VHFA's loan documents;

   d) Sponsor must provide final plans and specifications for VHFA approval prior to VHFA loan closing;

   e) Sponsor must receive all required local approvals and Act 250 approval, with any special conditions imposed addressed in the construction specifications and development budget;

   f) Sponsor must provide personal guarantees of completion of the construction satisfactory to VHFA.

   g) Sponsor must provide VHFA with evidence that a right of first refusal/option to purchase consistent with Vermont's Allocation Plan has been executed with a qualified non-profit satisfactory to VHFA.

3. The Executive Director may, in his discretion, issue a Commitment Letter for an interim loan for the acquisition and rehabilitation of the Development, in an amount not to exceed $975,000.

4. The loan shall be due and payable approximately 18 months from the date the loan is made, interest only payments shall be due before maturity, and the interest rate shall not exceed 150 basis points above the Agency's cost of funds. The source of funds shall be tax-exempt bond proceeds. The Commitment Letter may be issued to Jack Heaton and Frank Murphy as representatives of the limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

5. The Executive Director, Deputy Director and Director of Finance are hereby authorized to take all necessary steps and execute any and all documents required to effectuate this loan.

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held in Burlington, Vermont, on July 23, 1998.*

*Allan S. Hunt*
*Executive Director and Secretary*
*Vermont Housing Finance Agency*

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VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: August 6, 1998

RE: Single Family Program Activity Report For July, 1998

## MORTGAGE PURCHASE PROGRAMS

| Month | No. | Amount | Previous Year | No. | Amount |
|---|---|---|---|---|---|
| Reservations | 61 | $ 4,263,048 | | 94 | $ 6,850,552 |
| Purchases | 31 | $ 2,090,132 | | 54 | $ 3,858,205 |

| Period to Date | No. | Amount | Previous Year | No. | Amount |
|---|---|---|---|---|---|
| Reservations | 418 | $29,550,781 | | 629 | $45,033,144 |
| Purchases | 221 | $14,697,395 | | 361 | $24,914,446 |

## MORTGAGE PLUS

| Month | No. | Amount | Previous Year | No. | Amount |
|---|---|---|---|---|---|
| Reservations | 12 | $ 1,028,018 | | 16 | $ 1,221,838 |
| Issued | 5 | $ 397,232 | | 13 | $ 1,055,503 |

| Period to Date | No. | Amount | Previous Year | No. | Amount |
|---|---|---|---|---|---|
| Reservations | 42 | $ 3,469,196 | | 75 | $ 6,206,145 |
| Issued | 33 | $ 2,586,806 | | 43 | $ 3,291,851 |

*ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD*

*Mailing Address:* PO Box 408, Burlington, Vermont 05402-0408
*Delivery Address:* 164 Saint Paul Street, Burlington, Vermont 05401-4364
802 / 864-5743 • 800 / 339-5866 • TDD: 800 / 586-5832
FAX: 802 / 864-5746 • Underwriting FAX: 802 / 863-5422 • home@vhfa.org

EQUAL HOUSING OPPORTUNITY

vhfa

VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: August 21, 1998

RE: Servicing Activity for July, 1998

## SERVICING ACTIVITY

Collections:

| | | |
|---|---|---|
| Last months 90+ accounts: | | 104 |
| New 90 day accounts (+): | 12 | |
| To foreclosure/DIL (-): | 5 | |
| To 60 days or less (-): | 17 | |
| Under payment arrangement: | 49 | |
| 90+ accounts: | | 94 |

In Foreclosure:

| | | |
|---|---|---|
| Last months foreclosure accounts: | | 60 |
| New foreclosures (+): | 6 | |
| To REO (-): | 5 | |
| Successful interventions (-): | | |
| Negotiating workouts: | | |
| Foreclosure accounts: | | 61 |

Real Estate Owned:

| | | |
|---|---|---|
| Last months REO's: | | 46 |
| New REO's (+): | 5 | |
| Properties sold (-): | 8 | |
| Properties under contract: | 15 | |
| Other: | | |
| REO's: | | 43 |

*ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD*

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EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: JULY, 1998

| Lenders | Loans | 30 | Days | 60 | Days | 90+ | Days | Auth | FCL | Delinq | | REO | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Large Servicer 400+ | | | | | | | | | | | | | |
| Albank | 419 | 29 | 6.92% | 12 | 2.86% | 4 | 0.95% | 7 | 1.67% | 52 | 12.41% | 1 | 0.22% |
| Banknorth Mortgage Co. | 766 | 22 | 2.87% | 9 | 1.17% | 6 | 0.78% | 9 | 1.17% | 46 | 6.01% | 6 | 0.63% |
| Chittenden Bank | 898 | 46 | 5.12% | 9 | 1.00% | 0 | 0.00% | 18 | 2.00% | 73 | 8.13% | 8 | 1.05% |
| Graystone Mortgage Company | 523 | 33 | 6.31% | 10 | 1.91% | 18 | 3.44% | 4 | 0.76% | 65 | 12.43% | 8 | 3.54% |
| Vermont National Bank | 1886 | 82 | 4.35% | 23 | 1.22% | 44 | 2.33% | 19 | 1.01% | 168 | 8.91% | 10 | 1.36% |
| Totals | 4492 | 212 | 4.72% | 63 | 1.40% | 72 | 1.60% | 57 | 1.27% | 404 | 8.99% | 33 | 0.73% |
| Average | 898 | 42 | 5.11% | 13 | 1.63% | 14 | 1.50% | 11 | 1.32% | 81 | 9.58% | 7 | 1.36% |
| Medium Servicers 399-50 | | | | | | | | | | | | | |
| Bennington Co-op S&L Assoc. | 27 | 1 | 3.70% | 1 | 3.70% | 0 | 0.00% | 0 | 0.00% | 2 | 7.41% | 0 | 0.00% |
| Citizens Savings Bank | 116 | 3 | 2.59% | 1 | 0.86% | 1 | 0.86% | 0 | 0.00% | 5 | 4.31% | 2 | 1.72% |
| Community National Bank | 303 | 9 | 2.97% | 5 | 1.65% | 6 | 1.98% | 1 | 0.33% | 21 | 6.93% | 1 | 0.33% |
| Lyndonville Savings Bank | 59 | 0 | 0.00% | 3 | 5.08% | 0 | 0.00% | 0 | 0.00% | 3 | 5.08% | 0 | 0.00% |
| Merchants Bank | 267 | 10 | 3.75% | 1 | 0.37% | 0 | 0.00% | 2 | 0.75% | 13 | 4.87% | 3 | 1.12% |
| Mortgage Service Ctr. of NE | 85 | 8 | 9.41% | 0 | 0.00% | 3 | 3.53% | 1 | 1.18% | 12 | 14.12% | 2 | 2.35% |
| Northfield Savings Bank | 132 | 6 | 4.55% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 6 | 4.55% | 1 | 0.76% |
| Passumpsic Savings Bank | 165 | 10 | 6.06% | 4 | 2.42% | 2 | 1.21% | 0 | 0.00% | 16 | 9.70% | 0 | 0.00% |
| Peoples Trust Co. | 94 | 3 | 3.19% | 3 | 3.19% | 1 | 1.06% | 0 | 0.00% | 7 | 7.45% | 0 | 0.00% |
| Union Bank | 180 | 4 | 2.22% | 5 | 2.78% | 4 | 2.22% | 0 | 0.00% | 13 | 7.22% | 0 | 0.00% |
| Totals | 1428 | 54 | 3.78% | 23 | 1.61% | 17 | 1.19% | 4 | 0.28% | 98 | 6.86% | 9 | 0.63% |
| Average | 143 | 5 | 3.84% | 2 | 2.01% | 2 | 1.09% | 0 | 0.23% | 10 | 7.16% | 1 | 0.63% |
| Small Servicers 49- | | | | | | | | | | | | | |
| Brattleboro Savings & Loan | 27 | 1 | 3.70% | 1 | 3.70% | 0 | 0.00% | 0 | 0.00% | 2 | 7.41% | 0 | 0.00% |
| Connecticut River Bank | 5 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Factory Point Nat. Bank | 35 | 2 | 5.71% | 1 | 2.86% | 1 | 2.86% | 0 | 0.00% | 4 | 11.43% | 0 | 0.00% |
| First Brandon Nat. Bank | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| First Nationwide Mortgage | 7 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| GMAC Mortgage | 6 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Granite Bank (NH) | 2 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Heritage Family Credit Union | 6 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Mascoma Savings Bank | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| New England Federal CU | 45 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Randolph National Bank | 35 | 1 | 2.86% | 0 | 0.00% | 2 | 5.71% | 0 | 0.00% | 3 | 8.57% | 0 | 0.00% |
| Vermont Development CU | 67 | 1 | 1.49% | 3 | 4.48% | 2 | 2.99% | 0 | 0.00% | 6 | 8.96% | 0 | 0.00% |
| Wells River Savings Bank | 30 | 1 | 3.33% | 2 | 6.67% | 0 | 0.00% | 0 | 0.00% | 3 | 10.00% | 1 | 3.33% |
| Totals | 267 | 6 | 2.25% | 7 | 2.62% | 5 | 1.87% | 0 | 0.00% | 18 | 6.74% | 1 | 0.37% |
| Average | 21 | 0 | 1.38% | 1 | 1.45% | 0 | 0.96% | - | 0.00% | 1 | 3.79% | 0 | 0.26% |

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: JULY, 1998

| Lenders | Loans | 30 | Days | 60 | Days | 90+ | Days | Auth | FCL | Delinq | | REO | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ALBANK, FSB | 419 | 29 | 6.92% | 12 | 2.86% | 4 | 0.95% | 7 | 1.67% | 52 | 12.41% | 1 | 0.24% |
| Banknorth Mortgage Co. | 766 | 22 | 2.87% | 9 | 1.17% | 6 | 0.78% | 9 | 1.17% | 46 | 6.01% | 6 | 0.78% |
| Bennington Co-op S&L Assoc. | 61 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Brattleboro Savings & Loan | 27 | 1 | 3.70% | 1 | 3.70% | 0 | 0.00% | 0 | 0.00% | 2 | 7.41% | 0 | 0.00% |
| Chittenden Bank | 898 | 46 | 5.12% | 9 | 1.00% | 0 | 0.00% | 18 | 2.00% | 73 | 8.13% | 8 | 0.89% |
| Citizens Savings Bank | 116 | 3 | 2.59% | 1 | 0.86% | 1 | 0.86% | 0 | 0.00% | 5 | 4.31% | 2 | 1.72% |
| Community National Bank | 303 | 9 | 2.97% | 5 | 1.65% | 6 | 1.98% | 1 | 0.33% | 21 | 6.93% | 1 | 0.33% |
| Connecticut River Bank | 5 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Factory Point Nat. Bank | 35 | 2 | 5.71% | 1 | 2.86% | 1 | 2.86% | 0 | 0.00% | 4 | 11.43% | 0 | 0.00% |
| First Brandon Nat. Bank | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| First Nationwide Mortgage | 7 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| GMAC Mortgage | 6 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Granite Bank (NH) | 2 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Graystone Mortgage Company | 523 | 33 | 6.31% | 10 | 1.91% | 18 | 3.44% | 4 | 0.76% | 65 | 12.43% | 8 | 1.53% |
| Heritage Family Credit Union | 6 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Lyndonville Savings Bank | 59 | 0 | 0.00% | 3 | 5.08% | 0 | 0.00% | 0 | 0.00% | 3 | 5.08% | 0 | 0.00% |
| Mascoma Savings Bank | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Merchants Bank | 267 | 10 | 3.75% | 1 | 0.37% | 0 | 0,00% | 2 | 0.75% | 13 | 4.87% | 3 | 1.12% |
| Mortgage Service Ctr. of NE | 85 | 8 | 9.41% | 0 | 0.00% | 3 | 3.53% | 1 | 1.18% | 12 | 14.12% | 2 | 2.35% |
| New England Federal CU | 45 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Northfield Savings Bank | 132 | 6 | 4.55% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 6 | 4.55% | 1 | 0.76% |
| Passumpsic Savings Bank | 165 | 10 | 6.06% | 4 | 2.42% | 2 | 1.21% | 0 | 0.00% | 16 | 9.70% | 0 | 0.00% |
| Peoples Trust Co. | 94 | 3 | 3.19% | 3 | 3.19% | 1 | 1.06% | 0 | 0.00% | 7 | 7.45% | 0 | 0.00% |
| Randolph National Bank | 35 | 1 | 2.86% | 0 | 0:00% | 2 | 5.71% | 0 | 0.00% | 3 | 8.57% | 0 | 0.00% |
| Union Bank | 180 | 4 | 2.22% | 5 | 2.78% | 4 | 2.22% | 0 | 0.00% | 13 | 7.22% | 0 | 0.00% |
| Vermont Development CU | 67 | 1 | 1.49% | 3 | 4.48% | 2 | 2.99% | 0 | 0.00% | 6 | 8.96% | 0 | 0.00% |
| Vermont National Bank | 1886 | 82 | 4.35% | 23 | 1.22% | 44 | 2.33% | 19 | 1.01% | 168 | 8.91% | 10 | 0.53% |
| Wells River Savings Bank | 30 | 1 | 3.33% | 2 | 6.67% | 0 | 0.00% | 0 | 0.00% | 3 | 10.00% | 1 | 3.33% |
| Totals | 6221 | 271 | 4.36% | 92 | 1.48% | 94 | 1.51% | 61 | 0.98% | 518 | 8.33% | 43 | 0.69% |
| Totals Previous Month | 6262 | 306 | 4.89% | 86 | 1.37% | 104 | 1.66% | 60 | 0.96% | 556 | 8.88% | 45 | 0.72% |
| Totals Same Mo. Last Yr. | 6380 | 318 | 4.98% | 74 | 1.16% | 70 | 1.10% | 54 | 0.85% | 516 | 8.09% | 66 | 1.03% |

Number of Loans in the 90 day Delinquency Category that are under a repayment plan 49

# VERMONT HOUSING FINANCE AGENCY

## Board Property Disposition Report

Month of: July, 1998

### Properties Sold

| Property | Listing Price | Sale Price | Principal Balance | Interest | To Date Expenses | Claim Payment | Actual Gain/ (Loss) | Audit Valuation Offset | Additional Gain/ (Loss) |
|---|---|---|---|---|---|---|---|---|---|
| Toms<br>Hubbardton | $67,900 | $65,000 | $73,348 | $ 9,983 | $29,913 | $12,075 | ($36,169) | ($35,914) | ($ 255) |
| Gonyaw<br>Charleston | $34,900 | $32,000 | $50,495 | $ 3,248 | $ 7,700 | $12,624 | ($16,819) | ($17,358) | $ 539 |
| Nickerson<br>Montpelier | $64,900 | $65,900 | $61,615 | $ 6,648 | $12,260 | $14,623 | $0 | ($ 1,494) | $1,494 |
| Kosik<br>Burlington | $53,900 | $48,500 | $54,794 | $ 3,480 | $ 9,517 | $12,400 | ($ 6,891) | $9,586 | $ 2,695 |
| Perry<br>Hardwick | $59,900 | $50,000 | $67,166 | $ 5,040 | $15,948 | $14,780 | ($23,374) | ($36,967) | $13,593 |
| Maze<br>Mt. Holly | $48,000 | $40,000 | $29,595 | $ 4,875 | $13,274 | $0 | ($ 7,744) | $ 3,304 | ($11,048) |
| Mullen<br>Burlington<br>BCLT | $0 | $78,000 | $68,620 | $ 7,745 | $ 7,432 | $ 5,797 | $0 | ($ 3,203) | $3,203 |
| Prim<br>Cambridge | $59,900 | $50,000 | $90,463 | $12,564 | $ 6,559 | $19,400 | ($40,186) | ($34,105) | ($ 6,081) |

# PROPERTIES UNDER CONTRACT

| Property | Listing Price | Contract Price | Principal Balance | Interest | Estimated Expenses | Estimated Claim Payment | Actual Gain/ (Loss) | Audit Valuation Offset | Additional Gain/ (Loss) |
|---|---|---|---|---|---|---|---|---|---|
| Larock Poultney | $44,500 | $41,000 | $60,307 | $11,283 | $32,119 | $15,014 | ($48,695) | ($53,539) | $ 4,844 |
| Patenaude Westmore | $74,500 | $67,500 | $71,470 | $ 4,475 | $ 9,397 | $15,220 | ($ 2,622) | ($21,674) | $19,052 |
| Putnam St. Albans | $59,900 | $59,900 | $61,883 | $ 2,611 | $25,853 | $11,633 | ($18,814) | ($25,417) | $ 6,603 |
| Boucher Starksboro | $82,900 | $79,000 | $84,713 | $ 5,750 | $13,186 | $18,200 | ($ 6,449) | ($ 5,773) | ($ 676) |
| Bridge Windsor | $39,000 | $32,000 | $58,546 | $ 7,399 | $12,406 | $17,564 | ($28,787) | ($23,306) | ($ 5,572) |
| Massey Stannard | $29,900 | $29,000 | $53,643 | $ 6,791 | $15,846 | $11,600 | ($35,680) | ($39,003) | $ 3,323 |
| Davis Rutland | $54,900 | $51,000 | $53,685 | $ 7,401 | $16,946 | $ 2,575 | ($24,457) | ($14,765) | ($ 9,692) |
| Carbee St. Albans | $71,900 | $71,900 | $78,406 | $ 7,036 | $15,125 | $31,048 | $ 2,381 | ($ 1,158) | $ 3,539 |
| Davis S. Burlington | $77,900 | $77,900 | $87,492 | $16,000 | $20,532 | $17,092 | ($29,032) | ($24,101) | ($ 4,931) |
| Smith Middlebury | $59,900 | $59,900 | $58,437 | $ 4,667 | $28,766 | $15,325 | ($16,645) | ($ 2,593) | ($14,052) |
| Lavery Burlington | $53,000 | $53,000 | $59,882 | $ 3,678 | $ 6,481 | $ 9,883 | ($ 7,159) | $0 | ($ 7,159) |
| Bevins Burlington | $83,900 | $83,900 | $65,696 | $ 6,440 | $21,550 | $0 | ($ 9,786) | ($17,195) | $ 7,409 |
| Clarke Brattleboro | $69,900 | $62,000 | $78,100 | $ 8,725 | $38,931 | $17,000 | ($46,756) | ($37,376) | ($ 9,380) |
| Bushey Fairfield | $64,900 | $64,900 | $57,867 | $ 5,686 | $18,410 | $17,063 | $ 0 | ($11,243) | $11,243 |

## PROPERTIES UNDER CONTRACT (Con't)

| Property | Listing Price | Contract Price | Principal Balance | Interest | Estimated Expenses | Estimated Claim Payment | Actual Gain/ (Loss) | Audit Valuation Offset | Additional Gain/ (Loss) |
|---|---|---|---|---|---|---|---|---|---|
| Berry<br>Poultney | $49,900 | $49,900 | $47,940 | $ 5,175 | $14,004 | $ 8,500 | ($ 8,719) | ($13,058) | $ 4,339 |

## Properties in the VHFA/Non Profit Sale Program

Watkins
Springfield
Rockingham CLT

Richards
Fair Haven
Rutland West NHS

**vhfa**

VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas Lothrop, Director of Single Family Operations DL
Cynthia Cunningham, Loan Servicing Manager CC
Patricia Crady, Development Coordinator PC
Cathleen Gent, Director of Communications CG

DATE: September 18, 1998

RE: Loan Intervention Agreement with the Homeownership Centers

## Summary of Proposal

Earlier this year, staff received a proposal from the Homeownership Centers to provide loan workout services to VHFA and its borrowers. The proposal contained services that are currently the responsibility of VHFA's servicing lenders in coordination with VHFA servicing staff. After a discussion between VHFA staff and the Homeownership Centers, a revised proposal (draft attached) has evolved that would utilize the strengths of the Homeownership Centers to provide financial management and home maintenance training as well as technical assistance with rehabilitation (when appropriate) to assist VHFA borrowers to avoid future delinquencies and become self-sufficient. VHFA staff ,with advice from the servicing lender, select borrowers for special repayment agreements and loan modifications. Referral to the Homeownership Centers will be made on a case by case basis. While the majority of cases will probably be referred to the Homeownership Centers, there will be other cases that may not be referred.

Over the past several years, VHFA servicing staff with the cooperation of servicing lenders have implemented an aggressive strategy to assist borrowers to avoid default and possible foreclosure through special repayment agreements and loan modifications. Mortgage foreclosures are costly to both homeowners and VHFA, and homeowners who lose their homes to foreclosure also lose affordable housing in the process. Foreclosure prevention programs have proven to be very cost effective. One such program, The Mortgage Foreclosure Prevention Program Collaborative (MFPP) assists homeowners in communities in Minnesota, Idaho, Iowa, and Oregon. MFPP provides financial management training and, when necessary, financial assistance to preserve homeownership. Short-term results are very encouraging. Two agencies that provide foreclosure prevention services in Minneapolis and Saint Paul report that, of the 487 homeowners who have had their mortgage reinstated, fifty percent of the homeowners (244) were still current in their mortgage payments two years after coming to the program. On average, each homeowner received ten to twelve hours of counseling and many also received financial assistance to bring their mortgage payments current. The program estimates that the mortgage insurers (89% of the mortgages were insured by FHA or VA) averted $5.4 million in losses.



***Mailing Address:*** **PO Box 408, Burlington, Vermont 05402-0408**
***Delivery Address:*** **164 Saint Paul Street, Burlington, Vermont 05401-4364**
**802 / 864-5743 • 800 / 339-5866 • TDD: 800 / 586-5832**
**FAX: 802 / 864-5746 • Underwriting FAX: 802 / 863-5422 • home@vhfa.org**

**Goals of the Agreement**

The goals of an agreement between VHFA and the Homeownership Centers are:

- To ensure that VHFA borrowers referred to the Homeownership Centers for post-delinquency counseling have access to the types of services they need to help them avoid foreclosure and become self-sufficient;
- To achieve a rate of 50% of VHFA borrowers who remain current for 24 months following the completion of a special repayment agreement or loan modification;
- To reduce the costs to VHFA for loans referred to the Homeownership Centers for post-delinquency counseling beyond the estimated cost if these borrowers did not receive counseling (i.e. borrowers for whom repayment plans are implemented);
- To learn more about factors related to successful resolution of delinquent loans.

The goal to achieve a rate of 50% of borrowers who remain current for 24 months following the completion of a special repayment agreement or loan modification is based on the experience of the Mortgage Foreclosure Prevention Program Collaborative. VHFA does not have historical data on the performance of its loans where the borrower completed a special repayment agreement or where there was a loan modification. Staff believes that VHFA's current experience is that 70% of borrowers remain current for at least twelve months following a special repayment agreement or loan modification. To track the performance of borrowers who receive services under this agreement, a database and special monthly report will be developed prior to its signing so information is available for evaluation.

**Outline of Services/Fees**

The Homeownership Centers will provide the specific services requested by VHFA for each case assigned. Services requested by VHFA may vary on a case-by-case basis. Services may include:

- Educating the borrower on how to develop a household budget;
- Assisting the borrower to prepare a household budget;
- Review and evaluation of borrower's household budget including energy costs to determine if the amounts are in line with the number of persons in the household and the square footage of the home, or typical based on the knowledge of Homeownership Center staff;
- Assisting the borrower with a consumer debt reduction plan;
- Regular meetings with borrower to monitor status of debt reduction plan and/or budget;
- If approved in advance by VHFA, property inspection to determine if there are repairs or rehabilitation necessary to the property that would be cost effective and improve the ability of the borrower to meet housing expenses;
- Home maintenance training and planning for routine and emergency repairs;
- Other services if agreed upon by VHFA and the Homeownership Centers.

VHFA will reimburse the Homeownership Centers based on a per case fee of $600 for cases within their service area, and $700 for each case that is outside their service area. Each Homeownership

Center will receive a minimum annual fee of $12,000. It was necessary to provide for services for borrowers outside of the primary service areas of the Homeownership Centers to assure that each center receives a minimum of 20 cases per year. The source of funding for this request is VHFA general funds.

Lenders will be notified when a borrower has been assigned to a Homeownership Center; however, the lender will continue to service the loan as required in the servicing agreements between the lender and VHFA. The Homeownership Center's role will be to provide services to the borrower. The Homeownership Center will have no direct contact with the servicing lender; however, VHFA will inform the lender of the agreement and that the borrower has been referred for services. VHFA will notify the Homeownership Center of late payments.

**Evaluation Plan**

VHFA and the Homeownership Centers will evaluate the success of the agreement against the stated goals. A preliminary evaluation will be made after the first year of this initiative. A full evaluation will be made after the first two years and at the end of every subsequent year that the program is in operation. Attached to the agreement is a complete evaluation plan.

**Board Action Requested**

Staff request approval from the Board to enter into agreements with the four Homeownership Centers to provide services as outlined in this memo to VHFA borrowers who have entered into a special repayment agreement or where VHFA has agreed to modify the loan.

DRAFT 9/15/1998

# AGREEMENT FOR LOAN INTERVENTION SERVICES BETWEEN VERMONT HOUSING FINANCE AGENCY AND VERMONT HOMEOWNERSHIP CENTERS

## OVERVIEW

Vermont Housing Finance Agency's (VHFA) mission is to finance and promote affordable, safe, and decent housing opportunities for low- and moderate-income Vermonters. VHFA provides below market rate mortgage financing through a network of participating lenders to assist homebuyers.

VHFA has sponsored four Homeownership Centers located at the Burlington Community Land Trust (BCLT) to serve residents of Chittenden County, Gilman Housing Trust (GHT) to serve residents of Caledonia, Essex, and Orleans Counties, Rockingham Area Community Land Trust (RACLT) to serve residents of parts of Windsor, Windham, and Bennington Counties, and Rutland West Neighborhood Housing Services (RWNHS) to serve residents of Rutland County.

BCLT, GHT, RACLT, and RWNHS (collectively called the Homeownership Centers) are chartered members of the national NeighborWorks® network and are committed to the NeighborWorks® practice of "Full Cycle Lending". "Full Cycle Lending" is a commitment to the customer for the full cycle of their mortgage obligation, not only for the front-end preparation to purchase a home but also for the post-purchase duration. As "Full Cycle Lenders" the Homeownership Centers either have, or are committed to, building the capacity to assist mortgagors who face the possible loss of their home through foreclosure.

VHFA contracts with participating lenders to service its loans under procedures and guidelines developed by VHFA. VHFA customers who are unable to meet their mortgage obligations without corrective action face foreclosure and displacement. VHFA works with its servicers to negotiate with the borrower special payment arrangements and loan modifications to bring a loan current and get the mortgagor to a point where regular monthly mortgage payments, real estate taxes, and hazard insurance are current.

VHFA is motivated to insure that its borrowers have access to special services as well as continued assistance with budgeting skills, money management and debt reduction plans, and technical assistance with repairs and rehabilitation to assist them during a special repayment agreement or through a loan modification procedure. VHFA recognizes the value of having support in the community to assist VHFA borrowers who are having difficulty making timely payment and is willing to contract with the Homeownership Centers to provide services to VHFA borrowers on a fee for service basis. Due to the contractual relationship that VHFA has with its servicing lenders, VHFA must coordinate customer access to foreclosure prevention and intervention services between the servicing lender and the Homeownership Center.

## GOALS OF THE AGREEMENT

The goals of this agreement are:

- To ensure that VHFA borrowers referred to the Homeownership Centers for post-delinquency counseling have access to the types of services they need to help them avoid foreclosure and become self-sufficient;
- To achieve a rate of 50% of VHFA borrowers who remain current for 24 months following the completion of a special repayment agreement or loan modification;
- To reduce the costs to VHFA for loans referred to the Homeownership Centers for post-delinquency counseling beyond the estimated cost if these borrowers did not receive counseling (i.e. borrowers for whom repayment plans are implemented);
- To learn more about factors related to successful resolution of delinquent loans.

## OUTLINE OF SERVICES

The Homeownership Centers will provide the specific services requested by VHFA for each case assigned. Services requested by VHFA may vary on a case-by-case basis. Those services may include:

- Educating the borrower on how to develop a household budget;
- Assisting the borrower to prepare a household budget;
- Review and evaluation of borrower's household budget including energy costs to determine if the amounts are in line with the number of persons in the household and the square footage of the home, or typical based on the knowledge of Homeownership Center staff;
- Assisting the borrower with a consumer debt reduction plan;
- Regular meetings with borrower to monitor status of debt reduction plan and/or budget;
- If approved in advance by VHFA, property inspection to determine if there are repairs or rehabilitation necessary to the property that would be cost effective and improve the ability of the borrower to meet housing expenses;
- Home maintenance training and planning for routine and emergency repairs;
- Other services if agreed upon by VHFA and the Homeownership Centers.

## PROCESS FOR REFERRALS BY VHFA TO THE HOMEOWNERSHIP CENTERS

VHFA may condition any agreement with the mortgagor to enter into a special payment agreement or loan modification agreement with the requirement that the mortgagor work with the Homeownership Center to address money management or other issues. VHFA may also request that a borrower who has a long history of late payments work with the Homeownership Centers. VHFA will assign a loan servicing staff person to each case. The Homeownership Center will also assign one staff person for each case who will be the primary contact with VHFA. VHFA will provide the Homeownership Center with all pertinent information about the case. The Homeownership Centers may call VHFA to determine the status of a loan and whether the borrower is current with their repayment agreement. VHFA will notify the servicing lender that the borrower has been referred to the Homeownership Center. The Homeownership Center will have no direct contact with the servicing lender.

The Homeownership Centers may also receive requests for services from VHFA borrowers who have not been referred by VHFA. To be eligible for reimbursement under this agreement, services provided to VHFA borrowers who have not been referred directly by VHFA must receive prior approval.

## SCHEDULE OF FEES FOR SERVICES/MINIMUM ANNUAL FEE

VHFA will reimburse the Homeownership Centers for services based on a per case fee of $600 to assist borrowers owning property in the Homeownership Center's service area, and $700 when the property/borrower is outside the Homeownership Center's service area. The fee will be earned after the borrower has attended their first meeting with the Homeownership Center. This fee is intended to provide services requested by VHFA as previously outlined for the length of time required to achieve the goals of the agreement. VHFA will also pay up to $200 for a property inspection, if prior approved. No fees will be charged to the borrower without prior approval from VHFA.

VHFA agrees to pay the Homeownership Center a minimum annual fee of $12,000 (assuming that each Homeownership Center will be referred 20 cases per year). Each month the Homeownership Centers will receive the greater of the actual fees earned based on a monthly progress report or 1/12th of the minimum fee.

## PROGRESS REPORTS

The Homeownership Centers will provide VHFA with a monthly report in a standard format detailing the status of their work with each borrower, time spent, progress made, and any new issues that may affect the borrowers ability to perform under the special repayment agreement or loan modification agreement. The Homeownership Centers will also report on those borrowers who fail to contact the Homeownership Center, cancel appointments, or who renege on their agreements. This report will be designed by VHFA in conjunction with the Homeownership Centers. The monthly report will be submitted to VHFA on or before the 15th of each month and will cover all activity during the previous month.

VHFA will report monthly to the Homeownership Centers as to the current payment status of each borrower assigned to the Homeownership Center. The Homeownership Centers may call VHFA at any time during the month to determine the status of a particular borrower. The Homeownership Centers will have no direct contact with the servicing lender.

A progress report form is attached as Appendix A. -- to be determined

## EVALUATION

VHFA and the Homeownership Centers will evaluate this initiative against the stated goals. Such evaluation will require VHFA to contact the borrowers directly to gain their input as to the services provided, what worked for them and what did not work, suggestions on how the services could be improved, etc. VHFA and the Homeownership Centers will make every attempt to coordinate the gathering of feedback from the borrower to avoid duplication.

An evaluation plan is attached as Appendix B.

## PERIOD OF AGREEMENT

This agreement is effective as of the date of signing. No changes, modifications, or amendments to this agreement shall be effective unless in writing and signed by the duly authorized representatives of the respective Homeownership Center and VHFA. Any party to this agreement may request a review of the terms at any time. Changes may be initiated by any party and will become effective upon acceptance by all parties. Special circumstances might arise that are not contemplated by this agreement: any changes must be agreed upon by all parties prior to becoming a part of this agreement.

Any party may terminate or suspend this agreement, without penalty or cause upon sixty (60) days written notice to the other parties.

## NOTIFICATION

All notices required to be given by the parties to this agreement shall be sufficient if mailed and addressed as follows:

Homeownership Center: ____________________________

____________________________

VHFA: 164 Saint Paul Street
Burlington, VT 05401

Each party hereby agrees to notify the other of any changes in their address.

## ACKNOWLEDGEMENT

Date: ____________________ ________________________________
Vermont Housing Finance Agency

Date: ____________________ ________________________________
Homeownership Center

APPENDIX A

FORM OF MONTHLY PROGRESS REPORT

TO BE DESIGNED PRIOR TO THE SIGNING OF THIS AGREEMENT

## Evaluation Plan

Overall Issue: How do the outcomes of the VHFA loan intervention services initiative compare with its original goals? A preliminary evaluation will be made after the first year of the initiative. A full evaluation will be made after the first two years and at the end of every subsequent year that the program is in operation.

| Research Question | Information Required | Information Source | Analysis Method |
|---|---|---|---|
| 1. To what extent do VHFA borrowers referred to the Homeownership Centers for post-delinquency counseling have access to the types of services they need to help them avoid foreclosure and become self-sufficient? | For each Center: (1) a list of the types of services included in their loan intervention program and (2) the date on which these services were established.<br>For each loan: (1) a list of services provided by the Center and the dates the borrower received the services, (2) VHFA records on property inspection requests from the Centers, and (3) information on the customer's service needs (as identified by VHFA when referring the customer to the Center and by the Center staff). | Centers and VHFA | Determine whether each Center implemented, and continues to provide while the agreement is in effect, a program that includes the following types of services: (1) Training on developing a household budget; (2) Assistance preparing a budget; (3) Review of the household budget; (4) Assistance with a consumer debt reduction plan; (5) Monitoring of debt reduction plan and/or budget; (6) Advice on emergency home repairs; (7) Home maintenance skills and short and long-term home maintenance requirements; and (8) property inspections, with VHFA's approval, to determine if repairs or rehabilitation are necessary for referred borrowers. Determine when the Center began offering each type of service and identify gaps, if any, between customers' service needs and the availability of services from the Center. |
| 2. What percentage of the borrowers referred by VHFA to the Centers for counseling remained current with their mortgage payments for a one-year period and a two-year period following the implementation of the repayment plan? How does this percentage compare to VHFA's original goal of 50 percent? | For each loan referred by VHFA to the Centers for delinquency counseling: (1) the loan number, (2) the Center to which the loan was referred, (3) the date the repayment plan is implemented, (4) status of loan repayments (i.e. are payments current or delinquent?) | VHFA | Calculate success rate percentages for loans referred to each Center and for loans referred to all Centers. Success rate percentages are based on the portion of loans that remain current (i.e. payments are not 30 days or more late) during the first year after implementation of the repayment plan and during the first two years after implementation of the repayment plan. Performance will be assessed relative to the original goal of 50 percent. |

| Research Question | Information Required | Information Source | Analysis Method |
|---|---|---|---|
| 3. To what extent has post-delinquency counseling reduced the costs to VHFA for loans referred to Centers beyond the estimated cost if these borrowers (i.e. borrowers for whom repayment plans are implemented) had not received counseling? | a. For each loan referred to Centers for post-delinquency counseling: (1) fees paid by VHFA to the Center, (2) amount of VHFA staff time devoted to the loan, (3) professional fees, if any, charged to VHFA, (4) total costs to VHFA of foreclosure, if any, (5) date of foreclosure, if any, and (6) location of property. These data should be collected for the 2 years following implementation of the repayment plan.<br><br>b. For each VHFA loan with a repayment plan implemented prior to the Loan Intervention Services initiative in 1997-98: 1) VHFA staff time cost; (2) total costs of foreclosure, if any, (3) date of foreclosure, if any, and (4) location of property. This data should be collected for the 2 years following implementation of the repayment plan.<br><br>c. Information on differences in market conditions (including unemployment rates and property values), if any, between comparison group and test group. | a. VHFA<br><br>b. VHFA<br><br>c. Center and VHFA staff, published documents containing market condition statistics. | a. Compute the costs to VHFA for two years after the repayment schedule is implemented of all loans referred to the Centers for post-delinquency counseling.<br><br>b. Compute the costs to VHFA for two years after implementation of the repayment plan that would have been likely if post-delinquency counseling had **not** been provided by using the historical cost data for loans with repayment plans implemented in 1997-98.<br><br>c. Compare the costs for the comparison (historical) group with the costs for the test (intervention services) group. Consider the role of market condition in explaining differences between the costs of the test and comparison groups. |
| 4. What other observations can we make as a result of this initiative about factors related to successful resolution of delinquent loans? | For each loan: (1) amount of Center's staff time spent for each service provided to the borrower, (2) description of borrower circumstances at the time the repayment plan was established (for ex. laid off, illness, divorce), (3) borrower's views on the repayment plan, foreclosure, and the helpfulness of the Center; (4) lender/ servicer views on the intervention services provided to the borrower; (5) types of property improvements made as a result of the loan intervention services, and the date, cost, and financing source of the improvements; (6) additional subsidies to the borrower as a result of the loan intervention services (for ex. utility company grant). | Center staff and records; borrowers receiving post-delinquency services; and lender/servicers associated with these borrowers. | Summarize information by looking for differences between loans that remain current and loans that become delinquent within 2 years after implementation of the repayment plan. |

vhfa
VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

**TO:** VHFA BOARD OF COMMISSIONERS

**FROM:** ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

**DATE:** SEPTEMBER 18, 1998

**RE:** FISCAL YEAR JUNE 30, 1998 RESULTS

The basic financial statements for the fiscal year ended June 30, 1998, are in the process of being completed and reviewed by our auditors, KPMG Peat Marwick. The final audited financials (with opinion letter) will not be available by the Board meeting due to the significant accounting standard change (explained below) and that the target due date for completion is September 30th. The formalized audit and related additional letters addressing internal controls and conduct of the audit will be distributed to Board members and will be sent to the State Auditor of Accounts as required, as soon as they are available. We thought that it would be useful to preview the results of FY98, given the timing of the actual audit receipt.

Some highlights of the past year follow:

- A new governmental accounting standard (GASB) is effective for this fiscal year we are reporting on. This statement requires us to state our investments at market value instead of the historical cost basis, which we have always used. The formatting of this new reporting standard is still being negotiated with the auditors. We do estimate that the impact of this new standard is to increase our investments and fund balances by about $4.7 million for the unrealized appreciation of investments. Since most of these investments are in our reserve funds and necessary to support the credit of the related bonds, we have very limited options to sell off the investments and realize the gains indicated.

- On an overall basis, we took half a step backwards in that the Agency's total revenues exceeded expenses for the year in the amount of $2.5 million (prior to the impact of the investment market recognition) compared to a $3.2 million surplus in FY97 and $2.4 million in FY96. The reduction in earnings is due almost entirely to the increased loan losses absorbed.

- Losses on single family properties during the fiscal year totaled approximately $2.3 million (compared to $1.3 million in FY97, $1.5 million for FY96 and $1.9 million for FY95). The loss reserve was increased to $1.4 million from $1.1 million continuing a gradual climb based on the three year moving average method. One positive note is that real estate owned decreased from $4.5 million at June 30, 1997 to $2.8 million at June 30, 1998.

We plan to distribute the summary unaudited year end financials and a FY98 General Fund Budget Performance Report at the Board meeting. If you have any questions regarding the contents of this memo, feel free to contact me at your convenience.



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*Delivery Address:* 164 Saint Paul Street, Burlington, Vermont 05401-4364
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EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

**MEMORANDUM**

TO: VHFA Board of Commissioners

FROM: Patricia M. Loller, Director of Information Technology P.M.L.

DATE: September 16, 1998

RE: Year 2000 Update

This is the first update to the Board regarding the status of VHFA's Year 2000 planning process. At a minimum, there will be quarterly updates to the Board. If for some reason we are not able to meet the target dates established in the plan, the Board will be updated during the next scheduled board meeting.

The Year 2000 Committee, which consists of representatives from each operating area, has developed an extensive listing of all servicers, housing partners and product providers. In the next few weeks, we will be surveying all of these entities regarding their understanding and the status of their Year 2000 planning process.

Below is a brief chronological listing of VHFA's Year 2000 events to date. At this point in time, we are not aware of any significant issues for VHFA around the Year 2000 issue. Mitas, our core software application, has always utilized a 4-digit field for storing year information, ensuring minimal concern for problems on that front.

| | |
|---|---|
| June 2, 1998 | Year 2000 presentation to Core |
| June 15, 1998 | Initial Year 2000 Committee meeting |
| July 21, 1998 | Year 2000 Committee meeting |
| July 23, 1998 | Full staff meeting - Year 2000 initial discussion |
| August 21, 1998 | Completed draft Year 2000 Plan |
| August 25, 1998 | Core Year 2000 status update |
| September 9, 1998 | Year 2000 Committee meeting |
| September 10, 1998 | Completed Servicer, Housing Partners and Product Provider listing |
| September 14, 1998 | Completed drafts of Year 2000 letters to vendor and servicers |
| September 24, 1998 | Initial Board Year 2000 status update |

We are still in need of developing detailed test plans and contingency plans for all critical areas (each vendor/servicer was assigned a criticality factor based upon risk to VHFA).

Copies of the plan, meeting minutes or other documentation is available at your request.




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EQUAL HOUSING OPPORTUNITY

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VERMONT HOUSING FINANCE AGENCY

**Memorandum**

**To:** VHFA Board of Commissioners

**From:** Mike McNamara, Deputy Director M.McN.

**Date:** September 23, 1998

**Re:** Champlain Basin Empowerment Zone Application

As you have most likely heard, the cities of Burlington and Plattsburgh are preparing a joint application to HUD to attain Empowerment Zone (EZ) status. If achieved, up to $100 million would become available over a 10-year period for job creation, revitalization of distressed areas and promotion of economic self-sufficiency for low and moderate-income residents.

EZ designation involves a highly competitive process: more than 200 cities are applying for only 15 available EZ designations. Even if the application is successful, funding is dependent on the approval of an appropriations bill before Congress. Even though Burlington is one of the country's top performing Enterprise Communities, the odds for the success of this application are long.

The application proposes specific projects that would be started or expanded with EZ designation. The projects reflect priorities identified by individuals and a number of focus groups, and are built on plans previously adopted by the community. Under the *Housing & Community Development* section, the application identifies three housing program priorities: *Improvement of Existing Housing, Expansion of Homeownership and Construction of Affordable Rental Housing.* The program descriptions are attached.

As you will note, VHFA is listed as a principal in each of these programs, all three of which fit clearly within our mission. Much like the successful Enterprise Community (EC) application in 1994, Mayor Clavelle is looking for letters of support/commitment for the EZ application. I have attached the *EZ Instructions for Commitment Letters* that was provided by the CEDO Office.

In 1994, VHFA committed to work on several programs in the EC, including a commitment to 30 no-downpayment mortgages in the Old North End EC and a $2 million pool for a rental rehabilitation program. While the homeownership strategy proved to be successful, we were not able to locate a source of funds for the rental rehab program.



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**Recommendation:** At this time, I think the Board can *endorse* the EZ application and *support* the three housing strategies, but fall short of making any specific commitments toward the first two strategies. Since we are still exploring models for a single-family rehab loan program, it is premature to make a specific commitment toward the *Improvement of Existing Housing* strategy. Similarly, until the evaluation of the Homeownership Centers is complete, it is too early to make any specific commitment to the *Expansion of Homeownership* strategy. Finally, we *can* make a specific commitment to the *Construction of Affordable Rental Housing* strategy since we have already committed Ventures loans to McAuley Square ($10,000) and Salmon Run II ($25,600), and would certainly look to make loans on these types of projects in the EZ.

## *Burlington Housing & Community Development #1*

# Improvement of Existing Housing

**Goal(s):**

* Promote the revitalization of distressed areas.
* Prevent neglect or abuse by eliminating health and safety hazards.
* Nurture a robust third sector, working in concert with government.

**Objective:**

Improve the physical condition of 255 units of existing owner-occupied and renter-occupied housing during the first two years of the EZ, with priority given to ensuring the health and safety of units that are presently derelict, dilapidated, or abandoned.

**Actions:**

1) Develop loan, grant and equity pools for financing the rehabilitation of single-unit and multi-unit housing, both owner-occupied and renter-occupied.
2) Improve enforcement of municipal housing codes.
3) Target 25 vacant/boarded-up properties located in the EZ for rehabilitation by nonprofits and individual owner-occupants.
4) Expand the resources and area of focus for the Rehabilitation Program Assisting Rentals (RePAR), administered by LCHDC.
5) Secure capacity funding to administer a housing rehabilitation program for home-owners, for-profit landlords, and nonprofits.

**Principals:**

Minimum Housing Inspection Program, Department of Public Works (DPW)
Home Improvement Program, Community & Economic Development Office (CEDO)
Lake Champlain Housing Development Corporation (LCHDC)
Vermont Housing Finance Agency (VHFA)
Vermont Housing & Conservation Board (VHCB)
Burlington Housing Authority (BHA)
Merchants Bank
Vermont Development Credit Union (VDCU)
Burlington Electric Department (BED)

**Local Assets:**

1) A rental rehabilitation program, administered on behalf of the City by LCHDC since 1997, was developed as a key strategy of the ***Old North End Enterprise Community***. Known as "RePAR," this program has financed the rehabilitation of over 30 units of for-profit rental housing during its first year of operation.
2) RePAR has been capitalized through SSBG, CDBG, and $1 million of Section 108 funds. LCHDC has secured an additional $1.5 million of loan capital from the Merchants Bank and will negotiate with the VDCU and BED for additional loan capital.
3) CEDO has financed the rehab of hundreds of owner-occupied units under the Home Improvement Program since 1983

4) The City began revamping its Minimum Housing Inspection Program in 1998 to target inspections on properties and neighborhoods with the highest incidence of housing code violations.
5) Since July of 1997, the City has convened an inter-departmental team focusing on Vacant/Abandoned/Nuisance properties. Twenty-five of these derelict residential properties are located within the EZ.
6) BCLT is in the final stages of completing rehabilitation of 66 units of rental housing, and has identified additional units in their portfolio in need of rehab.
7) YouthBuild Burlington and WomenBuild, both of which grew out of the Old North End Enterprise Community, have a demonstrated track record of training and housing rehab.

**Federal Investment:** HOME, CDBG, SSBG, Section 108, Low Income Housing Tax Credits, Historic Reinvestment Tax Credits

**Tax Incentive Opportunities:** None

| Performance Milestones: | 1 yr | 2 yrs | 5 yrs | 10 yrs |
|---|---|---|---|---|
| Rehabilitate owner-occupied units | 25 | 50 | 125 | |
| Rehabilitate for-profit rental units | 40 | 80 | 200 | |
| Rehabilitate nonprofit rental units | 50 | 100 | 250 | |
| Rehabilitate units in vacant buildings. | 12 | 25 | 50 | |
| Targeted inspections in EZ | 500 | 1000 | 2500 | |

| Budget: | 1 yr | 2 yrs | 5 yrs |
|---|---|---|---|
| Rehabilitate 50 owner-occupied units @ $15,000/unit | | $750,000 | |
| Rehabilitate 80 for-profit rental units @ $10,000/unit | | $800,000 | |
| Rehabilitate 100 nonprofit rental units @ $25,000/unit | | $2,500,000 | |
| Targeted inspections in zone 1,000 units | | $75,000 | |
| Rehabilitate 25 units in vacant buildings @ $35,000/unit | | $875,000 | |
| **Total** | | **$5,000,000** | |

**Linkages:** Rehabilitation efforts will be linked with the North Street Revitalization Plan (see B/HousCom4), energy efficiency programs, lead-based paint hazard reduction, historic preservation initiatives, and job training through YouthBuild Burlington and WomenBuild.

*Burlington Community Development #2*

# Expansion of Homeownership

**Goal(s):**

* Promote self-sufficiency for residents.
* Encourage local ownership of local resources.
* Nurture a robust third sector working in concert with government.
* Promote participation by people normally excluded from economic mainstream.

**Objective:**

Increase the percentage of housing within the Empowerment Zone that is owner-occupied to at least 23% by the end of the ***second*** year of EZ designation; increase the percentage of owner-occupied housing to at least 25% by the end of the ***fifth*** year of EZ designation.

**Actions:**

1) Expand the operations of the Homeownership Center of Chittenden County.
2) Secure grant capital to assist first-time homebuyers with down payment and closing costs. Absentee-owned properties will be targeted for purchase by first-time homebuyers.
3) The City, through its Community and Economic Development Office, will offer financial and technical assistance to new homeowners for rehabilitating their homes.
4) BCLT, through the Homeownership Center, will provide homebuyer education, credit and budget counseling, financial assistance with down payment and closing costs, and access to Land Trust homes and rehab grants.
5) The City will develop an incentive program to encourage City employees to purchase homes in the Empowerment Zone.
6) The Burlington Housing Authority will develop an incentive program to encourage public housing tenants to become homeowners in the zone.

**Principals:**

City of Burlington, Community and Economic Development Office (CEDO)
Vermont Housing Finance Agency (VHFA)
Vermont Housing & Conservation Board (VHCB)
Burlington Community Land Trust (BCLT)
Homeownership Center of Chittenden County
Neighborhood Reinvestment Corp.
Federal Home Loan Bank
Burlington Housing Authority (BHA)
Vermont National Bank
Vermont Development Credit Union (VDCU)
Vermont Association of Realtors®

**Local Assets:**

1) The Homeownership Center of Chittenden County, initiated as a strategy of the *Old North End Enterprise Community*, has been operated by the BCLT since 1996. The Center has served over 300 customers in its first 18 months of operation and helped 40 first-time homeowners to purchase homes.
2) CEDO has operated a Home Improvement Program since 1983, providing rehab assistance to hundreds of lower-income homeowners.

3) The BCLT has made homeownership possible for over 200 first-time homebuyers since its founding in 1984.
4) The BCLT is a ***NeighborWorks***® member, an affiliation that provides access to capacity funding, secondary mortgage market, and training.
5) BHA has already "graduated" several households from public housing tenancy into homeownership.

**Federal Investment:** HOME, CDBG, SSBG, Neighborhood Reinvestment Corp.,

**Tax Incentive Opportunities:** None

| **Performance Milestones:** | **1 yr** | **2 yrs** | **5 yrs** | **10 yrs** |
|---|---|---|---|---|
| % owner-occupied | 22% | 23% | 25% | 27.5% |
| # owner-occupied | 1855 units | 1909 units | 2075 units | 2283 units |
| # added since 1998 | 0 | +54 | +220 | +428 |
| # completed home-buyer education | 127 | 277 | 427 | 577 |
| # City employee home-buyers | N/A | 8 | 20 | 35 |
| # BHA home-buyers | N/A | 5 | 10 | 17 |

| **Budget:** | **1 yr** | **2 yrs** | **5 yrs** |
|---|---|---|---|
| Expand Homeownership Center | | $150,000 | |
| Capitalize grant pool for down-payment and closing | | $500,000 | |
| costs (100 @ $5,000 ea.) | | $100,000 | |
| City employee incentive program (20 @ $5,000 ea.) | | $50,000 | |
| BHA tenant incentive program (10 @ $5,000 ea.) | | | |
| **Total** | | **$800,000** | |

**Linkages:** Initiatives promoting homeownership will be complemented by programs to improve the stock of existing housing (see BurlHousCom1), increase residential energy efficiency, reduce lead-based paint hazards, as well as job training programs (e.g., YouthBuild and WomenBuild) in the construction and rehabilitation trades.

*Burlington Housing & Community Development #3*

## Construction of Affordable Rental Housing

**Goal(s):**

* Promote the revitalization of distressed areas.
* Prevent neglect or abuse by eliminating health and safety hazards.
* Nurture a robust third sector, working in concert with government.

**Objective:**

Develop 160 units of perpetually affordable rental housing, within the first two years of EZ designation, for households earning less than 50% of median income, along with 20 units of transitional housing to assist homeless families with the transition to permanent housing.

**Actions:**

1) Commence construction of a 92-unit mixed-income, multigenerational housing project, serving welfare mothers attending college, teen parents and seniors.
2) Raise equity from banks, businesses and other local investors through the sale of Low Income Housing Tax Credits (LIHTC). This pool, administered by Housing Vermont, Inc., will be used to develop in-fill rental housing in the EZ.
3) Identify appropriate sites for housing development and support an aggressive site acquisition program by the nonprofit housing network.
4) Develop a new transitional housing project for homeless families, working in concert with the Committee on Temporary Shelter.

**Principals:**

Burlington Community Land Trust (BCLT)
Burlington Housing Authority (BHA)
Cathedral Square Corp.
City of Burlington, Community and Economic Development Office (CEDO)
Committee on Temporary Shelter
Housing Vermont, Inc.
Lake Champlain Housing Development Corp.
Vermont Community Loan Fund
Vermont Housing Finance Agency (VHFA)
Vermont Housing & Conservation Board (VHCB)

**Local Assets:**

1) Housing Vermont, Inc. has syndicated over $30 million in LIHTC equity since its founding in 1988 creating 1,644 units of affordable rental housing.
2) A site for the construction of the first 92-unit rental project to make use of the EZ equity pool has been secured by a partnership of Housing Vermont and Cathedral Square Corp.
3) LCHDC is in the pre-development phase on 10 rental units to be affordable to families earning 60 % of median, and 8 units to be affordable to households at 50% of median income. Twelve (12) of these units are being developed at the former site of a gas station that has been abandoned for over ten years.

4) An innovative network of nonprofit housing developers is already in place. Each nonprofit possesses over 15 years of experience acquiring sites and developing affordable housing.

**Federal Investment:** Low Income Housing Tax Credits, HOME, CDBG, SSBG, HUD 811, HUD 202

**Tax Incentive Opportunities:** None

| **Performance Milestones:** | **1 yr** | **2 yrs** | **5 yrs** | **10 yrs** |
|---|---|---|---|---|
| Number of rental units developed | 110 | 160 | 315 | |
| LIHTC equity raised | $5M | $7.5M | $14M | |
| Sites identified for development | 5 | 8 | 15 | |
| Transitional housing units | 12 | 20 | 40 | |

| **Budget:** | **1 yr** | **2 yrs** | **5 yrs** |
|---|---|---|---|
| **Total** | | | |

**Linkages:** The construction of new units will be coordinated with job training programs (YouthBuild and WomenBuild). Although most units will remain rental housing under nonprofit ownership and management, some will certainly be placed under the control of limited-equity housing cooperatives after the Tax Credits expire.

# Champlain Basin Empowerment Zone
# Instructions for Commitment Letters

## Letterhead

Please place commitment letter on official stationary containing your organization's name, address, and logo.

## Inside Address

Commitment letters should be addressed to Mayor Peter Clavelle, City Hall, Burlington, Vermont 05401.

## Support for the EZ

Please indicate your organization's support for the Empowerment Zone application being submitted to the U.S. Department of Housing and Urban Development (HUD) by the City of Burlington and the City of Plattsburgh.

## Support for Particular Strategies or Projects

Please identify those EZ strategies or projects in which your organization has an interest. If your organization is expected to play a role in implementing a particular project, please indicate your willingness to play such a role and describe (briefly) your organization's experience and expertise in doing such work.

## Commitment

If there are dollars, facilities, services, equipment, or personnel that your organization will contribute during the Empowerment Zone's ***first two years*** toward making a particular EZ strategy or project a reality, please describe these resources. Include, wherever possible, an estimate of the monetary value of your commitment.

## Authority

Please indicate whether your organization's board of directors has taken action endorsing the EZ and committing organizational resources to the EZ. If your board has ***not*** taken action, the endorsement, commitment, and signature of your organization's chief executive officer is acceptable.

## Deadline

All commitment letters must be hand delivered to CEDO, Room 32, City Hall, no later than **4:00 PM, Friday, September 25**. Please Call Brian Pine (865-7232) if you have questions about the form or content of these letters.

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VERMONT HOUSING FINANCE AGENCY

October 19, 1998

Ms. Su Wolters
Department of Administration
Secretary of Administration's Office
Pavilion Office Building
109 State Street
Montpelier, VT 05602

Dear Ms. Wolters:

The Vermont Housing Finance Agency will behaving its regular monthly Board Meeting on Thursday, October 29, at 1:00 p.m., here at the Vermont Housing Finance Agency's office, 164 Saint Paul Street, Burlington, Vermont.

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

Sincerely,

Kari Caragher

Kari A. Caragher
H.R./Executive Assistant

*ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD*

*Mailing Address:* PO Box 408, Burlington, Vermont 05402-0408
*Delivery Address:* 164 Saint Paul Street, Burlington, Vermont 05401-4364
802 / 864-5743 • 800 / 339-5866 • TDD: 800 / 586-5832
FAX: 802 / 864-5746 • Underwriting FAX: 802 / 863-5422 • home@vhfa.org

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VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Michael F. McNamara, Deputy Director M.McN.

DATE: October 23, 1998

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held on October 29th here at the Vermont Housing Finance Agency's office, 164 Saint Paul Street, Burlington, Vermont. The meeting will begin at 1:00 p.m.

Attached is the agenda and Board packet. The master copy of the Board minutes kept on file here at the Agency includes any attachments that may be referenced in the minutes; copies will be made available should any Board members be interested in reviewing them.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Burlington October 29th!

*ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD*

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VERMONT HOUSING FINANCE AGENCY

**BOARD AGENDA**
Vermont Housing Finance Agency
164 Saint Paul Street
Burlington, Vermont

October 29th at 1:00 p.m.

| | | |
|---|---|---|
| 1. | Review and approval of the minutes of September 24, 1998 | |
| 2. | <u>OPERATIONS</u> | |
| | A. Single Family Program Activity Report for September, 1998 | {Lothrop//Enclosure} |
| | B. Conversion of MRB Authority to MCC Authority | {Lothrop//Enclosure} |
| 3. | <u>FINANCE</u> | |
| | A. Fiscal Year June 30, 1998 Audit Reports | {Schoenbeck//Enclosure} |
| 4. | <u>LEGAL</u> | |
| | A. Amendment to Annual Meeting Resolution | {Jarrett//Enclosure} |
| 5. | <u>ADMINISTRATION</u> | |
| | A. Deputy Director's Report | {McNamara} |
| 6. | Board meeting format discussion | |
| | A. Proposed Small Multifamily Loan Streamlined Approval Process | {Reid//Enclosure} |
| 7. | Report on Executive Director Search Process | {Chairman White} |
| 8. | Other old or new business to come before the Board | |

*ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD*

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## VERMONT HOUSING FINANCE AGENCY

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

Thursday, September 24th, 1998 at 1:00 p.m.

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

Staff: Mr. Hunt, Mr. McNamara, Mr. Jarrett, Mr. Falzone, Ms. Gent, Ms. Caragher, Ms. Loller, Ms. Santerre, Mr. Lothrop, Mr. Schoenbeck

Other: Mr. Gurley (PaineWebber, Inc.)

Chairman White called the meeting to order at 1:05 p.m. A motion was made by Ms. Grimes to approve both the minutes of July 23 and August 20, 1998. The motion carried unanimously after being seconded by Ms. Canney.

Mr. Lothrop reviewed his memo "Single Family Program Activity Report for July, 1998," included in the Board packet. Mr. Lothrop indicated that activity continues to be slow, as compared to last year. Mr. Lothrop handed out 2 graphs comparing the VHFA and conventional rates since we remarketed; one compared the 0-point interest rate and the other compared the 1-point interest rate.

Mr. Lothrop briefly discussed the servicing activity report. Mr. Lothrop indicated that the delinquency numbers have slowly been decreasing and he is hopeful that this trend will continue. Currently, VHFA has 43 REOs in its portfolio and 15 properties under contract. Mr. Hunt asked Mr. Lothrop how many REOs he believes VHFA will have at the end of 1998. Mr. Lothrop stated that he is hopeful that the number of REOs should be down into the 30's by the end of the year.

Mr. Lothrop then discussed the memo, "Loan Intervention Agreement with the Homeownership Centers," included in the Board packet. Staff received a proposal from the Homeownership Centers a few months ago, which outlines loan workout services to VHFA and its borrowers. After discussions with staff and the Homeownership Centers, a revised proposal has evolved, which has been approved by both VHFA staff and the Homeownership Centers. In summary, VHFA staff, with advice from the servicing lender, will select borrowers with special repayment agreements and loan modifications. Referral to the Homeownership Centers will be made on a case by case basis. VHFA will reimburse the Homeownership Centers based on a per case fee of $600 for cases within their service area, and $700 for each case outside their service area. Each Homeownership Center will receive a minimum annual fee of $12,000. There was a general concern



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from the Board that VHFA is already subsidizing the centers for pre-purchase and post-purchase education and counseling services. The Board asked that the Loan Intervention Agreement be kept independently from other agreements and that the Homeownership Centers be advised that any decisions about loan intervention services will be considered separately by the Board.

After further discussion, Ms. Grimes made a motion to approve the Loan Intervention Agreement with the Homeownership Centers. The motion carried unanimously after being seconded by Mr. Seelig. (Chairman White and Ms. Canney are abstaining from this discussion).

Mr. Schoenbeck reviewed his memo "Fiscal Year June 30, 1998 Results," included in the Board packet. Mr. Schoenbeck indicated that, the financial statements for the fiscal year ending June 30, 1998, are in the process of being completed by our auditors, KPMG Peat Marwick. The final audited financial statements will hopefully be available to the Board by September 30th.

Mr. Schoenbeck passed out 2 handouts and briefly discussed each one. The first handout included the year end general fund budget performance report. Mr. Schoenbeck indicated that there were a couple of expense items that exceeded the budget authority that was approved: (1) The miscellaneous expense went from the approved $10,000 to $29,664. This was because we had to write off a septic loan and we took a loss of $20,000 on a loan previously made and (2) The repairs & maintenance budget was approved for $28,000 and as of 6/30/98 is $33,682. This increase was due to upgrades to our current systems.

Mr. Schoenbeck also reviewed the second handout. VHFA statement of revenues, expenses and changes in fund balances for the year ended June 30,1998 and the balance sheet were distributed. The full fiscal year earnings of $2.6 were a little lower than expected due to the high loan loss experience. Mr. Schoenbeck indicated that a new governmental accounting standard is in effect for the FY98 year. This is the first time VHFA is required to list its investments at market values, not as historical costs. This new standard will increase our investments and fund balances by about $4.7 million, for unrealized appreciation of investments. On a positive note, Mr. Schoenbeck noted that we have cut our holdings of foreclosed properties by one third. Our REOs have decreased from $4.5 million at June 30, 1997 to $2.8 million at June 30,1998.

Mr. Jarrett updated the Board on our class action suit. VHFA made an offer of judgement in order to stop the attorney fees from running up. To our surprise, the plaintiffs accepted the offer of judgement and so the federal lawsuit is settled. In the state court case, the judge granted our motion to dismiss, but Vermont Legal Aid has appealed the ruling to the Vermont Supreme Court. Mr. Jarrett has met with the Bar Association and the Bankers Association to come up with some legislative wording to address issues raised by the lawsuit. Mr. Candon asked if the tenants were still occupying the property. Mr. Jarrett indicated that they were, but the Agency has brought a court case for an eviction and a judgment should be forthcoming.

Mr. Jarrett also mentioned that a meeting was held with the owners of Abenaki Acres. They have brought their mortgage current and have promised to do everything that we need to have done. Mr. Falzone congratulated Kim Roy and Glenn Jarrett for their work. Mr. Falzone also thanked the Board members who suggested getting the Governor's Office involved.

Next, Ms. Loller gave a brief Year 2000 Update. Ms. Loller indicated that a Year 2000 Committee has been formed, which consists of representatives from each operating area. The

Committee has formed an extensive listing of all servicers, housing partners and product providers. Staff is still in the process of contacting each vendor to assure they are year 2000 compliant. The Committee still needs to develop a full test plan, although they did assign a "critical factor" to all of our servicers, housing partners, and products. The Committee will continue to work on contingency planning. Mr. Seelig suggested that, at some point it would be helpful if the Board received an update on where the Agency is on information technology issues. Mr. Candon asked if the Mitas software was year 2000 compliant. Ms. Loller indicated that it is year 2000 compliant, however testing is still necessary.

Mr. McNamara then reviewed his memo "Champlain Basin Empowerment Zone Application," that was handed out at the meeting. The cities of Burlington and Plattsburgh are preparing a joint application to HUD to attain Empowerment Zone (EZ) status. If successful, up to $100 million would become available over a 10-year period for job creation, revitalization of distressed areas and promotion of economic self-sufficiency for low and moderate-income residents. More than 200 cities are applying for only 15 available EZ designations. Even if the application is successful, funding is dependent on the approval of an appropriations bill before Congress. VHFA had committed to work on several programs in the original Enterprise Community, which included a commitment to 30 no-downpayment mortgages in the Old North End. VHFA already has committed Venture loans to McAuley Square and Salmon Run II and would look to make loans on these types of projects in the EZ. After a brief discussion, Ms. Grimes made a motion to approve the recommendation with staff's input. The motion carried unanimously after being seconded by Mr. Seelig.

Next, Chairman White gave an update on the search process for the Executive Director. He indicated that the Search Committee has interviewed 7 candidates, and has eliminated 3. The remaining 4 have been invited back for second interviews on October 13th and 14th. Chairman White also indicated that, since the interviews, he has received 2 additional resumes that interest him, and he has mailed each member of the Search Committee the resumes. Chairman White is hopeful that, at the October Board meeting, the Committee will have selected a candidate. Chairman White asked the Board members if they would mind if the Board meeting scheduled for October 22nd could be pushed back a week to October 29th. This would give the Search Committee an additional week to work on the Search Process. It was agreed that October 29th would be the next Board meeting in Burlington. Following the meeting today, he will be giving staff a memo explaining the search process.

Chairman White briefly discussed the Focus Group Recommendations. He had drafted responses to each recommendation, which were mailed to each Board member. There were slight revisions still needed to be made to the draft. The Personnel Focus Group response included two items: (1) pool of money set-aside for performance and; (2) ongoing evaluation of the overall "health" of VHFA. The Board has already included some extra money in this year's budget for employee performance and the Board has agreed to monitor the Agency on a regular basis.

Chairman White then briefly discussed several of the recommendations from the Communications Focus Group. Chairman White suggested that the Board establish a Human Resources Committee to look at the different issues surrounding the Focus Groups. The Board members all agreed that a Human Resources Committee should be appointed. Mr. Seelig suggested that staff should give the Board a report in 3 – 6 months to let them know what has changed and what hasn't. It was also mentioned that Strategic Planning should be discussed differently at the Board meetings. Mr. Seelig then suggested that there should be an agenda item at the October Board meeting that allows the Board and staff to reorganize the agendas for future Board meetings to make room for Strategic Planning.

Mr. Hunt then gave a few parting thoughts to both the Board and staff. He indicated that the Mortgage Dynamics, Inc. report was a real eye opener for him. He stated that VHFA is in a changing business climate surrounded by a lot of competition and needs to find a way to stay afloat. Mr. Hunt believes that there needs to be major movements of housing finance agencies or they will find themselves displaced. He strongly believes that Strategic Planning is more critical today then it has ever been. Mr. Hunt suggested that the Board should consider expanding its members to include a few more players. Most Boards at other HFA's have 9 – 10 members. Lastly, Mr. Hunt wished everyone the best and noted that he hoped to see VHFA as a viable organization forever.

Chairman White thanked Mr. Hunt for sharing his thoughts and indicated that he has enjoyed working with Mr. Hunt for the last 5 years.

Next, a "Resolution Honoring Allan S. Hunt on his Retirement from the position of Executive Director of the Vermont Housing Finance Agency," was handed out to the Board and staff. Chairman White read aloud the Resolution to the Board and staff. A motion was made by Mr. Seelig to approve the Resolution, and carried unanimously after being seconded by Mr. Douglas. Mr. Hunt noted that his work on the Gates was overlooked on the Resolution and the Resolution was revised to reflect that work.

Chairman White recognized Ms. Grimes for all of her hard work on the Board and wished her the best of luck at her new place of employment, the Department of Employment and training.

At this time Ms. Grimes made a motion to go into Executive Session pursuant to 1 VSA Section 313 (a)(3). The motion carried unanimously after being seconded by Ms. Canney. The motion to come out of Executive Session was made by Ms. Grimes and seconded by Mr. Douglas.

There being no further business, the meeting adjourned at 3:35 p.m.

Sincerely,

Michael F. McNamara

Michael F. McNamara
Deputy Director

vhfa
VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: October 7, 1998

RE: Single Family Program Activity Report For September, 1998

## MORTGAGE PURCHASE PROGRAMS

| Month | No. | Amount | Previous Year | No. | Amount |
|---|---|---|---|---|---|
| Reservations | 61 | $ 4,391,319 | | 57 | $ 3,759,160 |
| Purchases | 54 | $ 3,418,827 | | 89 | $ 5,987,367 |

| Period to Date | No. | Amount | Previous Year | No. | Amount |
|---|---|---|---|---|---|
| Reservations | 542 | $38,591,263 | | 754 | $53,425,307 |
| Purchases | 336 | $22,418,372 | | 481 | $33,065,376 |

## MORTGAGE PLUS

| Month | No. | Amount | Previous Year | No. | Amount |
|---|---|---|---|---|---|
| Reservations | 0 | $ 0 | | 7 | $ 585,700 |
| Issued | 7 | $ 556,718 | | 8 | $ 597,189 |

| Period to Date | No. | Amount | Previous Year | No. | Amount |
|---|---|---|---|---|---|
| Reservations | 47 | $ 3,745,996 | | 92 | $ 7,580,889 |
| Issued | 54 | $ 3,574,778 | | 59 | $ 4,509,080 |

*ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD*

*Mailing Address:* PO Box 408, Burlington, Vermont 05402-0408
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VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: October 21, 1998

RE: Servicing Activity for September 1998

## SERVICING ACTIVITY

Collections:

| | | |
|---|---|---|
| Last months 90+ accounts: | | 105 |
| New 90 day accounts (+): | 20 | |
| To foreclosure/DIL (-): | 1 | |
| To 60 days or less (-): | 15 | |
| Under payment arrangement: | 63 | |
| 90+ accounts: | | 109 |

In Foreclosure:

| | | |
|---|---|---|
| Last months foreclosure accounts: | | 61 |
| New foreclosures (+): | 3 | |
| To REO (-): | 5 | |
| Successful interventions (-): | | |
| Negotiating workouts: | | |
| Foreclosure accounts: | | 59 |

Real Estate Owned:

| | | |
|---|---|---|
| Last months REO's: | | 41 |
| New REO's (+): | 5 | |
| Properties sold (-): | 6 | |
| Properties under contract: | 9 | |
| Other: | | |
| REO's: | | 40 |



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DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: SEPTEMBER, 1998

| Lenders | Loans | 30 | Days | 60 | Days | 90+ | Days | Auth | FCL | Delinq | | REO | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ALBANK, FSB | 415 | 26 | 6.27% | 9 | 2.17% | 6 | 1.45% | 7 | 1.69% | 48 | 11.57% | 2 | 0.48% |
| Banknorth Mortgage Co. | 757 | 35 | 4.62% | 6 | 0.79% | 5 | 0.66% | 10 | 1.32% | 56 | 7.40% | 4 | 0.53% |
| Bennington Co-op S&L Assoc. | 62 | 1 | 1.61% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 1 | 1.61% | 0 | 0.00% |
| Brattleboro Savings & Loan | 28 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 1 | 3.57% | 1 | 3.57% | 0 | 0.00% |
| Chittenden Bank | 905 | 55 | 6.08% | 8 | 0.88% | 5 | 0.55% | 17 | 1.88% | 85 | 9.39% | 7 | 0.77% |
| Citizens Savings Bank | 116 | 3 | 2.59% | 3 | 2.59% | 1 | 0.86% | 0 | 0.00% | 7 | 6.03% | 1 | 0.86% |
| Community National Bank | 310 | 15 | 4.84% | 4 | 1.29% | 6 | 1.94% | 1 | 0.32% | 26 | 8.39% | 2 | 0.65% |
| Connecticut River Bank | 5 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Factory Point Nat. Bank | 34 | 0 | 0.00% | 1 | 2.94% | 1 | 2.94% | 0 | 0.00% | 2 | 5.88% | 0 | 0.00% |
| First Brandon Nat. Bank | 2 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| First Nationwide Mortgage | 6 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| GMAC Mortgage | 9 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Granite Bank (NH) | 2 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Graystone Mortgage Company | 517 | 38 | 7.35% | 12 | 2.32% | 20 | 3.87% | 4 | 0.77% | 74 | 14.31% | 5 | 0.97% |
| Heritage Family Credit Union | 6 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Lyndonville Savings Bank | 59 | 4 | 6.78% | 2 | 3.39% | 0 | 0.00% | 0 | 0.00% | 6 | 10.17% | 0 | 0.00% |
| Mascoma Savings Bank | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Merchants Bank | 258 | 10 | 3.88% | 1 | 0.39% | 0 | 0.00% | 1 | 0.39% | 12 | 4.65% | 2 | 0.78% |
| Mortgage Service Ctr. of NE | 85 | 7 | 8.24% | 1 | 1.18% | 6 | 7.06% | 0 | 0.00% | 14 | 16.47% | 3 | 3.53% |
| New England Federal CU | 44 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Northfield Savings Bank | 138 | 8 | 5.80% | 3 | 2.17% | 0 | 0.00% | 0 | 0.00% | 11 | 7.97% | 1 | 0.72% |
| Passumpsic Savings Bank | 164 | 6 | 3.66% | 7 | 4.27% | 2 | 1.22% | 2 | 1.22% | 17 | 10.37% | 0 | 0.00% |
| Peoples Trust Co. | 91 | 8 | 8.79% | 3 | 3.30% | 1 | 1.10% | 0 | 0.00% | 12 | 13.19% | 0 | 0.00% |
| Randolph National Bank | 35 | 1 | 2.86% | 1 | 2.86% | 1 | 2.86% | 0 | 0.00% | 3 | 8.57% | 0 | 0.00% |
| Union Bank | 183 | 9 | 4.92% | 3 | 1.64% | 3 | 1.64% | 0 | 0.00% | 15 | 8.20% | 0 | 0.00% |
| Vermont Development CU | 68 | 0 | 0.00% | 1 | 1.47% | 3 | 4.41% | 0 | 0.00% | 4 | 5.88% | 0 | 0.00% |
| Vermont National Bank | 1902 | 73 | 3.84% | 24 | 1.26% | 49 | 2.58% | 17 | 0.89% | 163 | 8.57% | 12 | 0.63% |
| Wells River Savings Bank | 30 | 2 | 6.67% | 1 | 3.33% | 0 | 0.00% | 0 | 0.00% | 3 | 10.00% | 1 | 3.33% |
| Totals | 6232 | 301 | 4.83% | 90 | 1.44% | 109 | 1.75% | 60 | 0.96% | 560 | 8.99% | 40 | 0.64% |
| Totals Previous Month | 6217 | 288 | 4.63% | 94 | 1.51% | 105 | 1.69% | 61 | 0.98% | 548 | 8.81% | 41 | 0.66% |
| Totals Same Mo. Last Yr. | 6425 | 356 | 5.54% | 94 | 1.46% | 88 | 1.37% | 45 | 0.70% | 583 | 9.07% | 69 | 1.07% |

Number of Loans in the 90 day Delinquency Category that are under a repayment Plan 63

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: SEPTEMBER, 1998

| Lenders | Loans | 30 | Days | 60 | Days | 90+ | Days | Auth | FCL | Delinq | | REO | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Large Servicer 400+ | | | | | | | | | | | | | |
| Albank | 415 | 26 | 6.27% | 9 | 2.17% | 6 | 1.45% | 7 | 1.69% | 48 | 11.57% | 2 | 0.22% |
| Banknorth Mortgage Co. | 757 | 35 | 4.62% | 6 | 0.79% | 5 | 0.66% | 10 | 1.32% | 56 | 7.40% | 4 | 0.63% |
| Chittenden Bank | 905 | 55 | 6.08% | 8 | 0.88% | 5 | 0.55% | 17 | 1.88% | 85 | 9.39% | 7 | 1.05% |
| Graystone Mortgage Company | 517 | 38 | 7.35% | 12 | 2.32% | 20 | 3.87% | 4 | 0.77% | 74 | 14.31% | 5 | 3.54% |
| Vermont National Bank | 1902 | 73 | 3.84% | 24 | 1.26% | 49 | 2.58% | 17 | 0.89% | 163 | 8.57% | 12 | 1.36% |
| Totals | 4496 | 227 | 5.05% | 59 | 1.31% | 85 | 1.89% | 55 | 1.22% | 426 | 9.48% | 30 | 0.67% |
| Average | 899 | 45 | 5.63% | 12 | 1.49% | 17 | 1.82% | 11 | 1.31% | 85 | 10.25% | 6 | 1.36% |
| Medium Servicers 399-50 | | | | | | | | | | | | | |
| Bennington Co-op S&L Assoc. | 28 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 1 | 3.57% | 1 | 3.57% | 0 | 0.00% |
| Citizens Savings Bank | 116 | 3 | 2.59% | 3 | 2.59% | 1 | 0.86% | 0 | 0.00% | 7 | 6.03% | 1 | 0.86% |
| Community National Bank | 310 | 15 | 4.84% | 4 | 1.29% | 6 | 1.94% | 1 | 0.32% | 26 | 8.39% | 2 | 0.65% |
| Lyndonville Savings Bank | 59 | 4 | 6.78% | 2 | 3.39% | 0 | 0.00% | 0 | 0.00% | 6 | 10.17% | 0 | 0.00% |
| Merchants Bank | 258 | 10 | 3.88% | 1 | 0.39% | 0 | 0.00% | 1 | 0.39% | 12 | 4.65% | 2 | 0.78% |
| Mortgage Service Ctr. of NE | 85 | 7 | 8.24% | 1 | 1.18% | 6 | 7.06% | 0 | 0.00% | 14 | 16.47% | 3 | 3.53% |
| Northfield Savings Bank | 138 | 8 | 5.80% | 3 | 2.17% | 0 | 0.00% | 0 | 0.00% | 11 | 7.97% | 1 | 0.72% |
| Passumpsic Savings Bank | 164 | 6 | 3.66% | 7 | 4.27% | 2 | 1.22% | 2 | 1.22% | 17 | 10.37% | 0 | 0.00% |
| Peoples Trust Co. | 91 | 8 | 8.79% | 3 | 3.30% | 1 | 1.10% | 0 | 0.00% | 12 | 13.19% | 0 | 0.00% |
| Union Bank | 183 | 9 | 4.92% | 3 | 1.64% | 3 | 1.64% | 0 | 0.00% | 15 | 8.20% | 0 | 0.00% |
| Totals | 1432 | 70 | 4.89% | 27 | 1.89% | 19 | 1.33% | 5 | 0.35% | 121 | 8.45% | 9 | 0.63% |
| Average | 143 | 7 | 4.95% | 3 | 2.02% | 2 | 1.38% | 1 | 0.55% | 12 | 8.90% | 1 | 0.65% |
| Small Servicers 49- | | | | | | | | | | | | | |
| Brattleboro Savings & Loan | 28 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 1 | 3.57% | 1 | 3.57% | 0 | 0.00% |
| Connecticut River Bank | 5 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Factory Point Nat. Bank | 34 | 0 | 0.00% | 1 | 2.94% | 1 | 2.94% | 0 | 0.00% | 2 | 5.88% | 0 | 0.00% |
| First Brandon Nat. Bank | 2 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| First Nationwide Mortgage | 6 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| GMAC Mortgage | 9 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Granite Bank (NH) | 2 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Heritage Family Credit Union | 6 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Mascoma Savings Bank | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| New England Federal CU | 44 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Randolph National Bank | 35 | 1 | 2.86% | 1 | 2.86% | 1 | 2.86% | 0 | 0.00% | 3 | 8.57% | 0 | 0.00% |
| Vermont Development CU | 68 | 0 | 0.00% | 1 | 1.47% | 3 | 4.41% | 0 | 0.00% | 4 | 5.88% | 0 | 0.00% |
| Wells River Savings Bank | 30 | 2 | 6.67% | 1 | 3.33% | 0 | 0.00% | 0 | 0.00% | 3 | 10.00% | 1 | 3.33% |
| Totals | 270 | 3 | 1.11% | 4 | 1.48% | 5 | 1.85% | 1 | 0.37% | 13 | 4.81% | 1 | 0.37% |
| Average | 21 | 0 | 0.76% | 0 | 0.86% | 0 | 0.86% | 0 | 0.28% | 1 | 2.77% | 0 | 0.26% |

| Lenders | 1998 Jun | Jul | Aug | Sep |
|---|---|---|---|---|
| Large Servicer 400+ | | | | |
| Albank | 10.61% | 12.41% | 11.75% | 11.57% |
| Banknorth Mortgage Co. | 6.53% | 6.01% | 7.50% | 7.40% |
| Chittenden Bank | 8.68% | 8.13% | 10.39% | 9.39% |
| Graystone Mortgage Company | 13.51% | 12.43% | 13.08% | 14.31% |
| Vermont National Bank | 9.44% | 8.91% | 8.32% | 8.57% |
| Average | 9.75% | 9.58% | 10.21% | 10.25% |
| Medium Servicers 399-50 | | | | |
| Bennington Co-op S&L Assoc. | 7.41% | 7.41% | 7.41% | 3.57% |
| Citizens Savings Bank | 5.17% | 4.31% | 3.45% | 6.03% |
| Community National Bank | 8.71% | 6.93% | 7.84% | 8.39% |
| Lyndonville Savings Bank | 5.17% | 5.08% | 5.08% | 10.17% |
| Merchants Bank | 6.25% | 4.87% | 3.82% | 4.65% |
| Mortgage Service Ctr. of NE | 13.95% | 14.12% | 18.82% | 16.57% |
| Northfield Savings Bank | 4.62% | 4.55% | 4.44% | 7.97% |
| Passumpsic Savings Bank | 10.24% | 9.70% | 11.52% | 10.37% |
| Peoples Trust Co. | 8.42% | 7.45% | 6.59% | 13.19% |
| Union Bank | 7.73% | 7.22% | 7.73% | 8.20% |
| Average | 7.77% | 7.16% | 7.67% | 8.91% |
| Small Servicers 49- | | | | |
| Brattleboro Savings & Loan | 7.41% | 7.41% | 7.41% | 3.57% |
| Connecticut River Bank | 0.00% | 0.00% | 20.00% | 0.00% |
| Factory Point Nat. Bank | 20.00% | 11.43% | 11.76% | 5.88% |
| First Brandon Nat. Bank | 0.00% | 0.00% | 0.00% | 0.00% |
| First Nationwide Mortgage | 0.00% | 0.00% | 0.00% | 0.00% |
| GMAC Mortgage | 0.00% | 0.00% | 0.00% | 0.00% |
| Granite Bank (NH) | 0.00% | 0.00% | 0.00% | 0.00% |
| Heritage Family Credit Union | 0.00% | 0.00% | 0.00% | 0.00% |
| Mascoma Savings Bank | 0.00% | 0.00% | 0.00% | 0.00% |
| New England Federal CU | 0.00% | 0.00% | 0.00% | 0.00% |
| Randolph National Bank | 8.33% | 8.57% | 11.43% | 8.57% |
| Vermont Devvelopment CU | 10.45% | 8.96% | 7.46% | 5.88% |
| Wells River Savings Bank | 10.34% | 10.00% | 6.67% | 10.00% |
| Average | 5.35% | 4.62% | 5.64% | 3.65% |

# VERMONT HOUSING FINANCE AGENCY

## Board Property Disposition Report

Month of: September 1998

**Properties Sold**

| Property | Listing Price | Sale Price | Principal Balance | Interest | To Date Expenses | Claim Payment | Actual Gain/ (Loss) | Audit Valuation Offset | Additional Gain/ (Loss) |
|---|---|---|---|---|---|---|---|---|---|
| Boucher Starksboro | $82,900 | $79,000 | $84,713 | $5,750 | $13,186 | $20,573 | ($4,076) | ($5,773) | $1,697 |
| Bridge Windsor | $39,000 | $32,000 | $58,546 | $7,399 | $12,406 | $17,564 | ($28,787) | ($23,306) | ($5,481) |
| Clarke Brattleboro | $69,900 | $62,000 | $78,100 | $8,725 | $38,931 | $17,000 | ($46,756) | ($37,376) | ($9,380) |
| Craig Rygate | $29,900 | $28,000 | $41,463 | $3,121 | $9,605 | $9,000 | ($17,189) | ($24,502) | $7,313 |
| Bora Burlington | $57,900 | $55,000 | $56,931 | $2,495 | $9,483 | $12,800 | ($1,109) | $995 | ($2,104) |
| Berry Poultney | $ 49,900 | $49,900 | $47,940 | $5,175 | $22,302 | $9,997 | ($15,520) | ($13,058) | ($2,462) |

# PROPERTIES UNDER CONTRACT

| Property | Listing Price | Contract Price | Principal Balance | Interest | Estimated Expenses | Estimated Claim Payment | Actual Gain/ (Loss) | Audit Valuation Offset | Additional Gain/ (Loss) |
|---|---|---|---|---|---|---|---|---|---|
| Lavery Burlington | $53,000 | $53,000 | $59,882 | $3,678 | $6,481 | $9,883 | ($7,158) | $0 | ($7,158) |
| Bushey Fairfield | $64,900 | $64,900 | $57,867 | $5,686 | $18,410 | $17,063 | $0 | ($11,243) | $11,243 |
| Watkins Springfield Rockingham CLT | $0 | $77,000 | $58,968 | $9,389 | $47,371 | $12,018 | ($26,710) | ($49,846) | $23,136 |
| Fuller Barton | $34,900 | $34,900 | $46,641 | $3,258 | $6,399 | $21,398 | $0 | $0 | $0 |
| Hughes Whitingha m | $ 49,500 | $ 40,500 | $ 78,250 | $6,169 | $ 19,518 | $17,500 | ($45,937) | ($40,512) | ($5,425) |
| Davis S. Burlington | $ 77,900 | $ 69,000 | $87,492 | $16,000 | $21,012 | $17,092 | ($38,412) | ($24,101) | ($14,311) |
| Bacon Windsor | $39,000 | $38,200 | $48,658 | $5,967 | $22,823 | $10,600 | ($28,648) | ($30,421) | $1,773 |
| Putnam St. Albans | $59,900 | $59,000 | $61,883 | $2,611 | $27,941 | $11,633 | ($21,802) | ($25,417) | $3,615 |
| Flory Fair Haven | $39,000 | $30,000 | $41,550 | $1,659 | $5,574 | $12,465 | ($6,318) | $0 | ($6,318) |
| Macey Brandon | $ 34,500 | $32,000 | $51,740 | $4,578 | $14,218 | $10,075 | ($28,461) | $14,545 | ($13,916) |
| Stevens Brandon | $ 34,500 | $34,500 | $42,982 | $7,217 | $13,130 | $9,360 | ($19,469) | $0 | ($19,469) |

**vhfa**

VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: October 16, 1998

RE: Discussion on the conversion of Mortgage Revenue Bonding (MRB) authority to Mortgage Credit Certificates (MCC) Authority; authorizing the 90-day public notice of the program as required by the Internal Revenue Service Tax Code; and Suggested changes to the MCC program.

## Conversion of Mortgage Revenue Bonding (MRB) authority to Mortgage Credit Certificates (MCC) authority

Background

The last conversion took place last year when the Board authorized staff to convert $11.775 million in MRB authority to $2.25 million in MCC authority. The MRB authority converted at that time can be used only to issue MCC commitments until December 31, 1998. In order to have a continuous MCC program, it will be necessary to convert additional MRB authority to MCC authority.

The current MCC program has 15 participating lenders. For the period January 1998 through September 1998, MCC authority in the amount of $714,556 million was utilized which represents approximately $3.6 million in mortgage loans. Staff estimates that up to 133 MCCs representing almost $8 million in mortgage loans, could be issued for the two year period January 1999 through December 2000 under current program parameters.

Available Authority

Currently VHFA has $50 million of MRB authority available for issuing mortgage revenue bonds. All of this authority is from 1998 authority. MCC authority converted from this source can be used to issue an MCC until December 31, 2000. For future single family bond issues VHFA will utilize both 1998 private activity bonding authority and 1999 authority we expect to be allocated to us by the Emergency Board.

**Discussion of Authorization to publish 90-day public notices for the program as required by the Internal Revenue Tax Code**

Background

Staff is requesting authorization to publish the required public notices that are needed because the source of the MCC authority will change from 1996 to 1998 MRB authority.

**Recommended changes to the MCC program**

Background

In 1992, when VHFA joined the effort to have Congress continue private activity bonding authority, VHFA included in its MCC program the requirement that a borrower must need the MCC in order to qualify for the mortgage. The main purpose of this added requirement was to reduce the use of private activity bonding authority as we were not sure whether it would be continued or not. Staff is recommending that this requirement be discontinued for all MCCs reserved after December 1, 1998. Staff considered the fact that this recommended change to the MCC program could potentially effect the number of loans processed through the VHFA mortgage purchase programs. However, when the requirement was instituted back in 1992, the resultant reduction in MCC use did not equate to a like increase in the use of the mortgage purchase program. It is staff's opinion that the reverse will also be true.

This recommendation is based on the following additional considerations:

1. Private activity bonding has been made permanent. The possibility that VHFA will find itself without needed bonding authority in the future is not anticipated.
2. VHFA has removed the "Lender of last resort" from the mortgage lending programs and removal of the "Need to qualify" requirement will put the MCC program on the same basis as with our mortgage lending programs.
3. The current requirement has the effect of causing confusion on the allowable use of the MCC program.
4. Removing this requirement will promote greater use of the MCC program and enhance lenders general use of VHFA programs.
5. The fact that there are still income and purchase price requirements will adequately direct the use of the MCCs to borrowers within the intent of the program.

**Recommended Board Action**

Approval of the attached resolution authorizing the conversion of $8 million of 1998 MRB authority to $2 million MCC authority and publication of the required public notices.

Approval for the removal of the "Need to qualify" requirement from the program effective December 1, 1998.

**RESOLUTION PERTAINING TO ELECTION OF VERMONT HOUSING FINANCE AGENCY TO CONVERT MORTGAGE REVENUE BOND AUTHORITY TO MORTGAGE CREDIT CERTIFICATE AUTHORITY**

WHEREAS, by decision of the Emergency Board dated January 13, 1998, $50,000,000 of the State's 1998 private activity bond volume cap ("Volume Cap") was allocated to the Agency as provided in Section 146 of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, the Agency wishes to elect to utilize the $50,000,000 of private activity volume cap to issue qualified mortgage bonds and mortgage credit certificates; and

WHEREAS, the Agency wishes to establish a new Mortgage Credit Certificate Program in 1999 and 2000; and

NOW THEREFORE, in order to establish the Agency's 1999-2000 Mortgage Credit Certificate Program and to satisfy the requirements of Section 25 of the Code and regulations issued thereunder, it is hereby RESOLVED:

1. The Vermont Housing Finance Agency elects to utilize $50,000,000 of its 1998 private activity volume cap for the purposes of issuing qualified mortgage bonds and mortgage credit certificates.

2. The Vermont Housing Finance Agency hereby elects not to issue $8,000,000 principal amount of qualified mortgage bonds that it is otherwise authorized to issue during calendar year 1998.

3. The Executive Director, Deputy Director, Director of Finance, and the Director of Single Family Operations are directed, and each of them is authorized, to take all steps necessary to the continuation of the Agency's Mortgage Credit Certificate Program including, but not limited to:

   A. Preparation, execution, and delivery of a Mortgage Credit Certificate Election in such form as may be required by the Internal Revenue Service and consistent in content and effect with this Resolution.

   B. Certification to the Governor as provided in the Code.

   C. Preparation of any certificate required by the Code to be signed by the Governor.

   D. Preparation and placement of the appropriate public notices, if any, including income and purchase price limits as determined by the Agency.

vhfa

VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

**TO:** **VHFA BOARD OF COMMISSIONERS**

**FROM:** **ROGER A. SCHOENBECK, DIRECTOR OF FINANCE** RAS

**DATE:** **OCTOBER 23, 1998**

**RE:** **FISCAL YEAR JUNE 30, 1998 AUDIT REPORTS**

The final audited financial statements for the fiscal year ended June 30, 1998, are attached as reviewed by our auditors, KPMG Peat Marwick. The related additional letters addressing internal controls and conduct of the audit are also included.

The only changes from the financial summary reports that were distributed at the September Board meeting were the expected changes in investment value from cost to a market value basis, which had the impact of increasing the current year surplus. We were able to increase our allowance for future loan losses by $1.5 million as was suggested by the Board. This partly mitigated the surplus increase. Please reference my September 18, 1998 memorandum, which highlighted the financial operations for the June 30, 1998 fiscal year.

The management letters contain no comments of substance. We feel that we are in good position to respond to Y2K required explanations at the conclusion of next year's audit.

If you have any questions regarding the audited financials or the management letters presented, feel free to contact me at your convenience.

***Recommended Board Action:***
Acceptance of the audit and accompanying special reports as presented.



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EQUAL HOUSING OPPORTUNITY

# VERMONT HOUSING FINANCE AGENCY

Financial Statements

June 30, 1998

(With Independent Auditors' Report Thereon)

# VERMONT HOUSING FINANCE AGENCY

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**KPMG Peat Marwick LLP**

One Church Street
P.O. Box 564
Burlington, VT 05402

## Independent Auditors' Report

To the Honorable Edward Flanagan,
Auditor of the Accounts of the
State of Vermont and

The Commissioners
Vermont Housing Finance Agency:

We have audited the accompanying balance sheet of Vermont Housing Finance Agency as of June 30, 1998, and the related statements of revenues, expenses and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2 to the financial statements, Vermont Housing Finance Agency adopted the provisions of Statement of Governmental Accounting Standards No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools,* in 1998.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vermont Housing Finance Agency at June 30, 1998, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

September 25, 1998

**VERMONT HOUSING FINANCE AGENCY**

Balance Sheet

June 30, 1998

| **Assets** | **General Fund** | **Single-Family Mortgage Programs** | **Multi-Family Mortgage Programs** | **(Memorandum Only) Total** |
|---|---|---|---|---|
| Cash and cash equivalents | $ 3,598,683 | 156,174,293 | 9,211,112 | 168,984,088 |
| Investments, at fair value | 1,450,853 | 73,632,525 | 8,692,956 | 83,776,334 |
| Mortgage and construction loans receivable | 11,680,221 | 344,859,709 | 80,690,245 | 437,230,175 |
| Accrued interest receivable: | | | | |
| On mortgage and construction loans and notes receivable | 544,484 | 2,636,315 | 491,901 | 3,672,700 |
| On investments | 25,995 | 2,113,791 | 215,039 | 2,354,825 |
| Deferred costs of bond issuance | - | 2,228,158 | 649,133 | 2,877,291 |
| Land | 775,000 | - | - | 775,000 |
| Building, at cost, less accumulated depreciation of $87,573 | 913,261 | - | - | 913,261 |
| Office furniture and fixtures, at cost, less accumulated depreciation of $1,032,624 | 346,563 | - | - | 346,563 |
| Other receivables and prepaid expenses | 494,235 | 868,214 | 6,143 | 1,368,592 |
| Interfund receivable (payables) | 776,444 | (985,252) | 208,808 | - |
| Real estate owned | - | 2,837,127 | - | 2,837,127 |
| Total assets | $ 20,605,739 | 584,364,880 | 100,165,337 | 705,135,956 |
| **Liabilities and Fund Balances** | | | | |
| Deferred loan origination fees, net | $ 299,690 | - | - | 299,690 |
| Accounts payable | 475,911 | 286,765 | 7,021 | 769,697 |
| Escrowed cash deposits | 3,464,284 | 792 | 878,075 | 4,343,151 |
| Notes payable | 6,872,769 | - | - | 6,872,769 |
| Accrued interest payable | 63,974 | 5,200,152 | 1,774,102 | 7,038,228 |
| Bonds payable | 621,084 | 552,195,000 | 87,127,262 | 639,943,346 |
| Unamortized discount on bonds payable | - | (4,766,005) | (1,748,560) | (6,514,565) |
| Total liabilities | 11,797,712 | 552,916,704 | 88,037,900 | 652,752,316 |
| Commitments and contingencies | | | | |
| Fund balances - restricted | 8,808,027 | 31,448,176 | 12,127,437 | 52,383,640 |
| Total liabilities and fund balances | $ 20,605,739 | 584,364,880 | 100,165,337 | 705,135,956 |

See accompanying notes to financial statements.

**VERMONT HOUSING FINANCE AGENCY**
Statement of Revenues, Expenses and Changes in Fund Balances
Year ended June 30, 1998

| | General Fund | Single-Family Mortgage Programs | Multi-Family Mortgage Programs | (Memorandum Only) Total |
|---|---|---|---|---|
| Revenues: | | | | |
| Interest income: | | | | |
| Mortgage and construction loans receivable | $ 784,134 | 28,797,406 | 7,254,720 | 36,836,260 |
| Investments | 75,245 | 14,868,325 | 1,113,465 | 16,057,035 |
| Fee income: | | | | |
| Multi-Family Mortgage Programs | 152,777 | - | 131,342 | 284,119 |
| Single Family Mortgage Programs | 311,891 | - | - | 311,891 |
| Grant income | 36,000 | - | - | 36,000 |
| VHMGB income | 345,847 | - | - | 345,847 |
| Net increase in fair value of investments | 31,673 | 2,141,913 | 711,269 | 2,884,855 |
| Miscellaneous income | 52,575 | - | - | 52,575 |
| Total revenues | 1,790,142 | 45,807,644 | 9,210,796 | 56,808,582 |
| Expenses: | | | | |
| Financing costs, including interest and amortization of premium, discount and costs of issuance | 533,511 | 37,706,230 | 6,213,040 | 44,452,781 |
| Mortgage service and contract administration fees | 13,973 | 1,291,764 | - | 1,305,737 |
| Salaries and benefits | 2,006,059 | - | - | 2,006,059 |
| Operating expenses | 1,078,593 | - | - | 1,078,593 |
| Professional fees | 72,895 | - | - | 72,895 |
| Trustee and assignee fees | 224,052 | - | - | 224,052 |
| Property disposition and loan loss expenses | 20,550 | 3,791,746 | - | 3,812,296 |
| Total expenses | 3,949,633 | 42,789,740 | 6,213,040 | 52,952,413 |
| Excess (deficiency) of revenues over expenses before cumulative effect of change in accounting principle | (2,159,491) | 3,017,904 | 2,997,756 | 3,856,169 |
| Cumulative effect of change in accounting principle - investments | (30,110) | 2,266,504 | (389,381) | 1,847,013 |
| Excess (deficiency) of revenues over expenses | (2,189,601) | 5,284,408 | 2,608,375 | 5,703,182 |
| Fund balances at beginning of year | 6,433,828 | 30,056,839 | 10,189,791 | 46,680,458 |
| Transfers to general fund | 5,122,874 | (4,452,145) | (670,729) | - |
| Transfers from general fund | (559,074) | 559,074 | - | - |
| Fund balances at end of year | $ 8,808,027 | 31,448,176 | 12,127,437 | 52,383,640 |

See accompanying notes to financial statements.

**VERMONT HOUSING FINANCE AGENCY**

Statement of Cash Flows

Year ended June 30, 1998

| | General Fund | Single-Family Mortgage Programs | Multi-Family Mortgage Programs | (Memorandum Only) Total |
|---|---|---|---|---|
| Cash flows from operating activities: | | | | |
| Excess (deficiency) of revenues over expenses | $ (2,189,601) | 5,284,408 | 2,608,375 | 5,703,182 |
| Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities: | | | | |
| Cumulative effect of change in accounting principle - investments | 30,110 | (2,266,504) | 389,381 | (1,847,013) |
| Transfers from (to) other programs | 4,563,800 | (3,893,071) | (670,729) | - |
| Depreciation | 149,535 | - | - | 149,535 |
| Amortization of discounts on bonds payable | - | 182,089 | 97,802 | 279,891 |
| Amortization of costs of bond issuance | - | 114,965 | 35,040 | 150,005 |
| Losses on loans and real estate owned | - | 1,929,220 | - | 1,929,220 |
| Provision for loan losses | - | 1,866,473 | - | 1,866,473 |
| Net increase in fair value of investments | (31,673) | (2,141,913) | (711,269) | (2,884,855) |
| Changes in assets and liabilities: | | | | |
| Decrease (increase) in accrued interest receivable | (36,574) | (591,557) | 53,261 | (574,870) |
| Increase in other receivables and prepaid expenses | (86,430) | (355,345) | (6,143) | (447,918) |
| Decrease (increase) in interfund receivables and payables | (1,762,992) | 1,996,695 | (233,703) | - |
| Decrease in deferred loan origination fees, net | (158,411) | - | - | (158,411) |
| Increase (decrease) in accounts payable | 233,874 | (233,780) | 878 | 972 |
| Increase in interest accrued or accreted on bonds and notes payable | 22,075 | 271,295 | 66,044 | 359,414 |
| Net cash provided by operating activities | 733,713 | 2,162,975 | 1,628,937 | 4,525,625 |
| Cash flows from investing activities: | | | | |
| Purchases of individual mortgages | (134,025) | (35,945,058) | - | (36,079,083) |
| Purchases of Multi-Family mortgage loans and advances on construction loans | (4,443,128) | - | (6,385,973) | (10,829,101) |
| Principal collections on mortgage loans, notes receivable and construction loans | 4,032,282 | 34,563,865 | 4,239,630 | 42,835,777 |
| Purchases of investments | (100,000) | (2,756,335) | (443,888) | (3,300,223) |
| Proceeds from sales and maturities investments | 3,100,000 | 2,918,993 | 1,723,340 | 7,742,333 |
| Increase (decrease) in escrowed cash deposit | (43,883) | 792 | 163,253 | 120,162 |
| Cost of real estate owned | - | (1,259,812) | - | (1,259,812) |
| Proceeds from sales of real estate owned | - | 4,569,616 | - | 4,569,616 |
| Purchase of office furniture and fixtures | (205,459) | - | - | (205,459) |
| Net cash provided by (used for) investing activities | 2,205,787 | 2,092,061 | (703,638) | 3,594,210 |

See accompanying notes to financial statements.

## VERMONT HOUSING FINANCE AGENCY
Statement of Cash Flows, Continued

| | General Fund | Single-Family Mortgage Programs | Multi-Family Mortgage Programs | (Memorandum Only) Total |
|---|---|---|---|---|
| Cash flows from non-capital financing activities: | | | | |
| Net proceeds from issuance of bonds payable | $ - | - | 6,053,850 | 6,053,850 |
| Payments on bond principal | (4,526) | (4,720,000) | (2,793,973) | (7,518,499) |
| Proceeds from issuance of notes payable | 3,590,000 | - | - | 3,590,000 |
| Repayment of notes payable | (5,698,953) | - | - | (5,698,953) |
| Cost of bond issuance | - | - | (90,000) | (90,000) |
| Net cash provided by (used for) non-capital financing activities | (2,113,479) | (4,720,000) | 3,169,877 | (3,663,602) |
| Net increase (decrease) in cash and cash equivalents | 826,021 | (464,964) | 4,095,176 | 4,456,233 |
| Cash and cash equivalents at beginning of year | 2,772,662 | 156,639,257 | 5,115,936 | 164,527,855 |
| Cash and cash equivalents at end of year | $ 3,598,683 | 156,174,293 | 9,211,112 | 168,984,088 |
| Supplemental cash flow information: | | | | |
| Interest paid | $ 511,436 | 36,968,607 | 5,953,532 | 43,433,575 |

See accompanying notes to financial statements

## (1) Authorizing Legislation and Nature of Funds

### *(A) Authorizing Legislation*

Vermont Housing Finance Agency (the "Agency") was created as a body politic and corporate of the State of Vermont by an Act of the General Assembly approved on April 11, 1974 (the "Act"). The purpose of the Agency is to promote the expansion of the supply of funds available for mortgages on residential housing and to encourage an adequate supply of safe and decent housing at reasonable costs. The Agency is classified as a related organization of the State of Vermont. The State of Vermont appoints a majority of the Agency's Board of Commissioners but the State of Vermont is not financially accountable for the Agency.

The Agency is empowered by the Act and subsequent amendments to issue bonds and notes in an amount not to exceed $900,000,000 outstanding at any one time. Instruments so issued do not constitute a debt or obligation of the State of Vermont and are payable solely from revenues or assets of the Agency.

The State of Vermont has pledged and agreed with the holders of bonds and notes of the Agency not to impair in any way the rights and remedies of such holders until the bonds and notes are fully discharged.

### *(B) Basis of Presentation and Nature of Funds*

The financial statements are presented on a program basis, combining the various restricted funds required by each bond resolution into groups that account for the various bonds issued, related costs of issuance and debt service activity and the investment and related earnings of the bond proceeds in mortgages or loans and temporary investments and the maintenance of certain reserve fund requirements - all under the specific requirements of each resolution.

These funds are in turn grouped according to type as relating to single family mortgage programs, multi-family mortgage programs and the unrestricted general fund of the Agency.

#### *(a) General Fund*

This fund derives its revenue principally from fees from mortgage lenders and mortgagors and investment income. Operating expenses of the Agency are paid from this fund.

Transfers from program funds to the General Fund represent amounts allowed to be transferred pursuant to the terms of the Agency's bond resolutions.



(Continued)

***(b) Single Family Mortgage Program Funds***

These funds have been established under the Single Family Insured Mortgage Bond Resolution adopted in September 1976, the Single Family Mortgage Purchase Bond Resolution adopted in June 1978, the Home Mortgage Purchase Bond Resolution adopted in July 1983 and the Single Family Housing Bond Resolution adopted in September 1990. Funds from these programs have been used by the Agency to purchase mortgage loans on single family residential housing units for persons and families of low and moderate income in Vermont.

***(c) Multi-Family Mortgage Program Funds***

These funds have been established under the Multi-Family Mortgage Bond Resolution adopted in February 1977, the Multi-Family Housing Bond Resolution adopted in September 1981, the Enosburg Housing Bond Resolution adopted in December 1985, the Canterbury Inn Housing Bond Resolution adopted in December 1986, the Housing Development Bond Resolution adopted in July 1989, the Northgate Housing Bond Resolution adopted in December 1989, the Highgate Housing Note Resolution adopted in March 1991 and various Individualized Taxable Bond Resolutions adopted between August 1990 and April 1996. Funds from these programs are used by the Agency to make and finance mortgage loans to sponsors of multi-family residential housing units for persons and families of low and moderate income within the State of Vermont.

Under various bond resolutions of the Agency, certain amounts from bond proceeds are required to be set aside and maintained for potential debt service requirements in trusteed accounts. As of June 30, 1998, reserve requirements totalled $32,452,673 for the Single Family Mortgage Programs and $7,724,836 for the Multi-Family Mortgage Programs. Amounts actually held in trusteed accounts as of June 30, 1998 exceeded the required balances in all cases.

Pursuant to an agreement with Sanwa Bank, Ltd., in connection with certain letters of credit provided to the Agency, the Agency is required to maintain assets free and clear of all encumbrances in the amount of $2,000,000. At June 30, 1998 the requirement has been met.

***(C) Segment Financial Data***

Balance sheet and operating data of the Agency's Single Family and Multi-Family Mortgage Program funds are delineated as follows:

| | Balance Sheet Data | | |
|---|---|---|---|
| | **Total Assets** | **Bonds Payable** | **Fund Balances** |
| Insured Mortgage Program | $ 11,201,501 | 6,815,000 | 4,365,593 |
| Mortgage Purchase Program | 164,795 | - | 164,757 |
| Home Mortgage Purchase Program | 173,911,053 | 156,050,000 | 18,740,068 |
| Housing Program | 399,008,081 | 389,330,000 | 8,177,758 |
| Total Single Family Mortgage Programs | $ 584,285,430 | 552,195,000 | 31,448,176 |



(Continued)

| | Balance Sheet Data | | |
|---|---|---|---|
| | Total Assets | Bonds Payable | Fund Balances |
| Mortgage Program | $ 41,553,474 | 36,410,000 | 4,671,398 |
| Housing Program | 34,868,513 | 28,190,000 | 6,306,663 |
| Direct Placement Programs | 14,924,239 | 14,652,262 | 192,945 |
| Housing Development Program | 8,819,111 | 7,875,000 | 956,431 |
| Total Multi-Family Mortgage Programs | $ 100,165,337 | 87,127,262 | 12,127,437 |

| | Operating Data | | |
|---|---|---|---|
| | Revenues | Financing and Related Costs | Excess of Revenues over Expenses |
| Insured Mortgage Program | $ 819,028 | 453,708 | 346,317 |
| Mortgage Purchase Program | 17,710 | - | (907) |
| Home Mortgage Purchase Program | 16,155,001 | 12,393,119 | 2,661,848 |
| Housing Program | 28,815,905 | 24,859,403 | 10,646 |
| Total Single Family Mortgage Programs | $ 45,807,644 | 37,706,230 | 3,017,904 |
| Mortgage Program | $ 3,931,976 | 2,941,564 | 990,412 |
| Housing Program | 3,388,459 | 1,657,027 | 1,731,432 |
| Direct Placement Programs | 1,037,527 | 986,006 | 51,521 |
| Housing Development Program | 852,834 | 628,443 | 224,391 |
| Total Multi-Family Mortgage Programs | $ 9,210,796 | 6,213,040 | 2,997,756 |

## (2) Summary of Significant Accounting Policies

### (a) *Basis of Accounting*

The Agency follows the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when incurred.

As permitted under Statements of Governmental Accounting Standards No. 20, the Agency has elected not to apply Statements of Financial Accounting Standards issued after November 30, 1989.

(b) ***Cash Equivalents***

The Agency considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

(c) ***Mortgage Loans Receivable***

Mortgage loans receivable are carried at their uncollected principal balances less an allowance for loan losses on mortgages. The loan loss allowances are established based on historical loss experience. Future additions to the allowance may be necessary based on changes in economic conditions. At June 30, 1998, the allowance for loan losses totalled $2,940,329, relating to Single Family mortgages.

(d) ***Investments***

Effective July 1, 1997, the Agency adopted the provisions of GASB No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools". GASB No. 31 requires investments to be reported at fair value in the balance sheet. The net increase (decrease) in the fair value of investments, including both realized and unrealized gains and losses, is recognized as revenue in the statement of revenues, expenses and changes in fund balances. Fair values of investments are based upon quoted market prices. The cumulative effect of the Agency's adoption of GASB No. 31 totaled $1,847,013 at July 1, 1997.

(e) ***Depreciation***

The Agency records purchases of its building and office furniture and fixtures at cost and amortizes that cost over the estimated useful lives of the assets, which are generally forty years for the building and five years for furniture and fixtures, using the straight-line method.

(f) ***Costs of Bond Issuance and Discount or Premium***

Costs of bond issuance and discount or premium on bonds payable are amortized over the lives of the respective bond issues using the straight-line method.

(g) ***Income Tax Status***

The Agency is exempt from Federal and state income taxes.

(h) ***Deferred Loan Origination Fees and Costs***

Loan origination fees and certain related costs are deferred and amortized over the estimated lives of the respective loans.

### *(i) VHMGB Income*

The Vermont Home Mortgage Guarantee Board ("VHMGB") is charged for the administration of its programs by the Agency. Expenses of $345,897 incurred for the administration are included in the General Fund operating expenses of the Agency. Included in the general fund other receivables and prepaid expenses are $92,458 in receivables due from the VHMGB. In addition, during 1998 the Agency provided subsidies totaling $243,720 to the VHMGB which are included in the General Fund operating expenses of the Agency.

### *(j) Totals - Memorandum Only*

The columns on the financial statements entitled "Totals - Memorandum Only" reflect the totals of the similar accounts of the various funds. Since the assets of certain of the funds are restricted by the related bond resolutions, the totalling of the accounts is for illustrative purposes only and does not indicate that the combined assets are available in any manner other than that provided for in the separate bond resolutions of the individual funds.

## (3) Cash, Cash Equivalents and Investments

For mortgage program investments, bond resolution requirements mandate specific classes of investment vehicles. Qualified investments are: direct obligations of the United States of America; obligations unconditionally guaranteed by the United States of America; indebtedness issued by certain Federal agencies; bank time deposits evidenced by certificates of deposits insured by the FDIC and, if in excess of insured limits, collateralized in full by the aforementioned Federal government investments; obligations of the State of Vermont, and/or Federal or state insured mortgages; collateralized repurchase agreements secured by obligations of the Federal government with the collateral held by or at the direction of the appropriate trustee; and, investment agreements with banks or bank holding companies rated in the top categories by nationally recognized rating agencies.

Cash and cash equivalents are defined to be actual cash or investments which have original maturities of three months or less. This category also includes mortgage payments which are in transit to the trustee to be invested in collateralized repurchase agreements. Investments are comprised of short-term investments other than cash equivalents that mature in one year or less, and long-term investments with maturities in excess of one year. At June 30, 1998, gross unrealized gains and gross unrealized losses pertaining to these investments amounted to $5,460,016 and $726,800, respectively.

The Agency's cash and cash equivalents at June 30, 1998 are categorized below to give an indication of the level of risk assumed. Category 1 includes deposits insured by federal depository insurance. Category 2 includes deposits collateralized with securities held by the pledging financial institution or the Agency's trustee and registered in the Agency's name. Category 3 represents uncollateralized or uninsured deposits.

| | Category | | | |
|---|---|---|---|---|
| | **1** | **2** | **3** | **Fair Value** |
| Cash | $ 1,522,556 | 263,371 | 1,445,969 | 3,231,896 |
| Investment agreements with financial institutions | - | 134,961,087 | - | 134,961,087 |
| | $ 1,522,556 | 135,224,458 | 1,445,969 | |
| Investment agreements with insurance companies | | | | 11,160,361 |
| Money market accounts | | | | 19,630,744 |
| | | | | $ 168,984,088 |

The bank balance of the Agency's cash at June 30, 1998 was $3,300,013. The difference between the carrying amount and the bank balance represents outstanding deposits net of outstanding checks.

The money market accounts are invested in a portfolio of short-term U.S. Treasury obligations.

Investment agreements are structured for both short-term and long-term use in connection with the Agency's Single Family Mortgage programs. Financial institutions providing the agreements have been rated by Standard and Poor's Corporation and Moody's Investors Service, Inc. at debt ratings of A or higher.

A summary of fair value of the Agency's investments at June 30, 1998 is as follows:

| | **Fair Value** |
|---|---|
| U.S. Treasury and Government Agency Securities | $ 35,147,868 |
| Certificate of deposit | 100,000 |
| Investment agreements | 48,528,466 |
| | $ 83,776,334 |

The certificate of deposit is insured by federal depository insurance. The U.S. Treasury and Government Agency Securities are held by a third party custodian in the name of the Agency's trustee.

## (4) Mortgage and Construction Loans Receivable

### *(A) Single Family Mortgage Loans Receivable*

Single Family mortgage loans earn interest at annual rates ranging predominantly from 6.95% to 10.5%. Mortgage payments are received monthly by the Agency from which either .50% or .375% is generally retained as a fee by the servicing banks.

At June 30, 1998, approximately 90% of the Single Family mortgage portfolios consist of primary insured mortgages. Primary insurance is provided principally by the Vermont Home Mortgage Guarantee Board.

Conventional mortgage loans, not requiring primary insurance, are limited to 75% of the appraised value of the property.

### *(B) Multi-Family Mortgage Loans and Construction Loans Receivable*

Multi-Family mortgage loans receivable earn interest at annual rates ranging predominantly from 7.25% to 14%, and are collateralized by a first mortgage lien on all real and personal property of the mortgaged premises. As of June 30, 1998, $443,537 of the Multi-Family mortgage loans receivable under the Multi-Family Housing Program were financed from funds transferred from the Agency's General Fund, which includes interest for the initial three-year period during which no payments were required to be made.

## (5) Real Estate Owned

Real estate owned at June 30, 1998 consists of properties held pending sale as a result of foreclosure by the Agency. Real estate owned is carried at the lower of cost or fair market value less estimated costs to sell. A valuation allowance has been established to account for the reduction in value of properties held. At June 30, 1998, the valuation allowance totalled $1,100,219.

During fiscal year 1998, the Agency recorded noncash investing transactions totaling $3,525,083 in transfers of Single-Family Mortgage Program loans receivable to real estate owned.

## (6) Escrowed Cash Deposits

Escrowed cash deposits are received primarily from multi-family housing developers at the time the Agency makes permanent mortgage loans. Escrowed deposits are governed by agreements, and released upon satisfactory compliance with their terms.

The Agency also requires multi-family housing developers to meet certain equity, working capital and other escrow requirements. These requirements may be satisfied by the submission to the Agency of irrevocable letters of credit. At June 30, 1998, the Agency was holding such letters of credit totalling $72,000.

## (7) Bonds Payable

All bonds payable are general or special obligations of the Agency and are collateralized by the revenues, loans, funds, and investments pledged pursuant to the respective bond resolutions. Interest is payable semi-annually. All bonds are subject to redemption after various dates at prices ranging from 100% to 103% of par value.

Outstanding bonds payable at June 30, 1998 are as follows:

| | |
|---|---|
| A. Single Family Mortgage Programs: | |
| Insured Mortgage Program: | |
| 1976 Series A, maturing 1998 to 2002, interest at 6.7% | $ 2,885,000 |
| 1977 Series A, maturing 1998 to 2003, interest at 5.75% | 3,930,000 |
| Total | 6,815,000 |
| Home Mortgage Purchase Program: | |
| 1988 Series B, maturing 1998 to 2022, interest at 7.0% to 8.1% | 53,710,000 |
| 1989 Series A, maturing 1998 to 2029, interest at 7.15% to 7.85% | 52,385,000 |
| 1989 Series B, maturing 1998 to 2024, interest at 6.9% to 7.6% | 49,955,000 |
| Total | 156,050,000 |
| Housing Program: | |
| Series 1, maturing 1998 to 2025, interest at 5.75% to 8.15% | 18,670,000 |
| Series 2, maturing 1998 to 2025, interest at 5.25% to 7.3% | 37,870,000 |
| Series 3, maturing 1998 to 2025, interest at 5.25% to 6.875% | 30,735,000 |
| Series 4, maturing 1998 to 2025, interest at 5.1% to 6.40% | 31,245,000 |
| Series 5, maturing 1998 to 2027, interest at 5.0% to 7.0% | 36,435,000 |
| Series 6, maturing 1998 to 2031, interest at 4.7% to 7.2% | 65,745,000 |
| Series 7, maturing 1999 to 2031, interest at 4.6% to 6.3% | 72,000,000 |
| Series 8, maturing in 2031, interest at 6.05% | 31,630,000 |
| Series 9, maturing 1999 to 2037, interest at 4.2% to 6.0% | 65,000,000 |
| Total | 389,330,000 |
| Total Single Family Mortgage Programs | 552,195,000 |



(Continued)

B. Multi-Family Mortgage Programs:

| | |
|---|---|
| Mortgage Program: | |
| 1977 Series A, maturing 1999 to 2017, interest at 6.5% | $ 3,405,000 |
| 1977 Series B, maturing 1999 to 2019, interest at 6.3% | 5,540,000 |
| 1978 Series A, maturing 1999 to 2020, interest at 6.95% to 7.125% | 7,400,000 |
| 1979 Series A, maturing 1999 to 2021, interest at 8.5% | 12,715,000 |
| 1986 Series A, maturing 1999 to 2018, interest at 8.0% to 8.25% | 4,705,000 |
| 1988 Series A, maturing 1999 to 2020, interest at 8.375% | 2,645,000 |
| Total | 36,410,000 |
| Housing Program: | |
| 1995 Series A, maturing 1999 to 2014, interest at 4.8% to 6.15% | 22,075,000 |
| 1997 Series A, maturing 1999 to 2029, interest at 4.0% to 5.75% | 6,115,000 |
| Total | 28,190,000 |
| Direct Placement Programs: | |
| Enosburg Housing Program: | |
| 1985 Series A, maturing 1998 to 2010, interest at 4.98% through 1998, variable to maturity at rate of 92% of Eleven General Obligation Bond Index | 290,500 |
| Canterbury Inn Housing Program: | |
| 1986 Series A, maturing 1998 to 2011, interest at 5.14% through 1998, variable to maturity at rate of 95% of Eleven General Obligation Bond Index | 355,300 |
| Northgate Housing Program: | |
| Eleven series of bonds, issued December 1989, maturing 1998 to 2031, interest at 7.085% to 9.23% | 8,936,192 |
| Highgate Housing Program: | |
| Two series of bonds, issued May 1991, maturing 1998 to 2031, interest at 6.45% to 7.741% | 2,285,770 |



(Continued)

| | | |
|---|---|---|
| B. Multi-Family Mortgage Programs, Continued: | | |
| Direct Placement Programs, Continued: | | |
| St. Johnsbury Housing Development Bond: | | |
| Taxable bond, issued August 1990, maturing 1998 to 2005, interest at 7.5% | $ | 392,900 |
| French Hill Manor Mobile Home Park Bond: | | |
| Taxable bond, issued November 1990, maturing 1998 to 2010, interest at 9.75% to 11.25% | | 111,600 |
| Pine Meadow Development Bond: | | |
| Taxable bond, issued July 1991, maturing 1998 to 2016, interest at 9% | | 520,600 |
| Whitney Hill Housing Development Bond: | | |
| Taxable bond, issued January 1992, maturing 1998 to 2007, interest at 9% | | 1,199,800 |
| Hillside Mobile Home Park Bond: | | |
| Taxable bond, issued March 1993, maturing 1998 to 2013, interest at 9% to 12.25% | | 311,300 |
| Kilbourn Mobile Home Park Bond: | | |
| Taxable bond, issued May 1996, maturing 1998 to 2016, interest at 7.5% | | 248,300 |
| Total | | 14,652,262 |
| Winchester Housing Development Program: | | |
| 1989 Series A, maturing 1999 to 2016, interest at 7.5% to 7.75% | | 7,875,000 |
| Total Multi-Family Mortgage Programs | | 87,127,262 |
| C. General Fund: | | |
| Northgate Housing Site Acquisition, issued December 1989, maturing 1998 to 2031, interest at 7% | | 621,084 |
| Total bonds payable | $ | 639,943,346 |



(Continued)

Future maturities on bonds payable as of June 30, 1998 are as follows:

| | Principal Amount | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Single Family Mortgage Programs | | | Multi-Family Mortgage Programs | | | | | | |
| Year ending June 30: | Insured Mortgage Program | Home Mortgage Purchase Program | Housing Program | Mortgage Program | Housing Program | Direct Placement Programs | Housing Development Program | General Fund | Total |
| | (Amounts in Thousands) | | | | | | | | | |
| 1999 | $ 740 | 1,800 | 31,505 | 1,195 | 1,025 | 236 | 195 | 5 | 36,701 |
| 2000 | 745 | 1,930 | 3,940 | 1,280 | 1,120 | 253 | 210 | 5 | 9,483 |
| 2001 | 750 | 2,055 | 4,275 | 1,405 | 1,175 | 271 | 225 | 6 | 10,162 |
| 2002 | 745 | 2,215 | 4,500 | 1,510 | 1,235 | 291 | 245 | 6 | 10,747 |
| 2003 | 1,910 | 2,390 | 5,220 | 1,650 | 1,305 | 317 | 265 | 6 | 13,063 |
| Thereafter | 1,925 | 145,660 | 339,890 | 29,370 | 22,330 | 13,284 | 6,735 | 593 | 559,787 |
| | $ 6,815 | 156,050 | 389,330 | 36,410 | 28,190 | 14,652 | 7,875 | 621 | 639,943 |

## (8) Notes Payable

The Agency may borrow from the Federal Home Loan Bank ("FHLB") in an amount not to exceed assets pledged to the FHLB. As of June 30, 1998, the Agency had outstanding borrowings totalling $4,972,769 which are secured by investments and mortgage loans with a carrying value of $6,239,765. These borrowings have interest rates ranging from 6.65% to 7.66% and mature through April 2017.

The Agency acquired an unsecured a variable rate line of credit for $3,000,000 with the Howard Bank expiring in December 1999. At June 30, 1998, there was a $1,900,000 balance outstanding at 6.4063%.

## (9) Restricted Fund Balances

Pursuant to the Act and agreements with bondholders and other parties, the Agency's assets are pledged to secure specific obligations or are otherwise restricted.

Programs which are financed by the issuance of bonds are accounted for separately in accordance with each of the general bond resolutions. Program assets and revenues are pledged to bondholders. Revenues in excess of required amounts are available to be transferred to the General Fund.

Amounts transferred to the General Fund from the bond resolutions are free and clear of any lien or pledge created by the bond resolutions, and may be used for any lawful purpose under the Act, including payments to various accounts within the bond resolutions. All of the outstanding bonds, except for the Single Family Housing Bonds, are general obligations of the Agency. For general obligations bonds, the Agency covenants that it will restore deficiencies to the bond programs, as defined by the bond resolutions, from the General Fund.

The General Fund is also the primary source to pay administrative expenses in connection with current and future housing programs, to cover loan losses incurred and to provide collateral for credit agreements.

## (10) Pension Plan

Upon meeting certain eligibility requirements, the Agency's employees are eligible to participate in a non-contributory defined contribution pension plan. For the year ended June 30, 1998, the Agency had a total payroll of $1,571,181, of which $1,410,357 was covered by the pension plan. The Agency's contribution to the Plan is 10% of the covered payroll. Employees vest in benefits under the Plan 20% per year of service and are fully vested after five years. Forfeitures of nonvested benefits by terminated employees reduce the Agency's contribution. The cost of the plan was $135,544 for the year ended June 30, 1998, and is included in salaries and benefits expense.

## (11) Commitments and Contingencies

At June 30, 1998, the Agency had outstanding commitments in the amount of $6,105,643 to purchase or finance mortgage loans pursuant to its normal funding from bond proceeds. In addition, there were commitments of $10,168,302 for general loans or future program subsidy purposes.

The Agency has entered into an agreement with the Vermont Home Mortgage Guarantee Board insuring the payment of losses limited to 5% of the original mortgage loan amount incurred on mortgages purchased under the Down Payment Assistance Program. Under terms of the program, 500 mortgages are expected to be originated. As of June 30, 1998, $30,296,657, representing 469 mortgages have been purchased under the program. Legislation has been enacted which requires interest earned on real estate deposits to be placed into a fund, which is directed to the Agency to be used to assist in the payment of losses under the program.

Under the Single Family Mortgage Programs, the Agency has obtained irrevocable letters of credit to satisfy the requirements of certain bond resolutions. The letters of credit at June 30, 1998 are as follows:

| | Amount | Expiration Date |
|---|---|---|
| Housing Program Bonds: | | |
| Series 1 | $ 467,125 | 12/21/99 |
| Series 2 | 771,747 | 01/12/01 |
| Series 5 | 1,647,500 | 06/14/99 |
| Series 6 | 1,110,000 | 12/21/99 |
| Series 7 | 786,250 | 01/12/01 |
| Total | $ 4,782,622 | |

In addition to the letters of credit, the Agency has obtained surety bonds in the amount of $5,395,650 expiring between 2031 and 2037.

The letters of credit are held by the trustee for each respective bond issue and are to be used only in conjunction with a "Special Redemption" of the bond issue resulting from the inability to purchase mortgage loans under the Program, or due to excess prepayments of mortgage loans. $3,782,622 of the Housing Program Bond letters of credit are available to pay losses incurred on mortgage loans. There were no amounts outstanding under the letters of credit as of June 30, 1998.

The Agency is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency manages these risks through purchasing commercial insurance packages in the name of the Agency. The Agency has not experienced settled claims resulting from these risks which have exceeded its commercial insurance coverage. In addition, the Agency's bylaws provide for the indemnification of Agency commissioners and officers by the Agency. The Agency has not purchased commercial insurance coverage or otherwise reserved assets of the Agency in connection with this indemnification requirement.

## (12) Subsequent Event

On August 26, 1998, the Agency remarketed $25,000,000 of its Single Family Housing Bonds, Series 9.

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

To: VHFA Board of Commissioners

From: Glenn A. Jarrett, GAJ General Counsel

Date: October 23, 1998

Re: Amendment to Annual Resolution

Background:

Cynthia Cunningham, the Agency's Loan Servicing Manager, wishes to make some minor changes to the Annual Resolution, adopted July 23, 1998. The positions formerly held by Peter Barry ("Foreclosure Specialist") and Linda Wilson ("Real Estate Disposition Specialist"), have been combined into two "Loss Management Specialists." Polly Thibault, formerly an administrative assistant in the Finance Department, has been hired to fill the second position after Peter's departure. The attached resolution will clarify Linda's and Polly's titles.

Requested Action:

Approval of the attached resolution.

*ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD*

*Mailing Address:* PO Box 408, Burlington, Vermont 05402-0408
*Delivery Address:* 164 Saint Paul Street, Burlington, Vermont 05401-4364
802 / 864-5743 • 800 / 339-5866 • TDD: 800 / 586-5832
FAX: 802 / 864-5746 • Underwriting FAX: 802 / 863-5422 • home@vhfa.org

EQUAL HOUSING OPPORTUNITY

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

WHEREAS, there has been a partial reorganization of the Agency's Loan Servicing staff; and

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

NOW, THEREFORE, it is hereby RESOLVED:

1. Wherever the words "Foreclosure Specialist" and "Real Estate Disposition Specialist" appear in the Resolution, they are replaced by the words, "Loss Management Specialist."

2. The individuals whose signatures and titles appear below are authorized to do those acts provided for their positions in the Resolution, as amended.

| | | |
|---|---|---|
| Loss Management Specialist | ____________________ | Linda C. Wilson |
| Loss Management Specialist | ____________________ | Polly Thibault |

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

# vhfa

VERMONT HOUSING FINANCE AGENCY

## MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cynthia L. Reid, Multifamily Development Underwriter CR

DATE: October 23, 1998

RE: Proposed Small Multifamily Loan Streamlined Approval Process

Summary of Proposal

In order to make both Board meeting time (and time Board members spend reviewing Board packets) and our multifamily lending process more efficient, staff is proposing a streamlined approval process for multifamily loans of $1,000,000 or less, *subject to the following proposed guidelines*. In order to meet our Statutory requirements as well as streamline the loan approval process, we are proposing to provide a brief narrative and resolution for each loan which meets the guidelines, and address any questions or concerns (but not make a formal presentation) at Board meetings (our Statute requires that the Board make specific findings for loans made; the findings are contained in our resolutions). We would continue to use the current process for loans greater than $1,000,000 (usually a two meeting process, one for Letter of Interest and one for Letter of Commitment, both including a memo in the Board packet with financials, and presentation at the Board meeting).

Proposed Underwriting Guidelines for Small Multifamily Loans

| | |
|---|---|
| Loan Amount: | $1,000,000 and less |
| Type of Loan: | Construction and/or Permanent; |
| Type of Project: | New construction; acquisition/rehab of multifamily housing; mobile home parks; transitional housing; SRO; congregate care, residential care, and group homes |
| Loan to Value: | Up to 95% of appraised value or cost, whichever is less, for for-profit borrowers; up to 100% for nonprofit borrowers |
| Fees: | One and one-half points for permanent loans; one and one-half points for construction loans; two points if both construction and permanent financing is requested (this includes transaction costs);<br>Construction inspection fee (if needed), based on actual cost (generally $3,500 - $5,000 range) |
| Rate: | Up to 150 basis points over the cost of funds for for-profit borrowers; up to 75 basis points over the cost of funds for nonprofit borrowers |
| Term: | Based on source of funds and needs/type of project |



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| | |
|---|---|
| Affordability: | 75% of housing units must be occupied by households of low or moderate income; may be waived to 'more than half' by the Board of Commissioners; Bond funded projects may have other requirements |
| Appraisal & Level I Environmental Site Assessment: | Required for all projects; Subject to staff review and approval |
| Market Study: | Sponsor must demonstrate need for housing proposed; may be waived if project has occupancy history |
| Debt Coverage Ratio: | Not less than 1.05 to 1 for secure projects; may be higher if bond financed |
| Building Plans & Specs: | VHFA review is required before making loan |
| Management Capability: | Sponsor must submit proposed management plan that demonstrates management capability; Subject to Management Department review |
| Vacancy Rate: | Not less than 5% at stabilized occupancy unless market study or occupancy history or available rental assistance indicates different |
| Replacement Reserve: | Generally funded at 3% of gross rent potential for family rental and 2% of annual income potential for elderly rental and mobile home parks. Subject to Management Department approval after review of the Capital Needs Assessment |
| Working Capital: | Generally capitalized at 40% of annual debt service although may be less for larger projects financed primarily with debt; subject to Management Department review |
| Operating Budget: | Subject to Management Department review |
| Owner's Distributions: | Limited to 10% of initial equity contribution plus tax liability to owner (tax liability is calculated taking into account tax benefits). This is limited to 10% of the general partner's equity contribution. The 10% formula may include equity from the limited partners' (LP) contribution only if the partnership agreement specifies that the LP is getting cash flow and their equity contribution is higher to account for receiving cash flow distributions.<br>Conditions: May be taken if 1) reserves are fully funded; 2) there are no outstanding legal or management issues; 3) capital needs are all met or the balance of the reserves are sufficient to meet capital needs.<br>In no event are distributions cumulative. |

Recommended Board Action

Staff recommends Board approval of the process outlined in the Summary of Proposal for a streamlined approval of multifamily loans of $1,000,000 and less, and approval of the proposed underwriting guidelines for small multifamily loans.

vhfa
VERMONT HOUSING FINANCE AGENCY

November 24, 1998

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

Dear Ms. Moore:

The Vermont Housing Finance Agency will be having a Board Meeting via telephone conference call on Thursday, December 3rd at 11:00 a.m. If someone would like to attend they may do so here at the Vermont Housing Finance Agency's office, 164 Saint Paul Street, Burlington, Vermont.

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

Sincerely,

Kari Caragher

Kari A. Caragher
H.R./Executive Assistant

*ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD*

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VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Kari Caragher, Executive/HR Assistant

DATE: November 30, 1998

RE: **DECEMBER 3, 1998 CONFERENCE CALL**

Following are the two agenda items for the Thursday, December 3rd conference call taking place at 11:00 a.m. Topics to be discussed are:

- Multi-Family Bond Issue
- Proposal from Mortgage Dynamics, Inc. (MDI) on assisting VHFA in choosing a business direction.

If you have any questions, please feel free to call me at (802) 652-3413.

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EQUAL HOUSING OPPORTUNITY

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

To: VHFA Board of Commissioners

From: Glenn A. Jarrett, General Counsel GAJ

Date: November 30, 1998

Re: Multi-Family Bond Issue

Background:

In recent months the Board has approved the financing of two developments, in North Bennington and Newport. The Agency will be financing the construction or rehabilitation of these developments. The takeout financing will be provided by USDA/Rural Development. Issuing tax-exempt bonds for the short-term financing will allow the developments to receive out-of-cap housing credits without having to compete for the increasingly scarce in-cap credits. The Agency has over $8 million in multi-family volume cap available.

The first of these developments, Lakeview Housing in Newport, is nearly ready to close. This development is sponsored by Housing Vermont and Gilman Housing Trust. We have consulted with our bond counsel, Kutak Rock and have worked out a financing plan that will enable our debt to be paid off after rehabilitation is complete. This plan will allow the Rural Development subsidies to benefit the development at an earlier stage than previously anticipated.

The Agency has held the required TEFRA hearing and is awaiting receipt of the approval by the Governor. We expect the closing on this development to be held in the next two weeks.

Requested Action:

Approval of the attached resolution that approves the bond issuance and the financing for the Newport development.

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EQUAL HOUSING OPPORTUNITY

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF A GENERAL OBLIGATION BOND TO THE HOWARD BANK, N.A. IN A MAXIMUM AMOUNT OF $850,000 AND USING THE PROCEEDS TO MAKE A LOAN IN SUCH AMOUNT TO LAKEVIEW HOUSING LIMITED PARTNERSHIP TO FINANCE THE REHABILITATION OF A 16-UNIT PROJECT IN NEWPORT

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

WHEREAS, the Agency desires to issue and sell tax-exempt bonds of not more than $850,000 aggregate principal amount to The Howard Bank, N.A. (the "Bank") based on the Agency's general obligation credit and use the proceeds to finance a construction loan to Lakeview Housing Limited Partnership (the "Borrower") to acquire and rehabilitate at 16-unit project (the "Project") in Newport, Vermont that will qualify for federal low-income housing tax credits, and which Project is expected to obtain permanent financing from the United States Department of Agriculture/Rural Development;

NOW, THEREFORE, it is hereby RESOLVED:

1. The issuance and sale of up to $850,000 principal amount of tax-exempt bonds to the Bank (the "Borrowing") is hereby authorized and approved, the security for the repayment thereof being the general obligation of the Agency as hereinafter described, and the Executive Director, Deputy Director and Director of Finance are each hereby authorized and directed to execute and deliver such documents as they deem appropriate and necessary to evidence such Borrowing and the Agency's obligation to repay the same, including, without limitation, a bond delivered to the Bank with such terms as the person executing the same shall deem appropriate, provided that the maturity of such Borrowing shall not exceed five years and the interest rate thereon shall not exceed 7%. The obligation of the Agency to repay the Borrowing shall constitute a general obligation of the Agency payable out of any revenues or moneys of the Agency, subject only to any agreements with the holders of particular notes or bonds pledging any particular revenues.

2. An acquisition and construction loan of not more than $850,000 to the Borrower to finance the rehabilitation of the Project is hereby authorized and approved, and the Executive Director, Deputy Director and Director of Finance are each hereby authorized and directed to execute and deliver such documents as such person deems appropriate to evidence such loan, and such officer executing such documents is further authorized to require such repayment terms and security therefor as such person deems appropriate. Moneys to make such loan are to be obtained from the Borrowing authorized in Section 1 hereof, and the repayment of such loan is to ultimately be used to repay the Borrowing.

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

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

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

5. This Resolution shall become effective immediately.

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

VERMONT HOUSING FINANCE AGENCY

By ______________________________
Chair

Attest:

By ______________________________
Secretary

vhfa

VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: November 25, 1998

RE: Proposal from Mortgage Dynamics, Inc. (MDI) on assisting VHFA in choosing a business direction

Attached to this memorandum is a proposal from MDI to assist VHFA to plot a business direction. The need for this service is based on recommendations MDI made to the Board of VHMGB. I believe you have all received a copy of the report to VHMGB that outlines these recommendations.

**PHASE I**

The senior staff of VHFA has reviewed this proposal and feels that most of the strategies outlined in Phase I should be considered by VHFA. Pursuing these options should be coordinated with the strategic plan to prevent spending time and funds on options VHFA does not end up pursuing. The Board may want to consider engaging MDI to provide guidance in the formulating of certain components; however, staff feels that we are qualified, based on the years of experience current staff has in the mortgage and mortgage insurance market, to pursue items 1 and 3 of Phase I of the proposal. The Board may wish to retain MDI as a consultant to assist with item 2.

**PHASE II**

At this time, MDI and VHMGB have agreed to an Addendum to their original engagement that will provide further guidance to VHMGB as to its future direction. It is the opinion of senior staff that entering into an agreement with VHFA for Phase II may be premature at this time. VHFA may be better served waiting for VHMGB to decide its direction and provide VHFA with information for its use in making subsequent decisions. However, all of the items listed in this Phase II are items that VHFA should consider along with the desire for assistance from MDI. It is staff's opinion that item number 4 in this Phase II may have to be decided upon prior to the others.

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EQUAL HOUSING OPPORTUNITY

## RECOMMENDED BOARD ACTION

Authorize staff to initiate the development of options for mortgage insurance for VHFA loans. Authorize staff to negotiate an agreement with MDI for item 2 of Phase I, if needed and item 4 of Phase II. If needed, the remaining items listed in the proposal may be accomplished at a later date by an addendum to the original agreement negotiated.

# MORTGAGE DYNAMICS INC.

November 13, 1998

Mr. Richard White
Chairman
Vermont Housing Finance Agency
164 Saint Paul Street
Burlington VT 05401

802-652-3441 Fax: 802-863-5422

Dear Mr. White:

Mortgage Dynamics, Inc. ("MDI") is pleased to present this proposal to the Vermont Housing Finance Agency ("VHFA") to assist it in exploring the implications on it of changes being considered for the Vermont Home Mortgage Guarantee Board. This proposal, which is based on discussions with you and state officials last month, sets forth our approach, scheduling and estimated cost.

## BACKGROUND

MDI conducted a study over the summer that concluded that the State should strongly consider terminating its insurance program for mortgages. The Board is now reviewing our recommendations. If the VHMGB were eliminated, VHFA would require a new credit enhancement, which could be use of private mortgage insurance. The VHMGB is considering a number of options including soliciting bids from MI companies to take over its current book of business. MDI recommended in the study that VHMGB and VHFA issue a joint RFP to solicit a bid to take over the current book of business from VHMGB and to enter into an agreement with VHFA to provide MI coverage on individual VHFA loans going forward. This combination could mean more favorable bids for both pieces of work than the sum of separate bids.

Many other decisions about how the VHFA would operate going forward would be necessary before taking the above steps. The MDI study also found that lenders are using options other than VHMGB and VHFA, including many that are more efficient, to meet the mortgage credit needs of the individuals now served by the two entities. The consideration of VHFA and VHMGB interests is difficult to separate given the findings of the study and its recommendations.

## PROJECT PLAN

Under this contract, MDI proposes to provide the following assistance to the VHFA. Phase I lays out services associated with exploring the impact on VHFA of the actions under consideration for VHMGB. Phase I covers immediate activities. After completing Phase I, MDI will seek direction from you in advance of starting Phase II activities, as the findings might require changes in the work tasks.

### Phase I

In Phase I, MDI would:

1. Assist the VHFA in exploring the feasibility of replacing VHMGB with a private mortgage insurance company. MDI would explore the feasibility of this with MI companies with appropriate credit ratings on an unofficial basis.
2. MDI is in the process of forecasting VHMGB losses. If requested, MDI will forecast losses the VHFA would incur given the level of delinquencies and foreclosures MDI is forecasting on VHMGB insured VHFA loans.
3. Help the VHFA explore alternatives to address the likely VHMGB changes and the dramatic shifts that have taken place in the lending industry. This would involve further interpretation of the MDI findings as they relate to VHFA.

### Phase II

1. Assist the VHFA in further exploring use of the FannieMae and Freddie Mac tax exempt loan/bond purchase programs. Assist in working out any particular program requirements or characteristics necessary for a FannieMae or Freddie Mac special Vermont VHFA program. This work could also include advice on the interest rate risk management aspects.
2. Provide assistance to VHFA in exploring use of / acceptance of FannieMae or Freddie Mac automated underwriting systems to qualify VHFA loans.
3. Provide assistance to VHFA in determining the technology necessary to support a streamlined operation under these new strategies. This would include implementation of automated underwriting capability, and determining whether approval by Freddie Mac and Fannie Mae's systems at the lender level would be acceptable.

4. Help develop a joint VHFA/VHMGB RFP to solicit bids on one company to provide both services described above. (We envision that MI companies could provide bids on one, or both services.) This RFP might also address any waivers that are needed to accommodate factors unique to Vermont.
5. Provide support to the strategic decision making process.

**Phase III**

If a decision is made to go forward with a new direction, MDI will be available to assist in implementation. This phase could include providing VHFA support in developing the transition plan to implement the new strategies and relationships. MDI would be available to help in any way the firm is needed.

**Staffing and Fees:**

The MDI staff that would be involved in this project would include:
Dan Measell, Mary Bruce Batte, Jan Ulsch, Madeline Johnson-Oler, Julie Hendricks, Faron Fuller and Pat O'Neill. Madeline Johnson-Oler would be the project manager. She was an integral part of the VHMGB project, covering MI issues, the sections dealing with Fannie Mae and Freddie Mac programs, including the brief discussion of the issues in Phase I above.

Work under this contract would be performed on an hourly fee basis. MDI shall be compensated as follows:

Hourly professional fees for each staff category are as follows:

| | |
|---|---|
| Managing Directors: Mary Bruce Batte and Dan Measell | $175 |
| Senior Consultants: Madeline Johnson-Oler, Jan Ulsch, and Julie Hendricks | $155 |
| Consultants: Faron Fuller and Pat O'Neill. | $ 125 |

2.02 MDI agrees that the total of its professional fees for Phase I-II will not exceed $20,000. The cost of any work required of MDI in Phase III will be determined based on work assigned to MDI at the time and addressed in an addendum to this contract. In addition, VHFA will be responsible for reasonable out of pocket expenses at actual cost. Where work tasks involve VHFA and VHMGB, it is understood by all parties that the costs will be split between the two agencies.

2.03 A $5,000 deposit will be required before the project begins. The deposit will be refunded upon settlement of the final bill for the project. MDI will furnish the Board with an itemized bill no more often than twice in a calendar month for professional fees and out-of-pocket expenses for the previous month.

Payment is due within 15 days of the date the bill is received by the Board. A service fee of 1.5% of the outstanding balance will be applied to invoices that are not paid within 30 days of receipt. MDI reserves the right to suspend work on the project at any point when the account is more than 45 days delinquent.

2.04 MDI will be reimbursed for its out-of-pocket expenses associated with providing services to the Board at the actual cost of such expenses. MDI will not charge the Board for travel time for its personnel.

## 3. Effective Date and Term of Agreement

3.01 The effective date of the Agreement is ____________ 1998.

3.02 The term of the Agreement is through December 1998. A schedule for work will be incorporated in the Project Plan that will be approved by the

________________.

## 4. Personnel

4.01 MDI has the qualified personnel required to perform services under this Agreement. In addition to the project team named above, MDI shall make available other qualified personnel needed to provide services. The Board has the right to approve or disapprove any proposed changes in personnel assigned to the project.

## 5. Modification

5.01 This Agreement contains the entire agreement of the parties. It may be amended in whole or in part from time to time by written agreement executed by the parties. This shall not prevent MDI and the VHFA from entering into a separate agreement for another service.

## 6. Assignment

6.01 The rights and obligations of the Board under this Agreement shall inure to the benefit of and shall be binding upon successors and assigns of the VHFA. This Agreement cannot be assigned by MDI without the written consent of the VHFA except for compensation due MDI.

## 7. Disclosure

7.01 MDI shall not use or disclose any confidential information furnished by the Board or VHFA or by any participant in the programs of these two entities, without prior written consent. Confidential information shall mean any data, statistics, or matters relating to the VHMGB or to the VHFA, its client banks, companies, portfolios or mortgagors that are not generally available to the public.

7.02 All reports and information provided by MDI to the Board or VHFA are for the sole use of the VHFA. The VHFA agrees to keep information provided by MDI confidential to the extent possible consistent with Vermont law.

## 8. Miscellaneous

8.01 MDI on the one hand and VHFA on the other agree that neither will hire any employee of the other for 12 months following the completion of the engagement without the written consent of the other party.

8.02 The VHFA agrees not to hold MDI responsible for any losses, damages or liabilities that arise out of or are based upon any work performed under this Agreement where such work product is based in material part on inaccurate, incomplete or misleading information given MDI by any officer or employee of the VHFA, any other State entity involved, or any company participating in this project. In addition, MDI will not be held responsible for the results of any work product where information was intentionally concealed or altered by any party described above.

8.03 This Agreement and the work performed on the project shall be governed by the laws of the State of Vermont.

8.04 A waiver or indulgence by the VHFA of any provision of this Agreement by MDI shall not operate or be treated as a waiver of any subsequent breach by MDI.

8.05 All agreements and covenants contained herein are severable and in the event any of them shall be held to be invalid by any competent court, this Agreement shall be interpreted as if such invalid agreements or covenants were not contained herein, and the remaining provisions of the Agreement shall not be affected by such determination and shall not be held indefinite or invalid.

8.06 Each party hereto represents and warrants that this Agreement has been duly authorized and executed by it and constitutes its valid and binding agreement, and that any governmental approvals necessary for the performance of the Agreement have been obtained.

8.07 MDI certifies, under pain and penalties of perjury, that as of the date this Agreement is signed, MDI is in good standing with respect to payment of taxes to the State of Vermont.

IN WITNESS WHEREOF, MDI and the VHFA have executed this Agreement as of the date first above written.

MORTGAGE DYNAMICS, INC.

By: [signature]

Its: Managing Director

VERMONT HOUSING FINANCE AGENCY

By: ____________________

Its: ____________________

DRAFT

**VERMONT HOUSING FINANCE AGENCY**
**STANDARD CONTRACT FOR PERSONAL SERVICES**

Contract#____________
Change#______________

1. Parties This is a contract for personal services between the Vermont Housing Finance Agency, hereafter called "VHFA"), and Mortgage Dynamics, Inc.(hereafter called "Contractor").

2. Subject Matter The subject matter of this contract is consulting services as described in Attachment A.

3. Maximum Amount In consideration of the services to be performed by the Contractor, VHFA agrees to pay Contractor, in accordance with the payment provisions specified in Attachment B, a sum not to exceed $_________.

4. Contract Term The period of Contractor's performance shall begin on December 3, 1998, and end on April 30, 1999.

5. Amendment No changes, modifications, or amendments in the terms and conditions of this contract shall be effective unless reduced to writing, numbered and signed by the duly authorized representative of VHFA and Contractor.

6. Attachments This contract consists of 6 pages including the following attachments which are incorporated herein:

Attachment A - Specifications of Work to be Performed
Attachment B - Payment Provisions
Attachment C - Customary VHFA Contract Provisions
Attachment D - Special Provisions (if applicable)

**WE THE UNDERSIGNED PARTIES AGREE TO BE BOUND BY THIS CONTRACT.**

| by VERMONT HOUSING FINANCE AGENCY | by the CONTRACTOR |
|---|---|
| Date: _______________ | Date: _________________________ |
| Signature: ______________________ | Signature: ______________________ |
| Name: _________________________ | Name: _________________________ |
| | TIN or SS# ______________ |

**VERMONT HOUSING FINANCE AGENCY**
**CONTRACT FOR PERSONAL SERVICES**
**ATTACHMENT A**
**SPECIFICATIONS OF WORK TO BE PERFORMED**

1. If requested, Contractor will forecast losses that VHFA would incur, given the level of delinquencies and foreclosures Contractor is forecasting for VHFA loans insured by Vermont Home Mortgage Guarantee Board (VHMGB).

2. Help develop a joint VHFA/VHMGB Request for Proposals to solicit bids from companies to provide mortgage insurance for VHFA loans and to purchase the VHMGB book of business. This task will be paid for, in part, by VHMGB.

**VERMONT HOUSING FINANCE AGENCY**
**CONTRACT FOR PERSONAL SERVICES**
**ATTACHMENT B**
**PAYMENT PROVISIONS**

1. VHFA agrees to pay Contractor at the hourly rates shown below.

| | |
|---|---|
| Managing Directors (Mary Bruce Batte, Dan Measell) | $175 |
| Senior Consultants (Madeline Johnson-Oler, Jan Ulsch and Julie Hendricks) | $155 |
| Consultants (Faron Fuller and Pat O'Neill) | $125 |

2. VHFA shall reimburse Contractor for reasonable and necessary expenses incurred in the performance of this contract, in accordance with reimbursement offered to VHFA employees, and not to exceed a total amount, for expenses and services, of $_______. Contractor shall provide receipts for transportation (other than vehicle mileage) and lodging receipts.

3. Contractor will submit a bill or invoice no more frequently than twice each month to:

| | |
|---|---|
| Name: | Roger A. Schoenbeck |
| Title: | Director of Finance |
| Address: | P.O. Box 408<br>Burlington, Vermont 05402 |

4. The Contractor agrees to a 10% retainage of the total contract fee subject to review, approval and acceptance of Contractor's final report by VHFA.

**VERMONT HOUSING FINANCE AGENCY**
**CONTRACT FOR PERSONAL SERVICES**
**ATTACHMENT C**
**CUSTOMARY VHFA CONTRACT PROVISIONS**

1. Entire Agreement. This contract represents the entire agreement between the parties on the subject matter. All prior agreements, representations, statements, negotiations, and understandings shall have no effect.

2. Applicable Law. This contract will be governed by the laws of the State of Vermont.

3. No Employee Benefits for Contractor. The Contractor understands that VHFA will not provide any individual retirement benefits, group life insurance, group health and dental insurance, vacation and sick leave, workers' compensation or other benefits or services available to VHFA employees, nor will VHFA withhold any state or federal taxes except as required under applicable tax laws, which shall be determined in advance of execution of the contract. The Contractor understands that all tax returns required by the Internal Revenue Code and the State of Vermont, including, but not limited to income, withholding, sales and use, and rooms and meals, must be filed by the Contractor, and information as to contract income will be provided by VHFA to the Internal Revenue Service and the Vermont Department of Taxes.

4. Independence, Liability. The Contractor will act in an independent capacity and not as officers or employees of VHFA. The Contractor shall indemnify, defend and hold harmless VHFA and its officers and employees from liability and any claims, suits, judgments, and damages arising as a result of the Contractor's acts and/or omissions in the performance of this contract.

5. Insurance. Before commencing work on this contract the Contractor must provide certificates of insurance to show that the following minimum coverages are in effect. It is the responsibility of the Contractor to maintain current certificates of insurance on file with VHFA through the term of the contract.

Workers' Compensation. With respect to all operations performed, the Contractor shall carry workers' compensation insurance in accordance with the laws of the State of Vermont.

General Liability and Property Damage. With respect to all operations performed under the contract, the Contractor shall carry general liability insurance having all major divisions of coverage including, but not limited to:

Premises - Operations
Independent Contractors' Protective
Products and completed Operations
Personal Injury Liability
Contractual Liability

The policy shall be on an occurrence form and limits shall not be less than:

$1,000,000 Per Occurrence
$1,000,000 General Aggregate
$1,000,000 Products/completed products aggregate

$50,000 Fire Legal Liability

Automotive Liability. The Contractor shall carry automotive liability insurance covering all motor vehicles, no matter the ownership status, used in connection with the contract. Limits of coverage shall not be less than: $1,000,000 Combined single limit.

No warranty is made that the coverages and limits listed herein are adequate to cover and protect the interests of the Contractor for the Contractor's operations. These are solely minimums that have been set to protect the interests of VHFA.

6. Reliance by VHFA on Representations. All payments by VHFA under this contract will be made in reliance upon the accuracy of all prior representations by the Contractor, including but not limited to bills, invoices, progress reports and other proofs of work.

7. Records Available for Audit. The Contractor will maintain all books, documents, payroll papers, accounting records and other evidence pertaining to costs incurred under this agreement and make them available at reasonable times during the period of this contract and for three years thereafter for inspection by any authorized representatives of VHFA or the Federal government. If any litigation, claim, or audit is started before the expiration of the three year period, the records shall be retained until all litigation, claims or audit findings involving the records have been resolved. VHFA, by any authorized representative, shall have the right at all reasonable times, to inspect or otherwise evaluate the work performed or being performed under this contract.

8. Fair Employment Practices and Americans with Disabilities Act. Contractor agrees to comply with the requirements of Title 21, V.S.A. Chapter 5, Subchapter 6, relating to fair employment practices, to the full extent applicable. Contractor shall also ensure, to the full extent required by the Americans with Disabilities Act of 1990, that qualified individuals with disabilities receive equitable access to the services, programs, and activities provided by the Contractor under this contract. Contractor further agrees to include this provision in all subcontracts.

9. Set Off. VHFA may set off any sums which the Contractor owes VHFA against any sums due the Contractor under this Contract.

10. Taxes Due To the State of Vermont

a. Contractor understands and acknowledges responsibility, if applicable, for compliance with State tax laws, including income tax withholding for employees performing services within the State, payment of use tax on property used within the State, corporate and/or personal income tax on income earned within the State.

b. Contractor certifies under the pains and penalties of perjury that, as of the date the contract is signed, the Contractor is in good standing with respect to, or in full compliance with, a plan to pay any and all taxes due VHFA of Vermont.

c. Contractor understands that final payment under this contract may be withheld if the Commissioner of Taxes determines that the Contractor is not in good standing with respect to or in full compliance with a plan to pay any and all taxes due to the State of Vermont.

11. Child Support. (Applicable if the Contractor is a natural person, not a corporation or partnership). Contractor states that, as of the date the contract is signed, he/she:

a. is not under an obligation to pay child support; or
b. is under such an obligation and is in good standing with respect to that obligation; or
c. has agreed to a payment plan with the Vermont Office of Child Support Services and is in full compliance with that plan.

Contractor makes this statement with regard to support owed to any and all children residing in Vermont. In addition, if the Contractor is a resident of Vermont, Contractor makes this statement with regard to any and all children residing in any other state or territory of the United States.

12. Subcontractors. Contractor shall not assign or subcontract the performance of this agreement or any portion thereof to any other contractor without the prior written approval of VHFA. Contractor also agrees to include in all subcontract agreements a tax certification in for substantially identical to paragraph 10 above.

13. No Gifts or Gratuities. Contractor shall not give title or possession of any thing of substantial value (including property, currency, travel and/or education programs) to any officer or employee of VHFA during the term of this contract.

14. Copies. All written reports prepared under this contract will be printed using both sides of the paper.

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF A GENERAL OBLIGATION BOND TO THE HOWARD BANK, N.A. IN A MAXIMUM AMOUNT OF $850,000 AND USING THE PROCEEDS TO MAKE A LOAN IN SUCH AMOUNT TO LAKEVIEW HOUSING LIMITED PARTNERSHIP TO FINANCE THE REHABILITATION OF A 16-UNIT PROJECT IN NEWPORT

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

WHEREAS, the Agency desires to issue and sell tax-exempt bonds of not more than $850,000 aggregate principal amount to The Howard Bank, N.A. (the "Bank") based on the Agency's general obligation credit and use the proceeds to finance a construction loan to Lakeview Housing Limited Partnership (the "Borrower") to acquire and rehabilitate at 16-unit project (the "Project") in Newport, Vermont that will qualify for federal low-income housing tax credits, and which Project is expected to obtain permanent financing from the United States Department of Agriculture/Rural Development;

NOW, THEREFORE, it is hereby RESOLVED:

1. The issuance and sale of up to $850,000 principal amount of tax-exempt bonds to the Bank (the "Borrowing") is hereby authorized and approved, the security for the repayment thereof being the general obligation of the Agency as hereinafter described, and the Executive Director, Deputy Director and Director of Finance are each hereby authorized and directed to execute and deliver such documents as they deem appropriate and necessary to evidence such Borrowing and the Agency's obligation to repay the same, including, without limitation, a bond delivered to the Bank with such terms as the person executing the same shall deem appropriate, provided that the maturity of such Borrowing shall not exceed five years and the interest rate thereon shall not exceed 7%. The obligation of the Agency to repay the Borrowing shall constitute a general obligation of the Agency payable out of any revenues or moneys of the Agency, subject only to any agreements with the holders of particular notes or bonds pledging any particular revenues.

2. An acquisition and construction loan of not more than $850,000 to the Borrower to finance the rehabilitation of the Project is hereby authorized and approved, and the Executive Director, Deputy Director and Director of Finance are each hereby authorized and directed to execute and deliver such documents as such person deems appropriate to evidence such loan, and such officer executing such documents is further authorized to require such repayment terms and security therefor as such person deems appropriate. Moneys to make such loan are to be obtained from the Borrowing authorized in Section 1 hereof, and the repayment of such loan is to ultimately be used to repay the Borrowing.

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

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

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

5. This Resolution shall become effective immediately.

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on December 3, 1998.*

Michael F. McNamara

**MICHAEL F. MCNAMARA**
*Deputy Director*
*Vermont Housing Finance Agency*

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VERMONT HOUSING FINANCE AGENCY

December 7, 1998

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

Dear Ms. Moore:

The Vermont Housing Finance Agency will behaving its regular monthly Board Meeting on Thursday, December 17th, at 1:00 p.m., here at the Vermont Housing Finance Agency's office, 164 Saint Paul Street, Burlington, Vermont.

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

Sincerely,

Kari Caragher

Kari A. Caragher
H.R./Executive Assistant

*ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD*

**_Mailing Address:_ PO Box 408, Burlington, Vermont 05402-0408**
**_Delivery Address:_ 164 Saint Paul Street, Burlington, Vermont 05401-4364**
**802 / 864-5743 • 800 / 339-5866 • TDD: 800 / 586-5832**
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RESOLUTION AMENDING
RESOLUTIONS ADOPTED AT THE ANNUAL MEETING OF
VERMONT HOUSING FINANCE AGENCY, JULY 23, 1998

WHEREAS, there has been a partial reorganization of the Agency's Loan Servicing staff; and

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

NOW, THEREFORE, it is hereby RESOLVED:

1. Wherever the words "Foreclosure Specialist" and "Real Estate Disposition Specialist" appear in the Resolution, they are replaced by the words, "Loss Management Specialist."

2. The individuals whose signatures and titles appear below are authorized to do those acts provided for their positions in the Resolution, as amended.

| | | |
|---|---|---|
| Loss Management Specialist | Linda C. Wilson | Linda C. Wilson |
| Loss Management Specialist | Polly Thibault | Polly Thibault |

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

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on October 29, 1998.*

Michael F. McNamara

*Michael F. McNamara*
*Deputy Director*
*Vermont Housing Finance Agency*

**RESOLUTION PERTAINING TO ELECTION OF VERMONT HOUSING FINANCE AGENCY TO CONVERT MORTGAGE REVENUE BOND AUTHORITY TO MORTGAGE CREDIT CERTIFICATE AUTHORITY**

WHEREAS, by decision of the Emergency Board dated January 13, 1998, $50,000,000 of the State's 1998 private activity bond volume cap ("Volume Cap") was allocated to the Agency as provided in Section 146 of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, the Agency wishes to elect to utilize the $50,000,000 of private activity volume cap to issue qualified mortgage bonds and mortgage credit certificates; and

WHEREAS, the Agency wishes to establish a new Mortgage Credit Certificate Program in 1999 and 2000; and

NOW THEREFORE, in order to establish the Agency's 1999-2000 Mortgage Credit Certificate Program and to satisfy the requirements of Section 25 of the Code and regulations issued thereunder, it is hereby RESOLVED:

1. The Vermont Housing Finance Agency elects to utilize $50,000,000 of its 1998 private activity volume cap for the purposes of issuing qualified mortgage bonds and mortgage credit certificates.

2. The Vermont Housing Finance Agency hereby elects not to issue $8,000,000 principal amount of qualified mortgage bonds that it is otherwise authorized to issue during calendar year 1998.

3. The Executive Director, Deputy Director, Director of Finance, and the Director of Single Family Operations are directed, and each of them is authorized, to take all steps necessary to the continuation of the Agency's Mortgage Credit Certificate Program including, but not limited to:

   A. Preparation, execution, and delivery of a Mortgage Credit Certificate Election in such form as may be required by the Internal Revenue Service and consistent in content and effect with this Resolution.

   B. Certification to the Governor as provided in the Code.

   C. Preparation of any certificate required by the Code to be signed by the Governor.

   D. Preparation and placement of the appropriate public notices, if any, including income and purchase price limits as determined by the Agency.

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on October 29, 1998.*

Michael F. McNamara

*Michael F. McNamara*
*Deputy Director*
*Vermont Housing Finance Agency*

4. The Vermont Housing Finance Agency elects to carry forward $42,000,000 of its unused volume cap pursuant to section 146 of the Internal Revenue Code of 1986 for the purposes of issuing qualified mortgage bonds or mortgage credit certificates.

5. The Executive Director, Deputy Director and Director of Finance are directed, and each of them is authorized, to take all steps necessary to carry forward the Agency's unused volume cap, including, but not limited to preparation, execution, and delivery of a Carryforward Election of Unused Private Activity Volume Cap in such form as may be required by the Internal Revenue Service and consistent in content and effect with this Resolution.

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VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Michael F. McNamara, Deputy Director M. McN.

DATE: December 11, 1998

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held on December 17th here at the Vermont Housing Finance Agency's office, 164 Saint Paul Street, Burlington, Vermont. The meeting will begin at 1:00 p.m.

Attached is the agenda and Board packet. The master copy of the Board minutes kept on file here at the Agency includes any attachments that may be referenced in the minutes; copies will be made available should any Board members be interested in reviewing them.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Burlington December 17th !

*Reminder: VHFA's Holiday Party will be at the Sheraton Hotel & Conference Center following the Board meeting. You are all encouraged to attend!*



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# BOARD AGENDA

Vermont Housing Finance Agency
164 Saint Paul Street
Burlington, Vermont
Thursday, December 17th at 1:00 p.m.

1. Review and approval of the October 29 and December 3, 1998 minutes.

2. **STRATEGIC PLANNING**
   - A. Summary of Strategic Planning Board Discussions During 1998 {Gent//Enclosure}
   - B. 25th Anniversary Plan {Gent//Enclosure}
   - C. Multi-Family Excess Yield 0% Usage Plan {Schoenbeck//Enclosure}

3. **ADMINISTRATION**
   - A. Executive Director's Report {Carpenter}
   - B. Fourth Quarter Y2K Update {Loller//Enclosure}

4. **DEVELOPMENT**
   - A. Multi-Family Bond Issue-Homestead Green {Jarrett//Enclosure}
   - B. Allen Apartments Letter of Interest/Commitment {Reid//Enclosure}
   - C. Development Activity Report {Reid//Enclosure}

5. **OPERATIONS**
   - A. Activity/Delinquency Reports {Lothrop//Enclosure}

6. **FINANCE**
   - A. VHMGB Budget Impact {Schoenbeck//Enclosure}

7. **LEGAL**
   - A. Amendment to Annual Resolution {Jarrett//Enclosure}
   - B. Delegation of Multifamily Lending Authority {Jarrett//Enclosure}

8. **MULTIFAMILY MANAGEMENT**
   - A. Director's Report {Falzone//Enclosure}

9. Other old or new business to come before the Board.



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**VERMONT HOUSING FINANCE AGENCY**

**BOARD MINUTES**

Vermont Housing Finance Agency
164 Saint Paul Street
Burlington, Vermont

Thursday, October 29 at 1:00 p.m.

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

Staff: Mr. McNamara, Mr. Jarrett, Mr. Schoenbeck, Mr. Lothrop, Ms. Gent, Mr. Erdelyi, Ms. Loller, Ms. Crady, Ms. Reid

Chairman White called the meeting to order at 1:05 p.m. A motion was made by Mr. Seelig to approve the minutes of September 24th, 1998. The motion carried unanimously after being seconded by Mr. Candon.

Mr. Lothrop reviewed his memo "Single Family Program Activity Report for September 1998," included in the Board packet. Mr. Lothrop noted that purchase volume amounts for the period to date are lower compared to last year. Mr. Lothrop also pointed out that this is the third year in a row that our volume in the Mortgage Credit Certificate Program has decreased.

Mr. Lothrop briefly discussed the servicing activity by indicating that this is the first month since February that we have had an increase in the total number of loans in our portfolio. When reviewing the delinquency statistical report, Mr. Lothrop indicated that the five largest servicers are responsible for 72% of the loans in our servicing portfolio. Mr. Lothrop indicated that staff would concentrate their efforts on those five servicers. On the property disposition report, Mr. Lothrop noted that we are losing less than what was set-aside in our loan loss reserve on a per loan basis.

Next, Mr. Lothrop reviewed his memo "Discussion on the conversion of Mortgage Revenue Bonding (MRB) authority to Mortgage Credit Certificates (MCC) Authority; authorizing the 90-day public notice of the program as required by the Internal Revenue Service Tax Code; and Suggested changes to the MCC program," included in the Board packet. Mr. Lothrop indicated that the last conversion took place last year when the Board authorized staff to convert \$11.775 million in MRB authority to \$2.25 million in MCC authority. In order to have a continuous MCC program, it is necessary to convert additional MRB authority to MCC authority, as current MCC authority expires on December 31, 1998. Currently, VHFA has \$50 million of MRB authority available for issuing mortgage revenue bonds. Staff is recommending the conversion of \$8 million of 1998 MRB authority to \$2 million MCC authority. MCC authority converted from this source can be used to issue an MCC until December 31, 2000. Mr. Lothrop indicated that staff is also requesting authorization to publish the required public notices that are needed. In 1992, VHFA included in its MCC program the requirement that a borrower must need the MCC in order to qualify for the mortgage. Staff is now recommending that this requirement be discontinued for all MCCs reserved after December 1, 1998. Mr. Seelig asked how discontinuing this requirement might exclude borrowers. Mr. Lothrop indicated that it should not exclude any borrowers. After further discussion, a motion was made by Mr. Seelig to approve the "Resolution Pertaining to Election of Vermont Housing Finance Agency to Convert



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Mortgage Revenue Bond Authority to Mortgage Credit Certificate Authority," and approval for the removal of the "Need to Qualify" requirement from the program effective December 1, 1998. The motion carried unanimously after being seconded by Ms. Canney.

Next, Mr. Schoenbeck discussed his memo "Fiscal Year June 30, 1998 Audit Reports," included in the Board packet. Mr. Schoenbeck noted that the only changes from the financial reports that were distributed at the September Board meeting were the changes in investment value from a cost to a market value basis. This increased the current year surplus by $4.7 million but cautioned that this is a "paper surplus" as market values could fall in the future. Due to the unexpected surplus from investments we were able to implement the Board's suggestion to increase our allowance for future loans losses. The increase for loan losses was about $1.5 million. Chairman White noted that on the balance sheet the mortgages were listed net of the reserve. Chairman White asked how much is in the allocated loan loss reserve. Mr. Schoenbeck indicated that there is $4 million in loss reserves, $1.1 million that is designated to specific properties, and $2.9 million for future losses. The management letters have no comments of substance.

Mr. Candon asked what bank the Agency is using to provide letters of credit. Mr. Schoenbeck indicated that we have been using the Sanwa Bank in Japan. These letters of credit carry a five-year term, and two that have expired have not been renewed and have been funded temporarily by cash. Sanwa Bank is not renewing additional letters of credit, so Mr. Schoenbeck has been negotiating with the Bank of America (Chicago office) to replace them. The idea is to get Sanwa Bank totally replaced by the end of the year.

Chairman White suggested that the Board meet with the auditors next year. The auditors could present the material to the Board, and then the Board could discuss any questions or concerns they have directly with the auditors. The Board members all agreed that that would be beneficial. Mr. Schoenbeck indicated that the auditors have offered in the past to meet with the Board.

After further discussion, a motion was made by Mr. Candon to approve the audit and accompanying special reports. The motion carried unanimously after being seconded by Ms. Randall.

Mr. Jarrett then briefly discussed his memo "Amendment to Annual Resolution," included in the Board packet. At the July Board meeting, the Board adopted the Annual Resolution. Since July, we have had some staff changes that effect the Annual Resolution. The positions held by Peter Barry ("Foreclosure Specialist") and Linda Wilson ("Real Estate Disposition Specialist") have been combined into two "Loss Mitigation Specialists." Also, Peter Barry has left the Agency and Polly Thibault (who formerly worked in the Finance Department) has filled his position. The resolution states Linda's and Polly's correct titles. After a brief discussion, a motion was made by Ms. Canney to approve the "Resolution Amending Resolutions Adopted at the Annual Meeting of the Vermont Housing Finance Agency, July 23, 1998." The motion carried unanimously after being seconded by Mr. Seelig.

Next, Mr. McNamara gave his report. Mr. McNamara indicated that there was a meeting held earlier today for the Joint Committee on Tax Credits to discuss making changes to the Allocation Plan. There will be a public hearing in November and then staff will bring the information to the Board at our December Board meeting.

Mr. McNamara noted that, in early September, HUD put out a proposal for HFAs and other private entities to submit applications to become the Participating Administrative Entity to do section 8 restructuring for the State of Vermont. With staff's help, the proposal was completed and mailed out within two weeks. Mr. McNamara indicated that we did receive the designation and that we were one of the thirty-five states that received it on the first try. We chose to partner in the venture with both the Vermont State Housing Authority and Housing Vermont.

Mr. McNamara noted that PPRC (Personnel Policy Review Committee) and CORE have had two meetings together to discuss the revised drafted employee handbook. This followed a recommendation that came out of the focus group discussions that CORE and PPRC meet on a regular basis. Staff thought that the meetings went well and that it was a good process. The handbook will be completed soon and will be made available to all staff. Several items that were discussed in the focus groups will be addressed in the revised handbook.

Mr. McNamara then updated the Board on staffing issues. Two employees have left employment at VHFA since our last Board meeting. Carmen Blatt has left to be a contract underwriter with CMAC. Mr. McNamara thanked all staff for pulling together and filling the gaps that needed filling when she left. Mr. McNamara indicated that he had spoken to Chairman White and both agreed that with a new Executive Director coming on board, we should wait to fill the position. VHFA's Outreach Program Manager, Marcia Mattoon, will also be leaving. She is moving to Nevada. Mr. McNamara also discussed this matter with staff and with Chairman White, and it was agreed that this position should be filled without delay. The position will be initially posted internally.

Lastly, Mr. McNamara thanked Ms. Loller for filling in at the last minute as a speaker at the Vermont Housing Managers Annual Meeting. Everything went well and Ms. Loller did a great job discussing Y2K issues.

Ms. Gent then gave the Board a brief update on federal legislation. In one of the final acts of this session of Congress, the private activity bond cap was increased. Ms. Gent indicated that this would be a benefit for our Agency, even though the implementation is several years away.

Ms. Reid discussed her memo "Proposed Small Multifamily Loan Streamlined Approval Process," included in the Board packet. Staff is proposing a streamlined approval process for multifamily loans of $1,000,000 or less, subject to the proposed guidelines in the memo. This will assure a more effective and efficient process. Ms. Randall requested that Mr. Jarrett research whether the Board could delegate authority to staff to approve loans under $500,000 without needing resolutions from the Board. The Board requested reports in the future containing multifamily loan and Housing Credit activity. Ms. Randall added that the reporting would be used for strategic discussions. The Board requested that loan presentations be used to highlight ambiguities rather than repeat the contents of memos, and that visual aids be used if available.

After further discussion, Mr. Seelig made a motion to approve staffs' recommendation for streamlined approval of multifamily loans of $1,000,000 and less that did not include 0% funds and approval of the proposed underwriting guidelines for small multifamily loans. The motion carried unanimously after being seconded by Mr. Candon.

Chairman White gave a brief update on the Mortgage Dynamics Report (MDI) and VHMGB. MDI has come up with a variety of solutions to help VHMGB. MDI will be continuing their work on VHMGB and will be working with a consultant to be hired by the VHMGB. Michael Smith (Treasurer's Office) will be the project manager for this project. Chairman White indicated that he had asked Mr. Smith to work together with Mr. McNamara so that we have a designated contact at the Agency. Because of the importance of the VHMGB work, the Homeownership Center analysis, the delinquency patterns report and the IORTA program update will have to be delayed, until the VHMGB work is complete.

Chairman White reminded staff that, at the last Board meeting, it was suggested that we appoint a Human Resources Committee of the Board. Chairman White has asked Ms. Randall (chair), Ms. Canney and Mr. Candon to make up the committee. The new Executive Director will also be a part of that committee.

Chairman White then announced that the Search Committee chose Sarah Carpenter to join VHFA as the new Executive Director and she has accepted. She will begin work on December 14th. Chairman White noted that we do need to formally appoint her as the new Executive Director of VHFA. Mr. Seelig made a motion to accept the recommendation of the Search Committee to appoint Sarah Carpenter as VHFA Executive's Director. The motion carried unanimously after being seconded by Ms. Randall.

Mr. Seelig stated that, on behalf of the Search Committee, he appreciated staff's participation with the search process, especially Ms. Santerre and Ms. Crady, who both put in a lot of time and energy.

Ms. Randall suggested that the strategic planning be moved up to the top of the next Board meeting agenda so that the Board can spend time discussing how the process will work.

The date for the next meeting was set for Thursday, December 17th in Burlington, with the Holiday Party following at the Sheraton Hotel and Conference Center.

At this time, Mr. Douglas made a motion to go into Executive Session pursuant to 1 VSA Section 313 (a)(3). The motion carried unanimously after being seconded by Mr. Seelig. The motion to come out of Executive Session was made by Mr. Candon and seconded by Ms. Randall.

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

Sincerely,

Michael F. McNamara

Michael F. McNamara
Deputy Director

# VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
164 Saint Paul Street
Burlington, Vermont
Thursday, December 3, 1998 at 11:00 a.m.

VIA TELEPHONE: Chairman White; Commissioners Candon, Seelig, Randall, Canney, Brown (designee of Lambert), Smith (designee of Douglas) and Mr. Lothrop

STAFF PRESENT: Mr. McNamara, Mr. Jarrett, Mr. Schoenbeck, Ms. Caragher, Ms. Santerre, Ms. Gent, Ms. Loller, Mr. Falzone

The meeting was called to order by Chairman White at 11:00 a.m. Participants were identified by AT&T roll call.

Mr. Jarrett reviewed his memo "Multi-Family Bond Issue," included in the Board packet. Mr. Jarrett indicated that a few months ago, the Board approved the financing of two developments; one in North Bennington and the other in Newport. The Agency will be financing the construction or rehabilitation of these developments and the takeout financing will be provided by USDA/Rural Development. Issuing tax-exempt bonds for the short-term financing will allow the developments to receive out-of-cap housing credits without having to request in-cap credits.

The Newport development (Lakeview Housing) is going to close soon. Staff has consulted with our bond counsel to work out a financing plan that will enable our debt to be paid off after rehabilitation is complete. This plan will also allow RD subsidies to benefit the development at an earlier stage than anticipated. After further discussion, a motion was made by Mr. Seelig to approve the "Resolution Authorizing the Issuance and Sale of a Tax-Exempt General Obligation Bond to the Howard Bank, N.A. in a Maximum amount of $850,000 and Using the Proceeds to Make a Loan in Such Amount to Lakeview Housing Limited Partnership to Finance the Rehabilitation of a 16-Unit Project in Newport." The motion carried unanimously after being seconded by Ms. Randall.

Mr. Lothrop discussed his memo "Proposal from Mortgage Dynamics, Inc. (MDI) on assisting VHFA in choosing a business direction," included in the Board packet. Mr. Lothrop indicated that the memo was a compilation of discussions held among senior staff in reviewing the proposal that MDI put forward. Staff reviewed this proposal trying to decide which items staff should handle and which items they should receive assistance on from MDI. The recommendation in the memo is a summary of what senior staff came up with after reviewing the MDI proposal.

Senior staff reviewed both phases of MDI's proposal and feel that most of the strategies outlined in Phase I should be considered by VHFA. Staff feels qualified, based on years of experience, to pursue items 1 and 3 of



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Phase I and believe that MDI should assist with item 2. Mr. Lothrop stated that it is also the opinion of senior staff that entering into an agreement with VHFA for Phase II may be premature at this time, indicating that VHFA could be better served waiting for VHMGB to decide its direction. Mr. Smith indicated that he disagrees with the conclusions in Mr. Lothrop's memo. Mr. Smith believes that Phase II of the MDI proposal is not premature and pointed out that we are already looking into how to terminate the VHMGB activities and how best to protect the people who need those guarantees. Mr. Smith stated that this action needs to be coordinated and executed at the same time. Mr. Smith also believes it would be helpful to get an outside, independent perspective on the tasks listed in Phase I.

Mr. Candon agrees with Mr. Smith that both of these Phases be done in tandem. Mr. Candon expressed concern with the need to control the duplication of charges by the consultant. He also noted that he would like to make sure that the consulting firm remains on track through the process. Mr. Seelig agreed with Mr. Candon that it is very important that the consulting firm stay on track and focused. Chairman White believes that hiring an outside consultant to give an outside perspective on Phase I and Phase II would be very beneficial.

Mr. Schoenbeck indicated that staff is working to assure that we can provide mortgage insurance to our borrowers and VHFA is providing any and all information requested by MDI. Staff believes that there could be some duplication of services between MDI's VHMGB and VHFA proposals. To prevent this, staff has worked to try and fine tune MDI's proposal to cover VHFA's needs. Mr. Smith stated that he believes that MDI brings a fresh perspective, and that there will not be any duplication between VHFA and VHMGB. Mr. Smith stated that he believes that we need to get MDI on board immediately.

Ms. Canney indicated that she would like to move forward with the proposal that MDI presented. Ms. Randall also believes that it would be beneficial to have a consultant with an outside perspective come in and assist us. Given the losses we have experienced in the last twelve months, it was felt by the Board members that we should have MDI give us that outside perspective. After further discussion, a motion was made by Ms. Canney to approve MDI's proposal. The motion carried unanimously after being seconded by Mr. Smith.

Mr. Candon asked who the manager of this piece would be. Chairman White noted that he would like to reflect a little more on how we manage this process. He would like to discuss this with Mr. McNamara and Ms. Carpenter before he makes a decision. Mr. McNamara indicated that staff feels universally that whatever direction the Board gives us today, we will do whatever we can to move this process along. He also noted that the memo staff presented to the Board only reflects the staffs' concerns about the proposal, it was not meant to be a roadblock.

Ms. Randall gave a brief update on the Human Resources Committee. Ms. Randall requested that Mr. Schoenbeck provide the Human Resources Committee a review of benefits costs including the cost of time paid off. Ms. Randall also asked that the updated employee handbook be given to an outside legal firm for review and that, once that is completed, the Board should approve it. Ms. Randall indicated that the Human Resources Committee has asked Ms. Carpenter, with their involvement, to move forward with the organizational structure at VHFA as soon as possible. Mr. McNamara noted that part of the process with developing the employee handbook was a legal review by Mr. Jarrett. Ms. Randall noted that the Board should approve some areas of the Handbook, such as the sexual harassment policy.

The next Board meeting is set for December 17, 1998 here at the Vermont Housing Finance Agency's office at 1:00 p.m. A motion was made by Mr. Seelig to adjourn and carried unanimously after being seconded by Mr. Brown. The meeting adjourned at 11:45 a.m.

Respectfully Submitted,

Michael F. McNamara

Michael F. McNamara
Deputy Director

vhfa
VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

FROM: CG Cathleen Gent, Director of Communications

DATE: December 10, 1998

RE: Summary of Strategic Planning Board Discussions During 1998

In preparation for the re-commencement of strategic planning work by the VHFA Board of Commissioners, attached are summaries of discussions by the Board during 1998. The summaries reflect work done during special working sessions as well as one Board meeting.

- February 12, 1998
- March 19, 1998
- April 23, 1998
- May 7, 1998 (selection from Board meeting minutes, memo, and attachment)

Depending upon the outcome of the Board discussion next week and plans for future strategic planning activities, VHFA staff members are prepared to provide the Board additional information for your January Board meeting.

Board Action: No Board action is needed.



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SUMMARY OF VHFA BOARD OF COMMISSIONERS
STRATEGIC PLANNING DISCUSSION
FEBRUARY 12, 1998

Where Do We Want To Be In 5 Years? This is the central question to consider.

GENERAL ISSUES

- Are the prices reported in VHFA's summary background report high for some parts of the state?
  - Soft markets in some areas of state
- Has VHFA fueled price increases – by raising purchase price limits for Chittenden County? (D. Canney)
- The median incomes of VHFA borrowers are not rising/about 40% of borrowers earn at or below 70% of median income. (A. Hunt)
- Underemployment/difficulty earning a living wage (D. White)
- Some Board members expressed less optimism concerning the outlook for our customers
- Can the organization be sustained prior to the "come back" when target homeownership population will increase again in 7 years? (T. Candon)
  - Do we want to remain the "lender of last resort" until that time?
- Diversify beyond housing? Diversity risk and opportunity? (M. Smith)
- Consolidate? VSHA? VEDA?
- Seeing traditional role changing
  - Find other sources of income beyond single family
- Impact of prepayments on revenues?
- Could we be more competitive in bond issues?
  - Evensen-Dodge is looking at the possible economies of scale in putting together bond deals
- Consider our mission in moving forward
- Needs for homeownership
  - Home improvement loan products
- Income instability across counties
  - Poverty increasing since 1989 (G. Seelig)
  - Income disparity – by region
  - Role of homeownership centers/other organizations
- Echo of S. New England boom
- Cable/Allen report – 1% vacancy rate
  - No new section 8 certificates have been added
- Husky – added impact – Chittenden County
- Partnerships
  - Desperate need for consumer credit counseling services (T. Candon)
- Section 8
  Dynamics of rental housing – Burlington (M. McNamara)
  Northeast Kingdom – quality – rental and homeownership (D. White)

- Costs of rehab vs. new construction for multifamily housing (D. White)
  - Cost of deal weighed against real costs of sprawl, infrastructure
  - Are we pursuing the policy of rehabilitating old housing at all costs?
    - Benefits/cost analysis needed
    - Look at different markets - think of Chittenden County differently for new construction
- Life of projects? (energy efficient)
- Federal grant programs – historic preservation requirements
  Historic preservation state office – too stringent/use of resource costs
- Working wages/market rate rents (Job Gap Study)
- Need to be viewed as "preferred" not "last resort" (L. Randall)
  Niche – "preferred" source
  Offer alternative (fewer products/better quality)
  Freddie/Fannie – not a great leap
  - No better pricing
  CRA – home grown programs
    - Not holding loans generally today
- We <u>are</u> competing (Do we view ourselves as competing with private market?)
- Envelope being pushed (riskier loans)
- Rate sensitive programs – lots of choices/new players in market/broker commissions/banks and mortgage business (D. White)
- Product life cycle – other products taking market share
- Factors driving decisions about financial future
  College/retirement/estate
- "Overqualify" for VHFA/use other products
- Lender "advocates" – relationship not there (like mid 1980s)
- Sale nationally of loans/ commission-based underwriting
- Role – need to help people – "last resort" - may need to keep that as component of what we do (G. Seelig)
- Number of wage earners down
- Have we diversified too much?
- Should we be doing for-profit development/taxable deals? (T. Candon)
  - Multifamily production has not grown
- Rental projects cannot afford debt/income
- Direct loan origination? (T. Candon)
  Send to lenders – lead to other products
- Static marketing budget (D. Canney)
- Who do we serve?
  - Should set targets for who should be served.
- State Housing Authority - active with mobile homes
  - Mobile homes are 3 times riskier to originate (A. Hunt)
- Partnerships with Homeownership Centers
- Partnerships with originators
- Tinker with our message - How do we make sure our social mission is accomplished at the same time economic self-preservation is maintained? (G. Seelig)

**VHMGB**

- Can VHMGB Insure Only VHFA Loans?
- Loss of conventional business
  Consolidation of servicers
  Leaves VHMGB with riskier portfolio
- Short sighted decisions (L. Randall)
  - Legislature borrowing funds
  - Fee changes – long term effects more serious
  - Fees now so close to conventional PMI
  Refinance – PMIs offer ability to roll over premium
  Creates repeat business
- Can VHMGB continue to operate with legislative oversight?
- Automated underwriting systems (PMI attached)
  Piggyback on PMI system?
  If pass (certificate) from GMAC. Etc.
- Disclosure – credit unions less fees
- What happened? Different perspectives
- How to package "product"
- "Advocates" for VHMGB – not as strong
- Erosion of relationship with originators
- Training – minimal before originating
- Working on straight monthly premium
  Inform lender when to stop collecting
- Lenders – selecting servicer – counseling services provided?
  - Value added services more prevalent today
- Captive insurance
- Freddie/Fannie – may offer own insurance – more partnerships with PMIs and Freddie/Fannie

At the conclusion of the meeting, the Board asked VHFA staff to review and rank our existing programs with respect to the value of keeping, expanding or eliminating from two perspectives: business decision and/or political decision.

SUMMARY OF VHFA BOARD OF COMMISSIONERS
DISCUSSION OF STRATEGIC PLANNING
MARCH 19, 1998

Ms. Roberta Harold (USDA-Rural Development) and Mr. Peter Richardson (Housing Vermont) joined the Board for the strategic planning discussion. During the session, presentations to the Board were made by Robbie Harold, Peter Richardson, Barb Grimes, and Gus Seelig.

USDA Rural Development (Robbie Harold)

SINGLE FAMILY AREA
1) Servicing of single family and rehab loans is now done in St. Louis.
2) Section 502 - direct loan and guarantee program for up persons up to 80% of median
   - very low income to low income
   - when partnering, cannot float interest rate downward
3) RD wants to be complementary, not competitive
   - RD has an excellent relationship with VHFA
   - The RD/VHFA Participation Program is a model program
4) Goal of 90 loans - will have to leverage with VHFA and others
5) Delinquency rate is now 11% - servicing is done in St. Louis
6) In past, did not need to sell program (to real estate professionals, for instance) - now need to target product

MULTIFAMILY PROGRAMS
1) Support has diminished greatly in Congress for the 515 program
   - Has policies to match state goals
   - For every dollar loaned, costs federal government 65 cents
2) RD collaborates, often with LIHTC Program
3) Multifamily program regulations are based on the 1990 Census-based regulations for serving unmet needs for: family, rehabilitation, and nonprofit ownership
4) Long-term low-interest loan - rental assistance subsidy built into loan (similar to Section 8) with 5 year rental renewals

Department of Housing and Community Affairs (Barb Grimes)

1) Need to coordinate programs and better use the LIHTC
   - For projects which cost under $200,000, would not encourage shopping with more than 2 funders
   - There is a larger need for rent subsidies - Gov. Dean has indicated he does not support a direct rental subsidy program
2) Community Development Block Grant Program (CDBG)
   - For past 3 years, has received $8.5 million annually
   - About $2.5 million of annual funds go toward housing (the Board likes housing)
   - Vermont's Congressional delegation has worked hard to sustain our funding
   - State has instituted a policy of repayment of loans to develop a revolving loan fund
   - Eligible applicants are municipalities only
   - The communities decide the top priorities (The State does not dictate the uses, one of the few in the country to use this approach.)
3) HOME receives $3.5 million annually (has been consistent for last 3 years)

Vermont Housing and Conservation Board (Gus Seelig)

1) Vermont State Housing Authority (VSHA) was developed in the 1960s to take advantage of federal programs
   - receives no state appropriations
2) During the real estate boom period, VHCB was created through a coalition of organizations in 1987 to solve the problem of displacing residents from apartments as well as losing valuable land from conservation
3) State funding is applied as a subsidy to other funding to maintain housing affordability
4) Administers the HOME Program
   - funding is approximately 1/3 for homeownership and 2/3 for rental housing
5) Administers the Lead Paint Hazard federal loan program
6) Administers the federal HOPWA Program, used to help fund 600 Dalton Drive AIDS/HIV housing project
7) Administers AmeriCorp Volunteer Program
8) Administers other HUD special purpose grants
9) Provides operating support for local nonprofits
   - including technical assistance

10) VHCB Priorities:
- consistent with goals outlined in State Consolidated Plan
- Since 1991, has concentrated in housing for very-low income Vermonters and housing with services

<u>Housing Vermont (Peter Richardson)</u>
1) Formed with a grant from VHFA in 1990
2) Has an ownership interest in 62 communities and works exclusively with local and nonprofit partners
3) Brings equity into a project - through LIHTC and Historic Tax Credit Programs
4) Has 2,300 units in portfolio -- with 42% at or below 30% of median income and 82% at or below 60% of median income
5) Six of 11 Board members are appointed through VHFA (generally represent the private sector)
6) Vermont has a very good system with interesting projects being done
7) Vermont has the largest state-run fund in U.S. - yields higher amount of return than most states
8) Will keep investors as long as they make a profit
9) A state housing tax credit would raise even more equity

<u>GENERAL BOARD DISCUSSION</u>
1) Would like to review the Enterprise Study and talk with VHFA's stakeholders
2) Single family program
   - software programs - prequalify more quickly
   - origination side - lots of complaints about VHFA (D. Canney)
     - VHFA takes so long, better off going with FHA
   - perception, not based on agency's performance
   - originators base decisions upon income - go with what they are comfortable with
   - *** How do we make them more comfortable with our programs?
   - Driven by interest rate spread and electronic turn-around time (D. Lothrop)
   - What can we do to work on our relationships?
   - How can we do more recognition and celebration with partners? Become advocates for VHFA? There are many aspects to lenders' relations.

# SUMMARY OF VHFA BOARD OF COMMISSIONERS
# DISCUSSION OF STRATEGIC PLANNING
# APRIL 23, 1998

Mr. Richard Williams joined the Board for the strategic planning discussion.

## ENTERPRISE REPORT AND OTHER TOPICS

1) Richard White initiated the group discussion regarding the status of recommendations:
    - Housing Cabinet - Not implemented - Housing Council remains intact
    - Overlap/duplication of application process for developers (work in progress/funding source requirements)
        - Multifamily application process
        - Multifamily monitoring reports
    - Process is cumbersome for developers
        - Timing - meeting of boards
        - Multiple funding sources
        - Decision making coordination among housing agency staffs
        - Only those developers who are comfortable with the process submit proposals
        - From a contractors' viewpoint, the groups may appear to be competing
        - The process is sophisticated, with 5-6 funding sources
        - The housing agencies should limit barriers and look at what worked effectively in previous decades, although the funding mechanisms have changed so there may be limitations to replicating the past

2) Concept of a "clearinghouse"
    - Richard Williams indicated it would be beneficial for regulators and major players, as well as for smaller organizations

3) What is the purpose of the Housing Council?
    - The Housing Council encourages better communications between agencies, especially at the staff level

4) Need to diversify to stay alive
    - Many activities are driven by the federal government, with many "hoops" in the process to apply for federal funding
    - Should encourage existing nonprofits and not create new nonprofits
    - The challenge for new developers is to learn to navigate the funding system

5) Have we met the affordable housing need in Vermont, as described on page 9 of the Enterprise Report? No, we have not, particularly in family housing.

6) Funding sources and planning
   - The source of the repayment is most often not the same
   - Each funding source may have a different set of priorities
   - With HUD's programs, all players participate in the planning process and need to be moving in the same direction
   - There have been very small gains in the federal housing programs
   - Are there too many organizations involved in the planning process?

7) What have we gained?
   - In Vermont, we have done a good job with limited resources
     - Vermont is well known nationally for our work
   - In some areas, there is more capacity than dollars available
     - There is no easy way to direct the dollars where needed
   - Would consolidation be good? Would consolidation of agencies improve service for the user?
     - There are some ways in which collaboration and, perhaps, consolidation would be positive -- data bases, computer system, clearinghouse of information
       - For instance, rental vacancy information

SUMMARY OF VHFA BOARD OF COMMISSIONERS
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indicated that it is not right to expect developers to spend as much as $50,000 with no assurance of a fair process.

Senator Maynard (Rutland) addressed the Board next. He indicated that he came to find out whether the process was fair or unfair. Rutland has a great opportunity to have the Maples project where it is conveniently located by the bus line and next to a medical center. Senator Maynard expressed his concern by stating that if there was something wrong with the system, than he would hope that the process would be changed and new criteria would be added.

Next, Ms. Grimes commented on her perspective. As far as process, the Allocation Plan does rely on the State Consolidated Plan priorities. The only disagreement she has is in the letter from the Green Mountain Development Group, Inc. They made a very strong position that VHFA is to allocate the available supply in accordance with the priorities set by the Allocation Plan. Her differences with the staff recommendation center on need and Consolidated Plan priorities. With Brandon and Maples in the same market area, she is not convinced that the market can support both projects. She indicated that staff has made recommendations to the JCTC and now the JCTC has made recommendations to the VHFA Board; the Board must decide how to proceed.

Chairman White asked what the Allocation Plan mentions regarding geography. Mr. Erdelyi indicated that one of the required elements in the plan was geographical targeting in some way. Mr. Erdelyi also stated that both last year and this year in the plan, we looked at each town where the proposal came from, which is the fourth piece of the evaluation process. Ms. Grimes stated that, when looking at the language in the plan, it states that the project is in a location that has been under-served historically and having its affordable housing needs met. When the committee discussed the geographic targeting in the Allocation Plan, we looked at the need to keep in mind the geographic needs of the state. Mr. Seelig indicated that the committee wasn't trying to discriminate geographically, so much as to look at the questions relative of need and how these projects ranked against need.

Mr. McNamara then stated that we have made changes to the Allocation Plan. For example, last year we did fund the Park Place project in Burlington. One of the primary arguments that was made for that project was that it was a significant burned out building in a downtown area. Last year, that was not in the Allocation Plan, but the JCTC recommended it last year and the Board supported it. Mr. McNamara indicated that he feels that what came out of the JCTC did add value to this process. Mr. McNamara went on to indicate that unlike last year, when four projects were left out at the end of the process (Cora B. Whitney, The Maples, McAuley and Brandon), this year only half of one project is left in the pipeline (the Maples).

After further discussion, a motion was made by Ms. Randall that $215,000 be committed from 1999 credits rather than $105,000 and that the Maples project be funded for the full $220,000 in credits. The motion carried unanimously after being seconded by Mr. Douglas.

Staff ranking of programs in the Strategic Plan was discussed next. After reviewing the first few programs on the list, the Board agreed that they had no major changes to make to the staff ranking, and that it wasn't necessary to go down the entire list to review each item separately. The Board recognized that VHFA can not currently finance 3-4 unit owner occupied homes, so the Housing Council will take up that topic and look for other financing resources. Chairman White indicated that there would be time set aside at the next Board meeting to discuss Strategic Plan.

The Strategic Plan discussion led into the memo "Lender of Last Resort" included in the Board packet. Mr. Hunt indicated that this policy went into effect quite some time ago when there was concern about VHFA competing with lenders. In the past, there was a concern about running out of mortgage money, so VHFA decided to target the most needy. The negative factor of this policy is that it limits our market and leaves us with the riskier loans. The policy also allows lenders to question whether we will buy the loan from them, which may motivate them to send it somewhere else. Staff believes that this is driving away good business and that it would be in the Agency's best interest to eliminate the policy. After further discussion, Ms. Canney made a motion to eliminate the policy, which limits the program to only those persons who are financially unable to compete successfully in the normal housing market, and the motion carried unanimously after being seconded by Mr. Douglas.

There being no further business, following a motion made by Ms. Canney and seconded by Mr. Candon, the meeting adjourned at 4:05 p.m.

Sincerely,

Allan S. Hunt, Secretary

vhfa

VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan Hunt, Executive Director

DATE: April 15, 1998

RE: Lender of Last Resort

We have had many discussions over the years about being, in effect, the Single Family lender of "last resort." What this means is that we have told our originating lenders that " the program is intended to assist only those persons who are financially unable to compete successfully in the normal housing market." (See language attached from Procedural Guide). I believe this policy originated a very long time ago when there was some concern about VHFA competing with lenders (i.e. taking loan business away from their portfolio loans). Additionally, this policy is well received by our Congressional delegation, who find it comforting that our loans go only to borrowers who can't qualify for other mortgage programs. Finally, in the past, we were concerned about running out of mortgage money and desired to target it to the most needy.

The downside of such a policy is that it has had the effect of limiting our market and perhaps resulted in adverse selection, meaning we are only buying the riskiest loans. Given the multitude of other affordable mortgage programs, it would appear our policy is driving good business away and leading to a riskier portfolio (i.e. these other mortgage programs are taking the best of the affordable loans and leaving the worse for us). The policy also creates uncertainty in the lender mind as to whether we will buy the loan. In order for the lender to avoid the uncertainty, they often send it in a different direction. Given our methods and success in providing mortgage money on an ongoing basis, the issue of availability is no longer a problem.

While it might be best to discuss a change in policy in the context of the Strategic Plan, we believe a change at this point may be in the best interest of the Agency in both getting the current money utilized and increasing the strength of the portfolio. While it is impossible to gauge the amount of business being lost, we believe it is considerable as a result of numerous lender conversations.

## Board Action

Eliminate the policy, which limits the program to only those persons who are financially unable to compete successfully in the normal housing market. All income and purchase price restrictions would remain in effect.



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# LOAN ORIGINATION

## ELIGIBILITY REQUIREMENTS (Continued)

*Purchase Price Limits* – The purchase price, also referred to as the Acquisition Cost of a Residence, cannot exceed the purchase price limit specified in the current VHFA Brochure Insert / Homeownership Programs. See "Acquisition Cost" in this Guide for further details.

*Conventional Mortgage Eligibility and Assets* – At the time of application, a Mortgagor must *not* be qualified *without* government assistance (including Mortgage Credit Certificates) for a loan of equal down payment and amortization terms under any other fixed interest rate Mortgage Loan program then being offered by the Lender. Mortgagor assets must also be considered. While the Program has no definite limitations for Mortgagor assets, fixed or liquid, this does not mean assets are irrelevant. The Program is intended to assist only those persons who are financially unable to compete successfully in the normal housing market.

*New Mortgage Requirement* –VHFA funds are restricted to new purchases. VHFA Mortgage Loan proceeds may not be used to replace an existing mortgage (including a mortgage on unimproved land) or debt for which the Mortgagor was liable, or which was incurred on behalf of the Mortgagor. The only exception to this requirement is the replacement of a construction period loan, a bridge loan or other temporary financing which had an original term of 24 months or less. (*Example:* A loan with a five-year term on which less than 24 payments have been made does **not** meet the requirement.)

*Principal Residence Requirement* – The Mortgagor must occupy the Residence as their Principal Residence within 60 days after the loan closing date. VHFA will not finance properties to be used as an investment property or recreational home or if the Mortgagor is planning to use more than 15 percent of the property for a trade or business.

-- Compl. Date | Status (as of Jan. '98) | Staff Program Review/Ranking

-T Legislature: possible new program 4/98? | Review 1/99 VT Legislative Session

-with LIHTC, but | "A"; Collateral usage OK as is

"A"- Heaton project in pipeline; to Board

# VHFA STRATEGIC PLAN 1996-2000
## Single Family Programs

| Number | Strategy | Orig. Compl. Date | Status (as of Jan. '98) | Staff Program Review/Ranking |
|---|---|---|---|---|
| 2.A.1. | Extend Down Payment Pilot Program with VHMGB | February, 1996 | Initiated with nonprofits through Homeownership Center Pilot Program 2/96 | "B"; Use up existing IORTA funds; improve research/monitoring of loans made |
| 2.A.2. | Down Payment Assistance Using a Second Mortgage Program | June, 1997 | Initiated with nonprofits through HCPP; FHLB/VHFA Funds 12/97; REO's 6/97 | "A"; Modified to link with Homeownership Centers; added REO sales to non-profits |
| 2.B. | Develop Home and Energy Improvement Lending Programs | February, 1996 | YESS Program 11/96; Title One target 8/98; VT Legislature: possible new program 4/98? | "A"; Research implementation models by FY '99 budget; Title One operatin- FY '99 |
| 2.C. | Expand Financing Options for Mobile Home Purchases | February, 1997 | No activity | "B-"; Research alternativ- identify funding sourc- es; |
| 2.D. | Provide Financing for Co-op Housing | December, 1996 | Consider blanket mortgages under MF; investigate DP assistance for share loans | "B"; While no oped, pot |
| 2.E. | Improve Financing for 3 and 4 Unit Owner-Occupied Properties | April, 1997 | Consider feasibility | |
| 4.B.2. | Develop Financing for Homeownership for Adults with Developmental Disabilities | December, 1995 | Not feasible without new funding mechanism | |
| 9.A.1. | Offer "Introduction to Homeownership" workshops | June, 1997 | EASL, Futures, etc. classes over past years; fee-based classes redirect- | |
| 9.A.2. | Offer "Successful Homeownership" post-purchase workshops | June, 1997 | Directed to Homeownersh- | |
| 10.D.1. | Explore reducing servicing fees to servicers | February, 1996 | No activity | |
| 10.D.2. | Explore VHFA direct servicing of loans | June, 1997 | | |

VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

FROM: CG Cathleen Gent, Director of Communications

DATE: December 10, 1998

RE: 25th Anniversary Plan

In April 1999, VHFA will celebrate our 25th anniversary. This significant occasion provides great opportunities for strategic planning efforts as well as positive public relations exposure. In the next several months, the Board will consider potential technological, operational, and financing changes to our programs. The 25th anniversary can be used as a point of reference to review our previous accomplishments while positioning ourselves to roll out new initiatives. The anniversary also will give Sarah Carpenter a vehicle to get out and meet our affordable housing partners around the state. For VHFA to maintain (or retain) our role as the primary affordable housing lender in Vermont, the strategic planning and anniversary celebration activities must be coordinated carefully.

A number of 25th anniversary initiatives are underway!

- ☆ A celebration at the Vermont Statehouse is scheduled for April 13th. Our legislative and affordable housing partners will be invited to an afternoon event. Additionally, special outreach with our legislators will be initiated, including a brown bag lunch event which will give a chance for VHFA to gain visibility with the legislature.
- ☆ A new 25th anniversary logo and theme "tagline" are being developed for use throughout 1999.
- ☆ Lender and real estate professional recognition lunches and/or focus groups are being planned throughout the state.
- ☆ We are working on ways to reduce the single family mortgage loan interest rate or to provide other incentives to all borrowers, perhaps between April and December 1999.
- ☆ A number of special promotional products will be produced with the 25th logo for professionals and consumers. We are looking into having special pins, maple sugar candy, and other products .

No Board action is needed.



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# MEMORANDUM

**TO:** **VHFA BOARD OF COMMISSIONERS**

**FROM:** **ROGER A. SCHOENBECK, DIRECTOR OF FINANCE** RAS

**DATE:** **DECEMBER 11, 1998**

**RE:** **MULTI-FAMILY EXCESS YIELD 0% USAGE PLAN**

We last updated the Board of Commissioners at the June Board meeting regarding the status of the excess yield funds pool. Attached to this memorandum is a summary of the pool as of December. As a reminder we are earning $80,492 per month in excess yield which we have been advised should be loaned out at 0% for a period ending not earlier than 2014. As you can see from the analysis, we have expended more than $2.3 million to date and have remaining commitments of $550,000; ongoing commitments of $325,000 and a current request of $199,000 for Allen Apartments discussed in Cindy Reid's memo.

We have continued to follow recommendations made by Evensen Dodge which focus on assisting existing portfolio loans and then utilizing remaining funds for new development. They also suggested that future commitments be made on a limited basis, generally a one to two year time frame. As we again begin working on the strategic plan, this pool of funds should be examined for future uses and a more specific policy direction developed.

**RECOMMENDED ACTION**
Approve the utilization of $199,000 for Allen Apartments as recommended.



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**EXCESS YIELD ANALYSIS**
**MULTI-FAMILY HOUSING BONDS**
**June 1, 1995-December 10, 1998**

| | | | | |
|---|---|---|---|---|
| **EARNINGS** | | | | |
| Monthly earnings 6/95-12/98 | $ | 3,461,156 | | |
| Winchester litigation proceeds | | 285,323 | | |
| ***Total sources*** | | | ***$*** | ***3,746,479*** |
| | | | | |
| **EXPENDITURES** | | | | |
| Excess cost of bond issuance | $ | 102,619 | | |
| St. Johnsbury | | 401,110 | | |
| Winchester monthly assistance | | 551,901 | | |
| Construction loan-Winchester | | 406,423 | | |
| VHCB-Lead loan program (A) | | 87,289 | | |
| Point School Assoc | | 2,000 | | |
| Pine Manor | | 30,000 | | |
| Pine Meadow | | 192,710 | | |
| REO loan sales/non-profit assistance (B) | | 70,000 | | |
| Northgage-Westgate prem note | | 381,204 | | |
| Pine Grove | | 60,000 | | |
| Castleton-Parsons Hill | | 49,334 | | |
| Progress/FHLB grant match (C) | | 12,000 | | |
| ***Total uses*** | | | | ***2,346,590*** |
| | | | | |
| **COMMITMENTS** | | | | |
| VHCB-Lead loan program (A) | | 112,711 | | |
| REO loan sales/non-profit assistance (B) | | 130,000 | | |
| Progress/FHLB grant match (C) | | 60,000 | | |
| REO Distressed property assistance | | 250,000 | | |
| ***Total commitments*** | | | | ***552,711*** |
| | | | | |
| ***Total available for future uses*** | | | ***$*** | ***847,178*** |

| | | | | |
|---|---|---|---|---|
| **ONGOING SUPPORT COMMITMENTS** | | | | |
| Winchester Subsidy | $ | 125,000 | | |
| Multi-family project assistance | | 200,000 | | |
| | | | $ | 325,000 |
| | | | | |
| **CURRENT REQUEST** | | | | |
| Allen Apartments | | | $ | 199,000 |

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VERMONT HOUSING FINANCE AGENCY

**MEMORANDUM**

TO: VHFA Board of Commissioners

FROM: Patricia M. Loller, Director of Information Technology PML

DATE: December 11, 1998

RE: Fourth Quarter Year 2000 Update

Since the last update to you in September, our plans have progressed quite well. The Year 2000 Committee continues to meet every 3 weeks to review progress and work out the details of future activities. Minutes to these meeting are recorded and are available to Board members upon request.

**Assessment**

All Housing Partners and Service Providers have been contacted to request information regarding the status of their Year 2000 plan. In mid-October, we sent 229 letters and received 117 responses. A second mailing was completed December 7, 1998 for those who had not responded to our first request. We have already received several replies from this second mailing, so I am optimistic that we will have a good response with this round of letters. In January, we will follow up with one-on-one discussions for those not responding to this second round of requests.

**Contingency Plans**

Each department has commenced the process of preparing contingency plans for each product, service, and housing partner affiliation. The projected time frame for completing all contingency plan documentation is mid-January.

**Year 2000 Information and Readiness Disclosure Act**

In order to be protected by the new law enacted by Congress – 'The Year 2000 Information and Readiness Disclosure Act' – we have notified those who have requested information from VHFA/VHMGB regarding our Year 2000 readiness. This notification is a disclosure which states that Year 2000 statements given by us in the past are being designated as a Year 2000 Readiness Disclosure in accordance with Section 7(b) of the new law. This notification was completed by the deadline of December 3, 1998. All future communications with outside parties will include the verbiage 'Year 2000 Readiness Disclosure'.



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**Testing**
Our testing phase will not begin until after the first of the year. We are in the process of interviewing outside vendors to assist with testing of our hardware and software on each PC, as the amount of work involved would be more than our staff would be able to complete in the timeframes required.

In the original Year 2000 Plan for VHFA, I had anticipated we would have started this process sooner, so we are behind according to our plan. However, based upon our core software application having always been Year 2000 compliant and the fact that we have received only one response indicating incompatibility of other products, I feel comfortable with starting testing in January.

**Remediation**
We have identified one application that is in need of remediation, but this can be replaced fairly easily with one of our current applications. The application is an old DOS program used for tracking budget information for the Communications Department.

**Financial Impact**
We originally budgeted $25,000 for the Year 2000 project for FY99, which was charged to the consulting budget. We will need to reallocate $10,000 of the consulting budget to the capital budget for future expenses.

Other than the cost of staff time, our Year 2000 expenditures to date have been minimal. Upcoming expenditures for testing include the purchase of a new server and consulting fees. Training expenses will include a Year 2000 seminar focusing on legal issues. I will provide summary financial information to the Board with each quarterly update.

Copies of the plan, meeting minutes or other documentation are available at your request.

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# MEMORANDUM

To: VHFA Board of Commissioners

From: Glenn A. Jarrett, General Counsel GAJ

Date: December 10, 1998

Re: Multi-Family Bond Issue—Homestead Green

Background:

This development in North Bennington is the companion development to the Lakeview development approved by the Board at the December 3 Conference Call meeting. The Agency will be financing the construction of this development and the takeout financing will be provided by USDA/Rural Development. Issuing tax-exempt bonds for the short-term financing will allow the development to receive out-of-cap housing credits without having to compete for the increasingly scarce in-cap credits. The Agency has over $7 million in multi-family volume cap available.

The North Bennington development is nearing a closing. Like the Newport development approved on December 3, we will utilize a short term bond issued to The Howard Bank, N.A. This bond will be for $975,000.

The Agency has held the required TEFRA hearing. We expect the closing on this development to be held in the next four to six weeks.

Requested Action:

Approval of the attached resolution that approves the bond issuance and the financing for the Homestead Green development in North Bennington.



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

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

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

NOW, THEREFORE, it is hereby RESOLVED:

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

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

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

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

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

5. This Resolution shall become effective immediately.

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

# vhfa

VERMONT HOUSING FINANCE AGENCY

**MEMORANDUM**

TO: VHFA Board of Commissioners

FROM: Cynthia L. Reid, Multifamily Development Underwriter CReid

DATE: December 11, 1998

RE: Allen Apartments, Winooski: Letter of Interest and Commitment for Permanent and 0% Financing

Executive Summary

Lake Champlain Housing Development Corporation (LCHDC) is seeking to acquire and rehab 17 units of rental housing in five buildings in Winooski. This project has been in VHFA's portfolio since 1981 and since that time has been owned by a limited partnership which is now interested in selling the property. All of the buildings are in need of some rehabilitation. There is a Housing Assistance Payment (HAP) Section 8 Contract in place which runs out in 13 years (and the 30-year Annual Contributions Contract may run out in 11 years), and then may or may not be renewed on an annual basis. The current mortgage balance is $504,000. LCHDC is seeking $515,000 in tax exempt financing to acquire the property in order to utilize Housing Credits which are outside of the State's Housing Credit Ceiling to fund rehabilitation costs, and to obtain a lower interest rate. In addition LCHDC is seeking $199,000 in 0% funds from VHFA to enhance affordability and fill the gap between what the project can afford for debt service, and the acquisition cost. At closing, the to-be-formed limited partnership (consisting of subsidiaries of LCHDC and Housing Vermont) will enter into a Preservation Agreement to keep the property affordable through the year 2030.

The Development

| Projected Funding Sources | Amount | % of TDC |
|---|---|---|
| VHFA First Mortgage | $ 515,000 | 54.00% |
| Equity (Housing Credit) | $ 191,363 | 20.07% |
| VHFA 0% Loan | $ 199,000 | 20.87% |
| Replacement Reserves (transfer) | $ 48,000 | 5.03% |
| Gap | $ 269 | 0.03% |
| | ----------- | ----- |
| Total Sources | $ 953,632 | 100.00% |

An appraisal completed in July 1998 indicates a value of $650,000. The loan to value ratio is 79%.



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Project Description, Unit Breakdown and Rents

The project consists of five buildings totaling 17 apartments located at 43-45, 47, 51-53, and 214 West Allen Street, and 241 West Canal Street in Winooski. The majority of the units are family units. There are also four small units for which residents moving out of the Allen House (a "Single Room Occupancy" on West Allen Street) have priority. LCHDC has included social services in their proposed operating budget in order to deal more effectively with some of the social issues present at the properties.

The property has undergone some rehabilitation in the past which was of mixed quality. LCHDC proposes to do some initial selective rehabilitation upon acquisition, and then to phase in additional rehab of 2-3 units per year over a period of approximately eleven years. This strategy will both minimize tenant disruption and limit the amount of resources initially needed. The phased in rehab will be paid for out of operating income on an annual basis.

All of the units will be restricted under the tax credit program. The unit size and breakdown is as follows:

| Size | # | Current Rents |
|---|---|---|
| 0 BR | 1 | $682 |
| 1 BR | 3 | $746 (average) |
| 3 BR | 13 | $869 (average) |

All of the units have project based Section 8 rental assistance and thus residents pay 30% of their income for rent. All units will become tax credit units; tenants will continue to pay 30% of their income for rent, and HUD will pay the difference between the tenant-paid portion and the Section 8 Contract rent. Once the HAP contract expires, the rental income will revert to tax credit rents. Rents include heat, and tenants pay for electricity. This is an occupied project and will remain occupied through rehabilitation.

Sponsor, Management and Market

LCHDC is developing the project and has a long and positive track record. Housing Vermont will assist with the tax credit component of the project and its subsidiary will become a co-general partner in a to-be-formed limited partnership. For the past six years, Lake Champlain Housing Ventures (LCHV), a subsidiary of LCHDC, has managed the properties. LCHV currently manages 659 units of rental housing in Chittenden and Franklin Counties, which includes 309 tax credit units; LCHV also manages 35 mobile home lots in three parks. The property has a history of high occupancy (a 2% vacancy rate was approved by VHFA for the past 4 years as a part of the annual budget review and approval process).

Site and Environmental Concerns

The buildings are located on five separate lots in the city of Winooski (see attached map). Three parcels are contiguous on West Allen Street, and two parcels are contiguous on West Allen and West Canal Streets. All five are serviced by municipal water/sewer. All of the buildings are within close walking distance of the downtown.

A Level I Environmental Site Assessment (ESA) has been ordered but not yet been completed on each property; VHFA will require that any findings be adequately addressed by the rehabilitation plan.

Discussion

This is an opportunity for a VHFA portfolio project with 13 years remaining on its HAP Contract to be transferred to non-profit ownership and have affordability extended to 2030 through a Preservation Agreement. This would not be the case with the current ownership.

Staff had concerns regarding the level of the proposed development fee for this acquisition/ rehabilitation project. The developer has since reduced the fee in response to staff concerns. The fee is now 11% of the total development cost (less the fee itself and cash accounts), which is below the 15% development fee limit for tax credit projects. Staff plans to further discuss the issue of development fees in general and develop some guidelines for future projects we finance.

Strengths

a. The condition of the units and their affordability will be enhanced by the financial restructuring and physical rehabilitation, and the property will be transferred to nonprofit ownership thereby extending the development's affordability to the year 2030 through a Preservation Agreement.

b. The project utilizes tax-exempt financing and out-of-cap Housing Credits, both of which are not widely used, and so the project is not competing for some of the same scarce resources as other affordable housing projects.

c. The LCHDC/HVT development team has much experience.

Weaknesses

a. The project utilizes 0% funds, which <u>are</u> a limited resource; however, the project does meet both of the 0% funding priorities established in April of 1997 by the Board. (The two funding priorities were: [1] existing portfolio projects or real estate owned which need financial assistance (including Section 8 projects); and [2] assistance to these projects will improve VHFA's long term financial position.)

b. The project assumes a significant part of the rehabilitation will be phased in over time in order to minimize tenant disruption and utilization of resources. However, the phased in rehab will be paid for out of operating income over time; with careful management company planning and oversight by VHFA's Multifamily Management Department, the rehab goals can be met.

c. The HAP Section 8 rental assistance contract expires in 13 years, and then may or may not be renewed on an annual basis. In restructuring this project today with more favorable financing and rehabilitation however, the development will be in better shape to handle lower rents after 13 years if the HAP contract is not renewed on an annual basis.

Recommended Board Action

Staff recommends Board approval of the attached Resolution to provide a Letter of Interest and Commitment to provide permanent financing in the amount of up to $525,000 with a loan term of up to 20 years, and an interest rate of no more than three quarters of a point above the Agency's cost of funds; and to provide a 0% interest loan in the amount of $199,000 deferred for 20 years. Staff is investigating using the Federal Home Loan Bank of Boston (FHLBB) as a source of funds, which may be questionable for this particular project. If we cannot use the FHLBB and the bond is privately placed, the rate may be higher than shown on the attached budget. The Letter of Interest and Commitment shall include the following conditions:

1. Sponsor must obtain Level 1 Environmental Site Assessments for each property satisfactory to VHFA. Any findings must be adequately addressed in the rehab scope of work;

2. Sponsor must test for lead paint in all units prior to initial rehab and provide VHFA with test results; sponsor must address any lead paint which is present through remediation measures as each unit undergoes rehabilitation which disturbs lead paint surfaces;

3. Sponsor to execute a Preservation Agreement at closing which stipulates affordability requirements until the year 2030;

4. Sponsor to execute an agreement at closing (to be contained in the Regulatory Agreement) which commits owner to phasing in rehabilitation of a minimum of two units per year over a period of eleven years, to be paid for out of operating income, and to be approved by VHFA Multifamily Management staff on an annual basis;

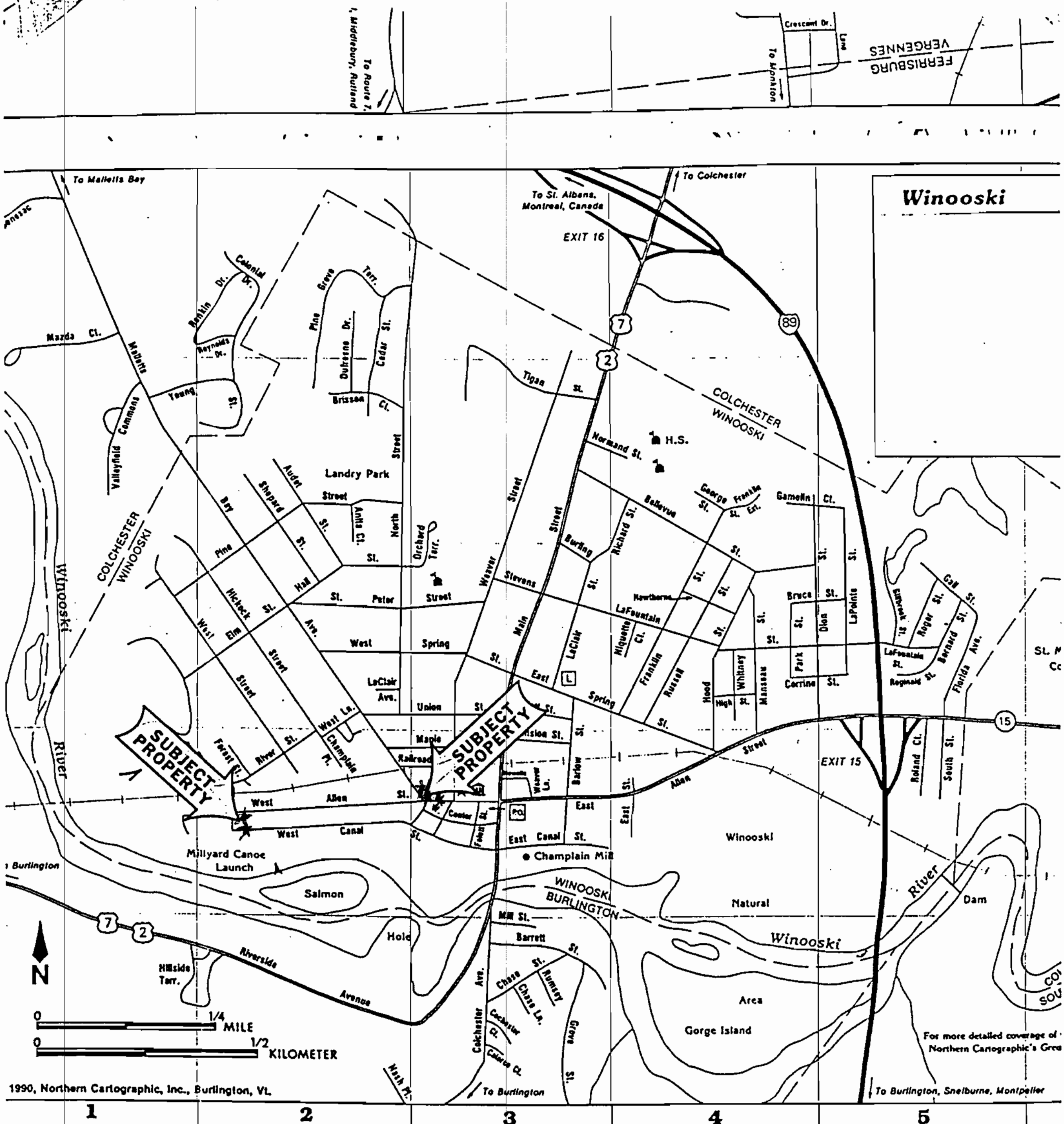
5. Sponsor commits that at least 15% of the amount of the net bond proceeds used for acquisition must be expended on qualified rehab within two years of closing (this condition to be contained in the Regulatory Agreement);

6. Sponsor must provide final rehab plans and specifications for VHFA approval by closing;

7. Sponsor must provide evidence of competitive bidding by loan closing, with bids approximately at budgeted levels, to maintain overall feasibility.

# Location Map

43-45, 47, 51-53, 214 West Allen Street, 241 West Canal Street, Winooski, Vermont



| 11-Dec-98 | **Allen Apartments Winooski** | | | | |
|---|---|---|---|---|---|
| | | | | | |
| Total Residential Units: | 17 | Increase in Income from Rental Units years 1-13: | | 0.00% | |
| Housing Credit Restricted Units: | 17 | Increase in Income from Rental Units After year 13: | | 1.00% | |
| Percent Restricted: | 100.00% | Increase in Income from Commercial: | | 0.00% | |
| Total Development Cost: | 953,632 | Expense increase: | | 2.00% | |
| Total Development Cost per Unit: | 56,096 | Vacancy Rate: | | 5.00% | |
| Total Development Cost Per SF: | 74 | Partner's Tax Rate: | | 35% | |
| | | Long Depreciation Schedule: | | 27.5 | years |
| Max Credit Potential: | 28,457 | Short Depreciation Schedule: | | 7 | years |
| Credit Amount Allocated: | 28,457 | Sponsor's Estimated Yield: | | 68% | |
| | | | | | |
| LIHTC - 9% | 8.14% | (Dec '98) | | | |
| LIHTC - 4% | 3.49% | | | | |
| **SOURCES** | | | | | |
| | | % of Total Development Cost | Interest Rate | Amortization | Term |
| VHFA First Mortgage | 515,000 | 54.00% | 7.00% | 20 | 20 |
| VHFA 0% Loan | 199,000 | 20.87% | 0.00% | 0 | 20 |
| Tax Credit Equity | 191,363 | 20.07% | N/A | N/A | N/A |
| Replacement Reserves (transfer) | 48,000 | 5.03% | N/A | N/A | N/A |
| TOTAL SOURCES | 953,363 | 99.97% | | | |
| | | | | | |
| **USES** | | | | | |
| Acquisition | 656,500 | 68.84% | | | |
| Construction Hard Costs | 105,247 | 11.04% | | | |
| Soft Costs | 191,885 | 20.12% | | | |
| TOTAL USES | 953,632 | 100.00% | | | |
| | | | | | |
| Gap | 269 | | | | |
| PER UNIT COST LIMIT CALCULATION | | | | | |
| | per unit limits | number of units | | | |
| 0 Br | 73,380 | 1 | 73,380 | | |
| 1 Br | 78,380 | 3 | 235,140 | | |
| 2 Br | 83,380 | 0 | 0 | | |
| 3 Br | 88,380 | 13 | 1,148,940 | | |
| 4 Br | 93,380 | 0 | 0 | | |
| Maximum cost allowed under the per unit cost limits | | | 1,457,460 | | |
| Projected total cost, excluding cash accounts | | | 895,632 | | |
| | | (over)/under | 561,828 | | |
| | | | | | |
| General Partner's Capital Contribution | | | 1,914 | 1.00% | |
| Limited Partner's Capital Contribution | | | 189,449 | 99.00% | |
| Total Equity | | | 191,363 | | |
| APPLICABLE FRACTION CALCULATION | | | | | |
| | | Tax Credit Restricted Units | 17 | | |
| | | Total Units | 17 | | |
| | | Unit Fraction | 100.00% | | |
| | | | | | |
| | | Tax Credit Square Footage | 12,963 | | |
| | | Total Residential Square Footage | 12,963 | | |
| | | Square Footage Fraction | 100.00% | | |
| | | | | | |
| | | Applicable Fraction | 100.00% | | |

| 11-Dec-98 | Allen Apartments Winooski | Budget | Acquisition Basis | Construction Basis | Residential Depreciation |
|---|---|---|---|---|---|
| | ACQUISITION | | | | |
| 1 | Land | 78,000 | | | |
| 2 | Purchase of Building(s) | 572,000 | 572,000 | | 572,000 |
| 3 | Demolition (without replacement) | 0 | | | |
| 4 | Property Appraisal | 1,500 | 1,500 | | 1,500 |
| 5 | Legal - Title and Recording | 5,000 | 5,000 | | 5,000 |
| | Subtotal - Acquisition | 656,500 | | | |
| | CONSTRUCTION HARD COSTS | | | | |
| 6 | Rehabilitation | 94,747 | | 94,747 | 94,747 |
| 7 | New Building(s) | 0 | | | |
| 8 | Accessory Buildings | 0 | | | |
| 9 | Sitework | 0 | | 0 | 0 |
| 10 | Commercial Space Costs (if any) | 0 | | | |
| 11 | General Requirements | 0 | | | |
| 12 | Contractor Overhead | 0 | | | |
| 13 | Contractor Profit | 0 | | | |
| 14 | Construction Contingency | 10,500 | | 10,500 | 10,500 |
| 15 | Construction Management | 0 | | | |
| 16 | Construction Bond Fee | 0 | | | |
| 17 | Hazardous Materials Abatement | 0 | | 0 | 0 |
| 18 | Off-Site Improvements | 0 | | | |
| 19 | Furnishings, Fixtures, & Equipment | 0 | | 0 | 0 |
| 20 | Other ( ) | 0 | | | |
| | Subtotal - Hard Costs | 105,247 | | | |
| | SOFT COSTS | | | | |
| 21 | Architectural | 20,000 | | 20,000 | 20,000 |
| 22 | Engineering | 0 | | | |
| 23 | Legal/Accounting | 20,000 | | 18,000 | 20,000 |
| 24 | Relocation | 0 | | 0 | 100 |
| 25 | Environmental Assessment | 0 | | 0 | 0 |
| 26 | Energy Assessment | 0 | | 0 | 0 |
| 27 | Permits/Fees | 0 | | 0 | 0 |
| 28 | Marketing | 0 | | | |
| 29 | Construction Period Insurance | 0 | | 0 | 0 |
| 30 | Construction Interest | 4,885 | | 4,641 | 4,885 |
| 31 | Loan Fees & Const Inspection Fee | 0 | | | |
| 32 | Taxes During Construction | 0 | | | |
| 33 | Clerk of the Works | 0 | | 0 | 0 |
| 34 | Marketing | 0 | | | |
| 35 | Tax Credit Fees | 0 | | 0 | 0 |
| 36 | Soft Cost Contingency | 0 | | 0 | 0 |
| 37 | Permanent Loan Origination Fee | 0 | | | |
| 38 | Lender's Counsel's Fee | 0 | | | |
| 39 | Other ( ) | 0 | | | |
| | SYNDICATION COSTS | | | | |
| 40 | Organizational (Partnership) | 0 | | | |
| 41 | Bridge Loan Fees and Expenses | 0 | | | |
| 42 | Syndication Consultant | 0 | | | |
| 43 | Tax Opinion | 0 | | | |
| | DEVELOPER'S FEES | | | | |
| 44 | HVT Developer Fee | 21,000 | | 21,000 | 21,000 |
| 45 | LHP Development Fee | 68,000 | | 68,000 | 68,000 |
| 46 | Consultant Fees | 0 | | 0 | 0 |
| | RESERVES | | | | |
| 47 | Working Capital | 10,000 | | | |
| 48 | Rent-up (Deficit Escrow) Reserve | 0 | | | |
| 49 | Other Operating Reserves | 0 | | | |
| 50 | Sinking Fund | 0 | | | |
| 51 | Replacement Reserves | 48,000 | | | |
| | Subtotal - Soft Costs | 191,885 | | | |
| | TOTALS | 953,632 | 578,500 | 236,888 | 817,732 |
| LESS: | Amount of Non-qualified Financing | | | | |
| LESS: | Historic tax Credit (Residential Portion) | | | 0 | |
| LESS: | Adjustment for Cost Limits | | | 0.00% | 0 |
| | Total Eligible Basis | | 578,500 | 236,888 | |
| TIMES: | Adjusted for QCT/DDA | 100.00% | | 236,888 | |
| TIMES: | Applicable Fraction | 100.00% | 578,500 | 236,888 | |
| | Total Qualified Basis | | 578,500 | 236,888 | 817,732 |
| TIMES: | Applicable Percentage | | 3.49% | 3.49% | 27.5 |
| | Total Annual Credit Qualified | | 20,190 | 8,267 | 29,736 |
| | | | | | |
| | Total Tax Credits Requested | 28,457 | | | 0 |
| | Estimated Net Syndication Proceeds **(excluding historic credit equity)** | 191,573 | | | 7 |
| | Estimated Yield - Housing Credit Syndication | 68.00% | | | 0 |
| | Equity Gap | 191,573 | | | |
| | Credits Needed to fill Equity Gap | 28,457 | | | |

| 11-Dec-98 | **Allen Apartments Winooski** | | | |
|---|---|---|---|---|
| | | | Per Unit | |
| | Annual | Monthly | Per Month | |
| Administration | | | | |
| Management Fee | 13,896 | 1,158 | 68 | 8.6% |
| Supportive Services | 6,180 | 515 | 30 | |
| Audit/Accounting | 1,900 | 158 | 9 | |
| Legal | 1,200 | 100 | 6 | |
| Compliance Monitoring | 0 | 0 | 0 | |
| Marketing | | 0 | 0 | |
| Other | 0 | 0 | 0 | |
| TOTAL ADMINISTRATIVE | 23,176 | 1,931 | 114 | |
| | | | | |
| Utilities | | | | |
| Electricity | 1,040 | 87 | 5 | |
| Fuel | 4,550 | 379 | 22 | |
| Water and Sewer | 5,475 | 456 | 27 | |
| Fire Alarm/Emergency Call | 1,340 | 112 | 7 | |
| Sprinkler/Fire Alam Inspection | 0 | 0 | 0 | |
| TOTAL UTILITIES | 12,405 | 1,034 | 61 | |
| | | | | |
| Maintenance | | | | |
| Maintenance / Janitor Payroll | 0 | 0 | 0 | |
| Janitor Supplies | 240 | 20 | 1 | |
| Exterminating | 100 | 8 | 0 | |
| Trash Removal | 4,560 | 380 | 22 | |
| Snow Removal | 3,000 | 250 | 15 | |
| Grounds | 4,250 | 354 | 21 | |
| Repairs Material | 4,200 | 350 | 21 | |
| Repairs Contract | 8,280 | 690 | 41 | |
| HVAC Repairs / Maintenance | | 0 | 0 | |
| Elevator Contract / Repairs | | 0 | 0 | |
| Phased in Rehab | 18,000 | 1,500 | 88 | |
| Other- Unit Turnover | 3,600 | 300 | 18 | |
| TOTAL MAINTENANCE | 46,230 | 3,853 | 227 | |
| | | | | per unit month |
| Real Estate Taxes | 16,898 | 1,408 | 83 | excl. debt serv. |
| Property Insurance | 3,908 | 326 | 19 | & repl reserves |
| Replacement Reserves | 6,528 | 544 | 32 | 503 |
| Primary Debt Service | 47,913 | 3,993 | 235 | |
| Other "must pay" debt service | 0 | 0 | 0 | |
| Total | 157,058 | 13,088 | 770 | |

11-Dec-98

# Allen Apartments Winooski

| | Check all Applicable | | | | | | | | | A | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Building # | Unit # | HOME Unit | Lead Paint Unit | Project Based Assistance | Tax Credit Unit | VHCB Restricted | Accessible | Adaptable | Unrestricted | Number of Bedrooms | Proposed Square Footage | Proposed Rent | Utility Allowance for Tenant-Paid Utilities | Gross Rent (Rent + Tenant-Paid Utilities) |
| 43 W Allen | 1 | | | X | X | | | | | 1 | 758 | 764 | 33 | 797 |
| | 2 | | | X | X | | | | | 3 | 758 | 850 | 48 | 898 |
| | 3 | | | X | X | | | | | 3 | 758 | 815 | 48 | 863 |
| | | | | | | | | | | | | | | |
| 47 W Allen | A | | | X | X | | | | | 3 | 1,050 | 873 | 48 | 921 |
| | B | | | X | X | | | | | 1 | 600 | 741 | 33 | 774 |
| | | | | | | | | | | | | | | |
| 51 W Allen | 1 | | | X | X | | | | | 0 | 220 | 682 | 26 | 708 |
| | 2 | | | X | X | | | | | 1 | 440 | 734 | 33 | 767 |
| | 3 | | | X | X | | | | | 3 | 980 | 867 | 48 | 915 |
| | 4 | | | X | X | | | | | 3 | 980 | 832 | 48 | 880 |
| | | | | | | | | | | | | | | |
| 214 W Allen | 1 | | | X | X | | | | | 3 | 945 | 918 | 48 | 966 |
| | 2 | | | X | X | | | | | 3 | 945 | 937 | 48 | 985 |
| | | | | | | | | | | | | | | |
| 241 W Canal | 1A | | | X | X | | | | | 3 | 755 | 917 | 48 | 965 |
| | 1B | | | X | X | | | | | 3 | 755 | 880 | 48 | 928 |
| | 2A | | | X | X | | | | | 3 | 755 | 851 | 48 | 899 |
| | 2B | | | X | X | | | | | 3 | 755 | 851 | 48 | 899 |
| | 3A | | | X | X | | | | | 3 | 755 | 851 | 48 | 899 |
| | 3B | | | X | X | | | | | 3 | 755 | 851 | 48 | 899 |
| | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | 14,963 |
| Total # Units | 17 | 0 | 0 | 17 | 17 | 0 | 0 | 0 | 0 | Totals: | 12,964 | 14,214 | | Total # Units: |

form revision date: 2/19/97

| 11-Dec-98 | | Allen Apartments Winooski | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | [illegible]3 | 14 | 15 |
| Operating Inc[illegible] | | | | | | | | | | | | | | | | |
| Gross Rent | | 170,568 | 170,568 | 170,568 | 170,568 | 170,568 | 170,568 | 170,568 | 170,568 | 170,568 | 170,568 | 170,568 | 170,568 | 17[illegible]68 | 155,377 | 156,931 |
| Other Income | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Vacancy and other losses | | (8,528) | (8,528) | (8,528) | (8,528) | (8,528) | (8,528) | (8,528) | (8,528) | (8,528) | (8,528) | (8,528) | (8,528) | (8,528) | (7,769) | (7,847) |
| Total Operating Income | | 162,039 | 162,039 | 162,039 | 162,039 | 162,039 | 162,039 | 162,039 | 162,039 | 162,039 | 162,039 | 162,039 | 162,039 | 162,039 | 147,608 | 149,084 |
| Operating Expenses | | | | | | | | | | | | | | | | |
| Total Expenses (excl. Reserves) | 2% | 84,617 | 86,309 | 88,036 | 89,796 | 91,592 | 93,424 | 95,292 | 97,198 | 99,142 | 101,125 | 103,148 | 105,211 | 107,315 | 109,461 | 111,650 |
| Phased-in Rehab | -3.75% | 18,000 | 17,325 | 16,675 | 16,050 | 15,448 | 14,869 | 14,311 | 13,775 | 13,258 | 12,761 | 12,282 | | | | |
| Reserves | | 6,528 | 6,528 | 6,528 | 6,528 | 6,528 | 6,528 | 6,528 | 6,528 | 6,528 | 6,528 | 6,528 | 6,528 | 6,528 | 6,528 | 6,528 |
| Total Operating Expense | | 109,145 | 110,162 | 111,239 | 112,374 | 113,568 | 114,821 | 116,132 | 117,501 | 118,928 | 120,414 | 121,958 | 111,739 | 113,843 | 115,989 | 118,178 |
| | | | | | | | | | | | | | | | | |
| Net Operating Income | | 52,894 | 51,877 | 50,800 | 49,665 | 48,471 | 47,218 | 45,907 | 44,538 | 43,111 | 41,625 | 40,081 | 50,301 | 48,196 | 31,619 | 30,906 |
| | | | | | | | | | | | | | | | | |
| Less Primary Debt Service | | 47,913 | 47,913 | 47,913 | 47,913 | 47,913 | 47,913 | 47,913 | 47,913 | 47,913 | 47,913 | 47,913 | 47,913 | 47,913 | 47,913 | 47,913 |
| Less Secondary Debt Service | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Annual Cash Flow | | 4,981 | 3,963 | 2,887 | 1,751 | 557 | (695) | (2,006) | (3,375) | (4,803) | (6,288) | (7,832) | 2,387 | 283 | (16,294) | (17,008) |
| Operating Subsidies / Sinking Fund | | 0 | 0 | 0 | 0 | 0 | 695 | 2,006 | 3,375 | 4,803 | 6,288 | 7,832 | 0 | 0 | 16,294 | 17,008 |
| Net Cash | | 4,981 | 3,963 | 2,887 | 1,751 | 557 | 0 | 0 | 0 | 0 | 0 | 0 | 2,387 | 283 | 0 | 0 |
| | | | | | | | | | | | | | | | | |
| DCR | | 110.40% | 108.27% | 106.03% | 103.66% | 101.16% | 98.55% | 95.81% | 92.96% | 89.98% | 86.88% | 83.65% | 104.98% | 100.59% | 65.99% | 64.50% |
| Cumulative Cash Flow | | | | | | | | | | | | | | | | |
| Beginning Balance | | 10,000 | 15,331 | 19,831 | 23,411 | 25,982 | 27,449 | 27,715 | 26,679 | 24,237 | 20,283 | 14,704 | 7,387 | 10,032 | 10,666 | (5,255) |
| Interest | 3.5% | 350 | 537 | 694 | 819 | 909 | 961 | 970 | 934 | 848 | 710 | 515 | 259 | 351 | 373 | 0 |
| Withdrawals | | 0 | 0 | 0 | 0 | 0 | (695) | (2,006) | (3,375) | (4,803) | (6,288) | (7,832) | 0 | 0 | (16,294) | (17,008) |
| Ending Balance | | 15,331 | 19,831 | 23,411 | 25,982 | 27,449 | 27,715 | 26,679 | 24,237 | 20,283 | 14,704 | 7,387 | 10,032 | 10,666 | (5,255) | (22,262) |
| | | | | | | | | | | | | | | | | |
| Cumulative Replacement Reserves | | | | | | | | | | | | | | | | |
| Beginning Balance | | 48,000 | 54,528 | 62,964 | 71,696 | 80,734 | 90,087 | 99,768 | 109,788 | 120,159 | 130,892 | 142,002 | 153,500 | 165,400 | 177,717 | 190,465 |
| Interest | 3.5% | 0 | 1,908 | 2,204 | 2,509 | 2,826 | 3,153 | 3,492 | 3,843 | 4,206 | 4,581 | 4,970 | 5,372 | 5,789 | 6,220 | 6,666 |
| Withdrawals | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ending Balance | | 54,528 | 62,964 | 71,696 | 80,734 | 90,087 | 99,768 | 109,788 | 120,159 | 130,892 | 142,002 | 153,500 | 165,400 | 177,717 | 190,465 | 203,660 |

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

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

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

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

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

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

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

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.

2. The rehabilitation costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.

3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.

4. The housing sponsors undertaking the Development will maintain the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.

5. The security value of the Development will equal at least the amount of the Agency's loan after the rehabilitation.

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director may, in her discretion, issue a Letter of Interest for a loan for the acquisition and rehabilitation of the Development, in an amount to be determined by the Executive Director, but not to exceed $525,000. The loan shall bear interest at a rate to be determined and shall be amortized over a period of 20 years.

2. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.

3. The Executive Director may, in her discretion, issue a Commitment Letter for a loan for the acquisition and/or rehabilitation of the Development, in an amount to be determined by the Executive Director, but not to exceed $525,000. The term of the loan shall be 20 years. The loan shall bear interest at a rate to be determined, based on the Agency's cost of funds. The Commitment Letter may be issued to Lake Champlain Housing Development Corporation and/or Housing Vermont or a to-be-formed limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the submission of the following in form and content acceptable to the Agency:

   a) Sponsor must obtain Level 1 Environmental Site Assessments for each property satisfactory to VHFA. Any findings must be adequately addressed in the rehab scope of work;

   b) Sponsor must test for lead paint in all units prior to initial rehab and provide VHFA with test results; sponsor must address any lead paint which is present through remediation measures as each unit undergoes rehabilitation which disturbs lead paint surfaces;

   c) Sponsor to execute a Preservation Agreement at closing which stipulates affordability requirements until the year 2030;

d) Sponsor to execute an agreement at closing (to be contained in the Regulatory Agreement) which commits owner to phasing in rehabilitation of a minimum of two units per year over a period of eleven years, to be paid for out of operating income, and to be approved by VHFA Multifamily Management staff on an annual basis;

e) Sponsor commits that at least 15% of the amount of the net bond proceeds used for acquisition must be expended on qualified rehab within two years of closing (this condition to be contained in the Regulatory Agreement);

f) Sponsor must provide final rehab plans and specifications for VHFA approval by closing;

g) Sponsor must provide evidence of competitive bidding by loan closing, with bids approximately at budgeted levels, to maintain overall feasibility.

4. The Commitment Letter may also include a commitment for a loan of $199,000 at a rate of 0 percent per annum, deferred for 20 years. These funds will be from the proceeds of the Agency's 1995 multifamily bond refunding.

5. The commitment of the Agency shall be subject to receipt, on or before the date of the closing, of a commitment fee in an amount equal to one and one half percent (1.5%) of the principal amount of the first mortgage loan.

6. The Executive Director, the Deputy Director and the Director of Finance, or any of them, are authorized to take all necessary steps and execute all documents required to effectuate this loan.

vhfa

VERMONT HOUSING FINANCE AGENCY

**MEMORANDUM**

| | |
|---|---|
| **TO:** | **VHFA Board of Commissioners** |
| **FROM:** | **Samuel J. Falzone, Director, Multifamily Management** |
| **DATE:** | **December 8, 1998** |
| **RE:** | **MULTIFAMILY DIRECTOR'S REPORT** |

The attached report for the period ending September 30, 1998 is provided for the Board's information and includes the status of various financial aspects of the Multifamily portfolio. The report also contains narratives on Department activity and detailed project reports through November 1998.

I will be happy to answer any questions at the Board Meeting on the 17th or you may contact me by phone at (652-3435).



*Mailing Address:* PO Box 408, Burlington, Vermont 05402-0408
*Delivery Address:* 164 Saint Paul Street, Burlington, Vermont 05401-4364
802 / 864-5743 • 800 / 339-5866 • TDD: 800 / 586-5832
FAX: 802 / 864-5746 • Underwriting FAX: 802 / 863-5422 • home@vhfa.org

EQUAL HOUSING OPPORTUNITY

# MULTIFAMILY MANAGEMENT
# DIRECTOR'S REPORT

**For the Period Ending September 30, 1998**

## 1. DELINQUENT MORTGAGE LOAN PAYMENTS

| PROJECT NAME | PENALTY/INTEREST | MONTH | TOTAL DAYS LATE |
|---|---|---|---|
| Olde Windsor Village | $705.72 | August | 21 |

## 2. ACC AND HAP CONTRACT AMENDMENTS REQUIRED

| PROJECT NAME | ORIGINAL ACC | CURRENT AMENDMENT | RESERVE BALANCE |
|---|---|---|---|
| 21 Main Street | $46,200 | * | (4,715) |
| Abenaki Family Housing | 103,909 | * | (27,320) |
| Allen Apartments | 102,492 | * | 559 |
| Bardwell House | 558,504 | 570,504 | (144,571) |
| Bemis Block | 83,769 | * | (39,938) |
| Benson Heights | 106,700 | 127,917 | (21,827) |
| Brookside Apts. | 33,198 | * | (21,764) |
| Bobbin Mill | 397,273 | 447,273 | 24,495 |
| Canterbury N & S | 217,324 | * | 18,168 |
| Chester Arthur | 56,737 | * | (19,185) |
| Colonial Apts. | 75,312 | * | (32,526) |
| Colonial Village - E | 60,360 | * | (13,149) |
| Colonial Village – F | 34,872 | * | (213) |
| Conant Square Inn | 79,896 | * | (35,270) |
| Darling Inn | 136,704 | 145,704 | 5,558 |
| Depot II | 52,416 | * | 8,382 |
| Garden Apts. | 72,876 | 74,876 | 693 |
| Graystone Village | 139,002 | * | 7,532 |
| Green Hill Apts. | 93,814 | * | (30,326) |
| Hardwick Family Housing | 61,197 | * | 13,612 |
| Hebert Farm | 53,448 | 79,448 | (3,200) |
| Holy Angels Commons | 227,988 | 373,988 | 127,401 |
| Homestead Mews | 180,403 | * | (84,453) |
| Jeri-Hill | 182,326 | * | (54,451) |
| Lamoille View Apts. | 101,976 | * | (25,048) |

## 2. ACC AND HAP CONTRACT AMENDMENTS REQUIRED (Cont.)

| PROJECT NAME | ORIGINAL ACC | CURRENT AMENDMENT | RESERVE BALANCE |
|---|---|---|---|
| Linden Terrace | 78,504 | * | 2,082 |
| Lower Welden | 105,937 | * | 32,466 |
| Mad River Meadows | $190,194 | 254,194 | (56,463) |
| Maple Street Hardwick | 65,688 | * | 2,687 |
| Maple St./K.S.N.R.C. | 57,900 | 74,900 | (9,811) |
| Meadow Lane | 88,452 | * | (7,731) |
| Mill Village | 102,127 | * | (36,716) |
| Mountain View/Fairfax | 150,785 | * | (44,754) |
| Mountain View/Hancock | 35,220 | * | (1,172) |
| Parsons Hill | 110,401 | * | (35,177) |
| Pine Grove | 101,496 | 126,496 | (31,576) |
| Pine Manor | 114,285 | * | (36,046) |
| Point School Apts | 44,196 | * | (13,221) |
| Proctor Place | 80,254 | * | (16,499) |
| Prospect/Forest Homes | 82,463 | * | (21,443) |
| Randall Apts. | 60,528 | 70,528 | 3,834 |
| Randolph Circle | 127,080 | 174,080 | 2,512 |
| Randolph House | 210,744 | * | (76,567) |
| Saxtons River | 103,776 | * | (48,353) |
| School House Apts. | 76,449 | * | (51,657) |
| School Street Apts. | 68,028 | 91,028 | 7,332 |
| Sugarwood Apts. | 101,647 | 128,647 | (13,128) |
| Sunrise Manor | 141,960 | * | (68,203) |
| Valley View | 156,152 | 189,152 | (62,510) |
| Village Apts. | 60,168 | 80,168 | 1,134 |
| Walden Mountain | 99,096 | * | (56,167) |
| Wells House | 54,744 | * | (2,102) |
| West Burke Housing | 115,664 | 118,664 | (26,918) |
| Westminster Family | 86,555 | * | (36,748) |
| Willey Street Apts. | 106,186 | * | (33,269) |

* amendment reverted to original ACC amount

## 3. CASH FLOW PROBLEMS:

| Project | Cash as of 9/30/98 | Actual Profit/(Loss) | Budgeted Profit/(Loss) |
|---|---|---|---|
| BCLT BRHIP | 6,850 | (11,871) | 4,040 |
| Depot Square | 9,812 | (4,719) | 22,360 |
| Hardwick Family | 7,034 | (18,482) | 7,232 |
| Proctor Place | 7,666 | (273) | 12,138 |
| Bromur Apts | 989 | (9,296) | 4,194 |
| Parson's Hill | 6,602 | (41,260) | 5,726 |
| Village Apts | 6,850 | (387) | 19,837 |
| Winchester Place | 39,586 | (183,906) | (168,057) |

## 4. MULTIFAMILY PRESERVATION/LOCK IN AGREEMENTS

| PROJECT NAME | # YEARS LOCKED IN | OPTION (Y/N) |
|---|---|---|
| Abenaki Family Housing | 60 | NP* |
| Brownway | 20 | Y |
| Cummings Street** | 28 | NP* |
| Depot II** | 40 | NP* |
| Dogwood Glen | 20 | NP* |
| Duggan Row | 20 | Y |
| Eno Apts. | 19 | Y |
| Ethan Allen/Spring** | 30 | Y |
| Garden Apts. | 20 | Y |
| Graystone Village | Perpetuity | NP* |
| Harrington Apts. | 19 | Y |
| Hidden Pines | 50 | Y |
| Highgate** | Perpetuity | NP* |
| Holy Angels | 13 | N |
| King St. Apts. | 20 | Y |

| PROJECT NAME | # YEARS LOCKED IN | OPTION (Y/N) |
|---|---|---|
| Lake Champlain Apts. | 20 | Y |
| Lane Shops** | 15 | Y |
| Linden Terrace | 50 | NP* |
| Lower Weldon St. Apts. | 17 | Y |
| Maple St./Hardwick | 18 | Y |
| Meadow Lane** | 15 | N |
| Mellishwood I & II | 25 | Y |
| Mountain View/Fairfax | 18 | Y |
| Northgate** | Perpetuity | NP* |
| Olde Windsor Village | 23 | NP* |
| Pine Grove | 16 | N |
| Prospect/Forest Homes | 22 | NP* |
| Randolph House** | 48 | NP* |
| Rockingham | 71 | Y |
| School Street Apts. | 20 | NP* |
| South Square | 30 | Y |
| Sunrise Manor | 13 | N |
| Village Apts.** | 19 | NP* |
| Walden Mtn. Apts. | 17 | Y |

** LIHTC

* Non-Profit

## MULTIFAMILY MANAGEMENT MONTHLY ACTIVITY REPORT
## For the Month ending November 30, 1998

A. **Multifamily Management Activity – Narratives**

1. **Preservation**
2. **Tax Credit Compliance Monitoring**
3. **Condominium Inspections**

B. **Project Reports**

1. **Abenaki Acres**
2. **Allen Apartments**
3. **BRHIP**
4. **Bromur Apartments**
5. **Conant Square**
6. **Depot Square Apartments**
7. **Hardwick Family**
8. **Highgate**
9. **Hillside MHP**
10. **Holy Angels Commons**
11. **Holy Cross**
12. **KSNRC**
13. **Lake Champlain Apartments**
14. **Parsons Hill**
15. **Pine Meadow**
16. **Proctor Place**
17. **Templeton Court**
18. **Walden Mountain**
19. **Westview Terrace**
20. **Winchester Place**

## A. MULTIFAMILY MANAGEMENT ACTIVITY – NARRATIVES

### 1) Preservation

This issue continues to be the focus of much of our work. Efforts continue to lock in the 33 Section 8 properties that are providing our 0% loan funds and thus far 8 of them have been secured and a 9th is already owned by a nonprofit. Preservation discussions, including transfers to nonprofit ownership, also continue on other properties located in Winooski, Saxtons River, Derby Line, Brandon, Lyndonville, Burlington and St. Johnsbury.

NCSHA's Assisted Housing Working Group has completed its work on Preservation Options and their final report has recently been published. Multifamily staff participated in this effort and contributed as a member of the Steering Committee. Development and Management staff will attend a NCSHA sponsored training in mid-December on how to use an underwriting model. The model was developed in order to predict which properties are most likely to opt out of the assisted inventory and/or prepay their HFA loans.

### 2) Tax Credit Compliance Monitoring

Seventy-two projects were subject to LIHTC compliance monitoring for 1998. Of these, sixteen required on-site tenant file reviews and physical inspections. The remaining projects required desk audit reviews of information contained in the owner's annual status reports. Reviews have now been completed for seventy projects and final reports have been sent out. The remaining two projects will be completed by the end of 1998. Compliance monitoring fees collected for 1998 totaled $33,096.

During 1998, we have found two properties with material non-compliance issues and have informed the IRS by issuing an 8823 Form. We are also waiting for a response from a third owner for a possible non-compliance finding.

In 1998, the IRS published a draft compliance audit techniques manual and began training IRS staff to monitor LIHTC projects throughout the United States. In Vermont, we had our first experience with the IRS. Northgate Apartments, Olde Windsor Village, Bristol Family and St. Johnsbury Housing Partnership were four of the properties chosen by them to be audited in 1998. The IRS dealt with the owners/managers of the properties and was particularly interested in eligible basis calculations and developer's fees. VHFA was contacted for clarification on specific issues. We are still awaiting the results of these audits.

3) **Condominium Inspections**

Beginning as a pilot in 1995, the department expanded its asset management responsibilities to include the physical inspection of VHFA approved condominium properties. A written inspection report is prepared, photographs are taken and, after updating the association's contact information, annual budgets, financial statements and annual meeting minutes are requested and reviewed. These activities are meant to provide an early warning system on the health and viability of VHFA's condominium portfolio and ultimately limit any loss exposure for loans that reach the REO status.

As of November 30th 1998, 133 properties have been inspected at least once and 61 financial reviews have been completed. These totals include a small number of VHFA approved Mobile Home Parks (MHP) and Planned Residential Developments (PRD). 54 condo properties remain to be visited for the first time and these properties are a priority as we seek to complete the initial phase of this project.

Results thus far have indicated that VHFA's condominium portfolio is in good condition and we have only had to remove four properties from the approved list since this effort began more than three years ago.

## B. PROJECT REPORTS

**1. Abenaki Acres** – We finally received the 1997 Audited Financial Statements after obtaining advice from the Governor's Office and threatening default. Review of the statements only emphasized our ongoing concerns about Abenaki Self-Help's capacity to manage Abenaki Acres. We are requiring that they hire an outside professional management company. The Vermont State Housing Authority is expected to sign a contract and take over management on January 1.

**2. Allen Apartments** – Staff has met with LCHDC regarding their interest in purchasing Allen Apartments in Winooski. We are currently awaiting an Environmental Site Assessment, finalized development budget, cash flow projection, and details on the scope of planned rehab work. Once we receive this information, we expect to bring a 0% loan request to the Board to enable this nonprofit acquisition to move forward.

**3. BRHIP** – This 33 unit family development located in Burlington has not performed as expected. Expenses have been higher than budgeted, income is off due largely to $16,000 in rent receivables and the replacement reserve account is seriously underfunded. Although this quarter the development did better than projected, year to date figures still show an operating deficit of approximately $12,000. As mentioned in the last report, vacancies and relocation expenses related to rehab, as well as an unexpected heating system replacement contributed to this deficit. Now that the rehab is complete, we expect this property to cash flow closer to the projections that were used during the underwriting phase. VHCB may be contributing additional funding that would help with the deficits that have accumulated during the development/rehab stage.

**4. Bromur Apartments** - As we noted in the previous report, there was $11,994 in very aged bad debts written off after close consultation with CVCLT Director, Martin Hahn during the second quarter. This adjustment caused a corresponding reduction in operating profit for the period. In summary, the property is performing pretty much as projected in the budget, with the exception of the impact of the bad debt expense.

**5. Conant Square** – Frank Guillot, general partner, is still waiting on two limited partners who have not agreed to his offer to buy out their interest in the partnership. The general partner has made it clear that until he receives the unanimous consent of the limited partners, this Preservation Agreement is on hold.

**6. Depot Square Apartments** – Higher than expected operating expenses and loss of income due to vacancies have contributed to the $4,700 loss through September 30th.

**7. Hardwick Family** – This 8-unit family property is still feeling the aftermath of three abandoned units. Income has been below projections due to vacancies and maintenance expenses are $13,000 higher than projected, mainly due to the costly turnovers. Rent receivables/bad debts are over $12,000 year to date.

**8. Highgate** - The rent increase mentioned in the previous Director's Report has been requested as anticipated. It will increase the rents of the two and three bedroom units, those not at 120% of fair market rents, by 5%. We have approved the increase and will be forwarding it to HUD for their action. The increased revenue will be used to more adequately fund the Replacement Reserve per the CNA, increase routine maintenance and support the services offered through the Highgate Residents Association. The property continues to receive HAP payments on 113 units under a yearly renewable project-based Section 8 contract. With rents maxed out at the 120% of FMR level, we continue to be concerned with the $446 per unit per month cost of operations.

**9. Hillside MHP** – The slow sand filtration water system at Hillside was abandon after State monitored feasibility testing. This approach was deemed too costly and the long-term benefits to this system were minimal. Addison County Community Trust (ACCT) is taking a new approach. They now plan to tap into Lazy Brook Mobile Home Park's water system. Lazy Brook has an adequate amount of water capacity to serve both parks. The main obstacle is getting the water on to the site. ACCT will need to run 1 mile of pipe to reach the park, at a cost of $40/foot. This method increases the cost significantly. The owner is going back to the State to request more money. The original loan was approved for $150,000 from the Vermont Drinking Water Revolving Fund. They are now asking for an additional $130,000 for a total of $280,000. ACCT hopes to have all the financing lined up so they can start running pipe in the spring of 1999.

**10. Holy Angels Commons** - The $196,000 energy conversion at this 31-unit elderly housing project is finally complete. A VHFA Energy Loan of $160,000 was offered in return for a mortgage lock-in and an agreement to honor the full remaining term of the HAP Contract. REEP participation was crucial. It went so well that slides of the conversion were used during the REEP presentation at the VHMA Conference this fall.

11. **Holy Cross** – In addition to our warranty inspection done on June 16th, Housing Vermont performed a warranty inspection on September 2. On October 14th, we received a punch list covering outstanding issues still unresolved. We are now awaiting a response from HVT for clarification on the current status of these issues.

12. **KSNRC** – With the death of Treasurer Joe Duggan, the nonprofit KSNRC Board is taking renewed interest in their Burlington property. Don Dickson has been appointed to review KSNRC's legal and organizational status to make sure the Board is in compliance with all requirements under their nonprofit charter.

13. **Lake Champlain Apartments** – Owner, Karl Ashline has signed an agreement releasing BHA from any liability claim on an adjoining piece of BHA land where he has erected a small playground. The swing set is still in place, but Karl agreed to increase the liability insurance per incident. In addition, lease addendums have been issued to clarify to residents that they can not use the BHA parking lot. Any repairs to the fence and the stairs on the property line are also Lake Champlain Apartment's responsibility.

14. **Parson's Hill** - We have made three deferred loans using 0% funds to meet operating deficits, reduce accounts payable and purchase materials to complete unit turnovers. These loans have totaled $49,333 through August. Having received an income eligibility waiver from HUD expanding the pool of prospective applicants, our greatest on-going concern is the continuing vacancies. There are four currently. VSHA has agreed to allow the owner/manger to rent the four bedroom units to families who would not otherwise qualify for a unit of that size. The Vermont Agency of Natural Resources is having the 2,860 gallon water storage tank, said to be the cause of the water contamination, removed on November 30th.

15. **Pine Meadow** – The trim rot repairs were finally completed, including the rotting columns on the porches. These improvements really help the aesthetics of this property.

16. **Proctor Place** – The property continues to carry a commercial space vacancy and this has significantly reduced the amount of operating income available leading to the $12,000 budget variance.

17. **Templeton Court** – Kathleen Berke, from VSHA, has finally waived the unrealistic minimum occupancy restrictions placed on four bedroom units at Templeton Court. The four bedroom rent can now be charged if four people are occupying the unit. This change will substantially increase the cash flow and more accurately compare to budgeted income. In this quarter, prior to the implementation of this change, rental income is $23,855 below budgeted figures.

18. **Walden Mountain** – The property manager has presented a budget for the coming year that sets in stark relief the inability of the property to meet its long-term capital needs and some deferred maintenance. VHFA is considering using 0% funds to help meet the most immediate

needs of this scattered site rehab property located in Danville and St. Johnsbury. It is already covered by a 1994 VHFA Preservation Agreement

**19. Westview Terrace** – There are still unresolved issues at Westview Terrace between the management company and the owner. Currently, the Springfield Housing Authority Board Chairman is questioning whether the contractor's solution of providing stacks to eliminate the exhaust gas smell is sufficient. The plan calls for these stacks to be extended three feet above the boiler room roof line and their concern is that the exhaust fumes can still enter the second floor windows.

**20. Winchester Place** - Lake Champlain Housing Ventures has been chosen by Housing Vermont to manage the property beginning January 1. The property appears to be stable and operating as anticipated, which is to say, monthly VHFA Accommodation Loans and contributions from the Merchant's Bank continue to be needed to offset the yearly operating deficit of $250,000.

# vhfa
VERMONT HOUSING FINANCE AGENCY

## MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: November 4, 1998

RE: Single Family Program Activity Report For October, 1998

### MORTGAGE PURCHASE PROGRAMS

| Month | No. | Amount | Previous Year | No. | Amount |
|---|---|---|---|---|---|
| Reservations | 48 | $ 3,423,581 | | 66 | $ 4,159,809 |
| Purchases | 30 | $ 2,098,422 | | 43 | $ 3,006,611 |

| Period to Date | No. | Amount | Previous Year | No. | Amount |
|---|---|---|---|---|---|
| Reservations | 590 | $42,014,844 | | 820 | $57,585,116 |
| Purchases | 366 | $24,516,794 | | 524 | $36,071,987 |

### MORTGAGE PLUS

| Month | No. | Amount | Previous Year | No. | Amount |
|---|---|---|---|---|---|
| Reservations | 5 | $ 459,950 | | 12 | $ 1,042,400 |
| Issued | 4 | $ 291,087 | | 17 | $ 1,293,311 |

| Period to Date | No. | Amount | Previous Year | No. | Amount |
|---|---|---|---|---|---|
| Reservations | 52 | $ 4,205,946 | | 104 | $ 8,874,420 |
| Issued | 58 | $ 3,865,865 | | 76 | $ 5,802,391 |

*ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD*

*Mailing Address:* PO Box 408, Burlington, Vermont 05402-0408
*Delivery Address:* 164 Saint Paul Street, Burlington, Vermont 05401-4364
802 / 864-5743 • 800 / 339-5866 • TDD: 800 / 586-5832
FAX: 802 / 864-5746 • Underwriting FAX: 802 / 863-5422 • home@vhfa.org

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EQUAL HOUSING OPPORTUNITY

**vhfa**

VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: November 20, 1998

RE: Servicing Activity for October 1998

## SERVICING ACTIVITY

Collections:

| | | |
|---|---|---|
| Last months 90+ accounts: | | 109 |
| New 90-day accounts (+): | 20 | |
| To foreclosure/DIL (-): | 5 | |
| To 60 days or less (-): | 14 | |
| Under payment arrangement: | 58 | |
| 90+ accounts: | | 110 |

In Foreclosure:

| | | |
|---|---|---|
| Last months' foreclosure accounts: | | 56 |
| New foreclosures (+): | 6 | |
| To REO (-): | 3 | |
| Successful interventions (-): | | |
| Negotiating workouts: | | |
| Foreclosure accounts: | | 59 |

Real Estate Owned:

| | | |
|---|---|---|
| Last months REO's: | | 40 |
| New REO's (+): | 3 | |
| Properties sold (-): | 4 | |
| Properties under contract: | 8 | |
| Other: | | |
| REO's: | | 39 |

*ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD*

*Mailing Address:* PO Box 408, Burlington, Vermont 05402-0408
*Delivery Address:* 164 Saint Paul Street, Burlington, Vermont 05401-4364
802 / 864-5743 • 800 / 339-5866 • TDD: 800 / 586-5832
FAX: 802 / 864-5746 • Underwriting FAX: 802 / 863-5422 • home@vhfa.org

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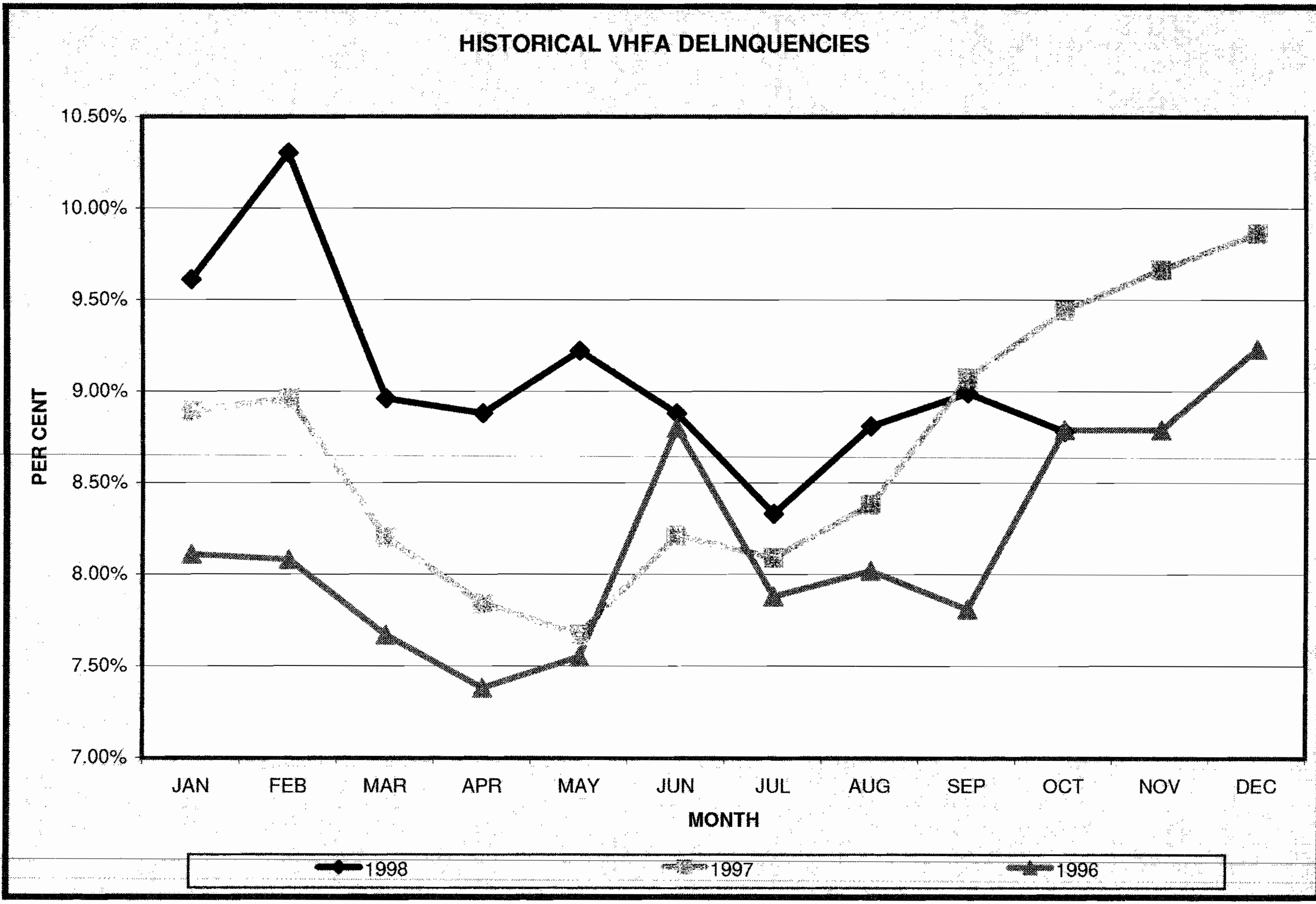
EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: October, 1998

| Lenders | Loans | 30 | Days | 60 | Days | 90+ | Days | Auth | FCL | Delinq | | REO | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ALBANK, FSB | 412 | 23 | 5.58% | 9 | 2.18% | 10 | 2.43% | 5 | 1.21% | 47 | 11.41% | 3 | 0.73% |
| Banknorth Mortgage Co. | 757 | 38 | 5.02% | 5 | 0.66% | 6 | 0.79% | 8 | 1.06% | 57 | 7.53% | 5 | 0.66% |
| Bennington Co-op S&L Assoc. | 61 | 1 | 1.64% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 1 | 1.64% | 0 | 0.00% |
| Brattleboro Savings & Loan | 28 | 0 | 0.00% | 1 | 3.57% | 0 | 0.00% | 0 | 0.00% | 1 | 3.57% | 0 | 0.00% |
| Chittenden Bank | 898 | 60 | 6.68% | 10 | 1.11% | 3 | 0.33% | 17 | 1.89% | 90 | 10.02% | 7 | 0.78% |
| Citizens Savings Bank | 116 | 3 | 2.59% | 3 | 2.59% | 0 | 0.00% | 1 | 0.86% | 7 | 6.03% | 1 | 0.86% |
| Community National Bank | 306 | 13 | 4.25% | 6 | 1.96% | 8 | 2.61% | 1 | 0.33% | 28 | 9.15% | 2 | 0.65% |
| Connecticut River Bank | 5 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Factory Point Nat. Bank | 33 | 1 | 3.03% | 1 | 3.03% | 1 | 3.03% | 0 | 0.00% | 3 | 9.09% | 0 | 0.00% |
| First Brandon Nat. Bank | 2 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| First Nationwide Mortgage | 6 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| GMAC Mortgage | 9 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Granite Bank (NH) | 2 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Graystone Mortgage Company | 513 | 41 | 7.99% | 12 | 2.34% | 17 | 3.31% | 7 | 1.36% | 77 | 15.01% | 5 | 0.97% |
| Heritage Family Credit Union | 6 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Lyndonville Savings Bank | 60 | 1 | 1.67% | 2 | 3.33% | 1 | 1.67% | 0 | 0.00% | 4 | 6.67% | 0 | 0.00% |
| Mascoma Savings Bank | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Merchants Bank | 252 | 7 | 2.78% | 2 | 0.79% | 2 | 0.79% | 0 | 0.00% | 11 | 4.37% | 1 | 0.40% |
| Mortgage Service Ctr. of NE | 85 | 4 | 4.71% | 3 | 3.53% | 3 | 3.53% | 0 | 0.00% | 10 | 11.76% | 3 | 3.53% |
| New England Federal CU | 44 | 1 | 2.27% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 1 | 2.27% | 0 | 0.00% |
| Northfield Savings Bank | 140 | 8 | 5.71% | 2 | 1.43% | 0 | 0.00% | 0 | 0.00% | 10 | 7.14% | 1 | 0.71% |
| Passumpsic Savings Bank | 164 | 6 | 3.66% | 4 | 2.44% | 5 | 3.05% | 2 | 1.22% | 17 | 10.37% | 0 | 0.00% |
| Peoples Trust Co. | 89 | 3 | 3.37% | 1 | 1.12% | 1 | 1.12% | 0 | 0.00% | 5 | 5.62% | 0 | 0.00% |
| Randolph National Bank | 35 | 1 | 2.86% | 1 | 2.86% | 0 | 0.00% | 1 | 2.86% | 3 | 8.57% | 0 | 0.00% |
| Union Bank | 182 | 8 | 4.40% | 4 | 2.20% | 3 | 1.65% | 0 | 0.00% | 15 | 8.24% | 0 | 0.00% |
| Vermont Development CU | 70 | 1 | 1.43% | 1 | 1.43% | 3 | 4.29% | 0 | 0.00% | 5 | 7.14% | 0 | 0.00% |
| Vermont National Bank | 1899 | 68 | 3.58% | 19 | 1.00% | 47 | 2.47% | 17 | 0.90% | 151 | 7.95% | 10 | 0.53% |
| Wells River Savings Bank | 30 | 2 | 6.67% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 2 | 6.67% | 1 | 3.33% |
| Totals | 6205 | 290 | 4.67% | 86 | 1.39% | 110 | 1.77% | 59 | 0.95% | 545 | 8.78% | 39 | 0.63% |
| Totals Previous Month | 6232 | 301 | 4.83% | 90 | 1.44% | 109 | 1.75% | 60 | 0.96% | 560 | 8.99% | 40 | 0.64% |
| Totals Same Mo. Last Yr. | 6420 | 367 | 5.72% | 96 | 1.50% | 104 | 1.62% | 39 | 0.61% | 606 | 9.44% | 61 | 0.95% |

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: OCTOBER, 1998

| Lenders | Loans | 30 | Days | 60 | Days | 90+ | Days | Auth | FCL | Delinq | | REO | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Large Servicer 400+ | | | | | | | | | | | | | |
| Albank | 412 | 23 | 5.58% | 9 | 2.18% | 10 | 2.43% | 5 | 1.21% | 47 | 11.41% | 3 | 0.22% |
| Banknorth Mortgage Co. | 757 | 38 | 5.02% | 5 | 0.66% | 6 | 0.79% | 8 | 1.06% | 57 | 7.53% | 5 | 0.63% |
| Chittenden Bank | 898 | 60 | 6.68% | 10 | 1.11% | 3 | 0.33% | 17 | 1.89% | 90 | 10.02% | 7 | 1.05% |
| Graystone Mortgage Company | 513 | 41 | 7.99% | 12 | 2.34% | 17 | 3.31% | 7 | 1.36% | 77 | 15.01% | 5 | 3.54% |
| Vermont National Bank | 1899 | 68 | 3.58% | 19 | 1.00% | 47 | 2.47% | 17 | 0.90% | 151 | 7.95% | 10 | 1.36% |
| Totals | 4479 | 230 | 5.14% | 55 | 1.23% | 83 | 1.85% | 54 | 1.21% | 422 | 9.42% | 30 | 0.67% |
| Average | 896 | 46 | 5.77% | 11 | 1.46% | 17 | 1.87% | 11 | 1.28% | 84 | 10.38% | 6 | 1.36% |
| Medium Servicers 399-50 | | | | | | | | | | | | | |
| Bennington Co-op S&L Assoc. | 28 | 0 | 0.00% | 1 | 3.57% | 0 | 0.00% | 0 | 0.00% | 1 | 3.57% | 0 | 0.00% |
| Citizens Savings Bank | 116 | 3 | 2.59% | 3 | 2.59% | 0 | 0.00% | 1 | 0.86% | 7 | 6.03% | 1 | 0.86% |
| Community National Bank | 306 | 13 | 4.25% | 6 | 1.96% | 8 | 2.61% | 1 | 0.33% | 28 | 9.15% | 2 | 0.65% |
| Lyndonville Savings Bank | 60 | 1 | 1.67% | 2 | 3.33% | 1 | 1.67% | 0 | 0.00% | 4 | 6.67% | 0 | 0.00% |
| Merchants Bank | 252 | 7 | 2.78% | 2 | 0.79% | 2 | 0.79% | 0 | 0.00% | 11 | 4.37% | 1 | 0.40% |
| Mortgage Service Ctr. of NE | 85 | 4 | 4.71% | 3 | 3.53% | 3 | 3.53% | 0 | 0.00% | 10 | 11.76% | 3 | 3.53% |
| Northfield Savings Bank | 140 | 8 | 5.71% | 2 | 1.43% | 0 | 0.00% | 0 | 0.00% | 10 | 7.14% | 1 | 0.71% |
| Passumpsic Savings Bank | 164 | 6 | 3.66% | 4 | 2.44% | 5 | 3.05% | 2 | 1.22% | 17 | 10.37% | 0 | 0.00% |
| Peoples Trust Co. | 89 | 3 | 3.37% | 1 | 1.12% | 1 | 1.12% | 0 | 0.00% | 5 | 5.62% | 0 | 0.00% |
| Union Bank | 182 | 8 | 4.40% | 4 | 2.20% | 3 | 1.65% | 0 | 0.00% | 15 | 8.24% | 0 | 0.00% |
| Vermont Development CU | 70 | 1 | 1.43% | 1 | 1.43% | 3 | 4.29% | 0 | 0.00% | 5 | 7.14% | 0 | 0.00% |
| Totals | 1492 | 54 | 3.62% | 29 | 1.94% | 26 | 1.74% | 4 | 0.27% | 113 | 7.57% | 8 | 0.54% |
| Average | 142 | 5 | 3.31% | 3 | 2.30% | 2 | 1.44% | 0 | 0.24% | 11 | 7.29% | 1 | 0.62% |
| Small Servicers 49- | | | | | | | | | | | | | |
| Brattleboro Savings & Loan | 28 | 0 | 0.00% | 1 | 3.57% | 0 | 0.00% | 0 | 0.00% | 1 | 3.57% | 0 | 0.00% |
| Connecticut River Bank | 5 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Factory Point Nat. Bank | 33 | 1 | 3.03% | 1 | 3.03% | 1 | 3.03% | 0 | 0.00% | 3 | 9.09% | 0 | 0.00% |
| First Brandon Nat. Bank | 2 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| First Nationwide Mortgage | 6 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| GMAC Mortgage | 9 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Granite Bank (NH) | 2 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Heritage Family Credit Union | 6 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Mascoma Savings Bank | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| New England Federal CU | 44 | 1 | 2.27% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 1 | 2.27% | 0 | 0.00% |
| Randolph National Bank | 35 | 1 | 2.86% | 1 | 2.86% | 0 | 0.00% | 1 | 2.86% | 3 | 8.57% | 0 | 0.00% |
| Wells River Savings Bank | 30 | 2 | 6.67% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 2 | 6.67% | 1 | 3.33% |
| Totals | 201 | 5 | 2.49% | 3 | 1.49% | 1 | 0.50% | 1 | 0.50% | 10 | 4.98% | 1 | 0.50% |
| Average | 17 | 0 | 1.33% | 0 | 0.84% | 0 | 0.27% | 0 | 0.26% | 1 | 2.70% | 0 | 0.29% |


HISTORICAL VHFA DELINQUENCIES
PER CENT
10.50%
10.00%
9.50%
9.00%
8.50%
8.00%
7.50%
7.00%
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
OCT
NOV
DEC
MONTH
1998
1997
1996

# VERMONT HOUSING FINANCE AGENCY

## Board Property Disposition Report

Month of: October 1998

**Properties Sold**

| Property | Listing Price | Sale Price | Principal Balance | Interest | To Date Expenses | Claim Payment | Actual Gain/ (Loss) | Audit Valuation Offset | Additional Gain/ (Loss) |
|---|---|---|---|---|---|---|---|---|---|
| Lavery Burlington | $53,000 | $53,000 | $59,882 | $3,678 | $6,481 | $9,883 | ($7,158) | ($8,997) | $1,839 |
| Hughes Whitingham | $49,500 | $40,500 | $78,250 | $6,169 | $19,518 | $17,500 | ($45,937) | ($41,439) | ($4,498) |
| Davis S. Burlington | $77,900 | $69,000 | $87,492 | $16,000 | $21,012 | $17,092 | ($38,412) | ($27,495) | ($10,917) |
| Flory Fair Haven | $39,000 | $30,000 | $41,550 | $1,659 | $5,574 | $12,465 | ($6,318) | ($15,294) | $8,976 |

## PROPERTIES UNDER CONTRACT

| Property | Listing Price | Contract Price | Principal Balance | Interest | Estimated Expenses | Estimated Claim Payment | Actual Gain/ (Loss) | Audit Valuation Offset | Additional Gain/ (Loss) |
|---|---|---|---|---|---|---|---|---|---|
| Hughes Hartford | $37,500 | $32,000 | $58,430 | $15,482 | $15,786 | $7,250 | ($50,448) | ($41,897) | ($8,551) |
| Bushey Fairfield | $64,900 | $64,900 | $57,867 | $5,686 | $18,410 | $17,063 | $0 | ($13,035) | $13,035 |
| Watkins Springfield Rockingham CLT | $0 | $77,000 | $58,968 | $9,389 | $59,371 | $12,018 | ($38,710) | ($51,542) | $12,832 |
| Fuller Barton | $34,900 | $34,900 | $46,641 | $3,258 | $6,399 | $21,398 | $0 | $0 | $0 |
| York Kunenburg | $24,500 | $18,000 | $45,424 | $4,573 | $12,880 | $9,600 | ($35,277) | ($16,278) | ($18,999) |
| Thompson Milton | $62,900 | $61,000 | $60,887 | $5,828 | $7,349 | $13,064 | $0 | ($3,695) | $3,695 |
| Bacon Windsor | $39,000 | $38,200 | $48,658 | $5,967 | $22,823 | $10,600 | ($28,648) | ($33,935) | $5,287 |
| Putnam St. Albans | $59,900 | $59,000 | $61,883 | $2,611 | $27,941 | $11,633 | ($21,802) | ($26,025) | $4,223 |

## PROPERTIES IN THE VHFA/NON PROFIT SALES PROGRAM

Richards
Fair Haven
Rutland West NHS

VERMONT HOUSING FINANCE AGENCY

**TO:** **VHFA BOARD OF COMMISSIONERS**

**FROM:** **ROGER A. SCHOENBECK, DIRECTOR OF FINANCE** RAS

**DATE:** **DECEMBER 11, 1998**

**RE:** **VHMGB BUDGET IMPACT**

On December 1st, the Vermont Home Mortgage Guarantee Board approved a revised budget for the fiscal year ended June 30, 1999 that has significant implications for the VHFA budget.

A memorandum of understanding was signed effective January 1, 1998 between VHFA and VHMGB which continues the policy of VHFA administering the programs of VHMGB and receiving compensation for that service. In June, we proposed a budget to VHMGB based on the formulas used in past years. The VHMGB Board did not approve the budget proposed and directed VHFA to come up with a different approach which better recognized the drop in business volume and a resulting reduction in charges. We proposed a per loan charge based on costs calculated in a base year (1997) and applied to the estimated volume of business for FY99. In the past we had allocated employees salary and benefits and related costs based on an estimate of percentage of time devoted to the two organizations. The change in formula results in a reduction of income from VHMGB of about $100,000 from the original proposed budget. We therefore, need to adjust our budget to reflect the decrease in expected income from VHMGB from $380,000 to $280,000.

An offset to the loss of income is some savings in staffing for VHFA. We have unexpectedly lost the services of three underwriters since the beginning of the fiscal year. The reduction in staffing is expected to save about $45,000. We are hoping to be able to continue timely underwriting of mortgage loans by shifting responsibilities of remaining staff.

Another related development was the acceptance by the VHFA Board of a contract with Mortgage Dynamics, Inc. in the amount of $25,000 at the last Board meeting. This expense was not originally budgeted.

Finally, in a non-related area, the original budget included a provision of $25,000 for consulting services related to the Y2K initiative. Although the total still appears to be sufficient, it now appears that $10,000 of the provision should be a capital charge (testing equipment) and a reduction in consulting expense.

**RECOMMENDED ACTION**

Approve the revisions to the budget as recommended. The changes will result in a decrease in income of $100,000 and a decrease in expenses of $30,000 which will reduce the projected surplus for the year to $148,962. The capital budget will increase $10,000 to $251,000.



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EQUAL HOUSING OPPORTUNITY

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VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

To: VHFA Board of Commissioners

From: Glenn A. Jarrett, General Counsel

Date: December 9, 1998

Re: Amendment to Annual Resolution

Background:

The attached resolution amends the annual resolution of the Agency to include Sarah Carpenter as Executive Director.

Requested Action:

Approval of the attached resolution.



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EQUAL HOUSING OPPORTUNITY

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

WHEREAS, the Agency has a new Executive Director; and

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

NOW, THEREFORE, it is hereby RESOLVED:

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

| | | |
|---|---|---|
| Executive Director | ______________________ | Sarah E. Carpenter |

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

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

**vhfa**

**VERMONT HOUSING FINANCE AGENCY**

MEMORANDUM

To: VHFA Board of Commissioners

From: Glenn A. Jarrett, General Counsel GAJ

Date: December 11, 1998

Re: Delegation of Multifamily Lending Authority

BACKGROUND

At the October Board meeting there was a discussion of the possible limited delegation of multifamily lending authority to staff. You asked me to do further research into the issue, which I have done. Among other things, I have reviewed the authorizing statutes of the Vermont Student Assistance Corporation, the Vermont Economic Development Authority and the Vermont Educational and Health Buildings Financing Agency and spoken to counsel for VSAC and VEDA. I have also had conversations with the general counsels of several other housing finance agencies.

DISCUSSION

VHFA derives its power from the legislature. In the Vermont Housing Finance Agency Act, 10 V.S.A. §§ 601, et seq., (the "Statute"), the legislature gave the agency "such duties and powers as are set forth in [the statute]." Section 621 of the Statute gives the agency a number of general and specific powers. As you know, at times we struggle to bring a certain activity of the agency within one of the specific powers enumerated in section 621 rather than rely on the general powers.

Many of the powers that staff exercise on a day to day basis are set out in either section 621 or 622 of the statute and do not require any special findings for the agency to act. For example, section 622(6) contains authority to foreclose any mortgage in default and related matters, such as bidding for or purchasing property at any foreclosure sale. However, section 625, entitled "Procedure prior to financing of multi-family housing undertaken by housing sponsors," contains very different language. The section begins, "The agency may not finance any residential housing undertaken by a housing sponsor under subdivision 624(a)(1) of this title unless . . . " and goes on to require the findings that are contained in all of our multi-family lending resolutions. 10 V.S.A. § 625.



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The starting place for research on delegation is found in Title 3, Vermont Statutes Annotated. Section 214 states:

> A secretary, commissioner or director may delegate any authority, power or duty other than a specific statutory authority of the office to a designee; and a board or council in its discretion and with the approval of the governor may delegate to the commissioner of the department any of its authority, power or duty other than a specific statutory authority except those necessary to its rule making and quasi-judicial functions.

While the quoted language is not exactly applicable to the agency, it clearly states that "specific statutory authority" is not delegable. The Vermont Supreme Court has held that there is implied power to delegate authority when delegation is needed and is, in the overall, consistent with legislative intent, but not a "specific statutory authority of the office." In re Vermont Marble Company, 162 Vt. 355, 361 (1994). In another context, the Supreme Court held that municipal power companies could not delegate certain powers to a Massachusetts utility. Vermont Department of Public Service v. Massachusetts Municipal Wholesale Electric Co., 151 Vt. 73 (1988).

In speaking with the general counsels of several other housing finance agencies, I learned that a minority of them have statutes that require findings, like VHFA's. None of those agencies' boards delegate findings to the staff.

Because I believe that the duty to make findings before making multifamily loans is a "specific statutory authority," it is not delegable. There are several possible ways to deal with the situation. Unfortunately, none of the methods are without problems. One method is to allow the staff some authority to issue either letters of interest or commitment and have the Board adopt the statutory findings before the loan is closed. This approach would satisfy the statute, in that the agency would not be "financing" any housing before the findings were made, but could lead to other problems. If a commitment letter were issued by staff, it would have to be subject to Board approval, which makes the commitment less than iron-clad. A borrower who relied on the staff commitment might be able to successfully seek damages from the agency if the Board reversed the staff when it reviewed the development.

Another method would be to seek a legislative change to allow such delegation. Of the statutes of other quasi-state agencies that I examined, the closest one to VHFA's is VEDA's statute. There are several places in VEDA's statute, like VHFA's, where the Authority is required to make certain findings before making certain loans or issuing bonds. VEDA did have its statute amended in 1995 to allow limited delegation to loan officers. That provision allows loan officers to review, approve and make loans up to $150,000, subject to the approval of the manager and the notification of board members. No disbursement is allowed until three working days after the board members are notified. If any board member objects, no disbursement will be made and the approval will be reconsidered at the next board meeting. 10 V.S.A. § 216(15). In speaking with one lawyer who is also a legislator, I was advised to tread cautiously in this area. He said the legislature often is skeptical of requests for this type of change. According to this legislator, the legislature may believe it is the Board's duty to make the statutory findings and disagree with the request for delegation.

The Board could set up a Loan Review Committee to review multifamily loan requests with staff before Board meetings. There would not have to be a delegation to this committee if the committee only made recommendations to the full Board, which could then make the necessary findings. In the alternative, the Agency could seek legislative authority to delegate the required findings to a committee of the Board. The committee approach may not be as efficient as a delegation to staff, but it would save time at Board meetings.

Another possibility would be to enact regulations that allowed delegation to staff so long as certain specific parameters set out in the regulations were met. However, such regulations would have to be approved by the legislature's committee on administrative rules, which would be very likely to question the delegation contained in the rules.

RECOMMENDATION:

I don't have a specific recommendation. The Board may wish to seek an amendment of the Agency's statute in the legislature or pursue some other alternative. Of course, I will be happy to work on whichever alternative the Board decides to adopt.

vhfa

VERMONT HOUSING FINANCE AGENCY

# MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cynthia L. Reid, Multifamily Development Underwriter CReid

DATE: December 11, 1998

RE: 1998 Multifamily Development Activity Report

Attached is a report of Multifamily Development Activity from January 1, 1998 to December 1, 1998, per your request at the October Board meeting. The report covers three areas: 1) Ventures (pre-development loan program for nonprofits), 2) Housing Credits and 3) Multifamily Lending. Activity is reported from the commitment phase to project completion. I hope this addresses your concerns and request as discussed at the last meeting. In future, we will provide quarterly reports, unless requested otherwise.

# 1998 Multifamily Development Activity
## January 1, 1998 through December 1, 1998

| Project | Type Project | Type Housing | # Units | Sponsor | Location | Loan/ Credit Amount | Status |
|---|---|---|---|---|---|---|---|
| **1. Ventures Pre-Development Loans** | | | | | | | |
| Rutland Scattered Site | Acq/Rehab | Family | 10 | Rutland County CLT | Rutland | $23,400 | Committed 1/6/98; Paid off 7/7/98 |
| Charette MHP | MHP | Family | 14 | Housing Foundation Inc. | Dummerston | $29,000 | Committed 1/13/98; To be paid off approx 12/98 |
| Cora B. Whitney | Acq/Rehab | Elderly | 22 | Regional Affordable Housing Corp | Bennington | $15,223 | Committed 2/17/98; Paid off 6/26/98 |
| Montpelier Scattered Site | Acq/Rehab | Family | 15 | Central Vermont CLT | Montpelier | $25,350 | Committed 3/18/98; Paid off 8/6/98 |
| Lakeview Housing | Acq/Rehab | Fam/Eld | 16 | Housing Vermont & Gilman Housing Trust | Newport | $40,000 | Committed 4/14/98; To be paid off approx 12/98 |
| Red Lion Inn | Acq/Rehab | Elderly | 20 | Randolph Neighborhood Housing Services | Randolph | $45,000 | Committed 5/27/98; To be paid off approx 12/98 |
| Stoughton House | Acq/Rehab | Elderly | 48 | Cathedral Square Corp | Windsor | $5,000 | Committed 6/9/98 |
| Verdmont MHP | MHP | Family | 29 | Central Vermont CLT | Warren | $36,650 | Committed 6/16/98 |
| 222 Riverside Ave | New Const | Family | 12 | Lake Champlain Housing Devel Corp | Burlington | $25,600 | Committed 8/26/98 |
| South Burl/ LCHDC | New Const | Family | 16 | Lake Champlain Housing Devel Corp | So. Burlington | $17,000 | Committed 8/26/98 |
| South Burl/ CSC | New Const | Elderly | 10 | Cathedral Square Corp | So. Burlington | $9,000 | Committed 8/26/98 |
| Mad River Senior Hsng | Acq/Rehab | Elderly | 18 | Mad River Valley Senior Citizens Inc. | Waitsfield | $8,205 | Committed 10/6/98 |
| Mad River Senior Hsng | Acq/Rehab | Elderly | 18 | Mad River Valley Senior Citizens Inc. | Waitsfield | $36,500 | Committed 10/27/98 |
| Fairwood Meadows Hse | New Const | Level III CCH | 20 | Lamoille Housing Partnership | Morrisville | $50,000 | Committed 11/10/98 |

# 1998 Multifamily Development Activity
## January 1, 1998 through December 1, 1998

| 2. Housing Credit Projects | | | | | | | |
|---|---|---|---|---|---|---|---|
| Applegate | Acq/Rehab | Family | 103 | Housing Vermont | Bennington | $107,204 | Construction almost complete; Final allocation by year end |
| Barre & Bailey Streets | Acq/Rehab | Family | 15 | Central Vermont CLT | Montpelier | $50,000 | Under construction; Carryover issued 10/8/98 |
| Bennington Arts | Acq/Rehab | Family | 15 | Housing Vermont & Vermont Arts Exchange | Bennington & Greater Area | $73,000 | Carryover to be issued by year end |
| Cora B. Whitney | Acq/Rehab | Elderly | 22 | Regional Affordable Housing Corp | Bennington | $73,399 | Under construction; Carryover issued 11/11/98 |
| Lakeview Housing | Acq/Rehab | Fam/Eld | 16 | Housing Vermont & Gilman Housing Trust | Newport | $35,900 | Out of Cap Credit; VHFA to close 12/98 & construction to begin thereafter |
| The Maples | New Const | Elderly | 51 | Green Mountain Devel Group | Rutland | $220,871 | Carryover to be issued 12/98 |
| McAuley Square | New Const | Family | 19 | Housing Vermont & Cathedral Square Corp | Burlington | $88,000 | 1999 Credits (forward commitment); legal appeal of permit conditions pending |
| Park Place II | Acq/Rehab | Family | 14 | Housing Vermont | Burlington | $75,000 | 1998 & 1999 Credits (partial forward commitment) Carryover to be issued by year end |
| Park Village Apts | Acq/Rehab | Fam/Eld | 39 | Holmberg Construction Inc. | Brandon | $171,851 | Received 1998 & 1999 Credits (partial forward commitment); Carryover to be issued by year end |
| Pearl & Union SRO | Acq/Rehab | SRO | 21 | Housing Vermont & Burlington CLT | Burlington | $55,000 | Carryover to be issued by year end |
| Homestead Greene | New Const | Elderly | 17 | THM Inc. | North Bennington | $59,150 | Out of Cap credits and tax-exempt bond financing; to close 12/98 |
| Highland Hill Housing | Acq/Rehab | Family | 14 | Housing Vermont & Lamoille Housing Partnership | Hardwick | $47,500 | Under construction; Carryover issued 9/25/98 |

# 1998 Multifamily Development Activity
# January 1, 1998 through December 1, 1998

| **3. Multifamily Loans** | | | | | | | |
|---|---|---|---|---|---|---|---|
| Holy Cross | New Const | Elderly | 40 | Cathedral Square Corp, Housing Vermont, Lake Champlain Housing Devel Corp | Colchester | $715,000 | Permanent & Construction Loans. Closed 1/20/98; Project fully occupied |
| 1306 Ethan Allen Dr/53-67 East Spring | Acq/Rehab | Family | 42 | Lake Champlain Housing Devel Corp & Housing Vermont | Colchester/Winooski | $825,000 | Closed 2/13/98; Permanent loan; Construction nearly complete (except paving) |
| Valley Terrace | New Const | Elderly Level III CCH | 60 | Health Property Partners – Jack Heaton and Frank Murphy | Hartford | $5,200,000 | Construction & Permanent Loan Commitment 4/34/98; Waiting for Act 250 permit; may start construction Spring '99 |
| Black River Overlook | New Const | Family | 25 | Realty Resources and RACLT | Ludlow | $375,000 | Permanent loan closed 6/4/98 |
| Barre & Bailey Streets | Acq/Rehab | Family | 15 | Central Vermont CLT | Montpelier | $85,000 | Permanent loan Commitment 6/18/98; Closed 8/6/98 |
| Homestead Greene | New Const | Elderly | 17 | THM Inc. – Jack Heaton and Frank Murphy | No. Bennington | $975,000 | Interim Financing Commitment 7/23/98; Project to close 12/98 with RD permanent takeout |
| Lakeview Housing | Acq/Rehab | Fam/Eld | 16 | Housing Vermont | Newport | $800,000 | Interim Financing Commitment 7/23/98; Project to close 12/98 with RD permanent takeout |
| Essex Town Center | New Const | Family | 44 | Homestead Design Inc. | Essex | $2,200,000 | Permanent Loan Commitment 11/21/97; Closed 11/19/98 |

**VHFA STRATEGIC PLAN 1996-2000**
**Single Family Programs**

| *Number* | *Strategy* | *Orig. Compl. Date* | *Status (as of Jan. '98)* | **Staff Program Review/Ranking** |
|---|---|---|---|---|
| 2.A.1. | Extend Down Payment Pilot Program with VHMGB | February, 1996 | Initiated with nonprofits through Homeownership Center Pilot Program 2/96 | "B"; Use up existing IORTA funds; improve research/monitoring of loans made |
| 2.A.2. | Down Payment Assistance Using a Second Mortgage Program | June, 1997 | Initiated with nonprofits through HCPP: FHLB/VHFA Funds 12/97; REO's 6/97 | "A"; Modified to link with Homeownership Centers; added REO sales to non-profits |
| 2.B. | Develop Home and Energy Improvement Lending Programs | February, 1996 | YESS Program 11/96; Title One target 8/98; VT Legislature: possible new program 4/98? | "A"; Research implementation models by FY '99 budget; Title One operating FY '99 |
| 2.C. | Expand Financing Options for Mobile Home Purchases | February, 1997 | No activity | "B-"; Research alternative to *GreenTrees*; identify funding source |
| 2.D. | Provide Financing for Co-op Housing | December, 1996 | Consider blanket mortgages under MF; investigate DP assistance for share loans | "B"; While no new co-ops are being developed, potential use of IORTA for share loans |
| 2.E. | ~~Improve Financing for 3 and 4 Unit Owner-Occupied Properties~~ | ~~April, 1997~~ | ~~Consider feasibility~~ | ~~"C-"; Not feasible—recommend off list~~ |
| 4.B.2. | Develop Financing for Homeownership for Adults with Developmental Disabilities | December, 1995 | Not feasible without new funding mechanism | "C-"; Not feasible w/o MedicaidW—off list |
| 9.A.1. | Offer "Introduction to Homeownership" workshops | June, 1997 | EASL, Futures, etc. classes over past 4 years; fee-based classes redirected to HCs | "A"; Continue EASL & Futures; fee-based classes now a Homeownership Ctr. Activity |
| 9.A.2. | Offer "Successful Homeownership" post-purchase workshops | June, 1997 | Directed to Homeownership Centers | "N/A"; Homeownership Center Activity |
| 10.D.1. | Explore reducing servicing fees to servicers | February, 1996 | No activity | "C"; Unlikely given political realities; direct efforts toward incentives/penalties |
| 10.D.2. | Explore VHFA direct servicing of loans | June, 1997 | Transfer of several portfolios to subservicer | "B"; Add additional portfolios to subservicer if/when appropriate |

**Multifamily Programs**

| *Number* | *Strategy* | *Orig. Compl. Date* | *Status (as of Jan. '98)* | **Staff Program Review/Ranking** |
|---|---|---|---|---|
| 3.A. | Expand Energy Lending Activities | June, 1997 | VT Legislature: possible new program 4/98? | Review 1/99 VT Legislative Session |
| 3.B. | Expand (as Consortium) Use of FHLB in Conjunction with LIHTC | March, 1996 | Expanded use of FHLB with LIHTC, but not as a part of consortium | "A"; Collateral usage OK as is |
| 4.B.1. | Collaborate to Develop Programs for Support and Special Needs (Assisted Living Units for the Elderly) | June, 1997 | Financing an elderly "assisted living" facility 2/98 | "A"; Heaton project in pipeline; to Board Apr-98 |
| 5.A.1.- 4. | Increase Efficiency of Multifamily Lending Process: 1) Review UW Criteria; 2) Develop new marketing materials; 3) Accelerate Loan Processing; 4) Increase Efficiency of Closing Process. | December, 1995 | 1), 3), and 4) completed and on-going; 2) Fact Sheets now on Home Page | "A"; Continue work on new marketing materials and refining Closing Process |
| ~~5.B.~~ | ~~Improve Financing for 3 and 4 Unit~~ Investor-Owned Properties. | ~~June, 1997~~ | ~~Approved as HUD Small Projects Processing~~ lender, 10/ 97; no activity to date | ~~"C"; No financing source identified; off list?~~ |
| 6.A. | Finance Program for Environmental Hazard Management MF Properties. | July, 1999 | Non-VHFA funding sources being used. | "C"; Case-by-case when properties transfer |
| 6.B. | Financing Housing Infrastructure (Existing mobile home parks). | December, 1997 | Finance improvements when permanent financing is done (Kilbourne) | "B"; No formal program developed; continue on a case-by-case basis upon turnover |
| 7.A.1.& 2. | Collaborate with Other Agencies to Achieve Efficiencies: 1) Streamline compliance monitoring; 2) "User-friendly" applications/budget forms | June, 1997 | 1) Combined LIHTC/HOME compliance monitoring 3/96; 2) Forms have been consol-idatedas part of applications; attempting to use common underwriting assumptions. | "A"; Completed activities on-going; add Section 8 and common underwriting assumption components |
| 7.A.3. | Establish standardized reports/data collection in program monitoring | June, 1998 | Completed as part of join compliance monitoring (VHFA and VHCB). | "A"; On-going join compliance monitoring |

**General Programs/Activities**

| *Number* | *Strategy* | *Orig. Compl. Date* | *Status (as of Jan. '98)* | **Staff Program Review/Ranking** |
|---|---|---|---|---|
| 1.A. | Encourage and Support a Productive and Positive Work Environment | On-going | Major commit. To IT upgrades 7/97; Employee Survey 11/97 with Focus Groups 2/98-4/98. | "A"; Continue Focus Group activities; *Note: Separate IT into its own priority category* |
| 4.A. | Address Homelessness (research and public education only) | June, 1996 | Collaborate through Housing Needs initiatives 1/95 and 4/98. | "B"; Continue research/public education; finance projects on case-by-case basis |
| 8.A. | Maintain Data Collection, Analysis and Dissemination of Housing Data | December, 1995 | Full-time position re-established 8/97. | "A"; FT Research Analyst begins 4/1/98 |
| 10.A.1.& 2. | Expansion of Financing to Non-Housing Activities: 1) Explore feasibility of integrating existing entity functions; 2) Integrate auxiliary financing functions into VHFA | June, 1996 | Re-examining this in light of utility restructuring (energy loan program?) | "C"; Revisit in 1999 when Legislature revisits electric utility restructuring |
| 10.C. | Reduce Operating and User Costs ("paper-less" office by June, 1997). | On-going | Benefits costs stabilized; under-perform CPI for overall budget; not yet achieved "paperless office" | "B"; Continue on-going activities; move "paperless office" component to IT category |
| 10.D.3. | Maximize revenue through aggressive investment strategy | On-going | Investing more funds into guaranteed investment contracts. | "B"; Continue on-going activities |

**VHMGB Programs**

| | | | | |
|---|---|---|---|---|
| 10.B.1.& 2. | Better Utilize VHMGB to Enhance Services/Products of VHFA: 1) Guarantee product for home improvement and 3 to 4 unit owner-occupied. | March, 1997 | 1) VHMGB can guarantee on-site septic and energy conservation under "home improvement" loans; 2) VHMGB can guarantee 3 to 4 unit owner-occupied dwellings. | "C"; Use Title One for home improvement loans; "C-" for 3-4 unit owner-occupied-- stick with SF mortgages only |
| 10.B.3. | Guarantee Program for refi SF loans with LTV higher than 100% | September, 1997 | No activity | "B-"; Change in GB statute required to guarantee loans with LTV > 100% |