



Vermont Housing Finance Agency

VHFA Board Minutes
Vermont Housing Finance Agency
164 St. Paul St.
Burlington, VT

Thursday, December 6, 2001 at 9:30 AM

PRESENT: Chairperson Randall, Commissioners Canney, Candon (Designee of Costle), Douglas, Lafayette, Beyer (Designee of Lambert)
Staff: Ms. Carpenter, Ms. Loller, Ms. Reid, Mr. Erdelyi, Ms. Keough, Mr. Schoenbeck, Ms. Crady, Ms. Malmgren, Mr. Fairbanks, Mr. Falzone
Guests: JoAnna Villone, Cathedral Square Corporation; Andy Broderick, Housing Vermont; J. Ladd, Lake Champlain Housing Development Corporation

MINUTES

The meeting was called to order at 9:34 AM by Chairperson Randall.

Two corrections were made to the November 15, 2001 minutes. They included a correction in a bank/servicer name from Mascoma Savings Bank to Wells River Savings Bank, and re-wording of the Winooski project discussion to more accurately reflect the meaning intended. Ms. Beyer made a motion to approve the minutes. The motion carried unanimously after being seconded by Ms. Lafayette.

Ms. Carpenter introduced Ingrid Malmgren, VHFA's new Research Analyst.

FINANCE

Mr. Schoenbeck reviewed the memo on Allocation of Additional Volume Cap and Carryforward of Unused Volume Cap. Multifamily will not use its allocated volume cap until January, then approximately half of the Multifamily carryforward will be used for the upcoming bond issue. Ms. Carpenter commented that within the next few weeks there will be a discussion of next years bond cap allocation between various issuing agencies. Since Vermont Economic Development Authority cannot carryover its allocated cap they may need to put volume cap back into the pool for re-allocation, possibly to VHFA or VSAC.

Ms. Beyer moved to approve the recommended resolution, which allocates any additional volume cap made available to the Agency to Homeownership for the upcoming spring bond issue and authorizes the filing of the Carryforward with the IRS, this was seconded by Ms. Canney. The resolution passed unanimously.



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ADMINISTRATION

Demonstration Project Discussion

The feasibility of doing a demonstration project to promote affordable housing was a high priority item for the Board during the October retreat. Ms. Carpenter is requesting feedback from the Board regarding clarification on the scope of this initiative. A listing of Issues to Consider Regarding a Demonstration Project, which were preliminary thoughts of the staff, was distributed to aid the discussion.

Ms. Beyer felt that the baseline design criteria needs to be put out by the Board. The other issue is that this would be moderately priced homes, not necessarily a perpetually affordable development.

Ms. Carpenter thought the intent was to develop tools or loan products to spur development that could be replicated. The Agency is concentrating on homeownership opportunities, rather than rental for this initiative.

Ms. Randall stated that, as a Board, we need to look at this to decide if the Agency should use resource dollars. Ms. Carpenter responded that to take this further the Agency needs to look at what dollars are available and we may need a consultant to spend time on this to narrow down the scope and work with towns and regional entities. Ms. Randall stated that this would not be wasted data, but a learning experience.

Ideas that started forming are:

- This project would be to help developers, not to drive the ship. The Agency would not want to be the developer.
- The money should revolve, if possible, to get back the Agency's investment, maybe not with the return that you could get with another investment, but to enable the use of this money again for future projects.
- The Agency should consider redevelopment, maybe industrial sites that could be redeveloped into usable space.
- The Agency should be careful not to dedicate this resource to do something that it already knows how to do.
- A complimentary tool that could perhaps be used in conjunction with CDBG to finance the infrastructure.
- Housing development near a town where there is employment opportunities.
- Focus on creating partnerships with municipalities that could work for both the municipality and the Agency.
- Partnering with the state for land.

Ms. Randall stated that the Agency shouldn't limit itself until the research is done. Ms. Carpenter responded that the Agency has had a good year and now is the time to look at a project like this. Ms. Carpenter asked for permission from the Board to go forward in designing this project, to which the Board concurred.

Ms. Villone showed plans for the two story addition and discussed how it would blend into the existing building. Accessibility will be improved for the whole building. Construction will begin around the end of January with completion in November.

Ms. Beyer questioned the demand for assisted living. Ms. Villone explained that the expansion was needed due to demand, which will allow people to age in place. The additional services will allow eleven residents who are nursing home eligible to remain in their apartments.

All local permits are in place.

Mr. Candon moved to approve the recommended resolution, this was seconded by Ms. Beyer. The resolution passed unanimously.

HOMEOWNERSHIP

Ms. Crady reviewed the November 30, 2001 production reports showing \$7.7 million in loans purchased in November. There is a pipeline of approximately \$18 million that will close within the next three months. The majority of those loans will be purchased by VHFA by June 30, 2002.

Delinquency reports as of November 30, 2001 were not available and will be included with the December 31, 2001 reports in the next board mailing. There is no indication that delinquencies have substantially increased over October 31, 2001 numbers. VHFA and our servicers are being very proactive in dealing with delinquent borrowers. The Agency averages approximately four to six loan modifications per month. Mr. Candon questioned the loan modification process. Ms. Crady explained that the servicer has first contact, if the servicer believes that the borrower is committed but cannot bring their loan current with a reasonable repayment plan they obtain current financial information. Then the servicer coordinates a plan of action with VHFA. A loan modification may include capitalizing delinquent interest, taxes, etc. in addition to an interest rate reduction and/or extending the loan term. Ms. Canney asked if VHFA accepted partial payments, to which Ms. Crady stated that the servicer deals with partial payments, but that generally partial payments are accepted as long as the total amount paid each month is sufficient to pay one month's payment plus a portion of the delinquent payments. Ms. Crady also explained that since March 1997 VHFA requires that all taxes and insurance be escrowed. Ms. Randall expressed concern about the property being allowed to deteriorate before the Agency gets involved. VHFA does require that a servicer or its agent inspect a property once the loan is 45 days delinquent. When VHFA reviews a loan for modification, it generally obtains a current market analysis which gives an indication of not only the value but if the property is being maintained. VHFA is flexible and works with people, but does look at things on a case by case basis. VHFA does reevaluate affordability, but is more flexible than the Agency would be if it was approving a new loan.

Cash assistance production is at 1/3 of total production, which is consistent with the amount of cash assistance allocated in the current bond issues. Ms. Canney expressed concern that the fund wiring process was delaying closings. Ms. Crady explained that cash assistance funds were wired to lenders weekly. Requests received on Tuesday are wired so they are available on Friday of that week. Lenders do have to anticipate what loans will close to request the funds; however, Ms. Crady was not aware that closings were being delayed because they have not requested funds. Mr. Schoenbeck stated that the lender may also request cash assistance funds prior to loan closing.

MULTI-FAMILY DEVELOPMENT

O'Dell Parkway (Farrell Street/Marketplace)

Ms. Reid reviewed the memo on O'Dell stating that the project financing has been restructured due to cost increases. The project will now be two projects consisting of two buildings each, this enables them to use tax exempt bonds on one project.

All permits are in place and the appeal period is done. The project has all of its funding commitments except for \$150,000. This gap was caused by changes to the foundation work and other construction increases. The change will include heating the garages and adding doors to prevent the slab from freezing. The Agency is being asked to increase its commitment of 0% financing by \$50,000. Mr. Schoenbeck stated that these funds are available in the 0% pool.

Mr. Broderick said that marketing will begin in March or April.

Ms. Randall questioned the effect on rents, to which Ms. Reid stated that there was a slight increase of \$10 per unit per month because of the cost increases of the project.

Mr. Broderick stated that they are still evaluating whether to add garage doors and heat or whether to add additional insulation and drainage to lessen the potential problems associated with a shallow foundation design. Several other projects in Vermont have used this type of foundation and parking area, including the apartments near Hoyts Cinema 9.

Mr. Candon questioned whether the Agency has done any other projects with over 160 units. Mr. Erdelyi responded that this is one of the largest in units that the Agency has ever done in recent history and the largest in dollars.

Ms. Beyer moved to approve the recommended resolution, this was seconded by Ms. Lafayette. The resolution passed unanimously.

Cathedral Square Assisted Living

Ms. Reid reviewed the memo stating that the Agency would be financing a seven unit addition to the existing building and would include a lounge, mechanical room, and a dining room that would be used for all twenty-eight assisted living units. Twenty-one units will be renovated on two floors of the existing building and paid for under a HUD 202 grant. On the permanent financing of the seven units the Agency would be in a first mortgage position, though the Agency would be in a second position to HUD during the construction period.

The seven units are "market units", four of which will be under median income requirements. Technically this will need a Board waiver of the 75% requirement under the Agency's Rules for occupancy, even though the whole project is over 90% affordable. Ms. Carpenter stated that the Board may want to consider changing the standard rule. The Bond rule is as low as 20%.

Mr. Candon questioned whether we should ask some experienced builder to talk to the Board. Ms. Carpenter said that maybe a focus group of builders should be formed to look at the issues after the Agency has a list of questions identified.

Ms. Carpenter will come back to the Board in January with some suggested ideas/parameters.

Retreat Packet

Ms. Loller handed out a summary packet of the Retreat. Ms. Carpenter shared that the staff appreciated having the Board at the Retreat. Follow up meetings will happen with each department. New initiatives identified at this year's Retreat will be incorporated into the current Strategic Plan Document. An update will be available for the January Board meeting.

The Agency has already implemented a refinancing program for mobile home loans and properties with shared appreciation requirements (i.e. land trust assisted loans). These loans will be funded with General Funds until we have enough activity to sell a taxable bond.

Ms. Beyer brought up the issue of contract administration. Ms. Carpenter stated that the Agency shares contract administration with VSHA, but HUD recently transferred additional contract administration to the state, so that on a project that both VSHA and VHFA may participate, there is some concern about multiple work tasks. VHFA is required to provide asset management oversight and tax credit monitoring on many of these projects. There is some concern how this can be done efficiently and who should take the lead as HUD tries to consolidate contract administration. Ms. Beyer said that the legislature is questioning the layers of redundancy. For example, regarding the Templeton project, VSHA and VHFA are reviewing the same project issues. Mr. Falzone will follow up on this subject with a memo explaining the current agreements.

Ms. Carpenter stated that VSHA wants to come to the January Board meeting to see how much VHFA is willing to commit to Templeton. They really will need direction for the Tax Credit Meeting in February.

For the Board's information, Ms. Carpenter distributed and reviewed the VT Affordable Housing Coalition's 2002 Legislative Priorities.

Mr. Candon stated that subprime lending and predatory lending is becoming an issue in the state as well as nationally. During reviews/audits of banks, the Banking Commission looks at this issue.

Mr. Schoenbeck recommended to the Board a Bond Basics class put on by John Wagner of Kutak Rock. The class will be scheduled for January 15th 9-11 am. Ms. Keough will follow up with the Board on the details.

Mr. Candon made the motion to adjourn. Ms. Beyer seconded the motion and it carried unanimously.



Vermont Housing Finance Agency

VHFA Board Minutes
State Treasurer's Office
133 State Street, Conference Room 1
Montpelier, VT

Thursday, January 24, 2002 at 9:00 AM

PRESENT: Chairperson Randall, Commissioners Candon (Designee of Costle), Douglas, Lafayette, Seelig
Beyer (Designee of Lambert) joined the meeting at 10:05AM and left at 11:45AM.

Staff: Ms. Carpenter, Ms. Loller, Ms. Malmgren, Ms. Crady, Ms. Drake, Mr. Adams, Mr. Schoenbeck, Mr. Fairbanks

Guests: Richard Williams, Susan Kuegal, Jeff Kantor, and Mike Momaney, Vermont State Housing Authority

MINUTES:

The meeting was called to order at 9:15 AM by Chairperson Randall.

Adjournment time was added to the December 6, 2001 minutes. Mr. Candon made a motion to approve the minutes with this addition. The motion carried unanimously after being seconded by Ms. Lafayette.

HOMEOWNERSHIP

Ms. Crady reviewed the December 31, 2001 production report. The report shows loan purchases of approximately \$4.8 million for December.

Statewide there is growing activity in loan reservations and in Chittenden County there is a slight increase in home supply. VHFA continues to be 70-75 basis points below conventional rates.

The "Limited Refinance" program has applications pending with a few of our lenders; however, no reservations. Ms. Deforge is continuing outreach efforts that will provide information to mobile home park residents.

Delinquencies were down in November and up in December. Overall delinquency trends are in line with our expectations, but bear watching.



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Mr. Adams reviewed the status of servicing transfers. He stated that First Brandon will transfer servicing to VHFA via Graystone as of February 1, 2002. An offer letter is out to Mascoma Savings Bank and a formal letter will go to Charter One in February.

Discussions ensued around the issue of Charter One as a servicer and VHFA purchasing the servicing on the Charter One portfolio. Currently, the Agency is valuing the portfolio and the next step is to make them an offer. Charter One continues to be problematic as a VHFA servicer, and new production is nearly non-existent.

Mr. Candon questioned whether Charter One switching from a savings bank charter to a commercial bank charter would affect the Agency. Ms. Carpenter stated that all servicing transfers need to be approved by the Agency. A change in the type of charter would not, in and of itself constitute a transfer of the servicing. We continue to monitor their overall performance.

Ms. Crady reviewed the REO situation, stating that as of December 31, 2001 VHFA owned 15 properties; 8 are under contract. The goal is to sell as many properties as possible because the Agency anticipates taking title to 9 properties during the months of February, March and April.

MULTIFAMILY DEVELOPMENT

Templeton - Mr. Adams introduced staff from the Vermont State Housing Authority including Richard Williams, Susan Kuegel, Michael Momaney along with their Development Consultant Jeffrey Kantor.

Mr. Adams reviewed the highlights of his memorandum dated January 17th, requesting Board approval of a Construction/Permanent loan in the amount of \$900,000 and a Zero Percent Deferred loan of \$450,000. Mr. Adams indicated that the project had received funding commitments from VHCB, but was still pending word on \$400,000 from the FHLB AHP Program, along with \$600,000 VCDP. Mr. Adams reported that Templeton was a 3rd alternate in the AHP awards from the Fall. Richard Williams reported that the 1st alternate was recently awarded increasing the chances that Templeton could still receive AHP funds. If it does not receive funding from the last round, the next application date is anticipated in April. In the event that either the AHP funds or the VCDP funds are not awarded to Templeton, VSHA intends to apply for Allocated Credits in February. Allocated Credits will be necessary if any of the other funding sources falls through.

Mr. Seelig stated that he supports this resolution, but must abstain from voting due to VHCB's funding in the project.

Ms. Beyer moved to approve the recommended resolution. The motion was seconded by Mr. Candon. The resolution passed unanimously, with Mr. Seelig abstaining.

2002 VHFA LEGISLATIVE PRIORITIES

Mr. Fairbanks reviewed the various aspects of this legislative memo. Main discussions included the Property Transfer Tax Exemption Sunset bill and Predatory Lending.

Tom Little introduced the Sunset bill on Wednesday. Revenue implication would be up to \$350 thousand, with a direct pass through to the borrower. Ms. Lafayette stated that the Joint Housing Committee may be looking at a new property tax bill that might increase fees to fund affordable housing. There also is a proposal to update a state charitable investment tax credit which has not been very usable because of the low thresholds.

Ms. Carpenter reviewed the Predatory Lending bill stating that the bill needs more thought. Mr. Candon stated the federal government has just adopted regulations and that the problem of predatory lending has few documented instances. Discussions ensued around the definition of predatory lending and subprime lending. The state has not yet approved a definition. Ms. Carpenter stated that VHFA is not supporting the bill as it is currently written.

Ms. Carpenter also mentioned that a new federal bill proposing a development credit for home ownership may come up in this session in this session of congress. So far the proposed targeting would leave out most of Chittenden County.

STRATEGIC PLAN

Ms. Carpenter handed out the Strategic Plan update, stating that the plan format is outdated. There will be a new format for 2003.

Ms. Randall commented that the strategic plan should be higher/earlier on the agenda so that it gets the amount of attention needed.

Ms. Carpenter asked that the Board review the Strategic Plan and call her directly with questions or comments.

MISCELLANEOUS

The next Board meeting in February is to focus on tax credits. There are nine tax credit applications including Templeton.

Discussions developed around the Winooski project and its funding. Winooski has asked to reserve \$25,000,000 in private activity bond cap. There are some issues concerning this as it is a whole new process to have a municipality come in for a large amount of bond cap without going through a State issuer. To date the Winooski CDC has not shared with the housing agencies specific details on the housing project. It was the sense of the Board the State needs to set up a review process for requests from a non-issuing agency. VHFA will offer to help.

FINANCE

Mr. Schoenbeck stated that the Agency would have to sell another bond issue to finance Templeton.

Mr. Schoenbeck handed out a summary of the bond issue that closed last Thursday, January 17, 2002. The Agency got terrific rates on the sale of multifamily bonds and notes. The note issue was backed by the Agency's general obligation for the first time and it worked well. Full spread was maintained while proforma interest rates were met at 7% for tax exempt and 8.5% for taxable. This is the largest issue the Agency has done for new multifamily projects.

The matter of who buys our bonds was discussed. Short term bonds are typically purchased by retail. Multifamily needs long term bonds, so Fannie Mae and very few others purchasers set the market for long rates. The market is not as diverse for long-term bonds.

Overall, the bond financing was successful with innovative structuring and excellent rates.

Mr. Candon felt that the bond seminar led by John Wagner of Kutak Rock was well done. Ms. Carpenter stated that the staff had a great work session with Kutak, Paine Webber and Piper Jaffray and that the Agency should hold these working meetings at a minimum of once a year.

Mr. Fairbanks stated that the Agency got some good press on this bond issue.

Mr. Schoenbeck noted that the next single family bond issue should occur prior to April 26th, which is when the Agency has some notes maturing that create volume cap capacity.

DEMONSTRATION PROJECT UPDATE

Mr. Adams provided the Board with a summary's of the results of several staff meetings intended to further define the Agency's direction toward the development of a "Demonstration Project", specifically with regard to the overall goals and objectives of the project, various research components and the nature of the housing project(s) to be considered. Discussion by the Board focused on income targeting and the nature and design elements of the project. Important components will need to include such things as: income targeting not to exceed 115% of the area median income, consistency with the intent of the Vermont consolidated Plan, mixed use or purchase prices would be allowable if used to subsidize the affordable housing units, renewable or leveraged sources of funding, willing Towns and/or areas of greatest housing needs. The next steps will be to define the development components and parameters under which we would consider a demonstration housing project and begin to identify the resources needed to bring this forward.

Mr. Douglas stated that VSAC feels that the office building could be a stand-alone project. VSAC is trying to support downtown re-development even though dollar-wise it may cost more.

Mr. Seelig made the motion to adjourn. Mr. Douglas seconded the motion and it carried unanimously.

Meeting was adjourned at 12:05 PM.

Sincerely,

A handwritten signature in cursive script, appearing to read "Sarah E. Carpenter".

Sarah E. Carpenter
Executive Director



Vermont Housing Finance Agency

TO: VHFA Board of Commissioners
FR: Dave Adams, Chief of Program Operations
DATE: January 17, 2002
RE: Templeton Court Apartments
Request for Approval

Name:	Templeton Court Apts.	Location:	Hartford
Housing Type:	Family Housing	Unit Types :	Townhouse Style Apartments
Total Units:	28	Unit Sizes :	5 @ 1bdrm @ 640 Sq Ft 10 @ 2bdrm @ 1070 Sq Ft 9 @ 3bdrm @ 1160 Sq Ft 4 @ 4bdrm @ 1350 Sq Ft
Total Dev Cost:	\$5,006,000	Acq. & Hard Cost PSF:	\$148.00
Loan Requested:	\$ 900,000 cons/perm \$ 450,000 zero/def	Housing Credits:	\$199,611
Other Funding:	See Sources and Uses Schedule Attached.		
Developer/Sponsor:	The Housing Foundation, Inc. (HFI)		

This request is to formalize a workout solution for Templeton Court Apartments. We believe that the project's deteriorating physical condition and current operating deficit are a technical default under the terms of our loan agreements. This proposal has been developed over the course of the past year in conjunction with other funding sources involved in the project, and with the Vermont State Housing Authority ("VSHA").

Historical Background:

In April of 2001 the Board was made aware of the significant issues surrounding Templeton Court Apartments. The most significant issues related to the advanced physical deterioration of the buildings, site drainage, lack of parking or safe open recreational areas, along with the social struggles associated with many families living on this densely populated site. Various options were explored in June including outright foreclosure and sale of the property. We also examined the potential of performing the minimum amount of rehab needed to cure construction/maintenance deficiencies. The Board suggested a full review of a proposal to substantially demolish all the buildings and reconstruct the project with a lower number of units. It was requested that VHFA hire a consultant to review the engineering work completed by Housing Foundation Inc. to insure that the site and existing foundations were adequate to support reconstruction. A favorable report from VHFA's construction inspector, Dave Anderson, was received in June of 2001. The Board acknowledged the findings of Mr. Anderson's report and concurred with the staff recommendation to proceed with design and financial feasibility work for Templeton as a 28 unit project, subject to the following concerns:

1. VSHA to work with HUD to be sure that the reduction in the number of units at Templeton will not result in loss of HAP subsidy for the remaining 28 units or for any of the displaced families.



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VSHA reports that the proposed 28 units will continue to retain their project-based rental assistance until they expire in 2006. It is the intention of VSHA and HFI to move as many Templeton residents to a new 18 unit project in Wilder, which will also have project-based vouchers. In addition, any tenants who are able to purchase homes outside either of these projects will be eligible to receive Section 8 Housing Vouchers. We will require evidence from HUD that rental assistance will continue on the 28 units at Templeton under the new ownership structure.

2. VSHA must explore all possibilities for funding subsidies including but not limited to: CDBG funds, and FHLB AHP funds.

Staff believes that VSHA has explored all avenues of potential funding sources. They generated local support and have applied for VCDP funds. They have also applied for FHLB – AHP funds and although AHP funding has not been awarded they are on an alternate list with some possibility that they will receive funding.

3. VSHA needs to assume some responsibility for a portion of the anticipated losses and to quantify how much and in what form this participation will be.

VSHA is contributing \$100,000 which they indicate represents 27% of its unrestricted reserves, to Templeton. In addition, the developer's fee of \$90,000 is deferred, and a \$40,000 loan that VSHA was required to provide to the project in 1991 for working capital is being contributed. This is shown in the proforma "Sources" as "GP Loan deferred totaling \$230,000".

4. VSHA Management capacity is still an issue that needs to be resolved. It was mentioned that perhaps partnering with a local non-profit may be appropriate.

Although historically we believe there should have been stronger oversight and proactive management of the problems that have plagued Templeton, we believe that there has been significant improvement for the past few years. We concur with the requirement imposed by VHCB as a condition to providing funding to Templeton, that VSHA submit a property management plan prior to scheduling a pre-closing which identifies goals and objectives for management, with specific plans that will insure adequate funding of reserves and maintenance of the project, along with strategies for successful involvement of residents, neighbors and service providers and the responsibilities of key personnel.

5. On any reconstruction at Templeton, we will require that Dave Anderson continue to work closely with VSHA and its consultants to review and approve design, plans, specs, costs and construction progress through completion.

It is our intention to continue to require that Dave Anderson be closely involved with the design, construction specs and costs through the construction period.

6. This loan approval will be subject to receipt and review of final costs estimates and identified funding sources, with operating proformas that demonstrate long term financial viability and a permanent fix to the physical and social issues that have plagued Templeton.

Staff feels that the current proposal meets this condition subject to the complexities involved with structuring the VHFA financing within the bond resolution restrictions.

FINANCING STRUCTURE:

The staff is requesting approval by the Commissioners for the proposed restructuring of Templeton Court Apartments. Board approval would constitute a sign off of three major decision points including:

1. Financing terms to include:
 - a. Construction/Permanent Loan in the amount of up to \$900,000, at a rate equal to 150 basis points above VHFA's cost of funds at the time of bond issue, with an amortization period of 30 to 40 years.
 - b. A zero percent deferred loan in the amount of up to \$450,000.
2. Final concurrence to reconstruct Templeton as a 28 unit Townhouse Style Project.
3. Concurrence to retain HFI as the project sponsor and VSHA as the project manager.

The current balances owed to VHFA approximate \$1.4 million dollars and were funded from older bonds that were refunded in 1999 and which have ten year lock-out provisions. After some research and discussion with bond counsel, we found provisions in the bond documents that warn of the potential for certain loans (not specific) with balances totaling up to \$5 million dollars that could prepay at any time. It was felt by bond counsel that the language in the bond documents was broad enough for us to include Templeton as one of these pre-payable loans. Further support is given to proceed in consideration of the "workout" nature of the transaction and the technical default of the project.

The amount and term of the permanent loan requested is the maximum we feel that the project can support. It is based on the assumption that the existing Section 8 rent levels and the corresponding project-based certificates will remain in place. Some concern is noted that the existing HAP contract will expire in 2006, with no guarantees that they will be renewed. There are two suggestions that will help mitigate this risk: First is to require that the Vermont State Housing Authority agree in writing that when the current contract expires, it will continue to renew the current HAP contract for the maximum term allowed, provided there is no statutory prohibition against doing so. Further, if VSHA is unable to extend the existing contract under the Project-Based Certificate program, the VSHA governing board, will agree to convert the form of subsidy provided to the residents of Templeton court Apartments (28 units) to the Project-Based Voucher program. VSHA's commitment to provide project-based subsidy at Templeton Court Apartments will be for the maximum term allowed under the law. Secondly, it is the Agency's intention to apply for enrollment in the Risk Share Program with HUD and to apply for a 50/50 HUD insurance coverage on Templeton. Under the Risk Share program, HUD and VHFA agree to share in any potential loss in the event VHFA acquires title to the project and ultimately sells the project at a loss.

You will note on the sources and uses schedule attached that there is an \$80,000 financing gap. As of this writing it has not been determined how this will be filled, however we understand that VHCB will consider increasing the amount of the VHCB (new) grant funds which were originally committed in June 2001 at \$332,000.

Other funding sources include two sources which are uncommitted as of this writing. HFI submitted an application in the fall round for Federal Home Loan Bank AHP funds. They were not awarded but were placed on an "alternate list". Projects on the "alternate list" may receive funding if other projects that have been previously approved for AHP funds by the FHLB fallout. The amount of AHP funds requested is \$400,000. HFI will find out if they will receive this funding at the end of March 2002.

The second source of uncommitted funds is from the VCDP program in the amount of \$590,000. HFI's application was supported by the Town of Hartford and is pending with the CD Board. We should know the outcome of this application by the end of March.

HFI has an application for Allocated Credits submitted for the February allocation round. The financing plan described in this memo assumes 9% credits are not awarded to Templeton in this round. If however, any of the funding sources fall out, the only way for the project to go forward will be an award of allocated credits in an amount sufficient to offset any loss or reduction in the funding requested. Bond counsel has confirmed that with the sale of the project to a newly-formed limited partnership and the use of taxable financing, that the project will not be precluded from eligibility for allocated credits, even though it is presently financed with tax exempt bonds.

OTHER ISSUES:

Total Development Costs appear high at \$181,643 cost per unit, and \$171.00 cost per square foot. Existing debt owed to VHFA and VHCB contribute approximately \$58,000 to the cost per unit, and \$55.00 to the cost per square foot. Net of existing debt, these cost are closer to \$123,600 per unit, and \$116.00 cost per square foot.

Physical Reconfiguration of the Project:

The staff is recommending approval to proceed with the design and reconstruction of the project with a reduction in the number of units from 36 to 28. The loss of 8 units in Templeton is offset by new housing to be built by HFI in nearby Wilder, consisting of 18 units. The Wilder project has received a funding commitment from Rural Development. Of greater consequence to the reduction in number of units is the reduction in the number of bedrooms in Templeton from 128 to 68. The physical and social problems in the project have been attributed to the high concentration of families with upwards to 100 children living in the project with limited safe and secure recreational areas. The reduction in the number of units enables a portion of the buildings to be removed, creating more open areas, safer parking with access and ability for parents to monitor back yards, along with the ability to cure site drainage problems. The staff concurs and recommends reconstruction of the project with 28 units, subject to review of construction plans, specs and close monitoring by our construction consultant.

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

28 units All Bond

Total Residential Units:	28	Increase in Income from Rental Units:	1.50%
Housing Credit Restricted Units:	28	Increase in Income from Other Sources:	1.50%
Percent Restricted:	100.00%	Increase in Income from Commercial:	0.00%
Total Development Cost:	5,086,000	Expense increase:	3.00%
Total Development Cost per Unit:	181,643	Vacancy Rate:	5%
Total Development Cost Per SF:	171	Partner's Tax Rate:	35%
Acquisition Cost & Hard Cost PSF	148	Long Depreciation Schedule:	27.5 years
Max Allocated Credit	0	Short Depreciation Schedule:	7 years
Max Non-Allocated Credit	199,611	Sponsor's Estimated Yield:	83.63%
Total Amount of Credit	190,000		
LIHTC - 4%	3.50%	Nov 01	DCR 101%
LIHTC - 4%	3.50%		

SOURCES

	% of Total Development Cost	Interest Rate	Amortization	Term
VHFA new loan	900,000	17.70%	7.00%	30
VHFA deferred (0%)	450,000	8.85%	0.00%	20 deferred
VHCB existing	228,000	4.48%	0.00%	25 deferred
HOME	265,000	5.21%	5.00%	20 deferred
VHCB (new)	232,000	4.56%	0.00%	20 deferred
AHP	400,000	7.86%	0.00%	20 deferred
VCDP	630,000	12.39%	0.00%	20 deferred
REEP Grant (GP Cap Contrib)	18,000	0.35%	0.00%	30
Owners Cash Contribution	0			
Project Reserves (GP Cap Contrib)	60,000	1.18%		
GP Loan deferred	230,000	4.52%		
HUD Drug elimination funds	20,000	0.39%		Grant
Tax Credit Equity (LP Cap Contrib)	1,573,000	30.93%	N/A	N/A
TOTAL SOURCES	5,006,000	98.43%		
		DCR Yr 1 & 1	115%	101%

USES

Acquisition	1,634,900	32.15%
Construction Hard Costs	2,781,300	54.69%
Soft Costs	669,800	13.17%
TOTAL USES	5,086,000	100%

Gap 80,000

PER UNIT COST LIMIT CALCULATION

	per unit limits	number of units	
0 Br	84,390	0	0
1 Br	90,140	5	450,700
2 Br	95,890	10	958,900
3 Br	101,637	9	914,733
4 Br	107,390	4	429,560
Maximum cost allowed under the per unit cost limits			2,753,893
Projected total cost, excluding cash accounts			5,019,000
	(over)/under		(2,265,107)
			Cost Coverage % 55%

General Partner's Capital Contribution

Limited Partner's Capital Contribution

Total Equity

15,889	1.00%
1,573,000	99.00%
1,588,889	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	28
Total Units	28
Unit Fraction	100.00%
Tax Credit Square Footage	29,740
Total Residential Square Footage	29,740
Square Footage Fraction	100.00%
Applicable Fraction	100.00%

	Budget	Per Unit	Per s.f.
ACQUISITION			
1 Land	167,000	5,964	5.62
2 Purchase of Building(s)	1,421,400	50,764	47.79
3 Demolition (without replacement)	36,000	1,286	1.21
4 Property Appraisal	4,000	143	0.13
5 Legal - Title and Recording	6,500	232	0.22
Subtotal - Acquisition	1,634,900	58,389	54.97
CONSTRUCTION HARD COSTS			
6 Rehabilitation	2,256,300	80,582	75.87
7 New Building(s)		0	0.00
8 Accessory Buildings		0	0.00
9 Sitework	195,000	6,964	6.56
10 Commercial Space Costs (if any)		0	0.00
11 General Requirements		0	0.00
12 Contractor Overhead		0	0.00
13 Contractor Profit		0	0.00
14 Construction Contingency	175,000	6,250	5.88
15 Construction Management		0	0.00
16 Construction Bond Fee		0	0.00
17 Hazardous Materials Abatement		0	0.00
18 Off-Site Improvements		0	0.00
19 Furnishings, Fixtures, & Equipment	25,000	893	0.84
20 Other (Vacancy Operating Losses)	130,000	4,643	4.37
Subtotal - Hard Costs	2,781,300	99,332	93.52
SOFT COSTS			
21 Architectural	143,050	5,109	4.81
22 Engineering	23,015	822	0.77
23 Legal/Accounting	14,000	500	0.47
24 Relocation	32,000	1,143	1.08
25 Environmental Assessment	2,500	89	0.08
26 Survey, topo	13,000	464	0.44
27 Permits/Fees	16,500	589	0.55
28 Independent Market Study	0	0	0.00
29 Construction Period Insurance	5,200	186	0.17
30 Construction Interest	88,500	3,161	2.98
31 Construction Loan Origination Fee	16,000	571	0.54
32 Taxes During Construction	17,000	607	0.57
33 Clerk of the Works	30,000	1,071	1.01
34 Marketing	500	18	0.02
35 Tax Credit Fees	12,000	429	0.40
36 Soft Cost Contingency	5,035	180	0.17
37 Permanent Loan Origination Fee	0	0	0.00
38 Lender's Counsel's Fee	6,500	232	0.22
39 Other ()		0	0.00
SYNDICATION COSTS			
40 Organizational (Partnership)	6,000	214	0.20
41 Bridge Loan Fees and Expenses	3,500	125	0.12
42 Syndication Consultant	5,000	179	0.17
43 Tax Opinion	3,500	125	0.12
DEVELOPER'S FEES			
44 Developer's Fees	90,000	3,214	3.03
45 Other Partnership Fees for Reserves	0	0	0.00
46 Consultant Fees	70,000	2,500	2.35
RESERVES			
47 Working Capital	20,000	714	0.67
48 Rent-up (Deficit Escrow) Reserve	7,000	250	0.24
49 Other Operating Reserves	20,000	714	0.67
50 Sinking Fund		0	0.00
51 Replacement Reserves	20,000	714	0.67
Subtotal - Soft Costs	669,800	23,921	22.52
TOTAL DEVELOPMENT COSTS	5,086,000	181,643	171

**RESOLUTION RE: CONSTRUCTION AND PERMANENT FINANCING
FOR TEMPLETON COURT APARTMENTS, HARTFORD**

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

WHEREAS, an application has been submitted to the Agency by the Housing Foundation Inc. (the "Sponsor") on behalf of a to be formed limited partnership in which the Sponsor or its subsidiary will be the general partner (the "Borrower") involving the rehabilitation of Templeton Court Apartments which will contain a total of twenty-eight (28) units of rental housing in the Town of Hartford (the "Development"); and

WHEREAS, the Agency desires to take "official action" for the purpose of, and to reimburse itself for any advances of its funds prior to, the issuance and sale of tax-exempt bonds (the "Bonds") to finance a loan to the Borrowers;

WHEREAS, the application contemplates a mortgage loan for construction and permanent term financing for the Development with the interest rates to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds;

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from dave Adams dated January 17, 2002, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

meaning of the Act. The Borrower will be required to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsor for the construction and permanent term financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.
2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the limited partnership to be created by the Sponsor for the construction and permanent term financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsor as representative of the Borrower. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
3. The issuance of the Bonds for the purpose of financing one or more loans to the Borrower is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.
4. The preliminary approval described in the preceding paragraph does not obligate the Agency to give final approval for the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by independent action, which may contain such conditions thereto as the Agency may deem appropriate. The Agency in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Sponsor, the Borrower or any other person for its refusal to do so.
5. The Executive Director is hereby authorized to make an additional loan to the Borrower for the Development of not more than \$450,000 at an interest rate of 0%.
6. The Executive Director and the Loan Review Committee will establish the final sources and amounts of the loans for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the

applicable regulations and policies of the Agency, including the Underwriting Guidelines.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on January 24, 2002.

A handwritten signature in cursive script, reading "Sarah E. Carpenter".

Sarah E. Carpenter

*Executive Director and Secretary
Vermont Housing Finance Agency*



Vermont Housing Finance Agency

Joint Meeting of the Joint Committee on Tax Credits and VHFA Board of Directors 2002 Round One Housing Credit Allocation Meeting

State Treasurer's Office
133 State Street, Conference Room 1
Montpelier, VT

Thursday, February 21, 2002 at 9:00AM

PRESENT: Committee Members Present: Greg Brown, Sarah Carpenter, Charity Clark (designee of Governor Dean), Gus Seelig, Richard Williams,

VHFA Board Members Present: Chairperson Lisa Randall, Commissioners Kathy Beyer (designee of Lambert), Tom Candon (designee of Costle), Dayne Canney, Karen Lafayette, Gus Seelig, Susanne Young (designee of Douglas)

Staff: Cindy Reid, Holly Keough, Joe Erdelyi, Sarah Carpenter, David Adams

Other: Bob Marcellino (HDI), Peter Holmberg (HCI), Jeff Kantor (JD Kantor, Inc., Nancy Owens (Housing Vermont), Amy Demetrowitz (BCLT), Brenda Torpy (BCLT), Liz Curry (LCHDC), Christine Maloney (RACDC), Brian Pine (City of Burlington)

MINUTES:

Ms. Carpenter called the meeting to order at 9:10AM.

Mr. Seelig made a motion to approve the minutes of October 24, 2001. The motion carried unanimously after being seconded by Ms. Clark.

Arbor Gardens

Mr. Erdelyi reviewed the project stating that this was an increase of 9% in Credit Allocation caused by septic system cost, archaeological testing and remediation, and discovery of ledge.

Mr. Marcellino explained that the shortfall would be made up by deferred developer fees that would start paying in 6.5 years. The additional credits are needed because of arrowheads found during the archaeological testing warranting more archaeological work, and a more expensive septic system is required.

Mr. Marcellino commented that during a meeting he had with Molly Lambert and Emily Wadhams, they stated that this archaeological work and finding of arrowheads could be significant for future developments and they would be reviewing statewide policies on this matter.

Burlington Family Rehab

Ms. Reid reviewed the project, which was a project that was presented at the last Tax Credit Committee meeting. This project was submitted at the last meeting with the Depot Street project, but at the committee's recommendation the projects were split and both have re-applied separately. Two more pieces of funding are still needed.

Ms. Owens reviewed the project stating that this was a rehab of six buildings in the Old North End. All the units are currently occupied, but will need rehab to keep them operating well. The re-development of this project will also lower the debt so the buildings aren't a burden on BCLT. There will be exterior work on two buildings.

Total value of the six properties is \$900,000 in building and \$120,000 in land.



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It was questioned if funding could be obtained through local banks if the \$70,000 Neighborworks money didn't come through. Ms. Torpy stated that a Neighborworks commitment looked fairly secure at this point.

The rehab is ready to start as soon as the funding is received. Spring they will start relocating tenants. Most of the tenants want to move back once rehab has been completed.

Depot Street

Ms. Reid reviewed the project. This is a four story building with 40 ground level parking spaces on Burlington's waterfront.

The site plan was reviewed. The building will be built behind the railroad tracks and because of the design of the building including a concrete construction first level of parking (40 spaces) and the 4 story housing built of steel and wood, the housing level will be above the level of the railroad. Lake Street and utilities will be brought to the site by the City. Depot Street will be a pedestrian street.

Site work of \$500,000 is due to steep slopes being redefined and lots of site work. They are currently working with consultants due to soil being loose or sandy, so they have to add fill and compact it. This project is not in a flood plain.

Mr. Pine from the City of Burlington explained that the City is fully supportive of this building project and has committed a major portion of its budget to this project. This is the only opportunity on the Waterfront to develop affordable housing. The City will retain ownership in the land.

ONE Renaissance

Ms. Reid reviewed the project stating the permitting is nearly done. This is a new construction project on two sites in the Old North End. Since applying in the last round, the project has made progress both on obtaining permitting and funding commitments.

Ms. Owens and Ms. Curry discussed with the Committee the importance of Burlington College leasing space in the new building. This will be a 5 year lease with a purchase option. The Committee brought up the concern if Burlington College pulls out after five years. Ms. Owens stated that they have had conversations with another non-profit and that there is need for the space. HVT and LCHDC are working on the issue of the lease plan to use an accelerated depreciation schedule.

Park Village II

Mr. Erdelyi reviewed the project stating the local permits are in place and the ACT 250 permit will be issued when the waste water permit is assigned.

Mr. Holmberg spoke about the project, a renovation of three buildings of the former Brandon Training School into apartments. Adjacent Parcel B will be leased for industrial use and that could create in excess of 500 jobs.

There is asbestos and lead paint in all the buildings to be renovated. The Committee suggested looking into the State Lead Paint program that could help fund some of the renovations.

These are old dorms and have been envisioned as housing for many years. Demand is high for the units due to the nice environment, daycare center, park and swimming pool on site. The town will vote next week on whether to move city offices to this site. Bus and car service is provided by a non-profit group in Brandon. Meals and VNA is available for seniors.

Randolph Family Housing

Ms. Reid reviewed the project stating that this is a mixed rehab and new construction project. A building in rough condition that currently has 5 units will be rehabilitated and re-configured to create four apartments. On another site, two new buildings totaling eight units will be built. The project has applied for VCDP funds that will be announced in late March.

The town of Randolph has been supportive of this project. Vacancy rate is 3.5% for this area. It was questioned whether the town could take care of the rehab project themselves by enforcing rental housing code, but the work is substantial and total rehab is needed.

Zoning on the parcel where new buildings will go up has been changed from industrial to residential. Drawings are being submitted for local permitting in April. Act 250 is required for the new construction units.

Sunrise Settlement

Mr. Erdelyi described the site plan and passed it around. Land was previously permitted by another owner and the town has determined that the permit approval still stands. Mr. Marcellino proposes to seek permit changes to build twenty-two detached three bedroom rental houses instead of duplexes. The ACT 250 permit can be changed as an administrative amendment.

Mr. Marcellino described the modular construction that is 2 blocks off Route 4, within walking distance to downtown. This is in an established neighborhood. The vacancy rate for that area is less than 2% with very little housing available and a need for affordable housing. The houses would rent out at 60% of median.

Templeton

The project was reviewed by Mr. Adams. During the previous round of Tax Credits in October this project was discussed at length. They now need commitments to move the project forward.

Templeton has applied for \$300,000 of AHP funding. They are currently the third alternate for an AHP award being 2/10ths of a point ahead of the next awarding project. They have applied for \$600,000 of VCDP funds. The tax credit allocation would be conditional on them not getting VCDP funds.

When questioned about the drainage situation it was stated that a topographical survey has been done and they are looking at tying into an existing storm drain.

Tax Credit Committee Voting

The Joint Committee on Tax Credits discussed:

- Readiness issues.
- The fact that Rural Development has funds and not many projects, so could any of these projects fit into their program.
- Templeton not knowing if they will get the other funds and should the committee reconvene after AHP and CD funds are awarded.
- Depot Street project won't need the credits until closer to the Spring of 2003.
- Concerns of Quechee project staying affordable was discussed, as well as a lease-purchase scenario.
- The diversity of the projects and locations were liked.
- A pre-scheduled twice a year Tax Credit Committee meeting was suggested.

Mr. Brown made a motion to recommend to the VHFA Board an award of tax credits to the following projects:

Randolph Family Housing	\$ 120,000
Templeton Court Rehab	\$ 140,500

Burlington Family Rehab	\$ 85,000
ONE Renaissance	\$ 127,000
Arbor Gardens	\$ 32,357
Park Village II	\$ 352,369
Sunrise Settlement	\$ 363,530
	<u>\$1,220,756</u>

Ms. Carpenter seconded the motion.

Mr. Seelig moved to amend the motion to recommend to the VHFA Board an award of tax credits to the following projects:

Randolph Family Housing	\$ 120,000
Templeton Court Rehab	\$ 140,500
Burlington Family Rehab	\$ 85,000
ONE Renaissance	\$ 127,000
Arbor Gardens	\$ 32,357
Depot Street	\$ 415,000
Sunrise Settlement	\$ 363,530
	<u>\$1,283,387</u>

No second.

The first motion which Mr. Brown recommended was passed with 4 in favor, Mr. Seelig was opposed.

Ms. Carpenter made a motion to recommend that the VHFA Board defer awarding \$50,000 in State Tax Credits to the sole project requesting them, Depot Street.

Mr. Williams seconded the motion. The motion was passed with 4 in favor and Mr. Seelig opposed.

The Joint Committee on Tax Credits adjourned at 12:40PM.

VHFA Board of Commissioners

Ms. Randall called to order the VHFA Board Meeting at 12:40PM.

Ms. Carpenter reported the recommendation of the Tax Credit Committee.

Mr. Seelig made a motion to amend the Tax Credit Committee's recommendation to include the following:

Randolph Family Housing	\$ 120,000 (encouraged to look at RD funding)
Templeton Court Rehab	\$ 140,500 (to return credits if VCDP and AHP is awarded)
Burlington Family Rehab	\$ 85,000
ONE Renaissance	\$ 127,000
Arbor Gardens	\$ 32,357
Depot Street	\$ 415,000
Sunrise Settlement	\$ 363,530
	<u>\$1,283,387</u>

Ms. Lafayette seconded the motion. The motion failed; Ms. Beyer, Ms. Canney and Ms. Young opposed; Ms. Lafayette and Mr. Seelig voted in favor, Mr. Candon abstaining.

Ms. Canney made the motion to approve the Joint Committee on Tax Credit's recommendation as presented to the Board and Ms. Beyer seconded the motion. The projects included are:

Randolph Family Housing	\$ 120,000
Templeton Court Rehab	\$ 140,500 (to return credits if VCDP and AHP is awarded)
Burlington Family Rehab	\$ 85,000
ONE Renaissance	\$ 127,000
Arbor Gardens	\$ 32,357
Park Village II	\$ 352,369
Sunrise Settlement	\$ 363,530
	<u>\$1,220,756</u>

The motion passed; Ms. Beyer, Ms. Canney and Ms. Young voting in favor, Ms. Lafayette and Mr. Seelig opposed, Mr. Candon abstaining.

FINANCE

Ms. Carpenter presented the Single Family Note Extension and Resolution to the Board per the memo prepared by Mr. Schoenbeck.

Mr. Candon moved to approve the recommended resolution, this was seconded by Ms. Young. The resolution passed unanimously.

Ms. Young made the motion to adjourn. Ms. Canney seconded the motion and it carried unanimously.

Meeting was adjourned at 12:55PM.

Sincerely,



Sarah E. Carpenter
Executive Director



Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS
FROM: ROGER A. SCHOENBECK, CHIEF FINANCIAL OFFICER
DATE: FEBRUARY 14, 2002
RE: SINGLE FAMILY NOTE EXTENSION

RAS

As was mentioned at the last Board meeting, we have \$17.5 million of notes scheduled to mature on February 24, 2002. To preserve the volume cap utilized to issue the notes in February of 2000, we need to extend the maturity of the notes until we are able to "refund" the notes with a new single family bond issue scheduled to close by April 25, 2002.

Included with this memorandum is a Second Supplement to the Sixteenth Supplemental Single Family Housing Bond Resolution prepared by Kutak Rock, which approves the extension. The existing note holders have all agreed to hold their notes for the extra two months.

If you have any questions prior to the Board meeting, please contact me at your convenience, as I do not plan to attend the meeting.

Recommended Action

Approval of the attached resolution.



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**SECOND SUPPLEMENT TO THE SIXTEENTH SUPPLEMENTAL
SINGLE FAMILY HOUSING BOND RESOLUTION**

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

WHEREAS, the Series 12D Notes were issued pursuant to the Agency's Single Family Housing Bond Resolution, adopted on September 20, 1990 (as heretofore amended and supplemented, the "General Resolution"), its Sixteenth Supplemental Single Family Housing Bond Resolution, adopted on February 10, 2000 (as previously amended in the First Supplement to the Sixteenth Supplemental Single Family Housing Bond Resolution, dated as of January 25, 2001, and as heretofore amended and supplemented, the "Sixteenth Supplemental Resolution") and the Series Certificate of the Chairman and Executive Director of the Agency dated as of February 24, 2000 (the "Series Certificate");

WHEREAS, Section 2.01(e) of the Sixteenth Supplemental Resolution provided that the Series 12D Notes shall mature no later than April 25, 2002 and Section 1(d) of the Series Certificate provided that the Series 12D Notes shall mature on February 24, 2002;

WHEREAS, the Agency wishes to extend the maturity date of the Series 12D Notes to April 26, 2002;

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

WHEREAS, the Agency anticipates that 100% of the owners of the Series 12D Notes will consent to the extension of the maturity thereof to April 26, 2002.

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

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

Section 2. Extension of Maturity. Section 2.01(e) of the Sixteenth Supplemental Resolution and Section 1(d) of the Series Certificate are hereby amended by deleting the references to the maturity of the Series 12D Notes included therein and inserting in lieu thereof April 26, 2002.

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

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

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

Section 6. Miscellaneous.

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

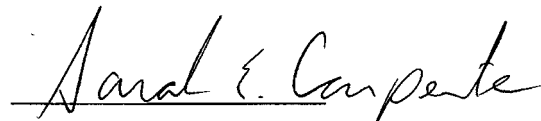
(b) **Reference.** From and after the effective date hereof, all references to the Sixteenth Supplemental Resolution or the Series Certificate shall be deemed to be references to the Sixteenth Supplemental Resolution or the Series Certificate, as applicable, as amended by this Supplement.

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

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

Adopted: February 21, 2002

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on February 21, 2002.



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

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EXHIBIT A

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

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

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

(ii) the Owner has been provided a copy of the Second Supplement to the Sixteenth Supplemental Single Family Housing Bond Resolution of the Agency (the "Supplement"), to be adopted on February 21, 2002; and

(iii) the Owner hereby consents to the extension of the maturity of the Series 12D Notes to April 26, 2002 as provided in the Supplement.

[Insert Name of Bondowner]

By _____
Name _____
Title _____



Vermont Housing Finance Agency

VHFA Board Minutes
State Treasurer's Office
133 State Street, Conference Room 1
Montpelier, VT

Thursday, March 28, 2002 at 9:00 AM
Amended Minutes (April 18th Board Meeting)

PRESENT: Chairperson Randall, Commissioners Candon (Designee of Costle), Douglas, Lafayette, Seelig, Canney

STAFF: Ms. Carpenter, Ms. Loller, Ms. Crady, Ms. Drake, Mr. Schoenbeck, Mr. Falzone, Mr. Erdelyi, Ms. Reid, Ms. Malmgren, Ms. Kendrick

GUESTS: Jeff Kantor, Andy Broderick (Housing Vermont), Richard Williams (VSHA)

MINUTES

Chairperson Randall called the meeting to order at 9:05 AM.

January 2002 minutes were approved with one change on the second to last page clarifying that the federal bank regulators have just adopted "regulations" on the topic and we have only a few documented instances of predatory lending in Vermont.

Mr. Candon made a motion to approve the minutes with this change. Ms. Lafayette seconded the motion and it was carried unanimously.

Chairperson Randall wanted to know if people were comfortable approving the February Minutes. It was decided to wait until the end of the meeting.

ANNUAL MEETING

Ms. Drake stated the only change from the previous resolution is the change on signature of accounts, which has been expanded to include any of the agency accounts. Amounts over \$10,000 require two signatures.

Motion was made for Mr. Seelig to continue as Vice Chair. Mr. Candon made the motion to accept the Annual Meeting Resolution and Ms. Canney seconded the motion and it was carried unanimously.

DEVELOPMENT:

HOLLOW DRIVE, WILDER

Hollow Drive is an 18 unit residential development proposed in Wilder, Vermont that has a commitment for permanent financing and rental assistance from Rural Development (RD). The Hollow Drive Housing Limited Partnership is requesting \$1,550,000 in tax-exempt construction financing to build these 18 units. The Wilder side has 10.75 acres, which is subdivided into 11 lots. On two lots will be constructed six multifamily buildings totaling 18 units. There will be 8 market-rate single-family lots and one lot will remain undeveloped. These lots are not included in this financial request. This project has all its funding commitments except for a supplemental loan from RD which will be considered once bids are in. The project is all permitted and the environmental review was clean.



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Mr. Candon stated he thought this project was a done deal and that Rural Development gave their commitment last year. Ms. Reid stated they are looking to us for construction financing. This will help Templeton project along also as a place to relocate the Templeton residents once Templeton re-development is underway. Mr. Candon said there was also an issue at Templeton of multibedrooms that was one of the problems of Templeton's downfall. Mr. Kantor said Hollow Drive, percentage wise, has fewer multi bedroom units and is much less dense. Mr. Williams said there are extra site development costs because of the townhouse style. Each unit has some privacy. Mr. Williams said the equity partners would be Mascoma and Chittenden. Tax credits will be made available to the sponsors through the use of tax-exempt financing. A motion was made by Mr. Douglas to approve the Multifamily Construction Loan Application for Hollow Drive. It was seconded by Ms. Canney and unanimously approved by the Board.

RICHFORD COMMUNITY HOUSING

Mr. Erdelyi stated that Housing Vermont (HVT) and Richford Renaissance Corp. (RRC) propose to renovate four buildings into 15 housing units. The buildings are well located and the community will benefit. The project has a Rural Development commitment. The construction bids came in over budget and HVT has a plan to close that gap by value engineering, additional VHCB funding, and additional tax credit equity. An Environmental Site Assessment was completed and there were no significant findings. HVT and RRC are requesting a VHFA construction loan of up to \$1,550,000, but the final amount could be as low as \$1,400,000. Mr. Broderick has identified \$100,000 in possible cost reductions. The sponsors have a commitment from RD for rental assistance and permanent financing funds of \$500,000. The budget calls for an additional \$660,000 and the sponsors have requested the increase from RD. Mr. Erdelyi said it is important that the project maintain a healthy construction contingency.

The Board had a short discussion about the Sweat Cummings building. There is another couple of years work there. A motion was made by Mr. Douglas to approve the construction loan for Richford Community Housing and seconded by Mr. Seelig. The Board unanimously approved.

LAKE STREET, ST. ALBANS

This project is called "Butler House." It is an old brick building that was condemned by the City of St. Albans a year ago. Housing Vermont (HVT) and Lake Champlain Housing Development Corporation (LCHDC) are seeking a \$700,000 tax-exempt construction financing to acquire and rehabilitate this building and make it into 6 residential units. (The commercial unit will be financed separately and is not a part of the VHFA loan request). This project has all of its funding and permits. The sponsors seek a waiver from the tax credit programs per unit cost limits, as have all tax credit projects for the past few years. LCHV (Lake Champlain Housing Ventures) will manage the property. This property will have an elevator easement enabling it to utilize the elevator in the adjacent building, a previously funded VHCB project. Construction should begin in May and be completed by March 2003. Mr. Candon asked what is the value of the building as is. Ms. Reid stated \$68,000. Mr. Seelig made a motion to approve the Multifamily Construction Loan Application for 11-13 Lake Street, St. Albans and Mr. Douglas seconded the motion. It was unanimously approved.

HOMEOWNERSHIP

Ms. Crady was happy to report that again the Home Buyer Fair (HBF) was very successful. 950 people attended from all over the state. It appeared that more people were ready to buy and came to the fair to talk with lenders and see properties. The DJ from WOKO who did a live broadcast from the fair has signed a purchase and sale agreement to purchase a VHFA REO property in Richford. Ms. Crady said that staff is not planning to hold a HBF in Chittenden County next year but instead plan to host a fair in Rutland County in the spring of 2003. It will be held on April 5, 2003, at the Holiday Inn in Rutland. We plan to have the same first class event we have in Chittenden County but on a smaller scale. Chairperson Randall stated that if that many showed up in Chittenden County, maybe that shows we should continue holding the HBF in Chittenden County. She was concerned that the HBF might lose momentum and staff should consider alternatives before canceling a Chittenden County event. One suggestion was to perhaps have an event with the Homeownership Center. Ms. Carpenter said that one issue was staff resources and the ability to do a lot of special events and still do the other work that needs to get done. Ms. Carpenter stated VHFA would be happy to consider multiple fairs but would have to decide how much to put into

each activity. It would be difficult to support two fairs. Ms. Carpenter said we could revisit the issue. Chairperson Randall said that maybe VHFA should just give financial support to the Homeownership Centers to do something on their own. Ms. Crady said there are events that take place in the spring in Chittenden County and perhaps VHFA can have more of a role in those events.

Ms. Crady stated VHFA is on track for loan purchases and that activity has increased. VHFA recently increased interest rates from 6.3% to 6.5%. Reservation activity during the past several weeks has averaged \$1.5 million. VHFA has not changed the interest rate on the cash assistance option because there is still \$1.6 million in funds remaining.

Ms. Crady reported that feedback that we got back from lenders who do business with other New England HFA's has been very positive. They are very happy with the programs we operate and the assistance received from staff. Lenders rate our program as one of the best in NE.

Loan purchases are on track for VHFA to meet its goal of \$55 million in loan purchases. It was noted that there are several lenders who have not generated loan activity during the current fiscal year. Ms. Crady commented that there are several lenders who now process their loans through Northeast Home Loan so they are generating loans for VHFA. Ms. Carpenter asked if some footnotes could be put on the Production by Lender report to address this.

Loan losses are on track and below budget as are total delinquency levels. The majority of VHFA owned properties are either occupied or under deposit as of the end of February. Ms. Crady said that VHFA would complete the foreclosure of six properties during March so our inventory of properties will increase. Currently there are fewer loans in foreclosure than in Chapter 13 bankruptcy. Ms. Crady would like to see the bankruptcy court require counseling. Ms. Crady stated most people who go into Chapter 13 make a plan to pay over 3 to 5 years. All arrearages and interest are added and a payment is made each month toward the delinquency along with the current months payment. 50% of the people entering this arrangement seem to do well and the others ultimately fail.

Mr. Seelig asked how is the availability of homes? Ms. Crady's response was that northwest Vermont continues to be a challenge to find housing within VHFA's purchase price limits. VHFA will be recommending purchase price limit and income limit changes at the April Board meeting. Ms. Crady asked Ms. Canney about the Rutland market. Ms. Canney said new construction would help the Rutland market.

Mr. Seelig said in terms of delinquencies, it is great that we are down and asked have we looked at trends from when they've gone down before? Mr. Seelig also asked what's the atmosphere to prevent VHFA from having those problems again? Ms. Crady said that we have increased our interest rates by 25 basis points to add to reserves. VHFA has also improved its portfolio by targeting flexible underwriting criteria to those borrowers who have good credit history and proven ability to manage their debt. In the past, VHFA targeted flexible underwriting to everyone. Ms. Crady also said that early intervention is the key to reducing delinquency levels and avoiding foreclosure. Mr. Schoenbeck said VHFA purged many of its marginal loans.

IORTA FUNDS

Ms. Crady reported that as of the end of February, VHFA has approximately \$382,000 in IORTA funds. IORTA funds are the interest received by VHFA on real estate trust accounts. Ms. Crady recommends freeing up a huge chunk of that as VHFA no longer needs to hold those funds to offset risk from the "No Down Payment" and "Down Payment Assistance Loans" made in the early 1990s. A claim has not been filed in over a year. VHFA would like to free up those funds to be allocated to the Homeownership Centers to assist with down payment/and or closing costs for center customers. VHFA has done this before. Noting that VDCU had not used its 2000 allocation, Chairperson Randall inquired if there are other ways to get the money into the hands of the homeowner. Ms. Crady stated that using the centers was an efficient way for VHFA to get these funds to buyers who need assistance the most. Mr. Candon asked if this money was strictly used for closing costs and how much time would it take to use up \$300,000? Ms. Crady said IORTA funds may be used for either down payment or closing costs; however, total financing may not exceed 100% of the purchase price. It would probably take the Homeownership Center a year to eighteen months to use up that amount of money.

Since IORTA bill was passed, VHFA has received about \$810,000 in resources. These funds were used to leverage over \$40 million in mortgages Ms. Crady stated. Mr. Seelig has asked his staff to put together an application to Federal Home Loan Bank and asked if we could hold some of this IORTA money back to meet FHLB matching requirements. Ms. Carpenter said we would certainly consider that. Mr. Seelig inquired if VHFA would contract out 2/3rds of it? Ms. Crady agreed that contracting 50% of the funds would meet current needs until a decision is made to apply to the FHLB. A motion was made by Mr. Seelig to approve the use of IORTA Funds for Homeownership Center Customers with the change "allocate up to \$300,000". Ms. Lafayette seconded the motion and it was approved unanimously.

VHFA MARKET SHARE ANALYSIS

Ms. Malmgren presented the market share analysis for 2001 and stated it was based on property transfer tax return records.

VHFA's market share has grown from 12% in 1990 to 20% in 2001. The figure 1 bar graph attached to the memo shows the VHFA percentage share of affordable housing marketing in Vermont for '98, '99, '00 and '01. Figure 2 shows the market share by county over the last four years. Grand Isle, Addison and Chittenden County all have homebuyer restrictions. Overall, there were about 2300 sales in Vermont of which 20% is VHFA. Ms. Canney asked what is happening in the NE Kingdom? Ms. Carpenter said that Rural Development has been doing more loans up there. Ms. Malmgren added there are fewer homes changing hands. Addison County has first time homebuyer rules. VHFA has been waiting to see if the Treasury would introduce new rules. Ms. Malmgren said the next chart, figure 3, shows the market share within VHFA purchase price and VHFA market share for all homes sold. Actual numbers are on last page. Figure 5 also shows VHFA's market share by county. Ms. Carpenter asked Ms. Malmgren if there had been an increase in sales? The last 2 years there has been a drop in sales Ms. Malmgren stated. Mr. Candon inquired if that was due to lack of availability? Ms. Malmgren said definitely but that RD Direct Loans are definitely a factor in the NE Kingdom. Ms. Malmgren said she goes online once a week to look at availability and there might be 20 homes a day under \$160K. The Merchants Bank in Windsor County has a new product with no PMI that could cut into VHFA's market but we don't know to what extent.

Ms. Malmgren handed out a bar graph on Affordability of Buying a Home in 2001 for Families at 80% of Median Income. The blue line would represent a more typical VHFA borrower. Green would represent 20% more conventional down payment borrower and Red is the median purchase price. Outside of Chittenden County, you are looking at about \$165K homes. Ms. Lafayette stated VHFA should look at what "median" income is in terms of affordability gap and also how much of a person's income goes to their housing and include median income on charts.

MULTIFAMILY – SECTION 8 CONTRACT ADMINISTRATION

Mr. Falzone stated that Section 8 Contract Administration is a topic that the Board has asked for more information on and explains in his memo how VHSA and VHFA overlap in contract administration responsibilities.

The memo covers three major programs, which are A. New Construction/Substantial Rehabilitation; B. Certificate Project-Based Program; and C. RFP Project-Based Section 8.

Mr. Candon asked Mr. Falzone if he was surprised by anything? Mr. Falzone said that VHFA seems to be getting a better deal and also there appears to be an inequity in how the fees are shared. Ms. Carpenter said that it is awkward and difficult in some ways but it's hard to say "can we do it cheaper or can they do it cheaper". Ms. Carpenter stated there are two things to be thinking about which are policy issues where VHFA has a permanent mortgage and where VHFA has a substantial long-term commitment to that project. Chairperson Randall asked why VSHA is still managing Templeton? Ms. Carpenter said VHFA is concerned about just that and will have a talk with HUD. Ms. Carpenter said VHFA pushed on the RFP contract and essentially took the lead on the projects VHFA has the mortgage on. As the mortgage relationship changes, that could be a problem going forward. VSHA is now doing 100% of contract administration for Section 8 202's. Mr. Falzone stated that from 1979 – 1984, VHFA and VSHA worked on 71 projects jointly. There is \$18M in Section 8 subsidy of which VHFA is jointly involved with \$11.5 million. Mr. Seelig asked why would HUD be motivated to change anything? Mr. Schoenbeck said only if they were going to take a big loss. Ms. Carpenter said from the VHFA point of view, if HUD really moves to consolidate

under one contract administrator, from the VHFA point of view, there could be a dramatic shift in the portfolio where we lose control. If HUD does that, VHFA would have to do an analysis on cost benefit. Mr. Falzone said that contract administration is VSHA's bread and butter. Chairperson Randall asked why VHFA gave them the contract administration of Templeton? Mr. Falzone stated that, technically, when the contract was signed, VSHA should have sought VHFA's approval. Ms. Carpenter said as a mortgagee, VHFA should have more control over some of these projects. VHFA is not questioning Section 8 vouchers to individuals that are administered by VSHA.

One of the functions of Public Housing Authorities is contract administration for Section 8 program and VSHA has also taken on a fee management operation where they have contracted with a subsidiary called HFI that does housing development. Mr. Seelig says maybe a way to proceed would be to convene all the compliance monitoring players (VHFA, VHCB, DCA and VSHA) to have a discussion about the overlap and see what evolves from that discussion. Mr. Falzone said we are talking about 100 projects and multiple programs. Ms. Carpenter said many state agencies contract for a share of the fees and said VHFA is presently in the middle of a 3-year contract.

FINANCE:

SINGLE FAMILY BOND FINANCING

Mr. Schoenbeck stated he just got the latest draft copy of the Twentieth Supplemental Single Family Housing Bond Resolution, which allows us to move forward with the financing with a fairly broad parameter of authority. The Resolution includes limits for the mortgage rate, volume cap used and rates. VHFA is well within those limits. There are no short-term notes incorporated in the structure at this time, but the issue contains an economic refunding of the Agency's 1989 bonds. By including the refunding, VHFA can reduce the rates on mortgages funded not only by Series 16, but it can also create a pool of funds, which it can use to subsidize the mortgage rates on subsequent bond issues. VHFA needs to find a new technique to drive down mortgage rates. VHFA non-assisted rates are higher than on the street. On the last financing, VHFA was over 7% with non-assisted mortgage rates. VHFA needs to continue to make its rates competitive.

This financing will provide VHFA with about \$40 million of mortgage proceeds. The current projected rate on the Series 16 mortgage funds is a "standard" mortgage at 6.5% and a cash assistance option mortgage at 6.95% with no points. The idea is to take the savings generated from the refunding and spread it over the current financing and the next financing and be at a competitive rate.

Chairperson Randall asked why we wouldn't issue a larger bond to fund a year's worth of financing at a lower rate? Given a rising rate market, Mr. Schoenbeck's reply was that could be done but the Board had previously decided that by going a year out at a time VHFA couldn't be flexible enough with rates.

We've targeted 6 months at a time to do bonding. We've expanded a little bit at this time. Some notes are maturing in August and if VHFA doesn't bond within 30 days of rate maturity, we could lose the related bond authority. Ms. Carpenter said we ought to look at that in the short run. Chairperson Randall said VHFA might want to increase the issue size to around \$45M. Mr. Schoenbeck said the other point is refunding savings that we would generate would be extended into the next issue. We have done that to some extent in going from \$30 million to \$40 million in mortgage proceeds. The Board then had a brief discussion on rates. We will have protection on rates that drop to some extent because we can remarket those bonds.

We had notes maturing in February and they were extended to April. In the notes that are maturing in August, that will not be the case. The discussion hasn't been held on how to remarket those notes.

Mr. Candon had a question on the 1989 Series A bonds and asked if VHFA is giving any message to the market that we are doing business differently? Mr. Schoenbeck stated that VHFA would be calling these bonds, which is probably expected by the market and is the most financially responsible thing to do.

Mr. Seelig made the motion to approve the Twentieth Supplemental Single Family Housing Bond Resolution with the following changes not to exceed \$50,500,000 lendable and \$30 million in volume cap. Mr. Douglas seconded the motion and the Board approved it unanimously.

Chairperson Randall asked if Ms. Lafayette and Mr. Seelig would work with Mr. Schoenbeck on the budget. She would also be asking Ms. Beyer to join the group. Chairperson Randall also said the HR committee needs to approve the salary/benefits budget before it comes before the Budget Committee.

ALLOCATION OF 2002 PRIVATE ACTIVITY VOLUME CAP

In November the Agency had balance of \$10 million of volume cap allocated to Homeownership. To be consistent with the resolution just passed, the Agency needs to have a minimum of \$30 million allocated for Homeownership. This changes the recommended resolution from an additional \$10 million to \$20 million of new volume cap to be allocated to Homeownership. Of the Agency's total 2002 volume allocation of \$82 million, \$62 million remains.

Mr. Candon made a motion to approve the Allocation of 2002 Private Activity Volume Cap Resolution. Mr. Seelig seconded the motion. The Board passed it unanimously.

ADMINISTRATION

Ms. Carpenter inquired if anyone had any questions on her Executive Director's Report. Ms. Canney asked if the Office Manager position has been filled. Ms. Loller replied that the search had been narrowed down to five applicants and a decision should be made very soon.

Ms. Loller also stated that Mr. Fairbanks said radio ads would be starting April 8th, featuring a VHFA customer's experience with VHFA.

Ms. Carpenter reported on the legislative front that VHCB proposals for funding are being cut.

Mr. Candon stated that the February minutes were not long and did the Board want to quickly go over them for approval. The last page is February Board minutes and rest is Tax Credit Committee Minutes. There was also some discussion on whether or not Chairperson Randall voted on two motions or not. Mr. Douglas also corrected the spelling of Susanne's name and the top of the minutes should read "Treasurer's Office".

Mr. Candon made a motion to accept February's Board minutes with the above-mentioned changes and Mr. Douglas seconded the motion. It passed unanimously.

Chairperson Randall asked if the issue of liquidity could be discussed at the next Board meeting. Mr. Schoenbeck said yes and also stated we are managing it but it is still an issue. Long-term liquidity is the issue.

Mr. Schoenbeck says we will be pricing the single-family bond issue the week after next. The Board will be notified by mail of the schedule and provided an electronic link of the official statement.


Ms. Loller said the 2002 retreat will be held on October 7th and that Professor Jim Davis from Notre Dame will be the guest speaker and talk about strategic thinking. Professor Davis might also be available the evening of October 6th. A discussion needs to be held on how the Board and the staff will work together during this retreat. Chairperson Randall said we should have regular meetings with staff given the success of last fall's retreat.

VHFA will hold a statewide housing conference on November 21st. Mr. Seelig has a conflict on that day. We will look to re-schedule the November meeting to the 1st week in December.

Mr. Candon made a motion to adjourn the meeting and Mr. Douglas seconded the motion. The Board passed it unanimously.

The meeting adjourned at 11:45 AM.

Sincerely,


Sarah E. Carpenter
Executive Director



Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners
FROM: Elizabeth Mullikin Drake *emd*
RE: Annual Meeting
DATE: March 20, 2002

You may remember that last year, the Board approved an amendment to the Agency's bylaws to hold its annual meeting in March of each year. The attached resolution outlines certain actions to be taken by the Board to elect officers, ratify the actions of the prior year and to give certain employees of the Agency authority to sign checks drawn on any of the Agency's accounts and to deposit or retrieve records. The only change from the prior resolution is that the check signing authority given to employees applies to any Agency account and is not limited to the General Fund account.

Recommended Board Action: To adopt the attached resolution



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**RESOLUTIONS ADOPTED AT THE ANNUAL MEETING OF
VERMONT HOUSING FINANCE AGENCY, MARCH 28, 2002**

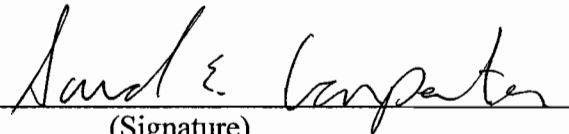
RESOLVED, Gustave Seelig is hereby elected to serve as Vice Chairman of the Agency until his successor is elected and qualified.

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

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

RESOLVED, the following persons shall be authorized to sign checks drawn against any of the Agency's accounts:

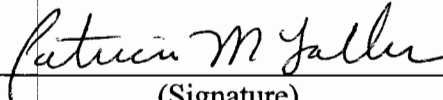
Executive Director



(Signature)

Sarah E. Carpenter

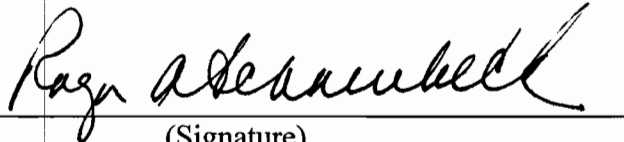
Director of Administration



(Signature)

Patricia M. Loller

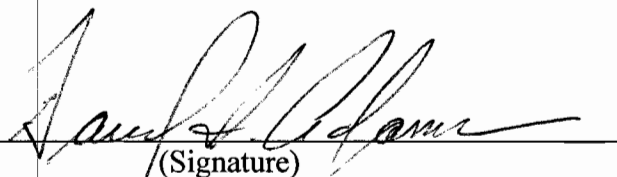
Chief Financial Officer



(Signature)

Roger A. Schoenbeck

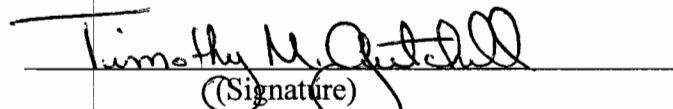
Chief of Program Operations



(Signature)

David S. Adams

Controller



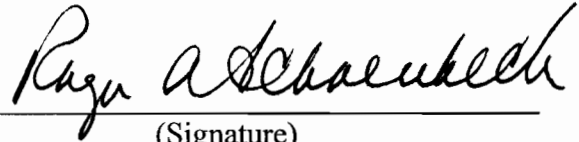
(Signature)

Timothy M. Gutchell

Any check in an amount over \$10,000 payable against any of the Agency's accounts 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, 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:

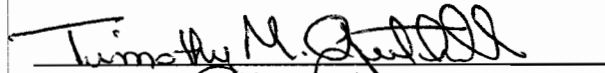
Chief Financial Officer:



(Signature)

Roger A. Schoenbeck

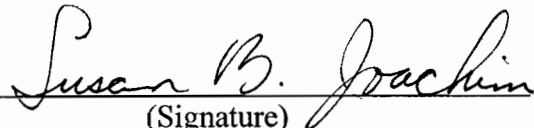
Controller:



(Signature)

Timothy M. Gutchell

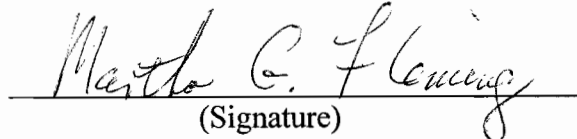
Lender Accounting Coordinator:



(Signature)

Susan B. Joachim

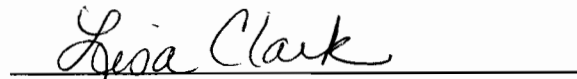
Loan Portfolio Specialist:



(Signature)

Martha G. Fleming

Financial Analyst:



(Signature)

Lisa Clark



Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter *CR*

DATE: March 21, 2002

RE: Multifamily Construction Loan Application for 11-13 Lake Street, St. Albans

Name:	Butler House	Location:	St. Albans
Housing Type:	General Occupancy	Unit Type:	Elevator; flats
Total Units:	6 residential 1 commercial	Unit Sizes:	4 One-BR @ 673 s.f.; 2 Two-BR @ 740 s.f.
Total Cost:	\$1,059,163 residential \$ 142,029 commercial \$1,201,192 total	Per S.F. Acquisition & Construction Cost: (residential only)	\$189
Loan Requested:	\$700,000 construction	Housing Credits (4%):	\$36,960
Other Funding:	VHCB, HOME, VCDP, City of St. Albans, Preservation Trust, VHCB Feasibility & Lead Paint		
Sponsors:	Housing Vermont (HVT) & Lake Champlain Housing Development Corporation (LCHDC)		

Housing Vermont (on behalf of a to-be-formed limited partnership consisting of a subsidiary of HVT and LCHDC) is seeking \$700,000 in tax-exempt construction financing to acquire and rehabilitate an historic brick building, the "Butler House", located at 11-13 Lake Street in downtown St. Albans. The building is currently boarded-up, having been condemned over a year ago due to its very poor condition inside and out. Five households were forced to permanently relocate. When re-developed, the building will consist of six residential units and one commercial unit. The building will utilize the elevator located in an adjacent, connected building (9 Lake Street, a building which was re-developed previously by LCHDC with VHCB funding). One unit will be accessible and three units will be adaptable. All six units will be affordable to households below 50% of area median income. The City has worked with LCHDC and HVT to develop this project and is very supportive due to the building's blighted condition. A Level I Environmental Site Assessment was completed and contained recommendations for remediation that will be included in the scope of work as a condition of a VHFA loan commitment. An as-completed appraisal has been ordered but not yet completed. The residential and commercial uses will be divided by a condominium and VHFA's loan will be secured by the residential condo only. All other funding is committed. Lake Champlain Housing Ventures will manage the property. The sponsors have obtained site plan approval. Housing Vermont anticipates beginning construction in May and completing the project by March 2003. The sponsors seek a waiver from the tax credit program's per unit cost limits.

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



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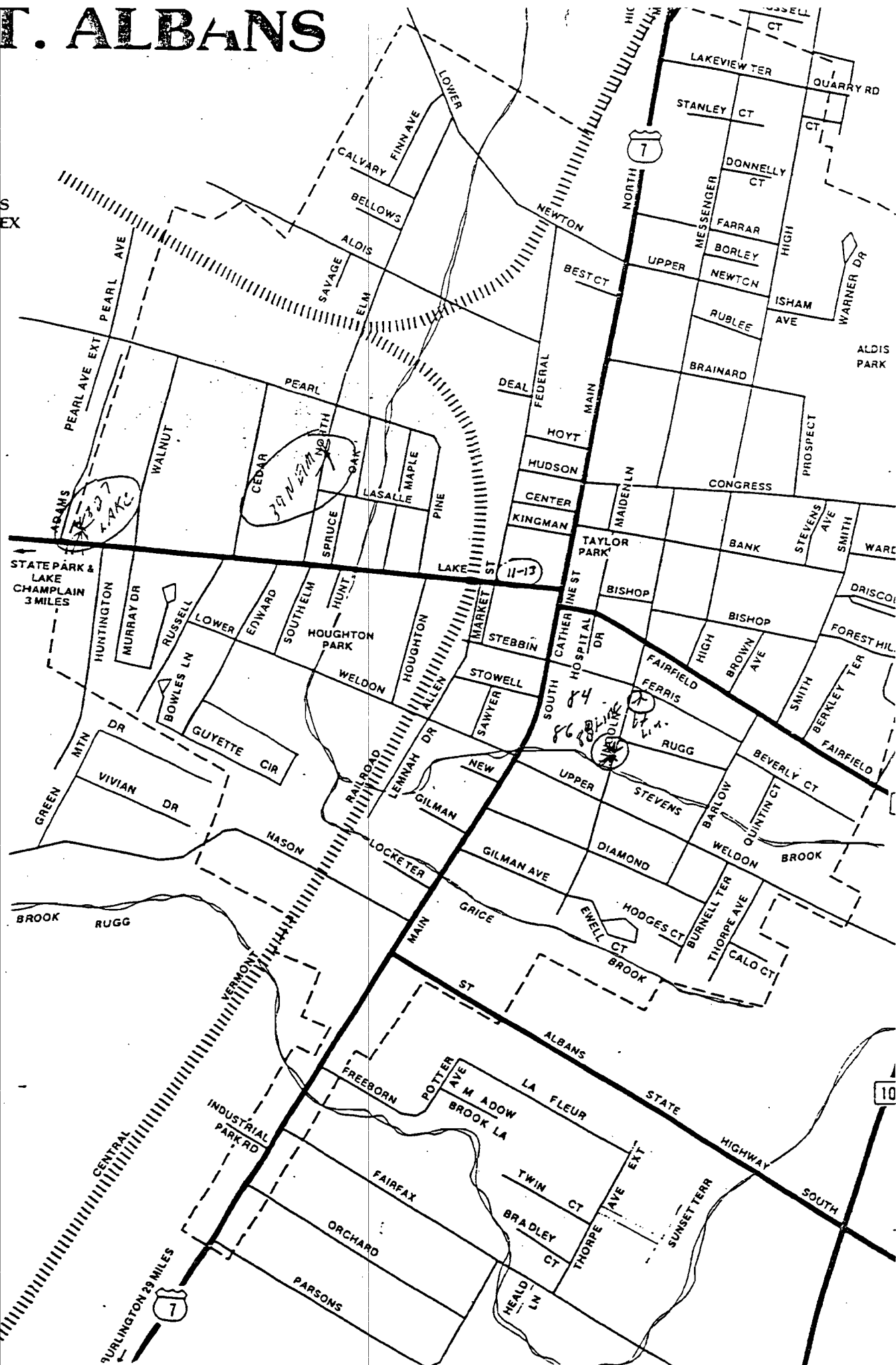
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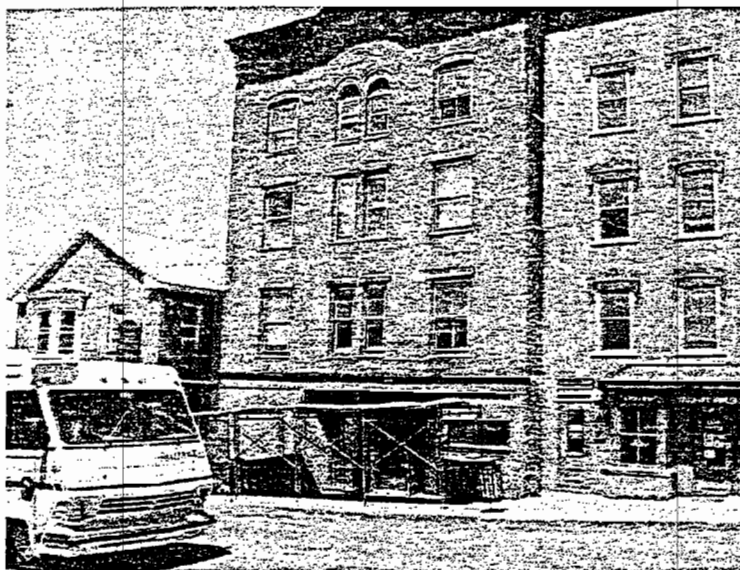
ST. ALBANS

ST. ALBANS STREET INDEX

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ALLEN D3
ASHTON DR A4
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PINE C, D2
POTTER AVE F3
PROSPECT C4
QUARRY CT B4
QUINTON CT E4
RUBLEE C3
RUGG D3
RUSSELL D1
RUSSELL CT B3
SAVAGE C2
SAWYER D3
SMITH D3,4
SPRING D2
SUNSET TERR F3,4
THORPE AVE E4
THORPE AVE EXT F3,4
TWIN CT F3
UPPER NEWTON C3
UPPER WELDON D, E3,4
VIVIAN DR E1
WALNUT C, D1
WATER RD TER D4



Borrower/Client	Client-St. Albans City		
Property Address	The Christie Block, 11-13 Lake Street		
City	St. Albans	County	Franklin
		State	VT
		Zip Code	05478
Lender	The City of St. Albans		



Front of Subject Property



Back of Subject Property

**RESOLUTION RE: CONSTRUCTION FINANCING
FOR LAKE STREET HOUSING, CITY OF ST. ALBANS**

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

WHEREAS, an application has been submitted to the Agency by Housing Vermont and Lake Champlain Housing Development Corporation (the "Sponsors") on behalf of a to be formed limited partnership in which the Sponsors or their subsidiaries will be the general partners (the "Borrower") involving the rehabilitation of one (1) building containing a total of six (6) units of rental housing in the City of St. Albans (the "Development"); and

WHEREAS, the Agency desires to take "official action" for the purpose of, and to reimburse itself for any advances of its funds prior to, the issuance and sale of tax-exempt bonds (the "Bonds") to finance a loan to the Borrowers;

WHEREAS, the application contemplates a mortgage loan for construction financing for the Development with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds;

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated March 21, 2002, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

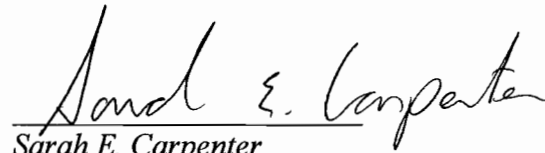
1. The Development is primarily for persons and families of low and moderate income.
2. The acquisition and construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will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

5. The security value of the Development will equal at least the amount of the Agency's loan.
6. The Sponsors are financially responsible and are qualified housing sponsors within the meaning of the Act. The Borrower will be required to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsors for the construction financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Sponsors in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.
2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the limited partnership to be created by the Sponsors for the construction financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsors as representatives of the Borrower. The Commitment Letter shall be conditioned on the satisfaction by the Sponsors of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
3. The issuance of the Bonds for the purpose of financing one or more loans to the Borrower is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.
4. The preliminary approval described in the preceding paragraph does not obligate the Agency to give final approval for the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by independent action, which may contain such conditions thereto as the Agency may deem appropriate. The Agency in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Sponsors, the Borrower or any other person for its refusal to do so.
5. The Executive Director and the Loan Review Committee will establish the final source and amount of the loan for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on March 28, 2002.

A handwritten signature in cursive script, reading "Sarah E. Carpenter". The signature is written in dark ink and is positioned above a horizontal line.

Sarah E. Carpenter

Executive Director and Secretary

Vermont Housing Finance Agency



Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Senior Development Officer

DATE: March 20, 2002

RE: Construction Loan, Richford Community Housing

Name:	Richford Community Housing	Location:	Richford
Housing Type:	7 Units Senior; 8 Units General Occupancy	Unit Type:	Flats & Duplexes
Total Units:	15 Residential; Two Commercial	Unit Sizes:	six 1-BR, 619 sf five 2-BR, 916 sf two 3-BR, 1,382 sf two 4-BR, 1,400 sf
Total Cost:	\$2,612,765 Residential \$ 95,161 Commercial \$2,707,926 Total	Per S.F. Residential Cost (Acquisition & Hard Costs):	\$156
Loan Requested:	\$1,550,000 construction \$ -0- permanent	Housing Credits (4%):	\$88,186
Other Funding:	Rural Development (RD) 515, VHCB, REEP, HUD Special Purpose Funding, Housing Credits, Historic Rehabilitation Credits		
Sponsors:	Housing Vermont (HVT) & Richford Renaissance Corp. (RRC)		

The sponsors are seeking up to \$1,550,000 in tax-exempt construction financing to rehabilitate four buildings in downtown Richford. The project involves the rehabilitation of: two duplexes; a currently-unused brick school building; and the Janes Block, reportedly the oldest brick structure in Richford. The Janes Block will house four residential units and two commercial storefront spaces. The Academy Lane "schoolhouse" will have an addition constructed and will hold seven senior units, all served by an elevator. Downtown Richford is in severe need of revitalization with a substantial number of structures empty and boarded-up. The sponsor's partnership acquired one of the buildings a month ago, and has site control on the other three via Purchase and Sales Contracts. The construction bids were received on March 13th and were higher than anticipated; the funding gap is proposed to be filled by additional VHCB funding and additional tax credit equity. Also, the sponsors have a commitment for RD permanent financing and rental assistance, but the RD funding commitment is for \$500,000; the current budget calls for \$660,000 and the sponsors have requested the increase from RD. The sponsors have all necessary permits and plan to begin construction in April and complete it within one year. Lake Champlain Housing Ventures, the property-management arm of Lake Champlain Housing Development Corporation, will be the property manager. A Phase One Environmental Site Assessment was completed with no significant findings. An as-built appraisal has been done for RD (as with all 515 projects), and is being reviewed by VHFA staff. A budget is attached. The project is seeking a waiver from the tax credit program's per unit cost limits.

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

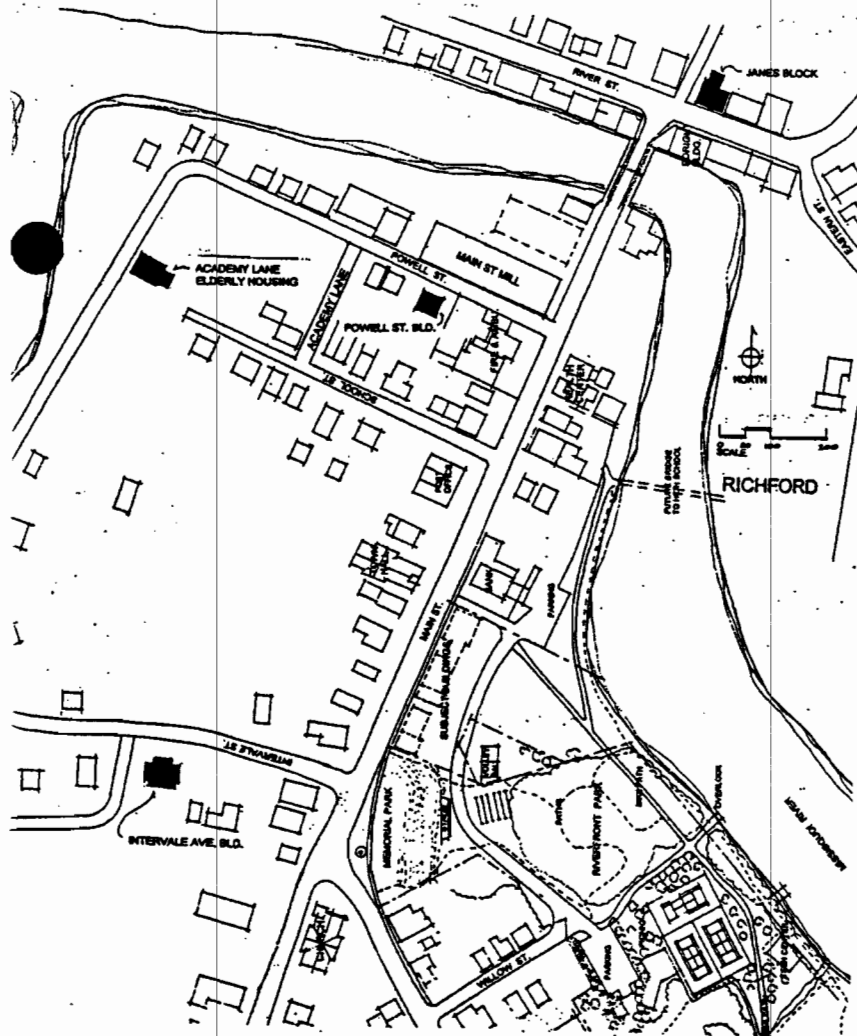




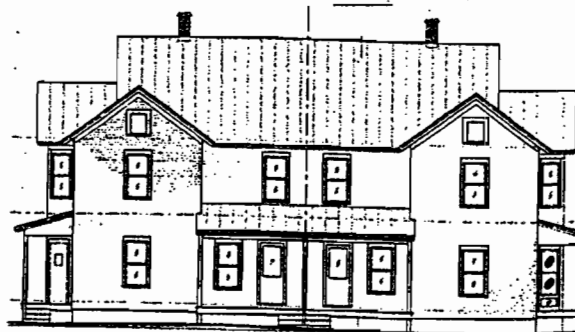
ACADEMY LANE ELDERLY HOUSING



JAMES BLOCK



POWELL STREET BUILDING



INTERVALE AVENUE BUILDING

18-Mar-02 **Richford Community Housing**

Total Residential Units:	15	Increase in Income from Rental Units:	0.00%
Housing Credit Restricted Units:	15	Increase in Income from Other Sources:	0.00%
Percent Restricted:	100.00%	Increase in Income from Commercial:	0.00%
Total Development Cost:	2,612,765	Expense increase:	0.00%
Total Development Cost per Unit:	174,184	Vacancy Rate:	5%
Total Development Cost Per SF:	189	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
Max Credit Potential:	88,186	Short Depreciation Schedule:	7 years
Credit Amount Allocated:	88,186	Sponsor's Estimated Yield:	108.45%

LIHTC - 9%	8.17%	Mar-02
LIHTC - 4%	3.50%	

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
RD - 515	660,000	25.26%	1.00%	50	50
DEVELOPER LOAN	13,000	0.50%	2.00%	10	10
VHCB	351,500	13.45%	0.00%	NA	30
VHCB Lead	35,000	1.34%	7.00%	N/A	30
REEP	10,000	0.38%	0.00%	N/A	30
HUD - EDI	295,000	11.29%	7.00%	N/A	30
Tax Credit Equity	1,343,528	51.42%	N/A	N/A	
TOTAL SOURCES	2,708,028	103.65%			

USES

Acquisition	284,125	10.49%
Construction Hard Costs	1,884,928	69.61%
Soft Costs	538,873	19.90%
TOTAL USES	2,707,926	100%

Gap (102)

PER UNIT COST LIMIT CALCULATION

	per unit limits	number of units		
0 Br	84,390	0	0	
1 Br	90,140	6	540,840	
2 Br	95,890	5	479,450	
3 Br	101,637	2	203,274	
4 Br	107,390	2	214,780	
Maximum cost allowed under the per unit cost limits			1,438,344	
Projected total cost, excluding cash accounts			2,577,765	Cost Overage %
			(1,139,421)	56%
			(over)/under	

General Partner's Capital Contribution	13,435	1.00%
Limited Partner's Capital Contribution	1,330,093	99.00%
Total Equity	1,343,528	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	15
Total Units	15
Unit Fraction	100.00%
Tax Credit Square Footage	13,856
Total Residential Square Footage	13,856
Square Footage Fraction	100.00%
Applicable Fraction	100.00%

18-Mar-02 Richford Community Housing

	Residential Budget	Per Unit	Per s.f.
ACQUISITION			
1 Land	42,631	2,842	3.08
2 Purchase of Building(s)	194,208	12,947	14.02
3 Demolition (without replacement)	0	0	0.00
4 Property Appraisal	1,125	75	0.08
5 Legal - Title and Recording	6,000	400	0.43
Subtotal - Acquisition	243,964	16,264	17.61
CONSTRUCTION HARD COSTS			
6 Rehabilitation	1,484,208	98,947	107.12
7 New Building(s)	0	0	0.00
8 Accessory Buildings	0	0	0.00
9 Sitework	142,353	9,490	10.27
10 Commercial Space Costs (if any)	0	0	0.00
11 General Requirements	0	0	0.00
12 Contractor Overhead	0	0	0.00
13 Contractor Profit	0	0	0.00
14 Construction Contingency	120,742	8,049	8.71
15 Construction Management	0	0	0.00
16 Construction Bond Fee	0	0	0.00
17 Hazardous Materials Abatement	66,500	4,433	4.80
18 Off-Site Improvements	0	0	0.00
19 Furnishings, Fixtures, & Equipment	16,125	1,075	1.16
20 Other ()	0	0	0.00
Subtotal - Hard Costs	1,829,928	121,995	132.07
SOFT COSTS			
21 Architectural	206,892	13,793	14.93
22 Engineering	0	0	0.00
23 Legal/Accounting	15,000	1,000	1.08
24 Relocation	10,000	667	0.72
25 Environmental Assessment	0	0	0.00
26 Energy Assessment	0	0	0.00
27 Permits/Fees	7,964	531	0.57
28 Independent Market Study	0	0	0.00
29 Construction Period Insurance	10,000	667	0.72
30 Construction Interest	54,000	3,600	3.90
31 Construction Loan Origination Fee	31,000	2,067	2.24
32 Taxes During Construction	0	0	0.00
33 Clerk of the Works	10,000	667	0.72
34 Marketing	4,000	267	0.29
35 Tax Credit Fees	21,970	1,465	1.59
36 Soft Cost Contingency	9,447	630	0.68
37 Permanent Loan Origination Fee	0	0	0.00
38 Lender's Counsel's Fee	0	0	0.00
39 Other ()	0	0	0.00
SYNDICATION COSTS			
40 Organizational (Partnership)	0	0	0.00
41 Bridge Loan Fees and Expenses	0	0	0.00
42 Syndication Consultant	0	0	0.00
43 Tax Opinion	0	0	0.00
DEVELOPER'S FEES			
44 Developer's Fees	98,600	6,573	7.12
45 Other Partnership Fees	25,000	1,667	1.80
46 Consultant Fees	0	0	0.00
RESERVES			
47 Working Capital	35,000	2,333	2.53
48 Rent-up (Deficit Escrow) Reserve	0	0	0.00
49 Other Operating Reserves	0	0	0.00
50 Sinking Fund	0	0	0.00
51 Replacement Reserves	0	0	0.00
Subtotal - Soft Costs	538,873	35,925	38.89
TOTAL DEVELOPMENT COSTS	2,612,765	174,184	189

18-Mar-02 Richford Community Housing

	Commercial Budget	Per Unit	Per s.f.
ACQUISITION			
1 Land	7,229	482	0.52
2 Purchase of Building(s)	32,932	2,195	2.38
3 Demolition (without replacement)	0	0	0.00
4 Property Appraisal	0	0	0.00
5 Legal - Title and Recording	0	0	0.00
Subtotal - Acquisition	40,161	2,677	2.90
CONSTRUCTION/HARD COSTS			
6 Rehabilitation	50,000	3,333	3.61
7 New Building(s)	0	0	0.00
8 Accessory Buildings	0	0	0.00
9 Sitework	0	0	0.00
10 Commercial Space Costs (if any)	0	0	0.00
11 General Requirements	0	0	0.00
12 Contractor Overhead	0	0	0.00
13 Contractor Profit	0	0	0.00
14 Construction Contingency	5,000	333	0.36
15 Construction Management	0	0	0.00
16 Construction Bond Fee	0	0	0.00
17 Hazardous Materials Abatement	0	0	0.00
18 Off-Site Improvements	0	0	0.00
19 Furnishings, Fixtures, & Equipment	0	0	0.00
20 Other ()	0	0	0.00
Subtotal - Hard Costs	55,000	3,667	3.97
SOFT COSTS			
21 Architectural	0	0	0.00
22 Engineering	0	0	0.00
23 Legal/Accounting	0	0	0.00
24 Relocation	0	0	0.00
25 Environmental Assessment	0	0	0.00
26 Energy Assessment	0	0	0.00
27 Permits/Fees	0	0	0.00
28 Independent Market Study	0	0	0.00
29 Construction Period Insurance	0	0	0.00
30 Construction Interest	0	0	0.00
31 Construction Loan Origination Fee	0	0	0.00
32 Taxes During Construction	0	0	0.00
33 Clerk of the Works	0	0	0.00
34 Marketing	0	0	0.00
35 Tax Credit Fees	0	0	0.00
36 Soft Cost Contingency	0	0	0.00
37 Permanent Loan Origination Fee	0	0	0.00
38 Lender's Counsel's Fee	0	0	0.00
39 Other ()	0	0	0.00
SYNDICATION COSTS			
40 Organizational (Partnership)	0	0	0.00
41 Bridge Loan Fees and Expenses	0	0	0.00
42 Syndication Consultant	0	0	0.00
43 Tax Opinion	0	0	0.00
DEVELOPER'S FEES			
44 Developer's Fees	0	0	0.00
45 Other Partnership Fees	0	0	0.00
46 Consultant Fees	0	0	0.00
RESERVES			
47 Working Capital	0	0	0.00
48 Rent-up (Deficit Escrow) Reserve	0	0	0.00
49 Other Operating Reserves	0	0	0.00
50 Sinking Fund	0	0	0.00
51 Replacement Reserves	0	0	0.00
Subtotal - Soft Costs	0	0	0.00
TOTAL DEVELOPMENT COSTS	95,161	6,344	7

	Residential Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
ACQUISITION						
1 Land	42,631					
2 Purchase of Building(s)	194,208	96,000		96,000		
3 Demolition (without replacement)	0					
4 Property Appraisal	1,125	434		1,125	1,125	
5 Legal - Title and Recording	6,000	2,315		6,000	6,000	
Subtotal - Acquisition	243,964					
CONSTRUCTION HARD COSTS						
6 Rehabilitation	1,484,208		1,484,208	1,484,208	1,534,208	
7 New Building(s)	0		0	0	0	
8 Accessory Buildings	0		0	0	0	
9 Sitework	142,353		142,353	142,353	71,177	
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	120,742		120,742	120,742	125,742	
15 Construction Management	0		0	0	0	
16 Construction Bond Fee	0		0	0	0	
17 Hazardous Materials Abatement	66,500		66,500	66,500	66,500	
18 Off-Site Improvements	0		0	0	0	
19 Furnishings, Fixtures, & Equipment	16,125		16,125	16,125	0	
20 Other ()	0		0	0	0	
Subtotal - Hard Costs	1,829,928					
SOFT COSTS						
21 Architectural	206,892		206,892	206,892	206,892	
22 Engineering	0		0	0	0	
23 Legal/Accounting	15,000		15,000	15,000	15,000	
24 Relocation	10,000		10,000	10,000	10,000	
25 Environmental Assessment	0		0	0	0	
26 Energy Assessment	0		0	0	0	
27 Permits/Fees	7,964		7,964	7,964	7,964	
28 Independent Market Study	0		0	0	0	
29 Construction Period Insurance	10,000		10,000	10,000	10,000	
30 Construction Interest	54,000		54,000	54,000	54,000	
31 Construction Loan Origination Fee	31,000		31,000	31,000	31,000	
32 Taxes During Construction	0		0	0	0	
33 Clerk of the Works	10,000		10,000	10,000	10,000	
34 Marketing	4,000					
35 Tax Credit Fees	21,970		21,970	21,970	21,970	
36 Soft Cost Contingency	9,447		9,447	9,447	9,447	
37 Permanent Loan Origination Fee	0					
38 Lender's Counsel's Fee	0		0	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	98,600		98,600	98,600	98,600	
45 Other Partnership Fees	25,000		25,000	25,000	25,000	
46 Consultant Fees	0					
RESERVES						
47 Working Capital	35,000					
48 Rent-up (Deficit Escrow) Reserve	0					
49 Other Operating Reserves	0					
50 Sinking Fund	0					
51 Replacement Reserves	0					
Subtotal - Soft Costs	538,873					
TOTALS	2,612,765	98,749	2,329,801	2,416,801	2,304,625	
LESS: Amount of Non-qualified Financing			10,000			
LESS: Adjustment for per unit cost limits			0			
LESS: Historic tax Credit (Residential Portion)			449,925	460,925		
Total Eligible Basis		98,749	1,869,876			
TIMES: Adjusted for QCT/DDA		130.0%	2,430,839			
TIMES: Applicable Fraction		100.00%	98,749	2,430,839		
Total Qualified Basis		88,760	2,430,839	1,955,876		Long Term Depreciable Basis
TIMES: Applicable Percentage		3.50%	3.50%	27.5		Depreciation Schedule
Total Annual Credit Qualified		3,107	85,079	71,123		Annual Depreciation
Total Tax Credits Requested	88,641			16,125		Short Term Depreciable Basis
Estimated Net Syndication Proceeds (excluding historic credit equity)	951,742			7		Depreciation Schedule
Estimated Yield - Housing Credit Syndication	108.45%			2,304		Annual Depreciation
Equity Gap	951,640					
Credits Needed to fill Equity Gap	88,632					

18-Mar-02 Richford Community Housing

HC Restricted Units
Bedrooms

Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br	0	0	0		0
1 Br	619	6	504	29	36,264
2 Br	916	5	542	44	32,508
3 Br	1,382	2	636	60	15,264
4+ Br	1,400	2	710	76	17,040
Totals	13,856	15			101,076

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 13,856 15 101,076

Less Vacancy 5.00% (5,054)

NET RENT 96,022

OTHER INCOME

Laundry	1,200
Parking	0
Commercial Space Income	6,000
Other	0

TOTAL INCOME 103,222

18-Mar-02 **Richford Community Housing**

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	9,900	825	55	9.6%
Supportive Services	900	75	5	
Audit/Accounting	2,700	225	15	
Legal	900	75	5	
Compliance Monitoring	720	60	4	
Marketing	252	21	1	
Other	2,020	168	11	
TOTAL ADMINISTRATIVE	17,392	1,449	97	
Utilities				
Electricity	6,300	525	35	
Fuel	3,600	300	20	
Water and Sewer	4,500	375	25	
Fire Alarm / Emergency	1,080	90	6	
Other		0	0	
TOTAL UTILITIES	15,480	1,290	86	
Maintenance				
Maintenance / Janitor Payroll	7,200	600	40	
Janitor Supplies	900	75	5	
Exterminating	360	30	2	
Trash Removal	1,620	135	9	
Snow Removal	1,440	120	8	
Grounds	1,260	105	7	
Repairs Material		0	0	
Repairs Contract		0	0	
HVAC Repairs / Maintenance		0	0	
Elevator Contract / Repairs	1,980	165	11	
Painting and Decorating	1,260	105	7	
Other		0	0	
TOTAL MAINTENANCE	16,020	1,335	89	
Real Estate Taxes				
Real Estate Taxes	9,000	750	50	per unit month excl. ds & res. 341
Property Insurance	3,420	285	19	
Replacement Reserves	18,900	1,575	105	
Primary Debt Service	16,779	1,398	93	
Other "must pay" debt service	0	0	0	
Other	6,000	500	33	
Total	102,991	8,583	572	

**RESOLUTION RE: CONSTRUCTION FINANCING
FOR RICHFORD COMMUNITY HOUSING, RICHFORD**

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

WHEREAS, an application has been submitted to the Agency by Housing Vermont and Richford Renaissance Corp. (the "Sponsors") on behalf of a to be formed limited partnership in which the Sponsors or their subsidiaries will be the general partners (the "Borrower") involving the rehabilitation of four (4) buildings containing a total of fifteen (15) units of rental housing in the Town of Richford (the "Development"); and

WHEREAS, the Agency desires to take "official action" for the purpose of, and to reimburse itself for any advances of its funds prior to, the issuance and sale of tax-exempt bonds (the "Bonds") to finance a loan to the Borrowers;

WHEREAS, the application contemplates a mortgage loan for construction financing for the Development with the interest rates to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds;

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi dated March 20, 2002, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

5. The security value of the Development will equal at least the amount of the Agency's loan.
6. The Sponsors are financially responsible and are qualified housing sponsors within the meaning of the Act. The Borrower will be required to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsors for the construction financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Sponsors in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.
2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the limited partnership to be created by the Sponsors for the construction financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsors as representatives of the Borrower. The Commitment Letter shall be conditioned on the satisfaction by the Sponsors of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
3. The issuance of the Bonds for the purpose of financing one or more loans to the Borrower is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.
4. The preliminary approval described in the preceding paragraph does not obligate the Agency to give final approval for the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by independent action, which may contain such conditions thereto as the Agency may deem appropriate. The Agency in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Sponsors, the Borrower or any other person for its refusal to do so.
5. The Executive Director and the Loan Review Committee will establish the final source and amount of the loan for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on March 28, 2002.



Sarah E. Carpenter

Executive Director and Secretary

Vermont Housing Finance Agency



Vermont Housing Finance Agency

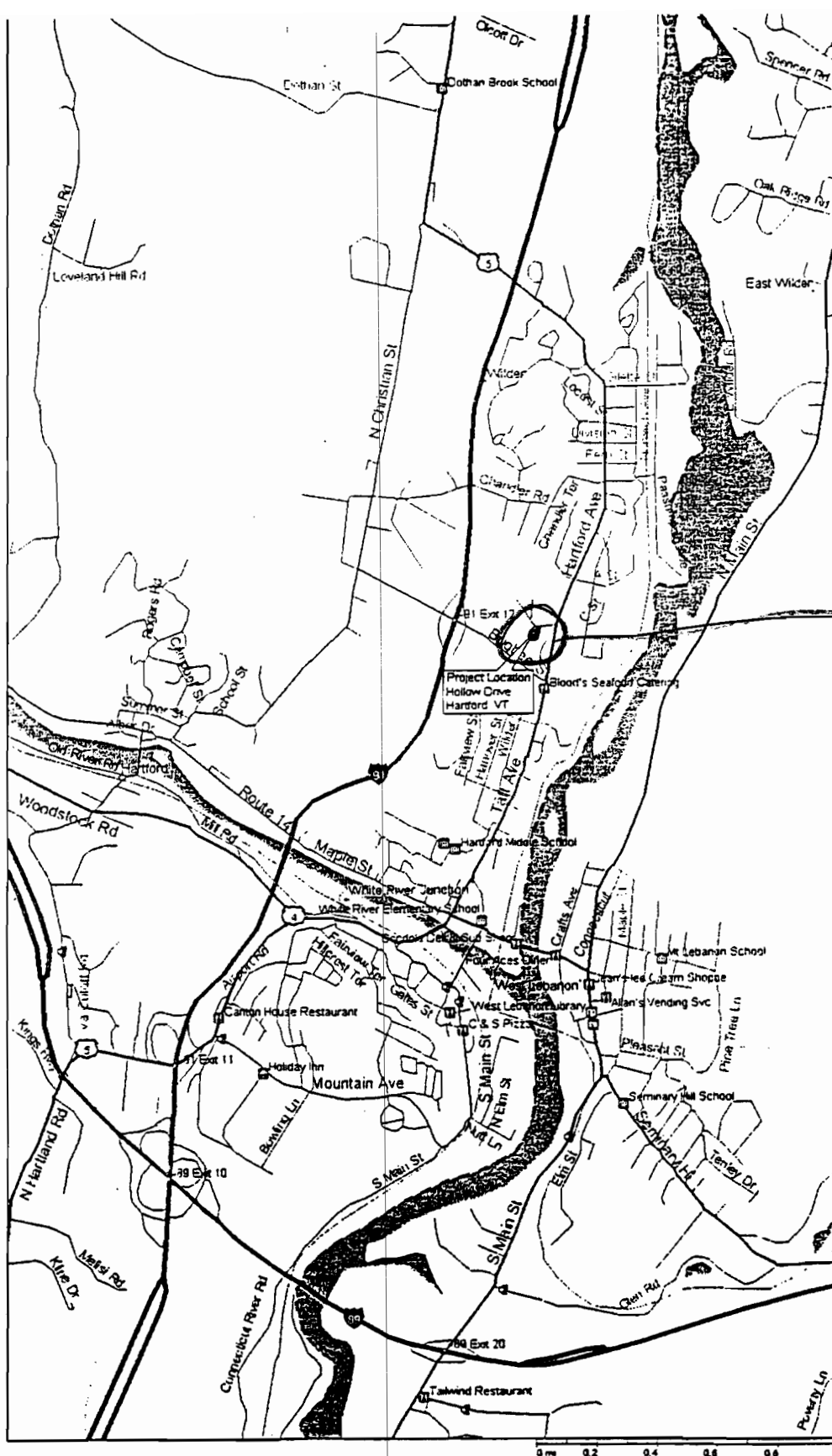
TO: VHFA Board of Commissioners
FROM: Cynthia Reid, Multifamily Development Underwriter *CR*
DATE: March 21, 2002
RE: Multifamily Construction Loan Application for Hollow Drive, Wilder

Name:	Hollow Drive	Location:	Wilder
Housing Type:	General Occupancy	Unit Type:	Townhouses; Flats
Total Units:	18	Unit Sizes:	4 One-BR @ 650 s.f. 7 Two-BR @ 860 s.f. 4 Three-Br @ 1,010 s.f. 3 Four-Br @ 1,170 s.f.
Total Cost:	\$2,518,100	Per S.F. Acquisition & Construction Cost:	\$119
Loan Requested:	\$1,550,000 construction	Housing Credits (4%):	\$109,000
Other Funding:	Rural Development 515, VHCB, HOME, VHCB Feasibility, REEP, Housing Credits		
Sponsors:	Housing Foundation Inc. (HFI) & Twin Pines Housing Trust (TPHT)		

Hollow Drive Housing Limited Partnership, whose general partners are Housing Foundation Inc. (HFI) and Twin Pines Housing Trust (TPHT), is requesting \$1,550,000 in tax-exempt construction financing to build an 18-unit residential development in Wilder. HFI has purchased the 10.75 acre site. The site has been subdivided into 11 lots: six multifamily buildings (totaling 18 units) will be constructed on two lots totaling five acres; there will be eight market-rate single-family lots to be sold by TPHT (this portion of the development is not being financed by VHFA), the eleventh and remaining lot will remain undeveloped. The sponsors have all funding committed including 100% rental assistance from Rural Development, except for REEP and an enhancement of RD funds (which will be re-visited once bids are in). The rental assistance enables the project to serve households as low as 30% of area median income. Four units will be accessible. The sponsors have Act 250 and local permits (and only need a Labor & Industry permit) and will be ready to begin construction as early as late April. Construction completion is anticipated by end of November. Vermont State Housing Authority will manage the property. Once constructed, the Hollow Drive units will be used for the relocation of Templeton Apartments' residents while Templeton is under construction. VHFA's construction inspector has reviewed the plans and specifications. The sponsors seek a waiver from the tax credit program's per unit cost limits. An as-built appraisal has been received and is being reviewed by staff. A level one environmental site assessment was completed and had no significant findings. A market study was completed and recommended the project be built and that there would be no adverse effect on other existing subsidized housing in the area. A budget is attached.

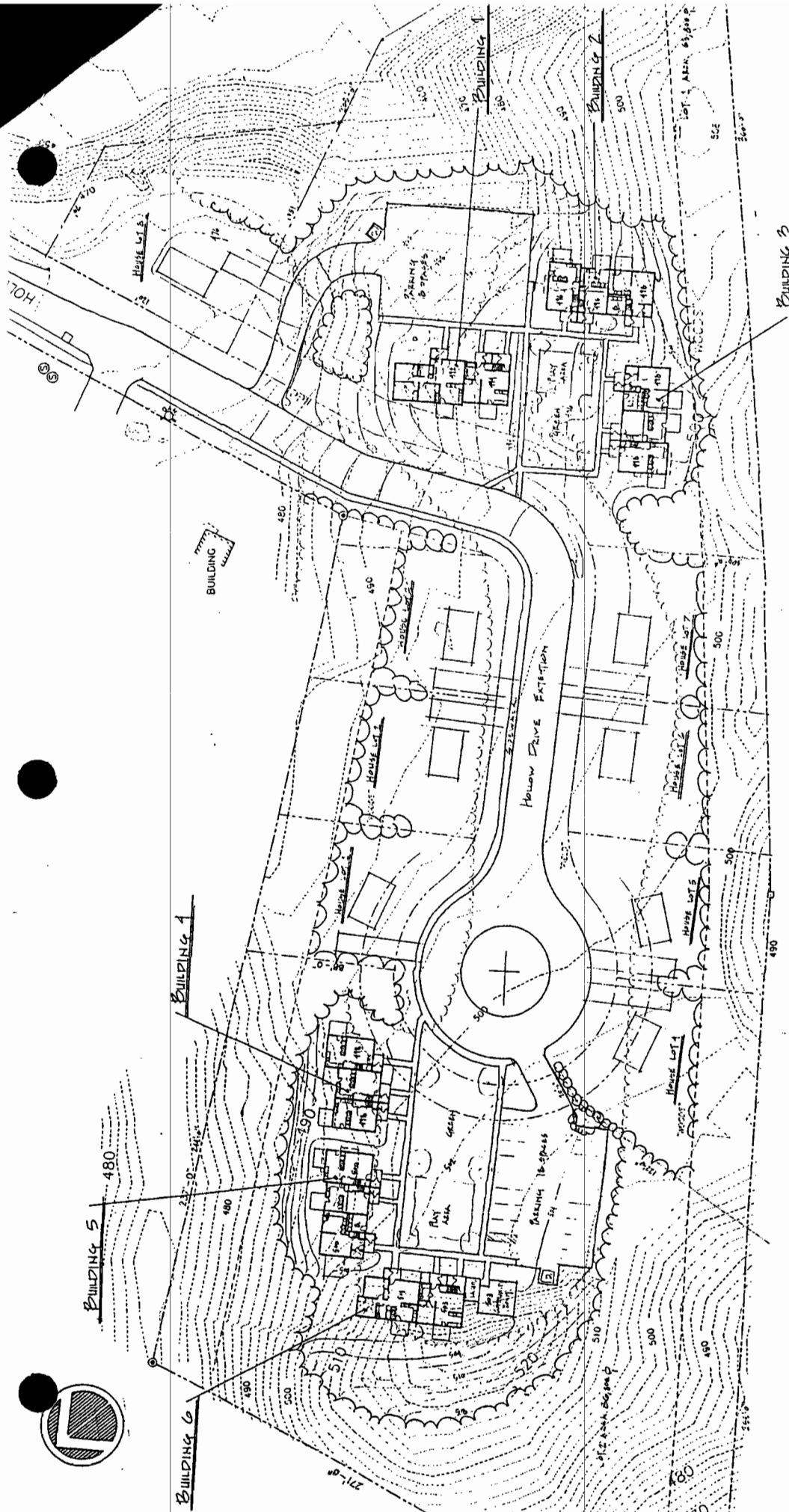
Recommendation: That the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board authorize the Executive Director to issue a Letter of Interest and/or a Commitment Letter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





The site:
Hollow Drive

Streets98



VERMONT ARCHITECTS COLLABORATIVE

155 Elm Street, Suite 4
Montpelier, VT 05602

PROPOSED SITE PLAN

Hollow Drive, Wilder



Front Elevation



Side Elevation

Hollow Drive, Wilder

18-Mar-02 Hollow Drive, Hartford

Total Residential Units:	18	Increase in Income from Rental Units:	1.00%
Housing Credit Restricted Units:	18	Increase in Income from Other Sources:	1.00%
Percent Restricted:	100.00%	Increase in Income from Commercial:	0.00%
Total Development Cost:	2,518,100	Expense increase:	2.50%
Total Development Cost per Unit:	139,894	Vacancy Rate:	5%
Total Development Cost Per SF:	151	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
Max Credit Potential:	109,151	Short Depreciation Schedule:	7 years
Credit Amount Allocated:	109,000	Sponsor's Estimated Yield:	79.70%

LIHTC - 4%

3.50%

March '02

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage - RD	1,082,000	42.97%	1.00%	50	30
HOME	109,100	4.33%	6.00%	25	deferred
VHCB	450,000	17.87%	0.00%	25	deferred
REEP	9,000	0.36%	0	0	Grant
VHCB Feasibility (GP Equity)	8,000	0.32%	0	0	N/A
Tax Credit Equity LP	860,000	34.15%	N/A	N/A	
	2,518,100	100.00%			
VHFA Construction Loan	1,550,000	61.55%	TBD		12 months
USES					
Acquisition	69,870	2.77%			
Construction Hard Costs	1,919,127	76.21%			
Soft Costs	529,103	21.01%			
TOTAL USES	2,518,100	100.00%			
Gap	0				

General Partner's Capital Contribution

8,687

1.00%

Limited Partner's Capital Contribution

860,000

99.00%

Total Equity

868,687

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	18
Total Units	18
Unit Fraction	100.00%
Tax Credit Square Footage	16,670
Total Residential Square Footage	16,670
Square Footage Fraction	100.00%
Applicable Fraction	100.00%

PER UNIT COST LIMIT CALCULATION

	per unit limits	number of units		
0 Br	84,390	0	0	
1 Br	90,140	4	360,560	
2 Br	95,890	7	671,230	
3 Br	101,637	4	406,548	
4 Br	107,390	3	322,170	
Maximum cost allowed under the per unit cost limits			1,760,508	
Projected total cost, excluding cash accounts			2,498,100	Cost Overage %
	(over)/under		(737,592)	70%

Total Project

1,768,400
123,788

	Budget	Per Unit	Per s.f.	VHCB Terms:	HOME Terms:	Equity Terms:	RD	VHCB Fees & REEP	TOTAL SOURCES	Building Lots	Per Lot
ACQUISITION											
1 Land	67,000	3,722	4.02	67,000					67,000	33,000	4,125
2 Purchase of Building(s)		0	0.00						0		
3 Demolition (without replacement)		0	0.00						0		
4 Property Appraisal	370	21	0.02	370					370		
5 Legal - Title and Recording	2,500	139	0.15	2,500					2,500		
Subtotal - Acquisition	69,870	3,882	4.19								
CONSTRUCTION HARD COSTS											
6 Rehabilitation	0	0	0.00						0		
7 New Building(s)	1,470,700	81,706	88.22		35,350	584,518	841,832	9,000	1,470,700	0	
8 Accessory Buildings	0	0	0.00						0		
9 Sitework	297,700	16,539	17.86	57,532			240,168		297,700	132,300	16,538
10 Commercial Space Costs (if any)		0	0.00						0		
11 General Requirements		0	0.00						0		
12 Contractor Overhead & profit		0	0.00						0		
13 Contractor Profit		0	0.00						0		
14 Construction Contingency	129,127	7,174	7.75			129,127			129,127	19,545	2,443
15 Construction Management		0	0.00						0		
16 Construction Bond Fee		0	0.00						0		
17 Hazardous Materials Abatement	0	0	0.00						0		
18 Off-Site Improvements		0	0.00						0		
19 Furnishings, Fixtures, & Equipment	21,600	1,200	1.30			21,600			21,600		
20 Other ()		0	0.00						0		
Subtotal - Hard Costs	1,919,127	106,618	115.12								
SOFT COSTS											
21 Architectural / Engineering	100,575	5,588	6.03	82,500	9,000	1,075		8,000	100,575		0
22 Survey	8,500	472	0.51		8,500				8,500	8,000	1,000
23 Legal/Accounting	14,500	806	0.87	7,500		7,000			14,500	2,500	313
24 Construction Management/Clerk	0	0	0.00						0		0
25 Environmental Assessment	2,500	139	0.15	2,500					2,500		0
26 Civil Engineering	21,328	1,185	1.28	21,328					21,328	6,500	813
27 Permits/Fees	29,000	1,611	1.74	29,000					29,000		0
28 Impact Fees	38,950			38,950					38,950	26,550	3,319
29 Compaction/Testing	5,000	278	0.30		5,000				5,000		0
30 Independent Market Study	2,000	111	0.12	2,000					2,000		0
31 Construction Period Insurance	4,500	250	0.27		4,500				4,500	500	63
32 Construction Interest	32,000	1,778	1.92		23,500	8,500			32,000	4,500	563
33 VHFA Loan Origination Fee	23,250	1,292	1.39		23,250				23,250		0
34 Taxes During Construction	5,000	278	0.30			5,000			5,000	3,000	375
35 VHFA Inspection Fee	3,500	194	0.21	3,500					3,500		0
36 Marketing	500	28	0.03			500			500	500	63
37 Tax Credit Fees	4,320	240	0.26	4,320					4,320		0
38 Soft Cost Contingency	2,500	139	0.15			2,500			2,500	2,500	313
39 VHFA Lender's Council Fee	3,500	194	0.21	3,500					3,500		0
40 Park Service Fee	0	0	0.00						0		0
41 CDBG Prog. Mgmt	0	0	0.00						0		0
42 Historic Preservation Consult	0	0	0.00						0		0
43 Capital Needs Assessment	2,500	139	0.15	2,500					2,500		0
SYNDICATION COSTS											
44 Organizational (Partnership)	2,500	139	0.15			2,500			2,500		
45 Bridge Loan Fees and Expenses	12,680	704	0.76			12,680			12,680		
46 Syndication Consultant	5,000	278	0.30			5,000			5,000		
47 Tax Opinion	0	0	0.00						0		
DEVELOPER'S FEES											
48 Developer's Fees	150,000	8,333	9.00	90,000		60,000			150,000	20,000	2,500
49 VCDP Admin Fee	0	0	0.00						0		0
50 Consultant Fees	35,000	1,944	2.10	35,000					35,000		0
RESERVES											
51 Working Capital		0	0.00						0		0
52 Rent-up (Deficit Escrow) Reserve		0	0.00						0		
53 Operating Reserves	20,000	1,111	1.20			20,000			20,000	0	
54 Sinking Fund		0	0.00						0		
55 Replacement Reserves		0	0.00						0		
Subtotal - Soft Costs	529,103	29,395	31.74								
TOTAL DEVELOPMENT COSTS	2,518,100	139,894	151.06	450,000	109,100	860,000	1,082,000	17,000	2,518,100	259,395	32,424

	Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
ACQUISITION						
1 Land	67,000					
2 Purchase of Building(s)		0		0		
3 Demolition (without replacement)						
4 Property Appraisal	370		370	370		
5 Legal - Title and Recording	2,500		2,500	2,500		
Subtotal - Acquisition	69,870					
CONSTRUCTION HARD COSTS						
6 Rehabilitation	0		0			
7 New Building(s)	1,470,700		1,470,700	1,470,700		
8 Accessory Buildings	0					
9 Sitework	297,700		297,700	297,700		
10 Commercial Space Costs (if any)	0					
11 General Requirements						
12 Contractor Overhead & profit						
13 Contractor Profit	0				0	
14 Construction Contingency	129,127		129,127	129,127		
15 Construction Management	0				0	
16 Construction Bond Fee						
17 Hazardous Materials Abatement	0		0	0		
18 Off-Site Improvements	0				0	
19 Furnishings, Fixtures, & Equipment	21,600		21,600	21,600	0	
20 Other ()	0				0	
Subtotal - Hard Costs	1,919,127					
SOFT COSTS						
21 Architectural / Engineering	100,575		100,575	100,575		
22 Survey	8,500		8,500	8,500		
23 Legal/Accounting	14,500		14,500	14,500		
24 Construction Management/Clerk	0		0	0		
25 Environmental Assessment	2,500		2,500	2,500		
26 Civil Engineering	21,328		21,328	21,328	0	
27 Permits/Fees	29,000		29,000	29,000		
28 Impact Fees	38,950		38,950	38,950		
29 Compaction/Testing	5,000		5,000	5,000		
30 Independent Market Study	2,000		2,000	2,000		
31 Construction Period Insurance	4,500		4,500	4,500		
32 Construction Interest	32,000		32,000	32,000		
33 VHFA Loan Origination Fee	23,250		23,250	23,250		
34 Taxes During Construction	5,000		5,000	5,000		
35 VHFA Inspection Fee	3,500		3,500	3,500		
36 Marketing	500					
37 Tax Credit Fees	4,320		4,320	4,320		
38 Soft Cost Contingency	2,500		2,500	2,500		
39 VHFA Lender's Council Fee	3,500		3,500	3,500		
40 Park Service Fee	0					
41 CDBG Prog. Mgmt	0					
42 Historic Preservation Consult	0					
43 Capital Needs Assessment	2,500					
SYNDICATION COSTS						
44 Organizational (Partnership)	2,500					
45 Bridge Loan Fees and Expenses	12,680					
46 Syndication Consultant	5,000					
47 Tax Opinion						
DEVELOPER'S FEES						
48 Developer's Fees	150,000		150,000	150,000		
49 VCDP Admin Fee	0					
50 Consultant Fees	35,000		35,000	35,000		
RESERVES						
51 Working Capital						
52 Rent-up (Deficit Escrow) Reserve						
53 Operating Reserves	20,000					
54 Sinking Fund	0					
55 Replacement Reserves	0					
Subtotal - Soft Costs	529,103					
TOTALS	2,518,100	0	2,407,920	2,386,320	0	
LESS: Amount of Non-qualified Financing			9,000	9,000	0	
LESS: Adjustment for per unit cost limits	100.00%		0			
LESS: Historic tax Credit (Residential Portion)			0	0		
Total Eligible Basis		0	2,398,920			
TIMES: Adjusted for QCT/DDA	130.00%		3,118,596			
TIMES: Applicable Fraction	100.00%	0	3,118,596			
Total Qualified Basis		0	3,118,596			
TIMES: Applicable Percentage		3.50%	3.50%			
Total Annual Credit Qualified		0	109,151			
Total Tax Credits Requested	109,000		109,151			
Estimated Net Syndication Proceeds (excluding historic credit equity)	860,000					
Estimated Yield - Housing Credit Syndication	79.70%					
Equity Gap	860,000					
Credits Needed to fill Equity Gap	109,000					

20% Historic Credit Rate
0 Annual Historic Credit

2,377,320 Long Term Depreciable Basis
27.5 Depreciation Schedule
86,448 Annual Depreciation

21,600 Short Term Depreciable Basis
7 Depreciation Schedule
3,086 Annual Depreciation

05-Mar-00 Hollow Drive, Hartford

	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
Bedrooms						
1 Br	HC	650	4	585	0	28,080
2 Br	HC	800	1	710	0	8,520
2 Br	HC	870	6	710	0	51,120
3 Br	HC	980	1	830	0	9,960
3 Br	HC	1,020	3	830	0	29,880
4 Br	HC	1,170	3	955	0	34,380
Common Space		500				
Totals		16,670	18			161,940

Less Vacancy 5.00% (8,097)

NET RENT 153,843

OTHER INCOME

Laundry	0
Interest	500
Commercial Space Income	0
Other	0

TOTAL INCOME 154,343

Building #	Unit #	Check all Applicable						A		B					C					
		HOME Unit	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted	Accessible	Adaptable	Unrestricted	Number of Bedrooms	Proposed Rent 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%	
1	1									1	650	585	0	585						100%+
1	2	1								1	650	585	0	585						
1	3									3	980	830	0	830						
2	4									2	870	710	0	710						
2	5									3	1,020	830	0	830						
2	6									4	1,170	955	0	955						
2	7	1								2	870	710	0	710						
3	8									3	1,020	830	0	830						
3	9									4	1,170	955	0	955						
4	10									2	870	710	0	710						
4	11	1								2	870	710	0	710						
4	12									2	870	710	0	710						
5	13									3	1,020	830	0	830						
5	14									4	1,170	955	0	955						
5	15	1								1	650	585	0	585						
6	16									1	650	585	0	585						
6	17									2	800	710	0	710						
6	18									2	800	710	0	710						
Total # Units	18	4	0	18	18	18	4	0	0	Totals:	16,170	13,495	0	Total # Units:	0	5	13	0	0	0

BR SF Rent #

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	9,720	810	45	6.3%
Accounting Fee	1,512	126	7	
Audit/Accounting	3,000	250	14	
Legal	2,000	167	9	
Compliance Monitoring	864	72	4	
Marketing	500	42	2	
Other	250	21	1	
TOTAL ADMINISTRATIVE	17,846	1,487	83	
Utilities				
Electricity	12,000	1,000	56	
Fuel	9,000	750	42	
Water and Sewer	6,500	542	30	
Fire Alarm / Emergency	1,500	125	7	
Other		0	0	
TOTAL UTILITIES	29,000	2,417	134	
Maintenance				
Maintenance / Janitor Payroll	5,600	467	26	
Maintenance Overhead		0	0	
Exterminating		0	0	
Trash Removal	3,800	317	18	
Snow Removal	3,000	250	14	
Grounds	3,000	250	14	
Repairs Material	1,500	125	7	
Repairs Contract	2,000	167	9	
HVAC Repairs / Maintenance	0	0	0	
Elevator Contract / Repairs	0	0	0	
Painting and Decorating	550	46	3	
Other		0	0	
TOTAL MAINTENANCE	19,450	1,621	90	
Real Estate Taxes	22,000	1,833	102	per unit month excl. ds & res. 432
Property Insurance	5,000	417	23	
Replacement Reserves	22,213	1,851	103	
Primary Debt Service	27,508	2,292	127	
Other "must pay" debt service		0	0	
Other		0	0	
Total	143,017	11,918	662	

Year 1 2 3 4 5 6 7 8 9 10 11 12 13 14

RD 1% Loan, No Interest Credit

Operating Income

Gross Rent
Other Income
Vacancy and other losses
Total Operating Income

Operating Expenses

Total Expenses (excl. Reserves)

Reserves

Sub-Total Operating Expense

RD Return on Equity

Total Operating Expense

Net Operating Income

Less Primary Debt Service

Less Secondary Debt Service

Annual Cash Flow

Net Cash

Cumulative Cash Flow

Beginning Balance

Deposits

Interest

Withdrawals

Ending Balance

Cumulative Replacement Reserves

Beginning Balance

Deposits

Interest

Withdrawals

Ending Balance

Net Operating Income

Plus Reserves

Less Interest Expense

Less Long Depreciation

Less Short Depreciation

Taxable Income (Loss)

Cash Flow

Plus Tax Savings

State Housing Tax Credit

Plus Tax Credits

After Tax Cash Flow

Total Years

15

Reinvestment Rate

12.00%

Current After Tax Cash Flows

Future Value of Cash Flows at Yr 15:

Discount Rate:

6.00%

Capital Contribution Number:

15-Apr-02

31-Dec-02

31-Mar-03

31-Mar-04

Amount of Capital Contribution:

5,000

Present Value of Contributions:

5,000

Cash Flows

811,533

IRR:

12.25%

Equity Yield:

75.20%

**RESOLUTION RE: CONSTRUCTION FINANCING
FOR HOLLOW DRIVE HOUSING, HARTFORD**

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

WHEREAS, an application has been submitted to the Agency by The Housing Foundation, Inc. and Twin Pines Housing Trust (the "Sponsors") on behalf of a to be formed limited partnership in which the Sponsors or their subsidiaries will be the general partners (the "Borrower") involving the construction of six (6) buildings containing a total of eighteen (18) units of rental housing in the Town of Hartford (the "Development"); and

WHEREAS, the Agency desires to take "official action" for the purpose of, and to reimburse itself for any advances of its funds prior to, the issuance and sale of tax-exempt bonds (the "Bonds") to finance a loan to the Borrowers;

WHEREAS, the application contemplates a mortgage loan for construction financing for the Development with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds;

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated March 21, 2002, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

5. The security value of the Development will equal at least the amount of the Agency's loan.
6. The Sponsors are financially responsible and are qualified housing sponsors within the meaning of the Act. The Borrower will be required to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsors for the construction financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Sponsors in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.
2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the limited partnership to be created by the Sponsors for the construction financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsors as representatives of the Borrower. The Commitment Letter shall be conditioned on the satisfaction by the Sponsors of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
3. The issuance of the Bonds for the purpose of financing one or more loans to the Borrower is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.
4. The preliminary approval described in the preceding paragraph does not obligate the Agency to give final approval for the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by independent action, which may contain such conditions thereto as the Agency may deem appropriate. The Agency in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Sponsors, the Borrower or any other person for its refusal to do so.
5. The Executive Director and the Loan Review Committee will establish the final source and amount of the loan for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on March 28, 2002.


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



Vermont Housing Finance Agency

TO: VHFA BOARD OF COMMISSIONERS
FROM: ROGER A. SCHOENBECK, CHIEF FINANCIAL OFFICER
DATE: MARCH 21, 2002
RE: SINGLE FAMILY BOND FINANCING

RAS

Attached to this memo is a current summary of the plan prepared by Piper Jaffray for the Series 16 Single Family Housing Bonds that are expected to be issued by April 26th. We have just about exhausted our supply of funds from Series 15. Those mortgage funds had no point rates of 6.30% and downpayment assistance rates of 6.75%. As discussed in the Piper memo, the note structure used in prior financings to drive the rates down is not currently an efficient mechanism. Due to the economic efficiencies of refunding the 1989 Series A bonds we are able to utilize some of the savings to drive down the rates to a target mortgage rate of 75 basis points lower than conventional rates. Since this is a one-time opportunity, we want to make sure to utilize the savings pool only to the extent necessary, so that the balance can be used to assist future mortgage rates when needed.

We have also included a draft copy of the Twentieth Supplemental Single Family Housing Bond Resolution (Series Resolution). We will be providing you (by separate email) a draft copy of the Preliminary Official Statement (P.O.S.), when it is ready in the next week or so. The Series Resolution is the document that lists the parameters under which the Bonds can be sold. We expect that the other normal documents connected with this contract including bond insurance reimbursement provisions and purchase contracts will be substantially the same as the Series 15 bonds. The series resolution provisions mandate the limits of the financing, i.e. a bond financing not utilizing more than \$20 million of bond volume cap. A yield calculation that would result in a no point mortgage rate of no more than 7.50%, and bonds maturing no later than May 1, 2034. The Series Resolution also authorizes entering into the purchase contract with the Underwriters and authorizes the Reimbursement Agreement terms and conditions with the bond insurer.

This financing will provide us with about \$40 million of mortgage proceeds. The current projected rate on the Series 16 mortgage funds is a "standard" mortgage at 6.50% and a cash assistance option mortgage at 6.95% with no points, based on the explanation of mortgage subsidy assistance in the Piper Jaffray memo. The current schedule is to sell bonds the second week of April and close by April 25th.

Recommended Action

Approval of the Twentieth Supplemental Single Family Housing Bond Resolution.



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MEMORANDUM

DATE: March 21, 2002
TO: Vermont Housing Finance Agency
FROM: U.S. Bancorp Piper Jaffray
RE: Pre-Sale Report - \$69,665,000 Single Family Housing Bonds, Series 16 (AMT)

Introduction

The Agency is being asked to approve a supplemental resolution for the sale of its Single Family Housing Bonds Series 16. Proceeds from the Series 16 Bonds will be disbursed to fund qualified mortgage loans and to refund bonds under the Home Mortgage Purchase Program Resolution. It is expected that the Agency will also transfer proceeds from the Home Mortgage Purchase Program Resolution to cover the debt service reserve fund, the loan loss claim fund, to pay a redemption premium, and to pay for transaction costs. The preliminary sources and uses of funds for this issue are shown below.

Bonds Issued to Fund New Mortgages	\$40,000,000
Bonds Issued to Refund HMPP issue	29,225,000
Transfer of Assets from HMPP Resolution	4,686,125
Premium for Downpayment Assistance Program	390,000
Total Sources of Funds	\$74,301,125
Program Account for Mortgage Loans	\$40,000,000
Program Account for Downpayment Assistance	390,000
Refunding of HMPP Series 1989A Bonds	29,225,000
Redemption Premium on 1989A Bonds	146,125
Debt Service Reserve Fund	2,480,000
Loan Loss Claim Fund	1,285,000
Cost of Issuance	200,000
Underwriter's Discount	575,000
Total Uses of Funds	\$74,301,125

Structure

The Series 16 issue is different than recent Agency issues. There are no notes incorporated in the structure at this time, and the issue contains an economic refunding of the Agency's Series 1989A bonds. The \$40 million used to fund mortgages is similar to other recent Agency issues. Along with annual serial bonds and two term bonds, the issue funds a down payment assistance program through the use of a

premium PAC bond. The \$29.225 used to refund the 1989A bonds is structured as a super sinker bond. By including the refunding, the Agency can reduce the rates on mortgages funded not only by Series 16 but it can also create a pool of funds which it can use to subsidize the mortgage rates on subsequent bond issues. Additionally, transferring assets from the Home Mortgage Purchase Program Resolution to cover reserve funds and to fund transaction costs will increase the strength of the Single Family Housing Bond Resolution.

While the current bond structure does not include notes, the Agency may need to issue notes to preserve any bonding authority created by redeeming a portion of the Home Mortgage Purchase Bonds. The issuance of notes may be sold under a separate tax plan.

Mortgages

Funds expected to be available for mortgage loans totals \$40.390 million. This consists of \$27 million available for the regular and step rate programs and \$13.390 million available for the downpayment assistance program. The target rates are 6.50% and 6.95% respectively. If the Agency sold a stand alone bond issue without the refunding the full spread mortgage rates would be 7.04% and 7.49%. Should the Agency desire full spread, and should it decide to use the full subsidy created by the refunding, it could offer mortgage rates as low as 5.87% and 6.32%. These interest rates include an additional 25 basis points for expected loan losses. The 25 basis points for projected loan losses is permitted, but not required to be included in the loan rate. Should the Agency desire to reserve a portion of the subsidy for future bond issues, it could do so by charging higher rates on mortgages funded from Series 16.

<u>Loan Type</u>	<u>Points</u>	<u>Agency Target Rate</u>	<u>Mortgage Rate w/o Refunding</u>	<u>Full Subsidy Mortgage Rate</u>
Regular Program	0	6.50%	7.04%	5.87%
DPA Program	3 pts. to Buyer	6.95%	7.49%	6.32%

Market Conditions

Thirty year, AMT single family housing bonds are currently at 5.60% to 5.70%. Expected interest rates in today's market are more than twenty basis points higher than the Series 15 sale which sold in August.

Reinvestment rates for the mortgage loan program account have decreased significantly since the Agency's Series 15 bond sale. Current short-term investment rates are about 2.25% compared to the 3.70% investment rate from the Series 15 bond sale. The bond yield is expected to be about 5.29%, resulting in negative arbitrage of 3.04%. However, this gap is expected to be offset by transferring high rate investments from the Home Mortgage Purchase Program Resolution to the Series 16 bond issue. The transferred assets will be used to fund the debt service reserve fund and the loan loss claim fund. Lastly, the Agency's financing team will be looking at additional methods to reduce negative arbitrage such as a step rate coupon on the PAC bond to provide relief.

Summary

The proposed bond structure with today's interest rate levels will result in full-spread loan rates with the potential to create a subsidy for future bond issues. The transferring of assets will help minimize negative arbitrage and provide a lower mortgage rate. The utilization of a PAC bond continues to have strong demand from buyers and is an effective way to reduce interest rates while also providing funds for down payment assistance loans. U.S. Bancorp Piper Jaffray recommends that the Agency proceed with the proposed bond issue.

VERMONT HOUSING FINANCE AGENCY

**TWENTIETH SUPPLEMENTAL SINGLE FAMILY HOUSING
BOND RESOLUTION**

Adopted March 28, 2002

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EXHIBIT A	VERMONT HOUSING FINANCE AGENCY SINGLE FAMILY HOUSING BONDS
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TWENTIETH SUPPLEMENTAL SINGLE FAMILY HOUSING BOND RESOLUTION

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

ARTICLE I

DEFINITIONS AND AUTHORITY

Section 1.01. Short Title. This resolution is hereinafter sometimes referred to as the “Twentieth Supplemental Resolution.”

Section 1.02. Definitions and Interpretation.

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

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

“*Adjusted Interest Rate*” means the rate or rates of interest to be borne by all Adjusted Rate Bonds subsequent to the Adjustment Date as determined pursuant to Section 2.03(a)(iv) hereof.

“*Adjusted Rate Bonds*” means all Series 16 Tender Bonds on which the interest rate has been adjusted to the Adjusted Interest Rate on the Adjustment Date and any Series 16 Bonds authenticated and delivered under the Resolution thereafter upon transfer of, or in exchange or substitution for, any such Bonds.

“*Adjustment Date*” means the Business Day, if any, not later than the last Business Day of the Adjustment Option Period, on which the interest rate on the Series 16 Tender Bonds is adjusted to the Adjusted Interest Rate as determined in accordance with Section 2.03(a)(ii) hereof.

“*Adjustment Option Period*” means the period set forth in the Series Certificate during which the Agency may exercise its right to cause the mandatory tender of Series 16 Bonds in accordance with Section 2.03 hereof.

“*Adjustment Rating Certificate*” means (i) a certificate of an Authorized Officer to the effect that the Agency has notified each Nationally Recognized Credit Rating Agency then maintaining a credit rating on any Bonds Outstanding that the interest rate on the Series 16 Tender Bonds will be adjusted to the Adjusted Interest Rate on the Adjustment Date and has furnished each such Nationally Recognized Credit Rating Agency with a Remarketing Projection of Revenues satisfying the requirements of Section 2.03(a)(vi) hereof, accompanied by (ii) a letter from each such Nationally Recognized Credit Rating Agency (or

other evidence satisfactory to the Trustee) confirming that adjustment of the interest rate on the Series 16 Tender Bonds will not cause such Nationally Recognized Credit Rating Agency to change the unenhanced credit ratings then assigned by it to any Bonds Outstanding.

“Arbitrage Projection Certificate” means a certificate of an Authorized Officer setting forth the Agency’s reasonable expectations that adjustment of the interest rate on the Series 16 Tender Bonds on the Adjustment Date to the Adjusted Interest Rate and the purchase thereafter of Loans at a certain specified rate or rates with proceeds allocable to the Adjusted Rate Bonds will not cause the Series 16 Obligations to be “arbitrage bonds” within the meaning of Section 143(g) or Section 148(a) of the Code, accompanied by an opinion of Bond Counsel to the effect that the adjustment of the interest rate on the Series 16 Tender Bonds on the Adjustment Date will not adversely affect the excludability of interest on the Series 16 Obligations from the gross income of the holders thereof for federal income tax purposes and that no matters have come to the attention of such counsel which make unreasonable or incorrect the representations made in such certificate.

“Authenticating Agent” with respect to all Series 16 Obligations, means the Trustee.

“Beneficial Owner” means the person or entity that is considered to be the beneficial owner of any Series 16 Obligation pursuant to the arrangements for book entry determination of ownership applicable to the Bond Depository.

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

“Bond Depository” means The Depository Trust Company, and its successors and any replacement depository appointed pursuant to Section 2.02 hereof.

“Bond Insurer” means the provider of municipal bond insurance with respect to the Series 16 Bonds, as shall be set forth in the Series Certificate.

“Bond Year” means the twelve month period beginning on each April 1 and ending on the following March 31; provided that the initial Bond Year shall commence on the date of issuance of the Series 16 Obligations and end on March 31, 2003.

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

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

Remarketing Agent with the approval of the Agency not earlier than 15 days prior to the Adjustment Date and not later than seven days prior to the Adjustment Date.

“*Code*” means the Internal Revenue Code of 1986, as amended, and all Treasury Regulations thereunder to the extent applicable to the Series 16 Obligations.

“*Loan Loss*” means the amount, certified to the Trustee by an Authorized Officer, of any loss realized by the Agency upon the default on a Loan held under the Resolution for the account of the Series 16 Bonds, which amount shall not exceed the sum of (i) the unpaid principal balance of the Loan at the date of the default, (ii) the amount of accumulated delinquent interest due on the Loan (excluding late charges and penalty interest), and (iii) the amount of advances made by or for the account of the Agency with respect to such Loan for regularly scheduled payments of principal and interest in arrears, hazard insurance premiums, property taxes, property protection and preservation expenses and foreclosure costs, less the sum of (iv) the amount of all rents, sale proceeds, foreclosure proceeds, insurance settlements, self-insurance proceeds (other than Loan Loss Claim Fund Withdrawals) and other payments (excluding proceeds of fire and extended coverage insurance) collected or received by the Agency from or on account of such Loan and the property securing the same, (v) the amount of cash remaining in any escrow account maintained for such Loan, (vi) the amount paid under any fire and extended coverage policy which is in excess of the amount applied to the restoration of the property or the payment of the Loan and (vii) the amount of any Loan Loss on account of such Loan previously paid from amounts on deposit in the Series 16 Loan Loss Claim Fund.

“*Loan Loss Claim Fund Withdrawals*” means amounts withdrawn from the Series 16 Loan Loss Claim Fund pursuant to Section 3.06(b) hereof on account of a Loan Loss.

“*Municipal Bond Insurance Policy*” means the municipal bond insurance policy issued by the Bond Insurer insuring the scheduled payment when due of the principal of and interest on the Series 16 Bonds as provided therein.

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

“*Notice Date*” means the Business Day which is 30 days prior to the Adjustment Date.

“Official Statement” means the Official Statement of the Agency describing the Series 16 Obligations, dated the date of execution of the Purchase Contracts.

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

“Principal Amount” for purposes of Section 204(B) of the Resolution and at any date of computation, means, with respect to any Series 16 Obligation, the stated principal amount thereof.

“Pro-Forma Adjusted Interest Rate” shall have the meaning given such term in Section 2.03(a)(i) hereof.

“Pro-Forma Tender Bonds” shall have the meaning given such term in Section 2.03(a)(i) hereof.

“Purchase Contracts” means, collectively, the Series 16 Bond Purchase Contract and the Series 16 Note Purchase Contract.

“Record Date” with respect to the payment of interest on a Series 16 Obligation, means the fifteenth day of the month next preceding the date on which interest is to be paid on such Series 16 Obligation or, if such fifteenth day is not a Business Day, the next preceding Business Day; provided that, with respect to overdue interest or interest payable on a Series 16 Obligation other than on an Interest Payment Date or interest on any overdue amount, the Trustee may establish a special record date, which date shall be not more than twenty Business Days before the date set for payment; and provided further that the Trustee shall give notice of a special record date by mailing a copy of such notice to the Holders of all Series 16 Obligations Outstanding to which such special record date is applicable in the manner provided in Section 801 of the Resolution at least ten days before the special record date or in such other time and manner as the Trustee may deem appropriate.

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

“Remarketing Agreement” means the Remarketing Agreement executed in connection with the remarketing of Series 16 Tender Bonds, in such form as shall be approved by the Agency prior to the Adjustment Date.

“Remarketing Projection of Revenues” means a Projection of Revenues satisfying the requirements of Section 2.03(a)(vi) hereof calculated on the assumption that the Adjusted Rate Bonds will bear interest at the Adjusted

Interest Rate and will mature on the dates determined in accordance with Section 2.03(a)(v) hereof.

“Representation Letter” means, with respect to the Series 16 Obligations held in book-entry only form with the Bond Depository, the Blanket Letter of Representations of the Agency dated April 4, 1995.

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

“Series Certificate” means the Series Certificate of the Chair or Vice Chairman and Executive Director of the Agency dated on or before the date of issuance of the Series 16 Obligations which Series Certificate shall establish certain terms of the Series 16 Obligations as provided herein.

“Series 15 Bonds” means the \$32,500,000 aggregate principal amount of the Agency’s Single Family Housing Bonds, Series 15A issued on September 6, 2001.

“Series 15 Notes” means, collectively, the \$16,500,000 aggregate principal amount of the Agency’s Single Family Housing Notes, Series 15B and the \$16,500,000 aggregate principal amount of the Agency’s Single Family Housing Notes, Series 15C issued on September 6, 2001.

“Series 16 Bond Purchase Contract” means the Purchase Contract by and among the Agency, the Underwriters named therein and the direct institutional purchaser of the Series 16 Bonds, if any, providing for the terms and conditions of the sale of the Series 16 Bonds in substantially the form of the Bond Purchase Contract executed in connection with the Agency’s Series 15 Bonds.

“Series 16 Bond Reserve Requirement” means an amount with respect to the Series 16 Obligations at least equal to the lesser of (i) 50% of the maximum amount of Debt Service payable on all Series 16 Bonds Outstanding in the current or any subsequent Fiscal Year and (ii) 10% of the original net proceeds of the Series 16 Bonds.

“Series 16 Bonds” means the Series 16 Bonds of the Agency authorized to be issued in one or more Series by this Twentieth Supplemental Resolution; provided, however, that as provided in Section 2.01 hereof and as may be provided in the Series Certificate, a portion of the Series 16 Bonds may be issued as a separate issue for federal tax purposes and shall be designated as Series 17 Bonds. References herein to the Series 16 Bonds shall be deemed to include the Series 17 Bonds, if any.

“Series 16 Contingency Account” means the account in the Redemption Fund so designated and created pursuant to Section 3.01(e) hereof.

“Series 16 Contingency Account Deposits” means the Series 16 Contingency Account Surety Bond, cash or any one or more of the following to the extent its deposit in the Series 16 Contingency Account will not adversely affect the then current unenhanced ratings, if any, assigned to the Bonds by each Nationally Recognized Credit Rating Agency then maintaining a credit rating on the Bonds: (i) irrevocable and unexpired letters of credit issued by banking institutions, (ii) irrevocable policies of insurance in full force and effect issued by insurers, (iii) irrevocable guarantees by banks, bank holding companies, insurance companies or surety companies or (iv) any other similar security or source thereof; in any case deposited or held under the Resolution for the credit of the Series 16 Contingency Account.

“Series 16 Contingency Account Surety Bond” means the irrevocable surety bond issued by the Series 16 Contingency Account Deposit Provider to be held for the credit of the Series 16 Contingency Account and any extension thereof or substitute surety bond therefor deposited with the Trustee pursuant to Section 3.02(c) thereof.

“Series 16 Contingency Account Deposit Provider” means the Bond Insurer as provider of the Series 16 Contingency Account Surety Bond, and, if applicable, the provider of any other Series 16 Contingency Account Deposit.

“Series 16 Cost of Issuance Account” means the account in the Program Fund so designated and created by Section 3.01(c) hereof.

“Series 16 Funded Loan Loss Claim Fund Requirement” means, at any date of computation, an amount equal to the Series 16 Loan Loss Claim Fund Requirement less the stated and unpaid amounts, if any, of all Series 16 Loan Loss Claim Fund Deposits in full force and effect held for the account of the Series 16 Loan Loss Claim Fund.

“Series 16 Loan Loss Claim Fund” means the fund so designated and created pursuant to Section 3.01(a) hereof.

“Series 16 Loan Loss Claim Fund Deposit Provider” means the Bond Insurer as provider of the Series 16 Loan Loss Claim Fund Surety Bond, and, if applicable, the provider of any other Series 16 Loan Loss Claim Fund Deposit.

“Series 16 Loan Loss Claim Fund Deposits” means the Series 16 Loan Loss Claim Fund Surety Bond, cash or any one or more of the following to the extent its deposit in the Series 16 Loan Loss Claim Fund will not adversely affect the then current unenhanced ratings, if any, assigned to the Bonds by each Nationally Recognized Credit Rating Agency then maintaining a credit rating on the Bonds: (i) irrevocable and unexpired letters of credit issued by banking institutions, (ii) irrevocable policies of insurance in full force and effect issued by insurers, (iii) irrevocable guarantees by banks, bank holding companies, insurance companies or surety companies or (iv) any other similar security or source

thereof; in any case deposited or held under the Resolution for the credit of the Series 16 Loan Loss Claim Fund and providing for the payment of sums available to pay Loan Loss Claim Fund Withdrawals.

“Series 16 Loan Loss Claim Fund Requirement” means, as of any date of computation, (i) an amount at least equal to (A) one and eighty-five hundredths percent (1.85%) of the sum of (1) the aggregate unpaid principal amount of all Loans purchased under the Resolution from amounts on deposit in the Series 16 Program Account plus (2) the aggregate amount, if any, then held in the Series 16 Program Account which may be applied to the purchase of such Loans, less (B) the aggregate amount of all Loan Loss Claim Fund Withdrawals that have been theretofore made from the Series 16 Loan Loss Claim Fund, or (ii) such lesser amount as each Nationally Recognized Credit Rating Agency confirms to the Agency will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding.

“Series 16 Loan Loss Claim Fund Surety Bond” means the irrevocable surety bond issued by the Bond Insurer to be held for the credit of the Series 16 Loan Loss Claim Fund and any extension thereof or substitute surety bond deposited with the Trustee pursuant to Section 3.02(b) hereof.

“Series 16 Notes” means the Series 16 Notes of the Agency authorized to be issued in one or more Series by this Twentieth Supplemental Resolution; provided, however, that as provided in Section 2.01 hereof and as may be provided in the Series Certificate, a portion of the Series 16 Notes may be issued as a separate issue for federal tax purposes and shall be designated as Series 17 Notes. References herein to the Series 16 Notes shall be deemed to include the Series 17 Notes, if any.

“Series 16 Notes Program Account” means the one or more Series 16 Notes Program Accounts authorized to be established in the Series Certificate.

“Series 16 Note Purchase Contract” means the Purchase Contract by and between the Agency and UBS PaineWebber Inc. providing for the terms and conditions of the sale of the Series 16 Notes in substantially the form of the Note Purchase Contract executed in connection with the issuance by the Agency of its Series 15 Notes.

“Series 16 Obligations” means, collectively, the Series 16 Bonds, the Series 16 Notes.

“Series 16 Program Account” means the one or more Series 16 Bonds Program Accounts authorized to be established in the Series Certificate.

“Series 16 Rebate Account” means the account in the Rebate Fund so designated and created pursuant to Section 3.01(f) hereof.

“Series 16 Rebate Requirement” with respect to the Series 16 Obligations, means an amount equal to the cumulative net sum calculated and determined from time to time in accordance with the requirements of Section 148(f) of the Code that must be paid to the United States pursuant to Section 3.05 hereof.

“Series 16 Reimbursement Agreements” means, as applicable, (i) the agreement by and between the Agency and the Series 16 Loan Loss Claim Fund Deposit Provider in connection with the Series 16 Loan Loss Claim Fund Deposit and (ii) the agreement by and between the Agency and the Series 16 Contingency Account Deposit Provider in connection with the Series 16 Contingency Account Deposit, and, in each case, as such agreement or agreements may be amended from time to time in accordance therewith.

“Series 16 Tender Bonds” means the Series 16 Bonds selected in accordance with Section 2.03(A)(3) hereof for mandatory tender on the Adjustment Date and exchange for or remarketing as Adjusted Rate Bonds.

“Series 16 Tender Bonds Proceeds Subaccount” means the Series 16 Program Account — Tender Bonds Proceeds Subaccount established pursuant to Section 3.01(b) hereof.

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

“Underwriters” means, collectively, UBS PaineWebber Inc., Salomon Smith Barney Inc. and A.G. Edwards & Sons, Inc., as underwriters of the Series 16 Bonds and UBS PaineWebber Inc. as underwriter of the Series 16 Notes.

“Yield” means the yield on the Series 16 Obligations or the yield on any Loan or any other investment held under the Resolution and allocable to the Series 16 Obligations calculated as required by Sections 148(h) and 143(g) of the Code.

(c) Unless a different meaning clearly appears from the context, for all purposes of the Resolution and this Twentieth Supplemental Resolution, the term “Interest Payment Date” shall mean (i) with respect to the Series 16 Bonds, May 1 and November 1 of each year commencing on November 1, 2002, any redemption date of any Series 16 Bonds and any other date on which interest on the Series 16 Bonds is required or permitted by the Resolution to be paid and (ii) with respect to the Series 16 Notes, May 1 and November 1 of each year commencing on November 1, 2002 and on the maturity date thereof.

Section 1.03. Authority. This Twentieth Supplemental Resolution supplements the Resolution and is adopted pursuant to Section 701 of the Resolution and in accordance with the Act.

ARTICLE II

AUTHORIZATION OF SERIES 16 OBLIGATIONS

Section 2.01. Series 16 Obligations; Authorization; Purpose; Findings.

(a) The Agency hereby authorizes the issuance of one or more Series of Bonds to be designated "Single Family Housing Bonds, Series 16" in an aggregate Principal Amount not to exceed \$50,000,000. Each separate Series of Bonds shall have its own letter designation (i.e. Series 16A, Series 16B, etc.) as shall be set forth in the Series Certificate. In addition, the Agency hereby authorizes the issuance of one or more Series of Notes to be designated "Single Family Housing Notes, Series 16" in an aggregate Principal Amount not to exceed \$50,000,000. Each Series of Notes shall have its own letter designation as shall be set forth in the Series Certificate. In addition, in order to distinguish between Bonds and Notes of different tax plans for federal tax purposes, the Bonds and Notes of such Series may be designated and redesignated (as herein provided and as may be provided in the Series Certificate or Certificates delivered in connection with such Bonds) as Series 17 Bonds or Series 17 Notes, and, within such designation, may be further designated as SubSeries 17-A, SubSeries 17-B, and so forth. References herein to the Series 16 Bonds and Series 16 Notes shall be deemed to include the Series 17 Bonds and Series 17 Notes, if any. The Agency hereby determines (i) that the original aggregate Principal Amount of the Series 16 Obligations is necessary to provide sufficient funds to be used and expended for the Program, (ii) that Loans made on behalf of the Agency with moneys allocable to the Series 16 Obligations can be issued bearing rates of interest which will be less than the prevailing rate of interest on comparable loans available in the State of Vermont without the assistance of the Agency and (iii) that the Agency will derive receipts, revenues or other income from the Loans purchased with moneys allocable to the Series 16 Obligations as provided herein and from the investment of the proceeds of the Series 16 Notes sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the Series 16 Obligations and the payment of all costs and expenses incurred by the Agency with respect to the Program for which the Series 16 Obligations are being issued. For purposes of Section 204(B) of the Resolution, all Series 16 Obligations shall be issued as "Fixed-Rate Bonds" as described in Section 203(B) of the Resolution and all Series 16 Bonds shall be issued as "Tender Bonds" as described in Section 203(D) of the Resolution.

(b) The Series 16 Bonds are being issued to provide funds for the refunding of certain outstanding obligations of the Agency and to make deposits in one or more of the Series 16 Program Account, the Series 16 Cost of Issuance Account, the Series 16 Capitalized Interest Account, the Debt Service Fund and the Bond Reserve Fund, subject to the limitations and provisions provided in Article V of the Resolution. The Series 16 Notes are being issued to provide funds for the refunding of certain outstanding obligations of the Agency and to make deposits in the Series 16 Notes Program Account. The amounts of the deposits described in this paragraph (b) shall be as set forth in the Series Certificate.

(c) Subject to Section 2.02 hereof, all Series 16 Obligations shall be issued only in the form of fully registered bonds each in the denomination of \$5,000 or any whole multiple thereof and shall be lettered and numbered separately from one consecutively upward in order of maturity preceded by the letters "RA", "RB" or "RC", as applicable, and with such further or alternate designation as the Trustee shall determine with the approval of the Agency.

(d) The Series 16 Bonds shall be dated April 1, 2002. The Series 16 Bonds shall bear interest from the May 1 or November 1 to which interest has been paid or duly provided for next preceding their date of authentication or, if no interest has been paid, from April 1, 2002, or if the date of authentication of any Series 16 Bond is subsequent to the Record Date for any interest payment and on or prior to the Interest Payment Date therefor and if interest is paid on such Interest Payment Date, from such Interest Payment Date. Interest on each Series 16 Bond shall be payable on November 1, 2002 and semi-annually thereafter on May 1 and November 1 of each year and on the maturity date thereof. Subject to Section 2.03 hereof, the Series 16 Bonds shall mature on the dates and in the Principal Amounts and shall bear interest at the rates set forth in the Series Certificate; provided, however, that in no event shall the Yield on the Series 16 Obligations exceed a Yield which would result in an interest rate on the zero point Mortgage Loans to be financed with the proceeds of the Series 16 Bonds in excess of 7.50% per annum nor may the final maturity date of the Series 16 Bonds be later than May 1, 2034.

(e) The Series 16 Notes shall be dated the date of their initial authentication and delivery. The Series 16 Notes shall bear interest from the May 1 or November 1 to which interest has been paid or duly provided for next preceding their date of authentication or, if no interest has been paid, from the date of their initial authentication and delivery, or if the date of authentication of any Series 16 Note is subsequent to the Record Date for any interest payment and on or prior to the Interest Payment Date therefor and if interest is paid on such Interest Payment Date, from such Interest Payment Date. Interest on the Series 16 Notes shall be payable on November 1, 2002 and semiannually thereafter on May 1 and November 1 of each year and on the maturity date thereof. The Series 16 Notes shall mature on the dates and in the Principal Amounts and shall bear interest at the rates set forth in the Series Certificate; provided, however, that in no event shall any Series of the Series 16 Notes mature later than November 1, 2004.

(f) The Principal Amount and Redemption Price of the Series 16 Obligations shall be payable at the Principal Office of the Trustee. Interest on the Series 16 Obligations shall be payable solely by check or draft drawn upon the Trustee, bearing on its face or by attached notation the CUSIP number of the Series 16 Obligation on account of which such payment is made, mailed to the address of the registered owner thereof as it appears on the registry books of the Agency, determined as of the close of business on the applicable Record Date. The Principal Amount or Redemption Price of and interest on the Series 16 Obligations shall also be payable at any other place which may be provided for such payment by the appointment of any other Paying Agent or Paying Agents as permitted by the Resolution. Notwithstanding anything in the Resolution or this Paragraph (f) to the contrary, if at any time the Series 16 Obligations are not

restricted to being registered in the registry books of the Agency in the name of Cede & Co., as nominee of the Bond Depository, as provided in Section 2.02 hereof, the Principal Amount and Redemption Price of and interest on the Series 16 Obligations of any registered owner of Series 16 Obligations of \$1,000,000 or more in Principal Amount shall be payable, at the option of such registered owner expressed in a written notice delivered to the Trustee, in immediately available funds by wire transfer to the account of such registered owner on file with the Trustee. Each such wire transfer shall bear a notation of the CUSIP number of the Series 16 Obligations on account of which such payment is made.

(g) Pursuant to Section 305(C) of the Resolution, the Agency in its sole discretion may charge for every exchange or transfer of a Series 16 Obligation a fee sufficient to reimburse the Agency for the cost of preparing each new Series 16 Obligation delivered upon such exchange or transfer and for any other expenses of the Agency or the Trustee incurred in connection therewith (in addition to any applicable tax, fee or other governmental charge other than one imposed by the Agency), which fee shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer.

Section 2.02. Book Entry System. Notwithstanding the foregoing provisions of Section 2.01 hereof and anything in Article III of the Resolution to the contrary:

(a) The Series 16 Obligations shall be initially issued in the form of a single separate fully registered bond for each Series and maturity of the Series 16 Obligations in the amount of such maturity. Upon initial issuance, the ownership of the Series 16 Obligations shall be registered in the registry books of the Agency kept by the Trustee in the name of Cede & Co., as nominee of the Bond Depository. With respect to Series 16 Obligations registered in the registry books kept by the Trustee in the name of Cede & Co., as nominee of the Bond Depository, the Agency and the Trustee shall have no responsibility or obligation to any Participant or to any Beneficial Owner of the Series 16 Obligations. Without limiting the immediately preceding sentence, the Agency and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Bond Depository, Cede & Co. or any Participant with respect to any ownership interest in the Series 16 Obligations, (ii) the delivery to any Participant, any Beneficial Owner or any other person, other than the Bond Depository, of any notice with respect to the Series 16 Obligations, including any notice of redemption, or (iii) the payment to any Participant, any Beneficial Owner or any other person, other than the Bond Depository, of any amount with respect to the Principal Amount or Redemption Price of, or interest on, the Series 16 Obligations. The Trustee shall pay the Principal Amount or Redemption Price of, and interest on, the Series 16 Obligations only to or upon the order of the Bond Depository, and all such payments shall be valid and effective to fully satisfy and discharge the Agency's obligations with respect to the Principal Amount or Redemption Price of, and interest on, the Series 16 Obligations to the extent of the sum or sums so paid. No person other than the Bond Depository shall receive an authenticated Series 16 Obligation evidencing the obligation of the Agency to make payments of Principal Amount or Redemption Price of, and interest pursuant to the Resolution. Upon delivery by the Bond Depository to the Trustee of written notice to the

effect that the Bond Depository has determined to substitute a new nominee in place of Cede & Co., the words "Cede & Co." in this Twentieth Supplemental Resolution shall refer to such new nominee of the Bond Depository.

(b) Upon receipt by the Agency and the Trustee of written notice from the Bond Depository to the effect that the Bond Depository is unable or unwilling to discharge its responsibilities and no substitute depository willing to undertake the functions of the Bond Depository hereunder can be found which is able to undertake such functions upon reasonable and customary terms, then the Series 16 Obligations shall no longer be restricted to being registered in the registry books of the Agency kept by the Trustee in the name of Cede & Co., as nominee of the Bond Depository, but may be registered in whatever name or names the owners transferring or exchanging Series 16 Obligations shall designate, in accordance with the provisions of the Resolution.

(c) In the event the Agency determines that Beneficial Owners should be able to obtain certificates for the Series 16 Obligations, the Agency shall notify the Bond Depository and the Trustee of the availability of such certificates. In such event, the Trustee shall issue, transfer and exchange certificates as requested by the Bond Depository (or, pursuant to Section 2.02(b) hereof, any other owner of Series 16 Obligations) in appropriate amounts, and, whenever the Bond Depository requests the Agency and the Trustee to do so, the Trustee and the Agency will cooperate with the Bond Depository in taking appropriate action after reasonable notice (i) to transfer the certificates to any Participant having Series 16 Obligations credited to its Bond Depository account or (ii) to arrange for another securities depository to maintain custody of certificates evidencing the Series 16 Obligations.

(d) Notwithstanding any other provision of this Twentieth Supplemental Resolution to the contrary, so long as any Series 16 Obligation is registered in the name of Cede & Co., as nominee of the Bond Depository, all payments with respect to the Principal Amount or Redemption Price of, and interest on, such Bond and all notices with respect to such Bond shall be made and given, respectively, to or on the order of the Bond Depository as provided in the Representation Letter.

Section 2.03. Adjusted Rate Bonds.

(a) The Series 16 Bonds are issued subject to the provision that all or part of such Series 16 Bonds may be called for mandatory tender on the Adjustment Date and exchanged for or remarketed as an equal Principal Amount of Series 16 Bonds bearing interest at the Adjusted Interest Rate determined in accordance with this Section 2.03.

(i) If at any time and from time to time during the Adjustment Option Period (but not less than 40 days prior to the end of the Adjustment Option Period) any amount attributable to the Series 16 Bonds remains on deposit in the Series 16 Program Account and the Agency has determined (A) that the rate of interest to be borne by Loans allocable to Series 16 Bonds bearing interest at the rates set forth in the Series Certificate either (1) exceeds that rate which the Agency reasonably determines is the maximum rate which eligible Borrowers can

then afford or (2) exceeds the maximum rate at which Mortgage Lenders are willing, in the judgment of the Agency, to commit to sell Loans for the Agency or (B) that Loans made by or on behalf of the Agency, directly or indirectly, with the proceeds of Series 16 Bonds bearing interest at the rates set forth in the Series Certificate cannot be issued bearing a rate or rates of interest which is less than the prevailing rate of interest on comparable loans available in the State without the assistance of the Agency, the Agency may deliver to such Remarketing Agent a certificate of an Authorized Officer directing the Remarketing Agent to determine and certify to the Agency a Pro-Forma Adjusted Interest Rate as of a date (the "Certification Date") specified in such Certificate (which date shall be not less than two Business Days after the date of such certificate). The certificate of an Authorized Officer shall also specify a Principal Amount of Series 16 Bonds (not in excess of the amount then on deposit in the Series 16 Program Account and in a multiple of \$5,000) for which the Pro-Forma Adjusted Interest Rate shall be determined (hereinafter referred to as the "Pro-Forma Tender Bonds"). On the Certification Date, the Remarketing Agent shall determine and certify to the Agency and the Trustee the Pro-Forma Adjusted Interest Rate with respect to the Pro-Forma Tender Bonds. The Pro-Forma Adjusted Interest Rate shall be the lowest rate or rates which, in the Remarketing Agent's judgment on the basis of prevailing market conditions, would permit the resale of the Pro-Forma Tender Bonds at par plus accrued interest, if any, on the Certification Date.

(ii) If on or after any Certification Date (A) the Agency determines that the yield (calculated as of the Certification Date) on the Pro-Forma Tender Bonds bearing interest at the Pro-Forma Adjusted Interest Rate is at least 1/2 of 1% lower than the yield on the Series 16 Bonds (calculated as of the original date of authentication and delivery of the Series 16 Bonds) and (B) the Agency determines that the rate of interest to be borne by Loans allocable to proceeds of Series 16 Bonds bearing interest at the Pro-Forma Adjusted Interest Rate does not exceed that rate which the Agency reasonably determines is the maximum rate which eligible Borrowers can afford and does not exceed the maximum rate which is allowable under Section 143(g) or Section 148(a) of the Code without causing the Series 16 Bonds to become "arbitrage bonds" within the meaning of Section 143(g) or Section 148(a) of the Code and (C) the Agency determines that Loans made by or on behalf of the Agency, directly or indirectly, with proceeds allocable to Series 16 Bonds bearing interest at the Pro-Forma Adjusted Interest Rate can be issued bearing a rate or rates of interest which will be less than the prevailing rate of interest on comparable loans available in the State without the assistance of the Agency and (D) the Agency determines that the rate of interest on such Loans will be sufficient, together with all other Revenues and other funds available for the purpose, to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due and all Program Expenses (on the assumption that the Pro-Forma Tender Bonds will bear interest at the Pro-Forma Adjusted Interest Rate subsequent to the Certification Date), the Agency may elect in a certificate of an Authorized Officer delivered to the Trustee and the Remarketing Agent to call a Principal Amount of Series 16 Bonds (not in excess of the Principal Amount of Pro-Forma Tender Bonds) for mandatory tender on the

Adjustment Date and exchange for or remarketing as Adjusted Rate Bonds. The certificate of an Authorized Officer delivered to the Trustee shall also specify the Adjustment Date after which the Adjusted Rate Bonds shall bear interest at the Adjusted Interest Rate, which Adjustment Date, in the sole discretion of the Agency, shall be any date within the Adjustment Option Period not less than 33 days after the date such certificate is delivered to the Trustee.

(iii) If the Agency shall have elected to call a Principal Amount of Series 16 Bonds for tender on the Adjustment Date and exchange for or remarketing as Adjusted Rate Bonds as provided in Paragraph (ii) of this Section 2.03, the Trustee shall select the Outstanding Series 16 Bonds (hereinafter referred to as "Series 16 Tender Bonds") to be tendered (in aggregate Principal Amount equal to the Principal Amount of Series 16 Bonds specified by the Agency pursuant to Paragraph (a)(ii) of this Section 2.03). If less than all Series 16 Bonds are to be tendered, Series 16 Bonds of each maturity Outstanding shall be called for tender, as nearly as practicable, in accordance with the ratio which the aggregate Principal Amount of Series 16 Bonds of each maturity Outstanding bears to the aggregate Principal Amount of all Series 16 Bonds of all maturities Outstanding. If less than all Series 16 Bonds of any particular maturity are to be tendered, the Trustee shall select by lot the Series 16 Bonds within such maturity to be tendered. Not later than the Notice Date, notice of tender shall be given by the Trustee, in the name of the Agency, by first-class registered mail to all Holders of Series 16 Tender Bonds at their addresses appearing on the registration books of the Agency maintained by the Trustee (or at such other address as may have been provided to the Trustee for such purpose). A copy of such notice shall be furnished by the Agency on or before the Notice Date to each Nationally Recognized Credit Rating Agency then maintaining a rating on any Bonds Outstanding. In addition to the purposes provided in this Section 2.03, the notice of tender shall also constitute a notice of redemption of the Series 16 Tender Bonds on the Adjustment Date in whole or in part pursuant to Section 2.04(d) and Section 3.03(c) to the extent the conditions provided in Paragraphs (a)(iv) or (vii) of this Section 2.03 shall occur. Each such notice shall state in effect:

(A) the Principal Amount of Series 16 Tender Bonds owned by such Holder and the bond numbers and maturity dates thereof;

(B) the calendar date on which the Adjustment Date will occur and that, unless the conditions provided in Paragraph (iv) or Paragraph (vii) of this Section 2.03(a) shall occur, Series 16 Tender Bonds of such Holder will be exchanged for and either redelivered to such Holder or remarketed as Adjusted Rate Bonds on the Adjustment Date, in either case bearing the same maturity dates as the Series 16 Tender Bonds for which they were exchanged;

(C) that the Holders of Series 16 Tender Bonds will no longer be entitled to receive interest on such Bonds after the Adjustment Date, except in the case of Series 16 Tender Bonds retained as provided in

Section 2.03(b)(iii) hereof and not purchased (in which case such Bonds shall, from and after the Adjustment Date, bear interest at the Adjusted Interest Rate);

(D) that each Series 16 Tender Bond shall be purchased on the Adjustment Date unless the Bondholder directs the Agency and the Trustee not to purchase all or any specified portion of such Holder's Series 16 Tender Bonds (which portion shall not be less than \$5,000 and shall be in whole multiples of \$5,000 in Principal Amount) upon compliance by such Bondholder with the provisions of clause (iii) of Section 2.03(b);

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

(F) that if the Series 16 Tender Bonds had been exchanged for Adjusted Rate Bonds on the Certification Date, they would have borne interest thereafter at the Pro-Forma Adjusted Interest Rate and that the actual Adjusted Interest Rate will be determined on the Calculation Date (describing the dates on which the Calculation Date may occur and the method by which the actual Adjusted Interest Rate will be determined);

(G) that, whether or not each Bondholder elects to direct the Agency and the Trustee not to purchase any or all of such Bondholder's Series 16 Tender Bonds in accordance with Section 2.03(b)(iii), unless such Bonds are registered in the name of the Bond Depository or its nominee, such Bondholder shall deliver such Bond or Bonds to the Trustee no later than 10:30 a.m. (New York City time) on the Adjustment Date duly endorsed in blank for transfer (the Trustee and the Bond Depository may agree as to any procedures to be followed by them with respect to the delivery of Series 16 Tender Bonds); and

(H) that if no adjustment of interest rate takes place as a result of a failure of or inability of the Remarketing Agent to set the Adjusted Interest Rate on the Calculation Date, or otherwise as provided herein, whether or not a Bondholder has elected to direct the Agency or the Trustee not to purchase all or a portion of such Bondholder's Series 16 Tender Bonds, all of such Series 16 Tender Bonds will be subject to mandatory redemption on the Adjustment Date.

(iv) On the Calculation Date the Remarketing Agent shall determine and announce to the Trustee and the Agency, in addition to those matters set forth in Paragraph (v) of this Section 2.03(a), the Adjusted Interest Rate that the Adjusted Rate Bonds of each applicable maturity shall bear as of the Adjustment Date. The Adjusted Interest Rate shall be the interest rate which, in the judgment of the Remarketing Agent, as of the date of such determination and under

prevailing market conditions, would permit the resale of the Adjusted Rate Bonds on such date at par plus accrued interest, if any. If the Remarketing Agent shall fail or be unable to set the Adjusted Interest Rate on the Calculation Date, all Series 16 Tender Bonds shall be subject to mandatory redemption on the Adjustment Date. The Remarketing Agent shall announce the Adjusted Interest Rate by telephone to the Trustee and the Agency prior to 12:00 Noon, New York City time, on the Calculation Date, and shall confirm such notice by telex, facsimile or in writing or by wire sent on the same day or by next-day delivery service. Subject to Paragraph (vii) of this Section 2.03(a), as soon as possible after the Calculation Date the Trustee shall notify Bondholders who elected not to have their Series 16 Tender Bonds purchased pursuant to subparagraph (b)(iii) below of the Adjusted Interest Rate applicable to the Adjusted Rate Bonds to be retained by such holders. Following the Calculation Date, but in no event later than the second Business Day prior to the Adjustment Date, the Agency shall also deliver to the Trustee (1) an Arbitrage Projection Certificate, (2) a Remarketing Projection of Revenues satisfying the provisions of Paragraph (vi) of this Section 2.03(a), (iii) an Adjustment Rating Certificate and (3) a certificate of an Authorized Officer to the effect that the balance on deposit in the Bond Reserve Fund and the Series 16 Loan Loss Claim Fund as of the Adjustment Date will not be less than the Bond Reserve Fund Requirement and the Series 16 Loan Loss Claim Fund Requirement, respectively, calculated as of the Adjustment Date.

(v) On the Certification Date and on the Calculation Date, the Remarketing Agent shall deliver to the Agency and the Trustee a schedule of Principal Installments (including Sinking Fund Installments, if any) of the Pro-Forma Tender Bonds and the Adjusted Rate Bonds, as applicable. The maturity dates of, and schedule of Principal Installments for, the Pro-Forma Tender Bonds and the Adjusted Rate Bonds, as applicable, shall be the same dates and schedule as established pursuant to Sections 2.01 and 2.04(d) hereof for the Series 16 Bonds for which they are to be exchanged, provided that, the Sinking Fund Installments, if any, for the Adjusted Rate Bonds of any maturity shall be the pro-rata proportion of each Sinking Fund Installment established for such maturity by the Remarketing Agent pursuant to Section 2.04(d) hereof determined, as nearly as practicable, in accordance with the ratio which the aggregate Outstanding Principal Amount of Adjusted Rate Bonds of such maturity bears to the aggregate Outstanding Principal Amount of all Series 16 Bonds of such maturity.

(vi) In addition to the requirements of Section 610 of the Resolution, the Remarketing Projection of Revenues delivered in connection with the remarketing of the Adjusted Rate Bonds shall assume the schedule of Principal Installments for the Adjusted Rate Bonds delivered to the Agency on the Calculation Date in accordance with Paragraph (v) of this Section 2.03(a) and shall demonstrate that following such remarketing expected Revenues and other funds available for the purpose will be sufficient to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due and all Program Expenses or, if not, that the amount of Revenues and other funds available to pay

Aggregate Debt Service in the current and each subsequent Fiscal Year on all Bonds Outstanding other than the Series 16 Tender Bonds, and to pay all Program Expenses allocable to such Bonds, will be greater following adjustment of the Series 16 Tender Bonds to Adjusted Rate Bonds than would be the case if the Agency did not remarket the Adjusted Rate Bonds but redeemed the Series 16 Tender Bonds in accordance with Section 2.04(b) hereof. A copy of the Remarketing Projection of Revenues, together with a schedule of Investment Obligations in which the proceeds of the Series 16 Bonds will be invested following the Adjustment Date, shall be furnished by the Agency to each Nationally Recognized Credit Rating Agency then maintaining a rating on the Series 16 Bonds not later than five days prior to the Adjustment Date. In addition to the foregoing requirements, the Remarketing Projection of Revenues shall also take into account the provisions of Section 3.03(c) hereof. No moneys, other than Revenues, and no other amounts, Reserve Deposits or Series 16 Loan Loss Claim Fund Deposits, other than amounts, Reserve Deposits and Series 16 Loan Loss Claim Fund Deposits available therefor on the Adjustment Date for such Adjusted Rate Bonds in the Funds and Accounts held under the Resolution, and no other Additional Security for the Series 16 Bonds, shall be assumed in such Remarketing Projection of Revenues to be available to pay the Series 16 Bonds unless at or prior to such Adjustment Date the Agency shall have deposited such moneys, Reserve Deposits or Series 16 Loan Loss Claim Fund Deposits in one or more of the Funds or Accounts held under the Resolution, or shall have assigned or delivered such Additional Security to the Trustee, and shall have delivered to the Trustee an opinion of Bond Counsel to the effect that such moneys, Reserve Deposits, Series 16 Loan Loss Claim Fund Deposits or Additional Security have been validly pledged as security for the payment of the Principal Amount and Redemption Price of and interest on the Bonds and that such assignment or delivery will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Series 16 Obligation Outstanding.

(vii) If on or prior to the second Business Day immediately preceding the Adjustment Date either (A) the Agency shall fail to deliver to the Trustee the Arbitrage Projection Certificate, Adjustment Rating Certificate or Remarketing Projection of Revenues or certificate of an Authorized Officer described in Paragraph (iv) of this Section 2.03(a) or (B) either (1) the Agency shall determine (and certify to the Trustee) that the rate of interest to be borne by Loans to be acquired with the proceeds attributable to the Adjusted Rate Bonds exceeds the rate which the Agency reasonably determines is the maximum rate which eligible Borrowers can afford or (2) the Agency shall have reasonably determined (and shall so certify to the Trustee) that Mortgage Lenders would be unable or unwilling to originate Loans for sale to the Agency at such rate or in a principal amount sufficient to fully apply all proceeds allocable to the Adjusted Rate Bonds as herein provided, or (3) the Agency shall determine that Loans made by or on behalf of the Agency, directly or indirectly, with proceeds attributable to the Adjusted Rate Bonds cannot be issued bearing a rate or rates of interest which will be less than the prevailing rate of interest on comparable loans available in the State without the assistance of the Agency, the Series 16 Tender Bonds (or

such portion of the Principal Amount thereof as the Agency shall determine is necessary to satisfy the provisions of this Paragraph (vii)) shall not be exchanged for or remarketed as Adjusted Rate Bonds on the Adjustment Date but shall be redeemed on the Adjustment Date in accordance with Section 2.04(B) hereof.

(b) (i) Subject to Paragraph (b)(iii) of this Section 2.03, all Series 16 Tender Bonds shall be subject to mandatory tender for purchase on the Adjustment Date. Subject to the following sentence, any Series 16 Tender Bond subject to purchase on the Adjustment Date shall be purchased on the Adjustment Date from moneys transferred to the Debt Service Fund pursuant to Section 3.04(c) hereof at a purchase price equal to the Principal Amount thereof (including any initial issue premium paid with respect to the related maturity of the Series 16 Bonds) plus accrued interest, if any, thereon to the Adjustment Date, and without premium. There shall not be purchased from such moneys:

(A) Series 16 Tender Bonds purchased with remarketing proceeds as contemplated by subparagraph (ii) hereof;

(B) Series 16 Tender Bonds with respect to which the Trustee shall have received directions from the Holder thereof in accordance with subparagraph (c) hereof not to purchase the same; or

(C) Series 16 Tender Bonds issued in exchange for or upon the transfer of Series 16 Tender Bonds referred to in the preceding subclauses (A) or (B).

(ii) In lieu of purchase from moneys held in the Debt Service Fund in accordance with Section 3.04(c) hereof, the purchase price of Series 16 Tender Bonds subject to purchase on the Adjustment Date may be paid from the proceeds of sale of the Adjusted Rate Bonds to a person or persons designated by the Remarketing Agent (who may but need not be the Remarketing Agent) at par plus accrued interest, if any. Adjusted Rate Bonds shall be sold to the person or persons designated by the Remarketing Agent if the purchase price in immediately available funds is delivered to the Trustee by 10:30 a.m., New York City time on the Adjustment Date. The Remarketing Agent, acting pursuant to the Remarketing Agreement, shall notify the Trustee in writing no later than the close of business on the third Business Day immediately preceding the Adjustment Date of the identity of the purchasers to whom the Adjusted Rate Bonds shall be remarketed as of the Adjustment Date, the names in which such Bonds are to be registered and addresses and tax identification number of such purchasers and the Principal Amount, denominations, maturity date or dates and interest rate or rates of the Adjusted Rate Bonds which shall be so purchased.

(A) Any Series 16 Tender Bond subject to purchase and not delivered to the corporate trust office of the Trustee (or to a depository previously approved by the Trustee) by 10:30 a.m., New York City time, on the Adjustment Date will be deemed tendered, and an Adjusted Rate

Bond may be issued in place thereof and delivered to the purchaser thereof. Any Series 16 Tender Bond deemed tendered and purchased shall not bear interest from and after the Adjustment Date and shall not be entitled to any rights under, or be secured by the pledge of, the Resolution, but shall have only the right to receive the purchase price thereof.

(B) For all Series 16 Tender Bonds purchased as herein provided, the Trustee shall authenticate Adjusted Rate Bonds in the appropriate denominations and maturity and bearing interest at the Adjusted Interest Rate and, after receipt of the purchase price therefor, deliver the same to, and register the same in the name of, such person or persons as shall be designated by the Remarketing Agent. Any Series 16 Tender Bonds presented to the Trustee after the Adjustment Date for payment shall be paid from the aforementioned amounts set aside and shall be cancelled in accordance with Section 308 of the Resolution.

(iii) Any Holder of Series 16 Tender Bonds who has received notice that such Holder's Series 16 Tender Bonds will be exchanged for Adjusted Rate Bonds may direct in writing by mail or by telex or facsimile received by an officer in the Corporate Trust Division of the Trustee no later than 4:00 p.m. (New York City time) on the fifteenth (15th) day prior to the Adjustment Date (or if such day is not a Business Day, on the next succeeding Business Day), as specified in such notice, that all or any specified portion of such Holder's Series 16 Tender Bonds (which portion shall not be less than \$5,000 and shall be in whole multiples of \$5,000 in Principal Amount) not be purchased, provided that, except with respect to Series 16 Tender Bonds registered in the name of the Bond Depository or its nominee, in lieu of purchase, such person agrees to exchange such specified portion of such Series 16 Tender Bonds for an amount of Adjusted Rate Bonds equal in Principal Amount to the Series 16 Tender Bonds tendered for exchange and of the same maturity as the Series 16 Tender Bonds so exchanged. The Trustee and the Bond Depository may agree to other arrangements for evidencing the exchange of Series 16 Tender Bonds for Adjusted Rate Bonds in the case of Series 16 Tender Bonds registered in the name of the Bond Depository or its nominee. The Trustee shall notify the Remarketing Agent and the Agency by 5:00 p.m. (New York City time) on the Fifteenth (15th) day prior to the Adjustment Date (or if such day is not a Business Day, on the next succeeding Business Day) of the aggregate amount of Series 16 Tender Bonds with respect to which notices were so received and the maturity dates thereof.

(iv) Unless otherwise agreed to by the Trustee with respect to Series 16 Tender Bonds registered in the name of the Bond Depository or its nominee, the direction of a Holder of Series 16 Tender Bonds described in subparagraph (iii) of this Section 2.03(b) shall be substantially in the form of Exhibit A hereto and shall state:

(A) the maturity date or dates of the Adjusted Rate Bonds for which the Holder's Series 16 Tender Bonds are to be exchanged and the

Principal Amount or Amounts applicable to such maturity date(s) but shall acknowledge that if the conditions described in Section 2.03(a)(iv) or Section 2.03(a)(vii) hereof shall occur, such Holder's Series 16 Tender Bonds shall be subject to mandatory redemption despite direction to the contrary; and

(B) that such person is the owner of the Series 16 Tender Bonds to be exchanged for Adjusted Rate Bonds.

(v) Series 16 Tender Bonds purchased with moneys on deposit in the Debt Service Fund pursuant to Section 2.03(b)(i) hereof shall be cancelled by the Trustee.

(vi) Notwithstanding anything herein to the contrary, the aggregate principal amount of Adjusted Rate Bonds may be in an amount which exceeds the aggregate principal amount of Series 16 Tender Bonds (which increased amount reflects the unamortized premium paid with respect to any Series 16 Tender Bonds) upon receipt by the Trustee and the Agency of an opinion of Bond Counsel to the effect that the remarketing of the Adjusted Rate Bonds in such amount will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Series 16 Obligation.

Section 2.04. Redemption Provisions.

(a) The Series 16 Bonds shall be subject to optional redemption as set forth in the Series Certificate.

(b) All Series 16 Tender Bonds shall be subject to redemption prior to maturity in whole or in part on the Adjustment Date as provided in Section 2.03(a)(iv) and Section 2.03(a)(vii) hereof from moneys deposited in the Special Redemption Account pursuant to Section 3.04(b) hereof at a Redemption Price of par plus accrued interest to the redemption date.

(c) The Series 16 Bonds shall be subject to special redemption as set forth in the Series Certificate upon compliance with the provisions of Section 509 of the Resolution.

(d) If so provided in the Series Certificate, Series 16 Bonds maturing on the dates set forth in the Series Certificate shall be subject to redemption prior to maturity in part on the dates and in the amounts set forth in the Series Certificate through application of Sinking Fund Installments at a Redemption Price equal to the Principal Amount of each Series 16 Bond or portion thereof to be redeemed, plus accrued interest to the redemption date.

(e) Except as otherwise provided herein, notice of redemption of Series 16 Bonds, bearing, in addition to such other information as may be required by Section 405 of the Resolution, the "CUSIP" number of each Series 16 Bond or portion thereof to be redeemed, the date and interest rate of such Bond or portion and the name and telephone

number of a representative of the Trustee from whom information regarding such redemption can be obtained, shall be given by mailing a copy of such notice not more than 60 days and not less than 30 days prior to the redemption date to the registered owners of all Series 16 Bonds or portions thereof to be redeemed. Notwithstanding anything herein or in the Resolution to the contrary, notice of redemption of any Series 16 Bonds or portions thereof given to the registered owner of \$1,000,000 or more Principal Amount of Series 16 Bonds Outstanding shall, upon the prior written request of such owner to the Trustee, be mailed by certified mail, return receipt requested. Failure to mail any redemption notice as herein provided with respect to a Series 16 Bond or any defect therein shall not affect the redemption of any other Series 16 Bonds for which the required notice of redemption shall have been given. Not less than two Business Days prior to the giving of any notice of redemption of Series 16 Bonds to the registered owners thereof, the Agency shall also give notice of such redemption to at least two national information services who customarily disseminate information concerning the redemption of bonds (provided failure to give such notice or any defect therein shall not affect the redemption of such Series 16 Bonds on the redemption date therefor). If any Series 16 Bonds called for redemption as provided herein are not presented for payment within 60 days of the redemption date, the Trustee shall mail an additional notice of the redemption of such Series 16 Bonds to the registered owners thereof, provided failure to mail such notice or any defect therein shall not affect the redemption of such Series 16 Bonds on the redemption date therefor.

(f) The Series 16 Notes shall be subject to redemption prior to maturity as set forth in the Series Certificate.

Section 2.05. Sale of Series 16 Obligations.

(a) The Series 16 Obligations shall be sold to the Underwriters and any other direct purchasers of the Series 16 Obligations on the terms and conditions, and upon the representations set forth in the related Purchase Contract, which Purchase Contracts are hereby approved, subject to such changes, additions and deletions as may be approved by the Chair, the Executive Director, or any other Authorized Officer and the execution and delivery thereof on behalf of the Agency by the Chair, the Executive Director or any other Authorized Officer of each Purchase Contract is hereby authorized in all respects; provided, however, that in no event shall the Yield on the Series 16 Obligations exceed a Yield which would result in an interest rate on the zero point Mortgage Loans to be financed with the proceeds of the Series 16 Bonds in excess of 7.50% per annum nor may any Series 16 Obligation mature later than May 1, 2034.

(b) The distribution of the preliminary Official Statement in substantially the form presented on the date hereof by the Underwriters is hereby authorized in all respects. The final Official Statement in substantially the form of the preliminary Official Statement, as modified and supplemented to reflect the pricing of the Series 16 Obligations, is hereby approved and the execution and delivery thereof to the Underwriters is hereby authorized in all respects.

(c) The Series 16 Obligations shall be delivered upon compliance with the provisions of Section 204 of the Resolution, at the time and place provided by the related Purchase Contract.

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

ARTICLE III

ESTABLISHMENT OF ACCOUNTS AND APPLICATION OF PROCEEDS OF SERIES 16 OBLIGATIONS

Section 3.01. Establishment of Funds and Accounts.

(a) In accordance with Section 502 of the Resolution, the Series 16 Loan Loss Claim Fund is hereby established to be held by the Trustee. The Series 16 Loan Loss Claim Fund shall be deemed to be Additional Security for the Series 16 Bonds within the meaning and with the effect given by Section 207 of the Resolution, and the Series 16 Loan Loss Claim Fund Surety Bond, Investment Obligations and Series 16 Loan Loss Claim Fund Deposits held in such Fund shall be used for the purposes and as provided in Section 3.06 of this Twentieth Supplemental Resolution.

(b) There are hereby ordered to be established in the Program Fund one or more separate accounts to be designated as "Program Accounts" and "Premium Accounts" moneys in each of which shall be used for the purposes and as authorized by Section 504 of the Resolution and Section 3.03 of this Twentieth Supplemental Resolution. The actual number of such Program Accounts and Premium Accounts shall be set forth in the Series Certificate. There shall also be established within any Program Account relating to the Series 16 Bonds a separate subaccount designated the "Series 16 Tender Bonds Proceeds Subaccount," moneys in which shall be used solely for the purposes and as authorized by Section 3.04 hereof. Except as provided in Section 3.04 hereof, amounts on deposit in the Series 16 Tender Bonds Proceeds Subaccount shall be considered for all purposes of the Resolution as on deposit in the related Program Account for such Series 16 Bonds.

(c) In accordance with Section 502 of the Resolution, a separate account is hereby established in the Program Fund designated the "Series 16 Cost of Issuance Account," moneys in which shall be used for the purposes and as authorized by Section 505(A) of the Resolution.

(d) In accordance with Section 502 of the Resolution, a separate account is hereby established in the Program Fund designated the "Series 16 Capitalized Interest Account," moneys in which shall be used for the purposes and as authorized by Section 505(B) of the Resolution.

(e) In accordance with Section 502 of the Resolution, a separate account is hereby established in the Redemption Fund to be held by the Trustee designated the "Series 16 Contingency Account," the amounts in which shall be used for the purposes and as authorized by Section 3.05 of this Twentieth Supplemental Resolution. The Series 16 Contingency Account shall be deemed to be Additional Security for the Series 16 Bonds within the meaning and with the effect given by Section 207 of the Resolution.

(f) There is hereby established in the Rebate Fund a separate account designated the "Series 16 Rebate Account," moneys in which shall be used for the purposes and as authorized by Section 510 of the Resolution and Section 3.07 of this Twentieth Supplemental Resolution.

Section 3.02. Application of Proceeds and Other Moneys.

(a) Upon the authentication and delivery of the Series 16 Obligations, the proceeds of sale of the Series 16 Obligations shall be deposited by the Trustee as provided in the Series Certificate.

(b) On or before the original delivery date of the Series 16 Obligations, the Agency shall deliver to the Trustee cash, the Series 16 Loan Loss Claim Fund Surety Bond or Series 16 Loan Loss Claim Fund Deposits, in an aggregate stated amount equal to the Series 16 Loan Loss Claim Fund Requirement, to be held by the Trustee for the credit of the Series 16 Loan Loss Claim Fund, as provided in Section 3.06 hereof.

(c) On or before the original delivery date of the Series 16 Bonds, the Agency shall deliver cash, the Series 16 Contingency Account Surety Bond or Series 16 Contingency Account Deposits to the Trustee in the amount provided in the Series Certificate. If a Series 16 Contingency Account Deposit is other than cash, the Series 16 Contingency Account Deposit shall have an initial term of at least five years from its date and shall be held by the Trustee for the credit of the Series 16 Contingency Account.

Section 3.03. Application of Certain Amounts in Series 16 Program Accounts.

(a) Notwithstanding anything in the Resolution to the contrary, except as hereinafter provided or as otherwise provided in the Series Certificate, amounts deposited in any Program Account created with respect to the Series 16 Bonds in accordance with the Series Certificate shall be applied solely to the purchase or making of Mortgage Loans (excluding Mortgage Loans for the construction of Residential Housing) as provided herein, in the Series Certificate and in Section 504 of the Resolution. Amounts deposited in any Program Account created with respect to the Series 16 Bonds as provided herein, in the Series Certificate or in the Resolution may be applied by the Agency to the purchase or making of Cooperative Housing Loans, Mortgage Loans for the construction of Residential Housing or Home Improvement Loans provided that at or prior to the purchase or making of any such Loan (i) the Agency shall furnish to each Nationally Recognized Credit Rating Agency the form of purchase agreement, servicing agreement, operations manual and other Program instruments and guidelines pursuant to which such Loans will be purchased or made, and (ii) the Agency shall deliver to the

Trustee a letter from each Nationally Recognized Credit Rating Agency (or other evidence satisfactory to the Trustee) to the effect that the purchase or making of such Loans will not cause such agency to lower, suspend or otherwise modify adversely the unenhanced credit ratings then assigned to any Bonds Outstanding. In connection with the purchase of Cooperative Housing Loans, Mortgage Loans for the construction of Residential Housing or Home Improvement Loans, if any, hereunder the Agency may adopt a Supplemental Resolution pursuant to Section 701 of the Resolution specifying the terms of such Loans and any conditions to the purchase or making thereof and providing for any Additional Security therefor or for the Series 16 Obligations in accordance with Section 207 of the Resolution.

(b) Amounts on deposit in any Program Account allocable to the Series 16 Bonds shall be applied by the Agency to the purchase or origination of Loans bearing interest at rates not less than the rates set forth in the Series Certificate for each type of Loan authorized by the Series Certificate. Notwithstanding the foregoing, the Agency may purchase or make Loans with provisions differing from the foregoing restriction if at or prior to the purchase or making of such Loans the Agency delivers to the Trustee (i) a Projection of Revenues demonstrating that following the purchase or making of such Loans, expected Revenues and other funds available for the purpose will be sufficient to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due and all Program Expenses, and (ii) an opinion of Bond Counsel to the effect that the purchase or making of such Loans will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 16 Obligations.

(c) Amounts on deposit in any Program Account allocable to Series 16 Notes shall be retained therein and applied to the payment of principal and interest on the applicable Series of Series 16 Notes.

(d) Amounts of deposit in any Premium Account allocable to the Series 16 Bonds of the Program Fund shall be applied by the Agency to provide down payment and closing cost assistance to borrowers who elect to receive Downpayment Assistance Loans as described in the Series Certificate. Notwithstanding the foregoing, the Agency may use amounts on deposit in any Premium Account allocable to the Series 16 Bonds to purchase or make Loans which do not constitute Downpayment Assistance Loans if at or prior to the purchase or making of such Loans to the Agency delivers to the Trustee the Protection of Revenues and opinion of Bond Counsel described in clause (i) and (ii) of paragraph (b) of this Section 3.03.

Upon the mandatory tender of Series 16 Bonds pursuant to Section 2.03(b) hereof, the redemption of Series 16 Tender Bonds pursuant to Section 2.04(b) hereof or the redemption of Series 16 Bonds from unexpended proceeds pursuant to Section 2.04(c) hereof, amounts on deposit in the Series 16 Premium Account allocable to the initial issue premium paid with respect to the Series 16 Bonds, shall be transferred to the Series 16 Tender Bonds Proceeds Subaccount or the Special Redemption Account, as applicable, to pay a portion of the tender price or redemption price, as applicable, of the Series 16 Bonds.

Section 3.04. Application of Series 16 Tender Bond Proceeds Subaccount.

(a) Notwithstanding anything in Section 504 of the Resolution to the contrary, upon receipt by the Trustee of the certificate of an Authorized Officer described in Section 2.03(a)(ii) hereof to the effect that the Agency has elected to call a Principal Amount of Series 16 Bonds for exchange for or remarketing as Adjusted Rate Bonds on the Adjustment Date, the Trustee shall withdraw (i) from the Program Accounts allocable to the Series 16 Bonds and deposit in the Series 16 Tender Bonds Proceeds Subaccount an amount equal to the Principal Amount of Series 16 Bonds so certified and (ii) from any Premium Account allocable to the Series 16 Bonds and deposit in the Series 16 Tender Bonds Proceeds Subaccount an amount equal to the initial issue premium paid with respect to any Series 16 Tender Bonds. Until the Adjustment Date, the amount so deposited shall be applied solely as provided in Paragraph (b) and (c) of this Section 3.04.

(b) Notwithstanding anything in Section 504 of the Resolution to the contrary, if the conditions specified in Section 2.03(a)(iv) or Section 2.03(a)(vii) hereof shall have occurred, the Trustee shall transfer from the Series 16 Tender Bonds Proceeds Subaccount to the Series 16 Special Redemption Account in the Redemption Fund all or such portion of such funds on deposit in the Series 16 Tender Bonds Proceeds Subaccount as shall be directed by the Agency for application to the redemption of all Series 16 Tender Bonds in accordance with Section 2.04(b) hereof.

(c) Notwithstanding anything in Section 504 of the Resolution to the contrary, if on the Adjustment Date any Series 16 Tender Bonds have not been remarketed as Adjusted Rate Bonds in accordance with Section 2.03(b)(ii) hereof, the Trustee shall transfer from the Series 16 Tender Bonds Proceeds Subaccount to the Debt Service Fund an amount equal to the sum of (i) the Principal Amount of all such Series 16 Tender Bonds not so remarketed and (ii) the initial issue premium allocable to any Series 16 Tender Bonds issued with such premium not so remarketed. The amounts so transferred shall be applied on the Adjustment Date to the purchase of Series 16 Tender Bonds as provided in Section 2.03(b)(i) hereof.

(d) Notwithstanding anything herein to the contrary, on the Adjustment Date, but only upon compliance with Paragraph (b) and (c) of this Section 3.04, the Trustee shall return the entire balance then remaining in the Series 16 Tender Bonds Proceeds Subaccount to the related Program Account allocable to the Series 16 Bonds and any Premium Account allocable to the Series 16 Bonds, as applicable, for application thereafter as provided in Section 504 of the Resolution and Section 3.03 hereof.

Section 3.05. Application of Series 16 Contingency Account.

(a) Notwithstanding anything in the Resolution to the contrary, in connection with the purchase or redemption of Bonds with funds on deposit in a Special Redemption Account pursuant to Section 509(C) of the Resolution, the Agency may pay to the Trustee for deposit in the Revenue Fund amounts from the General Fund or from any other lawful source available to the Agency to the extent that the Projection of Revenues required by Section 509(G) of the Resolution shows that the balance to be on deposit and

available for such purpose on the redemption date of such Bonds in all Funds and Accounts under the Resolution, other than the Rebate Fund, will be insufficient to satisfy the requirements of said Section 509(G) of the Resolution with respect to such purchase or redemption.

(b) The Trustee shall hold the cash deposited by the Agency, the Series 16 Contingency Account Surety Bond or the Series 16 Contingency Account Deposit, as applicable, for the credit of the Series 16 Contingency Account as security for the payment to the Trustee for deposit in the Revenue Fund of amounts, if any, necessary to satisfy the requirements of Section 509(G) of the Resolution upon any redemption of Series 16 Bonds (and, to the extent provided in the Series Certificate, any other Bonds of the Agency) as described in Paragraph (a) of this Section 3.05 and, to the extent provided in the applicable Supplemental Resolution and, if the Agency has provided a Series 16 Contingency Account Deposit, with the prior approval of the Series 16 Contingency Account Deposit Provider, upon the redemption of any other Series of Bonds Outstanding under the Resolution. The Agency hereby instructs the Trustee, as applicable, to withdraw funds on deposit in the Series 16 Contingency Account or to give notice to the Series 16 Contingency Account Deposit Provider and to draw upon the Series 16 Contingency Account Deposit in accordance with its terms to the extent that the amount on deposit and available therefor in all Funds and Accounts under the Resolution (other than amounts available under the Series 16 Contingency Account Deposit and amounts on deposit in or held for the credit of the Series 16 Loan Loss Claim Fund), after consideration of any other amounts deposited in the Revenue Fund pursuant to Paragraph (a) of this Section 3.05 or the related provision of any applicable Supplemental Resolution set forth in the Series Certificate is insufficient to enable the Agency to satisfy the requirements of Section 509(G) of the Resolution with respect to the purchase or redemption of Series 16 Bonds (and any other Bonds of the Agency set forth in the Series Certificate) as described in Paragraph (a) of this Section 3.05. Any such certificate shall include instructions to the Trustee to draw upon the Series 16 Contingency Account Deposit to the extent of such deficiency and otherwise in accordance with its terms and to deposit the amount so drawn in the Revenue Fund.

(c) At any time while a Series 16 Contingency Account Deposit is held under the Resolution for the account of the Series 16 Bonds, the Agency may direct the Trustee to reduce the stated amount thereof or to cancel the Series 16 Contingency Account Deposit and return it to the Series 16 Contingency Account Deposit Provider upon the filing with the Trustee of a certificate of an Authorized Officer to the effect that the Agency has informed each Nationally Recognized Credit Rating Agency of such reduction or cancellation and each such Agency has confirmed that such reduction or cancellation will not adversely affect the unenhanced ratings then assigned to any Bonds Outstanding. In the event the Agency has deposited cash with the Trustee in lieu of a Series 16 Contingency Account Deposit, the Agency may direct the Trustee to withdraw any or all funds on deposit in the Series 16 Contingency Account and return such funds to the Agency upon the same conditions as a reduction or cancellation of the Series 16 Contingency Account Deposit.

(d) If the Trustee shall receive a notice from the Series 16 Contingency Account Deposit Provider pursuant to the Series 16 Reimbursement Agreement, if any, to the effect that an Event of Default has occurred and is continuing under the Series 16 Reimbursement Agreement and the Series 16 Contingency Account Deposit Provider has elected to direct the Trustee to make a drawing of an amount equal to the stated and unpaid amount of the Series 16 Contingency Account Deposit, the Trustee shall make such drawing and shall deposit the amount so drawn in the Series 16 Contingency Account.

(e) Subject to the provisions of Paragraph (c) of this Section 3.05, not less than five Business Days prior to the date of expiration of the Series 16 Contingency Account Deposit the Agency shall deposit with the Trustee an extension thereof or a substitute Series 16 Contingency Account Deposit therefor (the deposit of which will not adversely affect the unenhanced ratings then assigned to any Bonds Outstanding by any Nationally Recognized Credit Rating Agency) in a stated amount equal to the stated amount of the initial Series 16 Contingency Account Deposit. If the Agency shall fail to deposit such extension or substitute letter of credit, not less than three Business Days prior to the expiration date of the Series 16 Contingency Account Deposit the Trustee shall draw upon the Series 16 Contingency Account Deposit the full amount then available to be drawn thereunder and shall deposit such amount in the Series 16 Contingency Account. If at any time thereafter the Agency shall certify to the Trustee in accordance with Paragraph (c) of this Section 3.05 that all or a portion of the amount on deposit in the Series 16 Contingency Account is not required for the purposes of such account, the Trustee shall pay the surplus in the Series 16 Contingency Account (as determined by the Agency) or the entire balance therein, as appropriate, to the Agency.

(f) Withdrawals from the Series 16 Contingency Account pursuant to Paragraphs (b) or (c) of this Section 3.05 shall be made by the Trustee, *first*, from cash and Investment Obligations, if any, on deposit in the Series 16 Contingency Account and *second*, from amounts drawn on any Series 16 Contingency Account Deposit. If at the time of making any withdrawal the amount of cash and Investment Obligations on deposit in the Series 16 Contingency Account is less than the withdrawal to be made, the Trustee shall notify the Agency of the amount of the deficiency and, unless the Agency shall pay to the Trustee for deposit in the Series 16 Contingency Account not later than the close of business on the Business Day next succeeding the date which such notice is received by the Agency an amount equal to such deficiency, the Trustee shall draw on the Series 16 Contingency Account Deposit the amount of the deficiency (or such portion thereof that has not been funded by such a deposit by the Agency) or, if less, the full amount available under the Series 16 Contingency Account Deposit.

(g) Interest or other income derived from the investment or deposit of moneys, if any, in the Series 16 Contingency Account shall be transferred by the Trustee to the Agency.

Section 3.06. Application of Series 16 Loan Loss Claim Fund.

(a) The Trustee shall deposit in the Series 16 Loan Loss Claim Fund (i) the amount, if any, set forth in the Series Certificate, (ii) all amounts drawn on the Series 16 Loan Loss Claim Fund Deposit, if any, in accordance with this Section 3.06, (iii) any amount deposited therein from the Revenue Fund pursuant to Section 3.08 of this Twentieth Supplemental Resolution, (iv) all interest and other earnings on investment or deposit of amounts on deposit in the Series 16 Loan Loss Claim Fund and (v) any other amounts (not required by the Resolution to be otherwise deposited), as determined by the Agency. Except as otherwise provided herein, amounts on deposit in the Series 16 Loan Loss Claim Fund, including, without limitation, amounts drawn on the Series 16 Loan Loss Claim Fund Deposit, shall be used solely for the purposes provided in Paragraphs (b) and (c) of this Section 3.06.

(b) Upon receipt by the Trustee of a certificate of an Authorized Officer to the effect that a Loan Loss has been realized on a defaulted Loan allocable to the Series 16 Bonds and specifying the amount of such Loan Loss, the Trustee shall withdraw from the Series 16 Loan Loss Claim Fund and deposit in the Revenue Fund the amount of such Loan Loss as so specified, or such lesser amount as directed in such certificate. Upon deposit thereof in the Revenue Fund, each Loan Loss Claim Fund Withdrawal shall constitute Revenues for all purposes of the Resolution.

(c) Notwithstanding anything herein to the contrary, if at any time the conditions described in Section 3.05(b) hereof shall occur and the amount on deposit in or held for the credit of the Series 16 Contingency Account shall be insufficient for the purposes of such account, the Trustee shall give notice to the Series 16 Loan Loss Claim Fund Deposit Provider and shall draw the amount of the deficiency from the Series 16 Loan Loss Claim Fund provided following such drawing and application of the amount withdrawn to the redemption of Bonds as contemplated by Section 3.05(b) hereof the amount on deposit in the Series 16 Loan Loss Claim Fund, together with the stated and unpaid amount of the Series 16 Loan Loss Claim Fund Deposit, if any, shall be not less than the Series 16 Loan Loss Claim Fund Requirement. Any amounts withdrawn from the Series 16 Loan Loss Claim Fund in accordance with this Paragraph (c) shall be deposited in the Revenue Fund and shall be applied to the redemption of Bonds as contemplated by Section 3.05(b) hereof.

(d) Withdrawals from the Series 16 Loan Loss Claim Fund pursuant to Paragraphs (b) or (c) of this Section 3.06 shall be made by the Trustee, *first*, from cash and Investment Obligations, if any, on deposit in the Series 16 Loan Loss Claim Fund and *second*, from amounts drawn on any Loan Loss Claim Fund Deposit. If at the time of making any withdrawal the amount of cash and Investment Obligations on deposit in the Series 16 Loan Loss Claim Fund is less than the withdrawal to be made, the Trustee shall notify the Agency of the amount of the deficiency and, unless the Agency shall pay to the Trustee for deposit in the Series 16 Loan Loss Claim Fund not later than the close of business on the Business Day next succeeding the date which such notice is received by the Agency an amount equal to such deficiency, the Trustee shall draw on the Series 16 Loan Loss Claim Fund Deposit the amount of the deficiency (or such portion thereof

that has not been funded by such a deposit by the Agency) or, if less, the full amount available under the Series 16 Loan Loss Claim Fund Deposit.

(e) Notwithstanding the foregoing provisions of this Section 3.06, nothing in the Resolution or this Twentieth Supplemental Resolution shall obligate the Agency to deposit in the Series 16 Loan Loss Claim Fund an amount which would cause the balance in the Series 16 Loan Loss Claim Fund, after application of amounts therein to Loan Loss Claim Fund Withdrawals notice of which has theretofore been received by the Trustee, to exceed the Series 16 Loan Loss Claim Fund Requirement. Unless otherwise directed by the Agency, no Loan Loss Claim Fund Withdrawal shall be made by the Trustee if the amount of such Loan Loss Claim Fund Withdrawal, together with the amount of all Loan Loss Claim Fund Withdrawals theretofore made by the Trustee, would exceed an amount equal to (i) 1.85% of the sum of (A) the aggregate original principal amount of all Loans purchased under the Resolution from amounts on deposit in any Program Account allocable to the Series 16 Bonds plus (B) the aggregate amount, if any, then held in any Program Account allocable to the Series 16 Bonds which may be applied to the purchase of such Loans, or (ii) such lesser amount as each Nationally Recognized Credit Rating Agency confirms to the Agency will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding.

(f) Notwithstanding anything herein or in the Resolution to the contrary, at any time the Agency may direct the Trustee to withdraw from the Series 16 Loan Loss Claim Fund and pay to the Agency all or any part of the moneys on deposit in the Series 16 Loan Loss Claim Fund provided that prior to any such withdrawal the Agency shall deliver to the Trustee (i) one or more Reserve Deposits in an aggregate amount available to be drawn thereunder, together with any moneys to remain on deposit in the Series 16 Loan Loss Claim Fund following such withdrawal, equal to not less than the Series 16 Loan Loss Claim Fund Requirement, (ii) letters from each Nationally Recognized Credit Rating Agency (or other evidence satisfactory to the Trustee) confirming that such withdrawal will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding and (iii) an opinion of Bond Counsel to the effect that such withdrawal will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Bonds Outstanding. In connection with any such withdrawal and the deposit of any Reserve Deposit with the Trustee, the Agency may adopt a Supplemental Resolution pursuant to Section 701 of the Resolution specifying the terms and conditions under which such Reserve Deposit is held for the credit of the Series 16 Loan Loss Claim Fund.

(g) Subject to Paragraph (h) of this Section 3.06, if at any time the amount of cash and Investment Obligations on deposit in the Series 16 Loan Loss Claim Fund exceeds the Series 16 Loan Loss Claim Fund Requirement, the Trustee, at the request of the Agency, shall withdraw the excess (or such portion thereof as directed by the Agency) and deposit it in the Revenue Fund.

(h) If at any time (i) the amount of cash and Investment Obligations in the Series 16 Loan Loss Claim Fund exceeds the Series 16 Funded Loan Loss Claim Fund Requirement, and/or (ii) the stated and unpaid amount of the Series 16 Loan Loss Claim

Fund Deposit exceeds the Series 16 Loan Loss Claim Fund Requirement, the Agency may direct the Trustee to notify the Series 16 Loan Loss Claim Fund Deposit Provider of a reduction in the stated amount of the Series 16 Loan Loss Claim Fund Deposit; provided that if any such excess has resulted from a decrease in the Series 16 Loan Loss Claim Fund Requirement other than due to the payment of Loan Loss Claim Fund Withdrawals in accordance with this Section 3.06, the direction of the Agency shall be accompanied by letters from each Nationally Recognized Credit Rating Agency (or other evidence satisfactory to the Trustee) to the effect that the reduction of the Series 16 Loan Loss Claim Fund Deposit will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding.

(i) If the Trustee shall receive a notice from the Series 16 Loan Loss Claim Fund Deposit Provider pursuant to the Series 16 Reimbursement Agreement, if any, to the effect that an Event of Default has occurred and is continuing under the Series 16 Reimbursement Agreement and the Series 16 Loan Loss Claim Fund Deposit Provider has elected to direct the Trustee to make a drawing of an amount equal to the lesser of the Series 16 Loan Loss Claim Fund Requirement or the stated and unpaid amount of the Series 16 Loan Loss Claim Fund Deposit, the Trustee shall make such drawing and shall deposit the amount so drawn in the Series 16 Loan Loss Claim Fund.

(j) Not less than five Business Days prior to the date of expiration of the Series 16 Loan Loss Claim Fund Deposit, the Agency shall deposit with the Trustee either an extension of the Series 16 Loan Loss Claim Fund Deposit in a stated amount available to be drawn thereunder not less than the lesser of (i) an amount equal to the Series 16 Loan Loss Claim Fund Requirement calculated at such date less the aggregate amount of cash and Investment Obligations, if any, on deposit in the Series 16 Loan Loss Claim Fund at such date and (ii) the stated amount of the Series 16 Loan Loss Claim Fund Deposit at such date. If the Agency shall fail to deposit such extension of the Series 16 Loan Loss Claim Fund Deposit with the Trustee, not less than three Business Days prior to the expiration date of the Series 16 Loan Loss Claim Fund Deposit, the Trustee shall draw on the Series 16 Loan Loss Claim Fund Deposit and deposit in the Series 16 Loan Loss Claim Fund an amount sufficient to cause the Series 16 Funded Loan Loss Claim Fund Requirement to equal the Series 16 Loan Loss Claim Fund Requirement as of such date or, if less, the full amount then available to be drawn under the Series 16 Loan Loss Claim Fund Deposit.

(k) Notwithstanding anything herein or in the Resolution to the contrary, the Series 16 Loan Loss Claim Fund Requirement shall be reduced to zero if at any time the Agency shall file with the Trustee (i) a certificate of an Authorized Officer to the effect that the Agency then maintains or has caused to be maintained in full force and effect a policy or policies of insurance obtained by the Agency under which an insurance company qualified to do business in the State insures the Agency on a portfolio basis, for so long as any Series 16 Bonds are Outstanding under the Resolution, against loss arising out of default on Loans purchased or made from moneys on deposit in any Program Account allocable to the Series 16 Bonds during the period of insurance eligibility specified in such policy up to such aggregate loss limit as the Agency shall determine in its discretion, and (ii) letters from each Nationally Recognized Credit Rating Agency (or

other evidence satisfactory to the Trustee) confirming that the provision of such insurance and the reduction of the Series 16 Loan Loss Claim Fund requirement will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding.

Section 3.07. Series 16 Rebate Account.

(a) Pursuant to the requirements of Section 148(f) of the Code, the Agency shall pay to the United States at least once every five years an amount determined in accordance with said Section 148(f) equal to the sum of (i) the excess of the amount earned on all Nonpurpose Investments (hereinafter defined) (other than investments attributable to an excess described in this clause) over the amount which would have been earned if such Nonpurpose Investments were invested at a yield equal to the Yield on the Series 16 Obligations, plus (ii) any income attributable to the investment of the excess described in clause (i) above. The Agency further covenants to pay such amount to the United States, in a manner consistent with the requirements of Section 148(f) of the Code, whether or not the amount on deposit in the Series 16 Rebate Account and available therefor is sufficient for such payment, and to establish such accounting procedures as are required to determine the amount of such excess investment earnings and the Series 16 Rebate Requirement.

(b) Within 30 days of the end of each Bond Year, the Agency shall furnish to the Trustee a certificate of an Authorized Officer, upon which the Trustee may conclusively rely, setting forth the Series 16 Rebate Requirement for such Bond Year.

(c) Within 60 days after the close of the fifth Bond Year, and at least once in each five-year period thereafter, the Trustee shall pay from the Series 16 Rebate Account to the United States on behalf of the Agency the full amount then required to be paid under Section 148(f) as certified and directed by the Agency in a certificate of an Authorized Officer delivered to the Trustee prior to the due date of such payment. Within 60 days after the Series 16 Obligations have been paid in full, the Trustee shall pay to the United States from the Series 16 Rebate Account on behalf of the Agency the full amount then required to be paid under Section 148(f) as certified by the Agency in a certificate of an Authorized Officer delivered to the Trustee prior to the due date of such payment. Each such payment shall be filed with the Internal Revenue Service Center, 1600 W. 1200 S., Ogden, UT 84201 or any successor location specified by the Internal Revenue Service, accompanied by a copy (furnished to the Trustee by the Agency) of the Form 8038-T (or other similar information reporting form).

(d) In the event that, at the time of any required payment of the Series 16 Rebate Requirement, the amount in the Series 16 Rebate Account available for such payment shall be insufficient to make such payment, the Agency shall pay the amount of the deficiency from the General Fund or from any other moneys available to the Agency and not pledged under the Resolution to the Bonds.

(e) In the event that on any Interest Payment Date of the Series 16 Obligations the amount on deposit in the Series 16 Rebate Account exceeds the Series 16 Rebate Requirement (calculated as of such Interest Payment Date), the Trustee, at the written

direction of an Authorized Officer, shall withdraw such excess amount and deposit it in the Revenue Fund.

(f) For purposes of this Section 3.07, the term "Nonpurpose Investments" shall have the meaning given in Section 148(f) of the Code. Nonpurpose Investments shall be valued at accreted value or market value, as appropriate for the purposes of this Section 3.07. In determining the aggregate amount earned on Nonpurpose Investments, any gain or loss on the disposition of such Investments shall be taken into account.

(g) The Agency and the Trustee shall keep such records as will enable them to fulfill the responsibilities under this section and Section 148(f) of the Code and shall retain such records for at least six years following final payment of the Series 16 Obligations.

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

Section 3.08. Application of Certain Amounts in Revenue Fund.

(a) Notwithstanding anything in Section 506(B) of the Resolution to the contrary, on or before each Interest Payment Date of the Series 16 Obligations, after satisfying the requirements of Clauses (i) through (vii), inclusive, of Section 506(B), the Trustee shall apply any balance on deposit in the Revenue Fund attributable to the Series 16 Bonds to the Series 16 Loan Loss Claim Fund to the extent the amount therein is less than the Series 16 Funded Loan Loss Claim Fund Requirement calculated at such Interest Payment Date.

(b) Notwithstanding anything in Section 506(B)(7) of the Resolution, the amount of moneys in the Revenue Fund allocable to the Series 16 Obligations that may be applied to the payment or reimbursement of Program Expenses in any one Fiscal Year pursuant to such Section 506(B)(7) shall not exceed the sum of (i) \$10,000 plus (ii) the sum of the fees and reimbursement amounts payable to the Series 16 Loan Loss Claim Fund Deposit Provider in connection with the Series 16 Loan Loss Claim Fund Deposit, the fees and reimbursement amounts payable to the Series 16 Contingency Account Deposit Provider in connection with the Series 16 Contingency Account Deposit, the expenses and reimbursements payable to the Bond Insurer in connection with the Municipal Bond Insurance Policy and the amount of the Municipal Bond Insurance Policy Premium unless the Agency shall file with the Trustee a certificate of an Authorized Officer to the effect that the Agency has confirmed that a greater amount (specified in such certificate) will not adversely affect the unenhanced ratings then assigned to any Bonds Outstanding by any Nationally Recognized Credit Rating Agency.

(c) Notwithstanding anything in Section 506(B)(8) of the Resolution to the contrary, no amount on deposit in the Revenue Fund attributable to the Series 16 Obligations shall be transferred to the General Fund pursuant to such Section 506(B)(viii)

unless (i) there are no amounts owed to the Series 16 Loan Loss Claim Fund Deposit Provider or the Series 16 Contingency Account Deposit Provider under either of the Series 16 Reimbursement Agreements and (ii) the Projection of Revenues filed with the Trustee in accordance with said Section 506(B)(viii) shows that on the date of such Projection of Revenues the unpaid balance of all Loans then held under the Resolution for the account of the Series 16 Obligations, plus the amount then held in all Funds and Accounts under the Resolution attributable to the Series 16 Obligations, other than amounts held in the Rebate Fund, the Series 16 Contingency Account and the Series 16 Loan Loss Claim Fund and the amounts attributable to the Series 16 Obligations then to be paid to the Agency in accordance with said Section 506(B)(viii), are at least equal to 101% of the Principal Amount of all Series 16 Obligations plus all interest accrued and unpaid thereon as of such date.

(d) The Agency hereby acknowledges and agrees that amounts payable under each of the Series 16 Reimbursement Agreements constitute Program Expenses and shall be paid in accordance with Section 506(B)(7) of the Resolution and Section 3.08(b) hereof.

ARTICLE IV

FORM OF SERIES 16 OBLIGATIONS

Section 4.01. Form of Series 16 Obligations.

(a) All Series 16 Obligations authenticated and delivered hereunder prior to the Adjustment Date shall be in such form and shall bear such terms and conditions, not inconsistent with the Resolution or this Twentieth Supplemental Resolution, as the Chair, Executive Director or other Authorized Officer of the Agency shall determine and certify to the Trustee on or prior to the date of original authentication and delivery of any Series 16 Obligations hereunder.

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

ARTICLE V

MISCELLANEOUS

Section 5.01. Authorization of Officers. The Chair, Vice Chairman or any other Commissioner of the Agency, Executive Director, Treasurer, Chief Financial Officer, Chief of Program Operations, Director of Homeownership Programs and Secretary of the Agency are hereby authorized and directed to do all acts and things and to execute and deliver any all documents, certificates and other instruments necessary or desirable to effectuate the transaction contemplated by this Twentieth Supplemental Resolution, the Resolution, the Purchase

Contracts, the Remarketing Agreement, the Continuing Disclosure Agreement and the Official Statement.

Section 5.02. Series Certificate. The Chair or Vice-Chairman and the Executive Director are hereby authorized to execute the Series Certificate in such form as shall be approved by Counsel to the Agency and to deliver the same to the Trustee.

Section 5.03. Reimbursement Agreement. The Chair, Vice-Chairman, or any other Commissioner, Treasurer, Executive Director or Chief Financial Officer are hereby authorized to execute the Series 16 Reimbursement Agreements in such form as shall be approved by Counsel to the Agency and to deliver the same to the Series 16 Loan Loss Claim Fund Deposit Provider and the Series 16 Contingency Account Deposit Provider, as applicable.

Section 5.04. Purchase Contracts. The Purchase Contracts are hereby approved in substantially the forms of the Purchase Contracts executed in connection with the issuance by the Agency of its Series 15 Bonds and Series 15 Notes with such changes, omissions, insertions and revisions thereto as the Chair, the Executive Director or any other Authorized Officer executing the same may deem advisable, the execution thereof by such person to be conclusive evidence of the approval thereof. The aforementioned officers of the Agency are, and each of them is, hereby authorized to execute the Purchase Contracts and, upon such execution, to deliver them to the underwriters of the Bonds.

Section 5.05. Remarketing Agent.

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

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

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

Section 5.06. Continuing Disclosure Agreement. The Continuing Disclosure Agreement is hereby approved in substantially the form of the Continuing Disclosure Agreement executed in connection with the issuance by the Agency of its Series 15 Bonds and Series 15 Notes with such changes, omissions, insertions and revisions thereto as the Chair, the Executive Director or any other Authorized Officer executing the same may deem advisable, the execution

thereof by such person to be conclusive evidence of the approval thereof. The aforementioned officers of the Agency are, and each of them is, hereby authorized to execute the Continuing Disclosure Agreement and, upon such execution, to deliver it to the Continuing Disclosure Agent.

Section 5.07. Amendment of Resolution. Section 5.06 of the Tenth Supplemental Resolution provided for the amendment of Section 1012 of the Resolution by adding to the end of such Section 1012 the following clause:

; provided, however, that any such company shall not be required to satisfy the requirements with respect to capital and surplus set forth in Sections 1002 and 1010.

This amendment to Section 1012 of the Resolution shall become effective with respect to all Bonds Outstanding under the Resolution at such time as the Owners of 60% in aggregate Principal Amount of the bonds Outstanding shall have consented to such amendment. The Underwriters and any direct institutional purchaser of the Series 16 Obligations, as initial beneficial owners of the Series 16 Obligations, shall be deemed to have consented to the provisions of Section 5.06 of the Tenth Supplemental Resolution.

Section 5.08. Private Activity Volume Cap. The Agency hereby authorizes the use of its available private activity volume cap in an amount not to exceed \$30,000,000 in connection with the issuance of the Series 16 Obligations. The actual amount of private activity volume cap to be utilized shall be set forth in the Series Certificate.

Section 5.09. Effective Date. This Twentieth Supplemental Resolution shall take effect immediately.

ARTICLE VI

MUNICIPAL BOND INSURANCE POLICY

Section 6.01. Municipal Bond Insurance Policy. The Agency shall deposit the Municipal Bond Insurance Policy with the Trustee on the date of issuance of the Series 16 Obligations.

Section 6.02. Payment Procedures. Except as shall otherwise be provided in the Series Certificate, as long as the Municipal Bond Insurance Policy shall be in full force and effect, the Agency and the Trustee agree to comply with the following provisions:

(a) If, on the third Business Day prior to the related scheduled Interest Payment Date or principal payment date ("Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under the Resolution, moneys sufficient to pay the principal of and interest on the Series 16 Bonds due on such Payment Date, the Trustee shall give notice to the Bond Insurer and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or facsimile of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount

available to pay the principal of and interest on the Series 16 Bonds due on such Payment Date, the Trustee shall make a claim under the Insurance Policy and give notice to the Bond Insurer and the Bond Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Series 16 Bonds and the amount required to pay principal of the Series 16 Bonds, confirmed in writing to the Bond Insurer and the Bond Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Insurance Policy.

(b) In the event the claim to be made is for a Sinking Fund Installment, upon receipt of the moneys due, the Trustee shall authenticate and deliver to affected Bondholders who surrender their Series 16 Bonds a new Series 16 Bond or Series 16 Bonds in the aggregate principal amount equal to the unredeemed portion of the Series 16 Bond surrendered. The Trustee shall designate any portion of payment of principal on Series 16 Bonds paid by the Bond Insurer, whether by virtue of Sinking Fund Redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Series 16 Bonds registered to the then current Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement Series 16 Bond to the Insurer, registered in the name of the Bond Insurer or its designee, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Series 16 Bond shall have no effect on the amount of principal or interest payable by the Agency on any Series 16 Bond or the subrogation rights of the Bond Insurer.

(c) The Trustee shall keep a complete and accurate record of all funds deposited by the Bond Insurer into the Series 16 Policy Payments Account of the Debt Service Fund (which Series 16 Policy Payments Account is hereby created) and the allocation of such funds to payment of interest on and principal paid in respect of any Series 16 Bond. The Bond Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

(d) Upon payment of a claim under the Municipal Bond Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of holders of the Series 16 Bonds referred to herein as the "Series 16 Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Municipal Bond Insurance Policy in trust on behalf of holders of the Series 16 Bonds and shall deposit any such amount in the Series 16 Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to holders of the Series 16 Bonds in the same manner as principal and interest payments are to be made with respect to the Series 16 Bonds under the sections hereof regarding payment of Series 16 Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments.

(e) Funds held in the Series 16 Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee or of any other person or entity.

(f) Any funds remaining in the Series 16 Policy Payments Account following a payment date with respect to the Series 16 Bonds shall promptly be remitted to the Bond Insurer.

(g) The Bond Insurer shall, to the extent it makes any payment of principal of or interest on the Series 16 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Municipal Bond Insurance Policy.

Section 6.03. Notices to the Bond Insurer.

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

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

(ii) a copy of any notice to be given to the registered owners of the Series 16 Bonds, including, without limitation, notice of any redemption of or defeasance of Series 16 Bonds, and any certificate rendered pursuant to the Resolution relating to the security for the Series 16 Bonds;

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

(iv) notice of any draw upon the Bond Reserve Fund within two Business Days after knowledge thereof other than (A) withdrawals of amounts in excess of the Bond Reserve Requirement and (B) withdrawals in connection with a refunding of Bonds;

(v) notice of any default known to the Trustee within five Business Days after knowledge thereof;

(vi) prior notice of the advance refunding or redemption of any of the Series 16 Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(vii) notice of the resignation or removal of the Trustee, Paying Agent and Bond Registrar and the appointment of, and acceptance of duties by, any successor thereto;

(viii) notice of the commencement of any proceeding by or against the Agency commenced under the United States Bankruptcy Code or any other

applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");

(ix) notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Series 16 Bonds;

(x) any data, cash flow schedules or other information relating to the Agency, the Resolution or the trust estate pledged under the Resolution as Financial Security may reasonably request;

(xi) A full original transcript of all proceedings relating to the execution of any amendment or supplement to the Resolution, the Twentieth Supplemental Resolution or any other document executed in connection with issuance of the Series 16 Bonds;

(xii) all reports, notices and correspondence with respect to the Series 16 Bonds to be delivered under the terms of the Resolution, the Twentieth Supplemental Resolution or any other document executed in connection with the issuance of the Series 16 Bonds;

(xiii) such additional information it may reasonably request; and

(xiv) all notices, documents and certificates furnished the Bond Insurer in accordance with this Section 6.03(a) shall be delivered to such address as shall be designated by the Bond Insurer. In each case in which notice or other communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of General Counsel and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

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

(c) The Agency will permit the Bond Insurer to discuss the affairs, finances and accounts of the Agency or any information the Bond Insurer may reasonably request regarding the security for the Series 16 Bonds with appropriate officers of the Agency. The Trustee and the Agency will permit the Bond Insurer to have access to and to make copies of all books and records relating to the Series 16 Bonds at any reasonable time.

(d) The Bond Insurer shall have the right to direct an accounting at the Agency's expense, and the Agency's failure to comply with such direction within 30 days after receipt of written notice of the direction from the Bond Insurer shall be deemed a default hereunder; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any registered owner of the Series 16 Bonds.

(e) Notwithstanding any other provision of the Resolution, the Trustee shall immediately notify the Bond Insurer if at any time there are insufficient moneys to make any payments of principal and/or interest on the Series 16 Bonds as required and immediately upon the occurrence of any Event of Default with respect to the Series 16 Bonds.

Section 6.04. Consent of the Bond Insurer. No modification, amendment or supplement to the Resolution, the Twentieth Supplemental Resolution or any other document executed in connection with the Series 16 Bonds that requires the consent of the owners of the Series 16 Bonds may become effective except upon obtaining the prior written consent of the Bond Insurer. Additionally, no amendment, modification or supplement to the Resolution or the Twentieth Supplemental Resolution shall be permitted unless the Bond Insurer receives a written confirmation from S&P and Moody's that, after giving effect to such amendment, modification or supplement, the Series 16 Bonds will be rated no less than "A+" and "A1" respectively (without giving effect to the Municipal Bond Insurance Policy). Copies of any modification or amendment to the Resolution, the Twentieth Supplemental Resolution or any other document executed in connection with the Series 16 Bonds shall be sent to each Nationally Recognized Credit Rating Agency at least 10 days prior to the effective date thereof.

Section 6.05. Consent of the Bond Insurer in the Event of Insolvency. Any reorganization or liquidation plan with respect to the Agency must be acceptable to the Bond Insurer. In the event of any reorganization or liquidation, the Bond Insurer shall have the right to vote on behalf of all Series 16 Bondholders absent a default by the Bond Insurer under the Municipal Bond Insurance Policy.

Section 6.06. Rights of Bond Insurer. The Bond Insurer shall be deemed to be the sole holder of the Series 16 Bonds insured by it for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Series 16 Bonds insured by it are entitled to take pursuant to Article IX (pertaining to defaults and remedies) and Article X (pertaining to the Trustee) of the Resolution. The Trustee shall take no action with respect to the Series 16 Bonds pursuant to such Article IX and Article X except with the consent, or at the direction, of the Bond Insurer.

In addition, in the event the maturity of the Series 16 Bonds is accelerated, the Bond Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued, on such principal to the date of acceleration (to the extent unpaid by the Agency) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Bond Insurer's obligations under the Municipal Bond Insurance Policy with respect to such Series 16 Bonds shall be fully discharged.

Section 6.07. Defeasance of Series 16 Bonds. Notwithstanding anything in the Resolution to the contrary, in the event that the principal and/or interest due on the Series 16 Bonds shall be paid by the Bond Insurer pursuant to the Municipal Bond Insurance Policy, the Series 16 Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Agency, and the assignment and pledge of the Resolution and all covenants, agreements and other obligations of the Agency to the registered owners of the

Series 16 Bonds shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such registered owners.

Notwithstanding anything in Article XI of the Resolution to the contrary, only (a) cash and (b) non-callable direct obligations of the United States of America shall be authorized to be used to effect defeasance of the Series 16 Bonds unless the Bond Insurer otherwise approves. In addition, in order to accomplish a defeasance the Agency shall cause to be delivered to the Bond Insurer (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Bond Insurer ("Accountant") verifying the sufficiency of the escrow established to pay the Series 16 Bonds in full on the Bond maturity and redemption date ("Verification"), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Bond Insurer), and (iii) an opinion of nationally recognized bond counsel to the effect that the Series 16 Bonds are no longer "Outstanding" under the Resolution; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Agency, the Trustee and the Bond Insurer. In the event a forward purchase agreement will be employed in the refunding, such agreement shall be subject to the approval of the Bond Insurer and shall be accompanied by such opinions of counsel as may be required by the Bond Insurer. The Bond Insurer shall be provided with final drafts of the above-referenced documentation not less than five Business Days prior to the funding of the escrow. The Series 16 Bonds shall be deemed "Outstanding" under the Resolution unless and until they are in fact paid and retired or the above criteria are met.

Section 6.08. Payment of Municipal Bond Insurance Premium; Expenses.

Notwithstanding any provision of Section 506 of the Resolution to the contrary, amounts on deposit in the Revenue Fund and allocable to the Series 16 Bonds shall be used to pay the Municipal Bond Insurance Policy Premium prior to being deposited in the Bond Reserve Fund to replenish any deficiency therein as provided in Section 506(B)(2) of the Resolution.

In addition, the Agency shall pay or reimburse the Bond Insurer as a Program Expense pursuant to Section 5.06(B)(7) of the Resolution, but only to the extent of the trust estate pledged under the Resolution, any and all charges, fees, costs and expenses which the Bond Insurer may reasonably pay or incur in connection with (a) the administration, enforcement, defense or preservation of any rights or security under the Resolution, this Twentieth Supplemental Resolution or any other document executed in connection with the issuance of the Series 16 Bonds; (b) the pursuit of any remedies under the Resolution, this Twentieth Supplemental Resolution or any other document executed in connection with the issuance of the Series 16 Bonds or otherwise afforded by law or equity, (c) any amendment, waiver or other action with respect to, or related to, the Resolution, this Twentieth Supplemental Resolution or any other document executed in connection with the issuance of the Series 16 Bonds whether or not executed or completed, (d) the violation by the Agency of any law, rule or regulation, or any judgment, order or decree applicable to it or (e) any litigation or other dispute in connection with the Resolution, this Twentieth Supplemental Resolution or any other document executed in connection with the issuance of the Series 16 Bonds or the transactions contemplated thereby, other than amounts resulting from the failure of the Bond Insurer to honor its obligations under the Municipal Bond Insurance Policy. The Agency acknowledges that the Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or

consent proposed in respect of the Resolution, this Twentieth Supplemental Resolution or any other document executed in connection with the issuance of the Series 16 Bonds.

Section 6.09. Payments by Bond Insurer. The Bond Insurer shall be entitled to pay principal or interest on the Series 16 Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Agency (as such terms are defined in the Municipal Bond Insurance Policy) and any amounts due on the Series 16 Bonds as a result of acceleration of the maturity thereof in accordance with the Resolution, whether or not the Bond Insurer has received a Notice of Nonpayment (as such terms are defined in the Municipal Bond Insurance Policy) or a claim upon the Municipal Bond Insurance Policy.

Section 6.10. Additional Bonds. No additional parity Bonds may be issued under the Resolution unless (a) the Bond Insurer receives written confirmation that the rating assigned to such bonds by S&P and Moody's shall be no less than "A+" and "A1" respectively (without giving effect to a municipal bond insurance policy or any other credit enhancement) and (b) the Bond Insurer receives a copy of the Projection of Revenues (as defined in the Resolution); provided, however, that failure to comply with this Section 6.10 shall not relieve the Bond Insurer of any of its obligations under the Municipal Bond Insurance Policy.

Section 6.11. The Bond Insurer as Beneficiary Hereof. To the extent that this Twentieth Supplemental Resolution confers upon or gives or grants to the Bond Insurer any right, remedy or claim under or by reason of the Resolution, the Bond Insurer is hereby explicitly recognized as being a beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

Section 6.12. Parties Interested Herein; References to Ratings. Nothing in this Twentieth Supplemental Resolution expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Agency, the Trustee, the Bond Insurer and the registered owners of the Series 16 Obligations, any right, remedy or claim under or by reason of this Twentieth Supplemental Resolution or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Twentieth Supplemental Resolution contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Agency, the Trustee, the Bond Insurer and the registered owners of the Series 16 Obligations.

Notwithstanding anything in the Resolution or this Twentieth Supplemental Resolution to the contrary, any reference in the Resolution or the Twentieth Supplemental Resolution with respect to the ratings maintained in the Series 16 Obligations by any Nationally Recognized Credit Rating Agency shall mean the unenhanced credit rating on the Series 16 Obligations.

EXHIBIT A

**VERMONT HOUSING FINANCE AGENCY
SINGLE FAMILY HOUSING BONDS
Series 16 Tender Bonds Selected
For Tender on [_____]**

[Banknorth, N.A.]
Burlington, VT 05402-0409
Attention: Corporate Trust Department

Re: Election to Retain Adjusted Rate Bonds

Dear Sir or Madam:

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

In accordance with the information given in the Trustee's Notice dated [_____] , we hereby give you irrevocable notice that we elect to retain \$[_____] aggregate principal amount of Series 16 Tender Bonds and to exchange such Bonds for Adjusted Rate Bonds as described below.

The principal amount or amounts of Series 16 Tender Bonds which we have elected to retain in exchange for Adjusted Rate Bonds and the maturity date or dates thereof are listed below:

Series	Maturity	Amount
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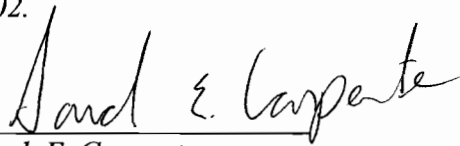
We acknowledge that if certain conditions described in the Agency's Twentieth Supplemental Single Family Housing Bond Resolution shall occur on or prior to the Adjustment Date, such Series 16 Tender Bonds will be subject to mandatory redemption on the Adjustment Date despite this direction to exchange such Bonds for Adjusted Rate Bonds.

CEDE & CO., a nominee of The Depository
Trust Company

Signature

Name

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on March 28, 2002.



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

**RESOLUTION RE: ALLOCATION OF
2002 PRIVATE ACTIVITY BOND
VOLUME CAP ALLOCATION**

WHEREAS, the Vermont Housing Finance Agency (the "Agency") has been allocated \$82,000,000 in 2002 private activity bond volume cap by the State of Vermont Emergency Board ("2002 Allocation"); and

WHEREAS, the Agency desires to elect to utilize \$20 million dollars of the 2002 Allocation for qualified mortgage bonds and mortgage credit certificates;

NOW, THEREFORE, IT IS HEREBY RESOLVED:

1. The Agency elects to allocate \$20,000,000 of its 2002 Allocation pursuant to Section 146 of the Internal Revenue Code of 1986 as amended for the purposes of issuing qualified mortgage bonds or mortgage credit certificates.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on March 28, 2002.


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



Vermont Housing Finance Agency

VHFA Board Minutes
Vermont Association of Realtors
148 State Street
Montpelier, VT

Thursday, April 18, 2002 at 9:00 a.m.

PRESENT: Chairperson Randall, Commissioners Beyer (Designee of Lambert), Candon (Designee of Costle), Canney, Douglas, Seelig

STAFF: Ms. Carpenter, Ms. Loller, Ms. Crady, Ms. Drake, Mr. Adams, Mr. Fairbanks, Mr. Schoenbeck, Mr. Falzone, Ms. Malmgren, Ms. Kendrick, Ms. Lane

GUESTS: Mr. Brian Pine, Burlington Community Economic and Development Office

Chairperson Randall called the meeting to order at 9:10 a.m.

MINUTES

March 28, 2002 minutes were reviewed and approved with the following changes:

Mr. Seelig had one comment regarding a concern expressed by Board members that we not lose momentum from the homebuyer fair. The minutes did not need to change, but he wanted to make sure the point was not lost.

Chairperson Randall discussed the VDCU allocation of the IORTA funds not used in 2000 (\$30,000) and why had this not been used? Ms. Crady indicated that the funds needed to match IORTA funds were not approved by the FHLB; however, a second application has been submitted. No other changes were noted although it was noted that the March 28, 2002 minutes were very comprehensive. Mr. Douglas seconded the motion and it was carried unanimously. Ms. Beyer abstained, as she was not present at the March 28th meeting.

Further into the 18 April Board Meeting, Mr. Seelig made the motion to adjust the Twentieth Supplemental Housing Bond Resolution figure to \$50,450,000 from \$50,000,000.

HOMEOWNERSHIP ACTIVITIES:

Ms. Crady discussed homeownership activities as of the end of March. The Agency is on track with production and is expected to exceed \$55M in purchases for FY2002. The March delinquency report was distributed at the meeting. The Agency continues to see a reduction in the 60- and 90-day delinquencies and foreclosures, however, the 30-day delinquencies continue to be on the high side. The FY2002 budget amount for loan losses was \$900,000, but we expect to end up between \$500,000 - \$600,000, which is definitely good news.

Ms. Crady stated that every property taken back in March was occupied and explained the process as follows:

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

phone (802) 864-5743

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

fax (802) 864-5746

www.vhfa.org



- We receive a certificate of non-redemption along with a writ of possession from the Court, which are served on the occupants by a sheriff after the final redemption date.
- Generally, the occupants must leave within 5 days after being served, although in some cases the sheriff or VHFA allows additional time. If the property is tenant occupied, the tenants have 30 days from the final redemption date to vacate.

Mr. Candon asked if we offer assistance to the occupants. Ms. Crady stated that we do suggest organizations in their area to try to help them. Most properties are now vacant, but one is occupied with the tenant leaving April 19. Ms. Carpenter stated that we encourage people to put houses on the market in hopes of avoiding foreclosure; if the property is occupied at the time of service, it's assumed they've refused other suggestions. Generally, people will leave before the final redemption date. Chairperson Randall stated that we don't typically see a lot of RD guarantees. Ms. Crady responded that we do have several REOS that are guaranteed to RD. With Rural Development, a claim needs to be filed within 6 months of the REO date. We typically wait until the property is sold so that the claim includes all expenses. If VHFA has not sold a property within six months from the REO date, a claim is filed prior to sale and any gain would be refunded to RD.

Ms. Beyer asked whether the production reports included a line item for mobile homes in parks. Ms. Crady responded by saying the amount indicated for mobile homes include mobile homes on owned land and in parks.

ADMINISTRATIVE

Ms. Loller introduced Becky Lane (new Office Manager for VHFA) to the Board.

INCOME AND PURCHASE PRICE LIMITS

Ms. Crady introduced and discussed the proposed income and purchase price recommendations. She offered thanks to Ms. Malmgren who worked hard on the research required for the report.

Mr. Douglas asked Ms. Crady to explain targeting. Ms. Crady stated that we calculate income and purchase price limits according to the formula in the MRB regulations. A different formula is used for the targeted (first time homebuyer) counties when determining income and purchase price limits. Years ago HUD went through a process with the State to determine which areas to target, and nine of fourteen counties ended up as targeted. Ms. Carpenter stated that there is no plan by HUD at this time to review the process for determining targeted areas.

Ms. Crady stated that for some areas we have been relying on the old safe harbor figures used since 1994, and also the property transfer tax information to determine average area purchase price limits.

Chairperson Randall questioned whether Windham and Windsor counties are influenced by Hanover, New Hampshire, and asked why we don't penetrate those counties. Ms. Crady responded saying that because Windsor County is a nontargeted county, VHFA must calculate maximum purchase price limits based on 90% of the average. In Windham County, the formula is 110% of the average. There are certainly some areas in Windsor County that are influenced by the Hanover/Dartmouth job market. Incomes in that market exceed the maximum allowable under MRB regulations. Income and Purchase Price limits being proposed for Windsor County are the maximum allowable with the exception of the limits for new construction. A limit of \$179,000 was proposed because the maximum affordable based on the proposed income limits is \$151,400. Staff did consider maximum affordability when determining what limits to recommend.

The disparity between counties can be very frustrating. The areas that VHFA would like to target and do more business in are not targeted under MRB regulations. As reported by Ms. Crady, the maximum purchase prices allowable are recommended; however, it is expected that the Agency still will not be in the market for Addison, Windsor and Chittenden Counties. If Congress passes the MRB Modernization Act, purchase price limits may then be based on 3.5 times median income. This change would allow a maximum purchase price limit of \$163,800 in Addison and Windsor counties and \$200,900 in Chittenden County.

Ms. Carpenter stated that the modernization tax bill needs to be passed, but Congress needs to find a tax bill to tack this bill on to. The bill includes stipulations for the 10-year rule related to recycling bond cap. Jeff Fox of Sen. Jeffords office is fairly pessimistic about the possibility of a vehicle that Congress will pass this year.

Mr. Candon asked if this is the largest percentage increase in purchase price limits. Ms. Crady said she thought it was. The average purchase price in the Burlington MSA increased from \$146,000 in 2000 to \$169,000 in 2001.

Mr. Candon asked if there are homes available in this increased bracket. Ms. Crady responded stating that in the Burlington Free Press this morning there were only four single-family homes in the price range of \$152,000; and condo projects are also a possibility. It is difficult to find houses in Burlington, although some communities in Franklin County are a little easier, along with small ranch homes in the airport section of South Burlington and some neighborhoods in the New North End of Burlington.

Ms. Malmgren stated that the first-time buyer rule does not apply in the Northeast Kingdom and some other counties, so VHFA does have the opportunity to assist non-first time buyers.

Ms. Carpenter stated that with production down and the portfolio running off slightly, VHFA would benefit from these increased limits.

Ms. Canney said that the move-up buyer would really be able to utilize the program. Because they have owned a home before, they shop for interest rates and she sees it as very positive for the move-up purchaser.

Ms. Beyer asked for an explanation of the recapture provisions. Ms. Crady answered by stating that the federal recapture tax is applicable for any MRB financed borrower if they sell within the first 9 years of ownership. The amount of tax increases through year five and decreases until it is no longer payable after year 9. The tax is capped at the lesser of 6.25% of the initial mortgage amount or 50% of equity. If income does not increase substantially no recapture tax is due.

Mr. Seelig said there were lots of questions, but he was pretty comfortable with the existing home purchase price recommendations.

Mr. Brian Pine, a representative from Burlington's Community and Economic Development Office, was introduced. He discussed the census tracts in Burlington being proposed by staff for targeting, which included all of downtown, part of King Street and half of the Qualified Census Tract of the Old North End neighborhood. Ms. Beyer thought it odd to recommend two different limits for QCT & MSA and might cause a marketing problem to have a higher limit in the QCT. Ms. Crady stated that the Board approved targeting the two Census tracts in 2001. Ms. Carpenter stated that the homeownership rate is 40% in Burlington vs. 70% in the rest of the state. There has been an aggressive campaign by the City of Burlington and the Homeownership Center to promote homeownership in the City. There is a special duplex program that received federal funding for this, but that it cannot be used in conjunction with our program as the limits are too low.

Mr. Pine stated that 22% of the housing units in the two census tracks are elderly rental units. Any barriers or limits that can be relaxed are what's needed for opportunities in homeownership. There are condo developments on the horizon on the Burlington waterfront with 25% of the units being affordable. Allowing for flexibility is essential if we are to get more homeowners in neighborhoods.

Chairperson Randall discussed the new construction purchase limit, and can this accommodate new construction on the waterfront which Brian highlighted. She asked if there is any harm in leaving it at the \$199,000 limit proposed for the MSA and proposed that we review it again in six months. Ms. Carpenter stated that essentially we could change this anytime we want.

Ms. Malmgren noted that the median purchase price in the MSA for new construction is close to \$240,000. Ms. Canney remarked that there might be marketing issues due to the Agency supporting \$225,000 homes. Ms. Carpenter doesn't disagree with her, but pointed out that more than half the new houses cost this. Ms. Carpenter asked if we should drop back to \$179,000 in Washington County and Lamoille County. Mr. Seelig asked if this was significantly different than the rest of the state. Ms. Malmgren stated that a limiting factor is income limits, and we do not do a lot of business at this level, but suggested there may be a couple of opportunities.

Mr. Seelig moved that we approve staff recommendations for income and purchase price recommendations, with the exception of changing the new construction limit in the Burlington QTC to \$199,000 and Lamoille and Washington Counties to \$179,000. Mr. Candon seconded this motion.

Chairperson Randall asked for any further discussions. She stated that the Board will revisit these limit changes at the end of the year. The Board unanimously approved the motion. Ms. Crady stated that the new income and purchase price limits will go into effect the first week of May.

MULTIFAMILY

Winchester Place

Mr. Adams and Mr. Andy Broderick (Housing Vermont) met with Mr. Neil Robinson, of St. Michael's College to discuss possible solutions to the ongoing funding issues of Winchester Place. They left the meeting fairly encouraged, however, Mr. Adams noted that this was very preliminary. Mr. Adams indicated that according to Mr. Robinson, Saint Michael's has made a sizeable investment to provide for their student housing needs on the Main Campus, which would meet their student housing needs for at least the next five years. Mr. Broderick will be writing a letter on behalf of Winchester Place to Saint Mike's to formalize a request to restructure the current outstanding debt by extending its term, reducing the rate and modifying the lease with Saint Mike's to allow the restructuring.

Westview Terrace

Mr. Seelig wanted to know if there was any progress in resolving the concerns that Springfield Housing has with the property. Mr. Falzone stated that it may be subject to recapture and that there will be a meeting April 25. With Joe Cloutier as contractor and general partner there are identity of interest issues. There has been 5 years of constant window failure – the window manufacturer has volunteered windows at cost, but Joe refused to install them. The unwillingness to provide \$100,000 of window installation cost may jeopardize \$3 million in tax credit equity. The windows have failed constantly and relate to health and safety issues, which violate the tax credit rules.

Mr. Seelig asked that as this plays out, do limited partners go back on general partner? Mr. Falzone stated that there is probably something in the partnership agreement, and that there is pressure on Joe to resolve it. Dave Anderson, the construction inspector, is to participate in next Thursday's inspection.

Ms. Beyer asked if this is the first time a project might possibly lose tax credit? Ms. Carpenter stated several other projects have come close but the partners stepped in. The owners of Westview would be notified by IRS, not VHFA, if they lose credits due to their lack of response. Mr. Falzone appreciated the support the Board gives him (particularly Gus) to get Mr. Cloutier to fix and/or repair the windows.

Black River Overlook

Chairperson Randall also wanted to know if we should do anything in relation to financing for playground at Black River Overlook (another Cloutier project). Mr. Falzone responded that the budget has not been specifically targeted for playground equipment, but with the recent reconciliation of funding from Rural Development he feels the funds are there.

ZERO % POOL (Excess Yield Funds)

Ms. Carpenter updated the Board on the Excess Yield fund, which is projected to become negative during the next twelve months based on current commitments. Current policy allows the Agency to commit funds up to the projected income of the fund for the next twelve months.

The discussion on the Excess Yield funds came up in light of a request for funds from Highgate Apartments in Barre to pay for capital needs including specifically drainage issues and mold mitigation, estimated at \$300,000 to \$400,000. Mr. Falzone indicated that mold remediation in similar projects was around \$4,000 per unit. He also indicated that Highgate was encouraged to seek other sources of soft money. No formal action was taken regarding commitment of funds to Highgate pending further investigation of the mold issue (type of mold and level of remediation) and a more in-depth Capital Needs Assessment.

POLICY DISCUSSION OF MULTIFAMILY LOW INCOME TARGETING

Ms. Carpenter discussed her memo to the Board regarding "Multifamily Low Income Targeting" and possible revisions to the Agency's authorizing legislation and existing administrative rules related to multifamily loans. She emphasized that the revisions to existing administrative rules might not accomplish an expansion of the Agency's lending abilities, but only clarify current practice. To expand the Agency's lending abilities, legislative changes may be necessary. She opened this for discussion, and commented that revised lending policies may be important because of policy issues related to the pending Winooski development project.

Ms. Malmgren conducted a poll of the other New England states to review how those statutes compared with Vermont. Her conclusion was that Vermont is, by far, the most restrictive. Ms. Malmgren stated that from the research conducted, most statutes for New England states closely followed the Private Activity Bond Rules. Ms. Beyer stated that for multi-family housing the rents charged are not that restrictive. Ms. Carpenter said that this is usually a non-issue except in high market areas. There was a discussion of the process of qualifying occupants and the related documentation (which is clearly an issue with developers). Tracking the income of 51% of all tenants upon initial occupancy, becomes problematic. Ms. Beyer questioned if this was through the life of loan? Ms. Drake stated that a minimum of 20% of the units are affected under the MRB rules. It has been our policy to apply that to the 51%, but it is unclear if that is intended to be the requirement for the life of the loan. Some discussion followed regarding the occupancy requirement in the existing administrative rules. Ms. Drake read the statutory requirement in Section 625 which states that "...housing is primarily occupied by persons and

families of low and moderate income." Over the years this has been interpreted to mean a minimum of 51% of the units must be occupied by persons and families less than 100% of median income.

Chairperson Randall made an observation that underwriting guidelines adopted by the Board require that occupancy is restricted to 75%. Ms. Carpenter stated that, as required by the existing rules, multifamily loans usually justify a waiver from the 75% level to the minimum 51% level. A discussion was held on the difference between statutes (which have to be abided by) and rules (which interpret the statutes but are easier to change than statutes).

Chairperson Randall inquired as to why the rules use 75% and where did the Agency come up with 75%. She asked whether staff was looking to eliminate the 75% requirement or the primarily occupied/51% requirement?

Mr. Candon stated that he doesn't care for the waiver in the existing rules; Mr. Seelig asked what this does to the market place. Mr. Seelig stated that 51% at 100% median is not a hard thing to meet in most markets, but it comes back to where does the Board want to put staff time and energies and where are we as an organization to do more business.

Ms. Carpenter asked how do we deal with state policy of encouraging more mixed income and private rental development, if we don't change rules. She also noted that two small assisted living project financing were lost to VEDA, because of these rules. A discussion was held on this.

Ms. Beyer stated that she has concerns about projects where the sky's the limit for market rents. Ms. Carpenter agreed and said that the rent limitation was not as much an issue as the ongoing documentation related to the occupants when no other subsidy was involved

Ms. Beyer stated that what frustrates developers in straight private deals is the income certifications as each turnover happens. She felt the rent level might be enough to meet the statutory test. A discussion was held. Ms. Carpenter stated that Agency procedures for bond only financed deals could be reviewed to ensure the most reasonable approach and interpretation.

Ms. Beyer suggested a review of the rules, and is open to exploring statutory changes put in writing by the staff. To conclude, the consensus was that staff would review both possible legislative and administrative rules changes and propose any recommendations to the Board in writing.

FINANCE

Mr. Schoenbeck reviewed a recent Bond Buyer article about VHFA and noted the timing may have assisted in the very good pricing on the recent bond issue. The subsidy used to subsidize the rate down will leave about 50 basis points of available subsidy financing for \$35 million in loans for the next bond issue.

The Cash Assistance Option technically raised the amount of the bond deal to \$50,450,000, which is \$450,000 higher than the discussed amount from the last Board meeting. It was suggested by Mr. Seelig to change the amount to \$50,450,000. This was agreed upon.

We received a reduced rate on fees thanks to Piper Jaffray who worked with Paine Webber to reduce our fees \$30,000 less than standard. Mr. Douglas expressed a continuing concern about the fees in general, as State bond fees are lower than the housing bond market. Mr. Schoenbeck stated that sales commissions are higher and we rely on our financial advisor, Piper Jaffray, to verify that these are good fees in the housing market. \$17 million of bonds were sold/issued retail in Vermont the first day.

A further discussion was held regarding the fee that Paine Webber receives, which includes underwriter sales commissions as well as attorney's fees and other related expenses. Since housing bonds are more complicated than general obligation debt, the related fees are higher. A concern was expressed by Mr. Douglas who stated that this might be the case in the market, but it doesn't mean it is fair. Ms. Carpenter stated that "the market" lumps all real estate bonds together, and that tax-exempt bonds are less than 2% of the bond market and are very secure. We could change underwriters, but that wouldn't necessarily save money on underwriting costs.

Mr. Schoenbeck passed out a resolution for a line of credit extension approval. Banknorth has been our credit provider and our line of credit has technically expired. There is a new team at Banknorth that has been doing a superb job in New England, being competitive with different types of government services. They have continued to offer us the same rates - 75 basis points over LIBOR (London Interbank Offering Rate) short-term calculation method. We are currently paying 2.6% for 30-day loans. Banknorth has put together new contracts, and offered an expanded line of credit of \$5 million of continuing debt limit and new availability of \$2.5 million at no cost to us unless we access it. The proposed term goes through November 2004 and we'd like to authorize this resolution to continue for the matching time frame if terms stay the same. After discussion, Mr. Douglas made the motion and Ms. Beyer seconded the motion to approve the resolution as presented. The Board agreed unanimously.

Ms. Beyer asked an unrelated question - is Housing Vermont successful on tax credit partnership agreements with BankNorth? Ms. Carpenter responded that they are having some problems, and since tax credit investment decisions have been moved to Portland, Maine they have become more rigid about underwriting criteria. New Hampshire and Maine do not seem to have quite the same problem, as they do larger projects and use the equity fund approach with multiple investors. This has some disadvantages for smaller niche projects, but Housing Vermont is pursuing the establishment of an equity fund to keep Banknorth involved.

ADMINISTRATIVE

Ms. Loller stated that in reviewing our Flex Plan in detail, it was realized that we currently offer flex benefits to one person working less than 30 hours, which is not in accordance with the plan provisions. The Agency would like to amend the Flex Plan to allow for participation for all employees working at least 20 hours/week, which would put the plan in line with other Agency benefits.

Mr. Stephen Magowan, Gravel and Shea, who has done a review of our plan document, also mentioned that we have the ability to raise the maximum amount of payroll reduction from \$2,000 to \$2,500.

The recommendations are to raise the payroll reduction amount at the beginning of the next plan year (January 2003) and lower the required hours for eligibility to 20 hours/week effective immediately. Mr. Seelig moved and Mr. Candon seconded. Chairperson Randall asked if there was a potential cost. Ms. Loller and Mr. Schoenbeck both responded that it was pre-tax money and no cost to the Agency. The motion was carried unanimously.

Ms. Carpenter inquired if there were any questions of her from the Board. She stated that there were no startling changes on the legislative front, and she understands that the request for continued homeownership Property Transfer Tax exemption is in a current draft of the miscellaneous fee bill.

Ms. Canney inquired as to what is going on with the increase in property transfer tax proposal and that many people have spoken with her about VHFA's role. Ms. Carpenter stated that VHFA will not benefit from this proposal and has not been directly involved in this discussion that came from the Joint Housing Committee. Ms. Canney will forward emails she's receives regarding concerns to Ms. Carpenter.

Mr. Seelig stated that at the Senate Finance Committee hearing there may have been confusion due to the fact that Ms. Carpenter was the lead-off witness, providing the committee with various statistics related to housing prices and property transfers. Although she was careful in what she said, there were many witnesses speaking to housing needs. Chairperson Randall inquired as to what is the amount of increase. Mr. Seelig stated that one proposal was a quarter of a percent on residential and half-percent non-residential property, but it is unlikely to go anywhere this year.

FUTURE MEETINGS

Ms. Carpenter requested a change to the time of the June 13th Board meeting. After some discussion, a decision was made to move the meeting time to 9 a.m. to 11 a.m., as well as move the location to Montpelier.

The November meeting should be consolidated with the December meeting – December 5 was proposed as a date. December 5 at 1:00 p.m. in Burlington was agreed to by all Board members.

HR & Budget Committees meeting would need to bring the 2003 budget to June 13th meeting.

- Mr. Schoenbeck would like the Budget Committee to meet very early in June or late May. It was decided that Thursday afternoon, May 30th at 1:30 p.m. to meet in Mr. Seelig's office.
- HR Committee will meet on May 16th immediately following the Board meeting (lunch provided).

Ms. Beyer made a motion to adjourn and Mr. Douglas seconded the motion. The Board passed it unanimously. The meeting was adjourned at 11:40 a.m.

Sincerely,



Sarah E. Carpenter
Executive Director



Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners
FROM: Elizabeth Mullikin Drake *EMD*
RE: Amendments to Flexible Benefit Plan and Medical and Dental Expense Reimbursement Plan
DATE: April 11, 2002

To update the Agency's employee benefit plans to current practice, the Agency's advisors have recommended that the Board take official action to authorize the necessary amendments. The attached resolution will make the following changes:

1. Eligibility to Participate. Section 2.01 of the Flexible Benefit Plan currently requires that an employee work at least 30 hours on a regularly scheduled basis to be eligible to participate in the Plan. Based on the current working schedules of employees at the Agency, management is recommending that the hour requirement be reduced to twenty (20) hours which is consistent with other benefit provisions offered by the Agency.
2. Available Levels of Benefits; Benefit Limitations. Sections 4.01 and 7.02 of the Medical and Dental Expense Reimbursement Plan currently have a maximum benefit limitation of \$2000. Management is recommending that the maximum benefit be increased to \$2500 to be effective at the beginning of the plan year or January 1, 2003. These limits have recently been increased under federal law.

I hope that this summary gives you some understanding of the request. Pat Loller will be able to fill in more details either by phone or at the Board meeting. She will also have a copy of the plans available for review.

Recommended Board Action: To adopt the attached resolution.



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RESOLUTION RE: AMENDMENTS TO FLEXIBLE BENEFIT PLAN

WHEREAS, the Agency wishes to make certain amendments to its flexible benefit plans as outlined in this resolution;

NOW, THEREFORE, IT IS HEREBY RESOLVED:

Resolved: That the eligibility rules contained in Section 2.01 of VHFA's Flexible Benefit Plan be revised to reduce the hours necessary from thirty (30) to twenty (20);

Resolved: That effective January 1, 2003, Sections 4.01 and 7.02 of the Medical and Dental Reimbursement Plan is amended to provide that the maximum level of benefits is \$2,500 per year.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on April 18, 2002.



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

RESOLUTION RE: LINE OF CREDIT BORROWINGS

WHEREAS, the Agency has an existing line of credit with Banknorth, N. A. in the amount of \$5,000,000 ("Existing Line of Credit") which was approved by resolution dated March 23, 2000;

WHEREAS, the Agency wishes to extend the maturity date of the Existing Line of Credit to November 1, 2004;

WHEREAS, the Agency wishes to obtain an additional line of credit in the amount of \$2,500,000 ("New Line of Credit") with terms similar to the Existing Line of Credit;

WHEREAS, the Agency wishes to authorize the Executive Director and the Chief Financial Officer in their capacities as Secretary and Treasurer of the Agency, respectively, to do all actions necessary, including the execution of documents, to amend the terms of the Existing Line of Credit, to obtain the New Line of Credit and to extend and/or renew either or both of the Existing Line of Credit or the New Line of Credit at the same terms in the future;

NOW, THEREFORE, IT IS HEREBY RESOLVED:

1. That the Agency hereby approves the renewal and change in terms of the Existing Line of Credit and the terms of the New Line of Credit, including the execution of the Change in Terms Agreement for the Existing Line of Credit and the Line of Credit Promissory Note and Business Loan Agreement for the New Line of Credit substantially in the form presented;
2. That the Agency hereby authorizes the Executive Director and the Chief Financial Officer, individually, in their capacities as Secretary and Treasurer of the Agency, respectively, to do all actions necessary, including the execution and delivered of necessary documents, to amend the terms of the Existing Line of Credit, to obtain the New Line of Credit and to extend and/or renew either or both of the Existing Line of Credit or the New Line of Credit at similar terms (including specifically rates at LIBOR plus 75bp) in the future.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont on April 18, 2002.


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



Vermont Housing Finance Agency

VHFA Board Minutes
Vermont Association of Realtors
148 State Street
Montpelier, VT
Thursday, June 13, 2002 at 9:00 a.m.

PRESENT: Chairperson Lisa Randall, Commissioners Beyer (Designee of Lambert), Candon (Designee of Costle), Canney, Lafayette, Seelig and Suzanne Young (in Commissioner Douglas' place)

STAFF: Ms. Carpenter, Ms. Loller, Ms. Crady, Ms. Drake, Mr. Adams, Mr. Fairbanks, Mr. Schoenbeck, Mr. Falzone, Ms. Malmgren, Ms. Lane

Chairperson Randall called the meeting to order at 9:05 a.m.

MINUTES

April 18, 2002 minutes were reviewed and approved with the following clarification:

On page 6 – Mr. Candon clarified that it is not that he does not care for a waiver in the existing rule, rather that he does not care to see the waiver utilized in almost every case; if this is saying the same thing then he is okay with this. The Board unanimously approved the minutes.

Chairperson Randall stated that an Executive Session would take place at the end of the Board Meeting.

HOMEOWNERSHIP ACTIVITIES

Ms. Crady discussed homeownership activities as of the end of May. The Agency is ahead on loan purchases and may exceed \$65M for the year, well ahead of the Agency's goal of \$55M. VHFA's recent rate reduction was well received by Lenders and potential homebuyers. Our 6.25% rate is a little less than 75 basis points below conventional rates.

June is National Homeownership month. The Agency has several activities in the works. Sarah has conducted several radio interviews, and a statewide advertising campaign has resulted in increased calls to VHFA for requests for home buying information.

The delinquency numbers were not available for the Board meeting, but Ms. Crady will forward to Board members at end of June. She doesn't anticipate any surprises. Ms. Crady stated that there have been no calls as fallout from the IBM layoffs. Mr. Seelig asked Ms. Crady to elaborate on the steps the Agency goes through for those who are laid off. Ms. Crady responded that VHFA and the servicers are definitely pro-active. The servicers look at these individuals' income and debt ratio and make recommendations for 90 to 120 days of partial payments. The servicer does put a notice on the 30-day delinquency letter saying that there is assistance available to the homeowner. VHFA does not do direct mailing or outreach as this is a servicer requirement as part of the loan servicing contract. The question was asked if the account is turned over to the Agency pre-foreclosure or at foreclosure. Ms. Crady stated that the Agency gets involved when the lender notifies us – usually at 60 days and we then discuss conditions and options. Later in the meeting it was discussed that we may have a potential partner with the Department of Employment and Training (DET) to assist laid off individuals thinking about house payments in addition to finding new employment. DET may also direct this group of individuals to the Homeownership Centers for further financial counseling. Ms. Crady stated that Homeownership will develop a



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"what to do" brochure for those individuals who have been laid off; this brochure will target the Agency's website, as well as the Vermont Bankers Association, etc. Ms. Crady will report back at the August Board Meeting.

REO's were then discussed - 12 out of 19 are under contract; three properties are listed but not sold, and others are waiting for appraised values.

Mr. Candon asked a question regarding the decline in loan amounts for mobile homes from last year to this year. He stated that his office receives many calls looking for financing for mobile homes, as funding for mobile homes is limited. A discussion followed regarding mobile home lending trends and funding sources. Mr. Adams has been speaking with a for-profit mobile home park owner, about VHFA criteria for lending at for-profit parks vs. not-for-profit parks. Mr. Adams will continue this dialog, in conjunction with working with staff to research how to expand mobile home lending options. He will report his findings to the Board.

HOMEOWNERSHIP CENTERS ACTIVITY CY2001

Ms. Crady stated that all Homeownership Centers, with the exception of one, experienced an increase in the number of homebuyers assisted. She went on to explain that the Rockingham Area Community Land Trust center experienced some staffing problems, which have since been resolved; in spite of these problems there was a lot of outreach and education to potential homebuyers. There is an opportunity for Rockingham Area Community Land Trust and the Brattleboro Area Community Land Trust to become partners, but more work between these organizations needs to occur before this moves forward.

Ms. Lafayette asked about the Individual Development Account (IDA) program and whether we knew the number of homebuyers who used this program. Ms. Crady stated that she did not have that data, but she will report back to the Board at a subsequent Board meeting with information on who were the IDA "savers", as well as the source of the match money, and the possibility of making VHFA loans to potential homebuyers utilizing the IDA program. It was stated that all five Community Action agencies in the State administer this program, along with the Vermont Development Credit Union.

Mr. Candon asked whether we had been contacted by consumer credit organizations who are looking to work with financially troubled borrowers. Ms. Crady responded that we did have some of these organizations at the Home Buyer Fair in the spring. Mr. Candon stated that these companies are licensed by the Department of Banking and Insurance. Ms. Crady will follow up with Mr. Candon on obtaining the names of some of the more reputable companies.

WINCHESTER PLACE

Mr. Adams and Mr. Broderick of Housing Vermont have been talking with Mr. Neil Robinson (Saint Michael's College) to come up with a workout for this project. In 2005 the Merchants Bank incentive will drop off and it's very unlikely that we'll see any further contribution from them to cover ongoing operating deficits. It is clear to everyone involved that someone will have to do something and the sooner the better. St. Mike's is not looking to purchase the property at this point, but is interested in having the property free and clear at the end of the lease. The most efficient fix at this point is to take the current project debt and extend it out 30 years. This would give the project significant breathing room and adequate cash flow to cover ongoing operating expenses. The problem with this option is that the current ground lease precludes changes of this nature. St. Mike's is considering whether it should make an amendment to the lease.

A brief discussion followed. The end result is that the owner could come to the Agency to refinance the project. VHFA would rewrite the loan with rehab as part of the new debt. It appears that there's a clear desire on St. Mike's part to have the freedom to decommission the project in 2032. Mr. Adams is looking for consensus from the Board to allow Winchester Associates to go forward with amending the permits to make affordability restrictions go away in 2032. Mr. Seelig did have a concern regarding the demolition language in that it is one thing to have the rent go up, but for tenants to have to move will be a bigger issue. There would be a several year notice period built in. Mr. Candon had questions regarding the structural viability of the project. Mr. Adams

stated that if there is a refinancing, rehab will be part of the loan package. Given the alternatives, there were no major objections by the Board to move forward with the amendment of the permits or the 2032 date.

MULTIFAMILY EXCESS YIELD REPORT

Mr. Adams briefly reviewed the Excess Yield Report for the Board. The Loan Review Committee reviews this report on a regular basis to ensure compliance with the policy and to allocate funds. If zero percent loans are provided for all projects discussed in the report, the Excess Yield fund will have a negative balance in September 2002 for the first time since the fund was created. It is estimated that in September VHFA will need to provide a substantial loan for the redevelopment of Templeton. The Multifamily Zero Percent Lending Policy allows the Agency to pre-commit 0% funds against its anticipated excess yield income for a 12-month period. The Agency will still be working within the policy guidelines; however, Mr. Adams wanted the Board to be aware of planned actions.

Ms. Carpenter explained that the excess money the Agency earns on the Multifamily Bonds, over the life of the bonds, could be returned to the IRS (undesirable) or lent out as 0% loans to projects in need. When these bonds mature in 2014, VHFA and its bond lawyers will conduct a final accounting for these bonds. At that time, VHFA will either repay the IRS for excess interest earned or it can chose to forgive or extend some of the 0% loans. All funds repaid to VHFA after 2014 will be the Agency's free and clear.

A lengthy discussion followed regarding the use of 0% funds in general, but more specifically for the Maples II and Templeton. Ms. Beyer requested that staff follow up on financing alternatives for Templeton for the August Board meeting. With regard to the Maples II, concerns were voiced regarding the 'style' of the owners of the property, as well as other properties owned by the same individuals. Mr. Adams will be working with Mr. Brush and Mr. Giebink regarding their management style and how that might affect future developments.

On a similar note, Mr. Seelig had some questions regarding optional charges that are being assessed by tax credit projects for garages, laundry, etc. Mr. Adams stated that the particular project (Quechee) mentioned was not fully underwritten prior to the tax credit allocation. The policy going forward is to ensure that all aspects of the project are reviewed prior to any allocations being awarded.

HIGHGATE

Mr. Seelig moved the recommendation for the approval of a \$350,000 - 0% loan to Highgate Apartments pending receipt and approval by staff of a Capital Needs Assessment accompanied by operating proformas demonstrating financial feasibility. Mr. Candon seconded. The Board unanimously approved.

FY2003 BUDGETS

Mr. Schoenbeck recapped the budget changes from the Board Budget Committee meeting on May 30th. The first change was the addition of \$30,000 in Other Costs for Homeownership Centers and the other change was an increase in the capital budget of \$25,000 due to the higher cost of the window replacement project.

Mr. Schoenbeck is looking for the approval of the proposed operating budget of \$3,775,478 in Expense and \$1,951,090 in Other Costs for a total budget of \$5,726,068. The capital budget would also increase from \$261,040 to \$286,040. A brief discussion followed. A motion was made by Mr. Seelig for the approval of the proposed budget as presented and Mr. Candon seconded the motion. The Board unanimously approved the budget.

Mr. Schoenbeck also mentioned that included in the Board packet was a listing of Goals and Initiatives for FY2003, which will be discussed in more detail at the September meeting.

IMPACT OF MORTGAGE RATE REDUCTION

With conventional rates dropping fairly quickly and the Agency wanting to be more competitive, the most recent rate reduction of 25 bp was well received.

Due to the structure of the most recent Single Family bond deal (Series 16), the Agency created a subsidy pool worth about \$2.2 million. This subsidy will assist VHFA in lowering rates again by 25 basis points (bp) should the need arise, however, it would deplete this fund for future use. Mr. Schoenbeck also mentioned that we should not lose track of rates in a rising rate environment, as we could increase our rate and use some of the savings for the next bond financing. Mr. Seelig suggested that Chairperson Randall be authorized to approve a 25 bp increase or decrease in rates going forward for market reasons. A brief discussion followed. Ms. Canney made a motion to allow Chairperson Randall to authorize rate changes of 25 basis points, either up or down and Ms. Lafayette seconded the motion. The Board unanimously approved.

Ms. Canney stated that the staff is doing a great job being so prompt in recognizing when rates need to be modified.

EXECUTIVE DIRECTOR'S REPORT

Ms. Carpenter discussed the Winooski City Development project. Winooski has not approached VHFA, but rather they will be using a HUD loan product, which might be a more expensive alternative to VHFA financing. No comparison analysis has been done. An in-depth discussion followed.

Ms. Carpenter and Ms. Beyer will be scheduling a meeting with Ms. Kathy Hoyt, Secretary of Administration, in the near future to discuss concerns around housing financing outside of VHFA and also that there is no statutory framework for non-issuing agencies going before the E-Board. Ms. Beyer expressed a concern about losing this bond cap if the deal does not happen before year-end. VHFA could request that any unused portion of the \$25 million by December 2002 be allocated to VHFA and held for future housing issuance.

RESOLUTION FOR SAFE DEPOSIT BOXES

Mr. Schoenbeck presented the Resolution for Safe Deposit Boxes; the addition of personnel from the Banknorth Investment Management Group as signatories was added. Mr. Seelig made the motion and Mr. Candon seconded the motion. The Board unanimously approved.

GENERAL FUND LIQUIDITY ANALYSIS

As a result of the request for renewal of the Agency line of credit with Banknorth earlier in the year, the Board requested a report regarding the status of the Agency liquidity condition. As outlined in Mr. Schoenbeck's memo to the Board, the Agency operates using a line of credit vs. increasing our general fund balance, as this is a better reflection of our cash status. The rating agencies also do not look kindly on withdrawing substantial sums of money from the bond funds. A brief discussion followed. In conclusion, as long as we continue to proceed as we have in the past and Banknorth keeps the same terms and conditions, this line of credit scenario has been approved by the Board through November 2004.

Mr. Candon made a motion to adjourn and go into Executive Session to discuss Personnel related items; Mr. Seelig seconded the motion. The Board of Commissioners went into Executive Session at 11:50 a.m.

A motion was made to come out of Executive Session by Mr. Seelig and seconded by Ms. Lafayette. Executive Session was adjourned at 12:15 p.m.

Mr. Seelig made a motion to adjourn the Board of Commissioners meeting and Ms. Lafayette seconded the motion. The meeting adjourned at 12:16 p.m.

Sincerely,



Sarah E. Carpenter
Executive Director



Vermont Housing Finance Agency

VHFA Board Minutes

Vermont Association of Realtors
148 State Street
Montpelier, VT
Thursday, June 13, 2002 at 9:00 a.m.

PRESENT: Chairperson Lisa Randall, Commissioners Beyer (Designee of Lambert), Candon (Designee of Costle), Canney, Lafayette, Seelig and Suzanne Young (in Commissioner Douglas' place)

STAFF: Ms. Carpenter, Ms. Loller, Ms. Crady, Ms. Drake, Mr. Adams, Mr. Fairbanks, Mr. Schoenbeck, Mr. Falzone, Ms. Malmgren, Ms. Lane

Chairperson Randall called the meeting to order at 9:05 a.m.

MINUTES

April 18, 2002 minutes were reviewed and approved with the following clarification:

On page 6 – Mr. Candon clarified that it is not that he does not care for a waiver in the existing rule, rather that he does not care to see the waiver utilized in almost every case; if this is saying the same thing then he is okay with this. The Board unanimously approved the minutes.

Chairperson Randall stated that an Executive Session would take place at the end of the Board Meeting.

HOMEOWNERSHIP ACTIVITIES

Ms. Crady discussed homeownership activities as of the end of May. The Agency is ahead on loan purchases and may exceed \$65M for the year, well ahead of the Agency's goal of \$55M. VHFA's recent rate reduction was well received by Lenders and potential homebuyers. Our 6.25% rate is a little less than 75 basis points below conventional rates.

June is National Homeownership month. The Agency has several activities in the works. Sarah has conducted several radio interviews, and a statewide advertising campaign has resulted in increased calls to VHFA for requests for home buying information.

The delinquency numbers were not available for the Board meeting, but Ms. Crady will forward to Board members at end of June. She doesn't anticipate any surprises. Ms. Crady stated that there have been no calls as fallout from the IBM layoffs. Mr. Seelig asked Ms. Crady to elaborate on the steps the Agency goes through for those who are laid off. Ms. Crady responded that VHFA and the servicers are definitely pro-active. The servicers look at these individuals' income and debt ratio and make recommendations for 90 to 120 days of partial payments. The servicer does put a notice on the 30-day delinquency letter saying that there is assistance available to the homeowner. VHFA does not do direct mailing or outreach as this is a servicer requirement as part of the loan servicing contract. The question was asked if the account is turned over to the Agency pre-foreclosure or at foreclosure. Ms. Crady stated that the Agency gets involved when the lender notifies us – usually at 60 days and we then discuss conditions and options. Later in the meeting it was discussed that we may have a potential partner with the Department of Employment and Training (DET) to assist laid off individuals thinking about house payments in addition to finding new employment. DET may also direct this group of individuals to the Homeownership Centers for further financial counseling. Ms. Crady stated that Homeownership will develop a

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"what to do" brochure for those individuals who have been laid off; this brochure will target the Agency's website, as well as the Vermont Bankers Association, etc. Ms. Crady will report back at the August Board Meeting.

REO's were then discussed - 12 out of 19 are under contract; three properties are listed but not sold, and others are waiting for appraised values.

Mr. Candon asked a question regarding the decline in loan amounts for mobile homes from last year to this year. He stated that his office receives many calls looking for financing for mobile homes, as funding for mobile homes is limited. A discussion followed regarding mobile home lending trends and funding sources. Mr. Adams has been speaking with a for-profit mobile home park owner, about VHFA criteria for lending at for-profit parks vs. not-for-profit parks. Mr. Adams will continue this dialog, in conjunction with working with staff to research how to expand mobile home lending options. He will report his findings to the Board.

HOMEOWNERSHIP CENTERS ACTIVITY CY2001

Ms. Crady stated that all Homeownership Centers, with the exception of one, experienced an increase in the number of homebuyers assisted. She went on to explain that the Rockingham Area Community Land Trust center experienced some staffing problems, which have since been resolved; in spite of these problems there was a lot of outreach and education to potential homebuyers. There is an opportunity for Rockingham Area Community Land Trust and the Brattleboro Area Community Land Trust to become partners, but more work between these organizations needs to occur before this moves forward.

Ms. Lafayette asked about the Individual Development Account (IDA) program and whether we knew the number of homebuyers who used this program. Ms. Crady stated that she did not have that data, but she will report back to the Board at a subsequent Board meeting with information on who were the IDA "savers", as well as the source of the match money, and the possibility of making VHFA loans to potential homebuyers utilizing the IDA program. It was stated that all five Community Action agencies in the State administer this program, along with the Vermont Development Credit Union.

Mr. Candon asked whether we had been contacted by consumer credit organizations who are looking to work with financially troubled borrowers. Ms. Crady responded that we did have some of these organizations at the Home Buyer Fair in the spring. Mr. Candon stated that these companies are licensed by the Department of Banking and Insurance. Ms. Crady will follow up with Mr. Candon on obtaining the names of some of the more reputable companies.

WINCHESTER PLACE

Mr. Adams and Mr. Broderick of Housing Vermont have been talking with Mr. Neil Robinson (Saint Michael's College) to come up with a workout for this project. In 2005 the Merchants Bank incentive will drop off and it's very unlikely that we'll see any further contribution from them to cover ongoing operating deficits. It is clear to everyone involved that someone will have to do something and the sooner the better. St. Mike's is not looking to purchase the property at this point, but is interested in having the property free and clear at the end of the lease. The most efficient fix at this point is to take the current project debt and extend it out 30 years. This would give the project significant breathing room and adequate cash flow to cover ongoing operating expenses. The problem with this option is that the current ground lease precludes changes of this nature. St. Mike's is considering whether it should make an amendment to the lease.

A brief discussion followed. The end result is that the owner could come to the Agency to refinance the project. VHFA would rewrite the loan with rehab as part of the new debt. It appears that there's a clear desire on St. Mike's part to have the freedom to decommission the project in 2032. Mr. Adams is looking for consensus from the Board to allow Winchester Associates to go forward with amending the permits to make affordability restrictions go away in 2032. Mr. Seelig did have a concern regarding the demolition language in that it is one thing to have the rent go up, but for tenants to have to move will be a bigger issue. There would be a several year notice period built in. Mr. Candon had questions regarding the structural viability of the project. Mr. Adams

stated that if there is a refinancing, rehab will be part of the loan package. Given the alternatives, there were no major objections by the Board to move forward with the amendment of the permits or the 2032 date.

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Mr. Candon made a motion to adjourn and go into Executive Session to discuss Personnel related items; Mr. Seelig seconded the motion. The Board of Commissioners went into Executive Session at 11:50 a.m.

A motion was made to come out of Executive Session by Mr. Seelig and seconded by Ms. Lafayette. Executive Session was adjourned at 12:15 p.m.

Mr. Seelig made a motion to adjourn the Board of Commissioners meeting and Ms. Lafayette seconded the motion. The meeting adjourned at 12:16 p.m.

Sincerely,



Sarah E. Carpenter
Executive Director



Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners
FR: Dave Adams
DATE: June 10, 2002
RE: Highgate – Request for Zero Percent Deferred Loan
Conceptual Approval

At the meeting in April, the Board was advised of a request by Housing Vermont for a zero percent loan to cure drainage issues and to mitigate a significant mold problem at Highgate Apartments in Barre. No formal action was taken by the Board pending further investigation of the mold issue (type of mold and level of remediation) along with a more in-dept Capital Needs Assessment.

Since then, we have received a letter from Housing Vermont requesting a loan in the amount of \$350,000, at 7.5% repayable in four years. Repayment was proposed to be in the form of advances from VHFA of zero percent funds over a three year period. Housing Vermont feels that the mold problem is serious enough to warrant remediation sooner than later and is hoping to start work within the next few weeks. The Capital Needs Assessment has been completed but Housing Vermont is not able to provide an analysis of the report or operating proformas in time for the June meeting.

Preliminary reviews of the current financial statements for the most recent project audits, indicate that Highgate has no excess debt capacity to pay for the work that needs to get done. The staff feels that advancing zero percent funds over a three to four period is an inefficient way to put the funds to work and it would be better to advance the entire \$350,000 all at once.. We anticipate that the Capital Needs Assessment will show other work is needed. Housing Vermont will most likely need to seek additional funding from other grant sources.

The staff feel that the mold issue may create significant health and safety issues to the project and a commitment of funds to take care of this is vital.. The sense of urgency is only heightened by the planned HUD REACT inspection of Highgate now scheduled for July. This loan will afford Highgate and Housing Vermont the ability to demonstrate to the REAC inspectors that effective remedial action has been initiated. We are requesting conceptual approval of the Board to provide a \$350,000 zero percent deferred loan to Highgate, pending satisfactory review and approval by staff of the Capital Needs Assessment, and updated operating proformas incorporating the essential items noted in the Capital Needs Assessment.

Board Action Requested:

That the VHFA Board of Commissioners authorize approval of a \$350,000 loan at a rate of zero percent, with payment deferred to a date not earlier than December 14th, 2014, to Highgate Apartments pending receipt and approval by staff of a Capital Needs Assessment accompanied by operating proformas demonstrating financial feasibility.



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**RESOLUTION RE: IMPROVEMENT FINANCING
FOR HIGHGATE APARTMENTS, BARRE**

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

WHEREAS, an application has been submitted to the Agency by Highgate Housing Limited Partnership (the "Borrower") involving the need for improvements to Highgate Apartments in Barre, Vermont (the "Development"); and

WHEREAS, the Agency desires to take "official action" for the purpose of, and to reimburse itself for any advances of its funds prior to, the issuance and sale of tax-exempt bonds (the "Bonds") to finance a loan to the Borrower if the Agency chooses to do so;

WHEREAS, the application contemplates a mortgage loan for improvements for the Development with a 0% deferred loan in the amount of \$350,000;

WHEREAS, the Development does have an existing loan currently financed by the Agency but does not create zero percent pool monies and therefore, a loan of the zero percent pool funds to the Development requires Board action;

WHEREAS, the limited partnership qualifies as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

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

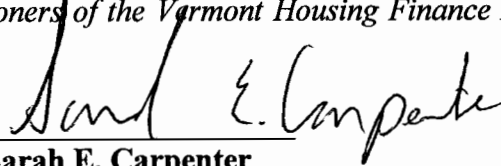
WHEREAS, the Board of Commissioners has been presented with a memorandum from Dave Adams dated June 10, 2002, containing information and recommendations about the Development (the "Memorandum");

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the Borrower for the improvement financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Borrower in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.
2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the Borrower for the improvement financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter shall be conditioned on the satisfaction by the Borrower of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

3. The issuance of the Bonds for the purpose of financing one or more loans to the Borrower is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.
4. The preliminary approval described in the preceding paragraph does not obligate the Agency to give final approval for the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by independent action, which may contain such conditions thereto as the Agency may deem appropriate. The Agency in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Borrower or any other person for its refusal to do so.
5. A loan in the amount of \$350,000 to the Borrower may be funded with excess yield zero percent pool funds.
6. The Executive Director and the Loan Review Committee will establish the final sources and amounts of the loans for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines and a completed Capital Needs Assessment.

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 13, 2002.



Sarah E. Carpenter

*Executive Director and Secretary
Vermont Housing Finance Agency*

Meeting of the Joint Committee on Tax Credits
August 5, 2002
VHCB Office, 149 State Street, Montpelier

Committee Members Present: Sarah Carpenter, Greg Brown, Gus Seelig, Richard Williams

Others Present: Kathy Beyer

Staff Members Present: Joe Erdelyi, Cindy Reid

The meeting began at 1:00 pm.

Richard moved and Gus seconded approval of the 2/21/02 minutes.

Kathy reported that Charity Clark is leaving the Governor's Office (and representation on the Committee) and we ought to find out about her replacement soon.

A list summarizing Letters of Intent submitted for Round two 2002 tax credits was distributed and briefly discussed. Concern was expressed that any redevelopment of Highgate be comprehensive enough to take care of all foreseeable problems.

There were no requests made for State Credit, so staff will encourage developers submitting applications in this round to apply for it.

Gus requested adding "mixed income" to the agenda.

Number and Timing of Application Rounds

Committee members agreed that there should be coordination of application rounds among funders. After some discussion of the number and timing of 2003/2004 tax credit rounds, it was agreed to have the second 2002 round in November (VHFA staff to schedule) and forward commit up to one-third of 2003 credit at that time. Application rounds in 2003 will take place in May, September, and December (dates to follow). At the December meeting up to one-third of 2004 credit may be forward committed. In 2004 there will be three rounds. Gus and Greg will forward VHCB and VCDP's board meeting dates to VHFA staff respectively.

Readiness to Proceed

Committee members discussed issues around readiness to proceed, as well as how projects' readiness should be weighted against their competitiveness in addressing Consolidated Plan priorities. Two important factors, which affect readiness, are whether developers have a good handle on costs, and whether there are substantial permitting issues known at time of application. Gus requested that staff look back at previous years to see if there were projects that met only 1-2 Consolidated Plan priorities. If there are, the Committee may want to propose that projects meet a minimum number of priorities. Staff will construct some language to add to the Allocation Plan defining and addressing readiness to proceed.

Optional Services

After some discussion of optional services, it was agreed that optional services be competitively priced, reasonable and affordable. Assumptions regarding income from optional services need to be

reasonable from an underwriting perspective, and the project needs to be financially feasible using those assumptions. Kathy suggested having the applicants clearly state in the application what if any optional services are to be offered and their cost(s). There was agreement that the application should also clearly state that VHFA can reject applications based on the services being offered if those services are not reasonable/competitively priced. If services are added on after an application is submitted, the project needs to be re-reviewed. If services are taken out from a project after the application is submitted, the project also needs to be re-reviewed. There was discussion regarding parking in urban vs. rural projects and whether charging for parking in rural areas is reasonable. There was agreement that we should view optional services not just using IRS requirements, but with an eye toward what is reasonable, marketable and affordable. There was discussion on market studies and how they ought to evaluate the units proposed both from the basic rent and from optional services, and look at the feasibility of both in the market.

Market Studies

Beginning in 2003, market studies need to be submitted at time of application.

4% Credit Underwriting

The Committee reviewed the current process and timeframe regarding 4% Housing Credit underwriting with staff. Applications for 4% Housing Credits necessitate a two-month period from application to VHFA Board approval. The Committee requested that write-ups on projects seeking 4% Credits without the standard loan underwriting associated with tax-exempt bonds (which the VHFA Board reviews and approves) be forwarded to them for review along with the VHFA Board.

Development Fees

There was discussion regarding the current fee policy, other states' policies, the rising cost of housing, and what a reasonable limit on fees would be. Gus suggested 12% of \$150,000 per unit, for developments up to a certain size, than having a cap. It was agreed to convene a smaller group to look at this issue including VHCB, VHFA and VCDP staff and propose something to the Committee.

Cost Limits

After discussing the issue of cost limits, the Committee decided to have no limits for now, and to revisit the issue at a later time. There was interest in looking at limits on hard construction costs according to type of project (new construction, rehabilitation) and type of construction.

Mixed Income

Gus proposed that the Allocation Plan recommend the development of mixed income housing for projects of a certain size (20+ units). Sarah stated that this policy, while a reasonable recommendation, will require more soft money to subsidize the 60-80% median units. Exceptions to a mixed income recommendation would be projects with funding commitments from RD 515, Sections 811 and 202 or other developments with 100% project-based assistance. Staff will propose some language in the new Plan to define and recommend mixed income housing, for Committee review.

Next steps:

Staff will revise the Allocation Plan and provide Committee with a redline version for review this fall. A small group will convene to look at development fee limits. VHFA staff will schedule the round two 2002 Credit meeting for sometime in November.

The meeting adjourned at 3:30 pm.



Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS
FROM: ROGER A. SCHOENBECK, CHIEF FINANCIAL OFFICER
DATE: AUGUST 9, 2002
RE: SINGLE FAMILY NOTE EXTENSION

A handwritten signature in black ink, appearing to read "RAS", is written over the "FROM" line of the memorandum.

As you may remember from our discussion related to the issuance of Series 16 bonds, we have \$17.5 million of notes scheduled to mature on August 30, 2002. To preserve the volume cap utilized to originally issue the notes in August of 2000, we need to extend the maturity of the notes until we are able to "refund" the notes with a new single family bond issue. Since we issued a larger than normal financing in April of this year, we are expecting to issue another bond for single family program purposes in early 2003.

Included with this memorandum is a First Supplement to the Seventeenth Supplemental Single Family Housing Bond Resolution prepared by Kutak Rock, which approves the extension. The existing note holders have all agreed to hold their notes until April of 2003 with an early permissible optional call in late January.

Recommended Action

Approval of the attached resolution.



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

phone (802) 864-5743

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

fax (802) 864-5746

www.vhfa.org



**FIRST SUPPLEMENT TO THE SEVENTEENTH SUPPLEMENTAL
SINGLE FAMILY HOUSING BOND RESOLUTION**

WHEREAS, the Vermont Housing Finance Agency (the "Agency") has previously issued its Single Family Housing Notes, Series 13C in an aggregate principal amount of \$17,500,000 (the "Series 13C Notes");

WHEREAS, the Series 13C Notes were issued pursuant to the Agency's Single Family Housing Bond Resolution, adopted on September 20, 1990 (as heretofore amended and supplemented, the "General Resolution"), its Seventeenth Supplemental Single Family Housing Bond Resolution, adopted on August 10, 2000 (as heretofore amended and supplemented, the "Seventeenth Supplemental Resolution") and the Series Certificate of the Chairman and Executive Director of the Agency dated as of August 30, 2000 (the "Series Certificate");

WHEREAS, Section 2.01(e) of the Seventeenth Supplemental Resolution provided that the Series 13C Notes shall mature no later than August 30, 2004 and Section 1(c) of the Series Certificate provided that the Series 13C Notes shall mature on August 30, 2002;

WHEREAS, the Agency wishes to extend the maturity date of the Series 13C Notes to April 25, 2003;

WHEREAS, Section 2.04(f) of the Seventeenth Supplemental Resolution provides that the Series 13 Notes are not subject to redemption prior to maturity;

WHEREAS, the Agency wishes to provide that, upon the extension of the maturity thereof, the Series 13C Notes shall be subject to redemption, at the option of the Agency, at any time on or after January 25, 2003;

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

WHEREAS, the Agency anticipates that 100% of the owners of the Series 13C Notes will consent to the extension of the maturity thereof to April 25, 2003.

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

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

Section 2. Extension of Maturity. Section 1(c) of the Series Certificate is hereby amended by deleting the reference to the maturity of the Series 13C Notes included therein and inserting in lieu thereof April 25, 2003.

Section 3. Optional Redemption. Paragraph (f) of Section 2.04 of the Seventeenth Supplemental Resolution is hereby amended by deleting paragraph (f) of Section 2.04 in its entirety and adding in its place a new paragraph (f) to read as follows:

The Series 13B Notes are not subject to redemption prior to maturity. The Series 13C Notes are subject to redemption, at the option of the Agency, as a whole or in part, at any time on or after January 25, 2003, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

Section 4. General Amendments. All references in the Seventeenth Supplemental Resolution or the Series Certificate which are inconsistent with this Supplement are hereby determined to be null and void and of no force or effect as of the effective date of this Supplement.

Section 5. Effectiveness. This Supplement shall be effective immediately and without any further action by the Agency upon receipt by the Agency of (i) a counsel's opinion rendered in accordance with Section 705 of the General Resolution and (ii) the written consent of the owners of 100% of the Series 13C Notes in substantially the form attached hereto as Exhibit A.

Section 6. Seventeenth Supplemental Resolution and Series Certificate Confirmed. The Seventeenth Supplemental Resolution and Series Certificate, as amended hereby and to the extent not inconsistent herewith, are reaffirmed and restated herein.

Section 7. Miscellaneous.

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

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

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

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

Adopted: August 15, 2002

EXHIBIT A

CONSENT OF OWNER
\$17,500,000
VERMONT HOUSING FINANCE AGENCY
SINGLE FAMILY MORTGAGE NOTES
SERIES 13C

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

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

(ii) the Owner has been provided a copy of the First Supplement to the Seventeenth Supplemental Single Family Housing Bond Resolution of the Agency (the "Supplement"), to be adopted on [_____], 2002; and

(iii) the Owner hereby consents to (i) the extension of the maturity of the Series 13C Notes to April 25, 2003 and (ii) the right of the Agency to redeem the Series 13C Notes on any date on or after January 25, 2003, as provided in the Supplement.

[Insert Name of Bondowner]

By _____
Name _____
Title _____



Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS
FROM: ROGER A. SCHOENBECK, CHIEF FINANCIAL OFFICER
DATE: AUGUST 8, 2002
RE: WINOOSKI FALLS RIVERFRONT DOWNTOWN PROJECT

RAS

Staff recently met with Bill Niquette, Executive Director of the Winooski Community Development Corporation and Bob Gensburg, who the financing team recently added to advise them about tax credit issues related to the housing component of the above referenced project. Winooski has determined that they need a "conduit" issuer to issue the bonds for the affordable and market rate rental units currently pegged at 470 units. They have determined that we would be the best fit as the conduit issuer and we have received legal advice from our bond counsel, John Wagner at Kutak Rock that we could fill that role. So that certain costs can be included in the eventual financing package, we need to pass an "inducement resolution", which is included in this package along with a letter from the Mayor of Winooski outlining the parameters of the financing. Their current timetable expects a bond issuance in November of this year in an amount of about \$35 million of a \$50 million total cost. Currently there is \$25 million of State volume cap earmarked for this project and we believe we could offer an additional \$10 million of our volume cap for the financing. We would have no risk as the conduit issuer and would expect to earn an initial and/or annual fee along with reimbursement of all our direct costs. They have currently structured HUD mortgage insurance and a AAA Ginnie Mae security. We would need to create a new bond resolution for this issuance.

Recommended Action

Approval of the attached resolution.





OFFICE OF THE MAYOR
MUNICIPAL BUILDING
WINOOSKI, VERMONT 05404-2199

802-655-6410

CLEMENT BISSONNETTE
MAYOR

August 7, 2002

By U.S. Mail and Facsimile 802-864-5746

Sarah Carpenter,
Executive Director
Vermont Housing Financing Agency
P.O. Box 408
Burlington, Vermont 05402-0408

Re: Request for Issuance of Tax-exempt Bonds

Dear Ms Carpenter:

The City of Winooski, through a tax-exempt special purpose entity formed and controlled by it, wishes to request the issuance through Vermont Housing Financing Agency ("Agency") of up to \$50,000,000 tax-exempt housing bonds.

Following are proposed details:

Proposed details, Continued:

Estimated closing	December, 2002
Estimated Bond/Loan amount	Up to \$50,000,000, currently sized at \$40,000,000.
Estimated interest rate, inclusive of all fees	5.90%
Amortization	40 years + construction
Credit Enhancement	Mortgage insurance vis the HUD 221d(4) program with GNMA wrap.
Other Working Group Members:	
HUD Processor	Rockport Mortgage

Real Estate Counsel

Langrock, Sperry &
Wool

Tax Credit Counsel

Gensburg, Atwell &
Broderick

City Special Counsel

McKee, Giuliani &
Cleveland

City Financial Advisor

Bittel Financial
Advisors

Feasibility/Market Study

Mercadien Group/
Drucker, Rahl & Fein

Development/Construction

Pizzagalli Properties
LLC and Pizzagalli

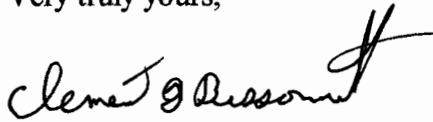
Property Management

Construction, Inc.
Maloney Properties

The project involves the construction and management of approximately 470 mixed-income residential units and integrated ground-floor commercial space in the Winooski Falls Riverfront Downtown Project.

Please forward any requests for more detail to Bill Niquette of the Winooski Community Development Corporation. As you know, this project is of critical benefit to our City and the region. We look forward to your cooperation in making it a reality.

Very truly yours,



Clement J. Bissonnette
Mayor

RESOLUTION STATING INTENT TO PROVIDE FINANCING WITH
RESPECT TO A 470-UNIT PROJECT IN WINOOSKI, VERMONT.

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

WHEREAS, the Agency desires to take "official action" for the purpose of the issuance and sale of tax-exempt bonds of not more than \$50,000,000 aggregate principal amount (the "Bonds") to finance a loan (the "Loan") to the City of Winooski or a tax-exempt special purpose entity formed and controlled by the City of Winooski (the "Borrower") to acquire, construct and equip a 470-unit project (the "Project") in Winooski, Vermont that will qualify for federal low-income housing tax credits;

NOW, THEREFORE, it is hereby resolved:

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

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

3. This Resolution shall become effective immediately.

ADOPTED by the Vermont Housing Finance Agency this ___ day of August, 2002.

VERMONT HOUSING FINANCE AGENCY

By: _____
Executive Director

Attest:

By _____
Authorized Officer



Vermont Housing Finance Agency

VHFA Board Minutes

Seminary Apartments

Hollow Road

Waterbury, VT

Thursday, August 15, 2002 at 1:00 p.m.

PRESENT: Chairperson Lisa Randall, Commissioners Kathy Beyer (Designee of Lambert), Tom Candon (Designee of Costle), Gus Seelig, and Suzanne Young (Designee of Douglas)

STAFF: Ms. Carpenter, Ms. Loller, Ms. Crady, Mr. Adams, Mr. Schoenbeck, Mr. Falzone, Ms. Reid, Ms. Lane

GUESTS: Mike Toth and Geoff Proulx of Salomon, Smith, Barney

A brief tour of the Seminary Apartment building was conducted at 1:05 p.m.; immediately following the tour, Chairperson Randall called the meeting to order at 1:20 p.m.

Ms. Young made a motion to approve the June 13, 2002 Board Meeting minutes. The motion carried unanimously after being seconded by Mr. Candon.

HOMEOWNERSHIP

Ms. Crady handed out the production and collection/foreclosure reports for June and July. She reported that VHFA exceeded its 2002 fiscal year origination goal by more than \$11.0M. Homeownership's production goal for FY2003 is \$58M. Ms. Crady then mentioned that reservation activity had been strong until end of last week. The Agency has not received any reservations this week, due to declining conventional rates.

Ms. Crady stated that foreclosures had a slight increase in June and equally slight decrease as of July 31st. On the REO side, Ms. Crady stated that VHFA is doing very well. As of July 31st, the majority of the units on the market are under deposit; since July 31st the Agency signed Purchase and Sale Agreements on two additional properties, which means that there is only one home that is currently not under deposit. VHFA is receiving relatively good offers considering the condition of some of these properties.

Ms. Crady provided the Board with an update on individual development accounts (IDA), as requested in the June 13, 2002 meeting. Central Vermont Community Action is taking the lead in coordinating the various IDA programs among other community action agencies. IDAs are generally used for saving for a down payment or closing costs in purchasing a home, education



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expenses, start up costs for a small business, etc. Participants in an IDA Program agree to a savings plan and extensive financial literacy education and counseling. The amount saved is matched with IDA Program funds (usually 2 to 1 or 3 to 1). In some cases, VHFA has assisted in funding the matching portion through IORTA funds. Other sources of funding have been state appropriations, federal assets for independence program, TANF funds, and the Federal Home Loan Bank Affordable Housing Program. In the near future, Ms. Crady hopes to have a final report of the IDA demonstration program operated by Central Vermont Community Action. Ms. Crady will provide that report to the Board. Ms. Crady does not yet have the number of VHFA borrowers who utilized IDA accounts, as VHFA considers it to be an asset of the borrower and there is nothing in the loan file to identify a program participant, although an estimate is that we've probably done about 10 loans utilizing IDAs. In order to participate in the program, individuals need to attend 25 – 30 hours of classroom training, with the average saving time being 3-5 years for becoming a homeowner, go back to college, etc. Once more information is obtained on the VHFA borrowers, Ms. Crady will report back to the Board.

Ms. Crady provided the Board with an update on consumer information for laid-off borrowers, as well as borrowers facing a reduction of income due to illness, divorce, etc. as requested by the Board at the June 13, 2002 meeting. Ms. Crady spoke with the Department of Employment and Training (DET) who believes it is a good idea to get information to the consumers who are facing job layoffs, although DET is a bit concerned that with all of the information a consumer receives from both their employer and the department they would feel overwhelmed. Homeownership is working to outline what we want on a consumer site which would be attached to the VHFA website. This site would contain information on how to avoid foreclosure, info on reverse mortgages, and predatory lending information with links to other sites like HUD and AARP. Board members can contact Ms. Crady if they have ideas for this consumer website.

VHFA no point mortgage rates are currently at 6.25%. Ms. Crady and Mr. Schoenbeck discussed a rate decrease to keep pace with lower conventional rates. The Board discussed lowering the VHFA interest rate with the clear understanding that should interest rates rise, with minimal fluctuation, that VHFA follows suit. A detailed discussion followed with staff suggesting a no point rate of 5.95%. Mr. Candon moved to approve a rate reduction no higher than 5.99% APR with no points, and Mr. Seelig seconded this motion. The Board unanimously approved the motion. Mr. Seelig suggested that we determine the amount the average borrower saves through the property transfer tax exemption and include this information in radio and print ads.

DEVELOPMENT

The August 5, 2002 Tax Credit Committee meeting minutes were distributed. Ms. Reid provided an update on the Allocation Plan for 2003 as detailed in the minutes from the recent Tax Credit Committee meeting. Ms. Reid stated that applications for this round are due in a couple of weeks and that the Committee agreed to forward commit \$750,000 from next year's funding to this year's allocations. There are requests for \$2.7 million in allocations, but only \$650 thousand is available in 2002 funding. It was noted that some of the projects may drop out over the next few months due to readiness issues. The Tax Credit Committee will be recommending that the Board forward part of next years allocation.

A discussion was held regarding a proposal for three allocation rounds in 2003 to allow for some predictability instead of the two rounds held this year. Ms. Lane will email the Board with possible 2003 Tax Credit Allocation meeting dates. Ms. Carpenter mentioned that moving to three rounds may require additional meetings for the Board during the year.

Mr. Seelig asked the Board if there were any concerns regarding a forward allocation of next year's funds. Mr. Candon stated that he has not been comfortable with forward commitments in the past. However, after a brief discussion, if forward commitments are necessary it would be limited to the last allocation meeting of the year.

As part of the Tax Credit Committee meeting, Mr. Seelig proposed that the Allocation Plan include provisions that would encourage the development of mixed income housing for projects of a certain size (20+ units). Ms. Carpenter stated that moving forward on this recommendation will have its challenges. Mr. Seelig asked the Board if it would support a recommendation of this nature, as this will receive a fair amount of feedback. Discussion followed. The staff will move forward to proposed suggested language for the Committee to review.

The next meeting of the Tax Credit Committee, which will be combined with a brief Board of Commissioners meeting, will be held on November 7.

MULTIFAMILY

Mr. Falzone summarized the key points of the MF Director's Report. The average age of the multifamily portfolio is 20 years old. Lack of rent increases in Section 8 housing going back to 1995 and unanticipated mold and rotting wood issues are putting pressures on many operating budgets resulting in projects dipping into their reserves. This is a trend to be followed by staff and Board as we make decisions on allocating resources over the next year. There have been no delinquencies in the past 12 months and one preservation agreement has been executed, with a half dozen more being worked on.

Mr. Candon asked for clarification of a phrase used in the report – "qualified eligible tenants". A discussion regarding vacancies and qualified tenants followed. Mr. Falzone stated that he did not want to over react to this issue, but wanted the Board to be aware that there are concerns by managers about the availability of qualified applicants in the market.

Ms. Beyer asked how the Templeton project was progressing. Mr. Adams reported that there is still a funding gap and that they are in the process of conducting an engineering studies and design. Ms. Beyer wanted to know if the delay in the project would continue to add to expenses and Mr. Adams replied at this point this is not an issue as units have not vacated as quickly as originally anticipated. Mr. Seelig commented that it seemed the project was requiring immediate decisions months ago, but somehow now things don't seem so urgent. They missed an opportunity in the spring for FHLB funding, which would have freed up some of the 9% credits.

Ms. Beyer inquired about the issues with The Depot I & II properties. Mr. Falzone responded that the property is in need of repair for rotten siding, roofing, and drainage/moisture problems. A formal discussion has not occurred in a while, but Mr. Falzone was guessing repairs to be \$10,000/unit. Mr. Falzone also mentioned that we do not hold the mortgage for Depot I – we are

only the contract administrators. Ms. Beyer advised that staff follow this project closely going forward. Mr. Seelig expressed a concern regarding the Housing Authority and their role in a new Rutland purchase. Ms. Carpenter followed up with her comments regarding the transaction and her concern that VHFA was not included earlier in the process. After further discussion, it was decided that a subcommittee would meet to review our policy and agreements with regard to the State Housing Authority.

Ms. Beyer, Ms. Randall, Mr. Seelig and possibly Ms. Canney or Ms. Lafayette if they are interested, will work with Ms. Carpenter and Mr. Falzone on a sub-committee.

Ms. Beyer asked what the properties are doing about their insurance. Mr. Falzone will review and update the Board at a future meeting.

FINANCE

Mr. Seelig motioned and Ms. Young seconded the motion, approving the First Supplement to the Seventeenth Supplemental Single Family Housing Bond Resolution as presented. The motion was unanimously approved by the Board.

Mr. Schoenbeck brought to the Board a request by the Winooski Falls Riverfront Downtown Project (Winooski). Winooski has determined that they need a "conduit" issuer to issue the bonds for the affordable and market rate rental units; they have requested VHFA to be the conduit issuer. VHFA has never done a true conduit issue in the past and this would be a new type of business for the Agency. Staff will need to make recommendations to the Board for the amount of fees to assess, along with our recommendations on who the underwriters and financial adviser should be. Ms. Randall wanted clarification that since VHFA is not the credit holder; our only risk would be that our name is on the documents. Mr. Schoenbeck stated that as far as "real credit risk" is concerned it is almost nil. Mr. Candon asked where we stand should the bonds fail due to proposed HUD mortgage insurance and Ginnie Mae secured bonds. Mr. Schoenbeck stated that it was almost impossible for the bonds to fail; Mike Toth, from Salomon Smith Barney, agreed. VHFA could see the best of both worlds: the Agency gets paid and there is almost no risk to the organization. A detailed discussion followed and Ms. Beyer asked staff to investigate further the rental vs. homeownership plans for the project.

Mr. Candon motioned and Ms. Young seconded the motion, and the Board approved the Resolution Stating Intent to Provide Financing with Respect to a 500-unit Project in Winooski, Vermont. Ms. Beyer abstained from voting.

ADMINISTRATION

Ms. Carpenter met with the HR Committee and she expressed her appreciation of the continued support of her work by the Board. Ms. Carpenter handed out to the Board members the list of Agency accomplishments for the year, as well as the new initiatives for FY2003. One initiative for FY2003 is the development of the Agency's Business Resumption Plan. The planning process has commenced and we anticipate an early 2003 completion. The status of the Agency

plan may come up with discussions with auditors who will be at the VHFA offices for two weeks beginning August 19.

Ms. Carpenter distributed the listing of VHFA appointments to the Housing Vermont (HVT) Board; she is looking for a motion to recommend Paul Costello, Tom Thompson and Chip Hart to the HVT Board for two-year terms, which begin in October. Mr. Seelig motioned and Ms. Young seconded the motion with the Board unanimously approving the recommendations.

Ms. Carpenter brought to the table the Capital Budget to discuss a few cost over-runs:

- The contract for the windows came in \$8,000 higher than anticipated
- We are upgrading our server and now plan on building an enclosed room which was not budgeted
- VHFA's previous HVAC contractor decided not to renew our contract; in response we put the maintenance contract out to bid (we awarded a one year contract to Avonda Air Systems). In awarding this bid, it was noted that the HVAC was not as well maintained as we had originally thought and the cooling tower is in need of substantial maintenance which will add to the originally estimated costs. We may need to amend the budget at a later time.

New Business

Ms. Carpenter distributed materials for the NCHSA annual fall meeting at the end of September. Ms. Randall encourages Board members to attend, if their schedules permit. Board members should contact Ms. Lane if interested.

Ms. Beyer has requested that the Board be updated about the impact of insurance expenses on the Agency's Multifamily portfolio. Mr. Falzone mentioned that we were seeing two to three times of previous premium amounts.

- Mr. Candon asked whether we had access to a 'mold' expert to assist with the issues we are finding at some of our properties. Staff has attended training sessions and has been working with an individual who is quite knowledgeable on the topic.

Mr. Seelig made the motion to adjourn and Mr. Candon seconded the motion. The Board of Commissioner's meeting was adjourned at 3:22 p.m.

Sincerely,



Sarah E. Carpenter
Executive Director

RESOLUTION STATING INTENT TO PROVIDE FINANCING WITH
RESPECT TO A 500-UNIT PROJECT IN WINOOSKI, VERMONT.

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

WHEREAS, the Agency desires to take "official action" for the purpose of the issuance and sale of tax-exempt bonds of not more than \$50,000,000 aggregate principal amount (the "Bonds") to finance a loan (the "Loan") to the City of Winooski or a tax-exempt special purpose entity formed and controlled by the City of Winooski (the "Borrower") to acquire, construct and equip a residential housing project of up to 500 units (the "Project") in Winooski, Vermont that will qualify for federal low-income housing tax credits;

NOW, THEREFORE, it is hereby resolved:

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

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

3. This Resolution shall become effective immediately.

ADOPTED by the Vermont Housing Finance Agency this 15th day of August, 2002.

VERMONT HOUSING FINANCE AGENCY

By: 

Executive Director

Attest:

By 

Authorized Officer

**FIRST SUPPLEMENT TO THE SEVENTEENTH SUPPLEMENTAL
SINGLE FAMILY HOUSING BOND RESOLUTION**

WHEREAS, the Vermont Housing Finance Agency (the "Agency") has previously issued its Single Family Housing Notes, Series 13C in an aggregate principal amount of \$17,500,000 (the "Series 13C Notes");

WHEREAS, the Series 13C Notes were issued pursuant to the Agency's Single Family Housing Bond Resolution, adopted on September 20, 1990 (as heretofore amended and supplemented, the "General Resolution"), its Seventeenth Supplemental Single Family Housing Bond Resolution, adopted on August 10, 2000 (as heretofore amended and supplemented, the "Seventeenth Supplemental Resolution") and the Series Certificate of the Chairman and Executive Director of the Agency dated as of August 30, 2000 (the "Series Certificate");

WHEREAS, Section 2.01(e) of the Seventeenth Supplemental Resolution provided that the Series 13C Notes shall mature no later than August 30, 2004 and Section 1(c) of the Series Certificate provided that the Series 13C Notes shall mature on August 30, 2002;

WHEREAS, the Agency wishes to extend the maturity date of the Series 13C Notes to April 25, 2003;

WHEREAS, Section 2.04(f) of the Seventeenth Supplemental Resolution provides that the Series 13 Notes are not subject to redemption prior to maturity;

WHEREAS, the Agency wishes to provide that, upon the extension of the maturity thereof, the Series 13C Notes shall be subject to redemption, at the option of the Agency, at any time on or after January 25, 2003;

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

WHEREAS, the Agency anticipates that 100% of the owners of the Series 13C Notes will consent to the extension of the maturity thereof to April 25, 2003.

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

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

Section 2. Extension of Maturity. Section 1(c) of the Series Certificate is hereby amended by deleting the reference to the maturity of the Series 13C Notes included therein and inserting in lieu thereof April 25, 2003.

Section 3. Optional Redemption. Paragraph (f) of Section 2.04 of the Seventeenth Supplemental Resolution is hereby amended by deleting paragraph (f) of Section 2.04 in its entirety and adding in its place a new paragraph (f) to read as follows:

The Series 13B Notes are not subject to redemption prior to maturity. The Series 13C Notes are subject to redemption, at the option of the Agency, as a whole or in part, at any time on or after January 25, 2003, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

Section 4. General Amendments. All references in the Seventeenth Supplemental Resolution or the Series Certificate which are inconsistent with this Supplement are hereby determined to be null and void and of no force or effect as of the effective date of this Supplement.

Section 5. Effectiveness. This Supplement shall be effective immediately and without any further action by the Agency upon receipt by the Agency of (i) a counsel's opinion rendered in accordance with Section 705 of the General Resolution and (ii) the written consent of the owners of 100% of the Series 13C Notes in substantially the form attached hereto as Exhibit A.

Section 6. Seventeenth Supplemental Resolution and Series Certificate Confirmed. The Seventeenth Supplemental Resolution and Series Certificate, as amended hereby and to the extent not inconsistent herewith, are reaffirmed and restated herein.

Section 7. Miscellaneous.

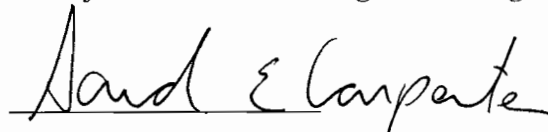
(a) **Invalidity.** In the event that any one or more of the provisions contained in this Supplement shall, for any reason, be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Supplement.

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

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

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

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 Waterbury, Vermont on August 15, 2002.



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

EXHIBIT A

CONSENT OF OWNER
\$17,500,000
VERMONT HOUSING FINANCE AGENCY
SINGLE FAMILY MORTGAGE NOTES
SERIES 13C

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

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

(ii) the Owner has been provided a copy of the First Supplement to the Seventeenth Supplemental Single Family Housing Bond Resolution of the Agency (the "Supplement"), to be adopted on August 15 2002; and

(iii) the Owner hereby consents to (i) the extension of the maturity of the Series 13C Notes to April 25, 2003 and (ii) the right of the Agency to redeem the Series 13C Notes on any date on or after January 25, 2003, as provided in the Supplement.

[Insert Name of Bondowner]

By _____
Name _____
Title _____



Vermont Housing Finance Agency

VHFA Board Minutes
Vermont Housing Finance Agency
164 St. Paul Street
Burlington, VT 05401

Thursday, September 19, 2002 at 1:00 p.m.

PRESENT: Chairperson Ms. Randall, Commissioners Ms. Beyer (Designee of Lambert), Mr. Candon (Designee of Costle), Ms. Lafayette, Ms. Canney, and Ms. Young (Designee of Douglas)

Staff: Ms. Carpenter, Mr. Schoenbeck, Ms. Mullikin-Drake, Mr. Adams, Mr. Falzone, Ms. Clark, Mr. Baker, Ms. Crady, Ms. Loller, Ms. Lane

Guests: Mr. Mac Nicoll, Ms. Missy Kelsen - KPMG
Mr. Jeffrey Glassberg, Mr. Mike Richardson - Capital Ideas

Chairperson Randall called the meeting to order at 1:06 p.m.

MINUTES

The August 15, 2002 Board of Commissioners' minutes were motioned for approval by Ms. Beyer with Mr. Candon seconding this motion. The Board unanimously approved the minutes.

DEVELOPMENT

Mr. Adams introduced Mr. Glassberg and Mr. Richardson, from Capital Ideas, who have been hired as consultants to work on the Housing Demonstration Project. Mr. Adams stated that Mr. Glassberg & Mr. Richardson have been busy the last few months fine tuning the scope of work for this project. Our goal is to present to the Board, by year-end, a summary of findings based upon various meetings, which will be held around the state with developers, local officials, and other housing partners. It is anticipated that a realistic demonstration project will emerge from discussions during these meetings, with implementation to commence in 2003.

Mr. Adams reviewed a draft of the demonstration project parameters for Board consideration and asked the Board for any additional thoughts or suggestions regarding the parameters. These parameters will be the basis for discussion during the meetings around the state. Mr. Glassberg stated that the project parameters are intended to provide guidelines under which project proposals would be considered and evaluated. We want to show that the Agency is serious about moving ahead and investing funds for more housing. They are focusing on a strategic role for the Agency to play, which is, replicable and will also result in the creation of housing units at prices affordable to households at or below 115% of median income.



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Chairperson Randall asked if we want to stipulate with developers the use of Vermont resources, as this is a Vermont project. With some discussion, it was felt that this might be too restrictive and could make some worthy projects ineligible. Staff will give projects using "in-state" resources a higher ranking if we end up in a competitive mode for limited resources.

A discussion was held on the types of housing we are looking to produce as well as the location and size of the neighborhoods, and the builders who would take on these types of projects. Ms. Carpenter indicated that one model we may want to explore is modular housing.

There was a concern expressed regarding the proposed minimum project size at 30 units. The Board preferred staff to leave this open ended so as not to exclude smaller projects, which may be appropriate in some communities, and so as not to exclude smaller builder/developers.

Ms. Beyer would like to encourage a developer to work with a community land trust if there is one in that region, emphasizing that perpetual affordability should not be a requirement. Staff reported that developers would be encouraged to work with area Land Trust and Homeownership Centers to take advantage of their housing subsidy programs, using shared equity to reach lower income families and to create some opportunities for long term affordability.

Ms. Carpenter wanted clarification on how much detail the Board will see once site, developer, etc. is selected. Mr. Glassberg replied that the project will be a phased approach. The first phase will not deal directly with development of a specific project, but focus on identification on financing gaps, best practices of other models, project identification, etc. It will use the project parameters document to identify a range of projects in order to make some decision in December or January on what options to pursue.

Mr. Glassberg said that he and Mr. Richardson will be trying to schedule meetings at six locations around the State to invite public input and hopefully generate specific project sites or proposals for us to focus on. Simultaneously, they are also doing direct outreach to builders, developers and lenders about the opportunities and ideas they have regarding the Agency's role, as well as, what developers currently have on the drawing board.

Staff will modify the current draft of the Project Parameters to reflect the Board suggestions and will distribute these at the various meetings and with developers.

FINANCE

Scott Baker and Lisa Clark from the finance department joined the Board for review of the VHFA annual financial statement. Ms. Carpenter began by stating that we sometimes don't see the level of work and number of transactions performed behind the scenes for each bond issuance. She thanked Mr. Baker and Ms. Clark for their hard work in making these issuances appear seamless.

Mr. Nicoll of KPMG distributed copies of the audit to the Board. He stated that VHFA has an excellent accounting staff that did a great job in preparing our financial statements. No adjustments to financial statements were proposed as a result of the audit, which is a tribute to the quality of work and the staff. Mr. Nicoll stated that KPMG reviews internal controls to the extent that KPMG needs to express an opinion. Internal controls are not evaluated for their effectiveness. There were no internal control exceptions noted.

Mr. Nicoll explained that significant accounting policies are discussed in the first note of the financial statements. There will be changes that will affect us next year. One change is to the format of many governmental and not-for-profit financial statements - our financial statements already conform to the required format. The second change is that we will have to do a Management Discussion Analysis to accompany financial statements.

There is an accounting issue that arises when we have a property in foreclosure and the Agency continues to accrue interest and capitalize that interest; most public organizations (such as banks) would not accrue the interest once a property is in foreclosure. There is no problem with VHFA's treatment and no significant effect on financial statements. Mr. Schoenbeck stated that this is a practice the Agency initiated a long time ago to insure we do not lose insurance coverage. This process could result in a slight mismatch between periods, but it results in the same ultimate calculation.

Mr. Nicoll stated that there are really no new significant accounting pronouncements coming down the pipe. The accounting standards have been relatively quiet in the last year and there does not appear to be anything affecting us in the near future. However, Mr. Nicoll did state there was one relatively minor item relative to the Agency's disaster recovery plan. Mr. Nicholl encouraged the Agency to complete its disaster recovery (business resumption) plan and test appropriately. Currently, the Agency's data backups are stored at the Banknorth office just down the street from the VHFA offices; it may be prudent to move the backups out to their Williston office.

Mr. Schoenbeck is looking for acceptance by the Board of audit and management letter. Ms. Lafayette made the motion to accept the audit and management letter; Ms. Canney seconded the motion. The Board unanimously approved the audit and management letter.

An important piece of information is contained in the Statement of Cash Flows where mortgage purchases and collections are noted. This shows the volume of activity and during FY02 we purchased \$97 million of mortgages and collected \$86 million for a net growth of \$11 million.

This year's audit report is similar to last year's. One change to be noted is stated on page 9 in the footnotes regarding arbitrage to be rebated. This was a very unique transaction because in the last 2-3 years we have sold notes along with the bonds, which produce earnings that based on yield calculations exceed what we are allowed to earn at this point in time.

Mr. Schoenbeck discussed the receipt of Prudential stock (at no cost to the Agency) as a result of having other investments with the company. There was a discussion regarding the effects of owning the stock. Ms. Randall asked whether the Agency had an investment policy. Mr. Schoenbeck replied that there was a policy in place, but was not sure of the interpretation in the instance of contributed stock. He will follow up on this matter and report back to the Board.

HOMEOWNERSHIP

Ms. Crady stated that loan reservations are still strong with \$2M in loans last week. A portion of this activity is from Chittenden County with a higher percentage of loans from surrounding areas. Public reaction to our 5.95% lending rate is excellent. With conventional rates so low VHFA is experiencing a decline in our portfolio due to refinance activity. Per Ms. Crady, our strategy is to

maintain our portfolio during times of low conventional rates by replacing the paid loans with new production. VHFA has historically grown its portfolio during those times of increasing interest rates.

We will begin radio advertising with participating lenders talking of our partnership, loan interest rates, and property transfer tax waiver unique to VHFA; these should start very soon. Ms. Crady discussed the September and October lender lunches and re-invited Board members to attend.

Ms. Randall inquired about whether the Agency verifies the fees of new lenders. Ms. Crady stated that lenders are limited as to fees per our contracts and Procedural Guides. Staff also reviews HUD I Settlement Statements for reasonable and customary fees; in one case a lender was asked to provide a refund to the customer.

Ms. Canney asked about the status of available housing information on the Internet. There is a concern that many people do not know what are normal and customary charges for purchasing a home and what information on the web might help educate potential homebuyers on this front. Ms. Crady replied that BCLT has a website called www.getahome.org. The other HomeOwnership Centers are also getting their websites up and running.

In a response to Mr. Candon's question regarding origination activity levels, Ms. Crady stated that the Agency is working on establishing new goals for originators going forward. In order to continue to be participating lenders and be included in our advertisements and other promotional material, minimum standards will need to be met. Ms. Canney mentioned that an originator in the Rutland area stated that the Agency has stopped pre-qualifying. Ms. Crady replied that is not an accurate statement and she will contact the originator to discuss their concerns. (Upon follow-up with the originator, it was determined that the issue is not with VHFA who has always previewed loans for participating lenders. In this case, the lender originates loans through another participating lender who has a policy to not submit loans for review until they have a complete package, including an appraisal.)

Ms. Crady handed out the delinquency reports for August and stated that there is nothing dramatic to point out in REOs and collections. Homeownership is focusing a lot of effort in continuing to work with its servicers to find solutions to delinquency problems to avoid foreclosure. Delinquencies are below where they were last year while foreclosures seem to be at a consistent level. For reasons unknown, VHFA sees an increase in loans going into foreclosure in the summer time. Servicers send a financial packet with the 45-day delinquency letters, with an offer to help delinquent customers complete the necessary forms. The financial information is used to determine the best avenue to assist a borrower to get and stay current.

LEGAL

At the request of the HR Committee, Ms. Drake presented a legal analysis detailing the allocation of VHFA's legal expenses. Ms. Drake noted a correction to FY02 Total Legal Charges on the second page – this figure should read \$73,769.35. Board members expressed that the report was very informative and clearly laid out the Agency's legal expenses.

Ms. Drake stated that our REO expenses were reasonable given the caseload, with an average cost of \$2,000 - \$2,500 per REO. She also noted that the fees paid to Kutak Rock for bond closings were

very reasonable at \$175/hour. These bond expenses are expensed through the bond deals and are not itemized in this analysis.

Miscellaneous

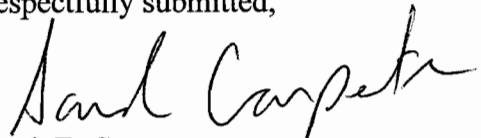
Ms. Carpenter raised the issue regarding Section 8-contract administration and HUD's new initiative to have only one contract administrator in the state. After some discussion regarding roles for VSHA and VHFA, it was decided that Ms. Carpenter, Ms. Beyer, and Chairperson Randall will meet with the Vermont State Housing Authority to discuss future plans in this area. Mr. Seelig will most likely be interested in attending also. Ms. Lafayette and Mr. Candon indicated they could attend if there was a need for more Board members. Ms. Beyer believes it would be proactive for staff to begin working on a draft memo for the VSHA Board. Ms. Lafayette asked Mr. Falzone to prepare a one-page document about the issues to be addressed in this meeting.

At the recently held Tri-State Housing Conference, the idea of a three-state Board meeting was discussed among the three HFA Executive Directors and thought to be worthwhile. Chairperson Randall and other Board members believed it would be a great opportunity to share ideas and include staff.

As an update to the Templeton project, Mr. Adams stated that once the proposal has been reworked and sent out to Board, there might be a brief discussion at the Staff/Board retreat on Monday, October 7th.

Mr. Candon made the motion to adjourn the meeting with Ms. Lafayette seconding this motion. The Board was unanimous and the meeting was adjourned at 3:50 p.m.

Respectfully submitted,



Sarah E. Carpenter
Executive Director



Vermont Housing Finance Agency

VHFA Board Minutes
Shelburne Farms Coach Barn
99 Inn Road
Shelburne, VT
Monday, October 7, 2002 at 12:30 p.m.

PRESENT: Chairperson Randall, Commissioners Ms. Beyer (Designee of Patterson), Mr. Candon (Designee of Costle), Ms. Canney, Ms. Lafayette, and Mr. Seelig

STAFF: Ms. Carpenter, Ms. Loller, Mr. Adams, and Mr. Schoenbeck

Chairperson Randall called the meeting to order at 12:37 p.m.

MULTIFAMILY

Mr. Adams summarized the key points outlined in his memo regarding Templeton Court Apartments. He noted that there was an error in the Cash Flow numbers as related to the debt service coverage ratios reported. The debt service coverage ratio should be 96.32 in year 15 instead of 76.41. A brief discussion followed regarding the future management of the property, clarification of construction costs, Vermont State Housing Authority's (VSHA) role in the Templeton Court development and VSHA's loans to the Templeton Court development. Ms. Carpenter will arrange a meeting with VSHA within the next few weeks to discuss VSHA and VHFA roles regarding Contract Administration, confirm that VSHA's loans to the Templeton Court development will be secured in last position and that current Section 8 subsidies can remain in Vermont, and discuss VSHA/HFI's role in acquiring existing subsidized housing.. Chairperson Randall, Mr. Seelig, Ms. Beyer, and Mr. Adams will participate in this meeting with Ms. Carpenter and Mr. Richard Williams. Ms. Lafayette also indicated she might be available to attend. Prior to the meeting, Ms. Carpenter will draft a letter regarding the agenda items for the meeting, which will be sent to Mr. Williams, as well as the Chairperson of the VSHA's Board, Mr. Thomas Johnson.

A motion was made by Mr. Seelig and seconded by Ms. Beyer to approve the "Second Resolution Re: Construction and Permanent Financing for Templeton Court Apartments, Hartford," with the additional condition that a Letter of Commitment shall not be issued until the scheduling of a meeting between members of the VHFA and VSHA Boards. The Resolution will be amended to reflect this additional condition.. The motion was unanimously approved by the Board.



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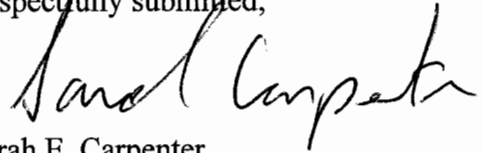
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Mr. Seelig made the motion to adjourn and Mr. Candon seconded the motion. The Board of Commissioners' meeting was adjourned at 1:00 p.m.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Sarah E. Carpenter".

Sarah E. Carpenter
Executive Director



Vermont Housing Finance Agency

VHFA Board Minutes

Vermont Housing Finance Agency
164 St. Paul Street
Burlington, VT 05401

Thursday, December 5, 2002 at 1:00 p.m.

BOARD: Chairperson Randall, Commissioners Ms. Beyer (Designee of Patterson), Mr. Candon (Designee of Costle), Ms. Lafayette, Mr. Seelig, Ms. Canney, and Ms. Young (Designee of Douglas)

Staff: Ms. Carpenter, Mr. Schoenbeck, Ms. Loller, Ms. Lane, Ms. Crady, Mr. Adams, Mr. Baker, Mr. Erdelyi, Ms. Reid, Ms. Santerre, Mr. Falzone, Ms. Collins, Mr. Fairbanks

Guests: Mr. Al Hans (Piper Jaffrey), Mr. Andy Gurley and Mr. Milton Brown (UBS PaineWebber), Mr. Andy Broderick (Housing Vermont)

Chairperson Randall called the meeting to order at 1:05 p.m.

MINUTES

The September 19, 2002 Board of Commissioners' minutes were motioned for approval by Mr. Seelig with Mr. Candon seconding this motion. The Board unanimously approved the September 19th minutes.

The October 7, 2002 Board of Commissioners' minutes were motioned for approval by Ms. Beyer with Mr. Seelig seconding this motion. The Board unanimously approved the October 7th minutes.

FINANCE

Bond Issue

Mr. Schoenbeck introduced Mr. Andy Gurley and Mr. Milton Brown of USB PaineWebber and Mr. Al Hans of US Bancorp Piper Jaffray, who were present to present information on financing tools to assist with making VHFA single family mortgages more competitive. They provided an overview of Swaps, which are a form of derivatives that could be used to help lower interest rates for VHFA customers in upcoming bond deals. Mr. Schoenbeck explained



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that the purpose of the discussion was to provide the Board with information regarding a new bond financing tool (Swaps) and to determine if Swaps would be something the Agency would be interested in implementing going forward.

They reviewed in detail the Derivative Products Overview booklet and Bond Structure Using Variable Rate Demand Bonds with Interest Rate Swap memo, which were included in the Board packet. A lengthy discussion followed, with the Board having several questions and concerns. It was decided that Mr. Schoenbeck and Mr. Hans would complete an overlay of the Series 16 bond issue, had there been a Swap at that time, and will forward it to the Board for their review and further discussion at the next Board meeting. Board members are encouraged to call Mr. Schoenbeck with questions.

There were also a discussion about ensuring a policy was drafted for Swaps that would state limits and other operating procedures. A draft policy will be reviewed for the January Board meeting.

Mr. Schoenbeck asked whether the Board was comfortable considering the Swaps technique in future bond deals where the financials would support a Swap. It was concluded that we should keep our options open and discuss further at the January Board meeting where staff will have options outlined for the Series 17 bond deal allocating no more than 25% of the proceeds to the Swap. To round out the discussions Ms. Carpenter stated that staff would also outline the risks associated with not having a mortgage rate that is competitive in this market. Mr. Seelig mentioned that we may need to reconsider the speed of implementing Swaps depending on the make up of the Board come January due to new members.

September Financials

Mr. Schoenbeck briefly discussed the September financial information. We are on target with year to date budget amounts and no exception items were noted.

Housing Vermont Line of Credit

Mr. Schoenbeck asked the Board for an extension for the line of credit for Housing Vermont. The recommendation is to have the line of credit run concurrently with the Agency's line of credit with Banknorth. Ms. Beyer motioned to approve the resolution to extend Housing Vermont's line of credit and Mr. Candon seconded the motion. The Board unanimously approved Housing Vermont's line of credit extension resolution.

Multi Family Bond Resolution

Mr. Schoenbeck brought before the Board a \$15M multi-family series resolution (as drafted by Kutak Rock, Agency's bond counsel). The purpose of the resolution is to provide the authority for bond issuance to finance multi-family projects, as approved by the Board. The original \$15M allocation from November 2001 is down to approximately \$4.5M.

Mr. Seelig motioned to approve the \$15M resolution; Mr. Candon seconded the motion. The Board unanimously approved the \$15M multi-family series resolution (Ms. Lafayette abstained from this motion as she had left the room momentarily).

HOMEOWNERSHIP

Ms. Crady stated that the Agency has purchased \$5.7M in loans in November and \$27.5M year-to-date. She believes we are on track to meet FY2003 goals

There are no surprises regarding foreclosures and REOs, however we seem to be dealing with many of the same borrowers over time. Homeownership staff continues to work with servicers very closely.

Ms. Crady updated the Board on the \$150,000 of IORTA funds that the Agency committed to last spring for VHCB's application to the FHLB's affordable housing program. VHCB staff was successful in getting the application funded, so the \$150,000 will be used to leverage the FHLB and State funds.

DEVELOPMENT

Ms. Reid discussed a multifamily construction loan application for \$2,123,000 for Mountain View Apartments in St. Johnsbury. This property is an existing RD development, which is very dated consisting of 4 buildings, each with 12 units. The property has not been maintained very well; this construction loan application would be to repair the units, to include kitchens, baths, roofs, sprinkler system, etc.

After a brief discussion, Ms. Beyer moved to approve the resolution with Mr. Seelig seconding the motion. The Board unanimously approved the construction loan application for Mountain View Apartments.

VERMONT STATE HOUSING AUTHORITY

Chairperson Randall, Ms. Beyer, Mr. Seelig and Ms. Carpenter met with the VSHA Board to discuss issues regarding VSHA and HFI's recent activities. Ms. Carpenter handed out a draft copy of a letter for the VSHA Board, which summarized the meeting's key points and discussed further some issues requiring further resolution.

The primary issues discussed in the letter are the overlapping responsibilities for Section 8 projects between VHFA and VSHA (HUD is moving in the direction of wanting only one administrator in the state) and the tightening up of the Agency's MOA agreements with VSHA, as well as the possible conflict of interest between VSHA and HFI. Ms. Carpenter mentioned that one item not discussed during the meeting, which is addressed in the letter has to do with the refinancing of a couple of projects owned by VSHA, which will dramatically affect the zero percent yield pool. She would like to recommend restructuring v. refinancing

as an option. Mr. Seelig recommended that we follow up separately on this issue and remove this paragraph from the draft letter.

Ms. Randall has a call into Tom Johnson as a follow up to the meeting. She will also suggest some sort of annual gathering of the two boards to assist with keeping the lines of communication open. Mr. Falzone is in the process of gathering MOAs from other states and will be drafting a contract that more clearly states each party's responsibilities.

ADMINISTRATION

Executive Directors Report

Ms Carpenter asked Ms. Drake to update the Board on the two legal items mentioned in the Executive Directors Report. The first case is a Chapter 13 bankruptcy filing case, which is of interest to the Agency. In this particular case, the borrower filed for bankruptcy just before the final redemption date and the Bankruptcy court issued a Relief from Stay in the Agency's favor; the borrower appealed to the federal district court (borrower is represented by Legal Aid). A ruling on December 4, 2002 was not in our favor. Ms. Drake stated that the relationship between federal law and Vermont law is unique due to Vermont's strict foreclosure process. After a brief discussion, the Board decided it did not want to pursue this case without the support of another interested party (VBA, MBA, etc.). Ms. Drake will follow up with other organizations and will convene a Board conference call should she have new information or another supporter.

Ms. Drake discussed the second case, which is a legal case in process in Rutland regarding a deed restriction that prohibits mobile homes. The Agency has been asked to join in this case by the VBA and VMBA. The concern for the Agency in this case is the definitions of mobile and manufactured homes. A discussion followed regarding how to educate the courts to make sure they do not go too far in lumping together manufactured homes with mobile homes. The case brief is due on December 13th. The Board would like to hold off on any decision to participate in this case until Ms. Drake has had an opportunity to read the brief and update management and the Board on the case's position. The sense was that we should pursue this

Allocation of Remaining Volume Cap

Ms. Drake distributed a revised volume cap resolution to the Board, which now includes a provision regarding the \$25M currently ear marked for Winooski. Mr. Candon made a motion to approve the Volume Cap Resolution; Mr. Seelig seconded the motion. The Board unanimously approved the motion (Ms. Young abstained as she departed the meeting prior to the vote).

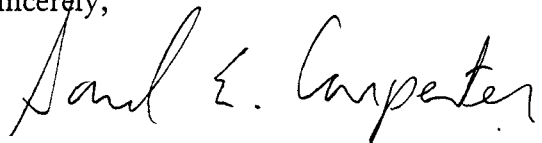
MISCELLANEOUS

Ms. Randall thanked Ms. Young for her periodic participation on the Agency Board and wished her well in her new responsibilities as the Governor's Legal Counsel. Ms. Randall brought before the Board a resolution recognizing Governor Elect Douglas' contributions to the Agency during his tenure on the Board. Ms. Lafayette motioned to approve the resolution; Ms. Canney seconded the motion. The Board unanimously approved the resolution. A framed copy of the resolution will be presented to Mr. Douglas at the Holiday Luncheon on December 6th.

Mr. Erdelyi asked the Board whether three meetings each year for the Tax Credit Committee were warranted or if the Committee should revert back to meeting twice per year. After some discussion, it was decided that we would stay with three meetings per year (the March and September meetings would allocate the current year's funds and the December meeting would forward-allocate 2004 funds).

Ms. Canney made the motion to adjourn the meeting; Ms. Beyer seconded the motion to adjourn. The Board unanimously agreed and the meeting was adjourned at 4:20 p.m.

Sincerely,

A handwritten signature in black ink, reading "Sarah E. Carpenter". The signature is fluid and cursive, with the first name "Sarah" and last name "Carpenter" clearly legible.

Sarah E. Carpenter
Executive Director



Vermont Housing Finance Agency

TO: VHFA Board of Commissioners
FROM: Cynthia Reid, Multifamily Development Underwriter *CR*
DATE: November 20, 2002
RE: Multifamily Construction Loan Application for Mountain View Apartments, St. Johnsbury

Name:	Mountain View Apartments	Location:	St. Johnsbury
Housing Type:	General Occupancy	Unit Type:	Flats
Total Units:	48	Unit Sizes:	16 One-BR @ 550 s.f.; 32 Two-BR @ 850 s.f.
Total Cost:	\$3,756,296	Per S.F. Acquisition & Construction Cost:	\$81.06
Loan Requested:	\$2,123,000 construction	Housing Credits (4%):	\$136,896
Other Funding:	Rural Development, VHCB, HOME, VCDP, Neighborworks, REEP (funding for energy efficiency improvements), Project Reserves		
Sponsors:	Housing Vermont (HVT) & Gilman Housing Trust (GHT)		

Housing Vermont (on behalf of a to-be-formed limited partnership consisting of subsidiaries of HVT and GHT) is seeking \$2,123,000 in tax-exempt construction financing to rehabilitate a 48-unit development called Mountain View Apartments located in St. Johnsbury. The development was built in 1974 and financed by Rural Development (RD). The owners wanted to sell the property, so RD approached GHT regarding their interest in acquiring it. GHT purchased the property in July 2002 using both assumed and new RD debt. The property will be transferred to the limited partnership upon construction loan closing. The property has four buildings of 12 units each. Improvements that will be done include new kitchens and baths, new roofs and windows, installation of a sprinkler system, energy improvements and weatherization, a new community building with a manager's office, new front entries for each building, heating & electrical upgrades, new flooring, and site improvements. Four units will be made handicapped accessible. Forty-six of the units have RD rental assistance and serve households at or below 50% of area median income who pay no more than 30% of their income for rent. Northern Community Management Corporation (NCMC) will manage the property. A Level I Environmental Site Assessment has not been completed yet, nor has an as-completed appraisal. All other funding is committed except for REEP. An Act 250 amendment is needed which the sponsors anticipate obtaining by January. The sponsors anticipate beginning construction as early as February 2003 with completion by April 2004. Sources of take out financing for the VHFA construction loan include VHCB, HOME, VCDP, and tax credit equity.

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



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**RESOLUTION RE: CONSTRUCTION FINANCING
FOR MOUNTAIN VIEW APARTMENTS, ST. JOHNSBURY**

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

WHEREAS, an application has been submitted to the Agency by Housing Vermont and Gilman Housing trust (the "Sponsors") on behalf of a to be formed limited partnership in which the Sponsors or their subsidiaries will be the general partners (the "Borrower") involving the rehabilitation of four (4) buildings containing a total of forty-eight (48) units of rental housing in the Town of St. Johnsbury (the "Development"); and

WHEREAS, the Agency desires to take "official action" for the purpose of, and to reimburse itself for any advances of its funds prior to, the issuance and sale of tax-exempt bonds (the "Bonds") to finance a loan to the Borrowers;

WHEREAS, the application contemplates a mortgage loan for construction financing for the Development with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds;

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated November 20, 2002, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

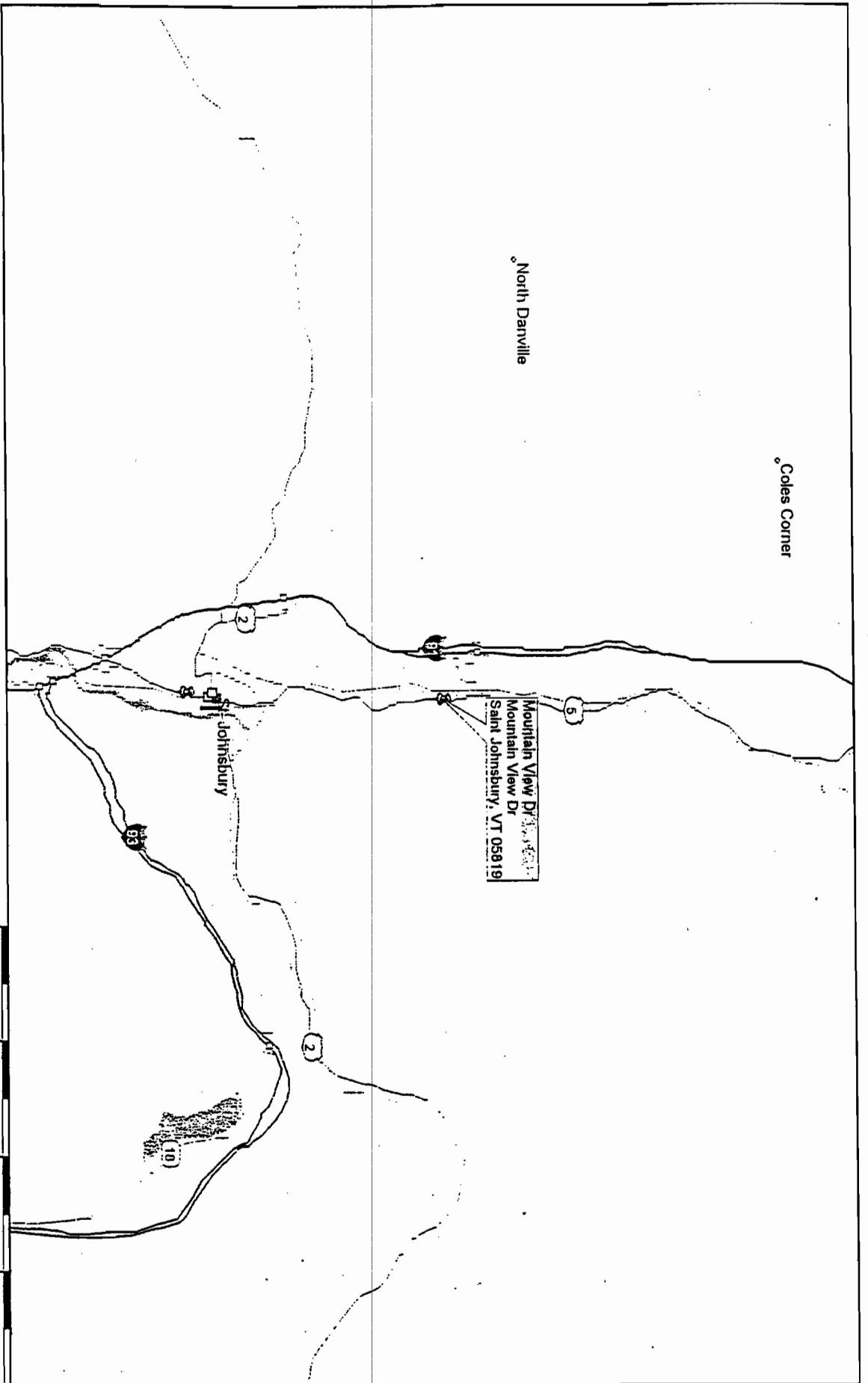
1. The Development is primarily for persons and families of low and moderate income.
2. The acquisition and construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will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

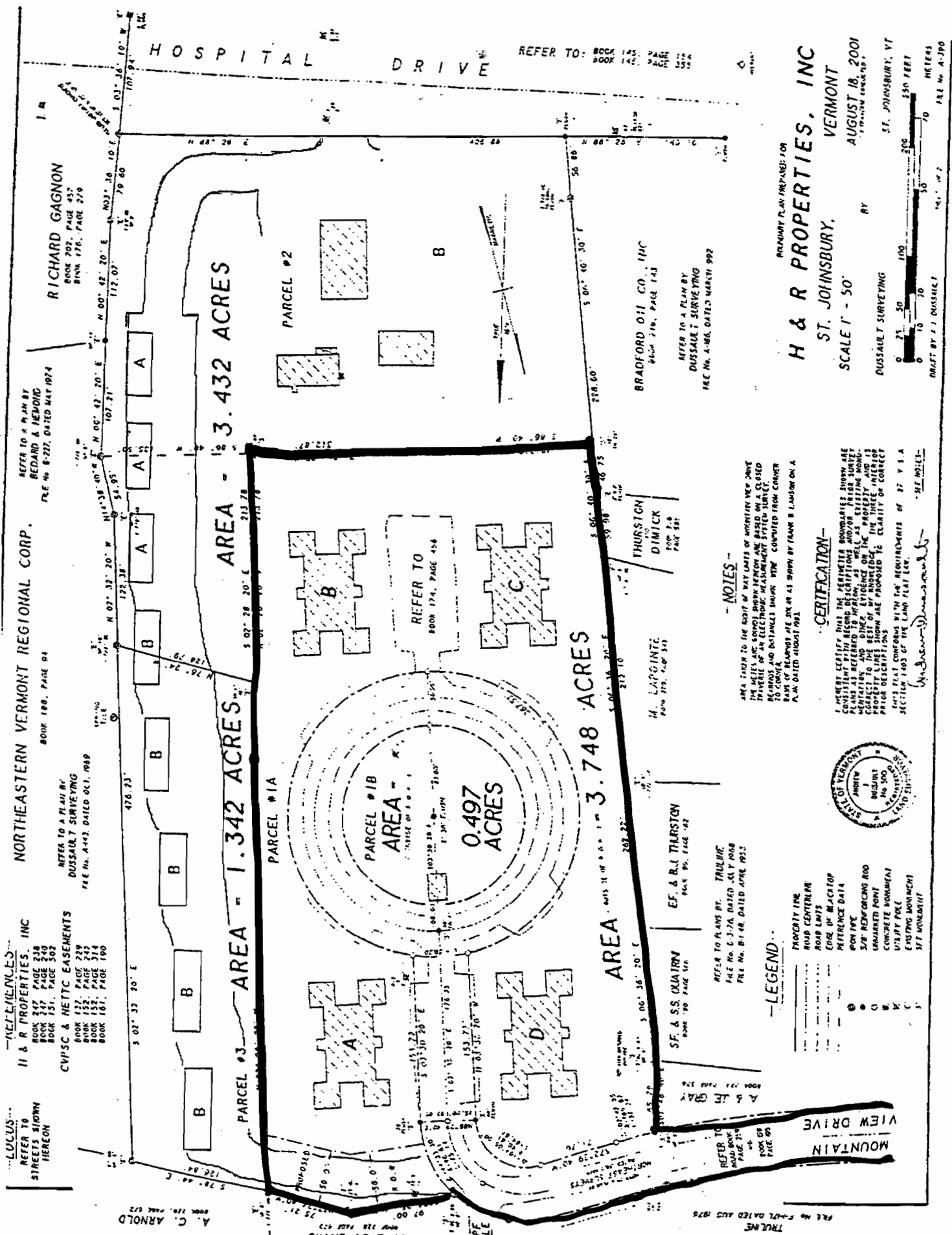
5. The security value of the Development will equal at least the amount of the Agency's loan.
6. The Sponsors are financially responsible and are qualified housing sponsors within the meaning of the Act. The Borrower will be required to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsors for the construction financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Sponsors in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.
2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the limited partnership to be created by the Sponsors for the construction financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsors as representatives of the Borrower. The Commitment Letter shall be conditioned on the satisfaction by the Sponsors of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
3. The issuance of the Bonds for the purpose of financing one or more loans to the Borrower is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.
4. The preliminary approval described in the preceding paragraph does not obligate the Agency to give final approval for the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by independent action, which may contain such conditions thereto as the Agency may deem appropriate. The Agency in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Sponsors, the Borrower or any other person for its refusal to do so.
5. The Executive Director and the Loan Review Committee will establish the final source and amount of the loan for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines.

Mountain View Apartments





REFERENCE TO:
NORTHEASTERN VERMONT REGIONAL CORP.
BOOK 188, PAGE 94
REFER TO A PLAN BY
DUSSAULT SURVEYING
FILE No. A-43, DATED OCT. 1949

LOCUS...
REFER TO
STREETS SHOWN
HEREON

RICHARD GAGNON
BOOK 707, PAGE 457
BOOK 176, PAGE 270

REFER TO: BOOK 145, PAGE 124
BOOK 142, PAGE 355

BRADFORD OIL CO., INC.
BOOK 219, PAGE 143

REFER TO A PLAN BY
DUSSAULT SURVEYING
FILE No. A-46, DATED MARCH 1952

THURSTON
DIMICK
BOOK 210, PAGE 581

H. LARSEN
BOOK 172, PAGE 347

EF. & R. THURSTON
BOOK 99, PAGE 42

SE. A. S. QUATREN
BOOK 99, PAGE 110

REFER TO PLANS BY:
TRULINE
FILE No. C-37A, DATED JULY 1948
FILE No. B-148, DATED APRIL 1953

REFER TO:
BOOK 177, PAGE 174
BOOK 177, PAGE 174
BOOK 177, PAGE 174

LEGEND

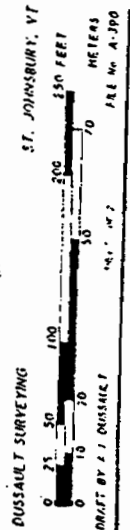
- PROPERTY LINE
- ROAD CENTERLINE
- ROAD LOTS
- COUL. BY BLACKTOP
- REFERENCE DATA
- IRON PIPE
- 5/8" REINFORCING ROD
- UNMARKED POINT
- CONCRETE MONUMENT
- UTILITY POLE
- EXISTING MONUMENT
- SET MONUMENT



CERTIFICATION

I HEREBY CERTIFY THAT THE FOREGOING SURVEY, AS SHOWN ON THE PLANS AS REFERRED TO HEREIN, AS WELL AS THE EXISTING MONUMENTS, ARE IN ACCORDANCE WITH THE REQUIREMENTS OF 27 V.S.A. SECTION 1403 OF THE LAND PLAT ACT.

PRELIMINARY PLAN PREPARED FOR
H & R PROPERTIES, INC.
ST. JOHNSBURY, VERMONT
AUGUST 18, 2001
BY
DUSSAULT SURVEYING
ST. JOHNSBURY, VT.
SCALE 1" = 50'



20-Nov-02 Mountain View Apartments, St. Johnsbury

Total Residential Units:	48	Increase in Income from Rental Units:	1.00%
Housing Credit Restricted Units:	48	Increase in Income from Other Sources:	1.00%
Percent Restricted:	100.00%	Increase in Income from Commercial:	1.00%
Total Development Cost:	3,756,296	Expense increase:	2.50%
Total Development Cost per Unit:	78,256	Vacancy Rate:	5%
Total Development Cost Per SF:	104.34	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
Max Credit Potential:	136,896	Short Depreciation Schedule:	7 years
Credit Amount Allocated:	136,896	Sponsor's Estimated Yield:	85.00%
		Set-aside Election	40/60
LIHTC - 9%	7.89%	(Nov 2002)	
LIHTC - 4%	3.38%		

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term	Committed	
RD New	769,775	20.49%	1.00%	50	50	Yes	1,200,000
RD - Old	430,225	11.45%	1.00%	50	50	Yes	
VHCB	480,000	12.78%	0.00%	30	30	Yes	
VCDP	350,000	9.32%	0.00%	30	30	Yes	
HOME	240,000	6.39%	0.00%	30	30	Yes	
Neighborworks	105,000	2.80%	0.00%	30	30	Yes	
REEP	19,250	0.51%	N/A	N/A		No	
Reserves	210,000	5.59%	N/A	N/A		Yes	
Tax Credit Equity	1,152,046	30.67%	N/A	N/A			
TOTAL SOURCES	3,756,296	100.00%					
VHFA Construction Loan	2,123,000	56.52%	2.50%	N/A	18 months	tax exempt	
USES							
Acquisition	1,242,750	33.08%					
Construction Hard Costs	1,675,560	44.61%					
Soft Costs	837,986	22.31%					
TOTAL USES	3,756,296	100.00%					

Gap 0

PER UNIT COST LIMIT CALCULATION

	per unit limits	number of units		
0 Br	84,390	0	0	
1 Br	90,140	16	1,442,240	
2 Br	95,890	32	3,068,480	
3 Br	101,637	0	0	
4 Br	107,390	0	0	
Maximum cost allowed under the per unit cost limits		48	4,510,720	
Projected total cost, excluding cash accounts			3,555,296	Cost Coverage % 79%
	(over)/under		955,424	

General Partner's Capital Contribution	11,637	1.00%
Limited Partner's Capital Contribution	1,152,043	99.00%
Total Equity	1,163,680	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	48
Total Units	48
Unit Fraction	100.00%
Tax Credit Square Footage	36,000
Total Residential Square Footage	36,000
Square Footage Fraction	100.00%
Applicable Fraction	100.00%

		Allocation of Sources										TOTAL	
		Budget	Per Unit	Per s.f.	New RD Loan	Old RD Loan	VHCB	HOME	VCDP	Neighborhoods	REEP	Reserves	Tax Credit Equity
ACQUISITION													
1	Land	180,000	3,750	5.00	769,775	180,000	430,225	480,000	350,000	105,000	19,250	210,000	1,152,046
2	Purchase of Building(s)	1,020,000	21,250	28.33	769,775	250,225							180,000
3	Acquisition Fee	35,000	729	0.97									35,000
4	Property Appraisal	2,250	47	0.06									2,250
5	Legal - Title and Recording	5,500	115	0.15									5,500
	Subtotal - Acquisition	1,242,750	25,891	34.52									
CONSTRUCTION/HARD COSTS													
6	Rehabilitation	1,509,200	31,442	41.92			480,000	240,000	350,000	105,000	19,250	9,000	305,950
7	New Building(s)		0	0.00									0
8	Accessory Buildings		0	0.00									0
9	Sitework	50,000	1,042	1.39									50,000
10	Commercial Space Costs (if any)		0	0.00									0
11	General Requirements		0	0.00									0
12	Contractor Overhead		0	0.00									0
13	Contractor Profit		0	0.00									0
14	Construction Contingency	77,960	1,624	2.17									77,960
15	Construction Management		0	0.00									0
16	Construction Bond Fee		0	0.00									0
17	Hazardous Materials Abatement		0	0.00									0
18	Off-Site Improvements		0	0.00									0
19	Furnishings, Fixtures, & Equipment	38,400	800	1.07									38,400
20	Other ()		0	0.00									0
	Subtotal - Hard Costs	1,675,560	34,908	46.54									
SOFT COSTS													
21	Architectural	32,000	667	0.89									32,000
22	Engineering		0	0.00									0
23	Legal/Accounting	20,000	417	0.56									20,000
24	Relocation	24,000	500	0.67									24,000
25	Environmental Assessment	3,500	73	0.10									3,500
26	Energy Assessment		0	0.00									0
27	Permits/Fees	7,958	166	0.22									7,958
28	Independent Market Study		0	0.00									0
29	Construction Period Insurance	6,000	125	0.17									6,000
30	Construction Interest	93,333	1,944	2.59									93,333
31	Construction Loan Origination Fee	43,500	906	1.21									43,500
32	Taxes During Construction		0	0.00									0
33	Clerk of the Works	26,000	542	0.72									26,000
34	Marketing		0	0.00									0
35	Tax Credit Fees	2,500	52	0.07									2,500
36	Soft Cost Contingency	20,595	429	0.57									20,595
37	Permanent Loan Origination Fee		0	0.00									0
38	Lease Up Fee	9,600	200	0.27									9,600
39	VCDP Management	28,000	583	0.78									28,000
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
DEVELOPERS FEES													
44	Developer's Fees - HVT	160,000	3,333	4.44									160,000
45	Other Partnership Fees - GHT	160,000	3,333	4.44									160,000
46	Consultant Fees		0	0.00									0
RESERVES													
47	Working Capital	201,000	4,188	5.58								201,000	201,000
48	Rent-up (Deficit Escrow) Reserve		0	0.00									0
49	Other Operating Reserves		0	0.00									0
50	Sinking Fund		0	0.00									0
51	Replacement Reserves		0	0.00									0
	Subtotal - Soft Costs	837,986	17,458	23.28									
	TOTAL DEVELOPMENT COSTS	3,756,296	78,256	104.34	769,775	430,225	480,000	240,000	350,000	105,000	19,250	210,000	3,756,296

320,000

3,235,296

9.89%

	Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
ACQUISITION						
1 Land	180,000					
2 Purchase of Building(s)	1,020,000	1,020,000		1,020,000		
3 Acquisition Fee	35,000	29,750		35,000		
4 Property Appraisal	2,250	1,913		2,250		
5 Legal - Title and Recording	5,500	4,675		5,500		
Subtotal - Acquisition	1,242,750					
CONSTRUCTION HARD COSTS						
6 Rehabilitation	1,509,200		1,509,200	1,509,200		
7 New Building(s)	0					
8 Accessory Buildings	0					
9 Sitework	50,000		50,000	50,000		
10 Commercial Space Costs (if any)	0					
11 General Requirements	0					
12 Contractor Overhead	0					
13 Contractor Profit	0					
14 Construction Contingency	77,960		77,960	77,960		
15 Construction Management	0					
16 Construction Bond Fee	0					
17 Hazardous Materials Abatement	0					
18 Off-Site Improvements	0					
19 Furnishings, Fixtures, & Equipment	38,400		38,400			
20 Other ()	0					
Subtotal - Hard Costs	1,675,560					
SOFT COSTS						
21 Architectural	32,000		32,000	32,000		
22 Engineering	0					
23 Legal/Accounting	20,000		20,000	20,000		
24 Relocation	24,000		24,000	24,000		
25 Environmental Assessment	3,500		3,500	3,500		
26 Energy Assessment	0					
27 Permits/Fees	7,958		7,958	7,958		
28 Independent Market Study	0					
29 Construction Period Insurance	6,000		6,000	6,000		
30 Construction Interest	93,333		93,333	93,333		
31 Construction Loan Origination Fee	43,500		43,500	43,500		
32 Taxes During Construction	0					
33 Clerk of the Works	26,000		26,000	26,000		
34 Marketing	0			0		
35 Tax Credit Fees	2,500		2,500	2,500		
36 Soft Cost Contingency	20,595		20,595	20,595		
37 Permanent Loan Origination Fee	0					
38 Lease Up Fee	9,600			9,600		
39 VCDP Management	28,000		28,000	28,000		
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 - HVT	160,000		160,000	160,000		
45 Other Partnership Fees - GHT	160,000		160,000	160,000		
46 Consultant Fees	0					
RESERVES						
47 Working Capital	201,000					
48 Rent-up (Deficit Escrow) Reserve	0					
49 Other Operating Reserves	0					
50 Sinking Fund	0					
51 Replacement Reserves	0					
Subtotal - Soft Costs	837,986					
TOTALS	3,756,296	1,056,338	2,302,946	3,336,896	0	
LESS: Amount of Non-qualified Financing						
LESS: Adjustment for per unit cost limits	1					
LESS: Historic tax Credit (Residential Portion)			0	0		
Total Eligible Basis		1,056,338	2,302,946			
TIMES: Adjusted for QCT/DDA	130.00%		2,993,830			
TIMES: Applicable Fraction	100.00%	1,056,338	2,993,830			
Total Qualified Basis		1,056,338	2,993,830	3,336,896		
TIMES: Applicable Percentage		3.38%	3.38%			
Total Annual Credit Qualified		35,704	101,191			
Total Tax Credits Requested	136,896		136,896			
Estimated Net Syndication Proceeds (excluding historic credit equity)	1,152,046					
Estimated Yield - Housing Credit Syndication	85.00%					
Equity Gap	1,152,046					
Credits Needed to fill Equity Gap	136,896					
				38,400		
				7		
				5,486		

20-Nov-02 Mountain View Apartments, St. Johnsbury

HC Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br		0	0	0	0	0
1 Br		550	16	448	0	86,016
2 Br		850	32	478	0	183,552
3 Br		0	0	0	0	0
4+ Br		0	0	0	0	0
	Totals	36,000	48			269,568

Non-HC Restricted Units Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br		0	0	0	0	0
1 Br		0	0	0	0	0
2 Br		850	0	0	0	0
3 Br		0	0	0	0	0
4+ Br		0	0	0	0	0
	Totals	0	0			0

All Units

Grand Totals	36,000	48	269,568
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Less Vacancy 5.00% (13,478)

NET RENT 256,090

OTHER INCOME

Laundry 100 monthly
Parking
Commercial Space Income
Other

1,200
0

TOTAL INCOME 257,290

20-Nov-02 **Mountain View Apartments, St. Johnsbury**

	Annual	Monthly	Per Unit Per Month
Administration			
Management Fee	26,000	2,167	45
Admin Salaries/Benefits	650	54	1
Office Expense	3,000	250	5
Audit/Accounting	4,000	333	7
Legal	2,500	208	4
Compliance Monitoring	2,304	192	4
Marketing	1,200	100	2
HVT Asset Mngmt Fee	4,608	384	8
TOTAL ADMINISTRATIVE	44,262	3,689	77
Utilities			
Electricity	8,500	708	15
Fuel - Oil	16,073	1,339	28
Water and Sewer	8,500	708	15
Fire Alarm / Emergency	1,200	100	2
Other		0	0
TOTAL UTILITIES	34,273	2,856	60
Maintenance			
Maintenance / Janitor Payroll	24,000	2,000	42
Janitor Supplies	12,000	1,000	21
Exterminating		0	0
Trash Removal	3,500	292	6
Snow Removal	2,400	200	4
Grounds	1,000	83	2
Repairs Material		0	0
Repairs Contract		0	0
HVAC Repairs / Maintenance		0	0
Elevator Contract / Repairs		0	0
Painting and Decorating	1,500	125	3
Other	6,200	517	11
TOTAL MAINTENANCE	50,600	4,217	88
Real Estate Taxes			
Real Estate Taxes	33,610	2,801	58
Property Insurance	5,128	427	9
Replacement Reserves	45,000	3,750	78
Primary Debt Service	19,570	1,631	34
Other "must pay" debt service	10,938	911	19
Return to Owner	12,400	1,033	22
Total	255,781	21,315	444

Building #	Unit #	Check all Applicable						A			B					C											
		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%	30%	50%	60%	65%	80%	100%+
Building A	1			1	1	1				1	550	448	29	477			1										
	2			1	1	1				1	550	448	29	477			1										
	3			1	1	1				1	550	448	29	477			1										
	4			1	1	1				1	550	448	29	477			1										
	5			1	1	1				2	850	478	44	522				1									
	6			1	1	1				2	850	478	44	522				1									
	7			1	1	1				2	850	478	44	522				1									
	8	1		1	1	1				2	850	478	44	522				1									
	9	1		1	1	1				2	850	478	44	522				1									
	10			1	1	1				2	850	478	44	522				1									
	11			1	1	1				2	850	478	44	522				1									
	12			1	1	1				2	850	478	44	522				1									
Building B	1			1	1	1				1	550	448	29	477				1									
	2			1	1	1				1	550	448	29	477				1									
	3			1	1	1				1	550	448	29	477				1									
	4			1	1	1				1	550	448	29	477				1									
	5			1	1	1				2	850	478	44	522					1								
	6			1	1	1				2	850	478	44	522					1								
	7	1		1	1	1				2	850	478	44	522					1								
	8			1	1	1				2	850	478	44	522					1								
	9			1	1	1				2	850	478	44	522					1								
	10			1	1	1				2	850	478	44	522					1								
	11			1	1	1				2	850	478	44	522					1								
	12			1	1	1				2	850	478	44	522					1								
Building C	1			1	1	1				1	550	448	29	477				1									
	2			1	1	1				1	550	448	29	477				1									
	3			1	1	1				1	550	448	29	477				1									
	4			1	1	1				1	550	448	29	477				1									
	5			1	1	1				2	850	478	44	522					1								
	6			1	1	1				2	850	478	44	522					1								
	7			1	1	1				2	850	478	44	522					1								
	8	1		1	1	1				2	850	478	44	522					1								
	9			1	1	1				2	850	478	44	522					1								
	10			1	1	1				2	850	478	44	522					1								
	11	1		1	1	1				2	850	478	44	522					1								
	12			1	1	1				2	850	478	44	522					1								
Building D	1			1	1	1				1	550	448	29	477				1									
	2	1		1	1	1				1	550	448	29	477				1									
	3	1		1	1	1				1	550	448	29	477				1									
	4	1		1	1	1				1	550	448	29	477				1									
	5			1	1	1				2	850	478	44	522					1								
	6			1	1	1				2	850	478	44	522					1								
	7			1	1	1				2	850	478	44	522					1								
	8	1		1	1	1				2	850	478	44	522					1								
	9			1	1	1				2	850	478	44	522					1								
	10			1	1	1				2	850	478	44	522					1								
	11		1	1	1	1				2	850	478	44	522					1								
	12			1	1	1				2	850	478	44	522					1								
Total # Units	48	7	0	46	48	48	4	0	0	Totals:	36,000	22,464	44	Total # Units:	0	40	8	0	0	0	48	0	0	0	0	0	

20-Nov-02 Mountain View Apartments, St. Johnsberry

	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income																
Gross Rent		269,568	272,264	274,986	277,736	280,514	283,319	286,152	289,013	291,904	294,823	297,771	300,748	303,756	306,794	309,861
Other Income		1,200	1,212	1,224	1,236	1,249	1,261	1,274	1,287	1,299	1,312	1,326	1,339	1,352	1,366	1,379
Vacancy and other losses		(13,478)	(13,613)	(13,749)	(13,887)	(14,026)	(14,166)	(14,308)	(14,451)	(14,595)	(14,741)	(14,889)	(15,037)	(15,188)	(15,340)	(15,493)
Total Operating Income		257,290	259,862	262,461	265,086	267,737	270,414	273,118	275,849	278,608	281,394	284,208	287,050	289,920	292,820	295,748
Operating Expenses																
Total Expenses (excl. Reserves)		167,873	172,070	176,372	180,781	185,300	189,933	194,681	199,548	204,537	209,650	214,892	220,264	225,771	231,415	237,200
Reserves		45,000	45,450	45,905	46,364	46,827	47,295	47,768	48,246	48,729	49,216	49,708	50,205	50,707	51,214	51,726
Total Operating Expense		212,873	217,520	222,276	227,144	232,128	237,228	242,450	247,794	253,266	258,866	264,600	270,469	276,478	282,629	288,926
Net Operating Income		44,417	42,343	40,185	37,941	35,609	33,186	30,668	28,055	25,342	22,528	19,608	16,581	13,443	10,191	6,821
Less Primary Debt Service		19,570	19,570	19,570	19,570	19,570	19,570	19,570	19,570	19,570	19,570	19,570	19,570	19,570	19,570	19,570
Less Secondary Debt Service		10,938	10,938	10,938	10,938	10,938	10,938	10,938	10,938	10,938	10,938	10,938	10,938	10,938	10,938	10,938
Annual Cash Flow		13,909	11,835	9,677	7,434	5,101	2,678	161	(2,453)	(5,165)	(7,980)	(10,900)	(13,927)	(17,065)	(20,317)	(23,686)
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	2,453	5,165	7,980	10,900	13,927	17,065	20,317	23,686
Net Cash		13,909	11,835	9,677	7,434	5,101	2,678	161	0	0	0	0	0	0	0	0
Cumulative Cash Flow																
Beginning Balance		145,599	138,799	131,722	124,379	116,722	108,788	100,539	91,969	83,079	73,844	64,279	54,359	44,066	33,406	22,366
Deposits		0	1,648	1,234	(1,367)	(6,259)	(13,507)	(23,202)	(35,440)	(50,292)	(67,858)	(88,238)	(111,538)	(137,864)	(167,329)	(200,047)
Interest		13,909	11,835	9,677	7,434	5,101	2,678	161	0	0	0	0	0	0	0	0
Return to Owner		139	151	121	74	51	27	2	0	0	0	0	0	0	0	0
Withdrawals		(12,400)	(12,400)	(12,400)	(12,400)	(12,400)	(12,400)	(12,400)	(12,400)	(12,400)	(12,400)	(12,400)	(12,400)	(12,400)	(12,400)	(12,400)
Ending Balance		1,648	1,234	(1,367)	(6,259)	(13,507)	(23,202)	(35,440)	(50,292)	(67,858)	(88,238)	(111,538)	(137,864)	(167,329)	(200,047)	(236,133)
Cumulative Replacement Reserves																
Beginning Balance		0	45,450	92,264	140,472	190,109	49,207	97,959	148,164	199,856	253,069	115,839	168,360	222,435	278,098	335,386
Deposits		45,000	45,450	45,905	46,364	46,827	47,295	47,768	48,246	48,729	49,216	49,708	50,205	50,707	51,214	51,726
Interest		450	1,364	2,304	3,273	4,270	5,295	6,347	7,426	8,530	9,669	10,844	12,056	13,304	14,597	15,934
Withdrawals		0	0	0	0	(192,000)	0	0	0	0	(192,000)	0	0	0	0	(192,000)
Ending Balance		45,450	92,264	140,472	190,109	49,207	97,959	148,164	199,856	253,069	115,839	168,360	222,435	278,098	335,386	202,337
(4,000) Assumes \$4,000 per unit is used every 5 years																
Net Operating Income		44,417	42,343	40,185	37,941	35,609	33,186	30,668	28,055	25,342	22,528	19,608	16,581	13,443	10,191	6,821
Plus Reserves		45,000	45,450	45,905	46,364	46,827	47,295	47,768	48,246	48,729	49,216	49,708	50,205	50,707	51,214	51,726
Less Interest Expense		(11,915)	(11,728)	(11,539)	(11,349)	(11,156)	(10,962)	(10,766)	(10,567)	(10,367)	(10,165)	(9,960)	(9,754)	(9,545)	(9,335)	(9,122)
Less Long Depreciation		(121,342)	(121,342)	(121,342)	(121,342)	(121,342)	(121,342)	(121,342)	(121,342)	(121,342)	(121,342)	(121,342)	(121,342)	(121,342)	(121,342)	(121,342)
Less Short Depreciation		(5,486)	(5,486)	(5,486)	(5,486)	(5,486)	(5,486)	(5,486)	(5,486)	(5,486)	(5,486)	(5,486)	(5,486)	(5,486)	(5,486)	(5,486)
Taxable Income (Loss)		(49,326)	(30,763)	(52,277)	(53,871)	(55,548)	(57,308)	(59,156)	(61,088)	(63,098)	(65,183)	(67,353)	(69,607)	(71,956)	(74,401)	(76,946)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		17,264	17,767	18,297	18,855	19,442	20,058	20,705	21,383	22,095	22,841	23,623	24,441	25,295	26,185	27,111
Plus Tax Credits		115,462	115,462	115,462	115,462	115,462	115,462	115,462	115,462	115,462	115,462	115,462	115,462	115,462	115,462	115,462
After Tax Cash Flow		132,726	133,229	133,759	134,317	134,904	135,520	136,167	136,925	137,705	138,507	139,332	140,181	141,054	141,961	142,892
Total Years		15														
Reinvestment Rate		12.00%														
Current After Tax Cash Flows		132,726	133,229	133,759	134,317	134,904	135,520	136,167	136,925	137,705	138,507	139,332	140,181	141,054	141,961	142,892
Future Value of Cash Flows at Yr 15:		726,485	631,106	583,657	523,296	469,270	420,905	377,601	334,069	299,847	269,188	238,234	207,508	176,517	145,816	115,000

Discount Rate:	6.00%
Capital Contribution Number:	1
Date of Capital Contribution:	28-Feb-03
Amount of Capital Contribution:	11,405
Present Value of Contributions:	11,405
Cash Flows	(1,057,715)

IRR: 10.64%
Equity Yield: 92.53%

Mountain View Apartments, St. Johnsbury
Construction Flow of Funds

Sources:	Month:															
	2/15/03	3	4	5	6	7	8	9	10	11	12	13	14	15	16	Permanent Closing
RD Old Loan	430,225															
RD New Loan	769,775															
VHFA Construction Loan	2,123,000															
VCDP	350,000															
VHCB Loan	480,000															
HOME	240,000															
Neighborhoods	105,000															
REEP	19,250															
Reserves	210,000															
LP Cap. Contrib.	1,152,046															
TOTALS:	5,879,296	1,712,208	1,712,208	1,712,208	1,712,208	1,712,208	1,712,208	1,712,208	1,712,208	1,712,208	1,712,208	1,712,208	1,712,208	1,712,208	1,712,208	1,712,208
Uses:																
ACQUISITION																
Purchase of Building(s)	1,620,000															
Acquisition Fee	35,000															
Property Appraisal	2,250															
Legal - Title and Recording	5,500															
CONSTRUCTION HARD COSTS																
Rehabilitation	1,509,200															
New Building(s)																
Accessory Buildings																
Sitework																
Commercial Space Costs (if any)																
General Requirements																
Contractor Overhead																
Contractor Profit																
Construction Contingency																
Construction Management																
Construction Bond Fee																
Hazardous Materials Abatement																
Off-Site Improvements																
Furnishings, Fixtures, & Equipment																
Other (Costs)																
SOFT COSTS																
Architectural	32,000															
Engineering	20,000															
Legal/Accounting	8,000															
Relocation	24,000															
Environmental Assessment	3,500															
Energy Assessment	7,958															
Permits/Fees																
Independent Market Study	6,000															
Construction Period Insurance	93,333															
Construction Interest	43,500															
Construction Loan Origination Fee																
Taxes During Construction																
Clerk of the Works																
Marketing																
Tax Credit Fees																
Soft Cost Contingency																
Permanent Loan Origination Fee																
Lease Up Fee																
VCDP Management	28,000															
SYNDICATION COSTS																
Organizational (Partnership)																
Bridge Loan Fees and Expenses																
Syndication Consultant																
DEVELOPMENT COSTS																
Developer's Fees - HVT	160,000															
Other Partnership Fees - GHT	160,000															
Consultant Fees																
RESERVE COSTS																
Working Capital	201,000															
Rent-up (Deficit Escrow) Reserve																
Other Operating Reserves																
Sinking Fund																
Replacement Reserves																
Repay Construction Loan																
TOTAL DEVELOPMENT COSTS	3,756,296	1,712,208	1,712,208	1,712,208	1,712,208	1,712,208	1,712,208	1,712,208	1,712,208	1,712,208	1,712,208	1,712,208	1,712,208	1,712,208	1,712,208	1,712,208
Construction Loan Balance																
Construction Loan Interest																
Bridge Interest (Cumulative)																



Vermont Housing Finance Agency

TO: VHFA Board of Commissioners
FROM: Cynthia Reid, Multifamily Development Underwriter *CR*
DATE: November 20, 2002
RE: Multifamily Construction Loan Application for Mountain View Apartments, St. Johnsbury

Name:	Mountain View Apartments	Location:	St. Johnsbury
Housing Type:	General Occupancy	Unit Type:	Flats
Total Units:	48	Unit Sizes:	16 One-BR @ 550 s.f.; 32 Two-BR @ 850 s.f.
Total Cost:	\$3,756,296	Per S.F. Acquisition & Construction Cost:	\$81.06
Loan Requested:	\$2,123,000 construction	Housing Credits (4%):	\$136,896
Other Funding:	Rural Development, VHCB, HOME, VCDP, Neighborworks, REEP (funding for energy efficiency improvements), Project Reserves		
Sponsors:	Housing Vermont (HVT) & Gilman Housing Trust (GHT)		

Housing Vermont (on behalf of a to-be-formed limited partnership consisting of subsidiaries of HVT and GHT) is seeking \$2,123,000 in tax-exempt construction financing to rehabilitate a 48-unit development called Mountain View Apartments located in St. Johnsbury. The development was built in 1974 and financed by Rural Development (RD). The owners wanted to sell the property, so RD approached GHT regarding their interest in acquiring it. GHT purchased the property in July 2002 using both assumed and new RD debt. The property will be transferred to the limited partnership upon construction loan closing. The property has four buildings of 12 units each. Improvements that will be done include new kitchens and baths, new roofs and windows, installation of a sprinkler system, energy improvements and weatherization, a new community building with a manager's office, new front entries for each building, heating & electrical upgrades, new flooring, and site improvements. Four units will be made handicapped accessible. Forty-six of the units have RD rental assistance and serve households at or below 50% of area median income who pay no more than 30% of their income for rent. Northern Community Management Corporation (NCMC) will manage the property. A Level I Environmental Site Assessment has not been completed yet, nor has an as-completed appraisal. All other funding is committed except for REEP. An Act 250 amendment is needed which the sponsors anticipate obtaining by January. The sponsors anticipate beginning construction as early as February 2003 with completion by April 2004. Sources of take out financing for the VHFA construction loan include VHCB, HOME, VCDP, and tax credit equity.

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



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**RESOLUTION RE: CONSTRUCTION FINANCING
FOR MOUNTAIN VIEW APARTMENTS, ST. JOHNSBURY**

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

WHEREAS, an application has been submitted to the Agency by Housing Vermont and Gilman Housing trust (the "Sponsors") on behalf of a to be formed limited partnership in which the Sponsors or their subsidiaries will be the general partners (the "Borrower") involving the rehabilitation of four (4) buildings containing a total of forty-eight (48) units of rental housing in the Town of St. Johnsbury (the "Development"); and

WHEREAS, the Agency desires to take "official action" for the purpose of, and to reimburse itself for any advances of its funds prior to, the issuance and sale of tax-exempt bonds (the "Bonds") to finance a loan to the Borrowers;

WHEREAS, the application contemplates a mortgage loan for construction financing for the Development with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds;

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated November 20, 2002, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

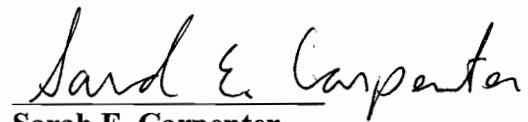
1. The Development is primarily for persons and families of low and moderate income.
2. The acquisition and construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will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

5. The security value of the Development will equal at least the amount of the Agency's loan.
6. The Sponsors are financially responsible and are qualified housing sponsors within the meaning of the Act. The Borrower will be required to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsors for the construction financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Sponsors in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.
2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the limited partnership to be created by the Sponsors for the construction financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsors as representatives of the Borrower. The Commitment Letter shall be conditioned on the satisfaction by the Sponsors of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
3. The issuance of the Bonds for the purpose of financing one or more loans to the Borrower is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.
4. The preliminary approval described in the preceding paragraph does not obligate the Agency to give final approval for the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by independent action, which may contain such conditions thereto as the Agency may deem appropriate. The Agency in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Sponsors, the Borrower or any other person for its refusal to do so.
5. The Executive Director and the Loan Review Committee will establish the final source and amount of the loan for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on December 5, 2002.

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

Sarah E. Carpenter

*Executive Director and Secretary
Vermont Housing Finance Agency*



Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners
FROM: Elizabeth Mullikin Drake
RE: Allocation of Remaining and any Additional 2002 Private Activity
Volume Cap and Carryforward Election
DATE: November 20, 2002

To follow-up on the March 2002 update on the Agency's use of its allocation of the State's private activity bond volume cap, I have updated this information based on the Agency's 2002 State Allocation.

In January, the Agency was allocated \$82,000,000 by the State Emergency Board ("2002 State Allocation"). The Agency issued a total of \$13,505,000 in private activity Multifamily bonds in January. In April, the Agency issued a total of \$81,435,000 in mortgage revenue bonds using only \$15,515,000 in State volume cap.

Since January, the Agency allocated a total of \$20 million of the 2002 State Allocation to Homeownership. The Multifamily bond issues are still using the 2001 Carryforward. The Agency has used a total of \$32,665,000 (\$15,515,000 for Homeownership bonds and \$17,150,000 for Multifamily bonds) in private activity bond volume cap. As the year-end approaches, the remaining unallocated balance in the amount of \$62,000,000 should be allocated between Homeownership and Multifamily for carryover purposes. In addition, the Board should authorize the filing of the Carryforward Election with the IRS.

In the event that the Governor or Emergency Board decides to allocate any additional 2002 State volume cap to the Agency before the end of the 2002 calendar year, staff recommends that this new allocation be assigned to Homeownership. Based on recent events, the Agency expects to receive an additional \$25 million of State volume cap that had been designated for the Winooski project. We would expect to designate this as multifamily usage for carryover purposes.



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The following chart shows the status of the Agency's available private activity volume cap before any additional allocations:

	Total Volume Cap Available	Unallocated by VHFA	Allocated by VHFA Board	
			Homeownership	Multifamily
Carryforward from 2001	40,761,135		10,437,135	30,324,000
2002 State Allocation	82,000,000	82,000,000		
VHFA Board Allocation		(20,000,000)	20,000,000	
2002 Private Activity Bonds Issued	(32,665,000)		(15,515,000)	(17,150,000)
Balance as of 11/18/02	90,096,135.00	62,000,000	14,922,135	13,174,000

Recommended Board Action: To allocate the remaining \$62,000,000 of the Agency's 2002 State Allocation in the amounts of \$7,000,000 to Multifamily and \$55,000,000 to Homeownership, to further allocate a State set aside allocation for Winooski to Multifamily and allocation of any additional 2002 State volume cap to Homeownership and to authorize the filing of the carryforward election of any unused volume cap with the IRS. (A Resolution will be prepared and distributed at the Board meeting).

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners
FROM: Elizabeth Mullikin Drake
RE: Allocation of Remaining and any Additional 2002 Private Activity
Volume Cap and Carryforward Election

DATE: November 20, 2002

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In the event that the Governor or Emergency Board decides to allocate any additional 2002 State volume cap to the Agency before the end of the 2002 calendar year, staff recommends that this new allocation be assigned to Homeownership. Based on recent events, the Agency expects to receive an additional \$25 million of State volume cap that had been designated for the Winooski project. We would expect to designate this as multifamily usage for carryover purposes.



The following chart shows the status of the Agency's available private activity volume cap before any additional allocations:

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2002 Private Activity Bonds Issued	(32,665,000)		(15,515,000)	(17,150,000)
Balance as of 11/18/02	90,096,135.00	62,000,000	14,922,135	13,174,000

Recommended Board Action: To allocate the remaining \$62,000,000 of the Agency's 2002 State Allocation in the amounts of \$7,000,000 to Multifamily and \$55,000,000 to Homeownership, to further allocate a State set aside allocation for Winooski to Multifamily and allocation of any additional 2002 State volume cap to Homeownership and to authorize the filing of the carryforward election of any unused volume cap with the IRS. (A Resolution will be prepared and distributed at the Board meeting).

**RESOLUTION RE: ALLOCATION OF 2002 PRIVATE ACTIVITY BOND
VOLUME CAP ALLOCATION AND ELECTION TO CARRYFORWARD
2002 PRIVATE ACTIVITY BOND VOLUME CAP ALLOCATION**

WHEREAS, the Vermont Housing Finance Agency (the "Agency") has been allocated a total of \$82,000,000 in 2002 private activity bond volume cap by the State of Vermont Emergency Board ("2002 Allocation"); and

WHEREAS, the Agency has allocated \$20 million of the 2002 Allocation and desires to elect to utilize another \$7,000,000 of the 2002 Allocation for exempt facility bonds and \$55,000,000 for qualified mortgage bonds and/or mortgage credit certificates; and

WHEREAS, the Agency wishes to accept any additional allocation of 2002 private activity volume cap from the State of Vermont and to designate its use for both exempt facility bonds and qualified mortgage bonds and/or mortgage credit certificates; and

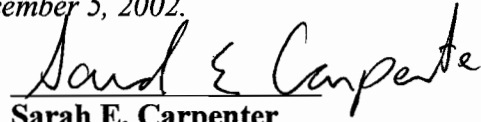
WHEREAS, the Agency desires to carryforward any of its unused volume cap pursuant to section 146 of the Internal Revenue Code of 1986;

NOW, THEREFORE, IT IS HEREBY RESOLVED:

1. The Agency elects to allocate \$7,000,000 of its 2002 Allocation pursuant to Section 146 of the Internal Revenue Code of 1986 as amended for the purposes of issuing exempt facility bonds.
2. The Agency elects to allocate \$55,000,000 of its 2002 Allocation pursuant to Section 146 of the Internal Revenue Code of 1986 as amended for the purposes of issuing qualified mortgage bonds and/or mortgage credit certificates.
3. If the Agency is allocated any additional volume cap by the State of Vermont on or after December 5, 2002, it elects to allocate any allocation designated for the Winooski project for the purposes of issuing exempt facility bonds and any additional volume cap for the purposes of issuing qualified mortgage bonds and/or mortgage credit certificates.
4. The Agency elects to carryforward all of its unused volume cap pursuant to section 146 of the Internal Revenue Code of 1986 for the purposes consistent with its allocation of such carryforward between exempt facility bonds and qualified mortgage bonds and/or mortgage credit certificates.

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

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on December 5, 2002.



Sarah E. Carpenter

*Executive Director and Secretary
Vermont Housing Finance Agency*