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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director ASH

DATE: January 9, 1997

RE: CANCELING JANUARY/RESCHEDULING FEBRUARY BOARD MEETING

This is to inform you that the January 23 meeting of the Vermont Housing Finance Agency Board of Commissioners has been *cancelled.*

The next meeting has been scheduled for **9:30 a.m. Thursday, February 6**, in Montpelier. (This replaces the February 20 meeting.)Board packets will be mailed out on Friday, January 31.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to meeting with you in Montpelier on February 6!

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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

EQUAL HOUSING OPPORTUNITY

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VERMONT HOUSING FINANCE AGENCY

January 29, 1997

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

Dear Ms. Wolters:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Thursday, February 6, at 9:30 a.m., at the office of the Commissioner of Banking, Insurance, Securities and Health Care Administration, 89 Main Street, Montpelier, Vermont.

If you have any questions, please do not hesitate to contact me at 652-3455.

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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EQUAL HOUSING OPPORTUNITY

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director (652-3421)

DATE: February 4, 1997

RE: CHANGE IN BOARD MEETING START TIME

The start time for the Board meeting to be held on Thursday, February 6, was changed after the Board packets were finalized and mailed. Due to scheduled testimony in Montpelier, the start time for the Board meeting has been changed to **10:00 a.m.**, at the Office of Banking, Insurance, Securities and Health Care Administration in Montpelier.

If you have any questions, please feel free to call me at 652-3421, or Barbara Parker at 652-3455. I look forward to seeing you this Thursday.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director ASH

DATE: January 31, 1997

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 9:30 a.m. Thursday, February 6, at the office of the Commissioner of Banking, Insurance, Securities and Health Care Administration, 89 Main Street, Montpelier, Vermont.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier at 9:30 February 6!

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VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

Office of the Commissioner of Banking, Insurance, Securities & Health Care Administration
89 Main Street
Montpelier, Vermont

Thursday, February 6, 1997 at 9:30 a.m.

1. Review and approval of minutes of December 11, 1996

2. Development
   - A. New Bridge Financing Initiative **[Crady/Reid // Enclosure]**
   - B. Vermont Housing Ventures Program Changes **[Crady/Reid // Enclosure]**
   - C. Holy Cross Senior Housing Loan Revisions **[Reid // Enclosure]**

3. Operations
   - A. Single Family Program/Servicing/Property Disposition **[Lothrop // Enclosure]**
   - B. Quarterly Quality Control Report **[Lothrop // Enclosure]**
   - C. New IRS Regulations for Reissued MCC **[Lothrop // Enclosure]**
   - D. VBA Subcommittee on VHFA/VHMGB Affairs **[Lothrop // Enclosure]**
   - E. Delinquency and Loss Mitigation **[Lothrop // Enclosure]**
   - F. Signature Authority **[Lothrop // Enclosure]**

4. Administration
   - A. Executive Director's Report **[Hunt]**
   - B. Applegate Apartments (Bennington) Update **[McNamara]**
   - C. Adoption of Act 200 Plan **[McNamara // Enclosure]**

5. Communications
   - A. Outreach and Marketing Results FY97 YTD **[Gent // Enclosure]**
   - B. Public Relations Efforts **[Gent]**

6. Multifamily Management
   - A. Restructuring Demonstration Project **[Falzone // Enclosure]**

7. Finance
   - A. General Fund Budget Performance as of 12/31/96 **[Schoenbeck // Enclosure]**

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

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VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
Office of the Vermont Housing & Conservation Board
136½ Main Street
Montpelier, Vermont
Wednesday, December 11, 1996

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

Agency Staff: Mr. Hunt, Mr. McNamara, Mr. Schoenbeck, Mr. Jarrett, Mr. Lothrop, Ms. Parker, Ms. Gent, Ms. Crady, Ms. Reid, Mr. Erdelyi

Guests: Mr. Cole (AG Edwards); Mr. Marcellino (Homestead Design); Ms. Wright (Lake Champlain Housing Development Corporation); Ms. Demetrowitz (Burlington Community Land Trust)

The meeting was called to order at 1:35 p.m. by Chairman White. The minutes of October 17 were reviewed. Mr. Seelig urged the Board to take care when discussing distressed projects, noting that the Applegate apartments in Bennington fell into disrepair due to owner neglect, resulting in the town closing many of the units; however, the tenants were not the cause of the poor condition of the units. Upon a motion duly made by Mr. Seelig and seconded by Mr. Candon, the Board voted unanimously to adopt the minutes of October 17 as submitted.

Beginning a discussion of the "Essex Town Center–Letter of Commitment for Permanent Financing," Mr. Erdelyi referred the Board to his memo of December 5, included in the Board packet, and introduced Mr. Marcellino of Homestead Design Inc. The memo highlights the conditions of the loan as they appeared in the Letter of Interest. Mr. Erdelyi noted the unusually high level of participation from the local community; the town agreement regarding deferring a portion of the taxes on the project has been received and is being reviewed by Mr. Jarrett. The source of funds for the loan has not yet been identified, but construction is scheduled to begin in late spring of 1997. This is a mixed use building with commercial units on the first floor and residential units on the second and third floors. The Agency will only provide financing for the residential portion of the building. Mr. Candon asked for an explanation as to why a decision needed to be made today if construction is not to start until late spring and there are so many other loose ends that still need to be addressed. Mr. Erdelyi noted that one tax credit reservation requirement was a demonstration of financial capability; carryover allocation must be achieved by December 31, 1996. Mr. Hunt pointed out that satisfactory resolution of the outstanding conditions is not in question, and there is no reason to believe that site problems will arise, due to the close interaction between the builders and the Town of Essex. Mr. Marcellino presented a rendering of the proposed building, which is the first building in the new town center being created. The town has agreed to a tax stabilization agreement for ten years and the permit process has begun, with the town center master plan approval also in process. Mr. Marcellino noted that the market is very strong, with a zero to one percent vacancy rate in rental units within Chittenden County. The entire building will be in compliance with the Americans with Disabilities Act (ADA). A motion was then made by Mr. Seelig to adopt the "Resolution Pertaining to Commitment Letter re: Essex Town Center" as attached to these minutes; this motion was seconded by Mr. Douglas and carried unanimously. Mr. Marcellino left the meeting following the vote.

Ms. Reid then reviewed the "Holy Cross Senior Housing–Letter of Commitment for Permanent Financing" as detailed in her memo of December 4, included in the Board packet. This 40 unit new construction elderly project in Colchester received Board approval for a Letter of Interest for construction and permanent financing at the June 13, 1996, Board meeting. Ms. Wright, from Lake Champlain Housing Development Corporation (LCHDC), was introduced to the Board and reviewed the various site problems that have arisen due to the discovery of plants that are rare in Vermont (but not nationally) at the proposed location. According to Ms. Wright, the site plan has remained relatively stable since the planning process for this project began about a year ago. There are no substantial issues expected to arise during the planning commission review process. Budgets may need to be adjusted, as bids were received just prior to the meeting and appear higher than anticipated. Plans also call for requesting payment in lieu of taxes and a waiver of the Colchester town construction fee. Ms. Reid explained that the current financial structure calls for three loans, set as 10, 15 and 20 year loans; however, if the taxes are higher than anticipated, one loan may be used instead, thereby reducing the debt service. After a motion made by Mr. Douglas and seconded by Ms. Canney, the Board voted unanimously to adopt the "Resolution Pertaining to Commitment Letter re: Holy Cross Senior Housing" as attached to these minutes. Thanking the Board for their action, Ms. Wright left the meeting after the vote was taken.

Next, Ms. Reid reviewed her memo of December 4, included in the Board packet, regarding "600 Dalton Drive." The restructuring plan agreed to by the Board at the August 16 meeting has once again been revised in an effort to minimize losses incurred by the Agency on this property, lower overall development costs, and work with all other funding sources. Further review by Housing Vermont revealed that it would not be possible to structure a lease/purchase agreement, as that transaction would disallow the use of Historic Tax Credits. Instead, Dalton Drive Neighborhood Inc. (DDNI) would sell the building to a partnership that will assume the balance of the loan. The balance would be deferred and only paid if the building ceases to be operated as affordable housing. Burlington Community Land Trust's (BCLT) project developer, Ms. Demetrowitz, was introduced to the Board. Ms. Demetrowitz explained that BCLT is prepared to sign a contract with a construction management firm to carry out the building rehabilitation, as plans and specifications have already been completed with an architect's involvement. The Act 250 approval process has begun, with no problems anticipated. An early

February closing is anticipated, with occupancy by August of 1997. Ms. Demetrowitz also noted that a grant application had been submitted to the Federal Home Loan Bank; should those funds not be made available, it may be possible to use HOPWA funds which had originally been targeted for capital improvements to create a rental subsidy. The Shelter+Care application was unsuccessful. Mr. Jarrett distributed the proposed Resolution for the Board's review, and Chairman White noted that the Resolution is unclear as to when the interest rate would begin to accrue. Mr. Schoenbeck noted that the interest would accrue from the time the use of the building changes until the loan has been paid in full; the intent is to not accrue interest at any time. This structure is similar to emergency shelter grants/loans provided by the Agency in the late 1980s. A motion was then made by Mr. Candon to amend the "Resolution Regarding 600 Dalton Drive" to indicate the interest accrual plan as explained above. This motion was seconded by Ms. Canney and carried, with Mr. Seelig abstaining. Following the vote, Ms. Demetrowitz left the meeting.

The "Lake Champlain Housing Development Corporation–Bridge Financing Request for Officers' Row Affordable Units" was then reviewed by Ms. Crady, who directed the Board to her memo of December 4, included in the Board packet. This is the third request from LCHDC for assistance in some form of financing to acquire affordable units at the Officers' Row condominiums in Fort Ethan Allen. The original commitments were not accessed because LCHDC was successful in marketing units to other lower income buyers during the option period. There are 29 units of the original 77 that have remained affordable; three units are on the market now, with no buyers discovered at this time. Owners of the affordable units are required to give LCHDC notice before putting their units up for sale; this initiates an appraisal process to determine the present value. In order to keep the unit available at an affordable price, the owner is allowed 50 percent of the appreciation and repays the interest on the second mortgage at five percent. The second mortgage pool is increased by the appreciation earned. As Mr. Hunt noted, LCHDC is not equipped to do the matching and marketing that is required on these units; BCLT is now interested in and prepared to assume these responsibilities. Upon a motion made by Mr. Douglas and seconded by Mr. Candon, the Board voted unanimously to adopt the "Resolution Authorizing Bridge Financing for LCHDC for Option Purchase of Dalton Drive Units" as attached to these minutes. Ms. Crady, Mr. Erdelyi and Ms. Reid left the meeting at this time.

Mr. Lothrop then reviewed the "Single Family Program Activity Report for October" as included in the Board packet. Activity has increased, with expectations that purchase will have reached $35 million by the end of December. The "Servicing Activity for October" was also reviewed by Mr. Lothrop, who noted that there has been an increase in delinquencies at 90 days or more, but an explanation will not be available until the November figures are made available. The "Delinquency Statistical Report" shows comparisons with October 1995 activity. Mr. Hunt informed the Board that a Loan Servicing Manager has been hired to address delinquencies, loss mitigation, and timely disposition of properties. It is hoped that intervention in the form of workouts and loan modifications will lead to a decrease in foreclosure and real estate owned activity. Mr. Hunt also indicated an article he had enclosed in the Board packet regarding "Credit Card Usage" which found that Vermont ranks third highest in the nation regarding per capita usage, with total revolving debt averaging $5,000. By consolidating the time frame for staff to handle delinquencies, foreclosures and REO properties, the Agency is beginning to address the overall delinquency process. In order to gauge the amount of risk at the time a loan is approved, the Agency will be considering loan and credit scoring, as well as gaining a better sense of the value of any property being underwritten. The Homeownership Centers established in three areas of Vermont will provide foreclosure interventions; nonprofit disposition of REO properties may also help to address this issue.

Mr. Hunt then reported that the VHMGB Board had met that morning and discussed the sizeable losses in the past year as well as the results of the actuarial study. The Board was also referred to his memo of December 5, included in the Board packet, regarding the "VHMGB Actuarial Study/Guarantee Authority." Loan losses for VHMGB have nearly doubled each year for the past few years; that is not expected to happen in the current fiscal year. In January the VHMGB Board will be discussing possible fee increases and may ask the State to consider replenishing the reserve funds expropriated by the State in budget balancing efforts during previous fiscal years. Although VHMGB's statute allows for the collection of 1.3 percent in fees, the highest current fee being charged is 1.1 percent. Before raising the fee to the statutory limit, VHMGB's Board Chairperson Costle would like to consult with legislators to inform them of the possible fee increase. Mr. Hunt noted that a more direct question for the Board is raising the overall VHMGB authority cap, since VHMGB is rapidly approaching the ceiling imposed by the Legislature. It is expected that the current $130 million in guarantee authority will be reached by July 1997, which would mean that any increase in authority would need to be accomplished during the upcoming legislative session. However, Mr. Douglas noted that the State's credit rating is not strong at this time. Increased VHMGB authority might not be viewed favorably by the State's rating agencies based on VHMGB's current operating performance. Mr. Douglas assured the Board that he understood the implications of not finding alternatives of raising the authority limit, but cautioned against increasing the State's contingent liabilities at the same time. As Mr. Seelig observed, it might be worthwhile for Chairman White to also contact the Governor about this issue, in an effort to develop a plan to replenish the expropriated funds. No formal Board action was taken.

The "Discussion on Establishing a Requirement for Property Tax Escrow and Property Inspections on Single Family Mortgage Loans" was reviewed next by Mr. Lothrop, who referred the Board to his memo of December 4, included in the Board packet. The Agency must pay delinquent taxes in order to preserve its first lien on any property entering REO status. During FY96 the Agency paid an average of $1,639 in delinquent taxes per property on the 61 REO properties sold. Mr. Lothrop explained that a property tax escrow requirement would help to reduce these expenses by improving borrowers' savings habits and fund availability for property tax payments. The Vermont Bankers Association (VBA) has created a subcommittee to discuss issues related to VHMGB and the Agency, and staff plans to review the concept with them prior to finalizing implementation plans. After some further discussion, Chairman White recommended that staff consider implementing a tax payment escrow for first time home buyers, with the possibility of dropping the escrow requirement after the loan has seasoned three or five years.

Turning to property inspection requirements, Mr. Lothrop explained that many properties that become REOs are in very poor shape when they enter the Agency's portfolio, in part due to poor maintenance practices, but also due to pre-existing conditions that were not brought to light during the initial appraisal process. The need for a property inspection could be based on the age of an individual home or other factors. Mr. Lothrop advised the Board that staff has not yet determined who will bear the cost of the property inspection, as it could be seen as another obstacle to homeownership. Elements of a home that most likely should be inspected would be the foundation, heating, septic and electrical systems, and the roof; it is anticipated that this would cost approximately $175 per home. An appraiser makes certain assumptions in the course of arriving at a property's value; should structural problems be discovered in the course of an inspection that were overlooked by the appraiser, the Agency would require the appraiser to re-evaluate the home. Chairman White suggested that a property evaluation might be utilized rather than an appraisal; the evaluation could cost $150 less than an appraisal, but offers the same information. Another question still to be answered is liability; if the Agency bears the cost of the inspection, rather than the borrower, could the Agency be held liable should a problem arise that should have been determined through the inspection process. No formal Board action was taken, but it was generally agreed that staff should continue investigating the tax escrow and property inspection requirements, taking into account the Board discussions and any response from the VBA subcommittee.

Beginning his Executive Director's report, Mr. Hunt informed the Board that Governor Dean has asked him to chair an energy task force which will work with the legislature on new construction energy codes. An effort was made to resolve this issue during the last legislative session, but negotiations between the builders and the Department of Public Service were unsuccessful. There has been some progress on Applegate Apartments in Bennington; HUD is considering offering an upfront grant on the project in addition to selling it to the Agency for $1. The Agency would in turn transfer the title to a nonprofit. The Agency's latest bond issue closed successfully in November, with a press conference held to publicize the event. Mr. Hunt also reported that he had attended a retreat with the board of Housing Vermont (HVT), which is in the process of reconsidering that organization's long term goals and re-emphasizing their focus to affordable housing. HVT may also be interested in taking on technical assistance for Twin Pines Housing Partnership. Mr. Hunt then informed the Board that a new telephone system was being installed at the Agency, allowing direct dial to each employee; a new listing of telephone numbers was distributed to the Board. An Internet address and home page for the Agency have also been created and implemented.

Chairman White then asked for an update on the costs related to a credit rating from Standard & Poor's, which had been discussed at the October Board meeting. Mr. Schoenbeck informed the Board that the expected cost would be $25,000, which would be an annual fee. Standard & Poor's has not yet submitted requested documentation on their proposal.

A subcommittee was then appointed by Chairman White to develop the request for proposal for bond underwriters. Mr. Douglas and Ms. Bradley were asked to join the Chairman on this committee, which will work with Mr. Schoenbeck and Mr. Hunt, as well as with Evensen Dodge, the Agency's financial consultants.

Mr. McNamara then reviewed the "FY97 Business Plan" as attached to his memo of December 3, included in the Board packet. Three pages from the original Strategic Plan were also attached, in order to further link Business Plan activity to the goals of the Strategic Plan. Mr. McNamara also thanked Ms. Parker for the re-design of the Business Plan to incorporate the goal statements from the Strategic Plan. The development of a Business Plan for FY97 had been deferred after Mr. Francis left; however, although the fiscal year is nearly half over, staff felt it was still important to create a Business Plan to outline activities already underway or that should begin soon based on target dates from the Strategic Plan. Mr. McNamara also stressed the need to develop a capital plan for information technology, which could include further review of a document imaging system. Several topics, such as loan scoring, appear in this Business Plan for the first time, although they were not projected during the Strategic Planning process. Mr. McNamara also noted the efforts of Ms. Gent and other department directors to gather together the required information to develop this Business Plan. Chairman White and Mr. Seelig both expressed appreciation for the new format and the incorporation of Strategic Plan goals.

Mr. Seelig then asked about the evaluation methods for the Homeownership Centers created in collaboration with three nonprofits in Vermont. Ms. Gent informed the Board that formal evaluations will not be undertaken until the spring, close to the end of the fiscal year, to give the Homeownership Centers time to get their activities underway. Ms. Canney pointed out that potential borrowers often go directly to a broker or lender, and an important link would be to have those borrowers who may not yet qualify be referred to a Homeownership Center for counseling or other guidance. Mr. Hunt concurred, noting that Homeownership Centers also need to do outreach to a broad base of realtors, rather than relying solely on the Agency's Outreach Program Manager. Upon a motion made by Ms. Canney and seconded by Mr. Seelig, the FY97 Business Plan was unanimously adopted as presented.

{Mr. Douglas left the meeting at this time.}

The "Evaluation of Down Payment Assistance Loans" was the next topic for Board discussion, as per Ms. Gent's memo of December 1, included in the Board packet. The delinquency statistics are comparable for both past due and foreclosure rates. Loans from the IORTA pool are performing positively in comparison with the 95 percent loan-to-value group. Ms. Gent also suggested that while quarterly analysis will continue to be performed, the results will be reported to the Board only twice each year, provided the comparison continues to be favorable. This was met with general approval by the Board, although no formal action was taken. Ms. Gent noted that loans in this study at the end of September had a lower delinquency rate than the remainder of the VHFA loan portfolio.

The Board then acknowledged receipt of the "Multifamily Director's Report" as presented in Mr. Falzone's memo of November 22, included in the Board packet. Mr. Hunt reported that the rehabilitation of Winchester Place has been completed, slightly under budget, with the project performing slightly better than the budget expected. Merchants Bank will be asked to contribute more to this project due to the improved performance. It also appears that a similar situation has developed at the Pine Meadow project in Middlebury, where repairs to trim boards are necessary; efforts are underway to determine the extent of the problem and an estimated cost for repairs. St. Johnsbury Housing Partnership continues to experience an operating loss due to lower than projected income, but they have filled three of the six vacancies reported.

Mr. Schoenbeck then distributed the Agency's financial statements for the first quarter of FY97, through September 30, 1996, which show income and expenses on target for the first quarter of the fiscal year. Surplus revenues in September 1995 totaled $890,000, which compares with this year's figure of $735,000; the primary difference is due to the system of reporting quarterly losses on single family properties during the current fiscal year. Mr. Schoenbeck also noted that the computer programs used by the Finance department were upgraded recently, causing a few problems and delays in producing the various financial reports. These problems are expected to be overcome in the next month, and the general fund budget performance report should be available at the January Board meeting.

After a motion made by Mr. Seelig and seconded by Mr. Candon, the Board voted unanimously to adopt the "Certified Resolution Regarding Federal Home Loan Bank of Boston Custodial Services and Trading Program" as attached to these minutes.

A motion was then made by Mr. Candon to adopt the "Resolution Relating to Election to Allocate and Carryforward 1996 Private Activity Bond Volume Cap Allocation" as attached to these minutes. After being seconded by Mr. Seelig, this motion carried unanimously.

The Board then considered the proposed delegation of authority for the Deputy Director. Upon a motion made by Mr. Seelig and seconded by Mr. Candon, the Board voted unanimously to adopt the "Resolution Regarding Deputy Director's Authority" as attached to these minutes.

There being no further business, following a motion duly made and seconded, the meeting was adjourned at 4:15 p.m.

Respectfully submitted,

Allan S. Hunt, Secretary

RESOLUTION PERTAINING TO COMMITMENT LETTER
RE: ESSEX TOWN CENTER

WHEREAS, a proposal has been presented to the Agency by Homestead Design, Inc., a developer located in Williston (the "Sponsor") on behalf of a to-be-formed limited partnership, one of whose general partners would be Homestead Design, Inc., involving the permanent financing of a mixed-use development in Essex containing 44 units in one building located on 15 acres in Essex (the "Development"); and

WHEREAS, the proposal contemplates permanent financing in an amount not to exceed $2,250,000; and

WHEREAS, the Sponsor has received a reservation of Low Income Housing Tax Credits and has received a decision of the Essex Town Selectboard granting it a tax stabilization agreement for ten years; and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi dated December 4, 1996 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

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

2. The construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.

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

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

5. The amount of the Agency's loan after the rehabilitation will not exceed 95% of the security value of the Development.

6. The Sponsor is a financially responsible organization and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a Letter of Commitment to provide permanent financing through two loans in shared first lien position: one loan with a principal amount of up to $2,015,742, with a loan amortization of 30 years and term of 20 years, and interest rate at the Agency's cost of funds plus one point (currently 8.0%); and a second loan with a principal amount of up to $201,302, with a loan amortization of 10 years and term of 10 years, and interest rate at the Agency's cost of funds plus one point (currently 7.65%). The Commitment Letter may contain language providing that should the Agency's cost of funds increase so that, in the reasonable judgment of the Executive Director, the project is no longer financially feasible, the commitment of the Agency may be terminated. The source of funds is to be determined by the Executive Director. The Letter of Commitment shall be conditioned on the sponsor providing the following:

   a) Sponsor must provide an appraisal, satisfactory to staff, that indicates a loan-to-value ratio of no more than 95%.

   b) Sponsor must provide sufficient data to staff, which may include an independent market study, that indicates a demand for the proposed residential units, consistent with the proposed unit rents and lease-up schedule.

   c) Sponsor must provide a Level I Environmental Site Assessment, satisfactory to staff, indicating that the site is free from any adverse environmental or topographical conditions.

   d) Sponsor must provide an agreement with the town, satisfactory to staff, that provides a tax abatement of not less than $30,000 per year for a ten year period.

   e) Sponsor must provide a local or statewide non-profit be given an option to purchase the development after the 15 year compliance period for a price equal to the outstanding balance of debt plus "exit" taxes, as described in Section 42 (i)(7)(B) of the Internal Revenue Code.

   f) Sponsor must provide documentation of cost reasonableness satisfactory to staff for the building hard costs, land acquisition cost by the partnership, and architectural costs.

2. The commitment of the Agency shall be subject to receipt, on or before the date of the closing, as set out in the Commitment Letter, of commitment fees in an amount equal to one percent (1.0%) of the maximum principal amount of the permanent loan.

3. The Executive Director, the Deputy Director and the Director of Finance, or any of them, are authorized to take all necessary steps and execute all documents required to effectuate these loans.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on December 11, 1996.

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

RESOLUTION PERTAINING TO COMMITMENT LETTER
RE: HOLY CROSS SENIOR HOUSING

WHEREAS, a proposal has been presented to the Agency by Lake Champlain Housing Development Corporation ("LCHDC") and Holy Cross Senior Housing Corporation ("Holy Cross"), two non-profit corporations based in Chittenden County, (the "Sponsors") on behalf of a to-be-formed limited partnership, whose general partners would include LCHDC, Holy Cross and an Housing Vermont affiliate, involving the construction and permanent financing of a senior housing development containing 40 units in two buildings located on 7 acres in Colchester (the "Development"); and

WHEREAS, the proposal contemplates construction and permanent loans in an amount not to exceed $560,000; and

WHEREAS, the Agency has issued a letter of interest to the Sponsors pursuant to a resolution dated June 13, 1996; and

WHEREAS, the Sponsors have received a reservation of Low Income Housing Tax Credits and have applied for Community Development Block Grant funds; and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cindy Reid dated December 4, 1996 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

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

2. The construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.

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

4. The housing sponsor undertaking the Development will increase the supply of well-planned, well-designed permanent 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 organizations and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a Commitment Letter for construction and permanent financing of up to $560,000. The construction loan will have a term of one year with the rate to be determined by the Executive Director. The permanent loan will be structured as three loans, with the first being up to $75,000 for 10 years, the second being up to $135,000 for 15 years, and the third being up to $350,000 for 20 years. Each loan will be amortized for the same period as its term. The interest rate will be based on the cost of funds to the Agency plus .75. The source of funds is a Federal Home Loan Bank non-member advance. The commitment of the Agency is conditioned upon the following:

   a) Sponsor must obtain Town Planning Commission approval and final Act 250 approval;

   b) Sponsor must incur 10% of "reasonably expected eligible basis" costs by December 18, 1996;

   c) Sponsor must provide written estimate of taxes from the Town of Colchester, and such estimate must be financially feasible for the project;

   d) Cost reasonableness must be demonstrated either by evidence of competitive bidding, or by an independent cost estimate.

2. The commitment of the Agency shall be subject to receipt, on or before the date of the applicable closing, as set out in the Commitment Letter, of commitment fees in an amount equal to one percent (1.0%) of the maximum principal amount of the construction loan and one percent (1.0%) of the maximum principal amount of the permanent loan.

3. The Executive Director, the Deputy Director and the Director of Finance, or any of them, are authorized to take all necessary steps and execute all documents required to effectuate these loans.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on December 11, 1996.

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

RESOLUTION REGARDING 600 DALTON DRIVE

WHEREAS, on August 16, 1996, the Agency approved a $275,000 loan at 0% interest to Dalton Drive Neighborhood, Inc. (the "Loan") to be used for the lease-purchase of 600 Dalton Drive by a historic tax credit partnership including Burlington Community Land Trust, Inc. (the "Partnership"); and

WHEREAS, the structure that was to be used in connection with the Loan has been superseded by a proposed assumption of the current VHFA loan to DDNI by the partnership acquiring the building at 600 Dalton Drive; and

WHEREAS, the Board has been apprised of the outline of the proposed assumption and modification of the VHFA loan in a memorandum dated December 4, 1996 (the "Memorandum"); and

WHEREAS, it is advisable to repeal the resolution approved by the Board on August 16, 1996 and to approve the new structure devised for 600 Dalton Drive;

NOW, THEREFORE, it is hereby RESOLVED:

1. The resolution of the Board dated August 16, 1996 concerning the 600 Dalton Drive property is hereby repealed and declared to be of no further force and effect.

2. The structure described in the Memorandum is hereby approved. The loan to be assumed by the to-be-formed partnership shall accrue interest at a rate of 0% until the property is no longer used primarily for low and moderate income persons and families, at which time interest shall begin to accrue at a rate of 6% per annum.

3. The Executive Director, Deputy Director and Director of Finance are authorized to take all steps necessary and to execute all documents required to achieve the sale of the building from Dalton Drive Neighborhood, Inc. to the Partnership.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on December 11, 1996.

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

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

RESOLVED:

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

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on December 11, 1996.

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

RESOLUTION RELATING TO
ELECTION TO ALLOCATE AND CARRYFORWARD
1996 PRIVATE ACTIVITY BOND
VOLUME CAP ALLOCATION

WHEREAS, the Vermont Housing Finance Agency (the "Agency") has not been allocated any 1996 private activity bond volume cap by the State of Vermont, but carried forward from 1995 $105,175,000 in volume cap, which was allocated for qualified mortgage bonds and mortgage credit certificates; and

WHEREAS, the Agency expects to be allocated additional private activity bond volume cap by the State of Vermont before the end of the current year; and

WHEREAS, the Agency desires to elect to utilize any additional volume cap for qualified mortgage bonds and mortgage credit certificates; and

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

NOW, THEREFORE, it is hereby RESOLVED:

1. If the Vermont Housing Finance Agency is allocated any additional volume cap by the State of Vermont on or after December 11, 1996, it elects to allocate all of such additional volume cap for the purposes of issuing qualified mortgage bonds or mortgage credit certificates.

2. The Vermont Housing Finance Agency elects to carry forward all of its unused volume cap pursuant to section 146 of the Internal Revenue Code of 1986 for the purposes of issuing qualified mortgage bonds or mortgage credit certificates.

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

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on December 11, 1996.

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

RESOLUTION REGARDING DEPUTY DIRECTOR'S AUTHORITY

WHEREAS, Michael McNamara was recently appointed as Deputy Director of the Agency; and

WHEREAS, it is desirable and necessary for the Board of Commissioners to authorize Michael McNamara to perform certain acts,

NOW, THEREFORE, it is hereby:

RESOLVED, the Deputy Director shall have the power to sign any documents and perform any acts the Executive Director may sign or perform in the absence of, or at the direction of the Executive Director.

RESOLVED, in addition to the officers specified as "Authorized Officers" under particular bond resolutions of the Agency, the Deputy Director shall be an "Authorized Officer" within the meaning of any and every bond resolution of the Agency whether now existing or to exist in the future.

RESOLVED, in addition to the persons listed in the Resolution of the Board dated July 25, 1996, the following person shall be authorized to sign checks drawn against the Agency's General Fund:

Deputy Director ____________________ Michael McNamara

Any acts taken or documents signed by Michael McNamara as Deputy Director of the Agency since October 17, 1996, are hereby ratified by the Agency.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on December 11, 1996.

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

RESOLUTION PERTAINING TO
FEDERAL HOME LOAN BANK OF BOSTON ADVANCES

WHEREAS, the Agency has applied to the Federal Home Loan Bank of Boston ("FHLB") for approval as a nonmember borrower and such approval has been granted; and

WHEREAS, the Federal Housing Finance Board has approved the FHLB's request to lend to the Agency; and

WHEREAS, the approval secured by the Agency will enable the Agency to obtain advances from the FHLB at favorable interest rates to be used for loans to housing sponsors and for other purposes; and

WHEREAS, the FHLB requires approval of an authorizing resolution;

THEREFORE, it is hereby RESOLVED:

That any one of the following persons, all of whom are duly qualified officers of the Vermont Housing Finance Agency,

Allan S. Hunt	Allan S Hunt
Name	Signature
Roger A. Schoenbeck	Roger A Schoenbeck
Name	Signature
Michael F. McNamara	Michael F. McNamara
Name	Signature

be and they are hereby authorized to apply to the Federal Home Loan Bank of Boston for advances, and to execute the Agreement for Advances, Collateral Pledge and Security Agreement presented at this meeting; to execute if required a note or notes, and to furnish and assign and substitute such collateral if any as may be required from time to time by the Bank as security for the payment and performance of any and all obligations due the Bank, and to extend, renew, or consolidate the advances obtained when convenience may require and the Bank will permit, and to make and execute such other agreements and do all things necessary in connection with such matters as may be required, provided only, that the advances obtained from said Bank and all other obligations due the Bank shall at no time exceed in aggregate unpaid principal the maximum permitted to this institution by the Federal Home Loan Bank Act, or any other Act or regulation applicable to this institution, or any written policy of the Federal Home Loan Bank of Boston. This authorization shall continue in effect until receipt by the said Bank of written notice of its amendment or revocation.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on December 11, 1996.

Allan S Hunt

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

CERTIFIED RESOLUTION OF BOARD OF COMMISSIONERS
REGARDING FEDERAL HOME LOAN BANK OF BOSTON
CUSTODIAL SERVICES AND TRADING PROGRAM

VERMONT HOUSING FINANCE AGENCY

I, Allan S. Hunt, certify that I am Secretary and an official custodian of minutes of the meetings of the Board of Commissioners of the Vermont Housing Finance Agency.

I further certify that the following resolution was duly adopted at a meeting of the Board of Commissioners of said institution held on December 11, 1996, and that such resolution remains in full force and effect:

WHEREAS, this institution wishes to utilize the custodial services of the Federal Home Loan Bank of Boston described in the "Custodial Services and Trading Agreement," it is

RESOLVED, that the Executive Director, Deputy Director and the Director of Finance of the institution be and each of them is hereby authorized and directed to execute and deliver to the Federal Home Loan Bank of Boston, on behalf of this institution, an agreement substantially in the form of the "Custodial Services and Trading Agreement" presented to this meeting and such further agreements, documents, or instruments as may be necessitated by this institution's participation in the Custodial Services and Trading Program.

FURTHER RESOLVED, that the Executive Director of the institution be and is hereby empowered to designate in writing the officers or employees of this institution authorized on its behalf to execute documents and to give written and oral instructions (including the use of facsimile signatures and the electronic transmissions thereof) pertaining to securities from time to time subject to safekeeping or to other transactions executed for this institution by said Bank in connection with its Custodial Services and Trading Program.

FURTHER RESOLVED, that the Federal Home Loan Bank of Boston shall be entitled to rely on any designation provided for herein in accepting and acting upon instructions given or documents executed by persons so designated until written notice of revocation or amendment of such designation shall have been received by said Bank.

IN WITNESS WHEREOF I have hereunto set my hand and seal of this Institution, this 12th day of December, 1996.

(Corporate Seal)

Allan S. Hunt

Secretary

Allan S. Hunt

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PAC
Cynthia Reid, Development Officer CR

DATE: January 30, 1997

RE: New Bridge Financing Initiative

SUMMARY OF REQUEST

In addition to loans made through the Vermont Housing Ventures Predevelopment Loan Program, VHFA has made loans to several nonprofit organizations to assist them with short term financing to develop housing for sale to lower income households. Examples include a bridge loan made to Regional Affordable Housing Corporation to assist them to acquire and rehabilitate mobile homes in their Willows Mobile Home Park and a loan to Lamoille Housing Partnership for the construction of a new home in Eden for a family with special needs. In the fall of 1996, VHFA staff met with a majority of the nonprofits in the state to determine financing needs, to discuss financing options currently available from VHFA and the Vermont Community Loan Fund (VCLF), and whether there were gaps in financing programs currently available.

In most cases there was a high level of interest by the nonprofits in being able to access a financing mechanism that would allow them to construct or acquire and rehabilitate homes for purchase or lease/purchase by lower income households. While VCLF does provide this type of financing, the average loan generally takes six weeks. Nonprofits have indicated that they need a program that will provide them with quick turn-around time to allow them to bid on HUD FHA and Rural Development owned homes and other affordable housing opportunities. Staff would like to offer a bridge financing program that would make available a total amount of up to $325,000 for the purpose of providing loans for up to a 36 month term. Like the Ventures Program, loans made through the Bridge Financing Initiative would be reviewed by staff for eligibility and a recommendation made for approval to the Executive Director, Deputy Director, or Director of Finance. The criteria and requirements for the Bridge Financing Program are outlined below.

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FAX: 802 / 864-5746 • Underwriting FAX: 802 / 863-5422 • home@vhfa.org

EQUAL HOUSING OPPORTUNITY

BRIDGE FINANCING INITIATIVE

Purpose/Funding Priorities/Amount of Available Funding

The purpose of the Bridge Financing Initiative is to create homeownership opportunities for individuals and families at or below 100% of median income. Eligible borrowers may use the program to construct a new home or acquire and rehabilitate an existing home for purchase or lease/purchase by an income eligible household. Priority for funding will be given to requests that include the purchase and rehabilitation of existing housing, that serve households at or below 80% of median income, and that will remain permanently affordable. Up to $325,000 in bridge financing may be outstanding at any one time.

Eligible Borrowers

An eligible borrower must meet the same requirements as the Vermont Housing Ventures Predevelopment Loan Program. In addition, the borrower must have demonstrated experience in rehabilitation management, property management, homeownership marketing, and homeownership financing.

Eligible Loans

Loans are available to finance the acquisition, acquisition and rehabilitation, or new construction of one and two-family homes for lease/purchase or purchase by individuals and families at or below 100% of median income (two-family homes must have been occupied as a residence five years from the date of purchase). New and existing mobile homes on owned land, long-term leased land, or in a VHFA approved mobile home park are also eligible.

If the home is being developed to meet the specific needs of an individual or a family, VHFA will review the current status of the proposed buyer and a plan prepared by the borrower to meet VHFA's eligibility requirements for its MOVE or HOUSE Programs during the period of the loan.

Interest Rates/Maximum Loan Term/Loan Fees

Loans for six months or less:	6%
Loans for six to twelve months:	7%
Loans for twelve to thirty-six months:	8%

The maximum loan term is thirty-six months.

Interest is payable monthly or quarterly. Interest during construction or rehabilitation may be included in the financing.

There will be a one percent (1%) loan origination fee payable at closing. All eligible housing development costs may be financed.

The loan may not exceed 100% of the "as completed" value of the home.

Source of Funding

The source of funding for the Bridge Financing Initiative is VHFA General Funds.

Other Requirements/Conditions to Advance Funds

- A copy of a signed Purchase and Sale Agreement;
- Current Residential Appraisal of Property indicating the "as is" and "as completed" value;
- Property Inspection Report;
- Rehabilitation plans and projected costs;
- Most recent audited financial statements of the borrower;
- First Mortgage or UCC Financing Statement for a mobile home in a mobile home park;
- Certificate of Hazard Insurance and Flood Insurance (if applicable);
- Opinion from Counsel of borrower as to title of the property;
- Corporate Resolution from the borrower.

BOARD ACTION REQUESTED

Staff requests approval of the attached Resolution to implement and operate the above described Bridge Financing Initiative and approval for the Executive Director, Deputy Director, or Director of Finance to approve individual requests for financing up to a maximum outstanding of $325,000.

VERMONT HOUSING FINANCE AGENCY
RESOLUTION REGARDING BRIDGE
FINANCING INITIATIVE

WHEREAS, the Agency has made loans to several nonprofit organizations to assist them with short term financing to develop housing for sale to lower income households; and

WHEREAS, staff has contacted a majority of the nonprofit housing organizations in the state to determine their financing needs; and

WHEREAS, in a memorandum dated January 30, 1997, (the "Memorandum") Patricia Crady and Cynthia Reid recommend establishing a bridge financing initiative that would make a total amount of $325,000 available to nonprofits for a maximum loan term of 36 months, subject to certain requirements and limits outlined in the Memorandum; and

WHEREAS, pursuant to 10 V.S.A. §621(5), the Agency is authorized to provide grants, loans or advances as will assist the planning, construction, rehabilitation and operation of residential housing primarily for persons of low and moderate income;

NOW, THEREFORE, it is hereby RESOLVED:

The recommendations of staff contained in the Memorandum are adopted by the Agency, a bridge financing initiative for nonprofits is approved, and the Executive Director is authorized to implement the program as described in the Memorandum.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PAC
Cynthia Reid, Development Officer CR

DATE: January 30, 1997

RE: Vermont Housing Ventures -- Changes

SUMMARY OF REQUEST

VHFA created the Vermont Housing Ventures Program in 1988 to promote and assist nonprofit housing development. In the nine years the program has been in operation, VHFA has approved over $1 million in Ventures loans to 55 different projects. Ventures was initially funded with $250,000 from VHFA General Funds. At the June 1995 meeting, the Board approved a temporary increase in funding for this program to an amount of $325,000. Nonprofits have reported that Ventures plays a vital role in providing pre-development capital. Before ground is broken, a host of expensive activities, such as architectural design, cost estimating, legal and consulting services, marketing studies and appraisals must be completed. Nonprofit corporations do not have the resources of a private developer or assets to pledge as collateral for bank loans. Ventures provides this key piece of financing at a low cost, with quick approvals, and with flexibility.

Nonprofits have also reported that in some instances, the maximum loan amounts are not adequate to complete all of the work necessary to move toward a construction or permanent closing. This is especially true with smaller projects. Staff requests approval of higher loan amounts and discretion for the Executive Director, Deputy Director, or Director of Finance to approve higher loan amounts when warranted by the facts of a specific project, and approval to establish a new permanent funding level of $325,000 for the program. Staff also requests that the definition of an eligible borrower be expanded to include public purpose entities. The above described changes and other Ventures program criteria are outlined below.

VENTURES PROGRAM FEATURES/PROPOSED CHANGES

<u>Total Available Funding:</u> *Current:* *$250,000*

Proposed ***$325,000***

Interest rate: *3%*

Repayment Term

3 years maximum, with payment deferred until construction closing. In some instances, VHFA allows all or a portion of a Ventures loan to be deferred until permanent closing. If a deferral is approved, the interest rate is increased to 8%.

Maximum Loan Amounts

Current:	*Up to 10 units -*	*$15,000 or $2,000/unit (whichever is less)*
	11-35 units -	*$40,000 or $1,500/unit (whichever is less)*
	35 units or more -	*$50,000 or $1,000/unit (whichever is less)*
Proposed:	***Up to 10 units -***	***$25,000 or $3,000/unit (whichever is less)***
	11-35 units -	***$50,000 or $2,500/unit (whichever is less)***
	35 units or more -	***$60,000 or $1,500/unit (whichever is less)***

The Executive Director, Deputy Director, or Director of Finance may approve higher loan amounts, up to a maximum amount that is 25% higher than the proposed limits, when warranted by the facts of a specific project. An example of a situation that may warrant higher loan amounts are projects that have a very high likelihood of successful completion (all funding sources and permits are in place).

Eligible uses of funds

All mortgageable project-based pre-development costs are eligible including:

- *Architectural and engineering services;*
- *Financial packaging;*
- *Development consultants;*
- *Legal services;*
- *Appraisals;*
- *Environmental and/or historical certifications;*
- *Financing fees;*
- *Permit fees;*
- *Option agreements (must be refundable).*

Operating costs of staff, general administrative and office expenses are typically not eligible.

Eligible Borrowers

Current: *1. Nonprofit corporations incorporated under Chapter 19 of Title 11 of the Vermont Statutes Annotated (VSA), or*
2. Cooperative housing corporations organized under Title 11, VSA Chapter 14, Section 1267, as limited equity cooperatives.

Proposed Change: In addition to the above borrowers, eligible borrowers will also include municipalities or public purpose entities such as regional planning and development corporations.

Evaluation Criteria

Applications are evaluated on the basis of the following criteria (in order of importance):

1. *Project's overall likelihood to successful completion;*
2. *Public benefits and numbers served;*
3. *Project's provisions for persons or families with special needs;*
4. *Extent and leverage of project funding from other sources;*
5. *Evidence of broad community support, especially from community and government leaders;*
6. *Use of mechanisms for long-term or perpetual affordability;*
7. *Ability of prospective residents to participate in the planning and implementation of the project, where this is appropriate.*

Project Requirements

Normally, 100% of the units should be targeted for occupancy by persons or families whose incomes are at or below 100% of area median income (as defined by HUD). VHFA may under special circumstances allow up to 25% of the units to be occupied by persons and families with higher incomes.

Eligible properties for Ventures loans include:

- *Single-family homes (1-4 units);*
- *Multifamily apartments (5 or more units);*
- *Group homes for the disabled;*
- *Transitional housing;*
- *Congregate homes;*
- *Emergency shelters for the homeless or displaced;*
- *Single-room occupancy (SRO) facilities;*
- *Cooperative housing;*
- *Mobile home parks.*

BOARD ACTION REQUESTED

Staff requests approval of the attached resolution and changes to the Vermont Ventures program including: 1) total available funding, 2) maximum loan amounts, 3) eligible borrowers, as outlined above.

VERMONT HOUSING FINANCE AGENCY
RESOLUTION REGARDING CHANGES TO
VERMONT HOUSING VENTURES PROGRAM

WHEREAS, the Agency created the Vermont Housing Ventures Program in 1988 to assist nonprofit housing development activities; and

WHEREAS, in June, 1995, the Agency approved a temporary increase in total funding for the Ventures Program from $250,000 to $325,000; and

WHEREAS, in a memorandum dated January 30, 1997, (the "Memorandum") Patricia Crady and Cynthia Reid recommend certain changes to the Ventures Program, including, but not limited to, setting the total funding limit at $325,000, increasing the maximum loan amounts, giving the Executive Director, Deputy Director and Director of Finance limited discretion to approve loan amounts in excess of those established, and adding certain borrowers to the list of eligible borrowers; and

WHEREAS, pursuant to 10 V.S.A. §621(5), the Agency is authorized to provide grants, loans or advances as will assist the planning, construction, rehabilitation and operation of residential housing primarily for persons of low and moderate income;

NOW, THEREFORE, it is hereby RESOLVED:

The recommendations of staff contained in the Memorandum regarding changes to the Vermont Housing Ventures Program are adopted by the Agency and the Executive Director is authorized to put such changes into effect.

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Development Officer CR

DATE: January 31, 1997

RE: Holy Cross Senior Housing - Letter of Commitment for Permanent Financing

EXECUTIVE SUMMARY

On December 11, 1996, the Board approved issuance of a Letter of Commitment for construction and permanent financing of up to $560,000 for the Holy Cross Senior Housing development in Colchester, a 40 unit new construction project. The sponsor, Lake Champlain Housing Development Corporation (LCHDC), is now requesting a $155,000 increase in the loan amount due to higher than anticipated construction costs.

INCREASED LOAN AMOUNT REQUESTED

Construction costs were higher than anticipated due to several reasons. The cost estimating performed by the architect proved to be inaccurate. Construction bids came in significantly higher than the budget; originally construction costs were estimated at $57 per square foot; the per square foot cost per the construction contract (after deducts and adjustments) is $65. This higher figure is still well within the range of other projects VHFA has recently financed. Secondly, some of the items included in the specifications were too expensive for the project. By increasing the amount of modular construction (originally the two residential wings of the building were modular and the connecting common area was stick built), and through a process of adjusting some items and deducting others, (for example downgrading an expensive carpet type to an acceptable but less costly type, using a less complicated roof system which involves eliminating hip sets and scissor trusses and installing a pitched roof, and substituting fiberglass shingles for asphalt), the construction costs were lowered to the $65 per square foot level. Housing Vermont (HVT) used a competitive bidding process, and received four bids before awarding a construction contract to Burrcon Inc.; the sub contractor is Huntington Homes. HVT, LCHDC, Cathedral Square Corporation, and Holy Cross Senior Housing Corporation (HCSHC) have all agreed to the construction changes.

At its previous commitment level, VHFA's loan to value was 42%; the higher loan amount of $715,000 raises the loan to value to 54%. The debt coverage ratio was 103%; the higher loan

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amount and reduced property tax liability has raised the debt coverage ratio to 111%. See attached budgets and cash flow.

CONSTRUCTION BID PROCESS

Staff has some concern regarding the construction bid process. While it is inappropriate to go out to bid again as a construction contract has been signed, we have inquired as to why the project wasn't re-bid prior to changing the specs to accomplish over $400,000 in savings. Housing Vermont chose the lowest of four bidders and negotiated adjustments and deducts with that construction firm, through a combination of design and finish changes. Housing Vermont has extensive experience in overseeing construction bids, and made an internal decision to choose the lowest qualified bidder and negotiate reductions with them.

PREVIOUS LETTER OF COMMITMENT - STATUS OF CONDITIONS

Sponsor must obtain Town Planning Commission approval and final Act 250 approval:

> The project received preliminary and final plat approval from the Colchester Planning Commission on December 11, 1996. The Act 250 Permit was issued on December 23, 1996; the 30 day appeal period which followed ended with no appeals, thereby finalizing the Permit.

Sponsor must incur 10% of "reasonably expected eligible basis" costs by December 18, 1996:

> The project did incur 10% of its reasonably expected eligible basis costs.

Sponsor must provide written estimate of taxes from the Town of Colchester, and such estimate must be financially feasible for the project:

> The project can afford the higher debt service payments mainly due to an agreement between the Town of Colchester and HCSHC for a payment in lieu of taxes, approved by the Colchester Selectboard on January 28, 1997. Under this fifteen (15) year agreement, the project will pay $0 annually for the first five years, $1,500 annually for the next five years, and $3,000 annually for the final five years. A 20 day period follows the meeting, in which 5% of the voters may petition the Selectboard to vote on disapproving the agreement at a special town meeting. If there is no petition, the agreement becomes effective after the 20 day period expires.

Cost reasonableness must be demonstrated either by evidence of competitive bidding, or by an independent cost estimate.

As stated above, the project was competitively bid, and the construction costs are within the range of other new construction projects we have recently financed.

RECOMMENDED BOARD ACTION

Staff recommends that the Board authorize an amendment to the commitment letter dated December 23, 1996 to increase the $560,000 loan to Holy Cross Senior Housing Corporation to $715,000 (attached resolution). The construction loan will have a term of one year with rate to be determined by the Executive Director. The permanent loan will be structured as three loans (as one first mortgage), the first with a principal amount of $45,000 and a term of 10 years, the second with a principal amount of $60,000 and a term of 15 years, and the third with a principal amount of $610,000 and a term of 20 years. Each loan will be amortized for the same period as its term. The interest rate will be based on the cost of funds to VHFA plus .75% (at this time the underwriting rates are 8.2%, 8.35% and 8.5% respectively; based on current Federal Home Loan Bank rates, these underwriting rates are achievable). The source of funds is a Federal Home Loan Bank non-member advance. The loan is conditioned upon the following:

1. Sponsor must provide copy of signed payment in lieu of taxes agreement from the Town of Colchester, and the terms of the agreement must be financially feasible for the project.

2. Sponsor must provide documentation of construction bid process satisfactory to VHFA staff, including the negotiated changes with the selected low bidder and clarification of the reasons for following this process.

RESOLUTION PERTAINING TO AMENDMENT TO COMMITMENT LETTER RE: HOLY CROSS SENIOR HOUSING

WHEREAS, a proposal has been presented to the Agency by Lake Champlain Housing Development Corporation ("LCHDC") and Holy Cross Senior Housing Corporation ("Holy Cross"), two non-profit corporations based in Chittenden County, (the "Sponsors") on behalf of a to-be-formed limited partnership, whose general partners would include Holy Cross and a Housing Vermont affiliate, involving an amendment to the commitment letter for the construction and permanent financing of a senior housing development containing 40 units in one building located on 7.7 acres in Colchester (the "Development"); and

WHEREAS, the original proposal contemplated construction and permanent loans in an amount not to exceed $560,000; and

WHEREAS, the Agency has issued a commitment letter to the Sponsors dated December 23, 1996 (the "Commitment Letter") pursuant to a resolution dated December 11, 1996; and

WHEREAS, the Sponsors have received a reservation of Low Income Housing Tax Credits and have received a commitment for Community Development Block Grant funds; and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated January 31, 1997 containing a recommendation to increase the maximum loan amount for the Development (the "Memorandum");

It is hereby DETERMINED:

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

2. The construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.

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

4. The housing sponsor undertaking the Development will increase the supply of well-planned, well-designed permanent 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 organizations and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to amend the Commitment Letter to provide for construction and permanent financing of up to $715,000. The construction loan will have a term of one year with the rate to be determined by the Executive Director. The permanent loan will be structured as three loans, with the first being up to $45,000 for 10 years, the second being up to $60,000 for 15 years, and the third being up to $610,000 for 20 years. Each loan will be amortized for the same period as its term. All three loans will be secured by the same mortgage deed. The interest rate will be based on the cost of funds to the Agency plus .75%. The source of funds is a Federal Home Loan Bank non-member advance.

2. The following conditions must be met:

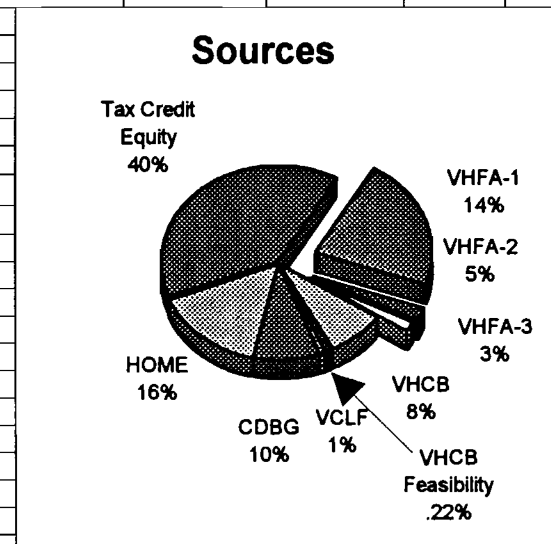
A. Sponsor must provide copy of signed payment in lieu of taxes agreement from the Town of Colchester, and the terms of the agreement must be financially feasible for the project.

B. Sponsor must provide documentation of construction bid process satisfactory to VHFA staff, including the negotiated changes with the selected low bidder and clarification of the reasons for following this process.

The remainder of the resolution dated December 11, 1996 is reaffirmed and remains in effect.

S:\DEVEL\LIHTC\PROJECTS\HOLYCROS\LOAN.WB1

Project:	Holy Cross Housing		RUN DATE:	30-Jan-97	
Total Residential Units:	40	Increase LIHTC		1.50%	
Restricted Units:	33	Increase Market		1.50%	
Percent Restricted:	81.62%	Expense increase:		3.00%	
Avg Net Monthly Rent:	459	Vacancy Rate:		5.00%	
Total Dev Costs	2,730,730	Partner's Tax Rate:		34.00%	
TDC/Unit	68,268	Depreciation Schedule:		27.5	
		Sponsor's Estimated Yield:		**67.31%**	
		Total Square Footage:		34,938	
Total Credit Amount	158,978	TDC/SF		$78.16	
Net Syndication	1,070,030				
LIHTC - 9%	8.55%	(May '96)			
LIHTC - 4%	3.66%				
FINANCING SOURCES					
	Amount	% of TDC	Interest	Term	Amort Period
VHFA Senior Debt 1	610,000	22.34%	8.50%	20	20
VHFA Senior Debt 2	60,000	2.20%	8.35%	15	15
VHFA Senior Debt 3	45,000	1.65%	8.20%	10	10
VHCB	215,000	7.87%	N/A	N/A	N/A
VCLF	35,000	1.28%	6.00%	5	5
Developer Loan	20,000	0.73%	5.00%	10	10
CDBG Deferred Debt	250,000	9.16%	1.00%	40	40
HOME Deferred Debt	420,000	15.38%	4.00%	30	30
VHCB Feasibility	5,700	0.21%	N/A	N/A	N/A
Tax Credit Equity	1,070,030	39.18%	N/A	N/A	N/A
	2,730,730	100.00%			
Gap:	0				
UNIT COST LIMIT ANALYSIS					
Unit Size	Number				
1 Bedroom	36				
Unit Cost Limit	78,380				
2 Bedroom	4				
Unit Cost Limit	83,380				
Total Cost Limits:	3,155,200				
Total Units:	40				
Average:	78,880	LIMIT			
Property Development Costs:	2,730,730				
Less Capital. Accts:	-13,500				
Subtotal:	2,717,230				
Average:	67,931	COST			



Holy Cross Housing		DEVELOPMENT BUDGET					30-Jan-97
			12/27/96			Acquisition	Rehab/Const
			Budget	Per Unit	Per s.f.	Credit	Credit
ACQUISITION & CONSTRUCTION							
Land							
Purchase of Building(s)						0	
Demolition							0
Rehabilitation							0
New Buildings			2,106,000	52,650	61		2,106,000
Interiors							0
Sitework			0				0
Off-site Improvement and Fees							0
General Requirements		0.00%					0
Contractor Overhead		0.00%					0
Contractor Profit		0.00%					0
Construction Contingency		3.00%	63,180	1,580	2		63,180
Clerk of the Works			1,000	25	0		1,000
Landscaping							0
Transfer Taxes							0
Construction Bond Fee			0				0
APPLIANCES			32,665	817	1		32,665
Subtotal			2,202,845	55,071	65	0	2,202,845
PROFESSIONAL SERVICES							
Architect Fee / Engineering			121,166	3,029	5		121,166
Architect Fee - Supervision							0
Engineering							0
Legal/Accounting			10,000	250	0		7,500
Archeological Survey			3,850	96	0		3,850
Testing			1,000	25	0		1,000
Attorney							0
Legal - Title & Recording			4,000	100	0		0
Subtotal			140,016	3,500	5	0	133,516
INTERIM COSTS							
Construction Insurance/Taxes			4,000	100	0		3,000
Construction Interest			38,000	950	1		28,500
Construction Loan Origination Fee							0
Lender Costs							0
Other							0
Subtotal			42,000	1,050	2	0	31,500
OTHER SOFT COSTS							
Property Appraisal			2,000	50	0		2,000
Market Study							0
Environmental Report							0
Permits/Fees			37,894	947	1		37,894
Other/Contingency			5,000	125	0		3,750
Tax Credit Fees			4,700	118	0		4,700
Marketing			25,000	625	1		
Subtotal			74,594	1,865	3	0	48,344
FINANCING FEES & EXPENSES							
Credit Report							
Permanent Loan Origination Fee			17,775	444	1		
Credit Enhancement							
Cost of Issuance							
Title & Recording							
Counsel's Fee							
Other							
Subtotal			17,775	444	1	0	5,866
SYNDICATION COSTS							
Organizational (Partnership)							
Bridge Loan Fees & Expenses							
Tax Opinion							
Subtotal						0	0
DEVELOPMENT FEES							0
Housing Vermont Fee			120,000	3,000	5		120,000
Local Non-Profit Fee			120,000	3,000	5		120,000
Subtotal		9.69%	240,000	6,000	9	0	240,000
PROJECT RESERVES							
Rent-up (Deficit Escrow) Reserve							
Replacement Reserve							
Working Capital			13,500	338	1		
Tax Reserve Account							
Subtotal			13,500	338	1	0	0
TOTAL DEVELOPMENT COSTS			2,730,730	68,268	86	0	2,662,071

Holy Cross Housing		INCOME & EXPENSE BUDGET			30-Jan-97		
		INCOME					
RENTS							
Restricted Units						Total	
Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Annual Rent	Affordability
1 Br		620	12	445	0	64,080	50%
2 Br		800	2	565	0	13,560	53%
1 Br	HOME	620	6	320	0	23,040	36%
1 Br	HOME	620	13	490	0	76,440	55%
	Totals	20,820	33			177,120	
Market Rate Units						Total	
Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Annual Rent	
1 Br		620	5	625	0	37,500	71%
2 Br		794	2	725	0	17,400	68%
	Totals	4,688	7			54,900	
All Units							
	Grand Totals	25,508	40			232,020	
		Less Vacancy	5.00%			-11,601	
Square Footage					NET RENT	220,419	
Total LIHTC	20,820	**OTHER INCOME**					
Total Market	4,688				Monthly	Annual	
Total Residential	25,508	Interest Income					
Common Area	8,924	Laundry			200	2,400	
Total Square Footage	34,432	Other - Cable TV			292	3,504	
LIHTC SF	81.62%	Total Other Income				5,904	
					TOTAL IN	226,323	

Holy Cross Housing	EXPENSE BUDGET			30-Jan-97
			Per Unit	
	Annual	Monthly	Per Month	
Administration				
Management Fee	19,000	1,583	40	7.99%
Project salary & benefits	9,000	750	19	
Supportive Services	9,000	750	19	
Audit/Accounting	4,000	333	8	
Administrative Expenses	320	27	1	
Telephone	1,500	125	3	
Office Expenses	500	42	1	
VHFA Monitoring fee	960	80	2	
HVT fee	3,000	250	6	
Other				
TOTAL ADMINISTRATIVE	47,280	3,940	99	
Utilities				
Water/Sewer	4,800	400	10	
Electric	18,000	1,500	38	
Fuel	9,800	817	20	
Cable	3,400	283	7	
Fire Alarm/Emergency Call	2,500	208	5	
TOTAL UTILITIES	38,500	3,208	80	
Maintenance				
Trash Removal	2,700	225	6	
Snow Removal	2,800	233	6	
Grounds	2,800	233	6	
Repairs/Materials	1,800	150	4	
Repairs/Contract	4,500	375	9	
Paint/Decorating	800	67	2	
Exterminating	400	33	1	
Elevator Contract	4,000	333	8	
Janitor	10,000	833	21	
Janitorial Supplies	1,700	142	4	
TOTAL MAINTENANCE	31,500	2,625	66	
Taxes (years 1-5)	0	0	0	
Insurance	5,000	417	10	
Replacement Reserves	9,090	758	19	
Other				
Total	131,370	10,948	274	
Years 5-10:				
Taxes	3,000	250	6	
Years 10-15:				
Taxes	5,000	417	10	

30-Jan-97	Holy Cross Housing			PRO FORMA						
	Year	1	2	3	4	5	6	7	8	9	10
Residential Rent		232,020	235,500	239,033	242,618	246,258	249,951	253,701	257,506	261,369	265,289
Less Res Vacancy		-11,601	-11,775	-11,952	-12,131	-12,313	-12,498	-12,685	-12,875	-13,068	-13,264
Plus Other Income		5,904	5,993	6,082	6,174	6,266	6,360	6,456	6,553	6,651	6,751
Total Actual Income		226,323	229,718	233,164	236,661	240,211	243,814	247,471	251,183	254,951	258,775
Less Operating Expense		122,280	125,948	129,727	133,619	137,627	141,756	146,009	150,389	154,901	159,548
Less Property Taxes		**0**	**0**	**0**	**0**	**0**	**1,500**	**1,500**	**1,500**	**1,500**	**1,500**
Less Reserves		9,090	9,226	9,365	9,505	9,648	9,793	9,939	10,088	10,240	10,393
Net Operating Income		94,953	94,543	94,072	93,537	92,936	90,766	90,023	89,206	88,311	87,334
Less Senior Debt Service		77,161	77,161	77,161	77,161	77,161	77,161	77,161	77,161	77,161	77,161
Less Junior Debt Service		8,120	8,120	8,120	8,120	8,120	0	0	0	0	0
Cash Flow		9,673	9,263	8,792	8,257	7,656	13,605	12,863	12,045	11,150	10,174
Less Developer Loan Payment		0	2,542	5,335	4,760	4,798	7,251	0	0	0	0
Less Operating Subsidy		0	0	0	0	0	0	0	0	0	0
Net Cash		9,673	6,721	3,457	3,497	2,858	6,354	12,863	12,045	11,150	10,174
DCR (not incl. Developer Loan)		111.34%	110.86%	110.31%	109.68%	108.98%	117.63%	116.67%	115.61%	114.45%	113.19%
Cumulative Cash Flow											
Beginning Balance		0	9,769	16,753	20,579	24,523	27,899	34,875	48,564	61,701	74,197
Deposits		9,673	6,721	3,457	3,497	2,858	6,354	12,863	12,045	11,150	10,174
Withdrawals		0	0	0	0	0	0	0	0	0	0
Interest Income	2.00%	97	263	370	447	519	622	826	1,092	1,346	1,586
Ending Balance		9,769	16,753	20,579	24,523	27,899	34,875	48,564	61,701	74,197	85,956
Cumulative Replacement Reserves	2.00%	9,090	18,498	28,233	38,303	48,717	59,483	70,612	82,113	93,995	106,269

30-Jan-97	Holy Cross H										
	Year	11	12	13	14	15	16	17	18	19	20
Residential Rent		269,269	273,308	277,407	281,568	285,792	290,079	294,430	298,846	303,329	307,879
Less Res Vacancy		-13,463	-13,665	-13,870	-14,078	-14,290	-14,504	-14,722	-14,942	-15,166	-15,394
Plus Other Income		6,852	6,955	7,059	7,165	7,272	7,381	7,492	7,604	7,719	7,834
Total Actual Income		262,657	266,597	270,596	274,655	278,775	282,956	287,201	291,509	295,881	300,319
Less Operating Expense		164,334	169,264	174,342	179,572	184,959	190,508	196,224	202,110	208,174	214,419
Less Property Taxes		**3,000**	**3,000**	**3,000**	**3,000**	**3,000**	**28,043**	**28,885**	**29,751**	**30,644**	**31,563**
Less Reserves		10,549	10,708	10,868	11,031	11,197	11,365	11,535	11,708	11,884	12,062
Net Operating Income		84,774	83,625	82,386	81,051	79,619	53,040	50,557	47,939	45,180	42,276
Less Senior Debt Service		70,552	70,552	70,552	70,552	70,552	63,525	63,525	63,525	63,525	63,525
Less Junior Debt Service		0	0	0	0	0	0	0	0	0	0
Cash Flow		14,222	13,074	11,834	10,500	9,067	-10,485	-12,967	-15,586	-18,344	-21,249
Less Developer Loan Payment		0	0	0	0	0	0	0	0	0	0
Less Operating Subsidy		0	0	0	0	0	10,485	12,967	15,586	18,344	21,249
Net Cash		14,222	13,074	11,834	10,500	9,067	0	0	0	0	0
DCR (not incl. Developer Loan)		120.16%	118.53%	116.77%	114.88%	112.85%	83.50%	79.59%	75.47%	71.12%	66.55%
Cumulative Cash Flow											
Beginning Balance		85,956	102,040	117,285	131,583	144,819	156,873	149,421	139,313	126,357	110,357
Deposits		14,222	13,074	11,834	10,500	9,067	0	0	0	0	0
Withdrawals		0	0	0	0	0	-10,485	-12,967	-15,586	-18,344	-21,249
Interest Income	2.00%	1,861	2,172	2,464	2,737	2,987	3,033	2,859	2,630	2,344	1,995
Ending Balance		102,040	117,285	131,583	144,819	156,873	149,421	139,313	126,357	110,357	91,102
Cumulative Replacement Reserves	2.00%	118,943	132,030	145,539	159,480	173,867	188,709	204,018	219,806	236,086	252,870

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: December 31, 1996

RE: Single Family Program Activity Report For December, 1996

MORTGAGE PURCHASE PROGRAMS

Month	No.	Amount	Previous Year	No.	Amount
Reservations	50	$ 3,456,787		53	$ 3,539,405
Purchases	77	$ 5,313,634		80	$ 5,270,113

Period to Date	No.	Amount	Previous Year	No.	Amount
Reservations	1231	$82,315,238		1129	$71,895,702
Purchases	836	$56,097,440		837	$54,134,939

MORTGAGE PLUS

Month	No.	Amount	Previous Year	No.	Amount
Reservations	4	$ 354,100		4	$ 336,265
Issued	12	$ 866,995		6	$ 463,562

Period to Date	No.	Amount	Previous Year	No.	Amount
Reservations	99	$ 7,403,836		58	$ 4,536,709
Issued	100	$ 7,626,402		107	$ 7,357,021

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

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: January 27, 1997

RE: Servicing Activity for December, 1996

SERVICING ACTIVITY

Collections:

Last months 90+ accounts:		76
New 90 day accounts:	20	
Reductions:		
To foreclosure/DIL	5	
To 60 days or less:	11	
Under payment arrangement:	22	
Modifications:		
90+ accounts:		80
In Foreclosure:		
Last months foreclosure accounts:		47
New foreclosures:	5	
To REO:	7	
Successful interventions:	1	
Negotiating workouts:	5	
Modifications:		
Foreclosure accounts:		44

Real Estate Owned:

Last months REO's:		45
New REO's:	7	
Properties sold:	1	
Properties under contract:	1	
REO's:		51

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

op/serv/servact.mem

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

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: DECEMBER, 1996

Lenders	Loans	30	Days	60	Days	90+	Days	Auth	FCL	Delinq		REO	
ALBANK, FSB	446	39	8.74%	12	2.69%	6	1.35%	4	0.90%	61	13.68%	3	0.67%
Banknorth Mortgage Co.	777	44	5.66%	7	0.90%	10	1.29%	6	0.77%	67	8.62%	2	0.26%
Bennington Co-op S&L Assoc.	40	1	2.50%	0	0.00%	0	0.00%	0	0.00%	1	2.50%	0	0.00%
Brattleboro Savings & Loan	22	3	13.64%	0	0.00%	0	0.00%	0	0.00%	3	13.64%	0	0.00%
Chittenden Bank	939	61	6.50%	16	1.70%	6	0.64%	6	0.64%	89	9.48%	4	0.43%
Citizens Savings Bank	105	6	5.71%	0	0.00%	1	0.95%	1	0.95%	8	7.62%	2	1.90%
Community National Bank	298	15	5.03%	0	0.00%	3	1.01%	0	0.00%	18	6.04%	1	0.34%
Factory Point Nat. Bank	35	1	2.86%	0	0.00%	0	0.00%	0	0.00%	1	2.86%	0	0.00%
First Brandon Nat. Bank	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
First Nationwide Mortgage	12	1	8.33%	0	0.00%	0	0.00%	0	0.00%	1	8.33%	0	0.00%
Fleet Mortgage	45	7	15.56%	1	2.22%	2	4.44%	0	0.00%	10	22.22%	0	0.00%
GMAC Mortgage	2	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Granite Bank (NH)	2	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Graystone Mortgage Company	491	27	5.50%	13	2.65%	13	2.65%	5	1.02%	58	11.81%	12	2.44%
Lyndonville Savings Bank	57	1	1.75%	0	0.00%	1	1.75%	0	0.00%	2	3.51%	0	0.00%
Merchants Bank	305	12	3.93%	1	0.33%	1	0.33%	5	1.64%	19	6.23%	3	0.98%
Mortgage Service Ctr. of NE	89	6	6.74%	3	3.37%	1	1.12%	1	1.12%	11	12.36%	4	4.49%
National Bank of Middlebury	64	3	4.69%	0	0.00%	0	0.00%	0	0.00%	3	4.69%	0	0.00%
New England Federal CU	45	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Northfield Savings Bank	121	4	3.31%	2	1.65%	1	0.83%	1	0.83%	8	6.61%	0	0.00%
Passumpsic Savings Bank	170	9	5.29%	4	2.35%	2	1.18%	1	0.59%	16	9.41%	3	1.76%
Peoples Trust Co.	97	9	9.28%	0	0.00%	4	4.12%	0	0.00%	13	13.40%	0	0.00%
Randolph National Bank	43	1	2.33%	0	0.00%	1	2.33%	0	0.00%	2	4.65%	0	0.00%
Union Bank	169	9	5.33%	4	2.37%	7	4.14%	0	0.00%	20	11.83%	2	1.18%
Vermont Development CU	43	3	6.98%	1	2.33%	2	4.65%	0	0.00%	6	13.95%	0	0.00%
Vermont Federal Bank	1174	65	5.54%	29	2.47%	5	0.43%	8	0.68%	107	9.11%	10	0.85%
Vermont National Bank	685	28	4.09%	9	1.31%	13	1.90%	6	0.88%	56	8.18%	4	0.58%
Vermont State Employees CU	5	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Wells River Savings Bank	32	1	3.13%	1	3.13%	1	3.13%	0	0.00%	3	9.38%	1	3.13%
Totals	6314	356	5.64%	103	1.63%	80	1.27%	44	0.70%	583	9.23%	51	0.81%
Totals Previous Month	6220	324	5.21%	100	1.61%	76	1.22%	47	0.76%	547	8.79%	45	0.72%
Totals Same Mo. Last Yr.	5958	304	5.10%	104	1.75%	94	1.58%	23	0.39%	525	8.81%	23	0.39%

VERMONT HOUSING FINANCE AGENCY

Board Property Disposition Report

Month of: December, 1996

Properties Sold

Property	Listing Price	Sale Price	Principal Balance	Interest	To Date Expenses	Claim Payment	Gain/ (Loss)	Valuation Offset	Audit Gain/ (Loss)
Robbins Huntington	$34,900	$32,000	$57,225	$6,609	$10,726	$12,400	$30,160		$30,160

Properties Under Contract

Property	Listing Price	Contract Price	Principal Balance	Interest	Estimated Expenses	Estimated Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Bailey Burlington	$68,000	$67,000	$78,834	$ 638	$ 5,398	$`17,400	$ 470	N/A	$ 470

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: January 28, 1997

RE: Quarterly Report of the Results of the Single Family Mortgage Loan Quality Control Process - 10/1/96 through 12/31/96

<u>VOLUME</u>

LOANS SELECTED FOR REVIEW

A total of 295 loans were guaranteed by VHMGB during the above period. Of these, 204 were loans to be purchased by VHFA, and 91 were conventional. The conventional loans were further broken down into 58 fixed rate loans and 33 adjustable rate loans.

Thirty (30) loans guaranteed by VHMGB were randomly selected by the computer to participate in the quality control process. Of these loans, 21 were to be purchased by VHFA and 9 were conventional loans. The conventional loans were further split as 5 fixed rate and 4 adjustable rate loans.

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

Category	VHFA	Conv.	Fixed	Adj.
Total Loans Guaranteed In Period	69%	31%	20%	11%
Total Loans Pulled for QC	70 %	30%	17 %	13%

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

LOANS WHICH HAVE BEEN COMPLETED

Thirty (30) loans completed the quality control process during the period. Most of these loans were selected to participate in the quality control process in the previous period. Of the loans completed, 19

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were loans sold or to be sold to VHFA and 11 were conventional loans. The conventional loans were split 7 fixed rate and 4 adjustable rate.

FINDINGS ON LOANS REVIEWED

One loan that was reviewed required the underwriting staff to explain the difference between a gift letter in the file and the amount of the gift on the underwriting sheet. The underwriting staff responded satisfactorily. There were two gift letters in the file. One was the original for a lessor amount and the newer one was for the amount on the underwriting sheet. The original gift letter had not been removed from the file or marked superseded.

Six appraisers were requested to respond to comments made by the review appraiser. The responses were satisfactory and the value of the dwelling was as listed on the original appraisal.

REQUESTED BOARD ACTION

No Board action is required.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

DRL

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

DATE: January 29, 1997

RE: New Internal Revenue Service (IRS) Regulations for a reissued MCC

DISCUSSION

VHFA is currently reissuing MCCs on mortgages which had an MCC issued and the mortgage was refinanced, based on temporary IRS regulations published in 1994. The IRS has recently issued permanent regulations which are more liberal in two major areas.

- The temporary regulations required a reissued MCC to be issued within one year of the date the mortgage is refinanced. The permanent regulations eliminate this this requirement. In addition, if the borrowers have filed their personal income tax return and were unable to take the credit, they can amend their past returns to obtain the credit.

- The temporary regulations would not allow the refinanced mortgage to be a larger amount than the loan being refinanced. Under the permanent regulations the refinanced loan may be larger. However, the amount of the refinanced loan subject to the credit may not be larger than the amount of the loan which was being refinanced.

Staff feels that these changes in the regulations should be incorporated into our current program. The reissue of an MCC does not use any additional MCC authority.

REQUESTED BOARD ACTION

Approval of the above adjustments to the MCC program.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: January 17, 1997

RE: Discussion of the Vermont Bankers Association (VBA) Subcommittee on VHFA/VHMGB Affairs

DISCUSSION

On January 9, the above committee met to discuss several issues. The major issues on which staff sought input from the VBA were:

- ⇨ A VHFA requirement for a tax and insurance escrow on loans that it purchases;
- ⇨ A VHFA requirement for property inspections on certain properties;
- ⇨ A possible increase in VHMGB income and loan limits;
- ⇨ A possible increase in guarantee premiums;
- ⇨ Discussion of the proposed VHMGB rule changes; and
- ⇨ Other items not on the agenda.

Attached to this memo are the minutes of the meeting and the memos staff included in a packet sent to the committee members prior to the meeting.

SUMMARY

The committee, by consensus, supported the tax and insurance escrow requirement, an increase in the VHMGB income and loan limits as long as the intent of the VHMGB program was maintained, the need for a guarantee fee increase and the proposed rule changes. The committee was unanimous in support of property inspections.

Based on our discussions with the committee staff intends to move forward with the requirement for a tax and insurance escrow on loans VHFA purchases. In addition, staff will be bringing a recommendation to a future Board meeting on the subject of property inspections.

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REQUESTED BOARD ACTION

No Board action is requested at this time on the contents of this memo. However, staff will be bringing some recommendations at a future Board meeting based on the discussions held with the VBA.

MEETING MINUTES
VHFA SUBCOMMITTEE/VBA MORTGAGE COMMITTEE
January 9, 1997, 11:00 AM
VHFA Offices

Present: Lisa Damian, Banknorth Mortgage Company; Dave Miner, Banknorth Mortgage Company; Alan Fletcher, Banknorth Mortgage Company; Jenny Buchannon, Chittenden Bank; Janet Knutsen, Chittenden Bank; Mike O'Brien, Vermont Federal Bank, FSB; Phil Gibson, Vermont National Bank; Allan Hunt, VHFA; Jacklyn Santerre, VHFA; Cindy Cunningham, VHFA; Doug Lothrop, VHFA

NOTE: A copy of the agenda and the memos sent out to members of the subcommittee by VHFA staff are attached to these minutes for reference.

The meeting began at approximately 11:00 AM with the introductions of the members present.

Allan Hunt gave the opening remarks which outlined some issues VHMGB and VHFA were facing. These encompassed issues such as high loan losses, need for an increase in VHMGB premiums and guarantee authority cap. Allan elaborated on each topic indicating:

> that losses to VHMGB had increased dramatically over the last two years. Some of the causes for the defaults that result in losses are out of our control (Domestic difficulty, Unemployment and Loss of job). However, those areas that are within our control we need to address (underwriting criteria, property condition, delinquent taxes and others);
>
> that the actuarial study recently completed for VHMGB recommended increases in premiums on future business. VHMGB will have to approach the legislature to accomplish this; and
>
> that recent analysis predicts that VHMGB will use up its' existing authority as soon as July of this year. This is another issue that VHMGB will have to take up with the legislature. In the mean time VHMGB will be searching for ways to conserve volume cap so the program will not have to be discontinued on either a temporary or permanent basis.

Allan also brought out the fact that VHMGB wished to continue to be approved by Freddie Mac and Fannie Mae. Recent loan losses have caused VHMGB to move funds from the operating account to the reserve accounts causing concern from everyone including the secondary market.

Mike O'Brien asked if the losses were in conventional or VHFA mortgage loans. Allan responded that the losses on the VHFA loans were proportionally higher than the conventional loans.

<u>Proposed requirement for tax and insurance escrows on all loans purchased by VHFA.</u>

After reviewing the memo on this subject, Jenny Buchannon and Mike O'Brien indicated full support for an initiative of this type. All realized that this would require more cash from the borrowers at closing as tax prorations are a credit/debit at closing and not an actual exchange of cash.

Phil Gibson indicated that escrows were a "pain to administer" and VHFA might consider requiring escrows only on accounts that were delinquent as an option. This idea was discussed by the committee and the consensus was that waiting for an account to become delinquent before imposing an escrow would make it nearly impossible for the borrower to recover as the added payment for the escrow and delinquent amounts would be to much of a monthly payment for most borrowers to handle.

Other ideas put forth were: (1) require escrows on high LTV loans only, (2) require escrows on high LTV loans only if lender has a tax escrow service and (3) require tax escrows for a certain time period and then the requirement can be dropped.

After discussion the consensus of the committee was that a tax escrow requirement should be kept simple. Therefore, the requirement should be tax and insurance escrows on all loans purchased by VHFA.

Proposed requirement for property inspections on certain properties

The memo on this proposal was again reviewed by the committee. The possible cost increase to the borrower and the proposal to have value determined by a brokers opinion of value and couple it with a property inspection was discussed. The consensus of the committee was that the need for a full appraisal completed by a licensed or certified appraiser was definitely needed. In addition, VHFA staff indicated that it was their plan to contract with several property inspectors which lenders and VHFA have had good experience and attempt to negotiate a reduced price based on only certain areas of a property being inspected.

A discussion ensued on what items VHFA would require inspected. The memo on this subject was referred to and the committee agreed that those items were appropriate. The discussion continued with the fact that property inspectors seem to always list more items that they feel need repair than what they were asked to inspect for. The question was asked what would happen if on a loan if the inspection report listed other items that the inspector felt needed repair and the lender did not require those to be done. VHFA staff, indicated that if VHFA was going to require an inspection of certain items only, they could only request a buyback if only those items were not fixed as recommended by the inspector. VHFA staff further indicated that they hoped the lenders would use good judgment in having other items repaired that might affect the property negatively. On another matter, the issue of liability for the results of the inspection were discussed. VHFA staff acknowledged that this was an area that needed to be researched.

The committee was unanimous that having the borrower pay for the property inspection at closing was an excellent approach. This would reduce the up front money a potential borrower would need to process an application. VHFA staff pointed out, since VHFA was considering paying for inspections on properties on which the loan did not close that suitable pre qualifying be done of the borrower to keep this at a minimum.

On the issue of what properties an inspection would be required, the consensus was:

condominiums would not have to be inspected;

existing mobile and modular homes would have to be inspected;

new mobile and modular homes would not. New would be defined as "Not yet set-up";

converted "camps" would have to be inspected;

new stick built construction would not have to be inspected; and

stick built dwellings 10 years old or older would have to be inspected.

Need for an increase in VHMGB income and loan limits

The consensus of the committee was it would be nice to have the limits increased to encourage use of VHMGB on conventional loans. However, if this would materially accelerate the use of VHMGB guarantee authority then it would be best to hold the limits where they are until that issue is addressed. Possibly one of the limits could be raised but not both. All agreed that the limits would have to remain within its intent of meeting the needs of low-to- moderate income borrowers.

At this point in the discussion it was brought up that possibly VHMGB could require that any loan seeking a VHMGB guarantee be first submitted to Rural Development (RD) for guarantee if the property was located in an area where RD does business. Alan Fletcher pointed out that RD was telling them that they were the guarantor of last resort and other insurance/guarantee providers should be used first. Allan Hunt indicated that he would discuss this with the state director of RD.

The committee pointed out to VHFA staff that VHMGB was the only insuring/guaranteeing entity that would guarantee a mobile home.

Need for a premium increase and need for a premium payment plan that requires nothing up front

The committee understood and was supportive of the need to increase premiums. However, they would rather not have VHMGB do it in steps as the memo outlined. VHFA staff explained that it was difficult to ask the legislature for a fee cap increase when we are not currently charging the cap rate. All agreed that one rate increased would be the best way to go.

The consensus of the committee on the payment plan was that if our plan mirrored what PMI's currently do, it would be best as the lenders are set up to handle this. The committee also suggested VHMGB consider changing the current annual payment method from paying on January to paying on the anniversary of each loan .

Discussion of possible VHMGB rule changes

The possible rule changes outlined in the memo were reviewed one at a time. VHFA staff explained that the main purpose of the rule changes was to allow VHMGB to act more like a PMI. The consensus of the committee was that the proposed rule changes were fine with them.

Non-agenda items discussed

Delinquency reporting

The subject of the VHFA/VHMGB method of delinquency reporting was discussed. The committee indicated that they would prefer to report delinquencies at the end of the month, the way they do for Fannie Mae and/or Freddie Mac, rather than wait and respond to delinquency reports sent out by VHFA/VHMGB. The committee further suggested that if we use one of those models use all of one model, but don't mix and match. VHFA staff indicated they would work on this change and attempt to have it set up on some form of automated basis.

Loan expense reimbursements

Dave Miner requested that VHFA review their policy of requiring lenders to submit expenses within 30 days of paying the expense. This is different than what is done for other investors. The lenders would like to accumulate expenses and then send them in once for reimbursement at a time specified. VHFA staff indicated they would review this.

Continuing to guarantee refinanced loans

VHFA staff asked if there was a need for VHMGB to continue to guarantee refinanced loans. The consensus of the committee was that it would be fine to discontinue on a temporary basis. However, they would not like to see that aspect of the VHMGB program be eliminated.

The meeting ended at approximately 1:00 PM

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

To: VHFA Subcommittee/VBA Mortgage Committee Members

From: Doug Lothrop, VHFA

Date: January 6, 1997

Re: Meeting agenda items

Included in this package of materials are several memos which deal with the following subjects which the VHFA staff hopes to discuss with you at the meeting on January 9, 1997 at 11:00 AM in the board room at the offices of VHFA, 164 St. Paul Street, Burlington, VT:

<u>VHFA items</u>:

1. A requirement for a tax and insurance escrow on all loans purchased by VHFA; and

2. A requirement for a property inspection on certain properties on which the mortgage is to be purchased by VHFA.

<u>VHMGB items</u>:

1. Need for an increase in the VHMGB income and loan limits;

2. Need for a premium increase for VHMGB guarantees and the need for a VHMGB premium which does not require a payment from the borrower at closing; and

3. Discussion of possible VHMGB rule changes.

If you have additional items you wish to discuss, please let me know and they will be include on the agenda.

I look forward to seeing you on January 9th.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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EQUAL HOUSING OPPORTUNITY

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

To: VHFA Subcommittee/VBA Mortgage Committee Members

From: Doug Lothrop, VHFA DL

Date: January 6, 1997

Re: Property tax and property insurance escrow

Over the past several years there have been many discussions with various participating lenders on the need for VHFA to require tax and insurance escrow on borrowers participating in the VHFA mortgage purchase program. VHFA staff feels that this initiative needs to be discussed as VHFA is paying a considerable amount of money for delinquent taxes which contribute to the losses which VHFA is has on it's REO portfolio.

Most agree an escrow will:

1. Greatly assist in making sure that taxes and homeowners insurance are paid in a timely manner, and

2. Eliminate any market disadvantage to lenders who do require these escrows verses those who do not; and

3. Assist first time home buyers in budgeting and understanding the responsibilities of home-ownership.

However, requiring an escrow:

1. May eliminate some lenders who do not have the capability of handling a tax escrow in Vermont, where towns collect taxes at different times of the year, and

2. Will increase the amount of cash borrowers will need to close a loan.

An escrow requirement could be dropped after the loan has seasoned for some period of time.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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EQUAL HOUSING OPPORTUNITY

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

To: VHFA Subcommittee/VBA Mortgage Committee Members

DPL

From: Doug Lothrop, VHFA

Date: January 6, 1997

Re: Property inspection requirement

In analyzing our REO portfolio it has become apparent that on some properties which VHFA purchases the mortgage the original appraisal has failed to identify problems with the dwelling that later become either the sole cause or a contributing cause for default by the borrower. In order to identify major problems with a dwelling, VHFA is considering a requirement for a property inspection.

It is anticipated VHFA would contract with several property inspectors who have demonstrated their ability to do a quality inspection. We would make sure to obtain statewide coverage so that the originating lender will know who to call when an inspection is required. We anticipate that VHFA will subsidize a portion of the cost of this inspection with the balance being paid by the customer at closing. For those loans which do not close, VHFA will pay the full amount.

The elements that VHFA would require to be inspected would be the foundation, heating system, electrical system, roof, plumbing system and, where appropriate, private potable water systems and waste disposal systems.

As part of this initiative, to keep the cost to the borrower contained, VHFA would consider accepting a Broker's Opinion of Value and a property inspection rather than an appraisal and property inspection. This would apply only to those properties which would require an inspection. On all others a market appraisal would be required.

VHFA staff would like to discuss with the subcommittee the initiative of having property inspections done on certain properties and what type of properties should be inspected. Some of the possibilities include requiring inspections on all mobile homes, homes on small lots, homes ten years and older, etc.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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EQUAL HOUSING OPPORTUNITY

VERMONT HOME MORTGAGE GUARANTEE BOARD

PROGRAMS ADMINISTERED BY VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Subcommittee/VBA Mortgage Committee Members

FROM: Doug Lothrop, VHFA DRL

DATE: January 6, 1997

RE: New VHMGB Income and Loan Limits

VHMGB has not increased its income and loan limits in several years. However, VHFA has increased both their income and purchase price limits at least twice over the same several years. We are seeking input from the subcommittee as to the need for these limits to be increased. The charts below show the VHMGB limits in comparison with the VHFA limits.

Income Limits

Household Size	VHFA Maximum	VHMGB Maximum
1-2 Persons	$42,400	$44,500
3+ Persons	$48,700	$49,500

Purchase Price/Loan Limits

Housing Type	VHFA Maximum <u>Purchase Price</u> Limit	VHMGB Maximum <u>Loan</u> Limit
Existing One Family	$104,000	$109,250
Existing Two Family	$112,500	
New Construction	$126,000	$120,000

The current VHMGB income limits are sufficient to guarantee a loan within the VHFA maximum income limits. In addition, based on a mortgage with a 95% loan-to-value, both the existing and new construction loan limits are satisfactory to guarantee a loan at the maximum VHFA purchase price limit.

An issue to be considered is the advisability of increasing one or both of the current VHMGB limits, to encourage conventional loan business. VHFA income and purchase price limits, on which the VHMGB limits have historically been based, are set to assist low to moderate income borrowers with reasonably priced housing considering the prevailing economic conditions. Keeping the VHMGB limits in line with VHFA limits has the effect of confining the more stable conventional business.

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VERMONT HOME MORTGAGE GUARANTEE BOARD

PROGRAMS ADMINISTERED BY VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

To: VHFA Subcommittee/VBA Mortgage Committee Members

From: Doug Lothrop, VHFA

Date: January 6, 1997

Re: Premium increase and payment methods

BACKGROUND FOR YOUR INFORMATION

VHMGB contracted with Milliman & Robertson, Inc., a nationally respected mortgage insurance actuarial and consulting firm, to do an actuarial study for VHMGB in 1996. Previous studies completed in 1992 and 1994. The purpose of these studies were to investigate historical loan portfolio performance and recommend premiums to be charged for future business. Based on the 1996 report, this memo outlines:

1. A proposed premium increase for VHMGB effective no later than February 1, 1997; and

2. A proposed legislative premium cap increase to be requested of the 1997 legislature.

ACTUARIES SUGGESTED GUARANTEE FEES TO COVER CURRENT RISK

Loan-to-Value	Fixed Rate Loans	Adjustable Rate Loans
90.1 - 95%	1.59%	1.73%
85.1 - 90%	1.05%	1.17%
75.1 - 85%	0.41%	0.56%

INCREASING CURRENT PREMIUMS

The first two tables display the current fees in effect. The second two tables display the interim fee increase to be initiated effective no later than February 1, 1997. The premium amounts in the tables are based on a $75,000 mortgage loan with a 360 month term.

Current One-Time Payment Fees

Loan-to-Value	Fixed Rate Fee	Amount	Adj. Rate Fee	Amount
90.1 - 95%	1.1%	$825.00	1.1%	$825.00
85.1 - 90%	0.8%	$600.00	0.9%	$675.00
75.1 - 85%	0.5%	$375.00	0.8%	$600.00

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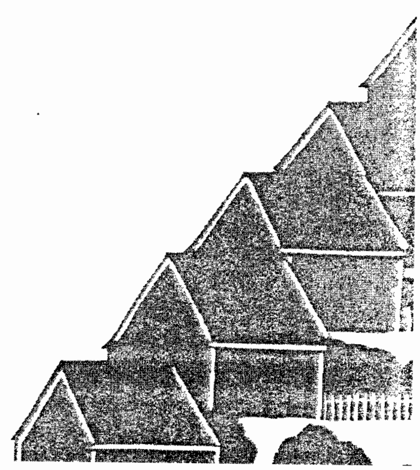

Current Annual Payment Fees

Loan-to-Value	Fixed Rate Fee	Amount	Adj. Rate Fee	Amount
90.1 - 95%	1.2%	$900.00 $16.66 per mo.	1.2%	$900.00 $16.66 per mo.
85.1 - 90%	0.9%	$675.00 $12.50 per mo.	1.0%	$750.00 $13.88 per mo.
75.1 - 85%	0.6%	$450.00 $8.33 per mo.	0.9%	$675.00 $12.50 per mo.

New One-Time Payment Fees

Loan-to-Value	Fixed Rate Fee	Amount	Adj. Rate Fee	Amount
90.1 - 95%	1.2%	$900.00	1.2%	$900.00
85.1 - 90%	1.0%	$750.00	1.1%	$825.00
75.1 - 85%	0.5%	$375.00	0.8%	$600.00

New Annual Payment Fees

Loan-to-Value	Fixed Rate Fee	Amount	Adj. Rate Fee	Amount
90.1 - 95%	1.28%	$960.00 $18.33 per mo.	1.28%	$960.00 $18.33 per mo.
85.1 - 90%	1.06%	$800.00 $15.78 per mo.	1.17%	$880.00 $16.81 per mo.
75.1 - 85%	0.6%	$450.00 $8.33 per mo.	0..9%	$675.00 $12.50 per mo.

Legislative Action

The following tables outlines the fee increases needed to meet the recommendations of the actuarial study.

Proposed One-Time Payment Fees

Loan-to-Value	Fixed Rate Fee	Amount	Adj. Rate Fee	Amount
90.1 - 95%	1.6%	$1,200.00	1.7%	$1,275.00
85.1 - 90%	1.1%	$825.00	1.2%	$900.00
75.1 - 85%	0.4%	$300.00	0.6%	$450.00

Proposed Annual Payment Fees

Loan-to-Value	Fixed Rate Fee	Amount	Adj. Rate Fee	Amount
90.1 - 95%	1.71%	$1,280.00 $24.44 per mo.	1.81%	$1,360.00 $25.97 per mo.
85.1 - 90%	1.17%	$880.00 $16.81 per mo.	1.25%	$936.00 $17.88 per mo.
75.1 - 85%	0.43%	$320.00 $6.11 per mo.	0..64%	$480.00 $9.17 per mo.

VHMGB will approach the legislature with a recommendation that VHMGB be allowed to increase fees based on the actuarial study. Staff hopes the legislature will change the way they look at this premium and allow the maximum premium charged be based on periodic actuarial studies.

Currently VHMGB has two premium collection methods. The first is a one time premium which the borrower pays at closing and which the lender remits to VHMGB to obtain the guarantee certificate. The second is an annual premium where a certain amount is collected from the borrower at closing and the balance is collected over a 36 month period. Lenders must remit the amount collected at closing to VHMGB to have the guarantee issued and the amount collected over the 36 month period are remitted to VHMGB on an annual basis in January.

We would like to have a discussion with the subcommittee on the need to have a third premium collection method where nothing is collected from the borrower at closing and the entire premium is collected from the borrower over some set period of time and remitted to VHMGB periodically.

VERMONT HOME MORTGAGE GUARANTEE BOARD

PROGRAMS ADMINISTERED BY VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

To: VHFA subcommittee/VBA Mortgage Committee Members

From: Doug Lothrop, VHFA DPL

Date: January 6, 1997

Re: Proposed VHMGB rule changes

Over the past several months, staff have been working on changes to the VHMGB Rules to more closely conform VHMGB to the operating methods of private mortgage insurance companies. I will attempt to summarize the substantive changes that are being considered at this time. Copies of the annotated rules will be available for your information at the meeting on January 9.

1. Rule 1.35, the definition of "residential housing" was conformed to the statutory definition.

2. Rule 2.13, was changed to give the Board desecration as to what documents and material it requires Lenders to submit to obtain a guarantee. The intent is to reduce the documentation submitted to the Board and rely on Lender warranties. Conforming changes were made to rules 2.15 and 2.22.

3. Rule 2.23 was changes to allow the Board to deliver guarantees to the Lenders by facsimile or otherwise.

4. Rule 4.11 was modified to reduce the number of documents submitted to the Board for guarantees of seasoned loans.

5. Rule 6.11 was changed to require Lenders servicing guaranteed loans to notify the Board prior to sale. Assignment or transfer of the servicing of a loan.

6. Rule 6.13 was changed to allow the board to terminate guarantees if a Lender does not file delinquency reports with the board on a timely basis.

7. Rule 7.11 allows the Board to have property value determined rather than appraised. This would allow the Board to use market analysis rather than an appraisal.

8. Rule 7.14 replaces the term "defect in title" with a term that is more precise, "title to the property...being other than good and marketable title."

9. Rule 7.17 provides for the return of premiums to a borrower in the event coverage is canceled or rescinded.

10. Rule 7.17 allows the Board to establish procedures for terminating guarantee certificates fir non-payment of the monthly premium, when that payment option is elected.

11. Rule 8.12 allows the board to adopt and amend operating manuals by other than a resolution.

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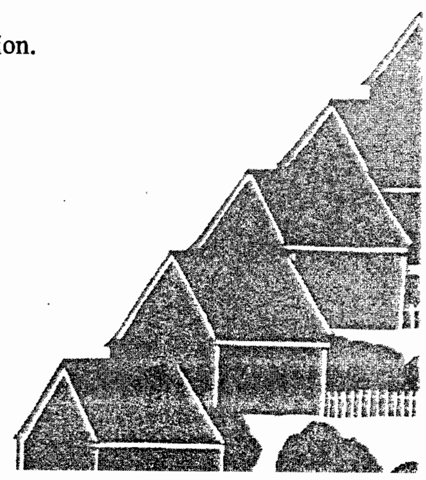

Community NATIONAL BANK

January 17, 1997

MEMORANDUM

TO: Doug Lothrop, VHFA

FROM: Joanne Williams, Community National Bank

RE: Proposed VHFA/VHMGB changes

Thank you for this opportunity to discuss some of the items which were presented in your fax of January 6, 1997.

PROPERTY TAX & PROPERTY INSURANCE ESCROW:

Community National Bank requires a real estate property tax escrow for all VHFA loans. VHFA loans which are guaranteed by RECD require an escrow for both real estate property tax and homeowners insurance. Community National Bank will also provide real estate property tax and homeowners insurance escrow service for other bank customers at their request. Community National Bank currently services approximately 240+ real estate property tax escrow accounts which include both VHFA accounts and other conventional mortgage accounts.

While the requirement of an escrow does increase the amount that a borrower must pay at closing it is only making the borrowers aware (from the beginning of the transaction) of the true cost of home ownership. It has been our practice to discuss this cost with the borrowers at the time of application and include this tax cost estimate in the **Good Faith Estimate of Closing Costs** provided to the borrower within three business days of the completed application. Should the borrower be initially short of funds they would have the ability of saving these funds or trying to obtain a gift for the escrow requirement prior to closing.

In our local communities property taxes are due throughout the year. There is a tremendous responsibility on the part of the bank to deliver the correct payment in a timely manner. However it has been our experience that most Town Clerks are glad to work with us to ensure that we are notified of the tax due date and will provide a copy of the tax bill.

It would seem that the requirement of property tax and property insurance escrows would actually serve as a benefit to the customer. The customers would be in the habit of paying this amount monthly to their escrow account and this would become part of their household budget. It would also make sense that the escrow requirement could be waived for seasoned loans.

PROPERTY INSPECTION REQUIREMENT:

It would seem that in some cases a property inspection would greatly benefit both the customer and VHFA. An inspection may be helpful for those borrowers who may after review of the property inspection request additional monies to help pay the cost of property repairs and improvements at the time of purchase. So many times it occurs that borrowers request funds shortly after the purchase. The property inspection may help in this area and allow customers to front load these repairs at the time of purchase. It would need to be determined what criteria would determine the property inspection requirement. The criteria may not only be property related. First time home ownership may warrant that a property inspection be taken into consideration.

It has been our experience that home inspectors appear to be few and far between. Would VHFA/VHMGB consider providing some type of training so that general contractors, for example, may familiarize themselves with the inspection process to see if they might be interested?

PREMIUM INCREASE & PAYMENT METHODS:

Community National Bank customers have always paid the one-time payment fee option. Based on recent changes to the calculation of the annual payment fee option we can now utilize this method of payment. Based on proposed premium increases this will probably result in our using the annual payment fee option more frequently. In regards to the third possible premium collection method where nothing is collected from the borrower at closing the only concern is that borrowers after closing may view this monthly expense as optional. It has been our experience with other MI providers that a minimum premium be collected at closing.

NEW VHMGB INCOME & LOAN LIMITS:

The increasing of income limits would occasionally assist in using VHMGB for other conventional business. It has been our experience that loan limits are usually sufficient. The only concern that I would have in VHMGB doing more conventional business would be the impact on future premium rate increases. The goal should be that VHMGB continue to provide affordable MI coverage for low to moderate income borrowers.

Thank you for this opportunity to provide you with my thoughts on the proposed changes. Should you wish to discuss any of this information, please feel free to call me. I look forward to working with VHFA on this committee.

cc: Richard C. White

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: January 28, 1997

RE: Delinquency and Loss Mitigation

Included with this memo is a package of materials which the Board of the Vermont Home Mortgage Guarantee Board discussed at their meeting on January 22, 1997.

Staff felt that this material should also be shared and discussed with you as the information applies to single family mortgage loans purchased by VHFA.

The material covers the following areas:

- A cover memo from Allan discussing the material;
- Loss Experience between VHFA and conventional loans in the VHMGB portfolio;
- Loan characteristics between VHFA and conventional loans in the VHMGB portfolio;
- Property values in Vermont and certain counties;
- Losses sorted by county, participating lender and expense type; and
- A memo from Cindy Cunningham, the newly hired Loan Servicing Manager, outlining her thoughts on strengthening the loan servicing/loss mitigation area.

REQUESTED BOARD ACTION

No Board action is requested.

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VERMONT HOME MORTGAGE GUARANTEE BOARD

PROGRAMS ADMINISTERED BY VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHMGB Board of Commissioners

FROM: Allan S. Hunt, Executive Director

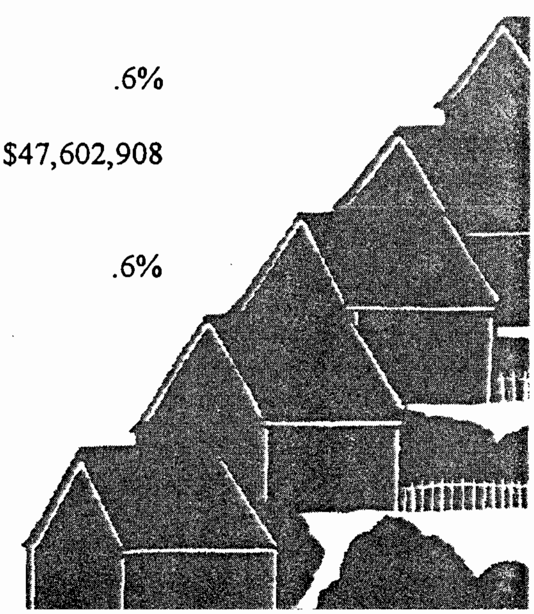
DATE: January 17, 1997

RE: VHMGB LOAN PERFORMANCE - CONVENTIONAL AND VHFA

The following tables illustrate certain data on which to evaluate the performance of both the VHMGB conventional and VHFA loan portfolios over the period of January 1, 1995, through December 31, 1995, and the same period in 1996.

1995

Category	Conventional Loan Portfolio	VHFA Loan Portfolio
No. of claims paid on REO's	8	26
Amount of claims paid on REO's	$ 97,801	$313,516
Average amount of claim paid per loan	$12,225	$12,128
Average no. of loans in portfolio	3064	4589
Percent of claims paid to loans in the portfolio	.3%	.6%
Guarantee coverage outstanding as of 12/31//95	$43,871,345	$47,602,908
Percent of claims paid to outstanding guarantee coverage as of 12/31/95	.2%	.6%



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1996

Category	Conventional Loan Portfolio	VHFA Loan Portfolio
No. of claims paid on REO's	21	75
Amount of claims paid on REO's	$246,721	$770,950
Average amount of claim paid per loan	$11,748	$10,279
Average no. of loans in portfolio	3464	5146
Percent of claims paid to loans in the portfolio	.6%	1.5%
Guarantee coverage outstanding as of 12/31//96	$52,800,079	$60,832,903
Percent of claims paid to outstanding guarantee coverage as of 12/31/96	.5%	1.3%

RECOMMENDED BOARD ACTION:

No Board action is necessary.

VERMONT HOME MORTGAGE GUARANTEE BOARD

PROGRAMS ADMINISTERED BY VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHMGB Board of Commissioners

ASH

FROM: Allan S. Hunt, VHFA Executive Director

DATE: January 17, 1997

RE: DELINQUENCY AND LOSS MITIGATION

The attached memos and charts were developed to help us better understand the reasons for the high losses experienced by VHMGB over the past several years. By better understanding the reasons behind these losses, we can develop a plan to address those factors within our control.

One of the first things we looked at was the loss experience between the VHFA loans and the conventional loans. Enclosed is a memo from me outlining the differences in performance and showing conventional loans performing twice as well in 1995 and three times better in 1996. MaryBeth Deller's memo looks at loan characteristics for each type of loan. While the differences aren't dramatic, a combination of lower incomes, higher ratios and less down payment may well explain the performance variation. We will continue to evaluate this area.

We next looked at what has happened with property values since 1987, focusing on the four counties where we have had the greatest losses. The chart shows rapidly escalating property values in the late 80's, with a gradual decrease during the early nineties and some leveling off or increase since 1994. The two additional charts attempt to show the impact of this in our REO losses.

Next, Doug's report shows loan losses sorted by county, bank and expense type for our past year's REO's. Please note that lost interest is not included in this report. The significant loss items are back taxes, legal fees and property preservation expenses. The column entitled "other disbursements" is the cost of fixing the property to make it marketable. To the extent we can speed up the process, we can begin to reduce some of these costs (taxes, property preservation and lost interest).

Finally, Cindy Cunningham, Loan Servicing Manager for VHFA, has written her thought s about steps she is taking to strengthen the loan servicing /loss mitigation area. Her emphasis will be to do many more loan modifications and far fewer foreclosures by getting to the borrowers much earlier in their delinquency. There is strong evidence from Fannie Mae that loan modifications save lenders/insurers a lot of money compared to foreclosure.

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In summary, we believe we have taken a number of actions that will reduce delinquencies going forward (three percent in the form of the borrower's own cash, tax escrow and property inspections; for VHFA loans, Homeownership Centers counseling, etc.), as well as better and faster handling of current delinquent loans. We hope to have some estimates of future loan losses for the Board to review on Wednesday.

VERMONT HOME MORTGAGE GUARANTEE BOARD

PROGRAMS ADMINISTERED BY VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHMGB Board of Commissioners

FROM: MBD MaryBeth Deller, Research Analyst

DATE: January 17, 1997

RE: Characteristics of Loans with VHMGB Guarantees

The information presented below represents the period of time between January 1, 1995 and December 31, 1996. Guarantees made prior to this time period are excluded because of problems that occurred in the conversion to the Mitas system.

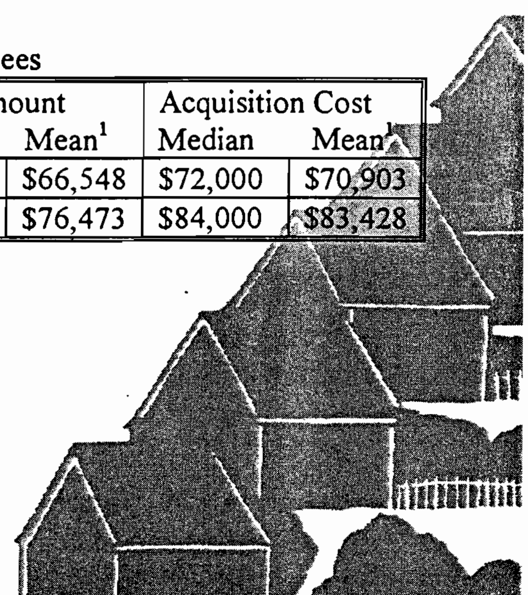
Section I: General Characteristics

- For all guarantees made between January 1, 1995 and December 31, 1996, conventional borrowers had significantly higher mean annual income than VHFA borrowers ($36,620 and $30,412, respectively).
- For these same comparison groups, conventional borrowers purchased houses at significantly higher mean acquisition costs than VHFA borrowers did ($83,428 and $70,903, respectively).
- Conventional borrowers also had higher mean loan amounts than VHFA borrowers did ($76,473 and $66,548, respectively).
- Of the 789 conventional loans that received VHMGB guarantees in this time period, 19.8% (156 loans) were to borrowers whose annual income was higher than the VHFA income limit. These 156 loans represent a total dollar amount of $12,566,983. (Assumptions: 1-2 person households, and Burlington MSA prices.)
- In this same group of 789 loans, 7.2% (57 loans) had loan amounts that exceeded the VHFA maximum loan amount. These loans represent a total dollar amount of $5,881,204. (Assumptions: 5% down payment, 1-2 person households, and Burlington MSA prices.)

Table 1: General Characteristics of Loans with VHMGB Guarantees

Type of Loan	# of Guarantees 1995 - 1996	Annual Income		Loan Amount		Acquisition Cost	
		Median	Mean[1]	Median	Mean[1]	Median	Mean[1]
VHFA	1389	$30,639	$30,412	$67,400	$66,548	$72,000	$70,903
Conventional	789	$37,684	$36,620	$77,900	$76,473	$84,000	$83,428

[1] means are significantly different at $p = 0.05$



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In summary, between January 1, 1995 and December 31, 1996, there has been substantial use of VHMGB by conventional borrowers whose annual income and loan amounts exceed the maximum allowed under the VHFA guidelines. By having low premiums and flexible underwriting guidelines, VHMGB is able to expand homeownership beyond what VHFA alone can offer.

Section II: Factors that may relate to performance

Currently, VHFA's portfolio of conventional loans with VHMGB guarantees is performing better than its portfolio of VHFA loans with VHMGB guarantees. In 1996, 21 of these conventional loans have become REO's, compared to 75 VHFA loans, representing 0.6% and 1.5%, respectively, of the active loans in each portfolio. Below is a summary of some factors that may relate to the difference in performance of these loans.

Factors that may be related to loan performance are loan-to-value, and the ratios of housing costs to income, and total debt to income. The differences between groups for these characteristics are presented in Table 2, and are summarized below.

- The mean loan-to-value was significantly higher for VHFA versus conventional loans (94.1% and 92.9%, respectively). This may be a result of conventional borrowers having a higher income and, therefore, a greater ability to save for a down payment.
- The mean ratios of housing costs to income, and total debt to income, are also significantly higher for borrowers with VHFA versus conventional loans (25.7% and 24.2%, respectively, for housing to income, and 34.5% and 42.4%, respectively, for total debt to income). This may indicate that borrowers with VHFA loans are starting homeownership with less flexible budgets,which might place them at a higher risk of becoming delinquent in their loan payments.

Table 2: Factors that may Relate to Performance of Loans with VHMGB Guarantees

Guarantees made between 1/1/95 and 12/31/96	Loan-to-Value Median	Mean[1]	Mean Housing/Income[1]	Mean Total Debt/Income[1]
VHFA Loans	95%	94.1%	25.7%	34.5%
Conventional Loans	94%	92.9%	24.2%	32.4%

[1]means are significantly different at $p = 0.05$

One question that arises as a result of these higher ratios is whether or not a substantial number of borrowers with VHFA loans rely mainly on some form of public assistance for income; such income would be subject to change due to the political climate of a given administration. The data presented in Table 3 indicate that extremely few borrowers, whether they have VHFA or conventional loans, rely on income that could be classified as something other than regular employment (2.7% and 0.9%, respectively).

Table 3: Source of Income of Borrowers with VHMGB Guarantees

Number of Guarantees		Sources of Income					
1995 - 1996	Total	Public Assis-tance	Disability	Pension (Retired)	All Other (Regular Employment)	Files w/ Missing Information	% w/ Income other than Regular Employment
VHFA Loans	1389	12	13	12	1347	5	2.7%
Conventional Loans	789	1	2	4	776	6	0.9%

In summary, there are differences in a number of characteristics between VHFA versus conventional loans with VHMGB guarantees issued between January 1, 1995 and December 31, 1996. Staff will further investigate these differences, in combination with the results of the delinquency study and recently acquired credit scores, to see what changes we could make to improve the performance of our loan portfolios and still have a viable affordable housing program.

RECOMMENDED BOARD ACTION: No Board Action is required.

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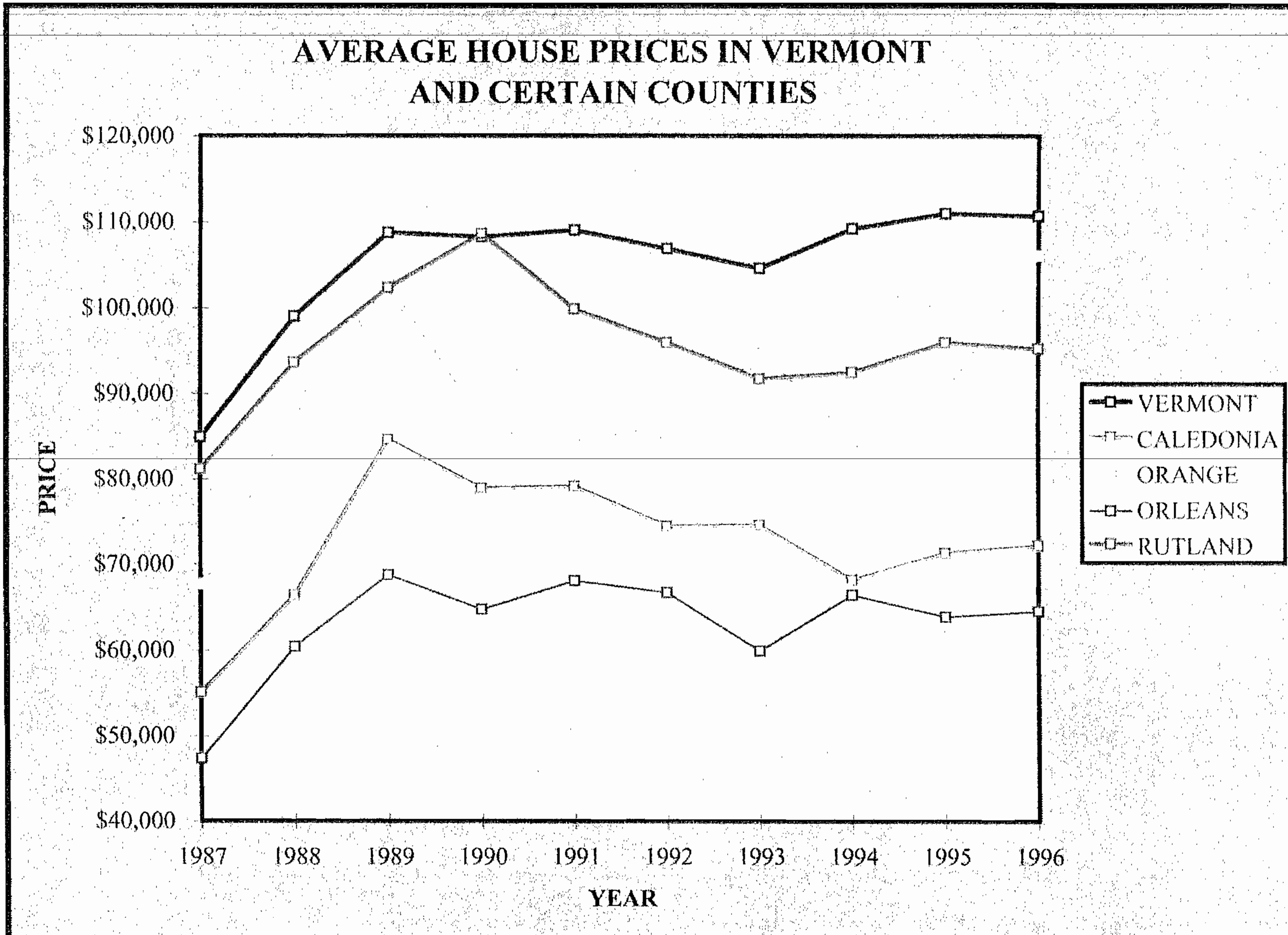

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VERMONT HOME MORTGAGE GUARANTEE BOARD

PROGRAMS ADMINISTERED BY VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHMGB Board of Commissioners

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

DATE: January 17, 1997

RE: Delinquency and Expense Type of Report

DISCUSSION

Attached to this memo is a new report developed by staff that lists the amount of expenses on REO properties. The report is sorted by county, lender and reason for delinquency for reference purposes.

The expenses are broken by the same categories as required to accurately complete the universal mortgage insurance claim form that VHMGB will be using in the near future. The categories are attorney fees, property taxes, hazard insurance, property preservation, statutory disbursements and other.

To reduce the number of reports created, this report was also designed to display the reasons for so staff can track the reasons borrowers become delinquent.

The report attached covers the period July 1, 1995 through June 30, 1996.

REQUESTED BOARD ACTION

No Board action is requested.

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Reason for Delinquency & Types of Expenses Report

	Attorney Fee	Property Tax	Hazard Insurance	Property Preservation	Statutory Disb.	Other Disb.	Total
ADDISON							
Total Moved/Vacated for VERMONT FEDERAL BANK, FSB	1,960.90	95.20	0.00	0.00	0.00	4,240.07	6,296.17
Total Moved/Vacated in ADDISON	1,960.90	95.20	0.00	0.00	0.00	4,240.07	6,296.17
Grand Total for ADDISON	1,960.90	95.20	0.00	0.00	0.00	4,240.07	6,296.17
BENNINGTON							
Total Domestic Difficulties for CHITTENDEN BANK	2,680.74	7,079.89	486.82	2,699.72	0.00	8,598.05	21,545.22
Total Domestic Difficulties in BENNINGTON	2,680.74	7,079.89	486.82	2,699.72	0.00	8,598.05	21,545.22
Total Unemployment for BANKNORTH MORTGAGE COMPANY	1,611.38	3,995.83	678.83	0.00	6.00	6,848.23	13,140.27
Total Unemployment in BENNINGTON	1,611.38	3,995.83	678.83	0.00	6.00	6,848.23	13,140.27
Total Dissatisfied with Property for BENNINGTON COOP SAVINGS & L	300.00	1,388.75	0.00	4,100.00	0.00	1,616.99	7,405.74
Total Dissatisfied with Property in BENNINGTON	300.00	1,388.75	0.00	4,100.00	0.00	1,616.99	7,405.74
Grand Total for BENNINGTON	4,592.12	12,464.47	1,165.65	6,799.72	6.00	17,063.27	42,091.23
CALEDONIA							
Total Illness for PASSUMPSIC SAVINGS BANK	1,026.27	166.53	367.95	13,828.79	0.00	3,650.37	19,039.91
Total Illness in CALEDONIA	1,026.27	166.53	367.95	13,828.79	0.00	3,650.37	19,039.91
Total Death for PASSUMPSIC SAVINGS BANK	2,103.65	925.76	339.40	0.00	0.00	6,992.32	10,361.13
Total Death in CALEDONIA	2,103.65	925.76	339.40	0.00	0.00	6,992.32	10,361.13
Total Domestic Difficulties for CITIZENS SAVINGS BANK & TRUST	999.80	2,759.10	575.47	135.74	0.00	5,134.00	9,604.11
Total Domestic Difficulties in CALEDONIA	999.80	2,759.10	575.47	135.74	0.00	5,134.00	9,604.11
Total Unemployment for MORTGAGE SERVICE CENTER OF NE	0.00	450.95	609.61	0.00	6.00	6,153.12	7,219.68
Total Unemployment for PASSUMPSIC SAVINGS BANK	1,990.84	1,280.87	253.01	0.00	0.00	7,535.38	11,060.10
Total Unemployment in CALEDONIA	1,990.84	1,731.82	862.62	0.00	6.00	13,688.50	18,279.78
Total Moved/Vacated for PASSUMPSIC SAVINGS BANK	2,403.88	819.51	246.09	0.00	0.00	5,774.09	9,243.57
Total Moved/Vacated in CALEDONIA	2,403.88	819.51	246.09	0.00	0.00	5,774.09	9,243.57

Reason for Delinquency & Types of Expenses Report

	Attorney Fee	Property Tax	Hazard Insurance	Property Preservation	Statutory Disb.	Other Disb.	Total
Grand Total for CALEDONIA	8,524.44	6,402.72	2,391.53	13,964.53	6.00	35,239.28	66,528.50
CHITTENDEN							
Total Unknown for CHITTENDEN BANK	0.00	3,363.23	0.00	0.00	85.00	5,469.22	8,917.45
Total Unknown in CHITTENDEN	0.00	3,363.23	0.00	0.00	85.00	5,469.22	8,917.45
Total Death for VERMONT NATIONAL BANK	0.00	390.68	39.82	0.00	6.00	8,409.57	8,846.07
Total Death in CHITTENDEN	0.00	390.68	39.82	0.00	6.00	8,409.57	8,846.07
Total Domestic Difficulties for BANKNORTH MORTGAGE COMPANY	0.00	4,896.85	413.18	0.00	0.00	5,075.55	10,385.58
Total Domestic Difficulties for GRAYSTONE MORTGAGE CORP., SS	1,028.03	3,781.15	509.93	0.00	0.00	1,970.91	7,290.02
Total Domestic Difficulties in CHITTENDEN	1,028.03	8,678.00	923.11	0.00	0.00	7,046.46	17,675.60
Total Bankruptcy for MERCHANTS BANK	1,544.54	3,004.60	0.00	0.00	0.00	6,459.00	11,008.14
Total Bankruptcy in CHITTENDEN	1,544.54	3,004.60	0.00	0.00	0.00	6,459.00	11,008.14
Grand Total for CHITTENDEN	2,572.57	15,436.51	962.93	0.00	91.00	27,384.25	46,447.26
ESSEX							
Total Over Obligated for PASSUMPSIC SAVINGS BANK	1,243.10	1,350.28	638.44	0.00	0.00	6,279.14	9,510.96
Total Over Obligated in ESSEX	1,243.10	1,350.28	638.44	0.00	0.00	6,279.14	9,510.96
Grand Total for ESSEX	1,243.10	1,350.28	638.44	0.00	0.00	6,279.14	9,510.96
FRANKLIN							
Total Domestic Difficulties for CHITTENDEN BANK	4,688.00	8,617.55	1,370.09	12,900.00	0.00	20,144.84	47,720.48
Total Domestic Difficulties for GRAYSTONE MORTGAGE CORP., SS	4,374.31	4,056.37	686.83	0.00	6.00	4,450.58	13,849.84
Total Domestic Difficulties for VERMONT NATIONAL BANK	971.41	4,221.26	152.47	6,616.29	0.00	17,985.68	29,947.11
Total Domestic Difficulties in FRANKLIN	10,033.72	16,895.18	2,209.39	19,516.29	6.00	42,581.10	91,517.43
Total Unemployment for CHITTENDEN BANK	818.10	668.08	275.19	794.43	6.00	9,547.77	12,109.57
Total Unemployment in FRANKLIN	818.10	668.08	275.19	794.43	6.00	9,547.77	12,109.57

Reason for Delinquency & Types of Expenses Report

	Attorney Fee	Property Tax	Hazard Insurance	Property Preservation	Statutory Disb.	Other Disb.	Total
Total Dissatisfied with Property for VERMONT FEDERAL BANK, FSB	401.33	4,281.03	607.67	11,078.00	16.00	8,028.29	24,412.32
Total Dissatisfied with Property in FRANKLIN	401.33	4,281.03	607.67	11,078.00	16.00	8,028.29	24,412.32
Grand Total for FRANKLIN	11,253.15	21,844.29	3,092.25	31,388.72	28.00	60,157.16	128,039.32
LAMOILLE							
Total Domestic Difficulties for PASSUMPSIC SAVINGS BANK	1,299.43	1,063.29	395.62	0.00	0.00	7,740.54	10,498.88
Total Domestic Difficulties in LAMOILLE	1,299.43	1,063.29	395.62	0.00	0.00	7,740.54	10,498.88
Total Moved/Vacated for BANKNORTH MORTGAGE COMPANY	81.00	1,204.70	497.38	1,013.45	6.00	9,285.25	12,087.78
Total Moved/Vacated in LAMOILLE	81.00	1,204.70	497.38	1,013.45	6.00	9,285.25	12,087.78
Grand Total for LAMOILLE	1,380.43	2,267.99	893.00	1,013.45	6.00	17,025.79	22,586.66
ORANGE							
Total Death for VERMONT FEDERAL BANK, FSB	5,281.58	3,944.21	155.51	0.00	0.00	6,849.79	16,231.09
Total Death in ORANGE	5,281.58	3,944.21	155.51	0.00	0.00	6,849.79	16,231.09
Total Domestic Difficulties for VERMONT FEDERAL BANK, FSB	2,069.50	6,113.32	0.00	0.00	0.00	4,457.15	12,639.97
Total Domestic Difficulties in ORANGE	2,069.50	6,113.32	0.00	0.00	0.00	4,457.15	12,639.97
Total Over Obligated for RANDOLPH NATIONAL BANK	1,828.27	5,782.79	398.69	0.00	0.00	8,221.00	16,288.25
Total Over Obligated for VERMONT NATIONAL BANK	2,248.70	873.06	507.53	1,000.00	0.00	8,414.45	13,043.74
Total Over Obligated in ORANGE	4,076.97	6,655.85	906.22	1,000.00	0.00	16,635.45	29,331.99
Grand Total for ORANGE	11,428.05	16,713.38	1,061.73	1,000.00	0.00	27,942.39	58,203.05
ORLEANS							
Total Domestic Difficulties for CHITTENDEN BANK	1,143.00	959.80	34.90	0.00	0.00	4,131.68	6,269.38
Total Domestic Difficulties for COMMUNITY NATIONAL BANK	1,068.40	2,415.86	119.52	0.00	21.00	3,074.24	6,699.02
Total Domestic Difficulties in ORLEANS	2,211.40	3,375.66	154.42	0.00	21.00	7,205.92	12,968.40
Total Over Obligated for COMMUNITY NATIONAL BANK	733.30	460.11	265.48	0.00	0.00	3,117.00	4,575.89
Total Over Obligated in ORLEANS	733.30	460.11	265.48	0.00	0.00	3,117.00	4,575.89

Reason for Delinquency & Types of Expenses Report

	Attorney Fee	Property Tax	Hazard Insurance	Property Preservation	Statutory Disb.	Other Disb.	Total
Total Unemployment for COMMUNITY NATIONAL BANK	2,095.99	4,768.05	557.57	0.00	18.00	9,713.96	17,153.57
Total Unemployment in ORLEANS	2,095.99	4,768.05	557.57	0.00	18.00	9,713.96	17,153.57
Grand Total for ORLEANS	5,040.69	8,603.82	977.47	0.00	39.00	20,036.88	34,697.86
RUTLAND							
Total Unknown for ALBANK, FSB/MARBLE DIVISION	775.06	1,466.77	1,220.23	0.00	0.00	3,022.62	6,484.68
Total Unknown in RUTLAND	775.06	1,466.77	1,220.23	0.00	0.00	3,022.62	6,484.68
Total Domestic Difficulties for GRAYSTONE MORTGAGE CORPORATI	404.29	1,292.78	433.14	0.00	0.00	6,786.01	8,916.22
Total Domestic Difficulties for GREEN MOUNTAIN BANK	2,876.11	1,762.18	122.12	0.00	0.00	8,860.27	13,620.68
Total Domestic Difficulties for VERMONT FEDERAL BANK, FSB	997.40	5,490.61	385.67	0.00	0.00	7,283.41	14,157.09
Total Domestic Difficulties in RUTLAND	4,277.80	8,545.57	940.93	0.00	0.00	22,929.69	36,693.99
Total Over Obligated for VERMONT NATIONAL BANK	2,659.62	15,642.96	0.00	0.00	18.00	3,434.21	21,754.79
Total Over Obligated in RUTLAND	2,659.62	15,642.96	0.00	0.00	18.00	3,434.21	21,754.79
Total Unemployment for BANKNORTH MORTGAGE COMPANY	1,003.62	1,055.51	371.15	1,155.75	6.00	8,258.14	11,850.17
Total Unemployment for GRAYSTONE MORTGAGE CORPORATION	2,037.91	3,035.79	1,016.80	0.00	0.00	10,157.28	16,247.78
Total Unemployment in RUTLAND	3,041.53	4,091.30	1,387.95	1,155.75	6.00	18,415.42	28,097.95
Grand Total for RUTLAND	10,754.01	29,746.60	3,549.11	1,155.75	24.00	47,801.94	93,031.41
WASHINGTON							
Total Domestic Difficulties for 1ST NATIONWIDE MORTGAGE	1,715.52	2,656.39	110.80	0.00	0.00	7,295.77	11,778.48
Total Domestic Difficulties in WASHINGTON	1,715.52	2,656.39	110.80	0.00	0.00	7,295.77	11,778.48
Total Over Obligated for VERMONT FEDERAL BANK, FSB	1,966.82	5,476.14	0.00	0.00	0.00	5,031.50	12,474.46
Total Over Obligated in WASHINGTON	1,966.82	5,476.14	0.00	0.00	0.00	5,031.50	12,474.46
Total Bankruptcy for VERMONT FEDERAL BANK, FSB	5,459.04	5,969.95	0.00	1,500.00	0.00	9,140.56	22,069.55
Total Bankruptcy in WASHINGTON	5,459.04	5,969.95	0.00	1,500.00	0.00	9,140.56	22,069.55

Reason for Delinquency & Types of Expenses Report

	Attorney Fee	Property Tax	Hazard Insurance	Property Preservation	Statutory Disb.	Other Disb.	Total
Grand Total for WASHINGTON	9,141.38	14,102.48	110.80	1,500.00	0.00	21,467.83	46,322.49
WINDHAM							
Total Over Obligated for BANKNORTH MORTGAGE COMPANY	3,336.62	10,722.78	1,128.33	0.00	573.90	7,528.20	23,289.83
Total Over Obligated in WINDHAM	3,336.62	10,722.78	1,128.33	0.00	573.90	7,528.20	23,289.83
Grand Total for WINDHAM	3,336.62	10,722.78	1,128.33	0.00	573.90	7,528.20	23,289.83
WINDSOR							
Total Domestic Difficulties for ALBANK, FSB/MARBLE DIVISION	3,552.37	1,593.11	445.09	0.00	0.00	8,709.24	14,299.81
Total Domestic Difficulties for GRAYSTONE MORTGAGE CORPORATI	2,799.59	3,892.53	924.16	1,565.21	0.00	8,538.80	17,720.29
Total Domestic Difficulties in WINDSOR	6,351.96	5,485.64	1,369.25	1,565.21	0.00	17,248.04	32,020.10
Total Over Obligated for GREEN MOUNTAIN BANK	5,559.87	6,037.11	529.19	0.00	141.46	5,661.87	17,929.50
Total Over Obligated in WINDSOR	5,559.87	6,037.11	529.19	0.00	141.46	5,661.87	17,929.50
Grand Total for WINDSOR	11,911.83	11,522.75	1,898.44	1,565.21	141.46	22,909.91	49,949.60
Report Total	83,139.29	151,273.27	17,869.68	58,387.38	915.36	315,076.11	626,994.34

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: ALLAN HUNT, EXECUTIVE DIRECTOR
DOUG LOTHROP, DIRECTOR OF SINGLE FAMILY OPERATIONS

FROM: CINDY CUNNINGHAM, VHFA LOAN SERVICING MANAGER CC

DATE: JANUARY 15, 1997

RE: LOSS MITIGATION RECOMMENDATIONS

I HAVE COMPLETED MY INITIAL REVIEW OF CURRENT DEPARTMENTAL PROCEDURES, AND THE FOLLOWING CHANGES ARE, OR WILL BE, INSTITUTED TO IMPROVE DELINQUENCY RATIOS AND REDUCE VHMGB CLAIMS.

REALIGNMENT OF STAFF DUTIES TO PROVIDE INCREASED MONITORING OF 30 AND 60 DAY DELINQUENCIES. THIS WILL ENSURE EARLIER INTERVENTION WITH THE BORROWERS AND KEEP PAYMENT DEFAULT AMOUNTS TO A MINIMUM. I WILL CONTINUE TO INSTRUCT STAFF TO PROVIDE BETTER SERVICING ASSISTANCE TO THE LENDERS BY SUGGESTING FEASIBLE OPTIONS TO FORECLOSURE, SUCH AS MODIFICATIONS AND REPAYMENT ARRANGEMENTS. I WILL ALSO INFORM BOTH STAFF AND LENDERS OF SPECIFIC COLLECTION TECHNIQUES AIMED AT REDUCING FORECLOSURES.

A COMPREHENSIVE VHFA SERVICING GUIDE DRAFT SHOULD BE READY FOR LENDER REVIEW BY THE END OF FEBRUARY. THE NEW GUIDE WILL SUPPLY THE LENDERS WITH CLEAR AND ACCURATE SPECIFICATIONS FOR THE SERVICING OF VHFA LOANS AND ELIMINATE ANY POSSIBLE CONFUSION ABOUT PROCEDURES. ANY DEVIATION FROM ESTABLISHED POLICY CAN ULTIMATELY CONTRIBUTE TO INCREASES IN LOSS. THE GUIDE WILL ALSO BE ENHANCED WITH SAMPLE DEFAULT DEMAND LETTERS AND DEMAND REPAYMENT SCHEDULE LETTERS FOR THOSE LENDERS REQUIRING IMPROVED DOCUMENTS. BOTH OF THESE LETTERS WILL REDUCE FORECLOSURE DELAY CAUSED BY THE NEED TO REDEMAND AN ACCOUNT DUE TO FAULTY DOCUMENTS.

I WILL SCHEDULE VISITS WITH THE LENDERS SHORTLY AFTER THEY RECEIVE THE NEW SERVICING GUIDE. THIS WILL ASSIST IN IDENTIFYING THOSE SERVICERS THAT MAY BE HAVING A PROBLEM WITH THEIR COLLECTION PROCEDURES. THOSE LENDERS DETERMINED TO BE THE LESS ACCOMPLISHED IN COLLECTIONS WILL BE INVITED TO A TRAINING SESSION FIRST.

A DEPARTMENTAL POLICY WILL BE ENFORCED CONCERNING THE TIME REQUIRED TO PROCESS AN ACCOUNT EITHER THROUGH FORECLOSURE OR THROUGH A MODIFICATION. AN ACCOUNT WAS TYPICALLY BETWEEN 90 AND 150 DAYS DELINQUENT BEFORE THE

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DOCUMENTS REQUIRED FOR LOAN WORKOUT WERE REQUESTED FROM THE MORTGAGORS. NOW, FINANCIAL PAPERWORK AND A LETTER OF HARDSHIP WILL BE OBTAINED BY THE LENDERS BY THE 60TH DAY OF DELINQUENCY. THIS WILL ALLOW THE VHFA TO DETERMINE IF A MODIFICATION IS A VIABLE OPTION BEFORE THE ACCOUNT GOES 90 DAYS DELINQUENT, SHORTENING TOTAL PROCESSING TIME AND ACCRUED INTEREST.

REO PROPERTIES REQUIRING REHAB ARE NOW BEING LISTED AS SOON AS POSSIBLE INSTEAD OF WAITING FOR REHAB TO BE COMPLETED. THEY ARE LISTED AT THE "AS REPAIRED" VALUE BUT INTERESTED PARTIES CAN NEGOTIATE PURCHASE PRICE TAKING INTO CONSIDERATION THE UNFINISHED PORTION OF THE REHAB. THIS INCREASES THE OPPORTUNITY FOR FASTER SALES OF REO PROPERTIES WHICH REDUCES THE AMOUNT OF THE VHMGB CLAIM.

THE COMBINATION OF IMPROVED SERVICING OF THE VHFA LOANS BY THE LENDERS, AND MORE VALUABLE ASSISTANCE FROM THE VHFA IN THE FORM OF MODIFICATION AND WORKOUT SUGGESTIONS TO THE LENDER SHOULD REDUCE FORECLOSURES SIGNIFICANTLY. THE CONSEQUENCE OF REDUCED FORECLOSURES IS MORE MODIFICATIONS AND FEWER VHMGB CLAIMS BEING PROCESSED.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: January 29, 1997

RE: Signature Authority for the Position of Loan Servicing Manager

DISCUSSION

Attached to this memo is a resolution granting signature authority to for the position of Loan Servicing Manager. The person currently filling this position is Cindy Cunningham who was previously employed by the Merchants Bank. Cindy has a long history in mortgage servicing and came to VHFA highly recommended. For the month or so Cindy has been at VHFA, she has demonstrated an excellent knowledge of loan servicing and an ability to get along with people both within the organization and out side the organization.

The signature authority being given in the resolution are in the areas of loan servicing and is needed for the person filling this position to efficiently carry out their position assignments.

REQUESTED BOARD ACTION

Approval of the attached resolution.

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EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY
RESOLUTION REGARDING AUTHORITY
OF LOAN SERVICING MANAGER

WHEREAS, Cynthia J. Cunningham was recently appointed as Loan Servicing Manager, a new position in the Single Family Operations Department of the Agency; and

WHEREAS, it is desirable and necessary for the Board of Commissioners to authorize the Loan Servicing Manager to perform certain acts,

NOW, THEREFORE, it is hereby:

RESOLVED, that the Agency's Loan Servicing Manager be and hereby is authorized to execute documents of the following character for all of the Agency's single family loan programs, whether secured or unsecured:

A. Listing Agreements with real estate brokers for the sale of real estate owned by the Agency;

B. Deeds, property transfer tax returns, and other documents necessary or convenient for the transfer of real estate owned by the Agency;

C. Endorsements to property insurance claim checks pertaining to property on which the Agency holds a valid lien, in amounts without limit;

D. Preparation and execution of claim forms to primary and pool insurers on property that the Agency holds a valid lien on;

E. Authorizations to mortgage lenders and other appropriate persons for actions of the following character:

1. Foreclosure or other acquisition of title to property on which the Agency has a valid lien;

2. Necessary repairs and improvements to real estate owned by the Agency;

3. Actions necessary to make property in which the Agency has an interest secure;

4. Forbearance and modification agreements with delinquent borrowers; and

5. Affidavits of amounts due and other affidavits required in foreclosure actions.

F. Consent to actions of the following character:

1. Release and addition of signers of notes held by the Agency;

2. Creation of easements and rights of way and the partial release of mortgages held by the Agency for purposes of permitting the creation of easements and rights of way over property on which the Agency holds a valid lien; and

3. Acknowledgment of receipt of liens junior to the lien of the Agency.

RESOLVED, Any acts taken or documents signed by Cynthia J. Cunningham as Loan Servicing Manager of the Agency since November 26, 1996 are hereby ratified by the Agency.

vhfa
VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Michael McNamara, Deputy Director Mike McNamara

DATE: January 27, 1997

RE: 1997 Act 200 State Agency Plan

The third round of state agency plans required by Act 200 is now in process. The first draft of VHFA's SAP was submitted to the Governor's office on January 6th, with only minor modifications from the previously approved 1995 edition. These modifications include all statistical updates as well as a strengthened section on the issuance of Low Income Housing Tax Credits.

Of the twelve goals contained in Act 200, VHFA's mission is most relevant to the Vermont Planning Goal #11: *To ensure the availability of safe and affordable housing for all Vermonters.* VHFA's Act 200 SAP is consistent with and draws from the recently approved FY'97 Business Plan and the original agency Strategic Plan.

The schedule calls for the final update of the agency plan, including any amendments requested by the Governor's office, to be adopted by the agency and then sent to the Council of Regional Commissions (CRC). The CRC review of the plan, including public hearings, will then take approximately four months. VHFA will then have 30 days after receipt of the CRC's recommendations to formally consider amendments.

I have enclosed the updated plan for your review. Staff will be available to answer questions about the plan at the meeting on February 6th. At that time I will also update the Board on any amendments requested by the Governor's office.

Recommendation: Adopt the 1997 Act 200 State Agency Plan as presented.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

ACT 200 State Agency Plan

February 1997

Questions or comments are welcome
and may be directed to:

Mike McNamara, Deputy Director

Vermont Housing Finance Agency
PO Box 408
Burlington, Vermont 05402-0408
(802) 864-5743, Ext. 431

VERMONT HOUSING FINANCE AGENCY

Act 200 State Agency Plan

February 1997

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VERMONT HOUSING FINANCE AGENCY

ACT 200 PLAN

I. PURPOSE

Act 200, the Growth Management Act of 1988, requires all state agencies having programs or taking actions affecting land use to adopt a plan consistent with the Act's 12 Vermont Planning Goals. In addition, compatibility must be sought with plans of other state agencies and with approved plans of regional planning commissions and municipalities. As part of VHFA's continual planning process, this Plan has been developed in accordance with Act 200 requirements.

This Act 200 Plan presents VHFA's mission statement, summarizes the major goals and activities related to that mission, and identifies issues facing VHFA. The Plan will be utilized in conjunction with VHFA's annual business plan as a framework for planning and evaluating VHFA activities, particularly in terms of promoting conformity with the goals of Act 200. The Plan will also provide to regions, towns and state agencies involved with housing information about VHFA's goals and activities.

Reflected in this Plan is VHFA's organizational commitment to provide access to and information about its programs and activities. Virtually all of VHFA's programs and initiatives are conducted and achieved through coordinated efforts with other organizations.

II. MISSION

The Vermont Housing Finance Agency was created in 1974 by the Vermont State Legislature to provide financing for safe, decent and affordable housing for low- and moderate-income Vermonters. As of June 30, 1996, VHFA has provided homeownership assistance to more than 19,112 Vermont households, financed more than 3,693 affordable rental housing units for elderly and low- to moderate-income households and provided financing for the creation of five shelters for Vermont's homeless. VHFA has also provided financing for the acquisition of at-risk mobile home parks by housing-related nonprofit organizations, sponsored the development of mixed-income condominium development at an out-of-service military complex and established a secondary mortgage market to purchase nonconforming mortgages from Vermont lenders. Receiving no appropriation from the state or federal government, VHFA secures funds by selling tax-exempt mortgage revenue bonds and private activity bonds as well as private placements with financial institutions and pension funds.

In recent years, changes in federal tax laws and the retreat of federal funds for housing initiatives have made it more difficult to achieve affordable housing, but by using new approaches and innovative financing, including the successful Low Income Housing Tax Credit Program, VHFA continues working toward the goal of creating housing opportunities for low- and moderate-income Vermonters, a mission that is consistent with the housing goals of Act 200.

VHFA operates with direction provided by a seven member board of commissioners comprised of three ex-officio members (State Treasurer, Commissioner of Banking, Insurance, Securities and Health Care Administration, and the Secretary of the Agency of Commerce and Community Development) and four members appointed directly by the Governor.

The VHFA Board of Commissioners adapted a 5 year Strategic Plan in March 1995. The Strategic Plan forms the basis for updating the Agency's Annual Business Plan.

MISSION

VHFA's mission is to finance and promote affordable, safe, and decent housing opportunities for low- and moderate-income Vermonters.

Specifically, VHFA's mission is comprised of the following goals:

1. To provide access to low-cost, flexible, innovative programs for individuals who are otherwise unable to qualify for mortgage financing;

2. To stimulate the development and preservation of affordable housing, including rental and ownership housing opportunities for low- and moderate- income Vermonters; and to encourage mechanisms to ensure that this housing remains perpetually affordable;

3. To maintain a sound fiscal structure and meet all fiduciary requirements in a professional manner;

4. To work in partnership with state government, municipalities and the private sector to: (a) encourage and support quality planning for affordable housing; (b) address the special needs of Vermonters who have disabilities or require supportive services; and (c) address homelessness in Vermont;

5. To heighten general awareness of housing needs for low- and moderate-income Vermonters, particularly with groups who can have an impact on the production of

such housing, including the legislature, community officials and the business community;

6. To create and sustain a workplace conducive to attracting and retaining a quality staff.

VHFA's mission is most relevant to the Vermont Planning Goal # 11 which states:

To ensure the availability of safe and affordable housing for all Vermonters.

a) Housing should be encouraged to meet the needs of a diversity of social and income groups in each Vermont community, particularly for those citizens of low and moderate income.

b) New and rehabilitated housing should be safe, sanitary, located conveniently to employment and commercial centers, and coordinated with the provisions of necessary public facilities and utilities.

c) Sites for multifamily and manufactured housing should be readily available in locations similar to those generally used for single-family conventional dwellings.

III. VHFA GOALS, OBJECTIVES AND STRATEGIES

A listing of VHFA's objectives and strategies for fiscal year 1997 (FY97) are grouped under each of VHFA's major goals. The objectives and strategies are taken from VHFA's FY97 Business Plan, which is reviewed periodically and revised annually. Supplemental materials, including the Business Plan, are available upon request.

Objectives/Strategies

Goal 1. *To provide access to low-cost flexible, innovative programs for individuals who are otherwise unable to qualify for mortgage financing.*

1.1 Promote and operate Mortgages for Vermonters (MOVE), VHFA's primary homeownership delivery mechanism, under current federal mortgage revenue bond regulations. Size each bond issue to meet the demand of potential VHFA borrowers and seek to achieve continuous availability of low interest mortgage funds. Target: 800 or more MOVE mortgages in FY97.

1.2 Promote and operate Mortgage Plus, VHFA's program to provide mortgage credit certificates (MCC) to eligible borrowers. The MCC reduces the federal tax liability of the borrower and makes more income available for housing. Target: Issue 150 or more MCC's in FY97.

1.3 Promote and operate Homeownership Opportunities Using Shared Equity (HOUSE), a program providing very low interest mortgages to borrowers who participate in shared appreciation housing arrangements with nonprofit and municipal housing developers. Target: Purchase 60 loans in FY97.

1.4 Conduct a down payment assistance program in conjunction with Homeownership Centers and Burlington's Enterprise Community under which eligible borrowers may finance up to 100% of the normally required down payment, thereby reducing up front funds required to purchase a home. Target: Provide assistance for 40 borrowers in FY97.

1.5 Conduct a series of six home buyer workshops throughout the state. The forums serve to reach prospective VHFA borrowers and empower them to understand and participate in the home purchase process.

1.6 Conduct one home buyer education fair to provide extensive information about the steps in the home buying process and the advantages of homeownership.

1.7 Promote the importance of energy conservation for both its cost effectiveness and its environmental benefits to society, and develop and conduct programs that provide lower rate mortgage options or relaxed underwriting standards to purchasers of energy efficient properties.

1.8 Provide a training program for lenders, real estate professionals and other servicers of VHFA loans in order to expand their knowledge and ability to serve VHFA borrowers.

Goal 2. *To stimulate the development and preservation of affordable housing, including rental and ownership housing opportunities for low-and moderate-income Vermonters; and to encourage mechanisms to ensure that this housing remains perpetually affordable.*

2.1 Operate the Mobile Home Park Financing Program, which provides long-term affordable financing for mobile home parks.

2.2 Continue to develop initiatives to preserve existing affordable housing rather than allow units to convert to market rate housing.

2.3 Operate Vermont Housing Ventures, a $250,000 revolving loan fund which provides short-term loans for pre-development expenses of affordable housing development.

2.4 Develop case-by-case bond financing targeted to specific multifamily developments.

2.5 Administer the Low Income Housing Tax Credit Program, a federal program providing tax credit incentives for developing multifamily rental housing.

2.6 Operate a mobile home park acquisition loan program to provide financing for acquisition of mobile home parks by qualified nonprofit organizations.

2.7 Using refunding proceeds from VHFA-financed Section 8 projects, assist new small rental development production.

2.8 Promote the creation of additional small rental development projects by making available below market rate financing utilizing prepayment funds from old loans.

2.9 Initiate and assist in developing options to expand housing opportunities for members of Vermont's special needs populations.

Goal 3. *To maintain a sound fiscal structure and meet all fiduciary requirements in a professional manner.*

3.1 Continue the servicing of approximately 5,600 Single Family and 108 Multifamily mortgage loans in VHFA's portfolio to minimize loan losses.

3.2 Develop corporate capital budget in order to improve information systems, servicing capability and financial management.

3.3 Maintain adequate fund reserves and invest those reserves prudently in order to ensure security of VHFA's bond and its bond rating.

Goal 4. To work in partnership with state government, municipalities and the private sector to: (a) encourage and support quality planning for affordable housing; (b) address the special needs of Vermonters who have disabilities or require supportive services; and (c) address homelessness in Vermont.

4.1 Develop programs to enhance homeownership opportunities through pilot Homeownership Centers.

4.2 Develop programs to finance assisted living units which provide services for the elderly and housing for developmentally disabled adults.

4.3 Assist other state agencies in their efforts to define nature and extent of the homeless problem in Vermont and disseminate results.

Goal 5. *To heighten the general awareness of housing needs for low- and moderate-income Vermonters, particularly with groups who can have an impact on the production of such housing, including the legislature, community officials and the business community.*

5.1 Continue to develop a data base of statistics and information relevant to the housing issues in Vermont and the nation, and provide data to interested parties including community officials and the business community.

5.2 Continue ongoing efforts to inform the public about housing concerns and VHFA through publications, media exposure, speaking engagements, public hearings, etc. Make staff available to consult with members of the public and community officials on the topics of affordable housing development and homeownership.

5.3 Participate at all governmental levels in the development of housing policies, remain current on all housing issues and work cooperatively with other state housing providers to address housing issues and needs.

5.4 Promote the continuation of the federal Mortgage Revenue Bond (MRB) and Low Income Housing Tax Credit (LIHTC) Programs.

5.5 Develop and conduct a nonprofit training series in conjunction with the Vermont Housing & Conservation Trust Fund in order to expand and strengthen the ability of nonprofit housing developers to create more long term affordable housing. Examples of topics include low income housing tax credits, ADA compliance, housing management, board development and finance.

5.6 Participate in the State Data Users Group coordinated by the Department of Housing and Community Affairs to share housing data with other state agencies and the public and to develop a comprehensive housing data base.

5.7 Participate in an annual statewide affordable housing conference or other outreach efforts to provide information on important housing topics to nonprofit and for profit housing developers and others interested in the development of affordable housing.

5.8 Conduct focus groups and surveys as new program initiatives are developed to seek the input of builders, lenders, real estate professionals, developers and borrowers.

IV. CONSISTENCY

Following is a discussion of how VHFA will be consistent with each of the relevant Vermont Planning Goals and the overlying process goals.

The Planning Goals:

(1) *To plan development so as to maintain the historic settlement pattern of compact village and urban centers separated by rural countryside.*

VHFA will continue working with private and public sector housing developers to encourage development that will maintain historic settlement patterns and that will be located in areas related to community centers and the accompanying services. VHFA will include a reprint of Vermont's planning goals in information packets provided to prospective developers and require that applications for financing of construction projects be accompanied by a certification of conformity with an approved regional plan. VHFA relies upon applicants to secure permits in conformity with Act 200 goals prior to receiving certification of conformity (local and regional building permits and approval). In the absence of a local plan, assurance of conformance with an adopted and reviewed regional plan is required. (See Appendix A).

(2) *To provide a strong and diverse economy that provides satisfying and rewarding job opportunities and that maintains high environmental standards, and to expand economic opportunities in areas with high unemployment or low per capita incomes.*

One key to economic development is the availability of affordable housing. VHFA will work with towns, regions and employers, as well as with the Vermont Housing & Conservation Board and the Department of Housing and Community Affairs to identify housing needs and to develop strategies for developing additional housing where appropriate.

(3) *To broaden access to educational and vocational training opportunities sufficient to ensure the full realization of abilities of all Vermonters.*

Through its public information and education processes, VHFA strives to make all Vermonters aware of their possibilities for homeownership.

(4) *To provide for safe, convenient, economic and energy efficient transportation systems that respect the integrity of the natural environment, including public transit options and paths for pedestrians and bicyclers.*

VHFA will review projects that it is asked to fund to ensure that residents will have convenient access, to the greatest degree possible, to public transit and pedestrian sidewalks or paths. VHFA will also work with developers to encourage respect for the natural environment in the construction of roadways.

(5) *To identify, protect and preserve important natural and historic features of the Vermont landscape.*

VHFA will work with developers and review proposed projects with an eye toward assessing their compatibility with land use goals and to encourage the preservation of significant natural and fragile areas, outstanding water resources, significant scenic roads, waterways and views, and important structures, sites or districts. Whenever possible, VHFA works in conjunction with the Vermont Housing & Conservation Board to achieve this goal.

(6) *To maintain and improve the quality of air, water, wildlife and land resources.*

VHFA will encourage the preservation of areas of agricultural, forestry or recreational importance, the conservation of air, water, wildlife and land resources and the protection of the beauty of the landscape. Whenever possible, VHFA works in conjunction with the Vermont Housing & Conservation Board to achieve this goal.

(7) *To encourage the efficient use of energy and the development of renewable energy resources.*

VHFA actively promotes energy conservation in the homes and the developments it finances, and works closely with Energy Rated Homes of Vermont to educate the public and members of the shelter industry about the benefits of energy efficiency.

(8) *To maintain and enhance recreational opportunities for Vermont residents and visitors.*

VHFA recognizes the importance of providing recreational opportunities for all Vermont residents and works with housing developers to consider access to recreation areas in the housing developments brought to VHFA for financing.

(9) *To encourage and strengthen agricultural and forest industries.*

VHFA will work with housing developers to encourage development that will not significantly reduce the resource value of economically viable agricultural or forestry land.

(10) *To provide for the wise and efficient use of Vermont's natural resources and to*

facilitate the appropriate extraction of earth resources and the proper preservation of the aesthetic qualities of the area.

Please see goals 5 & 6.

(11) To ensure the affordability of safe and affordable housing for all Vermonters.

This goal is the essence of the mission of the Vermont Housing Finance Agency. This section is elaborated on based on all other contents of the plan.

(12) To plan for, finance, and provide an efficient system of public facilities and services to meet future needs.

As part of its underwriting process, VHFA reviews proposed projects to ensure that the community is able to provide adequate access to fire and police protection, emergency medical services, schools, water supply, and sewage and solid waste disposal.

The Process Goals:

(1) To establish a coordinated, comprehensive planning process and policy framework to guide decisions by municipalities, regional planning commissions and state agencies.

VHFA reviews and revises its business plan annually. The Strategic Plan was used in FY97 to guide the business planning process. Its planning considers identified housing needs which can be addressed through VHFA programs and activities. The business plan is developed with input solicited from Vermont's regional planning commissions, municipalities and other deliverers of affordable housing.

(2) To encourage citizen participation at all levels of the planning process, and to assure that decisions shall be made at the most local level possible commensurate with their impact.

As previously stated, VHFA seeks public comment on its programs and activities as part of its operating practices. In virtually every case, VHFA provides financing for housing developments only after local permits have been secured. Siting decisions for proposed new developments are typically made locally and approved in accordance with local and regional plans.

(3) To consider the use of resources and the consequences of growth and development for the region and the state, as well as the community in which it takes place.

VHFA fosters the wise use of resources in its single family mortgage and housing development programs through the promotion of energy efficiency and thorough underwriting process. Consequences of growth and development are addressed by municipalities and regions which permit the developments prior to financing.

(4) *To encourage and assist municipalities to work creatively together to develop and implement plans.*
VHFA works with local and regional nonprofit development organizations, regional planning commissions, municipalities and other statewide delivers of affordable housing in creatively addressing affordable housing issues.

V. COMPATIBILITY

VHFA will strive to ensure that its programs and activities are compatible with the regional and approved local plans of all communities in Vermont as well as with the plans of other state agencies. VHFA's programs are intended to meet the goals of Act 200. The siting decisions for VHFA-financed housing developments are typically made at the community level by local officials and the project developer in accordance with local and regional plans. VHFA maintains frequent and regular communications with all levels of local and regional government and nonprofits involved with housing to ensure coordination regarding housing initiatives and works closely with other state agencies involved with housing.

VI. ISSUES

Homeownership: During the 1980's, both incomes and average home prices in Vermont increased at a faster rate than the U.S. Consumer Price Index. Income growth did not keep pace with the cost of housing. Based on figures from the Federal Home Loan Bank Board, average home prices in Vermont increased 66 percent from 1985 to 1990, markedly out pacing the 30 percent increase in median Vermont income during the same period. While the home purchasing power increased due to the income growth during that time, housing prices escalated at a faster pace. This has resulted in a severe affordability crunch for many low- and moderate-income households, especially entry-level buyers.

The affordability crunch for entry-level home buyers and low-to moderate-income households persists. Between 1990 and 1994 home prices stabilized, which moderated the affordability gap for high income households, and median incomes grew 10% more than housing prices. However, the dramatic increases of the 80's continue to impact housing affordability for many Vermonters.

According to the 1995 Housing Needs Assessment, between 6,900 and 8,600 low-and moderate-income renters would be first-time home buyers if the opportunity were available. Nearly 70% of the demand is generated by individuals between 25 and 34 years of age. Over half of the demand is among households earning less than $25,000.

Data from the Vermont Department of Taxes indicate that the prices of primary homes have remained fairly consistent between 1990 and June of 1996. Also, there continues to be a substantial gap between what a middle-income Vermont family can afford and the average Vermont home price, even with the lower interest rates of today. For example, with a conventional interest rate of 8.0% and a 5 percent down payment, a household with the median 1996 Vermont income of $38,900 (as reported by the Department of Housing and Urban Development) could afford a house costing approximately $107,786 but the average price of Vermont homes sold between January and June, 1996 was $110,662. Borrowing through VHFA a home buyer with an income of $33,900 (15% below Vermont's median income) could afford to purchase the same house. (The average price of a home bought with VHFA assistance in January - June 1996 was approximately $70,000 and the average VHFA borrower income was $29,481).

For Vermonters seeking to buy their first home, stable but high prices still limit opportunities to become owners. A period of slow growth for Vermont's economy has resulted in an adjustment in income growth as well as home prices, so that housing will continue to absorb a large portion of household resources for those of modest means, making it difficult for many to save for a down payment and afford a mortgage.

The 1996 National Housing Survey conducted by Fannie Mae indicated that Americans are willing to make many sacrifices to own a home because they believe that home ownership offers stability, a sense of belonging in a neighborhood and a feeling of greater safety and security, as well as providing a good investment. The 1996 Fannie Mae survey confirmed the results of two VHFA-sponsored statewide surveys of Vermont renters conducted in 1992 and 1993. The studies collectively confirm the financial difficulties encountered by renters trying to achieve homeownership. The most significant barriers faced by low- and moderate-income renters include: 1) having sufficient savings for down payment and closing costs; and 2) having income to meet monthly mortgage payments and other housing costs.

There continues to be a strong need for VHFA homeownership assistance in Vermont. According to the 1995 Housing Needs Assessment, with the help of VHFA's MOVE program, a 25- to 34- year-old with a median income for a given county has 98% of the income needed to afford a median-priced home. A household with an income of $25,000 has 67% of the needed income. In the first half of 1996, homes purchased with VHFA assistance accounted for 22 percent of all primary homes sold in Vermont under VHFA's purchase price limit of $120,000; 15 percent of <u>all</u> primary homes sold in Vermont from January to June 1996, including mobile homes sold with land, received VHFA assistance.

Rental Housing: Rental housing in Vermont consists of over 61,000 renter occupied households, and 1994 fair market rents ranging form $384 in Orleans County to $654 in Chittenden County. The lower the household income, the greater the percentage spent on housing: one-third of renters in the state spend 35% or more of their income on rent;

among the elderly, 49% spend 30% or more of their income on housing

As of 1994, an estimated 46,750 low- and moderate-income households need decent, affordable rentals. These include about 24,100 very low income households. Part of this need has been met with 23,400 assisted rental units existing in Vermont. According to the 1995 Assessment of Housing Needs, in Vermont about 14,000 additional subsidized rental units are needed. This number is projected to increase by 1,300 by 1999.

There is a need in Vermont for the development and rehabilitation of rental housing. Over 50% of Vermont's rental units were constructed prior to 1939 and provide minimally adequate rental housing for low-income Vermonters.

VHFA Assistance and Future Challenges: Since 1974, VHFA has provided homeownership assistance to more than 19,112 Vermont households and financed 3,693 apartments in 122 developments across the state. Additionally, VHFA has responded to emerging needs in the field of affordable housing by providing financing assistance for the creation of five shelters for Vermont's homeless, playing a critical leading role in financing and/or coordinating the preservation of 653 units of housing in at-risk multifamily housing developments, and providing the financing for the acquisition of five mobile home parks by nonprofit organizations, thereby protecting affordable housing options for more than 200 Vermont households.

One of VHFA's main objectives is to maximize (increase) the number of new affordable housing units in Vermont. Staff seeks to achieve this objective by utilizing traditional financing and subsidy vehicles, as well as developing new methods to respond to the affordable housing problem.

VHFA utilizes proceeds from the sale of tax-exempt mortgage revenue bonds (MRB) to provide financing for single-family homes. By virtue of the tax-exempt status of VHFA's bonds—the interest earned by bond investors is not taxable under IRS regulations—investors will normally accept a lower rate of return than could be earned from taxable bonds. This translates into interest rates for mortgages obtained under an MRB program that are generally lower than conventional fixed-rate mortgages. Under federal regulations, borrowers participating in VHFA's MRB programs cannot exceed certain income guidelines and the purchase price of the house is also limited. Other federal regulations place additional restrictions on the program.

VHFA is authorized by the Vermont Agency of Commerce and Community Development to issue Low Income Housing Tax Credits to sponsors of affordable housing in accordance with state policy objectives. The tax credits are available to owners of rental housing who invest in new construction, rehabilitation, or the acquisition and rehabilitation of qualified projects. Eligible sponsors receive the tax credit over ten years in exchange for a 15-year commitment to reserve rent-restricted units for income-eligible households. The Low Income Housing Tax Credit is the single, significant federal incentive for the construction or rehabilitation of low-income rental housing. The Housing Credit was established because of concern about possible disinvestment in affordable rental housing. Since 1987, Housing Credits have been allocated to the development of almost 2,500 units in more than 70 properties throughout Vermont. The Housing Credit has accounted for over one-third of all multifamily rental housing construction starts and virtually all low-income rental housing construction over the past several years. Because of this program, $70 million in Housing Credit authority has been allocated, resulting in an estimated $155 million in acquisition, development, and construction activity.

VII. PLANNING AND IMPLEMENTATION PROCESS

Public Participation: It is the practice of the Vermont Housing Finance Agency to make every effort to provide wide access to its programs and to seek public input regarding its activities. Examples of these efforts include the sponsorship by VHFA of home buyer information sessions for prospective home buyers and workshops for nonprofit housing developers. Additionally, VHFA typically seeks comments from the Regional Planning Commissions, regional planners and the Vermont League of Cities and Towns regarding its annual Business Plan. Advisory committees of housing industry representatives participate in the development of new programs.

VHFA also conducts public hearings before each issuance of tax-exempt bonds, whether for single family mortgages or multifamily developments and makes widespread use of the media in both advertising and providing public information about its programs and initiatives. VHFA's efforts to promote widespread public participation can and will be expanded to comply with both the letter and the spirit of Act 200 requirements.

Coordination with Towns, Regions and other agencies: VHFA designs its affordable housing programs, both for single family home acquisition and for multifamily housing acquisition, rehabilitation and development, with a goal of providing more affordable housing opportunities for the residents of Vermont and in accordance with Vermont Planning Goal #11 which is: *To ensure the availability of safe and affordable housing for all Vermonters.*

In 1996, VHFA coordinated Vermont's response to the threatened termination of the Low Income Housing Tax Credit Program. Working with Vermont's U.S. Congressional delegation, Govenor Howard Dean, state agencies, and affordable housing partners, VHFA coordinated a large Vermont letter-writing campaign in support of the program. Based on the enthusiastic endorsement of the Housing Credit Program, both from Vermont and many other states, President Clinton vetoed legistlation which would have terminated the program in 1997.

Beyond its efforts to create and operate effective programs and to continually keep the issue of the need for affordable housing at the forefront of public awareness, VHFA is largely reactive in its consideration of specific applications for the financing of housing developments. When considering applications for financing, VHFA will require that they include a certification of conformity with an approved local plan, or in the absence of a local plan, assurance of conformance with an adopted and reviewed local plan.

VHFA can most efficiently provide information to regions and towns by working through the regional planning commissions or a regional nonprofit housing provider. A community relations coordinator, whose chief responsibility is to create a greater awareness of VHFA programs, and other agency staff are available to visit towns and regions to provide information and technical assistance.

VHFA will work to ensure that affordable housing is a priority of all regions and towns. Additionally, VHFA will continue to work with towns on specific projects that are proposed for the community to facilitate the progress of the project and to address concerns about the project.

The housing problem is extremely complex and varied, requiring an array of responses and solutions. These include strategies in planning, design, development finance, ownership finance, maintenance and replacement. Over the years, government at all levels has introduced funding programs to create housing and make homes available to all income groups. The private sector has been encouraged to participate through tax and other economic incentives. In combination, these programs have left a complex web of relationships and commitments. In recent years, the nonprofit sector has become particularly active in the affordable housing delivery system, through community land trusts and other organizations at the regional and state level.

Each group plays a valuable role, but the multiplicity of players requires coordination. VHFA participates in the Housing Counsel with the other statewide housing agencies (including the Vermont Housing and Conservation Board, the Vermont State Housing Authority and the Vermont Department of Housing and Community Affairs) to discuss state housing policy as well as individual project development and coordination. VHFA will continue efforts committed to enhancing coordination with these statewide agencies and with organizations at other levels of government and in the private and nonprofit sectors.

Internal Coordination of Agency Plans, Programs and Activities: VHFA conducts ongoing coordination of its Agency Act 200 and Business Plans, its programs and initiatives and activities through regular reviews at senior staff and departmental meetings. Its program development, evaluation and monitoring activities are a continual internal process involving all staff.

Evaluation: VHFA will evaluate its success in contributing to the achievement of the goals of Act 200 and its progress in fulfilling its organizational mission, goals and objectives on an ongoing basis.

The scope of this evaluation will include a review of the effectiveness of VHFA's programs in addressing issues of the provision of affordable housing as those programs are being conducted. On a semi-annual basis, VHFA will review its Act 200 Plan and business plan to ensure that the goals of Act 200 are being addressed and its provisions are being adhered to. Additionally, VHFA will review its operational goals, objectives and strategies to be certain that they are current, pertinent and effective.

Particular attention will be focused on VHFA's activities which affect land use, in order to be certain everything practicable is being done to advance the practices of sound land use planning.

The evaluation process will result in the reinforcement, modification or discontinuation of VHFA's existing activities and the establishment of new programs and initiatives designed to further support attainment of the Agency's mission.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

To: VHFA Board of Commissioners

From: Cathleen Gent, Director of Communications

Date: January 28, 1997

RE: Outreach and Marketing Results for FY97 Year To Date

In advance of beginning the second half of outreach and marketing activities in FY97, this update provides the Board of Commissioners with a description of upcoming initiatives and a review of the activities for the year to date.

The Board is invited to visit the 1997 VHFA Chittenden County Home Buyer Fair, to be held on Saturday, March 8th from 10:00 AM to 4:00 PM at the Hampton Inn in Colchester. Over 1,000 people attended last year's fair, and we are working to achieve equally strong attendance.

OUTREACH

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

A. Consumer Education

The goal of our consumer education is to reach potential VHFA borrowers through media communications, instruction, and materials which will meet their needs as cost effectively as possible. Four Home Buying Basics classes were held in September and October, with 60 participants. All classes were held in conjunction with area Adult Continuing Education programs. One of the classes was a pilot three-week session in St. Albans, in which local lending, real estate and affordable housing partners participated with VHFA. While the multi-week session provided valuable in-depth coverage of topics, attendance for the final session dropped. We will offer an alternative pilot two-week session in March in Brattleboro, and look forward to monitoring the success of that format.

In areas of the state where Homeownership Centers are operating, consumer education efforts are coordinated with Center staff to avoid a duplication of outreach offerings.

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

Consumer education outreach scheduled for the next six months includes:

- Three Adult Continuing Education Home Buying Basics Classes
  [Brattleboro, Burlington, Randolph]

- One VHFA Home Buyer Fair
  [Colchester]

- One Non-VHFA Sponsored Event
  [Springfield]

B. Lender and Nonprofit Training

Lender and nonprofit training is designed to educate lenders and housing nonprofit staff who participate in one or more of VHFA/VHMGB's homeownership programs. Due to changes in VHMGB guidelines, 10 special lender training sessions were offered throughout Vermont, with 250 lenders in attendance. This unscheduled training resulted in fewer VHFA lender training sessions being offered. Two VHFA lender training sessions were held, one of which was an introduction to VHFA mortgage programs and the second covered the MCC program. Fifty lenders attended the two VHFA sessions.

Three special events were held for lenders in the three areas of the state where Homeownership Centers have opened. These informational sessions provided an opportunity for lenders to learn about the new centers from VHFA and housing nonprofit staff, discuss ways to collaborate locally, and ask questions. Allan Hunt represented VHFA at the sessions, which were held in Burlington, Rutland, and Lyndonville.

In addition, staff members of the three Homeownership Centers spent a day receiving training about VHFA programs with Single Family Operations underwriting and servicing staff, as well as the Outreach Program Manager.

Spring lender training sessions are scheduled as follows:

- VHFA Overview
  [Killington]

- MCC Program
  [Brattleboro]

- Loan Sale
  [Burlington, Rutland, White River Junction]

C. Outreach to Real Estate Professionals

Real estate professionals represent another important link for delivering VHFA and VHMGB homeownership programs. One session of the VHFA Financing Options (a four-credit course approved by the Vermont Real Estate Commission) was offered in Putney in December. In addition, VHFA participated as a vendor at the 1996 New Hampshire/Vermont Association of REALTORS® Annual Convention in September. The level of training for real estate professionals has been reduced in FY97 due to the special VHMGB lender training sessions needed in the fall. Even with that reduction, the FY97 real estate professional outreach goals are expected to be reached.

Real Estate Profession outreach activities for the second half of FY97 include:

- Two VHFA Financing Options classes
  [Brandon and Waterbury]

- Presentations at four regional Boards in Bennington, Brattleboro, Rutland, Windsor
  [additional presentations may be scheduled to inform real estate professionals about program changes]

ADVERTISING & PROMOTION

Advertising is one of the principal vehicles in the promotion of VHFA's programs and enhancement of our single family programs. The overall approach in the FY97 media advertising campaign is based primarily on employing an education oriented theme and promoting VHFA's association with our affordable housing partners. We continue to target renter households in the $20,000 to $40,000 income range and encourage our audience to contact VHFA's Helpline. The fall advertising campaign was reduced in FY97, with almost one-quarter of our media presence dedicated to advertising home buyer classes offered throughout Vermont and the Chittenden County Home Buyer Fair. In addition, our media dollars are concentrated in the six counties with the largest populations of households within our target income ranges. For home buying classes, the advertising is targeted to local areas where the workshops will take place.

The fall general advertisement campaign did not produce the results we had hoped, as measured by the number of inquiries received by VHFA's Helpline. The number of calls for October and November (the months in which advertising was done) decreased by 28% when compared to the same months in 1995. The primary reasons for the reduction in calls relate to reduced media exposure and to the advertisements directly. The spring advertisement campaign has been developed to achieve, at a minimum, the level of results experienced in 1995, one of the best years ever. First, Governor Howard Dean is a spokesperson for the radio ads. Second, the theme for all print and radio ads has been refined and simplified. While including the general themes for the campaign, we are telling Vermonters of modest means that homeownership may be possible and to call the Helpline for more information.

Approximately 23% of the spring campaign will be dedicated to advertising the three home buyer education classes, as well as the Chittenden County Home Buyer Fair in March. We will closely monitor the success of these advertisements in terms of class participation and the correlation between these outreach efforts and homeownership outcomes.

In addition to VHFA's advertising efforts, we have assisted housing nonprofits in a number of ways during the first half of FY97:

- On behalf of three housing nonprofits, mailed out over 2,700 program announcements and property "for sale" flyers to VHFA's extensive consumer data base.
- Approved $15,000 in cooperative advertising funds to match on a 1:1 basis any expenses incurred by nonprofits in promoting their homeownership programs.
- Approved $4,000 in funds to assist advertising efforts of the three pilot Homeownership Centers.

BOARD ACTION: No Board action is needed. A summary of the entire FY97 outreach and advertising campaign will be provided to the Board in July.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

To: VHFA Board of Commissioners

From: CG Cathleen Gent, Director of Communications

Date: January 28, 1997

RE: Public Relations Efforts

In an effort to enhance information dissemination strategies as part of our outreach and overall information dissemination plan, VHFA has undertaken a number of public relations activities in the last several months. Highlights of these activities include:

- In a news conference on November 15, 1996, VHFA announced a new Series 8 MRB Bonds and YESS (Yearly Energy Savings System) Program, with participation by Richard White, Allan Hunt, and representatives of affordable housing organizations. The news conference received excellent coverage around the state via television stations, newspapers, and radio stations.
- In January, Allan Hunt was interviewed by five radio stations throughout the state, promoting VHFA's new interest rates, as well as income and purchase price limits for the specific areas where the stations are located. In these interviews, Allan also discussed the YESS Program, Homeownership Centers (where applicable), and the importance and value of affordable housing programs in the state.
- In Bennington, Applegate has received positive news coverage highlighting local response to the efforts by the resident association, HUD, Housing Vermont, and VHFA to rehabilitate and preserve this valuable resource for low-income renters.

Also attached are samples of two newspaper articles included in the attached publicity report. I would be glad to provide you with copies of any articles referenced in the list.

The Board of Commissioners will be provided VHFA and VHMGB public relations summaries on a quarterly basis.

BOARD ACTION: No Board action is needed.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

Mailing Address: PO Box 408, Burlington, Vermont 05402-0408
Delivery Address: 164 Saint Paul Street, Burlington, Vermont 05401-4364
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EQUAL HOUSING OPPORTUNITY

Vermont Housing Finance Agency
1996/97 Publicity Report 1/28/97

Publication/TV/Radio	Date/Event
WBTN AM/WHGC FM Radio Bennington	1/16/97, Allan Hunt interviewed by Bob Harrington regarding new VHFA programs
WSTJ AM/WNKV FM Radio St. Johnsbury	1/15/97, Allan Hunt interviewed by Tom Field regarding new VHFA programs
WDEV 550 AM Radio Waterbury	1/9/97, Allan Hunt interviewed by Eric Michaels regarding new VHFA programs
WMOO 92.1 FM Radio Derby	1/8/97, Allan Hunt interviewed by Ed Barber regarding new VHFA programs
WCFR AM/WMKS FM Radio Springfield	1/3/97, Allan Hunt interviewed by Kathleen Marple regarding new VHFA programs
The Sunday Rutland Herald & The Sunday Times Argus	12/22/96, "Residents Organize to Make Housing Feel Like Home"
Bennington Banner	11/26/96, "Applegate Residents Deserve Town Support"
Bennington Banner	11/25/96, "Optimism Reigns at Applegate"
Associated Press	11/16/96, VHFA News Release: "VHFA Announces $31.6 Million Bond Placement for Home Mortgages"
Burlington Free Press	11/16/96, "Vermont Agency Offers Low-Rate Mortgages"
Valley Voice Middlebury	11/16/96, Carries news story of announced VHFA programs
Rutland Daily Herald	11/16/96, "VHFA Expands Housing Program"
St. Albans Messenger	11/16/96, "VHFA Lowers Interest Rate, Offers More Mortgages" *Expanded Lending Program Will Allow Low to Moderate Income Vermonters to Buy Homes*
Caledonian Record St. Johnsbury	11/16/96, "VHFA Lowers Interest Rate; Offers More Mortgages"
WKDR 1070 AM Radio Burlington	11/15/96, Coverage of News Conference, reported on 12:00 PM, 4:00 PM and 5:00 PM news
WNNE TV Channel 31 White River Junction	11/15/96, News conference announcements reported on evening news.
WCAX TV Channel 3 Burlington	11/15/96, Coverage of News Conference. News conference announcements reported on evening news
WVNY Channel 22 Burlington	11/15/96, Coverage of News Conference. News conference announcements reported on evening news
VHFA News Conference at VHFA	11/15/96, Press packet sent to Vermont daily, weekly, monthly publications, radio stations that carry news local news, Vermont television stations, and VHFA contacts
Burlington Free Press	10/28/96, "Mobile Home Tenants Forced to Vacate, Might Lose Homes"

Established 1837
THE CALEDONIAN-RECORD
Serving Northeastern Vermont and the North Country of New Hampshire
Volume 159 Number 86 St. Johnsbury, Vermont • Saturday, November 16, 1996 Price 35 C

VHFA Lowers Interest Rate; Offers More Mortgages

BURLINGTON (AP) – An expanded lending program by the Vermont Housing Finance Agency should enable 500 low- to moderate-income Vermonters to buy a new house at a low interest rate, the agency announced on Friday.

Some home buyers also will be able to finance energy-saving improvements with low-rate mortgages.

VHFA sold $31.6 million in mortgage revenue bonds to Fannie Mae, formally known as the Federal National Mortgage Association, which is the nation's largest source of home mortgage money.

VHFA will lend the money through its Mortgages for Vermonters program at an interest rate of 7.15 percent, 0.6 percentage points below the rate set just two months ago.

The agency also decided to expand its guidelines so more people will qualify for the mortgages and will be able to buy a slightly more expensive home.

Federal guidelines regulate the income and purchase price limits among the various areas of the state. In Chittenden County, a family of three earning up to $48,700 annually can qualify for a VHFA-backed mortgage. That's an increase from $46,000.

In Bennington, Addison and Windsor counties, the income limit was raised to $47,700, a $5,500 increase.

Statewide, the maximum purchase price that VHFA will back is going from $120,000 to $126,000. "We expect this to give a boost to housing construction throughout Vermont," said Richard C. White, VHFA board chairman.

VHFA also is working with Energy Rated Homes of Vermont and the U.S. Agriculture Department's Rural Development division to offer energy efficiency loans.

11/16/96

the St. Albans Messenger

Vermont's Oldest Evening Newspaper - 1861

VHFA lowers interest rate, offers more mortgages

►Expanded lending program will allow low-to moderate-income Vermonters to buy homes.

By THE ASSOCIATED PRESS

BURLINGTON, Vt. (AP) — An expanded lending program by the Vermont Housing Finance Agency should enable 500 low- to moderate-income Vermonters to buy a new house at a low interest rate, the agency announced on Friday.

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VHFA also is working with Energy Rated Homes of Vermont and the U.S. Agriculture Department's Rural Development division to offer energy efficiency loans.

Those will be offered through a new program called YESS — Yearly Energy Savings System. VHFA will offer mortgages for such improvements as insulation, energy efficient windows and doors or new furnaces.

The $1.7 million in the program will be distributed through affordable stepped mortgages whose rates will start at 5.45 percent.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Samuel J. Falzone, Director, Multifamily Management

DATE: January 28, 1997

RE: **PORTFOLIO REENGINEERING DEMONSTRATION**

HUD has announced a demonstration program which targets FHA insured projects that have Section 8 contracts expiring in 1997 and have rent levels in excess of 120% of Fair Market Rents. Although only one of Vermont's properties is eligible under this year's program, there are several insured properties that will qualify for participation in subsequent years if the program is extended. VHFA has an ongoing interest in three of these projects: Cummings Street, Highgate and Applegate. The primary goals of the demonstration program are to preserve the physical and financial condition of the FHA insured portfolio, while reducing the Section 8 subsidy cost to the Federal government.

State Housing Finance Agencies have been identified by HUD as potential restructuring agents under this program. With VHFA's prior experience and success in preserving affordable housing in Vermont, we have an interest in submitting an application to be named Designee for restructuring property under the demonstration. We believe that as Designee, VHFA would be in the best position to control the events that will impact the future affordability of these insured properties, protect the security of our insured loans, and ultimately earn fees for both the restructuring activities and contract administration for continuing Section 8 contracts. With only three properties eligible in 1997 and 1998, we expect to be able to use existing staff to complete processing under the restructuring guidelines.

HUD has requested that HFA's submit a letter of interest indicating their willingness to be considered as Designee by February 15. These letters should include a statement of qualifications and must be accompanied by a letter of support from the Governor. Our selection following this process does not obligate us to make a firm commitment but allows us to begin negotiations with HUD and owners on potential restructuring solutions. VHFA's success in this activity may lead to an expanded role in disposition of Vermont's expiring use insured portfolio and allow us to gain valuable restructuring experience that will be useful as our Section 8 uninsured portfolio reaches contract expiration.

Board Action

We seek the Board's approval to submit a letter of interest in being designated Vermont's restructuring agent under the demonstration program.

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FAX: 802 / 864-5746 • Underwriting FAX: 802 / 863-5422 • home@vhfa.org

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: **VHFA BOARD OF COMMISSIONERS**

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

DATE: **JANUARY 31, 1997**

RE: **GENERAL FUND BUDGET PERFORMANCE**

On the reverse side of this memo is the budget performance report for the period ending September 30, 1996 representing the first quarter of the fiscal year. We are currently working on the December 31 quarterly report, but since the computer upgrades slowed up report processing and the September report was not available at the last Board meeting, we are including it now. All things being equal, budget categories should be at 25% of the annual budget. We are in line in most budget categories for the year. Interest income and interest expense will need to be adjusted during the fiscal year due to the $3 million arrangement with the Howard Bank and the Federal Home Loan Bank regarding funding of the Pines project.

INCOME. We are in good shape in most income categories. The project administration fees are a component of fund transfers from the multi-family program which did not take place during the quarter.

FUND TRANSFERS. The transfers of funds from the Programs to the General Fund have been collected as expected. The difference from the budgeted amounts is based on timing of when we pay debt service to bondholders at which time we make the transfers to the General Fund.

EXPENSES. Total expenses are 23.5% of budget within the expense constraints for the fiscal year. Items such as the audit and subsidy expenses have heavier payments early in the fiscal year.

CAPITAL BUDGET. The approved capital budget for the fiscal year is $75,000. Through September 30, 1996 we had expended $25,397 or 33.9% of the capital budget.

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

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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

EQUAL HOUSING OPPORTUNITY

BUDGET PERFORMANCE REPORT
VERMONT HOUSING FINANCE AGENCY
SEPTEMBER 30, 1996

		APPROVED BUDGET		ACTUAL 9/30/96	YTD PERCENT
INCOME					
SINGLE FAMILY FEES	$	139,000	$	23,114	16.6%
MULTI-FAMILY FEES		135,000		59,954	44.4%
PROJECT ADMIN FEES		73,700		-	0.0%
INTEREST INCOME-LOANS		450,000		100,362	22.3%
INTEREST INCOME-INVEST		75,000		29,651	39.5%
VHMGB CHARGES		375,000		72,307	19.3%
MISCELLANEOUS		50,000		17,864	35.7%
TOTAL INCOME	**$**	**1,297,700**	**$**	**303,252**	**23.4%**
FUND TRANSFERS					
SINGLE FAM HOUSING		140,000		-	0.0%
SHAWMUT MTG PURCHASE		200,000		-	0.0%
HOWARD MTG PURCHASE		1,250,000		750,000	60.0%
HOWARD HOME MTG PURCH		260,000		-	0.0%
HOWARD MULTI-FAMILY		280,000		70,000	25.0%
CONN NATL MULTI-FAMILY		160,000		-	0.0%
HOUSING DEVELOP BDS-MF		10,000		-	0.0%
DIRECT PLACEMENT BONDS		35,000		8,500	24.3%
TOTAL TRANSFERS		**2,335,000**		**828,500**	**35.5%**
TOTAL INC & TFRS		**3,632,700**		**1,131,752**	**31.2%**
EXPENSES					
ADVERTISING & PROMOTION		129,300		18,904	14.6%
AUDIT		38,000		34,000	89.5%
ANNUAL REPORT		7,500		-	0.0%
COMMISSIONERS EXPENSES		5,000		500	10.0%
CONSULTING FEES		116,800		4,448	3.8%
DEPRECIATION		145,000		35,401	24.4%
DUES & SUBSCRIPTIONS		28,700		7,762	27.0%
INSURANCE		190,000		44,515	23.4%
INTEREST EXPENSE		190,000		73,378	38.6%
LEGAL		45,000		3,773	8.4%
MISCELLANEOUS		5,000		1,275	25.5%
OCCUPANCY EXPENSE		100,000		13,756	13.8%
OFFICE EXPENSES		35,000		7,758	22.2%
PENSION PLAN		130,000		35,213	27.1%
POSTAGE		26,000		6,300	24.2%
REPAIRS & MAINTENANCE		40,000		8,308	20.8%
SALARIES & WAGES		1,449,466		346,963	23.9%
STAFF TRAVEL & TRAINING		60,000		9,603	16.0%
SUBSIDY-HOUSING VT, ERH		99,000		39,000	39.4%
TAXES-PAYROLL		111,400		27,839	25.0%
TELEPHONE		36,000		7,087	19.7%
TRUSTEE & CREDIT FEES		250,000		36,228	14.5%
TOTAL EXPENSES		**3,237,166**		**762,011**	**23.5%**
SURPLUS (DEFICIT)		**395,534**		**369,741**	**93.5%**

vhfa
VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

ASH

FROM: Allan S. Hunt, Executive Director

DATE: March 12, 1997

RE: CANCELING MARCH/CONFIRMING APRIL BOARD MEETING

This is to inform you that the March 20 meeting of the Vermont Housing Finance Agency Board of Commissioners has been *cancelled.*

The next meeting will take place, as originally scheduled, at **1:00 p.m. on Thursday, April 17,** in Montpelier. Board packets will be mailed out on Friday, April 11.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to meeting with you in Montpelier on April 17!

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vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA/VHMGB Board of Commissioners

FROM: Allan S. Hunt, Executive Director (652-3421) ASH

DATE: March 17, 1997

RE: VHMGB LEGISLATIVE ACTIVITY

I am happy to report that the House Commerce Committee has voted out a bill to increase the overall guarantee authority of VHMGB as well as authority to raise the premiums to 1.68 % for fixed rate loans and 1.83% for variable rate loans. This action came after many weeks of discussion with the Committee regarding the need to raise the fees, the amount of capitalization required, and the method by which we would raise the fees.

The most important change since we last discussed this situation was the Actuary's report indicating that only a small increase would be needed in addition to their previously recommended fee of 1.59% (to 1.68%) in order to recapitalize the fund to $2.5 million in five years. We and the Committee had been laboring under the assumption we would need a 2.5% fee to recapitalize, a figure they were very uncomfortable with. The actual figure of 1.68% sounded much better!

The bill also provides that people paying the higher premium can offset that cost by not paying the property transfer tax on the first $100,000 of the property's value. Since this tax is 1/2%, the effective premium becomes 1.18% on fixed rate loans!

The bill also establishes a quarterly reporting requirement. This language was inserted as a way to monitor VHFA's commitment to put $600,000 of "value " into the VHMGB fund over a two year period. This can be accomplished through reduced administrative costs, lower loan losses, taking more of the risk, or other techniques. The bottom line is that the Commerce Committee and the Administration want to see VHMGB's balance sheet $600,000 stronger in two years based on VHFA's efforts.

The next stop for the bill will be House Ways and Means where the tax credit idea will likely get a hard look. Please feel free to call if you have any questions.

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cc: Glenn
Doug
Dick Wh

Introduced by

Referred to Committee on

Date:

Subject: Development; Vermont home mortgage guarantee program

Statement of purpose: This bill proposes to increase the fees charged by the Vermont home mortgage guarantee program, and to authorize for five years a credit from the property transfer tax for individuals purchasing homes with the assistance of the Vermont home mortgage guarantee program.

AN ACT RELATING TO THE VERMONT HOME MORTGAGE GUARANTEE PROGRAM

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

Sec. 1. 10 V.S.A. § 387 is amended to read:

§ 387. GUARANTY FEE

The board shall collect from the lender a guaranty fee of up to ~~one and three-tenths~~ 1.68 percent of the amount of ~~the~~ a fixed rate loan, up to 1.83 percent of the amount of a variable rate loan, or up to three percent of the amount of the loan in cases of loan guaranties made pursuant to section 398 of this title. Such fee may be assessed by the lender against the borrower as a permitted loan charge, anything to the contrary notwithstanding, and may be collected either at the closing or on a monthly basis until the present value of the monthly collections equals the maximum fee allowable under this section. The board shall segregate those fees into a special reserve account subject to withdrawal, to the extent that those reserves are available, to discharge any of the board's guaranty liabilities or personnel and administrative expenses as provided in section 382 of this title.

Sec. 2. 10 V.S.A. § 390 is amended to read:

§ 390. LIMITATIONS ON GUARANTIES

Prior to issuing any guaranty on any loan hereunder, the board shall first determine that the amount of such guaranty as of its proposed date of issuance, when combined with the aggregate outstanding guaranty liability on all existing guaranties, shall not exceed ~~$110,000,000.00 effective July 1, 1994, $120,000,000.00 effective July 1, 1995 and $130,000,000.00 effective July 1, 1996~~ $135,000,000.00 effective on July 1, 1997, and $145,000,.00 effective July 1, 1998.

Sec. 3. 32 V.S.A. § 9602(1) is amended to read:

§ 9602. TAX ON TRANSFER OF TITLE TO PROPERTY

A tax is hereby imposed upon the transfer by deed of title to property located in this state. The amount of the tax equals one and one quarter percent of the value of the property transferred, or $1.00, whichever is greater, except as follows:

(1) with respect to the transfer of property to be used for the principal residence of

the transferee the tax shall be imposed at the rate of five-tenths of one percent of the first $100,000.00 in value of the property transferred and at the rate of one and one quarter percent of the value of the property transferred in excess of $100,000.00<u>, provided that no tax shall be imposed on the first $100,000.00 in value of the property if, in connection with the transfer, a guaranty fee is paid to the Vermont home mortgage guarantee program in accordance with section 387 of Title 10</u>;

* * *

Sec. 4. 32 V.S.A. § 9602(1) is amended to read:

§ 9602. TAX ON TRANSFER OF TITLE TO PROPERTY

A tax is hereby imposed upon the transfer by deed of title to property located in this state. The amount of the tax equals one and one quarter percent of the value of the property transferred, or $1.00, whichever is greater, except as follows:

(1) with respect to the transfer of property to be used for the principal residence of the transferee the tax shall be imposed at the rate of five-tenths of one percent of the first $100,000.00 in value of the property transferred and at the rate of one and one quarter percent of the value of the property transferred in excess of $100,000.00;

* * *

Sec. 5. QUARTERLY FINANCIAL STATEMENTS

<u>The Vermont home mortgage guarantee board shall submit quarterly financial statements to the general assembly. Such statements shall include an accounting of the</u>

<u>manner in which the Vermont housing finance agency has accomplished the administrative efficiencies and savings for the benefit of the Vermont home mortgage guarantee program intended by the general assembly.</u>

Sec. 6. REPEAL; EFFECTIVE DATE

<u>Sec. 3 and Sec. 5 of this act shall be repealed on July 1, 2002. Sec. 4 of this act shall take effect on July 1, 2002.</u>

MILLIMAN & ROBERTSON, INC.
Actuaries & Consultants

Internationally WOODROW MILLIMAN

Suite 400, 15800 Bluemound Road, Brookfield, Wisconsin 53005-6069
Telephone: 414/784-2250
Fax: 414/784-6388

March 11, 1997

Mr. Roger Schoenbeck
Director of Finance
Vermont Housing Finance Agency
164 St. Paul Street
Burlington, Vermont 05401-4634

RE: INDICATED FEE INCREASE FOR TARGET PROJECTED CAPITAL

Dear Roger:

At your request, this letter documents our analysis to assist the Vermont Home Mortgage Guarantee Board (VHMGB) in analyzing the possibility of building fund equity by increasing premium fees.

INTRODUCTION & BACKGROUND

In April of 1974, the Vermont General Assembly passed legislation creating the Vermont Home Mortgage Guarantee Board (VHMGB) as the successor to the Vermont Home Mortgage Credit Agency. In 1994 the Vermont Housing Finance Agency (VHFA) assumed responsibility for the administration of the VHMGB program. The purpose of the VHMGB is to guarantee repayment of mortgage loans issued to low-to-moderate income Vermont residents.

The VHMGB currently insures variable, fixed, and second mortgage loans up to 30% of the original mortgage loan amount. In addition, it guarantees unsecured energy improvement loans enabling existing homeowners to increase the energy efficiency of their homes.

Loans guaranteed by the VHMGB are on one-to-four family, owner-occupied, primary residential dwellings. The full faith and credit of the State of Vermont is pledged to the payment of the certificates of guarantee.

The VHMGB's fiscal year is on a July 1 - June 30 basis, and it is required to annually prepare and submit to the Vermont Governor a complete summary of operations, as well as a financial report audited and certified by the Vermont Auditor of Accounts.

The VHMGB is authorized to collect from lenders a guarantee fee of up to 1.3% of the amount of the mortgage loan, or up to three percent of energy conservation loans, and to segregate these fees into a special reserve account to discharge its guarantee liabilities and to meet personnel and administrative expenses. In May of 1996, the VHMGB began to offer an optional premium installment plan.

The VHMGB retained Milliman & Robertson, Inc. (M&R) in 1990, 1992, 1994 and 1996 to conduct actuarial reviews of its operations as of June 30 of each respective year. Our most recent review was summarized in a report titled "Vermont Home Mortgage Guarantee Board Actuarial Review as of June 30, 1996" dated November 1, 1996. In this report, M&R conducted analyses of VHMGB's fee levels and its June 30, 1996 financial reporting accruals. The report also stressed M&R's concerns that VHMGB's fund equity had been virtually depleted and that, absent the "full faith and credit" of the State of Vermont, VHMGB appeared undercapitalized relative to its in-force exposure. Furthermore, our analysis indicated that current fee levels are projected to result in future underwriting losses.

VHMGB CAPITAL POSITION AS OF JUNE 30, 1996

M&R's actuarial analysis of the VHMGB as of June 30, 1996 indicated fund equity of approximately $328,000 as of June 30, 1996, based on our estimated accruals including the reserve for unpaid claim liabilities of $1.8 million. It is our understanding that subsequent to our analysis, additional delinquencies were discovered during the course of the audit. The reserve for these delinquencies added approximately $200,000 to unpaid claim liabilities based on the reserve factors documented in our report. Furthermore, the audit resulted in an additional unearned premium reserve amount of approximately $100,000. Therefore, audited fund equity as of June 30, 1996 totaled $37,412.

The decrease in fund equity during the course of the audit magnifies our concern that, based on prevailing standards, VHMGB appears undercapitalized relative to its in-force exposure.

M&R INDICATED GUARANTEE FEES

The second phase of our June 30, 1996 actuarial analysis was a review of the VHMGB's current fee structure. Our analysis indicated that the projected return on *required* capital for future guarantees written at current fees is 5.2%. The 5.2% projected return on *required* capital is below the 6% yield on invested assets assumed in our analysis. This reflects the fact that total written premium at current fee levels is projected to produce underwriting losses.

Mr. Roger Schoenbeck
March 11, 1997
Page 3

Furthermore, since VHMGB's current capital is significantly below required capital, VHMGB will earn less investment income on its capital than is reflected in the pricing model. In our report, we documented the overall rate of return at current fee levels assuming that VHMGB's current risk-to-capital position is maintained throughout the in-force term of future insured loans. The resulting overall return on *current* capital of 0.1% is significantly below the 5.2% return on *required* capital.

In order to achieve a uniform 10% return on required capital, the table below displays the indicated fees by loan-to-value category and loan instrument type:

	Guarantee Fees for a Target 10% Return on Required Capital	
Loan-To-Value Percentage	Fixed Interest Rate Loans	Adjustable Interest Rate Loans
90.1 - 95.0%	1.59%	1.73%
85.1 - 90.0%	1.05	1.17
75.1 - 85.0%	0.41	0.56

It is our understanding that the statutory cap currently limits the guarantee fee to 1.3%. As our analysis indicates, the 1.3% cap may create certain inequities in the guarantee fees.

RECAPITALIZATION OF THE VHMGB

As an extension of our June 30, 1996 pricing analysis, M&R was retained to estimate the guarantee fees that will result in projected fund equity of $2.5 million after five years (i.e., as of June 30, 2001 assuming the fee increase is effective July 1, 1996). We have estimated that the following guarantee fees will result in projected fund equity of $2.5 million as of June 30, 2001:

	Guarantee Fees for Projected Fund Equity of $2.5 million after 5 Years	
Loan-To-Value Percentage	Fixed Interest Rate Loans	Adjustable Interest Rate Loans
90.1 - 95.0%	1.68%	1.83%
85.1 - 90.0%	1.11	1.24
75.1 - 85.0%	0.43	0.59

In order to determine the required fee increase, we have projected 5-year pro-forma financial statements for VHMGB. We separately projected the financial results for the following two groups of guarantees:

- Guarantees in-force as of June 30, 1996 (Exhibit 1); and
- Guarantees originated after June 30, 1996 (Exhibit 2).

Our analysis focused on determining the guarantee fees for the second group of business above such that the combined pro-forma financial statements resulted in $2.5 million of fund equity as of June 30, 2001. Exhibit 3 presents these combined 5-year financial statements.

Due to the long-term nature of mortgage insurance coverage, in-force business has a significant impact on future financial statements for many years. As the in-force business as of June 30, 1996 runs off, the $2.8 million of unearned premium is recognized as revenue and additional losses and expenses are incurred. We have projected the following net income effect of the run-off of VHMGB's in-force business:

	Run-off of VHMGB June 30, 1996 In-Force ($000s)					
	Year - Ending					
	6/30/97	**6/30/98**	**6/30/99**	**6/30/00**	**6/30/01**	**Total**
Underwriting Income	$(125)	$118	$231	$183	$80	$487
Investment Income	224	193	162	136	116	833
Net Income	$99	$311	$394	$319	$196	$1,320

The projected five-year net income related to new business is derived as follows:

		($000s)
A	Required Fund Equity	$2,500
B	Initial Fund Equity	37
C	Net Income from In-Force	1,320
D	Required Net Income from New Business (A) - (B) - (C)	$1,143

The indicated fees displayed in the table at the bottom of page 3 produce the required net income of $1,143,000 over five years as follows:

	Projected Net Income on Business Written after June 30, 1996 ($000s)					
	Year - Ending					
	6/30/97	6/30/98	6/30/99	6/30/00	6/30/01	Total
Underwriting Income	$1	$27	$84	$152	$207	$471
Investment Income	27	81	136	189	238	671
Net Income	$28	$108	$220	$341	$445	$1,142

It should be noted that the indicated guarantee fees resulting in projected fund equity of $2.5 million after five years are only 6% higher than the M&R indicated fees for a 10% return on required capital. In fact, the fees for a 10% return on required capital result in projected capital of approximately $2.4 million after five years.

Please note that in our analysis we assumed a constant level of new certificates written beyond June 30, 1996, based on the level of new business written during the July 1, 1995-96 fiscal year.

All of the qualifications and limitations contained in our November 1, 1996 actuarial report apply equally to the analysis outlined in this letter.

Roger, please feel free to call and discuss the analysis once you have reviewed this letter.

Sincerely,

Robert L. Sanders, F.C.A.S., M.A.A.A.
Consulting Actuary

Michael C. Schmitz, A.C.A.S., M.A.A.A.
Associate Actuary

RLS/MCS/kla

Exhibit 1

Vermont Home Mortgage Guarantee Board
Business In-Force as of 6/30/96

INCOME STATEMENT: Business In-Force as of 6/30/96

	6/30/97	6/30/98	6/30/99	6/30/00	6/30/01
Premium Written	0	0	0	0	0
Unearned Premium	2,068,374	1,369,559	811,599	438,083	219,970
Premium Earned	725,336	698,815	557,960	373,516	218,112
Loss Payments	596,440	618,647	530,472	406,937	268,425
Loss Reserves	1,919,259	1,564,138	1,086,280	645,777	333,535
Losses Incurred	508,417	263,525	52,614	(33,566)	(43,818)
Underwriting Expenses Incurred	342,152	317,216	273,943	223,879	181,503
Underwriting Expenses Prepaid	526,852	342,420	200,647	107,457	53,561
Underwriting Profit/(Loss)	(125,233)	118,074	231,403	183,203	80,426
Investment Income	224,257	193,290	162,465	136,205	116,368
Net Income/(Loss)	99,024	311,364	393,868	319,408	196,794

CASH FLOW STATEMENT: Business In-Force as of 6/30/96

	6/30/97	6/30/98	6/30/99	6/30/00	6/30/01
SOURCES OF CASH					
Premiums Collected	0	0	0	0	0
Investment Income	224,257	193,290	162,465	136,205	116,368
USES OF CASH					
Loss Payments	596,440	618,647	530,472	406,937	268,425
Underwriting Expenses	132,873	132,784	132,170	130,689	127,607
Beginning Cash	4,102,273	3,597,217	3,039,076	2,538,900	2,137,479
Ending Cash Before Inv Income	3,372,960	2,845,786	2,376,434	2,001,274	1,741,447
Ending Cash After Inv Income	3,597,217	3,039,076	2,538,900	2,137,479	1,857,815

BALANCE SHEET: Business In-Force as of 6/30/96

	6/30/97	6/30/98	6/30/99	6/30/00	6/30/01
ASSETS					

Investments	3,597,217	3,039,076	2,538,900	2,137,479	1,857,815
Prepaid Expenses	526,852	342,420	200,647	107,457	53,561
LIABILITIES					

Loss Reserves	1,919,259	1,564,138	1,086,280	645,777	333,535
Unearned Premium Reserve	2,068,374	1,369,559	811,599	438,083	219,970
EQUITY					

Capital	136,436	447,800	841,668	1,161,076	1,357,870

Exhibit 2

Vermont Home Mortgage Guarantee Board
New Business Generated After 6/30/96

INCOME STATEMENTS: New Business	6/30/97	6/30/98	6/30/99	6/30/00	6/30/01
Premium Written	1,091,959	1,091,959	1,091,959	1,091,959	1,091,959
Unearned Premium	1,078,856	2,061,619	2,830,358	3,341,395	3,638,408
Premium Earned	13,104	109,196	323,220	580,922	794,946
Loss Payments	923	15,686	75,516	189,720	325,058
Loss Reserves	6,212	49,980	150,449	277,026	384,797
Losses Incurred	7,135	59,454	175,985	316,298	432,828
Underwriting Expenses Incurred	4,835	22,781	63,166	112,533	155,385
Underwriting Expenses Prepaid	200,476	383,095	525,944	620,906	676,098
Underwriting Profit/(Loss)	1,134	26,960	84,069	152,091	206,733
Investment Income	26,572	80,864	136,155	189,479	238,380
Net Income/(Loss)	27,706	107,824	220,224	341,570	445,113

CASH FLOW STATEMENT: New Business					
SOURCES OF CASH					
Premiums Collected	1,091,959	1,091,959	1,091,959	1,091,959	1,091,959
Investment Income	26,572	80,864	136,155	189,479	238,380
USES OF CASH					
Loss Payments	923	15,686	75,516	189,720	325,058
Underwriting Expenses	205,311	205,400	206,015	207,495	210,577
Beginning Cash	0	912,297	1,864,034	2,810,617	3,694,840
Ending Cash Before Inv Income	885,725	1,783,170	2,674,462	3,505,361	4,251,165
Ending Cash After Inv Income	912,297	1,864,034	2,810,617	3,694,840	4,489,545

BALANCE SHEET: New Business					
ASSETS					
Investments	912,297	1,864,034	2,810,617	3,694,840	4,489,545
Prepaid Expenses	200,476	383,095	525,944	620,906	676,098
LIABILITIES					
Loss Reserves	6,212	49,980	150,449	277,026	384,797
Unearned Premium Reserve	1,078,856	2,061,619	2,830,358	3,341,395	3,638,408
EQUITY					
Capital	27,705	135,530	355,754	697,325	1,142,438

Exhibit 3

Vermont Home Mortgage Guarantee Board
Combined Statements: In-Force & New Business

		6/30/97	6/30/98	6/30/99	6/30/00	6/30/01
INCOME STATEMENT: In-Force and New Business						
Premium Written		1,091,959	1,091,959	1,091,959	1,091,959	1,091,959
Unearned Premium		3,147,230	3,431,178	3,641,957	3,779,478	3,858,379
Premium Earned		738,439	808,011	881,180	954,439	1,013,059
Loss Payments		597,363	634,333	605,988	596,657	593,483
Loss Reserves		1,925,471	1,614,118	1,236,729	922,804	718,331
Losses Incurred		515,552	322,980	228,600	282,732	389,011
Underwriting Expenses Incurred		346,987	339,997	337,108	336,412	336,889
Underwriting Expenses Prepaid		727,328	725,516	726,592	728,363	729,659
Underwriting Profit/(Loss)		(124,099)	145,034	315,472	335,294	287,159
Investment Income		250,829	274,154	298,620	325,685	354,748
Net Income/(Loss)		126,730	419,188	614,092	660,979	641,907
CASH FLOW STATEMENT: In-Force and New Business						
SOURCES OF CASH						
Premiums Collected		1,091,959	1,091,959	1,091,959	1,091,959	1,091,959
Investment Income		250,829	274,154	298,620	325,685	354,748
USES OF CASH						
Loss Payments		597,363	634,333	605,988	596,657	593,483
Underwriting Expenses		338,184	338,184	338,184	338,184	338,184
Beginning Cash		4,102,273	4,509,514	4,903,110	5,349,517	5,832,319
Ending Cash Before Inv Income		4,258,685	4,628,956	5,050,897	5,506,635	5,992,612
Ending Cash After Inv Income		4,509,514	4,903,110	5,349,517	5,832,319	6,347,360
BALANCE SHEET: In-Force and New Business						
ASSETS						
Investments		4,509,514	4,903,110	5,349,517	5,832,319	6,347,360
Prepaid Expenses		727,328	725,516	726,592	728,363	729,659
LIABILITIES						
Loss Reserves		1,925,471	1,614,118	1,236,729	922,804	718,331
Unearned Premium Reserve		3,147,230	3,431,178	3,641,957	3,779,478	3,858,379
EQUITY						
Capital	37,412	164,141	583,330	1,197,422	1,858,401	2,500,308

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VERMONT HOUSING FINANCE AGENCY

April 8, 1997

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

Dear Ms. Wolters:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Thursday, April 17, at 1:00 p.m., at the office of the Commissioner of Banking, Insurance, Securities and Health Care Administration, 89 Main Street, Montpelier, Vermont.

If you have any questions, please do not hesitate to contact me at 652-3455.

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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

EQUAL HOUSING OPPORTUNITY

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director ASH

DATE: April 11, 1997

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:00 p.m. Thursday, April 17, at the office of the Commissioner of Banking, Insurance, Securities and Health Care Administration, 89 Main Street, Montpelier, Vermont.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier at 1:00 April 17!

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VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA
Office of the Commissioner of Banking, Insurance, Securities & Health Care Administration
89 Main Street
Montpelier, Vermont

Thursday, April 17, 1997 at 1:00 p.m.

1. Review and approval of minutes of February 6, 1997

2. Development
   - A. Housing Vermont–Applegate Apartments Letter of Interest **[Reid // Enclosure]**
   - B. 600 Dalton Drive Resolution **[Reid // Enclosure]**
   - C. Multifamily Refunding Savings: 0 Percent Guidelines **[Hunt // Enclosure]**
   - D. Pines Four Discussion **[Erdelyi // Enclosure]**

3. Communications
   - A. Homeownership Centers Evaluation/Support/Expansion **[Gent/Crady // Enclosure]**
   - B. Homeownership Centers Scattered Site Project **[Gent/Crady // Enclosure]**

4. Operations
   - A. Single Family Program/Servicing/Property Disposition **[Lothrop // Enclosure]**
   - B. Mortgages Sold to VHFA By Originator **[Lothrop // Enclosure]**

5. Administration
   - A. Executive Director's Report **[Hunt]**
   - B. VHFA "Contribution" to VHMGB **[Hunt // Enclosure]**
   - C. FY97 Business Plan Third Quarter Results **[McNamara // Enclosure]**

6. Multifamily Management
   - A. Multifamily Director's Report **[Falzone // Enclosure]**

7. Finance
   - A. Underwriter Recommendations **[Schoenbeck // Enclosure]**
   - B. Financial Statements as of December 31, 1996 **[Schoenbeck // Enclosure]**

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

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
Office of the Commissioner of Banking, Insurance, Securities and Health Care Administration
89 Main Street
Montpelier, Vermont
Thursday, February 6, 1997

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

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

Guests: Mr. Rittenhouse (AG Edwards); Mr. Broderick (Housing Vermont)

The meeting was called to order at 10:05 a.m. by Chairman White. Upon a motion duly made by Mr. Douglas and seconded by Mr. Candon, the minutes of December 11 were unanimously approved as written; Ms. Randall abstained.

Ms. Crady reviewed the "New Bridge Financing Initiative" described in her memo of January 30, included in the Board packet. The Agency has made loans to several nonprofit organizations throughout the state to assist them with short term financing to develop housing for sale to lower income households. A bridge loan made to Regional Affordable Housing Corporation in Bennington allowed them to acquire and rehabilitate mobile homes in the Willows Mobile Home Park; another loan to Lamoille Housing Partnership assisted in the construction of a new home in Eden for a family with special needs. Meetings were held with a majority of the nonprofits in Vermont to determine financing needs, discuss financing options currently available from the Agency and the Vermont Community Loan Fund (VCLF), and to determine gaps in the financing programs currently available. Based on these meetings, a bridge financing program was designed that could make available a total amount of up to $325,000 to provide loans for up to a 36-month term. As Ms. Crady explained, it is expected that the average loan would be $70,000 to $80,000 for single family loans, with no set limit for individual nonprofits that access these funds. Ms. Crady emphasized that the purpose of these bridge loans would not be to duplicate VCLF, but to provide temporary financing where there is no other source. The Agency's General Fund would be the source of funds for these loans; as Mr. Schoenbeck reminded the Board, loans provide the Agency's best return on investment for the General Fund.

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Ms. Grimes noted that it would seem that new construction would not fall under the criteria being described for this program. As Ms. Grimes further noted, it would appear that any project requiring only construction financing would not need to utilize this funding source; offering construction funding would also not be consistent with the State's Consolidated Plan. However, Mr. Hunt explained that the bridge financing initiative would primarily be for the Agency's Real Estate Owned (REO) properties. Chairman White suggested that the Board consider a cap of $50,000 on new construction activity. Board action was delayed pending the following discussion of the Vermont Housing Ventures program.

{Ms. Canney joined the meeting at this time.}

The January 30 memo entitled "Vermont Housing Ventures–Changes" was then reviewed by Ms. Reid, who explained the proposed changes to this pre-development loan program for nonprofit organizations. The Ventures program plays a vital role in providing pre-development capital. Increasing the loan limits would reflect increased costs and should also help to accelerate program utilization. Ms. Reid noted that there is no other source for this sort of funding at the low interest rate offered by the Agency; some applicants are referred to the Vermont Housing & Conservation Board if a grant appears to be possible. Loans supplied by this program have had a very low default rate; Mr. Schoenbeck informed the Board that there have been three different write-offs over the past seven years, totaling less than $50,000. Ms. Grimes questioned the need to expand eligibility beyond municipalities to entities such as regional planning commissions or regional development commissions, as an affordable housing system already exists for their access. After a motion was made by Ms. Grimes and seconded by Ms. Randall, the Board voted unanimously to amend the Ventures "Resolution Regarding Changes to Vermont Housing Ventures Program" to indicate that eligibility is being expanded to include only municipalities; in the same motion, the "Resolution Regarding Bridge Financing Initiative" was also adopted.

Ms. Reid then reviewed her memo of January 13, included in the Board packet, entitled "Holy Cross Senior Housing–Letter of Commitment for Permanent Financing." Mr. Broderick, of Housing Vermont, was introduced to the Board. As Ms. Reid explained, in December 1996 the Board approved issuance of a Letter of Commitment for construction and permanent financing of up to $560,000 for this 40-unit new construction project in Colchester. The sponsor, Lake Champlain Housing Development Corporation (LCHDC) is now requesting a $155,000 increase in the loan amount due to higher than anticipated construction costs. Ms. Reid reviewed the status of the conditions of the loan, explaining that the cost estimating method applied to this project was inaccurate, with certain specifications identified as too expensive for a project of this type. Mr. Broderick explained that the design committee has been involved throughout the adjustments in the scope of work and the changes made to the specifications. According to Mr. Broderick, interest in living in the development remains high despite the changes to the construction plans. The construction method will be modular; this will result in better soundproofing in floors and walls. Mr. Falzone noted that two of the Agency's multifamily properties built in 1980, comprising 32 rental units, were modular in construction and have held up well over the years. Ms. Grimes expressed her shock at the increase in projected costs, and asked for clarification of the increased soundproofing, as she had heard that this would not necessarily be the case. However, Mr. Broderick explained that there has been no proposal to reduce the amount of insulation in floors; the amount of insulation planned should be sufficient for soundproofing and weatherization. A motion was then made by Ms. Canney to adopt the "Resolution Pertaining to Amendment to Commitment Letter re: Holy Cross Senior Housing." After being seconded by Ms. Randall, the motion carried unanimously.

The next topic for Board discussion was an update on the Applegate Apartments in Bennington. Mr. Hunt excused himself and left the meeting, citing a conflict of interest. Mr. McNamara then reviewed the status of the Applegate transaction, explaining that a proposal has been submitted to HUD and is currently under review in their Atlanta, Georgia, and Manchester, New Hampshire, offices. This review should be completed by HUD before mid-February. HUD is working closely with the owner and hopes to take possession of the property by mid-February; once HUD receives title to the property, a conference call with the Agency will take place to discuss further details of the transaction. Earlier, HUD had agreed to remove the underground storage tanks on the property; they are now pointing to an engineering study they have had performed that would allow the storage tanks to remain in place, thus saving HUD the cost of removal. The Agency is not willing to have the storage tanks remain as HUD had previously agreed to remove them at HUD's expense; this stipulation appears in the contract of sale. The Bennington Select Board met January 28, with many residents of Applegate attending that meeting. Residents, city officials and community leaders also met that same day to review the tenant ownership model created in the process of preserving the Northgate/Greenfield Apartments in Burlington and the Highgate Apartments in Barre.

The Regional Affordable Housing Corporation (RAHC) in Bennington has not yet agreed to a defined role in the partnership structure, and negotiations between Housing Vermont (HVT) and RAHC are continuing. Mr. Broderick addressed the Board, explaining that RAHC does not want to have an independent corporation involving the residents as a co-general partner. HVT approached RAHC in 1996 and asked for their involvement, but RAHC declined. The Applegate residents have been working closely with the Northgate Resident's Association to identify goals and organization priorities, but RAHC's executive director is uncomfortable without having complete control of the project. Ms. Grimes cautioned that VHCB and CDBG will not consider a proposal without tenant involvement; however, given all of the resources that will go into this project, it is unlikely that other state funding will be available for other projects in Bennington. As Ms. Grimes further noted, it is impressive that the residents are showing initiative and unfortunate that RAHC has not yet agreed to play a role. Mr. McNamara assured the Board that every effort will be made to find an appropriate role for RAHC in this project, and further explained that the Agency will not take title to the property until all of the financing and management structures are in place. No Board action was necessary.

Following this discussion, Ms. Reid, Ms. Crady and Mr. Broderick left the meeting; Mr. Hunt returned to the meeting.

Mr. Lothrop then reviewed the "Single Family Program Activity Report for December 1996" as included in the Board packet. Activity for calendar 1996 is higher than that in 1995, which was considered a banner year. Reservations in January 1997 total $4.5 million, which compares well with $4.9 million in January 1996. The "Servicing Activity for December 1996" shows the flow of accounts; the Agency has hired a Loan Servicing Manager and some improvements in the delinquency figures should result based on her activities. Some changes have been made in the organizational structure and in loan servicing to enhance customer service and bring loans current. There has been some activity in the Agency's REO properties, with six under deposit, six others under negotiations, of which three are with nonprofits, and three others sold. Mr. Candon asked for an explanation in the higher amount of REO properties when compared with December 1995; as Mr. Lothrop explained, many REO properties were sold at an auction held in 1995. Mr. Hunt noted that projections call for a decrease in losses for VHMGB during the upcoming year, but it is not possible to predict how that decrease will affect the Agency's activities.

The "Quarterly Report of the Results of the Single Family Mortgage Loan Quality Control Process 10/01/96 through 12/31/96" was then reviewed by Mr. Lothrop, who noted that there were no significant findings.

Next, Mr. Lothrop reviewed his memo of January 29 regarding the "New Internal Revenue Service (IRS) Regulations for a Reissued MCC." The recommended adjustments will not require any additional MCC authority. Upon a motion made by Mr. Candon and seconded by Ms. Grimes, the Board unanimously voted to approve the adjustments to the MCC program as detailed in Mr. Lothrop's memo referenced above.

The "Discussion of the Vermont Bankers Association (VBA) Subcommittee on VHFA/VHMGB Affairs" was then reviewed by Mr. Lothrop, who referred the Board to his memo of January 17, included in the Board packet. According to Mr. Lothrop, there were many favorable comments from the subcommittee on the Agency's proposal to require a tax escrow. Turning to page three of those minutes, regarding delinquency reporting, Mr. Lothrop explained that after lenders report collected funds, that data is input at the Agency and a determination of delinquent loans is made. A report is then sent to the lender for review. The lenders have now requested that lenders report on the status of the collection of accounts, therefore saving time for both the lenders and the Agency. As Mr. Lothrop further noted, the Agency's collection methods have been in place since 1984, and it seemed appropriate to review the process and modernize it where possible. Mr. Candon suggested that the subcommittee consider including smaller bank representation, or possibly mortgage companies. Mr. Lothrop agreed to contact the VBA subcommittee's chairperson to determine if it is possible to expand the subcommittee membership. The implementation of a tax escrow requirement will apply to new loans being originated, but should diminish delinquencies overall, as taxes will be paid and borrowers will have less discretionary funds available. Another impact cited by Mr. Lothrop is that the mortgage payment may be increased for underwriting purposes, resulting in the borrower needing more funds for a down payment or closing costs, which may improve the overall quality of borrowers and the Agency's loan portfolio. No Board action was necessary.

Mr. Lothrop then reviewed the "Delinquency and Loss Mitigation" report detailed in his January 28 memo, included in the Board packet. This same report was also distributed to the Board of Commissioners for VHMGB at their January meeting. The Agency is currently researching the possibility of incorporating credit scoring into the underwriting system. A retrospective analysis is also being conducted, to compare credit scores for borrowers from a year ago with current borrower credit scores.

The "Signature Authority for the Position of Loan Servicing Manager" was next reviewed by the Board, based on Mr. Lothrop's memo of January 29, included in the Board packet. Chairman White suggested that it might be useful to include authority to sign subordination agreements or discharges of mortgages; however, Mr. Jarrett reminded the Board that the Agency is not able to subordinate loans. A motion was then made by Mr. Candon to amend the "Resolution Regarding Authority of Loan Servicing Manager" to include authority to sign discharges of mortgages. After being seconded by Ms. Grimes, the motion carried unanimously.

Beginning his Executive Director's Report, Mr. Hunt explained that he has been working with VHMGB, the Administration, and the Treasurer regarding raising VHMGB's guarantee authority cap. Projections indicate that the current authority cap will be reached during 1997, and it is necessary to take action during the current legislative session. An actuarial study conducted for VHMGB indicated the need to increase the fee charged on home loan guarantees in order to pay for future loan losses. The Administration and the Treasurer have both expressed concern about raising the cap without sufficient capital being available; higher than expected losses and periodic withdrawals of reserve funds by the Legislature have reduced VHMGB's capital to its current negative level. Increased premiums would create a surplus which would help to capitalize funds. The current proposal to the Legislature is to increase the current 1.1 percent fee to 2.5 percent. The Administration has suggested that the Agency not charge VHMGB for administrative costs, currently $325,000 per year; these savings would then help to replenish capital. However, when the Agency consolidated with VHMGB at the Administration's direction, an arm's length business relationship was established through a written contract between the two organizations and the payment of the administrative fees. Mr. Hunt reported that a hearing with the House Commerce Committee had been held that morning; strong interest in restoring the funds and increasing the fee slightly was expressed by several members of the committee. Chairman White noted his concern about not charging VHMGB for administrative costs. As Chairman White reminded the Board, VHMGB's rate of 1.1 percent is significantly lower than the average of 4.9 percent charged by other private mortgage insurers. Ms. Randall pointed out that any increased fee could be seen as a hidden tax on those Vermonters who can least afford it; waiving the administrative costs would mean the elimination of any separation between the Agency and VHMGB.

At this time, Ms. Grimes left the meeting.

Mr. Hunt noted that there are only a few weeks left until Legislative Crossover day; discussions on VHMGB have been intense and will undoubtedly continue; Chairman White will need authorization from the Board to represent the Agency's interests in these discussions. Mr. Douglas observed that Mr. Hunt's summary of the situation was accurate; the State's expropriation of funds from VHMGB was unfortunate, but the State's current financial advisors have advised against re-appropriation of the funds, as it would be viewed as a subsidy from the State's general fund, most likely resulting in a downgrade of the State's general obligation rating. The possibility of implementing two fee structures for VHMGB, one for conventional and one for those who qualify at the Agency's eligibility limits, was raised by Chairman White and Ms. Randall. Chairman White pointed out that a special Board meeting, perhaps via conference call, may be necessary before the next regularly scheduled Board meeting, in order to further address this issue. No Board action was taken.

Continuing his Executive Director's report, Mr. Hunt expressed his appreciation to Mr. Lothrop, Ms. Gent, Mr. Schoenbeck and Ms. Parker for their efforts in putting together information for the Legislature's review; this was achieved in a short time frame, with many long hours involved. Mr. Hunt also noted that the rehabilitation of Winchester Place has been achieved slightly under budget, and the Merchants Bank has increased its commitment of support from \$100,000 to \$130,000, which decreases the level of Agency support required. Mr. Falzone was acknowledged for his efforts on this project.

Turning to the "1997 Act 200 State Agency Plan," attached to his memo of January 27, included in the Board packet, Mr. McNamara explained that this report has been updated to conform with the current Business Plan and the Agency's Strategic Plan. Chairman White asked that the modifications to the Ventures program and the new bridge financing program approved at this meeting also be incorporated into the Plan, and further directed that the economic impact of the Agency's efforts be expanded. A motion was then made by Mr. Candon and seconded by Mr. Douglas to adopt the 1997 Act 200 State Agency Plan with the revisions suggested by Chairman White. This motion carried unanimously.

Mr. Falzone reviewed the "Portfolio Reengineering Demonstration" as described in his memo of January 28, included in the Board packet, explaining that the application to HUD has been prepared in anticipation of the Board's approval. Although only one of Vermont's properties is eligible under this year's program, Mr. Falzone noted that there are several insured properties that will qualify for participation in subsequent years if the program is extended. A motion was made by Mr. Candon to approve the submission of a letter of interest in being designated Vermont's restructuring agent under the HUD demonstration program. After being seconded by Ms. Randall, the motion was unanimously carried.

Due to the lateness of the hour, discussion of the Communications issues listed on the agenda was deferred until the March Board meeting.

Ms. Randall praised staff for the Annual Report and noted that she had passed it on to her marketing department as an example for their next report. Mr. Hunt acknowledged Ms. Gent's direction of the report, and pointed out Ms. Parker had been responsible for the conceptual idea.

The next Board meeting was scheduled for March 20 in Montpelier. There being no further business, and following a motion duly made and seconded, the meeting was adjourned at 12:10 p.m.

Respectfully submitted,

Allan S. Hunt, Secretary

VERMONT HOUSING FINANCE AGENCY
RESOLUTION REGARDING AUTHORITY
OF LOAN SERVICING MANAGER

WHEREAS, Cynthia J. Cunningham was recently appointed as Loan Servicing Manager, a new position in the Single Family Operations Department of the Agency; and

WHEREAS, it is desirable and necessary for the Board of Commissioners to authorize the Loan Servicing Manager to perform certain acts,

NOW, THEREFORE, it is hereby:

RESOLVED, that the Agency's Loan Servicing Manager be and hereby is authorized to execute documents of the following character for all of the Agency's single family loan programs, whether secured or unsecured:

A. Listing Agreements with real estate brokers for the sale of real estate owned by the Agency;

B. Deeds, property transfer tax returns, and other documents necessary or convenient for the transfer of real estate owned by the Agency;

C. Endorsements to property insurance claim checks pertaining to property on which the Agency holds a valid lien, in amounts without limit;

D. Preparation and execution of claim forms to primary and pool insurers on property that the Agency holds a valid lien on;

E. Authorizations to mortgage lenders and other appropriate persons for actions of the following character:

1. Foreclosure or other acquisition of title to property on which the Agency has a valid lien;
2. Necessary repairs and improvements to real estate owned by the Agency;
3. Actions necessary to make property in which the Agency has an interest secure;
4. Forbearance and modification agreements with delinquent borrowers;
5. Affidavits of amounts due and other affidavits required in foreclosure actions; and
6. Discharges of mortgages.

F. Consent to actions of the following character:

1. Release and addition of signers of notes held by the Agency;

2. Creation of easements and rights of way and the partial release of mortgages held by the Agency for purposes of permitting the creation of easements and rights of way over property on which the Agency holds a valid lien; and

3. Acknowledgment of receipt of liens junior to the lien of the Agency.

RESOLVED, Any acts taken or documents signed by Cynthia J. Cunningham as Loan Servicing Manager of the Agency since November 26, 1996 are hereby ratified by the Agency.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on February 6, 1997.

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

RESOLUTION PERTAINING TO AMENDMENT TO COMMITMENT LETTER RE: HOLY CROSS SENIOR HOUSING

WHEREAS, a proposal has been presented to the Agency by Lake Champlain Housing Development Corporation ("LCHDC") and Holy Cross Senior Housing Corporation ("Holy Cross"), two non-profit corporations based in Chittenden County, (the "Sponsors") on behalf of a to-be-formed limited partnership, whose general partners would include Holy Cross and a Housing Vermont affiliate, involving an amendment to the commitment letter for the construction and permanent financing of a senior housing development containing 40 units in one building located on 7.7 acres in Colchester (the "Development"); and

WHEREAS, the original proposal contemplated construction and permanent loans in an amount not to exceed $560,000; and

WHEREAS, the Agency has issued a commitment letter to the Sponsors dated December 23, 1996 (the "Commitment Letter") pursuant to a resolution dated December 11, 1996; and

WHEREAS, the Sponsors have received a reservation of Low Income Housing Tax Credits and have received a commitment for Community Development Block Grant funds; and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated January 31, 1997 containing a recommendation to increase the maximum loan amount for the Development (the "Memorandum");

It is hereby DETERMINED:

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

2. The construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.

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

4. The housing sponsor undertaking the Development will increase the supply of well-planned, well-designed permanent 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 organizations and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to amend the Commitment Letter to provide for construction and permanent financing of up to $715,000. The construction loan will have a term of one year with the rate to be determined by the Executive Director. The permanent loan will be structured as three loans, with the first being up to $45,000 for 10 years, the second being up to $60,000 for 15 years, and the third being up to $610,000 for 20 years. Each loan will be amortized for the same period as its term. All three loans will be secured by the same mortgage deed. The interest rate will be based on the cost of funds to the Agency plus .75%. The source of funds is a Federal Home Loan Bank non-member advance.

2. The following conditions must be met:

   A. Sponsor must provide copy of signed payment in lieu of taxes agreement from the Town of Colchester, and the terms of the agreement must be financially feasible for the project.

   B. Sponsor must provide documentation of construction bid process satisfactory to VHFA staff, including the negotiated changes with the selected low bidder and clarification of the reasons for following this process.

The remainder of the resolution dated December 11, 1996, is reaffirmed and remains in effect.

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 6, 1997.

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

VERMONT HOUSING FINANCE AGENCY
RESOLUTION REGARDING BRIDGE
FINANCING INITIATIVE

WHEREAS, the Agency has made loans to several nonprofit organizations to assist them with short term financing to develop housing for sale to lower income households; and

WHEREAS, staff has contacted a majority of the nonprofit housing organizations in the state to determine their financing needs; and

WHEREAS, in a memorandum dated January 30, 1997, (the "Memorandum") Patricia Crady and Cynthia Reid recommend establishing a bridge financing initiative that would make a total amount of $325,000 available to nonprofits for a maximum loan term of 36 months, subject to certain requirements and limits outlined in the Memorandum; and

WHEREAS, pursuant to 10 V.S.A. §621(5), the Agency is authorized to provide grants, loans or advances as will assist the planning, construction, rehabilitation and operation of residential housing primarily for persons of low and moderate income;

NOW, THEREFORE, it is hereby RESOLVED:

The recommendations of staff contained in the Memorandum are adopted by the Agency, a bridge financing initiative for nonprofits is approved, and the Executive Director is authorized to implement the program as described in the Memorandum, except that new construction loans are limited to $50,000.

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 6, 1997.

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

VERMONT HOUSING FINANCE AGENCY
RESOLUTION REGARDING CHANGES TO
VERMONT HOUSING VENTURES PROGRAM

WHEREAS, the Agency created the Vermont Housing Ventures Program in 1988 to assist nonprofit housing development activities; and

WHEREAS, in June, 1995, the Agency approved a temporary increase in total funding for the Ventures Program from $250,000 to $325,000; and

WHEREAS, in a memorandum dated January 30, 1997, (the "Memorandum") Patricia Crady and Cynthia Reid recommend certain changes to the Ventures Program, including, but not limited to, setting the total funding limit at $325,000, increasing the maximum loan amounts, giving the Executive Director, Deputy Director and Director of Finance limited discretion to approve loan amounts in excess of those established, and adding certain borrowers to the list of eligible borrowers; and

WHEREAS, pursuant to 10 V.S.A. §621(5), the Agency is authorized to provide grants, loans or advances as will assist the planning, construction, rehabilitation and operation of residential housing primarily for persons of low and moderate income;

NOW, THEREFORE, it is hereby RESOLVED:

The recommendations of staff contained in the Memorandum regarding changes to the Vermont Housing Ventures Program are adopted by the Agency and the Executive Director is authorized to put such changes into effect, with the exception that the list of eligible borrowers is expanded to add only municipalities.

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 6, 1997.

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

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Development Officer CReid

DATE: April 10, 1997

RE: Housing Vermont, Applegate Apartments: Letter of Interest for Permanent Financing

Executive Summary

Housing Vermont (HVT) has applied to VHFA for $100,000 in construction and permanent financing. The proposed project consists of the acquisition and rehabilitation of Applegate Apartments, a 130 unit family development in Bennington. The project was developed by the same general partners who controlled Northgate and Highgate. HUD took title to the property in February 1997, after the owner defaulted on the mortgage. The buildings have suffered from serious deferred maintenance and code violations, and currently there are 57 vacancies. VHFA proposes to purchase the property from HUD for $1, and immediately sell the property to a to-be-formed limited partnership (or limited liability company) consisting of H.V. Applegate, Inc. (a corporate subsidiary of Housing Vermont) and Applegate Housing Inc., a newly formed local nonprofit. VHFA is negotiating to secure a HUD grant of $3,090,000. The HUD grant is an absolute requirement to the project's feasibility. The project will be acquired by VHFA debt-free (HUD plans to write off the existing two million dollar debt), and with one-year tenant based Section 8 vouchers/certificates.

The Development

Projected Funding Sources		
VHFA First Mortgage	$100,000	1.6%
HUD Grant	$3,090,000	50%
VHCB Debt	$188,000	3%
VHCB Grant	$12,000	0.19%
HOME Loan	$445,000	7%
Vermont Community Development Program	$625,000	10%
Bennington Revolving Loan Fund	$22,000	0.36%
Tax Credit Equity	$1,699,740	28%
Totals	$6,181,740	100%

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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EQUAL HOUSING OPPORTUNITY

HVT submitted an application for tax credits on April 8, and has an application in for VHCB and HOME funds which will be discussed at the May 16th VHCB Board meeting. The Town has submitted a letter of intent for VCDP funds (awards will be determined by June 30), and VHFA is currently negotiating with HUD regarding the terms of sale and the HUD grant. VHFA has provided a Ventures pre-development loan, and VHCB has provided a capacity grant to Housing Vermont for the project.

There has not been an appraisal completed to determine loan to value ratio for the VHFA financing. A 1989 appraisal estimated the value of the property at $3.9 million. It is currently assessed by the Town of Bennington for tax purposes at $3.8 million. The VHFA loan to cost ratio is approximately 2%, and because it is so low relative to assessed value, staff does not believe an appraisal is needed.

Unit Breakdown And Rents

The completed project consists of 14 one-bedroom units, 58 two-bedroom units, and 31 three-bedroom units, for a total of 103 units. (Of the current 28 buildings, a total of four buildings are being demolished and one building is being converted into a community building and management/maintenance office for a total loss of 27 units.) Twenty seven units will be affordable to households at 50% of area median income; 47 units will be affordable to households at 60% of area median income, and 29 units will be market units, affordable to households at 62% of area median income. Two units will be made handicapped accessible. A breakdown of unit sizes and rents follows:

Size	#	Rents	Affordable to
1 BR	3	$244	50% median
2 BR	15	$290	50% median
3 BR	9	$336	50% median
1 BR	7	$316	60% median
2 BR	27	$376	60% median
3 BR	13	$435	60% median
1 BR	4	$345	62% median (market)
2 BR	16	$410	62% median (market)
3 BR	9	$475	62% median (market)

Tenants will pay for their own utilities. Heat is propane hot water.

Sponsor, Management And Market

The project is being developed by Housing Vermont. HVT is a private, nonprofit development corporation whose mission is to provide permanently affordable housing for Vermonters through partnerships with communities and the private sector. Applegate Housing Inc. (AHI) is a new nonprofit organization formed in March 1997 to represent the community in the rehabilitation, management, and ownership of the project. AHI has 11 directors appointed and elected from various community entities including the Select Board, Town Manager, Public Housing Authority, Community Action Agency, and the Applegate Residents' Association. AHI will become the managing general partner of the to-be-formed limited partnership or managing member of a limited liability company which will own the project. AHI will be under the general oversight of H.V. Applegate Inc., a corporate subsidiary of HVT.

Currently Maloney Properties is managing the property, and has since September 1996, when HUD first took control of the project. Once the property is conveyed to the limited partnership or limited liability company, a property management firm will be selected by competitive bid.

A market feasibility study was completed by John Ryan of Development Cycles in October 1996. The mixed income approach and unit mix is largely a product of the market study. Applegate represents 20% of Bennington's affordable housing. The vacancy rate in Bennington is estimated at between 3-4%. The Study cites "*a relatively poor quality of rental housing among smaller rental buildings*", and " *inadequate weatherization is a significant concern.*" The Study concludes that "*the Bennington market is strong enough to support a mixed income project. Vacancy rates are low, rental production is non-existent, and economic factors are increasing demand. There is a particular shortage of moderate quality rental units in the community geared at newly relocating workers and elderly residents. Moreover, there is a very large segment of the renter population, numbering over 1,000 households who are paying 35 percent or more of their income for rent... With sufficient funds, the physical characteristics of Applegate can be remedied. The project has enough positive features to reasonably project its physical competitiveness in the marketplace. Applegate's poor reputation will require patience, careful tenant selection, consistent management, and effective marketing to overcome.*"

Site And Environmental Concerns

The site is located on Orchard Road off Route 7 on the northern end of Bennington. It is situated on 25.5 acres on a sloping parcel. Furnace Brook runs through the rear of the property and there is some vacant land on the other side of the brook. The current configuration consists of 28 two-story wood-frame buildings. The rehabilitation plan involves demolishing four buildings which will, according to the architect, improve the functionality of the site, provide additional open space for recreational use and/or solve site drainage problems, and reduce density to improve marketability. The buildings were also chosen for demolition due to their poor physical condition. An additional building will be converted to a community building/management and maintenance office, and a playground will be created. The rehabilitation plan includes replacement of roads, sidewalks, surface and subsurface drainage features, roofs, siding, windows, doors, floors, kitchens, and some plumbing fixtures. The same architect who re-designed Northgate and Highgate has been selected.

There has been an Environmental Site Assessment completed on the property. Testing of paint chip samples revealed no lead paint to be present. There are, however, many underground storage tanks on site. VHFA is currently negotiating with HUD for removal of the tanks. The attached budget assumes HUD will pay for the removal of the tanks prior to VHFA's acquisition.

Discussion

The attached cash flow shows the project losing cash beginning in year seven, and then drawing on operating reserves which last through year 14. However, the assumptions are conservative (income and expense trending over time), and VHFA's loan is a very small percentage of the financing.

Strengths

a) There is considerable local support among residents, Town government, community members, State agencies, and HUD for this development.

b) Housing Vermont has considerable development experience and experience with two other "Gates", and the architect and legal counsels involved also have considerable experience with the other "Gates".

c) There is an opportunity to bring significant federal resources into the State to preserve and improve existing housing at Applegate.

Weaknesses

a) The number of market rate units could prove to be the most challenging aspect of this project. Applegate currently has a very poor reputation. According to the market study, Applegate can succeed as a mixed income development with "patience, careful tenant selection, consistent management, and effective marketing..."

b) Unlike the Northgate and Highgate developments, there is very limited rental assistance committed to this project upfront. It therefore has a leaner budget than those two developments, and limited debt capacity. However, HVT has taken this into consideration and the project demonstrates financial feasibility.

c) Currently the project has only pre-development funding commitments from VHCB and VHFA. Permanent project funding has not been committed yet by any source. However, HUD is a motivated seller, and appears to be willing to transfer the property at no cost, write off the debt, and provide a three million dollar grant.

Recommended Board Action

Staff recommends Board approval of the attached Resolution to provide a Letter of Interest to provide construction and permanent financing in the amount of $100,000, with a loan term of 20 years and amortization period of 30 years, and interest rate to be determined by the Deputy or Finance Director. The proposed source of funds is Federal Home Loan Bank of Boston or a taxable bond sale, to be determined by the Finance Director. The Letter of Interest shall include the following conditions:

1. Sponsor must demonstrate that requisite financing has been committed by June 30, 1997, including but not limited to Housing Credits, and loans/grants from Vermont Housing and Conservation Board, HOME, HUD, the Bennington Revolving Loan Fund, and Vermont Community Development Program. "Requisite financing" means the amount and terms of each of the sources of funding represented on the multifamily loan application or their equivalent. If the sponsor is unable to obtain commitments of "requisite financing", the sponsor may have to reduce costs from the development budget so that the total uses of funds matches the total sources of funds;

2. Sponsor must provide final plans and specifications for VHFA approval;

3. All underground storage tanks must be removed either prior to acquisition or as part of the acquisition/rehabilitation plan.

RESOLUTION PERTAINING TO LETTER OF INTEREST
RE: APPLEGATE APARTMENTS

WHEREAS, a proposal has been presented to the Agency by Housing Vermont ("HVT"), a non-profit corporation based in Chittenden County, (the "Sponsor") on behalf of a to-be-formed limited partnership (or a limited liability company), whose general partners (or managing members) would include Applegate Housing Inc., and H.V. Applegate Inc., a Housing Vermont affiliate, involving the rehabilitation and permanent financing of a family housing development containing 103 units in 24 buildings located on 25.5 acres in Bennington (the "Development"); and

WHEREAS, the proposal contemplates construction and permanent loans in an amount not to exceed $100,000; and

WHEREAS, the Sponsors have applied for Housing Credits and have applied for Vermont Housing and Conservation Board and HOME funds; and

WHEREAS, the Sponsors will apply for a Vermont Community Development award, a loan from the Bennington Revolving Loan Fund; and

WHEREAS, the Sponsors and the to-be-formed limited partnership or limited liability company are expected to qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated April 10, 1997 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

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

2. The construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.

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

4. The housing sponsor undertaking the Development will increase the supply of well-planned, well-designed permanent 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 organizations and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Deputy Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to the to-be-formed limited partnership or limited liability company for the rehabilitation of Applegate Apartments in Bennington and a permanent loan, in an amount not to exceed $100,000. The term and interest rate will depend on the Agency's source of funds. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance or for other purposes with the consent of the Agency.

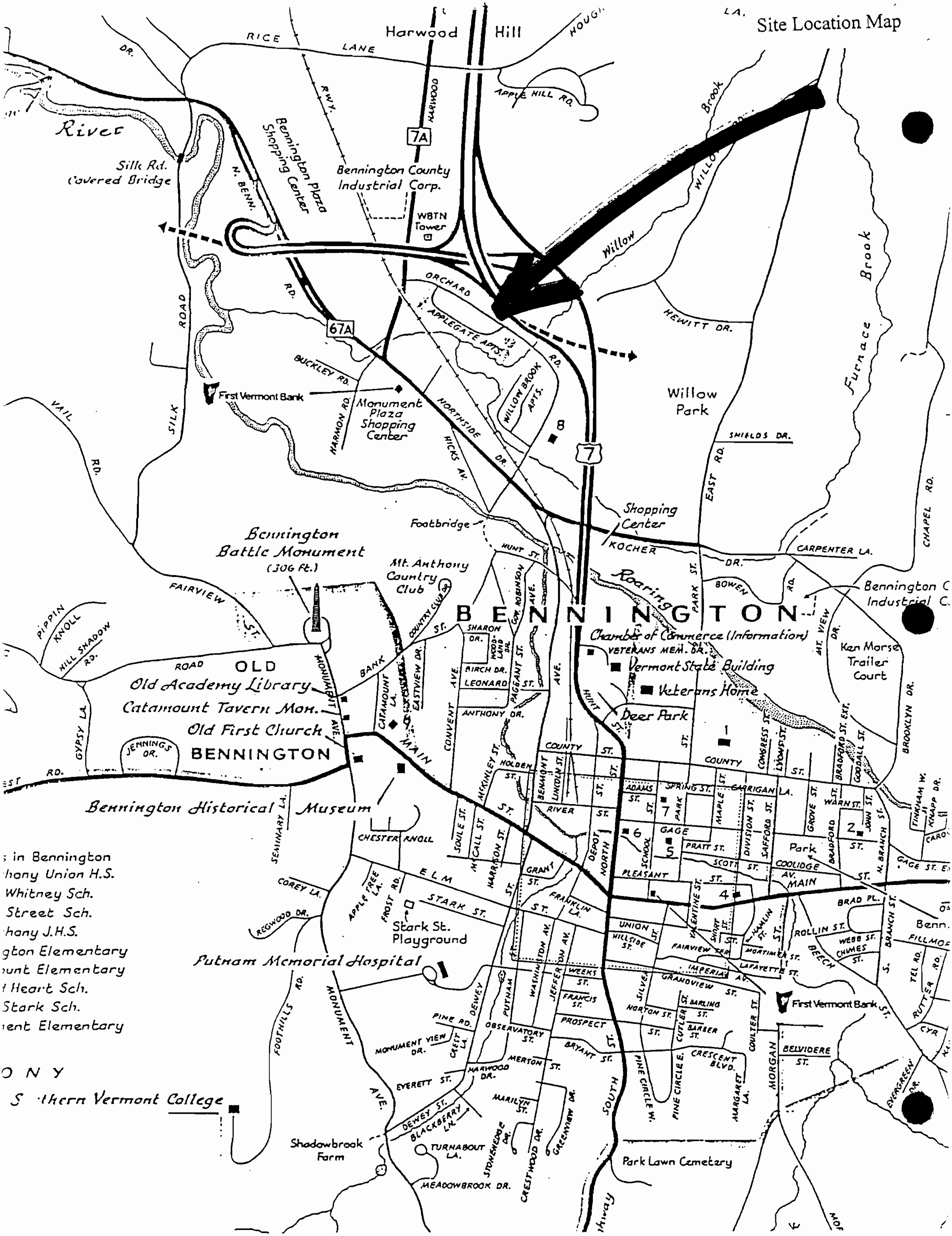
2. The Letter of Interest shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:

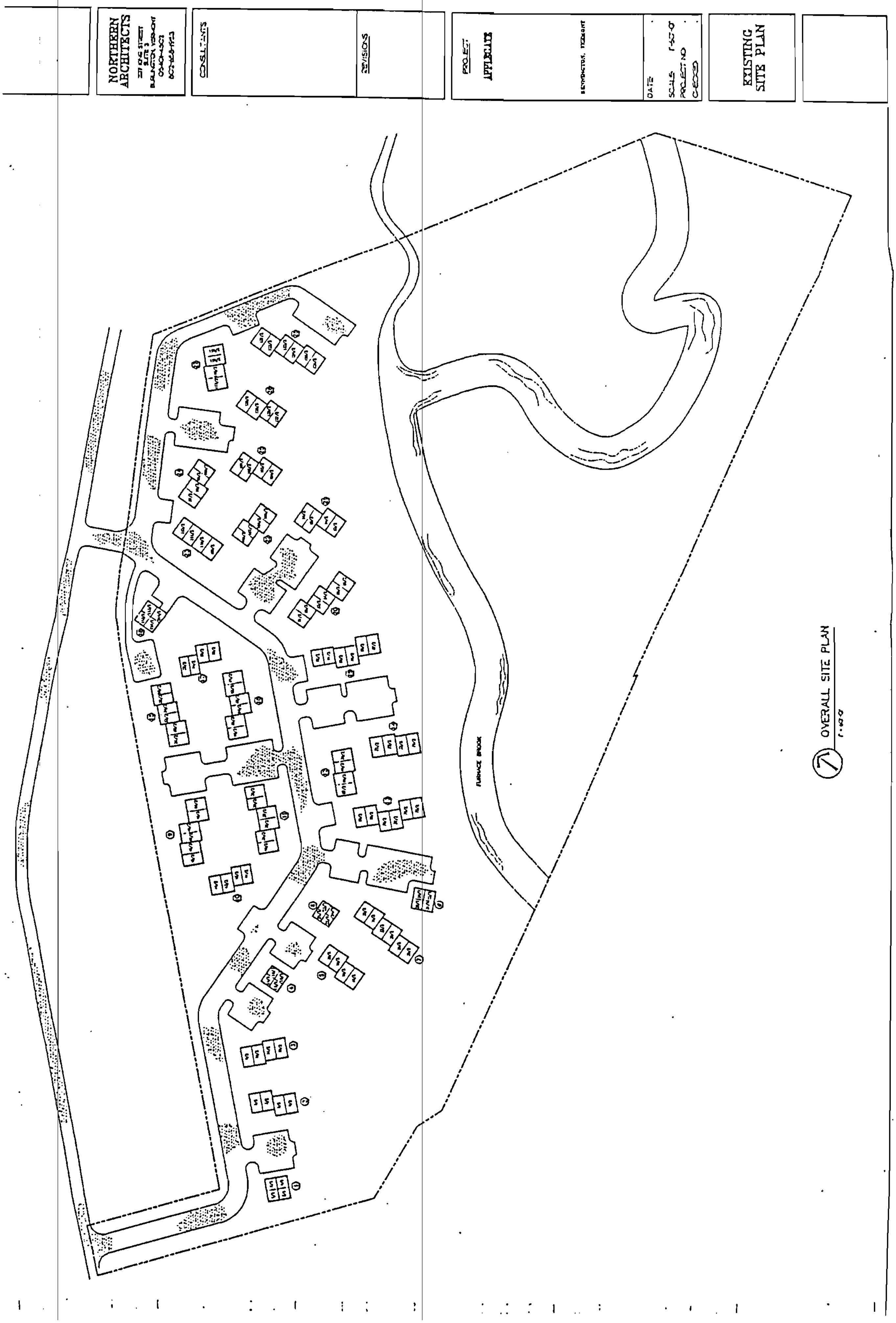
a) Sponsor must demonstrate that requisite financing has been committed by June 30, 1997, including but not limited to Housing Credits, and loans/grants from Vermont Housing and Conservation Board, HOME, HUD, the Bennington Revolving Loan Fund, and Vermont Community Development Program. "Requisite financing" means the amount and terms of each of the sources of funding represented on the multifamily loan application or their equivalent. If the sponsor is unable to obtain commitments of "requisite financing", the sponsor may have to reduce costs from the development budget so that the total uses of funds matches the total sources of funds;

b) Sponsor must provide final plans and specifications for VHFA approval;

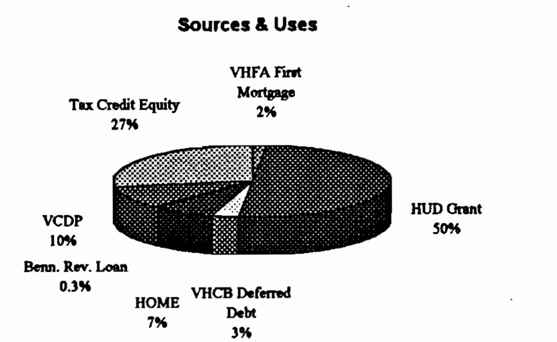
c) All underground storage tanks must be removed either prior to acquisition or as part of the acquisition/rehabilitation plan.

Site Location Map




NORTHERN ARCHITECTS
CONSULTANTS
REVISIONS
PROJECT
APPLEGATE
BENNINGTON, VERMONT
DATE
SCALE
PROJECT NO
CHECKED
EXISTING SITE PLAN
FURNACE BROOK
OVERALL SITE PLAN

Applegate			RUN DATE:	08-Apr-97	
Total Residential Units:	103	Increase LIHTC		1.00%	
Restricted Units:	73	Increase Market		1.00%	
Percent Restricted:	70.87%	Expense increase:		2.50%	
Avg Net Monthly Rent:	354	Vacancy Rate:		5.00%	
Total Dev Costs	6,181,743	Partner's Tax Rate:		34.00%	
TDC/Unit	60,017	Depreciation Schedule:		27.5	
Monthly Operating Cost	321	Sponsor's Estimated Yield:		75.19%	
Max Credit Amount	223,044			76%	
Credit Amount Requested	**223,650**	Cash Flow Year 15	(50,886)		
Net Syndication	1,699,740				
LIHTC - 9%	8.57%	(April '97)			
LIHTC - 4%	3.67%				
FINANCING SOURCES					
	Amount	% of TDC	Interest	Amortization	Term
VHFA First Mortgage	**100,000**	1.62%	8.50%	30	20
HUD Grant	3,090,000	**49.99%**	0.00%	N/A	grant
VHCB Deferred Debt	188,000	3.04%	0.00%	40	
VHCB Grant	12,000	0.19%	0.00%	N/A	grant
HOME	445,000	7.20%	7.02%	30	
Benn. Rev. Loan	22,000	0.36%	5.75%	20	20
VCDP	625,000	10.11%	1.00%	40	
Tax Credit Equity	1,699,740	27.50%	N/A	N/A	
	6,181,740	100.00%			
Gap	3	0.00%			
1 Br	78,380	14	1,097,320		
2 Br	83,380	58	4,836,040		
3 Br	88,380	31	2,739,780		
Max cost allowed by unit cost limits			7,575,820		
Projected total cost, excluding cash accounts & relocation expenses			5,831,893		
		(over)/under	1,743,927		
		Per Unit Average Cost	56,620		
NOTE: Amount of Existing Debt to be Written off by HUD:			**2,000,000**		
General Partner's Capital Contribution			16,817		
Limited Partner's Capital Contribution			1,664,866		
Total Capital Contribution			1,681,683		



Applegate		DEVELOPMENT BUDGET					09-Apr-97
						Acquisition	Rehab/Const
			Budget	Per Unit	Per s.f.	Credit	Credit
ACQUISITION & CONSTRUCTION							
Land			12,000	117	0.13		
Building			13,000	126	0.14	13,000	
Sitework		3,791,235	1,109,000	10,767	11.93		1,109,000
Landscaping				0	0.00		0
Construction Contract			3,102,750	30,124	33.39		3,102,750
Demolition - 4 buildings			88,000	854	0.95		0
Playground			**0**	0	0.00		0
Community Building			35,000	340	0.38		35,000
Appliances			72,100	700	0.78		72,100
Construction Contingency		14.45%	448,385	4,353	4.82		448,385
Clerk of the Works			32,000	311	0.34		32,000
Subtotal			4,912,235	47,692	52.86	13,000	4,799,235
PROFESSIONAL SERVICES							
Architect & Engineering			231,000	2,243	2.49		231,000
Legal & Accounting			75,000	728	0.81		56,250
Attorney				0	0.00		
Survey				0	0.00		0
Transfer Taxes				0	0.00		0
Title Ins & Recording			7,125	69	0.08	7,125	0
Subtotal			313,125	3,040	3.37	7,125	287,250
INTERIM COSTS							
Construction Insurance & Taxes			49,486	480	0.53		37,115
Construction Interest			47,000	456	0.51		35,250
Construction Loan Origination Fee				0	0.00		0
Subtotal			96,486	937	1.04	0	72,365
OTHER SOFT COSTS							
Property Appraisal			2,500	24	0.03	2,500	0
Permits & Fees			39,906	387	0.43		39,906
Environmental Survey			2,500	24	0.03		2,500
Relocation Costs			33,750	328	0.36		33,750
Relocation /Tenant Coordinator			23,400	227	0.25		23,400
Tax Credit Fees			7,000	68	0.08		7,000
Soft Cost Contingency			32,141	312	0.35		16,071
Subtotal			141,197	1,371	1.52	2,500	122,627
FINANCING FEES & EXPENSES							
Loan Fees			1,000	10	0.01		
Other Consultants			**15,000**	146	0.16		15,000
Subtotal			16,000	155	0.17	0	15,000
SYNDICATION COSTS							
Organizational (Partnership)				0	0.00		
Bridge Loan Interest				0	0.00		
Tax Opinion				0	0.00		
Subtotal			0	0	0.00	0	0
DEVELOPER'S FEES							
Housing Vermont Fee			310,000	3,010	3.34		310,000
Applegate NP Fee			**100,000**	971	1.08		100,000
Subtotal		7.48%	410,000	3,981	4.41	0	410,000
PROJECT RESERVES							
Start Up Budget			45,000	437	0.48		45,000
Lease Up Reserve			45,750	444	0.49		0
Deficit Escrow			115,000	1,117	1.24		
Replacement Reserve			41,200	400	0.44		
Working Capital			45,750	444	0.49		
Operating Reserve				0	0.00		
Subtotal			292,700	2,842	3.15	0	45,000
TOTAL DEVELOPMENT COSTS			**6,181,743**	60,017	66.52	22,625	5,751,476
63,750							
	LESS:	Amount of Non-qualified Financing		Less Grants			2,932,000
	LESS:	Adjustment for per unit cost limits					
	LESS:	Historic tax Credit (Residential Portion)					0
				Total Eligible Basis		22,625	2,819,476
	TIMES:	Adjusted for QCT/DDA			130.0%		3,665,319
	TIMES:	Applicable Fraction			71.77%	16,239	2,630,757
				Total Qualified Basis		16,239	2,630,757
	TIMES:	Applicable Percentage				3.67%	8.57%
			Total Annual Credit Qualified			596	225,456
Total Tax Credits Requested			231,345				
Total Tax Credits Allocated		226,052					
Estimated Net Syndication Proceeds		1,763,000					
Estimated Yield - LIHTC Syndication		76.21%					
Equity Gap		1,699,743					
Credits Needed to fill Equity Gap			223,044				

Applegate	EXPENSE BUDGET			08-Apr-97
			Per Unit	
	Annual	Monthly	Per Month	
Administration				
Management Fee	37,080	3,090	30	8.1%
Advertising	2,000	167	2	
Audit/Accounting	5,000	417	4	
Legal	2,000	167	2	
HVT Fee	9,270	773	8	
Local NP Fee	3,708	309	3	
Office Payroll	32,000	2,667	26	
Compliance Monitoring	1,776	148	1	
TOTAL ADMINISTRATIVE	92,834	7,736	75	
Utilities				
Water/Sewer	28,300	2,358	23	
Electric	4,900	408	4	
Fuel	4,300	358	3	
Pump Station	5,000	417	4	
TOTAL UTILITIES	42,500	3,542	34	
Maintenance				
Maintenance Payroll	60,000	5,000	49	
Vehicle	2,500	208	2	
Trash Removal	18,000	1,500	15	
Snow/Grounds	4,000	333	3	
Repairs- material	10,553	879	9	
Paint/Decorating	10,000	833	8	
Exterminating	2,000	167	2	
Contract Maintenance	6,553	546	5	
Grounds	5,058	422	4	
Janitorial	1,200	100	1	
Other	500	42	0	
TOTAL MAINTENANCE	120,364	10,030	97	
Taxes	75,000	6,250	61	
Insurance	17,500	1,458	14	
Replacement Reserves	22,983	1,915	19	
Supportive Services	25,000	2,083	20	
Total	396,181	33,015	321	

Applegate			Rental Income		08-Apr-97	
Housing Credit Units						Total
Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent
1 Br	50%	672	3	244	114	8,784
2 Br	50%	842	15	290	140	52,200
3 Br	50%	1,119	9	336	161	36,288
1 Br	60%	672	7	316	114	26,544
2 Br	60%	842	27	376	140	121,824
3 Br	60%	1,119	13	435	161	67,860
	Totals	66,702	74			313,500
Market Rate Units						Total
Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent
1 Br	Market - 62%	672	4	345	114	16,560
2 Br	Market - 62%	842	16	410	140	78,720
3 Br	Market - 62%	1,119	9	475	161	51,300
	Totals	26,231	29			146,580
All Units						
	Grand Totals	92,933	103			460,080
		Less Vacancy	5.00%	(Years 3+)		(23,004)
					NET RENT	437,076
		OTHER INCOME				
		Interest Income				
		Laundry				3,300
		Parking				0
		Total Other Income				3,300
					TOTAL INCOM	440,376
		NOTE:				
		Vacancy Year 1	25.00%			(115,020)
		Vacancy Year 2	10.00%			(46,008)

08-Apr-97		**Applegate**				Cash Flow Projection						
		Year	1	2	3	4	5	6	7	8	9	10
Residential Rent			460,080	464,681	469,328	474,021	478,761	483,549	488,384	493,268	498,201	503,183
Lease Up Reserve Payment			68,950	23,213	0	0	0	0	0	0	0	0
Less Res Vacancy			(115,020)	(46,468)	(23,466)	(23,701)	(23,938)	(24,177)	(24,419)	(24,663)	(24,910)	(25,159)
Plus Other Income (laundry)			3,300	3,333	3,366	3,400	3,434	3,468	3,503	3,538	3,573	3,609
Total Actual Income			417,310	444,759	449,228	453,720	458,257	462,840	467,468	472,143	476,864	481,633
Less Operating Expense			373,198	382,528	392,091	401,893	411,941	422,239	432,795	443,615	454,706	466,073
Less Reserves			22,983	23,213	23,445	23,679	23,916	24,155	24,397	24,641	24,887	25,136
Net Operating Income			21,129	39,018	33,691	28,147	22,400	16,445	10,276	3,887	(2,729)	(9,577)
Less Primary Debt Service			9,227	9,227	9,227	9,227	9,227	9,227	9,227	9,227	9,227	9,227
Less Other Debt Service			1,854	1,854	1,854	1,854	1,854	1,854	1,854	1,854	1,854	1,854
Cash Flow			10,049	27,937	22,611	17,067	11,320	5,364	(805)	(7,194)	(13,809)	(20,657)
Oper Subsidy			0	0	0	0	0	0	805	7,194	13,809	20,657
Net Cash			10,049	27,937	22,611	17,067	11,320	5,364	0	0	0	0
DCR			190.69%	352.13%	304.06%	254.02%	202.16%	148.41%	92.74%	35.08%	-24.63%	-86.43%
Cumulative Cash Flow												
Beginning Balance			181,500	152,351	153,273	171,872	184,910	192,124	194,045	195,181	189,939	178,029
Interest		2.0%	1,815	1,524	1,533	1,719	1,849	1,921	1,940	1,952	1,899	1,780
Withdrawals			(68,950)	(23,213)	0	0	0	0	(805)	(7,194)	(13,809)	(20,657)
Ending Balance			124,414	130,662	154,805	173,590	186,759	194,045	195,181	189,939	178,029	159,152
Cumulative Reserves		2.0%	64,183	88,679	113,898	139,855	166,569	194,055	222,333	251,421	281,337	312,100

08-Apr-97											
		11	12	13	14	15	16	17	18	19	20
Residential Rent		508,215	513,297	518,430	523,614	528,850	534,139	539,480	544,875	550,324	555,827
Lease Up Reserve Payment		0	0	0	0	0	0	0	0	0	0
Less Res Vacancy		(25,411)	(25,665)	(25,921)	(26,181)	(26,443)	(26,707)	(26,974)	(27,244)	(27,516)	(27,791)
Plus Other Income (laundry)		3,645	3,682	3,719	3,756	3,793	3,831	3,870	3,908	3,947	3,987
Total Actual Income		486,449	491,314	496,227	501,189	506,201	511,263	516,375	521,539	526,755	532,022
Less Operating Expense		477,725	489,668	501,910	514,458	527,319	540,502	554,015	567,865	582,062	596,613
Less Reserves		25,388	25,641	25,898	26,157	26,418	26,683	26,949	27,219	27,491	27,766
Net Operating Income		(16,663)	(23,996)	(31,581)	(39,425)	(47,537)	(55,922)	(64,588)	(73,545)	(82,798)	(92,357)
Less Primary Debt Service		9,227	9,227	9,227	9,227	9,227	9,227	9,227	9,227	9,227	71,243
Less Other Debt Service		1,854	1,854	1,854	1,854	1,854	1,854	1,854	1,854	1,854	1,854
Cash Flow		(27,744)	(35,076)	(42,661)	(50,506)	(58,617)	(67,002)	(75,669)	(84,625)	(93,878)	(165,454)
Oper Subsidy		27,744	35,076	42,661	50,506	58,617	67,002	75,669	84,625	93,878	165,454
Net Cash		0	0	0	0	0	0	0	0	0	0
DCR		-150.39%	-216.56%	-285.01%	-355.81%	-429.01%	-504.69%	-582.90%	-663.73%	-747.24%	-126.35%
Cumulative Cash Flow											
Beginning Balance		159,152	133,000	99,253	57,584	7,654	(50,886)	(118,397)	(195,250)	(281,827)	(378,524)
Interest		1,592	1,330	993	576	77	(509)	(1,184)	(1,952)	(2,818)	(3,785)
Withdrawals		(27,744)	(35,076)	(42,661)	(50,506)	(58,617)	(67,002)	(75,669)	(84,625)	(93,878)	(165,454)
Ending Balance		133,000	99,253	57,584	7,654	(50,886)	(118,397)	(195,250)	(281,827)	(378,524)	(547,763)
Cumulative Reserves		343,729	376,245	409,668	444,018	479,317	515,586	552,847	591,123	630,436	670,811

vhfa
VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Development Officer CR

DATE: April 10, 1997

RE: 600 Dalton Drive Resolution

Executive Summary

At the December 11, 1996 Board Meeting, the Board approved a resolution concerning 600 Dalton Drive in Colchester/Essex. Specifically, the Board approved the sale of 600 Dalton Drive by Dalton Drive Neighborhood Housing Inc. (DDNI) to a to-be-formed historic tax credit partnership including the Burlington Community Land Trust (BCLT) for $80,000. The partnership will assume the loan DDNI has with VHFA (the "Non-Housing Facilities Note"), which currently has a balance of $275,000. The terms of the loan will be rewritten. The loan will require no payments; however, the outstanding balance of the loan, $195,000, would be payable to VHFA should the building ever cease to be operated as affordable housing for the benefit of low-to-moderate income persons. The loan shall accrue interest at a rate of 0% until the property is no longer used primarily for low and moderate income persons and families, at which time interest shall begin to accrue at a rate of 6% per annum.

Attached is a Resolution which authorizes VHFA to enter into transactions in connection with the sale of 600 Dalton Drive, including an amendment and assumption of the Non-Housing Facilities Note.

BCLT has received all funding commitments, and there is a closing date set for April 24, 1997.

Recommended Board Action

Staff recommends approval of the attached resolution.

RESOLUTION OF VERMONT HOUSING FINANCE AGENCY
AUTHORIZING
TRANSACTIONS IN CONNECTION WITH SALE OF BUILDING 600,
INCLUDING AMENDMENT AND ASSUMPTION OF
DALTON DRIVE NEIGHBORHOOD, INC.
NON-HOUSING FACILITIES NOTE

WHEREAS, under "Resolution of the Vermont Housing Finance Agency Authorizing the Issuance of its Development Loan Notes (Dalton Drive Development)", adopted April 25, 1991 (the "Resolution"), the original financing of Building Numbers 504 and 600 at Dalton Drive (the "commercial buildings") was authorized as part of a "Mixed Use Development" within the meaning of the Agency's Rules entitled "Grants, Loans, and Advances to Assist the Planning, Construction, Rehabilitation, and Operation of Residential Housing; Mortgage Loans to Housing Sponsors for Single Family Developments," effective date June 4, 1990 (the "Regulations") and,

WHEREAS, the original financing for the commercial buildings is evidenced by a certain Non-Housing Facilities Note of Dalton Drive Neighborhood, Inc. ("DDNI") in the original principal amount of $499,600.00 and dated December 11, 1991 (the "Non-Housing Facilities Note"); and,

WHEREAS, Building 504 has been previously sold and refinanced as ratified by Resolution adopted October 12, 1995; and

WHEREAS, the Non-Housing Facilities Note is currently valued on the books of the Agency at $275,000.00; and,

WHEREAS, DDNI has granted to Burlington Community Land Trust ("BCLT") an option to purchase Building 600 to be used for purposes consistent with a Mixed Use Development; and,

WHEREAS, the Non-Housing Facilities Note is not the subject of any existing agreement with bondholders or noteholders of the Agency; and,

WHEREAS, pursuant to the provisions of 10 V.S.A. §621, the Agency is specifically empowered to "consent to any modification with respect to rate of interest, time and payment of any installment of principal or interest, security, or any other term of any contract, mortgage, mortgage loan...contract or agreement of any kind to which the agency is a party...;"

NOW THEREFORE, in order to facilitate prompt partial repayment of the Non-Housing Facilities Note and to assist the rehabilitation and operation of the Mixed Use Development of which the commercial buildings form a part, it is hereby

RESOLVED, as follows:

1. The Agency consents to the sale of Building 600 by DDNI to BCLT and by BCLT to a limited partnership or limited liability company, which may be Cares Housing Limited Liability Company (the "Ultimate Owner"), substantially in accordance with the terms and conditions of that agreement between DDNI and BCLT entitled "Option to Purchase Building No. 600, Dal-

ton Drive," dated April 30, 1996, as amended by "Extension of Option to Purchase Building No. 600, Dalton Drive," dated December 31, 1996 (together, the "Option Contract"); and,

2. Upon payment to the Agency of the sum of $80,000.00 by or for the benefit of DDNI, the Executive Director is authorized and directed to execute and deliver the following documents:

A. "Assumption of and Amendment to Non-Housing Facilities Note" between the Agency and BCLT, substantially in the form appended to this Resolution (the "Amending Agreement");

B. "Assignment, Assumption and Priority Agreement" among the Agency, BCLT, the Ultimate Owner, Vermont Housing and Conservation Board, The Preservation Trust of Vermont, The Howard Bank, N.A., and the Town of Colchester, or any similar agreement, providing substantially for the assumption by the Ultimate Owner of the Non-Housing Facilities Note as amended and the provisions of the Amending Agreement, the release of BCLT from personal liability for the Non-Housing Facilities Note or the Amending Agreement, and such provisions for the relative priority of the mortgage securing the Non-Housing Facilities Note as the Executive Director deems appropriate and reasonable in the circumstances;

C. Such other approvals, consents, and documents as may be reasonable and necessary for the Agency to provide in order to consummate or perfect the transactions contemplated by the Option Agreement and this Resolution.

Attachment: "Assumption of and Amendment to Non-Housing Facilities Note"

ASSUMPTION OF AND AMENDMENT TO
NON-HOUSING FACILITIES NOTE

This agreement, effective the ___day of __________, 1997, by and between Burlington Community Land Trust ("BCLT") and Vermont Housing Finance Agency ("VHFA"),

W I T N E S S E T H

WHEREAS, BCLT has exercised its option to purchase "Building 600," so-called, pursuant to a certain agreement between BCLT and Dalton Drive Neighborhood, Inc. (hereinafter "Seller") entitled "Option to Purchase Building No. 600, Dalton Drive," dated April 30, 1996, as amended by "Extension of Option to Purchase Building No. 600, Dalton Drive," dated December 31, 1996 (together, the "Option Contract"); and,

WHEREAS, in connection with the Option Contract, VHFA has consented to make specific amendments to a certain "Promissory Note (Non-Housing Facilities Note)" dated December 11, 1991 and executed by the Seller (the "Note"), subject to assumption of the Note as so amended by BCLT; and,

WHEREAS, the Note is secured by a mortgage (the "Mortgage") on lands and premises situated in the Towns of Colchester and Essex, Vermont, dated December 11, 1991 and recorded in Volume 188 at Page 297 of the Colchester Land Records and in Volume ____ at Page _____ of the Town of Essex Land Records; and,

WHEREAS, a copy of the Note is attached hereto; and,

WHEREAS, the outstanding principal balance of the Note immediately prior to the date hereof has been partially satisfied by payment this date from Seller to VHFA of the sum of $80,000.00 (the "Partial Payment"), receipt of which is hereby acknowledged by VHFA;

NOW THEREFORE, for valuable consideration, the receipt whereof is hereby acknowledged, the parties agree as follows:

1. The Note is amended in the following particulars:

a. The principal balance of the Note, which includes all indebtedness of the Seller secured by the Mortgage, and after taking into account the Partial Payment, is $195,000.00.

b. Paragraph (a) on page 1 of the Note (pertaining to interest rate) is hereby deleted and replaced in its entirety by the following: "Interest shall accrue on the outstanding principal balance at the rate of 0% per annum until the entire principal balance falls due pursuant to the provisions of paragraph (b), below, and thereafter interest shall accrue on the outstanding principal balance at the rate of 6% per annum."

c. Paragraph (b) on page 1 of the Note (pertaining to the maturity date) is hereby deleted and replaced in its entirety by the following: "The entire unpaid principal balance and all accrued but unpaid interest, if any, shall be due and payable without demand, notice, or protest upon that date which is the earlier to occur of (i) the date on which the Property ceases to be operated primarily as affordable housing for persons and families of low and moderate income within the meaning of the Vermont Housing Finance Agency Act, or (ii) the date on which the Property is sold or transferred without the prior express written consent of Vermont Housing Finance Agency.

d. No previous failure of DDNI to comply with the terms of the "Loan Agreement" referenced in the Note and in the Mortgage shall provide the occasion for default under the Note or the Mortgage, and the Loan Agreement shall be deemed discharged and without further force or effect.

Except as modified above, the Note remains of full force and effect in accordance with its terms.

2. BCLT assumes the Note, as herein amended, and agrees to pay the same in accordance with its terms.

3. BCLT further agrees that, for so long as the Note remains outstanding, at the request of VHFA made not more often than annually, BCLT shall make its books and records available for inspection by VHFA in order to enable VHFA to determine whether the Property is being operated primarily as affordable housing for persons and families of low and moderate income within the meaning of the Vermont Housing Finance Agency Act.

4. This agreement shall bind and, subject to the terms of the Mortgage, shall inure to the benefit of the parties and their respective successors and assigns.

IN WITNESS WHEREOF, the parties have executed this agreement at Burlington, Vermont effective the date first above written.

IN THE PRESENCE OF: VERMONT HOUSING FINANCE AGENCY

______________________ By______________________________
Executive Director and authorized agent

BURLINGTON COMMUNITY LAND TRUST

______________________ By______________________________
Executive Director and authorized agent

STATE OF VERMONT
COUNTY OF CHITTENDEN, SS.

At Burlington in said County this ____ day of __________________. 199_ personally appeared ALLAN S. HUNT, executive director and authorized agent of Vermont Housing Finance Agency, and acknowledged the foregoing document, by him subscribed, as and for his free act and deed and the free act and deed of Vermont Housing Finance Agency. Before me,

____
Notary Public

STATE OF VERMONT
COUNTY OF CHITTENDEN, SS.

At Burlington in said County this ____ day of __________, 199_, personally appeared BRENDA TORPY, Executive Director and authorized agent of Burlington Community Land Trust, and acknowledged the foregoing document, by her subscribed, as and for her free act and deed and the free act and deed of Burlington Community Land Trust. Before me,

____
Notary Public

PROMISSORY NOTE
(NON-HOUSING FACILITIES NOTE)

$499,600.00 DECEMBER 11, 1991 BURLINGTON, VERMONT

FOR VALUE RECEIVED, DALTON DRIVE NEIGHBORHOOD, INC. (the "Maker"), a Vermont non-profit corporation with a place of business at Burlington, Vermont, hereby promises to pay to the order of VERMONT HOUSING FINANCE AGENCY with its principal place of business at One Burlington Square, Burlington, Vermont, (hereinafter referred to as "Agency") the principal sum of FOUR HUNDRED NINETY NINE THOUSAND SIX HUNDRED DOLLARS AND 00/100 CENTS ($499,600.00) or so much thereof as may be disbursed pursuant to the provisions of a certain Dalton Drive Purchase and Finance Agreement dated April 25, 1991 (the "Loan Agreement") between the Maker and the Agency, together with interest on the unpaid principal balance payable at the rate and manner herein specified. Interest shall accrue and interest and principal shall be payable as follows:

a. Interest shall accrue on the outstanding principal balance at such rate as the Agency may specify from time to time by written notice to the Maker within 30 days after the issuance by the Agency of any "Development Loan Note" as defined by the Loan Agreement, but in no event shall the rate exceed that rate which is one hundred fifty basis points above the Agency's "Cost of Funds", as defined in the Loan Agreement. The initial interest rate shall be 8.5% (eight and one half percent) per annum. Accrued interest shall be payable as and when billed by the Agency, but no more frequently than once each month.

b. On April 1, 1993 (herein called the maturity date), and to the extent not sooner paid in accordance with the terms hereof, the entire unpaid principal balance and all accrued but unpaid interest shall be due and payable without demand, protest or notice of protest. All payments received by the holder of this note shall be applied first to interest then to principal.

Principal and interest shall be payable in lawful money of the United States of America at the principal offices of the Agency in Burlington, Vermont, or at such other place as holder hereof may designate in writing.

The purpose of the loan evidenced by this note is to finance the acquisition and rehabilitation of certain real property described in the Mortgage Deed securing this note. In the event of a sale of all or any portion of such real property, the Maker shall pay over the Agency, in prepayment of the sums outstanding hereunder, all "Net Proceeds of Sale", as defined in the Loan Agreement, except to the extent such Net Proceeds of Sale are earmarked, under the terms of the Loan Agreement, for payment of the Housing Development Note or any Future Advance Note, as defined in the Loan Agreement. In addition to such mandatory prepayment, at the option of the Maker this note may be prepaid at any time without penalty or premium.

Upon default of the payment of any sums of interest or principal or any portion thereof, and if said default shall continue for ten (10) days after written notice of such default from Agency, all of the outstanding principal balance under this note and accrued interest shall, at the option of the legal holder hereof, become at once due and payable without further notice, demand or presentment for payment.

This note may be deemed in default and become immediately due and payable without demand, presentment for payment, protest or notice of protest upon the occurrence of one of the following events, subject to the terms of the mortgage hereinafter referred to:

a. Default by the maker in performance of or observance of any other covenant or agreement set forth herein, in the Loan Agreement, the Mortgage Deed hereinafter referred to, or any other document given to secure this note.

b. Bankruptcy, insolvency or the making of a general assignment for the benefit of creditors by Maker or any guarantor hereof;

c. The institution or determination of bankruptcy, reorganization, liquidation or receivership proceedings by or against Maker or any such guarantor;

d. Termination of further obligations of the Agency to the Maker as a result of the default of the Maker pursuant to the Loan Agreement.

This note may also be declared due at the option of the holder hereof prior to express maturity at the time and upon the terms and in the manner provided in the Mortgage Deed hereinafter referred to.

The holder hereof shall have the right to institute any proceedings, in the event of default, upon this note and any collateral given to secure the same for the purposes of collecting said principal and interest with costs and expenses, or protecting any security connected therewith. Any waiver or consent to waiver of any of the foregoing provisions shall not be construed as a waiver or a consent to waiver in the subsequent instance.

The maker further agrees that if this note is placed in the hands of an attorney for collection, or if this debt or any part thereof is collected by any attorney or by legal proceedings of any kind, reasonable attorney's fees and all costs and expenses incident upon such collection shall be added to the amount due upon this note and be collectable as part hereof.

Any deposits or other sums at any time credited by or due from the Agency to any maker, endorser, or guarantor hereof and any securities or other property of any maker, endorser, or guarantor hereof in the possession of the Agency may at all times be held and treated as collateral security for the payment of this note and any and all other liabilities, direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, of said respective Maker, endorser or guarantor to the Agency. And the Agency, on or after default in payment hereof, and to the extent permitted by law may sell any such securities or other property at public or private sale. The Agency may apply to set off such deposits or other sums against said liabilities at any time in the case of Maker, but only with respect to mature liabilities in the case of endorsers or guarantors.

Maker, guarantors, and all endorsers severally waive presentment for payment, protest and demand, notice of protest and demand, dishonor and nonpayment and expressly agree that this note and any payment coming due under it may be extended from time to time without in any way affecting their liability hereunder.

This note is secured by all obligations of the Maker to the Agency under a Mortgage Deed of even date herewith to be recorded on or about the date hereof in the Land Records of the Towns of Essex and Colchester, respectively, and pertaining to real property located partially in each of said Towns. Reference is made to the Loan Agreement and said Mortgage Deed in aid of the interpretation of this note.

DALTON DRIVE NEIGHBORHOOD, INC.

By: Vice President
Its Duly Authorized Agent

WITNESS:

DD025A.1

vhfa
VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, ASH Executive Director (652-3421)

DATE: April 11, 1997

RE: MULTIFAMILY REFUNDING SAVINGS (0% Funds) Suggested Lending Guidelines

Executive Summary

At the August 24, 1995, Board meeting, the Board adopted recommendations from Evensen Dodge regarding the use of the Agency's Multifamily Refunding Savings (0% funds). Staff has been proceeding based on those recommendations. However, due to an increase in requests for the funds from non-portfolio projects such as Hedding Drive in Randolph, as well as non-distressed portfolio projects such as 1306 Ethan Allen Avenue, Colchester, it is apparent that we should revisit those recommendations. Staff has prepared the following updated recommendations for 0% lending guidelines for Board review.

Background

At the August 24, 1995 Board meeting, it was "general consensus of the Board to pursue the bond earnings strategy as outlined" in a memo from Evenson Dodge as follows:

> *The "yield-compliance" loans should first be used for existing Agency financed projects, including Section 8 projects or real estate owned which will need financial assistance. This will reduce losses that the Agency would otherwise incur and will improve the Agency's long term financial position.*
>
> *The Agency should make "yield-compliance" loans only as excess money from the 1995 Series A bonds becomes available or will become available within one or two years. The Agency will have $965,904 per year available. This series of annual decisions preserves the Agency's ability to react to future events.*
>
> *Loan forgiveness...should be deferred either until a specific circumstance justifies this action or towards the end of the bond issue when an exact amount of forgiveness can be determined.*

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Status of 0% Funds

Attached is a list showing the status of the multifamily refunding savings. In summary, in the 22 months from 6/95 to 3/98, which is one year from now, there will be a total of $2,736,728 of multifamily refunding savings earned. Through 12/96, $1,200,276 has been used on the following: excess cost of issuance, St. Johnsbury workout, and Winchester operating support and construction. An additional $709,000 has been committed to the following: existing portfolio multifamily reserve, Winchester operating support (through 3/98), financing of real estate owned, and lead paint initiative.

Staff estimates that portfolio projects in need of financial assistance this year include Pine Meadow and Northgate Premium Notes. We have estimated assistance for Pine Meadow for debt reduction only, and assume rehabilitation funds would come from other sources. The Applegate portion of the Northgate Premium Notes may be a moot point, so we have provided a range for the total amount of this liability (more information on this below). This means we estimate the amount needed for portfolio projects this year to be $557,741 to $922,482.

Another proposal to be discussed at this Board meeting is a request for $78,000 of 0% funds for the Homeownership Centers. This proposal is consistent with the priorities listed below in that among the goals in establishing a network of Homeownership Centers are early delinquency intervention, an overall reduction in VHMGB insurance claims, and a reduction in VHFA's real estate owned portfolio.

Northgate Premium Notes

When Northgate was purchased, VHFA entered into Premium Notes which were equal to the discounted purchase price agreed to by the owners that will be forgiven pro-rata to the extent that VHFA purchased the other "Gates": Applegate, Highgate and Westgate. Highgate was purchased in 1991 and the respective Premium Note was forgiven. The remaining Notes represent the Applegate and Westgate properties. VHFA makes payments on the Notes (payments are made in escrow on the Applegate portion since the owners defaulted) which are not offset by receipts from Northgate, since no payments fall due on the Premium Notes until 2011. The Applegate Premium Note may be a moot issue, as the owners defaulted and HUD took title of the property; thus it is no longer possible for VHFA to purchase the property from the owners. Finalizing this issue will involve some legal work. We currently pay the owners $44,000 a year ($22,000 directly and $22,000 to an escrow).

Northgate's Premium Notes currently have a balance of either $364,741 (Westgate alone) or $729,482 (Applegate and Westgate). These figures include accrued interest. As this is a growing liability for Northgate, staff feels it prudent to address this issue, by "swapping" 0% funds for the interest-bearing funds, thereby assuring future affordability of the development.

Suggested 0% Lending Guidelines

Staff have developed the following proposed guidelines in response to issues raised by two projects which sought 0% funds within the past five months: Hedding Drive in Randolph owned by the Central Vermont Community Land Trust, and 1306 Ethan Allen Avenue in Colchester, owned by Lake Champlain Housing Development. We declined the Hedding Drive project's request for 0% funds based on two of the criteria below: 1) the funds did not create a viable project; the solution proposed was short term; and 2) the proposal involved debt take-out, and the existing lenders did not provide significant concessions satisfactory to VHFA. Staff declined recommending the 1306 Ethan Allen Avenue project use of 0% funds because there did not exist a lack of other resources to solve the problem. As the 0% funds are a limited resource, staff has attempted to draft guidelines which would consider non-portfolio projects on a limited basis and which demonstrate a critical need, without opening the doors too broadly so as to jeopardize our ability to deal with our own projects.

As shown on the attached list, it appears that the bulk of the funds are committed through March 1998. This is consistent with Evensen Dodge's recommendation to commit funds not more than one year ahead. The reason for not committing funds more than one year ahead is that HUD may have the potential of recapturing refunding savings in the future.

We need clear guidelines in order to treat projects equally. We therefore suggest the following 0% lending guidelines for your consideration:.

Priorities for 0% Funds (in order of priority, per Evensen Dodge recommendations)

1. Existing portfolio projects or real estate owned which needs financial assistance (including Section 8 projects).

2. Assistance to these projects will improve VHFA's long term financial position.

Requirements of All Projects (Whether portfolio or non-portfolio)

1. There must be a reasonable expectation of repayment of the loan.

2. The project under consideration must meet VHFA underwriting criteria and management review, and the 0% funds must create a viable project.

3. Loans made must meet legal tests of yield compliance.

Other Points and/or Projects to Consider (not listed in order of importance)

1. Existing affordable housing developments not in VHFA's portfolio.

2. "Distressed" properties of existing nonprofit borrowers, both multifamily and single family (in need of rehabilitation and/or refinancing, have limited additional debt capacity, there is a demonstrated financial strain on the owner).

3. If the request is for debt take-out, existing lender(s) has made significant concessions satisfactory to VHFA.

4. There exists a lack of other resources to solve the problem (the project cannot support more debt; other resources have been utilized to their full extent).

5. Long term affordability and deeper income targeting (than the housing credit program and VHFA's Statutes and Multifamily Rules require) should be a priority.

6. For workouts, the pre-existing rent limits, income targeting and term of restrictions must be maintained if not improved.

7. Efforts to expand homeownership opportunities to households at or below 50% of area median income.

Discussion

In applying the guidelines to future non-portfolio projects, staff would prioritize Hedding Drive over 1306 Ethan Allen Avenue (provided the end result was a viable project and that any debt take out included significant concessions on the part of existing lenders). This is due to the fact that Hedding Drive demonstrated a very significant strain on the owner, one of our nonprofit borrowers.

We would appreciate Board input as to types of projects that VHFA should consider for 0% funds, including whether or not to consider non-portfolio projects.

Board Action Requested

Staff recommends Board approval of the guidelines suggested above.

Multifamily Refunding Savings Report
as of 3/31/97

3/97-3/98	**Board Authorization**		965,904		
	(1 year of savings)				
6/95-3/97	**22 months earned**		1,770,824		
	TOTAL SAVINGS:			**2,736,728**	
	VHFA PORTFOLIO PIPELINE:				
	Pine Meadow		193,000		see note 1
	Northgate Premium Notes		364,741 - 729,482		see note 2
	subtotal:		**557,741 - 922,482**		
	COMMITTED:				
Jun-95	**"troubled" multifamily workouts/reserve**		200,000		
	Winchester support (est. through 3/98)		209,000		
Feb-96	**REO Marketing**		200,000		
Oct-95	**Lead Paint Initiative**		100,000		
	subtotal:		**709,000**		
	USED:				
Jun-95	**Excess cost of issuance**		102,619		
Sep-95	**St. Johnsbury workout**		401,110		
Oct-96	**Winchester construction**		402,139		
11/95-12/96	**Winchester support**		294,408		
	subtotal:		**1,200,276**		
	SURPLUS/(DEFICIT)			**(95,030) - 269,711**	
Note 1:	This amount includes only a principal reduction in VHFA's existing loan. Other sources of funding are assumed for rehabilitation and associated costs.				
Note 2:	This is the full face value of the Note and all accrued interest receivable. The low figure is Westgate alone and the high figure is Applegate and Westgate.				

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

To: VHFA Board of Commissioners

From: Joe Erdelyi, Multifamily Development Underwriter

Date: April 9, 1997

Re: The Pines, Phase Four - FOR DISCUSSION PURPOSES ONLY

VHFA has provided construction and permanent financing to Phases Two and Three of the Pines Senior Housing on Dorset Street in South Burlington. Phases One and Two are complete and were rented up upon completion; Phase Three is scheduled for completion in May and will also be fully rented upon completion. Phases Two and Three include 72 units, and there are 124 units in all three phases. VHFA's investment in the Pines is $2.72 million. The development has a satellite office of the Visiting Nurses Association, the South Burlington Senior Center, walking paths, an optional meals program, and it is centrally located in South Burlington.

The sponsors, Charlie Brush and John Giebink of Green Mountain Development Group, have met with staff about a proposed 60-unit Phase Four. Unlike the other three phases, which are joined in a single building, the fourth phase would be in a separate detached structure (see attached plan). The units in Phase Four would be approximately 10% larger than in the previous phases, and Phase Four would also have underground parking. The first three phases primarily served households below 60% of the area median income, and Phase Four as initially proposed would be more "market rate" housing, affordable to households in the range of 60% to 100% of area median income. The rents are proposed at $775 for a one-bedroom unit and $900 for a two-bedroom unit, which are affordable to households at approximately 91% of the area median income.

The sponsors' initial proposal was for $3.8 million in taxable financing. Staff have suggested that the sponsor utilize tax-exempt bond financing, which would: 1) provide a slightly lower interest rate; 2) entitle the sponsor to claim tax credits which are outside of the state's housing credit ceiling (there is no limit to tax credits available to tax-exempt financed developments in any state, other than the state's tax-exempt bond volume limitation cap); and 3) cause the developers to set aside at least 20% of the units for households at 50% of the area median gross income, which is a deeper targeting than VHFA financing alone would require. (The rents on these targeted units are proposed at $450 for a one-bedroom unit and $550 for a two bedroom unit.) The tax credits will provide equity from investors which should reduce the VHFA financing request slightly.

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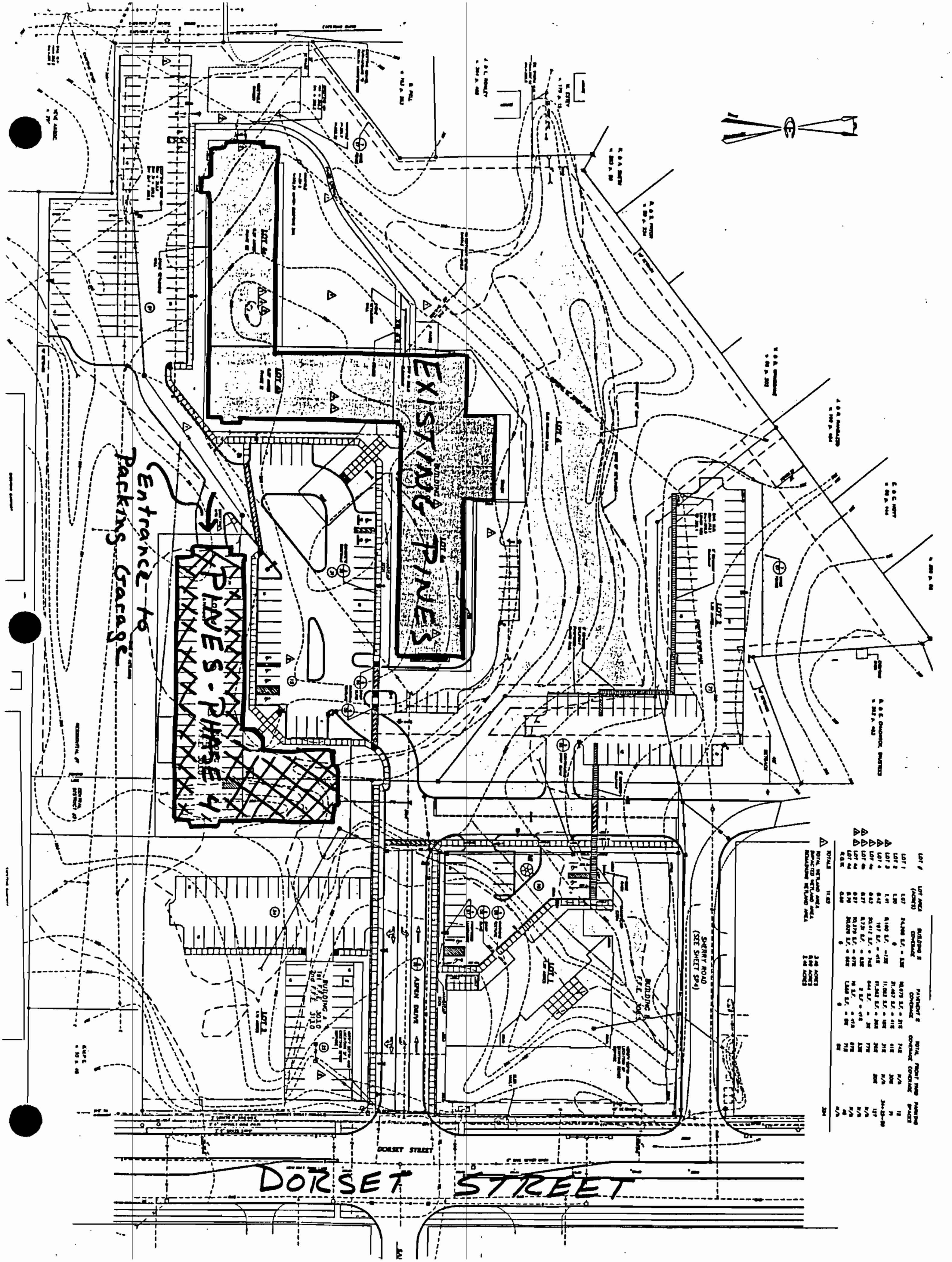
VHFA used the Federal Home Loan Bank of Boston as the source of funding for the Phase Two and Three loans, but because of the collateral requirements of the FHLBB, using them as a funding source on the Pines Phase Four would severely limit our ability to use the FHLBB to finance other developments.

VHFA has rarely used tax-exempt financing for multifamily housing since the days of Section 8 New Construction/Substantial Rehab development, and the "out-of cap" credits will be an additional resource for affordable housing in Vermont, while not depriving other tax credit developers of this resource. Demand for units at the Pines still remains strong, with a list of 53 households that have expressed interest in the development, and 25 of those (so far) have expressed a desire to move into the Phase Four proposed units at the market rents. Having a portion of lower-rent units should help to shorten the rent-up period. The previous three Phases were built (or are being built) on schedule and within budget.

Staff is seeking feedback from the Board regarding this proposal before encouraging the sponsors to submit a full application. VHFA participation would mean a total investment of approximately $6.4 million dollars in 132 units (of a 184 total units) in one multi-phase development in the Burlington MSA. Green Mountain Development Group has successfully developed one other multifamily development (Sugarwood Apartments in Middlebury) and one other single family development (Redrocks Condominiums in Burlington) with VHFA financing.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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator and PAC
Cathleen L. Gent, Director of Communications CLG

DATE: April 10, 1997

RE: Homeownership Centers: Evaluation of Year One; Request for Support for Year Two; Request to Expand the Pilot Project

SUMMARY OF REQUEST

At the November 1995 meeting, the Board approved VHFA's participation with Burlington Community Land Trust (BCLT), Gilman Housing Trust (GHT), and Rutland West Neighborhood Housing Services (RWNHS) in a three year pilot project to develop Homeownership Centers. The three Homeownership Centers are now fully operational and provide pre-purchase and post-purchase education, counseling, and technical assistance to residents of Caledonia, Chittenden, Essex, Orleans and Rutland counties. There have been many challenges and successes during the first year of the project. VHFA's capacity funding of $60,000 ($20,000 for each organization for calendar year 1996) has allowed each Homeownership Center the ability to focus on building the needed organizational capacity and working together collaboratively with VHFA to solve common problems and issues.

An evaluation of the first year's activities has been completed which shows that more than 240 households received services during the period of June 1, 1996, through March 31, 1997. The three Homeownership Centers are actively working with approximately 90 households, and have assisted 16 households to become homeowners. During year two, staff would like to continue to provide operating support to BCLT, GHT, and RWNHS of $60,000 ($20,000 for each organization). In addition to continuing our work with the Centers to expand homeownership, staff would like to work with the Centers to begin to develop a plan for: (1) working closely with VHFA on delinquency interventions; (2) expanding the long-term sustainability of their operations; and (3) identifying additional financial assistance for home buyers. Staff would also like to begin working with Rockingham Area Community Land Trust (RACLT) to expand the availability of Homeownership Center services to the communities that RACLT serves in Windham, Windsor, and Bennington counties, and provide RACLT with $20,000 in operating support. The source of funds would be VHFA General Funds.

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The following is additional information on the evaluation of the first year's operations of the Homeownership Centers and a request for funding for year two and expansion of the pilot project to include RACLT. Attached to this memo are articles that appeared in newsletters and newspapers about the Homeownership Centers.

EVALUATION

At the March 1996 meeting, the Board approved an evaluation plan for the pilot project. The specific goals of the evaluation are:

1. To measure the effectiveness of the overall objectives of the program;
2. To develop a long-term tracking mechanism for households which receive services from the Homeownership Centers (information that will be provided includes household income, household size, purchase price, mortgage amount, other financing, etc.). Tracking will include households which become homeowners and those which are beyond the scope of the program;
3. To monitor the use of each type of service offered and determine its cost-effectiveness;
4. To study the shared and unique operating conditions, characteristics of successful partnerships, and special challenges faced by each nonprofit organization.

Much of the first year was spent developing basic services and beginning community outreach and marketing. The first year reports for each organization do not provide all of the information that we eventually hope to track and evaluate. They also do not provide a full year of activity. BCLT and GHT did not begin offering services until June 1, 1996. In addition, workshops for November and December were not scheduled, to allow staff of each Homeownership Center to address a backlog of customers requiring one-on-one counseling services. Staff capacity and systems to meet the initial demand have been an issue for all three organizations and must be addressed during the second year of the pilot project.

<u>Burlington Community Land Trust - Homeownership Center of Chittenden County</u>

BCLT was fortunate to hire Amanda Canavan, former Executive Director of VHMGB, to develop a training curriculum for BCLT's basic workshops and to staff the Homeownership Center. In addition to technical assistance and training provided by VHFA, BCLT staff received training from Neighborhood Reinvestment Corporation and Rutland West Neighborhood Housing Services. Nine workshops providing an introduction to homeownership were offered: a total of 76 households attended. BCLT staff are actively working with 36 households. The majority of the one-on-one counseling activity is to address credit issues. Four households have purchased homes using VHFA mortgage programs, two households have signed purchase and sale agreements and have applied for financing, and five households are actively searching for a house to purchase. While the majority of customers have been from Chittenden county, residents of Addison, Franklin, Grand Isle, Lamoille, and Washington counties have attended workshops; however, only Chittenden county residents are currently eligible for counseling and other services.

BCLT staff believe that the link between the Homeownership Center and BCLT's limited equity program have been extremely beneficial to the people they are trying to serve. The stock of affordable homes within BCLT have been a valuable resource. Through the resale of existing homes, BCLT has been able to provide opportunities to Homeownership Center customers who would not otherwise be able to purchase a home. All buyers interested in participating in the Homeland Program are required to attend Homeownership Center workshops prior to the purchase of a home. This policy further helps to preserve a valuable resource of homes in Chittenden County remaining even more affordable with each resale. BCLT is the first nonprofit group to work with VHFA on the marketing of its REOs. BCLT and VHFA are in the process of finalizing an option agreement on two properties owned by VHFA that will then be marketed to customers of the Homeownership Center.

BCLT will complete its chartering review in April 1997 to become a member of the NeighborWorks® network, which will provide access to financial and technical support, staff training opportunities, and a secondary market for mortgage and rehabilitation loans. NeighborWorks® has committed $20,000 in operating funds, and $50,000 to capitalize a revolving loan fund. Neighborhood Reinvestment and RWNHS have assisted BCLT to form a loan committee, and develop policies and procedures to provide rehabilitation loans and other assistance to customers of the Homeownership Centers. In addition, BCLT was approved by HUD as a counseling agency and is eligible to apply to financial assistance from HUD to support its operations.

<u>Gilman Housing Trust</u>

In the past year, Gilman Housing Trust (GHT) has made substantial progress in the creation of a sustainable homeownership and housing rehabilitation center. Both homeownership and rehabilitation were new to GHT. Like BCLT, GHT also received training from Neighborhood Reinvestment Corporation and Rutland West Neighborhood Housing Services. Home buyer education workshops are the centerpiece of GHT's program. GHT's staff worked with Steve Campbell of Rural Development (RD) to develop a series of workshops using the Fannie Mae Guide to Homeownership. The workshops give a good general overview of the home buying process: presentation duties are shared by GHT and RD. Workshops have been held in Hardwick, Island Pond, Newport, and St. Johnsbury. GHT has conducted a total of eight workshop series (they have experimented with five part, three part, and two part sessions). A total of 37 people attended: 27 people completed the entire series. GHT staff have provided one-on-one counseling to 19 households and are working with 2 households on foreclosure intervention activities. The majority of the one-on-one counseling activity is to address credit issues. While only one homeownership center customer has purchased a home, seven households have completed workshops and credit counseling and are ready to purchase a home within the next six months.

GHT completed its chartering review to become a member of the NeighborWorks® network, which will provide access to financial and technical support, staff training opportunities, and a secondary market for mortgage and rehabilitation loans. NeighborWorks® has committed

$20,000 in operating funds, and $50,000 to capitalize a revolving loan fund. Funding for a housing rehabilitation program to assist residents of Island Pond was achieved through a USDA Housing Preservation Grant, HUD Special Purpose Funding, and Weatherization Program funds. A nine member loan committee has been formed and loan policies and guidelines have been established for home buyer assistance and rehabilitation loans. Three area lenders, Chittenden Bank, Community National Bank, and Passumpsic Savings Bank, have each committed $1,000 each year for three years to support center operations, and provided volunteers to serve on the loan committee. GHT organized and presented a two and one-half hour home maintenance workshop sponsored jointly by GHT and Community National Bank, and made three presentations to the area REALTOR® Boards.

GHT's collaboration with RD has been so successful that RD has offered to assign one-half of Steve Campbell's time to the Homeownership Center effective September 1, 1997. This commitment from RD will increase the capacity of the Homeownership Center and help address their immediate need to increase staff levels; GHT also plans to train one more full-time staff person in credit counseling and lending. Accounting staff are in the process of establishing a loan management system for the lending activity anticipated to start in May 1997. Marketing and outreach activities will focus on bringing more customers into the program. In addition to those workshops completed, two series were canceled due to no turn-out. GHT's task is to market and do outreach in communities that lack a local newspaper or to use alternative media to introduce Homeownership Center services to low-income residents.

In the coming months GHT plans to approach local employers to determine interest in on-site workshops for employees, and churches will also be canvassed for their interest in sponsoring a workshop for their members. GHT plans to work more closely with the Vermont Development Credit Union (VDCU) to strengthen prospective home buyer's savings habits and creditworthiness. Three clients were referred to VDCU over the past year for "Tracker Loans". "Tracker Loans" are modest consumer loans that serve to consolidate a small amount of high interest credit card debt, allowing the customer to demonstrate their ability to perform. GHT will seek out additional lender partners with a goal of increasing participation to a total of five banks.

Rutland West Neighborhood Housing Services

Rutland West Neighborhood Housing Service's (RWNHS) homeownership program grew out of an identified need for alternative financing and counseling services. Services provided were labor intensive utilizing direct lending and education on a one-on-one basis as needed. Initial stages of orientation seminars were experimented with but were not a regular part of the program. Foreclosure intervention grew out of hands-on experience with RWNHS's existing loan customers utilizing techniques for budgeting, loan restructuring, and negotiation. RWNHS's participation with BCLT and GHT in VHFA's pilot project allowed for the development of a system to provide education services that have been proven by other members of the NeighborWorks® network to be an effective and efficient method for expanding homeownership and giving homeowners the skills necessary to be successful long-term.

Like GHT, RWNHS has an active partnership with Rural Development. Michael Dolce, Community Development Manager for RD responsible for Addison, Bennington, and Rutland counties works along with RWNHS staff to deliver education and counseling services to Homeownership Center customers. (Please note: The following activity for RWNHS is for the period of June 1, 1995 through March 31, 1997.). RWNHS has conducted a total of seventeen workshops providing an introduction/overview to homeownership. Like GHT, RWNHS has experimented with one part and two part sessions. A total of 139 households from Addison, Bennington, and Rutland Counties completed the workshops. (While residents of Addison and Bennington counties are welcome to attend the workshops, follow-up and counseling are currently being provided only to residents of Rutland county.) RWNHS has provided one-on-one counseling to 47 households. The majority of RWNHS's one-on-one counseling activities are to address budget and credit issues. A total of 41 households are actively working with the Homeownership Center and plan to become homeowners. The Homeownership Center has produced eleven new first-time home buyers, have assisted nine households to refinance their mortgage, and successfully provided counseling and loan services to assist nine households to avoid foreclosure. While all of the financing for the eleven new first-time home buyers was provided by RD, Neighborhood Housing Services, or through conventional financing, RWNHS reports that several customers are in the early stages of prequalification for VHFA financing.

During the next year, RWNHS plans to install a new customer service database to enable them to more efficiently process the growing demand for services and also allow for broader statistical analysis. RWNHS plans to hire a housing counselor by June 15, 1997, to provide greater capacity to work one-on-one with potential home buyers. The success of the workshops has produced demand for counseling services that cannot be fully met with current staffing levels. RWNHS also plans to work with VHFA to expand counseling services to residents of both Addison and Bennington counties through a collaboration with existing nonprofit organizations in those areas. Additional workshops are being developed to utilize experts from the community to deal with credit repair/restructure, home budgeting/family business plans, and home maintenance. Existing staff will be cross-trained to provide for greater capacity to handle foreclosure interventions and loan workout cases. RWNHS is working with VHFA's Loan Servicing Manager on a protocol for VHFA workouts. One successful workout has been completed and another is in progress. The Vermont Development Credit Union has brought a satellite office to the Homeownership Center. Discussions are under way with the Rutland County Board of REALTORS® and the Rutland County Community Land Trust to broaden their participation in the Homeownership Center. RWNHS is in the early stages of a targeted marketing plan to be implemented in the summer of 1997 to reach employers, to identify appropriate forms of advertising, and to develop marketing materials.

Income Levels Served

Income figures are available for a total of 104 households. The following is a table showing the income of the households served by the Homeownership Centers.

INCOME RANGES	NUMBER OF HOUSEHOLDS
$15,000 or Less	29
$15,001 - $20,000	18
$20,001 - $25,000	15
$25,001 - $30,000	19
$30,001 - $35,000	11
$35,001 - $40,000	7
$40,001 - $50,000	4
Over $50,001	1

The following table provides additional information on income levels served for each Homeownership Center.

ORGANIZATION	AVERAGE INCOME SERVED/PERCENT OF AREA MEDIAN INCOME	NUMBER AT OR BELOW 50%	NUMBER AT OR BELOW 70%
BCLT	$24,247/50% of area median income	24	38
GHT	$19,047/60% of area median income	9	18
RWNHS	$24,207/65% of area median income	13	23

Obstacles

The major obstacles still faced by customers of the Homeownership Centers are credit related issues which include: delinquent and charged-off accounts; the need to reduce the amount of credit card accounts; and the need to re-build credit after a bankruptcy or extended period of delinquent payments. Most customers also lack funds for down payment and closing costs.

ACTIVITY/FUNDING FOR YEAR TWO -- EXPANSION OF PILOT PROJECT

In addition to completing a more comprehensive tracking of information and evaluation of Homeownership Center services and activities, staff will work with BCLT, GHT, and RWNHS to develop a plan to increase the capacity of each Homeownership Center and a plan for the long-term sustainability of the centers. This work will include developing a business plan for each organization that identifies other collaborations, partnerships, and funding opportunities for both operating support and assistance for home buyers. RWNHS will begin to work with nonprofit organizations serving Addison and Bennington counties to collaborate to provide counseling services for residents of those areas. In addition, staff would like to expand the pilot project to include Rockingham Area Community Land Trust (RACLT).

RACLT serves two communities in Bennington County, southern Windsor County, and northern Windham County. RACLT'S homeownership programs have assisted 36 households to become homeowners. RACLT has initiated a Self-Help Housing Program which assists families to participate in the construction of their home. Bulk purchase of materials and services and sweat-equity reduce the cost of the home. The homeowner's participation in all phases of home construction of their home helps them to gain valuable knowledge, skills, and training to become successful. RACLT has been pre-approved for funding to participate in Rural Development's Section 523 Self-Help Technical Assistance Grant Program. The RD grant will help RACLT assist 14 households to build self-help housing over the next 24 months.

RACLT also recognizes the need to rehabilitate existing single family homes and is working with VHFA on its REO marketing program. RACLT has also completed its chartering review to become a member of the NeighborWorks® network. NeighborWorks® will provide RACLT with $50,000 to capitalize a revolving loan fund for rehabilitation.

To be successful with its Self-Help program, RACLT recognizes that the organization must also provide pre-purchase education, counseling, post-purchase education, and be prepared to deal with current homeowners who have financial difficulties, and better educate potential home buyers for the responsibilities of owning a home. Staff requests that the pilot project be expanded to include RACLT, and that $20,000 in operating support be provided to assist them to develop the capacity to offer Homeownership Center services to residents of their service area.

BOARD ACTION REQUESTED

Staff requests approval from the Board for operating support for the Homeownership Centers located at BCLT, GHT, and RWNHS in the amount of $20,000 each for the current calendar year, and approval to expand the pilot project to include RACLT and provide RACLT with $20,000 in operating support. The total funding request is for $80,000. A total of $55,000 is available in funding approved by the Board in FY 1997 for the Homeownership Center pilot project. Staff does not believe that the total amount that will be paid to the Homeownership Centers during FY 1997 will exceed the amount budgeted. At the time that staff prepares and presents the FY 1998 budget to the Board for action, it will include the amount still payable from this request (if approved) and a projection for funding for the Homeownership Centers for calendar year 1998.

Burlington
Community Land Trust News
WINTER 1997 Vol. 11, No. 1

BCLT Membership Tops 1,000!
(SEE INSIDE PAGE 5.)

Homeownership Center Helps Its First Home Buyer!

BY AMANDA CANAVAN, HOMEOWNERSHIP SPECIALIST

Commander LaPlant with his friend Dulcie Kelly in his new home.

Clif LaPlant, who serves as All American Commander of VFW Post 782 in Burlington, approached BCLT in June of 1996 after a fire in his apartment building. He needed to find a new place to live and he wanted to own a home rather than rent again. To get more information about BCLT and how to buy a home, Commander LaPlant attended the first homeownership workshop offered by the Homeownership Center.

Following the workshop, Commander LaPlant met with staff from the Homeownership Center and the Vermont Development Credit Union to determine what he could qualify for. His hope was to enter into a rent-to-own agreement which would eventually allow him to own his own home. With a grant towards his downpayment from BCLT and a terrific mortgage rate that starts at 5.45% through the Vermont Housing Finance Agency's HOUSE program, he was ready to purchase a home right away.

On October 7, 1996, just three short months after attending the Homeownership Workshop, Commander LaPlant became a proud homeowner of a unit in Riverwatch Condominiums! When asked about his experience with the Homeownership Center and the Burlington Community Land Trust, Commander LaPlant replied that the people provided "outstanding courtesy and professionalism from day one." About his home, "I love it! We love the view and the convenience. We are very pleased!"

Congratulations on your new home, Commander LaPlant!

Since Commander LaPlant's purchase, the Homeownership Center has assisted two other families to purchase homes. By offering monthly homeownership workshops and working one-on-one with individuals and families, the Center hopes to help many others into homeownership in 1997.

Homeownership Center Workshops Scheduled Through June

After a short holiday break, the Homeownership Center of Chittenden County has begun to offer Homeownership Workshops again. Free monthly workshops have been scheduled through the spring. Demand for the workshops has been high as many families are now setting their homeownership goals for 1997. We continue also to work one-on-one with individuals and families to develop personal plans to get them on the path to homeownership.

Most homeownership workshops are held in two evening sessions from 6:00-8:30 pm and are held at the offices of the Burlington Community Land Trust. One of our spring workshops will be held within the Enterprise Community. Pizza and soda are provided, as well as child care (if requested in advance). Please call us at 862-6244 if you are interested in attending a workshop or would like more information about the Homeownership Center.

1997 UPCOMING HOMEOWNERSHIP WORKSHOPS

DATES/TIMES		REGISTRATION DEADLINE
March 11th and 18th	6:00-8:30 pm	March 4, 1997
April 17th and 24th	6:00-8:30 pm	April 11, 1997
May 13th and 20th	6:00-8:30 pm	May 8, 1997
June 17th and 24th	6:00-8:30 pm	June 12, 1997

The Homeownership Center of Chittenden County operates with support from the Vermont Housing Finance Agency (VHFA).

Inside...

The Burlington Community Land Trust is a grassroots organization whose goal is to ensure access to affordable homes and vital communities for all people through the democratic stewardship of land.

Success at the HomeOwnership Center

Six families are in new homes and a handful more will own their first home before summer with help from Rutland West's Homeownership Center. Since the Center opened June 1st, more than 100 families have attended homebuyer information seminars to help them determine how they can become successful home owners.

The Vermont Housing Finance Agency (VHFA) is currently supporting three homeownership centers around the state in an effort to open homeownership opportunities for people who do not qualify for conventional financing and to create more informed home owners. Burlington Land Trust and the Gilman Housing Trust in Newport, VT are also running homeownership centers for their regions. Following the example of Rutland West, the Burlington CLT and Gilman Housing Trust have been approved for membership in the national NeighborWorks® network. NeighborWorks® has developed a "full-cycle lending" approach to home ownership which supports new home owners before, during, and after the home purchase process in order to help ensure long-term stability of a family in their new home.

The HomeOwnership Center "Home Buyer Information Seminars" help potential home buyers identify the pros and cons of home ownership; educate home buyers on the purchase process; develop household budgets to determine what is "affordable housing" for each family; and provide access to individualized financial counseling as well as affordable first and flexible second mortgage products. Home inspections and housing rehabilitation information and lending are also available through the Rutland West Homeownership Center, as are intervention services for currently home owners who may be in danger of losing their home to foreclosure.

Program Director Debra Christiana and Michael Dolce of the regional Rural Development office welcome anyone interested in home ownership to the information seminars, which are usually held the second Tuesday of the month at 5:30 PM in the Homeownership Center. Call the Rutland West office at 438-2303 for more information.

Foreclosure Intervention
(continued from pg. 3)

Remember, many foreclosures can be stopped before they start! Banks don't want to take your home. Everyone in the community benefits when homeownership is here to stay.

Call the Homeownership Center (438-2303) if you are worried about losing your home.

David Dangler is the Executive Director of Rutland West NHS

COMING ATTRACTIONS

NEW ENGLAND REGIONAL COMMUNITY LEADERSHIP INSTITUTE, March 6th-9th, Boston.

HOMEBUYER INFORMATION SEMINAR, Tuesday, March 11th, 5:30pm - 7:30pm.

RUTLAND WEST'S ANNUAL DINNER - Wednesday, May 6, 5:30pm-9pm. (Pot-luck.)

EVERYONE IS WELCOME!

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Mill River Area CURRENT FREE

MAY 30, 1996 VOL. 5 NO. 24

"Local people make the difference"

West Rutland

Continuing education for home buyers

By Kip Fry

People interested in learning about buying a home will soon have another source of information about one of the biggest purchases they will ever make.

Rutland West Neighborhood Housing Service has recently opened the HomeOwnership Center in the old post office in West Rutland. The organization is working with other groups on the project which will increase home ownership opportunities for prospective buyers, who might otherwise be shut out of the market.

Although the office has only been open for a short while, there has already been an excellent response to it.

"We have been swamped with people interested in buying a home," commented Kris Pearson, development director for Rutland West. "A lot of people have no idea where to begin. A lot think about it and give up. Either they think they don't have enough savings, or they have been harmed by a bad credit rating or a bankruptcy."

The HomeOwnership Center, which will officially get underway on Saturday, June 1 with a homecoming celebration, is a partnership between Rutland West, Rural Development, Vermont Housing Finance Agency and a variety of local lenders, realtors, contractors and other affordable housing advocates.

Designed as a "one stop shopping" center for home buyer and home owner information, the center will offer home buyer education courses, pre- and post-purchase

Turn to Page 11

HomeOwnership. . .

From Page 1

housing counseling, budgeting and credit repair assistance, home maintenance and repair information and access to a variety of loan programs. The center will combine affordable first mortgages and flexible second mortgages into personalized loan products. It is designed to help residents of Rutland County, although it is expected that the VHFA will soon have offices in every county in the state.

"The HomeOwnership Center provides a forum for reviewing these issues so buyers can make informed decisions. We welcome anyone with an interest in home ownership," added Rural Development representative Michael Dolce.

The center is one of three being sponsored throughout the state by the Vermont Housing Finance Agency in a pilot program designed to expand home ownership opportunities. The others are the Burlington Community Land Trust and the Gilman Housing Trust in Newport.

It has also been designated as one of 25 local charter members of the President's National Partners in HomeOwnership initiative, which includes more than 50 national organizations representing lenders, real estate professionals, home builders, nonprofit housing providers and federal, state and local governments.

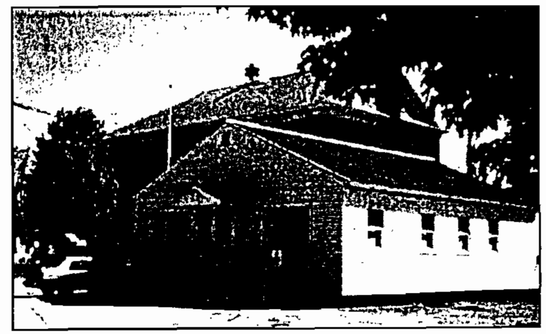
One of the primary focuses of the center is to teach people how to budget their money properly so they can see their dream of owning a home come true.

"My generation hasn't thought 'how do you save money' and 'how do you repair credit,'" Pearson said. She added that earlier generations, such as those who withstood the Great Depression, had a much better notion of how to do that.

It is important that loans that are granted through the center go to people who can pay the money back.

"There is nothing worse than to have a home and be foreclosed on," Pearson said. "It is devastating and we don't want that to happen." The sources of loan money may work a little bit slower than normal bank channels, but they are worth the wait.

"Buying a house is a complicated process," said Rutland West program director Debra Christiana. "In addition to the obvious



The HomeOwnership Center is now occupying the old post office in West Rutland.

considerations of income and savings, for example, home buyers need to be aware of the cost of taxes and insurance, consider what kind of house will meet their needs, and examine the household budget to make sure money can continue to be set aside for things like maintenance and improvements."

Home buyer education classes that are taught by Christiana and Dolce are held monthly. Christiana will be located in the new building, along with Mary Rajda. Both will provide financial and budget counseling. Although there are several other groups involved in the center, West Rutland will be at its core.

Anyone interested in HomeOwnership Center activities is welcome to attend an open house on Saturday, June 1 from 12 noon-4 p.m. at its location at 35 Marble Street. Members of the partnership will be available to answer questions.

Rutland Business Journal APRIL/MAY '96

Rutland West Activity Is Showcased Nationally

The Rutland West Neighborhood Housing Service (RWNHS or Rutland West), a non-profit affordable housing agency established in 1986 and located in West Rutland, is being recognized on the national level as an outstanding representative of not-for-profit community development organizations around the country. Rutland West and a working partner, the locally-administrated branch of Rural Economic Community Development Services (RECDS) were showcased recently at a quarterly meeting of the National Partners in Homeownership held at the National Association of Homebuilders offices in Washington, DC. The two agencies were featured for collaborating on a pilot initiative aimed at spreading thin program dollars farther and developing a consistent program of home buyer education and counseling. Rutland West, a member of the national NeighborWorks network, and RECD are using the NeighborWorks "full cycle lending" model to ensure successful homeownership experiences among low- and moderate-income families.

Kris Pearson, spokesperson at Rutland West, offers some background on the recent activities. The local organization is highly visible on a national level as Executive Director David Dangler is the founder and co-chair of Rural NeighborWorks Alliance, a loose affiliate group of NeighborWorks organizations that addresses problems unique to rural housing programs. In June of 1995, Rutland West was cited for excellence by President Clinton and HUD Secretary Cisneros. In December, 1995, Dangler addressed the National Association of Community Bankers' annual meeting in Boston about innovative models of bank participation in affordable housing efforts targeting low income families.

Local activity bears out the national recognition. Pearson feels that the key to the success of Rutland West is its partnership effort, including local residents, businesses and government. This kind of collaborative thinking led to an agreement with Vermont Housing Finance Agency (VHFA) to act as one of three pilot sites for a "home ownership center" which will open officially in June.

Facts and figures also bear out the success of Rutland West within Rutland County. In 1995, Rutland West helped nine families with first-time home ownership from loans totalling more than $450,000. Ten families were kept from foreclosure through special refinancing or direct intervention, using loans of more than $340,000. With about $316,000 in loans, 39 housing units were rehabilitated. Rutland West directly loaned $363,441 and leveraged $673,362 in other project funds for a total of $1,030,863 reinvested into the Rutland region in 1995.

Currently, Rutland West has several projects perking. In Proctor, the organization's is in the second year of the administration of a Community Development Block Grant to rehabilitate 20 units is underway. The year 1996 is the first year of a similar grant in Rutland to rehabilitate 20 units of affordable rental housing in the buffer zones around the downtown center. As mentioned, the VHFA pilot project under development will open the Home Ownership Center for "one-stop shopping" for anyone with questions on home buying or home ownership. □

Rockingham Area Community Land Trust
23 Pleasant Street • Springfield, Vermont 05156 • (802) 885-3220

April 15, 1997

Pat Crady
Development Coordinator
Vermont Housing Finance Agency
P.O. Box 408
Burlington, Vermont

Dear Pat:

I am writing in support of the Rockingham Area Community Land Trust (RACLT) becoming a VHFA-sponsored Homeownership Center.

For several years now the RACLT has been focused on diversifying its organizational and programmatic funding and broadening its services to better meet the needs of the low-to moderate-income population of southern Windsor and northern Windham Counties. As you are aware, the RACLT recently completed its charter review process with Neighborhood Reinvestment Corporation and is now an affiliated member of the NeighborWorks Network of non-profit housing developers.

While Neighborhood Reinvestment's full-cycle approach to homeownership assistance has been successful throughout the nation, NRC's partnership with VHFA in its Homeownership Center pilot project has afforded an excellent opportunity for three strong local nonprofits, Rutland West Housing Services, Gilman Housing Trust and the Burlington Community Land Trust, to strengthen their capacity to create and preserve affordable housing in Vermont.

As it is now the RACLT sees many families that it cannot assist, simply because operating and project funding does not enable our staff to do the marketing, counseling and education that is needed to get low-income families into single-family housing that they can afford and maintain over the long haul. Participation in the Homeownership project would address this need and greatly improve our capacity to train capable, responsible homeowners - one of our key objectives in creating housing that is perpetually affordable.

The RACLT envisions committing one employee to staff the Homeownership Center on a three quarter-time basis, with oversight and technical assistance provided by the Executive Director and part-time assistance provided by the staff Self-Help

Letter to P. Crady
April 15, 1997
Page Two

Housing Director.

Our organization is excited about becoming a Homeownership Center. If I can provide any information to expedite this process, please call.

Very truly yours,

Robert Crego
Executive Director

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PAC
Cathleen L. Gent, Director of Communications CLG

DATE: April 10, 1997

RE: Homeownership Center Scattered Site Project -- Application to the Federal Home Loan Bank's Affordable Housing Program; Commitment of Multifamily Refunding Savings

SUMMARY OF REQUEST

Recent changes to the Federal Home Loan Bank's Affordable Housing Program (AHP) have made homeownership projects in rural areas more competitive. Scoring thresholds for income targeting which were previously set at 50% of the total units in a project or program targeted to very-low-income households (at or below 50% of median income) are now set at 30% of the total units in a project or program. This change will make homeownership applications from Vermont more competitive with applications from other New England states that have much higher median incomes.

The Homeownership Centers have asked VHFA to assist them to apply to the Federal Home Loan Bank (FHLB) for $240,000 in grant funds ($6,000 per unit) to develop 40 units of permanently affordable housing. This application would fund the Homeownership Center Scattered Site project to assist home buyers in Bennington (two communities), Caledonia, Chittenden, Essex, Orleans, Rutland, and communities in Windham and Windsor counties. VHFA would be the lead sponsor and Burlington Community Land Trust (BCLT), Gilman Housing Trust (GHT), Rockingham Area Community Land Trust (RACLT), and Rutland West Neighborhood Housing Services (RWNHS) would be the co-sponsors. The Vermont Development Credit Union (VDCU), the newest and smallest member of the FHLB, has agreed to submit the application and originate first mortgage loans for sale to VHFA. In order to meet targeting required by the Affordable Housing Program, staff requests that up to $78,000 in Multifamily Refunding Savings be committed to assist the Homeownership Centers to serve 13 households with median incomes at or below 50% of median income. This additional $6,000 per unit is needed to make the FHLB AHP application feasible.

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EQUAL HOUSING OPPORTUNITY

AFFORDABLE HOUSING PROGRAM APPLICATION

VHFA would be lead sponsor and the three existing Homeownership Centers and Rockingham Area Community Land Trust (a separate request will be made to the Board to approve RACLT as an expansion site) will be co-sponsors. VDCU will submit the application to the FHLB, originate first mortgage loans for sale to VHFA, service the loans, and make their other loan programs including *Tracker* loans and *Closer* loans available to participants. (*Tracker* loans assist potential home buyers to re-build their credit and *Closer* loans assist with downpayment and closing costs.) The success of the application can be considered as likely because of the innovativeness of the Homeownership Centers, the lead sponsor being a state housing finance agency, the member institution being a Community Development Financial Institution (CDFI), all four nonprofit organizations are or will be members of NeighborWorks® (a program of Neighborhood Reinvestment Corporation), three nonprofits actively collaborate with Rural Development (GHT, RACLT, and RWNHS), and three of the nonprofits are also supported by VHCB. This application truly represents a partnership between community based nonprofit organizations, state agencies, and federal agencies.

COMMITMENT OF MULTIFAMILY REFUNDING SAVINGS

A plan to utilize Multifamily Refunding Savings being proposed by staff in a separate memo recommends that a portion of these funds be used to assist customers of the Homeownership Centers whose income is at or below 50% of area median income. With the recent changes made by the FHLB AHP, applications from areas with lower median incomes are more competitive with other areas of New England; however, it would be difficult and in some areas impossible to assist individuals and families at or below 50% of median income without additional assistance from either grant funds or deferred payment loan funds. A commitment from VHFA of $78,000 in Multifamily Refunding Savings would be used to make 0% deferred payment second mortgage loans (13 units/$6,000 per unit) to households at or below 50% of area median income. These funds are necessary in addition to the $6,000 per unit proposed in the FHLB AHP application to assist very-low-income households.

BOARD ACTION REQUESTED

Staff requests approval of the attached Resolution to submit an application through the Vermont Development Credit Union to the Federal Home Loan Bank's Affordable Housing Program on behalf of the Homeownership Centers in an amount not to exceed $240,000, and to commit an amount not to exceed $78,000 or $6,000 per unit to assist 13 customers of the Homeownership Centers whose household income is at or below 50% of area median income.

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VERMONT HOUSING FINANCE AGENCY
RESOLUTION REGARDING COMMITMENT OF
MULTFAMILY REFUNDING SAVINGS

WHEREAS, the Agency has participated in an application to the Federal Home Loan Bank's Affordable Housing Program through the Vermont Development Credit Union on behalf of the Homeownership Centers; and

WHEREAS, to make the application feasible, additional funding in the form of zero interest, deferred payment second mortgage loans are required; and

WHEREAS, in a memorandum dated April 10, 1997, (the "Memorandum") Patricia A. Crady and Cathleen Gent recommend that the Agency provide an amount not to exceed \$78,000 in Multifamily Refunding Savings to assist 13 households at or below 50% of area median income with a zero interest, deferred payment second mortgage loan in an amount not to exceed \$6,000 each; and

WHEREAS, pursuant to 10 V.S.A. §621(5), the Agency is authorized to provide grants, loans or advances as will assist the planning, construction, rehabilitation and operation of residential housing primarily for persons of low and moderate income;

NOW, THEREFORE, it is hereby RESOLVED:

The recommendations of staff contained in the Memorandum are adopted by the Agency, a commitment of \$78,000 in Multifamily Refunding Savings is approved, and the Executive Director is authorized to implement the program as described in the Memorandum.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: March 3, 1997

RE: Single Family Program Activity Report For February, 1997

MORTGAGE PURCHASE PROGRAMS

Month	No.	Amount	Previous Year	No.	Amount
Reservations	62	$ 4,425,052		62	$ 3,870,238
Purchases	61	$ 4,161,507		70	$ 4,604,862

Period to Date	No.	Amount	Previous Year	No.	Amount
Reservations	124	$ 8,917,756		135	$ 8,858,368
Purchases	108	$ 7,334,197		123	$ 7,924,368

MORTGAGE PLUS

Month	No.	Amount	Previous Year	No.	Amount
Reservations	4	$ 307,200		12	$ 838650
Issued	2	$ 121,756		4	$ 266,690

Period to Date	No.	Amount	Previous Year	No.	Amount
Reservations	8	$ 596,200		17	$ 1,244,410
Issued	12	$ 904,848		16	$ 1,250,912

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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EQUAL HOUSING OPPORTUNITY

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

Lenders	Loans	30	Days	60	Days	90+	Days	Auth	FCL	Delinq		REO	
ALBANK, FSB	447	29	6.49%	7	1.57%	6	1.34%	3	0.67%	45	10.07%	3	0.67%
Banknorth Mortgage Co.	774	41	5.30%	8	1.03%	10	1.29%	7	0.90%	66	8.53%	5	0.65%
Bennington Co-op S&L Assoc.	48	1	2.08%	0	0.00%	0	0.00%	0	0.00%	1	2.08%	0	0.00%
Brattleboro Savings & Loan	23	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Chittenden Bank	945	65	6.88%	10	1.06%	9	0.95%	5	0.53%	89	9.42%	7	0.74%
Citizens Savings Bank	106	2	1.89%	2	1.89%	0	0.00%	1	0.94%	5	4.72%	2	1.89%
Community National Bank	304	9	2.96%	2	0.66%	3	0.99%	0	0.00%	14	4.61%	0	0.00%
Connecticut River Bank	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Factory Point Nat. Bank	35	1	2.86%	0	0.00%	0	0.00%	0	0.00%	1	2.86%	0	0.00%
First Brandon Nat. Bank	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
First Nationwide Mortgage	12	1	8.33%	0	0.00%	0	0.00%	0	0.00%	1	8.33%	0	0.00%
Fleet Mortgage	46	4	8.70%	5	10.87%	2	4.35%	0	0.00%	11	23.91%	0	0.00%
GMAC Mortgage	2	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Granite Bank (NH)	2	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Graystone Mortgage Company	488	40	8.20%	7	1.43%	11	2.25%	9	1.84%	67	13.73%	12	2.46%
Lyndonville Savings Bank	58	2	3.45%	1	1.72%	0	0.00%	0	0.00%	3	5.17%	0	0.00%
Merchants Bank	303	12	3.96%	2	0.66%	0	0.00%	6	1.98%	20	6.60%	3	0.99%
Mortgage Service Ctr. of NE	90	4	4.44%	3	3.33%	1	1.11%	3	3.33%	11	12.22%	4	4.44%
National Bank of Middlebury	65	4	6.15%	0	0.00%	1	1.54%	0	0.00%	5	7.69%	0	0.00%
New England Federal CU	45	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Northfield Savings Bank	122	1	0.82%	2	1.64%	1	0.82%	1	0.82%	5	4.10%	0	0.00%
Passumpsic Savings Bank	170	10	5.88%	5	2.94%	2	1.18%	0	0.00%	17	10.00%	4	2.35%
Peoples Trust Co.	98	5	5.10%	0	0.00%	1	1.02%	0	0.00%	6	6.12%	0	0.00%
Randolph National Bank	42	1	2.38%	0	0.00%	1	2.38%	0	0.00%	2	4.76%	0	0.00%
Union Bank	170	12	7.06%	3	1.76%	5	2.94%	0	0.00%	20	11.76%	2	1.18%
Vermont Development CU	42	1	2.38%	2	4.76%	2	4.76%	0	0.00%	5	11.90%	0	0.00%
Vermont Federal Bank	1203	63	5.24%	24	2.00%	16	1.33%	7	0.58%	110	9.14%	10	0.83%
Vermont National Bank	627	28	4.47%	7	1.12%	14	2.23%	8	1.28%	57	9.09%	4	0.64%
Vermont State Employees CU	5	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Wells River Savings Bank	32	1	3.13%	1	3.13%	2	6.25%	0	0.00%	4	12.50%	0	0.00%
Totals	6305	337	5.34%	91	1.44%	87	1.38%	50	0.79%	565	8.96%	56	0.89%
Totals Previous Month	6266	318	5.08%	99	1.58%	90	1.44%	50	0.80%	557	8.89%	56	0.89%
Totals Same Mo. Last Yr.	6014	281	4.67%	72	1.20%	92	1.53%	41	0.68%	486	8.08%	14	0.23%

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: March 28,1997

RE: Servicing Activity for February

SERVICING ACTIVITY

Collections:

Last months 90+ accounts:		90
New 90 day accounts:	12	
Reductions:		
To foreclosure/DIL:	5	
To 60 days or less:	10	
Under payment arrangement:	20	
Modifications:		
90+ accounts:		87
In Foreclosure:		
Last months foreclosure accounts:		52
New foreclosures:	5	
To REO:	6	
Successful interventions:	1	
Negotiating workouts:	5	
Modifications:		
Foreclosure accounts:		50

Real Estate Owned:

Last months REO's:		56
New REO's:	6	
Properties sold:	6	
Properties under contract:	2	
REO's:		

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

Board Property Disposition Report

Month of: February, 1997

Properties Sold

Property	Listing Price	Sale Price	Principal Balance	Interest	To Date Expenses	Claim Payment	Gain/ (Loss)	Valuation Offset	Audit Gain/ (Loss)
Marsh Corinth	$51,000	$51,000	$87,735	$ 8,089	$18,127	$16,625	($46,326)	($37,884)	($ 8,442)
Findley Burlington	$79,900	$79,900	$64,676	$ 9,325	$23,136	$0	($17,237)	($11,497)	($ 5,740)
Hackett Barre	$46,500	$33,000	$59,327	$ 609	$ 5,311	$10,651	($21,596)	$0	($21,596)
Adams Colchester	$72,000	$72,000	$72,156	$ 5,123	$19,727	$14,801	($10,205)	$0	($10,205)
Damon Troy	$23,500	$13,750	$31,835	$ 1,552	$ 6,147	$ 7,670	($18,114)	($ 4,050)	($14,064)
Hall St. Johnsbury	$33,500	$20,000	$40,690	$ 2,374	$ 8,544	$ 6,940	($24,668)	($ 6,684)	($17,984)

Properties Under Contract

Property	Listing Price	Contract Price	Principal Balance	Interest	Estimated Expenses	Estimated Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Goldsmith Concord	$23,900	$21,500	$50,807	$ 2,549	$ 1,290	$33,146	$0	($ 1,920)	$1,920
Mirisola Hinesburg	$65,000	$66,000	$67,416	$5,865	$16,539	$14,152	($ 9,668)	$0	($ 9,668)

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: April 1, 1997

RE: Mortgages sold to VHFA by Originator

I have listed below the lender and the number and amount of mortgages it sold to VHFA for MOVE and HOUSE from July 1, 1996 to March 31, 1997.

Vermont Federal Bank, FSB	157	$10,883,109
Chittenden Bank	106	7,363,479
Banknorth Mortgage Company	60	4,044,890
Summit Financial Center	56	4,256,858
Vermont National Bank	38	2,750,068
Community National Bank	35	2,024,467
Albank	33	2,092,785
Vermont Development Credit Union	23	1,740,307
Key Bank of Vermont	17	1,188,472
Bennington Co-operative Savings and Loan	17	1,146,246
Kittredge Mortgage Corporation	16	1,095,290
Citizens Savings Bank	16	981,841
Northfield Savings Bank	15	1,086,202
Union Bank	13	764,682
Mortgage Service Center of New England	9	515,489
Passumpsic Savings Bank	8	410,150
Fleet Mortgage	7	528,111
Brattleboro Savings & Loan	7	446,199
Peoples Trust Company of St. Albans	6	453,911
Vermont State Employees Credit Union	5	348,002
Merchants Bank	5	315,968
New England Federal Credit Union	4	298,050
National Bank of Middlebury	4	271,165
Factory Point National Bank	4	242,545
Lyndonville Savings Bank & Trust Co.	4	206,992
VHFA	4	73,797
GMAC Mortgage	2	122,750
Green Mountain Bank	1	73,150
Totals	672	$45,724,975

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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EQUAL HOUSING OPPORTUNITY

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA and VHMGB Boards of Commissioners

FROM: Allan S. Hunt, Executive Director (652-3421) ASH

DATE: April 10, 1997

RE: VHFA "CONTRIBUTION" TO VHMGB

As part of the process of getting Administration support for H-528, we (VHFA) agreed to create $300,000 of value per year for two years that would directly impact the level of capitalization for VHMGB. In lieu of a direct contribution of money and/or a significant reduction in the administrative charges by VHFA to VHMGB, staff has thought of a different approach to fund this commitment.

Essentially, VHFA would agree on future bond issues to accept less coverage from VHMGB than we are presently getting. Rather than the current 30% coverage, we would accept 25% coverage, thus saving VHMGB some Guarantee authority which it can then sell for an additional fee. Since the Rating Agencies are likely to not like this reduction in coverage, VHFA will need to provide the remaining 5% through a loan loss reserve funded by a slightly higher interest rate on the loans. The guarantee fee paid by the borrower would remain the same.

By way of example, on a $75,000 loan, reducing the coverage from 30% to 25% saves $3,750 in Guarantee authority. This authority can then be used to cover an additional $15,000 in loans, with the related fee being $252. This is essentially extra income to VHMGB. Assuming VHFA did 900 loans, this amounts to $226,800! The balance needed to get to $300,000 would be made up by charging a lower administrative fee, making a contribution to VHMGB or some combination of both. Obviously, the actual number of loans purchased by VHFA will impact the actual numbers.

The purpose of this memo is make Board members aware of this commitment, outline the methodology for fulfilling the commitment, and answer any questions regarding this plan.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Michael McNamara, Deputy Director (652-3431) Mike McNamara

DATE: April 11, 1997

RE: FY97 BUSINESS PLAN THIRD QUARTER RESULTS

Attached is the FY97 Business Plan indicating activities to date through March 31, 1997. The format better meshes with the Planning Objectives as originally set forth in VHFA's *Strategic Plan for Fiscal Years 1996-2000*. It is our hope that this format gives the reader a clearer picture of progress being made toward each of the ten objectives.

I will be available at the Board meeting to answer any questions you may have on Business Plan activities.

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VERMONT HOUSING FINANCE AGENCY
FY97 BUSINESS PLAN
ACTIVITIES/GOALS/RESULTS

FY96 vs. FY97 (July 1, 1996 through June 30, 1997)

STRATEGIC PLAN INFO	PROGRAM NAME	FY96 ACTUALS	FY97 GOALS	DEPT	FY97 ACTUALS THROUGH 03/31/97
1. To encourage and support a work environment that enables staff to realize their full potential as employees of VHFA.					
1a.	**Encourage and support a productive and positive work environment**				
Support	Computer Software/Hardware Convert	Mitas computer conversion completed; HP retired 04/96; Mitas upgrades will be installed as needed	Ongoing installation of all MITAS modules; expand use of Windows/Microsoft Office products and mail list applications; develop computer capital budget	Admin	Conversion to MS Word and Excel; 02/97 IT (Info Tech) Group formed; will prepare hardware/software capital budget for FY98
2. To enhance affordability and habitability that will maintain and increase homeownership					
Ongoing	MOVE (Includes IORTA)	682 mtges purch; $45,869,023	800 mtges purch; $54,000,000	SF Ops	637 mtges purch; $43,312,644
Ongoing	MCC (Mortgage Plus)	109 MCCs issued; $8,220,487	150 MCCs issued; $11,700,000	SF Ops	78 MCCs issued; $5,955,610
Ongoing	HOUSE (Includes IORTA)	62 loans purch; $3,834,249	60 loans purch; $3,700,000	Development/ SF Ops	35 HOUSE loans purchased; $2,412,331
Ongoing	Rural VT Mtge	36 mtges purch; $1,212,932	15 mtges purch; $275,000	SF Ops	4 mtges purch; $73,800
Ongoing	SF Development/Construction	No activity; accepting applications	25 units; $1,000,000	Development	No activity
Ongoing	Condominium Project Inspections	43 inspections have been completed	Conduct inspections using MF form and photograph at each location (50 condo developments) and collect/review financials	MF Mgmt	32 inspections completed; 20 financials reviewed
2a.	**Expand Down Payment Assistance**				
Ongoing	IORTA Down Payment Assist	52 loans purch; $3,607,661	35 loans purch; $2,400,000	SF Ops	22 loans purch; $1,424,413
Ongoing	Targeted Use of IORTA Pool	Total allocation of 100 loans has been reserved; in process of purchasing the loans	Better utilize the RD guarantee program; use IORTA in conjunction with Homeownership Centers and Burlington Enterprise Community	Development	$100,500 transferred to HO Centers ($33,500 each) to create revolving loan fund for down payment and closing costs
Ongoing 2A #1 2E FY97	Homeownership Centers: Expand Down Payment Assistance; in FY98, Improve Financing for 3-4 unit owner-occupied	$60,000 in capacity funding, plus $100,000 in IORTA funds approved by Board; Centers are fully operational and have begun to work with potential home buyers	Program implementation in 3 pilot centers; 30 loan closings; begin planning Phase 2 of Homeownership Centers	Development	Numbers will be available after 03/31/97; requesting Board approval 04/97 to expand to RACLT
#2 FY97	Down Payment Assistance Using Second Mortgage Program	Defer to FY98			{Deferred to FY98}
2b.	**Develop Home and Energy Improvement Lending Programs**				
Implement	Home Improvement	Survey completed; preliminary program being developed; target implementation Spring 1997	Complete program development for implementation in Summer 1997	Development	Complete program development for Fall 1997 implementation
Implement Summer 97	Qualified Rehabilitation		Complete program development for implementation in Summer 1997	Development	No activity; defer to Spring 1998

EXPLANATION OF STRATEGIC PLAN NOTATIONS:

Analyze = Analyze for future implementation **Implement** = Programs/Initiatives being developed for FY implementation **Ongoing** = Ongoing Program **Support** = Activities in support of programs/strategies No change from last period's report

VERMONT HOUSING FINANCE AGENCY
FY97 BUSINESS PLAN
ACTIVITIES/GOALS/RESULTS

FY96 vs. FY97 (July 1, 1996 through June 30, 1997)

STRATEGIC PLAN INFO	PROGRAM NAME	FY96 ACTUALS	FY97 GOALS	DEPT	FY97 ACTUALS THROUGH 03/31/97
2c.	**Expand Financing Options for Mobile Home Purchases**				
Ongoing	Mobile Home Park Financing (MF)	45 units; $385,000	25 units; $200,000	Development	No activity
FY97	Expand Financing Options for Mobile Home Purchases		Begin preliminary development		
2d.	**Provide Financing for Co-op Housing**				
FY96-FY97	Provide Financing for Co-Op Housing		Provide funds for BCLT to provide share loans to tenant stockholders	Development	No activity
2e.	**Improve Financing for 3 and 4 Unit Owner-Occupied Properties**				
FY97	Improve Financing for 3-4 Unit Owner-Occupied Properties (Develop financing option through MOVE-HOUSE)		Defer to FY98	Development	{Deferred to FY98]
3.	*To improve flexibility of financing tools as a lender for rental housing*				
Ongoing	LIHTC	100% of avail credit allocated to projects $767,099 avail for allocation in CAL 96	*CAL 97:* Allocate 100% of available credit ($725,000)	Development	Notices for Round One published; no activity yet in Cal 1997
Ongoing	MF Construction	1 loan closed; 58 units; $690,000 1 loan committed, 25 units; $1,500,000	5 loans $5,000,000 Market program and expand lending	Development	2 loans committed; 72 units; $2.7 million 2 loans closed; 58 units; $3 million
Ongoing	Bridge Financing Initiative	LCHDC Commitment $150,000 03/96, $0 outstand bal; RAHC commitment extended to 03/97, outstand bal = $10,500	Develop new program to improve efficiencies; Housing Vermont $1,000,000 available for bridge financing	Development	$325,000 loan fund; $123,000 committed
Ongoing	MF Permanent Financing	5 loans committed; 175 units $2,477,000 5 loans closed; 91 units $1,086,110 Closed on 1 group home, 6 beds ($90,000)	3 loans, 210 units $6,700,000 Expand in conjunction with refunding; includes financing for Applegate in Bennington	Development	5 loans committed; 167 units; $5,932,000 2 loans closed; 66 units; $2,041,531
3a.	**Expand Energy Lending Activities**				
Ongoing	Expand Energy Lending Activities and Weatherization Assistance	VHFA and lenders were ready to go 05/96; VTOEO delayed implementation until 08/96 pending approval from USDOE	Program development and implementation in conjunction with VT OEO weatherization program; 30 loans; $135,000	Development	No activity
3b.	**Expand (as Consortium) Use of FHLB in Conjunction with LIHTC**				
Analyze FY96	Expand Use of FHLB in conjunction with LIHTC via Loan Consortium	FHLB used with 1 loan $ 690,000 No loan consortium used	Program development	Development	FHLB activity ongoing
4.	*To create and enhance affordable housing integrated with services to provide realistic alternatives for people with special needs.*				

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VERMONT HOUSING FINANCE AGENCY
FY97 BUSINESS PLAN
ACTIVITIES/GOALS/RESULTS

FY96 vs. FY97 (July 1, 1996 through June 30, 1997)

STRATEGIC PLAN INFO	PROGRAM NAME	FY96 ACTUALS	FY97 GOALS	DEPT	FY97 ACTUALS THROUGH 03/31/97
Ongoing	Dalton Drive Commercial Buildings	#504 sold $165,000; #600 letter of interest expired 01/15; option agreement in progress	Sell building 600, with VHFA financing	Development	Closing scheduled 04/24/97
Ongoing	Special Needs Housing	2 loans closed; $173,000 (in HOUSE totals)	MOVE/HOUSE Pilot 5 loans; $425,000; introduce marketing of program	Development	No activity
4a.	**Address Homelessness**				
Support FY96	Address Homelessness	600 Dalton Drive will provide housing with services for people living with HIV/AIDS, many of whom were previously homeless	Assist other agencies in defining and determining the level of homelessness and disseminating results; consider using refunding resources	Development/ Comm	600 Dalton Drive closing scheduled 04/24/97
4b.	**Collaborate to Develop Programs for Support and Special Needs**				
Analyze #2 FY96	Financing for Assisted Living (Developmentally Disabled Adults)	Executive Director serves on assisted living advisory committee; considering assisted living financing options; HVT worked on proposal with THM, Inc.	Develop financing options in conjunction with other state agencies, et al.	Development	No activity
Analyze #1 FY97	Financing for Assisted Living (Combine Affordable Housing for Elderly with Supportive Services)		Develop financing options in conjunction with other state agencies, et al.	Development	No activity
5.	*To increase the efficiency and responsiveness of the multi-family lending process.*				
5a.	**Increase Efficiency of Multifamily Lending Process**				
Support FY96 #1 #2 #3 #4	Increase Efficiency of MF Lending Process	Board approved revised MF underwriting standards; revised application form on hold; MF Mgmt/Dev/Legal discussing ways to make lending process more efficient	1. Review underwriting criteria 2. Develop new informational application and marketing materials 3. Accelerate loan processing 4. Increase efficiency of closing process	Development	Statewide single application being developed
5b.	**Improve Financing for 3 and 4 Unit Investor-Owned Properties**				
Analyze FY97	Improve Financing for 3-4 Unit Investor-Owned Properties (Provide capital for 3-4 unit investor-owned properties)		Collaborate with CEDO and nonprofits regarding Burlington Economic Community rehab loan program	Admin/ Development	Preliminary work on Section 108 Revolving Loan Pool w CEDO/LCHDC in Old North End; HUD Small Projects Processing conference
6.	*To develop programs to finance the mitigation or elimination of environmental hazards that may inhibit the production or preservation of safe and decent affordable housing.*				
Ongoing	Lead Paint Response	Committed $1,100,000 loan participation in VHCB lead paint program; HB.778 passed House and Senate	Individual loan commitments up to $1,000,000 for MF/SF lead paint remediation; continue participation in policy issues	Admin/ Development	$86,148 loaned for 16 commitments (average $5,300 per loan) $1,000,000 loan guarantee pool unlikely to be utilized because of program limitations
6a.	**Finance Program for Environmental Hazard Mgmt of Multi-Family Properties**				

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VERMONT HOUSING FINANCE AGENCY
FY97 BUSINESS PLAN
ACTIVITIES/GOALS/RESULTS

FY96 vs. FY97 (July 1, 1996 through June 30, 1997)

STRATEGIC PLAN INFO	PROGRAM NAME	FY96 ACTUALS	FY97 GOALS	DEPT	FY97 ACTUALS THROUGH 03/31/97
6b.	**Financing Housing Infrastructure**				
7.	*To work with other housing and regulatory agencies to facilitate the development and preservation of affordable housing.*				
Terminated	Preservation—Section 8	0 Preservation Agreements	Pending Congressional action	MF Mgmt	{Program Terminated}
Ongoing	LIHPRHA Preservation/Westgate	Submitted application for HUD note sale; not approved by HUD	On hold pending Congressional action on HUD proposals and budget; possibly complete renegotiation of option agreement or alternative course of action	Development	Applegate acquisition/rehab under negotiation with HUD
Ongoing	VT Housing Ventures	8 loans closed; $127,405 2 loans (non-Ventures pre-dev) $49,005	5 loans $100,000 Continue program; evaluate risk; possibly add funding; 2,775 in losses expected	Development	$325,000 new program cap approved 4 loans for $116,664
Ongoing	Section 8 Refunding	Refinanced $401,110 of St. Johnsbury project out of proceeds at 0%; dedicated savings to supplement Winchester deficits; instituting plan for committing 1 year of savings in advance	Implementation of programs with $80,000/month refunding savings; complete allocation and first year program development	Finance	0% lending guidelines to Board 04/17/97
Ongoing	Burlington Enterprise Community	VHFA was represented by BCLT at Enterprise Community Fair 10/14; VHFA staff partic in 04/27 Home Buyer Fair; 10 down payment assist loans released 04/96	Program development and implementation in conjunction with CEDO and local nonprofits; market and purchase 10 down payment assistance loans	Development/ Admin/Comm	For FY96 and FY97 down payment assistance loans; 12 out of 20 slots reserved; marketing has guaranteed positive response with area lenders and real estate professionals
Support	Housing Vermont	Ongoing evaluation	Continue evaluation and monitoring; maintain oversight role	Finance	Ongoing evaluation
Support	MF Management	103 developments (2,908 units) currently in portfolio	108 developments (3,098 units) Provide effective servicing and monitoring of MF portfolio; administer HUD Section 8 funds, $2.9 million/year	MF Mgmt	105 developments (3,043 units)
Support	LIHTC Compliance Monitoring	52 compliance audits completed	68 projects totaling 2,446 units	MF Mgmt	39 projects completed
7a.	**Collaborate with Other Agencies To Achieve Efficiencies**				
Implement #1 FY96-97 #2 FY96-97	Monitoring: Streamline Statewide Programs (Improve affordable housing program compliance monitoring/ease application process)	Coordination with VHCB has begun with their HOME and grant programs; MOU has been signed with Rural Development	Combine VHFA, HVT, Section 8, Tax Credit, RD, FHLB and VHCB monitoring requirements where practicable; ease application process	MF Mgmt/ Admin	Single application meeting scheduled in March was delayed; expect progress in final quarter FY97
Analyze #3 FY97-98	Collaborate with Other Agencies to Achieve Efficiencies (Improve overall quality and create efficiencies in gathering data re: monitoring)		Identify areas where data collection can be consolidated and prepare plan for data management	MF Mgmt/ Comm/ Admin	Progress with VHCB on underwriting issues
8.	*To inform policy makers on an ongoing basis regarding affordable housing issues and needs.*				

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VERMONT HOUSING FINANCE AGENCY
FY97 BUSINESS PLAN
ACTIVITIES/GOALS/RESULTS

FY96 vs. FY97 (July 1, 1996 through June 30, 1997)

STRATEGIC PLAN INFO	PROGRAM NAME	FY96 ACTUALS	FY97 GOALS	DEPT	FY97 ACTUALS THROUGH 03/31/97
Support	Statewide Affordable Housing Activity/Promotion	Statewide conference planned for 09/16/96	Statewide conference scheduled 09/16/96; participate in planning and conducting other activities with other agencies	Comm	Statewide conference held 09/16/96; need for 1997 conference to be assessed
Support	Housing Policies State/Fed Level	Executive Director serves on assisted living advisory committee; FNMA Special Needs Task Force; Federal cutbacks meetings; participation in efforts to retain LIHTC program; HUD Consolidated Plan; Lead Paint Hazard Commission	Identify and participate on critical issues	Admin	Executive Director continues to participate in these groups
Support	HUD Consolidated Plan (formerly CHAS) Performance	LIHTC allocation plan developed; consistent with HUD Consolidated Plan	Maintain consistency with HUD Consolidated Plan and implement as applicable	Admin	LIHTC application plan completed 03/97
8a.	**Maintain Data Collection/Analysis/Dissemination of Housing Data**				
Support	Data Collection, Analysis, Dissemination of Housing Data	Reduced Research Analyst position to 60% time; will continue to maintain level within our capacity	Maintain current level of data collection, analysis and dissemination for internal VHFA use and external projects	Comm	Ongoing
9.	*To promote VHFA's affordable housing programs and to build upon VHFA's successful public education and information efforts.*				
Ongoing	~~Nonprofit Training/Technical Assist~~	~~2 VHFA financing basics for nonprofits~~ held 12/95 in Montpelier and Rutland; training on appraising affordable housing held 02/96	~~Training on new programs, other as needed;~~ specific training in re-sales and home buying counseling planned	Development/ Comm	~~Began discussions with Neighborhood~~ Reinvestment and VHCB for Housing Counseling Training
Ongoing	Home Buyer Education	2 home buyer fairs; 1,045 attendees 3 home buyer wkshps; 72 attendees 7 homeownership classes; 90 attendees 4 non-VHFA events; 90 attendees	1 home buyer fair; 4 home buy basics wkshps; 2 pilot expanded homeownership classes; non-VHFA events as requested	Comm	1 home buyer fair; 400 attendees 5 home buy basics wkshps; 113 attendees 2 Pilot home buying basics workshops; 44 attendees
Implement	Homeownership Counseling	Exploration of VHFA's role has begun in conjunction with Homeownership Center pilot project and other program development	Continue to explore and review VHFA's role in developing counseling programs in conjunction with down payment assistance program and homeownership centers	Comm	Homeownership Center evaluation completed 03/97
Ongoing	Cooperative Advertising	4 mailings for nonprof to 4,000 consumers; 2,000 flyers in RE newsletter; $8,700 awarded for nonprofits; $5,633 disbursed	$8,000 allocated for nonprofits; $4,000 allocated for Homeownership Centers; develop cooperative advertising program for lenders and expand program for real estate firms	Comm	1 mailing for nonprofit to 597 consumers
Support	Lender Training	30 sessions held; 215 participants 2 sessions with nonprofits held; 19 participants	12 sessions; 250 participants Evaluate training format/efficiency	Comm	10 VHMGB sessions; 135 participants 4 VHFA sessions; 80 participants (14 new lenders in 6 months)
Support	Training for RE Professionals	6 course sessions held; 111 attendees 4 Real Estate Board meetings; 76 attendees	3 course sessions; 80 attendees; presentations at 4 RE Board meetings	Comm	2 sessions; 19 participants
9.	*To promote VHFA's affordable housing programs and to build upon VHFA's successful public education and information efforts.* (Continued)				

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VERMONT HOUSING FINANCE AGENCY
FY97 BUSINESS PLAN
ACTIVITIES/GOALS/RESULTS

FY96 vs. FY97 (July 1, 1996 through June 30, 1997)

STRATEGIC PLAN INFO	PROGRAM NAME	FY96 ACTUALS	FY97 GOALS	DEPT	FY97 ACTUALS THROUGH 03/31/97
Support	Promote VHFA's Affordable Housing Programs Through Advertising	Spring campaign completed; 4,400 Helpline calls received; 1/3 of all VHFA borrowers also called Helpline; enhanced screening capacity helps callers determine what price home they can afford and provides targeted info; Fall campaign planning underway; focus on assistance to prepare for homeownership	Maintain advertising campaign to generate consumer interest and result in loans at current levels for VHFA homeownership mortgage programs	Comm	Spring 97 general campaign launched 01/97 Advertising campaign for spring consumer events began 02/97
Support	Communications Plan	List of printed materials for re-design completed; re-design in progress	Develop for program promotion, development of materials and/or outreach to meet VHFA's needs	Comm	Redesign of external newsletter completed, distributed 10/96; Materials for Legislative Conference completed 03/97; Annual Report distributed 01/97
9a.	**Promote Homeownership Through Expansion of Home Buyer Education**				
10.	***To enhance the long-term financial viability of VHFA by improving efficiency, reducing costs and increasing revenues.***				
Support	Cash Flow: Analyze Alternatives	Decided to switch cash flow program to Evensen Dodge using system compatible with potential in-house program.	Utilize Evensen Dodge to run cash flows	Finance	Ongoing
Support	Strategic Planning	Year 1 goals integrated into Business Plan; progress to date analyzed 03/96	Integrate Year 2 goals into Bus Plan	Comm/Admin	New SWOT analysis began 03/97; review years 3-5 in preparation for FY98 Business Plan submission
Support	Regional Attorneys	Opened 90 cases; handled 125 cases; estimate closed 65 cases	Continue utilization and monitoring of efficiency of regional attorney system	Admin	Opened 55 cases; handled 163 cases; closed 62 cases
Support	Loan Servicing	30 lenders 6,136 loans $321 million	Maintain current levels as needed	Finance	Ongoing
Analyze	Loan Scoring		Incorporate loan scoring system into VHFA underwriting, similar to secondary market system	SF Ops	Credit scoring for 06/95 received from credit bureau; 06/96 expected by 04/97; delinquency study continues
10a.	**Expansion of Financing to Non-Housing Activities**				
Analyze #1 FY96	Finance Non-Housing Activities (Integrate existing entity functions)	Evaluate political climate and defer implementation	Evaluate political climate and defer implementation	Admin	No significant action taken
Analyze #2 FY96	Expand Financing to Non-Housing Activities (Integrate auxiliary financing functions)	Evaluate political climate and defer implementation	Evaluate political climate and defer implementation	Admin	No significant action taken
10b.	**Better Utilize VHMGB to Enhance Services/Products of VHFA**				
Ongoing	VHMGB Program Administration	See VHMGB business plan (attached)	Separate business plan for VHMGB programs (attached)	SF Ops	VHMGB business plan updated 03/97

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FY96 vs. FY97 (July 1, 1996 through June 30, 1997)

STRATEGIC PLAN INFO	PROGRAM NAME	FY96 ACTUALS	FY97 GOALS	DEPT	FY97 ACTUALS THROUGH 03/31/97
Implement	Proactive Servicing (SF)	Began work with Merchants Bank on electronic data transfer system; instituted VHMGB annual billing	Accomplish direct billing and/or implement tape to tape services with individual lenders during FY98	Finance	{To occur during FY98}
Analyze #1 FY97	Utilize VHMGB to Enhance Products/ Services of VHFA (Guarantee home improvement loans)		Delay implementation to FY98	SF Ops	{Delayed implementation to FY98}
10b.	**Better Utilize VHMGB to Enhance Services/Products of VHFA *(Continued)***				
Analyze #2 FY97	Utilize VHMGB to Enhance Products/ Services of VHFA (Guarantee 3-4 unit owner-occupied residences)		Delay implementation to FY98	SF Ops	{Delayed implementation to FY98}
Support	Quality Control	VHFA quality control procedures conform to secondary market guidelines; are integrated with VHMGB quality control process	Conform VHFA Quality Control procedure with Freddie Mac guidelines for originating lenders and integrate with VHMGB quality control process	SF Ops	Quality Control process in compliance with secondary market guidelines; integrating with VHMGB quality control; initial discussions begun to perform quality control on pre-purchase basis rather than post-purchase
10c.	**Reduce Operating and User Costs**				
10d.	**Increase Revenues Through Loan Servicing Modifications and New Investment Opportunities**				
Analyze #2 FY97	Increase Revenues (Explore VHFA Direct Servicing)		Shift to using subservicing	SF Ops	Subservicing 328 loans
Support#1 FY96	Direct Servicing (Explore reducing servicing fees to servicers)	Enhancing computerized direct servicing capabilities; continuing to purchase service released mortgages. Reviewed first purchase of portfolio mortgages (300) for direct servicing	Pursue service opportunities for VHFA mortgage loans when/where appropriate; subservice 500 loans totaling $34 million at a savings of $60,000 per year	Finance/ SF Ops	Subservicing 328 loans

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VERMONT HOME MORTGAGE GUARANTEE BOARD
FY97 BUSINESS PLAN
ACTIVITIES/GOALS/RESULTS

FY96 vs. FY97 (July 1, 1996 through June 30, 1997)			
	FY96 ACTUALS	FY97 GOALS	FY97 ACTUALS THROUGH 03/31/97
ONGOING PROGRAMS			
Guarantees Issued	869 issued; $16,149,148 coverage	1,050 issued; $19,500,000 coverage	782 issued; $15,849,359 coverage
Monthly Premium	Program initiated and being used by lenders	Board approval and program implementation by 12/31/95; 60 guarantees; $1,400,000	15 issued; $368,931 coverage
Lead Hazard Mgmt Loan Guarantee	None to date	2 loans @ $18,000 per loan; $20,000 coverage	0 issued; $0 coverage
Energy Loan Guarantee		4 loans @ $18,000 per loan; $20,000 coverage	7 loans; $25,047 coverage
PROGRAMS/INITIATIVES BEING DEVELOPED			
Universal Claim Form	To be incorporated into VHMGB claim procedure once a new Master Policy is in use	Include in claim procedure once new Master Policy is implemented	Rules changes to implement have started the APA process
Claim Payment Policy	Include in claim procedure once new Master Policy is implemented	Include in claim procedure once new Master Policy is implemented	Rules changes to implement have started the APA process
ANALYZE FOR FUTURE IMPLEMENTATION			
Home Improvement Loans	Participating with VHFA in development of their program to be guaranteed by FHA Title I	Participate with VHFA Development in expansion of current VHMGB loan guarantee program to incorporate home improvement loans	Program development underway
Delegated Underwriting	Approval of VHMGB Board obtained; first step is not reviewing conditions; target date for implementation of not reviewing conditions 10/96	Initiate once loan scoring is integrated into underwriting system	Currently have lenders signed up for not reviewing conditions
Loan Scoring		Incorporate loan scoring system into VHFA underwriting, similar to secondary market system	Credit scoring for 06/95 received from credit bureau; 06/96 expected by 04/979; delinquency study continues
ACTIVITIES IN SUPPORT OF PROGRAMS			
Procedural Guide Consolidation	New master policy under consideration; procedural guide will be updated after final new master policy is accepted and any necessary rule changes made	Rewrite entire Guide once new Master Policy is drafted	Rules changes to implement have started the APA process
Quality Control	Process is up-to-date and in compliance with secondary market guidelines	Implemented adjustments to Quality Control process as suggested by Freddie Mac audit	Quality Control process is in compliance with secondary market guidelines and with VHFA Quality Control; discussions re: doing Quality Control on pre-purchase basis
Reinsurance	Initial contact made with private mortgage insurer; rates seem high; may have to look elsewhere for more reasonable quote	Establish risk sharing program with FHA	Discussions with FHA, CMAC and Amerin are in progress
Computer Data Clean-Up	Larger lenders are reporting annual information on disk	Review data methodically to locate incorrect information that may change significantly the data reviewed to make business decisions	Large lenders reporting information on disk for reconciliation process
Lender Training	Provide training for new lender participants and as needed when program changes occur		10 sessions with VHMGB; 135 participants

No change since last period's report

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Samuel J. Falzone, Director, Multifamily Management

DATE: April 2, 1997

RE: MULTIFAMILY DIRECTORS REPORT

The attached report for the quarter ending December 31, 1996, is provided for the Board's information and includes the status of various financial aspects of the Multifamily portfolio. The report also contains narratives on Department activities through January 31, 1997, as well as detailed project reports for properties that have outstanding maintenance or other unusual issues.

I expect to be available at the Board meeting to answer any questions or provide additional information if it is desired. You may also reach me at 652-3435 should you like clarification on any point prior to the meeting.

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

MULTIFAMILY MANAGEMENT
DIRECTOR'S REPORT
For the Period Ending December 31, 1996

1. DELINQUENT MORTGAGE LOAN PAYMENTS

PROJECT NAME	12 MONTH HISTORY	PENALTY/INTEREST	MONTH	NO. OF DAYS
None				

2. ACC AND HAP CONTRACT AMENDMENTS REQUIRED

PROJECT NAME	ORIGINAL ACC	CURRENT AMENDMENT	RESERVE BALANCE
21 Main Street	$46,200	$61,600	($338)
Abenaki Family Housing	103,909	*	23,598
Bardwell House	558,504	571,004	4,841
Bemis Block	83,769	93,269	23,504
Benson Heights	106,700	N/A	18,303
Brookside Apts.	33,198	36,798	(1,176)
Bobbin Mill	397,273	423,523	78,700
Butler Apts.	53,928	70,528	4,279
Canterbury N & S	217,324	267,224	38,849
Chester Arthur	56,737	69,037	6,988
Colonial Apts.	75,312	101,612	(6,632)
Colonial Village	60,360	84,460	15,777
Conant Square Inn	79,896	*	8,487
Darling Inn	136,704	171,254	(17,904)
Depot II	52,416	67,416	20,609
Duggan Row House	95,904	118,404	24,109
Garden Apts.	72,876	87,876	24,187
Graystone Village	139,002	*	75,918
Green Hill Apts.	93,814	99,614	(2,446)
Hebert Farm	53,448	*	15,130
Hillside Acres	75,216	88,116	13,697
Holy Angels Commons	227,988	301,988	51,259
Homestead Mews	180,403	196,503	(2,035)
Jeri-Hill	182,326	228,926	(91)
Lamoille View Apts.	101,976	162,677	40,005
Lane Shops	215,040	*	(56,806)
Linden Terrace	78,504	98,154	13,626

2. ACC AND HAP CONTRACT AMENDMENTS REQUIRED (Cont.)

PROJECT NAME	ORIGINAL ACC	CURRENT AMENDMENT	RESERVE BALANCE
Mad River Meadows	$190,194	N/A	$14,261
Maple St./Hardwick	65,688	83,738	(717)
Maple St./K.S.N.R.C.	57,900	N/A	24,762
Meadow Lane	88,452	*	2,983
Mellishwood Houses	40,920	56,720	(10,670)
Mellishwood Houses II	63,612	74,612	584
Mill Village	102,127	109,127	(3,743)
Mountain View/Fairfax	150,785	170,685	1,017
Olde Windsor Village	313,596	*	(61,077)
Pine Grove	101,496	127,596	21,603
Pine Manor	114,285	*	19,095
Proctor Place	80,254	N/A	22,774
Randall Apts.	60,528	N/A	22,191
Randolph Circle	127,080	*	36,429
Randolph House	210,744	323,594	21,105
Saxtons River	103,776	143,176	9,107
School House Apts.	76,449	83,249	608
School Street Apts.	68,028	89,278	25,808
Sunrise Manor	141,960	172,160	27,849
Valley View	156,152	*	56,142
Walden Mountain	99,096	109,696	(6,429)
Wells House Apts.	54,744	80,144	8,069
West Burke Housing	115,664	123,664	(11,581)
Westminster Family	86,555	N/A	22,393
Willey Street Apts.	106,186	N/A	36,458

* Current amendment has reverted back to the original ACC amount
N/A: Has never received an amendment

3. CASH FLOW PROBLEMS:

Project	Cash Position as of 12/31/96	Operating Profit/Loss	
		Budget	Actual
Benson Heights	$7,753	$2,875	(4,060)
Bromur	5,237	4,458	(610)
Brookside Apts	640	5,554	424
French Hill	0	205	(2,045)
Pine Meadow	94	(2,974)	(26,513)
St. J HP	23,495	10,338	(13,888)
Templeton	38,415	15,588	(12,582)
Winchester	1,368	2,000	(10)

4. SALES, PRESERVATION AGREEMENTS, AND OPTIONS CLOSED OR UNDER NEGOTIATION

CLOSED			ON HOLD PENDING CONGRESSIONAL ACTION	
PROJECT NAME	# YEARS LOCK-IN	OPTION (Y/N)	PROJECT NAME	STATUS
Abenaki Family Housing	60	NP*		
Brownway	20	Y		
Cummings Street**	28	NP*		
Depot II**	40	NP*		
Dogwood Glen	20	NP*		
Duggan Row	20	Y		
Eno Apts.	19	Y		
Garden Apts.	20	Y		
Graystone Village	Perpetuity	NP*		
Harrington Apts.	19	Y		
Hidden Pines	50	Y		
Highgate**	Perpetuity	NP*		
King St. Apts.	20	Y		
Lake Champlain Apts.	20	Y		
Lane Shops**	15	Y		
Linden Terrace	50	NP*		
Lower Weldon St. Apts.	17	Y		
Maple St./Hardwick	18	Y		
Meadow Lane**	15	N		
Mellishwood I & II	25	Y		
Mountain View/Fairfax	18	Y		
Northgate**	Perpetuity	NP*		
Olde Windsor Village	23	NP*		
Prospect/Forest Homes	22	NP*		
Randolph House**	48	NP*		
Rockingham Canal House	71	Y		
School Street Apts.	20	NP*		
Village Apts.**	19	NP*		
Walden Mtn. Apts.	17	Y		

** LIHTC

* Non-Profit

MULTIFAMILY MANAGEMENT MONTHLY ACTIVITY REPORT
Through the Month ending January 31, 1997

A. Multifamily Management Activity - Narrative

1. Housing Assistance Payments (HAP)/Annual Contributions Contract (ACC) Amendment Status

2. Budget Approvals

B. Project Reports

1. 1306 Ethan Allen
2. 700 Riverside Ave.
3. Abenaki Acres
4. Allen Apartments
5. Brookside
6. Cummings Street
7. Duggan Row House
8. French Hill
9. Green Hills
10. Harrington Apartments
11. Hebert Farms
12. Heineberg
13. Highgate
14. Hillside MHP
15. NCIC Properties
16. Northgate
17. Pine Grove
18. Pine Meadow
19. Randall Apartments
20. Salmon Run
21. South St. Paul Townhouses
22. St. Johnsbury HP
23. Sugarwood Apartments
24. Templeton
25. Valley View
26. Walden Mountain
27. Winchester

A. Multifamily Management Activity - Narrative

1. Housing Assistance Payments (HAP)/Annual Contributions Contract (ACC) Amendment Status

Over the years, we have maintained a database that allows us to forecast where a property is in relation to the amount of annual and full term contract funding that has been provided under the ACC and HAP contracts with HUD. These computer projections have been used effectively to convince HUD to amend contracts prior to the point where we would be out of money needed to make monthly payments to owners. With the increasing importance of determining exactly where each Section 8 project is in relation to the commitment of Federal subsidy dollars, we have undertaken the task to reconcile all current and previous amendments with VSHA audited numbers as well as HUD's Project Account Balances. This work is now largely complete and we have confirmed and received copies of all amendments related to our Section 8 portfolio. The following statements summarize key findings as a result of the update of this information:

- **At current rents, no property has enough Budget Authority to make it to the end of their HAP Contract and mortgage.**

- **The property with the largest shortfall of Budget Authority is Olde Windsor Village with a shortfall of $5.8 million.**

- **The earliest amendment dates back to 1986 for 21 Main Street in Derby Line. This property will also be the first to reach its original Budget Authority in the year 2000. With current amendments, it will only have funding through 2002.**

- **More than 90% of all Section 8 properties are operating under HAP and ACC amendments that are funded on an annual basis.**

Having this kind of precise information available allows us to anticipate problems far in advance and convince owners of the importance of preserving existing resources. With the ability to graph this information, we are also able to provide a vivid illustration of the magnitude of the problem. Going forward, we expect to keep this information accurate and up to date for our entire Section 8 portfolio.

2. 1997 Budget Approvals:

Again this year, our budget approval process was geared toward bringing about expense reductions, especially for the Section 8 projects where the threat of rent reductions still remains strong. In 1996 we were able to achieve expense decreases amounting to $146,977. With only 4 budgets left to approve, this year's reductions total $149,412, encompassing 41 properties. We have continued to stress the importance of preserving resources so that funds available under the HAP subsidy contracts will be available for as long as possible under the full term of our VHFA mortgages.

For FY1997, Congress has granted HFA financed Section 8 projects a one year exemption from the requirement that rents be decreased to not more than **120%** of Fair Market Rent upon contract renewals. In the President's FY 1998 budget for HUD, the Administration will propose to fund expiring Section 8 contracts for one year at rents not to exceed **100%** of Fair Market Rent. Without significant changes, Section 8 contract renewals and amendments are expected to rise more than $10 billion by fiscal year 2000. With Congress having to face this exploding escalation in HUD's budget, we must begin to find solutions at the local level in order to demonstrate the effectiveness and value of these housing dollars. VHFA has been on record in advocating for a budget based approach to rent levels using reasonable operating expense benchmarks. It appears that, at least on an annual basis, we have been given the authority to make these assessments with regard to our own portfolio in order to maintain the financial stability of the properties and ultimately protect the residents.

One of the most difficult and pressing new problems we are beginning to face is how to reconcile the reality of diminishing subsidy dollars at a time when partnerships are incurring staggering tax liability without offsetting income to pay taxes. The system that produced more than 1.6 million units of Section 8 housing is now being twisted from both sides of the equation. The way in which we respond will have considerable impact on the future of affordable housing as we know it.

B. Project Reports

1. **1306 Ethan Allen - Colchester:** Lake Champlain Housing Development Corp. performed the required Capital Needs Assessment at Ethan Allen Apartments and has developed an aggressive rehabilitation proposal as a result of their findings. The proposal will involve a new partnership between LCHDC and Housing Vermont as owners. The partnership will be looking for commitments of funds from VHCB, VHFA, as well as a LIHTC allocation to meet the proposed $17,000 per unit in rehab cost.

2. **700 Riverside Ave - Burlington:** The insurance coverage at this property was terminated due to the owner's (Scott Mansfield) failure to pay the premium. Insurance coverage at 700 Riverside Ave was provided under an umbrella policy, which grouped several of Scott Mansfield's rental properties under one policy. Unfortunately, even though the management company, Lake Champlain Housing Ventures, had sent in a check to State Farm for 700 Riverside Avenue's portion of the insurance premium, the owner did not pay his premiums to cover the remainder of the properties.

   In response to this discovery, VHFA implemented its authority as outlined in the regulatory agreement and sent the owner a request to terminate management activities. We also contacted the property manager, Lake Champlain Housing Ventures (LCHV), who in turn contacted the insurance agent to immediately reestablish insurance coverage at 700 Riverside Ave.

   At VHFA's direction, LCHV is working out a revised management agreement with Scott Mansfield where they will have exclusive control of all project funds. This should alleviate any future issues of commingling with other Scott Mansfield owned properties.

3. **Abenaki Acres - Swanton:** The 1995 audit was finally received by VHFA. We had been patiently waiting for over 9 months to receive this audit. The owner was given very generous

extensions and still was unable to meet any of the agreed upon deadlines. According to the owner, the audit was held up at the attorney's office for almost 2 months. These delays made us suspicious that there may have been some negative disclosures about the management of Abenaki Acres in the audit. Fortunately, the audit appears to be in order.

The tardiness of the audit did result in the February HAP payment being withheld. Failure to submit financial statements violates Part II paragraph 2.6 (1) of the Abenaki Acres HAP Contract dated April 6, 1982.

4. **Allen Apartments - Winooski:** An energy conversion from all electric heat and hot water to natural gas is finally under way. Vermont Gas, Green Mountain Power, and CVOEO are providing funding incentives. A VHFA energy loan has been approved in an amount not to exceed $68,000 to finish the conversion which is scheduled for completion by the end of March.

5. **Brookside Apartments - Bridgewater:** The owner of Brookside Apartments would like to look at changing the terms of their second VHFA note (UFFI loan). Currently, the note is a non-amortizing loan that accrues simple interest yearly. To date, the owner has only been able to pay off the accrued interest leaving the principal balance untouched. The annual payment amount is based upon available surplus cash after the review of the yearly audit.

   They are asking that we consider changing the second note to an amortizing note that is included in the operating budget. With this additional debt, the 1997 operating budget would still show an acceptable operating profit. One caution is that during 1996, Brookside did not produce the operating profit that was projected. Maintenance expenses were higher than expected. With additional debt, this property will need to perform very close to the budget estimates.

6. **Cummings Street - Montpelier:** The owner continues to look at options in regards to restructuring the debt at Cummings Street. With the looming 1998 expiration of the HAP contract, time is definitely a factor.

7. **Duggan Row House - Burlington**: Following extensive fire damage repairs, the Duggan's received final Certificates of Occupancy from the City of Burlington in December. We have inspected all units and have lowered the utility allowances to reflect the energy savings as a result of the conversion from electric heat to gas fired boilers. Six units have been reoccupied and six of the remaining ten units are under lease. The Duggan's are in the process of screening their waiting list for the remaining four units.

8. **French Hill MHP - Williston:** The project had to borrow money from LCHDC because the operating expenses in the 3rd quarter were significantly higher than what was projected in the '96 budget. They have been able to reduce the operating deficit by more than half in the 4th quarter.

9. **Green Hills - Canaan:** Four vacancies in December in this very rural 12 unit elderly housing project have continued a recent pattern of multiple vacant units. The usual causes (such as necessary transfers to a higher level of care) are largely responsible for these vacancies. In spite of the lost income, the property performed better than anticipated and has a relatively secure cash position.

10. **Harrington Apartments - Burlington:**: Compliance with HUD's requirements for income certification and verification at this 5 unit project is being closely monitored. There have been continuous errors in the rent calculations and other procedures, therefore we have essentially put the owner/manager on probationary notice pending an inspection of the files this Spring to see if there is adequate improvement to allow them to continue this aspect of property management.

11. **Hebert Farms - Montpelier:** While historically vacancies have not been a problem here, three stretched into the fourth quarter as several applicants chose not to move in after verifications had been completed and they were approved. This has led to a $10,000 shortfall in income for the year. Turnover costs were also above average. There are currently no vacancies. Complicating the cash position of the property is the required 1995 Operating Reserve deposit of $5,635 which the owner, Judd Babcock has refused to authorize. Until this required deposit is completed, no distribution will be authorized. The owner continues to be interested in selling the property, in part, to help resolve his outstanding tax problems with the IRS.

12. **Heineberg Senior Housing - Burlington:** The deterioration of much of the wood trim surrounding the windows has become more evident here, as it has at a few other similar properties. Cathedral Square, the owner, and HVT are pursuing a solution with the architect and contractor and hope for some degree of cost-sharing. There are no health or life safety issues apparent at this time and the property continues to be in a healthy financial position.

13. **Highgate - Barre:** There are 10 vacancies (2 market rate). Lost income totals $54,000. Debt service claims and a generous vacancy allowance have moderated the impact. The total cost of operations YTD is virtually on target. There is sufficient operating cash to meet this shortfall without adversely affecting the property. It will be necessary, however, to moderate the cost of operations if the project is to remain viable as affordable housing when the existing subsidy contract expires on June 30, 1998. The most recent budget proposal before Congress will reduce total income by about 17%. The Highgate Residents Association has until now resisted our requests to reduce operating expenses.

14. **Hillside - Starksboro:** Completion of the water system improvements are still unresolved The slow sand filtration pilot study at Hillside Mobile Home park is underway and Addison County Community Trust is working closely with the Agency of Natural Resources. Their hope is to tap into the $12.5 million in Federal funds that was committed to the State of Vermont. It looks as though they have a good chance to access some of this money. The funds will be available by August of 1997, after the legislature determines the rate and term for these loans.

15. **NCIC Properties:** NCIC has decided to sell its entire housing portfolio and is looking into transferring the ownership of VHFA properties that include St. Johnsbury HP, Canterbury Housing, Bemis Block, Hardwick Family and the Darling Inn. VHFA wants to make sure that the asset value of these properties is preserved during this time of transition and uncertainty and that a capable and appropriate management company remains in place prior to and after a transfer of ownership. Their stated goal is to maintain local nonprofit ownership and control although there is very little capacity in the Northeast Kingdom.

16. **Northgate - Burlington:** After surveying residents, NGRA has determined that the community space should be expanded. With more than $600,000 in Working Capital and Deficit Escrow Accounts remaining after the expiration of their intended life, the residents, Management Agent, and HVT are proposing the use of $150,000 of these restricted accounts to assure the long-term marketability of the property by enlarging and enhancing the Community Building. It will have increased accessibility, as well as more suitable meeting and office spaces. HVT is preparing a financial analysis that will detail what impact expected increased debt service will have on the future rent structure and affordability. It has been suggested that excess funds should be applied to these outstanding deferred obligations in an attempt to moderate future rent shock.

17. **Pine Grove - North Troy:** With the $5,000 participation of Citizens Utility, a $20,000 energy conversion of the two elderly buildings is now underway. The conversion will be completed later this quarter. No additional financing will be needed to complete this phase of the project. The heating conversion of the 8 units of family housing remains to be done in the next few years. The owner is very supportive of continuing this initiative.

18. **Pine Meadow - Middlebury:** Maintenance expenses continue to be higher than projected at Pine Meadow contributing to the 4th quarter operating loss and the need to access the working capital account. The 4th quarter was a little more encouraging on the income side where the actual income produced met the projected amount. Vacancies were also reduced in the 4th quarter.

    As we mentioned in the last Director's report, Housing Vermont is working on a plan to fix the problem with the trim boards and the heating system at Pine Meadow. Since that time, a proposal has been submitted to VHCB requesting funds to do the required rehab. VHFA reviewed the proposal and will be meeting with Housing Vermont next week to discuss the rehab budget and see what role we can play in this process.

19. **Randall Apartments - Burlington**: This is one of the last all electric properties in Burlington and we are trying to convince the owner to do an energy conversion. Jeff Vos from the Burlington Housing Authority tried to persuade John Randall, the owner, to do a conversion five years ago without success. At this point, the Burlington Electric Department is willing to contribute up to 50% of the cost for installation. We have offered a VHFA energy loan for the balance of the funds necessary to complete the conversion. Adjusted contract rents, as a result of lower utility allowances, would provide additional cash flow from savings to help cover the increased debt service. It appears as though the loan required would be minimal and the savings substantial.

20. **Salmon Run - Burlington:** Salmon Run has finished out the year on a great note. We are happy to report that this property produced $13,593 in profit in 1996, especially when they were only projecting $74 for the year.

21. **South St. Paul Townhouses - Burlington**: The energy conversion has been completed and the utility allowances have been adjusted. This utility conversion will preserve almost $6,000 a year in HAP funds.

22. **St. Johnsbury HP - St. Johnsbury:** This property continues to show an operating loss due to lower than projected income. Despite completion of the rehab, vacancies continue to be very high.

23. **Sugarwood - Middlebury:** Sugarwood Apartments recently completed an energy conversion from electric heat to Rinnai gas heaters. No additional debt was required to fund this conversion since Sugarwood had sufficient project funds available. VSHA is currently working with the owner to reduce the utility allowances. The reduction in utility allowances is a positive change since we will recognize savings of overall HAP dollars at this property.

24. **Templeton - White River Jct.:** Income is still not running close to the projected number, electricity rates have increased 5.5%, taxes have increased, and maintenance expenses are high due to constant turnovers.

25. **Valley View - Vergennes:** As the Residential Energy Efficiency Program (REEP) begins its initial year of operation in Vermont as part of the Rebuild America Program, the management agent (Technical Planning & Management of Waitsfield) is applying for funds to assist in the $47,000 energy conversion at this 24 unit elderly housing project. VEIC is likely to be chosen to implement REEP and is familiar with the property having completed the energy audit. This conversion can be completed entirely from project resources without incurring any additional debt.

26. **Walden Mountain - Danville/St. Johnsbury:** Paul Stewart is the new general partner of Walden Mountain Enterprises having replaced David Kirker due to his declining health. Stewart Property Management has also become the Management Agent of record. Given our past experience with Mr. Stewart, we are confident that the property will prosper.

27. **Winchester Place - Colchester:** Virtually all of the repairs identified in the past year have been addressed including the repair of the deteriorating wood trim and associated problems with the siding, the replacement of many exterior doors, the repair of all egress windows and correcting the venting of the gas-fired boilers. The property continues to perform as anticipated in the proforma adopted as part of the Forebearance Agreement. E.P. Management in conjunction with HVT has submitted a 1997 operating budget reflecting the income from the rent increases and modest savings in some expense categories. The Merchants Bank has continued its participation at an increased level of $131,000. The proforma adopted as part of the Forebearance Agreement was closely adhered to in 1996. Adjustments were made for changes in Management Fee, certain other administrative expenses and water charges. VHFA Accommodation loans totaled $294,405.

vhfa

VERMONT HOUSING FINANCE AGENCY

TO: **VHFA BOARD OF COMMISSIONERS**

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

RE: **UNDERWRITER SELECTION PROCESS (RFP)**

DATE: **APRIL 11, 1997**

In early March we solicited 21 firms suggested by Evensen Dodge, at our request, to initiate the process to select our "underwriting team". We received nine responses, of which six firms were National/Senior Manager candidates and three firms were regional entities. Of the six National firms, two companies do not have any significant retail distribution networks. Goldman Sachs and Bear Stearns, who currently serve as co-managers, did not submit proposals. Al Hans of Evensen Dodge, Allan, and I reviewed the proposals and all of us rated PaineWebber highest as the National firm (Senior Manager), and Smith Barney highest as the firm with the best retail distribution capacity. Smith Barney would also add some depth and assistance to PaineWebber. These recommendations were provided to the Board Underwriter Subcommittee consisting of Commissioners White, Douglas and Candon, who agreed with the recommendations.

A third firm was contemplated to be selected to add assistance with regional issues and bond distribution. Selecting a complementary firm for the "third slot" has proven to be difficult. Although our ideal was to incorporate a "regional firm" to assist our efforts in New England, none of the candidates stood out from the others and all actually scored poorly as a group. We initially selected Advest, Inc., Lehman Brothers and AG Edwards as competitors for the third slot. *Advest* was eliminated from consideration after a check of references. *Lehman Brothers* has been a long time co-manager on our account, suggesting numerous enhancements and ideas for our programs as well as providing good institutional coverage for the sale of our bonds; they have no retail network. *AG Edwards* has an excellent retail distribution system in Vermont, and Bob Cole has been a frequent visitor to VHFA Board meetings. *AG Edwards* has also provided us with ideas for program solutions even though they were not a co-manager.

Yesterday the Board Committee, Allan and I interviewed the two remaining firms and we agreed unanimously that *AG Edwards* was a much better fit for the team. Enclosed for review by those Commissioners not on the committee are copies of the proposals from the selected firms.

Recommended Board Action

Approve the selection of PaineWebber as Senior Manager and Smith Barney and AG Edwards as Co-managers for VHFA bond financings. The term of the appointment will be for two years with an option to extend the agreement by two one year terms. Please call me if you have any questions.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: **VHFA BOARD OF COMMISSIONERS**

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

DATE: **APRIL 11, 1997**

RE: **GENERAL FUND BUDGET PERFORMANCE**

On the reverse side of this memo is the budget performance report for the period ending December 31, 1996, representing the first half of the fiscal year. Since the March quarter just ended, financial data has not been completed at this time. All things being equal, budget categories should be at 50% of the annual budget. We are in line in most budget categories for the year. Interest income and interest expense will need to be adjusted during the fiscal year due to the $3 million arrangement with the Howard Bank and the Federal Home Loan Bank regarding funding of the Pines project. We expect to bring any budget adjustment requests to the next Board meeting.

INCOME. We are in good shape in the income categories. Multi-family fee income is higher than budgeted due to increased charges on construction loan activities and some disguised interest expense recovery charges.

FUND TRANSFERS. The transfers of funds from the Programs to the General Fund have been collected as expected other than the Single Family Housing Bond program which have needed $35,650 contributions **from** the General Fund to cover loan loss payments. Other differences from the budgeted amounts are based on timing of when we pay debt service to bondholders and also make transfers to the General Fund.

EXPENSES. Total expenses are 50.8% of budget within the expense constraints for the fiscal year. Items such as the audit and staff travel expenses have heavier payments early in the fiscal year. If the impact of excess interest expense is ignored then we are at 47.8% of budget.

CAPITAL BUDGET. The approved capital budget for the fiscal year is $75,000. Through December 31, 1996, we had expended $52,094 or 69.5% of the capital budget.

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

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EQUAL HOUSING OPPORTUNITY

BUDGET PERFORMANCE REPORT
VERMONT HOUSING FINANCE AGENCY
DECEMBER 31, 1996

		APPROVED BUDGET		ACTUAL 12/31/96	YTD PERCENT
INCOME					
SINGLE FAMILY FEES	$	139,000		37,943	27.3%
MULTI-FAMILY FEES		135,000		140,041	103.7%
PROJECT ADMIN FEES		73,700		36,857	50.0%
INTEREST INCOME-LOANS		450,000		230,083	51.1%
INTEREST INCOME-INVEST		75,000		110,018	146.7%
VHMGB CHARGES		375,000		161,541	43.1%
MISCELLANEOUS		50,000		31,196	62.4%
TOTAL INCOME	**$**	**1,297,700**	**$**	**747,679**	**57.6%**
FUND TRANSFERS					
SINGLE FAM HOUSING		140,000		1,181	0.8%
FLEET MASS INSURED MTG		200,000		-	0.0%
HOWARD MTG PURCHASE		1,250,000		750,000	60.0%
HOWARD HOME MTG PURCH		260,000		87,500	33.7%
HOWARD MULTI-FAMILY		280,000		70,000	25.0%
FLEET CONN MULTI-FAMILY		160,000		40,000	25.0%
HOUSING DEVELOP BDS-MF		10,000		10,000	100.0%
DIRECT PLACEMENT BONDS		35,000		24,500	70.0%
TOTAL TRANSFERS		**2,335,000**		**983,181**	**42.1%**
TOTAL INC & TFRS		**3,632,700**		**1,730,860**	**47.6%**
EXPENSES					
ADVERTISING & PROMOTION		129,300		63,257	48.9%
AUDIT		38,000		36,000	94.7%
ANNUAL REPORT		7,500		-	0.0%
COMMISSIONERS EXPENSES		5,000		1,125	22.5%
CONSULTING FEES		116,800		38,291	32.8%
DEPRECIATION		145,000		71,789	49.5%
DUES & SUBSCRIPTIONS		28,700		16,166	56.3%
INSURANCE		190,000		90,152	47.4%
INTEREST EXPENSE		190,000		196,020	103.2%
LEGAL		45,000		9,899	22.0%
MISCELLANEOUS		5,000		2,994	59.9%
OCCUPANCY EXPENSE		100,000		28,048	28.0%
OFFICE EXPENSES		35,000		16,944	48.4%
PENSION PLAN		130,000		65,939	50.7%
POSTAGE		26,000		10,391	40.0%
REPAIRS & MAINTENANCE		40,000		16,617	41.5%
SALARIES & WAGES		1,449,466		722,614	49.9%
STAFF TRAVEL & TRAINING		60,000		37,168	61.9%
SUBSIDY-HOUSING VT, ERH		99,000		46,750	47.2%
TAXES-PAYROLL		111,400		51,756	46.5%
TELEPHONE		36,000		19,303	53.6%
TRUSTEE & CREDIT FEES		250,000		102,323	40.9%
TOTAL EXPENSES		**3,237,166**		**1,643,546**	**50.8%**
SURPLUS (DEFICIT)		**395,534**		**87,314**	**22.1%**

VERMONT HOUSING FINANCE AGENCY
BALANCE SHEET
DECEMBER 31, 1996

		SINGLE FAMILY				MULTI-FAMILY				
	GENERAL FUND	INSURED MORTGAGE PROGRAM	MORTGAGE PURCHASE PROGRAM	HOME MTG PURCHASE PROGRAM	HOUSING PROGRAM	MORTGAGE PROGRAM	HOUSING PROGRAM	DIRECT PLACEMENT PROGRAM	HOUSING DEVELOPMENT PROGRAM	COMBINED TOTAL
ASSETS										
Cash and cash equivalents	6,496,691	1,522,026	401,941	36,563,262	66,473,867	2,966,387	2,187,872	346,401	350,715	117,309,162
Investments	1,449,521	5,951,972	31,063	17,442,735	43,790,000	6,041,599	2,303,465	0	883,208	77,893,563
Mortgage and const loans receivable	8,687,340	4,548,973	130,073	113,592,820	222,143,758	34,337,414	23,014,752	15,318,874	7,164,526	428,938,530
Accrued int rec - mtg and notes	367,069	28,982	6,970	976,774	1,452,434	166,620	156,143	170,606	0	3,325,598
Accrued int rec - investments	88,797	79,601	2,271	461,727	1,083,061	114,850	97,264	1,996	24,279	1,953,846
Deferred costs of bond issuance	0	30,271	0	504,622	1,618,832	225,327	318,053	5,545	50,183	2,752,833
Land	775,000	0	0	0	0	0	0	0	0	775,000
Building	1,000,834	0	0	0	0	0	0	0	0	1,000,834
Office furniture and fixtures	1,189,558	0	0	0	0	0	0	0	0	1,189,558
Accumulated depreciation	(953,010)	0	0	0	0	0	0	0	0	(953,010)
Other receivables and prepaid expenses	366,922	1,552	3,952	206,099	161,010	34,062	(7,968)	0	0	765,629
Interfund receivables (payables)	(696,746)	5,066	1,003,773	(397,568)	286,606	(124,835)	(29,528)	(330,072)	283,304	0
Other assets and REO	0	0	9,200	1,846,214	1,832,692	0	0	0	0	3,688,106
TOTAL ASSETS	18,771,976	12,168,443	1,589,243	171,196,685	338,842,260	43,761,424	28,040,053	15,513,350	8,756,215	638,639,649
LIABILITIES AND FUND BALANCES										
Deferred loan origination fees	556,355	0	0	0	0	0	0	0	0	556,355
Accounts payable	337,176	1,942	240	39,194	373,950	0	0	0	0	752,502
Escrowed cash deposits	3,743,964	0	0	(392)	75,849	0	329,075	3,299	48,091	4,199,886
Notes payable	7,084,441	0	0	0	0	0	0	0	0	7,084,441
Accrued interest payable	25,890	116,059	0	1,028,224	3,484,814	1,113,596	507,753	104,114	28,071	6,408,521
Bonds payable	625,610	7,540,000	0	158,525,000	327,595,000	38,685,000	23,900,000	15,268,475	8,230,000	580,369,085
Unamortized discount on bonds	0	(108,842)	0	(2,015,132)	(2,320,991)	(605,626)	(1,024,135)	(19,842)	(147,641)	(6,242,209)
TOTAL LIABILITIES	12,373,436	7,549,159	240	157,576,894	329,208,622	39,192,970	23,712,693	15,356,046	8,158,521	593,128,581
Fund balance	6,398,540	4,619,284	1,589,003	13,619,791	9,633,638	4,568,454	4,327,360	157,304	597,694	45,511,068
TOTAL LIABILITIES & FUND BAL	18,771,976	12,168,443	1,589,243	171,196,685	338,842,260	43,761,424	28,040,053	15,513,350	8,756,215	638,639,649

VERMONT HOUSING FINANCE AGENCY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCES
FOR THE SIX MONTHS ENDED DECEMBER 31, 1996

		SINGLE FAMILY				MULTI-FAMILY				
	GENERAL FUND	INSURED MORTGAGE PROGRAM	MORTGAGE PURCHASE PROGRAM	HOME MTG PURCHASE PROGRAM	HOUSING PROGRAM	MORTGAGE PROGRAM	HOUSING PROGRAM	DIRECT PLACEMENT PROGRAM	HOUSING DEVELOPMENT PROGRAM	COMBINED TOTAL
REVENUES:										
Interest Income:										
Mortgage and construction loans receivable	230,084	172,624	9,628	5,253,919	8,341,038	1,508,544	1,440,149	531,077	323,821	17,810,884
Investments	110,018	197,181	11,749	2,015,488	3,106,059	274,734	128,186	9,806	46,087	5,899,308
Fee Income:										
Multi-Family Mortgage Programs	88,073	0	0	0	0	0	36,858	0	0	124,931
Single Family Mortgage Programs	152,085	0	0	0	0	0	0	0	0	152,085
Grant income	0	0	0	0	0	0	0	0	0	0
VHMGB income	161,542	0	0	0	0	0	0	0	0	161,542
Gain on sales of investments	0	(591)	0	0	0	0	0	0	0	(591)
Miscellaneous income	31,196	0	0	0	0	0	0	0	0	31,196
TOTAL REVENUES	772,998	369,214	21,377	7,269,407	11,447,097	1,783,278	1,605,193	540,883	369,908	24,179,355
EXPENSES:										
Financing costs, including interest and amortization of premium, discount and costs of issuance	196,020	259,068	0	6,284,703	9,915,349	1,551,582	736,878	514,211	325,120	19,782,931
Mortgage service and contract administration fees	5,885	11,821	321	210,449	384,655	0	0	0	0	613,131
Salaries and benefits	934,515	0	0	0	0	0	0	0	0	934,515
Operating expenses	368,842	0	0	0	0	0	0	0	0	368,842
Professional fees	35,898	0	0	0	0	0	0	0	0	35,898
Trustee and assignee fees	96,440	0	0	0	0	0	0	0	0	96,440
Property disposition and loan loss expenses	0	1,219	4,262	126,289	172,264	0	0	0	0	304,034
Loss on bond redemptions	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	1,637,600	272,108	4,583	6,621,441	10,472,268	1,551,582	736,878	514,211	325,120	22,135,791
Excess (deficiency) of revenues over expenses	(864,602)	97,106	16,794	647,966	974,829	231,696	868,315	26,672	44,788	2,043,564
Fund balance at beginning of year	6,243,103	4,522,178	2,322,209	13,059,325	8,659,990	4,406,758	3,535,903	155,132	562,906	43,467,504
Transfers to general fund	1,020,039	0	(750,000)	(87,500)	(1,181)	(70,000)	(76,858)	(24,500)	(10,000)	0
Fund balance at end of period	6,398,540	4,619,284	1,589,003	13,619,791	9,633,638	4,568,454	4,327,360	157,304	597,694	45,511,068

vhfa
VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director (652-3421) ASH

DATE: April 11, 1997

RE: LEGISLATIVE CONFERENCE INFORMATION

On March 10-11 I attended the annual National Legislative Conference in Washington, D.C., which allowed me the opportunity to meet with our Legislative representatives to discuss affordable housing issues. VHFA continues to enjoy strong support from our Congressional delegation for our affordable housing initiatives.

In preparation for meetings with Senators Leahy and Jeffords, and with Congressman Sanders, the attached information was compiled and presented in our Annual Report folder, along with color photographs of projects which were funded through the Low Income Housing Tax Credit program.

Mailing Address: PO Box 408, Burlington, Vermont 05402-0408
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Phase I of the Pines Senior Living Community opened in March 1996, providing 53 units of affordable housing to very low and low-income senior residents. Phase II was completed in December 1996 and Phase III is under construction: these two phases will add 72 affordable apartments. The Pines provides a meal site and houses a local Senior Center in which health care, continuing care and other social services are provided on-site. In addition to VHFA financing, the Pines received LIHTC allocations in 1995 and 1996.

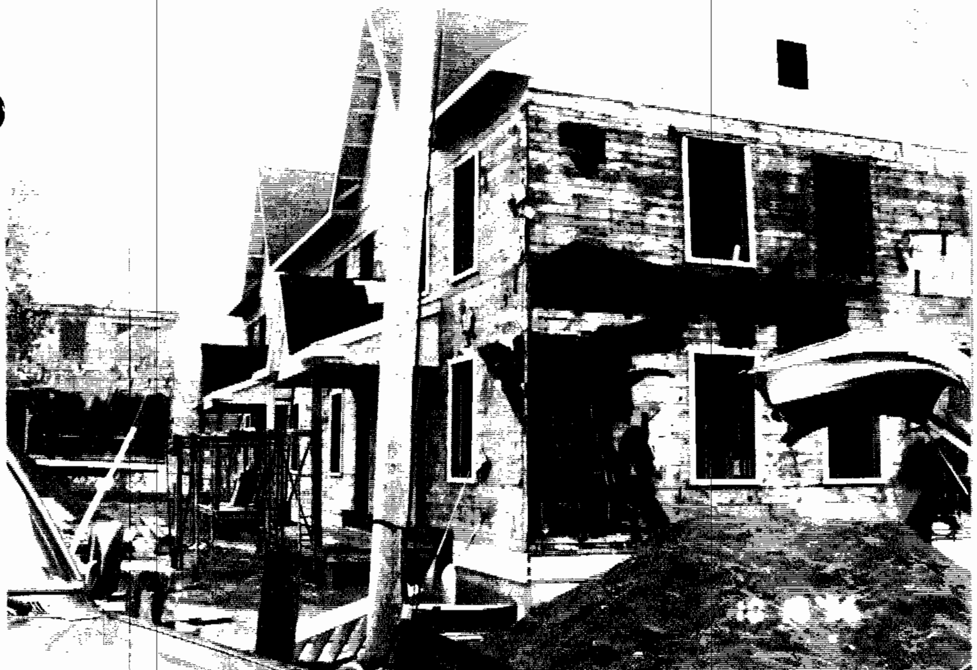
Right: Phase I of the Pines Senior Living Comunity.

THE PINES SENIOR LIVING COMMUNITY
South Burlington, Vermont

ST. ALBANS SCATTERED SITES
ST. Albans, Vermont

This 21-unit affordable rental development encompasses three buildings in downtown St. Albans, including the historic Fairfield Street School (see photo below). A HUD Special Purpose Grant and VT Department of Mental Health funding enabled the project sponsors to develop specially targeted supportive services for mentally ill residents. The development also received Low Income Housing Tax Credits and Historic Preservation Tax Credits, as well as HOME, Lead Hazard Reduction and Vermont Housing andConservation Trust Fund grants. Lake Champlain Housing Development Corporation is the co-general partner for property management and Housing Vermont is the co-general partner for tax affairs. Franklin Lamoille Bank and a Massachusetts-based lender are limited partners. Other support was provided by Franklin Grand Isle Mental Health, Central Vermont Public Service, Department of Housing and Community Affairs, Preservation Trust of Vermont, and Vermont Gas.

Left: Fairfield Street School.



Final construction is expected to be completed in March 1997 for 58 units of rehabilitated affordable rental housing in Windsor County. The project is a result of a special public/private partnership between Realty Resources Chartered, Key Bank of Vermont, Springfield Housing Authority, the Town of Springfield, State of Vermont Agency of Commerce and Community Development, Vermont Housing and Conservation Board, and Vermont Housing Finance Agency.

Above: One of the original apartment buildings being renovated in October 1996. The rehabilitated apartments are being reconstructed to meet modern housing quality standards.

WESTVIEW TERRACE
Springfield, Vermont

Below: Four rehabilitated affordable housing rental apartments.

The Westview Terrace rehabilitation created a tremendous improvement in the living standards for families and individuals earning at or below 60% of the county's median income.

post 2/6/97

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

JAN 31 1997

Mr. Allan Hunt
Housing Vermont
131 Main Street
8th Floor
Burlington, Vermont 05401

Dear Mr. Hunt:

Thank you for your letter to Director Raines about funding for Federal low-income housing programs. He has forwarded your letter to me, and I am pleased to respond on his behalf.

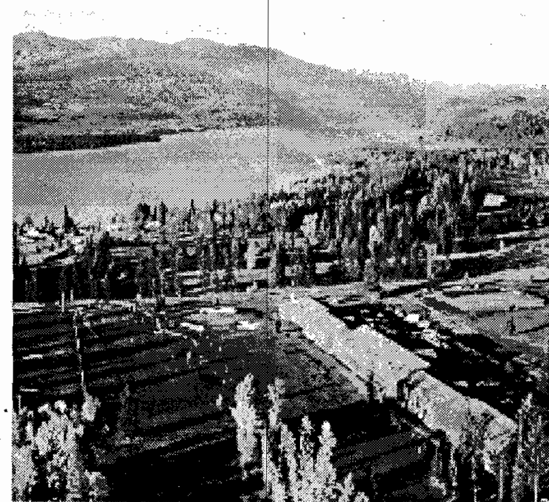
The Administration faces a major challenge in fulfilling the President's commitment to bring the budget into balance while still protecting the key priorities and values that all Americans share. Nevertheless, I want to assure you that, as we develop the President's fiscal 1998 budget, we will keep your thoughts in mind.

Again, thank you for your letter and for letting us know your thoughts about federal housing programs.

Sincerely,

MDeich

Michael Deich
Associate Director for
General Government and Finance



National Conference of State Housing Boards'
Educational & Development Workshop
August 24 - 26, 1997 • Whitefish, Montana

The 1997 National Conference of State Housing Boards' Educational & Development Workshop will be held at the Grouse Mountain Lodge in Whitefish, Montana. This conference is designed for board members of state Housing Finance Agencies and open to HFA Executive Directors. Workshop topics include an orientation for new board members, innovative uses of the Low Income Housing Tax Credit, ways to generate new revenues for HFA programs, the future of Section 8 and other HUD programs, the implications of welfare reform for housing and HFAs, and what's happening in Washington that affects housing. New and experienced board members alike will benefit from the conference sessions.

The Grouse Mountain Lodge is located in the Montana Rockies in the town of Whitefish, a quaint western village complete with shopping, a railroad memorabilia museum, and a Sunday summer concert series. For the outdoor enthusiast, Grouse Mountain Lodge is located one half hour from Glacier National Park. The special discount room rate of $128 single or double for a standard room is available through May 22. For information on higher levels of accommodation, please ask the reservation department. For reservations, call (406)862-3000 and identify yourself as an NCSHB attendee.

Kalispell's Glacier Park International Airport is located 11 miles from the lodge and is served by Delta, Northwest, and Horizon Airlines. Delta Airlines offers a 5 percent discount off any published discount round trip fare. Restrictions may apply. For passengers not qualifying for any published discounts, a 10 percent fare reduction will apply. Call Delta at (800)241-6760 and refer to File #Y2492. United Airlines offers a 5 percent discount off any published discount round trip fare and a 10 percent discount off full fares, when tickets are purchased seven days in advance. Call United at (800)521-4041 and refer to ID #511MI. Reservations on Northwest Airlines can be made by calling (800)225-2525.

More information will be mailed soon!

VERMONT HOUSING FINANCE AGENCY

May 14, 1997

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

Dear Ms. Wolters:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Thursday, May 22, at 1:00 p.m., in Conference Room #1 at 133 State Street, Montpelier, Vermont.

If you have any questions, please do not hesitate to contact me at 652-3455.

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

VIA FACSIMILE MAY 5, 1997, TO:

Burlington Free Press (Newsroom)	660-1802
Rutland Herald (Newsroom)	802/775-2423
WCAX-TV (Newsroom)	658-6301
Secretary of Administration (c/o Su Wolters)	802/828-3320

NOTICE OF SPECIAL MEETING

To satisfy requirements of Vermont's Open Meeting Law, please be advised that:

The Board of Commissioners of the Vermont Housing Finance Agency will meet via telephone conference call on Wednesday, May 7, 1997, at 2:00 p.m. to consider the identity of the Agency's representative on the Joint Committee on Tax Credits, as well as any other matters properly before the meeting. The public may attend the meeting in the Board Room at the Agency's offices at 164 St. Paul Street, Burlington, Vermont 05401.

##

If you have any questions or need further information, please contact Glenn Jarrett, General Counsel, at 652-3426.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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EQUAL HOUSING OPPORTUNITY

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: May 1, 1997

RE: CONFIRMING CONFERENCE CALL

This is to inform you that the Board will meet via **conference call at 2:00 p.m. on Wednesday, May 7**, to discuss a potential conflict of interest. The enclosed memo offers background information that should be reviewed prior to the conference call.

The regularly scheduled monthly meeting will still be held on Thursday, May 22, here in Burlington.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to talking with all of you on May 7.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Glenn A. Jarrett, General Counsel GAJ

DATE: May 1, 1997

RE: Joint Committee on Tax Credits

The Regional Affordable Housing Corporation (RAHC), a Bennington-based non-profit, has submitted an application for tax credits to the Agency, which will be evaluated for a recommendation to the Joint Committee on Tax Credits, on which Allan normally sits. Allan has a personal relationship with the Executive Director of RAHC and for that reason, the Chairman has asked the staff and the Board the extent that Allan should be involved in the tax credit allocation process this year. In the past, Allan has assigned the Deputy Director to deal with any issues involving RAHC.

The Agency should establish procedures to avoid either a perception by others that the process was flawed, or a possible legal challenge to the process by a disappointed applicant. A front page story in the Burlington Free Press or a lawsuit against the Agency by a developer whose project did not receive an allocation of tax credits might be equally damaging to the Agency. It is imperative that the Agency resolve this issue soon, so the process of evaluating tax credit applications can go forward.

The Agency's role in the tax credit allocation process derives from two executive orders issued by Governor Kunin in 1987, a Memorandum of Understanding between the Agency of Development and Community Affairs as the State Housing Credit Agency and VHFA as the Issuing Authority, and rules entitled "Federal Tax Credits for Low Income Housing; State Allocation System; Joint Committee on Tax Credits" issued by the Agency of Development and Community Affairs in June, 1990 (the "Rules").

In a nutshell, the tax credit allocation process involves three different organizations. In succession, VHFA staff, the Joint Committee on Tax Credits (the "Committee") and the VHFA Board of Commissioners all have a role in determining which projects receive a reservation for tax credits. Although the Rules do not provide for it, over the years the Committee has regularly met to review the Agency staff's recommendations for projects that are to receive a reservation of tax credits. From the Committee, the recommendations then go to the VHFA Board for its approval.

This year, in contrast to previous years, there are far more credits being sought by projects than the amount of credits available to the Agency. There are currently up to 15 projects seeking credits; Joe Erdelyi estimates that as few as two or as many as seven projects could use up all the available credits. As part of the evaluation process, Agency staff ranks projects in accordance with the State's allocation plan and on a subjective basis. These rankings then go to the Committee as the basis of recommendations for credit reservations. Allan normally participates in the meetings leading to those rankings. It is difficult to separate out one project from the others that have applied for credits in the same round, since many criteria have to be discussed on a comparative basis between projects, e.g., which projects serve the lowest income population for the longest period of time?

There are several alternatives that could be adopted to balance a potential public relations problem for the Agency with the Agency's desire to have the benefit of Allan's expertise. One possibility would be for Allan to not participate in any way in this round of the tax credit allocation process because of RAHC's application. The Rules setting up the Committee allow his designee to participate. If he was to do that, any objections to the process could be answered merely by demonstrating that he had nothing to do with the allocation of credits for this round. However, Allan's knowledge of the developers and his experience with tax credit developments would then be excluded from the entire process. Also, there is no assurance that RAHC won't be applying in every round, thus effectively excluding the Agency's Director from involvement in one of the Agency's largest programs.

Another approach would be for Allan to take no part in the staff process of ranking applications, but participate in the Committee review of projects, taking care not to express any opinions nor vote on the RAHC application. This approach would still keep him out of the ranking process, but allow him to participate at the Committee level on projects other than RAHC's. We understand, for example, that Dick Williams does not participate in Committee discussions about HFI or VHEI projects, but does participate in discussions about other projects in the same round. This approach would require a more detailed explanation to someone objecting, but might separate Allan sufficiently from the process to pass muster.

Chairman White suggested another alternative that he would like the Board to consider. Allan would participate in the staff evaluation of all projects except the RAHC project, but staff would provide evaluations of all projects, but would not rank them in advance for the Committee. Staff would be available at the Committee meeting to assist the Committee in evaluating the projects. Allan would not participate at the Committee level and would send a designee to participate in the Committee meeting, including voting on the projects. While no solution is "perfect," this would allow Allan's expertise to be used at the level where it is most needed.

If any Commissioner has any questions, please don't hesitate to call me. My extension is 426 and my direct dial number is 652-3426.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

ASH

FROM: Allan S. Hunt, Executive Director

DATE: May 16, 1997

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:00 p.m. Thursday, May 22, in Conference Room #1 (in the basement) of 133 State Street, Montpelier, Vermont.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier at 1:00 May 22!

REMINDER TO VHMGB BOARD MEMBERS: *The VHMGB Board meeting is scheduled for 2:00 Wednesday, May 28.*

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VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

Conference Room #1
133 State Street
Montpelier, Vermont

Thursday, May 22, 1997 at 1:00 p.m.

1. Review and approval of minutes of April 17, 1997

2. Review and approval of minutes of May 7, 1997

3. Development
   A. Pines IV Combined Letter of Interest and Commitment Letter — **[Erdelyi // Enclosure]**

4. Multifamily Management
   A. Multifamily Portfolio Concentration — **[Falzone // Enclosure]**

5. Communications
   A. Evaluation of Down Payment Assistance Loans — **[Gent // Enclosure]**

6. Operations
   A. Single Family Program/Servicing/Property Disposition — **[Lothrop // Enclosure]**
   B. Loan Servicing Goals — **[Lothrop // Enclosure]**

7. Administration
   A. Executive Director's Report — **[Hunt]**

8. Finance
   A. Single Family Bond Financing Update — **[Schoenbeck // Enclosure]**
   B. Financial Statements as of March 31, 1997 — **[Schoenbeck // Enclosure]**
   C. General Fund Budget Adjustment Requests — **[Schoenbeck // Enclosure]**

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

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
Office of the Commissioner of Banking, Insurance, Securities and Health Care Administration
89 Main Street
Montpelier, Vermont
Thursday, April 17, 1997

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

Agency Staff: Mr. Hunt, Mr. McNamara, Mr. Schoenbeck, Mr. Falzone, Ms. Gent, Ms. Parker, Ms. Reid, Mr. Erdelyi, Ms. Cunningham

Guests: Mr. Broderick (Housing Vermont)

The meeting was called to order at 1:05 p.m. by Chairman White. Upon a motion duly made by Mr. Candon and seconded by Ms. Randall, the minutes of February 6 were unanimously approved as written.

Ms. Reid reviewed the "600 Dalton Drive Resolution" and her memo of April 10, included in the Board packet. As Ms. Reid explained, the structure of the transaction has not changed, but the originally scheduled closing has been postponed to May 8. The proposed resolution would revise the non-housing facilities note. After a motion was made by Mr. Douglas and seconded by Mr. Candon, the Board voted unanimously to adopt the "Resolution Authorizing Transactions In Connection With Sale of Building 600, Including Amendment and Assumption of Dalton Drive Neighborhood, Inc., Non-Housing Facilities Note" as attached to these minutes.

Mr. Hunt then informed the Board that Mr. Lothrop was unavailable for this meeting due to a scheduled vacation, and proceeded to review the "Single Family Program Activity Report for February 1997" included in the Board packet. Single family activity remains strong, with conventional mortgage interest rates experiencing a slight increase. The report of "Mortgages Sold to VHFA by Originator" was also reviewed by Mr. Hunt, who noted that many smaller lenders appear to be more active than Key Bank. Ms. Randall explained that Key Bank does not have mortgage lenders on staff; instead, a central toll free number is utilized. Mr. Candon also noted that ongoing discussions between Vermont Federal Bank and Vermont National Bank are likely to affect the Agency's program activity as well.

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Ms. Cunningham, the Agency's new Loan Servicing Manager, was then introduced to the Board and reviewed the "Servicing Activity for February" as detailed in Mr. Lothrop's memo of March 28, included in the Board packet. According to Ms. Cunningham, although delinquencies have not decreased overall, the trend appears to be in the right direction as far as 90 day and 60 day accounts. Existing personnel have been reassigned to support lenders and servicers with as much experience and technique in reducing delinquencies as possible. It is expected that workout and loan modification activity will increase. Servicers with very high delinquency percentages are being addressed through requests for those lenders to sell the loans to the Agency servicing released.

Ms. Cunningham also reported that a property management company has been assigned to handle properties in the southern portion of the state, allowing the Agency to address those properties in a more timely manner, and also giving foreclosure and REO specialists the ability to continue to work with local nonprofits. Currently, three properties are under consideration by nonprofits, and nonprofits have expressed interest in two other properties. In an effort to reduce the length of time leading to a foreclosure, the process is being brought back into the Single Family Operations department, to be handled by the Loan Servicing staff, which is expected to result in better contact and communications with foreclosure attorneys. As Mr. Hunt further explained, efforts will be concentrated in the area of loan modifications to prevent foreclosure, and in speeding the foreclosure process. Ms. Randall cautioned that participating lenders should be held accountable for fulfilling their obligations under the servicing contract with the Agency, and also noted that the number of staff in the collections area should not be increased if lenders are not honoring their commitments. Ms. Cunningham advised the Board that lenders have a responsibility to service loans according to the servicing contract, but several issues have arisen based on the outdated Procedural Guide for the Agency, which is not in line with actual servicing practices. The Guide has been revised and updated, clearly indicating that lenders must perform certain actions in compliance with the servicing contract or buy back the loan. This Guide has been distributed to selected lenders for review prior to publication. Ms. Randall also pointed out that the new servicing requirements will be referenced in contracts to be signed by participating lenders for the next single family bond financing. No Board action was necessary.

Ms. Reid then began a review of her memo dated April 10, included in the Board packet, regarding "Housing Vermont, Applegate Apartments: Letter of Interest for Permanent Financing." Mr. Hunt left the meeting for the duration of this discussion. Ms. Reid introduced Mr. Broderick of Housing Vermont and explained that HVT has requested a loan in the amount of $100,000 to cover construction and permanent financing for Applegate Apartments, a 130 unit family development in Bennington. In order to satisfy HUD requirements, the proposed transaction would involve sale of the property from HUD to the Agency, with immediate transfer of ownership from the Agency to a limited partnership comprised of Applegate Housing Inc., a newly formed local nonprofit, and H.V. Applegate Inc., a corporate subsidiary of HVT. Current plans call for a closing by August 15, with rehabilitation of the property to begin immediately thereafter, with completion expected by June 1998. Ms. Reid explained that the number of units would decrease to 103 in order to create playground space as well as to address site drainage and density concerns. Chairman White noted that only two units were scheduled to be adapted for handicapped accessibility, and Mr. Broderick explained that as the units are townhouse design, with bathrooms only on the second floor, the cost to convert more units could be prohibitive. Converting two units would meet the minimum requirements of the Americans with Disabilities Act (ADA), according to the attorney for HVT. Mr. Broderick explained that some accommodations are being made in other units, but those units will not fully comply with ADA requirements. Mr. Broderick also advised the Board that the management agent will be selected with HVT approval. With only 73 units currently occupied, there should be no problem relocating tenants within the property during the renovation.

Mr. McNamara reported that he had met with representatives from HUD during the previous week, and had toured the property with them. HUD has agreed to remove the underground storage tanks at HUD's expense, and is interested in having a purchase and sale agreement signed by mid-May, coinciding with the projected timeline from HVT and the Agency. Mr. Seelig expressed concern that more demolition might be in order, which could lead to increased marketability and enhanced living conditions for current and future residents. The concern over the small number of units to be converted for ADA compliance was echoed by Mr. Seelig, who urged Mr. Broderick to have HVT review the accessibility issue again in an effort to raise the number of units to be modified. A motion was then made by Mr. Seelig and Ms. Canney to adopt the "Resolution Pertaining to Letter of Interest re: Applegate Apartments" as attached to these minutes. This motion carried unanimously. Following the vote, Mr. Broderick left the meeting and Mr. Hunt returned.

"The Pines, Phase Four" was discussed next by Mr. Erdelyi, who referred the Board to his memo of April 9, included in the Board packet, and introduced Mr. Brush, of Green Mountain Development Group, the sponsor of the project. This fourth phase of senior housing to be located on Dorset Street in South Burlington would include 60 units of housing in a separate, detached structure with underground parking. The rents for this section of the housing project would be closer to median income household affordability. As Mr. Erdelyi noted, if the Agency provides financing for the fourth phase of the Pines, the entire project would represent approximately seven percent of the Agency's total portfolio. Ms. Canney asked what other project or loans represent a similar portion of the portfolio, but Mr. Erdelyi explained that information had not been researched. Mr. Hunt pointed out that the Agency provides non-recourse financing, requiring a proposed project to show that the collateral is secure and that the project will continue to perform acceptably over the life of the loan. Based on earlier experience with the first three phases of this project, it is likely that the units would be rented prior to the completion of construction. However, the Board needs to determine whether tax exempt financing should be considered a limited resource and allocated in a different manner.

Mr. Brush addressed the Board, explaining that the Pines offers more than elderly housing, by providing independent living for seniors as well as a full time nurse on the premises and a program to provide meals. CDBG funds were used to establish the South Burlington Senior Center in the lower level of the Pines; this Center is run by an organization separate from that managing the Pines. According to Mr. Brush, the success of the Pines is based primarily on the desire of elderly persons to live in housing such as this. Mr. Brush also cited a tremendous demand for this type of housing for those between 60 percent and 90 percent of median income. Photographs of the first three phases were circulated for the Board's review, and Mr. Brush noted that Phase Three has been fully leased, with over 300 applicants for only 125 units in only four months of marketing. Mr. Brush informed the Board that the lender who participated in Phase One was approached for financing in Phase Two and later Phase Three, but elected not to participate in those phases of the project.

Chairman White asked the Board to consider the concentration issue; since the Agency apparently does not have loan limits, it may be prudent to develop some guidelines as to how much funding could go to a certain project, rather than a certain developer. Another consideration might be the geographic concentration of Agency funds, to ensure that all areas of the state are represented in the Agency's portfolio. Mr. Falzone noted that a significant portion of the multifamily portfolio, perhaps as much as 40 percent, is located in Chittenden County. Chairman White then directed staff to review the portfolio concentration in terms of amount financed, project names, developers, and geographic locations, and present this information at the next meeting to assist the Board in further review of such requests. No Board action was taken regarding the Pines at this time. Mr. Hunt noted that the Federal Home Loan Bank's Federal Housing Finance Board has selected the Pines to receive an award for outstanding project; this award is given to only ten projects throughout the country. Mr. Brush informed the Board that he plans to enter the Pines in a national home builders' competition as well, and then left the meeting.

Next, Mr. Hunt reviewed the "Multifamily Refunding Savings (0% Funds) Suggested Lending Guidelines" as outlined in his memo of April 11, included in the Board packet. In August 1995 the Board adopted recommendations from Evensen Dodge regarding the use of the Agency's multifamily refunding savings as zero percent loans. These funds are to be used primarily to protect current assets held by the Agency, and have been allocated for Winchester Place and the St. Johnsbury project workouts. A financing request regarding Hedding Drive, made to the Board at an earlier meeting, was denied based on the reluctance of the primary lenders to participate at a level the Agency felt was appropriate. Another property located in Fort Ethan Allen that is in the Agency's portfolio was also not allocated a portion of these funds, as the property was not judged to be in poor enough shape to warrant the use of the refunding resource. Mr. Hunt suggested that the Board consider whether these funds should be used only on the most seriously endangered projects, or for long range investments in projects that do not need immediate attention.

Another potential use for these funds would be payment on the Northgate Premium Notes, which could have a significant impact on the Agency's financial situation. At the time of the Northgate transaction, the sellers took a concession price on Northgate, with premium notes, agreeing that the premium notes would be negated if the Agency purchased the other "Gates" projects within a specified period of time. Westgate, located in Brattleboro, is the last of the "Gates" and it is expected that the option agreement will lapse before the premium notes are due.

Mr. Hunt explained that the premium notes are accruing interest, although current payments are not required under the terms of the notes and there is little expectation that they will be paid. By allocating a portion of the refunding sources to Northgate to pay off the premium notes, the Agency would gain a better cash position and Northgate's situation would also be improved. Chairman White asked if it would be possible to utilize these funds to address the subsidy that the Agency has been considering providing for VHMGB over the next two years. Mr. Schoenbeck noted that a separate memo on the contribution to VHMGB would be considered later in the meeting, but cautioned that the zero percent funds must meet a 20 year commitment requirement to result in the appropriate yield burn. Any loan from the Agency to VHMGB would not result in capital for VHMGB.

Mr. Seelig reminded the Board that the multifamily refunding was undertaken with the plan to benefit a certain group of projects while keeping the Agency as financially stable as possible; however, the guidelines in the memo do not represent methods of helping low income Vermonters. As Mr. Seelig further explained, the Board needs to determine if the funds will be used to protect the Agency's bottom line, or to further the Agency's mission and assist an economically distressed section of the state. To broaden the scope of fund use, it may be necessary to undertake a process similar to that used to develop the Strategic Plan, in an effort to identify the needs and uses for these funds in conjunction with that available from other organizations. Mr. Candon noted that a continued strategy of "reserving" funds for the coming year will result in not having funds available for emergency utilization of funds during that year. Mr. Schoenbeck cautioned the Board that another threat to the availability of these funds is HUD's challenge of an HFA's right to earn funds in excess of yield allowances; if the funds are no longer available due to some action that HUD may take, the Agency would need to find other sources to meet various commitments linked with these funds.

Mr. Falzone reported that a capital needs assessment of the Agency's current multifamily portfolio is being conducted. This assessment will determine what properties may need additional funding that could come from the refunding yield burn pool. As Mr. Falzone further explained, problems in the multifamily portfolio can usually be identified with enough advance notice to determine the need for funding sources other than a project's reserve funds, which should allow for an orderly assessment of refunding savings allocations. Mr. Seelig again urged the development of a system or strategy to determine the needs for fund utilization, which could be reviewed annually in a proactive manner. Ms. Canney suggested that staff produce a matrix indicating fund availability, commitments and usage, and proposed utilization of funds. Mr. McNamara noted that the FY98 Business Plan would be presented for the Board's review in June, and plans for the allocation of projected refunding savings could be incorporated into that process. No formal Board action was taken, but it was generally agreed that further development of the zero percent lending guidelines was necessary, and should be undertaken in the course of the ongoing Business Plan review process and preparation of the FY98 plan.

The memo entitled "Homeownership Centers: Evaluation of Year One; Request for Support for Year Two; Request to Expand the Pilot Project" was then reviewed by Ms. Gent.

The first year of the Homeownership Centers' existence involved less activity than was expected, but resulted in organizational clarification and an improved communication and cooperation between the pilot Homeownership Centers and local networks. Ms. Gent reminded the Board that the Agency had allocated $20,000 to each of the three pilot Homeownership Centers during FY96 to be used during the calendar year of 1997. Ms. Randall noted that Rutland West Neighborhood Housing Services (RWNHS) provides post-ownership counseling to their current customers, and asked if the other Homeownership Centers would be expanding their services to do the same. Ms. Gent explained that Burlington Community Land Trust (BCLT) and Gilman Housing Trust (GHT) would need to build more staff capacity before being able to offer post-ownership counseling. As Ms. Gent further pointed out, BCLT is directing a number of borrowers to the Agency's single family loan programs; it would be to the Agency's advantage to have post-ownership counseling offered on a wider basis. RWNHS is expanding post-ownership counseling to customers beyond those already in their loan portfolio. Ms. Randall observed that it may be better to reach more households by holding fewer individual sessions with applicants. Ms. Canney enthusiastically endorsed the activities of the Homeownership Centers, particularly RWNHS, but noted as well that much of the success can also be traced to efforts made by the participating nonprofits during the year preceding the pilot program.

Mr. Seelig suggested that a more formal process be adopted to determine the next nonprofit participants in the Homeownership Center program. However, Mr. Hunt reminded the Board that when the pilot program was being designed, Rockingham Area Community Land Trust (RACLT) had expressed an interest and was highly regarded, but was eventually eliminated due to staffing issues, which have since been resolved. After some further discussion, a motion was made by Mr. Seelig to approve operating support for the Homeownership Centers located at BCLT, GHT, and RWNHS in the amount of $20,000 each for the current calendar year, and approval to expand the pilot project to include RACLT and provide RACLT with $20,000 in operating support, a total funding request of $80,000; it was further moved that 50 percent of the funding for the calendar year of 1998 also be included in the FY98 budget when it is presented. This motion was seconded by Mr. Candon and carried unanimously.

Next, the "Homeownership Center Scattered Site Project–Application to the Federal Home Loan Bank's Affordable Housing Program; Commitment of Multifamily Refunding Savings" was reviewed by Ms. Gent, who directed the Board to her memo of April 10, included in the Board packet. An application has been submitted to the FHLB affordable housing program, with the collaboration of the current Homeownership Centers and the Vermont Development Credit Union. This $240,000 grant would be used to assist 40 applicants to achieve homeownership. The Agency is being asked to provide $78,000 to be used to make zero percent deferred payment mortgage loans for 13 units to households at or below 50 percent of area median income. Ms. Gent cautioned that the grant would not be possible without the requested funds from the Agency. Ms. Randall noted that this use of the zero percent funds was not included in the memo on zero percent financing discussed earlier. Mr. Hunt assured the Board that the Chairman had been consulted prior to the application being submitted. After a motion made by Ms. Canney and seconded by Ms. Randall, the Board voted to adopt the "Resolution

Regarding Commitment of Multifamily Refunding Savings" as attached to these minutes, with Mr. Candon abstaining.

Mr. Schoenbeck then reviewed the "Underwriter Selection Process (RFP)" as outlined in his memo of April 11, included in the Board packet. Mr. Schoenbeck assured the Board that the Board's approval of the recommendations does not result in a contract, so that it would be possible to develop a bond transaction with other underwriters, should the performance of the selected group prove to be unsatisfactory. Evensen Dodge, the Agency's financial advisor, would review the performance of the underwriting group after each financing to determine if the team is meeting the Agency's expectations. This evaluation would include comparisons with other current pricings, the rate obtained, service throughout the structuring of the transaction, and creativity. A motion was then made by Mr. Candon and seconded by Ms. Canney to approve the selection of PaineWebber as Senior Manager, and Smith Barney and AG Edwards as co-managers, for the Agency's bond financings; the term of the appointment will be two years, with an option to extend the agreement by two one-year terms. This motion carried unanimously.

{Ms. Randall left the meeting at this time.}

The "General Fund Budget Performance" was then reviewed by Mr. Schoenbeck, who referred the Board to his memo of April 11, included in the Board packet. The budget performance is in line with expectations through the first half of FY97. Single Family fees are lower than expected since they are collected at the beginning of the calendar year, and will be reflected in the third quarter budget report. The Balance Sheet and Statement of Revenues, Expenses and Changes in Fund Balances were also reviewed. Mr. Schoenbeck noted that General Fund liquidity continues to be a concern, with an likelihood that the General Fund balance will need to be increased by transferring available bond fund balances. A new bond financing is also being considered, now that the underwriting team is in place, and will probably occur before the end of the fiscal year. No Board action was necessary.

Mr. Falzone reviewed the "Multifamily Director's Report" included in the Board packet, attached to his memo of April 2. This quarterly report reflects the status of various financial aspects of the Agency's multifamily portfolio. Chairman White asked that Mr. Falzone provide a brief training session to review the multifamily portfolio and explain the acronyms and methods for determining a project that is at risk; no specific date or time was set, but it was suggested that this could happen during a working lunch prior to a future Board meeting to be held in Burlington. Topics to be covered would include a history of Section 8 subsidies, how budgets are reviewed and determined, methods for addressing vacancy rates and cash flow projections. There was no further Board action taken on this report.

Beginning his Executive Director's report, Mr. Hunt explained that Mr. Jarrett has been out for the past two weeks due to a hip fracture, but is recovering well. Much of Mr. Hunt's time has been spent in the Legislature addressing issues and concerns raised by the bill related to VHMGB's request for fee increases. The bill received unanimous approval by the House

Commerce Committee and is moving slowly through the other related committees in the House; the Administration has testified in opposition to part of the bill providing a tax credit offset to the higher fee. Mr. Hunt informed the Board that the Agency had received the President's Award for the United Way campaign performance, based on a high level of employee participation and total funds committed. The HUD reengineering application has been approved and the Agency has been selected by HUD to be the restructuring agent for Vermont, with some potential for fee income. Mr. Hunt further explained that it is expected that this process will allow staff to determine methods to address the Agency's multifamily portfolio needs.

Mr. Hunt then turned to his memo of April 10, included in the Board packet, regarding the Agency's proposed "'Contribution' to VHMGB." Discussions between Chairman White, Mr. Hunt and Mr. Schoenbeck helped craft a method to create $300,000 of value per year for two years that could directly impact the level of capitalization for VHMGB. On future bond issues, the Agency would agree to accept less coverage from VHMGB than is presently provided, saving guarantee authority for VHMGB which could then be sold for an additional fee. The Agency would need to provide a loan loss reserve funded by a slightly higher interest rate on those loans, but the guarantee fee paid by the borrower would not increase. No Board action was required.

{Ms. Canney left the meeting at this time.}

The "FY97 Business Plan Third Quarter Results" were then reviewed by Mr. McNamara, who referred the Board to his memo of April 11, included in the Board packet. Mr. McNamara explained that an "Information Technology" group has been formed, which will develop a capital plan enabling a budget to be developed for FY98 technology requirements. Staff is also undertaking an analysis of the Agency's perceived strengths, weaknesses, opportunities and threats, which was originally conducted as part of the Strategic Plan process. Chairman White noted that the loan servicing segment measures activity, but does not address performance goals for improving the quality of the Agency's single family portfolio, and recommended that these be incorporated into the FY98 Business Plan. No further Board action was taken.

The next Board meeting was scheduled for May 22 in Burlington. There being no further business, and following a motion duly made and seconded, the meeting was adjourned at 3:50 p.m.

Respectfully submitted,

Allan S. Hunt, Secretary

RESOLUTION OF VERMONT HOUSING FINANCE AGENCY AUTHORIZING TRANSACTIONS IN CONNECTION WITH SALE OF BUILDING 600, INCLUDING AMENDMENT AND ASSUMPTION OF DALTON DRIVE NEIGHBORHOOD, INC. NON-HOUSING FACILITIES NOTE

WHEREAS, under "Resolution of the Vermont Housing Finance Agency Authorizing the Issuance of its Development Loan Notes (Dalton Drive Development)", adopted April 25, 1991 (the "Resolution"), the original financing of Buildings Numbered 504 and 600 at Dalton Drive (the "commercial buildings") was authorized as part of a "Mixed Use Development" within the meaning of the Agency's Rules entitled "Grants, Loans, and Advances to Assist the Planning, Construction, Rehabilitation, and Operation of Residential Housing; Mortgage Loans to Housing Sponsors for Single Family Developments," effective date June 4, 1990 (the "Regulations") and,

WHEREAS, the original financing for the commercial building is evidenced by a certain Non-Housing Facilities Note of Dalton Drive Neighborhood, Inc. ("DDNI") in the original principal amount of $499,600.00 and dated December 11, 1991 (the "Non-Housing Facilities Note"); and,

WHEREAS, Building 504 has been previously sold and refinanced as ratified by Resolution adopted October 12, 1995; and

WHEREAS, the Non-Housing Facilities Note is currently valued on the books of the Agency at $275,000.00; and,

WHEREAS, DDNI has granted to Burlington Community Land Trust ("BCLT") an option to purchase Building 600 to be used for purposes consistent with a Mixed Use Development; and,

WHEREAS, the Non-Housing Facilities Note is not the subject of any existing agreement with bondholders or noteholders of the Agency; and,

WHEREAS, pursuant to the provisions of 10 V.S.A. §621, the Agency is specifically empowered to "consent to any modification with respect to rate of interest, time and payment of any installment of principal or interest, security, or any other term of any contract, mortgage, mortgage loan...contract or agreement of any kind to which the agency is a party...;"

NOW THEREFORE, in order to facilitate prompt partial repayment of the Non-Housing Facilities Note and to assist the rehabilitation and operation of the Mixed Use Development of which the commercial buildings form a part, it is hereby

RESOLVED, as follows:

1. The Agency consents to the sale of Building 600 by DDNI to BCLT and by BCLT to a limited partnership or limited liability company, which may be Cares Housing Limited Liability Company (the "Ultimate Owner"), substantially in accordance with the terms and conditions of that agreement between DDNI and BCLT entitled "Option to Purchase Building No. 600, Dalton Drive," dated April 30, 1996, as amended by "Extension of Option to Purchase Building No.600, Dalton Drive," dated December 31, 1996 (together, the "Option Contract"); and,

2. Upon payment to the Agency of the sum of $80,000.00 by or for the benefit of DDNI, the Executive Director is authorized and directed to execute and deliver the following documents:

   A. "Assumption of and Amendment to Non-Housing Facilities Note" between the Agency and BCLT, substantially in the form appended to this Resolution (the "Amending Agreement");

   B. "Assignment, Assumption and Priority Agreement" among the Agency, BCLT, the Ultimate owner, Vermont Housing and Conservation Board, The Preservation Trust of Vermont, The Howard Bank, N.A., and the Town of Colchester, or any similar agreement, providing substantially for the assumption by the Ultimate Owner of the Non-Housing Facilities Note as amended and the provisions of the Amending Agreement, the release of BCLT from personal liability for the Non-Housing Facilities Note or the Amending Agreement, and such provisions for the relative priority of the mortgage securing the Non-Housing Facilities Note as the Executive Director deems appropriate and reasonable in the circumstances;

   C. Such other approvals, consents, and documents as may be reasonable and necessary for the Agency to provide in order to consummate or perfect the transactions contemplated by the Option Agreement and this Resolution.

Attachment: "Assumption of and Amendment to Non-Housing Facilities Note."

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 17, 1997.

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

RESOLUTION PERTAINING TO LETTER OF INTEREST
RE: APPLEGATE APARTMENTS

WHEREAS, a proposal has been presented to the Agency by Housing Vermont ("HVT"), a non-profit corporation based in Chittenden County, (the "Sponsor") on behalf of a to-be-formed limited partnership (or a limited liability company), whose general partners (or managing members) would include Applegate Housing Inc., and H.V. Applegate Inc., a Housing Vermont affiliate, involving the rehabilitation and permanent financing of a family housing development containing 103 units in 24 buildings located on 25.5 acres in Bennington (the "Development"); and

WHEREAS, the proposal contemplates construction and permanent loans in an amount not to exceed $100,000; and

WHEREAS, the Sponsors have applied for Housing Credits and have applied for Vermont Housing and Conservation Board and HOME funds; and

WHEREAS, the Sponsors will apply for a Vermont Community Development award, a loan from the Bennington Revolving Loan Fund; and

WHEREAS, the Sponsors and the to-be-formed limited partnership or limited liability company are expected to qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated April 10, 1997 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

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

2. The construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.

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

4. The housing sponsor undertaking the Development will increase the supply of well-planned, well-designed permanent 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 organizations and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Deputy Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to the to-be-formed limited partnership or limited liability company for the rehabilitation of Applegate Apartments in Bennington and a permanent loan, in an amount not to exceed $100,000. The term and interest rate will depend on the Agency's source of funds. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance or for other purposes with the consent of the Agency.

2. The Letter of Interest shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:

    a) Sponsor must demonstrate that requisite financing has been committed by June 30, 1997, including but not limited to Housing Credits, and loans/grants from Vermont Housing and Conservation Board, HOME, HUD, the Bennington Revolving Loan Fund, and Vermont Community Development Program. "Requisite financing" means the amount and terms of each of the sources of funding represented on the multifamily loan application or their equivalent. If the sponsor is unable to obtain commitments of "requisite financing", the sponsor may have to reduce costs from the development budget so that the total uses of funds matches the total sources of funds;

    b) Sponsor must provide final plans and specifications for VHFA approval;

    c) All underground storage tanks must be removed either prior to acquisition or as part of the acquisition/rehabilitation plan.

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 17, 1997.

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

VERMONT HOUSING FINANCE AGENCY
RESOLUTION REGARDING COMMITMENT OF
MULTIFAMILY REFUNDING SAVINGS

WHEREAS, the Agency has participated in an application to the Federal Home Loan Bank's Affordable Housing Program through the Vermont Development Credit Union on behalf of the Homeownership Centers; and

WHEREAS, to make the application feasible, additional funding in the form of zero interest, deferred payment second mortgage loans are required; and

WHEREAS, in a memorandum dated April 10, 1997, (the "Memorandum") Patricia A. Crady and Cathleen Gent recommend that the Agency provide an amount not to exceed $78,000 in Multifamily Refunding Savings to assist 13 households at or below 50% of area median income with a zero interest, deferred payment second mortgage loan in an amount not to exceed $6,000 each; and

WHEREAS, pursuant to 10 V.S.A. §621(5), the Agency is authorized to provide grants, loans or advances as will assist the planning, construction, rehabilitation and operation of residential housing primarily for persons of low and moderate income;

NOW, THEREFORE, it is hereby RESOLVED:

The recommendations of staff contained in the Memorandum are adopted by the Agency, a commitment of $78,000 in Multifamily Refunding Savings is approved, and the Executive Director is authorized to implement the program as described in the Memorandum.

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 17, 1997.

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

vhfa
VERMONT HOUSING FINANCE AGENCY

BOARD CONFERENCE CALL MINUTES
Vermont Housing Finance Agency
164 Saint Paul Street
Burlington, Vermont
Wednesday, May 7, 1997

PRESENT VIA SPEAKERPHONE: Chairman White; Commissioners Brown (designee of Shouldice), Candon (designee of Costle), Canney, Douglas, Randall, Seelig

Agency Staff: Mr. Hunt, Mr. McNamara, Mr. Schoenbeck, Mr. Jarrett, Ms. Parker

Guests: (via speakerphone) Ms. Wallis (Office of Policy Research and Coordination)

The meeting was called to order at 2:05 p.m. by Chairman White. Participants were identified by roll call, and it was agreed that all votes would be taken in the same manner. Mr. Jarrett confirmed that this meeting had been properly warned and was taking place within the parameters of Vermont's Open Meeting Law. Ms. Wallis advised the Board that she did not plan to participate in the discussion.

Chairman White offered some background information, explaining that the Board needed to address how to proceed with Low Income Housing Tax Credit (LIHTC) applications in light of the personal relationship between Mr. Hunt and the Executive Director of the Regional Affordable Housing Corporation (RAHC) in Bennington, and RAHC's application for housing credits which will be considered during the current round of allocations. Receipt of Mr. Jarrett's memo of May 1, regarding the "Joint Committee on Tax Credits," was acknowledged by each Board member. At issues is the extent to which Mr. Hunt should participate in the review of tax credit applications at either the staff or committee levels.

Mr. Hunt addressed the Board, expressing his concern that the conflict of interest that arose recently in the state's Agriculture Department has been analogized to the present situation, and indicated that there is no correlation between the two situations. As Mr. Hunt further explained, his participation in the LIHTC process is not for personal gain, and it is not clear that the nonprofit organization involved would benefit in any fashion. With deference to the Agency's staff already involved in the LIHTC process, Mr. Hunt noted that they do not have as much experience and insight into the projects as he does, and may not possess the ability to review the projects in a creative way that may make them successful without tax credit participation. This is the second most significant program that the Agency operates, and Mr. Hunt expressed his concern at being totally excluded from the process.

Ms. Randall noted her concern that any level of involvement on Mr. Hunt's part could be perceived as a conflict, as he would have an influence on allocations due to his knowledge and expertise.

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However, as Chairman White further explained, the decision to exclude Mr. Hunt from discussions and negotiations in any Applegate Apartments matter was made to ensure that there would be no possibility of a real conflict of interest. As there is a limited pool of resources to allocate for housing credits, it is more difficult to resolve the current situation. One concern is that applicants may feel that Mr. Hunt's involvement in the process affects his level of interest in having any RAHC application approved, and could influence the ranking of applications.

Mr. Brown observed that there are two levels of consideration: an actual conflict of interest and the appearance of a conflict of interest. The issue of an appearance of a conflict of interest often does not require proof, as an allegation can affect the outcome of any review. The only way to effectively protect against any actual or apparent conflict is to remove Mr. Hunt from the tax credit process entirely, acknowledging that this would be at some cost to the Agency due to the absence of his experience and creativity. Mr. Seelig agreed, noting that despite Mr. Hunt's value to the process, which makes the task of the committee members easier, it is difficult to outline a process which would allow for some involvement by Mr. Hunt but avoid any perception of a conflict of interest. Mr. Douglas also concurred with Mr. Brown's assessment. Ms. Canney acknowledged the possibility of a conflict of interest, but asked the Board to consider allowing Mr. Hunt to continue his involvement in the LIHTC process, as it represents a major component of the Agency's activities.

Mr. Hunt explained that housing credits consist of an annual allocation of $700,000, which equates to $7 million in value. The allocation of credits at the beginning of the process usually requires about two months, including policy discussions and revisions to the annual allocation plan. Mr. Hunt estimated that 20 percent of his time is involved in the housing credit process. However, once the allocation has been made by the committee, it might be possible for Mr. Hunt to be involved, as any appearance of a conflict of interest would dissolve.

A motion was then made by Mr. Candon that Mr. Hunt not be involved in the housing credit process during this round of applications, with the understanding that the Agency's current staff assigned to LIHTC issues would assume all responsibilities; should RAHC not submit an application during another round of applications, Mr. Hunt would resume his normal duties relating to the housing credit allocation process. This motion was seconded by Ms. Randall, and carried unanimously.

Chairman White reminded the Board of the importance that all housing credit applicants be treated fairly and the decision was not made lightly; the value of Mr. Hunt's insight and contribution to the process is duly recognized, and the Board's action does not reflect a lack of confidence in Mr. Hunt.

The next Board meeting was scheduled for May 22 in Burlington. There being no further business, and following a motion duly made and seconded, the meeting was adjourned at 2:35 p.m.

Respectfully submitted,

Allan S. Hunt, Secretary

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Multifamily Development Underwriter

DATE: May 16, 1997

RE: The Pines - Phase Four; Combined Letter of Interest and Commitment Letter for Construction and Permanent Financing; Bridge Financing

Executive Summary

At its meeting last month, the Board considered whether to entertain an application for funding a fourth phase of the Pines development. A consensus was reached that VHFA should consider such an application.

The sponsor, Green Mountain Development Group, has applied to VHFA for financing for a 60 unit new construction senior development on Dorset Street in South Burlington. There are currently 124 units from three earlier phases on the site, and these 60 units would be the final ones built at this development. VHFA has provided $2.725 million to the 72 units in Phases Two and Three. (Phase Three, consisting of 39 units, is scheduled for completion and full rent-up by the end of this month.) The first three phases of the development include: 1,800 square feet of communal dining and living areas, a 720 square foot commercial kitchen, 1,525 square feet of community/activity areas, two elevators, a VNA satellite office, a 6,000 square foot senior center, laundry facilities and landscaping (including walking trails, gardens and patios). The sponsor is eager to begin construction immediately, and has been marketing the units for December occupancy. The Pines (Phases One through Three) has received a Northern Vermont Homebuilder's Association award for affordable housing, and is scheduled to received an award from the Federal Housing Finance Board, one of ten such awards given nationally every year.

Demand for the units in Phases One through Three has greatly outpaced the original projections, and the sponsors have identified a need for additional units with the same services, but to a higher income group. All but seven units in the first three phases are affordable to households at or below 60% of the area median income, and the sponsors have received numerous inquiries from prospective tenants who were over the income limits. The decision to proceed with Phase Four is based on this demand. The sponsor has a list of 53 names of prospective tenants, and of those, 25 have sent in a written survey response that they would move into the units at the proposed market rents.

THE DEVELOPMENT

Projected Funding Sources

VHFA First Mortgage	$3,700,000	84.92%
Equity	$656,985	15.08%
Totals	$4,356,985	100.00%

The development will receive Housing Credits outside the state's normal ceiling because tax-exempt bond financing is being used. Although the development does not have to go through the competitive process of securing a reservation of credits, it does have to follow all of the other requirements of the state's Allocation Plan, including staff review, developer's fee limits, and ongoing compliance monitoring.

The sponsor has not yet commissioned an appraisal. VHFA's Multifamily Rules have an upper limit of 95% loan-to-value ratio to for-profit developers, and staff anticipate that the appraisal will provide for a value high enough that the loan-to-value ratio will be significantly lower than this limit. The loan commitment is conditioned upon an appraisal satisfactory to staff that provides a value within the parameters of VHFA's Rules. The loan-to-cost ratio is approximately 84%.

As with the loans on the Phase Two and Three loans, the sponsor is seeking a construction and permanent loan. The VHFA commitment will be conditioned upon the sponsor paying any costs of the bond that are not covered by the interest payments during construction (on the previous loans, these "negative carry" costs were put into the capital budget and paid by the sponsor). In addition, the sponsors will have to provide personal guarantees acceptable to staff during the construction and rent-up periods. VHFA staff will endeavor to minimize these costs in structuring the transaction with the purchaser of the bond.

The interest rate to the project will be a function of the rate at which VHFA can sell the bonds. For underwriting purposes, staff and the sponsors have used a rate to the project of 8%, which can be achieved at current bond rates. However, because rates might conceivably rise to the point at which staff believe the financial feasibility of the project is threatened, VHFA's commitment will contain a provision that allows the commitment to be withdrawn in the event of a significant rise in interest rates.

Unit Breakdown and Rents

Thirteen of the 60 units are targeted to families at or below 50% of median income, as required by the tax exempt bond funding. In addition, VHFA's Rules require that 70% of the units be affordable to households at or below median income. The balance of the units (48 units) are all affordable to households earning 78% to 92% of median income. The unit size and rent breakdown is as follows:

Low Income Units:

Size	#	Rents
1 BR	13	$458

Market Rate Units:

Size	#	Rents
1 BR	24	$775
2 BR	23	$900

These rents include heat, hot water, and electricity.

Sponsor and Management

The general partner of the partnership that will own the development will be a corporation to-be-formed by John Giebink and Charlie Brush. In addition to the Pines Phases Two and Three, Mr. Brush and Mr. Giebink have utilized VHFA twice before. They received construction financing and developed the Redrocks-Phase III condominiums in Burlington. This development consists of 100 total units. VHFA provided construction financing in a 50% participation with Vermont National Bank (total site development cost $855,000) on Phase III-B, which consists of 56 units. The loan was for infrastructure and site improvements, not actual unit construction. The loan was fully paid off in September 1996. In addition to Redrocks, the sponsors developed Sugarwood, a 12 unit family Section 8 property in Middlebury (approximately 15 years old). Both developments are doing well and have met or exceeded VHFA's expectations. For more on the "concentration of funds" issue, see the Discussion section of this memo.

Phases One through Three of The Pines are being managed by Coburn and Feeley property management. There is office space on site that is utilized by a property manager who is present on a full-time basis. The sponsor intends to hire Coburn and Feeley to manage Phase Four as well.

Site & Environmental Concerns

The sponsor has had a Phase One Environmental Site Assessment done on the entire parcel before subdivision, which includes the parcel on which Phase Four will be sited. There were no significant sources of contamination on or influencing the site.

DISCUSSION

At its last meeting the Board asked staff to examine the "concentration of funds" issue. Sam Falzone has performed an examination of the uses of VHFA funding, which has historically been driven by the proposals we have received from developers. With regard to the amount of VHFA funding used by a specific developer, the Board should consider a few issues: VHFA funding is non-recourse, which means that we rely on the underwriting of the real estate rather than on the financial strength of the sponsors. (We do, however, review the financial strength of the sponsors because we generally require guarantees during the construction period.) Our examination of the sponsors for purposes of providing permanent financing concentrates more on the sponsor's likelihood of successfully overseeing the marketing of the units and overseeing the management and maintenance of the property. For this we not only look at the sponsor's financials, but also their experience and capacity. Based on discussions staff has had with the sponsor, Green Mountain Development Group is pursuing developments similar to the Pines at two locations in New York, one in New Hampshire, and one in Rutland, Vermont, so it appears that owning and developing tax credit projects is a major portion of the sponsor's current business.

In addition, most developers who use VHFA funding form sole-purpose partnerships, and often form wholly-owned corporations to act as the general partner. Although we can trace the initial sponsors through this ownership structure, this structure exists to protect the developers from risk and therefore provides incentive to do the development. Any policy by the Board that would limit use of VHFA funding by a developer would have to consider these layers of the ownership entity. A policy would also have to address "turnkey" developments, in which the developer is only involved through construction (and possibly initial occupancy), but not as the final owner.

Because of the sponsor's aggressive schedule, the sponsor is concerned about the timing of the availability of funds. Roger Schoenbeck estimates that it will take from four to six weeks for proceeds from a bond sale to become available to the project. The sponsor has requested a VHFA bridge loan in the event that the funding is not available in time to meet the construction schedule. The sponsor has stated that they will use their own funds to purchase the land, and that VHFA bridge loan funds would only be used for construction costs and related soft costs. Staff believe that most of the due diligence needed for a construction loan closing will also need be done for a bridge loan closing. Also, the construction loan could not be closed before the details of the bond sale have been finalized, and the proceeds should be available shortly after the closing. It seems unlikely VHFA would need to provide a bridge loan, or if one is provided, it would be for a very short term. In the event of some unforeseen delay in the bond funds becoming available, staff is requesting that the Board authorize the Executive Director to make a bridge loan at an amount and terms sufficient to enable the project to proceed. The sponsor's construction schedule may need to be adjusted slightly to accommodate the funding source. However, if VHFA or the sponsor is able to find a single purchaser of the bond, the funding may be more quickly available.

Strengths

a) The previous phases of the Pines development have been built on time and on budget, and the demand for units at the project has been and continues to be strong. The proposed development will likely face little construction risk or rent-up risk.

Weaknesses

a) VHFA has seldom done developments as large as the Pines. VHFA will have funded 132 out of the 184 total units on one site and will have put in a total of $6.425 million. However, the phasing of the development and the staggered rent-up helps minimize the usual concerns about market absorption of so many units.

RECOMMENDATION

Staff recommends Board approval of the attached Resolution to provide a Letter of Interest to provide permanent financing in an amount of up to $3,700,000, loan term of 20 years and an amortization period of 30 years, and target interest rate of 8.0% (the interest rate will be determined by VHFA's cost of funds plus a spread of not less than 75 basis points). Staff further recommends that the Board authorize the Executive Director to issue a Commitment Letter. The proposed source of funding is a tax-exempt bond.

The Commitment Letter shall be subject to the following conditions:

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

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

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

4) Sponsor must provide personal guarantees acceptable to staff for the duration of the construction and rent-up periods;

5) Sponsor must provide a letter from the town regarding the estimated first year's property taxes;

6) Sponsor must agree to pay the negative carry costs if any of the bond during the construction and rent-up periods (prior to the permanent loan closing).

Staff recommends the Board authorize the Executive Director to make a bridge loan of up to $670,000, term of up to 3 months, with a rate based on VHFA's cost of funds plus a spread of 1.75 points. The source of funds will be VHFA's line of credit.

RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST AND COMMITMENT LETTER RE: THE PINES, PHASE IV

WHEREAS, a proposal has been presented to the Agency by Green Mountain Development Group, Inc., a development corporation, (the "Sponsor") on behalf of a to-be-formed limited partnership, involving the construction and term financing of a senior housing development containing 60 additional units in one building located on approximately six acres in South Burlington (the "Development"); and

WHEREAS, the proposal contemplates a construction loan and term loan in an amount not to exceed $3,700,000; and

WHEREAS, the Sponsor is intending to use Housing Credits derived from projected tax-exempt bonding, which are not subject to the State's housing credit ceiling; and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi dated May 16, 1997 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

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

2. The construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.

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

4. The housing sponsor undertaking the Development will increase the supply of well-planned, well-designed term housing for persons and families of low and moderate income.

5. The security value of the Development will equal at least the amount of the Agency's loan.

6. The Sponsor is a financially responsible organization and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to a to-be-formed limited partnership for the construction of the Pines senior housing development, Phase IV, in South Burlington and a term loan, in an amount not to exceed $3,700,000. The term will be 20 years, but the loan will be amortized over a period of up to 30 years. The interest rate shall be determined by the Executive Director based on the Agency's cost of funds plus an override of not less than 75 basis points, with a target of 8.0%. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance or for other purposes with the consent of the Agency.

2. The Letter of Interest shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:

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

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

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

   d) Sponsor must provide personal guarantees acceptable to staff for the duration of the construction and rent-up periods;

   e) Sponsor must provide a letter from the City regarding the estimated first year's property taxes;

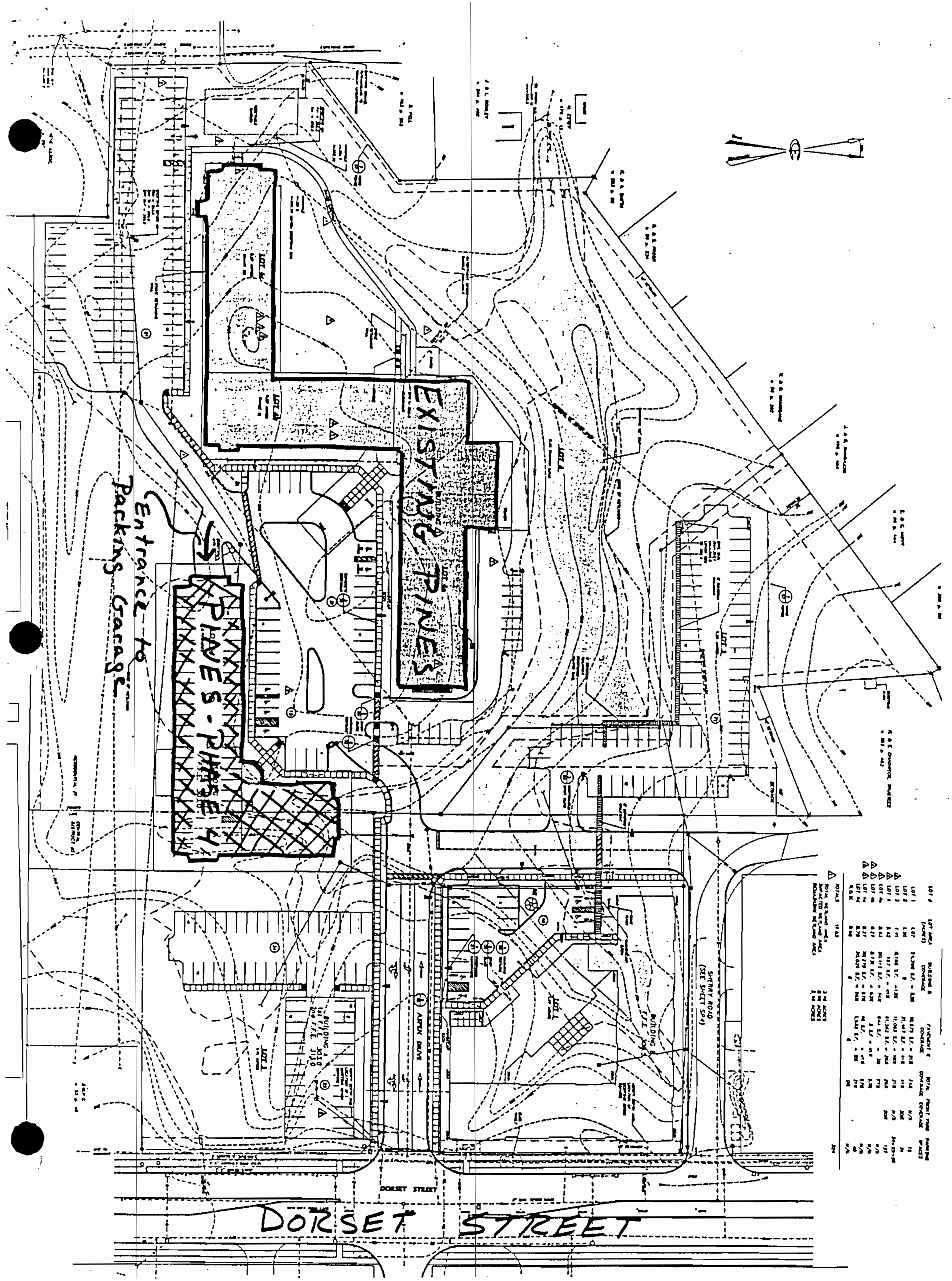
   f) Sponsor must agree to pay the negative carry costs if any of the bond during the construction and rent-up periods (prior to the term loan closing).

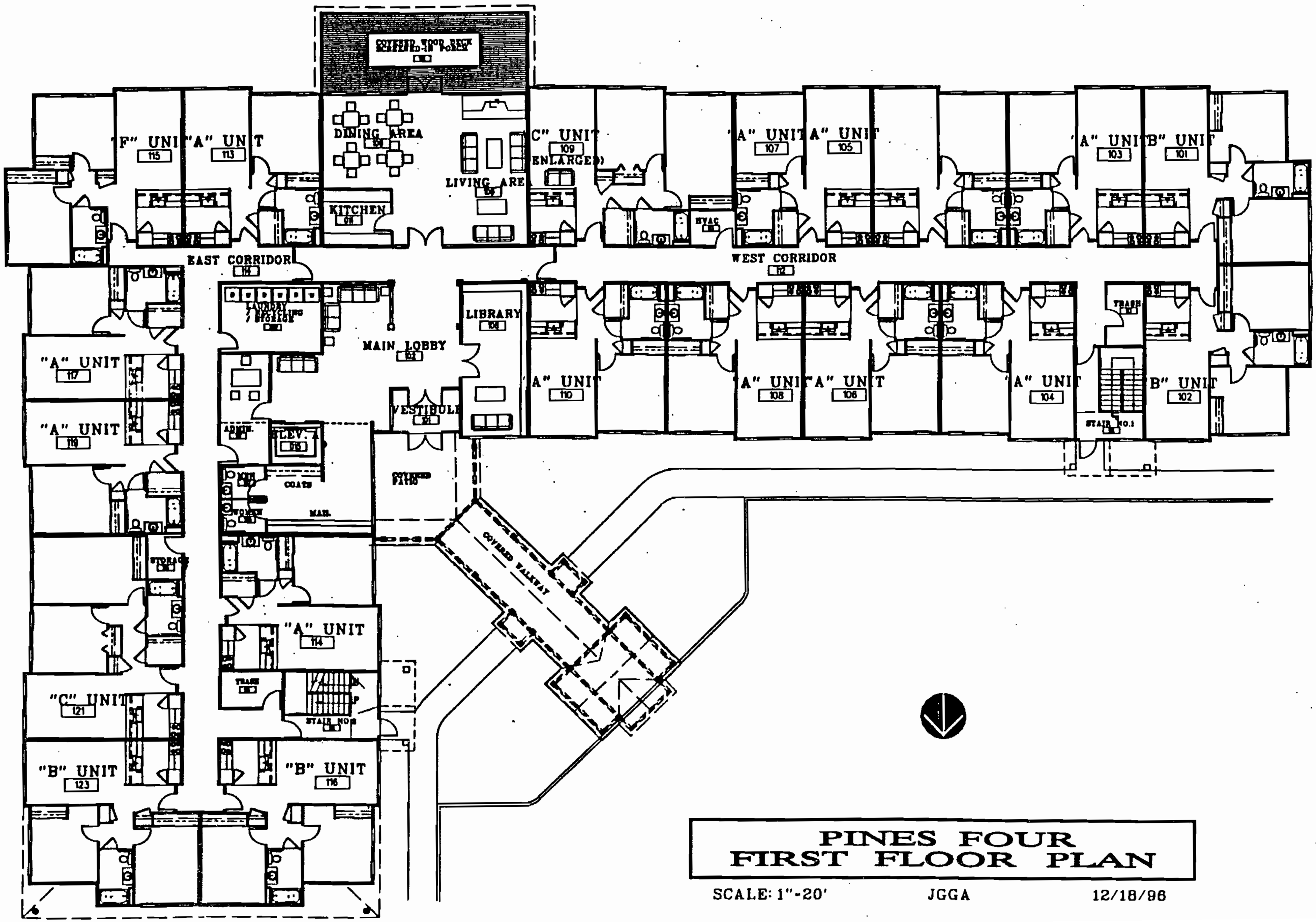
3. The Executive Director may, in his discretion, issue a Commitment Letter for loans for the construction and long-term financing of the Development, in an amount not to exceed $3,700,000. The term of the construction loan shall be one year, with an interest rate to be determined based on the Agency's cost of funds plus an override of

not less than 75 basis points, with a target of 8.0%. Interest only shall be payable on the construction loan until the closing of the term loan.

4. The term loan shall be amortized over a period of up to 30 years, but all principal and accrued interest shall be due not more than 20 years from the date of the term loan. The interest rate shall be determined by the Executive Director based on the Agency's cost of funds plus an override of not less than 75 basis points, with a target of 8.0%. The Commitment Letter may be issued to Green Mountain Development Group, Inc., as a representative of the to-be-formed limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

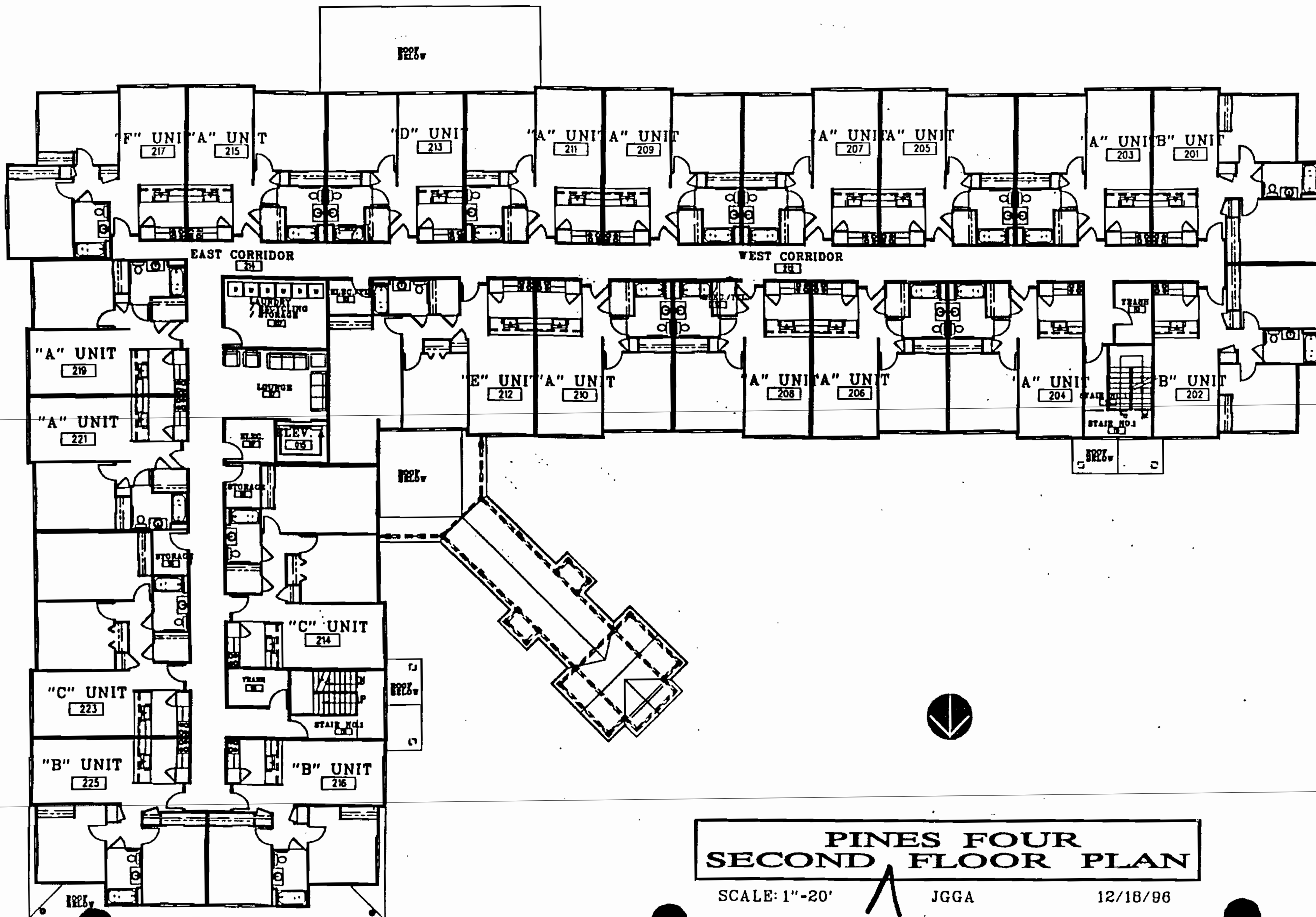
5. The Executive Director is authorized to make a bridge loan of up to $670,000 to the Sponsor, with a term of up to three months and an interest rate based on the Agency's cost of funds plus a spread of up to 175 basis points. The source of funds will be the Agency's line of credit.


EXISTING PINES
PINES-PHASE 4
Entrance to Parking Garage
SHERRY ROAD
(SEE SHEET SP4)
ASPEN DRIVE
DORSET STREET
DORSET STREET



PINES FOUR
FIRST FLOOR PLAN

SCALE: 1"-20'   JGGA   12/18/96



PINES FOUR SECOND AND THIRD FLOOR PLAN

SCALE: 1"-20'   JGGA   12/18/96

Pines Phase Four			RUN DATE:	16-May-97	
Total Residential Units:	60	Increase LIHTC		1.50%	
Restricted Units:	13	Increase Market		2.00%	
Percent Restricted:	21.67%	Expense increase:		3.00%	
Avg Net Monthly Rent:	717	Vacancy Rate:		5.00%	
Total Dev Costs	4,356,985	Partner's Tax Rate:		34.00%	
TDC/Unit	72,616	Depreciation Schedule:		27.5	
		Sponsor's Estimated Yield:			
Max Credit Amount	29,448				
Credit Amount Allocated					
Net Syndication	0				
LIHTC - 9%	8.65%	(May '97)			
LIHTC - 4%	3.71%				
FINANCING SOURCES					
	Amount	% of TDC	Interest	Amortization	Term
First Mortgage	3,700,000	84.92%	8.00%	30	20
Equity	656,985	15.08%	N/A	N/A	
	4,356,985	100.00%			
Gap	0				
1 Br	78,380	37	2,900,060		
2 Br	83,380	23	1,917,740		
Max cost allowed by unit cost limits			4,817,800		
projected total cost, excluding cash accounts			4,356,985		
		(over)/under	460,815		

Pines Phase Four		DEVELOPMENT BUDGET						16-May-97
							Acquisition	Rehab/Const
				Budget	Per Unit	Per s.f.	Credit	Credit
ACQUISITION & CONSTRUCTION								
Land				200,000	3,333	4.43		
					0	0.00	0	
Sitework				150,000	2,500	3.33		150,000
					0	0.00		0
New Buildings				2,578,544	42,976	57.17		2,578,544
Landscaping				30,000	500	0.67		30,000
Interiors				60,000	1,000	1.33		60,000
Furniture Fixtures and Equipment				75,000	1,250	1.66		75,000
Construction Management				144,677	2,411	3.21		144,677
					0	0.00		0
Construction Contingency				116,911	1,949	2.59		116,911
					0	0.00		0
Subtotal				3,355,132	55,919	74.39	0	3,155,132
PROFESSIONAL SERVICES								
Architect Fee - Design				50,000	833	1.11		50,000
Interior Design				1,000	17	0.02		1,000
Attorney				20,000	333	0.44		20,000
SURVEY/ENGINEERING				10,000	167	0.22		10,000
ACCOUNTING				3,000	50	0.07		3,000
Other Consultants				10,000	167	0.22		10,000
Subtotal				94,000	1,567	2.08	0	94,000
INTERIM COSTS								
Insurance During Construction				12,153	203	0.27		12,153
Construction Interest				148,000	2,467	3.28		148,000
Construction Loan Origination Fee				37,000	617	0.82		37,000
Taxes				5,000	83	0.11		5,000
Subtotal				202,153	3,369	4.48	0	202,153
OTHER SOFT COSTS								
Property Appraisal					0	0.00		0
Soft Cost Contingency				4,800	80	0.11		4,800
Advertising/Marketing				5,000	83	0.11		5,000
Zoning Fees				5,000	83	0.11		5,000
Building Permit Fees				42,000	700	0.93		42,000
Other Fees				5,000	83	0.11		5,000
Tax Credit Fees			1,378	1,400	23	0.03		1,400
Lease-Up Fee				15,000	250	0.33		
Subtotal				78,200	1,303	1.73	0	63,200
FINANCING FEES & EXPENSES								
Credit Report					0	0.00		
Permanent Loan Origination Fee					0	0.00		
Credit Enhancement					0	0.00		
Cost of Issuance					0	0.00		
Transfer Taxes				2,500	42	0.06		
Counsel's Fee				5,000	83	0.11		5,000
Other					0	0.00		
Subtotal				7,500	125	0.17	0	5,000
SYNDICATION COSTS								
Organizational (Partnership)					0	0.00		
Bridge Loan Interest					0	0.00		
Tax Opinion					0	0.00		
Subtotal				0	0	0.00	0	0
DEVELOPER'S FEES								
Developer's Overhead & Profit				480,000	8,000	10.64		480,000
'Administration"				80,000	1,333	1.77		80,000
Subtotal			15.0%	560,000	9,333	12.42	0	560,000
PROJECT RESERVES								
Rent-up (Deficit Escrow) Reserve					0	0.00		
Replacement Reserve					0	0.00		
Working Capital				60,000	1,000	1.33		
Operating Reserve/Sinking Fund					0	0.00		
Subtotal				60,000	1,000	1.33	0	0
TOTAL DEVELOPMENT COSTS				4,356,985	72,616	96.61	0	4,079,485
	LESS:	Amount of Non-qualified Financing						
	LESS:	Adjustment for per unit cost limits						
	LESS:	Historic tax Credit (Residential Portion)						
					Total Eligible Basis		0	4,079,485
	TIMES:	Adjusted for QCT/DDA				100.0%		4,079,485
	TIMES:	Applicable Fraction				19.46%	0	793,736
					Total Qualified Basis		0	793,736
	TIMES:	Applicable Percentage					3.71%	3.71%
				Total Annual Credit Qualified			0	29,448

Pines Phase Four			Rental Income		16-May-97		
Restricted Units							Total
Bedrooms	Type	Square Feet	Number	Rent		Utilities	Annual Rent
1 Br		675	13	458			71,448
2 Br			0				0
	Totals	8,775	13				71,448
Market Rate Units							Total
Bedrooms	Type	Square Feet	Number	Rent		Utilities	Annual Rent
1 Br		675	24	775			223,200
2 Br		875	23	900			248,400
	Totals	36,325	47				471,600
All Units							
	Grand Totals	45,100	60				543,048
		Less Vacancy	5.00%				(27,152)
					NET RENT		515,896
		OTHER INCOME					
		Interest Income					2,583
		Services					5,166
		Laundry					8,208
		Parking					28,200
		Total Other Income					44,157
					TOTAL INCOM		560,053

Pines Phase Four	EXPENSE BUDGET			16-May-97
			Per Unit	
	Annual	Monthly	Per Month	
Administration				
Management Fee	39,252	3,271	55	7.0%
Marketing		0	0	
Audit/Accounting	1,500	125	2	
Legal	1,000	83	1	
Office Expense		0	0	
Telephone		0	0	
Office Payroll		0	0	
Rent		0	0	
Compliance Monitoring	288	24	0	
Other (SUPPORTIVE SERVICES)	4,275	356	6	
TOTAL ADMINISTRATIVE	46,315	3,860	64	
Utilities				
Water/Sewer	3,420	285	5	
Electric	17,100	1,425	24	
Fuel	13,680	1,140	19	
Other (FIRE/EMERGENCY CALLS)	1,140	95	2	
TOTAL UTILITIES	35,340	2,945	49	
Maintenance				
Maintenance Payroll	8,550	713	12	
Supplies	600	50	1	
Trash Removal	3,420	285	5	
Snow/Grounds	5,000	417	7	
Repairs	5,700	475	8	
Paint/Decorating	2,850	238	4	
Exterminating	600	50	1	
Contract Maintenance	2,400	200	3	
Equipment Debt		0	0	
Service Lease		0	0	
Other	1,425	119	2	
TOTAL MAINTENANCE	30,545	2,545	42	
Taxes	26,130	2,178	36	
Insurance	5,040	420	7	
Replacement Reserves	12,000	1,000	17	
Other		0	0	
Total	155,370	12,948	216	

16-May-97		Pines Phase Four			Cash Flow Projection					
		Year	1	2	3	4	5	6	7	8	9
"Market" Rental Income			471,600	481,032	490,653	500,466	510,475	520,685	531,098	541,720	552,555
"Low Income" Rental Income			71,448	72,520	73,608	74,712	75,832	76,970	78,124	79,296	80,486
Less Res Vacancy			(27,152)	(27,678)	(28,213)	(28,759)	(29,315)	(29,883)	(30,461)	(31,051)	(31,652)
Plus Other Income			44,157	44,819	45,492	46,174	46,867	47,570	48,283	49,007	49,743
Total Actual Income			560,053	570,693	581,539	592,592	603,859	615,341	627,045	638,973	651,131
Less Operating Expense			143,370	147,671	152,101	156,664	161,364	166,205	171,191	176,327	181,617
Less Reserves			12,000	12,240	12,485	12,734	12,989	13,249	13,514	13,784	14,060
Net Operating Income			404,683	410,782	416,953	423,194	429,505	435,887	442,339	448,862	455,454
Less Primary Debt Service			325,791	325,791	325,791	325,791	325,791	325,791	325,791	325,791	325,791
Cash Flow			78,891	84,991	91,161	97,402	103,714	110,096	116,548	123,070	129,663
Oper Subsidy			0	0	0	0	0	0	0	0	0
Net Cash			78,891	84,991	91,161	97,402	103,714	110,096	116,548	123,070	129,663
DCR			124.22%	126.09%	127.98%	129.90%	131.83%	133.79%	135.77%	137.78%	139.80%
Cumulative Cash Flow											
Beginning Balance			138,891	159,572	186,631	220,201	260,418	307,420	361,343	422,328	490,516
Interest		2.0%	1,389	1,596	1,866	2,202	2,604	3,074	3,613	4,223	4,905
Withdrawls			0	0	0	0	0	0	0	0	0
Cash Distributions			(65,699)	(65,699)	(65,699)	(65,699)	(65,699)	(65,699)	(65,699)	(65,699)	(65,699)
Ending Balance			74,582	95,470	122,799	156,705	197,324	244,795	299,258	360,853	429,722

16-May-97											
	10	11	12	13	14	15	16	17	18	19	20
"Market" Rental Income	563,606	574,878	586,375	598,103	610,065	622,266	634,712	647,406	660,354	673,561	687,032
"Low Income" Rental Income	81,693	82,918	84,162	85,425	86,706	88,006	89,327	90,666	92,026	93,407	94,808
Less Res Vacancy	(32,265)	(32,890)	(33,527)	(34,176)	(34,839)	(35,514)	(36,202)	(36,904)	(37,619)	(38,348)	(39,092)
Plus Other Income	50,489	51,246	52,015	52,795	53,587	54,391	55,206	56,035	56,875	57,728	58,594
Total Actual Income	663,522	676,152	689,025	702,146	715,519	729,150	743,043	757,203	771,636	786,348	801,342
Less Operating Expense	187,065	192,677	198,458	204,411	210,544	216,860	223,366	230,067	236,969	244,078	251,400
Less Reserves	14,341	14,628	14,920	15,219	15,523	15,834	16,150	16,473	16,803	17,139	17,482
Net Operating Income	462,116	468,847	475,647	482,516	489,452	496,456	503,526	510,663	517,865	525,131	532,460
Less Primary Debt Service	325,791	325,791	325,791	325,791	325,791	325,791	325,791	325,791	325,791	325,791	2,563,476
Cash Flow	136,324	143,056	149,856	156,724	163,661	170,664	177,735	184,872	192,073	199,339	(2,031,016)
Oper Subsidy	0	0	0	0	0	0	0	0	0	0	2,031,016
Net Cash	136,324	143,056	149,856	156,724	163,661	170,664	177,735	184,872	192,073	199,339	0
DCR	141.84%	143.91%	146.00%	148.11%	150.23%	152.38%	154.55%	156.75%	158.96%	161.19%	20.77%
Cumulative Cash Flow											
Beginning Balance	566,047	649,064	739,712	838,135	944,478	1,058,889	1,181,515	1,378,201	1,584,057	1,799,236	1,817,229
Interest	5,660	6,491	7,397	8,381	9,445	10,589	11,815	13,782	15,841	17,992	18,172
Withdrawls	0	0	0	0	0	0	0	0	0	0	(2,031,016)
Cash Distributions	(65,699)	(65,699)	(65,699)	(65,699)	(65,699)	(65,699)					
Ending Balance	506,009	589,856	681,411	780,818	888,225	1,003,780	1,193,330	1,391,983	1,599,897	1,817,229	(195,615)

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Samuel J. Falzone, Director, Multifamily Management

DATE: May 13, 1997

RE: **MULTIFAMILY PORTFOLIO CONCENTRATION**

We have prepared the following statistics and county specific property listings for the VHFA financed multifamily portfolio in response to the Board's desire to review this information at the May meeting. The properties in bold represent the larger projects with higher VHFA loan exposure. Nonprofit owned properties are designated with a star. Owners for partnerships are listed with the name of the general partner contact person.

COUNTY	TOTAL UNITS	TOTAL LOANS	% OF TOTAL VHFA $
ADDISON COUNTY	154	$3,084,864	3.34%
BENNINGTON COUNTY	31	$1,003,978	1.09%
CALEDONIA COUNTY	247	$6,223,386	6.73%
CHITTENDEN COUNTY	1,346	$42,358,650	45.80%
ESSEX COUNTY	46	$1,524,404	1.65%
FRANKLIN COUNTY	175	$4,998,921	5.40%
GRAND ISLE COUNTY	29	$1,172,012	1.27%
LAMOILLE COUNTY	35	$789,141	0.85%
ORANGE COUNTY	131	$4,243,475	4.59%
ORLEANS COUNTY	51	$1,746,729	1.89%
RUTLAND COUNTY	178	$7,085,380	7.66%
WASHINGTON COUNTY	309	$7,860,346	8.50%
WINDHAM COUNTY	67	$2,858,446	3.09%
WINDSOR COUNTY	286	$8,546,790	9.24%
TOTALS - ALL COUNTIES:	3,054	$92,492,544	

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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

EQUAL HOUSING OPPORTUNITY

MULTIFAMILY PORTFOLIO
LOANS by COUNTY

5/15/97

COUNTY	TOWN	OWNER		PROPERTY	UNITS	LOAN AMT.
Addison	Bristol	Tom	Plumb	*Hunt Farm Road	9	$197,290
Addison	Hancock	Peter	Harvey	Mountain View Apts.	5	$203,747
Addison	Middlebury	Charles	Brush	Sugarwood Apts.	12	$513,023
Addison	Middlebury	Peter	Richardson	*Pine Meadow	30	$750,071
Addison	Starksboro	Elizabeth	Ready	*Hillside MHP	29	$326,305
Addison	Starksboro	Elizabeth	Ready	*Kilbourne MHP	45	$384,500
Addison	Vergennes	Kirkland	Gourley	Valley View Apts.	24	$709,928
TOTAL - ADDISON COUNTY					**154**	**$3,084,864**
Bennington	Bennington	Diane	Binnick	*Depot Street	7	$162,000
Bennington	No. Bennington	Jack	Heaton	Homestead Mews	24	$841,978
TOTAL - BENNINGTON COUNTY					**31**	**$1,003,978**
Caledonia	Danville	Paul	Stewart	Walden Mountain	18	$612,948
Caledonia	Hardwick	Peter	Cover	Maple St./Hardwick	16	$491,132
Caledonia	Hardwick	Gretchen	Rittenhouse	Bemis Block	14	$460,291
Caledonia	Hardwick	Gretchen	Rittenhouse	Hardwick Family	8	$310,593
Caledonia	Lyndonville	Gretchen	Rittenhouse	Darling Inn	27	$873,100
Caledonia	St. Johnsbury	Herbert	Berezin	Depot Square	47	$1,400,000
Caledonia	St. Johnsbury	Gretchen	Rittenhouse	Canterbury Inn	28	$407,056
Caledonia	St. Johnsbury	Gretchen	Rittenhouse	Canterbury N & S	42	$1,003,541
Caledonia	St. Johnsbury	Gretchen	Rittenhouse	*St. Johnsbury HP	32	$125,161
Caledonia	West Burke	Douglas	Henderson	West Burke Housing	15	$539,564
TOTAL - CALEDONIA COUNTY					**247**	**$6,223,386**
Chittenden	Burlington	Karl	Ashline	Lake Champlain Apts.	27	$1,155,555
Chittenden	Burlington	Barbara	Baker	Garden Apts.	13	$446,467
Chittenden	Burlington	William	Cross	Monroe Street Apts.	7	$262,666
Chittenden	Burlington	Joseph	Duggan	*KSNRC Apts.	11	$325,992
Chittenden	**Burlington**	**Richard**	**Feeley**	**South Meadow**	**148**	**$4,738,300**
Chittenden	Burlington	Evelyn	Harrington	Harrington Apts.	5	$159,950
Chittenden	Burlington	Rebecca	Kaiser	King Street Apts.	7	$297,772
Chittenden	Burlington	Stephen	Knight	Eno Apts.	6	$173,813
Chittenden	Burlington	Scott	Mansfield	700 Riverside Ave.	8	$360,000
Chittenden	Burlington	Daniel	O'Brien	McKenzie House	41	$1,943,439
Chittenden	Burlington	Daniel	O'Brien	South St Paul	15	$595,861

MULTIFAMILY PORTFOLIO
LOANS by COUNTY

COUNTY	TOWN	OWNER		PROPERTY	UNITS	LOAN AMT
Chittenden	Burlington	James	Pizzagalli	Bobbin Mill Apts.	51	$2,185,394
Chittenden	Burlington	James	Pizzagalli	Maple St. Apts./GE	37	$1,423,110
Chittenden	Burlington	John	Randall	St. Paul/Randall Apts.	11	$352,816
Chittenden	**Burlington**	**Peter**	**Richardson**	***Heineberg**	**82**	**$1,929,496**
Chittenden	**Burlington**	**Peter**	**Richardson**	***Northgate**	**336**	**$6,643,162**
Chittenden	**Burlington**	**Peter**	**Richardson**	***Salmon Run**	**80**	**$2,528,759**
Chittenden	Burlington	Brenda	Torpy	*BCLT BRHIP	33	$595,886
Chittenden	Burlington	Brenda	Torpy	*BCLT O.N.E.	20	$552,610
Chittenden	Burlington	Brenda	Torpy	*Johnson Street Proje	5	$146,000
Chittenden	Colchester	Daniel	O'Brien	Point School Apts.	5	$218,843
Chittenden	**Colchester**	**Peter**	**Richardson**	**Winchester Place**	**166**	**$7,825,000**
Chittenden	Georgia	Kenn	Sassorossi	*Hidden Pines	8	$262,000
Chittenden	Jericho	Daniel	O'Brien	Jeri-Hill Apts.	24	$881,110
Chittenden	Milton	Lloyd	Gilbert	Meadow Lane	20	$642,390
Chittenden	So. Burlington	Charles	Brush	The Pines, Phase II	33	$1,500,000
Chittenden	So. Burlington	Charles	Brush	The Pines, Phase III	39	$1,225,000
Chittenden	Williston	Peter	Richardson	*Whitney Hill	44	$1,217,927
Chittenden	Williston	Kenn	Sassorossi	*Pinecrest	6	$159,470
Chittenden	Winooski	Louis	Laun	Allen Apts.	17	$668,242
Chittenden	Winooski	Kenn	Sassorossi	*1306 Ethan Allen	32	$827,000
Chittendon	Williston	Kenn	Sassorossi	*French Hill Manor	9	$114,620
TOTAL - CHITTENDEN COUNTY					**1,346**	**$42,358,650**

Essex	Canaan	Henri	Morais	Green Hill Apts.	12	$406,041
Essex	Island Pond	Anita	Gervais	Hillside Acres	12	$490,661
Essex	Island Pond	Anita	Gervais	Sunrise Manor	22	$627,702
TOTAL - ESSEX COUNTY					**46**	**$1,524,404**

Franklin	Enosburg	Abraham	Brown	Brownway	36	$387,000
Franklin	Fairfax	Burton	Steen	Mountain View Apts.	20	$727,297
Franklin	Fairfield	Richard	Howrigan	Chester Arthur Apts.	8	$253,689
Franklin	St. Albans	Robert	Cioffi	*Lower Weldon St.	12	$463,574
Franklin	St. Albans	Richard	Williams	*Upper Weldon Villa	40	$830,000
Franklin	St. Albans	Jonathan	Ziner	Holy Angels Common	31	$1,339,477
Franklin	Swanton	April	St. Francis	*Abenaki Family	12	$637,384
Franklin	Swanton	Richard	Williams	*Village Apts.	16	$360,500
TOTAL - FRANKLIN COUNTY					**175**	**$4,998,921**

MULTIFAMILY PORTFOLIO
LOANS by COUNTY

COUNTY	TOWN	OWNER		PROPERTY	UNITS	LOAN AMT.
Grand Isle	Alburg	James	Lamphere	Pine Manor	16	$685,012
Grand Isle	Alburg	Daniel	O'Brien	Alburg Family	13	$487,000
TOTAL - GRAND ISLE COUNTY					**29**	**$1,172,012**
Lamoille	Morrisville	Alfred	Lunde	Lamoille View Apts.	25	$669,141
Lamoille	Morrisville	Jack	Peduzzi	*Lamoille HP	10	$120,000
TOTAL - LAMOILLE COUNTY					**35**	**$789,141**
Orange	Bradford	George	Huntington	Colonial Village	21	$637,591
Orange	Randolph	Robert	Caron	Randolph Circle	20	$771,000
Orange	Randolph	Hal	Cohen	*Prospect Forest Hom	9	$358,245
Orange	Randolph	Peter	Richardson	*Randolph House	48	$2,195,639
Orange	Williamstown	Karen	Winchell	*Limehurst MHP	33	$281,000
TOTAL - ORANGE COUNTY					**131**	**$4,243,475**
Orleans	Barton	Basil	Kokoletsos	Roaring Brook	14	$502,387
Orleans	Derby Line	Barbara	Postman	21 Main Street	11	$303,766
Orleans	Newport	Barbara	Postman	Willey Street Apts.	12	$477,912
Orleans	North Troy	Jack	Starr, Sr.	Pine Grove	14	$462,664
TOTAL - ORLEANS COUNTY					**51**	**$1,746,729**
Rutland	Benson	Richard	Bowen	*Benson Heights	15	$576,624
Rutland	Brandon	Frank	Guillot	Conant Square Inn	19	$539,262
Rutland	Castleton	Yvonne	Rooney	Parsons Hill Apts.	12	$496,142
Rutland	Poultney	John	Swenor	School House Apts.	11	$341,198
Rutland	Proctor	Earle	Simpson, Jr.	Proctor Place	12	$427,826
Rutland	Rutland	Peter	Richardson	*Linden Terrace	20	$835,729
Rutland	**Rutland**	**Saul**	**Ziner**	**Bardwell House**	**75**	**$3,473,163**
Rutland	West Rutland	Chris	Fucci	Colonial Apts.	14	$395,436
TOTAL - RUTLAND COUNTY					**178**	**$7,085,380**

MULTIFAMILY PORTFOLIO
LOANS by COUNTY

COUNTY	TOWN	OWNER		PROPERTY	UNITS	LOAN AMT
Washington	**Barre**	**Peter**	**Richardson**	***Highgate Apts.**	**120**	**$2,252,364**
Washington	Barre	Karen	Winchell	*Barre Street Apts.	22	$193,000
Washington	Barre	Karen	Winchell	*Bromur	18	$230,000
Washington	Montpelier	Judson	Babcock	Hebert Farm Apts.	10	$353,424
Washington	Montpelier	David	Dubrul	Lane Shops	50	$1,675,000
Washington	Montpelier	Peter	Richardson	*Cummings Street Ap	20	$813,731
Washington	Northfield	Richard	Williams	*Dogwood Glen II	20	$551,335
Washington	Plainfield	Richard	Williams	*School Street Apts.	13	$530,000
Washington	Waitsfield	Kirkland	Gourley	Mad River Meadows	24	$920,647
Washington	Waterbury	Tony	Parisi	Wells House Apts.	12	$340,845
TOTAL - WASHINGTON COUNTY					**309**	**$7,860,346**

Windham	Bellows Falls	Mark	Hochman	Rockingham Canal	41	$1,891,191
Windham	Saxtons River	Lawrin	Crispe	Saxtons River	17	$563,234
Windham	Westminster	Alex	Rose	Westminster Family	9	$404,021
TOTAL - WINDHAM COUNTY					**67**	**$2,858,446**

Windsor	Bethel	Richard	Williams	*Depot II	10	$422,614
Windsor	Bridgewater	Earle	Simpson, Jr.	Mill Village	14	$486,989
Windsor	Hartford	Richard	Williams	*Templeton	36	$1,650,000
Windsor	Ludlow	Joe	Cloutier	Black Mountain	25	$375,000
Windsor	Rochester	Earle	Simpson, Jr.	Brookside Apts.	6	$213,102
Windsor	Springfield	Joe	Cloutier	Westview Terrace	58	$690,000
Windsor	White River Jct.	Peter	Richardson	*Graystone Village	34	$1,489,250
Windsor	**Windsor**	**Peter**	**Richardson**	***Olde Windsor Villa**	**77**	**$2,502,855**
Windsor	Woodstock	Geoffrey	Nichols	Mellishwood Houses I	13	$245,861
Windsor	Woodstock	Geoffrey	Nichols	Mellishwood Houses I	13	$471,119
TOTAL - WINDSOR COUNTY					**286**	**$8,546,790**

TOTALS - ALL COUNTIES:	**3,054**	**92,492,544**

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: CG Cathleen Gent, Director of Communications
MD MaryBeth Deller, Research Analyst

DATE: May 13, 1997

RE: Evaluation of Down Payment Assistance Loans

In an effort to make homeownership opportunities available to eligible borrowers who lack the necessary cash for down payment and closing costs, VHFA has offered two major down payment assistance programs in collaboration with VHMGB. The first was the Down Payment Assistance Program (January 1987 through May 1992); the second program is IORTA (VHMGB approved loans made between June 1992 to December 1995). Prior to the introduction of this pilot program in June 1992, VHFA and VHMGB entered into a Risk Share Agreement which required that an annual program review and evaluation be performed. Annual reviews of the program have been performed since the introduction of the IORTA (Interest on Real Estate Trust Account) program, as per the original agreement. The results of the March 1997 evaluation are described below and the associated tables are attached to the memo.

I. Executive Summary

The March 1997 comparison of performances between loans receiving down payment assistance and a comparable group of 95% LTV loans shows the following:

- For loans originated between June 1992 and March 1997:
    - Borrower characteristics for the IORTA down payment assistance loans and 95% LTV comparison group are generally comparable, thus the two groups are similar other than in the amounts of down payment.
    - In keeping with the results of previous evaluations, the past due status rate for the loans made through the IORTA Program (10%) was not significantly different than that of the 95% LTV comparison group (7.3%). However, the percentage of loans ever in foreclosure was significantly higher in the IORTA group (4.6%) compared with 2.2% for the 95% LTV group. This difference in foreclosure rates is a new finding.
    - The total delinquency rates for the IORTA loans <u>and</u> the 95% LTV comparison group were slightly below VHFA's delinquency rate for the total loan portfolio as of March 31, 1997.

Table 1. Borrower Characteristics

COMPARISON OF IORTA LOANS AND 95% LTV LOANS PURCHASED 6/1/92 THROUGH 9/30/96		
Characteristics	IORTA Loans	95% LTV Loans
Number of Loans	457	999
Average Annual Income	$29,432	$29,059
Average Purchase Price	$64,356	$69,605 *
Average Loan Amount	$64,468	$66,231
Average Number of Dependents	1.91	1.29*
Average Number of Wage Earners	1.59	1.48*
Average Borrower Age	30.9	31.5
Average Housing Debt	25.0%	26.1%*
Average Total Debt	34.2%	34.6%

* Statistically significantly different at p = 0.05

Table 2. Delinquencies on IORTA and 95% LTV Loans, 3/31/93 through 3/31/97 (weighted comparison)

Past Due Report Date	# of IORTA Loans	IORTA LOANS				95% LTV Loans (Weighted to Result in Equal Sample Size)			
		30	60	90+	Total	30	60	90+	Total
3/31/97	409	22	8	11	41	20	7	3	30
9/30/96	453	17	10	5	32	24	4	4	32
6/30/96	436	18	10	8	36	26	4	3	33
1/31/96	383	18	10	7	35	17	1	9	27
4/30/95	300	12	2	9	23	11	2	5	18
12/31/94	300	10	3	11	24	13	3	6	22
3/31/94	192	4	0	0	4	5	1	0	6
12/31/93	186	1	1	0	2	2	0	0	2
5/31/93	100	0	0	1	1	1	0	0	1
3/31/93	83	1	0	1	2	1	0	0	1

Table 3. Past Due Status and Foreclosure Status for IORTA and Current 95% LTV Loans (actual unweighted numbers)

	Current IORTA	Current 95% LTV
Total # Loans Made	457	999
# Loans Still Active	409	939
# in Past Due Status	41	68
% in Past Due status	10.0	7.2
# of Loans Ever in Foreclosure	21	22
% in Foreclosure	4.6	2.2

Continued

Table 4. Original Program Comparison (Loans Purchased from 1/1/87 through 5/31/92)

Past Due Report Date	DOWN PAYMENT LOANS *				95% LTV Loans **			
	30	60	90+	Total	30	60	90+	Total
3/31/97	8	2	2	12	6	1	1	8
9/30/96	3	2	2	7	9	2	1	12
6/30/96	5	6	3	14	9	3	1	13
1/31/96	8	1	.3	12	9	2	4	15
4/30/95	9	4	0	13	6	2	4	12
12/31/94	13	2	0	15	11	2	4	17
3/31/94	10	3	6	19	8	2	6	16
12/31/93	10	2	5	17	11	3	4	18
5/31/93	8	0	5	13	13	2	3	18
3/31/93	10	0	8	18	8	3	4	15

* 106 active loans ** Weighting Factor = .270

Table 5. "Past Due" Status and Foreclosure Status for Original Program Comparison

	Original Down Payment Assistance	Original 95% LTV
Total # Loans Made	191	719
# of Loans Still Active	106	392
# in Past Due Status	12	30
% in Past Due status	11.3	7.7
# of Loans Ever in Foreclosure	14	42
% in Foreclosure	7.3	5.6

Table 6. Distribution of borrower income in relation to Vermont median income: a comparison of active IORTA & 95% LTV loans (3/31/97)

IORTA LOANS AND 95% LTV LOANS AT OR BELOW 90% OF MEDIAN INCOME						
INCOME	IORTA Loans			95% LTV Loans		
	#	%	% Past Due	#	%	% Past Due
Above 90% of VT Med. Income	131	32.0	11.5	293	31.2	7.2
At or Below 90% of VT Med. Income	278	68.0	9.4	646	68.8	7.3
Total # Active Loans	409	100	10.0	939	100	7.2

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: April 1, 1997

RE: Single Family Program Activity Report For March

MORTGAGE PURCHASE PROGRAMS

Month	No.	Amount	Previous Year	No.	Amount
Reservations	86	$ 6,093,621		89	$ 5,615,258
Purchases	42	$ 2,970,965		29	$ 1,899,251

Period to Date	No.	Amount	Previous Year	No.	Amount
Reservations	210	$15,011,377		224	$14,473,626
Purchases	150	$10,305,162		152	$ 9,823,619

MORTGAGE PLUS

Month	No.	Amount	Previous Year	No.	Amount
Reservations	11	$ 947,718		7	$ 568,325
Issued	9	$ 740,902		4	$ 326,720

Period to Date	No.	Amount	Previous Year	No.	Amount
Reservations	19	$ 1,543,918		24	$ 1,577,632
Issued	21	$ 1,645,750		20	$1,577,632

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

vhfa
VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: April 24, 1997

RE: Servicing Activity for March, 1997

SERVICING ACTIVITY

Collections:

Last months 90+ accounts:		87
New 90 day accounts:	12	
Reductions:		
To foreclosure/DIL:	7	
To 60 days or less:	23	
Under payment arrangement:	29	
Modifications:		
90+ accounts:		69

In Foreclosure:

Last months foreclosure accounts:		50
New foreclosures:	8	
To REO:	6	
Successful interventions:	1	
Negotiating workouts:	5	
Modifications:		
Foreclosure accounts:		51

Real Estate Owned:

Last months REO's:		56
New REO's:	6	
Properties sold:	1	
Properties under contract:	5	
REO's:		61

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

op/serv/servact.mem

Mailing Address: PO Box 408, Burlington, Vermont 05402-0408
Delivery Address: 164 Saint Paul Street, Burlington, Vermont 05401-4364
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EQUAL HOUSING OPPORTUNITY

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

Lenders	Loans	30	Days	60	Days	90+	Days	Auth	FCL	Delinq		REO	
ALBANK, FSB	446	24	5.38%	7	1.57%	1	0.22%	5	1.12%	37	8.30%	3	0.67%
Banknorth Mortgage Co.	775	47	6.06%	9	1.16%	9	1.16%	8	1.03%	73	9.42%	6	0.77%
Bennington Co-op S&L Assoc.	51	1	1.96%	0	0.00%	0	0.00%	0	0.00%	1	1.96%	0	0.00%
Brattleboro Savings & Loan	23	1	4.35%	0	0.00%	0	0.00%	0	0.00%	1	4.35%	0	0.00%
Chittenden Bank	943	55	5.83%	12	1.27%	3	0.32%	9	0.95%	79	8.38%	8	0.85%
Citizens Savings Bank	106	3	2.83%	1	0.94%	1	0.94%	1	0.94%	6	5.66%	2	1.89%
Community National Bank	305	9	2.95%	4	1.31%	1	0.33%	0	0.00%	14	4.59%	0	0.00%
Connecticut River Bank	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Factory Point Nat. Bank	35	1	2.86%	0	0.00%	0	0.00%	0	0.00%	1	2.86%	0	0.00%
First Brandon Nat. Bank	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
First Nationwide Mortgage	12	1	8.33%	0	0.00%	0	0.00%	0	0.00%	1	8.33%	0	0.00%
Fleet Mortgage	46	5	10.87%	3	6.52%	2	4.35%	0	0.00%	10	21.74%	0	0.00%
GMAC Mortgage	2	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Granite Bank (NH)	2	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Graystone Mortgage Company	487	27	5.54%	9	1.85%	10	2.05%	9	1.85%	55	11.29%	13	2.67%
Heritage Family CU	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Lyndonville Savings Bank	58	3	5.17%	0	0.00%	1	1.72%	0	0.00%	4	6.90%	0	0.00%
Merchants Bank	298	9	3.02%	0	0.00%	3	1.01%	2	0.67%	14	4.70%	3	1.01%
Mortgage Service Ctr. of NE	90	5	5.56%	6	6.67%	2	2.22%	3	3.33%	16	17.78%	3	3.33%
National Bank of Middlebury	66	2	3.03%	2	3.03%	1	1.52%	0	0.00%	5	7.58%	0	0.00%
New England Federal CU	45	1	2.22%	0	0.00%	0	0.00%	0	0.00%	1	2.22%	0	0.00%
Northfield Savings Bank	123	5	4.07%	1	0.81%	0	0.00%	1	0.81%	7	5.69%	0	0.00%
Passumpsic Savings Bank	172	11	6.40%	2	1.16%	2	1.16%	0	0.00%	15	8.72%	4	2.33%
Peoples Trust Co.	99	8	8.08%	0	0.00%	0	0.00%	0	0.00%	8	8.08%	0	0.00%
Randolph National Bank	42	0	0.00%	1	2.38%	0	0.00%	0	0.00%	1	2.38%	0	0.00%
Union Bank	171	12	7.02%	2	1.17%	4	2.34%	0	0.00%	18	10.53%	2	1.17%
Vermont Development CU	44	1	2.27%	3	6.82%	1	2.27%	0	0.00%	5	11.36%	0	0.00%
Vermont Federal Bank	1209	58	4.80%	22	1.82%	12	0.99%	6	0.50%	98	8.11%	12	0.99%
Vermont National Bank	629	20	3.18%	5	0.79%	13	2.07%	7	1.11%	45	7.15%	5	0.79%
Vermont State Employees CU	5	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Wells River Savings Bank	31	0	0.00%	0	0.00%	3	9.68%	0	0.00%	3	9.68%	0	0.00%
Totals	6316	309	4.89%	89	1.41%	69	1.09%	51	0.81%	518	8.20%	61	0.97%
Totals Previous Month	6305	337	5.34%	91	1.44%	87	1.38%	50	0.79%	565	8.96%	56	0.89%
Totals Same Mo. Last Yr.	5981	267	4.46%	74	1.24%	71	1.19%	47	0.79%	459	7.67%	13	0.22%

VERMONT HOUSING FINANCE AGENCY

Board Property Disposition Report

Month of: March, 1997

Properties Sold

Property	Listing Price	Sale Price	Principal Balance	To Date Interest	Expenses	Claim Payment	Audit Gain/ (Loss)	Valuation Offset	Gain/ (Loss)
Mirisola Hinesburg	$65,000	$66,000	$67,416	$5,865	$16,539	$14,152	($ 9,668)	$0	($ 9,668)

Properties Under Contract

Property	Listing Price	Contract Price	Principal Balance	Interest	Estimated Expenses	Estimated Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Goldsmith Concord	$23,900	$21,500	$50,807	$ 2,549	$ 1,290	$33,146	$0	($ 1,920)	$1,920
Chartier St Johnsbury	$44,900	$40,500	$52,201	$ 796	$ 5,265	$0	($17,762)	($ 8,182)	($ 9,580)
Bailey Burlington	$66,500	$66,500	$78,834	$ 638	$11,891	$13,584	($11,279)	$0	($11,279)
Drake Burlington	$70,500	$67,000	$72,205	$12,141	$16,057	$15,400	($18,003)	($ 3,467)	($14,536)
Bonnette Plymouth	$43,900	$35,000	$63,889	$ 7,582	$11,720	$14,300	($33,891)	($10,149)	($23,742)

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Single Family Operations
Cynthia J. Cunningham, Loan Servicing Manager

DATE: May 1, 1997

RE: Servicing Department Goals for Collections, Foreclosures and Real Estate Owned

Goals have been established by which we can measure the effectiveness of VHFA's single family servicing efforts. The goals have been broken down into the areas of collections, foreclosures and real estate owned. These areas were selected for the initial goal setting since we would be expected to experience the quickest relief in delinquencies and loan losses. Once we determine our effectiveness in meeting these goals, other areas will be considered by which we can measure results, including the performance of our servicers. Quarterly evaluations will be held with each staff member to determine achievement and to guide and assist them in meeting or exceeding the goals.

The following shows delinquency figures as of March 1997 and compares them with goals to be achieved by March 1998 that have been set for each category of delinquency:

COLLECTIONS

	03/97 Actuals		03/98 Goals		Reduced By	
	%	#	%	#	%	#
30 Days	4.89%	309	4.35%	274	–.54%	–35
60 Days	1.41%	89	.83%	52	–.58%	–37
90+ Days	1.09%	69	.42%	27	–.67%	–42
In Foreclosure	.81%	51	.40%	25	–.41%	–26
Total	**8.20%**	**518**	**6.00%**	**378**	**–2.20%**	**–140**

Interim goals have been established so accomplishment can be measured on a quarterly basis. These interim goals are as follows:

	06/97 Goals		09/97 Goals		12/97 Goals	
	%	#	%	#	%	#
30 Days	4.47%	283	4.18%	265	3.89%	246
60 Days	1.29%	82	1.20%	76	1.11%	70
90+ Days	1.00%	63	.93%	59	.86%	55
In Foreclosure	.74%	46	.69%	42	.64%	39
Total	**7.50%**	**474**	**7.00%**	**442**	**6.50%**	**410**

It is anticipated that with an aggressive loss mitigation policy these numbers should be attainable in one year, with significant improvement in our current numbers expected in a shorter time period.

FORECLOSURES/REAL ESTATE OWNED

Average Length of Time (in Days)	1997 Actuals	1998 Goals
Foreclosure		
To acquire title through foreclosure	315	270
To acquire title through deed-in-lieu	93	60
Real Estate Owned		
To list property for sale*	53	30
For property to go under contract	135	90
To receive claim payment	230	180
To sell a property	170	120

****This excludes properties in which a nonprofit indicates an interest, under our REO Sales Through Nonprofit Program.***

No more than 75 percent of the loans put in the process of acquiring title should become REO; currently this figure is closer to 85 percent.

All times are based on the date the property becomes an REO.

BOARD ACTION REQUESTED

Quarterly reports will be provided at regularly scheduled Board meetings. No Board action is requested.

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VERMONT HOUSING FINANCE AGENCY
MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

DATE: May 15, 1997

RE: SINGLE FAMILY BOND FINANCING

Since the last Board meeting, we have had a series of calls with our bond financing team to formulate strategies regarding a new bond financing. We expect to have run out of 7.15% mortgage money by May 16. We have about $1.1 million of 7.5% funds remaining from the Series 8 (last) financing. We plan to continue to reserve mortgages at 7.5% which would be pledged to the new Series 9 bond financing. Evensen Dodge believes that as of earlier this week our full spread mortgage rate would have been about 7.25%. We will continue to monitor the market often to assure that the street rate of our mortgage is adequate. Although the stock market has been somewhat volatile, the tax exempt bond market has been surprisingly calm.

A discussion with Fannie Mae, which had purchased our bonds in the last financing, indicated that they have significantly reduced their investment in housing bonds as their portfolio was pretty "full". They are interested in purchasing a small number of bonds if the rate is "right".

At this point in time we are targeting $60 million in loans, and expect to recycle prepayments for eight years after origination, insure the bonds with an insurer who will provide surety bonds to cover our loan loss claim fund exposure, and provide about $4 million in stepped rate loans for the Yearly Energy Savings System (YESS) and the Home Ownership Using Shared Equity (HOUSE) programs. One potential concern is that the VHMGB legislation has not yet passed. Without additional authority included in the legislation, we would not be able to demonstrate that there would be sufficient amounts to guarantee the loans projected to be made from this financing. This could be a concern of bond insurers or rating agencies who might require us to scale back the size of the issue.

The proposed schedule contemplates mailing out a preliminary official statement on May 30th, taking retail orders starting on Monday, June 9th, with pricing and sale of the bonds late that week and closing of the financing before the end of June. We would like to schedule a conference call with the Board to release the preliminary official statement (POS).

Recommended Action
Approve moving forward under the guidelines contained in this memorandum.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

DATE: MAY 15, 1997

RE: GENERAL FUND BUDGET PERFORMANCE

On the reverse side of this memo is the budget performance report for the period ending March 31, 1997, representing the first half of the fiscal year. All things being equal, budget categories should be at 75% of the annual budget. Please see the accompanying memorandum regarding budget adjustment requests, which should be read along with the budget performance report to explain the variances.

We will also be distributing the full Agency nine month financial statements at the Board meeting. Preliminarily we expect a surplus of about $2.7 million which is staying pretty much on track with the first six months of the fiscal year. Property losses are still a concern and total $480,000. The other continuing concern is of liquidity in the General Fund. We expect to address the liquidity issue in the next fiscal year by drawing additional funds from the bond indentures.

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

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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EQUAL HOUSING OPPORTUNITY

BUDGET PERFORMANCE REPORT
VERMONT HOUSING FINANCE AGENCY
MARCH 31, 1997

	APPROVED BUDGET	ACTUAL 3/31/1997	YTD PERCENT
INCOME			
SINGLE FAMILY FEES	$ 139,000	125,689	90.4%
MULTI-FAMILY FEES	135,000	140,041	103.7%
PROJECT ADMIN FEES	73,700	79,858	108.4%
INTEREST INCOME-LOANS	450,000	391,711	87.0%
INTEREST INCOME-INVEST	75,000	172,970	230.6%
VHMGB CHARGES	375,000	250,929	66.9%
MISCELLANEOUS	50,000	43,748	87.5%
TOTAL INCOME	**$ 1,297,700**	**$ 1,204,946**	**92.9%**
FUND TRANSFERS			
SINGLE FAM HOUSING	140,000	1,181	0.8%
FLEET MASS INSURED MTG	200,000	50,000	25.0%
HOWARD MTG PURCHASE	1,250,000	750,000	60.0%
HOWARD HOME MTG PURCH	260,000	87,500	33.7%
HOWARD MULTI-FAMILY	280,000	290,000	103.6%
FLEET CONN MULTI-FAMILY	160,000	145,629	91.0%
HOUSING DEVELOP BDS-MF	10,000	10,000	100.0%
DIRECT PLACEMENT BONDS	35,000	35,000	100.0%
TOTAL TRANSFERS	**2,335,000**	**1,369,310**	**58.6%**
TOTAL INC & TFRS	**3,632,700**	**2,574,256**	**70.9%**
EXPENSES			
ADVERTISING & PROMOTION	129,300	79,677	61.6%
AUDIT	38,000	42,000	110.5%
ANNUAL REPORT	7,500	6,362	84.8%
COMMISSIONERS EXPENSES	5,000	1,383	27.7%
CONSULTING FEES	116,800	59,263	50.7%
DEPRECIATION	145,000	110,024	75.9%
DUES & SUBSCRIPTIONS	28,700	24,201	84.3%
INSURANCE	190,000	135,000	71.1%
INTEREST EXPENSE	190,000	366,020	192.6%
LEGAL	45,000	12,331	27.4%
MISCELLANEOUS	5,000	5,118	102.4%
OCCUPANCY EXPENSE	100,000	45,379	45.4%
OFFICE EXPENSES	35,000	26,286	75.1%
PENSION PLAN	130,000	88,201	67.8%
POSTAGE	26,000	16,920	65.1%
REPAIRS & MAINTENANCE	40,000	24,542	61.4%
SALARIES & WAGES	1,449,466	1,112,786	76.8%
STAFF TRAVEL & TRAINING	60,000	46,533	77.6%
SUBSIDY-HOUSING VT, ERH	99,000	62,000	62.6%
TAXES-PAYROLL	111,400	82,309	73.9%
TELEPHONE	36,000	30,196	83.9%
TRUSTEE & CREDIT FEES	250,000	157,853	63.1%
TOTAL EXPENSES	**3,237,166**	**2,534,384**	**78.3%**
SURPLUS (DEFICIT)	**395,534**	**39,872**	**10.1%**

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

DATE: MAY 15, 1997

RE: GENERAL FUND BUDGET ADJUSTMENT REQUESTS

As promised at the last Board meeting, following are areas of the budget that we feel need adjustment to balance through the end of the fiscal year. Although adjustments are needed in multiple categories, we have been able to offset increases with corresponding decreases, with the exception of the new position hire and the contribution required to cover loan losses in the fund balance transfer account.

Interest Income/Expense. By far the most significant budget adjustment necessary is that for our multifamily construction loan program. We assumed that we would loan $2 million for the year and so far we have loaned $3.6 million and should approach $5 million by the end of the fiscal year. The Pines transactions alone created $3 million of loans receivable and loans payable. These transactions also impacted the multifamily fee income. Offsetting budget adjustment entries of: additional interest income–loans $135,000; interest income–investments $60,000; multifamily fee income $75,000; and interest expense $270,000 are needed to properly reflect the loan activity.

VHMGB Adjustments. The Vermont Home Mortgage Guarantee Board has incurred additional expenses of approximately $10,000, especially in the area of consulting to provide a defense against anticipated questions regarding the pending legislation. Fortunately, we have been able to hold down other expenses charged to VHMGB, and therefore believe that income will be near target and expenses can be absorbed in VHFA savings.

Single Family Housing Fund Transfer. We had expected that transfers from the General Fund to cover loan losses would be able to be covered by a special draw from the bond program. The analysis necessary to accomplish the draw will not be completed by the end of the fiscal year. Loan losses of $265,000 in the Resolution will require a contribution from the General Fund of $32,500. The original budget contemplated a contribution to the General Fund of $140,000.

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Salaries & Wages. The Board approved the hiring of a Loan Servicing Manager in late fall. This new position is expected to add $20,000 to the budget. We believe that the additional fringe benefit costs can be absorbed without an adjustment.

Other Expense Categories. We expect to need increases in Audit expense of $4,000; Telephone expense of $4,000; Staff Travel & Training $6,000 (due to greatly increased in-state travel and to take advantage of Low Income Housing Tax Credit training scheduled at the end of June); $3,300 in Dues and Subscriptions. These increases will be offset by decreases in Consulting of $10,000 and $7,300 in Legal expense.

Capital Budget. The total costs for retrofit and rehab of the space for the bakery tenant are approximately $16,000. An additional $5,000 is needed for computer upgrades as our systems are running out of memory. These additions would raise the capital budget from $75,000 to $96,000 for the year. These additional costs can be offset by savings in occupancy expense.

RECOMMENDED BOARD ACTION

Approval of the adjustments to the operating and capital budgets as referenced above, which result in a decrease in fund balance transfers of $172,500 and an increase in the capital budget of $21,000. The projected surplus in the General Fund for the year will decrease to $223,034.

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VERMONT HOUSING FINANCE AGENCY

VIA FACSIMILE

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director (652-3421) ASH

DATE: May 20, 1997

RE: SECTION 8 DISCUSSION

At our last meeting, Chairman White asked that we do a briefing for the Board on the Section 8 portfolio and the issues surrounding this program. After reviewing the agenda, we felt that there would be time at this meeting to get a start on this complicated subject.

Attached is an overview from Sam Falzone that describes some of the issues related to Section 8. Hopefully you will have time to review it prior to the meeting. I look forward to seeing you in Montpelier on Thursday!

THESE FOUR PAGES WILL BE FAXED AS WELL AS MAILED
IN AN EFFORT TO REACH EACH BOARD MEMBER
AS SOON AS POSSIBLE

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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SECTION 8 OVERVIEW

The HUD Section 8 program was enacted by Congress in 1974. In addition to tenant-based certificates and vouchers, Section 8 subsidies were also committed in the form of project-based assistance that was awarded through Housing Assistance Payments (HAP) Contracts. These HAP Contracts obligated the government to provide rental assistance on specific projects for terms that ran for 5 to 40 years. Properties receiving this project based assistance included the older HUD insured loan programs known as Section 221 and 236. The "Gates" were all developed under these two programs. Project-based assistance was also committed under the Section 8 New Construction and Substantial Rehab (NC/SR) program and it was under this program that VHFA financed 88 multifamily projects (1,935 units) between 1978 and 1984.

Section 8 rental assistance covers the difference between 30% of a tenant's monthly income and the contract rent for their units. Eligibility under this program was originally targeted for households under 80% of median income, although under the Reagan Administration this was reduced to 50% of median income. The result of this change caused a huge increase in the government's share of rent payments and has accelerated the rate at which funds allocated for the full term of the HAP Contract have been depleted. In addition, automatic annual rent increases imposed by HUD averaged 5.5% during the first 10 years of the program, with more modest increases applied in subsequent years until a rent freeze was implemented in 1995. The combined impact of these two factors has caused the cost of the Section 8 program to explode beyond anything manageable. The annual cost to amend these contracts, and renew those that are expiring in the next few years, is expected to reach $19 billion by fiscal year 1999. <u>This amount is equal to the entire sum of money budgeted by Congress for all of HUD in fiscal year 1996</u>.

These problems are further complicated because the Section 8 portfolio is a collection of properties developed under a half-dozen different programs, each with different requirements. VHFA's portfolio currently has 82 properties with some type of project-based Section 8 assistance. While most of these properties have 30 and 40 year HAP Contracts, there are also ten properties with contracts that will either expire by the end of 1998, or have expired and are in a one year renewal term. Even the properties with long term contracts are a potential problem because the originally budgeted annual and contract maximum dollars that were committed under the HAP Contracts are inadequate to meet the full term of the contract and VHFA mortgage. The resulting amendment process has become a costly annual event affecting almost 70% of the portfolio.

In an attempt to address this financial crisis, HUD and Congress have proposed to renew expiring contracts at rent levels no greater than 120% of Fair Market Rent (FMR). Under HUD's Demonstration Program, they have proposed to write down the debt on the FHA insured properties as a method for making these properties more competitive in the open market. Thus far, they have granted one year renewals at current rent for the HFA financed projects where contracts have expired. Three of the ten properties mentioned above have rents in excess of 120% of FMR.

The remainder of the Section 8 portfolio is secure under long term contracts although much of it is subject to the annual amendment process discussed above. Except for four projects located in the Burlington area, all contract rent levels on these properties exceed 120% of FMR with the range running from 127% to 244%. This disparity with the FMR is largely a consequence of the HUD automatic annual rent increases mentioned previously, although actual reductions also occurred in the FMR's. A change in the method of calculating FMR's caused further reductions.

Although not currently an active proposal, in the past there have been attempts to reduce these rent levels to something closer to market rents. If this were to happen, we could expect to see a 75% default rate across this portion of our Section 8 portfolio. There is fear that once these properties exhaust their long term budget authority provided under the HAP Contracts, amendments will only be offered at the 120% ceiling now being implemented on the HUD insured inventory. A default would mean that, even with compressed operating expenses, these properties would not be capable of paying all necessary operating expenses and debt service. The financial exposure to VHFA in the default scenario would be approximately $10 million. Meaning the fair market value of these properties would be approximately $10 million less than the outstanding indebtedness.

For these reasons, we have been closely monitoring the amendment status of each property's HAP Contract funding and have also been working to convince owners of the importance of preserving existing resources, especially through budgeted expense reductions. VHFA has also advocated for a budget based approach to rent levels using reasonable operating expense levels as benchmarks. It is imperative that we remain involved in any process that seeks to reduce contract rent levels in order to protect the financial stability of these properties and protect existing residents.

SAMPLE SECTION 8 PROJECTS

GRAYSTONE VILLAGE		1979	1997	Variance	Current Fair Market Rents (FMR)	1997 Rents vs. FMR	Rent Amt. if 120% FMR
White River Jct.	1 BDR (31 total)	$335	$727	$392	$456	1.59	$547
34 units total	2 BDR (3 total)	$400	$807	$407	$571	1.41	$685
	Yearly Rents:	**$139,020**	**$299,496**	**$160,476**	**$190,188**		**$228,144**

MCKENZIE HOUSE		1983	1997	Variance	Current Fair Market Rents (FMR)	1997 Rents vs. FMR	Rent Amt. if 120% FMR
Burlington	1 BDR (36 total)	$654	$911	$257	$482	1.89	$578
41 units total	2 BDR (5 total)	$551	$888	$337	$642	1.38	$770
	Yearly Rents:	**$315,588**	**$446,832**	**$131,244**	**$246,744**		**$295,896**

5/20/97

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VERMONT HOUSING FINANCE AGENCY

June 9, 1997

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

Dear Ms. Wolters:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Thursday, June 19, at 1:00 p.m., in Conference Room #1 at 133 State Street, Montpelier, Vermont.

If you have any questions, please do not hesitate to contact me at 652-3455.

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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VERMONT HOUSING FINANCE AGENCY

June 2, 1997

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

Dear Ms. Wolters:

The Vermont Housing Finance Agency will be meeting via conference call on Monday, June 9, at 10:00 a.m. to discuss the pricing of our Single Family Housing Bonds Series 9, in the approximate amount of $65 million. Members of the public may participate in the call by coming to the Agency's offices at 164 Saint Paul Street, Burlington, Vermont.

If you have any questions, please do not hesitate to contact me at 652-3455.

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

DATE: JUNE 5, 1997

RE: SINGLE FAMILY BOND FINANCING

Attached to this memorandum is a copy of the Preliminary Official Statement (P.O.S.) that was distributed to potential bondholders and a May 30 draft copy of the Twelfth Supplemental Single Family Housing Bond Resolution (Series Resolution). The Series Resolution is the document which lists the parameters under which the Bonds can be sold. The provisions in Section 201 mandate the limits of the financing, i.e. a bond financing not exceeding $65 million, a yield calculation that would result in a mortgage rate under 8%, and bonds maturing no later than May 1, 2037.

We received an excellent bid from MBIA for bond insurance which will provide a AAA rating for the bonds and includes surety bond coverage for loan loss coverage's totaling $2.2 million. We believe that we are still in the same mortgage rate range of about 7.25%, which includes a loss provision built into the mortgage rate which should reimburse us for losses incurred in the future on this Series of loans. In the expected assumption cash flow case, we are expecting to earn about $245,000 per year, which translates to a present value of that earnings stream of about $2 million.

David Amsden from Kutak Rock (our bond counsel), Andy Gurley of PaineWebber (the lead underwriters) and Al Hans from Evensen Dodge (our financial advisor) will be on the conference call at 10:00 a.m. Monday, June 9th. They will be explaining the proposed financing and seeking the Board's approval to authorize the release of a scale of prices for the bonds under the conditions listed in the Series Resolution.

If you have questions on the documents enclosed or the financing in general, please call me at 652-3436 or Allan at 652-3421 at your convenience.

Recommended Action
Approval of the Twelfth Supplemental Single Family Housing Bond Resolution.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: June 13, 1997

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:00 p.m. Thursday, June 19, in Conference Room #1 (in the basement) of 133 State Street, Montpelier, Vermont.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier at 1:00 June 19!

PLEASE NOTE: Due to time constraints and the Series 9 Bond negotiations, pricing and sale, the FY98 Budget was not available at the time of the Board Packet mailing. Copies of the budget and the accompanying memorandum will be faxed to Board members on Monday, June 16.

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VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA
Office of the State Treasurer
Conference Room #1, 133 State Street
Montpelier, Vermont

Thursday, June 19, 1997 at 1:00 p.m.

1. Review and approval of minutes of May 22, 1997

2. Review and approval of minutes of June 9, 1997

3. Multifamily Management
   A. Multifamily Portfolio Concentration Update **[Falzone // Enclosure]**

4. Operations
   A. Single Family Program/Servicing/Property Disposition **[Lothrop // Enclosure]**
   B. Recap of VBA/VHMGB Meetings **[Lothrop // Enclosure]**

5. Administration
   A. Executive Director's Report **[Hunt]**
   B. VHMGB Legislative Update **[Hunt]**

6. Finance
   A. Series 9 Single Family Bond Sale Wrap-Up **[Schoenbeck]**
   B. Proposed Multifamily Bond Competitive Sale Discussion **[Schoenbeck // Enclosure]**
   C. Proposed FY98 Operating Budget **[Schoenbeck // Enclosure]**
   D. Proposed FY98 Capital Budget: Building Improvements **[McNamara // Enclosure]**
   E. Proposed FY98 Capital Budget: Information Technology **[McNamara // Enclosure]**

7. Development
   A. Applegate Permanent Loan **[Reid // Enclosure]**
   B. South Square Letter of Interest **[McNamara/Erdelyi // Encl.]**
   C. VHCB 0% Request: Lead Based Paint **[McNamara // Enclosure]**
   D. Tax Credit Allocation Recommendations **[Erdelyi/Reid // Enclosure]**

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

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
Office of the State Treasurer
Conference Room #1, 133 State Street
Montpelier, Vermont
Thursday, May 22, 1997

PRESENT: Chairman White; Brown (designee for Shouldice), Canney, Douglas, Randall, Seelig

Agency Staff: Mr. Hunt, Mr. McNamara, Mr. Schoenbeck, Mr. Lothrop, Mr. Jarrett, Mr. Falzone, Ms. Gent, Ms. Parker, Mr. Erdelyi

Guests: Mr. Rittenhouse (AG Edwards); Mr. Giebink, Mr. Brush (Green Mountain Development)

The meeting was called to order at 1:05 p.m. by Chairman White. Upon a motion duly made by Mr. Seelig and seconded by Ms. Canney, the minutes of April 17 were unanimously approved as written. A motion was then made by Ms. Randall to accept the minutes of May 7, with the clarification that once the Low Income Housing Tax Credit application for the Regional Affordable Housing Coalition has been acted upon, Mr. Hunt will resume his usual activities in connection with the housing credit process. After being seconded by Mr. Seelig, the minutes were adopted with that clarification noted.

Mr. Erdelyi reviewed his memo of May 16, included in the Board packet, regarding "The Pines–Phase Four; Combined Letter of Interest and Commitment Letter for Construction and Permanent Financing; Bridge Financing." Mr. Giebink and Mr. Brush, representing the sponsor of the project, Green Mountain Development Group, were re-introduced to the Board as well. As Mr. Erdelyi explained, the proposed project has been structured as a tax exempt bond financing. Environmental assessments had been conducted on the land prior to the first phase of construction. Applications are currently being accepted, with the first occupancy scheduled to occur by December. Mr. Brush displayed artist's renderings of the proposed building, as well as photos of the completed phases, explaining that Phase Four would mirror these buildings and blend well with the already constructed portion of the project. As Mr. Giebink noted, the prior phases were 100 percent occupied at the date of move in, and currently there is a waiting list of 50 individuals, not including those above 60 percent of median income who have asked to be placed on a waiting list. A similar project in Rutland is currently in the planning stages. Mr. Seelig remarked on the amenities available at the Pines, and Mr. Giebink explained that a treed area and walking trail have been created on the site, as well as areas for vegetable and flower gardens.

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Many of the residents have volunteered to plant and maintain the flower beds on the site. Mr. Seelig also noted that Phase Four as proposed will have 13 units below 50 percent of median income, with the remainder at market rate, and asked about the ability to have all phases of the property considered as a whole to meet the requirements of housing credits, or the necessity of regarding the buildings separately to meet the allocation requirements. Mr. Erdelyi explained that each building receives separate allocations of housing credits, so the mix of market rate and affordable units will be maintained by building rather than project-wide over the life of the project, or as long as the housing credits remain in place. Following some further discussion and a motion made by Ms. Canney and seconded by Mr. Seelig, the Board voted unanimously to adopt the "Resolution Pertaining to Combined Letter of Interest and Commitment letter re: The Pines, Phase IV" as attached to these minutes. Mr. Giebink and Mr. Brush left the meeting after the vote.

The "Single Family Bond Financing" was reviewed by Mr. Schoenbeck, who referred the Board to his memo of May 15 included in the Board packet. As the Federal Reserve Board did not recently raise rates, this should tend to moderate mortgage rates for upcoming bond issues. Lendable proceeds of $60 million are being considered for the upcoming issue, with an anticipated mortgage rate under 7.5 percent. Under the current schedule, bonds would be released for retail orders around June 9, to be sold later that week, after allowing at least two days for retail orders. A Board meeting via conference call would need to be scheduled early in June to approve the pricing of the bonds. Mr. Schoenbeck explained that the establishment of a loan loss reserve has been discussed, but has not yet been built into the program. Discussions with Kutak Rock, the Agency's bond counsel, have determined that a provision for loan losses can be included in the mortgage rate; this method would allow the Agency to slightly increase mortgage rates low while providing economic support. Mr. Hunt noted that additional loss reserves would effectively be funded through higher guarantee fees. Legislation concerning VHMGB's guarantee fee structure has not yet passed, although the Senate Finance Committee should soon be reviewing the proposal. According to Mr. Hunt, it appears that the Administration is in support of VHMGB's portion of the bill under consideration. Mr. Rittenhouse was asked for his opinion of the current bond market, and noted that anticipation of Federal action had rallied the market; since the Federal Reserve rate was not raised, it appears to be a good time to take bonds to market, but a factor will be where long bond rates fall out, since there is a large difference in retail between 6 percent and 5.95 percent; however, strong retail interest is expected. The Board then discussed the proposed size of the bond issue and concerns raised by the uncertainty of action by the Legislature regarding guarantee fees for VHMGB. Although no official Board action was taken, it was generally agreed that staff should continue with the proposed bond issue as currently sized and scheduled.

Next, Mr. Schoenbeck reviewed the "General Fund Budget Performance" as reported in his memo of May 15, included in the Board packet. The "Balance Sheet" and "Statement of Revenues, Expenses and Changes in Fund Balances" for the period ending March 31, 1997, were also distributed to the Board. The nine month surplus is still on target with expectations. According to Mr. Schoenbeck, the bond insurers have expressed concern about the level of delinquencies and losses being experienced, and the strength of the Agency's portfolio. The General Fund current balance is $6.4 million, but serious liquidity issues continue, with plans in place to draw surplus funds from bond issues. Mr. Schoenbeck explained that the General Fund has been level funded for several years. To attain a higher General Fund balance, cash flows are run for the rating agencies showing that the Agency can pay bonds when due, and identified surpluses are then drawn from the bond programs. As Mr. Schoenbeck reminded the Board, several loans have been provided through the General Fund on which the Agency is not currently collecting payments, due to the structure of the financing arrangements. No Board action was required.

The "General Fund Budget Adjustment Requests" were then reviewed by Mr. Schoenbeck, who referred the Board to his memo of May 15, included in the Board packet. More construction lending has occurred than was originally anticipated, which has created the large budget adjustments; most of the budget adjustments are offsetting. While interest expense is increasing by $270,000 due to interest charges from borrowing, this is offset by additional income in three other areas. It is possible that expected income levels for the year may be exceeded, but Mr. Schoenbeck cautioned the Board that balance reflects construction loan activity anticipated for the year. General Fund transfers to the Single Family bond programs have been needed to cover loan losses that were higher than originally anticipated; the bond resolution calls for losses to be paid as they occur, with letters of credit to be drawn upon, if needed. Ms. Randall suggested that the Board consider setting funds aside for loan loss reserves. In response, Mr. Schoenbeck noted that although reserves are not a requirement of the resolution, rating agencies require certain surplus funds that need to stay within each bond resolution. Increased surplus due to mortgage rate increases within a bond resolution would help to cover losses within that resolution, rather than keeping a portion of the General Fund in reserve. Kutak Rock has advised that there is no requirement to segregate funds or to compare anticipated losses against actuals and make adjustments in calculating the bond program loss reserve. Mr. Seelig questioned the advantage to amending the budget rather than recognizing that some income goals have not been met and in other areas expenses have exceeded expectations. As Mr. Schoenbeck noted, budget adjustments have been done in prior years, primarily to satisfy audit requirements. After some further discussion of the pros and cons of budget adjustment, a motion was made by Ms. Canney to approve the adjustments to the operating and capital budget as described in Mr. Schoenbeck's memo; this motion carried unanimously after being seconded by Mr. Brown.

{Mr. Douglas left the meeting at this time.}

Mr. Falzone then reviewed the "Multifamily Portfolio Concentration" as described in his memo of May 13, included in the Board packet. These statistics were compiled in direct response to a request from the Board at the April meeting. Chairman White noted that this information was requested to address risk management concerns as well as to determine how well the Agency is meeting the goals of the mission statement. On the risk management side, the concern is how much funding should be allowed on any one property, or within a given geographical area. As the Agency provides non-recourse financing, the total amount of funding for any one developer would not be a concern. Chairman White suggested that staff develop guidelines for the Board to consider, based on percentages of the total portfolio as well as geographic location. Mr. Hunt observed that many of the projects financed in Chittenden County would not be economically feasible elsewhere in the state, primarily due to the nonprofit and private sector capacity within Chittenden County. Ms. Canney asked about staff's willingness to travel to the southern part of the state, and Ms. Randall suggested that staff consider a cost analysis regarding the creation of a "satellite" office in the southern section of the state, perhaps as a one year pilot program, staffed by two employees, perhaps utilizing office space at an existing nonprofit. Mr. Brown noted that the economic strength of Bennington, Windham and Windsor counties, as well as the ability to meet housing needs in those areas, continues to be a concern. Ms. Canney requested that the information be updated to include the percent of median income for people residing in Agency-financed housing, as well as the total number of units. Mr. Falzone agreed to do so, noting that the data covers 20 years of development activity and includes roughly 82 Section 8 properties that are occupied by individuals or families below 50 percent of area median income. As Mr. Hunt further noted, there are projects located in other counties which have already paid off the financing provided by the Agency; including this information would further help the Board to track previous activity and determine future needs. Chairman White asked that staff propose limits for individual projects as well as the need for geographic limits for the Board to discuss in June, in conjunction with planning for FY98. No further Board action was necessary.

The "Evaluation of Down Payment Assistance Loans" was then reviewed by Ms. Gent, who referred the Board to her memo of May 13, included in the Board packet. The IORTA down payment assistance program has been discontinued; however, as funds become available due to cancellations, they are applied to loans from within the Burlington Enterprise Community or to qualified loans for properties within the Agency's real estate owned portfolio. According to Ms. Gent, the analysis for March 1997 found that borrower characteristics for both IORTA and the 95 percent Loan to Value group were comparable. Mr. Schoenbeck explained that claims have been paid out of the IORTA funds, and a portion has also been set aside to act as guarantee funds. Mr. Seelig asked staff to compare the IORTA funds with comparable loans guaranteed through Rural Development, if those figures are available. In closing, Ms. Gent noted that the performance of loans made to borrowers at or below 90 percent of median income is consistent over the past year, and reminded the Board that a larger delinquency study is being conducted on the Agency's Single Family portfolio. The results of that study have helped in the structuring of a credit scoring system, which will be brought to the Board for review at the June meeting. No further Board action was necessary.

Next, Mr. Lothrop reviewed the "Single Family Program Activity Report for March" which was included in the Board packet. Strong reservation and purchase activity continues; although the number of loans is lower when compared with the same period last year, the total amount of funds reserved has increased, perhaps reflecting the higher prices of homes being purchased. The "Servicing Activity for March 1997" was also reviewed by Mr. Lothrop, who noted that the number of delinquencies in April have dropped. As of the end of March, five REO properties were under contract, with four more under deposit and negotiations being conducted on four other properties; there were six properties in negotiations with local nonprofits. Mr. Lothrop assured the Board that enhanced procedures in the Agency's servicing of loans appear to be effective in addressing delinquencies and the foreclosure process. Turning to foreclosures, Mr. Lothrop reviewed the "Board Property Disposition Report" for March 1997 and explained that since the report was distributed, one property had been sold in March and five others are under contract; in April seven properties were sold, with three more under contract. Chairman White observed that the expenses linked with the REO properties appears to be high, but Mr. Hunt explained that many of those expenses are related to delinquent taxes, which is being addressed by the Agency's requirement of property tax escrows.

The "Servicing Department Goals for Collections, Foreclosures and Real Estate Owned" were then reviewed by Mr. Lothrop, who referred the Board to his memo of May 1, included in the Board packet. These goals have been established in order to measure the effectiveness of the Agency's Single Family servicing efforts, and cover the areas of collections, foreclosures and real estate owned. The interim goals referenced in the memo will be monitored on a quarterly basis. Answering a question from Ms. Canney, Mr. Lothrop indicated that the proposed reduction in time until claim payments are received should be accomplished by encouraging lenders to submit claims in a more timely manner. Proposed rule changes pending for VHMGB will allow lenders to pay claims up front rather than waiting until the property is sold. No Board action was required.

In his Executive Director's report, Mr. Hunt informed the Board that he has been spending a great deal of time addressing VHMGB legislative issues. The Federal Home Loan Bank of Boston has recommended to Washington a joint application from the Vermont Development Credit Union, the Agency and the Homeownership Centers to provide $240,000 in grant money as down payment assistance on 40 loans; the Agency is providing $78,000 in no-interest deferred payment second mortgages as well. Mr. Hunt also reported that he has been speaking at several regional meetings for REALTOR™ groups throughout the state. During these encounters, Mr. Hunt has taken several opportunities to promote the usage of mortgage guarantees through VHMGB, which has experienced a significant drop in conventional activity since the consolidation with the Agency. In other news, Mr. Hunt noted that the closing on 600 Dalton Drive, the remaining commercial building at Fort Ethan Allen, had occurred earlier in May, with the official groundbreaking to be held in June for the 11 unit facility to house people with AIDS. A groundbreaking at Holy Cross in Colchester was well attended, with strong community recognition.

Mr. Hunt also informed the Board that a credit scoring system is being developed for VHMGB, with a discussion scheduled at the May 28 VHMGB Board meeting. This proposal should be brought to the Agency's Board in June, with implementation planned for early in FY98. Utilizing a credit scoring system should prove to be a significant resource in minimizing and evaluating the risk in the Agency's portfolio and anticipation of delinquencies. In brief, the system would ease underwriting requirements for borrowers who have received a certain credit score, to be determined, with more stringent requirements for those receiving a score below a given level. Ms. Randall noted that her organization is considering using credit scores for their current portfolio, to project losses, potential losses or bankruptcy. According to Ms. Randall, a credit score can indicate that should a certain loan become delinquent, it is highly likely to eventually result in a bankruptcy. Mr. Lothrop noted that two retrospective analyses of the Agency's single family portfolio have been performed as of June 1995 and June 1996, with another analysis for June 1997 pending. As Mr. Lothrop further explained, the object of a credit score is not to eliminate loans to borrowers with low scores, but to use the score to indicate the potential for a loan to become delinquent and result in losses to the Agency. There was no Board action necessary.

Updating the Board on activity regarding the Applegate Apartments in Bennington, Mr. McNamara reported that conference calls had taken place with representatives from HUD in Atlanta and Manchester. A major problem raised by HUD is that the final partnership structure is as a limited partnership for housing credit purposes. In February HUD circulated a memorandum indicating that all negotiated sales with up front grants can only be made to a unit of government (in this case, the Agency); by HUD's definition, all partners are considered to be for profit, even if they are not, and a competitive measure must be employed to determine that Housing Vermont would be appropriate in the limited partner structure. The president of Housing Vermont, Peter Richardson, will be meeting with HUD to resolve this issue, which arose after the partnership structure was in place and had been preliminarily approved by HUD. Mr. McNamara also noted that the architectural engineering report conducted by HUD had been received. A further review of the renovations has resulted in five units to be made handicapped accessible, with a set aside to make other units adaptable. It is expected that the closing for Applegate will take place in mid August.

Mr. Hunt then informed the Board that Housing Vermont has a vacancy on their board, since Mr. Richardson, who had been a board member, has been appointed president of the organization. Suggestions or nominees should be offered for consideration prior to their June meeting; there may be other opportunities for nominations later in the year, as terms expire. Board members agreed to call Mr. Hunt with suggested nominees.

Turning to other old or new business, Mr. Hunt advised the Board that a requirement to have escrow accounts for property taxes was put into place for reservations received after March 17. Several lenders have asked to have that requirement waived, as they are unable or unwilling to comply for various reasons. Smaller lenders are at a competitive disadvantage, as borrowers may turn to a lender that does not require an escrow. A meeting has been scheduled June 5 to meet with representatives of the Vermont Bankers Association to discuss this issue. After some discussion, Mr. Hunt suggested that the escrow requirement could be deferred for some period (perhaps 12-24 months) for lenders who request a waiver. Without formal action, the Board instructed staff to determine an appropriate method of implementing the escrow requirement and keep the Board informed on a regular basis.

Mr. Jarrett then reminded the Board that the "Memorandum of Understanding" between the Agency and VHMGB was due to expire June 30, 1997. An extension for six months was proposed, with a further extension to be considered after pending legislative action has been taken. A motion was made by Mr. Seelig and seconded by Ms. Randall to approve the extension as recommended.

Due to time constraints and the absence of two Board members, the Board deferred until June a review of the "Section 8 Discussion" as prepared by Mr. Falzone in his memo of May 20.

Chairman White expressed the Board's sentiments to Mr. Seelig at the honor of being in the presence of one of the 22 most influential people in Vermont, and congratulated him on his selection by *Vermont Magazine*.

The next Board meeting was scheduled for June 19 in Burlington. There being no further business, and following a motion duly made and seconded, the meeting was adjourned at 3:30 p.m.

Respectfully submitted,

Allan S. Hunt, Secretary

RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST AND COMMITMENT LETTER RE: THE PINES, PHASE IV

WHEREAS, a proposal has been presented to the Agency by Green Mountain Development Group, Inc., a development corporation, (the "Sponsor") on behalf of a to-be-formed limited partnership, involving the construction and term financing of a senior housing development containing 60 additional units in one building located on approximately six acres in South Burlington (the "Development"); and

WHEREAS, the proposal contemplates a construction loan and term loan in an amount not to exceed $3,700,000; and

WHEREAS, the Sponsor is intending to use Housing Credits derived from projected tax-exempt bonding, which are not subject to the State's housing credit ceiling; and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi dated May 16, 1997 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

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

2. The construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.

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

4. The housing sponsor undertaking the Development will increase the supply of well-planned, well-designed term housing for persons and families of low and moderate income.

5. The security value of the Development will equal at least the amount of the Agency's loan.

6. The Sponsor is a financially responsible organization and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to a to-be-formed limited partnership for the construction of the Pines senior housing development, Phase IV, in South Burlington and a term loan, in an amount not to exceed $3,700,000. The term will be 20 years, but the loan will be amortized over a period of up to 30 years. The interest rate shall be determined by the Executive Director based on the Agency's cost of funds plus an override of not less than 75 basis points, with a target of 8.0%. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance or for other purposes with the consent of the Agency.

2. The Letter of Interest shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:

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

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

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

   d) Sponsor must provide personal guarantees acceptable to staff for the duration of the construction and rent-up periods;

   e) Sponsor must provide a letter from the City regarding the estimated first year's property taxes;

   f) Sponsor must agree to pay the negative carry costs if any of the bond during the construction and rent-up periods (prior to the term loan closing).

3. The Executive Director may, in his discretion, issue a Commitment Letter for loans for the construction and long-term financing of the Development, in an amount not to exceed $3,700,000. The term of the construction loan shall be one year, with an

interest rate to be determined based on the Agency's cost of funds plus an override of not less than 75 basis points, with a target of 8.0%. Interest only shall be payable on the construction loan until the closing of the term loan.

4. The term loan shall be amortized over a period of up to 30 years, but all principal and accrued interest shall be due not more than 20 years from the date of the term loan. The interest rate shall be determined by the Executive Director based on the Agency's cost of funds plus an override of not less than 75 basis points, with a target of 8.0%. The Commitment Letter may be issued to Green Mountain Development Group, Inc., as a representative of the to-be-formed limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

5. The Executive Director is authorized to make a bridge loan of up to $670,000 to the Sponsor, with a term of up to three months and an interest rate based on the Agency's cost of funds plus a spread of up to 175 basis points. The source of funds will be the Agency's line of credit.

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 May 22, 1997.

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

vhfa

VERMONT HOUSING FINANCE AGENCY

BOARD CONFERENCE CALL MINUTES
Vermont Housing Finance Agency
164 Saint Paul Street
Burlington, Vermont
Monday, June 9, 1997

BOARD MEMBERS PRESENT
(via speakerphone): Chairman White; Commissioners Candon, Canney, Douglas, Randall, Seelig

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

GUESTS
(via speakerphone): Mr. Gurley, Mr. Schlicting, Mr. Dormitzer, Mr. Irvin (PaineWebber); Mr. Amsden (Kutak Rock); Mr. Hans, Mr. Sohn (Evensen Dodge); Ms. Huffman (Orrick Herrington Sutcliffe)

The meeting was called to order at 10:10 a.m. by Chairman White. Participants were identified by roll call, and it was agreed that all motions and votes would be taken in the same manner. Mr. Jarrett assured the Board that proper notice of the meeting had been made, satisfying the requirements of Vermont's Open Meeting Law. The Board members also confirmed receipt of the packet of information sent by Mr. Schoenbeck, containing the proposed "Twelfth Supplemental Single Family Housing Bond Resolution" and the Preliminary Official Statement for Single Family Housing Bonds, Series 9.

Mr. Schoenbeck then explained the differences between the bond issue being contemplated and previous transactions, noting that the Municipal Bond Investors Assurance Corporation (MBIA) will be the bond insurer, rather than AMBAC. The bonds will be available for general sale to the public, both retail and institutional, rather than a private placement. Funds in the amount of $4 million will be made available to create stepped rate mortgages, starting at 1.5 percent below the final rate of the regular remaining pool of mortgage funds. The total bond issue will be $65 million, yielding approximately $61.5 million in lendable proceeds. Another new feature of this issue is that a loan loss provision has been built into the mortgage rate; by adding the amount to the mortgage rate, the Agency can be reimbursed for expected losses over the term of performing mortgages. The new bond underwriting team includes AG Edwards and Smith Barney as well as PaineWebber, and it is expected that they will all be active during the retail selling phase of the bond issue as well.

Mr. Hans, of Evensen Dodge, the Agency's financial advisors, reviewed other aspects of the transaction, reminding the Board that conference calls were held throughout the process to determine the structure of the sale and the marketing of the bonds, as well as to address the retail demand for the selling of Vermont bonds and how best to modify the process to make the bonds more accessible to individuals. Mr. Schoenbeck noted that the issue also utilizes surety bond coverage, which means that the Agency does not need to provide cash for a loan loss claim fund.

Mr. Schlicting, of PaineWebber, reviewed the fixed income markets and the pricing structure that had been developed with participation by the bond underwriting group's co-managers. Other housing issues that have come on the market in the past week or which will be brought to the market this week have competitive rates. Mr. Schlicting then reviewed the actual scale of bond rates from 1999 through 2037.

According to Mr. Schoenbeck, the mortgage rate currently projected is 7.05 percent, which includes an addition of five basis points for loan losses. Calculations run by the Agency and under review by Kutak Rock, the Agency's bond counsel, indicate that the addition of 20 to 25 basis points to the final mortgage rate would be allowable to cover projected future loan losses. The Board discussed the methods for implementing the addition of a certain amount of basis points for loan loss coverage, and Mr. Douglas was appointed to represent the Board's interests, in the absence of the Chairman, regarding the final pricing and mortgage rate.

Mr. Amsden, of Kutak Rock, reviewed the proposed Resolution which would provide the approval for a maximum of $65 million in bonds, with a maximum maturity to 2037. The Resolution also references a maximum mortgage rate of 8 percent and sets up the procedure for MBIA insurance and MBIA surety bonds, as well as referencing ancillary documents such as the remarketing agreement and disclosure agreements necessary to satisfy security laws. As Mr. Amsden explained, most of the documents are similar to ones used in prior bond financings, with the actual details, such as the final interest rate and the maturity dates for the bonds, still remaining to be completed based on the pricing results. If interest rates drop after the origination of loans under this bond series, this Resolution allows for the bonds to be brought in against unexpended funds and a lower interest rate could be developed and the bonds re-marketed, at some additional cost, after re-negotiations. The optional call premium charge is more aggressive in this transaction, compared with earlier bond issues. Mr. Schoenbeck noted that a premium would be due for optional bond calls only; if the bonds are called early, due to prepayments or unexpended proceeds, the bonds could be called with no premium.

Following this discussion and a motion duly made by Mr. Douglas and seconded by Mr. Seelig, the "Twelfth Supplemental Single Family Housing Bond Resolution" attached to these minutes was unanimously adopted as presented and explained.

The loan loss option of increasing the mortgage rate by up to 25 basis points was further explained by Mr. Schoenbeck, who noted that this is a free economic benefit of the transaction, allowable in yield calculations. Mr. Amsden noted that the Code limits mortgage yield to an amount 1.125 percent above the bond yield, and regulations permit the Agency to include expected loan losses not taken into account for yield purposes. However, Mr. Amsden cautioned that the Agency would need to ensure that what is being included is a reasonable expectation, and that Kutak Rock had not yet completed their review of the numbers provided by the Agency.

A motion was then made by Ms. Canney to include a loan loss reserve of up to 25 basis points over the final mortgage rate, with the final mortgage rate to be at least 50 basis points under the prevailing conventional interest rate, and further authorizing Mr. Douglas to review the changes and final pricing for approval. This motion carried unanimously after being seconded by Mr. Candon.

Following the motion, Mr. Hunt pointed out that the bonds will appropriately be sold during National Homeownership Week.

The next Board meeting was confirmed for June 19, but relocated to Montpelier. There being no further business, and following a motion duly made and seconded, the meeting was adjourned at 11:00 a.m.

Respectfully submitted,

Allan S. Hunt, Secretary

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Samuel J. Falzone, Director, Multifamily Management

DATE: June 12, 1997

RE: **MULTIFAMILY PORTFOLIO CONCENTRATION UPDATE**

We have revised this analysis to include all prepaid VHFA multifamily loans in addition to units produced under the Housing Credit program, as well as a projection of rental housing needs. At the Board's request, we have also included more specific information on the income ranges being served. Percentages are now expressed as a function of total units instead of total dollars. Tax credit properties are indicated with a check in a black box (☑) and are primarily for residents with incomes below 60% of median income. Section 8 projects are designated with a number sign (#) and are occupied by residents with incomes below 50% of median. The properties in bold continue to represent the larger projects with higher VHFA loan exposure. Nonprofit owned properties are designated with a star (*). Other symbols used in this analysis include: **CC** = Community Care Home, **MHP** = Mobile Home Park, **RR** = Rental Rehab, and **MR** = Moderate Rehab programs.

The unmet housing needs analysis projected for 1999 is presented from research compiled in the 1995 State of Vermont Housing Needs Assessment. This information may be helpful in evaluating the relative effectiveness of VHFA programs and help to guide our allocation of resources in the future.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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EQUAL HOUSING OPPORTUNITY

MULTIFAMILY PORTFOLIO
PROJECTS BY COUNTY

TOWN	OWNER	PROPERTY	UNIT	LIHTC UNITS	LOAN AMOUNT	✓ = LIHTC	# = SEC. 8
ADDISON COUNTY							
Bristol	Michael Burke	Pleasant Hills	16		prepaid		#
Bristol	Tom Plumb	*Hunt Farm Road	9	9	$197,290	✓	#
Hancock	Peter Harvey	Mountain View Apts.	5		$203,747		#
Lincoln	Weathervane Unite	Weathervane Apts.	6		prepaid		#
Middlebury	Norm Bicknell	The Meadows	40		prepaid		#
Middlebury	Charles Brush	Sugarwood Apts.	12		$513,023		#
Middlebury	Peter Richardson	*Pine Meadow	30	24	$750,071	✓	
Middlebury	Peter Richardson	ACCAG Scattered Site	19	17		✓	
Middlebury	Peter Richardson	Middlebury Commons	63	63		✓	
Middlebury	John Sherlock	Sherlock Homes	2	2		✓	#
Starksboro	Elizabeth Ready	*Hillside MHP	29		$326,305		
Starksboro	Elizabeth Ready	*Kilbourne MHP	45		$384,500		
Starksboro	Elizabeth Ready	*Lazy Brook MHP	52		prepaid		
Vergennes	Kirkland Gourley	Valley View Apts.	24		$709,928		#
Vergennes	Elizabeth Ready	*Otter Creek MHP	73		prepaid		
ADDISON COUNTY TOTAL:			**425**	**115**	**$3,084,864**		
BENNINGTON COUNTY							
Arlington	Peter Richardson	Bentley Farm	8	7		✓	
Bennington	Diane Binnick	*Depot Street	7		$162,000		#
Manchester	Jack Heaton	The Meadows	24		prepaid		#
No Benningto	Jack Heaton	Homestead Mews	24		$841,978		#
BENNINGTON COUNTY TOTAL:			**63**	**7**	**$1,003,978**		
CALEDONIA COUNTY							
Danville	Paul Stewart	Walden Mountain	18		$612,948		#
Hardwick	Peter Cover	Maple St./Hardwick	16		$491,132		#

*** = non-profit owner**

MULTIFAMILY PORTFOLIO
PROJECTS BY COUNTY

TOWN	OWNER	PROPERTY	UNIT	LIHTC UNITS	LOAN AMOUNT	☑ = LIHTC	# = SEC. 8
Hardwick	Peter Richardson	Hardwick HP	7	7		☑	
Hardwick	Gretchen Rittenhou	Bemis Block	14		$460,291		#
Hardwick	Gretchen Rittenhou	Hardwick Family	8		$310,593		#
Lyndonville	Peter Richardson	Lyndon HP, Phase I &	14	12		☑	
Lyndonville	Gretchen Rittenhou	Darling Inn	27		$873,100		#
Peacham	Peter Richardson	Peacham Academy	4	4		☑	
St. Johnsbury	Herbert Berezin	Depot Square	47		$1,400,000		#
St. Johnsbury	Peter Richardson	Caledonia HP, Ph. I &	28	25		☑	
St. Johnsbury	Gretchen Rittenhou	*St. Johnsbury HP	32	23	$125,161	☑	#
St. Johnsbury	Gretchen Rittenhou	Canterbury Inn CC	28		$407,056		
St. Johnsbury	Gretchen Rittenhou	Canterbury N & S	42		$1,003,541		#
West Burke	Douglas Henderson	West Burke Housing	15		$539,564		#
CALEDONIA COUNTY TOTAL:			**300**	**71**	**$6,223,386**		

CHITTENDEN COUNTY

Bolton	Richard Williams	Fernwood MHP	78		prepaid		
Burlington	Karl Ashline	Lake Champlain Apts.	27		$1,155,555		#
Burlington	Barbara Baker	Garden Apts.	13		$446,467		#
Burlington	William Bissonette	North Street	6	6		☑	
Burlington	William Cross	Monroe Street Apts.	7		$262,666		#
Burlington	Joseph Duggan	*KSNRC Apts.	11		$325,992		#
Burlington	Joseph Duggan	Duggan Row House	16		prepaid		#
Burlington	**Richard Feeley**	**South Meadow**	**148**	**30**	**$4,738,300**	☑	
Burlington	Evelyn Harrington	Harrington Apts.	5		$159,950		#
Burlington	Rebecca Kaiser	King Street Apts.	7		$297,772		#
Burlington	Stephen Knight	Eno Apts.	6		$173,813		#
Burlington	Scott Mansfield	700 Riverside Ave.	8		$360,000		#
Burlington	Daniel O'Brien	McKenzie House	41		$1,943,439		#
Burlington	Daniel O'Brien	South St Paul	15		$595,861		#
Burlington	**James Pizzagalli**	**Bobbin Mill Apts.**	**51**		**$2,185,394**		#
Burlington	James Pizzagalli	Maple St. Apts./GE	37		$1,423,110		#

*** = non-profit owner**

MULTIFAMILY PORTFOLIO
PROJECTS BY COUNTY

TOWN	OWNER	PROPERTY	UNIT	LIHTC UNITS	LOAN AMOUNT	✓ = LIHTC	# = SEC. 8
Burlington	John Randall	St. Paul/Randall Apts.	11		$352,816		#
Burlington	**Peter Richardson**	***Heineberg**	**82**	**42**	**$1,929,496**	✓	
Burlington	**Peter Richardson**	***Northgate**	**336**	**179**	**$6,643,162**	✓	#
Burlington	**Peter Richardson**	***Salmon Run**	**80**	**36**	**$2,528,759**	✓	
Burlington	Peter Richardson	Rose Street Coop	12	12		✓	
Burlington	Peter Richardson	Thelma Maple Coop	20	20		✓	
Burlington	W.L. Shriner	North Street - Shriner	4	4		✓	
Burlington	Brenda Torpy	*BCLT BRHIP	33	27	$595,886	✓	
Burlington	Brenda Torpy	*BCLT O.N.E.	20	20	$552,610	✓	
Burlington	Brenda Torpy	*Johnson Street	5		$146,000		
Colchester	Daniel O'Brien	Point School Apts.	5		$218,843		#
Colchester	Peter Richardson	Holy Cross Housing	40	33		✓	
Colchester	**Peter Richardson**	**Winchester Place**	**166**	**75**	**$7,825,000**	✓	
Essex	Bob Marcelino	Essex Town Center	44	26		✓	
Essex Junctio	Daniel O'Brien	Whitcomb Woods	64		prepaid		#
Georgia	Kenn Sassorossi	*Hidden Pines	8		$262,000		#
Jericho	Daniel O'Brien	Jeri-Hill Apts.	24		$881,110		#
Milton	Lloyd Gilbert	Meadow Lane	20	20	$642,390	✓	#
So. Burlingto	John Giebink	The Pines, Phase I	53	53		✓	
So. Burlingto	**John Giebink**	**The Pines, Phase II**	**33**	**26**	**$1,500,000**	✓	
So. Burlingto	**John Giebink**	**The Pines, Phase III**	**39**	**39**	**$1,225,000**	✓	
So. Burlingto	Peter Richardson	Queensbury Road	18	16		✓	
South Burlingt	Daniel O'Brien	Country Park	75		prepaid		#
Williston	Peter Richardson	*Whitney Hill	44	31	$1,217,927	✓	
Williston	Kenn Sassorossi	*French Hill MHP	9		$114,620		
Williston	Kenn Sassorossi	*Pinecrest	6		$159,470		#
Winooski	Louis Laun	Allen Apts.	17		$668,242		#
Winooski	Scott Mansfield	Genest Building	10	10		✓	#
Winooski	Kenn Sassorossi	*Ethan Allen RR	32		$827,000		
CHITTENDEN COUNTY TOTAL:			**1,786**	**705**	**$42,358,650**		

* = non-profit owner

MULTIFAMILY PORTFOLIO
PROJECTS BY COUNTY

TOWN	OWNER	PROPERTY	UNIT	LIHTC UNITS	LOAN AMOUNT	✓ = LIHTC	# = SEC. 8
ESSEX COUNTY							
Canaan	Henri Morais	Green Hill Apts.	12		$406,041		#
Island Pond	Anita Gervais	Hillside Acres	12		$490,661		#
Island Pond	Anita Gervais	Sunrise Manor	22		$627,702		#
ESSEX COUNTY TOTAL:			**46**	**0**	**$1,524,404**		
FRANKLIN COUNTY							
Enosburg	Abraham Brown	Brownway CC	36		$387,000		
Enosburg	Abraham Brown	Riverview Apts.	30		prepaid		#
Enosburg	Janet Spitler	Pleasant Street Apt.	24	19		✓	
Fairfax	Burton Steen	Mountain View Apts.	20		$727,297		#
Fairfield	Richard Howrigan	Chester Arthur Apts.	8		$253,689		#
Franklin	Hugh Gates	Franklin Homestead	23	14		✓	
Richford	Richard Carr	Missisquoi Manor	24		prepaid		#
St Albans	Richard Carr	Beth-El Court	32		prepaid		#
St. Albans	Richard Carr	Carr Duplex	2		prepaid		#
St. Albans	Robert Cioffi	*Lower Weldon St.	12		$463,574		#
St. Albans	Peter Richardson	Fairfield St. School A	21	21		✓	
St. Albans	Richard Williams	*Upper Weldon Villa	40		$830,000		#
St. Albans	Richard Williams	Hillcrest Apartments	34	24		✓	
St. Albans	Jonathan Ziner	Holy Angels Common	31		$1,339,477		#
Swanton	April St. Francis	*Abenaki Family	12		$637,384		#
Swanton	Richard Williams	*Village Apts.	16	16	$360,500	✓	#
FRANKLIN COUNTY TOTAL:			**365**	**94**	**$4,998,921**		
GRAND ISLE COUNTY							
Alburg	Daniel O'Brien	Alburg Family	13		$487,000		#
Alburg	James Lamphere	Pine Manor	16		$685,012		#
GRAND ISLE COUNTY TOTAL:			**29**	**0**	**$1,172,012**		

*** = non-profit owner**

MULTIFAMILY PORTFOLIO
PROJECTS BY COUNTY

TOWN	OWNER	PROPERTY	UNIT	LIHTC UNITS	LOAN AMOUNT	☑ = LIHTC	# = SEC. 8
LAMOILLE COUNTY							
Johnson	Joseph Cloutier	St. John's Knoll	20	20		☑	
Morrisville	Alfred Lunde	Lamoille View Apts.	25		$669,141		#
Morrisville	Jack Peduzzi	*Lamoille HP	10		$120,000		
Morrisville	Peter Richardson	Congress & Park	12	8		☑	
LAMOILLE COUNTY TOTAL:			**67**	**28**	**$789,141**		
ORANGE COUNTY							
Bradford	Joseph Cloutier	Bradford Village	21	21		☑	
Chelsea	Richard Dybvig	Chelsea Court & Hom	36		prepaid		#
Randolph	Rob Caron	Randolph Circle	20		prepaid		#
Williamstown	Richard Dybvig	Williamstown Square	22		prepaid		#
Bradford	George Huntington	Colonial Village	21		$637,591		#
Randolph	Hal Cohen	*Prospect Forest Hom	9		$358,245		#
Randolph	Peter Richardson	*Randolph House	48	40	$2,195,639	☑	#
Williamstown	Richard Williams	Meadowbrook Place	15	15		☑	
Williamstown	Karen Winchell	*Limehurst MHP	33		$281,000		
ORANGE COUNTY TOTAL:			**225**	**76**	**$3,472,475**		
ORLEANS COUNTY							
Barton	Basil Kokoletsos	Roaring Brook	14		$502,387		#
Derby Line	Barbara Postman	21 Main Street	11		$303,766		#
Derby Line	Peter Richardson	Derby Housing LP	9	9		☑	
Newport	Joseph Cloutier	Newport Place	24	24		☑	
Newport	Barbara Postman	Willey Street Apts.	12		$477,912		#
Newport	Peter Richardson	Newport Housing LP	13	10		☑	
North Troy	Jack Starr, Sr.	Pine Grove	14		$462,664		#
ORLEANS COUNTY TOTAL:			**97**	**43**	**$1,746,729**		

*** = non-profit owner**

MULTIFAMILY PORTFOLIO
PROJECTS BY COUNTY

RUTLAND COUNTY

TOWN	OWNER	PROPERTY	UNIT	LIHTC UNITS	LOAN AMOUNT	✓ = LIHTC	# = SEC. 8
Benson	Richard Bowen	*Benson Heights	15		$576,624		#
Brandon	Frank Guillot	Conant Square Inn	19		$539,262		#
Brandon	Peter Richardson	Erastus Thayer House	9	8		✓	
Brandon	Richard Williams	Neshobe House	25	25		✓	
Castleton	Yvonne Rooney	Parsons Hill Apts.	12		$496,142		#
Castleton	Stuart Steele	Castleton Meadows	41		prepaid		#
Clarendon	Richard Williams	Coburn MHP	48		prepaid		
Fair Haven	George Milot	Appletree Apts.	40		prepaid		#
Fair Haven	Peter Richardson	Adams House	13	13		✓	
Poultney	Shirley Brown	Heritage Court	14		prepaid		#
Poultney	Chris Fucci	Autumn Leaves	20	20		✓	
Poultney	John Swenor	School House Apts.	11		$341,198		#
Proctor	Earle Simpson, Jr.	Proctor Place	12		$427,826		#
Rutland	Peter Richardson	*Linden Terrace	20		$835,729		#
Rutland	Peter Richardson	Rutland Scattered Sites	31	31		✓	
Rutland	**Saul Ziner**	**Bardwell House**	**75**		**$3,473,163**		#
West Rutland	Chris Fucci	Colonial Apts.	14		$395,436		#
RUTLAND COUNTY TOTAL:			**419**	**97**	**$7,085,380**		

WASHINGTON COUNTY

TOWN	OWNER	PROPERTY	UNIT	LIHTC UNITS	LOAN AMOUNT	✓ = LIHTC	# = SEC. 8
Barre	**Peter Richardson**	***Highgate Apts.**	**120**	**109**	**$2,252,364**	✓	#
Barre	Richard Williams	Morse Block	16	15		✓	#
Barre	Karen Winchell	*Barre Street Apts.	22		$193,000		#
Barre	Karen Winchell	*Bromur	18		$230,000		
Montpelier	Judson Babcock	Hebert Farm Apts.	10		$353,424		#
Montpelier	**David Dubrul**	**Lane Shops**	**50**	**40**	**$1,675,000**	✓	#
Montpelier	Peter Richardson	*Cummings Street	20	18	$813,731	✓	#
Montpelier	Peter Richardson	North Branch - New	16	13		✓	

*** = non-profit owner**

MULTIFAMILY PORTFOLIO
PROJECTS BY COUNTY

TOWN	OWNER	PROPERTY	UNIT	LIHTC UNITS	LOAN AMOUNT	☑ = LIHTC	# = SEC. 8
Montpelier	Peter Richardson	North Branch - Rehab	23	23		☑	
Montpelier	Peter Richardson	Prospect Street	29	29		☑	
Northfield	Richard Williams	*Dogwood Glen II	20		$551,335		#
Plainfield	Richard Williams	*School Street Apts.	13		$530,000		#
Waitsfield	Kirkland Gourley	Mad River Meadows	24		$920,647		#
Waterbury	Tony Parisi	Wells House Apts.	12		$340,845		#
Waterbury	Peter Richardson	Stimpson & Graves	14	14		☑	
Waterbury	Ed Steele	Butler Apts.	12		prepaid	☑	#
WASHINGTON COUNTY TOTAL:			**419**	**261**	**$7,860,346**		

WINDHAM COUNTY

TOWN	OWNER	PROPERTY	UNIT	LIHTC UNITS	LOAN AMOUNT	☑ = LIHTC	# = SEC. 8
Bellows Falls	Mark Hochman	Rockingham Canal	41		$1,891,191		#
Bellows Falls	Stuart Steele	Riverview Apts.	56		prepaid		#
Brattleboro	Peter Richardson	Abbott Block	17	8		☑	
Brattleboro	Connie Snow	Spring & Elliot Streets	16	16		☑	
Putney	Joseph Cloutier	Putney Meadows	28	28		☑	
Saxtons River	Lawrin Crispe	Saxtons River	17		$563,234		#
Westminster	Alex Rose	Westminster Family	9		$404,021		#
WINDHAM COUNTY TOTAL:			**184**	**52**	**$2,858,446**		

WINDSOR COUNTY

TOWN	OWNER	PROPERTY	UNIT	LIHTC UNITS	LOAN AMOUNT	☑ = LIHTC	# = SEC. 8
Bethel	Richard Williams	*Depot II	10	10	$422,614	☑	#
Bridgewater	Earle Simpson, Jr.	Mill Village	14		$486,989		#
Chester	Steve Krook	Pleasant Brook	24	22		☑	
Hartford	Steve Krook	Windsor Hollow	27	26		☑	
Hartford	Peter Richardson	School Street Housing	8	7		☑	
Hartford	Richard Williams	*Templeton	36		$1,650,000		#
Ludlow	Joe Cloutier	Black River Overlook	25	25	$375,000	☑	
Rochester	Earle Simpson, Jr.	Brookside Apts.	6		$213,102		#

*** = non-profit owner**

MULTIFAMILY PORTFOLIO
PROJECTS BY COUNTY

TOWN	OWNER	PROPERTY	UNIT	LIHTC UNITS	LOAN AMOUNT	☑ = LIHTC	# = SEC. 8
Springfield	**Joe Cloutier**	**Westview Terrace**	**58**	**58**	**$690,000**	☑	#
White River J	Peter Richardson	*Graystone Village	34	32	$1,489,250	☑	#
Windsor	**Ann Berezin**	**Armory Square**	**74**	**74**		☑	#
Windsor	Bob Crego	Phelps Court	14	7		☑	
Windsor	**Peter Richardson**	***Olde Windsor Villag**	**77**	**71**	**$2,502,855**	☑	#
Woodstock	Geoffrey Nichols	Mellishwood Houses I	11		$245,861		#
Woodstock	Geoffrey Nichols	Mellishwood Houses II	15		$471,119		#
WINDSOR COUNTY TOTAL:			**433**	**332**	**$8,546,790**		

TOTAL ALL COUNTIES:			**4,858**	**1,881**	**$92,725,522**		

*** = non-profit owner**

MULTIFAMILY PORTFOLIO
ACTUAL STATISTICS BY COUNTY

COUNTY	TOTAL UNITS	TOTAL LOANS	% OF UNITS BY COUNTY
ADDISON COUNTY	425	$3,084,864	8.75%
BENNINGTON COUNTY	63	$1,003,978	1.30%
CALEDONIA COUNTY	300	$6,223,386	6.18%
CHITTENDEN COUNTY	1,786	$42,358,650	36.76%
ESSEX COUNTY	46	$1,524,404	0.95%
FRANKLIN COUNTY	365	$4,998,921	7.51%
GRAND ISLE COUNTY	29	$1,172,012	0.60%
LAMOILLE COUNTY	67	$789,141	1.38%
ORANGE COUNTY	225	$3,472,475	4.63%
ORLEANS COUNTY	97	$1,746,729	2.00%
RUTLAND COUNTY	419	$7,085,380	8.62%
WASHINGTON COUNTY	419	$7,860,346	8.62%
WINDHAM COUNTY	184	$2,858,446	3.79%
WINDSOR COUNTY	433	$8,546,790	8.91%
TOTALS - ALL COUNTIES:	4,858	$92,725,522	100.00%

HOUSING NEEDS ASSESSMENT
PROJECTED UNMET RENTAL NEEDS IN 1999

6/13/97

COUNTY	MEDIAN INCOME	FAMILY UNITS	ELDERLY UNITS (65+)	TOTAL UNITS	% OF UNITS TOTAL NEEDED BY COUNTY	% RENTAL UNITS BUILT PRE 1[illegible]
ADDISON	<50% Median	759	131	890	5.96%	51.90%
	<80% Median	1,271	214	1,485	5.95%	
BENNINGTON	<50% Median	855	95	950	6.36%	46.30%
	<80% Median	1,400	240	1,640	6.57%	
CALEDONIA	<50% Median	516	78	594	3.98%	72.90%
	<80% Median	818	142	960	3.85%	
CHITTENDEN	<50% Median	3,621	411	4,032	26.98%	41.10%
	<80% Median	5,501	373	5,874	23.53%	
ESSEX	<50% Median	135	39	174	1.16%	60.00%
	<80% Median	220	55	275	1.10%	
FRANKLIN	<50% Median	1,016	280	1,296	8.67%	55.40%
	<80% Median	1,717	269	1,986	7.96%	
GRAND ISLE	<50% Median	137	49	186	1.24%	48.30%
	<80% Median	218	58	276	1.11%	
LAMOILLE	<50% Median	656	143	799	5.35%	47.30%
	<80% Median	1,070	179	1,249	5.00%	
ORANGE	<50% Median	511	113	624	4.18%	54.50%
	<80% Median	893	106	999	4.00%	
ORLEANS	<50% Median	547	89	636	4.26%	62.90%
	<80% Median	843	107	950	3.81%	
RUTLAND	<50% Median	1,762	53	1,815	12.15%	57.90%
	<80% Median	2,968	266	3,234	12.96%	
WASHINGTON	<50% Median	1,069	74	1,143	7.65%	66.10%
	<80% Median	1,737	162	1,899	7.61%	
WINDHAM	<50% Median	820	35	855	5.72%	58.70%
	<80% Median	1,479	323	1,802	7.22%	
WINDSOR	<50% Median	896	52	948	6.34%	49.20%
	<80% Median	1,847	487	2,334	9.35%	
STATE TOTALS:	<50% Median	13,300	1,642	14,942		52.70%
	<80% Median	21,982	2,981	24,963		

Source: 1995 Housing Needs Assessment,
Market Decisions, Inc.

Source: 1990 U.S. Census

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: May 2, 1997

RE: Single Family Program Activity Report For April

MORTGAGE PURCHASE PROGRAMS

Month	No.	Amount	Previous Year	No.	Amount
Reservations	107	$ 7,956,153		112	$ 7,899,095
Purchases	46	$ 2,911,527		33	$ 2,141,858

Period to Date	No.	Amount	Previous Year	No.	Amount
Reservations	317	$22,967,530		336	$22,372,721
Purchases	196	$13,216,689		185	$11,965,477

MORTGAGE PLUS

Month	No.	Amount	Previous Year	No.	Amount
Reservations	11	$ 922,350		16	$ 1,234,410
Issued	6	$ 415,390		11	$ 857,350

Period to Date	No.	Amount	Previous Year	No.	Amount
Reservations	30	$ 2,466,268		40	$ 3,047,145
Issued	15	$ 1,156,292		31	$ 2,434,982

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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

EQUAL HOUSING OPPORTUNITY

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: June 9, 1997

RE: Servicing Activity for April, 1997

SERVICING ACTIVITY

<u>Collections:</u>		
Last months 90+ accounts:		69
New 90 day accounts:	11	
Reductions:		
To foreclosure/DIL:	6	
To 60 days or less:	2	
Under payment arrangement:	0	
Modifications:	0	
90+ accounts:		72
In Foreclosure:		
Last months foreclosure accounts:		51
New foreclosures:	8	
To REO:	9	
Successful interventions:	0	
Negotiating workouts:	4	
Modifications:	0	
Foreclosure accounts:		50
<u>Real Estate Owned:</u>		
Last months REO's:		61
New REO's:	9	
Properties sold:	7	
Properties under contract:	9	
REO's:		63

op/serv/servact.mem

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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

Lenders	Loans	30	Days	60	Days	90+	Days	Auth	FCL	Delinq		REO	
ALBANK, FSB	448	24	5.36%	7	1.56%	4	0.89%	3	0.67%	38	8.48%	4	0.89%
Banknorth Mortgage Co.	774	46	5.94%	5	0.65%	9	1.16%	9	1.16%	69	8.91%	3	0.39%
Bennington Co-op S&L Assoc.	51	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Brattleboro Savings & Loan	24	1	4.17%	1	4.17%	0	0.00%	0	0.00%	2	8.33%	0	0.00%
Chittenden Bank	937	46	4.91%	11	1.17%	3	0.32%	9	0.96%	69	7.36%	7	0.75%
Citizens Savings Bank	107	2	1.87%	3	2.80%	0	0.00%	1	0.93%	6	5.61%	2	1.87%
Community National Bank	305	9	2.95%	6	1.97%	1	0.33%	0	0.00%	16	5.25%	0	0.00%
Connecticut River Bank	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Factory Point Nat. Bank	35	1	2.86%	0	0.00%	0	0.00%	0	0.00%	1	2.86%	0	0.00%
First Brandon Nat. Bank	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
First Nationwide Mortgage	11	1	9.09%	0	0.00%	0	0.00%	0	0.00%	1	9.09%	0	0.00%
Fleet Mortgage	45	5	11.11%	2	4.44%	1	2.22%	0	0.00%	8	17.78%	1	2.22%
GMAC Mortgage	2	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Granite Bank (NH)	2	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Graystone Mortgage Company	486	27	5.56%	8	1.65%	13	2.67%	8	1.65%	56	11.52%	13	2.67%
Heritage Family Credit Unio	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Lyndonville Savings Bank	57	2	3.51%	0	0.00%	1	1.75%	0	0.00%	3	5.26%	0	0.00%
Merchants Bank	298	10	3.36%	0	0.00%	1	0.34%	4	1.34%	15	5.03%	3	1.01%
Mortgage Service Ctr. of NE	91	5	5.49%	5	5.49%	0	0.00%	3	3.30%	13	14.29%	4	4.40%
National Bank of Middlebury	64	2	3.13%	1	1.56%	2	3.13%	0	0.00%	5	7.81%	0	0.00%
New England Federal CU	45	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Northfield Savings Bank	125	7	5.60%	0	0.00%	0	0.00%	1	0.80%	8	6.40%	0	0.00%
Passumpsic Savings Bank	173	12	6.94%	2	1.16%	2	1.16%	0	0.00%	16	9.25%	4	2.31%
Peoples Trust Co.	99	6	6.06%	1	1.01%	0	0.00%	0	0.00%	7	7.07%	0	0.00%
Randolph National Bank	41	2	4.88%	0	0.00%	0	0.00%	0	0.00%	2	4.88%	0	0.00%
Union Bank	172	10	5.81%	3	1.74%	4	2.33%	0	0.00%	17	9.88%	2	1.16%
Vermont Development CU	46	2	4.35%	2	4.35%	0	0.00%	1	2.17%	5	10.87%	0	0.00%
Vermont Federal Bank	1214	52	4.28%	19	1.57%	15	1.24%	5	0.41%	91	7.50%	13	1.07%
Vermont National Bank	636	24	3.77%	2	0.31%	14	2.20%	6	0.94%	46	7.23%	7	1.10%
Vermont State Employees CU	5	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Wells River Savings Bank	31	0	0.00%	0	0.00%	2	6.45%	0	0.00%	2	6.45%	0	0.00%
Totals	6325	296	4.68%	78	1.23%	72	1.14%	50	0.79%	496	7.84%	63	1.00%
Totals Previous Month	6316	309	4.89%	89	1.41%	69	1.09%	51	0.81%	518	8.20%	61	0.97%
Totals Same Mo. Last Yr.	5959	251	4.21%	68	1.14%	65	1.09%	56	0.94%	440	7.38%	16	0.27%

VERMONT HOUSING FINANCE AGENCY

Board Property Disposition Report

Month of: April, 1997

Properties Sold

Property	Listing Price	Sale Price	Principal Balance	Interest	To Date Expenses	Claim Payment	Audit Gain/ (Loss)	Valuation Offset	Gain/ (Loss)
Goldsmith Concord	$23,900	$21,500	$50,807	$ 2,549	$ 1,290	$33,146	$0	($ 1,920)	$1,920
Bailey Burlington	$66,500	$66,500	$78,834	$ 638	$13,553	$17,400	($ 9,625)	$20,410	($30,035)
Drake Burlington	$70,500	$67,000	$72,205	$12,141	$21,223	$15,400	($23,169)	($ 3,467)	($19,702)
Coon Highgate	Not Listed	$70,000	$79,610	$10,954	$18,909	$16,685	($22,788)	($ 3,823)	($18,965)
Bellew Milton	Lender Repurchase	$69,136	$55,587	$ 5,682	$ 7,867	$0	$0	$14,863	($14,863)
Knight Concord	Not Listed	$ 9,500	$17,797	$ 2,159	$ 6,819	$ 2,670	($14,605)	$0	($14,605)
Martin Rutland	Lender Repurchase	$80,280	$59,384	$ 6,599	$14,297	$0	$0	$0	$0

Properties Un[illegible] Contract

Property	Listing Price	Contract Price	Principal Balance	Interest	Estimated Expenses	Estimated Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Chartier St Johnsbury	$44,900	$40,500	$52,201	$ 796	$ 5,265	$0	($17,762)	($ 8,182)	($ 9,580)
Bonnette Plymouth	$43,900	$35,000	$63,889	$ 7,582	$11,720	$14,300	($33,891)	($10,149)	($23,742)
Lynch Rockingham	$43,000	$40,000	$45,517	$ 4,991	$11,095	$10,000	($11,603)	($6,893)	($ 4,710)

Properties in the VHFA/Non Profit Sale Program

Property	Listing Price	Contract Price	Principal Balance	Interest	Estimated Expenses	Estimated Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Dumas Burlington BCLT		$88,000	$73,715	$ 9,789	$24,133	$16,000	($ 3,637)	($ 5,035)	$ 1,398
Shenoy Burlington BCLT		$76,500	$65,783	$ 1,780	$21,719	$11,775	($ 1,007)	$ 3,451	($ 4,458)
Massey Stannard Gilman Housing Trust									
Watkins Springfield Rockingham CLT									
Richards Fair Haven Rutland West NHS									
Stocker Rutland Rutland West NHS									

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: June 12, 1997

RE: VHMGB Board Meeting and Vermont Bankers Association (VBA) Update

VHMGB BOARD MEETING

At the May 28 VHMGB Board Meeting, staff presented a proposal to incorporate credit scoring into the VHMGB credit underwriting. Lisa Mitiguy Randall, a member of VHFA's Board of Commissioners and a participating lender, attended that meeting to provide us with her opinions of the proposal. A copy of the presentation is attached for your information.

The proposal was received positively. However, the VHMGB Board and Lisa had some concerns and suggestions. These were as follows:

⇒ Requiring 5% of borrowers' own funds on a condominium loan may significantly cut down on the number of these type of loans that could be guaranteed;

⇒ Ensuring that we do not eliminate borrowers with low credit scores that would potentially be good borrowers;

⇒ Obtaining credit scores from two repositories would double the borrowers' cost;

⇒ Mixing property requirements and borrower requirements in the compensating factors for credit scores was not a good idea;

⇒ Further detailing the scores between 600 and 550 on the retrospective analysis, per the Board's request; and

⇒ Being first with a new product may not be the best strategy; no other Vermont lenders or PMI's are using credit scoring systems.

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Staff will be contacting participating lenders for additional comments to address the above issues as well as any new ones before bringing the proposal back to you for your approval as well as the VHMGB Board.

VBA

On June 5, Allan and I met with the VBA Mortgage Committee (VBA) to discuss issues and continue the VHFA dialogue concerning the relationship between VHFA and VHMGB and participating lenders. As of this date, we have not received those minutes so I will attempt to briefly recap the meeting.

Attached to this memo are the following documents:

① Agenda items as submitted by VHFA staff;

② Memo with attachment on the collection of "Usual and Customary Fees"; and

③ Memo on VHFA recorded assignments.

Participating Lender - VHFA/VHMGB Communications

This discussion centered around techniques that should be employed in striving for adequate communications between participating lenders and VHFA/VHMGB. The VBA indicated that next year they intended to schedule at least three meetings between VHFA staff and the VBA to have discussions and address issues. These meetings would be scheduled far enough ahead, with a printed agenda, to assure appropriate representation by the affected lenders. It was pointed out that a consensus on direction was needed between the VBA members and other participating lenders so VHFA/VHMGB would have the same program for all participants. One area that VHFA staff needs to follow-up on is to make sure attorneys bringing foreclosure actions were providing servicing lenders with copies of correspondence.

Tax and Insurance Escrows

Once again the VBA agreed that the requirement for these escrows was desirable and that the requirement be universal to all participating lenders.

VHFA Servicing Guide

A draft copy of the revised VHFA Servicing Guide was left with a VBA committee member. We discussed the VHFA/VHMGB initiative to provide copies of all of our guides in disk format that can be accessed by any computer that can has Internet compatible software. In addition, we discussed providing a certain number of "paper" guides to each lender at no charge, with additional copies being provided at some charge to the participating lenders.

Collection of "Usual and Customary Fees" through increased origination fees (See Attachment)

In response to the dilemma created by Title 9, Section 42, V.S.A. concerning the ability of non bank lenders to collect certain usual and customary fees without including them as increased origination fees; this situation was exacerbated by the fact that VHFA only allows participating lenders to collect a 1% origination fee. After discussing the situation with Bond Counsel, it was determined that any originator of VHFA mortgages could charge slightly more than the 1% origination fee as long as the amount of the increased origination fee was disclosed to the borrower in a paragraph containing the language as outlined in the attached memo. VHFA has capped any increased origination fee at .5%.

VHFA Mortgage Assignments (See Attachment)

VHFA introduced a proposal not to require the recording of assignments of mortgages sold to VHFA. By following this format, we would be more closely mirroring the secondary market as well as saving a considerable amount of staff time and paperwork for both VHFA and participating lenders. In addition this should save borrowers recording fees.

VHFA/VHMGB Delinquency Reporting

We discussed the new collection activity reporting that is contained in the updated Servicing Guide. This method entails lenders reporting their collection activities on delinquent loans within five business days of the end of the previous month. This will eliminate a considerable amount of paperwork as well as staff time. VHFA is considering developing a numerical reporting system similar to that used by the secondary market.

Credit Scoring

A brief discussion was held regarding the use of credit scoring in underwriting. The VBA suggested that staff circulate the proposal for comment by the VBA members. VHFA staff is in the process of developing a package to be sent to all participating lenders for comment.

Meeting Agenda

We discussed the advisability of having an agenda for each meeting so everyone will know what is to be discussed. It was agreed this was a good idea.

Other Discussion Topics

We discussed the fact that the new VHMGB rules had been approved and that a new VHMGB master policy would be sent out to all VHMGB participating lenders that allows VHMGB to do business more like a private mortgage insurer. Some of the changes we anticipate will be in the areas of using a universal claim form and timing of claim payments. The new master policy also allows for a monthly premium which can be put into effect as soon as we have legislative authority.

REQUESTED BOARD ACTION

No Board action requested.

VERMONT HOME MORTGAGE GUARANTEE BOARD

PROGRAMS ADMINISTERED BY VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHMGB Board of Commissioners

FROM: Douglas R. Lothrop, Director of Single Family Operations
Cathleen L. Gent, Director of Communications

DATE: May 15, 1997

RE: CREDIT SCORE PROPOSAL

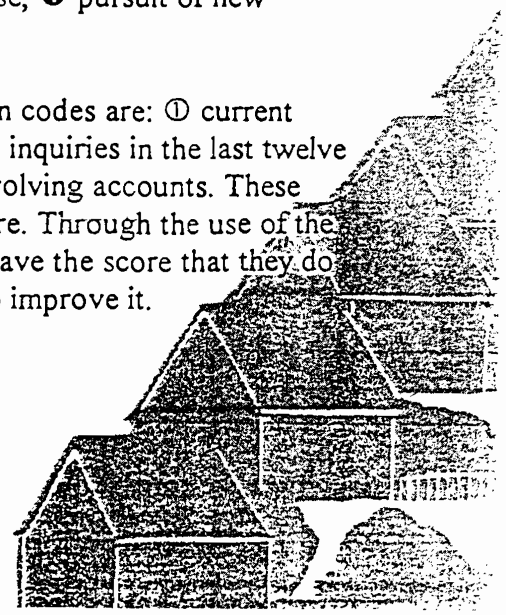
BRIEF OVERVIEW OF CREDIT SCORES

In the early 1990's credit scoring of mortgage loans was hardly mentioned in discussions concerning the underwriting of mortgage loans. However, by the end of 1995 credit scoring emerged as one of the industry's most discussed issues. A broad based deterioration of borrower credit quality drove a search for better tools to assess borrower credit risk, and in turn led to credit scoring. While credit scoring is not a "cure-all", it is a tool to promote a more objective assessment of credit risk in underwriting and portfolio analysis.

The most accepted credit score in the industry today is one produced by Fair Isaac & Company (FICO). FICO's consumer credit score is a single number ranging from 350 to 900 where the higher number represents the preferred credit risk. The number is calculated using an individual's credit history and is used by lenders to predict the likely future performance of a loan.

The FICO model of producing the credit score is proprietary, so it is impossible to know exactly all of the credit variables considered. However, FICO has informed the industry that their model considers the same set variables commonly reviewed by underwriters to assess credit history. The system combines approximately 33 variables that were found to be the most predictive when used in combination. FICO groups these variables into five categories: ❶ previous credit performance, ❷ current level of indebtedness, ❸ amount of time credit has been in use, ❹ pursuit of new credit, and ❺ types of credit available.

Accompanying every score are four "reason codes." Examples of reason codes are: ① current delinquency, ② too few accounts currently paid as agreed, ③ too many inquiries in the last twelve months, and ④ proportion of balances to credit limits is too high on revolving accounts. These codes identify the factors that have the most influence on the credit score. Through the use of the score and the codes, we have more insight as to the reason borrowers have the score that they do while being able to assist a borrower with a low credit score on ways to improve it.



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There are at least five good reasons to use credit scores in underwriting: ✳ they are objective, i.e. they do not take into account race, income, gender, etc., ✳ they are consistent, ✳ they have shown to be predictive of mortgage default, ✳ they have the potential to increase productivity, and ✳ they are more easily incorporated into automated underwriting systems than rule-based measures of credit risk.

APPROACH TAKEN BY VHFA/VHMGB

Staff contracted with Credit Bureau Services of Maine, New Hampshire and Vermont, to provide us with what they call a "Retrospective Analysis" (RETRO). The RETRO used historical VHFA/VHMGB data to forecast how a credit score would have predicted future credit behavior of our borrowers and observed how our borrowers scored at a previous point in time and then compared it to actual performance at a later date. The two dates selected were June 30, 1995, and June 30, 1996. As this is an ongoing process, another RETRO will be performed on data as of June 30, 1997, at no additional charge to VHFA/VHMGB. Copies of the RETRO will be available at the Board meeting.

The RETRO assisted us in analyzing the quality of our portfolio, determining that credit scoring would work for us, determining ranges for degrees of underwriting and determining how many formerly approved customers would have scored low and how many of these low scoring borrowers actually ended up in a serious delinquency situation.

In addition to the RETRO, staff has conducted its own delinquency analysis comparing current loans with delinquent loans, attempting to find factors that were significantly different between the two groups. The staff study showed that the factors we discovered to be significantly different between the two groups were similar to the factors taken into account in developing a credit score. An attached copy of a memo from Cathleen Gent and MaryBeth Deller outlines the findings of this study.

STAFF RECOMMENDATION

Staff is recommending that VHFA/VHMGB take the a similar approach as the Federal Home Loan Mortgage Corporation (Freddie Mac), the nation's second largest mortgage purchaser. Freddie Mac has used credit scores to set thresholds to determine the level of credit underwriting necessary. The following chart shows the levels used by Freddie Mac:

Credit Score	Recommended Approach
>660	**Basic review**. Underwrite the file as required to confirm the borrower's willingness to repay as agreed.
660 - 620	**Comprehensive**. Underwrite all aspects of the borrower's credit history to establish the borrowers' willingness to repay.
<620	**Cautious**. Perform a particularly detailed review of all aspects of the borrower's credit history to ensure that you have satisfactorily established the borrowers' willingness to pay as agreed.

Attached to this memo are "Credit Score Criteria" which staff recommends be adopted by VHFA/VHMGB for the underwriting of loans. As you can see, the criteria are very similar to that of Freddie Mac, with the exceptions that we have modified the credit score thresholds and have added the compensating factors we feel are the most appropriate for each level.

RECOMMENDED BOARD ACTION

Approval of using credit scores in underwriting and the attached credit score criteria after consultation with participating lenders and implementation of credit scoring, as outlined, over the next four months.

Attachments

CREDIT SCORE CRITERIA

Credit scores should be obtained from a minimum of two repositories for each borrower, with minimum of three tradelines for each score. In general, the lowest credit score should be used.

For borrowers with credit scores at or above 660:
Underwrite more liberally, focusing on Federal Act requirements and concurring with the decision of the lenders as often as possible.

- Maximum ratios of 33% housing/38% total debt
- Disregard installment debt with 10 remaining payments or less
- Minimum down payment requirement of 3% of own funds (except for HOUSE and Homeownership Center clients). Windfall funds (insurance settlements, inheritances, etc.) are acceptable.
- Use merged in-file credit reports rather than Residential Mortgage Credit Reports
- No credit or inquiry explanations required

For borrowers with credit scores between 600–659:
Underwrite fully, analyzing risk

- Maximum ratios of 30% housing/38% total debt
- Disregard installment debt with six payments or less. No paydown of debt permitted, except from the borrower's own funds.
- Minimum down payment requirement of 3% of own funds for single family residences and duplexes, 5% for condos and mobile homes (except for HOUSE and Homeownership Center clients).
- No seller seconds or unsecured debt as source of down payment and closing costs (except for HOUSE and Homeownership Center clients).
- If the reason for the lower credit score was financial mismanagement, a 24 month recovery period is required. If the credit score was due to extenuating circumstances, an eighteen month period is generally required, but the total strength of the file can be considered on a case-by-case basis. Supporting documentation concerning the extenuating circumstance must be provided.
- Property inspections required on all mobile and modular homes over five years of age (VHFA only).

For borrowers with no credit scores or credit scores based on two or fewer trade lines:

- Maximum ratios of 28 housing/36% total debt
- Disregard installment debt with 6 remaining payments or less. No paydown of debt permitted, except from the borrower's own funds.
- Minimum down payment requirement of 3% of own funds for single family residences, and duplexes, 5% for condos and mobile homes (HOUSE and Homeownership Center clients are required to contribute 3% for condos and mobile homes).
- Positive rental reference for minimum of two years supported by 12 months canceled checks
- Minimum of two other non-traditional credit references with at least quarterly payments active within the past two years for at least 12 months each.
- No seller seconds, secured, or unsecured debt as source of down payment and closing costs (except for HOUSE and Homeownership Center clients).
- Property inspections required on all mobile and modular homes over five years of age (VHFA only).

For borrowers with credit scores at or below 599:
Underwrite with great caution

- Maximum ratios of 28% housing/36% total debt.
- No buydowns or cosigners used to qualify.
- Disregard installment debt with six remaining payments or less. No paydown of debt permitted.

Minimum down payment of 5% from own funds (3% for HOUSE and Homeownership Center clients).

- No use of second mortgages, secured or unsecured loans for down payment (except for HOUSE and Homeownership Center clients).
- File should clearly document that the circumstances contributing to the low credit score are not likely to recur, and that the borrower has reestablished a pattern of financial management. If the reason for the low credit score was financial mismanagement, a 36 month recovery period is required. If the credit score was due to extenuating circumstances, a 24 month period is generally required, but the total strength of the file can be considered on a case-by-case basis. Supporting documentation concerning the extenuating circumstance must be provided.
- Property inspections required on all mobile and modular homes over five years of age (VHFA only).

For all borrowers, regardless of credit score

- Loans to borrowers who have had property foreclosed upon or given a deed in lieu of foreclosure or who have declared bankruptcy will be underwritten more conservatively. If an approval is appropriate, more conservative terms may be offered.

- VHFA/VHMGB will not consider borrowers who have had a previous VHFA foreclosure or deed-in-lieu or have had a VHMGB claim paid.

- No borrowers with an outstanding deficiency judgment as a result of a foreclosure will be considered eligible.

- A fully documented history of ongoing, regular savings will be viewed positively when reviewing borrowers' ability to manage their financial affairs.

- VHFA/VHMGB reserves the right to require property inspections when there are clear property issues.

- All VHFA borrowers will be required to sign the VHFA Inspection Disclosure form.

For inaccurate credit scores due to information at the repository level:

- The borrower's credit score will be disregarded, and the credit will be analyzed as if there was no credit score.

- Ratios, down payment requirements, and other criteria will be established depending on the overall strength of the borrower's credit history.

For Federally insured/guaranteed loans:

- VHFA will accept Rural Development's decision when the borrower's credit score is 600 or above. VHFA will underwrite the credit of the loan if the credit score is 599 or below, and may reject the loan if the credit is considered unacceptable.

VERMONT HOME MORTGAGE GUARANTEE BOARD

PROGRAMS ADMINISTERED BY VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHMGB Board of Commissioners

FROM: CG Cathleen Gent, Director of Communications
MD MaryBeth Deller, Research Analyst

DATE: May 15, 1997

RE: 1997 Delinquency Study

Executive Summary:

As a follow up to the study conducted in 1996, an analysis was initiated several months ago with the Single Family Operations Department to continue looking at patterns between current versus delinquent loans. The results of the 1997 delinquency study were used to identify compensating factors which have been incorporated into the recommended credit scoring system, which is discussed in a separate memo. This study supports the conclusions reached earlier in the 1996 study, namely that a number of factors are associated with higher delinquency rates. Based on the findings of both studies, steps are being taken to strengthen underwriting policies to reduce loan delinquencies.

I. Description of Analysis

The purpose of the study was to add to our knowledge about what factors may be associated with loans most likely to become delinquent.

A total of 137 cases (69 current and 68 delinquent) were included in the 1997 delinquency study. Of these, 127 were VHFA loans, and 10 were conventional loans (9 current and 1 delinquent). Of the 137 cases, 34 were Series 6 loans (15 current and 19 delinquent). Because of the small numbers of conventional and Series 6 loans, this study was not subdivided into categories; instead, current versus delinquent loans were compared regardless of loan type or series. Because the proportion of conventional versus VHFA loans is not representative of our portfolio and because most of the conventional loans are current, a second round of analyses were performed with only VHFA loans. The results indicated that the same variables were significantly different, whether or not conventional loans were included in the analysis.

II. Results of 1997 Analysis

All VHFA and VHMGB delinquent loans were reviewed for inclusion

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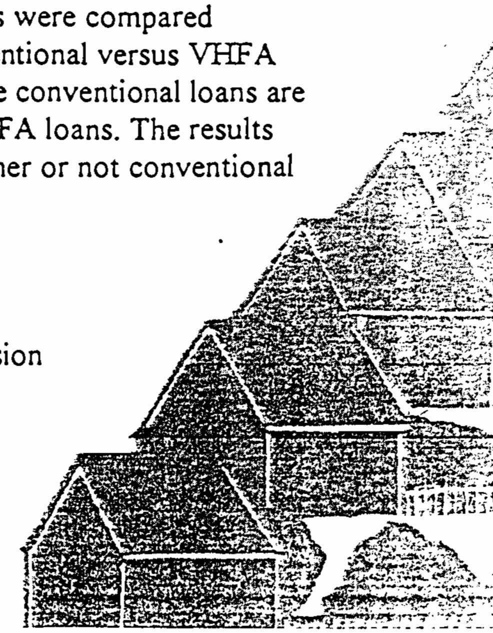

in the study and for each delinquent loan, a comparable loan in current status was matched. In this year's study, none of the borrowers used an MCC to qualify, none had cosigners, and all loan terms were 30 years. Therefore, these three variables were omitted from the analysis.

The following variables were significantly different between the current and delinquent groups in the 1997 study (* indicates also significantly different in the 1996 study):
1. number of delinquencies in the 12 months prior to applying for a mortgage
2. number of delinquencies in the 24 months prior to applying for a mortgage
3. number and percent of tradelines ever delinquent*
4. number and percent of tradelines ever 90 days delinquent or worse*
5. number of tradelines opened in the last 12 months
6. number of inquires (not mortgage-related) in the 3 months prior to applying for mortgage*
7. number of months of reserves after closing
8. percent of seller contribution to sales price
9. percent of buyer saved funds to sales price*
10. credit scores in June 1995 (not at time of underwriting)

III. Comparison of 1996 and 1997 Delinquency Studies

The results of the 1997 study support and expand upon the results of the 1996 study and help form the basis for including a number of compensating factors in VHFA's underwriting. A few highlights of the two studies should be noted. While LTV was significantly different between groups in the previous study, this is not confirmed in the new study. However, there is an obvious relationship between LTV and the contributions made by the buyer and the seller, both of which were significantly different in the new study. One variable that is significant this time, but not previously, is the number of months of cash reserves. This may be due to analyzing the actual number of months of reserves in the current study, compared to analyzing broader categories in the previous study (as established on Freddie Mac's Gold Measure Worksheet, which was used in the 1996 study); more precise data allows for a more careful analysis. Finally, all credit scores from the Credit Bureau Services of Vermont, Inc. Retrospective analysis that matched loans in the study (56 cases) were compared across groups, and were found to be statistically significantly different, with the delinquent loans having lower credit scores.

Recommended Board Action:

No board action is necessary.

VERMONT HOUSING
Score Distribution Report in Market Area 14
Accounts Scored by EMPIRICA

EMPIRICA SCORE RANGE	TOTAL SCORED JUNE 1995	FORECLOSURE AND REAL ESTATE OWNED	90 DAYS DELINQUENCIES	60 DAYS DELINQUENCIES	30 DAYS DELINQUENCIES	TOTAL MAJOR DEROGATORY	CURRENT
790 OR MORE	57	0	0	0	0	0	57
780 - 789	57	0	0	0	0	0	57
770 - 779	75	0	0	0	0	0	75
760 - 769	101	0	0	0	0	0	101
750 - 759	96	0	0	0	1	1	95
740 - 749	96	0	0	0	4	4	92
730 - 739	76	0	0	0	2	2	74
720 - 729	63	0	0	0	0	0	63
710 - 719	62	0	0	0	1	1	61
700 - 709	58	0	1	0	1	2	56
690 - 699	50	0	0	0	0	0	50
680 - 689	51	0	0	0	1	1	50
670 - 679	64	0	0	0	0	0	64
660 - 669	51	0	0	0	1	1	50
650 - 659	54	1	0	0	1	2	52
640 - 649	52	0	1	0	0	1	51
630 - 639	30	0	0	0	1	1	29
620 - 629	35	3	0	0	1	4	31
610 - 619	36	0	0	0	1	1	35
600 - 609	30	0	0	1	1	2	28
550 - 599	98	0	2	3	3	8	90
549 OR LESS	60	5	6	1	4	16	44
TOTAL	1,352	9	10	5	23	47	1,305
AVERAGE SCORE	697	568	553	571	650	605	712

VERMONT HOUSING
Score Distribution Report in Market Area 14
Accounts Scored by EMPIRICA

EMPIRICA SCORE RANGE	TOTAL SCORED JUNE 1995	FORECLOSURE AND REAL ESTATE OWNED	90 DAYS DELINQUENCIES	60 DAYS DELINQUENCIES	30 DAYS DELINQUENCIES	TOTAL MAJOR DEROGATORY	CURRENT
790 OR MORE	4.22%	0.00%	0.00%	0.00%	0.00%	0.00%	4.37%
780 - 789	4.22%	0.00%	0.00%	0.00%	0.00%	0.00%	4.37%
770 - 779	5.55%	0.00%	0.00%	0.00%	0.00%	0.00%	5.75%
760 - 769	7.47%	0.00%	0.00%	0.00%	0.00%	0.00%	7.74%
750 - 759	7.10%	0.00%	0.00%	0.00%	4.35%	2.13%	7.28%
740 - 749	7.10%	0.00%	0.00%	0.00%	17.39%	8.51%	7.05%
730 - 739	5.62%	0.00%	0.00%	0.00%	8.70%	4.26%	5.67%
720 - 729	4.66%	0.00%	0.00%	0.00%	0.00%	0.00%	4.83%
710 - 719	4.59%	0.00%	0.00%	0.00%	4.35%	2.13%	4.67%
700 - 709	4.29%	0.00%	10.00%	0.00%	4.35%	4.26%	4.29%
690 - 699	3.70%	0.00%	0.00%	0.00%	0.00%	0.00%	3.83%
680 - 689	3.77%	0.00%	0.00%	0.00%	4.35%	2.13%	3.83%
670 - 679	4.73%	0.00%	0.00%	0.00%	0.00%	0.00%	4.90%
660 - 669	3.77%	0.00%	0.00%	0.00%	4.35%	2.13%	3.83%
650 - 659	3.99%	11.11%	0.00%	0.00%	4.35%	4.26%	3.98%
640 - 649	3.85%	0.00%	10.00%	0.00%	0.00%	2.13%	3.91%
630 - 639	2.22%	0.00%	0.00%	0.00%	4.35%	2.13%	2.22%
620 - 629	2.59%	33.33%	0.00%	0.00%	4.35%	8.51%	2.38%
610 - 619	2.66%	0.00%	0.00%	0.00%	4.35%	2.13%	2.68%
600 - 609	2.22%	0.00%	0.00%	20.00%	4.35%	4.26%	2.15%
550 - 599	7.25%	0.00%	**20.00%**	**60.00%**	**13.04%**	17.02%	6.90%
549 OR LESS	4.44%	55.56%	60.00%	20.00%	17.39%	34.04%	3.37%
TOTAL	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
DIVERGENCE	N/A	2.4	1.9	1.8	1.0	1.0	N/A
KS SCORE		71	69	87	48	48	N/A
STATISTICALLY SIGNIFICANT KS		45	31	35	20	20	

VERMONT HOUSING FINANCE AGENCY

Score Distribution Report in Market Area 14

Accounts Scored by EMPIRICA in June 1996

		CURRENT STATUS AS PROVIDED ON INPUT TAPE (Performance Date)					
EMPIRICA SCORE RANGE	TOTAL SCORED June 1996 (observation date)	FORECLOSURE	90 DAYS PAST DUE	60 DAYS PAST DUE	30 DAYS PAST DUE	TOTAL DEROGATORY	CURRENT
790 or Higher	198	0	0	0	1	1	197
780 - 789	186	0	0	0	3	3	183
770 - 779	214	0	0	0	3	3	211
760 - 769	270	0	0	0	4	4	266
750 - 759	236	0	0	0	0	0	236
740 - 749	224	0	0	0	4	4	220
730 - 739	215	0	0	0	1	1	214
720 - 729	205	0	0	0	5	5	200
710 - 719	168	0	0	0	2	2	166
700 - 709	190	0	0	0	0	0	190
690 - 699	157	0	0	0	4	4	153
680 - 689	169	0	0	0	1	1	168
670 - 679	148	0	0	0	2	2	146
660 - 669	153	0	0	0	4	4	149
650 - 659	170	0	0	0	5	5	165
640 - 649	148	1	0	0	3	4	144
630 - 639	113	0	0	0	3	3	110
620 - 629	107	1	0	0	4	5	102
610 - 619	87	0	0	0	2	2	85
600 - 609	83	1	0	0	1	2	81
550 - 599	290	9	2	3	11	25	265
549 or Less	251	22	14	11	8	55	196
TOTAL	3,982	34	16	14	71	135	3,847
AVERAGE SCORE	692	542	525	540	659	601	695

VERMONT HOUSING FINANCE AGENCY

Score Distribution Report in Market Area 14

Accounts Scored by EMPIRICA in June 1996

EMPIRICA SCORE RANGE	TOTAL SCORED June 1996 (observation date)	CURRENT STATUS AS PROVIDED ON INPUT TAPE (Performance Date)					
		FORECLOSURE	90 DAYS PAST DUE	60 DAYS PAST DUE	30 DAYS PAST DUE	TOTAL DEROGATORY	CURRENT
790 or Higher	4.97%	0.00%	0.00%	0.00%	1.41%	0.74%	5.12%
780 - 789	4.67%	0.00%	0.00%	0.00%	4.23%	2.22%	4.76%
770 - 779	5.37%	0.00%	0.00%	0.00%	4.23%	2.22%	5.48%
760 - 769	6.78%	0.00%	0.00%	0.00%	5.63%	2.96%	6.91%
750 - 759	5.93%	0.00%	0.00%	0.00%	0.00%	0.00%	6.13%
740 - 749	5.63%	0.00%	0.00%	0.00%	5.63%	2.96%	5.72%
730 - 739	5.40%	0.00%	0.00%	0.00%	1.41%	0.74%	5.56%
720 - 729	5.15%	0.00%	0.00%	0.00%	7.04%	3.70%	5.20%
710 - 719	4.22%	0.00%	0.00%	0.00%	2.82%	1.48%	4.32%
700 - 709	4.77%	0.00%	0.00%	0.00%	0.00%	0.00%	4.94%
690 - 699	3.94%	0.00%	0.00%	0.00%	5.63%	2.96%	3.98%
680 - 689	4.24%	0.00%	0.00%	0.00%	1.41%	0.74%	4.37%
670 - 679	3.72%	0.00%	0.00%	0.00%	2.82%	1.48%	3.80%
660 - 669	3.84%	0.00%	0.00%	0.00%	5.63%	2.96%	3.87%
650 - 659	4.27%	0.00%	0.00%	0.00%	7.04%	3.70%	4.29%
640 - 649	3.72%	2.94%	0.00%	0.00%	4.23%	2.96%	3.74%
630 - 639	2.84%	0.00%	0.00%	0.00%	4.23%	2.22%	2.86%
620 - 629	2.69%	2.94%	0.00%	0.00%	5.63%	3.70%	2.65%
610 - 619	2.18%	0.00%	0.00%	0.00%	2.82%	1.48%	2.21%
600 - 609	2.08%	2.94%	0.00%	0.00%	1.41%	1.48%	2.11%
550 - 599	**7.28%**	**26.47%**	**12.50%**	**21.43%**	**15.49%**	**18.52%**	**6.89%**
549 or Less	6.30%	64.71%	87.50%	78.57%	11.27%	40.74%	5.09%
TOTAL	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

KS SCORE	79	87	88	47	47	NA
STATISTICALLY SIGNIFICANT KS	23	19	17	12		

VHFA/VHMGB - VBA MEETING

VBA OFFICES
MONTPELIER, VT

JUNE 5, 1997

AGENDA

1. Participating Lender - VHFA/VHMGB Communications
2. Tax & Insurance Escrows
3. VHFA Servicing Guide
   a. Guides on Disk
   b. Specific number of paper guides to participating lenders
4. Collection of "usual & customary fees" through increased origination fee
5. VHFA Mortgage Assignments
6. VHFA/VHMGB Delinquency Reporting
7. VHMGB Credit Scoring
8. Meeting Agenda
9. Other Discussion Topics

MEMORANDUM

To: VBA Mortgage Committee

From: Doug Lothrop, VHFA

Date: June 2, 1997

Re: Collection of "Usual & Customary Fees" through increased origination fee

As I am sure most of your are aware, an inequity in Vermont law has been uncovered which puts licensed lenders and mortgage companies at a competitive disadvantage with Vermont banks. Rather than try to outline the issue myself in this memo, I have attached an article from the May, 1997 issue of the Vermont BarNews written by M. Cecile Daly, Assistant Counsel, Department of Banking, Insurance, Securities and Health Care Administration which outlines the issue.

Part of the issue not covered in the article is the fact that VHFA allows for the collection of 1% origination fee on all of its mortgages. This stems from an arbitrage limitation on the amount paid to bondholders of the tax exempt bonds VHFA uses to fund its mortgages and what can be collected from borrowers included in the Internal Revenue Code.

After considerable research, bond counsel has given an opinion to VHFA that an additional "origination fee" can be collected from the borrower to cover "usual & customary" fees charged by Vermont lending institutions as long as the fees this additional charge covers is disclosed to the borrower. To accomplish this, the borrower must sign a form which contains wording as outlined below:

> "A portion of the points paid with respect to your loan, in an amount equal to $, is being paid to reimburse, or defray the cost to, the lender for certain expenses paid by the lender on your behalf and to compensate the lender for certain services performed in connection with the origination of your mortgage loan, including, but without limitation, certain property tax related expenses; flood plain certifications and document processing services. Such portion of the points paid in connection with your mortgage loan are not deductible from income as prepaid interest under Section 461(g) of the Internal Revenue Code."

VHFA will be developing a form that meets the above requirement.

Although Title 9, Section 42, VSA does not apply to most of you, the ability to collect these fees through the use of "points" will extend to you. It must be clearly understood that should this method of collecting "usual & customary fees" be used, only the actual fee amount disclosed in the above paragraph can be collected above the 1% origination fee allowed by VHFA. In addition, VHFA has intends to cap the amount above the 1% that can be collected at .5%.

c:\data\operate\vba\fee.doc

Vermont BarNews

May, 1997 Volume 2, Issue 7

Making Connections

The Board of Managers has approved the implementation of a new program designed to create a more cooperative and collegial professional environment. It will be known as the **Connections Program.** Experienced VBA members will be encouraged to volunteer to share their knowledge with newer or less experienced members. It is anticipated that the only contact with an inquiring lawyer will be a telephone call to the volunteer. The VBA is in the process of establishing a panel of experienced members who can choose in which area of practice, ethics or law office management they are willing to give advice.

We expect to have the panels created within a few months and make the program open to inquiring attorneys no later than this September (**see insert for program guidelines**). Please look over the materials and sign up if you can share your experience to help a colleague. The success of this project, as always, depends on member participation.

Report of the Professional Conduct Board Study Committee

The VBA's special committee, named by President Joan Loring Wing, to study the operations of the Professional Conduct Board, filed its final report with the Board of Managers in April. The Board forwarded the recommendations of the committee to the Supreme Court on April 11th. The entire report will be reprinted in the June issue of the VT Bar Journal and Law Digest.

The report was the result of numerous committee meetings as well as two public hearings. It covers topics such as the historical background of the PCB, how cases are screened, how the office of Bar Counsel is organized, whether rules of discovery should be changed, publicity, the existing backlog, caseload reduction and funding requirements.

The Board of Managers is grateful to the following for their effort in examining this all important issue and for their thoughtful recommendations:

Harvey B. Otterman, Chair, Edwin H. Amidon, Leslie G. Black, John H. Carnahan, Charles R. Cummings, William M. Dorsch, Peter W. Hall, Robert P. Keiner, Douglas Richards, Hon. Barbara Snelling, John B. Webber, and Robert D. Yoder

Permissible Fees For Mortgage Loans

- M. Cecilia Daly, Asstnt Counsel, Dept. Bank., Ins.

There has been much discussion among professionals working in the area of mortgage lending recently about the Department of Banking, Insurance, Securities and Health Care Administration's position on the permissibility of charging certain fees to residential mortgage

(see Mortgage Loans, pg. 10)

Mid-Winter Meeting Election Results

At the meeting held at the Radisson Hotel Burlington on a snowy Friday March 14, 1997, the membership elected **Emily Davis** of Black, Black & Davis, White River Junction, to the office of President-Elect. Emily will serve as President-Elect beginning in September at the close of the Annual Meeting of the Association. **Ted Tyler** and **Jeff Johnson** were re-elected to serve as Secretary and Treasurer respectively.

The membership also elected **Peter Holden**, of Clark, Lillie & Holden, Bennington to a seat on the Board of Managers. Peter will also assume the office in September. **Fred Lane** was chosen as Associate Delegate to the ABA. The Board thanks Fred for his years of service as the Young Lawyer's Section representative on the Board of Managers. Congratulations to all.

Special Telephone Rates for VBA Members

The VBA has negotiated an association program with OneStar Long Distance for extremely competitive phone rates for members. They will offer members a rate of 10.75 cents per minute for all calls, either in or out of state, at any time of day or night. Members who sign up their office can also get the same rates for their home service as well as for their employees. The agreement will also cover calling cards

(see Telephone, pg. 6)

Mortgage Loans(from pg. 1)

borrowers. Vermont limited the fees chargeable by a lender against a borrower for the use or forbearance of money at least 30 years ago, when 9 V.S.A. § 42 was enacted. The Department has heard from real estate attorneys, mortgage lenders and mortgage brokers that, besides the requirements of federal law, they were unaware of any regulation of fees related to mortgage loans. Inquiries are common as to the permissibility of "document preparation fees," "loan fees," "tax service fees," and attorney fees for services which do not include title work. None of these fees may be charged to a borrower on a residential first mortgage loan by a lender operating under 8 V.S.A. chapter 73 (non-bank lenders, or "licensed lenders") in Vermont. Misconceptions may be attributable to a number of factors, including the partial preemption of state law by the Depository Institutions Deregulation and Monetary Control Act of 1980 ("DIDMCA"), the increased presence of licensed lenders in Vermont's residential mortgage lending market during the past few years, a relatively new trend among Vermont lenders to charge residential mortgage borrowers fees in addition to points and interest, and the recent extension of the Department's regulatory authority to residential mortgage brokers. Nonetheless, the Department has consistently held that licensed lenders in Vermont are limited by Vermont statutes as to what fees they may charge borrowers for loans.

DIDMCA affected State regulation of mortgage lending in several ways. Section 1735f-7a(a)(1) of Title 12 of the U.S. Code preempts state law which would expressly limit the rates or amount of interest, discount points, finance or other charges on many (or most) residential first mortgage loans made after March 31, 1980. (12 U.S.C. § 1735f-7a(a)(1) defines the loans affected.) DIDMCA did not affect state regulation of "home equity" or other loans secured by subordinate liens against real estate. A state could avoid preemption of its regulation of *rates or amount of interest, discount points, finance or other charges* if it adopted a law between April 1, 1980 and April 1, 1983 which, as provided at §1735f-7a(b)(2), "states explicitly and by its terms that such state does not want the provisions of § 1735f-7a(a)(1) to apply with respect to loans mortgages, credit sales, and advances made in such state." Vermont took no action to save its authority in response to § 1735f-7a(b)(2). Moreover, Act No. 126 of the 1981 Adjourned Session, approved March 9, 1982, added subpart (b)(8) to § 41a, to deregulate the permissible interest on loans secured by a first lien against real property by tying it to that permitted by DIDMCA, as amended.

Vermont did act, however, in response to an additional opportunity provided by Congress in DIDMCA. Section 1735f-7a(b)(4) permits a state to adopt a provision of law any time after March 31, 1980 placing limitations on *discount points* or *such other charges* that would otherwise be preempted by §1735f-7a(a)(1). Vermont's Act No. 35, approved April 19, 1983, added § 2201a(5)* to chapter 73 of Title 8, which prohibits licensed lenders doing mortgage lending from making any charges not permitted by 9 V.S.A. §§§ 42, 44, and 46. This action was taken after March 30, 1980, the time frame established by § 1735f-7a(b)(4), thus avoiding federal preemption of Vermont's regulation of charges related to residential first mortgage loans made by licensed lenders. No relevant action was taken with respect to 9 V.S.A. § 42; such action would have been necessary to avoid federal preemption of Vermont's regulation of charges related to mortgage loans made by lenders not subject to Chapter 73, such as banks.

Thus Vermont does not regulate interest rates or discount points on any residential first mortgage loans, does not regulate other charges relative to first mortgage loans made by lenders not subject to the Chapter 73, but does regulate other charges relative to residential first mortgage loans made by licensed lenders.

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* The substance of this section is now found 8 V.S.A. § 2216(5). As a result of recent revisions, the section erroneously refers to 8 V.S.A. §§ 2230 and 2232. The references should be to 8 V.S.A. §§ 2231 and 2233. A bill currently before the Legislature would correct this technical error.

Subpoenas For Financial Information

- *M. Cecilia Daly, Asstnt Counsel, Dept. Bank., Ins.*

Practitioners who have occasion in civil litigation to subpoena customer records of financial institutions should take note that 8 V.S.A. §§ 1021 through 1025 restrict the manner in which a financial institution may respond to a subpoena. Financial institution is defined to include banks, credit unions and licensed lenders, among others. Section 1023 generally prohibits financial institutions from disclosing customer financial information. Customer financial information is broadly defined. Section 1024 provides a number of exceptions to the general prohibition. A financial institution may comply with a subpoena in the context of civil litigation, but only in accordance with § 1024(19). The statute requires the financial institution to provide the customer 10 days' notice by first class mail to the most recent address known to the financial institution before the financial institution may provide any customer financial information requested by the subpoena. Section 1022 defines "customer," "financial information," and "financial institution."

MEMORANDUM

To: VBA Mortgage Committee

From: Doug Lothrop, VHFA

Date: June 2, 1997

Re: VHFA recorded assignments

Currently VHFA procedures require participating lenders to record assignments of all mortgages purchased by VHFA from the selling lender to VHFA. This process takes a considerable amount of time for the staffs of both the servicing lender and VHFA.

In the near future VHFA would like to initiate a policy that requires the lender to have an original assignment of mortgage in their file. However, the assignment will not have to be recorded.

It is anticipated that the only time the assignment would be recorded is when an action to gain tile is initiated, the servicing of the mortgage loan is transferred to VHFA or at the request of VHFA if some unforeseen occurrence makes the recording of the assignment desirable.

By adopting this policy all mortgage discharges will be executed by the lender servicing the mortgage loan after verifying the pay-off figures with VHFA. This should save a considerable amount of time and make all mortgage discharges available at the time of mortgage closing.

An extension of this policy, VHFA could issue each servicing lender with a limited power of attorney authorizing the lender to discharge mortgages on VHF's behalf on those mortgage loans where the assignment was recorded prior to a certain date.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Roger A. Schoenbeck, Director of Finance RAS

DATE: June 13, 1997

RE: PROPOSED MULTIFAMILY BOND COMPETITIVE SALE

Attached is a memo from Evensen Dodge, the Agency's financial advisors, outlining possible structures for issuing bonds that would provide tax exempt financing for two multifamily project. Financing is required for both Phase IV of The Pines Senior Housing in South Burlington, and for the South Square development, which is described further elsewhere in the Board packet.

Although the Agency has not issued tax exempt bonds for projects since 1989, a competitive sale is being considered to provide financing for both of these affordable housing initiatives.

RECOMMENDED BOARD ACTION:

Authorize staff to pursue the competitive method of sale as outlined in the attached memo from Evensen Dodge, dated June 13, 1997.

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

EVENSEN DODGE INC

FINANCIAL CONSULTANTS

MEMORANDUM

DATE: June 13, 1997

TO: Vermont Housing Finance Agency

FROM: Evensen Dodge Inc.

SUBJECT: Financing of Pines 4 Multifamily Project

The Agency will be providing a mortgage loan to Pines 4 in the amount of approximately $3.7 million. The project was brought to the Agency's Board in May, 1997 for approval and the underwriting of the project has been completed.

The Agency has three options for the issuance of debt.

Private Placement

The bonds can be privately placed by one or more members of the Agency's banking team with an institution. The bonds would likely be structured as a single term bond. Generally, an institutional investor is looking for a higher than market interest rate in a private placement transaction, especially if the bonds are not rated. The advantages of a private placement are that the buyer can perform a credit analysis of the multifamily project directly and an official statement does not need to be broadly distributed.

Negotiated Method of Sale

A negotiated method of sale will provide a lower overall interest rate than a private placement sale for this specific transaction. The bonds would be structured as both serial bonds and term bonds and the sale to the public will provide a broader demand for the bonds. Paine Webber effectively used the Vermont retail market to provide the Agency with low interest rates in its most recent Single Family bond sale.

Due to the small size of the issue, certain fixed transaction costs become a larger percentage of the bond issue. Paine Webber would likely take this into account in pricing their services and provide a reasonable price to the Agency.

Albuquerque ✦ Atlanta ✦ Boston ✦ Buffalo ✦ Costa Mesa ✦ Dallas ✦ Des Moines ✦ Detroit ✦ Fargo
Hartford ✦ Minneapolis ✦ New York ✦ Orlando ✦ Portland ✦ San Francisco ✦ Seattle ✦ Washington D.C.
601 Second Avenue South, Suite 5100, Minneapolis, MN 55402
612/338-3535 800/328-8200 FAX 612/338-7264

Competitive Method of Sale

The characteristics of this financing provide the Agency with an option to use the competitive method of sale.

- The bond structure is straight forward and is well understood by the market place. Bidders would be provided with an annual maturity schedule and each bidder would determine which maturities to put into serial bonds and into term bonds.
- A maximum underwriter's discount would be specified by the bid documents. The bidders would specify the amount of the underwriter's discount consistent with their marketing plan and their demand for bonds. For multifamily bonds, the interest rate for the bonds includes transactions costs so that the Agency would be willing to pay a higher underwriter's discount if it results in lower coupon rates.
- The security features for the bond issue are the revenues from the project, the first mortgage loan on the project, the capital reserve fund, and the general obligation of the Agency. It is recommended that the bonds be sold under the Agency's Multi-Family Housing Bonds Resolution which is rated A1/A+ by Moody's and S&P's. These security features and credit ratings are acceptable to the market place.
- There is a strong demand for municipal bonds.
- The size of the sale is small.

Other state housing agencies have received three to six bids for similar multifamily bond issues.

Summary

The Agency has three options for the sale of bonds. The security features are strong enough that a private placement of the bonds is not required. Either a negotiated sale or a competitive sale will provide the Agency with a good execution of the transaction. The negotiated sale has the potential of being one week quicker in timing and has somewhat more flexibility in changing bond structures at the last moment. The competitive sale will likely provide the lowest overall interest rate, inclusive of transaction costs, for a sale of this small size.

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Mike McNamara, Deputy Director M. McN.

DATE: June 11, 1997

RE: Building Improvements: Proposed FY 98 Capital Budget

Background:

As you know, VHFA has put considerable emphasis over the past several months on reducing losses due to loan delinquencies. With the hiring of Cindy Cunningham into the newly created position of Loan Servicing Manager and the transfer of the Loan Servicing Specialist (formerly the Legal Assistant) from the Legal Department, the limited space for Servicing on the second floor has presented a problem. From the outset, staff agreed that it is vitally important for the entire servicing team to be located together as one unit in order to make the biggest impact on delinquencies/foreclosures.

This makes the FY 98 Capital Budget somewhat unique from previous years. For example, aside from Information Technology items, the entire FY 97 budget for capital building needs and equipment was $36,800. Building improvements and big ticket items (such as telephone system, copy machine, etc.) would normally fall into this category. This year, we have a list of more typical capital costs as opposed to more significant costs that would be generated by relocating the Servicing Department.

Typical FY 98 Capital Costs:

As previously stated, last year we budgeted $36,800 in this category. In FY 98 we propose the following expenditures:

Replace (2) copy machines @ $6,985 each	$13,970
Replace (12) Board Room chairs @ $340 each	4,080
Purchase (1) Fire-rated lateral file	2,725
Replace Annex roof	6,650
Total	**$27,425**

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

The copy machines replace 8 to 9 year old units that are slow and carry high maintenance costs. We have had little success in repairing the Board Room chairs; some of them are very unstable (don't lean back too hard!) and can be hazardous. Personnel records are now filed in a standard file cabinet; these records should be protected in the event of a fire. Finally, we fought through numerous roof leaks while the Queen of Tarts was moving in during February. A.C. Hathorne gave us the best price and they are also one of the best qualified roofers in the area in rolled roofing and rubber membrane roofing applications.

Servicing Department Building Improvements:

VHFA currently has adequate space on the first floor to accommodate the entire Servicing Department. In anticipation of this need for space, staff was directed to facilitate the relocation of Body Music from the first floor rental space and to research costs associated with locating all seven members of the Servicing Staff to that space.

VHFA contracted with Janson Design, Inc. to plan the office layout, provide working drawings, renderings and cost estimates. In addition to planning for new offices, the architect explored various possibilities for a front entrance/handicapped accessibility ramp on St. Paul Street as well as looking at the entire first floor to maximize the most efficient use of space in the future.

The proposed budget for relocating servicing and front entry modifications are as follows:

First floor renovations for Servicing	$61,700
Exterior renovations/entrance canopy/ramp	56,900
Architectural/engineering	3,500
Fees, permits, advertising bids, moving, etc.	4,000
Modular workstations (7 staff plus reception area)	21,000
Total	**$147,100**

I will have drawings available at the Board Meeting for the Board's review as well as all back-up material in support of the estimates. While it is clear that the servicing renovations could take place without the entryway work, I believe that we will get a better price if we package this as one bid. We will most probably do better on the modular units as well by getting competitive pricing.

RECOMMENDED BOARD ACTION: Approve a capital expenditure of typical items in the amount of $27,425 and a capital expenditure for building renovations to relocate servicing and exterior improvements in the amount of $147,100.

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Mike McNamara, Deputy Director M.McN.

DATE: June 9, 1997

RE: Information Technology: Proposed FY 98 Capital Budget

In early February, 1997, VHFA formed a group of staff to investigate current and future needs of the agency in the Information Technology (IT) area. The IT Group consists of the Deputy Director, the Directors of Communications, Finance and Single Family Operations, the Data Processing Manager and the Systems Analyst. (The Director of Multifamily Management also sat in on several meetings.) In addition, outside experts including Advanced Technology Associates (Document Imaging), Symquest (PC/Hardware/Network issues), Freddie Mac (Loan Prospector underwriting software) and The Mitas Group (future directions for the Mitas system) were brought in to look at specific issues/technologies.

Executive Director Allan Hunt attended the first IT Group meeting. He related his concern that VHFA is falling behind in IT and, given the rapid advances in the area of electronic underwriting, is in danger of losing considerable business. He challenged the group to figure out how to best communicate with lenders electronically, to reduce burdensome paperwork and increase productivity.

The IT Group seized on the concept of a 2 to 5 year rolling IT capital plan early on in the process. Through further investigation, we found that many HFA's employ a similar strategy, most using a three year cycle. The consensus was that a 2 year cycle was too ambitious, while a 4 to 5 year cycle would always leave the Agency in a catch-up mode. It was also agreed that the plan needs to be updated each year, adding a new year 3 while "rolling" years 2 and 3 to years 1 and 2 respectively.

The major conclusion reached by the IT Group was that VHFA needs to spend roughly $100,000 per year over the next three years to catch-up in the IT area and to be poised to begin to transmit and receive data from lenders electronically. The following represents the proposed first installment of the three year plan.

Mailing Address: PO Box 408, Burlington, Vermont 05402-0408
Delivery Address: 164 Saint Paul Street, Burlington, Vermont 05401-4364
802 / 864-5743 • 800 / 339-5866 • TDD: 800 / 586-5832
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Year One (FY 98)

Capital costs in Year One are intended to cover improvements to the computer network (which can be very slow at times) and begin to address deficiencies in desktop systems. On the network side, we propose a $31,100 expenditure, $14,700 on the hardware side (new server, network switch and upgrade existing server) and $16,400 on software (NT Backoffice, network faxing, network e-mail and virus scanning).

The current operating system for the VHFA computer network (Novell 3.11) is weak and outdated. These capital expenditures will keep VHFA current with its primary underwriting and General Fund software vendor (Mitas) as they migrate to a Windows 95 operating system. The addition of a new server and network switch will markedly increase network speed, while upgrading the existing server to compatibility with the NT software. This will also facilitate the move toward network faxing, which will allow the sending/receiving of fax information from any desktop computer in the agency. This will increase efficiency and effectiveness while reducing the use of paper and labor required to prepare and distribute a fax.

On the desktop side, many of the desktop systems at VHFA are running with below minimum requirements for current applications and will require replacement before new software standards can be adopted. Replacing one-half of the desktops (20) in Year One ($48,000) and upgrading the memory in the remaining units ($4,400) will allow VHFA to standardize on the MS Windows 95 operating system and MS Office 95 applications during the fiscal year.

I have attached a complete budget on the following page. Please note that these are "hard" costs only; as was noted in the proposed FY 98 Operating Budget, there are also increases on the "soft" cost side for an additional staff person, Mitas support, staff training, maintenance and Internet accounts, etc.

Recommended Board Action: Approve a capital expenditure of $103,960 for Information Technology for FY 98.

Proposed FY 98 Information
Technology Budget

FY 98 Budget

The following are "hard cost" items which will be incorporated into the capital Budget:

Networks	
Hardware:	
New Server	$ 10,000
Upgrade to existing server	$ 1,200
Network Switch	$ 3,500
Software:	
NT Backoffice	$ 10,000
NT Upgrade	$ 400
Network e-mail	$ 1,000
Virus scan for each file server	$ 2,000
Network Faxing Software	$ 3,000
Total Networks:	$ *31,100*
Desktops	
Hardware:	
(16) Pentium Computers @ $2,400	$ 38,000
(4) Pentium Pro Computers @ $2,500	$ 10,000
Memory upgrades for remaining systems	$ 4,400
(50) UPS @ $200	$ 10,000
(2) Modems @ $200	$ 400
Software:	
Windows '95 for remaining systems	$ 1,800
(20) Virus Scan @ $85	$ 1,700
Upgrades for existing applications	$ 2,000
Project Management and Misc. Applications	$ 2,000
Publications (Pagemaker 6.5, Pantone, Corel 7	$ 560
Internet Monitoring Software	$ 2,000
Total Desktops:	$ *72,860*
TOTAL FY 98 CAPITAL	**$103,960**

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Development Officer CR

DATE: June 12, 1997

RE: Housing Vermont, Applegate Apartments: Letter of Commitment for Permanent Financing

Executive Summary

On April 17, 1997, the Board approved issuance of a Letter of Interest for construction and permanent financing of up to $100,000 for Applegate Apartments in Bennington. Applegate is a 130 unit family acquisition/rehabilitation project which will be redeveloped to 103 units (see attached memo). The sponsor, Housing Vermont (HVT), wants to decrease the loan amount to $50,000, and is requesting a Letter of Commitment.

Revised Loan Amount

At their meeting on May 16, 1997, the Vermont Housing and Conservation Board (VHCB) awarded the project up to $75,000 more in funding than requested due to their discomfort with the 5% vacancy rate; VHCB's concern was the market rate units and whether they would incur a higher vacancy rate than the Housing Credit units. In addition, the acquisition cost from VHFA to the limited partnership has been dropped to $0 (at the April 17, 1997, Board meeting it was presented as $25,000). Since VHFA is in the position of allocating Housing Credits and making a mortgage loan on the property, VHFA staff felt it appropriate not to charge the project for past costs incurred (option agreement payments to the former owner), in order to avoid any appearance of conflict. These two changes allow the project a vacancy rate of 6.5% from years 3-20 (up from 5%), providing more of a cushion for market rate units, as well as a more substantial deficit escrow account.

VHFA staff discussed appropriate levels of debt, and decided that $50,000 is the minimum reasonable loan amount. In general, a VHFA loan below $50,000 would prove too costly both for VHFA and for the Borrower. In addition, since we are contemplating a relatively small loan on a $6,000,000 project, and since Housing Vermont will have a significant monitoring role when the project is completed, we are exploring the possibility of executing a streamlined Regulatory Agreement. Debt service payments for Applegate are now lower, and VHFA monitoring will help to ensure the project operates well over time.

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EQUAL HOUSING OPPORTUNITY

Letter of Interest - Status of Conditions

The following conditions were included in the Letter of Interest:

Sponsor must demonstrate that requisite financing has been committed by June 30, 1997, including but not limited to Housing Credits, and loans/grants from Vermont Housing and Conservation Board, HOME, HUD, the Bennington Revolving Loan Fund, and Vermont Community Development Program...

HVT has secured funding commitments from HOME and VHCB for a total of up to $720,000, which is $75,000 higher than requested. HVT also received a commitment from the Bennington Revolving Loan Fund. VHFA staff is recommending that the project receive Housing Credits in an amount of $230,000, and the Joint Committee on Tax Credits is scheduled to meet on June 12, 1997. The VCDP decision will be made by June 30, 1997. Negotiations with HUD are still in process; we are hopeful that we will have the property under contract by the end of June. The revised deadline is to have the HUD upfront grant commitment and final sale terms agreed upon by July 31, 1997.

Sponsor must provide final plans and specifications for VHFA approval.

Plans and specifications are not final yet; this condition will remain, and be included with the Letter of Commitment.

All underground storage tanks must be removed either prior to acquisition or as part of the acquisition/rehabilitation plan.

HUD has agreed to remove all underground storage tanks; this agreement will be included in the final Purchase & Sale Contract. We have recently received word from HUD that the tanks are larger than anticipated, and it appears they have caused environmental contamination. We will have more information by the time of the Board Meeting.

Recommended Board Action

Staff recommends Board approval of the attached Resolution to provide a Letter of Commitment to provide construction and permanent financing in the amount of $50,000, with a loan term of 20 years and amortization period of 30 years, and interest rate to be determined by the Executive Director. The proposed source of funds is the Federal Home Loan Bank of Boston, to be determined by the Executive Director. The Letter of Commitment shall include the following conditions:

1. Sponsor must demonstrate that requisite financing has been committed by June 30, 1997, including but not limited to Housing Credits and the Vermont Community Development Program. "Requisite financing" means the amount and terms of each of the

sources of funding represented on the multifamily loan application or their equivalent. If the sponsor is unable to obtain commitments of "requisite financing", the sponsor may have to reduce costs from the development budget so that the total uses of funds matches the total sources of funds;

2. Sponsor must work out any inconsistencies between the VHCB funding commitment and VHFA loan commitment to the satisfaction of VHFA by June 30, 1997;

3. Sponsor must demonstrate that requisite financing has been committed from HUD and final sale terms agreed upon by July 31, 1997;

4. Sponsor must provide final plans and specifications for VHFA approval;

5. All underground storage tanks must be removed either prior to acquisition or as part of the acquisition/rehabilitation plan and any resulting contamination must be remedied to the satisfaction of the State of Vermont Agency of Natural Resources at Seller's (HUD's) expense.

Applegate				RUN DATE:	12-Jun-97	
Total Residential Units:	103	Increase LIHTC			1.00%	
Restricted Units:	74	Increase Market			1.00%	
Percent Restricted:	71.84%	Expense increase:			2.50%	
Avg Net Monthly Rent:	349	Vacancy Rate:			6.50%	
Total Dev Costs	6,240,694	Partner's Tax Rate:			34.00%	
TDC/Unit	60,589	Depreciation Schedule:			27.5	
Monthly Operating Cost	326	Sponsor's Estimated Yield:			75.10%	
Max Credit Amount	230,093					
Credit Amount Requested	230,000					
Net Syndication	1,710,000					
LIHTC - 9%	8.64%		(June '97)			
LIHTC - 4%	3.70%					
FINANCING SOURCES						
	Amount	% of TDC		Interest	Amortization	Term
VHFA First Mortgage	50,000		0.80%	8.50%	30	20
HUD Grant	3,115,000		49.91%	0.00%	N/A	grant
VHCB Deferred Debt	360,000		5.77%	0.00%	40	40
VHCB Grant	0		0.00%	0.00%	N/A	N/A
HOME	360,000		5.77%	7.02%	30	30
Benn. Rev. Loan	20,000		0.32%	5.75%	20	20
VCDP	625,000		10.01%	1.00%	40	40
Tax Credit Equity	1,710,000		27.40%	N/A	N/A	N/A
	6,240,000		99.99%			
Gap	694		0.01%			
1 Br	78,380		14	1,097,320		
2 Br	83,380		58	4,836,040		
3 Br	88,380		31	2,739,780		
Max cost allowed by unit cost limits				7,575,820		
Projected total cost, excluding cash accounts & relocation expenses				5,885,944		
		(over)/under		1,689,876		
		Per Unit Average Cost		57,145		
NOTE: Amount of Existing Debt to be Written off by HUD:				2,000,000		
General Partner's Capital Contribution				17,273		
Limited Partner's Capital Contribution				1,710,000		
Total Capital Contribution				1,727,273		

Applegate		DEVELOPMENT BUDGET					12-Jun-97	
			Budget	Per Unit	Per s.f.	Acquisition Credit	Rehab/Const Credit	Depreciable Basis
ACQUISITION & CONSTRUCTION								
Land				0	0.00			
Building				0	0.00	0		0
Sitework with Playground		3,871,900	1,144,000	11,107	12.31		1,144,000	1,144,000
Landscaping				0	0.00		0	0
Construction Contract			3,172,900	30,805	34.14		3,172,900	3,172,900
Demolition - 4 buildings			88,000	854	0.95		0	
Community Building			35,000	340	0.38		35,000	35,000
Appliances			72,100	700	0.78		72,100	0
Construction Contingency		14.46%	458,900	4,455	4.94		458,900	458,900
Clerk of the Works			32,000	311	0.34		32,000	32,000
Subtotal			5,002,900	48,572	53.83	0	4,914,900	4,842,800
PROFESSIONAL SERVICES								
Architect & Engineering			231,000	2,243	2.49		231,000	231,000
Legal & Accounting			41,000	398	0.44		30,750	41,000
Attorney				0	0.00			0
Survey				0	0.00		0	0
Transfer Taxes				0	0.00		0	0
Title Ins & Recording			7,125	69	0.08	7,125	0	7,125
Subtotal			279,125	2,710	3.00	7,125	261,750	279,125
INTERIM COSTS								
Construction Insurance & Taxes			49,802	484	0.54		37,352	49,802
Construction Interest			47,000	456	0.51		35,250	47,000
Construction Loan Origination Fee				0	0.00		0	0
Subtotal			96,802	940	1.04	0	72,602	96,802
OTHER SOFT COSTS								
Property Appraisal			2,500	24	0.03		2,500	2,500
Permits & Fees			40,852	397	0.44		40,852	40,852
Environmental Survey			2,500	24	0.03		2,500	2,500
Relocation Costs			38,750	376	0.42		38,750	38,750
Relocation /Tenant Coordinator			23,400	227	0.25		23,400	23,400
Tax Credit Fees			7,000	68	0.08		7,000	7,000
Soft Cost Contingency			33,765	328	0.36		16,883	16,883
Subtotal			148,767	1,444	1.60	0	131,885	131,885
FINANCING FEES & EXPENSES								
Loan Fees			500	5	0.01			
Other Consultants			10,000	97	0.11		10,000	10,000
Subtotal			10,500	102	0.11	0	10,000	10,000
SYNDICATION COSTS								
Organizational (Partnership)				0	0.00			
Bridge Loan Interest				0	0.00			
Tax Opinion				0	0.00			
Subtotal			0	0	0.00	0	0	0
DEVELOPER'S FEES								
Housing Vermont Fee			310,000	3,010	3.34		310,000	310,000
Applegate NP Fee			100,000	971	1.08		100,000	100,000
Subtotal		7.40%	410,000	3,981	4.41	0	410,000	410,000
PROJECT RESERVES								
Start Up Budget			45,000	437	0.48		45,000	45,000
Lease Up Reserve			45,700	444	0.49		0	
Deficit Escrow			115,000	1,117	1.24			
Replacement Reserve			41,200	400	0.44			
Working Capital			45,700	444	0.49			
Operating Reserve				0	0.00			
Subtotal			292,600	2,841	3.15	0	45,000	45,000
TOTAL DEVELOPMENT COSTS			6,240,694	60,589	67.15	7,125	5,846,136	5,815,612

Applegate			Rental Income		12-Jun-97	
Housing Credit Units						Total
Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent
1 Br	50%	672	3	244	114	8,784
2 Br	50%	842	15	290	140	52,200
3 Br	50%	1,119	9	336	161	36,288
1 Br	60%	672	7	316	114	26,544
2 Br	60%	842	27	376	140	121,824
3 Br	60%	1,119	13	435	161	67,860
	Totals	66,702	74			313,500
Market Rate Units						Total
Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent
1 Br	Market - 62%	672	4	350	114	16,800
2 Br	Market - 62%	842	16	415	140	79,680
3 Br	Market - 62%	1,119	9	480	161	51,840
	Totals	26,231	29			148,320
All Units						
	Grand Totals	92,933	103			461,820
		Less Vacancy	6.50%	(Years 3+)		(30,018)
					NET RENT	431,802
		OTHER INCOME				
		Interest Income				
		Laundry				3,300
		Parking				0
		Total Other Income				3,300
					TOTAL INCOM	435,102
		NOTE:				
		Vacancy Year 1	25.00%			(115,455)
		Vacancy Year 2	10.00%			(46,182)

Applegate	EXPENSE BUDGET			12-Jun-97
			Per Unit	
	Annual	Monthly	Per Month	
Administration				
Management Fee	37,080	3,090	30	8.0%
Advertising	2,000	167	2	
Audit/Accounting	5,000	417	4	
Legal	2,000	167	2	
HVT Fee	9,270	773	8	
Local NP Fee	3,708	309	3	
Office Payroll	32,000	2,667	26	
Compliance Monitoring	1,776	148	1	
TOTAL ADMINISTRATIVE	92,834	7,736	75	
Utilities				
Water/Sewer	28,300	2,358	23	
Electric	4,900	408	4	
Fuel	4,300	358	3	
Pump Station	5,000	417	4	
TOTAL UTILITIES	42,500	3,542	34	
Maintenance				
Maintenance Payroll	60,000	5,000	49	
Vehicle	2,500	208	2	
Trash Removal	18,000	1,500	15	
Snow/Grounds	4,000	333	3	
Repairs- material	10,553	879	9	
Paint/Decorating	10,000	833	8	
Exterminating	2,000	167	2	
Contract Maintenance	6,553	546	5	
Grounds	5,058	422	4	
Janitorial	1,200	100	1	
Other	500	42	0	
TOTAL MAINTENANCE	120,364	10,030	97	
Taxes	73,492	6,124	59	
Insurance	17,500	1,458	14	
Replacement Reserves	30,900	2,575	25	
Supportive Services	25,000	2,083	20	
Total	402,590	33,549	326	

12-Jun-97		Applegate				Cash Flow Projection											
		Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Residential Rent			461,820	466,438	471,103	475,814	480,572	485,377	490,231	495,134	500,085	505,086	510,137	515,238	520,390	525,594	530,850
Lease Up Reserve Payment			68,950	23,213	0	0	0	0	0	0	0	0	0	0	0	0	0
Less Res Vacancy			(115,455)	(46,644)	(30,622)	(30,928)	(31,237)	(31,550)	(31,865)	(32,184)	(32,506)	(32,831)	(33,159)	(33,490)	(33,825)	(34,164)	(34,505)
Plus Other Income (laundry)			3,300	3,333	3,366	3,400	3,434	3,468	3,503	3,538	3,573	3,609	3,645	3,682	3,719	3,756	3,793
Total Actual Income			418,615	446,340	443,847	448,286	452,769	457,296	461,869	466,488	471,153	475,864	480,623	485,429	490,283	495,186	500,138
Less Operating Expense			371,690	380,982	390,507	400,269	410,276	420,533	431,046	441,823	452,868	464,190	475,795	487,689	499,882	512,379	525,188
Less Reserves			30,900	31,209	31,521	31,836	32,155	32,476	32,801	33,129	33,460	33,795	34,133	34,474	34,819	35,167	35,519
Net Operating Income			16,025	34,149	21,819	16,180	10,338	4,287	(1,978)	(8,464)	(15,176)	(22,120)	(29,304)	(36,734)	(44,417)	(52,360)	(60,569)
Less Primary Debt Service			4,613	4,613	4,613	4,613	4,613	4,613	4,613	4,613	4,613	4,613	4,613	4,613	4,613	4,613	4,613
Less Other Debt Service			1,685	1,685	1,685	1,685	1,685	1,685	1,685	1,685	1,685	1,685	1,685	1,685	1,685	1,685	1,685
Cash Flow			9,727	27,851	15,521	9,881	4,039	(2,012)	(8,277)	(14,762)	(21,474)	(28,419)	(35,603)	(43,033)	(50,716)	(58,658)	(66,867)
Oper Subsidy			0	0	0	0	0	2,012	8,277	14,762	21,474	28,419	35,603	43,033	50,716	58,658	66,867
Net Cash			9,727	27,851	15,521	9,881	4,039	0	0	0	0	0	0	0	0	0	0
DCR			254.43%	542.18%	346.42%	256.89%	164.13%	68.06%	-31.41%	-134.38%	-240.94%	-351.20%	-465.26%	-583.23%	-705.20%	-831.30%	-961.64%
Cumulative Cash Flow																	
Beginning Balance			188,120	134,540	143,214	163,031	177,804	187,177	190,781	188,227	179,112	163,011	139,483	108,064	68,273	19,606	(38,464)
Interest		3.0%	5,644	4,036	4,296	4,891	5,334	5,615	5,723	5,647	5,373	4,890	4,184	3,242	2,048	588	0
Withdrawals			(68,950)	(23,213)	0	0	0	(2,012)	(8,277)	(14,762)	(21,474)	(28,419)	(35,603)	(43,033)	(50,716)	(58,658)	(66,867)
Ending Balance			134,540	143,214	163,031	177,804	187,177	190,781	188,227	179,112	163,011	139,483	108,064	68,273	19,606	(38,464)	(105,331)
Cumulative Reserves		3.0%	72,100	105,472	140,157	176,198	213,639	252,524	292,901	334,817	378,322	423,466	470,303	518,886	569,272	621,517	675,681
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Development Officer CReid

DATE: April 10, 1997

RE: Housing Vermont, Applegate Apartments: Letter of Interest for Permanent Financing

Executive Summary

Housing Vermont (HVT) has applied to VHFA for $100,000 in construction and permanent financing. The proposed project consists of the acquisition and rehabilitation of Applegate Apartments, a 130 unit family development in Bennington. The project was developed by the same general partners who controlled Northgate and Highgate. HUD took title to the property in February 1997, after the owner defaulted on the mortgage. The buildings have suffered from serious deferred maintenance and code violations, and currently there are 57 vacancies. VHFA proposes to purchase the property from HUD for $1, and immediately sell the property to a to-be-formed limited partnership (or limited liability company) consisting of H.V. Applegate, Inc. (a corporate subsidiary of Housing Vermont) and Applegate Housing Inc., a newly formed local nonprofit. VHFA is negotiating to secure a HUD grant of $3,090,000. The HUD grant is an absolute requirement to the project's feasibility. The project will be acquired by VHFA debt-free (HUD plans to write off the existing two million dollar debt), and with one-year tenant based Section 8 vouchers/certificates.

The Development

Projected Funding Sources		
VHFA First Mortgage	$100,000	1.6%
HUD Grant	$3,090,000	50%
VHCB Debt	$188,000	3%
VHCB Grant	$12,000	0.19%
HOME Loan	$445,000	7%
Vermont Community Development Program	$625,000	10%
Bennington Revolving Loan Fund	$22,000	0.36%
Tax Credit Equity	$1,699,740	28%
Totals	$6,181,740	100%

HVT submitted an application for tax credits on April 8, and has an application in for VHCB and HOME funds which will be discussed at the May 16th VHCB Board meeting. The Town has submitted a letter of intent for VCDP funds (awards will be determined by June 30), and VHFA is currently negotiating with HUD regarding the terms of sale and the HUD grant. VHFA has provided a Ventures pre-development loan, and VHCB has provided a capacity grant to Housing Vermont for the project.

There has not been an appraisal completed to determine loan to value ratio for the VHFA financing. A 1989 appraisal estimated the value of the property at $3.9 million. It is currently assessed by the Town of Bennington for tax purposes at $3.8 million. The VHFA loan to cost ratio is approximately 2%, and because it is so low relative to assessed value, staff does not believe an appraisal is needed.

Unit Breakdown And Rents

The completed project consists of 14 one-bedroom units, 58 two-bedroom units, and 31 three-bedroom units, for a total of 103 units. (Of the current 28 buildings, a total of four buildings are being demolished and one building is being converted into a community building and management/maintenance office for a total loss of 27 units.) Twenty seven units will be affordable to households at 50% of area median income; 47 units will be affordable to households at 60% of area median income, and 29 units will be market units, affordable to households at 62% of area median income. Two units will be made handicapped accessible. A breakdown of unit sizes and rents follows:

Size	#	Rents	Affordable to
1 BR	3	$244	50% median
2 BR	15	$290	50% median
3 BR	9	$336	50% median
1 BR	7	$316	60% median
2 BR	27	$376	60% median
3 BR	13	$435	60% median
1 BR	4	$345	62% median (market)
2 BR	16	$410	62% median (market)
3 BR	9	$475	62% median (market)

Tenants will pay for their own utilities. Heat is propane hot water.

Sponsor, Management And Market

The project is being developed by Housing Vermont. HVT is a private, nonprofit development corporation whose mission is to provide permanently affordable housing for Vermonters through partnerships with communities and the private sector. Applegate Housing Inc. (AHI) is a new nonprofit organization formed in March 1997 to represent the community in the rehabilitation, management, and ownership of the project. AHI has 11 directors appointed and elected from various community entities including the Select Board, Town Manager, Public Housing Authority, Community Action Agency, and the Applegate Residents' Association. AHI will become the managing general partner of the to-be-formed limited partnership or managing member of a limited liability company which will own the project. AHI will be under the general oversight of H.V. Applegate Inc., a corporate subsidiary of HVT.

Currently Maloney Properties is managing the property, and has since September 1996, when HUD first took control of the project. Once the property is conveyed to the limited partnership or limited liability company, a property management firm will be selected by competitive bid.

A market feasibility study was completed by John Ryan of Development Cycles in October 1996. The mixed income approach and unit mix is largely a product of the market study. Applegate represents 20% of Bennington's affordable housing. The vacancy rate in Bennington is estimated at between 3-4%. The Study cites "*a relatively poor quality of rental housing among smaller rental buildings*", and " *inadequate weatherization is a significant concern.*" The Study concludes that "*the Bennington market is strong enough to support a mixed income project. Vacancy rates are low, rental production is non-existent, and economic factors are increasing demand. There is a particular shortage of moderate quality rental units in the community geared at newly relocating workers and elderly residents. Moreover, there is a very large segment of the renter population, numbering over 1,000 households who are paying 35 percent or more of their income for rent... With sufficient funds, the physical characteristics of Applegate can be remedied. The project has enough positive features to reasonably project its physical competitiveness in the marketplace. Applegate's poor reputation will require patience, careful tenant selection, consistent management, and effective marketing to overcome.*"

Site And Environmental Concerns

The site is located on Orchard Road off Route 7 on the northern end of Bennington. It is situated on 25.5 acres on a sloping parcel. Furnace Brook runs through the rear of the property and there is some vacant land on the other side of the brook. The current configuration consists of 28 two-story wood-frame buildings. The rehabilitation plan involves demolishing four buildings which will, according to the architect, improve the functionality of the site, provide additional open space for recreational use and/or solve site drainage problems, and reduce density to improve marketability. The buildings were also chosen for demolition due to their poor physical condition. An additional building will be converted to a community building/management and maintenance office, and a playground will be created. The rehabilitation plan includes replacement of roads, sidewalks, surface and subsurface drainage features, roofs, siding, windows, doors, floors, kitchens, and some plumbing fixtures. The same architect who re-designed Northgate and Highgate has been selected.

There has been an Environmental Site Assessment completed on the property. Testing of paint chip samples revealed no lead paint to be present. There are, however, many underground storage tanks on site. VHFA is currently negotiating with HUD for removal of the tanks. The attached budget assumes HUD will pay for the removal of the tanks prior to VHFA's acquisition.

Discussion

The attached cash flow shows the project losing cash beginning in year seven, and then drawing on operating reserves which last through year 14. However, the assumptions are conservative (income and expense trending over time), and VHFA's loan is a very small percentage of the financing.

Strengths

a) There is considerable local support among residents, Town government, community members, State agencies, and HUD for this development.

b) Housing Vermont has considerable development experience and experience with two other "Gates", and the architect and legal counsels involved also have considerable experience with the other "Gates".

c) There is an opportunity to bring significant federal resources into the State to preserve and improve existing housing at Applegate.

Weaknesses

a) The number of market rate units could prove to be the most challenging aspect of this project. Applegate currently has a very poor reputation. According to the market study, Applegate can succeed as a mixed income development with "patience, careful tenant selection, consistent management, and effective marketing..."

b) Unlike the Northgate and Highgate developments, there is very limited rental assistance committed to this project upfront. It therefore has a leaner budget than those two developments, and limited debt capacity. However, HVT has taken this into consideration and the project demonstrates financial feasibility.

c) Currently the project has only pre-development funding commitments from VHCB and VHFA. Permanent project funding has not been committed yet by any source. However, HUD is a motivated seller, and appears to be willing to transfer the property at no cost, write off the debt, and provide a three million dollar grant.

Recommended Board Action

Staff recommends Board approval of the attached Resolution to provide a Letter of Interest to provide construction and permanent financing in the amount of $100,000, with a loan term of 20 years and amortization period of 30 years, and interest rate to be determined by the Deputy or Finance Director. The proposed source of funds is Federal Home Loan Bank of Boston or a taxable bond sale, to be determined by the Finance Director. The Letter of Interest shall include the following conditions:

1. Sponsor must demonstrate that requisite financing has been committed by June 30, 1997, including but not limited to Housing Credits, and loans/grants from Vermont Housing and Conservation Board, HOME, HUD, the Bennington Revolving Loan Fund, and Vermont Community Development Program. "Requisite financing" means the amount and terms of each of the sources of funding represented on the multifamily loan application or their equivalent. If the sponsor is unable to obtain commitments of "requisite financing", the sponsor may have to reduce costs from the development budget so that the total uses of funds matches the total sources of funds;

2. Sponsor must provide final plans and specifications for VHFA approval;

3. All underground storage tanks must be removed either prior to acquisition or as part of the acquisition/rehabilitation plan.

RESOLUTION PERTAINING TO LETTER OF COMMITMENT
RE: APPLEGATE APARTMENTS

WHEREAS, a proposal has been presented to the Agency by Housing Vermont ("HVT"), a non-profit corporation based in Chittenden County, (the "Sponsor") on behalf of a to-be-formed limited partnership (or a limited liability company), whose general partners (or managing members) would include Applegate Housing Inc., and H.V. Applegate Inc., a Housing Vermont affiliate, involving the rehabilitation and permanent financing of a family housing development containing 103 units in 24 buildings located on 25.5 acres in Bennington (the "Development"); and

WHEREAS, the proposal contemplates construction and permanent loans in an amount not to exceed $50,000; and

WHEREAS, the Sponsors have received commitments for Vermont Housing and Conservation Board funding, HOME funds, and for a loan from the Bennington Revolving Loan Fund; and

WHEREAS, the Sponsors have applied for Housing Credits and for a Vermont Community Development award; and

WHEREAS, the Sponsors and the to-be-formed limited partnership or limited liability company are expected to qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the Development has previously been the subject of a resolution of the Agency dated April 17, 1997; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated June 12, 1997 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

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

2. The construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.

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

4. The housing sponsor undertaking the Development will increase the supply of well-planned, well-designed permanent 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 organizations and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director may, in his discretion, issue a Commitment Letter for a loan for the acquisition, rehabilitation and long-term financing of the Development, in an amount not to exceed $50,000.

2. The term loan shall be amortized over a period of up to 30 years, but all principal and accrued interest shall be due not more than 20 years from the date of the term loan. The interest rate shall be determined by the Executive Director based on the Agency's cost of funds plus an override of not less than 75 basis points, with a target of 8.5%. The Commitment Letter may be issued to Housing Vermont, as a representative of the to-be-formed limited partnership or limited liability company. 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 Letter of Commitment shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:

a) Sponsor must demonstrate that requisite financing has been committed by June 30, 1997, including but not limited to Housing Credits and the Vermont Community Development Program. "Requisite financing" means the amount and terms of each of the sources of funding represented on the multifamily loan application or their equivalent. If the sponsor is unable to obtain commitments of "requisite financing", the sponsor may have to reduce costs from the development budget so that the total uses of funds matches the total sources of funds;

b) Sponsor must work out any inconsistencies between the VHCB funding commitment and VHFA loan commitment to the satisfaction of VHFA by June 30, 1997;

c) Sponsor must demonstrate that requisite financing has been committed from HUD and final sale terms agreed upon by July 31, 1997;

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

e) All underground storage tanks must be removed either prior to acquisition or as part of the acquisition/rehabilitation plan and any resulting contamination must be remedied to the satisfaction of the State of Vermont Agency of Natural Resources at Seller's (HUD's) expense.

vhfa
VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Michael McNamara, Deputy Director M. McN.
Joe Erdelyi, Development Underwriter

DATE: June 12, 1997

RE: South Square Apartments - Letter of Interest for Permanent Financing

Executive Summary

Burlington Housing Authority (BHA), in partnership with Housing Vermont (HVT), has applied to VHFA for $1,850,000 in permanent financing for the acquisition and rehabilitation of South Square Apartments located at 101 College Street in Burlington.

The project consists of a 65 unit housing complex (64 subsidized apartments and 1 resident manager apartment) and an adjoining two story office building. Sixty four apartments are currently subsidized under the Section 8 Substantial Rehabilitation Program and are available to elderly and disabled households with income at or below 80% of median. Lake Champlain Housing Development Corporation and Cathedral Square Corporation have expressed an interest in leasing the space in the office building.

The total proposed development cost is $38,850 per affordable housing unit.

The project is at-risk because the 20-year Housing Assistance Payments Contract terminates on June 24, 1997. The owner has agreed to a one year contract extension, but has indicated that the partnership is considering alternative uses of the building or a sale on the private market if BHA is unable to acquire the property on a fast-track basis. The City of Burlington considers preservation of this affordable housing resource to be one of its highest housing priorities.

THE DEVELOPMENT

Projected Funding Sources

VHFA First Mortgage	$1,850,000	74.11%
Burlington Housing Trust Fund	$25,000	1.0%
BHA Subordinate Loan	$100,000	4.0%
Tax Credit Equity	$521,434	20.89%
Totals	$2,496,434	100.0%

The property was appraised by Allen & Cable, Inc. on March 20, 1997 at $2,000,000. The loan to value ratio for the VHFA financing is approximately 92.5%. The VHFA loan to cost ratio is approximately 74%.

By utilizing a tax exempt bond, a 4% out of cap tax credit will be available to the partnership in the proposed transaction. BHA has asked Housing Vermont to act as the syndicator of these tax credits.

BHA has committed a $100,000 loan to the project and will also be applying to the Burlington Housing Trust Fund for approximately $25,000 in July.

Unit Breakdown and Rents

Size	#	Rents as of 6/25/97	
1 BR	55	$578	(1 unit resident manager)
2 BR	10	$770	

All 64 units are currently covered by a Housing Assistance Payments Contract that will be extended by HUD to June 24, 1998. The units are available to elderly and disabled households with incomes at or below 80% of median. Currently, 62 apartments are occupied by very low income households (below 50% of median). Residents pay 30% of their income toward rent which includes all utilities. For underwriting purposes, staff has used tax credit maximum rents of $532 (1Br) and $639 (2Br) in the attached financial analysis.

The second floor of the office building is currently leased; the first floor is vacant. BHA will give priority to nonprofits for leasing of this space.

Sponsor, Management & Market

The project is being developed by the Burlington Housing Authority. BHA is considered by HUD to be a high performer in its operation and management of 348 Public Housing units. It also manages 87 privately owned Section 8 units and runs a Section 8 Certificate/Voucher Program with 550 subsidies.

BHA has successfully managed South Square Apartments for the current owner since its rehabilitation in 1977 and proposes to be the management agent for the partnership. A limited partnership that is yet to be formed will own the development and will likely include Housing Vermont as a special limited partner.

The project is fully occupied. Based on historic occupancy rates, there will be no marketing problem as long as the project continues to have project-based subsidies. The current market in Burlington for one bedroom apartments is very tight and is likely to continue to remain so. Even if the project is converted to tenant-based subsidies, BHA anticipates little problem in marketing vacant units to households with Section 8 vouchers or certificates. Approximately 10% of the units turn over annually.

Site & Environmental Concerns

As the project has been operated for twenty years as affordable housing under the Section 8 program and no change of use is planned, there are no anticipated site or environmental concerns. A Level I Environmental Site Assessment has not yet been completed.

A HUD mandated property Comprehensive Needs Assessment (CNA) was recently completed by Right Track Consulting Services. The consultant reviewed and concurred with the proposed rehabilitation items planned as part of this acquisition.

DISCUSSION

This project is a straightforward preservation proposal. The one area of concern relates to the continued availability of HUD project-based subsidies and the rent level which HUD may approve in later years. Under current legislation, HUD is renewing HAP contracts for one year at 120% of the Fair Market Rent (FMR).

While there is some risk that HUD may attempt to convert the project to tenant based subsidies, the consensus among those monitoring the "Portfolio Reengineering Demonstration Program" is that Congress and HUD are likely to continue to support project based subsidies for elderly housing projects.

There is also risk that HUD will endeavor, through annual contract renewals, to reduce the rent levels to the FMR. The project works well for the first twenty years at tax credit, market and 120% of FMR levels. At the current FMRs, the project would begin to experience a negative cumulative cash flow in year 12. On the other hand, a recent study of FMR levels completed by Macro International, demonstrates the need for an upward FMR adjustment which could become effective this fall.

Strengths

a) This is an opportunity to preserve an important affordable housing resource for the City of Burlington at a relatively low per unit development cost.

b) The project developer is a strong affordable housing organization with demonstrated property management experience.

c) The Project is structured in a way to utilize funding sources which are noncompetitive with local nonprofit housing development organizations.

d) Because it is an existing, fully occupied affordable housing project with limited rehabilitation needs, there are few development risks.

Weaknesses

a) There is some uncertainty relating to the future Section 8 rent levels and HUD's long term commitment to project-based subsidies.

RECOMMENDATION

Staff recommends Board approval of the attached Resolution to provide a Letter of Interest to provide permanent financing in an amount of up to $1,850,000, loan term of 20 years (30 year amortization) and an interest rate to be determined in conjunction with the sale of bonds. The proposed source of funds is a tax exempt bond most likely paired with the sale anticipated for the Pines IV. The Letter of Interest shall include the following conditions:

1) sponsor must provide a Level I Environmental Site Assessment, with satisfactory remediation measures being incorporated into the work specifications;

2) sponsor must secure all other sources of funding as proposed, or its equivalent, prior to closing; and

3) final review of development and rehabilitation costs by VHFA or its agents.

4) evidence of site control with purchase price not to exceed $2,000,000.

5) agreement regarding disposition of any surplus cash that may accumulate if rent level projections are more favorable (i.e. applied to loan prepayments).

6) an initial debt coverage of 1.15 to 1 must be obtained through a combination of negotiated expense and rent adjustments.

RESOLUTION PERTAINING TO LETTER OF INTEREST
RE: SOUTH SQUARE APARTMENTS (BURLINGTON)

WHEREAS, a proposal has been presented to the Agency by the Burlington Housing Authority (the "Housing Sponsor") and Housing Vermont on behalf of a to-be-formed limited partnership or limited liability company involving the acquisition and rehabilitation of 65 rental units for the elderly and disabled located in a building in Burlington together with an adjoining two story office building, as referenced in a staff memorandum dated June 12, 1997 (the "Development"); and

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

WHEREAS, 64 of the 65 units in the Housing Sponsor's proposal are currently subsidized under HUD's Section 8 Substantial Rehabilitation Program, and would remain affordable to households earning less than 80 percent of median income; and

WHEREAS, the Housing Sponsor has applied for a loan from the City of Burlington's Housing Trust Fund in the amount of $25,000; and

WHEREAS, the Housing Sponsor has agreed to make a subordinate loan for the Development of $100,000; and

WHEREAS, the maximum amount of the mortgage loan will not exceed $1,850,000; and

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

It is hereby DETERMINED:

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

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

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

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

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

6. The Housing Sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to the Burlington Housing Authority for the acquisition and rehabilitation of the Development in Burlington in an amount not to exceed $1,850,000. The loan will be amortized over 30 years, with a term of 20 years and a balloon payment due at that time. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.

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

   a) the Housing Sponsor must provide, in form and substance satisfactory to staff, a Level I Environmental Site Assessment, with satisfactory remediation measures that are incorporated into the work specifications; and

   b) final development and rehabilitation costs must be satisfactory to staff or its agents; and

   c) the Housing Sponsor must demonstrate that Requisite Financing has been committed, including commitments from the City of Burlington Housing Trust Fund and the Housing Sponsor. "Requisite financing" means the amount and terms of each of the sources of funding represented on the multifamily loan application or their equivalent. If the Housing Sponsor is unable to obtain commitments of "requisite financing", the Housing Sponsor may have to reduce costs from the development budget so that the total uses of funds matches the total sources of funds;

   d) the Housing Sponsor must demonstrate evidence of site control with a purchase price not to exceed $2,000,000; and

   e) the Housing Sponsor must agree with staff proposals regarding provisions regarding the disposition of any surplus cash that may accumulate if rent levels are more favorable than projected; and

   f) the Development must obtain an initial debt coverage ratio of not less than 1.15 to 1 through a combination of negotiated expense and rent adjustments.

South Square			RUN DATE:	13-Jun-97	
Total Residential Units:	65	Increase LIHTC		1.50%	
Restricted Units:	64	Increase Market		1.50%	
Percent Restricted:	98.46%	Expense increase:		3.00%	
Avg Net Monthly Rent:	524	Vacancy Rate:		3.00%	
Total Dev Costs	2,525,268	Partner's Tax Rate:		34.00%	
TDC/Unit	38,850	Depreciation Schedule:		27.5	
		Sponsor's Estimated Yield:		66.92%	
Max Credit Amount	77,921				
Credit Amount Allocated	77,921				
Net Syndication	516,220				
LIHTC - 9%	8.64%	(June '97)			
LIHTC - 4%	3.70%				
FINANCING SOURCES					
	Amount	% of TDC	Interest	Amortization	Term
First Mortgage	1,850,000	73.26%	7.00%	30	20
BHA Loan	100,000	3.96%	7.00%	15	
Burlington Housing Trust Fund	25,000	0.99%	7.00%	30	
Tax Credit Equity	521,434	20.65%	N/A	N/A	
	2,496,434	98.86%			
Gap	28,834				
1 Br	78,380	55	4,310,900		
2 Br	83,380	10	833,800		
Max cost allowed by unit cost limits			5,144,700		
projected total cost, excluding cash accounts			2,500,268		
		(over)/under	2,644,432		
General Partner's Capital Contribution			5,214		
Limited Partner's Capital Contribution			516,220		
Total Capital Contribution			521,434		

South Square		DEVELOPMENT BUDGET					13-Jun-97
						Acquisition	Rehab/Const
			Budget	Per Unit	Per s.f.	Credit	Credit
ACQUISITION & CONSTRUCTION							
Land			360,000	5,538	10.27		
Purchase of Building(s)			1,640,000	25,231	46.79	1,640,000	
Sitework				0	0.00		0
Rehabilitation			250,000	3,846	7.13		250,000
Asbestos Abatement			15,000	231	0.43		15,000
OFF SITE IMPROVEMENTS				0	0.00		0
BOND				0	0.00		0
General Requirements		0.00%		0	0.00		0
Contractor Overhead		0.00%		0	0.00		0
Contractor Profit		0.00%		0	0.00		0
Construction Contingency			25,000	385	0.71		25,000
APPLIANCES				0	0.00		0
Subtotal			2,290,000	35,231	65.34	1,640,000	290,000
PROFESSIONAL SERVICES							
Architect/Engineering			10,000	154	0.29		10,000
Construction Management			15,000	231	0.43		15,000
Legal/Accounting			15,000	231	0.43		11,250
SURVEY/ENGINEERING				0	0.00		0
ACCOUNTING				0	0.00		0
Legal - Title & Recording			4,500	69	0.13	4,254	0
Subtotal			44,500	685	1.27	4,254	36,250
INTERIM COSTS							
Construction Insurance				0	0.00		0
Construction Interest			6,000	92	0.17		4,500
Construction Loan Origination Fee				0	0.00		0
Taxes				0	0.00		0
Subtotal			6,000	92	0.17	0	4,500
OTHER SOFT COSTS							
Property Appraisal			5,000	77	0.14	4,276	0
Market Study				0	0.00		0
Environmental Report			3,000	46	0.09		3,000
SEWER & WATER FEES				0	0.00		0
Soft Cost Contingency			2,132	33	0.06		1,066
PERMITS/FEES - LOCAL			1,636	25	0.05		1,636
Tax Credit Fees				0	0.00		0
Marketing (RENT UP)				0	0.00		
Subtotal			11,768	181	0.34	4,276	5,702
FINANCING FEES & EXPENSES							
Credit Report				0	0.00		
Permanent Loan Origination Fee			20,000	308	0.57		
Credit Enhancement				0	0.00		
Cost of Issuance				0	0.00		
Title & Recording				0	0.00		
Counsel's Fee				0	0.00		
Other				0	0.00		
Subtotal			20,000	308	0.57	0	0
SYNDICATION COSTS							
Organizational (Partnership)				0	0.00		
Syndication Consulting Fee				0	0.00		
Tax Opinion				0	0.00		
Subtotal			0	0	0.00	0	0
DEVELOPER'S FEES							
Developer's Overhead & Profit			128,000	1,969	3.65		120,998
Consultant Fees				0	0.00		0
Subtotal		5.40%	128,000	1,969	3.65	0	120,998
PROJECT RESERVES							
Rent-up (Deficit Escrow) Reserve				0	0.00		
Replacement Reserve				0	0.00		
Working Capital			25,000	385	0.71		
Operating Reserve/Sinking Fund				0	0.00		
Subtotal			25,000	385	0.71	0	0
TOTAL DEVELOPMENT COSTS			2,525,268	38,850	72.05	1,648,530	457,450
	LESS:	Amount of Non-qualified Financing					
	LESS:	Adjustment for per unit cost limits					
	LESS:	Historic tax Credit (Residential Portion)					
				Total Eligible Basis		1,648,530	457,450
	TIMES:	Adjusted for QCT/DDA			100.0%		457,450
	TIMES:	Applicable Fraction			100.00%	1,648,530	457,450
				Total Qualified Basis		1,648,530	457,450
	TIMES:	Applicable Percentage				3.70%	3.70%
			Total Annual Credit Qualified			60,996	16,926
Total Tax Credits Requested			83,020				
Estimated Net Syndication Proceeds		550,000				77,921	
Estimated Yield - LIHTC Syndication		66.92%					
Equity Gap		550,268					
Credits Needed to fill Equity Gap			82,230				

South Square		Rental Income		13-Jun-97		
Restricted Units						Total
Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent
1 Br		510	54	532		344,736
2 Br		700	10	639		76,680
						0
						0
						0
	Totals	34,540	64			421,416
Market Rate Units						Total
Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent
1 Br	Res Mgr Unit	510	1	0		0
	Totals	510	1			0
All Units						
	Grand Totals	35,050	65			421,416
		Less Vacancy	3.00%			(12,642)
					NET RENT	408,774
		OTHER INCOME				
		Office Space				19,125
		Laundry				3,500
		Parking				9,600
		Total Other Income				32,225
					TOTAL INCOM	440,999

South Square	EXPENSE BUDGET			13-Jun-97
			Per Unit	
	Annual	Monthly	Per Month	
Administration				
Management Fee	32,000	2,667	41	7.3%
Resident Manager	8,000	667	10	
Audit/Accounting	4,000	333	5	
Legal	1,000	83	1	
Office Expense		0	0	
Telephone		0	0	
Social Services	20,000	1,667	26	
HVT Fee	6,144	512	8	
Compliance Monitoring	1,536	128	2	
Other (Office Expense)	4,000	333	5	
TOTAL ADMINISTRATIVE	76,680	6,390	98	
Utilities				
Water/Sewer	18,000	1,500	23	
Electric	32,000	2,667	41	
Fuel	17,000	1,417	22	
Other		0	0	
TOTAL UTILITIES	67,000	5,583	86	
Maintenance				
Maintenance Payroll		0	0	
Supplies		0	0	
Trash Removal	5,500	458	7	
Snow/Grounds	11,000	917	14	
Repairs	12,000	1,000	15	
Apartment Turnover	6,000	500	8	
Annual Capital Improvements	10,000	833	13	
Contract Maintenance	4,200	350	5	
Office Operating Expenses	8,000	667	10	
Service Lease		0	0	
Other		0	0	
TOTAL MAINTENANCE	56,700	4,725	73	
Taxes	46,000	3,833	59	
Insurance	9,000	750	12	
Replacement Reserves	15,000	1,250	19	
Other		0	0	
Total	270,380	22,532	347	

13-Jun-97		South Square			Cash Flow Projection											
		Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Residential Rent			421,416	427,737	434,153	440,666	447,276	453,985	460,794	467,706	474,722	481,843	489,070	496,407	503,853	511,410	519,082
Less Res Vacancy			(12,642)	(12,832)	(13,025)	(13,220)	(13,418)	(13,620)	(13,824)	(14,031)	(14,242)	(14,455)	(14,672)	(14,892)	(15,116)	(15,342)	(15,572)
Plus Other Income			32,225	32,708	33,199	33,697	34,202	34,715	35,236	35,765	36,301	36,846	37,398	37,959	38,529	39,107	39,693
Total Actual Income			440,999	447,613	454,328	461,143	468,060	475,081	482,207	489,440	496,782	504,233	511,797	519,474	527,266	535,175	543,202
Less Operating Expense			255,380	263,041	270,933	279,061	287,432	296,055	294,437	303,270	312,368	321,739	331,392	341,333	351,573	362,120	362,484
Less Reserves			15,000	15,225	15,453	15,685	15,920	16,159	16,402	16,648	16,897	17,151	17,408	17,669	17,934	18,203	18,476
Net Operating Income			170,619	169,347	167,942	166,397	164,707	162,866	171,368	169,522	167,516	165,343	162,997	160,471	157,758	154,851	162,242
Less Primary Debt Service			147,697	147,697	147,697	147,697	147,697	147,697	147,697	147,697	147,697	147,697	147,697	147,697	147,697	147,697	147,697
Less Secondary Debt Service			10,786	10,786	10,786	10,786	10,786	10,786	10,786	10,786	10,786	10,786	10,786	10,786	10,786	10,786	10,786
Cash Flow			12,135	10,864	9,459	7,914	6,224	4,383	12,885	11,039	9,033	6,860	4,514	1,988	(725)	(3,632)	3,759
Oper Subsidy			0	0	0	0	0	0	0	0	0	0	0	0	725	3,632	0
Net Cash			12,135	10,864	9,459	7,914	6,224	4,383	12,885	11,039	9,033	6,860	4,514	1,988	0	0	3,759
DCR			107.66%	106.85%	105.97%	104.99%	103.93%	102.77%	108.13%	106.97%	105.70%	104.33%	102.85%	101.25%	99.54%	97.71%	102.37%
Cumulative Cash Flow																	
Beginning Balance			37,135	48,371	58,313	66,810	73,702	78,822	92,495	104,459	114,536	122,542	128,281	131,552	132,868	133,472	134,933
Interest		2.0%	371	484	583	668	737	788	925	1,045	1,145	1,225	1,283	1,316	1,329	1,335	1,349
Withdrawls			0	0	0	0	0	0	0	0	0	0	0	0	(725)	(3,632)	0
Ending Balance			37,507	48,854	58,896	67,478	74,439	79,610	93,420	105,504	115,682	123,767	129,564	132,868	133,472	131,174	136,282
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income			170,619	169,347	167,942	166,397	164,707	162,866	171,368	169,522	167,516	165,343	162,997	160,471	157,758	154,851	162,242
Plus Reserves			15,000	15,225	15,453	15,685	15,920	16,159	16,402	16,648	16,897	17,151	17,408	17,669	17,934	18,203	18,476
Less Interest Expense			(137,523)	(135,863)	(134,084)	(132,176)	(130,130)	(127,936)	(125,583)	(123,060)	(120,355)	(117,455)	(114,345)	(111,010)	(107,434)	(103,599)	(99,487)
Less Depreciation			(76,753)	(76,753)	(76,753)	(76,753)	(76,753)	(76,753)	(76,753)	(76,753)	(76,753)	(76,753)	(76,753)	(76,753)	(76,753)	(76,753)	(76,753)
Taxable Income (Loss)			(28,657)	(28,044)	(27,442)	(26,847)	(26,255)	(25,664)	(14,566)	(13,644)	(12,695)	(11,714)	(10,693)	(9,622)	(8,494)	(7,298)	4,478
Cash Flow			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings			9,743	9,535	9,330	9,128	8,927	8,726	4,953	4,639	4,316	3,983	3,635	3,272	2,888	2,481	(1,523)
Plus Tax Credits			77,921	77,921	77,921	77,921	77,921	77,921	77,921	77,921	77,921	77,921					
Less Cap Gain Tax																	
After Tax Cash Flow		(521,434)	87,664	87,456	87,251	87,049	86,848	86,647	82,874	82,560	82,237	81,904	3,635	3,272	2,888	2,481	(1,523)
Total 15 years															Original Basis		2,041,107
Internal Rate of Return:		10.42%													Less Depreciation		(1,151,296)
															Basis at Sale		889,811
															Sales Price		1,387,854
															Gain		498,043
															Tax	34.00%	169,335

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Michael McNamara, Deputy Director M. McN.

DATE: June 13, 1997

RE: Lead Hazard Loan Program

In October 1995, the Board approved a participation with the Vermont Housing and Conservation Board ("VHCB") in a lead hazard reduction program. The program used \$100,000 of multifamily refunding proceeds to provide interest-free deferred loans, repayable at the time of sale, to homeowners and private landlords, to make housing lead safe. VHCB reports that the funds are all committed or disbursed and a smaller amount of lead hazard reduction grant funds have been received from HUD in the second round of funding. Enclosed with this memo is a letter from Joanne LaTouchie, VHCB's Director of Federal Housing Programs, requesting that the Agency provide an additional \$100,000 to enable VHCB to fund more lead hazard reduction work. VHCB has committed all \$100,000 of the VHFA funds previously made available..

RECOMMENDED BOARD ACTION:

Approval of the attached resolution committing an additional \$100,000 in Agency multifamily refunding savings to the Vermont Housing and Conservation Board to be utilized for performing lead hazard reduction work in homes with children under six years of age, in homes with children with elevated lead blood levels, and for in-home daycare centers, under the same conditions as the Agency's previous commitment of funds.

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EQUAL HOUSING OPPORTUNITY

RESOLUTION OF VERMONT HOUSING FINANCE AGENCY
PERTAINING TO DEFERRED LOANS
FOR LEAD HAZARD REDUCTION

WHEREAS, the Lead Hazard Reduction Program was established to provide technical and financial assistance to homeowners and investor-owners desiring to make housing units lead safe and has been operational since November, 1994;

WHEREAS, federal funds available through the Vermont Housing and Conservation Board ("VHCB") have income limitations that preclude certain units from being eligible for loans;

WHEREAS, the amount of subsidy available for certain privately owned units is so low that many property owners lack sufficient financial resources to make their housing units lead safe; and

WHEREAS, the Agency did, in October, 1995, make up to $100,000 of multifamily refunding savings available to the Vermont Housing and Conservation Board for the purpose of providing "silent second" mortgage loans to allow the completion of work to make housing units lead safe in accordance with VHCB guidelines when either VHCB or Vermont Community Development funds are not available or sufficient to complete a lead hazard reduction project; and

WHEREAS, the Board has been presented with a letter from Joanne LaTouchie dated June 4, 1997 (the "Request") requesting that an additional $100,000 of multifamily refunding savings be made available to the Vermont Housing and Conservation Board for the purpose of providing "silent second" mortgage loans to allow the completion of work to make housing units lead safe in accordance with VHCB guidelines when VHCB funds are not available or sufficient to complete a lead hazard reduction project;

NOW, THEREFORE, it is hereby RESOLVED:

1. The Agency will make available up to $100,000 of multifamily refunding savings to the Vermont Housing and Conservation Board for use in VHCB's Lead Hazard Reduction Program in accordance with the conditions under which the Lead Hazard Reduction Program has been operating, with the addition of in-home daycare centers as an additional priority.

2. The Executive Director is authorized to execute documents in form satisfactory to him and to take other necessary steps in order to achieve the purpose of the Lead Hazard Program.

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Vermont Housing & Conservation Board

149 State Street
Montpelier
Vermont 05602

802 828 3250
FAX 802 828 3203

June 4, 1997

RECEIVED
JUN - 5 1997
VT HOUSING FINANCE AGENCY

Mike McNamara
Vermont Housing Finance Agency
P.O. Box 408
Burlington, VT 05402-0408

Re: Request for commitment of VHFA funds

Dear Mike:

I am writing to request that Vermont Housing Finance Agency's Board of Commissioners act on the second commitment of $100,000 of match funds made by Jeffrey Francis last June to Vermont Housing and Conservation Board. Jeff indicated, as we prepared an application for a second round of lead hazard reduction grant funds, that VHFA staff would recommend providing this match and HUD took this into account when making the award. Recognizing the enormity of the lead paint problem, HUD places a high degree of importance on a grantee's ability to leverage other funds to maximize limited HUD resources.

We are pleased we received a second HUD grant but the award is smaller than our first grant program which is winding down. We will have completed 460 units under our first grant program while we estimate that we can complete approximately 150 units under our new grant. Unfortunately we are facing a reduction in funds while the demand for assistance through our program remains high, placing even more importance on our ability to leverage additional resources. Vermont's Essential Maintenance Practices lead law, passed by the legislature last year, places new responsibilities on rental property owners and has generated a tremendous interest in our program. We received approval from HUD last week to begin activities under our second grant program and have already enrolled 83 units. If we can access other resources we can undertake more units.

As my report on the first VHFA match funds sent to you earlier indicated, VHFA's investment has enhanced our program. It has enabled us to leverage our resources and undertake lead hazard reduction in the highest priority units: 1) those occupied by children under 6 years - at the greatest risk for lead poisoning; and 2) those occupied by children with elevated lead blood levels. Not only has it enabled us to undertake lead hazard reduction work in additional units, it has allowed us to help the neediest households and in many cases to achieve a greater level of lead safety. The first VHFA match funds have been utilized in 32 units of housing in 13 towns and cities throughout the State, assisting 10 low income homeowners and 7 investor-owners. Seventeen of the units were occupied by children who were severely lead poisoned having an elevated blood lead level above 20mcg/ugl.

Based on program enrollment to date, we plan to utilize the funds in units with children under 6 and/or with children with elevated blood lead levels over the next two years, just as we have under our current program. The one change is we have added in-home daycares as an additional priority. VHFA funds will be used solely, or in conjunction with VHCB lead program funds, to cover the costs of the lead intervention. The costs for testing, risk assessments, specification development, technical assistance, clearance testing and relocation will be paid with VHCB funds.

We hope that you will consider making an additional investment of $100,000 and thank you for your consideration. Please call me if you need additional information.

Sincerely,

Joanne LaTuchie

Joanne LaTuchie
Director, Federal Housing Programs

cc: Gus Seelig

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joseph Erdelyi, Multifamily Development Underwriter
Cynthia Reid, Development Officer CR

DATE: June 13, 1997

RE: 1997 Housing Credits Round One Reservation Recommendations

Executive Summary

VHFA received fifteen applications for housing credits in this round. Of the fifteen received, eight were recommended for credits by VHFA staff to the Joint Committee on Tax Credits. The Committee met on June 12 and approved the recommendations as presented by staff, with the following changes: The recommended reservation for Applegate of $230,000 be split into a reservation of 1997 credits in the amount of $95,000, and an advanced binding commitment of 1998 credits of $135,000. With the additional $135,000 in 1997 credits, the Committee recommends to the Board that the following two proposals receive a reservation of credits: $25,000 for a portion of the MacAuley Square proposal, which was included in the memo to the Committee; and $110,000 for Park Place, an important downtown building in Burlington to be rehabilitated into affordable apartments, sponsored by the Burlington Community Land Trust and Housing Vermont. In addition, the Committee added a condition to the recommendations on 10 Phelps Court that the sponsor make best efforts to secure historic tax credits if possible, which would reduce the need for the Housing Credit.

Attached are the project write ups and recommendations as presented to the Joint Committee.

Recommended Board Action

Staff recommends Board approval of the enclosed recommendations.

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RESOLUTION REGARDING
LOW INCOME HOUSING TAX CREDIT
PROJECT RESERVATIONS

WHEREAS, on November 18, 1993 the Board agreed with a staff recommendation that the Board consider and approve staff recommendations on specific Low Income Housing Tax Credit (LIHTC) project reservations after such recommendations had been presented to and considered by the Joint Committee on Tax Credits (JCTC); and

WHEREAS, the JCTC met on June 12, 1997 and considered recommendations for reservations of tax credits for 15 proposed projects; and

WHEREAS, the Agency staff recommended eight of the projects to the JCTC for reservations and the JCTC accepted the staff's recommendations, with certain changes; and

WHEREAS, staff has prepared a memorandum dated June 13, 1997 containing a description of the projects (the "Memorandum"), and

NOW, THEREFORE, it is hereby RESOLVED:

1. The Board has considered the projects discussed in the Memorandum.

2. The Agency approves the reservation for the projects accepted by the JCTC in the amounts listed in parentheses:

Applegate	Bennington	1997-$95,000, 1998-$135,000
WRAP	Wells River	$79,661
1306 Ethan Allen Ave./ 53-67 E. Spring St.	Colchester/Winooski	$69,044
Phelps Court	Windsor	$17,315
ACCAG II	Middlebury/Vergennes	$134,000
Railroad Street	Richmond	$74,116
Swanton Meadows	Swanton	$59,074
Hedding Drive	Randolph	$42,000
McAuley Square	Burlington	$25,000
Park Place	Burlington	$110,000

subject to the payment of applicable reservation fees, and subject to the conditions discussed in the Memorandum.

3. The Agency staff may increase or decrease LIHTC allocations by up to five percent, if appropriate, based upon changes in development costs.

vhfa
VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

To: Joint Tax Credit Committee

From: Joe Erdelyi, Multifamily Development Underwriter
Cindy Reid, Development Officer CR

Date: June 6, 1997

Re: 1997 Round One Housing Credit Reservation Meeting

Enclosed is the packet for the upcoming meeting of the Joint Committee on Tax Credits. The meeting is set for:

Thursday, June 12, 1997
2:30 PM
Pavilion Building, 4th Floor, Tax Conference Room
Montpelier

Please let us know if you cannot attend. We look forward to seeing you there.

Enclosures

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: Joint Tax Credit Committee

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

DATE: June 6, 1997

RE: 1997 Round One Housing Credit Reservations

VHFA received fifteen applications for housing credits in this round. The state's total 1997 credit ceiling available for this round is $699,095. Of the fifteen applications received, eight are being recommended for housing credit reservations. In addition, there is a ninth project presented for the Committee's discussion and consideration. The attached summary sheet shows the relevant data for each project being recommended. There will be no credit authority remaining for an additional allocation in 1997 if credits are reserved at the recommended levels.

PROJECT EVALUATION

After some discussion at the staff level, all fifteen applications were accepted for evaluation. The four evaluation criteria were listed, and a chart summarizing how the applications met each criterion was made (see Table A). Staff then developed a table for each of the four evaluation criteria, ranking the projects from highest to lowest in order of how well they met each criteria (Tables B through E). Because no point scoring system exists, staff looked for a natural "break point" in each table, which represents the separation of the proposals that are stronger at meeting the criterion from those that are not as strong. **All of the proposals met the basic rent and income qualification as tax credit eligible projects.** There was not an effort made to draw this line at the midpoint of the table. Rather, the line was drawn where the proposals seemed to cluster above and below. Staff felt it important that all of the evaluation criteria be examined; there is no provision in the Allocation Plan for only reserving credits for the developments that best meet the first or second evaluation criteria while ignoring the third and fourth.

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sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must demonstrate that requisite financing has been committed according to the following schedule:

VHFA Permanent Financing ($85,000)	August 31, 1997

"Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

3) Sponsor must provide a letter satisfactory to VHFA staff from a qualified attorney opining that the project can receive credit outside of the State housing credit ceiling for the acquisition because of the tax exempt source of the financing of the acquisition, pursuant to Internal Revenue Code Section 42(h)(4).

4) Sponsor must provide evidence of competitive bidding.

Name:	Wells River Downtown
Location:	Wells River, Orange County
Sponsor:	Housing Vermont & Wells River Action Program (WRAP)
Unit Breakdown:	Six 1-Bedroom, 578-700 square feet; twelve 2-Bedroom, 571-900 square feet; four 3-Bedroom, 960-1,078 square feet; three commercial units 1,185-1,600 square feet; two units will be handicapped accessible, and the commercial units will be made accessible.
Cost:	$1,837,939 total; $83,543/unit; $47.91/s.f. hard construction cost (residential only)
Income Targeting:	Seventeen units are below 50% of Area Median Income; five are "other restricted" (VHCB) units; seventeen of the units are tax credit restricted units.

The proposed project is located in downtown Wells River, near the Connecticut River. This is a downtown revitalization project with widespread community backing and full Town Trustee support. The local nonprofit, the Wells River Action Group, is comprised of community members, and has been actively working on this project for three years. The project consists of four buildings (two of which are on contiguous lots): the Ottati Building on Main Street contains ten residential units and three commercial units; the Green Building behind the Ottati Building on Center Street will contain six units; the two buildings on nearby Grove Street contain six units. Both the Ottati and Green Buildings are currently dilapidated. The only vacancies among all of the units are attributable to poor condition. Previously the commercial units housed a laundromat and a restaurant. The sponsor has received all other funding commitments (including VCDP, VHCB, HOME), will obtain Historic Tax Credits, and has necessary local approvals. The budget submitted shows developer's fees at 8% of total cost. WRAP will retain the Right of First Refusal in year 15.

Recommendation: Staff recommends a reservation of credits in the amount of $79,661 subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than 9/30/97 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must provide evidence of competitive bidding.

Name:	Applegate Redevelopment
Location:	Bennington, Bennington County
Sponsor:	Housing Vermont/Applegate Housing Inc.
Unit Breakdown:	Fourteen 1-Bedroom, 672 square feet; fifty eight 2-Bedroom, 842 square feet; thirty one 3-Bedroom, 1,119 square feet; five units will be handicapped accessible.
Cost:	$ 6,240,694 total; $ 60,589/unit; $53.48/s.f. hard construction cost.
Income Targeting:	Twenty seven units below 50% of Area Median Income; forty seven units below 60% of Area Median Income; twenty nine at market rates.

Applegate Apartments is a family development located on Orchard Road on the outskirts of Bennington. Applegate was built 25 years ago under HUD's 236 program, by the same parties who built Highgate in Barre, Northgate in Burlington, and Westgate in Brattleboro. HUD became mortgagee-in-possession in September 1996 and took the deed in lieu of foreclosure in March 1997. The property has suffered from serious deferred maintenance and code violations. Currently the vacancy rate is about 43%. VHFA and Housing Vermont have been negotiating with HUD for the purchase of the property, as well as for an upfront grant in excess of $3,000,000 for rehabilitation. Negotiations are being finalized at this time. HUD will write off the current mortgage, of over $2,000,000, and will provide one-year tenant based Section 8 vouchers/certificates for all eligible residents. Applegate Housing Inc. (AHI) is a local nonprofit comprised of community members and residents and will be a co-general partner of the to-be-formed limited partnership. AHI will also retain the Right of First Refusal in year 15. Currently there are 130 units in the development; the redevelopment plan calls for the demolition of four buildings (27 units) in order to decrease density, make a playground area available, and improve site drainage. The redevelopment involves substantial rehabilitation and a rent structure to attract residents representing different income groups. The initial vacancy rate is 25% in year one, 13% in year two, and 6.5% throughout years three-fifteen, in order to allow a cushion particularly for the market rate units. In addition, the project has been structured with little debt in order to ensure its financial strength into the future. Funding from VHCB, HOME and the Bennington Revolving Loan Fund has been committed; VHFA's permanent loan commitment will be made 6/19/97 and VCDP's funding decision will be made by 6/30/97. There is a tentative August 15, 1997 closing date. An Act 250 Amendment and local Site Plan approval are both due in July, 1997. The budget submitted shows developer's fees at 7% of total cost.

Recommendation: Staff recommends a reservation of credits in the amount of $230,000 subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than 10/31/97 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must demonstrate that requisite financing has been committed according to the following schedule:

VHFA Permanent Financing	June 19, 1997
VCDP Loan	June 30, 1997
HUD Upfront Grant	July 31, 1997

"Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

3) Sponsor must demonstrate that it has finalized terms with HUD for the purchase of the property, and such terms must be financially feasible for the redevelopment, as represented on the tax credit application, by July 31, 1997.

4) Sponsor must provide evidence of competitive bidding.

Name:	10 Phelps Court
Location:	Windsor, Windsor County
Sponsor:	Rockingham Area Community Land Trust (RACLT)
Unit Breakdown:	Two 1-Bedroom, 783-845 square feet; two 2-Bedroom, 845-879 square feet;
Cost:	$334,952 total; $83,738/unit; $76/s.f. hard construction cost
Income Targeting:	Two of the units are tax credit restricted units to 60% of median; two units will be market rate housing.

Ten Phelps Court is a four-unit building that was part of the fourteen-unit Phelps Court project that received an allocation of credits in 1996. As the building was nearing completion of rehabilitation last year it was completely destroyed by fire. The previous development included historic tax credits, and because of the fire, 10 Phelps court will need to be completely rebuilt and will not qualify for the historic credits. In addition, the insurance company settlement will cover approximately 88% of the estimated hard cost of construction; relocation, soft costs, and cash reserves also add to the development budget, leaving the sponsor with a funding gap of about $110,000. The sponsor has applied for $17,681 in credits so there will be sufficient funds to complete the project and to allow the development to start off strong and adequately capitalized. Originally seven of the fourteen units were tax credit restricted. After this allocation, nine of the fourteen total units at the site will be tax credit restricted.

Recommendation: Staff recommends a reservation of credits in the amount of $17,315 subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than 7/31/97 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must demonstrate that requisite financing has been committed according to the following schedule:

Insurance Settlement	July 31, 1997
Equity Commitment	July 31, 1997

"Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

3) Sponsor must receive approval of plans from the historic district commission of the town of Windsor by no later than 7/31/97.

Name:	ACCAG II (North Pleasant, Seymour, and Main Streets)
Location:	Middlebury and Vergennes, Addison County
Sponsor:	Housing Vermont & Addison County Community Action Group (ACCAG)
Unit Breakdown:	Twelve 1-Bedroom, 500-850 square feet; sixteen 2-Bedroom, 670-1,100 square feet; three 3-Bedroom, 1,000 square feet; one 4-Bedroom, 1,144 square feet; three commercial units 616-1,560 square feet; three units will be handicapped accessible
Cost:	$2,492,169 total; $71,205/unit; $35/s.f. hard construction cost (residential portion)
Income Targeting:	Five units are below 30% of Area Median Income; eight units are below 50% of Area Median Income (including the five below 30%); thirty of the units are tax credit restricted units below 60% of area median income

The development consists of thirty two residential units and three commercial units in seven buildings on scattered sites in Middlebury and Vergennes. ACCAG currently owns the six buildings in Middlebury and has a purchase and sales agreement to buy the Vergennes building. Housing Vermont and ACCAG intend to be general partners of a to-be-formed partnership that would acquire the buildings from ACCAG. Using a combination of debt, subsidies, and tax credit equity, the partnership would consolidate and pay off existing bank loans, perform rehabilitation on all of the buildings, and capitalize the development's cash accounts. Current bank loans total approximately $509,000, and the final development will have $275,000 in amortizing debt. VHCB and HOME funding is committed for the Middlebury properties, and the sponsors have applied for VCDP funding in the current round, which will be formally announced by June 28th.

The proposal originally only contemplated the Middlebury properties, but as the Vergennes property became available, ACCAG and Housing Vermont saw it as a good opportunity to increase the downtown affordable housing supply. Approximately five units in the Vergennes building are unoccupied and uninhabitable (three residential and two commercial). Unfortunately, the sponsors need to wait to apply for VHCB funding until the August round for the Vergennes property. However, the sponsors will also need to wait until August to close on one of the buildings in Middlebury because of the "10 year placement-in-service" rule, so this delay in securing the last piece of funding would not cause a delay in the overall project schedule.

Recommendation: Staff recommends a reservation of credits in the amount of $134,000 subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than 10/30/97 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must demonstrate that requisite financing has been committed according to the following schedule:

Permanent Financing	August 31, 1997
VHCB funding ($70,000)	September 30, 1997
HOME funding ($80,000)	September 30, 1997
VHCB Lead Program ($10,500)	September 30, 1997
VCDP funding	July 31, 1997
Equity	September 30, 1997

"Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

3) Sponsor must provide evidence of competitive bidding.

Name:	Railroad Street
Location:	Richmond, Chittenden County
Sponsor: (LCHDC)	Housing Vermont & Lake Champlain Housing Development Corp
Unit Breakdown:	Two 1-Bedroom, 750 square feet; twelve 2-Bedroom, 950-1,100 square feet; two 3-Bedroom, 1,250 square feet; two units will be handicapped accessible
Cost:	$1,521,250 total; $95,078/unit; $72/s.f. hard construction cost
Income Targeting:	Twelve units are below 60% of Area Median Income(tax credit restricted), and of those, seven are below 50% of median; four are market rate units

This proposal represents the first assisted affordable housing development for families in Richmond - sixteen units of new construction in the downtown area. The site is actually zoned for 23 units, but the sponsor has elected to only put in sixteen at this time, in part to address the usual concerns about affordable family housing on the part of the town. Also, because the town would like to see its block grant used for economic development purposes, the sponsor plans to builds some of the units (four to six units) with an extra room for home-occupation space. In addition, the sponsors intend to offer 1.25 acres of land at the site to the Richmond Economic Development Committee for a period of one to two years, and if they do not find a use within that time, the sponsors would complete an additional seven housing units.

The sponsor has applied for a $90,000 grant from the Federal Home Loan Bank of Boston, and FHLBB has reportedly recommended the project to Washington, which usually means that the funds are as good as approved. VCDP funds are applied for under the current round, and a formal announcement of those funds should occur by June 28th. The VHCB and HOME funds will be applied for under the August 1997 round. The project is over the Housing Credit programs per unit cost limits, so staff have adjusted the credit level downward

Recommendation: Staff recommends a reservation of credits in the amount of $74,116 subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than 10/30/97 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must demonstrate that requisite financing has been committed according to the following schedule:

VCDP funding	July 31, 1997
VHCB funding ($220,000)	September 30, 1997
HOME funding ($185,000)	September 30, 1997
primary debt	September 30, 1997
Equity	September 30, 1997

"Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

3) Sponsor must provide evidence of Act 250 "minor application" approval by no later than July 31, 1997.

4) Sponsor must provide evidence of competitive bidding.

Name: Swanton Meadows
Location: Swanton, Franklin County
Sponsor: Realty Resources Chartered and Coastal Affordable Housing

Unit Breakdown: Thirteen 2-Bedroom, 854 square feet; seven 3-Bedroom, 1,053 square feet; two units will be handicapped accessible.

Cost: $1,835,697 total; $83,441/unit; $47.98/s.f. hard construction cost

Income Targeting: All twenty units are below 60% of Area Median Income; all of the units have project based rental assistance and low interest financing from Rural Development.

The sponsor, Realty Resources, has had a long struggle in getting local approvals and in reaching agreement with the school board regarding the size of school impact fees. The site is on the edge of Swanton Village adjacent to an elementary school. Originally, the project received an reservation of credits in 1994. Subsequent legal battles in getting through the approval process have delayed the original project schedule. In an effort to honor the original schedule, the developer purchased the site and received a carryover allocation of credits in 1994. Rural Development has also extended its commitment to provide financing, interest credit, and rental assistance to all twenty units at the development. The sponsor had to return the credits in 1996, but did so with the understanding that they could re-apply at the earliest opportunity in 1997, and also with the understanding that 515 developments have historically been very competitive proposals for tax credits. The project has now received all approvals and the sponsor is ready to begin construction. Although Swanton has two elderly assisted housing development (28 units total), this proposal would be the first assisted family housing development in town in 15 years. There is one twelve-unit family housing, Abenaki Acres, which is a Section 8 New Construction/Substantial Rehab development that was built in 1983 and maintains a waiting list. The sponsor's market analysis indicates a strong demand for family housing in Swanton.

This sponsor has an identity-of-interest builder who will act as contractor on the construction. Because of this, the builder will be subject to the program limitations on builder's overhead, profit, and general requirements. In addition, the development budget is over the per unit cost limits of the program by approximately $6,000 per unit. Staff have adjusted the allocation amount downward accordingly.

The new Allocation Plan looks at evaluation criteria more rigidly than in past years, and 515 proposals are not as automatically the most competitive as they once were. Nevertheless, given the site location, the income levels of the families served, and the readiness to proceed (the fact that all legal battles have been fought and won), staff are recommending the project for credits.

Recommendation: Staff recommends a reservation of credits in the amount of $59,074 subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than 7/31/97 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must provide evidence of compliance with the cost limitations on builder's overhead, profit, and general requirements.

Name: Hedding Drive Redevelopment
Location: Randolph, Orange County
Sponsor: Housing Vermont
Unit Breakdown: Four 1-Bedroom, 630 square feet; twelve 2-Bedroom, 900 square feet; two units are for clients of Orange County Mental Health. No units are handicapped accessible.
Cost: $1,030,568 total; $64,411/unit; $20.39/s.f. hard construction cost
Income Targeting: Two units are at 50% of Area Median Income; twelve units are at 60% of Area Median Income; two units are "other restricted" (VHCB) units.

Hedding Drive is a family development consisting of 16 units in two buildings, located on a 3.32 acre parcel in the Town of Randolph. It is currently owned by Central Vermont Community Land Trust (CVCLT) and managed by CVCLT's management company, Community Property Management. The property has been burdened by excessive debt, and has suffered from deferred maintenance and a resulting high vacancy rate. Housing Vermont and CVCLT, together with Randolph Area Housing & Community Development Corporation (RAHCDC - a new nonprofit organization which was a merger of the former Randolph Neighborhood Housing Services Inc. and Randolph Community Development Corporation) propose to form a limited partnership in order to use Housing Credits to rehabilitate the property, improve its financial operations, and improve affordability. All financing is committed, and includes both new and existing grants/loans from VHCB, HOME, Institute for Community Economics, Federal Home Loan Bank, Lake Champlain Housing Development Corporation, and the former Randolph Neighborhood Housing Inc. Once redeveloped, a new local property manager will be hired who knows the local market well and has a positive track record with other properties in Randolph. RAHCDC will have the Right of First Refusal. The budget submitted shows developer's fees at 7% of total cost.

Recommendation: Staff recommends a reservation of credits in the amount of $42,000 subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than 9/30/97 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must provide evidence of competitive bidding.

Name: McAuley Square
Location: Burlington, Chittenden County
Sponsor: Housing Vermont
Unit Breakdown: Forty Nine 1-Bedroom, 610-710 square feet; fifteen 2-Bedroom, 794-995 square feet; four 3-Bedroom, 1,100 square feet; nine units are for single mothers attending Trinity College's Community Service Scholar Program

	("Scholar units"); ten units are transitional housing for parenting teens attending the Lund Family Center's Program ("Lund units"); 48 units are elderly; there is one manager's unit for the ten Lund Program residents; seven units will be fully handicapped accessible.
Cost:	$5,545,717 total; $82,772/unit; $84.50/s.f. hard construction cost.
Income Targeting:	Six units at 30% of Area Median Income; thirteen units below 50% of Area Median Income; thirty two at 60% of Area Median Income; sixteen "market rate" units; one manager's unit.

McAuley Square is a new construction project proposed for a 5.8 acre site on Mansfield Avenue in Burlington currently owned by the Sisters of Mercy. The project combines elderly housing (48 units), housing for single mothers on welfare attending the Trinity College Community Service Scholars Program (9 units), housing for teen parents attending the Lund Family Center Program (10 units + one manager's unit), and market rate ownership units (24 units). This memo does not consider the ownership units, only the rental portion of the project. Services will be provided by Trinity College and various social service agencies for the "Scholar" and "Lund" units. Housing Vermont and Cathedral Square Corporation (CSC) are sponsoring this development, and CSC will retain the Right of First Refusal in year 15. An earlier version of this project (called "Mansfield Gardens") applied for tax credits last year, and did not obtain a reservation mainly due the "readiness to proceed" criteria as compared to other projects. The project has received funding commitments from VHCB, HOME, HUD Supportive Housing Program (McKinney Homeless Funds), Burlington Housing Trust Fund, and are finalists for the Federal Home Loan Bank Affordable Housing Program (final decision 6/15/97). Two loans are all that remain to be secured. The project seeks an Act 250 Amendment (by 9/15/97), and local planning and zoning approval which is expected by 8/30/97. There is local opposition to the project which could delay the permitting timetables.

Recommendation: Staff recommends that no credits be reserved for this project at this time unless: 1) one of the above-recommended reservations fails to be made into an allocation; 2) credit becomes available later in the year due to any of the above projects (or a previous years' project) needing less credit than reserved (or allocated); or 3) a higher than anticipated amount of National Pool credit. Staff wanted to bring this project to the Committee for discussion considering it fell just below the ranking "cutoff", and due to the fact that local opposition may delay this project. Under the 1997 Allocation Plan, a binding commitment of the following year's credits may be issued if a project has been locally appealed. The Plan further states, "an overall limit of 20% of the following year's credit ceiling could be reserved using an advance binding commitment (unless a higher amount is approved by the Joint Committee)."

Total 1997 LIHTC Available

VHFA 1997 LOW INCOME HOUSING TAX CREDITS APPLICATIONS TO DATE AND ANALYSIS

6/6/97

1997 Per Capita Credits	$736,250
1997 Returns	25,702
1997 National Pool	17,000(estimated)
Total Available	778,952
Less: Reservations	79,857
Remaining for Allocation in 1997:	699,095

Project Name	City	Sponsor	Total # of Units	# of LIHTC Units	Project Type	Recommended Allocation	Credit Type	Non-Profit?	Total Development Cost	Total Cost Per Unit	Alloc. Per Unit	Equity Yield Per $ of Tax Credit	Total Equity	Dev. Fee as % of TDC	Developer's Fee
Applegate	Bennington	Housing Vermont	103	74	acquis/rehab	230,000	9%	Yes	6,240,694	60,589	3,108	$0.75	1,710,000	7.03%	410,000
ACCAG II	Middlebury/Vergennes	ACCAG/HVT	32	30	acquis/rehab	134,000	Both	Yes	2,492,169	77,880	4,467	$0.65	855,976	8.01%	184,750
WRAP	Wells River	Housing Vermont / WRAP	22	17	acquis/rehab	79,661	Both	Yes	1,837,939	83,543	4,686	$0.85	671,893	8.48%	143,750
Railroad Street	Richmond	LCHDC/Housing Vermont	16	12	new construction	74,116	9%	Yes	1,521,250	95,078	6,176	$0.72	528,250	7.53%	106,500
1306 Ethan Allen/E. Spring	Colchester/Winooski	LCHDC/HVT	41	31	acquis/rehab	69,044	Both	Yes	2,667,742	65,067	2,227	$0.85	581,350	8.41%	207,000
Swanton Meadows	Swanton	Realty Resources Chartered	20	20	new construction	59,074	4%	No	1,857,269	92,863	2,954	$0.67	389,882	13.55%	221,646
Hedding Drive	Randolph	Housing Vermont	16	14	acquis/rehab	42,000	Both	Yes	1,030,568	64,411	3,000	$0.70	292,777	6.84%	66,000
10 Phelps Court	Windsor	RACLT	4	2	rehabilitation	17,315	9%	Yes	334,925	83,731	8,658	$0.64	109,602	14.30%	41,900
Reservations - Round 1			254	200		705,210									
			254	200		705,210									

1306 Ethan Allen Drive, Colchester/East Spring Street, Winooski				RUN DATE:	06-Jun-97	
Total Residential Units:	42	Increase LIHTC			1.50%	
Restricted Units:	32	Increase Market			1.50%	
Percent Restricted:	76.19%	Expense increase:			3.00%	
Avg Net Monthly Rent:	436	Vacancy Rate:			5.00%	
Total Dev Costs	2,667,742	Partner's Tax Rate:			34.00%	
TDC/Unit	63,518	Depreciation Schedule:			27.5	
Monthly Operating Cost	283	Sponsor's Estimated Yield:			84.16%	
Max Credit Amount	76,876					
Credit Amount Requested	69,044					
Net Syndication	755,000					
LIHTC - 9%	8.64%		June '97			
LIHTC - 4%	3.70%					
FINANCING SOURCES						
	Amount	% of TDC		Interest	Amortization	Term
VHFA Debt-Existing 1306	481,000		18.03%	7.73%	22	22
Junior Debt -VHFA-1306	85,000		3.19%	7.22%	25	20
First Mortgage- Spring	125,000		4.69%	9.00%	25	25
Second Mortgage- Spring	35,034		1.31%	3.00%	20	20
HOME Defer Loan-Both	306,732		11.50%	6.54%	30	30
VHCB Grant (1306)	152,000		5.70%	0.00%	N/A	30
VHCB Loan (Add.)-1306	65,000		2.44%	0.00%	0	0
VHCB Loan - Spring	200,000		7.50%	1.00%	30	30
LCHDC Deferred Loan-1306	81,414		3.05%	0.00%	20	20
VHCB Lead Loan-1306	52,500		1.97%	6.54%	30	30
VHCB Lead Loan-Spring	14,000		0.52%	1.00%	40	40
Colchester - CDBG MR	152,086		5.70%	3.00%	15	15
Access Grant-1306	10,000		0.37%	0.00%	N/A	N/A
Historic Credit Equity	152,908		5.73%	N/A	N/A	N/A
Tax Credit Equity	755,000		28.30%	N/A	N/A	N/A
	2,667,674		100.00%			
Gap	68		0.00%			
1 Br	78,380		18	1,410,840		
2 Br	83,380		18	1,500,840		
3 Br	88,380		6	530,280		
Max cost allowed by unit cost limits				3,441,960		
Projected total cost, excluding cash accounts & relocation expenses				2,630,542		
		(over)/under		811,418		
		Per Unit Average Cost		62,632		
General Partner's Capital Contribution				5,811		
Limited Partner's Capital Contribution				575,280		
Total Capital Contribution				581,091		

1306 Ethan Allen Drive, Colchester/East Spri		DEVELOPMENT BUDGET					06-Jun-97
			Budget	Per Unit	Per s.f.	Acquisition Credit	Rehab/Const Credit
ACQUISITION & CONSTRUCTION							
Land			225,450	5,499	7.63		
Building			1,176,050	28,684	39.80	1,176,050	
Construction Contract			625,411	15,254	21.16		625,411
Accessibility Ramp			20,000	488	0.68		20,000
Lead/Asbestos Abatement			116,312	2,837	3.94		116,312
Construction Outside Contract			1,000	24	0.03		1,000
Relocation			27,200				27,200
Appliances			27,000	659	0.91		27,000
Construction Contingency		13.32%	83,282	2,031	2.82		83,282
Clerk of the Works & Specs			38,100	929	1.29		38,100
Subtotal			2,339,805	57,068	79.18	1,176,050	938,305
PROFESSIONAL SERVICES							
Architect & Engineering			31,898	778	1.08		31,898
Legal & Accounting			15,000	366	0.51		11,250
Title Ins & Recording			7,500	183	0.25		0
Subtotal			54,398	1,327	1.84	0	43,148
INTERIM COSTS							
Construction Insurance & Taxes			7,563	184	0.26		5,672
Construction Interest			18,481	451	0.63		13,861
Subtotal			26,044	635	0.88	0	19,533
OTHER SOFT COSTS							
Property Appraisal			4,500	110	0.15	4,500	0
Permits & Fees			4,084	100	0.14		4,084
Environmental Survey			0	0	0.00		0
Marketing			12,800	312	0.43		
Tax Credit Fees			2,980	73	0.10		2,980
Soft Cost Contingency			4,631	113	0.16		3,473
Subtotal			28,995	707	0.98	4,500	10,537
FINANCING FEES & EXPENSES							
Loan Fees			1,500	37	0.05		495
Subtotal			1,500	37	0.05	0	495
SYNDICATION COSTS							
Organizational (Partnership)				0	0.00		
Subtotal			0	0	0.00	0	0
DEVELOPER'S FEES							
Housing Vermont Fee			107,000	2,610	3.62		107,000
LCHDC Fee			100,000	2,439	3.38		100,000
Subtotal		8.45%	207,000	5,049	7.01	0	207,000
PROJECT RESERVES							
Working Capital			10,000	244	0.34		
Subtotal			10,000	244	0.34	0	0
TOTAL DEVELOPMENT COSTS			2,667,742	65,067	90.28	1,180,550	1,219,018
	LESS:	Amount of Non-qualified Financing		Less Grants			76,500
	LESS:	Historic tax Credit (Residential Porti		Less Historic Tax Credit			179,892
				Total Eligible Basis		1,180,550	962,626
	TIMES:	Adjusted for QCT/DDA			100.0%		962,626
	TIMES:	Applicable Fraction			76.19%	899,467	733,430
				Total Qualified Basis		899,467	733,430
	TIMES:	Applicable Percentage				3.70%	8.64%
			Total Annual Credit Qualified			33,280	63,368
Total Tax Credits Requested			90,656			By Bldg Basis x Fraction:	
Total Tax Credits Allocated			89,716			Acq Credit=	33,417
Estimated Net Syndication Proceeds			755,353			Rehab Credi	65,248
Estimated Yield - LIHTC Syndication			0.842			Total Credit	98,665
Equity Gap			755,068			By Bldg, Equity Gap Calc:	
Credits Needed to fill Equity Gap			89,716			89,716	

1306 Ethan Allen Drive, Colchester/	1,306 Total	1,306 Acq Basis	1,306 Rehab Basis	Spring Total	Spring Acq Basis	Spring Rehab Basis	Total Depreciable Basis
ACQUISITION & CONSTRUCTION							
Land	171,810			53,640			
Building	782,690	782,690		393,360	393,360		1,176,050
Construction Contract	439,411		439,411	186,000		186,000	625,411
Accessibility Ramp	20,000		20,000				
Lead/Asbestos Abatement	102,312		102,312	14,000		14,000	116,312
Construction Outside Contract				1,000		1,000	1,000
Relocation	27,200		27,200				
Appliances	19,000		19,000	8,000		8,000	0
Construction Contingency	61,132		61,132	22,150		22,150	83,282
Clerk of the Works & Specs	25,600		25,600	12,500		12,500	38,100
Subtotal							2,040,155
PROFESSIONAL SERVICES							
Architect & Engineering	31,898		31,898				31,898
Legal & Accounting	10,000		7,500	5,000		3,750	15,000
Title Ins & Recording	3,500			4,000			7,500
Subtotal							54,398
INTERIM COSTS							
Construction Insurance & Taxes	5,158		3,869	2,405		1,804	7,563
Construction Interest	14,411		10,808	4,070		3,053	18,481
Subtotal							26,044
OTHER SOFT COSTS							
Property Appraisal	2,500	2,500		2,000	2,000		4,500
Permits & Fees	3,229		3,229	855		855	4,084
Environmental Survey							0
Marketing	12,800						12,800
Tax Credit Fees	2,030		2,030	950		950	2,980
Soft Cost Contingency	2,631		1,973	2,000		1,500	2,316
Subtotal							26,680
FINANCING FEES & EXPENSES							
Loan Fees				1,500		495	
Subtotal							0
SYNDICATION COSTS							
Organizational (Partnership)							
Subtotal							0
DEVELOPER'S FEES							
Housing Vermont Fee	80,000		80,000	27,000		27,000	107,000
LCHDC Fee	80,000		80,000	20,000		20,000	100,000
Subtotal							207,000
PROJECT RESERVES							
Working Capital	5,000			5,000			
Subtotal							0
TOTAL DEVELOPMENT COSTS	1,902,312	785,190	915,962	765,430	395,360	303,056	2,354,277
							242,392
			62,500			14,000	2,111,885
			152,908			0	
		785,190	700,554		395,360	289,056	
		75%	75%		79.49%	79.49%	
		588,893	525,416		314,272	229,771	
		3.70%	8.64%		3.70%	8.64%	
		21,789	45,396		11,628	19,852	
Total Tax Credits Requested							
Total Tax Credits Allocated	33.87%						11,533
Estimated Net Syndication Proceeds	66.13%						14,217
Estimated Yield - LIHTC Syndication	76,876		1,306	65.20%	19,813		43,294
Equity Gap	Acq =	30,386	Spring	34.80%	10,573		69,044
Credits Needed to fill Equity Gap	Rehab =	59,330			59,330		
							SOURCES
	566,000						VHFA
	217,000			200,000			VHCB
				125,000			Bank
				35,034			Winooski City
	133,732			173,000			HOME
	81,414						LCHDC
	52,500			14,000			Lead Loan
	152,086						CDBG
	10,000						AccessGrant
	152,908						Historic Equit
	1,365,640			547,034			Total
	1,902,313			765,430			Total Bldg
	536,673			218,396			Gap:
	63,766			25,949			Amt Credit:

1306 Ethan Allen Drive, Colchester/East Spring			Rental Income			06-Jun-97	
Housing Credit Units							Total
Bedrooms	Type	Building	Square Feet	Number	Rent	Utilities	Annual Rent
1 Br	50%	1306	600	5	370	75	22,200
2 Br	50%	1306	750	3	430	93	15,480
2 Br	50%	Spring	800	5	430	107	25,800
3 Br	50%	1306	900	2	514	109	12,336
1 Br	60%	Spring	600	1	427	85	5,124
1 Br	60%	1306	600	6	400	75	28,800
2 Br	60%	1306	750	4	510	93	24,480
2 Br	60%	Spring	800	2	479	107	11,496
3 Br	60%	1306	900	3	550	109	19,800
Other - Mngr		1306	600	1	200	75	2,400
	Totals		22,550	31			165,516
Market Rate Units							Total
Bedrooms	Type	Building	Square Feet	Number	Rent	Utilities	Annual Rent
1 Br	Market	1306	600	5	440	75	26,400
2 Br	Market	1306	750	2	550	93	13,200
2 Br	Market	Spring	800	2	550	107	13,200
3 Br	Market	1306	900	1	620	109	7,440
	Totals		7,000	10			60,240
All Units							
	Grand Totals		29,550	41			225,756
			Less Vacancy	5.00%			(11,288)
						NET RENT	214,468
			OTHER INCOME				
			Interest Income				
			Laundry	1306			2,200
			Manager's Unit 1306				2,400
			Total Other Income				4,600
						TOTAL INCOME	219,068
Manager's Unit		1306	600	1	200	75	2,400

1306 Ethan Allen Drive, Col	EXPENSE BUDGET			06-Jun-97
			Per Unit	
	Annual	Monthly	Per Month	
Administration				
Management Fee		0	0	0.0%
Advertising		0	0	
Audit/Accounting		0	0	
Legal		0	0	
HVT Fee		0	0	
LCHDC Fee		0	0	
Office Payroll		0	0	
Compliance Monitoring		0	0	
TOTAL ADMINISTRATIVE	35,428	2,952	72	
Utilities				
Water/Sewer		0	0	
Electric		0	0	
Fuel		0	0	
Pump Station		0	0	
TOTAL UTILITIES	19,966	1,664	41	
Maintenance				
Maintenance Payroll		0	0	
Vehicle		0	0	
Trash Removal		0	0	
Snow/Grounds		0	0	
Repairs- material		0	0	
Paint/Decorating		0	0	
Exterminating		0	0	
Contract Maintenance		0	0	
Grounds		0	0	
Janitorial		0	0	
Other		0	0	
TOTAL MAINTENANCE	40,815	3,401	83	
Taxes	24,140	2,012	49	
Insurance	5,365	447	11	
Other	3,500	292	7	
Replacement Reserves	9,989	832	20	
Total	139,203	11,600	283	

06-Jun-97		1306 Ethan Allen Drive, Colchester/East Spring Street, Winooski							Cash Flow Projection								
		Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Residential Rent			225,756	229,142	232,579	236,068	239,609	243,203	246,851	250,554	254,312	258,127	261,999	265,929	269,918	273,967	278,076
Less Res Vacancy			(11,288)	(11,457)	(11,629)	(11,803)	(11,980)	(12,160)	(12,343)	(12,528)	(12,716)	(12,906)	(13,100)	(13,296)	(13,496)	(13,698)	(13,904)
Plus Other Income			4,600	4,669	4,739	4,810	4,882	4,956	5,030	5,105	5,182	5,260	5,338	5,419	5,500	5,582	5,666
Total Actual Income			219,068	222,354	225,690	229,075	232,511	235,999	239,539	243,132	246,779	250,480	254,238	258,051	261,922	265,851	269,839
Less Operating Expense			129,214	133,090	137,083	141,196	145,431	149,794	154,288	158,917	163,684	168,595	173,653	178,862	184,228	189,755	195,448
Less Reserves			9,989	10,139	10,291	10,445	10,602	10,761	10,922	11,086	11,253	11,421	11,593	11,767	11,943	12,122	12,304
Net Operating Income			79,865	79,125	78,315	77,434	76,478	75,443	74,328	73,129	71,842	70,464	68,992	67,422	65,751	63,973	62,087
Less VHFA First Mortgage - Bond			45,541	45,541	45,541	45,541	45,541	45,541	45,541	45,541	45,541	45,541	45,541	45,541	45,541	45,541	45,541
Less VHFA 2nd Mortgage			7,353	7,353	7,353	7,353	7,353	7,353	7,353	7,353	7,353	7,353	7,353	7,353	7,353	7,353	7,353
Less VNB Mortgage			12,588	12,588	12,588	12,588	12,588	12,588	12,588	12,588	12,588	12,588	12,588	12,588	12,588	12,588	12,588
Less Mortgage			2,332	2,332	2,332	2,332	2,332	2,332	2,332	2,332	2,332	2,332	2,332	2,332	2,332	2,332	2,332
Less LCHDC Loan			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Flow			12,051	11,311	10,502	9,620	8,664	7,629	6,514	5,315	4,028	2,650	1,178	(392)	(2,063)	(3,840)	(5,727)
Oper Subsidy			0	0	0	0	0	0	0	0	0	0	0	392	2,063	3,840	5,727
Net Cash			12,051	11,311	10,502	9,620	8,664	7,629	6,514	5,315	4,028	2,650	1,178	0	0	0	0
DCR			130.99%	149.59%	148.06%	146.39%	144.59%	142.63%	140.52%	138.25%	135.82%	133.22%	130.43%	127.47%	124.31%	120.95%	117.38%
Cumulative Cash Flow																	
Beginning Balance			0	23,362	34,098	44,059	53,163	61,324	68,451	74,450	79,223	82,665	84,670	85,517	85,980	84,777	81,784
Interest		2.0%	0	234	341	441	532	613	685	745	792	827	847	855	860	848	818
Withdrawals			0	0	0	0	0	0	0	0	0	0	0	(392)	(2,063)	(3,840)	(5,727)
Ending Balance			12,051	23,596	34,439	44,499	53,694	61,937	69,136	75,195	80,015	83,492	85,517	85,980	84,777	81,784	76,875
Cumulative Reserves		2.0%	9,989	20,328	31,025	42,091	53,535	65,366	77,596	90,234	103,291	116,779	130,707	145,087	159,932	175,253	191,062
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income			79,865	79,125	78,315	77,434	76,478	75,443	74,328	73,129	71,842	70,464	68,992	67,422	65,751	63,973	62,087
Plus Reserves			9,989	10,139	10,291	10,445	10,602	10,761	10,922	11,086	11,253	11,421	11,393	11,767	11,943	12,122	12,304
Less Interest Expense			(65,000)	(65,000)	(65,000)	(65,000)	(65,000)	(65,000)	(65,000)	(65,000)	(65,000)	(65,000)	(65,000)	(65,000)	(65,000)	(65,000)	(65,000)
Less Short Term Depreciation			(3,857)	(3,857)	(3,857)	(3,857)	(3,857)	(3,857)	0								
Less Depreciation			(76,796)	(76,796)	(76,796)	(76,796)	(76,796)	(76,796)	(76,796)	(76,796)	(76,796)	(76,796)	(76,796)	(76,796)	(76,796)	(76,796)	(76,796)
Taxable Income (Loss)			(55,799)	(56,389)	(57,047)	(57,774)	(58,573)	(59,449)	(56,545)	(57,581)	(58,702)	(59,910)	(61,211)	(62,607)	(64,102)	(65,700)	(67,405)
Cash Flow			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings			18,972	19,172	19,396	19,643	19,915	20,213	19,225	19,578	19,959	20,370	20,812	21,286	21,795	22,338	22,918
Plus Tax Credits			269,608	89,716	89,716	89,716	89,716	89,716	89,716	89,716	89,716	89,716					
Less Cap Gain Tax																	0
After Tax Cash Flow		(755,000)	288,579	108,888	109,111	109,359	109,631	109,928	108,941	109,293	109,674	110,085	20,812	21,286	21,795	22,338	22,918
Total 15 years															Original Basis		2,354,277
Internal Rate of Return:		13.72%													Less Depreciation		(1,151,937)

	Wells River Downtown			RUN DATE:	05-Jun-97	
Total Residential Units:	22	Increase LIHTC			1.00%	
Restricted Units:	17	Increase Market			1.00%	
Percent Restricted:	77.27%	Expense increase:			2.50%	
Avg Net Monthly Rent:	369	Vacancy Rate:			5.00%	
Total Dev Costs	1,837,939	Partner's Tax Rate:			34.00%	
TDC/Unit	83,543	Depreciation Schedule:			27.5	
Total Commercial Units:	3	Sponsor's Estimated Yield:			84.00%	
Max Credit Amount	79,977	Commercial Vacancy Rate:			20.00%	
Credit Amount Allocated	79,661					
Net Syndication	671,793					
LIHTC - 9%	8.64%		(June '97)			
LIHTC - 4%	3.70%					
FINANCING SOURCES						
	Amount	% of TDC		Interest	Amortization	Term
VHCB Deferred Debt	290,402		15.80%	0.00%	30	Deferred
CDBG Deferred Loan	308,127		16.76%	2.00%	30	Deferred
VHCB Grant	40,000		2.18%	0.00%	N/A	N/A
HOME Deferred Loan	290,000		15.78%	7.15%	30	Deferred
VHCB Feasibility/Energy Grt	11,100		0.60%	0%	N/A	N/A
Lead Loan	38,500		2.09%	0%	30	30
Historic Credit Equity	188,017		10.23%	N/A	N/A	N/A
Tax Credit Equity	671,793		36.55%	N/A	N/A	N/A
	1,837,939		100.00%			
Gap	0					
	Per Unit Cost Limits		# Units	Totals		
1 Br	78,380		6	470,280		
2 Br	83,380		12	1,000,560		
3 Br	88,380		4	353,520		
Max cost allowed by unit cost limits				1,824,360		
projected total cost, excluding cash accounts				1,789,789		
		(over)/under		34,571		
		Average Cost Per Unit		81,354		
General Partner's Capital Contribution				6,691		
Limited Partner's Capital Contribution				662,443		
Total Capital Contribution				669,134		

Wells River Downtown		DEVELOPMENT BUDGET					05-Jun-97	Residential	Commercial
						Acquisition	Rehab/Const	Depreciable	Depreciable
			Budget	Per Unit	Per s.f.	Credit	Credit	Basis	Basis
ACQUISITION & CONSTRUCTION									
Land			43,409	1,973	2.60				
Purchase of Building(s)			534,591	24,300	32.08	534,591		436,744	97,846
Rehabilitation & Sitework			664,962	30,226	39.90		664,962	586,049	78,913
Construction Contingency		15.99%	121,067	24,300	32.08		121,067	107,455	[illegible]
Lead/Asbestos Abatement			82,000	30,226	39.90		82,000	77,000	[illegible]
UST Replacement			10,000	5,503	7.26		10,000	0	[illegible]
APPLIANCES			17,900	814	1.07		17,900	17,900	0
Subtotal			1,473,929	66,997	88.44	534,591	895,929	1,225,148	195,371
PROFESSIONAL SERVICES									
Architect, Engineering, Historic			71,027	3,229	4.26		71,027	63,403	7,623
Constr Estimating/ Inspection			1,000	45	0.06		1,000	885	115
Clerk of the Works			15,000	682	0.90		15,000	13,270	1,730
Accounting & Legal			17,500	795	1.05		7,875	15,482	2,018
Legal - Title & Recording			3,750	170	0.23			3,114	636
Subtotal			108,277	4,922	6.50	0	94,902	96,154	12,122
INTERIM COSTS									
Construction Insurance & Taxes			13,094	595	0.79		6,547	10,965	2,128
Construction Interest			24,000	1,091	1.44		18,000	21,233	2,767
Subtotal			37,094	1,686	2.23	0	24,547	32,198	4,895
OTHER SOFT COSTS									
Property Appraisals			3,900	177	0.23	3,900		2,894	1,006
Relocation			12,650	575	0.76		12,650	12,050	600
Environmental Report			3,600	164	0.22		3,600	2,868	732
Sewer & Water Fees				0	0.00		0	0	
Permits/Fees - State & Local			7,094	322	0.43		7,094	6,276	818
Feasibility Study			0	0	0.00		0	0	0
Energy Audit			3,100	141	0.19				
Tax Credit Fees			2,020	92	0.12			2,020	0
Marketing (RENT UP)			2,200	100	0.13			2,200	
Soft Cost Contingency			4,825	219	0.29		2,413	4,420	405
Subtotal			39,389	1,790	2.36	3,900	25,757	32,728	3,561
FINANCING FEES & EXPENSES									
Subtotal			0	0	0.00				
SYNDICATION COSTS									
Organizational (Partnership)				0	0.00				
Subtotal			0	0	0.00	0	0	0	0
DEVELOPER'S FEES									
Consultants			38,000	1,727	2.28		38,000	33,618	[illegible]
Housing Vermont Fee			83,750	3,807	5.03		83,750	74,093	[illegible]
WRAP Fee			22,000	1,000	1.32		22,000	19,463	[illegible]
Subtotal		8.67%	143,750	6,534	8.63	0	143,750	127,174	16,576
PROJECT RESERVES									
Rent Loss During Construction			8,000	364	0.48			8,000	
Replacement Reserve				0	0.00				
Working Capital			27,500	1,250	1.65				
Subtotal			35,500	1,614	2.13	0	0	8,000	
TOTAL DEVELOPMENT COSTS			1,837,939	83,543	110.28	538,491	1,184,885	1,521,402	232,525
								196,037	25,159
	LESS:	Amount of Non-qualified Financing					72,000	1,325,365	207,366
	LESS:	Adjustment for per unit cost limits							
	LESS:	Historic tax Credit (Residential Portion)					224,326		
				Total Eligible Basis		538,491	888,559		
	TIMES:	Adjusted for QCT/DDA			130.0%		1,155,126		
	TIMES:	Applicable Fraction			77.12%	415,258	890,776		
				Total Qualified Basis		415,258	890,776		
	TIMES:	Applicable Percentage				3.70%	8.64%		
			Total Annual Credit Qualified			15,365	76,963		
Total Tax Credits Requested			80,000						
Estimated Net Syndication Proceeds		671,983		TOTAL =		92,328	79,661		
Estimated Yield - LIHTC Syndication		84.00%							
Equity Gap		671,793		Applicable Fractions:					
Credits Needed to fill Equity Gap			79,977	LI Units		17			
				Total units		22			
	Short Term Depreciation =		7	Unit Fraction		77.27%			
	Commercial Depreciation =		39	LI s.f.		12,852			
				Total res. S.f.		16,666			
				S.F. fraction		77.12%			

Wells River Downtown	Ottati S8	Ottati Acq	Ottati Rehab	Ottati Comm	Green Acq	Green Rehab	24 Grove Acq	24 Grove Rehab	28 Grove Acq	28 Grove Rehab
ACQUISITION & CONSTRUCTION										
Land	5,757	6,762		4,713	5,709		11,659		8,810	
Purchase of Building(s)	119,528	140,394		97,846	42,291		67,341		67,190	
habilitation & Sitework	24,922		176,100	78,913		282,579		53,565		48,884
struction Contingency	5,686		33,634	13,612		49,372		9,741		9,022
Lead/Asbestos Abatement	5,000		30,000	5,000		30,000		6,000		6,000
UST Replacement	2,802		3,540	3,658						
APPLIANCES	2,600		5,100			5,100		2,550		2,550
Subtotal										
PROFESSIONAL SERVICES										
Architect, Engineering, Historic	2,829		19,790	7,623		29,457		5,887		5,441
Constr Estimating/ Inspection	33		267	115		426		83		76
Clerk of the Works	492		4,011	1,730		6,389		1,244		1,134
Accounting & Legal	574		4,680	2,018		7,454		1,451		1,323
Legal - Title & Recording	338	616		636	1,020		570		570	
Subtotal										
INTERIM COSTS										
Construction Insurance & Taxes	1,646		2,705	2,128		3,256		1,527		1,831
Construction Interest	787		6,418	2,767		10,222		1,990		1,814
Subtotal										
OTHER SOFT COSTS										
Property Appraisals	771	973		1,006	350		400		400	
Relocation	1,500		4,500	600		4,050		1,000		1,000
Environmental Report	560		708	732		600		500		500
Sewer & Water Fees										
Permits/Fees - State & Local	233		1,897	818		3,022		588		536
Feasibility Study	0		0	0		0		0		0
Energy Audit	496		744	372		744		372		372
Tax Credit Fees			713			713		356		238
Marketing (RENT UP)	400		600			600		300		300
Soft Cost Contingency	457		1,263	405		1,676		517		508
Subtotal										
FINANCING FEES & EXPENSES										
Subtotal										
SYNDICATION COSTS										
Organizational (Partnership)										
Subtotal										
DEVELOPER'S FEES										
sultants	1,247		10,162	4,382		16,185		3,151		2,873
using Vermont Fee	2,748		22,397	9,657		35,672		6,944		6,332
WRAP Fee	722		5,883	2,537		9,370		1,824		1,663
Subtotal										
PROJECT RESERVES										
Rent Loss During Construction		4,000					2,000		2,000	
Replacement Reserve										
Working Capital	5,000		7,500			7,500		3,750		3,750
Subtotal										
TOTAL DEVELOPMENT COSTS	187,128	152,745	342,612	241,268	49,370	504,387	81,970	103,340	78,970	96,147
	120,299									
	0%	100%	100%	N/A	100%	100%	100%	100%	66.67%	66.67%
			6,911			8,533		3,611		3,915
			85,476			126,741		19,133		17,732
		152,745	250,225		49,370	369,113	81,970	80,596	52,649	80,410
			130%			130%		130%		130%
		3.70%	8.64%		3.70%	8.64%	3.70%	8.64%	3.70%	8.64%
	0	5,652	28,105	0	1,827	41,459	3,033	9,053	1,948	9,032
	100,107	12,459	12.45%							
		87,648	87.55%							
	2,347	132,164		64,713	45,709		76,659		8,810	
Total Tax Credits Requested	119,528	13,282	108,127						67,190	
Estimated Net Syndication Proceeds	0		60,000			160,000		45,000		25,000
Estimated Yield - LIHTC Syndication	1,994	973	2,977	4,006	350	0	400	0	400	0
Equity Gap	0		8,500			30,000				
Credits Needed to fill Equity Gap			54,805	22,307		82,230		16,263		15,072
	123,869	146,419	234,409	91,026	46,059	272,230	77,059	61,263	76,400	40,072
	187,128	152,746	342,614	241,268	49,370	504,385	81,970	103,342	78,970	96,147
	63,259	6,327	108,205	150,242	3,311	232,155	4,911	42,079	2,570	56,075
		669,134					46,990		58,645	
		79,661					5,594		6,982	
		Ottati	24 Grove	28 Grove						
		563,499	46,990	58,645		Acq =	9,914			
		67,085	5,594	6,982	79,661	Rehab =	69,746			
		84%	7%	9%			79,661			
		67,371	5,618	7,011	80,000					
		TOTAL:	80,000							

Wells River Downtown				Rental Income		02-Jun-97	
Restricted Units							Total
Bedrooms	Building	Type	Square Feet	Number	Rent	Utilities	Annual Rent
1 Br	Green	Home/HC	700	2	296	34	7,104
1 Br	24 Grove	Home/HC	578	2	296	34	7,104
1 Br	28 Grove	Home/HC	608	1	296	34	3,552
3 Br	28 Grove	Home/HC	1,078	1	410	48	4,920
2 Br	Green	Home/HC	900	4	355	42	17,040
2 Br	Ottati	Home/HC	675	6	355	42	25,560
3 Br	24 Grove	Home/HC	960	1	410	48	4,920
		Totals	12,852	17			70,200
Market Rate Units							Total
Bedrooms	Building	Type	Square Feet	Number	Rent	Utilities	Annual Rent
1 Br	28 Grove	80% Med	608	1	330	34	3,960
2 Br	Ottati	Sect 8	571	1	522	42	6,264
2 Br	Ottati	Sect 8	596	1	522	42	6,264
3 Br	Ottati	Sect 8	1,042	1	660	48	7,920
3 Br	Ottati	Sect 8	997	1	660	48	7,920
		Totals	3,814	5			32,328
All Units							
		Grand Totals	16,666	22			102,528
			Less Vacancy	5.00%			(5,126)
						NET RENT	97,402
Commercial Units			OTHER INCOME				
Ottati Bldg							
Unit #	Square Ft	Rent	Interest Income				0
A	1,185	700	Laundry				
B	1,400	811	Parking		-		0
C	1,600	600	Total Other Income				0
Totals	4,185	2,111					
Commercial Vacancy:		20%				TOTAL INCOME	97,402
Annual Comm Income =		25,332					
Less Vacancy		(5,066)					
Net Comm Income		20,266					

Wells River Downtown	EXPENSE BUDGET			02-Jun-97
			Per Unit	
	Annual	Monthly	Per Month	
Administration				
Management Fee		0	0	0.0%
Marketing		0	0	
Audit/Accounting		0	0	
Legal		0	0	
Office Expense		0	0	
Telephone		0	0	
Office Payroll		0	0	
Rent		0	0	
Compliance Monitoring		0	0	
Other		0	0	
TOTAL ADMINISTRATIVE	19,844	1,654	75	
Utilities				
Water/Sewer		0	0	
Electric		0	0	
Fuel		0	0	
Other		0	0	
TOTAL UTILITIES	18,216	1,518	69	
Maintenance				
Maintenance Payroll		0	0	
Supplies		0	0	
Trash Removal		0	0	
Snow/Grounds		0	0	
Repairs		0	0	
Paint/Decorating		0	0	
Exterminating		0	0	
Contract Maintenance		0	0	
Equipment Debt		0	0	
Service Lease		0	0	
Other		0	0	
TOTAL MAINTENANCE	25,344	2,112	96	
Taxes	13,616	1,135	52	
Insurance	4,200	350	16	
Replacement Reserves	5,883	490	22	
Other		0	0	
Total	87,103	7,259	330	

05-Jun-97	Wells River Downtown					Cash Flow Projection											
		Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Residential Rent			102,528	103,553	104,589	105,635	106,691	107,758	108,836	109,924	111,023	112,133	113,255	114,387	115,531	116,686	117,853
Less Res Vacancy			(5,126)	(5,178)	(5,229)	(5,282)	(5,335)	(5,388)	(5,442)	(5,496)	(5,551)	(5,607)	(5,663)	(5,719)	(5,777)	(5,834)	(5,893)
Plus Commercial Income			25,332	25,585	25,841	26,100	26,361	26,624	26,890	27,159	27,431	27,705	27,982	28,262	28,545	28,830	29,118
Less Commercial Vacancy			(12,793)	(5,168)	(5,220)	(5,272)	(5,325)	(5,378)	(5,432)	(5,486)	(5,541)	(5,596)	(5,652)	(5,709)	(5,766)	(5,824)	(5,882)
Total Actual Income			109,941	118,793	119,981	121,180	122,392	123,616	124,852	126,101	127,362	128,635	129,922	131,221	132,533	133,859	135,197
Less Operating Expense			81,056	83,082	85,159	87,288	89,471	91,707	94,000	96,350	98,759	101,228	103,759	106,352	109,011	111,737	114,530
Less Commercial Oper Expense			8,649	8,865	9,087	9,314	9,547	9,786	10,030	10,281	10,538	10,801	11,071	11,348	11,632	11,923	12,221
Less Reserves (residential)			5,883	5,942	6,001	6,061	6,122	6,183	6,245	6,307	6,370	6,434	6,498	6,563	6,629	6,695	6,762
Net Operating Income			14,353	20,903	19,733	18,517	17,253	15,940	14,577	13,162	11,695	10,172	8,593	6,957	5,261	3,504	1,684
Cash Flow			14,353	20,903	19,733	18,517	17,253	15,940	14,577	13,162	11,695	10,172	8,593	6,957	5,261	3,504	1,684
Oper Subsidy			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash			14,353	20,903	19,733	18,517	17,253	15,940	14,577	13,162	11,695	10,172	8,593	6,957	5,261	3,504	1,684
DCR			N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Cumulative Cash Flow																	
Beginning Balance			21,228	42,343	62,500	68,517	67,253	65,940	64,577	63,162	61,695	60,172	58,593	56,957	55,261	53,504	51,684
Interest		2.0%	212	423	625	685	673	659	646	632	617	602	586	570	553	535	517
Withdrawals			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Less CDBG Payment			0	0	13,125	19,202	17,925	16,599	15,223	13,794	12,312	10,774	9,179	7,526	5,814	4,039	2,201
Ending Balance			21,440	42,767	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
		50,000															
	Pd Yr 15=	147,713															
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income			14,353	20,903	19,733	18,517	17,253	15,940	14,577	13,162	11,695	10,172	8,593	6,957	5,261	3,504	1,684
Plus Reserves			5,883	5,942	6,001	6,061	6,122	6,183	6,245	6,307	6,370	6,434	6,498	6,563	6,629	6,695	6,762
Less Interest Expense			(26,898)	(27,021)	(27,147)	(27,012)	(26,754)	(26,516)	(26,299)	(26,106)	(25,938)	(25,795)	(25,681)	(25,596)	(25,543)	(25,523)	(25,538)
Less Depreciation (short term)			(2,557)	(2,557)	(2,557)	(2,557)	(2,557)	(2,557)	(2,557)	0							
Less Depreciation (residential)			(48,195)	(48,195)	(48,195)	(48,195)	(48,195)	(48,195)	(48,195)	(48,195)	(48,195)	(48,195)	(48,195)	(48,195)	(48,195)	(48,195)	(48,195)
Less Depreciation (commercial)			(5,317)	(5,317)	(5,317)	(5,317)	(5,317)	(5,317)	(5,317)	(5,317)	(5,317)	(5,317)	(5,317)	(5,317)	(5,317)	(5,317)	(5,317)
Taxable Income (Loss)			(62,731)	(56,245)	(57,482)	(58,504)	(59,448)	(60,462)	(61,547)	(60,148)	(61,385)	(62,701)	(64,101)	(65,588)	(67,165)	(68,836)	(70,604)
Cash Flow			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings			21,329	19,123	19,544	19,891	20,212	20,557	20,926	20,450	20,871	21,318	21,795	22,300	22,836	23,404	24,005
Plus Tax Credits			267,678	79,661	79,661	79,661	79,661	79,661	79,661	79,661	79,661	79,661					
Less Cap Gain Tax																	
After Tax Cash Flow		(671,793)	289,006	98,784	99,205	99,552	99,873	100,218	100,587	100,111	100,532	100,979	21,795	22,300	22,836	23,404	24,005
Total 15 years															Original Basis		1,521,402
Internal Rate of Return:		15.55%													Less Depreciation		(722,926)
															Basis at Sale		798,476

Applegate				RUN DATE:	02-Jun-97	
Total Residential Units:	103	Increase LIHTC			1.00%	
Restricted Units:	74	Increase Market			1.00%	
Percent Restricted:	71.84%	Expense increase:			2.50%	
Avg Net Monthly Rent:	352	Vacancy Rate:			6.50%	
Total Dev Costs	6,240,694	Partner's Tax Rate:			34.00%	
TDC/Unit	60,589	Depreciation Schedule:			27.5	
Monthly Operating Cost	326	Sponsor's Estimated Yield:			75.10%	
Max Credit Amount	230,093					
Credit Amount Requested	230,000					
Net Syndication	1,710,000					
LIHTC - 9%	8.64%		(June '97)			
LIHTC - 4%	3.70%					
FINANCING SOURCES						
	Amount	% of TDC		Interest	Amortization	Term
VHFA First Mortgage	50,000		0.80%	8.50%	30	20
HUD Grant	3,115,000		49.91%	0.00%	N/A	grant
VHCB Deferred Debt	360,000		5.77%	0.00%	40	40
VHCB Grant	0		0.00%	0.00%	N/A	N/A
HOME	360,000		5.77%	7.02%	30	30
Benn. Rev. Loan	20,000		0.32%	5.75%	20	20
VCDP	625,000		10.01%	1.00%	40	40
Tax Credit Equity	1,710,000		27.40%	N/A	N/A	N/A
	6,240,000		99.99%			
Gap	694		0.01%			
1 Br	78,380		14	1,097,320		
2 Br	83,380		58	4,836,040		
3 Br	88,380		31	2,739,780		
Max cost allowed by unit cost limits				7,575,820		
Projected total cost, excluding cash accounts & relocation expenses				5,885,944		
		(over)/under		1,689,876		
		Per Unit Average Cost		57,145		
NOTE: Amount of Existing Debt to be Written off by HUD:				2,000,000		
General Partner's Capital Contribution				17,273		
Limited Partner's Capital Contribution				1,710,000		
Total Capital Contribution				1,727,273		

Applegate		DEVELOPMENT BUDGET					02-Jun-97	
						Acquisition	Rehab/Const	Depreciable
			Budget	Per Unit	Per s.f.	Credit	Credit	Basis
ACQUISITION & CONSTRUCTION								
Land				0	0.00			
Building				0	0.00	0		0
Sitework with Playground		3,871,900	1,144,000	11,107	12.31		1,144,000	1,144,000
Landscaping				0	0.00		0	[illegible]
Construction Contract			3,172,900	30,805	34.14		3,172,900	3,172,9[illegible]
Demolition - 4 buildings			88,000	854	0.95		0	
Community Building			35,000	340	0.38		35,000	35,000
Appliances			72,100	700	0.78		72,100	0
Construction Contingency		14.46%	458,900	4,455	4.94		458,900	458,900
Clerk of the Works			32,000	311	0.34		32,000	32,000
Subtotal			5,002,900	48,572	53.83	0	4,914,900	4,842,800
PROFESSIONAL SERVICES								
Architect & Engineering			231,000	2,243	2.49		231,000	231,000
Legal & Accounting			41,000	398	0.44		30,750	41,000
Attorney				0	0.00			0
Survey				0	0.00		0	0
Transfer Taxes				0	0.00		0	0
Title Ins & Recording			7,125	69	0.08	7,125	0	7,125
Subtotal			279,125	2,710	3.00	7,125	261,750	279,125
INTERIM COSTS								
Construction Insurance & Taxes			49,802	484	0.54		37,352	49,802
Construction Interest			47,000	456	0.51		35,250	47,000
Construction Loan Origination Fee				0	0.00		0	0
Subtotal			96,802	940	1.04	0	72,602	96,802
OTHER SOFT COSTS								
Property Appraisal			2,500	24	0.03		2,500	2,500
Permits & Fees			40,852	397	0.44		40,852	40,852
Environmental Survey			2,500	24	0.03		2,500	2,500
Relocation Costs			38,750	376	0.42		38,750	38,750
Relocation /Tenant Coordinator			23,400	227	0.25		23,400	23,400
Tax Credit Fees			7,000	68	0.08		7,000	7,000
Soft Cost Contingency			33,765	328	0.36		16,883	16,883
Subtotal			148,767	1,444	1.60	0	131,885	131,885
FINANCING FEES & EXPENSES								
Loan Fees			500	5	0.01			
Other Consultants			10,000	97	0.11		10,000	10,0[illegible]
Subtotal			10,500	102	0.11	0	10,000	10,000
SYNDICATION COSTS								
Organizational (Partnership)				0	- 0.00			
Bridge Loan Interest				0	0.00			
Tax Opinion				0	0.00			
Subtotal			0	0	0.00	0	0	0
DEVELOPER'S FEES								
Housing Vermont Fee			310,000	3,010	3.34		310,000	310,000
Applegate NP Fee			100,000	971	1.08		100,000	100,000
Subtotal		7.40%	410,000	3,981	4.41	0	410,000	410,000
PROJECT RESERVES								
Start Up Budget			45,000	437	0.48		45,000	45,000
Lease Up Reserve			45,700	444	0.49		0	
Deficit Escrow			115,000	1,117	1.24			
Replacement Reserve			41,200	400	0.44			
Working Capital			45,700	444	0.49			
Operating Reserve				0	0.00			
Subtotal			292,600	2,841	3.15	0	45,000	45,000
TOTAL DEVELOPMENT COSTS			6,240,694	60,589	67.15	7,125	5,846,136	5,815,612
	LESS:	Amount of Non-qualified Financing		Less Grants			2,779,300	
	LESS:	Adjustment for per unit cost limits					0	
	LESS:	Historic tax Credit (Residential Portion)					0	
				Total Eligible Basis		7,125	3,066,836	
	TIMES:	Adjusted for QCT/DDA			130.0%		3,986,887	
	TIMES:	Applicable Fraction			71.77%	5,114	2,861,560	
				Total Qualified Basis		5,114	2,861,560	
	TIMES:	Applicable Percentage				3.70%	8.64%	
			Total Annual Credit Qualified			0	247,239	
Total Tax Credits Requested			230,000					
Total Tax Credits Allocated		247,239						
Estimated Net Syndication Proceeds		1,710,000						
Estimated Yield - LIHTC Syndication		75.10%						
Equity Gap		1,710,694						
Credits Needed to fill Equity Gap			230,093					

Applegate	EXPENSE BUDGET			02-Jun-97
			Per Unit	
	Annual	Monthly	Per Month	
Administration				
Management Fee	37,080	3,090	30	8.0%
Advertising	2,000	167	2	
Audit/Accounting	5,000	417	4	
Legal	2,000	167	2	
HVT Fee	9,270	773	8	
Local NP Fee	3,708	309	3	
Office Payroll	32,000	2,667	26	
Compliance Monitoring	1,776	148	1	
TOTAL ADMINISTRATIVE	92,834	7,736	75	
Utilities				
Water/Sewer	28,300	2,358	23	
Electric	4,900	408	4	
Fuel	4,300	358	3	
Pump Station	5,000	417	4	
TOTAL UTILITIES	42,500	3,542	34	
Maintenance				
Maintenance Payroll	60,000	5,000	49	
Vehicle	2,500	208	2	
Trash Removal	18,000	1,500	15	
Snow/Grounds	4,000	333	3	
Repairs- material	10,553	879	9	
Paint/Decorating	10,000	833	8	
Exterminating	2,000	167	2	
Contract Maintenance	6,553	546	5	
Grounds	5,058	422	4	
Janitorial	1,200	100	1	
Other	500	42	0	
TOTAL MAINTENANCE	120,364	10,030	97	
Taxes	73,492	6,124	59	
Insurance	17,500	1,458	14	
Replacement Reserves	30,900	2,575	25	
Supportive Services	25,000	2,083	20	
Total	402,590	33,549	326	

Applegate			Rental Income		02-Jun-97	
Housing Credit Units						Total
Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent
1 Br	50%	672	3	244	114	8,784
2 Br	50%	842	15	290	140	52,200
3 Br	50%	1,119	9	336	161	36,288
1 Br	60%	672	7	316	114	26,544
2 Br	60%	842	27	376	140	121,824
3 Br	60%	1,119	13	435	161	67,860
	Totals	66,702	74			313,500
Market Rate Units						Total
Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent
1 Br	Market - 62%	672	4	347	114	16,656
2 Br	Market - 62%	842	16	414	140	79,488
3 Br	Market - 62%	1,119	9	479	161	51,732
	Totals	26,231	29			147,876
All Units						
	Grand Totals	92,933	103			461,376
		Less Vacancy	6.50%	(Years 3+)		(29,989)
					NET RENT	431,387
		OTHER INCOME				
		Interest Income				
		Laundry				3,300
		Parking				0
		Total Other Income				3,300
					TOTAL INCOM	434,687
		NOTE:				
		Vacancy Year 1	25.00%			(115,344)
		Vacancy Year 2	10.00%			(46,138)

06-Jun-97		Applegate				Cash Flow Projection											
		Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Residential Rent			461,376	465,990	470,650	475,356	480,110	484,911	489,760	494,658	499,604	504,600	509,646	514,743	519,890	525,089	530,340
Lease Up Reserve Payment			69,766	23,604	0	0	0	0	0	0	0	0	0	0	0	0	0
Less Res Vacancy			(115,344)	(46,599)	(30,592)	(30,898)	(31,207)	(31,519)	(31,834)	(32,153)	(32,474)	(32,799)	(33,127)	(33,458)	(33,793)	(34,131)	(34,472)
Plus Other Income (laundry)			3,300	3,333	3,366	3,400	3,434	3,468	3,503	3,538	3,573	3,609	3,645	3,682	3,719	3,756	3,793
Total Actual Income			419,098	446,328	443,424	447,858	452,337	456,860	461,429	466,043	470,703	475,410	480,164	484,966	489,816	494,714	499,661
Less Operating Expense			371,690	380,982	390,507	400,269	410,276	420,533	431,046	441,823	452,868	464,190	475,795	487,689	499,882	512,379	525,188
Less Reserves			30,900	31,209	31,521	31,836	32,155	32,476	32,801	33,129	33,460	33,795	34,133	34,474	34,819	35,167	35,519
Net Operating Income			16,508	34,137	21,396	15,752	9,906	3,851	(2,419)	(8,909)	(15,625)	(22,574)	(29,763)	(37,198)	(44,885)	(52,832)	(61,046)
Less Primary Debt Service			4,613	4,613	4,613	4,613	4,613	4,613	4,613	4,613	4,613	4,613	4,613	4,613	4,613	4,613	4,613
Less Other Debt Service			1,685	1,685	1,685	1,685	1,685	1,685	1,685	1,685	1,685	1,685	1,685	1,685	1,685	1,685	1,685
Cash Flow			10,210	27,838	15,097	9,454	3,607	(2,448)	(8,717)	(15,207)	(21,924)	(28,873)	(36,062)	(43,496)	(51,183)	(59,130)	(67,344)
Oper Subsidy			0	0	0	0	0	2,448	8,717	15,207	21,924	28,873	36,062	43,496	51,183	59,130	67,344
Net Cash			10,210	27,838	15,097	9,454	3,607	0	0	0	0	0	0	0	0	0	0
DCR			262.09%	541.98%	339.70%	250.10%	157.27%	61.14%	-38.40%	-141.44%	-248.08%	-358.41%	-472.54%	-590.58%	-712.63%	-838.81%	-969.22%
Cumulative Cash Flow																	
Beginning Balance			181,400	151,496	144,504	155,403	160,564	162,170	161,343	154,239	140,575	120,057	92,384	57,247	14,323	(36,717)	(96,215)
Interest		2.0%	1,814	1,515	1,445	1,554	1,606	1,622	1,613	1,542	1,406	1,201	924	572	143	(367)	(962)
Withdrawals			(69,766)	(23,604)	0	0	0	(2,448)	(8,717)	(15,207)	(21,924)	(28,873)	(36,062)	(43,496)	(51,183)	(59,130)	(67,344)
Ending Balance			123,658	129,407	145,949	156,957	162,170	161,343	154,239	140,575	120,057	92,384	57,247	14,323	(36,717)	(96,215)	(164,521)
Cumulative Reserves		2.0%	72,100	104,751	138,367	172,971	208,585	245,233	282,938	321,726	361,621	402,648	444,834	488,205	532,788	578,611	625,702
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income			16,508	34,137	21,396	15,752	9,906	3,851	(2,419)	(8,909)	(15,625)	(22,574)	(29,763)	(37,198)	(44,885)	(52,832)	(61,046)
Plus Reserves			30,900	31,209	31,521	31,836	32,155	32,476	32,801	33,129	33,460	33,795	34,133	34,474	34,819	35,167	35,519
Less Interest Expense			(36,893)	(36,890)	(36,882)	(36,870)	(36,853)	(36,830)	(36,802)	(36,767)	(36,725)	(36,675)	(36,618)	(36,551)	(36,475)	(36,389)	(36,291)
Less Short Term Depreciation			(10,300)	(10,300)	(10,300)	(10,300)	(10,300)	(10,300)	(10,300)								
Less Depreciation			(110,411)	(110,411)	(110,411)	(110,411)	(110,411)	(110,411)	(110,411)	(110,411)	(110,411)	(110,411)	(110,411)	(110,411)	(110,411)	(110,411)	(110,411)
Taxable Income (Loss)			(110,196)	(92,256)	(104,677)	(109,993)	(115,504)	(121,215)	(127,131)	(122,958)	(129,301)	(135,866)	(142,659)	(149,686)	(156,953)	(164,465)	(172,230)
Cash Flow			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings			37,467	31,367	35,590	37,398	39,271	41,213	43,225	41,806	43,962	46,195	48,504	50,893	53,364	55,918	58,558
Plus Tax Credits			230,000	230,000	230,000	230,000	230,000	230,000	230,000	230,000	230,000	230,000					
Less Cap Gain Tax																	0
After Tax Cash Flow		(1,710,000)	267,467	261,367	265,590	267,398	269,271	271,213	273,225	271,806	273,962	276,195	48,504	50,893	53,364	55,918	58,558
Total 15 years															Original Basis		5,815,612
Internal Rate of Return:		10.23%													Less Depreciation		(1,656,170)
															Basis at Sale		4,159,442
															Sales Price		0

10 Phelps Court			RUN DATE:	06-Jun-97	
Total Residential Units:	4	Increase LIHTC		1.25%	
Restricted Units:	2	Increase Market		1.25%	
Percent Restricted:	50.00%	Expense increase:		3.00%	
Avg Net Monthly Rent:	375	Vacancy Rate:		5.00%	
Total Dev Costs	334,952	Partner's Tax Rate:		34.00%	
TDC/Unit	83,738	Depreciation Schedule:		40.0	
		Sponsor's Estimated Yield:		63.30%	
Max Credit Amount	17,315				
Credit Amount Allocated	17,315				
Net Syndication	108,506				
LIHTC - 9%	8.64%	(June '97)			
LIHTC - 4%	3.70%				
FINANCING SOURCES					
	Amount	% of TDC	Interest	Amortization	Term
Insurance Proceeds	224,152	66.92%	N/A	N/A	
Tax Credit Equity	109,602	32.72%	N/A	N/A	
	333,754	99.64%			
Gap	1,198				
1 Br	78,380	2	156,760		
2 Br	83,380	2	166,760		
Max cost allowed by unit cost limits			323,520		
projected total cost, excluding cash accounts			316,408		
		(over)/under	7,112		
General Partner's Capital Contribution			1,096		
Limited Partner's Capital Contribution			108,506		
Total Capital Contribution			109,602		

10 Phelps Court		DEVELOPMENT BUDGET					06-Jun-97
						Acquisition	Rehab/Const
			Budget	Per Unit	Per s.f.	Credit	Credit
ACQUISITION & CONSTRUCTION							
Land				0	0.00		
Purchase of Building(s)				0	0.00	0	
Sitework				0	0.00		0
Demo			11,652	2,913	3.48		11,652
New Buildings			220,768	55,192	65.86		220,768
OFF SITE IMPROVEMENTS				0	0.00		0
BOND				0	0.00		0
General Requirements		0.00%		0	0.00		0
Contractor Overhead		0.00%		0	0.00		0
Contractor Profit	0.0%	0.00%		0	0.00		0
Construction Contingency		10.00%	22,077	5,519	6.59		22,077
APPLIANCES				0	0.00		0
Subtotal			254,497	63,624	75.92	0	254,497
PROFESSIONAL SERVICES							
Architect Fee - Design			7,500	1,875	2.24		7,500
Clerk of the Works (RACLT)			2,000	500	0.60		2,000
Attorney				0	0.00		0
SURVEY/ENGINEERING				0	0.00		0
ACCOUNTING			800	200	0.24		800
Legal - Title & Recording				0	0.00		0
Subtotal			10,300	2,575	3.07	0	10,300
INTERIM COSTS							
Construction Insurance			800	200	0.24		800
Construction Interest			2,711	678	0.81		2,711
Construction Loan Origination Fee				0	0.00		0
Taxes			1,200	300	0.36		1,200
Subtotal			4,711	1,178	1.41	0	4,711
OTHER SOFT COSTS							
Property Appraisal				0	0.00		0
Market Study				0	0.00		0
Environmental Report				0	0.00		0
SEWER & WATER FEES				0	0.00		0
Relocation			5,000	1,250	1.49		5,000
PERMITS/FEES - LOCAL			1,000	250	0.30		1,000
Tax Credit Fees			500	125	0.15		
Marketing (RENT UP)				0	0.00		
Subtotal			6,500	1,625	1.94	0	6,000
FINANCING FEES & EXPENSES							
Credit Report				0	0.00		
Permanent Loan Origination Fee				0	0.00		
Credit Enhancement				0	0.00		
Cost of Issuance				0	0.00		
Title & Recording				0	0.00		
Counsel's Fee				0	0.00		
Other				0	0.00		
Subtotal			0	0	0.00	0	0
SYNDICATION COSTS							
Organizational (Partnership)				0	0.00		
Syndication Consultant			3,500	875	1.04		
Tax Opinion				0	0.00		
Subtotal			3,500	875	1.04	0	0
DEVELOPER'S FEES							
Developer's Overhead & Profit			41,900	10,475	12.50		41,900
Consultant Fees				0	0.00		0
Subtotal		14.99%	41,900	10,475	12.50	0	41,900
PROJECT RESERVES							
Rent-up (Deficit Escrow) Reserve			2,000	500	0.60		
Replacement Reserve			1,000	250	0.30		
Working Capital			8,544	2,136	2.55		
Operating Reserve/Sinking Fund			2,000	500	0.60		
Subtotal			13,544	3,386	4.04	0	0
TOTAL DEVELOPMENT COSTS			334,952	83,738	99.93	0	317,408
	LESS:	Amount of Non-qualified Financing					
	LESS:	Adjustment for per unit cost limits					
	LESS:	Historic tax Credit (Residential Portion)					
				Total Eligible Basis		0	317,408
	TIMES:	Adjusted for QCT/DDA			130.0%		412,630
	TIMES:	Applicable Fraction			48.57%	0	200,406
				Total Qualified Basis		0	200,406
	TIMES:	Applicable Percentage				3.70%	8.64%
			Total Annual Credit Qualified			0	17,315
Total Tax Credits Requested			17,681				
Estimated Net Syndication Proceeds		110,800					
Estimated Yield - LIHTC Syndication		63.30%					
Equity Gap		110,800					
Credits Needed to fill Equity Gap			17,504				

10 Phelps Court			Rental Income		06-Jun-97	
Restricted Units						Total
Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent
1 Br		783	1	360		4,320
2 Br		845	1	380		4,560
	Totals	1,628	2			8,880
Other Restricted Units						Total
Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent
1 Br		879	1	400		4,800
2 Br		845	1	440		5,280
	Totals	1,724	2			10,080
All Units						
	Grand Totals	3,352	4			18,960
		Less Vacancy	5.00%			(948)
					NET RENT	18,012
		OTHER INCOME				
		Interest Income				0
		Laundry				
		Parking				0
		Total Other Income				0
					TOTAL INCOM	18,012

10 Phelps Court	EXPENSE BUDGET			06-Jun-97
			Per Unit	
	Annual	Monthly	Per Month	
Administration				
Management Fee	1,920	160	40	10.7%
Marketing		0	0	
Audit/Accounting	1,666	139	35	
Legal	400	33	8	
Office Expense		0	0	
Telephone		0	0	
Office Payroll		0	0	
Rent		0	0	
Compliance Monitoring	48	4	1	
Other		0	0	
TOTAL ADMINISTRATIVE	4,034	336	84	
Utilities				
Water/Sewer	1,300	108	27	
Electric	420	35	9	
Fuel	2,100	175	44	
Other		0	0	
TOTAL UTILITIES	3,820	318	80	
Maintenance				
Maintenance Payroll	1,400	117	29	
Supplies		0	0	
Trash Removal	630	53	13	
Snow/Grounds	400	33	8	
Repairs		0	0	
Paint/Decorating	415	35	9	
Exterminating		0	0	
Contract Maintenance		0	0	
Equipment Debt		0	0	
Service Lease		0	0	
Other		0	0	
TOTAL MAINTENANCE	2,845	237	59	
Taxes	2,775	231	58	
Insurance	775	65	16	
Replacement Reserves	890	74	19	
Other		0	0	
Total	15,139	1,262	315	

06-Jun-97		10 Phelps Court				Cash Flow Projection										
		Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Residential Rent			18,960	19,197	19,437	19,680	19,926	20,175	20,427	20,683	20,941	21,203	21,468	21,736	22,008	22,283	22,562
Less Res Vacancy			(948)	(960)	(972)	(984)	(996)	(1,009)	(1,021)	(1,034)	(1,047)	(1,060)	(1,073)	(1,087)	(1,100)	(1,114)	(1,128)
Plus Other Income			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Actual Income			18,012	18,237	18,465	18,696	18,930	19,166	19,406	19,648	19,894	20,143	20,394	20,649	20,908	21,169	21,433
Less Operating Expense			14,249	14,676	15,117	15,570	16,037	16,518	17,014	17,524	18,050	18,592	19,149	19,724	20,316	20,925	21,553
Less Reserves			890	901	912	924	935	947	959	971	983	995	1,008	1,020	1,033	1,046	1,059
Net Operating Income			2,873	2,660	2,436	2,202	1,957	1,701	1,433	1,153	861	556	237	(95)	(441)	(802)	(1,178)
Less Primary Debt Service			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Less Secondary Debt Service			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Flow			2,873	2,660	2,436	2,202	1,957	1,701	1,433	1,153	861	556	237	(95)	(441)	(802)	(1,178)
Oper Subsidy			0	0	0	0	0	0	0	0	0	0	0	95	441	802	1,178
Net Cash			2,873	2,660	2,436	2,202	1,957	1,701	1,433	1,153	861	556	237	0	0	0	0
DCR			N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Cumulative Cash Flow																	
Beginning Balance			10,544	16,182	21,439	26,292	30,713	34,678	38,158	41,126	43,551	45,403	46,650	47,354	47,733	47,769	47,444
Interest		2.0%	105	162	214	263	307	347	382	411	436	454	467	474	477	478	474
Deposits			2,873	2,660	2,436	2,202	1,957	1,701	1,433	1,153	861	556	237	0	0	0	0
Withdrawls			0	0	0	0	0	0	0	0	0	0	0	(95)	(441)	(802)	(1,178)
Ending Balance			13,522	19,003	24,090	28,756	32,977	36,726	39,973	42,690	44,847	46,413	47,354	47,733	47,769	47,444	46,740
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income			2,873	2,660	2,436	2,202	1,957	1,701	1,433	1,153	861	556	237	(95)	(441)	(802)	(1,178)
Plus Reserves			890	901	912	924	935	947	959	971	983	995	1,008	1,020	1,033	1,046	1,059
Less Interest Expense			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Less Depreciation			(7,948)	(7,948)	(7,948)	(7,948)	(7,948)	(7,948)	(7,948)	(7,948)	(7,948)	(7,948)	(7,948)	(7,948)	(7,948)	(7,948)	(7,948)
Taxable Income (Loss)			(4,185)	(4,387)	(4,599)	(4,822)	(5,055)	(5,300)	(5,556)	(5,824)	(6,104)	(6,397)	(6,703)	(7,022)	(7,356)	(7,704)	(8,067)
Cash Flow			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings			1,423	1,492	1,564	1,639	1,719	1,802	1,889	1,980	2,075	2,175	2,279	2,388	2,501	2,619	2,743
Plus Tax Credits			17,315	17,315	17,315	17,315	17,315	17,315	17,315	17,315	17,315	17,315					
Less Cap Gain Tax																	0
After Tax Cash Flow		(109,602)	18,738	18,807	18,879	18,954	19,034	19,117	19,204	19,295	19,390	19,490	2,279	2,388	2,501	2,619	2,743
Total 15 years																	
Internal Rate of Return:		12.15%															

ACCAG 2			RUN DATE:	06-Jun-97	
Total Residential Units:	32	Increase LIHTC		1.50%	
Restricted Units:	30	Increase Market		1.50%	
Percent Restricted:	93.75%	Expense increase:		3.00%	
Avg Net Monthly Rent:	390	Vacancy Rate:		5.00%	
Total Dev Costs	2,492,169	Partner's Tax Rate:		34.00%	
TDC/Unit	77,880	Residential Depreciation Schedule:		27.5	
		Commercial Depreciation Schedule:		39	
Max Credit Amount	156,323	Sponsor's Estimated Yield:		78.25%	
Credit Amount Allocated	134,000				
Net Syndication					
LIHTC - 9%	8.64%	(June '97)			
LIHTC - 4%	3.70%				
FINANCING SOURCES					
	Amount	% of TDC	Interest	Term	Amortization
First Mortgage	275,000	11.03%	9.75%	25	25
VCLF Loan	50,000	2.01%	9.00%	10	
VHCB Loan	115,250	4.62%	2.00%	40	
HOME Deferred Loan	195,000	7.82%	6.88%	30	
CDBG Deferred Loan	170,000	6.82%	2.00%	40	
VHCB Lead Paint Deferred	24,500	0.98%	6.88%	30	
Developer Loan	10,000	0.40%	2.00%	5	
VHCB Grant	72,000	2.89%	N/A	N/A	
Historic equity	182,029	7.30%	N/A	N/A	
Tax Credit Equity	1,038,000	41.65%	N/A	N/A	
	2,131,779	85.54%			
Existing Financing (to be assumed)					
VHCB	160,000	6.42%	1.00%	30	
VHCB	116,000	4.65%	0.00%		
VHCB	38,002	1.52%	3.00%		
VHCB Grant to Loan	38,750	1.55%	N/A	N/A	
LCHDC	7,252	0.29%	0.00%		
	360,004	14.45%			
Total, Both Phases	2,491,783		-		
Gap	386				
1 Br	78,380	12	940,560		
2 Br	83,380	16	1,334,080		
3 Br	88,380	3	265,140		
4 Br	93,380	1	93,380		
Max cost allowed by unit cost limits			2,633,160		
projected total cost, excluding cash accounts and relocation			2,437,919		
		(over)/under	195,241		
General Partner's Capital Contribution			0		
Limited Partner's Capital Contribution			1,038,000		
Total Capital Contribution			1,038,000		

ACCAG 2		DEVELOPMENT BUDGET					06-Jun-97
			Budget	Per Unit	Per s.f.	Acquisition Credit	Rehab/Const Credit
ACQUISITION & CONSTRUCTION							
Land		968,872	174,397	5,450	7.22		
Purchase of Building(s)			794,475	24,827	32.91	794,475	
Sitework			84,870	2,652	3.52		84,870
Rehabilitation			799,844	24,995	33.13		799,844
Lead Abatement			38,500	1,203	1.59		38,500
OFF SITE IMPROVEMENTS				0	0.00		0
BOND				0	0.00		0
General Requirements		0.00%		0	0.00		0
Contractor Overhead		0.00%		0	0.00		0
Contractor Profit	0.0%	0.00%		0	0.00		0
Construction Contingency		337.01%	129,750	4,055	5.37		129,750
APPLIANCES			19,600	613	0.81		19,600
Subtotal			2,041,436	63,795	84.56	794,475	1,072,564
PROFESSIONAL SERVICES							
Architect Fee - Design			83,783	2,618	3.47		83,783
Clerk of the Works			39,000	1,219	1.62		39,000
Appraisal			3,800	119	0.16	3,800	
SURVEY/ENGINEERING				0	0.00		0
Legal/Acct (Audits)			12,000	375	0.50		9,000
Legal - Title & Recording			2,503	78	0.10		
Subtotal			141,086	4,409	5.84	3,800	131,783
INTERIM COSTS							
Construction Insurance				0	0.00		0
Construction Interest			33,000	1,031	1.37		24,750
Construction Loan Origination Fee			3,450	108	0.14		863
Insurance during construction			6,500	203	0.27		4,875
Subtotal			42,950	1,342	1.78	0	30,488
OTHER SOFT COSTS							
Property Appraisal				0	0.00		0
Market Study				0	0.00		0
Environmental Report/Energy Assessment			12,550	392	0.52		12,550
Relocation			33,750	1,055	1.40		33,750
PERMITS/FEES			7,559	236	0.31		7,559
Soft Cost Contingency			3,838	120	0.16		2,878
Tax Credit Fees			3,250	102	0.13		3,250
Marketing (RENT UP)			500	16	0.02		
Subtotal			61,447	1,920	2.55	0	59,987
FINANCING FEES & EXPENSES							
Credit Report				0	0.00		
Permanent Loan Origination Fee				0	0.00		
Credit Enhancement				0	0.00		
Cost of Issuance				0	0.00		
Title & Recording				0	0.00		
Counsel's Fee				0	0.00		
Other				0	0.00		
Subtotal			0	0	0.00	0	0
SYNDICATION COSTS							
Organizational (Partnership)				0	0.00		
Bridge Loan Interest				0	0.00		
Tax Opinion				0	0.00		
Subtotal			0	0	0.00	0	0
DEVELOPER'S FEES							
Developer's Overhead & Profit			184,750	5,773	7.65		184,750
Consultant Fees				0	0.00		0
Subtotal		8.08%	184,750	5,773	7.65	0	184,750
PROJECT RESERVES							
Rent-up (Deficit Escrow) Reserve			10,000	313	0.41		
Replacement Reserve				0	0.00		
Working Capital			10,500	328	0.43		
Operating Reserve/Sinking Fund				0	0.00		
Subtotal			20,500	641	0.85	0	0
TOTAL DEVELOPMENT COSTS			2,492,169	77,880	103.23	798,275	1,479,572
	LESS:	Amount of Non-qualified Financing					24,500
	LESS:	Adjustment for per unit cost limits					
	LESS:	Historic tax Credit (Residential Portion)					214,152
				Total Eligible Basis		798,275	1,240,920
	TIMES:	Adjusted for QCT/DDA			130.0%		1,613,196
	TIMES:	Applicable Fraction			92.54%	738,759	1,492,923
				Total Qualified Basis		738,759	1,492,923
	TIMES:	Applicable Percentage				3.70%	8.64%
			Total Annual Credit Qualified			27,334	128,989
Total Tax Credits Requested			134,000	*requested*		*24,196*	*113,131*
Estimated Net Syndication Proceeds		1,038,000					
Estimated Yield - LIHTC Syndication		78.25%		*allocation*		*23,431*	*110,569*
Equity Gap		1,038,386					
Credits Needed to fill Equity Gap			134,050				

ACCAG 2		Rental Income			06-Jun-97	
Restricted Units						Total
Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent
1 Br		6,743	11	346		45,672
2 Br		11,456	15	417		75,060
3 Br		3,000	3	559		20,124
4 Br		1,144	1	545		6,540
	Totals	22,343	30			147,396
Market Rate Units						Total
Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent
1 Br		850	1	425		5,100
2 Br		950	1	435		5,220
	Totals	1,800	2			10,320
All Units						
	Grand Totals	24,143	32			157,716
		Less Vacancy	5.00%			(7,886)
					NET RENT	149,830
		OTHER INCOME				
		Interest Income				252
		Laundry				3,000
		Commercial space net rent				19,509
		Total Other Income				22,761
					TOTAL INCOM	172,591

06-Jun-97		ACCAG 2				Cash Flow Projection											
		Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Residential Rent			157,716	160,082	162,483	164,920	167,394	169,905	172,453	175,040	177,666	180,331	183,036	185,781	188,568	191,397	194,268
Less Res Vacancy			(7,886)	(8,004)	(8,124)	(8,246)	(8,370)	(8,495)	(8,623)	(8,752)	(8,883)	(9,017)	(9,152)	(9,289)	(9,428)	(9,570)	(9,713)
Plus Other Income			22,761	23,102	23,449	23,801	24,158	24,520	24,888	25,261	25,640	26,025	26,415	26,811	27,213	27,622	28,036
Total Actual Income			172,591	175,180	177,808	180,475	183,182	185,930	188,719	191,549	194,423	197,339	200,299	203,304	206,353	209,448	212,590
Less Operating Expense			117,495	121,020	124,650	128,390	132,242	136,209	140,295	144,504	148,839	153,304	157,903	162,641	167,520	172,545	177,722
Less Reserves			8,914	9,048	9,183	9,321	9,461	9,603	9,747	9,893	10,042	10,192	10,345	10,500	10,658	10,818	10,980
Net Operating Income			46,182	45,113	43,974	42,764	41,479	40,118	38,677	37,152	35,542	33,843	32,051	30,163	28,176	26,085	23,889
Less Primary Debt Service			29,408	29,408	29,408	29,408	29,408	29,408	29,408	29,408	29,408	29,408	29,408	29,408	29,408	29,408	29,408
Less Developer Note pmt			2,103	2,103	2,103	2,103	2,103	0	0	0	0	0	0	0	0	0	0
Less Secondary Debt Service			7,601	7,601	7,601	7,601	7,601	7,601	7,601	7,601	7,601	7,601	0	0	0	0	0
Cash Flow			7,071	6,001	4,862	3,652	2,368	3,110	1,668	144	(1,466)	(3,166)	2,643	755	(1,232)	(3,322)	(5,519)
Oper Subsidy			0	0	0	0	0	0	0	0	1,466	3,166	0	0	1,232	3,322	5,519
Net Cash			7,071	6,001	4,862	3,652	2,368	3,110	1,668	144	0	0	2,643	755	0	0	0
DCR			124.79%	121.90%	118.82%	115.55%	112.08%	108.40%	104.51%	100.39%	96.04%	91.45%	108.99%	102.57%	95.81%	88.70%	81.23%
Cumulative Cash Flow																	
Beginning Balance			10,909	17,019	22,052	25,924	28,552	31,947	33,935	34,419	34,763	33,644	33,458	34,548	34,894	34,011	31,029
Interest		2.0%	109	170	221	259	286	319	339	344	348	336	335	345	349	340	310
Withdrawls			0	0	0	0	0	0	0	0	(1,466)	(3,166)	0	0	(1,232)	(3,322)	(5,519)
Ending Balance			11,018	17,189	22,272	26,184	28,837	32,267	34,274	34,763	33,644	30,815	33,793	34,894	34,011	31,029	25,820
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income			46,182	45,113	43,974	42,764	41,479	40,118	38,677	37,152	35,542	33,843	32,051	30,163	28,176	26,085	23,889
Plus Reserves			8,914	9,048	9,183	9,321	9,461	9,603	9,747	9,893	10,042	10,192	10,345	10,500	10,658	10,818	10,980
Less Interest Expense			(52,486)	(51,918)	(51,293)	(50,606)	(49,852)	(49,042)	(48,174)	(47,217)	(46,163)	(45,000)	(44,041)	(43,374)	(42,634)	(41,813)	(40,903)
Less Depreciation - short term			(2,800)	(2,800)	(2,800)	(2,800)	(2,800)	(2,800)	(2,800)								
Less Depreciation - commercial			(6,382)	(6,382)	(6,382)	(6,382)	(6,382)	(6,382)	(6,382)	(6,382)	(6,382)	(6,382)	(6,382)	(6,382)	(6,382)	(6,382)	(6,382)
Less Depreciation - residential			(64,998)	(64,998)	(64,998)	(64,998)	(64,998)	(64,998)	(64,998)	(64,998)	(64,998)	(64,998)	(64,998)	(64,998)	(64,998)	(64,998)	(64,998)
Taxable Income (Loss)			(71,569)	(71,937)	(72,315)	(72,701)	(73,091)	(73,501)	(73,930)	(71,551)	(71,958)	(72,345)	(73,025)	(74,090)	(75,180)	(76,289)	(77,414)
Cash Flow			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings			24,334	24,459	24,587	24,718	24,851	24,990	25,136	24,327	24,466	24,597	24,828	25,191	25,561	25,938	26,321
Plus Tax Credits			134,000	134,000	134,000	134,000	134,000	134,000	134,000	134,000	134,000	134,000					
Plus Historic Tax Credits			214,152														
Less Cap Gain Tax																	
After Tax Cash Flow		(1,038,000)	372,486	158,459	158,587	158,718	158,851	158,990	159,136	158,327	158,466	158,597	24,828	25,191	25,561	25,938	26,321
Total 15 years																	
Internal Rate of Return:		14.02%															

Railroad Street			RUN DATE:	06-Jun-97	
Total Residential Units:	16	Increase LIHTC		1.25%	
Restricted Units:	12	Increase Market		1.25%	
Percent Restricted:	75.00%	Expense increase:		3.00%	
Avg Net Monthly Rent:	445	Vacancy Rate:		5.00%	
Total Dev Costs	1,521,250	Partner's Tax Rate:		34.00%	
TDC/Unit	95,078	Depreciation Schedule:		27.5	
		Sponsor's Estimated Yield:		71.27%	
Max Credit Amount	75,490				
Credit Amount Allocated	74,116				
Net Syndication	528,250				
LIHTC - 9%	8.64%	(June '97)			
LIHTC - 4%	3.70%				
FINANCING SOURCES					
	Amount	% of TDC	Interest	Amortization	Term
First Mortgage	212,000	13.94%	8.50%	30	30
VHCB Deferred	220,000	14.46%	1.00%	40	
HOME Deferred	185,000	12.16%	6.54%	30	
CDBG Grant	0	0.00%	N/A	N/A	
CDBG Deferred	280,000	18.41%	0.00%	35	
AHP Grant	90,000	5.92%	N/A	N/A	
VHCB Feasibility Grant	6,000	0.39%	N/A	N/A	
Tax Credit Equity	528,250	34.72%	N/A	N/A	
	1,521,250	100.00%			
Gap	(0)				
1 Br	78,380	2	156,760		
2 Br	83,380	12	1,000,560		
3 Br	88,380	2	176,760		
Max cost allowed by unit cost limits			1,334,080		
projected total cost, excluding cash accounts			1,516,250		
		(over)/under	(182,170)		
General Partner's Capital Contribution			5,283		
Limited Partner's Capital Contribution			522,968		
Total Capital Contribution			528,250		

Railroad Street		DEVELOPMENT BUDGET					06-Jun-97
						Acquisition	Rehab/Const
			Budget	Per Unit	Per s.f.	Credit	Credit
ACQUISITION & CONSTRUCTION							
Land			136,000	8,500	8.66		
Purchase of Building(s)				0	0.00	0	
Sitework			100,000	6,250	6.37		100,000
Bond			5,000	313	0.32		5,000
New Buildings			866,000	54,125	55.16		866,000
Home Office Module			59,400	3,713	3.78		59,400
Construction Outside Contract			15,000	938	0.96		15,000
General Requirements		0.00%		0	0.00		0
Contractor Overhead		0.00%		0	0.00		0
Contractor Profit	0.0%	0.00%		0	0.00		0
Construction Contingency		8.37%	72,450	4,528	4.61		72,450
APPLIANCES			12,800	800	0.82		12,800
Subtotal			1,266,650	79,166	80.68	0	1,130,650
PROFESSIONAL SERVICES							
Architect & Engineering			56,000	3,500	3.57		56,000
Clerk of the Works			15,000	938	0.96		15,000
Attorney				0	0.00		0
Archaeological Survey			5,000	313	0.32		5,000
ACCOUNTING			5,000	313	0.32		3,750
Legal - Title & Recording			3,000	188	0.19		
Subtotal			84,000	5,250	5.35	0	79,750
INTERIM COSTS							
				0	0.00		0
Construction Interest			8,000	500	0.51		6,000
Construction Loan Origination Fee			3,000	188	0.19		990
Taxes & Insurance during const			3,000	188	0.19		2,250
Subtotal			14,000	875	0.89	0	9,240
OTHER SOFT COSTS							
Property Appraisal			2,000	125	0.13		2,000
Soft Cost Contingency			6,100	381	0.39		4,575
Environmental Report				0	0.00		0
SEWER & WATER FEES				0	0.00		0
PERMITS/FEES			29,000	1,813	1.85		29,000
			0	0	0.00		0
Tax Credit Fees			3,000	188	0.19		3,000
Marketing- Housing			5,000	313	0.32		0
Subtotal			45,100	2,819	2.87	0	38,575
FINANCING FEES & EXPENSES							
Credit Report				0	0.00		
Permanent Loan Origination Fee				0	0.00		
Credit Enhancement				0	0.00		
Cost of Issuance				0	0.00		
Title & Recording				0	0.00		
Counsel's Fee				0	0.00		
Other				0	0.00		
Subtotal			0	0	0.00	0	0
SYNDICATION COSTS							
Organizational (Partnership)				0	0.00		
Bridge Loan Interest				0	0.00		
Tax Opinion				0	0.00		
Subtotal			0	0	0.00	0	0
DEVELOPER'S FEES							
Developer's Overhead & Profit			106,500	6,656	6.78		106,500
Consultant Fees				0	0.00		0
Subtotal		7.55%	106,500	6,656	6.78	0	106,500
PROJECT RESERVES							
Rent-up (Deficit Escrow) Reserve				0	0.00		
Replacement Reserve				0	0.00		
Working Capital			5,000	313	0.32		
Operating Reserve/Sinking Fund				0	0.00		
Subtotal			5,000	313	0.32	0	0
TOTAL DEVELOPMENT COSTS			1,521,250	95,078	96.89	0	1,364,715
	LESS:	Amount of Non-qualified Financing					
	LESS:	Adjustment for per unit cost limits					182,170
	LESS:	Historic tax Credit (Residential Portion)					
				Total Eligible Basis		0	1,182,545
	TIMES:	Adjusted for QCT/DDA			100.0%		1,182,545
	TIMES:	Applicable Fraction			73.89%	0	873,728
				Total Qualified Basis		0	873,728
	TIMES:	Applicable Percentage				3.70%	8.64%
			Total Annual	Credit Qualified		0	75,490
Total Tax Credits Requested			74,500				
Estimated Net Syndication Proceeds		528,332					
Estimated Yield - LIHTC Syndication		71.27%					
Equity Gap		528,250					
Credits Needed to fill Equity Gap			74,116				

Railroad Street			Rental Income		06-Jun-97	
Restricted Units						Total
Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent
1 Br		750	2	375		9,000
2 Br		950	3	405		14,580
2 Br		950	5	460		27,600
3 Br		1,250	2	475		11,400
	Totals	11,600	12			62,580
Market Rate Units						Total
Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent
2 Br		950	2	550		13,200
2 Br		1,100	2	590		14,160
	Totals	4,100	4			27,360
All Units						
	Grand Totals	15,700	16			89,940
		Less Vacancy	5.00%			(4,497)
					NET RENT	85,443
		OTHER INCOME				
		Interest Income				0
		Laundry				
		Parking				0
		Total Other Income				0
					TOTAL INCOM	85,443

Railroad Street	EXPENSE BUDGET			06-Jun-97
			Per Unit	
	Annual	Monthly	Per Month	
Administration				
Management Fee	6,720	560	35	7.9%
Marketing		0	0	
Audit/Accounting	4,224	352	22	
Legal		0	0	
Office Expense		0	0	
Telephone		0	0	
Office Payroll		0	0	
Rent		0	0	
Compliance Monitoring	288	24	2	
Other	1,536	128	8	
TOTAL ADMINISTRATIVE	12,768	1,064	67	
Utilities				
Water/Sewer	2,304	192	12	
Electric	960	80	5	
Fuel	384	32	2	
Other		0	0	
TOTAL UTILITIES	3,648	304	19	
Maintenance				
Maintenance Payroll	8,640	720	45	
Supplies		0	0	
Trash Removal	2,304	192	12	
Snow/Grounds	384	32	2	
Repairs		0	0	
Paint/Decorating	576	48	3	
Exterminating		0	0	
Contract Maintenance		0	0	
Equipment Debt		0	0	
Service Lease		0	0	
Other	384	32	2	
TOTAL MAINTENANCE	12,288	1,024	64	
Taxes	17,056	1,421	89	
Insurance	2,304	192	12	
Replacement Reserves	3,598	300	19	
Other		0	0	
Total	51,662	4,305	269	

06-Jun-97		Railroad Street				Cash Flow Projection											
		Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Residential Rent			89,940	91,064	92,203	93,355	94,522	95,704	96,900	98,111	99,337	100,579	101,836	103,109	104,398	105,703	107,025
Less Res Vacancy			(4,497)	(4,553)	(4,610)	(4,668)	(4,726)	(4,785)	(4,845)	(4,906)	(4,967)	(5,029)	(5,092)	(5,155)	(5,220)	(5,285)	(5,351)
Plus Other Income			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Actual Income			85,443	86,511	87,592	88,687	89,796	90,918	92,055	93,206	94,371	95,550	96,745	97,954	99,178	100,418	101,673
Less Operating Expense			48,064	49,506	50,991	52,521	54,096	55,719	57,391	59,113	60,886	62,713	64,594	66,532	68,528	70,584	72,701
Less Reserves			3,598	3,643	3,689	3,735	3,781	3,829	3,876	3,925	3,974	4,024	4,074	4,125	4,176	4,229	4,281
Net Operating Income			33,781	33,362	32,913	32,432	31,918	31,370	30,787	30,168	29,511	28,814	28,077	27,297	26,474	25,606	24,691
Less Primary Debt Service			19,561	19,561	19,561	19,561	19,561	19,561	19,561	19,561	19,561	19,561	19,561	19,561	19,561	19,561	19,561
Less Secondary Debt Service			8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Cash Flow			6,220	5,801	5,352	4,871	4,357	3,809	3,226	2,607	1,949	1,253	516	(264)	(1,087)	(1,955)	(2,870)
Oper Subsidy			0	0	0	0	0	0	0	0	0	0	0	264	1,087	1,955	2,870
Net Cash			6,220	5,801	5,352	4,871	4,357	3,809	3,226	2,607	1,949	1,253	516	0	0	0	0
DCR			122.57%	121.05%	119.42%	117.67%	115.81%	113.82%	111.71%	109.46%	107.07%	104.55%	101.87%	99.04%	96.06%	92.91%	89.59%
Cumulative Cash Flow																	
Beginning Balance			6,220	12,083	17,556	22,602	27,185	31,266	34,805	37,760	40,087	41,741	42,674	43,100	43,267	42,613	41,084
Interest		2.0%	62	121	176	226	272	313	348	378	401	417	427	431	433	426	411
Withdrawls			0	0	0	0	0	0	0	0	0	0	0	(264)	(1,087)	(1,955)	(2,870)
Ending Balance			6,282	12,204	17,731	22,828	27,457	31,579	35,153	38,137	40,488	42,158	43,100	43,267	42,613	41,084	38,624
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income			33,781	33,362	32,913	32,432	31,918	31,370	30,787	30,168	29,511	28,814	28,077	27,297	26,474	25,606	24,691
Plus Reserves			3,598	3,643	3,689	3,735	3,781	3,829	3,876	3,925	3,974	4,024	4,074	4,125	4,176	4,229	4,281
Less Interest Expense			(32,258)	(32,116)	(31,962)	(31,794)	(31,611)	(31,412)	(31,196)	(30,961)	(30,704)	(30,425)	(30,122)	(29,791)	(29,432)	(29,040)	(28,614)
Less Depreciation			(51,445)	(51,445)	(51,445)	(51,445)	(51,445)	(51,445)	(51,445)	(49,616)	(49,616)	(49,616)	(49,616)	(49,616)	(49,616)	(49,616)	(49,616)
Taxable Income (Loss)			(46,323)	(46,556)	(46,805)	(47,072)	(47,357)	(47,658)	(47,977)	(46,484)	(46,836)	(47,204)	(47,588)	(47,986)	(48,397)	(48,822)	(49,258)
Cash Flow			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings			15,750	15,829	15,914	16,005	16,101	16,204	16,312	15,805	15,924	16,049	16,180	16,315	16,455	16,600	16,748
Plus Tax Credits			74,116	74,116	74,116	74,116	74,116	74,116	74,116	74,116	74,116	74,116					
Less Cap Gain Tax																	
After Tax Cash Flow		(528,250)	89,866	89,945	90,030	90,121	90,217	90,320	90,428	89,921	90,040	90,165	16,180	16,315	16,455	16,600	16,748
Total 15 years																	
Internal Rate of Return:		11.99%															

Swanton Meadows				RUN DATE:	06-Jun-97	
Total Residential Units:	20	Increase LIHTC			1.50%	
Restricted Units:	20	Increase Market			1.50%	
Percent Restricted:	100.00%	Expense increase:			3.00%	
Avg Net Monthly Rent:	552	Vacancy Rate:			4.00%	
Total Dev Costs	1,857,269	Partner's Tax Rate:			34.00%	
TDC/Unit	92,863	Depreciation Schedule:			27.5	
		Sponsor's Estimated Yield:			66.00%	
Max Credit Amount	59,074					
Credit Amount Allocated	59,074					
Net Syndication	385,983					
LIHTC - 9%	8.64%		(June '97)			
LIHTC - 4%	3.70%					
FINANCING SOURCES						
	Amount	% of TDC		Interest	Amortization	Term
First Mortgage	1,389,000		74.79%	1.00%	50	50
Other Equity	63,208		3.40%	N/A	N/A	
Tax Credit Equity	389,882		20.99%	N/A	N/A	
	1,842,090		99.18%			
Gap	15,179					
2 Br	83,380		13	1,083,940		
3 Br	88,380		7	618,660		
Max cost allowed by unit cost limits				1,702,600		
projected total cost, excluding cash accounts				1,828,027		
		(over)/under		(125,427)		
General Partner's Capital Contribution				3,899		
Limited Partner's Capital Contribution				385,983		
Total Capital Contribution				389,882		

Swanton Meadows DEVELOPMENT BUDGET 06-Jun-97

			Budget	Per Unit	Per s.f.	Acquisition Credit	Rehab/Const Credit
ACQUISITION & CONSTRUCTION							
Land			98,000	4,900	5.31		
Purchase of Building(s)				0	0.00	0	
Sitework			226,564	11,328	12.26		226,564
Rehabilitation				0	0.00		0
New Buildings			812,726	40,636	44.00		812,726
OFF SITE IMPROVEMENTS				0	0.00		0
BOND				0	0.00		0
General Requirements		5.78%	62,357	3,118	3.38		62,357
Contractor Overhead		1.93%	20,786	1,039	1.13		20,786
Contractor Profit	13.5%	5.78%	62,357	3,118	3.38		62,357
Construction Contingency		4.92%	40,000	2,000	2.17		40,000
APPLIANCES				0	0.00		0
Subtotal			1,322,790	66,140	71.61	0	1,224,790
PROFESSIONAL SERVICES							
Architect			32,000	1,600	1.73		32,000
Architect Fee - Supervision				0	0.00		0
Attorney				0	0.00		0
SURVEY/ENGINEERING			25,300	1,265	1.37		25,300
ACCOUNTING				0	0.00		0
Legal - Title & Recording			15,000	750	0.81		15,000
Subtotal			72,300	3,615	3.91	0	72,300
INTERIM COSTS							
Construction Insurance				0	0.00		0
Construction Interest			38,300	1,915	2.07		38,300
Construction Loan Origination Fee			17,500	875	0.95		17,500
Taxes			5,500	275	0.30		5,500
Subtotal			61,300	3,065	3.32	0	61,300
OTHER SOFT COSTS							
Property Appraisal				0	0.00		0
Market Study			3,757	188	0.20		3,757
Environmental Report			16,734	837	0.91		16,734
SEWER & WATER FEES			40,000	2,000	2.17		40,000
PERMITS/FEES			17,500	875	0.95		17,500
PERMITS/FEES - LOCAL			20,000	1,000	1.08		20,000
Fiscal Impact Studies			12,000	600	0.65		12,000
Litigation			28,000	1,400	1.52		28,000
Tax Credit Fees			4,000	200	0.22		4,000
Marketing (RENT UP)				0	0.00		
Subtotal			141,991	7,100	7.69	0	141,991
FINANCING FEES & EXPENSES							
Credit Report				0	0.00		
Permanent Loan Origination Fee				0	0.00		
Credit Enhancement				0	0.00		
Cost of Issuance				0	0.00		
Title & Recording				0	0.00		
Counsel's Fee				0	0.00		
Other				0	0.00		
Subtotal			0	0	0.00	0	0
SYNDICATION COSTS							
Organizational (Partnership)			8,000	400	0.43		
Bridge Loan Interest				0	0.00		
Tax Opinion				0	0.00		
Subtotal			8,000	400	0.43	0	0
DEVELOPER'S FEES							
Developer's Overhead & Profit			221,646	11,082	12.00		221,646
Consultant Fees				0	0.00		0
Subtotal		13.80%	221,646	11,082	12.00	0	221,646
PROJECT RESERVES							
Rent-up (Deficit Escrow) Reserve				0	0.00		
Replacement Reserve				0	0.00		
Working Capital				0	0.00		
Operating Reserve/Sinking Fund			29,242	1,462	1.58		
Subtotal			29,242	1,462	1.58	0	0
TOTAL DEVELOPMENT COSTS			1,857,269	92,863	100.54	0	1,722,027
	LESS:	Amount of Non-qualified Financing					
	LESS:	Adjustment for per unit cost limits					125,427
	LESS:	Historic tax Credit (Residential Portion)					
				Total Eligible Basis		0	1,596,600
	TIMES:	Adjusted for QCT/DDA			100.0%		1,596,600
	TIMES:	Applicable Fraction			100.00%	0	1,596,600
				Total Qualified Basis		0	1,596,600
	TIMES:	Applicable Percentage				3.70%	3.70%
			Total Annual Credit Qualified			0	59,074
Total Tax Credits Requested			61,994				
Estimated Net Syndication Proceeds		405,062					
Estimated Yield - LIHTC Syndication		66.00%					
Equity Gap		405,061					
Credits Needed to fill Equity Gap			61,374				

Swanton Meadows			Rental Income		06-Jun-97	
Restricted Units						Total
Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent
2 Br		854	13	570		88,920
3 Br		1,053	7	585		49,140
						0
						0
						0
	Totals	18,473	20			138,060
Market Rate Units						Total
Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent
1 Br			0	0		0
2 Br			0	0		0
3 Br			0	0		0
	Totals	0	0			0
All Units						
	Grand Totals	18,473	20			138,060
		Less Vacancy	4.00%			(5,522)
					NET RENT	132,538
		OTHER INCOME				
		Interest Income				750
		Laundry & Vending				2,000
		Parking			-	0
		Total Other Income				2,750
					TOTAL INCOM	135,288

Swanton Meadows	EXPENSE BUDGET			06-Jun-97
			Per Unit	
	Annual	Monthly	Per Month	
Administration				
Management Fee	9,600	800	40	7.1%
Marketing	500	42	2	
Audit/Accounting	2,000	167	8	
Legal	400	33	2	
Office Expense		0	0	
Telephone	400	33	2	
Office Payroll		0	0	
Rent		0	0	
Compliance Monitoring		0	0	
Other	1,000	83	4	
TOTAL ADMINISTRATIVE	13,900	1,158	58	
Utilities				
Water/Sewer	4,100	342	17	
Electric	7,500	625	31	
Fuel	8,000	667	33	
Other		0	0	
TOTAL UTILITIES	19,600	1,633	82	
Maintenance				
Maintenance Payroll		0	0	
Supplies	800	67	3	
Trash Removal	2,400	200	10	
Snow/Grounds	6,000	500	25	
Repairs		0	0	
Paint/Decorating	2,000	167	8	
Exterminating		0	0	
Contract Maintenance	11,500	958	48	
Equipment Debt		0	0	
Services	500	42	2	
Other	100	8	0	
TOTAL MAINTENANCE	23,300	1,942	97	
Taxes	16,760	1,397	70	
Insurance	2,400	200	10	
Replacement Reserves		0	0	
Other		0	0	
Total	75,960	6,330	317	

06-Jun-97		Swanton Meadows			Cash Flow Projection												
		Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Residential Rent			138,060	140,131	142,233	144,366	146,532	148,730	150,961	153,225	155,524	157,856	160,224	162,628	165,067	167,543	170,056
Less Res Vacancy			(5,522)	(5,605)	(5,689)	(5,775)	(5,861)	(5,949)	(6,038)	(6,129)	(6,221)	(6,314)	(6,409)	(6,505)	(6,603)	(6,702)	(6,802)
Plus Other Income			2,750	2,791	2,833	2,876	2,919	2,963	3,007	3,052	3,098	3,144	3,191	3,239	3,288	3,337	3,387
Total Actual Income			135,288	137,317	139,377	141,467	143,589	145,743	147,929	150,148	152,400	154,686	157,007	159,362	161,752	164,179	166,641
Less Operating Expense			75,960	78,239	80,586	83,004	85,494	88,058	90,700	93,421	96,224	99,111	102,084	105,146	108,301	111,550	114,896
Less Reserves			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Operating Income			59,328	59,078	58,791	58,464	58,096	57,685	57,229	56,727	56,177	55,576	54,923	54,215	53,452	52,629	51,745
Less Primary Debt Service			35,313	35,313	35,313	35,313	35,313	35,313	35,313	35,313	35,313	35,313	35,313	35,313	35,313	35,313	35,313
Less Secondary Debt Service			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Flow			24,015	23,765	23,478	23,151	22,783	22,372	21,916	21,414	20,864	20,263	19,610	18,903	18,139	17,316	16,432
Oper Subsidy			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash			24,015	23,765	23,478	23,151	22,783	22,372	21,916	21,414	20,864	20,263	19,610	18,903	18,139	17,316	16,432
DCR			168.01%	167.30%	166.49%	165.56%	164.52%	163.35%	162.06%	160.64%	159.08%	157.38%	155.53%	153.53%	151.37%	149.04%	146.53%
Cumulative Cash Flow																	
Beginning Balance			24,015	48,020	71,979	95,850	119,591	143,159	166,507	189,586	212,346	234,733	256,690	278,160	299,081	319,387	339,014
Interest		2.0%	240	480	720	958	1,196	1,432	1,665	1,896	2,123	2,347	2,567	2,782	2,991	3,194	3,390
Withdrawls			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance			24,255	48,501	72,698	96,808	120,787	144,591	168,172	191,482	214,470	237,080	259,257	280,942	302,071	322,581	342,404
owner max dist	4,385																
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income			59,328	59,078	58,791	58,464	58,096	57,685	57,229	56,727	56,177	55,576	54,923	54,215	53,452	52,629	51,745
Plus Reserves			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Less Interest Expense			(13,792)	(13,575)	(13,357)	(13,136)	(12,914)	(12,689)	(12,461)	(12,232)	(12,000)	(11,766)	(11,529)	(11,290)	(11,049)	(10,805)	(10,559)
Less Depreciation			(61,165)	(61,165)	(61,165)	(61,165)	(61,165)	(61,165)	(61,165)	(61,165)	(61,165)	(61,165)	(61,165)	(61,165)	(61,165)	(61,165)	(61,165)
Taxable Income (Loss)			(15,629)	(15,662)	(15,731)	(15,837)	(15,983)	(16,169)	(16,397)	(16,669)	(16,988)	(17,354)	(17,771)	(18,239)	(18,762)	(19,341)	(19,979)
Cash Flow			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings			5,314	5,325	5,348	5,385	5,434	5,497	5,575	5,668	5,776	5,900	6,042	6,201	6,379	6,576	6,793
Plus Tax Credits			59,074	59,074	59,074	59,074	59,074	59,074	59,074	59,074	59,074	59,074					
Less Cap Gain Tax																	(94,488)
After Tax Cash Flow		(389,882)	64,388	64,399	64,422	64,459	64,508	64,571	64,649	64,742	64,850	64,974	6,042	6,201	6,379	6,576	(87,695)
Total 15 years																	
Internal Rate of Return:		9.57%															

Hedding Drive				RUN DATE:	04-Jun-97		
Total Residential Units:	16	Increase LIHTC			1.00%		
Restricted Units:	14	Increase Market			1.00%		
Percent Restricted:	87.50%	Expense increase:			2.50%		
Avg Net Monthly Rent:	331	Vacancy Rate:			5.00%		
Total Dev Costs	1,030,568	Partner's Tax Rate:			34.00%		
TDC/Unit	64,411	Depreciation Schedule:			27.5		
Monthly Operating Cost	288	Sponsor's Estimated Yield:			69.71%		
Max Credit Amount	53,113						
Credit Amount Allocated	42,000						
Net Syndication	292,777						
LIHTC - 9%	8.64%	(June '97)					
LIHTC - 4%	3.70%						
FINANCING SOURCES							
	Amount	% of TDC		Interest	Amortization	Term	
ICE First Mortgage	33,480		3.25%	6.00%	15	15	Restructured original loan
VHCB Loan	151,000		14.65%	0.00%	30	30	Original
VHCB Grant	171,477		16.64%	0.00%	30	30	New commitment
HOME	157,343		15.27%	0.00%	30	30	New commitment
LCHDC	91,000		8.83%	0.00%	30	30	Original
RNHS	27,541		2.67%	2.00%	30	30	Original
VHCB Grant	51,000		4.95%	0.00%	N/A	N/A	Original
FHLB Grant	54,638		5.30%	N/A	N/A	N/A	Original
Tax Credit Equity	292,777		28.41%	N/A	N/A	N/A	New Request
	1,030,256		99.97%				
Gap	312		0.03%	1.00%			
1 Br	78,380		4	313,520			
2 Br	83,380		12	1,000,560			
3 Br	88,380		0	0			
Max cost allowed by unit cost limits				1,314,080			
projected total cost, excluding cash accounts				978,668			
		(over)/under		335,412			
		Average Cost Per Unit		61,167			
General Partner's Capital Contribution				2,928			
Limited Partner's Capital Contribution				289,849			
Total Capital Contribution				292,777			

Hedding Drive		DEVELOPMENT BUDGET					04-Jun-97	
			Budget	Per Unit	Per s.f.	Acquisition Credit	Rehab/Const Credit	Depreciable Basis
ACQUISITION & CONSTRUCTION								
Acquisition - Land			71,061	4,441	5.33			
Acquisition - Improvements			521,118	32,570	39.12	521,118		521,118
Construction Contract			240,640	15,040	18.07		240,640	240,640
Appliances			6,800	425	0.51		6,800	0
Construction Contingency		10.00%	24,064	1,504	1.81		24,064	24,064
Clerk of the Works			11,000	688	0.83		11,000	11,000
Subtotal			874,683	54,668	65.67	521,118	282,504	796,822
PROFESSIONAL SERVICES								
Architect & Engineering			8,000	500	0.60		8,000	8,000
Legal & Accounting			10,000	625	0.75		7,500	10,000
Title Ins & Recording			4,000	250	0.30	4,000	0	4,000
Subtotal			22,000	1,375	1.65	4,000	15,500	22,000
INTERIM COSTS								
Construction Taxes & Insurance			4,000	250	0.30		3,000	4,000
Construction Interest			4,500	281	0.34		3,375	4,500
Subtotal			8,500	531	0.64	0	6,375	8,500
OTHER SOFT COSTS								
Property Appraisal			1,000	63	0.08	1,000	0	1,000
Permits & Fees			2,000	125	0.15		2,000	2,000
Relocation Costs			3,900	244	0.29		3,900	3,900
Tax Credit Fees			1,460	91	0.11		1,460	1,460
Soft Cost Contingency			1,025	64	0.08		769	1,025
Subtotal			9,385	587	0.70	1,000	8,129	9,385
FINANCING FEES & EXPENSES								
Other Consultants				0	0.00			0
Subtotal			0	0	0.00	0	0	0
SYNDICATION COSTS								
Organizational (Partnership)				0	0.00			
Subtotal			0	0	0.00	0	0	0
DEVELOPER'S FEES								
Housing Vermont Fee			51,000	3,188	3.83		51,000	51,000
Local Fee			15,000	938	1.13		15,000	15,000
Subtotal		7.22%	66,000	4,125	4.95	0	66,000	66,000
PROJECT RESERVES								
Deficit Escrow Reserve			30,000	1,875	2.25			
Marketing			2,000	125	0.15			2,000
Lease Up Reserve			18,000	1,125	1.35			
Subtotal			50,000	3,125	3.75	0	0	2,000
TOTAL DEVELOPMENT COSTS			1,030,568	64,411	77.37	526,118	378,508	904,707
								34,577
	LESS:	Amount of Non-qualified Financing				34,577	0	870,130
	LESS:	Adjustment for per unit cost limits					0	
	LESS:	Historic tax Credit (Residential Portion)					0	
				Total Eligible Basis		491,541	378,508	
	TIMES:	Adjusted for QCT/DDA			130.0%		492,060	
	TIMES:	Applicable Fraction			87.50%	430,098	430,553	
				Total Qualified Basis		430,098	430,553	
	TIMES:	Applicable Percentage				3.70%	8.64%	
			Total Annual Credit Qualified			15,914	37,200	
Total Tax Credits Requested			42,000					
Total Tax Credits Qualified		53,113			TOTAL:	53,113		
Estimated Net Syndication Proceeds		292,777						
Estimated Yield - LIHTC Syndication		69.71%						
Equity Gap		347,727						
Credits Needed to fill Equity Gap			49,883					

Hedding Drive			Rental Income		04-Jun-97	
Restricted Units						Total
Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent
1 Br	50%	630	2	243	114	5,832
1 Br	60%	630	1	304	114	3,648
2 Br	60%	900	11	373	140	49,236
	Totals	11,790	14			58,716
Market Rate Units						Total
Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent
1 Br	FMR - 57%	630	1	304	114	3,648
2 Br	FMR - 59%	900	1	373	140	4,476
	Totals	1,530	2			8,124
All Units						
	Grand Totals	13,320	16			66,840
		Less Vacancy Yr 3	5.00%			(3,342)
		Less Vacancy Yr 1	25.00%	(16,710)		
		Less Vacancy Yr 2	12.50%	(8,355)	NET RENT	63,498
		OTHER INCOME				
		Interest Income				
		Laundry				
		Parking				0
		Total Other Income				0
					TOTAL INCOM	63,498

Hedding Drive	EXPENSE BUDGET			04-Jun-97
			Per Unit	
	Annual	Monthly	Per Month	
Administration				
Management Fee		0	0	0.0%
Marketing		0	0	
Audit/Accounting		0	0	
Legal		0	0	
Office Expense		0	0	
Telephone		0	0	
Office Payroll		0	0	
Owners Fee		0	0	
Compliance Monitoring		0	0	
Supportive Services		0	0	
TOTAL ADMINISTRATIVE	13,097	1,091	68	
Utilities				
Water/Sewer		0	0	
Electric		0	0	
Fuel		0	0	
		0	0	
TOTAL UTILITIES	9,600	800	50	
Maintenance				
Maintenance Payroll		0	0	
Supplies		0	0	
Trash Removal		0	0	
Snow/Grounds		0	0	
Repairs		0	0	
Paint/Decorating		0	0	
Janitorial		0	0	
Contract Maintenance		0	0	
Equipment Debt		0	0	
Fire/Emergency Calls		0	0	
Other		0	0	
TOTAL MAINTENANCE	14,484	1,207	75	
Taxes	9,800	817	51	
Insurance	3,900	325	20	
Replacement Reserves	4,345	362	23	
Supportive Services	0	0	0	
Total	55,226	4,602	288	

04-Jun-97		Hedding Drive				Cash Flow Projection											
		Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Residential Rent			66,840	67,508	68,183	68,865	69,554	70,250	70,952	71,662	72,378	73,102	73,833	74,571	75,317	76,070	76,831
Less Res Vacancy			(16,710)	(8,355)	(3,409)	(3,443)	(3,478)	(3,512)	(3,548)	(3,583)	(3,619)	(3,655)	(3,692)	(3,729)	(3,766)	(3,804)	(3,842)
Plus Lease Up Reserve Payment			12,000	6,000													
Plus Other Income			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Actual Income			62,130	65,153	64,774	65,422	66,076	66,737	67,404	68,078	68,759	69,447	70,141	70,843	71,551	72,267	72,989
Less Operating Expense			50,881	52,153	53,457	54,793	56,163	57,567	59,006	60,482	61,994	63,543	65,132	66,760	68,429	70,140	71,894
Less Reserves			4,345	4,388	4,432	4,477	4,521	4,567	4,612	4,658	4,705	4,752	4,800	4,848	4,896	4,945	4,994
Net Operating Income			6,904	8,612	6,885	6,152	5,392	4,603	3,786	2,939	2,061	1,151	210	(765)	(1,774)	(2,818)	(3,899)
Less Primary Debt Service			3,390	3,390	3,390	3,390	3,390	3,390	3,390	3,390	3,390	3,390	3,390	3,390	3,390	3,390	3,390
Less Secondary Debt Service			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Flow			3,514	5,222	3,495	2,762	2,001	1,213	395	(452)	(1,330)	(2,239)	(3,181)	(4,155)	(5,164)	(6,209)	(7,289)
Oper Subsidy			0	0	0	0	0	0	0	452	1,330	2,239	3,181	4,155	5,164	6,209	7,289
Net Cash			3,514	5,222	3,495	2,762	2,001	1,213	395	0	0	0	0	0	0	0	0
DCR			203.64%	254.02%	203.08%	181.46%	159.04%	135.78%	111.66%	86.67%	60.78%	33.96%	6.19%	-22.57%	-52.33%	-83.13%	-115.00%
Cumulative Cash Flow																	
Beginning Balance			30,000	39,035	42,921	46,112	48,574	50,273	51,171	51,683	51,748	50,936	49,206	46,518	42,827	38,091	32,263
Interest		2.0%	300	390	429	461	486	503	512	517	517	509	492	465	428	381	323
Withdrawals			0	0	0	0	0	0	0	(452)	(1,330)	(2,239)	(3,181)	(4,155)	(5,164)	(6,209)	(7,289)
Ending Balance			33,814	39,426	43,350	46,573	49,060	50,776	51,683	51,748	50,936	49,206	46,518	42,827	38,091	32,263	25,297
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income			6,904	8,612	6,885	6,152	5,392	4,603	3,786	2,939	2,061	1,151	210	(765)	(1,774)	(2,818)	(3,899)
Plus Reserves			4,345	4,388	4,432	4,477	4,521	4,567	4,612	4,658	4,705	4,752	4,800	4,848	4,896	4,945	4,994
Less Interest Expense			(2,521)	(2,444)	(2,363)	(2,275)	(2,182)	(2,083)	(1,977)	(1,864)	(1,743)	(1,615)	(1,478)	(1,332)	(1,177)	(1,011)	(834)
Less Short Term Depreciation			(971)	(971)	(971)	(971)	(971)	(971)	0								
Less Long Term Depreciation			(31,641)	(31,641)	(31,641)	(31,641)	(31,641)	(31,641)	(31,641)	(31,641)	(31,641)	(31,641)	(31,641)	(31,641)	(31,641)	(31,641)	(31,641)
Taxable Income (Loss)			(23,885)	(22,057)	(23,658)	(24,259)	(24,882)	(25,526)	(25,220)	(25,908)	(26,619)	(27,353)	(28,110)	(28,891)	(29,696)	(30,525)	(31,380)
Cash Flow			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings			8,121	7,499	8,044	8,248	8,460	8,679	8,575	8,809	9,050	9,300	9,557	9,823	10,097	10,379	10,669
Plus Tax Credits			42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000					
Less Cap Gain Tax																	(61,320)
After Tax Cash Flow		(292,777)	50,121	49,499	50,044	50,248	50,460	50,679	50,575	50,809	51,050	51,300	9,557	9,823	10,097	10,379	(50,650)
Total 15 years															Original Basis		904,707
Internal Rate of Return:		11.33%													Less Depreciation		(474,616)
															Basis at Sale		430,091
															Sales Price		610,442

Table A

1997 Evaluation Summary Table	Applegate	WRAP	ACCAG II	Hedding Drive
1. Preference must be given among selected projects to proposals serving: (a) the lowest income tenants, and (b) qualified tenants for the longest period (There must be a satisfactory mechanism to enforce income and rent restrictions.)	(a) 27 (26%) @ 49% AMGI 47 (46%) @ 59% AMGI 29 (28%) "Market Rate" Units (b) ROFR held by Applegate Housing Inc. VHCB Housing Subsidy Covenant.	(a) 17 (77%) @ 46% AMGI 5 (23%) "Other Restricted" Units (VHCB) 3 commercial units (b) ROFR held by WRAP; VHCB Housing Subsidy Covenant.	11units (34%) @ 46% - 60% AMGI 15 (47%) @ 52% - 60% AMGI 3 (9%) @ 60% AMGI 1 (3%) @ 57% AMGI NEED UTILITY INFO 1 (3%) "Other Restricted" units 1 (3%) "Market Rate" units 31 units have VHCB covenant requiring perpetual affordability restrictions.	(a) 2 (13%) @ 50% AMGI 1 (6%) @ 58% AMGI 11 (69%) @ 60% AMGI 2 (13%) "Other Restricted" Units (VHCB) (b) ROFR held by RNHS/RCDC; VHCB Housing Subsidy Covenant.
2. State Consolidated Plan Priorities / Other Priorities (<u>not</u> in order of priority):				
(a) Rehabilitation, including lead-based paint abatement, accessibility modifications, and energy efficiency upgrades;	Yes	Yes	Yes	Yes
(b) Mixed income developments;	Yes	No	No	No
(c) Project is planned to maintain the historic settlement pattern of compact village and urban centers separated by rural countryside or is located in growth centers designated on regional plans or on local plans that have been approved by a regional planning commission (existing village or urban centers have priority over new growth centers);	No. Existing housing development is in the Town of Bennington, although not in the Town center.	Yes. Existing housing is in Wells River Town center.	Yes. Buildings located on scattered sites in existing downtowns.	No. Existing housing is in Randolph though not in Town Center.
(d) Housing affordable to households <=30% AMGI;	No	No	No	No
(e) Any project that incorporates special needs populations, including, SRO's, the mentally disadvantaged, the physically challenged or families currently on public housing (state or local) waiting lists;	5 accessible units to be created	* 2 accessible units	3 handicapped accessible units	* 2 units for OCMH clients with mental disabilities
(f) Acquisition and rehabilitation of existing "at risk" federally subsidized projects.	Yes. Project is now HUD owned and was a HUD 236 project (one of the "Gates").	No	No	No
3. Project can demonstrate "readiness to proceed" with either site plan, preliminary plat, or conditional use approval in hand and can proceed to all final approvals and begin construction within one year of application date.	Act 250 Amendment 7/97 Site Plan approval 7/97	All approved	All rehabilitation - no public hearings necessary	All rehabilitation - no approvals necessary
4. Geographic targeting: Project is in a location that has been underserved historically in having its affordable housing needs met (not just underserved by the Housing Credit program).	Housing is significant part of family affordable housing stock.	Yes	No	Project is part of affordable housing stock.

Table A

1997 Evaluation Summary Table	McAuley Square	Park Place Apartments	1306/E. Spring	Railroad Street
1. Preference must be given among selected projects to proposals serving: (a) the lowest income tenants, and (b) qualified tenants for the longest period (There must be a satisfactory mechanism to enforce income and rent restrictions.)	6 (9%) @ 30% AGMI (Scholar) 3 (4%) @ 50% AGMI (Scholar) 6 (9%) @ 33% AGMI (Lund) 1 (1%) @ 38% AGMI (Lund) 3 (4%) @ 39% AGMI (Lund) 1 Managers Unit (Lund) 32 (48%) @ 60% AGMI(Elderly) 16 (24%) "Market Rate" Units ROFR - CSC; VHCB Covenant	15 (56%) @ 50% AMGI 8 (30%) @ 54% AMGI 4 (15%) "Other Restricted" Units (VHCB) ROFR held by BCLT; VHCB Covenant	3 (7%) @ 48% AMGI 12 (29%) @ 49% AMGI 16 (39%) @ 52% - 56% AMGI 1 Manager's Unit 6 (15%) "Other Restricted" 4 (10%) "Market Rate" Units ROFR held by BCLT VHCB Covenant	5 units (31%) @ 45% AMGI 2 (12.5%) @ 49% AMGI 5 (31%) @ 50% AMGI 4 (25%) "Market Rate" units VHCB Covenant
2. State Consolidated Plan Priorities / Other Priorities (<u>not</u> in order of priority):				
(a) Rehabilitation, including lead-based paint abatement, accessibility modifications, and energy efficiency upgrades;	No - new construction	Yes	Yes	No
(b) Mixed income developments;	Yes	No	Yes	Yes
(c) Project is planned to maintain the historic settlement pattern of compact village and urban centers separated by rural countryside or is located in growth centers designated on regional plans or on local plans that have been approved by a regional planning commission (existing village or urban centers have priority over new growth centers);	No. In Burlington, though not in City center.	Yes - Downtown Burlington	Yes. Downtown Winooski.	Yes; development is new construction in a downtown.
(d) Housing affordable to households <=30% AMGI;	Yes (9% of units)	No	No	No
(e) Any project that incorporates special needs populations, including, SRO's, the mentally disadvantaged, the physically challenged or families currently on public housing (state or local) waiting lists;	Yes * 10 pregnant/parenting teens * 9 single welfare parents in college * 7 accessible units to be created	No * 2 accessible units	Yes * 2 accessible units to be created * 6 S+C homeless people with mental illness served	No; there will be office space in 4-6 units for home occupations, however.
(f) Acquisition and rehabilitation of existing "at risk" federally subsidized projects.	No	No	No	No
3. Project can demonstrate "readiness to proceed" with either site plan, preliminary plat, or conditional use approval in hand and can proceed to all final approvals and begin construction within one year of application date.	Act 250 Amendment 9/15/97 ZBA8/30/97 Planning & DRB 8/30/97 (includes PRD Subdivision Permit) <u>There is local opposition</u>	Local Permits 7/30/97	Zoning approval for accessible ramp only	Yes Needs Minor Act 250 7/97
4. Geographic targeting: Project is in a location that has been underserved historically in having its affordable housing needs met (not just underserved by the Housing Credit program).	No	No	No	Yes; one mobile home park and some tenant-based RA are the only affordable family housing.

Table

1997 Evaluation Summary Table	Cora B. Whitney School	Forest Park Village Apts.	Fair Haven Housing	The Maples
1. Preference must be given among selected projects to proposals serving: (a) the lowest income tenants, and (b) qualified tenants for the longest period (There must be a satisfactory mechanism to enforce income and rent restrictions.)	11units (50%) @ 47% - 54% AMGI 11 (50%) "Market Rate" units HOME restriction period on 11 units (the HOME and tax credit units overlap)	10 (25%) @ 52% AGMI 16 (40%) @ 56-60% AGMI 14 (35%) "Market Rate" Units ROFR to be held by RCCLT or VHSA, or both (RCCLT/elderly & VSHA/family)	17 units with project-based rental assistance; tenants pay affordable portion of income; RD income targeting gives priority to low income. 50 year financing with interest rate subsidized by RD; Rental Assistance	8 units (12%) @ 30% AMGI 19 (29%) @ 50% AMGI 26 (40%) @ 60% AMGI 6 (9%) @ 50% - 56% AMGI 6 (9%) @ 60% - 67% AMGI
2. State Consolidated Plan Priorities / Other Priorities (not in order of priority):				
(a) Rehabilitation, including lead-based paint abatement, accessibility modifications, and energy efficiency upgrades;	Yes	Yes	No	No
(b) Mixed income developments;	Yes	Yes	No	No
(c) Project is planned to maintain the historic settlement pattern of compact village and urban centers separated by rural countryside or is located in growth centers designated on regional plans or on local plans that have been approved by a regional planning commission (existing village or urban centers have priority over new growth centers);	Yes. Adaptive re-use of a school building into elderly units; regionally-aproved town planning goals identify town core as a regional growth center	No. Rehabilitation of three existing historic buildings on the campus of the former Brandon Training School - not in an existing downtown.	No	No; not in a downtown center, but on a site well suited for this type of housing.
(d) Housing affordable to households <=30% AMGI;	No	No	Yes	Yes
(e) Any project that incorporates special needs populations, including, SRO's, the mentally disadvantaged, the physically challenged or families currently on public housing (state or local) waiting lists;	No Elderly in need of services	No * 8 accessible units	No	No Elderly in need of services.
(f) Acquisition and rehabilitation of existing "at risk" federally subsidized projects.	No	No	No	No
3. Project can demonstrate "readiness to proceed" with either site plan, preliminary plat, or conditional use approval in hand and can proceed to all final approvals and begin construction within one year of application date.	All approved.	Act 250 Amendment 6/97	Yes	ZBA - 8/97 Site Plan - 8/97 Act 250 - 11/97 some local opposition
4. Geographic targeting: Project is in a location that has been underserved historically in having its affordable housing needs met (not just underserved by the Housing Credit program).	No	No	No	No

Table A

1997 Evaluation Summary Table	Swanton Meadows	Riverbend	10 Phelps Court	
1. Preference must be given among selected projects to proposals serving: (a) the lowest income tenants, and (b) qualified tenants for the longest period (There must be a satisfactory mechanism to enforce income and rent restrictions.)	20 units with project-based rental assistance; tenants pay affordable portion of income; RD income targeting gives priority to low income. 50 year financing with interest rate subsidized by RD; est. 5 years Rental Assistance	18 units (100%) @ 56% AMGI	1 unit (25%) @ 47% AMGI 1 (25%) @ 49% AMGI 2 (50%) "other restricted" units	
2. State Consolidated Plan Priorities / Other Priorities (<u>not</u> in order of priority):				
(a) Rehabilitation, including lead-based paint abatement, accessibility modifications, and energy efficiency upgrades;	No	No	Yes (Replacement of a rehab building destroyed by fire)	
(b) Mixed income developments;	No	No	No	
(c) Project is planned to maintain the historic settlement pattern of compact village and urban centers separated by rural countryside or is located in growth centers designated on regional plans or on local plans that have been approved by a regional planning commission (existing village or urban centers have priority over new growth centers);	No	No	Yes; in a historic district and in a downtown area.	
(d) Housing affordable to households <=30% AMGI;	Yes	No	No	
(e) Any project that incorporates special needs populations, including, SRO's, the mentally disadvantaged, the physically challenged or families currently on public housing (state or local) waiting lists;	No	No; housing for families that work in ski resort areas, an Act 250 condition for ski area expansion	No	
(f) Acquisition and rehabilitation of existing "at risk" federally subsidized projects.	No	No	No	
3. Project can demonstrate "readiness to proceed" with either site plan, preliminary plat, or conditional use approval in hand and can proceed to all final approvals and begin construction within one year of application date.	Yes	No local approvals - 8/97 Act 250 - 9/97	Yes; no approvals needed except for Historic District approval (not a public hearing process).	
4. Geographic targeting: Project is in a location that has been underserved historically in having its affordable housing needs met (not just underserved by the Housing Credit program).	Yes; one 12 unit family project (Section 8);	Yes	No	

Table B

	INCOME TARGETING TABLE							
	TAX CREDIT RESTRICTED						Over 60	"other"
	<=30	31-39	40-49	50	51-59	60	"market"	restricted
Swanton		100%						
Fair Haven		100%						
"Sample" 515*	71%	12.5%	12.5%		4%			
ACCAG II	16%		9%		69%		6%	
The Maples	13%			29%	9%	40%	9%	
McAuley	9%	15%		4%		48%	24%	
WRAP			77%					23%
Railroad Street			44%	31%			25%	
10 Phelps Court			50%				-	50%
1306/ East Spring			36%		39%		10%	15%
Applegate			26%		46%		28%	
Park Place				56%	30%			14%
Riverbend					100%			
Cora B. Whitney				50%			50%	
Hedding Dr.				13%	6%	69%		12%
Forest Park					25%	40%	35%	

*Note: The "sample" 515 was put in for comparison purposes only. The 515 program gives "preference" for very low income (below 50% of median). The households that are above 60% are due to increases in household income.

Table C

		State Consolidated Plan PrioritiesTable					
	Rehab	Mixed Income	Growth Center	< 30%	Special Needs	Federally At-Risk	Total (of 6)
1306 Ethan Allen	X	X	X		X		50%
Applegate	X	X				X	50%
Cora B Whitney	X	X	X				50%
McAuley		X		X	X		50%
WRAP	X		X				33%
ACCAG	X		X				33%
Hedding Drive	X				X		33%
Park Place	X		X				33%
Railroad Street		X	X				33%
10 Phelps Court	X		X				33%
Forest Park	X	X					33%
Swanton				X			17%
Maples				X			17%
Fair Haven				X			17%
Riverbend							0%
	Note: Projects within each of the four sections are not ranked in order of priority						

Table D

	Readiness to Proceed Table		
	PERMITS	FUNDING	
WRAP	In Hand	All Committed	
Hedding Drive	N/A	All Committed	
Swanton	In Hand	All Committed	
Fair Haven	In Hand	All Committed (RD revisions needed)	
10 Phelps Court	Historic District Approval	All Committed	
1306 Ethan Allen	Minor Zoning for Ramp	Out of Cap Credit 6/97	
		VHFA Loan 7/97	
Applegate	Act 250 Amendment 7/97	HUD 6/30;	
	Local Site Plan 7/97	VCDP 6/30; VHFA Loan 6/19/97	
ACCAG	N/A	VCDP (whole project) 6/30	
		VHCB (Vergennes only) 9/97	
Forest Park	Act 250 Amendment 6/97	Loan needed only (VHFA 8/97)	
	Local Opposition		
Cora B Whitney	All approved	AHP 6/15/97	
		HOME 9/97 (no appl yet)	
Railroad Street	Minor Act 250 7/97	VCDP 6/30; AHP 6/15	
		VHCB/HOME 9/97	
Park Place	Local Permits 7/30/97	AHP 6/15;	
		VHCB/HOME 9/97	
		Neighborworks 8/97	
McAuley	Act 250 9/97; Local Permits 8/30	AHP 6/15	
	Local Opposition	Loan 8/97	
		BHTF 7/97	
Maples	Act 250 8-11/97; Local Permits 8/97	Loan Only	
	Local Opposition		
Riverbend	Act 250 9/97; Local permits 8/97	VHCB 9/97 (no appl yet)	
		VHFA Loan (no appl yet)	

Table E

		GEOGRAPHIC TARGETING			
Railroad St.	Y				
Riverbend	Y				
Swanton	Y				
WRAP	Y				
1306/ East Spring	N/A				
ACCAG II	N/A				
Applegate	N/A				
Hedding Dr.	N/A				
10 Phelps Court	N				
Cora B. Whitney	N				
Fair Haven	N				
Forest Park	N				
McAuley	N				
Park Place	N				
The Maples	N				
Note: "N/A" indicates that the development is already part of the stock of affordable, assisted housing. The proposal is for preservation of affordable housing.					

Table F

Round 1 Housing Credits							6/6/97
Rating of Applications							
4 +							
		Applegate		++++	230,000		
		WRAP		++++	79,661		
		1306 Ethan Allen/Sprin		++++	69,044		
3 +							
		Phelps Ct		+++-	17,315		
		ACCAG II		++-+	134,000		
		Railroad St		++-+	74,116		
		Swanton		+-++	59,074		
		Hedding		-+++	42,000		
						Sub Total	705,210
2 +							
		McAuley Sq		++--	260,214		
		Fair Haven		+-+-	53,997		
1 +							
		Maples		+---	448,799		
		Park Place		-+--	110,000		
		Cora B.		-+--	87,971		
		Forest Park		-+--	174,847		
		Riverbend		---+	171,855		
						Grand Tota	2,012,893

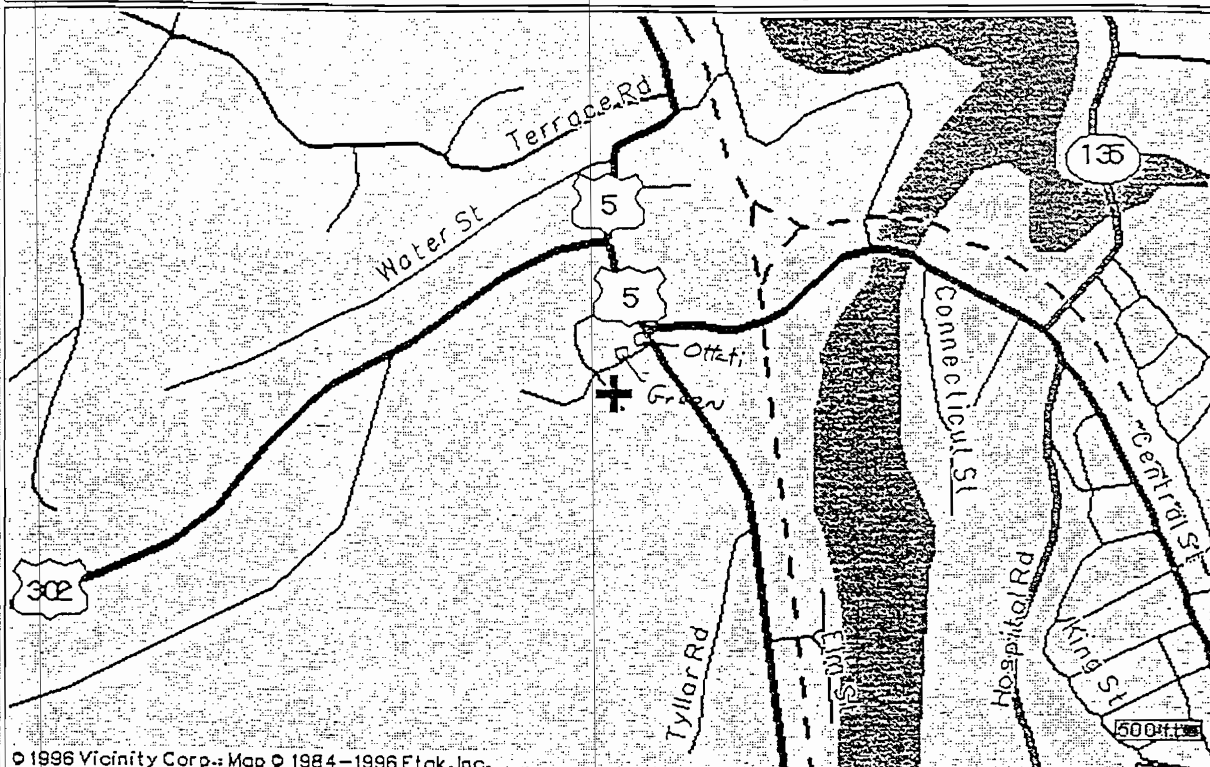
1306 Ethan Allen Drive

53 E Spring St, Winooski, VT

NW	Day North Night	NE
West		East
SW	Small (400x250) South Large (600x375)	SE
	Zoom Out Zoom In	

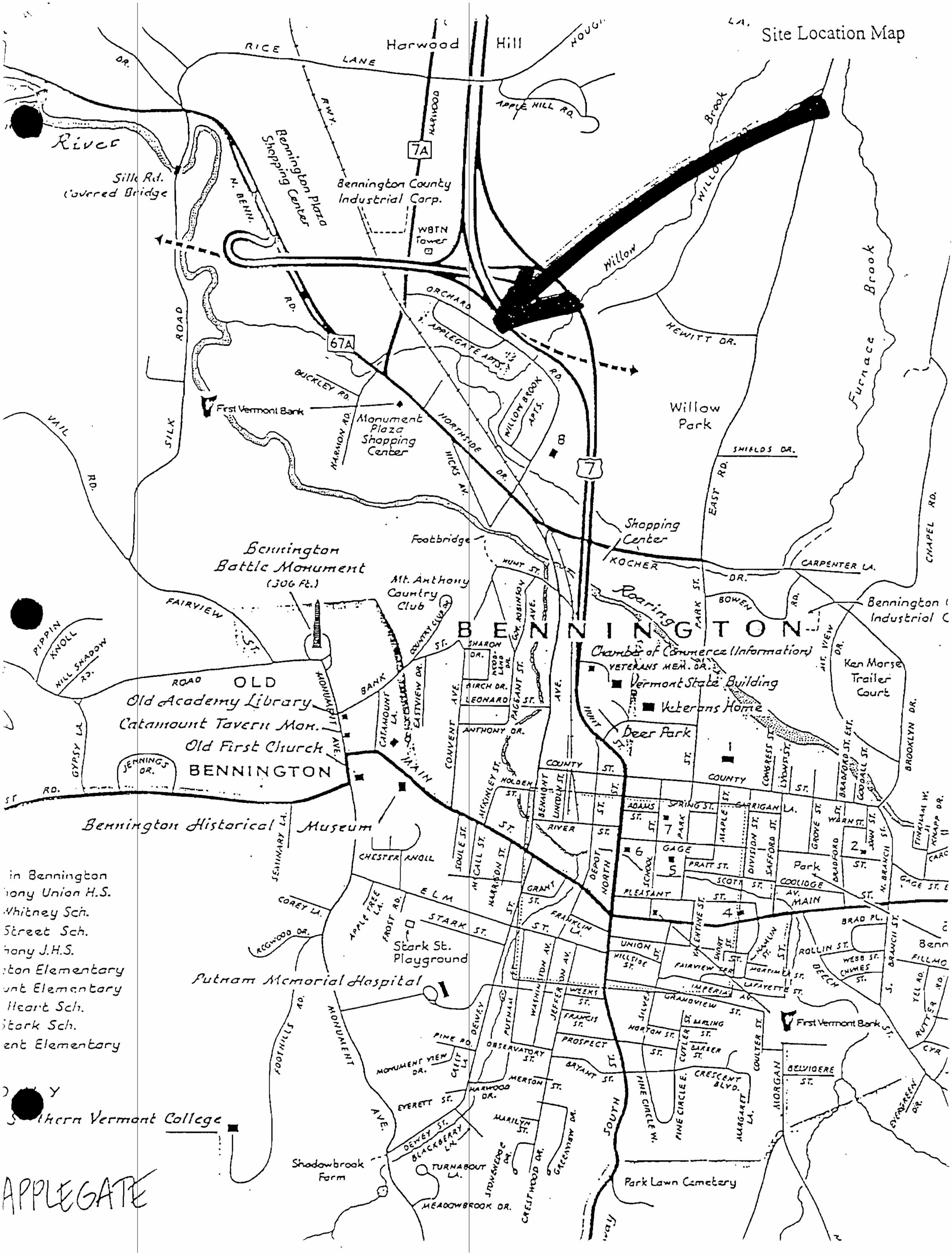
[Driving Directions | Locate Businesses New! | New Address | Print Preview | Mail a Map]

24 Grove St, Wells River, VT

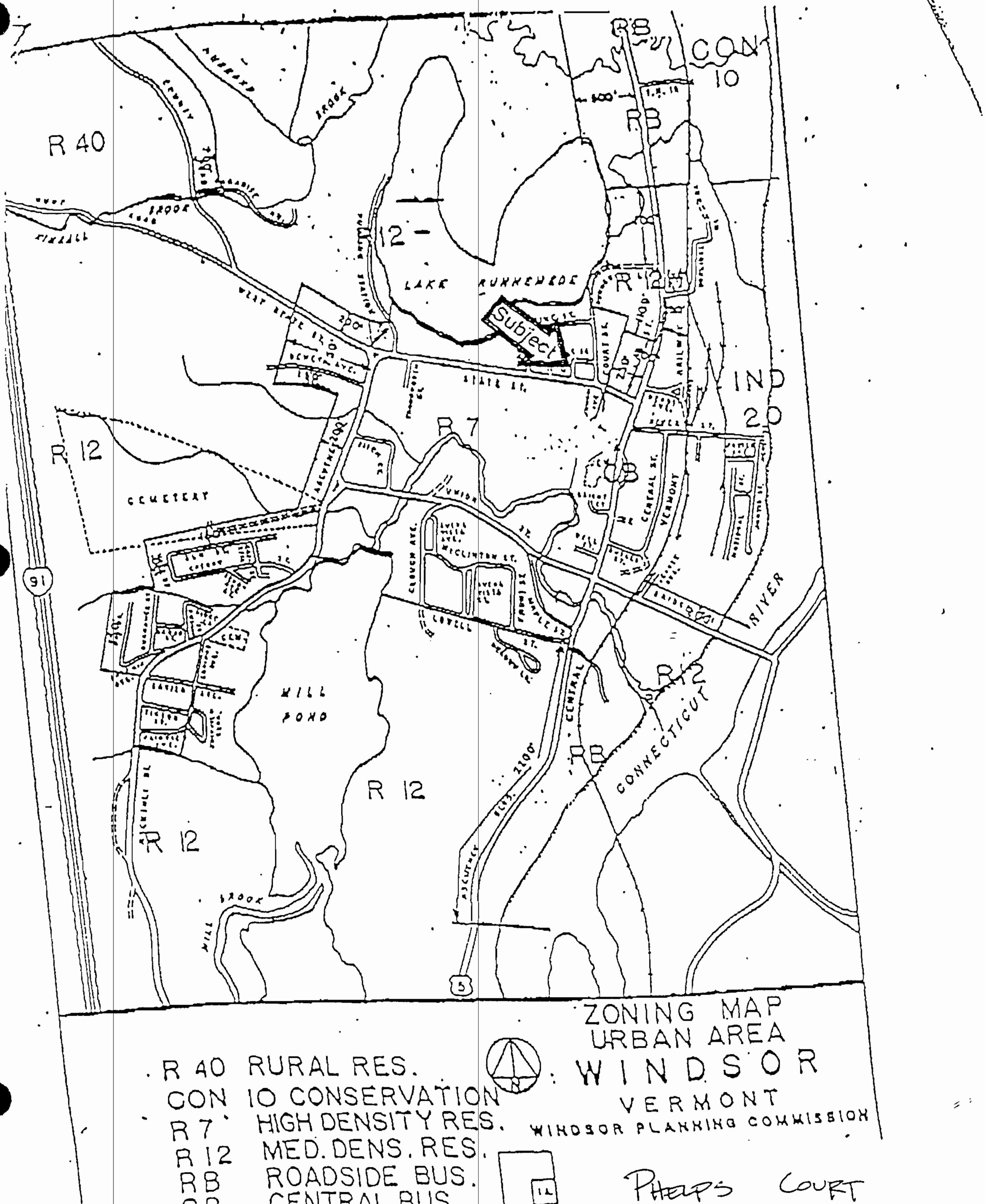
NW	Day North Night	NE
West		East
SW	Small (400x250) South Large (600x375) Zoom Out Zoom In	SE

[Driving Directions | Locate Businesses NEW! | New Address | Print Preview | Mail a Map]

Site Location Map



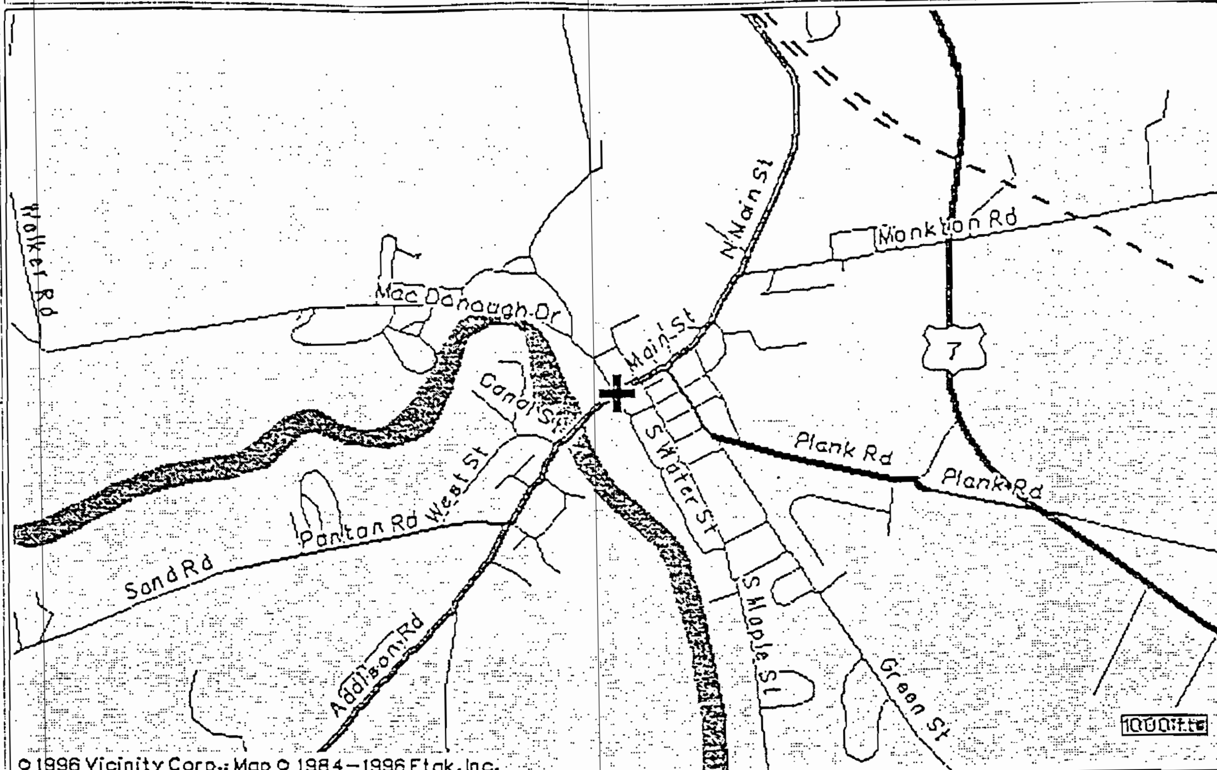
APPLEGATE



Phelps Court

229 Main St, Vergennes, VT

NW	Day North Night	N

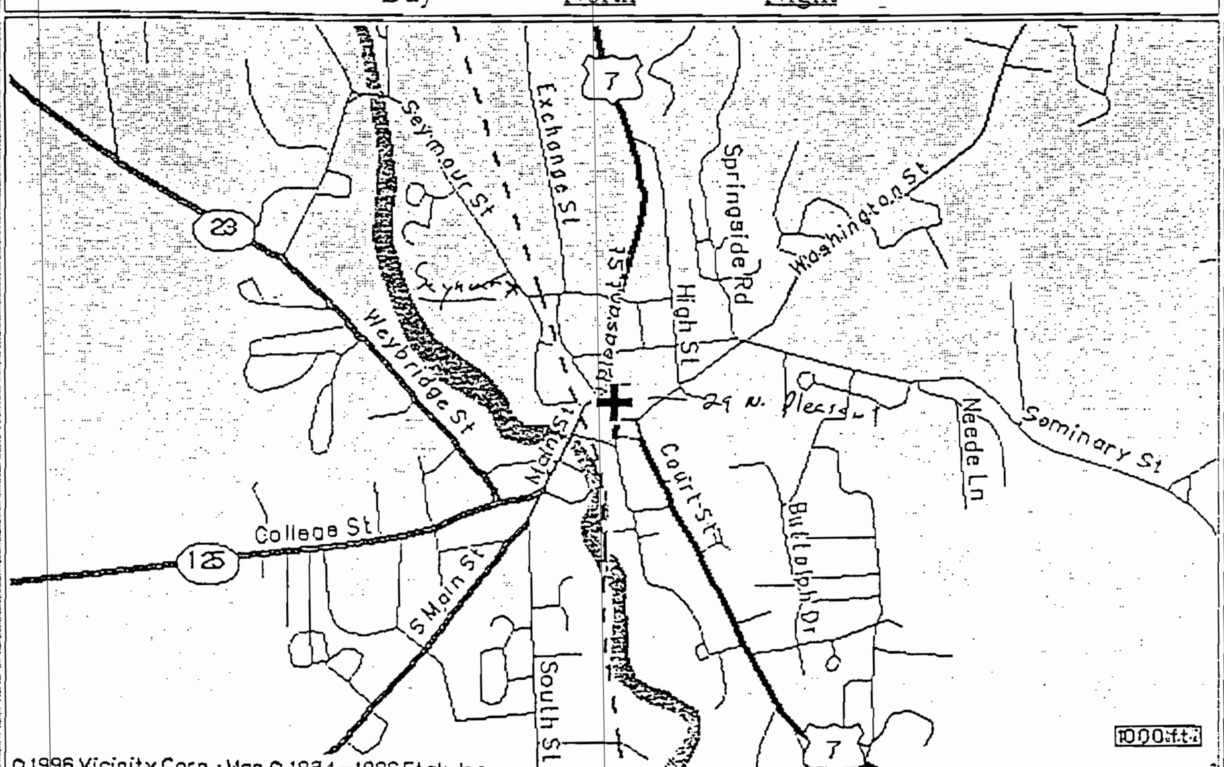


West | Ea

SW	Small (400x250) South Large (600x375)	SE
	Zoom Out Zoom In	

29 N Pleasant St, Middlebury, VT

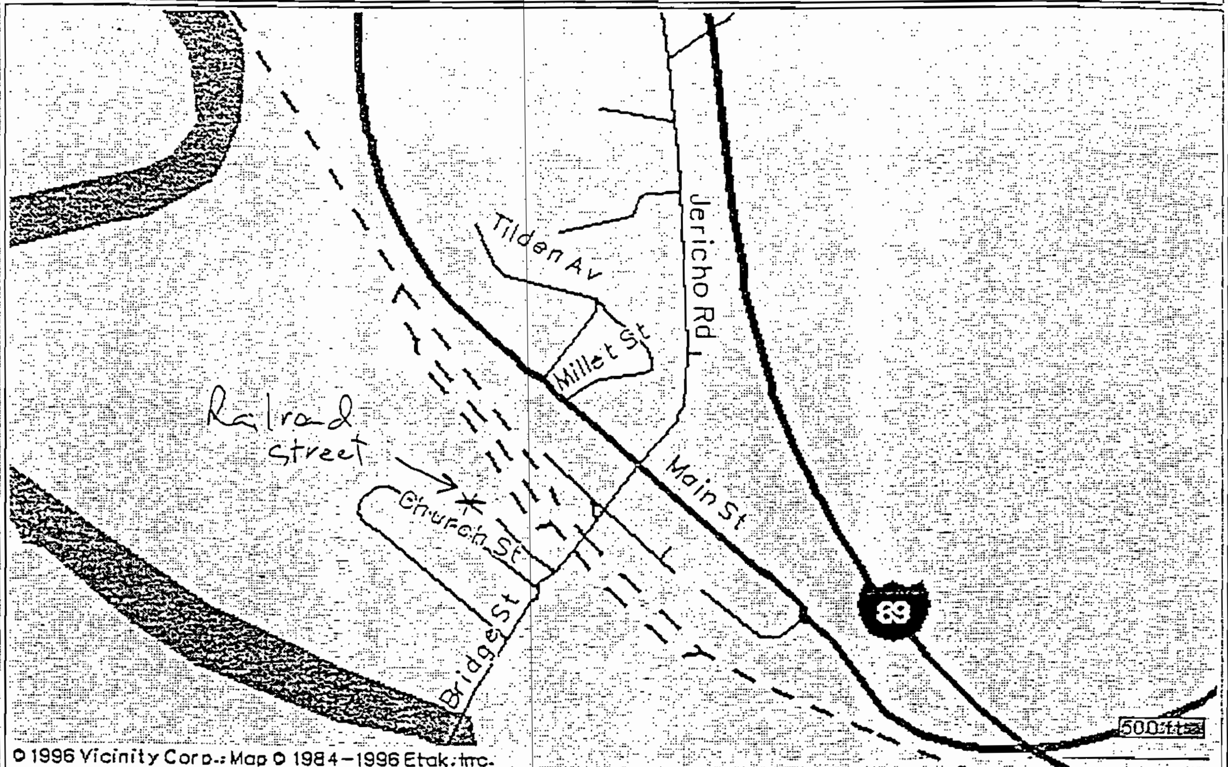
NW	Day North Night	NE



West | East

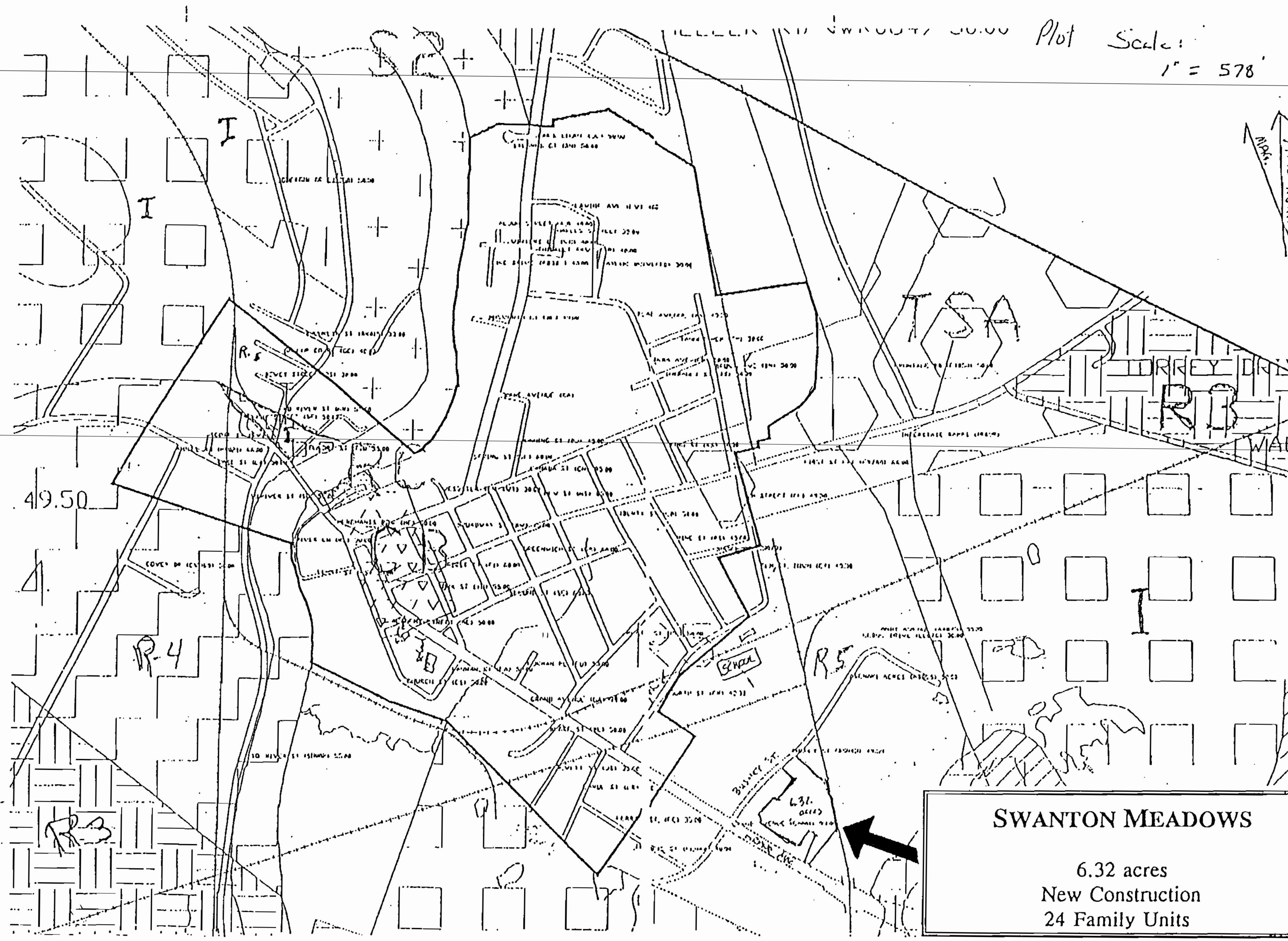
SW	Small (400x250) South Large (600x375)	SE
	Zoom Out Zoom In	

Richmond, VT

NW	Day North Night	NE
West		East
SW	Small (400x250) South Large (600x375)	SE
	Zoom Out Zoom In	

[Driving Directions | Locate Businesses NEW! | New Address | Print Preview | Mail a Map]

Swanton

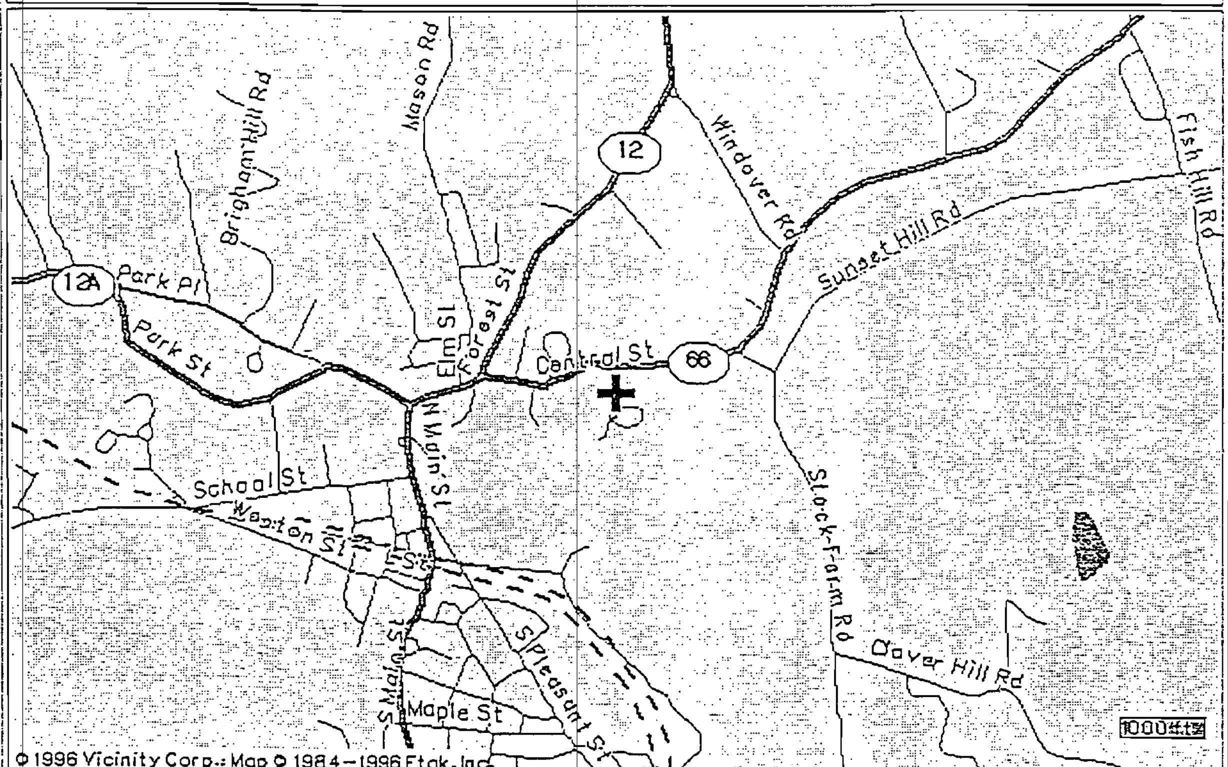


Plot Scale: 1" = 578'
TRUE NORTH
MAG.
TSA
TORREY DR
R5
SCHOOL
R-4
R-3
49.50
6.32 acres
SWANTON MEADOWS
6.32 acres
New Construction
24 Family Units

Hedding Dr, Randolph, VT

NW | Day | North | Night | NE

West



East

SW | Small (400x250) | South | Large (600x375) | SE

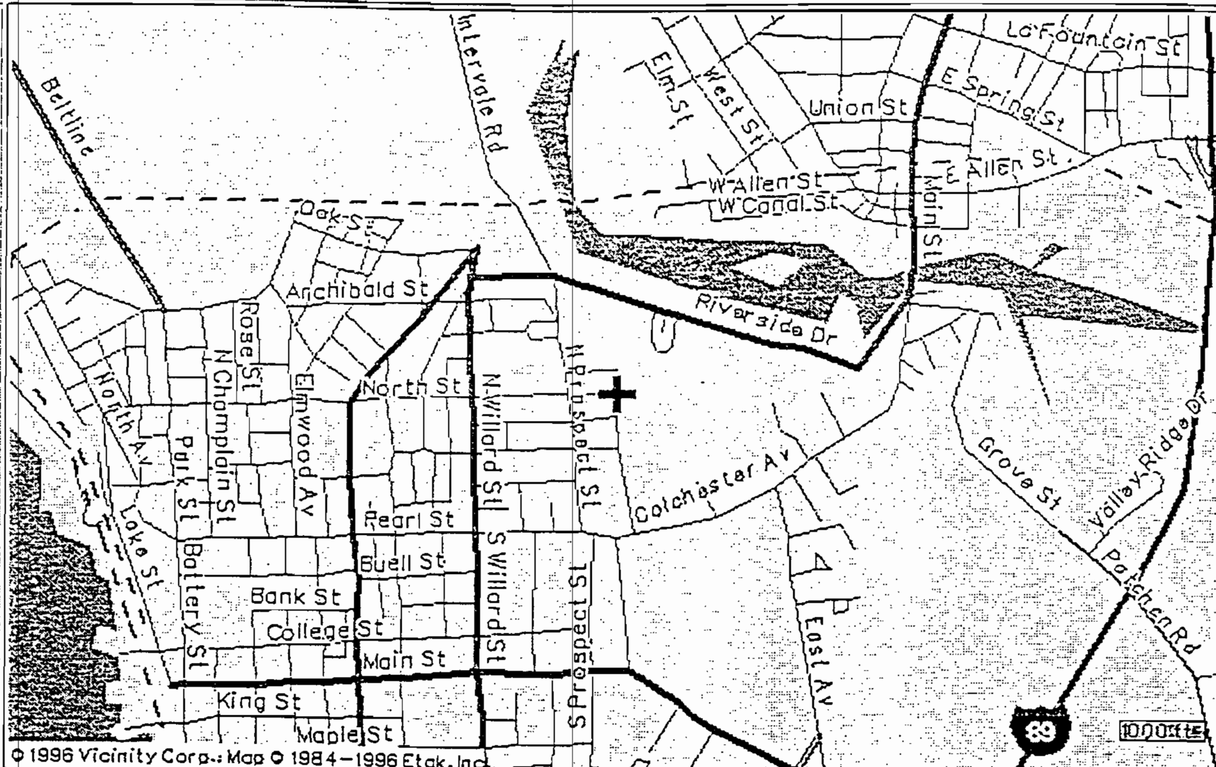
Zoom Out | Zoom In

[Driving Directions | Locate Businesses NEW! | New Address | Print Preview | Mail a Map]

152 Mansfield Ave, Burlington, VT

NW | Day | North | Night | NE

West



East

SW | Small (400x250) | South | Large (600x375) | SE

Zoom Out | Zoom In

[Driving Directions | Locate Businesses NEW! | New Address | Print Preview | Mail a Map]

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: **VHFA BOARD OF COMMISSIONERS**

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

DATE: **JUNE 16, 1997**

RE: **PROPOSED FISCAL YEAR JUNE 1998 BUDGET**

The accompanying table shows the current year approved budget (before amendments), the proposed budget for FY98 as formulated by staff, and a dollar and percentage increase or decrease comparison between the two years. As a reminder, we are showing total expenses including Vermont Home Mortgage Guarantee Board expenses in the various categories and also showing the charges to VHMGB as income.

An ongoing goal of our budgeting and financial process is to generate a surplus and increase the General Fund balance, while keeping fund balance transfers relatively constant. Due to the continuing liquidity crunch in the General Fund, we need to transfer extra funds from the bond programs to meet our cash flow needs.

Income. Total income is expected to increase by 9% over FY97. We have increased interest income on loans due to the portfolio of Federal Home Loan Bank financed loans that we now hold. Project administration fees should increase because we believe that we are entitled to fees on two projects that have not been collected in the past. A new category of income is single family servicing fees, which are the fees we are now earning from self-serviced loans. Rental income is the predominant item in the miscellaneous category study.

Fund Balance Transfers. The amounts indicated in this area of the budget represent transfers from existing bond programs to help supplement income to pay expenses. There are now nine programs under the Single Family Housing Bond Resolution which are expected to contribute a significant surplus to assist in dealing with the General Fund liquidity problem. The budgeted takeout from the Mortgage Purchase program will be the final draw from this bond program. In future years, we will need to draw from other programs to replace the fund transfers previously drawn from the Mortgage Purchase program.

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Expenses. The following part of this memorandum will discuss individual expense items, which are either areas of special interest or items that show a significant increase or decrease over the FY97 budget. Total budgeted expenses are 9.8% higher than last year consisting of salaries and wages, subsidy expenses, interest expenses, consulting fees and depreciation expense account for the increase.

Advertising. In addition to the listed budget for advertising, $50,000 expenses are assumed to be subsidized by bond issuances during FY98 (the same as in past years).

Consulting Fees. Additional consulting for data processing/informational technology upgrades and training comprise the majority of the budgeted increase. Appraisal fees and actuarial costs for VHMGB are higher this year as well.

Depreciation Expense. The additional scheduled purchases of data processing equipment, building improvements and office equipment account for this increase.

Interest Expense. The addition of FHLB funded projects increases the interest expense category. We are assuming a bank loan construction program will continue to fund about $5 million of mortgages.

Occupancy Expense. After one year in the new building, occupancy expenses can be better estimated and we have dropped the payment in lieu of taxes from the budget. Depreciation of the building over a 40 year term instead of a 25 year term justifies the decrease in the depreciation category.

Repairs and Maintenance. The elimination of the maintenance agreement on our telephone system and replacement of older copiers should provide the savings of $12,000.

Salaries and Wages. Salary increases have been factored in at a total of 4.5%. A separate schedule of salaries will be available at the meeting. Coincidentally, 2.4 positions have been added to this budget which is the same number of positions dropped in the FY97 budget. The new positions consist of an additional administrative support person shared by three departments, a new data processing position and a .4 statistical position (to bring that position back to full time). These new positions account for 3.8% of the salary line increase. The remaining increases were job position upgrades and increased starting compensation for new staff to maintain competitiveness. We had a turnover of seven personnel during the past fiscal year, representing 16% of the staffing level; the majority indicated they were leaving for higher paid positions.

Organization Subsidy expense. The large increase in this category is to support the Vermont Home Mortgage Guarantee Board in the amount of $73,000 representing the difference between amounts we are saving in reduced coverage requirements and the $300,000 matching contribution pledged during Legislative negotiations for higher authority and premium increases. Included in this category are sustaining membership fees of $10,000 for Energy Rated Homes and $15,000 for Housing Vermont, and Homeownership Centers funding of $64,000.

Capital Budget. The capital portion of the budget is being addressed in a separate memo.

If you have any questions regarding the budget, please feel free to call upon Allan or myself at your convenience or bring any questions to the Board meeting.

Recommended Board Action: Approval of the operating budget as shown on the attached exhibit.

PROPOSED BUDGET
VERMONT HOUSING FINANCE AGENCY
F/Y/E JUNE 30, 1998

	APPROVED FYE 6/30/97	*PROPOSED FYE 6/30/98*	*$ INCREASE (DECREASE)*	*PERCENT CHANGE*
INCOME				
Single family fees	139,000	137,000	(2,000)	-1.4%
Multi-family fees	210,000	177,000	(33,000)	-15.7%
Project Administration fees	73,700	89,200	15,500	21.0%
Single family servicing fees	0	53,000	53,000	n/a
Interest income-loans	585,000	712,000	127,000	21.7%
Interest income-invest	135,000	100,000	(35,000)	-25.9%
VHMGB charges	375,000	380,000	5,000	1.3%
Miscellaneous income	50,000	60,000	10,000	20.0%
TOTAL INCOME	**1,567,700**	**1,708,200**	**140,500**	**9.0%**
FUND TRANSFERS				
Single Family Housing Bonds	(32,500)	2,500,000	2,532,500	100.0%
Single Family Insured Mtg Bonds	200,000	200,000	0	0.0%
Single Family Mortgage Purchase	1,250,000	1,000,000	(250,000)	-25.0%
Single Family Home Mortgage Purchase	260,000	220,000	(40,000)	-15.4%
Multi-Family Mortgage Bonds	280,000	450,000	170,000	60.7%
Multi-Family Housing Bonds	160,000	160,000	0	0.0%
Multi-Family Housing Develop Bonds	10,000	10,000	0	0.0%
Direct Placement Bonds	35,000	35,000	0	0.0%
TOTAL TRANSFERS	**2,162,500**	**4,575,000**	**2,412,500**	**111.6%**
TOTAL INCOME & TRANSFERS	**3,730,200**	**6,283,200**	**2,553,000**	**68.4%**
EXPENSES				
Advertising & Promotion	129,300	132,000	2,700	2.1%
Annual report	7,500	6,500	(1,000)	-13.3%
Audit expense	42,000	43,250	1,250	3.0%
Commissioners expense	5,000	5,000	0	0.0%
Consulting fees	106,800	144,950	38,150	35.7%
Depreciation	145,000	172,000	27,000	18.6%
Dues & Subscriptions	32,000	37,460	5,460	17.1%
Insurance	190,000	203,600	13,600	7.2%
Interest expense	460,000	527,500	67,500	14.7%
Legal expense	37,700	20,000	(17,700)	-46.9%
Miscellaneous	5,000	5,000	0	0.0%
Occupancy expense	79,000	82,000	3,000	3.8%
Office expenses	35,000	37,500	2,500	7.1%
Organization subsidy expense	99,000	164,000	65,000	65.7%
Payroll taxes	111,400	120,383	8,983	8.1%
Pension expense	130,000	135,000	5,000	3.8%
Postage	26,000	26,500	500	1.9%
Repairs & Maintenance	40,000	28,000	(12,000)	-30.0%
Salaries & Wages	1,469,466	1,602,442	132,976	9.0%
Staff travel & Training	66,000	75,200	9,200	13.9%
Telephone	40,000	45,000	5,000	12.5%
Trustee & Credit fees	250,000	235,000	(15,000)	-6.0%
TOTAL EXPENSES	**3,506,166**	**3,848,285**	**342,119**	**9.8%**
SURPLUS (DEFICIT)	**224,034**	**2,434,915**	**2,210,881**	**986.9%**

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Glenn A. Jarrett, General Counsel GAJ

DATE: June 18, 1997

RE: Private Activity Bond Volume Cap

BACKGROUND:

Each year the Agency is allocated part of the State's $150 million annual volume cap for private activity bonds. So far this year the Agency has not been allocated any volume cap, but we have asked for a small allocation from the Emergency Board from the $55 million contingency not allocated at the beginning of the year. We would like to use this anticipated allocation for multi-family bonds (technically, "exempt facility bonds") for the Pines IV and South Square developments. The Agency has not allocated any volume cap to multi-family bonds in the last several years because of a lack of activity in this area. Staff recommends that $15 million of 1997 volume cap received from the Emergency Board be allocated to exempt facility bonds.

I would be happy to answer any questions that you may have.

REQUESTED ACTION:

Approval of the attached resolution.

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Mailing Address: PO Box 408, Burlington, Vermont 05402-0408
Delivery Address: 164 Saint Paul Street, Burlington, Vermont 05401-4364
802 / 864-5743 • 800 / 339-5866 • TDD: 800 / 586-5832
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RESOLUTION RELATING TO
VERMONT HOUSING FINANCE AGENCY
ELECTION TO ALLOCATE
1997 PRIVATE ACTIVITY BOND
VOLUME CAP ALLOCATION

WHEREAS, the Vermont Housing Finance Agency (the "Agency") has not been allocated any 1997 private activity bond volume cap by the State of Vermont, but carried forward from 1996 $76,775,000 in volume cap, which was allocated for qualified mortgage bonds and mortgage credit certificates; and

WHEREAS, the Agency expects to be allocated additional private activity bond volume cap by the State of Vermont in the near future; and

WHEREAS, the Agency desires to elect to utilize $15 million of any volume cap allocated for exempt facility bonds; and

NOW, THEREFORE, it is hereby RESOLVED:

If the Vermont Housing Finance Agency is allocated any additional volume cap by the State of Vermont on or after June 19, 1997, it elects to allocate $15 million of such additional volume cap for the purposes of issuing exempt facility bonds.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director, 652-3421

DATE: July 2, 1997

RE: CANCELING JULY/RESCHEDULING AUGUST BOARD MEETING

This is to inform you that the July 24 meeting of the Vermont Housing Finance Agency Board of Commissioners has been *cancelled,* due to ribbon cuttings that Governor Dean has scheduled for Westview Terrace in Springfield and Black River Overlook in Ludlow that day.

The August meeting has been rescheduled to Wednesday, August 6, at 1:00 p.m. The location (Burlington or Montpelier) has not yet been determined. Board packets will be mailed to you on Thursday, July 31.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to meeting with you on August 6!

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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

vhfa
VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director ASH

DATE: July 31, 1997

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:00 p.m. Wednesday, August 6, at the Office of the Commissioner of Banking, Insurance Securities & Health Care Administration, 89 Main Street, Montpelier, Vermont.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier at 1:00 August 6!

vhfa

VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

Office of the Commissioner of Banking, Insurance Securities & Health Care Administration
89 Main Street
Montpelier, VT
Wednesday, August 6, 1997 at 1:00 p.m.

1. Review and approval of minutes of June 19, 1997

2. Development

A.	South Square Commitment Letter	**[Erdelyi // Enclosure]**
B.	1306 Ethan Allen Dr. Letter of Interest & Commitment	**[Reid // Enclosure]**
C.	Applegate Update	**[McNamara]**
D.	Tax Credit Discussion	**[McNamara // Enclosure]**

3. Operations

A.	Single Family Program Activity Report for June, 1997	**[Lothrop // Enclosure]**
B.	Quality Control Report April 1 - June 30, 1997	**[Lothrop // Enclosure]**

4. Administration

A.	Executive Director's Report	**[Hunt]**
B.	1997 Business Plan Results/1998 Goals	**[McNamara // Enclosure]**

5. Multifamily Management

A.	0% Funding - Proposed Uses	**[Falzone/McNamara // Enclosure]**
B.	Multifamily Director's Report	**[Falzone // Enclosure]**

6. Finance

A.	Multifamily Bond Financing	**[Schoenbeck //Enclosure]**

7. Legal

A.	Annual meeting resolution	**[Jarrett //Enclosure]**
B.	Discussion of licensed lender problem	**[Jarrett // Enclosure]**
C.	Housing Vermont Bylaw Change	**[Jarrett // Enclosure]**

8. Communications

A.	FY97/FY98 Marketing Activities	**[Gent // Enclosure]**
B.	FY97/FY98 Community Outreach Activities	**[Gent // Enclosure]**
C.	FY97/FY98 Public Relations Activities	**[Gent // Enclosure]**

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

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vhfa
VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
Office of the State Treasurer
Conference Room #1, 133 State Street
Montpelier, Vermont
Thursday, June 19, 1997

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

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

Guests: Mr. Cole (AG Edwards); Mr. Richardson, Mr. Broderick (Housing Vermont); Mr. Barclay (Key Bank); Ms. LaTuchie (VHCB); Mr. Higgins, Ms. Mercier (Rural Development); Mr. Gurley via speakerphone (PaineWebber)

The meeting was called to order at 1:15 p.m. by Chairman White. Upon a motion duly made by Mr. Douglas and seconded by Ms. Canney, the minutes of May 22 were unanimously approved as written. A motion was then made by Mr. Candon and seconded by Ms. Canney to approve the minutes of June 9 as written; this motion carried unanimously.

Mr. McNamara reviewed his memo of June 13, included in the Board packet, regarding the "Lead Hazard Loan Program." In October 1995 the Board approved participation with the Vermont Housing and Conservation Board (VHCB) to use $100,000 of multifamily refunding proceeds to provide interest-free deferred loans, repayable at the time of sale, to homeowners and private landlords to make housing lead safe. VHCB reports that the funds are all committed or disbursed and a smaller amount of lead hazard reduction grant funds have been received from HUD in the second round of funding. Ms. LaTuchie, director of federal housing programs at VHCB, reported the status of the first commitment which requisitioned $63,000 from the Agency. This leveraged resource allowed the program to address those units housing severely lead-poisoned children. She thanked the Board for their support of this initiative. Following some further discussion and a motion made by Mr. Candon and seconded by Ms. Canney, the Board voted unanimously to adopt the "Resolution Pertaining to Deferred Loans for Lead Hazard Reduction" as attached to these minutes. Ms. LaTuchie left the meeting after the vote.

The "Multifamily Portfolio Concentration Update" was reviewed by Mr. Falzone, who referred the Board to his memo of June 12, included in the Board packet. The analysis includes all prepaid VHFA multifamily loans in addition to units produced under the Housing Credit program, as well as a projection of rental housing needs. Percentages have changed significantly in some areas. Activity in Windham and Windsor Counties has increased dramatically when prepaid projects are included in the review. The unmet housing needs analysis projected for 1999 was presented from research compiled in the 1995 State of Vermont Housing Needs Assessment. With Ms. Gent's help, the Agency incorporated housing needs projections through 1999 to help develop a view of housing needs as actual proposals are considered in the future. Mr. Falzone noted that there was no recommendation from staff of an ideal concentration by county. Although no official Board action was taken, it was generally agreed that the staff should take its work a step further and offer recommendations at some point perhaps, in the context of the Strategic Plan for FY 98.

Mr. Lothrop reviewed his memo of May 2, included in the Board packet, regarding "Single Family Program Activity Report for April." Program activity has been significant; last year was a banner year, and reservations for FY97 are ahead by $2 million over the same time last year. A new rate of 7.20 percent has been available to borrowers as of Monday, June 16, 1997. Mr. Lothrop also reviewed his memo dated June 9, included in the Board packet, concerning "Servicing Activity for April, 1997." For the third month running, total delinquencies have gone down, reflecting the efforts of the Servicing Staff. The number of Real Estate Owned (REO) properties appears high, but since this report, three have been sold, 11 are currently under contract and offers are expected on four others. Mr. Lothrop then went on to explain in response to a question from the Board that "lender repurchase" occurs when there is a title problem; according to the contract signed by participating lenders the loan must have good marketable title or be repurchased from the Agency. When lenders sell a mortgage to the Agency, they agree to originate, sell and service the loan in conformance with the contract. No Board action was necessary.

{Ms. Grimes arrived at this time.}

Next, the "VHMGB Board Meeting and Vermont Bankers Association (VBA) Update" was reviewed by Mr. Lothrop who referred to his memo dated June 12, included in the Board packet. At the May 28 VHMGB Board Meeting, staff presented a proposal to incorporate credit scoring into the VHMGB credit underwriting criteria. Both Mr. Lothrop and Mr. Hunt attended the VBA meeting and covered issues with the mortgage committee as described in the memo. Three meetings will be held annually to improve communications between VBA and the Agency. The new Servicing Guide was presented to the VBA in draft form. Discussions also centered on Title 9 Section 42, concerning fees that licensed lenders can charge. On Agency loans, lenders can increase the origination fee, as long as it is disclosed that borrowers cannot deduct the additional fee when submitting tax returns. Mr. Candon questioned the issue of credit scoring and asked if it would only affect loans being guaranteed by VHMGB, but Mr. Lothrop advised the Board that it will also affect Agency loans. It will be brought to the Board again for review once the procedure has been finalized. No Board action was required.

Mr. McNamara reviewed Mr. Erdelyi's and Ms. Reid's memo of June 13, included in the Board packet, regarding "1997 Housing Credits Round One Reservation Recommendations." VHFA received 15 applications for housing credits in this round. Of the 15 received, eight were recommended for credits to the Joint Committee on Tax Credits. The Committee met on June 12 and approved the recommendations as presented by staff with one change, splitting Applegate's reservations across 1997 and 1998 with a 1998 piece creating a pool of 1997 credits that could fund other projects (Park Place and a portion of McAuley Square in Burlington). Mr. McNamara pointed out that this is the recommendation before the Board. Ms. Canney asked if there was another round of allocations scheduled, and Mr. McNamara noted that if staff recommendations are followed, the credits available for this year would be used up, as well as $135,000 of 1998's allocation. Ms. Grimes asked the Board to consider amending the Committee's action to reflect the following: if any projects do not get other funding and need to return housing credits, agree to make up to $35,000 available to the Fair Haven project, with the provision that all of the one bedroom units should be increased in size to two or more bedrooms to make the project more family-oriented. Mr. Seelig concurred with this proposal. Chairman White indicated he had received a letter from the Chairman of the Regional Affordable Housing Corporation (RAHC), one of the applicants not being recommended for an allocation of credits. The letter indicated RAHC's concern about the allocation process and the concentration of credits being recommended for Chittenden County. After a brief discussion about the possibility of delaying the decision, a motion was made by Mr. Seelig to proceed with Committee recommendations, but with Fair Haven as the first alternate to receive credits in the amount of $35,000 with Ms. Grimes' suggestions to reconfigure the project to more family sized units; this motion carried unanimously after being seconded by Ms. Grimes.

{Following the vote, the representatives from the Lund Family Center left.}

Mr. McNamara discussed the "South Square Apartments - Letter of Interest for Permanent Financing" detailed in his memo of June 13, included in the Board packet. Burlington Housing Authority, in partnership with Housing Vermont, has applied to VHFA for $1,850,000 in permanent financing for the acquisition and rehabilitation of South Square Apartments located at 101 College Street in Burlington. The project consists of a 65 unit housing complex (64 subsidized apartments and one resident manager apartment) and an adjoining two story office building. Mr. McNamara noted that this project will allow Burlington Housing Authority to preserve 64 very affordable housing units for the elderly. After a brief discussion, a motion was made by Ms. Canney to approve the "Resolution Pertaining to Letter of Interest re: South Square Apartments (Burlington)" as attached to these minutes and carried unanimously after being seconded by Ms. Grimes.

Next, Ms. Reid reviewed her memo of June 12, included in the Board packet, regarding " Housing Vermont, Applegate Apartments: Letter of Commitment for Permanent Financing." On April 17, 1997, the Board approved issuance of a Letter of Interest for construction and permanent financing of up to $100,000 for Applegate Apartments in Bennington. Applegate is a 130 unit family acquisition/rehabilitation project which will be redeveloped to 103 units. Ms. Reid stated that staff is recommending that the Agency provide a Letter of Commitment for permanent financing for $50,000. There are underground storage tanks on site that were double the size specified for removal, but HUD is paying for their removal and for any remediation necessary. The soil and groundwater will need to be tested for contamination. Ms. Reid reported that staff was considering a streamlined Regulatory Agreement, to include an annual review and approval of the budget and audited financial statements, rather than quarterly reports, mostly due to the size of the loan in proportion to the project as a whole, which has a total development cost of $6 million. A motion was made by Ms. Grimes to adopt the "Resolution Pertaining to Letter of Commitment Re: Applegate Apartments" as attached to these minutes, and carried unanimously after being seconded by Mr. Candon.

{Mr. Broderick, Mr. Richardson, Mr. Barclay, Mr. Higgins and Ms. Mercier left the meeting at this time.}

Mr. Schoenbeck then reviewed the "Single Family Bond Financing" as described in his memo of June 5, included in the Board packet. After distributing the Pricing books, both Mr. Schoenbeck and Mr. Gurley began discussing each of the pertinent sections of the Pricing Book. After a thorough discussion and a motion duly made by Mr. Seelig and seconded by Mr. Douglas, the Board voted unanimously to adopt the "The Twelfth Single Family Housing Bond Resolution" as attached to these minutes.

The "Private Activity Bond Volume Cap" was then reviewed by Mr. Jarrett, who referred the Board to his memo of June 18. Each year the Agency is allocated part of the State's $150 million annual volume cap for private activity bonds. This year the Agency has asked for a small allocation from the Emergency Board from the $55 million contingency not allocated at the beginning of the year. The Agency would like to use this allocation for multi-family bonds for the Pines IV and South Square developments. The Agency has not allocated any volume cap to multi-family bonds in the last several years because of a lack of activity in this area. The staff recommends that $15 million of 1997 volume cap received from the Emergency Board be allocated to exempt facility bonds. After a motion was made by Ms. Grimes and seconded by Mr. Douglas, the Board voted unanimously to adopt the "Resolution Relating To Election To Allocate 1997 Private Activity Bond Volume Cap Allocation" as attached to these minutes.

Next, Mr. Schoenbeck reviewed his memo of June 16, included in the Board packet, regarding "Proposed Fiscal Year June 1998 Budget." The FY98 Capital Budget would be discussed separately and is divided into two parts: building improvements and information technology. Mr. Schoenbeck discussed the problem with liquidity in the General Fund due to loans made from the General Fund and other commitments, and suggested that the General Fund balance be increased by a significant amount to relieve the pressure on the General Fund. This is being budgeted for by a large one-time takeout from the current single family bond program. The income projections are fairly constant with last year's levels. The interest income on loans has increased slightly; additional self-serviced loans and sub-service loans earn income of $50,000 per year. Last year's multifamily fees were higher than previous years, and the budget for next year due to a current aggressive pipeline of projects. Expenses are budgeted to increase by 9.8 percent over the current year. About 90 percent of the increase in expenses in due to salaries and wages, interest expenses and consulting fees. Mr. Schoenbeck noted that the Agency has had significant turnover in the past year; with nine employees leaving in the past fiscal year, several due to compensation levels. To maintain quality staff, the Agency needs to have reasonable salary increases this year, which have been averaged for budget purposes at 4.5 percent. There have been 2.4 positions added, which coincidentally is the number of positions that were cut last year. The new positions are in data processing, servicing support and research statistics. Other state agencies typically allocate 10 percent of personnel to their data processing function, our Agency now has 2 staff out of 45 or 4.4 percent.

Next, Mr. Schoenbeck noted that two large items of the budget increase are interest expense to cover borrowing from FHLB for projects the Agency has funded in the past year, and organization subsidy expenses for VHMGB, Housing Vermont (HVT), Energy Rated Homes (ERH) and the homeownership centers. Mr. McNamara confirmed that the majority of the increase in travel/training was for training. Mr. Seelig expressed concern about staff turnover, noting that if the Agency is lagging behind in terms of wages or other issues, and if the Agency is rehiring positions that the Agency indicated they could go without last year, it is probably worthwhile to increase the budget for staff training. Mr. Hunt noted that companies in the Burlington area are hiring employees at a higher salary level now, and that the Burlington employment marketplace is presently very active. Mr. Seelig indicated that the Board may need to better understand the impact of low unemployment in the Burlington area and consider that if the Agency cannot compete salary wise, in what other ways could it become the type of place that people want to stay at due to good working conditions. Chairman White then stated that the Agency has a track record of not spending money when it does not need to spend money, and due to this, he doesn't see a problem with the increases in income and expenses. He also indicated that staff should not expect to submit 9 percent budget increases every year. Commissioner Seelig suggested Board participation in the budget process next year. Chairman White concurred Following further discussion, a motion was made by Ms. Grimes to accept the FY98 Operating Budget as presented, and this motion carried unanimously after being seconded by Mr. Candon.

{Mr. Douglas and Ms. Grimes left the meeting, Mr. Smith joined the meeting at this time.}

Mr. McNamara reviewed his memo of June 11, regarding "Building Improvements: Proposed FY98 Capital Budget," included in the Board packet. With the hiring of the Loan Servicing Manager and the transfer of the Loan Servicing Specialist from the Administration Department, the limited space for Servicing staff on the second floor has presented a space problem. Staff has determined that it is very important for the entire Servicing team to be located together as one unit in order to make the biggest impact on delinquencies and foreclosures. There is space available on the first floor, since the former tenant has vacated. Mr. McNamara then presented floor plans and renderings of the building exterior as prepared by Janson Design, Inc. In addition to the new first floor offices, plans call for a handicapped accessible ramp, a new entryway and canopy, below grade waterproofing and landscaping at an estimated cost of

$147,100. Adding in more routine building needs such as filling cabinet(s), copy machines and replacing the Annex roof brings the total Building Improvements budget to $174,525.

Next, Mr. McNamara discussed the Information Technology (IT) Group, which has been meeting since February 1997. The group consists of senior staff and has explored many options for IT improvements, including considerable contact with Mitas, the agency's primary software provider. The IT Group came to an early conclusion that VHFA should adopt a three year rolling plan for IT improvements; the first year's installment of $103,960 fits in with the recommendation that the agency needs to commit approximately $100,000 per year toward IT improvements. This will bring the entire agency to Windows '95, improve network speed and capability, update half the desktops in the agency and dramatically improve staff training. Following further discussion, a motion was made by Mr. Candon to adopt the Building Improvements and Information Technology improvements as presented, and this motion unanimously carried after being seconded by Mr. Seelig.

In his Executive Director's report, Mr. Hunt advised the Board that VHMGB legislation had passed late on Friday night. The programs were highly supported by legislators all through the process.

Due to the hiring of Peter Richardson, a former HVT Board member, as president of that organization, HVT has a vacancy on their Board, for which the Agency can make appointments. Mr. Hunt distributed a copy of the resume for Tom Thompson, a Realtor in the Burlington area. Although no formal Board action was taken, it was generally agreed that Mr. Thompson's name should be submitted to HVT. Concluding his report, Mr. Hunt announced with regret that Ms. Parker would be leaving the Agency after 10 years of service.

There being no further business, and following a motion duly made and seconded, the meeting was adjourned at 4:00 p.m.

Respectfully submitted,

Allan S. Hunt, Secretary

RESOLUTION PERTAINING TO COMMITMENT LETTER
RE: APPLEGATE APARTMENTS

WHEREAS, a proposal has been presented to the Agency by Housing Vermont ("HVT"), a non-profit corporation based in Chittenden County, (the "Sponsor") on behalf of a to-be-formed limited partnership (or a limited liability company), whose general partners (or managing members) would include Applegate Housing Inc., and H.V. Applegate Inc., a Housing Vermont affiliate, involving the rehabilitation and permanent financing of a family housing development containing 103 units in 24 buildings located on 25.5 acres in Bennington (the "Development"); and

WHEREAS, the proposal contemplates construction and permanent loans in an amount not to exceed $100,000; and

WHEREAS, the Sponsors have applied for Housing Credits and have applied for Vermont Housing and Conservation Board and HOME funds; and

WHEREAS, the Sponsors will apply for a Vermont Community Development award, a loan from the Bennington Revolving Loan Fund; and

WHEREAS, the Sponsors and the to-be-formed limited partnership or limited liability company are expected to qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS. the Development has been the subject of a previous resolution of the Agency dated April 17, 1997; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated June 12, 1997 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

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

2. The construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.

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

4. The housing sponsor undertaking the Development will increase the supply of well-planned, well-designed permanent 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 organizations and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director may, in his discretion, issue a Commitment Letter for a loan for the acquisition, rehabilitation and long-term financing of the Development, in an amount not to exceed $100,000.

2. The term loan shall be amortized over a period of up to 30 years, but all principal and accrued interest shall be due not more than 20 years from the date of the term loan. The interest rate shall be determined by the Executive Director based on the Agency's cost of funds plus an override of not less than 75 basis points, with a target of 8.0%. The Commitment Letter may be issued to Housing Vermont, as a representative of the to-be-formed limited partnership or limited liability company. 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 Commitment Letter shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:

a) Sponsor must demonstrate that requisite financing has been committed by June 30, 1997, including but not limited to Housing Credits, and loans/grants from Vermont Housing and Conservation Board, HOME, HUD, the Bennington Revolving Loan Fund, and Vermont Community Development Program. "Requisite financing" means the amount and terms of each of the sources of funding represented on the multifamily loan application or their equivalent. If the sponsor is unable to obtain commitments of "requisite financing", the sponsor may have to reduce costs from the development budget so that the total uses of funds matches the total sources of funds;

b) Sponsor must provide final plans and specifications for VHFA approval;

c) All underground storage tanks must be removed either prior to acquisition or as part of the acquisition/rehabilitation plan.

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 June19, 1997.

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

RESOLUTION OF VERMONT HOUSING FINANCE AGENCY
PERTAINING TO DEFERRED LOANS
FOR LEAD HAZARD REDUCTION

WHEREAS, the Lead Hazard Reduction Program was established to provide technical and financial assistance to homeowners and investor-owners desiring to make housing units lead safe and has been operational since November, 1994;

WHEREAS, federal funds available through the Vermont Housing and Conservation Board ("VHCB") have income limitations that preclude certain units from being eligible for loans;

WHEREAS, the amount of subsidy available for certain privately owned units is so low that many property owners lack sufficient financial resources to make their housing units lead safe; and

WHEREAS, the Agency did, in October, 1995, make up to $100,000 of multifamily refunding savings available to the Vermont Housing and Conservation Board for the purpose of providing "silent second" mortgage loans to allow the completion of work to make housing units lead safe in accordance with VHCB guidelines when either VHCB or Vermont Community Development funds are not available or sufficient to complete a lead hazard reduction project; and

WHEREAS, the Board has been presented with a letter from Joanne LaTouchie dated June 4, 1997 (the "Request") requesting that an additional $100,000 of multifamily refunding savings be made available to the Vermont Housing and Conservation Board for the purpose of providing "silent second" mortgage loans to allow the completion of work to make housing units lead safe in accordance with VHCB guidelines when VHCB funds are not available or sufficient to complete a lead hazard reduction project;

NOW, THEREFORE, it is hereby RESOLVED:

1. The Agency will make available up to $100,000 of multifamily refunding savings to the Vermont Housing and Conservation Board for use in VHCB's Lead Hazard Reduction Program in accordance with the conditions under which the Lead Hazard Reduction Program has been operating, with the addition of in-home daycare centers as an additional priority.

2. The Executive Director is authorized to execute documents in form satisfactory to him and to take other necessary steps in order to achieve the purpose of the Lead Hazard Program.

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 19, 1997.

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

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RESOLUTION PERTAINING TO LETTER OF INTEREST RE: SOUTH SQUARE APARTMENTS (BURLINGTON)

WHEREAS, a proposal has been presented to the Agency by the Burlington Housing Authority (the "Housing Sponsor") and Housing Vermont on behalf of a to-be-formed limited partnership or limited liability company involving the acquisition and rehabilitation of 65 rental units for the elderly and disabled located in a building in Burlington together with an adjoining two story office building, as referenced in a staff memorandum dated June 12, 1997 (the "Development"); and

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

WHEREAS, 64 of the 65 units in the Housing Sponsor's proposal are currently subsidized under HUD's Section 8 Substantial Rehabilitation Program, and would remain affordable to households earning less than 80 percent of median income; and

WHEREAS, the Housing Sponsor has applied for a loan from the City of Burlington's Housing Trust Fund in the amount of $25,000; and

WHEREAS, the Housing Sponsor has agreed to make a subordinate loan for the Development of $100,000; and

WHEREAS, the maximum amount of the mortgage loan will not exceed $1,850,000; and

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

It is hereby DETERMINED:

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

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

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

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

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

6. The Housing Sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to the Burlington Housing Authority for the acquisition and rehabilitation of the Development in Burlington in an amount not to exceed $1,850,000. The loan will be amortized over 30 years, with a term of 20 years and a balloon payment due at that time. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.

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

   a) the Housing Sponsor must provide, in form and substance satisfactory to staff, a Level I Environmental Site Assessment, with satisfactory remediation measures that are incorporated into the work specifications; and

   b) final development and rehabilitation costs must be satisfactory to staff or its agents; and

   c) the Housing Sponsor must demonstrate that Requisite Financing has been committed, including commitments from the City of Burlington Housing Trust Fund and the Housing Sponsor. "Requisite financing" means the amount and terms of each of the sources of funding represented on the multifamily loan application or their equivalent. If the Housing Sponsor is unable to obtain commitments of "requisite financing", the Housing Sponsor may have to reduce costs from the development budget so that the total uses of funds matches the total sources of funds;

   d) the Housing Sponsor must demonstrate evidence of site control with a purchase price not to exceed $2,000,000; and

   e) the Housing Sponsor must agree with staff proposals regarding provisions regarding the disposition of any surplus cash that may accumulate if rent levels are more favorable than projected; and

f) the Development must obtain an initial debt coverage ratio of not less than 1.15 to 1 through a combination of negotiated expense and rent adjustments.

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 19, 1997.

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

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

WHEREAS, the Vermont Housing Finance Agency (the "Agency") has not been allocated any 1997 private activity bond volume cap by the State of Vermont, but carried forward from 1996 $76,775,000 in volume cap, which was allocated for qualified mortgage bonds and mortgage credit certificates; and

WHEREAS, the Agency expects to be allocated additional private activity bond volume cap by the State of Vermont in the near future; and

WHEREAS, the Agency desires to elect to utilize $15 million of any volume cap allocated for exempt facility bonds; and

NOW, THEREFORE, it is hereby RESOLVED:

If the Vermont Housing Finance Agency is allocated any additional volume cap by the State of Vermont on or after June 19, 1997, it elects to allocate $15 million of such additional volume cap for the purposes of issuing exempt facility bonds.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on June 19, 1997.

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

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Multifamily Development Underwriter JE

DATE: July 28, 1997

RE: South Square Apartments - Letter of Commitment for permanent financing

Executive Summary

VHFA's Board of Directors resolved to issue a Letter of Interest to provide permanent financing for the South Square Apartments, a 65 unit housing project for elderly and disabled tenants with an adjacent 2,847 square foot commercial building, at its June meeting. Since then staff have worked with the sponsor to bring the development nearer to readiness for a closing. An appraisal and an Environmental Site Assessment have been completed and reviewed by staff, and raise no significant concerns. The sponsor has requested tax-exempt bond financing and Housing Credits outside the State's credit ceiling, and staff have secured bond volume cap from the State's Emergency Board.

THE DEVELOPMENT

Projected Funding Sources

VHFA First Mortgage	$1,850,000	72.14%
BHA Developer's Loan	$130,000	5.07%
City of Burlington Trust Fund	$15,000	.58%
Equity	$570,000	21.38%
Totals	$2,565,000	100.00%

The property was appraised by Allen and Cable, an MAI appraiser, on March 20, 1997 with a value of $2,000,000. The loan-to-value ratio for the VHFA financing is approximately 92.5%. The VHFA loan-to-cost ratio is approximately 72%. The City Trust Funds are committed. Housing Vermont is soliciting equity investors but has no commitments at this time. The BHA Board of Directors will meet on August 12, 1997 to commit to making a final loan of $130,000, which is actually a deferral of developer's fees (BHA's total budgeted fee is $150,000, and Housing Vermont's is $64,000, which combined total 9% of the development cost.).

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Unit Breakdown and Rents

All of the units are currently targeted to families at or below 80% of median income, as required by the Section 8 New Construction/Substantial Rehabilitation requirements. Currently 62 of the 64 rental apartments are occupied by households below 50% of area median income. The tax credits will require that all of the units be occupied by households at or below 60% of area median income for a period of 30 years.

The unit size and rent breakdown is as follows:

Size	#	Year One Rents	Appraiser's Market Rents	HUD Fair Market Rents
1 BR	1	N/A (Resident Manager Unit)		
1 BR	54	$578	$520	$488
2 BR	10	$770	$620	$650

These rents include all utilities. Under the current Housing Assistance Payments (HAP) contract, tenants pay 30% of income towards housing costs, and the difference between this amount and the contract rents is paid by the federal government. Because the project has only a one year extension on its HAP contract, the rents have been reduced to the appraised market rents in year two of the cashflow projection for underwriting purposes. There is some likelihood that national policy pressures to prevent displacement of large numbers of low income households will cause future year-by-year HAP contract extensions, or alternatively "vouchering out" of tenants (replacing project-based rent assistance with tenant-based). However, this is impossible to predict. The recent trend at the federal level has been to reduce the contract rents (currently reduced to 120% of HUD Fair Market Rent), and it seems likely that the HAP contract rent will receive more year-by-year extensions if contract rents are reduced (possibly to HUD Fair Market Rent) in the future.

Staff believe that a "worst case" scenario would involve no project-based HAP renewals and vouchering out with rents at HUD Fair Market Rent. Because the Certificates or Vouchers would be tenant based, the tenants could move out of the project and take their rent assistance with them. In the event BHA could not fill these vacated units with other Certificate or Voucher holders, staff believe the units would rent for the market rent levels identified in the appraisal ($520 and $620). If this happened the project would potentially have to transition to serving a higher income group of tenants (within the constraints of the tax credit and bond financing requirements). It seems likely that BHA as co-owner and manager would endeavor to refer tenants with rental assistance to this development in the unlikely event that this "worst-case" event occur, ameliorating its impact somewhat.

Sponsor, Management & Market

The development is currently managed by Burlington Housing Authority and is owned by South Square Associates, whose principal is Mike Tessier. The Burlington Housing Authority has an option to purchase the development and has entered into an agreement with Housing Vermont to form a partnership that would own the development. Housing Vermont will secure equity investment in exchange for the tax credits. BHA has not developed housing using the tax credit or VHFA financing before, but Housing Vermont has extensive experience using VHFA financing and tax credits.

The property is located in downtown Burlington two blocks from the lakefront, an area where extensive development of commercial space and higher-priced housing is occurring. The appraiser estimates a two percent residential vacancy rate and a ten percent commercial space vacancy rate in evaluating this property. The sponsor has underwritten at three percent residential vacancy and ten percent commercial vacancy. Currently the apartments are fully occupied and the commercial space is 50% occupied. The owner has not been marketing the vacant commercial space, but BHA has been investigating potential tenants for the space. The development is located in a strong market that would probably sustain full occupancy of the units at market rents.

Site & Environmental Concerns

The sponsor has had a Phase I Environmental Site Assessment completed and staff have reviewed it. The most noteworthy comment in the Assessment was that the inspector identified a "suspected asbestos-containing material" on the pipes in the commercial building. The inspector was not hired to inspect for or test for asbestos, but because of his findings the sponsor will investigate and abate any asbestos that is found. No increase in the construction budget is anticipated at this time because of this finding.

The buildings were converted into residential apartments in 1977, which is just before lead-based paint stopped being manufactured or sold. Because the units are exclusively for the elderly and disabled, the units are exempt from lead paint testing and abatement requirements, so no measures for lead paint have been requested. The owner has had a capital needs assessment recently completed, and is proposing work that conforms to the needs identified. There are approximately 20 parking spaces available on site, which is less than would likely be required if the development were built now, but the project has not historically suffered excessive vacancy or turnover due to limited parking.

DISCUSSION

The proposal would preserve what has been an important part of Burlington's affordable housing stock for twenty years, by providing affordable financing and tax credit equity, and also by transferring the development to non-profit control. The development cost is very low (approximately $40,000 per unit) for downtown Burlington, and there are economic pressures in the area of the project to develop more expensive, higher-end housing.

If the development manages to continue to secure contract rents from HUD in excess of the projected rents, the project has the potential to generate substantial cash flows. Staff believe that if this should occur, the cash should be used to the benefit of the project, either to meet future capital needs or for early principal prepayments of the loan (to the extent prepayments are permitted without penalty under the bond provisions). The sponsors are agreeable to restricting cash distributions and to provisions in the Regulatory Agreement (or other agreement) that accomplish this goal. Staff request that the Board grant the Executive Director the authority to negotiate the terms of such an agreement.

Strengths

a) The development would preserve 64 units of affordable housing in downtown Burlington **at least** at rent levels affordable to households earning no more than 60% of area median income, and probably deeper, depending on the type and level of rent subsidies.

b) The development would utilize tax-exempt bond financing and Housing Credits outside of the state's credit ceiling, both of which would not burden scarce housing resources.

c) Both Housing Vermont and Burlington Housing Authority have extensive housing experience, and the proposed development is an acquisition with relatively minor rehabilitation, making it a simple transaction with minimal construction risk and no rent-up risk.

Weaknesses

a) VHFA is requested to provide long term financing to a development with only one year of HAP contract funding ensured. Although the proposal is feasible at market rents, a transition from its current "deep-subsidy" status would mean not being able to serve the same very-low-income households, unless tenants with Certificates or Vouchers would reside in the development. The development is in the same position as many deeply subsidized developments nationwide, however, and there will probably be guidance and financial assistance provided at the federal level to some degree in the future.

RECOMMENDATION

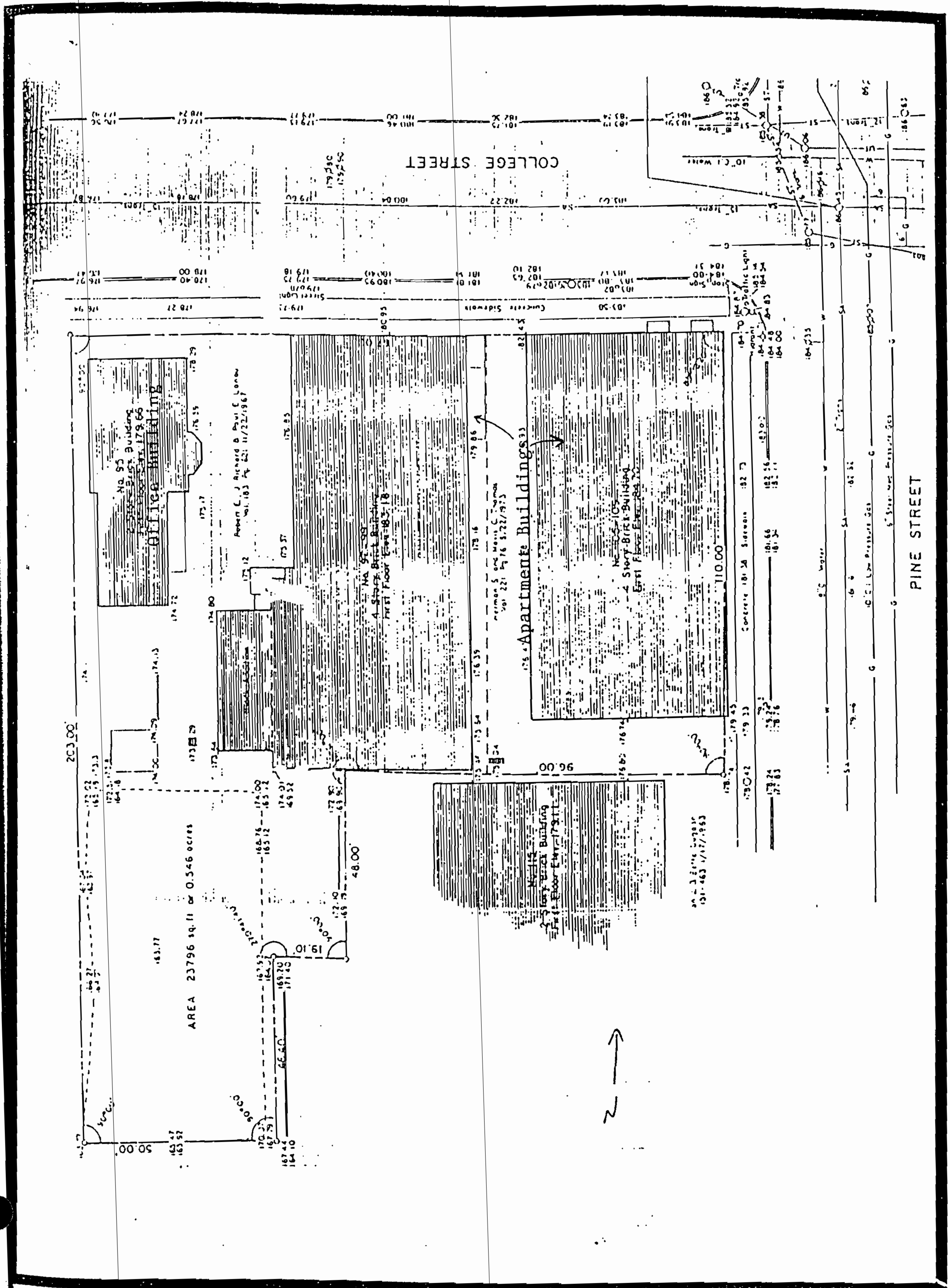
Staff recommends Board approval of the attached Resolution to provide a Letter of Commitment to provide permanent financing in an amount of up to $1,850,000, loan term and amortization period of 30 years. The interest rate cannot exceed the bond yield plus a spread of 150 basis points, and staff will make a rate concession and charge less than this full spread, and endeavor to achieve a target rate of 7%. The Commitment Letter is subject to the satisfaction of certain conditions described below. The proposed source of funds is a tax-exempt bond.

1) sponsor must provide final plans and specifications for VHFA approval, which must incorporate the abatement of any asbestos in the development;

2) sponsor must provide evidence of cost reasonableness (such as evidence of competitive bidding) for the rehabilitation work;

3) sponsor and VHFA must enter into an agreement regarding the disposition of any surplus cash that may accumulate if rent levels are more favorable than projected.

Property Sketch



RESOLUTION PERTAINING TO COMMITMENT LETTER
RE: SOUTH SQUARE APARTMENTS (BURLINGTON)

WHEREAS, a proposal has been presented to the Agency by the Burlington Housing Authority (the "Housing Sponsor") and Housing Vermont on behalf of a to-be-formed limited partnership, 101 College Street Housing Limited Partnership, involving the acquisition and rehabilitation of 65 rental units for the elderly and disabled located in a building in Burlington together with an adjoining two story office building, as referenced in a memorandum from Joe Erdelyi dated July 25,1997 (the "Development"); and

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

WHEREAS, 64 of the 65 units in the Housing Sponsor's proposal are currently subsidized under HUD's Section 8 Substantial Rehabilitation Program, and would remain affordable to households earning less than 80 percent of median income; and

WHEREAS, housing credits will be available to the Development outside the state's housing credit ceiling due to the expected issuance of tax-exempt private activity bonds; and

WHEREAS, the Housing Sponsor has applied for a loan from the City of Burlington's Housing Trust Fund in the amount of $15,000; and

WHEREAS, the Housing Sponsor has agreed to make a subordinate loan for the Development of $130,000; and

WHEREAS, the maximum amount of the mortgage loan will not exceed $1,850,000; and

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

It is hereby DETERMINED:

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

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

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

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

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

6. The Housing Sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a Letter of Commitment for a first mortgage loan for the acquisition and rehabilitation of the Development in Burlington in an amount not to exceed $1,850,000. The loan will be for a term of 30 years, with an interest rate to be set at spread of not more than 150 basis points above the bond yield. The source of funds shall be tax-exempt private activity bonds to be issued by the Agency.

2. The Commitment Letter may be issued to Burlington Housing Authority and Housing Vermont, as representatives of the to-be-formed limited partnership, the 101 College Street Housing Limited Partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including, but not limited to, the following conditions:

   a. sponsor must provide final plans and specifications for VHFA approval, which must incorporate the abatement of any asbestos in the development;

   b. sponsor must provide evidence of competitive bidding

   c. sponsor and VHFA must enter into an agreement regarding the disposition of any surplus cash that may accumulate if rent levels are more favorable than projected.

3. The Executive Director, Deputy Director and Director of Finance are hereby authorized to take all necessary steps and execute any and all documents required to effectuate this loan.

South Square			RUN DATE:	24-Jul-97	
Total Residential Units:	65	Increase LIHTC		1.50%	
Restricted Units:	64	Increase Market		1.50%	
Percent Restricted:	100.00%	Expense increase:		3.00%	
Avg Net Monthly Rent:	524	Residential Vacancy Rate:		3.00%	
Total Dev Costs	2,564,392	Commercial Vacancy Rate:		10.00%	
TDC/Unit	39,452	Partner's Tax Rate:		34.00%	
		Depreciation Schedule:		27.5	
Max Credit Amount	80,013	Sponsor's Estimated Yield:		71.37%	
Credit Amount Allocated	80,013				
Net Syndication	565,365				
LIHTC - 9%	8.54%	(Aug '97)			
LIHTC - 4%	3.66%				
FINANCING SOURCES					
	Amount	% of TDC	Interest	Amortization	Term
First Mortgage	1,850,000	72.14%	7.50%	30	20
BHA Loan	130,000	5.07%	5.00%	15	
Burlington Housing Trust Fund	15,000	0.58%	N/A	N/A	deferred
Tax Credit Equity	570,000	22.23%	N/A	N/A	
	2,565,000	100.02%			
Gap	(608)				
1 Br	78,380	55	4,310,900		
2 Br	83,380	10	833,800		
Max cost allowed by unit cost limits			5,144,700		
projected total cost, excluding cash accounts			2,554,392		
		(over)/under	2,590,308		
General Partner's Capital Contribution			5,711		
Limited Partner's Capital Contribution			565,365		
Total Capital Contribution			571,076		

South Square		DEVELOPMENT BUDGET					24-Jul-97
						Acquisition	Rehab/Const
			Budget	Per Unit	Per s.f.	Credit	Credit
ACQUISITION & CONSTRUCTION							
Land			360,000	5,538	10.27		
Purchase of Building(s)			1,640,000	25,231	46.79	1,503,444	
Sitework				0	0.00		0
Rehabilitation			250,000	3,846	7.13		250,000
Asbestos Abatement				0	0.00		0
OFF SITE IMPROVEMENTS				0	0.00		0
BOND				0	0.00		0
General Requirements		0.00%		0	0.00		0
Contractor Overhead		0.00%		0	0.00		0
Contractor Profit		0.00%		0	0.00		0
Construction Contingency			12,500	192	0.36		12,500
APPLIANCES				0	0.00		0
Subtotal			2,262,500	34,808	64.55	1,503,444	262,500
PROFESSIONAL SERVICES							
Architect/Engineering				0	0.00		0
Construction Management			17,500	269	0.50		17,500
Legal/Accounting			15,000	231	0.43		11,250
Relocation			7,500	115	0.21		7,500
ACCOUNTING				0	0.00		0
Legal - Title & Recording			4,500	69	0.13		0
Subtotal			44,500	685	1.27	0	36,250
INTERIM COSTS							
Construction Insurance				0	0.00		0
Construction Interest			2,000	31	0.06		1,500
Construction Loan Origination Fee				0	0.00		0
Taxes				0	0.00		0
Subtotal			2,000	31	0.06	0	1,500
OTHER SOFT COSTS							
Property Appraisal			5,000	77	0.14		5,000
Soft Cost Contingency			1,923	30	0.05		1,443
Environmental Report			3,000	46	0.09		3,000
SEWER & WATER FEES				0	0.00		0
				0	0.00		
PERMITS/FEES - LOCAL			1,469	23	0.04		1,469
Tax Credit Fees				0	0.00		0
Marketing (RENT UP)				0	0.00		
Subtotal			11,392	175	0.33	0	10,912
FINANCING FEES & EXPENSES							
Credit Report				0	0.00		
Permanent Loan Origination Fee			20,000	308	0.57		
Credit Enhancement				0	0.00		
Cost of Issuance				0	0.00		
Title & Recording				0	0.00		
Counsel's Fee				0	0.00		
Other				0	0.00		
Subtotal			20,000	308	0.57	0	0
SYNDICATION COSTS							
Organizational (Partnership)				0	0.00		
Syndication Consulting Fee				0	0.00		
Tax Opinion				0	0.00		
Subtotal			0	0	0.00	0	0
DEVELOPER'S FEES							
Developer's Overhead & Profit			214,000	3,292	6.11		214,000
Consultant Fees				0	0.00		0
Subtotal		9.14%	214,000	3,292	6.11	0	214,000
PROJECT RESERVES							
Rent-up (Deficit Escrow) Reserve				0	0.00		
Replacement Reserve				0	0.00		
Working Capital			10,000	154	0.29		
Operating Reserve/Sinking Fund				0	0.00		
Subtotal			10,000	154	0.29	0	0
TOTAL DEVELOPMENT COSTS			2,564,392	39,452	73.16	1,503,444	525,162
	LESS:	Amount of Non-qualified Financing					
	LESS:	Adjustment for per unit cost limits					
	LESS:	Historic tax Credit (Residential Portion)					
				Total Eligible Basis		1,503,444	525,162
	TIMES:	Adjusted for QCT/DDA			130.0%		682,711
	TIMES:	Applicable Fraction			100.00%	1,503,444	682,711
				Total Qualified Basis		1,503,444	682,711
	TIMES:	Applicable Percentage				3.66%	3.66%
			Total Annual Credit Qualified			55,026	24,987
Total Tax Credits Requested			80,669				
Estimated Net Syndication Proceeds		570,000				80,013	
Estimated Yield - LIHTC Syndication		71.37%					
Equity Gap		569,392					
Credits Needed to fill Equity Gap			79,777				

South Square			Rental Income		24-Jul-97	
Restricted Units						Total
Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent
1 Br		510	54	532		344,736
2 Br		700	10	639		76,680
						0
						0
						0
	Totals	34,540	64			421,416
Market Rate Units						Total
Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent
1 Br	Res Mgr Unit	510	1	0		0
	Totals	510	1			0
All Units						
	Grand Totals	35,050	65			421,416
		Less Vacancy	3.00%			(12,642)
					NET RENT	408,774
		OTHER INCOME				
		Office Space	income			21,252
		Office Space	vacancy			(2,125)
		Laundry				3,500
		Parking				
		Total Other Income				22,627
					TOTAL INCOM	431,400

South Square	EXPENSE BUDGET			24-Jul-97
			Per Unit	
	Annual	Monthly	Per Month	
Administration				
Management Fee	32,000	2,667	41	7.4%
Resident Manager	8,000	667	10	
Audit/Accounting	2,000	167	3	
Legal	1,000	83	1	
Office Expense	4,000	333	5	
Telephone		0	0	
Social Services		0	0	
HVT Fee	6,144	512	8	
Compliance Monitoring	1,536	128	2	
Other (Office Expense)		0	0	
TOTAL ADMINISTRATIVE	54,680	4,557	70	
Utilities				
Water/Sewer	18,000	1,500	23	
Electric	32,000	2,667	41	
Fuel	17,000	1,417	22	
Other		0	0	
TOTAL UTILITIES	67,000	5,583	86	
Maintenance				
Maintenance Payroll		0	0	
Supplies		0	0	
Trash Removal	5,500	458	7	
Snow/Grounds	11,000	917	14	
Repairs	12,000	1,000	15	
Painting & Decorating	6,000	500	8	
Annual Capital Improvements	10,000	833	13	
Contract Maintenance	4,200	350	5	
Office Operating Expenses		0	0	
Service Lease		0	0	
Other		0	0	
TOTAL MAINTENANCE	48,700	4,058	62	
Taxes	46,000	3,833	59	
Insurance	9,000	750	12	
Replacement Reserves	15,000	1,250	19	
Other - Office Bldg Expense	8,000	667	10	
Total	248,380	20,698	318	

24-Jul-97		South Square				Cash Flow Projection									
		Year	1	2	3	4	5	6	7	8	9	10	11	12	13
Residential Rent			464,676	427,737	434,153	440,666	447,276	453,985	460,794	467,706	474,722	481,843	489,070	496,407	503,853
Less Res Vacancy			(12,642)	(12,832)	(13,025)	(13,220)	(13,418)	(13,620)	(13,824)	(14,031)	(14,242)	(14,455)	(14,672)	(14,892)	(15,116)
Plus Commercial Income			21,252	21,571	21,894	22,223	22,556	22,894	23,238	23,586	23,940	24,299	24,664	25,034	25,409
Less Commercial Vacancy			(2,125)	(2,157)	(2,189)	(2,222)	(2,256)	(2,289)	(2,324)	(2,359)	(2,394)	(2,430)	(2,466)	(2,503)	(2,541)
Plus Other Income			3,500	3,553	3,606	3,660	3,715	3,770	3,827	3,884	3,943	4,002	4,062	4,123	4,185
Total Actual Income			474,660	437,871	444,439	451,106	457,873	464,741	471,712	478,787	485,969	493,259	500,658	508,168	515,790
Less Operating Expense			233,380	240,381	247,593	255,021	262,671	270,551	268,168	276,213	284,499	293,034	301,825	310,880	320,207
Less Reserves			15,000	15,225	15,453	15,685	15,920	16,159	16,402	16,648	16,897	17,151	17,408	17,669	17,934
Net Operating Income			226,280	182,265	181,393	180,400	179,281	178,030	187,142	185,927	184,573	183,074	181,424	179,618	177,649
Less Primary Debt Service			155,226	155,226	155,226	155,226	155,226	155,226	155,226	155,226	155,226	155,226	155,226	155,226	155,226
Cash Flow			71,055	27,039	26,168	25,175	24,055	22,804	31,917	30,701	29,347	27,848	26,199	24,393	22,424
Oper Subsidy			0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash			71,055	27,039	26,168	25,175	24,055	22,804	31,917	30,701	29,347	27,848	26,199	24,393	22,424
DCR			145.78%	117.42%	116.86%	116.22%	115.50%	114.69%	120.56%	119.78%	118.91%	117.94%	116.88%	115.71%	114.45%
Cumulative Cash Flow															
Beginning Balance			10,000	46,965	60,214	72,848	84,731	100,721	115,768	140,319	164,134	187,057	208,925	229,564	248,792
Interest		2.0%	911	1,210	1,466	1,709	1,935	2,242	2,635	3,113	3,576	4,020	4,440	4,835	5,200
Withdrawls			0	0	0	0	0	0	0	0	0	0	0	0	0
Payment of BHA Deferred Fees			(35,000)	(15,000)	(15,000)	(15,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(8,655)
Deposits			71,055	27,039	26,168	25,175	24,055	22,804	31,917	30,701	29,347	27,848	26,199	24,393	22,424
Ending Balance			46,965	60,214	72,848	84,731	100,721	115,768	140,319	164,134	187,057	208,925	229,564	248,792	267,760

										PRO FORM	24-Jul-97					
14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
511,410	519,082	526,868	534,771	542,792	550,934	559,198	567,586	576,100	584,742	593,513	602,415	611,452	620,623	629,933	639,382	648,972
(15,342)	(15,572)	(15,806)	(16,043)	(16,284)	(16,528)	(16,776)	(17,028)	(17,283)	(17,542)	(17,805)	(18,072)	(18,344)	(18,619)	(18,898)	(19,181)	(19,469)
25,790	26,177	26,570	26,968	27,373	27,784	28,200	28,623	29,053	29,489	29,931	30,380	30,835	31,298	31,767	32,244	32,728
(2,579)	(2,618)	(2,657)	(2,697)	(2,737)	(2,778)	(2,820)	(2,862)	(2,905)	(2,949)	(2,993)	(3,038)	(3,084)	(3,130)	(3,177)	(3,224)	(3,273)
4,247	4,311	4,376	4,441	4,508	4,576	4,644	4,714	4,785	4,856	4,929	5,003	5,078	5,154	5,232	5,310	5,390
523,527	531,380	539,351	547,441	555,652	563,987	572,447	581,034	589,749	598,595	607,574	616,688	625,938	635,327	644,857	654,530	664,348
329,813	329,207	339,083	349,256	359,733	370,525	381,641	393,090	404,883	417,030	429,541	442,427	455,700	469,371	483,452	497,955	512,894
18,203	18,476	18,753	19,035	19,320	19,610	19,904	20,203	20,506	20,813	21,126	21,443	21,764	22,091	22,422	22,758	23,100
175,511	183,696	181,514	179,150	176,599	173,852	170,901	167,740	164,360	160,752	156,908	152,819	148,474	143,866	138,984	133,817	128,354
155,226	155,226	155,226	155,226	155,226	155,226	155,226	155,226	155,226	155,226	155,226	155,226	155,226	155,226	155,226	155,226	155,226
20,285	28,471	26,288	23,925	21,373	18,626	15,676	12,515	9,134	5,527	1,682	(2,407)	(6,751)	(11,360)	(16,242)	(21,409)	(26,871)
0	0	0	0	0	0	0	0	0	0	0	2,407	6,751	11,360	16,242	21,409	26,871
20,285	28,471	26,288	23,925	21,373	18,626	15,676	12,515	9,134	5,527	1,682	0	0	0	0	0	0
113.07%	118.34%	116.94%	115.41%	113.77%	112.00%	110.10%	108.06%	105.88%	103.56%	101.08%	98.45%	95.65%	92.68%	89.54%	86.21%	82.69%
267,760	293,604	328,231	361,347	392,737	422,179	449,435	474,256	496,381	515,534	531,427	543,755	552,223	556,516	556,287	551,171	540,785
5,558	6,157	6,828	7,466	8,068	8,630	9,145	9,610	10,019	10,366	10,645	10,875	11,044	11,130	11,126	11,023	10,816
0	0	0	0	0	0	0	0	0	0	0	(2,407)	(6,751)	(11,360)	(16,242)	(21,409)	(26,871)
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
20,285	28,471	26,288	23,925	21,373	18,626	15,676	12,515	9,134	5,527	1,682	0	0	0	0	0	0
293,604	328,231	361,347	392,737	422,179	449,435	474,256	496,381	515,534	531,427	543,755	552,223	556,516	556,287	551,171	540,785	524,730

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Development Officer CR

DATE: July 24, 1997

RE: Lake Champlain Housing Development Corporation, 1306 Ethan Allen Drive, Colchester: Combined Letter of Interest and Commitment for Permanent Financing

Executive Summary

Lake Champlain Housing Development Corporation (LCHDC) has applied to VHFA for $85,000 in permanent financing. The proposed project consists of the refinancing and rehabilitation of 1306 Ethan Allen Drive in Colchester, a 32 unit family rental property. LCHDC has owned the property for ten years, and is proposing a transfer to a limited partnership consisting of LCHDC and a subsidiary of Housing Vermont, in order to obtain Housing Credits to rehabilitate the property, lower debt service payments, improve its financial operations, and improve affordability. A recent capital needs assessment indicated that improvements were needed in excess of the maintenance budget. Since LCHDC acquired the property ten years ago, approximately $5,000 per unit of rehabilitation has been completed. The proposed rehabilitation is approximately $20,000 per unit (detailed below). In addition, debt service payments will be lowered by $35,000 annually under this restructuring, which will allow the rents to be reduced and to remain affordable for the long term. VHFA's total debt amount will drop, reducing our financial exposure and improving affordability of the project.

The Development

Projected Funding Sources

VHFA First Mortgage - (assumption of existing bond)	$481,000	25%
VHFA Second Mortgage - proposed	$85,000	5%
HOME Deferred Loan	$133,732	7%
VHCB Grant	$152,000	8%
VHCB Loan	$65,000	3%
LCHDC Deferred Loan	$81,414	4%
VHCB Lead Loan	$52,500	3%
Colchester Revolving Loan Fund	$152,086	8%
Handicap Access Grant	$10,000	1%
Historic Credit Equity	$152,908	8%
Housing Credit Equity	$537,092	28%
Totals	$1,902,732	100%

The first mortgage (VHFA bond) will be assumed by a to-be-formed limited partnership. LCHDC will pay off a second VHFA loan of approximately $287,000. LCHDC has received commitments from HOME and VHCB (including grant, loan, access grant and lead loan).

LCHDC is currently negotiating with a three-town Revolving Loan Fund (Colchester, Winooski and Essex) to refinance a Community Development Block Grant (CDBG) Loan with the Town of Colchester that is now due and payable. These negotiations should be completed by the time of the Board meeting. If the Revolving Loan Fund does not take out the Colchester CDBG loan, then the Sponsor has proposed paying off the obligation through a combination of increasing the developers loan amount (deferred), and a Housing Vermont loan (deferred), a Vermont Community Loan Fund loan, and budget cuts.

LCHDC's budget assumes equity from both a 1997 housing credit allocation (which is committed) and from housing credit from outside of the State housing credit ceiling. Since the acquisition cost is partly financed by a tax exempt bond (VHFA first mortgage), the project may qualify for credit from outside of the State housing credit ceiling. However, the bond, when issued, may not have been subject to the State's volume limitation cap. Therefore, staff is requiring an attorney's opinion as to the project's eligibility for credit outside of the State housing credit ceiling. If the project is disqualified from utilizing housing credit from outside of the State housing credit ceiling, other financing will need to be obtained to fill the gap, which may mean the Sponsor would apply for 1998 housing credits. LCHDC is also utilizing Historic Credits.

A 1996 assessment by the Town of Colchester indicates an assessed value of $705,800. The VHFA combined loan to cost ratio is approximately 30%. Since VHFA's overall debt on the property is being reduced from $768,000 to $566,000, which is supported by the assessment, staff is not requiring an appraisal.

Unit Breakdown And Rents

The project consists of 17 one-bedroom units (including one manager's unit), nine two-bedroom units, and six three-bedroom units, for a total of 32 units. Ten units will be affordable to households at 50% of area median income; thirteen units will be affordable to households at 60% of area median income, and eight units will be market units, all of which are currently affordable to households at 60% of area median income and below. Two units will be made handicapped accessible. Six units have Shelter + Care subsidies, which serve homeless individuals with mental illness. The project restructuring will allow the rents to be lowered from their current levels by an average of $35 per unit per month to the new rents below.

A breakdown of unit sizes and rents follows:

Size	#	Rents	Affordable to
1 BR	5	$370	50% median
2 BR	3	$430	50% median

3 BR	2	$514	50% median
1 BR	6	$400	60% median
2 BR	4	$510	60% median
3 BR	3	$550	60% median
1 BR	5	$440	market - actual is 56% median
2 BR	2	$550	market - actual is 58% median
3 BR	1	$620	market - actual is 57% median

One one-bedroom unit is a manager's unit; the currently monthly rent is discounted to $200 to compensate for work performed. All tenants will pay for their own utilities. Fuel is natural gas.

Sponsor, Management and Market

The project is being developed by LCHDC and Housing Vermont. LCHDC is a private, nonprofit development corporation whose mission is to provide permanently affordable housing in Chittenden and Franklin Counties. LCHDC has owned 1306 Ethan Allen Drive since 1986. It is managed by Lake Champlain Ventures, LCHDC's management subsidiary. LCHDC has maintained the property as a mixed income rental property. Turnover has been low; one third of the residents have lived at the property for more than five years. For the past two years the vacancy rate has averaged 4% (LCHDC believes this to be due in part to holding units open for Shelter + Care residents when those six units turn over). Housing Vermont is also a private, nonprofit development corporation whose mission is to provide permanently affordable housing through partnerships with communities and the private sector. A corporate subsidiary of Housing Vermont will be part of the to-be-formed limited partnership.

Site And Environmental Concerns

The property is located on Ethan Allen Drive in historic Fort Ethan Allen in Colchester. It consists of a three story historic brick structure. The rehabilitation plan involves roofing repairs, lead abatement, unit finishes, window replacement, handicap accessibility modifications, kitchen cabinet replacement, exterior paving, selective bathroom upgrades, re-pointing, selective flooring replacement, energy improvements (air sealing and weatherizing), selective door replacement, selective appliance replacement, electrical improvements.

The rehabilitation plan includes lead abatement, window replacement, and asbestos abatement if needed. Since VHFA is currently a lender on the property, and the rehab plan includes lead and possibly asbestos abatement, staff is not requiring an Environmental Site Assessment.

Discussion

The sponsor has requested financing from the Section 8 recycled funds, because of the low interest rate of 7.22%. The refinancing and rehabilitation of this property will improve the physical condition of the property as well as improve the long term financial feasibility of the development.

Strengths

a) The sponsor has obtained nearly all of the proposed funding for the project, and assuming the project is eligible for out-of-cap credit, the project will bring in equity from an underutilized resource.

b) Both the sponsor, its management company, and Housing Vermont have considerable experience.

Weaknesses

a) If the project is not eligible for out-of-cap credit, requisite financing will need to be obtained, which may include an application for 1998 housing credits.

Recommended Board Action

Staff recommends Board approval of the attached Resolution to provide a Letter of Interest to provide permanent financing in the amount of $85,000, with a loan term of 20 years and amortization period of 30 years, and interest rate of 7.22%. Staff further recommends that the Board authorize the Executive Director to issue a Commitment Letter upon satisfaction of certain conditions. The proposed source of funds is recycled Section 8 funds. The Letter of Interest shall include the following conditions:

1. Sponsor must demonstrate that requisite financing has been committed by September 30, 1997. "Requisite financing" means the amount and terms of each of the sources of funding represented on the multifamily loan application or their equivalent;

2. Sponsor must provide a letter satisfactory to VHFA staff from a qualified attorney opining that the project can receive credit outside of the State housing credit ceiling for the acquisition because of the tax exempt source of the financing of the acquisition;

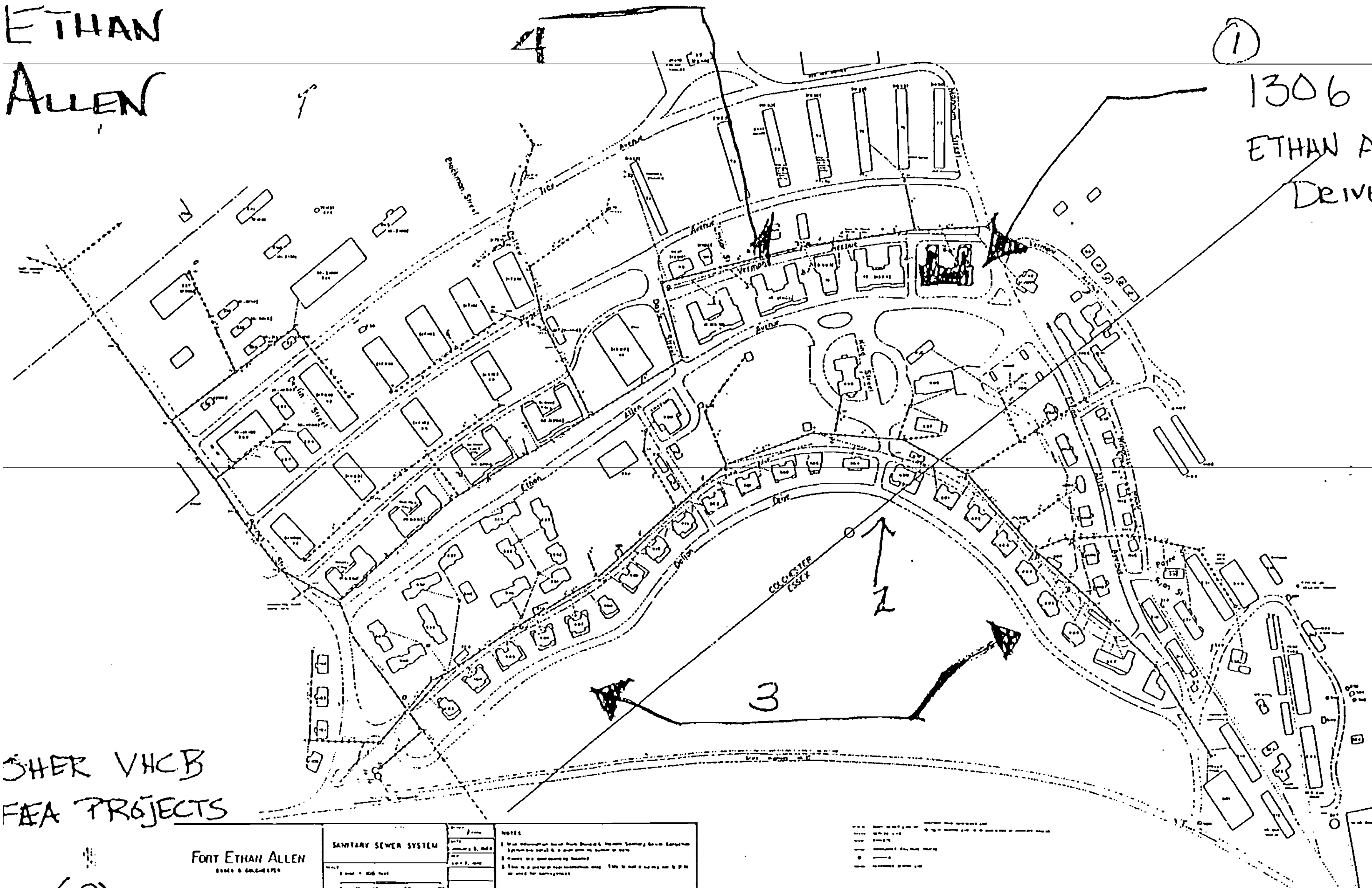
3. Sponsor must negotiate repayment terms of the Colchester CDBG loan which demonstrate financial feasibility for the project, satisfactory to VHFA staff;

4. Sponsor must provide final plans and specifications for VHFA approval;

5. Sponsor must provide evidence of competitive bidding.

FORT
ETHAN
ALLEN

(1) 1306
ETHAN ALLEN
DRIVE



SHER VHCB
FEA PROJECTS

(2) 600 DALTON DR
(3) DALTON DR HOMEOWNERSHIP
(4) 1300 ETHAN ALLEN

RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST AND COMMITMENT LETTER RE: 1306 ETHAN ALLEN DRIVE

WHEREAS, a proposal has been presented to the Agency by Lake Champlain Housing Development Corp., a non-profit development corporation, (the "Sponsor") on behalf , of a to-be-formed limited partnership, involving the acquisition and rehabilitation of a 32 unit family rental property located on Ethan Allen Drive in Colchester (the "Development"); and

WHEREAS, the proposal contemplates an assumption of the existing VHFA loan with an approximate current balance of $485,000, retirement of another existing VHFA loan in the approximate amount of $250,000 and a new VHFA loan from recycled bond proceeds in an amount not to exceed $85,000; and

WHEREAS, the Sponsor is intending to use Housing Tax Credits that were allocated to the Development; and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated July 24, 1997 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

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

2. The acquisition and rehabilitation costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.

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

4. The housing sponsor undertaking the Development will increase the supply of well-planned, well-designed term housing for persons and families of low and moderate income.

5. The security value of the Development will equal at least the amount of the Agency's loan.

6. The Sponsor is a financially responsible organization and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to, and allowing an assumption of an existing mortgage loan in the approximate amount of $485,000 by, a to-be-formed limited partnership for the acquisition and rehabilitation of the 1306 Ethan Allen Drive housing development in Colchester. The term of the loan will be approximately 20 years, but the loan will be amortized over a period of up to 30 years. The interest rate is expected to be 7.22% per annum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance or for other purposes with the consent of the Agency.

2. The Letter of Interest shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:

   a. Sponsor must demonstrate that requisite financing has been committed by September 30, 1997. "Requisite financing" means the amount and terms of each of the sources of funding represented on the multifamily loan application or their equivalent;

   b. Sponsor must provide a letter satisfactory to VHFA staff from a qualified attorney opining that the project can receive credit outside of the State housing credit ceiling for the acquisition because of the tax exempt source of the financing of the acquisition;

   c. Sponsor must negotiate repayment terms of the Colchester CDBG loan which demonstrate financial feasibility for the project, satisfactory to VHFA staff;

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

   e. Sponsor must provide evidence of competitive bidding.

3. The Executive Director may, in his discretion, issue a Commitment Letter for loans for the acquisition, rehabilitation and long-term financing of the Development, in an amount not to exceed $85,000.

4. The term loan shall be amortized over a period of up to 30 years, but all principal and accrued interest shall be due approximately 20 years from the date of the term loan. The interest rate shall be 7.22%. The source of funds shall be recycled tax-exempt bond proceeds. The Commitment Letter may be issued to Lake Champlain Housing

Development Corp., as a representative of the to-be-formed limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

5. The Executive Director, Deputy Director and Director of Finance are hereby authorized to take all necessary steps and execute any and all documents required to effectuate this loan.

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1306 Ethan Allen Drive, Colchester			RUN DATE:	30-Jul-97	
Total Residential Units:	32	Increase LIHTC		1.50%	
Restricted Units:	24	Increase Market		1.50%	
Percent Restricted:	75.00%	Expense increase:		3.00%	
Avg Net Monthly Rent:	421	Vacancy Rate:		5.00%	
Total Dev Costs	1,902,312	Partner's Tax Rate:		34.00%	
TDC/Unit	59,447	Depreciation Schedule:		27.5	
Monthly Operating Cost	273	Sponsor's Estimated Yield:		83.59%	
Max Credit Amount	65,436				
Credit Amount Requested	64,906				
Net Syndication	537,092				
LIHTC - 9%	8.64%	June '97			
LIHTC - 4%	3.70%				
FINANCING SOURCES					
	Amount	% of TDC	Interest	Amortization	Term
VHFA Debt-Existing	481,000	25.29%	7.73%	22	22
VHFA Debt - New	85,000	4.47%	7.22%	30	20
HOME Defer Loan	133,732	7.03%	6.54%	25	25
VHCB Grant	152,000	7.99%	0.00%	30	30
VHCB Loan	65,000	3.42%	0.00%	0	0
LCHDC Deferred Loan	81,414	4.28%	0.00%	20	20
VHCB Lead Loan	52,500	2.76%	6.54%	30	30
Colchester RLF	152,086	7.99%	3.00%	15	15
Access Grant	10,000	0.53%	0.00%	N/A	N/A
Historic Credit Equity	152,908	8.04%	6.54%	30	30
Tax Credit Equity	537,092	28.23%	1.00%	40	40
	1,902,732	100.02%			
Gap	420	0.02%			

1306 Ethan Allen Drive, Colchester		DEVELOPMENT BUDGET						30-Jul-97
				Budget	Per Unit	Per s.f.	Acquisition Credit	Rehab/Const Credit
ACQUISITION & CONSTRUCTION								
Land				171,810	5,369	7.69		
Building				782,690	24,459	35.02	782,690	
Construction Contract				439,411	13,732	19.66		439,411
Accessibility Ramp				20,000	625	0.89		20,000
Lead/Asbestos Abatement				102,312	3,197	4.58		102,312
Construction Outside Contract				0	0	0.00		0
Relocation				27,200				27,200
Appliances				19,000	594	0.85		19,000
Construction Contingency			13.91%	61,132	1,910	2.74		61,132
Clerk of the Works & Specs				25,600	800	1.15		25,600
Subtotal				1,649,155	51,536	73.79	782,690	694,655
PROFESSIONAL SERVICES								
Architect & Engineering				31,898	997	1.43		31,898
Legal & Accounting				10,000	313	0.45		7,500
Title Ins & Recording				3,500	109	0.16		0
Subtotal				45,398	1,419	2.03	0	39,398
INTERIM COSTS								
Construction Insurance & Taxes				5,158	161	0.23		3,869
Construction Interest				14,411	450	0.64		10,808
Subtotal				19,569	612	0.88	0	14,677
OTHER SOFT COSTS								
Property Appraisal				2,500	78	0.11	2,500	0
Permits & Fees				3,229	101	0.14		3,229
Environmental Survey				0	0	0.00		0
Marketing				12,800	400	0.57		
Tax Credit Fees				2,030	63	0.09		2,030
Soft Cost Contingency				2,631	82	0.12		1,973
Subtotal				23,190	725	1.04	2,500	7,232
FINANCING FEES & EXPENSES								
Loan Fees				0	0	0.00		0
Subtotal				0	0	0.00	0	0
SYNDICATION COSTS								
Organizational (Partnership)					0	0.00		
Subtotal				0	0	0.00	0	0
DEVELOPER'S FEES								
Housing Vermont Fee				80,000	2,500	3.58		80,000
LCHDC Fee				80,000	2,500	3.58		80,000
Subtotal			9.21%	160,000	5,000	7.16	0	160,000
PROJECT RESERVES								
Working Capital				5,000	156	0.22		
Subtotal				5,000	156	0.22	0	0
TOTAL DEVELOPMENT COSTS				1,902,312	59,447	85.11	785,190	915,962
	LESS:	Amount of Non-qualified Financing			Less Grants			62,500
	LESS:	Historic tax Credit (Residential Portio			Less Historic Tax Credit			179,892
					Total Eligible Basis		785,190	673,570
	TIMES:	Adjusted for QCT/DDA				100.0%		673,570
	TIMES:	Applicable Fraction				75.00%	588,893	505,178
					Total Qualified Basis		588,893	505,178
	TIMES:	Applicable Percentage					3.70%	8.64%
				Total Annual Credit Qualified			21,789	43,647
Total Tax Credits Requested				64,906				
Total Tax Credits Allocated				64,906			65,436	
Estimated Net Syndication Proceeds				537,092				
Estimated Yield - LIHTC Syndication				0.836				
Equity Gap				536,672				
Credits Needed to fill Equity Gap				64,207				

1306 Ethan Allen Drive, Colchester				Rental Income		30-Jul-97	
Housing Credit Units							Total
Bedrooms	Type	Building	Square Feet	Number	Rent	Utilities	Annual Rent
1 Br	50%	1306	600	5	370	75	22,200
2 Br	50%	1306	750	3	430	93	15,480
3 Br	50%	1306	900	2	514	109	12,336
1 Br	60%	1306	600	6	400	75	28,800
2 Br	60%	1306	750	4	510	93	24,480
3 Br	60%	1306	900	3	550	109	19,800
Other - Mng	1 Br	1306	600	1	200	75	2,400
	Totals		16,950	24			123,096
Market Rate Units							Total
Bedrooms	Type	Building	Square Feet	Number	Rent	Utilities	Annual Rent
1 Br	Market	1306	600	5	440	75	26,400
2 Br	Market	1306	750	2	550	93	13,200
3 Br	Market	1306	900	1	620	109	7,440
	Totals		5,400	8			47,040
All Units							
	Grand Totals		22,350	32			170,136
			Less Vacancy	5.00%			(8,507)
						NET RENT	161,629
			OTHER INCOME				
			Laundry				2,200
			Interest Income				
			Total Other Income				2,200
						TOTAL INCOME	163,829

1306 Ethan Allen Drive, Colchester				31-Jul-97
			Per Unit	
	Annual	Monthly	Per Month	
Administration				
Management Fee	15,360	1,280	40	9.0%
Advertising	520	43	1	
Audit	3,500	292	9	
Accounting	3,460	288	9	
HVT Fee	1,920	160	5	
Compliance Monitoring	768	64	2	
Legal	900	75	2	
Administration	400	33	1	
TOTAL ADMINISTRATIVE	26,828	2,236	70	
Utilities				
Water/Sewer	8,000	667	21	
Electric	3,600	300	9	
Fuel	4,150	346	11	
Fire Alarm System	825	69	2	
TOTAL UTILITIES	16,575	1,381	43	
Maintenance				
Maintenance Payroll	1,740	145	5	
Vehicle		0	0	
Trash Removal	3,960	330	10	
Snow/Grounds	4,015	335	10	
Repairs- material	6,000	500	16	
Paint/Decorating		0	0	
Exterminating		0	0	
Contract Maintenance	12,000	1,000	31	
Grounds		0	0	
Janitorial		0	0	
Other	3,600	300	9	
TOTAL MAINTENANCE	31,315	2,610	82	
Taxes	15,700	1,308	41	
Insurance	4,165	347	11	
Other	2,500	208	7	
Replacement Reserves	7,764	647	20	
Total	104,847	8,737	273	

30-Jul-97		1306 Ethan Allen Drive, Colchester							Cash Flow Projection								
		Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Residential Rent			170,136	172,688	175,278	177,908	180,576	183,285	186,034	188,825	191,657	194,532	197,450	200,412	203,418	206,469	209,566
Less Res Vacancy			(8,507)	(8,634)	(8,764)	(8,895)	(9,029)	(9,164)	(9,302)	(9,441)	(9,583)	(9,727)	(9,872)	(10,021)	(10,171)	(10,323)	(10,478)
Plus Other Income			2,200	2,233	2,266	2,300	2,335	2,370	2,406	2,442	2,478	2,515	2,553	2,591	2,630	2,670	2,710
Total Actual Income			163,829	166,287	168,781	171,313	173,882	176,491	179,138	181,825	184,552	187,321	190,130	192,982	195,877	198,815	201,798
Less Operating Expense			97,083	99,995	102,995	106,085	109,268	112,546	115,922	119,400	122,982	126,671	130,471	134,386	138,417	142,570	146,847
Less Reserves			7,764	7,880	7,999	8,119	8,240	8,364	8,489	8,617	8,746	8,877	9,010	9,146	9,283	9,422	9,563
Net Operating Income			58,982	58,411	57,787	57,109	56,374	55,581	54,726	53,808	52,824	51,772	50,649	49,451	48,177	46,824	45,387
Less VHFA First Mortgage - Bond			45,541	45,541	45,541	45,541	45,541	45,541	45,541	45,541	45,541	45,541	45,541	45,541	45,541	45,541	45,541
Less VHFA 2nd Mortgage			6,937	6,937	6,937	6,937	6,937	6,937	6,937	6,937	6,937	6,937	6,937	6,937	6,937	6,937	6,937
Less LCHDC Loan			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Flow			6,503	5,932	5,308	4,630	3,895	3,102	2,247	1,329	346	(707)	(1,830)	(3,028)	(4,302)	(5,655)	(7,091)
Oper Subsidy			0	0	0	0	0	0	0	0	0	707	1,830	3,028	4,302	5,655	7,091
Net Cash			6,503	5,932	5,308	4,630	3,895	3,102	2,247	1,329	346	0	0	0	0	0	0
DCR			112.39%	111.30%	110.11%	108.82%	107.42%	105.91%	104.28%	102.53%	100.66%	98.65%	96.51%	94.23%	91.80%	89.22%	86.49%
Cumulative Cash Flow																	
Beginning Balance			0	12,435	17,867	22,676	26,798	30,168	32,717	34,373	35,063	35,413	35,061	33,581	30,889	26,896	21,510
Interest		2.0%	0	124	179	227	268	302	327	344	351	354	351	336	309	269	215
Withdrawals			0	0	0	0	0	0	0	0	0	(707)	(1,830)	(3,028)	(4,302)	(5,655)	(7,091)
Ending Balance			6,503	12,559	18,046	22,903	27,066	30,469	33,044	34,717	35,413	35,061	33,581	30,889	26,896	21,510	14,634
Cumulative Reserves		2.0%	7,764	15,800	24,114	32,715	41,610	50,806	60,312	70,135	80,284	90,767	101,593	112,770	124,308	136,216	148,504
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Mike McNamara, Deputy Director Mike
Joe Erdelyi, Multifamily Development Underwriter JE
Cindy Reid, Development Officer CR

DATE: July 28, 1997

RE: Staff Response to RAHC Tax Credit Allocation Issues

At the June 19th VHFA Board Meeting, Chairman White received a fax from Brett Rooney, Chairman of the Regional Affordable Housing Corporation (RAHC) of Bennington. The faxed letter expressed RAHC's concerns with respect to the scoring criteria and the review process that led up to the award of Low Income Housing Tax Credits (LIHTC) for 1997. *(Attachment 1).*

On June 26th, Chairman White responded to Mr. Rooney *(Attachment 2)*, indicating that staff would review RAHC's specific concerns and that he would initiate a discussion with the VHFA Board as to whether or not procedural changes should be considered in the future.

In this memo we have attempted to address RAHC's concerns inasmuch as possible. Please be reminded, however, that many of the issues raised deal with Allocation Plan criteria. According to the Allocation Plan, the Agency of Commerce and Community Development (ACCD) has sole responsibility and authority for the LIHTC Program policies including the development of the State's Allocation Plan, which is approved and signed by the Governor. In practice, ACCD works in partnership with VHFA (through a Memorandum of Understanding) and the Joint Committee on Tax Credits (JCTC) to administer this program: VHFA to assist with writing and interpreting the Allocation Plan and allocate credits to specific projects in accordance with the plan; JCTC to review and adopt allocation policies and review VHFA's performance.

Having said all of that, we will address RAHC's concerns in the order in which they were presented in the June 19th letter.

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

SCORING CRITERIA

Serving lowest income tenants and qualified tenants for the longest period

- RAHC views this criteria as penalizing mixed-income projects. Projects were rated on the targeting of the low-income portion of each project only. In so doing, mixed income neither helped nor hurt projects under this criteria. The aim is to give preference to those projects that target the lowest income tenants, thereby maximizing a scarce resource. While the Cora B. Whitney project more than met the tax code requirements for income targeting restrictions, all but one of the projects recommended by staff--as well as the two projects added to the staff recommendations by the JCTC--targeted tenants with incomes *lower* than the RAHC project. In addition, contrary to the statement that this criteria penalizes mixed-income projects, *nine out of ten* projects recommended for funding by the JCTC (the exception being Swanton) *are* mixed income projects.

- The scoring criteria does not now account for the affordability achieved per dollar of public subsidy as this is not a criteria addressed by the Allocation Plan. However, VHFA does encourage development at the lowest reasonable cost and reviews development costs for reasonableness within a set of cost guidelines.

- The scoring criteria as they currently stand do not recognize geographical differences in relative rent levels and the effect they have on meeting operating costs. Both this point and the previous one would need to be addressed by the JCTC as part of an Allocation Plan discussion, if these criteria were to be added to the Allocation Plan.

- Applegate, the other Bennington project RAHC refers to in the letter, did received a tax credit reservation. Applegate's application showed lower income tenants being served than the Cora B. Whitney application, with 26% of the units between 40 to 49% median income (MI), 46% between 51 to 59% MI and 28% market. In contrast, Cora B. Whitney's application showed serving 50% at 50% MI with the remaining 50% market.

Readiness to Proceed

- As stated in the RAHC letter, *"The application anticipated that we could make application for HOME funds in the next application round in August."* In this category, staff used a cut-off date for all financing to be in place by July 31, 1997, as several projects conveniently shared this time frame. Given this, it was not that other projects did not meet the criterion, only that they did not meet it *as well as* the projects that were recommended. While it is true that staff recommended credits for two projects that did not meet this criteria, both of those projects (ACCAG II and Railroad Street) scored well in 3 out of the 4 criteria, while Cora B. Whitney scored well in only 1 out of the 4 criteria.

Geographic Targeting

- To reiterate from the June 6th Board Memo, in evaluating geographic targeting, staff considered that four of the proposals involved the preservation of existing housing that is currently part of the assisted, affordable housing stock. Failure to preserve this housing might create an affordable housing shortage where currently the problem is the age and condition of the housing. The "Geographic Targeting" criterion as written asks whether the town the housing is proposed for *already has* any housing of the type proposed; of course, the towns with these four proposals do contain such housing - they contain the projects themselves. For this reason, staff ranked the applications from towns *without* the type of housing proposed *highest*, and those from towns *with* the type of housing proposed *lowest*. The four preservation projects (Applegate in Bennington, 1306/East Spring St. in Colchester/Winooski, ACCAG II in Middlebury and Vergennnes and Hedding Drive in Randolph) logically fell into a *middle* tier. While we believe that this was the most reasonable way to view this criterion this year, how preservation projects are treated under this criterion should be formally clarified by the JCTC prior to the next tax credit round.

- RAHC also asserts in their letter that Bennington County, with 6.25% of the state's population had received only .63% of the LIHTC allocation since its inception. This is a misleading statistic in that there have been very few *applications* for tax credits from Bennington County until the 1997 round. To our knowledge, aside from the Cora B. Whitney application, there have only been two applications from Bennington County for tax credits that did not go ahead: Bradford Place in Bennington in 1987 where $1,188 in credits were never used by the sponsor (a private landlord) and The Maples in Manchester where the application for $137,729 was withdrawn in 1996 when RAHC (the sponsor with Housing Vermont) was unable to get site control.

- Aside from this, when the Applegate allocation is included in the discussion, the percentage of LIHTC funds to Bennington County goes up to 3.56% of the total LIHTC allocations since the inception of the program.

PROCESS

It is true that the JCTC was not provided with project summaries for those projects that were not recommended by staff. In previous years, VHFA practice has been for staff to underwrite only those projects that will be recommended. Also in previous years, there had always been enough credits available to fund virtually all requests. Given the short time frames caused by having a relatively late public hearing and additional delays while VHFA sorted out the conflict of interest issue, there simply was not enough time for staff to fully underwrite all 15 applications. The decision was made jointly with staff, the Deputy Director and Director of Finance, that the 8 projects that staff was recommending be fully underwritten as well as the 9th project (McAuley Square) in case the JCTC was inclined to make a forward commitment of '98 credits. Project summaries were provided to the JCTC for these 9 projects.

The JCTC did recommend two projects not recommended by staff: McAuley Square and Park Place. The JCTC recommended that McAuley Square receive a reservation of $25,000 for the Lund units only, in order to prevent the imminent loss of $367,500 in HUD McKinney funding. These units will serve very low income teen mothers, some who are homeless.

Park Place was recommended by the JCTC due to its significance as a prominent fire-damaged building in a key downtown location in the State's largest city. There is ample precedent for the State providing assistance in such cases; and the opportunity to preserve what was affordable housing would not wait another year. Preserving affordable housing in a downtown now undergoing a tremendous "high end" housing boom was clearly a wise use of a scarce resource, and shows clearly how the JCTC adds value to the staff recommendations in the allocation process.

Finally, RAHC points to the innovation in its application in providing coordinated services to residents. While this is noteworthy, it is correct that current scoring criteria does not consider service delivery. *Special Needs Housing* is considered as part of Criteria 2 (Consolidated Plan), however, optional services to residents is not considered to meet the special needs criterion.

CONCLUSION AND RECOMMENDATIONS

As Peter Richardson of Housing Vermont remarked after the JCTC meeting on June 12th, "Welcome to the rest of the United States, Vermont!" His point was that other states have been dealing with extreme competition for tax credits for many years, while this year is a first for Vermont. All in all, given the early political pressure brought to bear on another project that did not score well and the keen competition with over $2 million in applications chasing $700,000 in credits, the outcome was strongly positive. The charge that remains for next year is to take all measures possible to smooth out the 1998 process, despite the inevitable disappointment of some applicants.

In this vein, some **Recommendations** for 1998:

- The JCTC should meet this fall to discuss proposed Allocation Plan changes for 1998. Some of the issues in need of clarification are outlined in this memo. Changes proposed should go out as quickly as possible as a prelude to the public hearing.

- Schedule the public hearing as early as possible in 1998. The goal should be to incorporate applicable public comments (which promise to be greater in number) into the final Allocation Plan, so that it can go out with the application package at the end of January.

- JCTC and VHFA need to collaborate on whether or not all applications should get full underwriting. If we choose to depart from the current procedure of underwriting only those applications for projects that staff is recommending (or putting forth for a potential forward reservation), VHFA will need to explore attendant capacity issues and see what this adds to the process in terms of time.

For your information, you will also find *Attachment 3*, a letter to Rep. Richard Pembroke from Barbara Grimes which addresses LIHTC issues raised by the RAHC letter.

Attachment 1

REGIONAL AFFORDABLE HOUSING CORPORATION

P.O. Box 1247 BENNINGTON, VERMONT 05201 802-442-8139

June 19, 1997

Richard C. White, Chair
Vermont Housing Finance Agency
P.O. Box 408
Burlington, Vermont 05402

Via Facsimile Copier to Community National Bank - Derby, Vermont

RE: Low Income Housing Tax Credit ("LIHTC") Allocations

Dear Mr. White:

I am the Chair of the Board of Trustees of Regional Affordable Housing Corporation ("RAHC") in Bennington. As you may be aware, RAHC submitted an application for an allocation of LIHTC in this most recent round (I have enclosed for your reference a brief summary of our project). I write to express our concern regarding the manner in which this application was reviewed and the basis for the allocation decisions made by the Joint Tax Credit Committee on June 12. Our concerns are twofold: first with respect to specific scoring criteria, and second with respect to the review process itself.

SCORING CRITERIA

We understand that applications were ranked in accordance with their ability to meet each of 4 criteria. In the analysis prepared by VHFA staff, the RAHC application received a positive score with respect to only 1 of the 4 criteria (meeting State Consolidated Plan Priorities). Please consider our comments with respect to the application's ability to meet the other criteria:

Serving lowest income tenants and qualified tenants for the longest period

The proposed project will mix income-qualified and market (80% of median income) residents. Fifty percent of the units are to be reserved for income qualified tenants -- and all of these units will be affordable to residents whose incomes do not exceed 50% of median income.

- The scoring works to penalize mixed-income projects (which, ironically, are a priority under the Consolidated Plan).
- The scoring does not take into account the affordability achieved per dollar of public subsidy -- projects which will utilize substantially more public subsidy (on a per unit basis) than our proposal can achieve lower rents.
- The scoring does not recognize geographic differences -- operating costs statewide are fairly equivalent, while a rent affordable at 30% of

median income in Bennington (or Derby) is substantially lower than that same rent in the Burlington MSA. (e.g. - a 30% rent in the 'Burlington MSA for a two bedroom unit is $320, in Bennington it is $250). In a lower income area such as Bennington County, there is simply no spread between operating costs and these rent levels -- a recipe for operating disaster, and again, an impediment to recognizing efficient use of public resources.

Readiness to Proceed

The project has received all local and state land use permits. The project has received an award of AHP funds from FHLBB, a commitment to subscribe a portion of the equity and confirm interest from 3 commercial lenders to provide necessary debt financing. The application anticipated that we could make application for HOME funds in the next application round in August. As an alternative, we have been negotiating with the local hospital to obtain a deferred payment loan in lieu of HOME funding. We have obtained 15 reservations from income qualified residents for the 22 units in the project.

Other projects with outstanding permits and/or financing commitments were ranked as meeting this criterion -- yet our proposal was ranked as not meeting this criterion. In our opinion, this judgment is arbitrary and unreasonable in light of the facts.

Geographic Targeting

We are unaware as to the basis for decisions made with respect to this criterion. If there is an objective report, standard or threshold, it should be provided to all applicants. We believe our proposal deserved favorable ranking, for the following reasons:

- The Housing Needs Analysis prepared by Market Decisions, Inc. in 1994 on behalf of the major state housing agencies cited Bennington County as one of the few areas of the state in need of affordable housing for seniors.

- In May of this year, the U. S. Department of Agriculture, based on its analysis of market and income data, cited only 12 communities in the state as priority targets for its housing financing. Bennington was one of those communities, and was specifically cited as having high vacancy rates for family units but a pressing need for affordable senior housing.

- Bennington County has approximately 6.25% of the state's population, but through 1996, had received only .63% of the total LIHTC allocated since its inception. In contrast, Chittenden County has approximately 24% of the population, but has received 41% of the LIHTC allocation.

- Interestingly, another project application from Bennington County was ranked favorably on this criterion, but we were not. How does this contradiction make sense?

- We are disappointed that, once again, the lion's share of the LIHTC has been allocated to Chittenden County.

PROCESS

- The Joint Tax Credit Committee was not provided with project summaries for those projects that were not recommended by staff. We did not think it appropriate to lobby members of the Committee in advance of their deliberations, and assumed that they would have access to all information necessary to make an informed decision. We are very disappointed that a full disclosure and analysis of all applications was not provided to the members of the Committee (indeed, has such an analysis been provided to the VHFA Board itself in advance of today's meeting?)

  Yet, despite this lack of information, the committee did vote to recommend an allocation of credit to a project not recommended by staff. On what basis was this decision made? To what degree was the integrity of the independent decision making process respected?

- Our proposal reflected tremendous innovation in the delivery of coordinated services to residents by a network of existing, locally-based, nonprofit service providers. This innovation was recognized by the Agency of Human Services, and was a factor in FHLBB's decision to award AHP funds for the project. Neither the process nor the scoring system provided for recognition of this innovation.

- As you know, there was significant concern by the VHFA Board regarding the appearance of conflict of interest with respect to this LIHTC round. The decision by Commissioner Grimes, a member of the Committee, to recuse herself from voting on the allocation of LIHTC to 2 projects which have requested financing from the Agency she administers raises an interesting dilemma -- other members of the Committee are in situations analogous to Commissioner Grimes, but did not recuse themselves. While we understand that this situation can be seen as supporting coordinated state policy, we believe that the newly competitive nature of the LIHTC process requires that this issue be given due consideration.

We are disappointed by the outcome of the LIHTC allocation process. We believe that our concerns are more than "sour grapes" and that they reflect a legitimate and reasonable analysis of the process. I respectfully request that you consider our concerns and share them with the Commissioners at the VHFA Board meeting today.

We intend to continue actively developing affordable housing in Bennington County. With every door that shuts, another may open. There may be an opportunity here to keep the many worthy projects that did not receive LIHTC allocations moving toward realization. I am hopeful that the creativity, imagination and resources of VHFA and the other state housing agencies can be brought to bear to seize this opportunity.

Thank-you for your consideration.

Sincerely,

Brett M. Rooney

Brett Rooney, Chair
Board of Trustees, RAHC

cc: Governor Howard Dean
Editor, The Bennington Banner
Editor, The Rutland Herald
Bennington County Legislators

b:\white618.ltr cora

Attachment 2

Community NATIONAL BANK

"In these communities to serve."

P.O. Box 259, Derby, Vermont 05829
Tel. 802-334-7915   Fax: 802-334-8266

June 26, 1997

RECEIVED
30
VT HOUSING FINANCE AGENCY

Brett Rooney, Chair
Board of Trustees, RAHC
Regional Affordable Housing Corporation
P.O. Box 1247
Bennington, VT 05201

Dear Mr. Rooney:

Thank you for your letter of June 19th concerning the recent round of low income housing tax credit allocations.

I was given the letter which apparently had arrived at the Treasurer's office by fax, after the VHFA Board meeting had begun and was well underway. I was able to share the general import of your letter with the other Board members, although under the circumstances it was impractical to make copies for everyone at the time or adjourn the meeting for a full and complete analysis of the various points raised in your letter.

As you may know, this was the first round in anyone's memory where we had so many projects competing for so few dollars. Roughly speaking, we had projects seeking approximately 2.2 million dollars in credits with only $700,000 available. Under these circumstances, it is inevitable that the proponents of some projects are going to be disappointed with the results.

Nevertheless, it is vitally important that the process be as objective as possible and fair to all parties concerned. I have asked our staff to review the specific concerns cited in your letter; I also plan to discuss with our Board whether or not there are procedural changes we should consider in the future.

I certainly want to wish you the best of luck with the Cora B. Whitney Project and hope that you are successful in completing this facility for the benefit of your constituency.

Sincerely,

COMMUNITY NATIONAL BANK

Richard C. White
President

RCW/cb

Attachment 3

STATE OF VERMONT

AGENCY OF COMMERCE AND COMMUNITY DEVELOPMENT

DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS

Divisions for:

- Community Development
- Housing
- Planning

Pavilion Building
109 State Street
Montpelier, VT
05609-0501

Telephone:
802-828-3211
800-622-4553
Fax:
802-828-2928

- Historic Preservation

135 State Street
Drawer 33
Montpelier, VT
05633-1201

Telephone:
802-828-3226
Fax:
802-828-3206

(Use this address, fax, and phone only for Historic Preservation)

June 26, 1997

Rep. Richard Pembroke
21 Pageant Street
Bennington, VT 05201

Dear Dick:

Thank you for sharing the copy of the letter addressed to Richard White, from Brett Rooney, which you received from Diane Binnick with her note attached.

As you are aware, I am now the Commissioner of the Department of Housing and Community Affairs and am responsible for establishing state housing policy for the Administration. I also chair the Housing Council, Low Income Tax Credit Committee, and serve as a member of the Vermont Housing and Conservation Board. In that vein, I would like to respond to the issues Mr. Rooney raised and Ms. Binnick's observation.

The Low Income Housing Tax Credit Committee established criteria to guide staff in evaluating applications. This is the first time since the Committee's inception that the level of competition was such that projects were unable to be funded. This Committee was established by Executive Order and serves at the pleasure of the Governor. All of the members bring different expertise and observations to the process. Given that there were requests for $2.7 million in credits and only $699,000 available, Committee members only used staff recommendations as a basis, not as an end. A number of fine projects were not funded.

I recused myself from voting on two projects where there were applications pending for CDBG funding before the Community Development Board, which had not taken action on those requests at that point. Although I do not vote on that Board, I staff the Board. I did not want my vote on the tax credits in any way to indicate to those applicants how the Board might act.

Lastly, Mr. Rooney's contention that Bennington does not receive its fair share of monies certainly does not reflect this round of tax credits or other state and federal resources. The Applegate project received the largest block of tax credits. Further Allan Hunt, Gus Seelig, and I met with the RAHC Board last fall to explain that with the State priority on family housing, the Applegate project would be at the top of the funders list of "to do" projects. Because of that commitment, there would be no additional monies coming to

Rep. Richard Pembroke
Page Two
June 26, 1997

the Bennington area. The Vermont Community Development Board just awarded $625,000 to the Applegate project, and it is expected that VHCB will award close to $700,000 in VHCB and HOME funds. Both the RAHC Board and Ms. Binnick were aware that this would happen.

You should further note that since coming to this position, other monies that the Bennington area has received from CDBG funds include the largest award (at that time) made to Mack Molding, monies for the Learning Center, monies for Generations Day Care Center, as well as monies for infrastructure improvements that helped two mobile home parks and Fairdale Farms.

Be assured that I will be reviewing the LIHTC process with input from the Committee and others and will recommend to Secretary Shouldice any changes that need to be put forward. Given the fierce competition that this round produced, and I expect will continue into the future, we will take the necessary steps to keep this a fair process based on the State's priorities and the Town's needs.

In the meantime, we are delighted that the Town of Bennington has fully supported the Applegate project, and I hope the rehabilitated project will have the same positive effect on families that both Northgate and Highgate have enjoyed.

If I can be of further assistance, do not hesitate to call upon me.

Sincerely,

Barb

Barbara L. Grimes, Commissioner
Housing and Community Affairs

BLG:lcf

cc: Governor Howard Dean
Secretary William Shouldice
Editor, Bennington Banner
Editor, Rutland Harold
Bennington Area Legislators
Ms. Diane Binnick

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: July 1, 1997

RE: Single Family Program Activity Report For June, 1997

MORTGAGE PURCHASE PROGRAMS

Month	No.	Amount	Previous Year	No.	Amount
Reservations	80	$ 5,487,713		135	$ 8,562,392
Purchases	61	$ 4,346,647		75	$ 4,862,514

Period to Date	No.	Amount	Previous Year	No.	Amount
Reservations	535	$38,182,592		625	$41,197,414
Purchases	307	$21,056,241		320	$20,911,909

MORTGAGE PLUS

Month	No.	Amount	Previous Year	No.	Amount
Reservations	17	$ 1,474,019		11	$ 864,701
Issued	8	$ 615,012		12	$ 920,748

Period to Date	No.	Amount	Previous Year	No.	Amount
Reservations	59	$ 4,984,307		67	$ 5,087,854
Issued	30	$ 2,236,348		59	$ 3,780,689

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: July 22, 1997

RE: Servicing Activity for June, 1997

SERVICING ACTIVITY

Collections:

Last months 90+ accounts:		58
New 90 day accounts:	7	
Reductions:		
To foreclosure/DIL:	4	
To 60 days or less:		
Under payment arrangement:		
Modifications:		
90+ accounts:		61

In Foreclosure:

Last months foreclosure accounts:		64
New foreclosures:	5	
To REO:	6	
Successful interventions:	5	
Negotiating workouts:	5	
Modifications:		
Foreclosure accounts:		58

Real Estate Owned:

Last months REO's:		65
New REO's:	6	
Properties sold:	4	
Properties under contract:	12	
REO's:		67

op/serv/servact.mem

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

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

Lenders	Loans	30	Days	60	Days	90+	Days	Auth	FCL	Delinq		REO	
ALBANK, FSB	449	25	5.57%	4	0.89%	4	0.89%	4	0.89%	37	8.24%	3	0.67%
Banknorth Mortgage Co.	782	46	5.88%	7	0.90%	7	0.90%	7	0.90%	67	8.57%	3	0.38%
Bennington Co-op S&L Assoc.	52	1	1.92%	0	0.00%	0	0.00%	0	0.00%	1	1.92%	0	0.00%
Brattleboro Savings & Loan	25	0	0.00%	1	4.00%	0	0.00%	0	0.00%	1	4.00%	0	0.00%
Chittenden Bank	936	56	5.98%	12	1.28%	4	0.43%	9	0.96%	81	8.65%	8	0.85%
Citizens Savings Bank	111	0	0.00%	2	1.80%	0	0.00%	2	1.80%	4	3.60%	1	0.90%
Community National Bank	308	13	4.22%	3	0.97%	1	0.32%	1	0.32%	18	5.84%	0	0.00%
Connecticut River Bank	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Factory Point Nat. Bank	35	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
First Brandon Nat. Bank	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
First Nationwide Mortgage	10	1	10.00%	0	0.00%	0	0.00%	0	0.00%	1	10.00%	0	0.00%
Fleet Mortgage	46	3	6.52%	4	8.70%	1	2.17%	0	0.00%	8	17.39%	1	2.17%
GMAC Mortgage	4	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Granite Bank (NH)	2	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Graystone Mortgage Company	476	33	6.93%	7	1.47%	10	2.10%	6	1.26%	56	11.76%	16	3.36%
Heritage Family Credit Union	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Lyndonville Savings Bank	57	3	5.26%	0	0.00%	0	0.00%	0	0.00%	3	5.26%	0	0.00%
Merchants Bank	295	19	6.44%	0	0.00%	0	0.00%	2	0.68%	21	7.12%	3	1.02%
Mortgage Service Ctr. of NE	90	5	5.56%	3	3.33%	2	2.22%	3	3.33%	13	14.44%	4	4.44%
National Bank of Middlebury	64	5	7.81%	1	1.56%	0	0.00%	2	3.13%	8	12.50%	0	0.00%
New England Federal CU	45	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Northfield Savings Bank	128	4	3.13%	0	0.00%	0	0.00%	1	0.78%	5	3.91%	1	0.78%
Passumpsic Savings Bank	174	12	6.90%	2	1.15%	2	1.15%	0	0.00%	16	9.20%	4	2.30%
Peoples Trust Co.	99	6	6.06%	1	1.01%	1	1.01%	0	0.00%	8	8.08%	0	0.00%
Randolph National Bank	40	1	2.50%	0	0.00%	0	0.00%	0	0.00%	1	2.50%	0	0.00%
Union Bank	170	14	8.24%	1	0.59%	2	1.18%	0	0.00%	17	10.00%	3	1.76%
Vermont Development CU	48	3	6.25%	1	2.08%	1	2.08%	1	2.08%	6	12.50%	0	0.00%
Vermont Federal Bank	1230	62	5.04%	16	1.30%	15	1.22%	9	0.73%	102	8.29%	12	0.98%
Vermont National Bank	644	23	3.57%	1	0.16%	11	1.71%	11	1.71%	46	7.14%	7	1.09%
Vermont State Employees CU	5	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Wells River Savings Bank	30	0	0.00%	2	6.67%	0	0.00%	0	0.00%	2	6.67%	1	3.33%
Totals	6357	335	5.27%	68	1.07%	61	0.96%	58	0.91%	522	8.21%	67	1.05%
Totals Previous Month	6336	297	4.69%	67	1.06%	58	0.92%	64	1.01%	486	7.67%	65	1.03%
Totals Same Mo. Last Yr.	5987	316	5.28%	81	1.35%	78	1.30%	52	0.87%	527	8.80%	21	0.35%

VERMONT HOUSING FINANCE AGENCY

Board Property Disposition Report

Month of: June, 1997

Properties Sold

Property	Listing Price	Sale Price	Principal Balance	Interest	To Date Expenses	Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Chartier St Johnsbury	$44,900	$40,500	$52,201	$ 796	$ 5,265	$0	($17,762)	($ 8,182)	($ 9,580)
Dennean Grand Isle	$65,000	$66,000	$35,080	$ 4,882	$25,037	$0	$ 1,001	$0	$ 1,001
Fox Cabot	$34,500	$26,500	$32,284	$ 4,810	$11,609	$ 6,719	($15,484)	$3,275	($18,759)

Properties Under Contract

Property	Listing Price	Contract Price	Principal Balance	Interest	Estimated Expenses	Estimated Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Lynch Rockingham	$43,000	$40,000	$45,517	$ 4,991	$11,095	$10,000	($11,603)	($6,893)	($ 4,710)
Couture Roxbury	$65,900	$65,900	$71,876	$ 1,945	$13,062	$16,000	($ 4,983)	($1,145)	($ 3,838)
Welch Springfield	$59,900	$59,900	$66,754	$ 6,759	$12,519	$13,558	($12,574)	($ 4,736)	($ 7,838)
Severance Fair Haven	$52,000	$45,000	$56,094	$ 7,848	$16,288	$11,875	($23,355)	($ 8,851)	($14,504)
Murphy Cavendish	$45,900	$44,000	$60,266	$ 5,785	$10,025	$11,225	($20,851)	($11,708)	($ 9,143)
Walters Danville	$46,500	$38,000	$53,662	$11,640	$14,570	$11,600	($30,272)	($ 6,948)	($23,324)

Properties Under Contract (Con')

Property	Listing Price	Contract Price	Principal Balance	Interest	Estimated Expenses	Claim Payment	Estimated Gain/ (Loss)	Valuation Offset	Audit Gain/
Goodloe	$19,900	$17,000	$37,642	$ 3,031	$12,888	$ 8,400	($28,161)	($ 3,832)	($24,329)

Properties in the VHFA/Non Profit Sale Program

Property	Listing Price	Contract Price	Principal Balance	Interest	Estimated Expenses	Claim Payment	Estimated Gain/ (Loss)	Valuation Offset	Audit Gain/
Dumas Burlington BCLT		$77,900	$73,715	$ 9,789	$24,249	$16,000	($13,853)	($ 5,035)	($ 8,818)
Shenoy Burlington BCLT		$76,500	$65,783	$ 1,780	$21,719	$11,775	($ 1,007)	$ 3,451	($ 4,458)
Massey Stannard Gilman Housing Trust									
Watkins Springfield Rockingham CLT									
Richards Fair Haven Rutland West NHS									
Stocker Rutland Rutland West NHS									

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: July 8, 1997

RE: Quarterly Report of the Results of the Single Family Mortgage Loan Quality Control Process - April 1, 1997 through June 30, 1997

VOLUME

LOANS SELECTED FOR REVIEW

A total of 191 loans were guaranteed by VHMGB during the above period. Of these, 118 were loans to be purchased by VHFA, and 73 were conventional. The conventional loans were further broken down into 45 fixed rate loans and 28 adjustable rate loans.

Sixteen (16) loans guaranteed by VHMGB were randomly selected by the computer to participate in the quality control process. Of these loans 8 were to be purchased by VHFA and 8 were conventional loans. The conventional loans were further split as 4 fixed rate and 4 adjustable rate loans.

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

Category	VHFA	Conv.	Fixed	Adj.
Total Loans Guaranteed In Period	61%	39%	24%	15%
Total Loans Pulled for QC	50%	50%	25%	25%

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

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LOANS WHICH HAVE BEEN COMPLETED

Twenty-two (22) loans completed the quality control process during the period. Most of these loans were selected to participate in the quality control process in the previous period. Of the loans completed 14 were loans sold or to be sold to VHFA and 8 were conventional loans. The conventional loans were split 6 fixed rate and 2 adjustable rate.

FINDINGS ON LOANS REVIEWED

In one case staff had a very difficult time obtaining employment verification from a family run business. After much effort we were able to receive income tax returns from the borrower that verified the income.

In a second case the original credit report indicated a charge off by a local bank had been paid in full. On the credit report pulled for quality control the charge off was reported as still owing. After an investigation by staff it was discovered that the original credit report was in error. Other than it was an error, no other explanation was given as to why this occurred.

In a third case an additional appraiser comment page of an appraisal was missing from our file and was not sent to the review appraiser. Underwriting staff has been counseled that this should have been discovered during the underwriting process. More attention must be given to reviewing the appraisal for all documents mentioned in the appraisal.

Four appraisers were requested to respond to comments made by the review appraiser. The responses were satisfactory and the value of the dwelling was as listed on the original appraisal.

In one case there was a difference in opinion between the review appraiser and the original appraiser as to the interpretation of language in the Uniform Standards for Performance of Appraisal Practice (USPAP). However, both agreed the value in the appraisal was reasonable and I left the interpretation of USPAP to be discussed among themselves.

BOARD ACTION REQUESTED

No Board action necessary.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Mike McNamara, Deputy Director Mike

DATE: July 29, 1997

RE: FY 97 Business Plan Results/ FY 98 Goals

Attached is the proposed Business Plan for Fiscal Year 1998, combined with the results from Fiscal Year 1997. You will note that we have matched up the FY 97 Goals with the actuals through June 30th, for easy side-to-side comparison. As is previous practice, we will continue to report on progress toward FY 98 goals on a quarterly basis.

The column to the far right represents the goals for the FY 98 Business Plan. These goals were developed in collaboration with staff responsible for those activities. I wish to thank the Development staff and all contributing staff, particularly Doug Lothrop and Kari Caragher, for helping me to pull this together.

Staff will be available at the Board meeting to answer questions about any aspect of the plan. Thank you for your consideration.

RECOMMENDED BOARD ACTION:

Consideration and approval of the FY98 Business Plan for immediate implementation, incorporating further suggestions or recommendations made by the Board.

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EQUAL HOUSING OPPORTUNITY

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

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

STRATEGIC PLAN INFO	PROGRAM NAME	FY97 GOALS	FY97 ACTUALS THROUGH 06/30/97	DEPT	FY98 GOALS
1. To encourage and support a work environment that enables staff to realize their full potential as employees of VHFA.					
1a.	**Encourage and support a productive and positive work environment**				
Support	Computer Software/Hardware Convert	Ongoing installation of all MITAS modules; expand use of Windows/Microsoft Office products and mail list applications; develop computer capital budget	All Mitas modules installed; conversion to MS Word and Excel complete; 3 year rolling IT capital budget prepared; year 1 budget approved 6/19/97	Admin	Update existing and add new server; replace (20) and upgrade (20) desktops; conversion to Windows '95 and Office '95. Expand Mitas and software training
2. To enhance affordability and habitability that will maintain and increase homeownership					
Ongoing	MOVE (Includes IORTA)	800 mtges purch; $54,000,000	779 mtges purch; $53,415,904	SF Ops	750 mortgages purch.; $52,000,000 Program suspended
Ongoing	MCC (Mortgage Plus)	150 MCCs issued; $11,700,000	99 MCCs issued; $7,451,056	SF Ops	120 MCCs issued; $9,000,000
Ongoing	HOUSE (Includes IORTA)	60 loans purch; $3,700,000	44 HOUSE loans purchased; $2,943,442	Development/ SF Ops	50 loans purch.;$3,300,000
Ongoing	Rural VT Mtge	15 mtges purch; $275,000	6 mtges purch; $116,710	SF Ops	10 mortgages purch.; $195,000
Ongoing	SF Development/Construction	25 units; $1,000,000	No activity	Development	Review program; determine if changes would increase level of activity
Ongoing	Condominium Project Inspections	Conduct inspections using MF form and photograph at each location (50 condo developments) and collect/review financials	40 inspections completed; 20 financials reviewed	MF Mgmt	Conduct inspections using MF form and photograph at each location (40 inspections; 30 financials); review new projects as requested
NEW	REO Sales to Nonprofits			SF Ops	Complete 15 sales
NEW	Officers Row Affordable Units			Development	Transfer administration from LCHDC to BCLT
2a.	**Expand Down Payment Assistance**				
Ongoing	IORTA Down Payment Assist	35 loans purch; $2,400,000	Program suspended; using last of 500 loans allocated; 23 loans purch; $1,490,913	SF Ops	Using remaining 36 of 500 loans allocated
Ongoing	Targeted Use of IORTA Pool	Better utilize the RD guarantee program; use IORTA in conjunction with Homeownership Centers and Burlington Enterprise Community	$100,500 transferred to HO Centers ($33,500 each) to create revolving loan fund for down payment and closing costs	Development	Better utilize the RD guarantee program; use IORTA in conjunction with Homeownership Centers and Burlington Enterprise Community
Ongoing 2A #1 2E FY97	Homeownership Centers: Expand Down Payment Assistance; in FY98, Improve Financing for 3-4 unit owner-occupied	Program implementation in 3 pilot centers; 30 loan closings; begin planning Phase 2 of Homeownership Centers	Homeownership Center Activity 6/1/96 - 3/31/97; 240 households received services; 16 new homeowners (VHFA loans included in MOVE, HOUSE); 90 households working to become homeowners; Board approved 4/97 expansion to include RACLT	Development	4 Homeownership Centers operational; down payment funding from FHLB, AHP & VHFA 0% MF Refunding saving; 40 new homeowners; 4 interventions
#2 FY97	Down Payment Assistance Using Second Mortgage Program		(Deferred to FY98)		(Defer to FY99)

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

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

STRATEGIC PLAN INFO	PROGRAM NAME	FY97 GOALS	FY97 ACTUALS THROUGH 06/30/97	DEPT	FY98 GOALS
2b.	**Develop Home and Energy Improvement Lending Programs**				
Implement	Home Improvement	Complete program development for implementation in Summer 1997	No activity	Development	Complete program development for implementation in Spring or Summer 1998
Implement Summer 97	Qualified Rehabilitation	Complete program development for implementation in Summer 1997	No activity; defer to Spring 1998	Development	Defer to FY99
2c.	**Expand Financing Options for Mobile Home Purchases**				
Ongoing	Mobile Home Park Financing (MF)	25 units; $200,000	No activity	Development	2 loans; $415,000 (69 units)
FY97	Expand Financing Options for Mobile Home Purchases	Begin preliminary development			Defer to FY99
2d.	**Provide Financing for Co-op Housing**				
FY96-FY97	Provide Financing for Co-Op Housing	Provide funds for BCLT to provide share loans to tenant stockholders	No activity	Development	Status quo: expect some activity in FY98
2e.	**Improve Financing for 3 and 4 Unit Owner-Occupied Properties**				
FY97	Improve Financing for 3-4 Unit Owner-Occupied Properties (Develop financing option through MOVE-HOUSE)	Defer to FY98	{Deferred to FY98]	Development	Defer to FY99
3.	***To improve flexibility of financing tools as a lender for rental housing***				
Ongoing	LIHTC	*CAL 97:* Allocate 100% of available credit ($725,000)	100% of Cal 1997 ceiling reserved; a portion of 1998 ceiling committed	Development	Work with JCTC to amend Allocation Plan; Allocate 100% of available credit
Ongoing	MF Construction	5 loans $5,000,000 Market program and expand lending	5 loans committed; 275 units; $7.2 million 3 loans closed; 42 units; $3.4 million	Development	2 loans; $5,200,000 (85 units)
Ongoing	Bridge Financing Initiative	Develop new program to improve efficiencies; Housing Vermont $1,000,000 available for bridge financing	$325,000 loan fund; $123,000 committed	Development	SF bridge - 4 loans; $240,000
Ongoing	MF Permanent Financing	3 loans, 210 units $6,700,000 Expand in conjunction with refunding; includes financing for Applegate in Bennington	7 loans committed; 330 units; $9,602,006 5 loans closed; 156 units; $4,176,531	Development	8 loans; $9,925,000 (385 units)
3a.	**Expand Energy Lending Activities**				
Ongoing	Expand Energy Lending Activities and Weatherization Assistance	Program development and implementation in conjunction with VT OEO weatherization program; 30 loans; $135,000	2 loans committed; $4,124	Development	VT OEO Weatherization Program 10 loans; $50,000
3b.	**Expand (as Consortium) Use of FHLB in Conjunction with LIHTC**				

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

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

STRATEGIC PLAN INFO	PROGRAM NAME	FY97 GOALS	FY97 ACTUALS THROUGH 06/30/97	DEPT	FY98 GOALS
Analyze FY96	Expand Use of FHLB in conjunction with LIHTC via Loan Consortium	Program development	FHLB activity ongoing	Development	Delete from plan
4.	***To create and enhance affordable housing integrated with services to provide realistic alternatives for people with special needs.***				
Ongoing	Special Needs Housing	MOVE/HOUSE Pilot 5 loans; $425,000; introduce marketing of program	2 loans; $135,500 (included in HOUSE totals)	Development	Will be developed in conjunction with Homeownership Centers Scattered Site Program
4a.	**Address Homelessness**				
Support FY96	Address Homelessness	Assist other agencies in defining and determining the level of homelessness and disseminating results; consider using refunding resources	600 Dalton Drive closed 5/8/97	Development/ Comm	600 Dalton Drive sheduled to open in 11/97
4b.	**Collaborate to Develop Programs for Support and Special Needs**				
Analyze #2 FY96	Financing for Assisted Living (Developmentally Disabled Adults)	Develop financing options in conjunction with other state agencies, et al.	No activity	Development	Direction unclear at this time; continue to participate in
Analyze #1 FY97	Financing for Assisted Living (Combine Affordable Housing for Elderly with Supportive Services)	Develop financing options in conjunction with other state agencies, et al.	Executive Director participates on Elderly/Assisted Living Taskforce	Development	Monitor state initiatives in these areas
5.	***To increase the efficiency and responsiveness of the multi-family lending process.***				
5a.	**Increase Efficiency of Multifamily Lending Process**				
Support FY96 #1 #2 #3 #4	Increase Efficiency of MF Lending Process	1. Review underwriting criteria 2. Develop new informational application and marketing materials 3. Accelerate loan processing 4. Increase efficiency of closing process	Statewide single application forms in final development; underwriting criteria reviewed; closing process improved	Development	Continue efforts in this area to complete application forms and streamline MF lending process
5b.	**Improve Financing for small rental projects up to 20 units.**				
Analyze FY97	Improve Financing for 3-4 Unit Investor-Owned Properties (Provide capital for 3-4 unit investor-owned properties)	Collaborate with CEDO and nonprofits regarding Burlington Economic Community rehab loan program	Preliminary work on Section 108 Revolving Loan Pool w CEDO/LCHDC in Old North End; HUD Small Projects Processing conference	Admin/ Development	Obtain approval as HUD Small Projects Processing Lender; continue discussions with LCHDC on ONE rehab. program
6.	***To develop programs to finance the mitigation or elimination of environmental hazards that may inhibit the production or preservation of safe and decent affordable housing.***				
Ongoing	Lead Paint Response	Individual loan commitments up to $1,000,000 for MF/SF lead paint remediation; continue participation in policy issues	As of 6/30/97 $100,000 loaned for 33 units	Admin/ Development	Loan $50,000 for 15 commitments (average of $3,333 per loan)
6a.	**Finance Program for Environmental Hazard Mgmt of Multi-Family Properties**	FY99	FY99 other sources of fund located to mitigate enviromental hazards	Admin/ Development	Delete from plan

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

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

STRATEGIC PLAN INFO	PROGRAM NAME	FY97 GOALS	FY97 ACTUALS THROUGH 06/30/97	DEPT	FY98 GOALS
6b.	**Financing Housing Infrastructure**	FY98	FY98	Admin/ Development	Develop collaborations with strategy 2.c. i.e. mobile home parks
7.	***To work with other housing and regulatory agencies to facilitate the development and preservation of affordable housing.***				
Ongoing	Preservation—Section 8	Pending Congressional action	No activity	MF Mgmt	Renew efforts to obtain Preservation Agreements where possible
Ongoing	Portfolio Reengineering Demonstration	N/A	Submitted application to HUD, approved as Vermont processing agent for program	MF Mgmt	Complete Management Plan for HUD Submission and Approval
Ongoing	Preservation of federally - funded housing developments	On hold pending Congressional action on HUD proposals and budget; possibly complete renegotiation of option agreement or alternative course of action	Applegate acquisition/rehab under negotiation with HUD; all financing except for HUD 204 Up Front grant in place as of 6/30/97; Action on Westgate on hold; monitor	Development	Resolve 204 up front grant issue; closing during Summer; rehab. begins late fall '97
Ongoing	VT Housing Ventures	5 loans $100,000 Continue program; evaluate risk; possibly add funding; 2,775 in losses expected	$325,000 new program cap approved 5 loans for $131,664	Development	5 loans; $125,000
Ongoing	Section 8 Refunding	Implementation of programs with $80,000/month refunding savings; complete allocation and first year program development	0% lending guidelines to Board 04/17/97	Finance	FY98 proposed uses to VHFA Board 8/6/97; Adoption of future years lending guidelines
Ongoing	Burlington Enterprise Community	Program development and implementation in conjunction with CEDO and local nonprofits; market and purchase 10 down payment assistance loans	For FY96 and FY97 down payment assistance loans; 16 out of 20 slots reserved; marketing has guaranteed positive response with area lenders and real estate professionals	Development/ Admin/Comm	FY98 market and purchases 10 downpayment assistance loans (IORTA)
Support	Housing Vermont	Continue evaluation and monitoring; maintain oversight role	Ongoing evaluation	Finance	Reactivate VHFA Bridge financing facility with Housing Vermont ($1,000,000 pool)
Support	MF Management	108 developments (3,098 units) Provide effective servicing and monitoring of MF portfolio; administer HUD Section 8 funds, $2.9 million/year	104 developments (3,023 units)	MF Mgmt	108 Developments (3,170 units) Provide effective servicing and monitoring of MF portfolio; administer HUD Section 8 funds, $2.9 million/year
Support	LIHTC Compliance Monitoring	68 projects totaling 2,446 units	67 projects completed (2,444 units)	MF Mgmt	75 Projects (2,574 units)
7a.	**Collaborate with Other Agencies To Achieve Efficiencies**				
Implement #1 FY96-97 #2 FY96-97	Monitoring: Streamline Statewide Programs (Improve affordable housing program compliance monitoring)	Combine VHFA, HVT, Section 8, Tax Credit, RD, FHLB and VHCB monitoring requirements where practicable	VHFA, HVT, Section 8, tax credit & VHCB monitoring coordinated	MF Mgmt/ Admin	Expand VHFA, HVT, Section 8, Tax Credit, RD, FHLB and VHCB monitoring and finalize work on single application
Analyze #3 FY97-98	Collaborate with Other Agencies to Achieve Efficiencies (Improve overall quality and create efficiencies in gathering data re: monitoring)	Identify areas where data collection can be consolidated and prepare plan for data management	Progress with VHCB on underwriting issues & sharing information	MF Mgmt/ Comm/ Admin	Continue on-going interagency collaboration

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

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

STRATEGIC PLAN INFO	PROGRAM NAME	FY97 GOALS	FY97 ACTUALS THROUGH 06/30/97	DEPT	FY98 GOALS
NEW	Portfolio Reengineering Demonstration	N/A	Submitted application to HUD; approved as Vermont processing agent for program	MF Mgmt	Complete Management Plan for HUD submission and approval
8.	***To inform policy makers on an ongoing basis regarding affordable housing issues and needs.***				
Support	Statewide Affordable Housing Activity/Promotion	Statewide conference scheduled 09/16/96; participate in planning and conducting other activities with other agencies	Statewide conference held 09/16/96; next conference to be held in 1998	Comm	Initiate planning for 1998
Support	Housing Policies State/Fed Level	Identify and participate on critical issues	Executive Director continues to participate in these groups	Admin	Continue current level of activity
Support	HUD Consolidated Plan (formerly CHAS) Performance	Maintain consistency with HUD Consolidated Plan and implement as applicable.	LIHTC Allocation Plan completed 03/97 maintaining consistency with HUD Consolidated Plan; awards completed 6/19/97	Admin	Revise LIHTC Allocation Plan in Fall 1997 and implement as applicable in early 1998
8a.	**Maintain Data Collection/Analysis/Dissemination of Housing Data**				
Support	Data Collection, Analysis, Dissemination of Housing Data	Maintain current level of data collection, analysis and dissemination for internal VHFA use and external projects	Capacity not maintained at 60% time, position expanded to full time in 6/97	Comm	With full time position, will resume previous level of data analysis, collection, and dissemination for internal and external projects
9.	***To promote VHFA's affordable housing programs and to build upon VHFA's successful public education and information efforts.***				
Ongoing	Nonprofit Training/Technical Assist	Training on new programs, other as needed; specific training in re-sales and home buying counseling planned	Housing Counseling Training held 6/97 - 27 attendees	Development/ Comm	Training for loss mitigation re-sales; HOC training for HOUSE, home maintenance and credit counseling
Ongoing	Home Buyer Education	1 home buyer fair; 4 home buy basics workshops; 2 pilot expanded homeownership classes; non-VHFA events as requested	1 home buyer fair; 400 attendees 5 home buy basics workshops; 113 attendees 2 Pilot home buying basics workshops; 44 attendees, 3 non VHFA events; 39 attendees	Comm	1 home buyer fair; 6 home buy basics workshops; 2 Pilot home buying basics workshops; non-VHFA events as needed
Implement	Homeownership Counseling	Continue to explore and review VHFA's role in developing counseling programs in conjunction with down payment assistance program and homeownership centers	Homeownership Center evaluation completed 03/97	Comm	Carry on Homeownership Center evaluation for year two
Ongoing	Cooperative Advertising	$8,000 allocated for nonprofits; $4,000 allocated for Homeownership Centers; develop cooperative advertising program for lenders and expand program for real estate firms	3 mailings for nonprofit to 2,556 consumers; $4,000 dispensed to nonprofits $5,500 dispensed to Homeownership Centers	Comm	$8,000 allocated for nonprofits; $12,000 allocated for Homeownership Centers
Support	Lender Training	12 sessions; 250 participants Evaluate training format/efficiency	10 VHMGB sessions; 135 participants 6 VHFA sessions; 102 participants (4 new lenders in 6 months)	Comm	VHMGB sessions scheduled as needed; 12 VHFA sessions
Support	Training for RE Professionals	3 course sessions; 80 attendees; presentations at 4 RE Board meetings	3 sessions; 53 participants	Comm	5 class sessions; 6 RE Board meetings; sponsor/VAR R-Gram newsletter

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

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

STRATEGIC PLAN INFO	PROGRAM NAME	FY97 GOALS	FY97 ACTUALS THROUGH 06/30/97	DEPT	FY98 GOALS
Support	Promote VHFA's Affordable Housing Programs Through Advertising	Maintain advertising campaign to generate consumer interest and result in loans at current levels for VHFA homeownership mortgage programs	Spring 97 general campaign completed 6/97.4,900 Helpline Calls received; 28% of VHFA borrowers also called helpline	Comm	Maintain advertising campaign to genarata consumer interest and result in loans at current levels for VHFA homeownership mortgage programs
Support	Communications Plan	Develop for program promotion, development of materials and/or outreach to meet VHFA's needs	Redesign of external newsletter completed, distributed 10/96; Materials for Legislative Conference completed 03/97; Annual Report distributed 01/97; New brochure design underway 6/97	Comm	Develop for program promotion, development of materials and/or outreach to meet VHFA's needs
9a.	**Promote Homeownership Through Expansion of Home Buyer Education**				
10.	***To enhance the long-term financial viability of VHFA by improving efficiency, reducing costs and increasing revenues.***				
Support	Cash Flow: Analyze Alternatives	Utilize Evensen Dodge to run cash flows	Began implementation of E&D cash flow services	Finance	Fully integrate E&D cash flow services into operation
Support	Strategic Planning	Integrated Year 2 goals into Bus Plan; completed SWOTS analysis May '97	New SWOT analysis began 03/97; review years 3-5 in preparation for FY98 Business Plan submission	Comm/Admin	Complete staff - wida survey by September 30; Review current strategic Plan by Dec. 31; Recommend adoption of revised SP in early 1998
Support	Regional Attorneys	Continue utilization and monitoring of efficiency of regional attorney system	Opened 80 cases; handled 129 cases; closed 80 cases	SF Ops	Continue utilization and monitoring of efficiency of regional attorney system
Support	Loan Servicing	Maintain current levels as needed	6519 Loans Serviced by 32 servicers; $350 million; Hired Loan Servicing Menager 11/26/96; reorganized Loan Servicing Department	Finance/ SF Ops	Relocate LS Dept. into new space; continue close monitoring
Analyze	Credit Scoring	Incorporate credit scoring system into VHFA underwriting, similar to secondary market system	Credit scoring for 06/95 and 6/96 received from credit bureau; survey sent to lenders and presentation made to VHMGB Board, refinements need to be made	SF Ops	With Board approval, implementation of credit scoring into underwriting process
10a.	**Expansion of Financing to Non-Housing Activities**				
Analyze #1 FY96	Finance Non-Housing Activities (Integrate existing entity functions)	Evaluate political climate and defer implementation	No actvity	Finance	Delete from Plan
Analyze #2 FY96	Expand Financing to Non-Housing Activities (Integrate auxiliary financing functions)	Evaluate political climate and defer implementation	No activity	Admin	Delete from Plan
10b.	**Better Utilize VHMGB to Enhance Services/Products of VHFA**				
Ongoing	VHMGB Program Administration	Separate business plan for VHMGB programs (attached)	VHMGB business plan updated 06/97	SF Ops	See VHMGB business plan (attached)

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

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

STRATEGIC PLAN INFO	PROGRAM NAME	FY97 GOALS	FY97 ACTUALS THROUGH 06/30/97	DEPT	FY98 GOALS
Implement	Proactive Servicing (SF)	Accomplish direct billing and/or implement tape to tape services with individual lenders during FY98		Finance	Implement
Analyze #1 FY97	Utilize VHMGB to Enhance Products/ Services of VHFA (Guarantee home improvement loans)	Delay implementation to FY98	{Delayed implementation to FY98}	SF Ops	
Analyze #2 FY97	Utilize VHMGB to Enhance Products/ Services of VHFA (Guarantee 3-4 unit owner-occupied residences)	Delay implementation to FY98	{Delayed implementation to FY98}	SF Ops	Utilize FHA Title I prior to involving VHMGB
Support	Quality Control	Conform VHFA Quality Control procedure with Freddie Mac guidelines for originating lenders and integrate with VHMGB quality control process	Quality Control process in compliance with secondary market guidelines; integrated with VHMGB quality control; initial discussions begun to perform quality control on pre-purchase basis rather than post-purchase	SF Ops	Adjust process to incorporate Freddie mac suggestions made at last audit
10c.	**Reduce Operating and User Costs**				
NEW	Guides on disk	N/A	Accounting and Servicing Guides to lenders on disk 6/30/97	SF Ops	Have remaining VHFA guides on disk by 9/97
10d.	**Increase Revenues Through Loan Servicing Modifications and New Investment Opportunities**				
Analyze #2 FY97	Increase Revenues (Explore VHFA Direct Servicing)	Shift to using subservicing	Subservicing 328 loans; revenues of $20,000	SF Ops	Subservice at least 700 loans with revenues of $70,000
Support#1 FY96	Direct Servicing (Explore reducing servicing fees to servicers)	Pursue service opportunities for VHFA mortgage loans when/where appropriate; subservice 500 loans totaling $34 million at a savings of $60,000 per year	Subservicing 328 loans; continued analyzing direct servicing option	Finance/ SF Ops	Continue analyzing direct servicing option

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

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: **VHFA Board of Commissioners**

FROM: **Michael McNamara, Deputy Director** Mike McNamara
Sam Falzone, Director, Multifamily Management

DATE: **July 28, 1997**

RE: **MULTIFAMILY REFUNDING SAVINGS (0%) PROPOSED USES**

Although staff has yet to develop new recommendations regarding use of the Agency's Multifamily Refunding Savings, the demand for these funds from within our existing portfolio continues to be very high. We have continued to operate under the Evensen Dodge recommendations which establish a priority for portfolio projects and real estate owned. Assistance to these projects also improves VHFA's long term financial position.

At the April and June Board meetings, the Board approved 0% funding requests for Homeownership Centers ($78,000) and Lead Hazard Reduction ($100,000). During 1996, $200,000 in 0% funding was approved by the Board for the purpose of facilitating the sale of REO's. **($378,000 total committed).**

We are now able to quantify the proposed uses for 0% funds within our multifamily portfolio for the coming year. Each of the following projects has an acute need for this resource.

Northgate's Premium Replacement Note payable to VHFA is accruing interest and simultaneously we are making payments to the previous owner on the Premium Notes related to Westgate and Applegate. We have proposed to replace the Westgate portion of these notes ($291,667) plus accrued interest of $78,333 with a total of **$370,000** in 0% money. This will eliminate the ongoing annual payments that VHFA has been making from our General Fund and relieve Northgate of the interest accruals on the Westgate portion of these notes. The Applegate Notes are likely to be judged invalid because of the owner's failure to properly maintain the property during the term of these notes. Allan's April Board memo on 0% Funds goes into greater detail regarding the planned use of these funds at Northgate.

Pine Manor is a 16 unit housing project for the elderly located in Alburg. Its cash flow is limited due to the multiple debt obligations that have been required over the years. In addition to the primary VHFA loan of 13.75%, there is also an 8% General Fund Loan, an 8% UFFI loan that was required to remove Urea Formaldehyde Foam Insulation and an 8% Energy Conversion Loan. Reserves are modest with about $21,000 in Replacement Reserve and $6,300 in Residual Receipts.

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The sewage system is failing, a function largely of its site, which has a very high water table. Repairs are estimated to cost $21,000. Additional sitework to improve drainage needs to be done at a cost of about $9,000. The Vermont State Housing Authority is threatening to withhold Housing Assistance Payments until the property again satisfies Health and Life Safety Codes. **$30,000** in 0% money will be crucial to correcting these issues.

Pine Meadow is a 30 unit family development located in Middlebury and was constructed in 1990 utilizing LIHTC and a multitude of funding sources. For several years, Pine Meadow has been experiencing financial difficulties due to higher than projected operating expenses and excessive resident turnover as well as maintenance problems including rotting wood trim boards and failing hot water heaters.

The partnership, Housing Vermont and Interfaith Housing Corp., are trying to work out a solution to the problem which replaces the rotting wood and provides a new integrated heating system. They have applied for a $30,000 block grant from the town of Middlebury, additional financing from VHCB and have requested **$193,000** of 0% money from VHFA to prepay a portion of our existing debt thus increasing cash flow in order to meet operating expenses. A nearly exhausted sinking fund and loans from the partners have kept the project from going under.

Winchester Place is performing better than anticipated in the proforma adopted as part of the two year Forbearance Agreement. Monthly Accommodation Loans from 0% money continue to be needed in order to meet debt service payments. Discussions have begun about extending the existing terms of the Agreement for an additional year. Assuming a 2% increase in income, an estimated $24,000 in school tax savings, and a renewal of the $130,000 commitment by the limited partner Merchants Bank, the amount of 0% funding necessary in the next year will be approximately **$126,000**, verses $214,335 in FY96 and $184,126 in FY97. An additional $406,423 of 0% funding was also used in FY96 to make structural repairs at Winchester.

Mad River Meadows consists of 12 units of elderly and 12 units of family housing located in Waitsfield. An energy conversion has long been an objective hindered by inadequate project funds. The most recent estimated cost of the conversion is $156,000. The Replacement Reserve account is the only source of funds available and $16,000 will come from this account leaving a balance of $26,000. The conversion is expected to receive up to $30,000 in funding from the Residential Energy Efficiency Program (REEP). Utility expense savings after the conversion will be able to amortize a $50,000 VHFA energy loan leaving a gap of $60,000. **$60,000** in 0% money will make the energy conversion a reality this year.

These multifamily requests represent a total of **$779,000** in 0% refunding proceeds. With the addition of **$378,000** in outstanding commitments and **$33,144** in undisbursed VHCB Lead funds from FY'97, the grand total of 0% refunding commitments would be **$1,190,144** (see following analysis). The balance of funds expected to be on hand through the end of FY98 is **$417,971**.

	0% REFUNDING ANALYSIS FOR FY'98					
June 30, 1997 Balance					$642,211	
FY'98 Earnings					$965,904	
				Total Sources		$1,608,115
APPROVED USES						
	Lead Final Draw FY'97			$33,144		
	Lead FY'98			$100,000		
	Homeownership Centers			$78,000		
	REO's			$200,000		
PROPOSED USES						
	MF Properties					
	Northgate			$370,000		
	Pine Manor			$30,000		
	Pine Meadow			$193,000		
	Winchester			$126,000		
	Mad River Meadows			$60,000		
				Total Uses		$1,190,144
		REMAINING FUNDS EXPECTED @ 6/30/98				$417,971

Recommended Board Action

Staff requests the approval of the 0% Funding uses as outlined in this memo, granting the Executive Director the authority to require whatever additional documentation that may be necessary in order to disburse these funds in accordance with "yield-compliance" provisions of the 1995 Series A bonds.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Samuel J. Falzone, Director, Multifamily Management

DATE: July 23, 1997

RE: MULTIFAMILY DIRECTOR'S REPORT

The attached report for the quarter ending March 31, 1997, is provided for the Board's information and includes the status of various financial aspects of the multifamily portfolio. The report also contains narratives on department activity through May 31st as well as detailed project reports for properties that have outstanding maintenance or other unusual issues or problems.

I will not be available at the Board meeting, since I will be on vacation, but would be happy to answer any questions or provide additional information if it is desired. You may reach me at 652-3435 should you like clarification on any point prior to the meeting.

MULTIFAMILY MANAGEMENT
DIRECTOR'S REPORT
For the Period Ending March 31, 1997

1. DELINQUENT MORTGAGE LOAN PAYMENTS

PROJECT NAME	PENALTY/INTEREST	MONTH	TOTAL DAYS LATE
Mountain View/Hancock	$113.94	February 1997	25

2. ACC AND HAP CONTRACT AMENDMENTS REQUIRED

PROJECT NAME	ORIGINAL ACC	CURRENT AMENDMENT	RESERVE BALANCE
21 Main Street	$46,200	$61,600	($338)
Abenaki Family Housing	103,909	*	23,598
Bardwell House	558,504	571,004	4,841
Bemis Block	83,769	93,269	23,504
Benson Heights	106,700	N/A	18,303
Brookside Apts.	33,198	36,798	(1,176)
Bobbin Mill	397,273	423,523	78,700
Butler Apts.	53,928	70,528	4,279
Canterbury N & S	217,324	267,224	38,849
Chester Arthur	56,737	69,037	6,988
Colonial Apts.	75,312	101,612	(6,632)
Colonial Village	60,360	84,460	15,777
Conant Square Inn	79,896	*	8,487
Darling Inn	136,704	171,254	(17,904)
Depot II	52,416	67,416	20,609
Duggan Row House	95,904	118,404	24,109
Garden Apts.	72,876	87,876	24,187
Graystone Village	139,002	*	75,918
Green Hill Apts.	93,814	99,614	(2,446)
Hebert Farm	53,448	*	15,130
Hillside Acres	75,216	88,116	13,697
Holy Angels Commons	227,988	301,988	51,259
Homestead Mews	180,403	196,503	(2,035)
Jeri-Hill	182,326	228,926	(91)
Lamoille View Apts.	101,976	162,677	40,005
Lane Shops	215,040	*	(56,806)
Linden Terrace	78,504	98,154	13,626

2. ACC AND HAP CONTRACT AMENDMENTS REQUIRED (Cont.)

PROJECT NAME	ORIGINAL ACC	CURRENT AMENDMENT	RESERVE BALANCE
Mad River Meadows	$190,194	N/A	$14,261
Maple St./Hardwick	65,688	83,738	(717)
Maple St./K.S.N.R.C.	57,900	N/A	24,762
Meadow Lane	88,452	*	2,983
Mellishwood Houses	40,920	56,720	(10,670)
Mellishwood Houses II	63,612	74,612	584
Mill Village	102,127	109,127	(3,743)
Mountain View/Fairfax	150,785	170,685	1,017
Olde Windsor Village	313,596	*	(61,077)
Pine Grove	101,496	127,596	21,603
Pine Manor	114,285	*	19,095
Proctor Place	80,254	N/A	22,774
Randall Apts.	60,528	N/A	22,191
Randolph Circle	127,080	*	36,429
Randolph House	210,744	323,594	21,105
Saxtons River	103,776	143,176	9,107
School House Apts.	76,449	83,249	608
School Street Apts.	68,028	89,278	25,808
Sunrise Manor	141,960	172,160	27,849
Valley View	156,152	*	56,142
Walden Mountain	99,096	109,696	(6,429)
Wells House Apts.	54,744	80,144	8,069
West Burke Housing	115,664	123,664	(11,581)
Westminster Family	86,555	N/A	22,393
Willey Street Apts.	106,186	N/A	36,458

* amendment reverted to original ACC amount
N/A: Has never received an amendment

3. CASH FLOW PROBLEMS:

PROJECT	CASH POSITION AS OF 03/31/97	OPERATING PROFIT/LOSS	
		BUDGET	ACTUAL
700 Riverside	$0	$198	($2,619)
Bromur	$454	($1,357)	($4,783)
Brookside	$485	$3,222	$2,522
Lamoille HP	$2,207	$604	($3,630)
Winchester	$36,306	$24,372	$39,767

4. MULTIFAMILY PRESERVATION AGREEMENTS

PROJECT NAME	# YEARS LOCKED IN	OPTION (Y/N)
Abenaki Family Housing	60	NP*
Brownway	20	Y
Cummings Street**	28	NP*
Depot II**	40	NP*
Dogwood Glen	20	NP*
Duggan Row	20	Y
Eno Apts.	19	Y
Garden Apts.	20	Y
Graystone Village	Perpetuity	NP*
Harrington Apts.	19	Y
Hidden Pines	50	Y
Highgate**	Perpetuity	NP*
King St. Apts.	20	Y
Lake Champlain Apts.	20	Y
Lane Shops**	15	Y
Linden Terrace	50	NP*
Lower Weldon St. Apts.	17	Y
Maple St./Hardwick	18	Y
Meadow Lane**	15	N
Mellishwood I & II	25	Y
Mountain View/Fairfax	18	Y
Northgate**	Perpetuity	NP*
Olde Windsor Village	23	NP*
Prospect/Forest Homes	22	NP*
Randolph House**	48	NP*
Rockingham	71	Y
School Street Apts.	20	NP*
Village Apts.**	19	NP*
Walden Mtn. Apts.	17	Y

** LIHTC

* Non-Profit

MULTIFAMILY MANAGEMENT MONTHLY ACTIVITY REPORT
Through the Month ending May 31, 1997

A. Multifamily Management Activity - Narrative

1. Audited Annual Financial Statements

B. Project Reports

1) 1306 Ethan
2) 700 Riverside Ave
3) Abenaki Acres
4) Bromur Apartments
5) Brookside Apartments
6) Cummings Street
7) Depot Square
8) Garden Apartments
9) Hebert Farms
10) Heineberg Senior
11) Highgate
12) Hillside
13) Lamoille Housing Partnership
14) Lane Shops
15) Mill Village
16) Northgate
17) Pine Meadow
18) Randall Apartments
19) Rockingham Canal
20) St. Johnsbury HP
21) Templeton
22) Valley View
23) Walden Mountain
24) Winchester Place

A. Multifamily Management Activity - Narrative

1) **Audited Annual Financial Statements -** Audits for all multifamily projects have been reviewed for the year ending December 31, 1996 and formal letters of findings have been completed and sent to almost all owners. This annual process is used as a basis for authorizing owner distributions and to monitor compliance with HAP Contract and other regulatory provisions applicable to the various programs these properties were financed under. Other areas of interest include the adequate funding and proper use of reserve accounts, security deposit status, working capital and deficit escrows.

   With the vast majority of our older portfolio now facing substantial tax liability caused by phantom income, we have been trying to devise ways in which this tax liability can be better controlled by preserving finite subsidy resources. This is contrary to the advice that many owners are receiving from their accountants and attorneys to maximize spending in an effort to limit taxable income. Our advice has been to reduce expenses and moderate income through voluntary rent reductions. Although this is a somewhat radical concept, it has been viewed as a more effective means of lowering a property's tax liability then the practice of spending excess cash in an attempt to reduce taxable income. We have discussed this approach with several accountants, HUD auditors and consultants, all of whom believe this is a viable option

B. Project Reports

1) **Ethan Allen** - LCHDC and Housing Vermont are continuing their efforts to implement an aggressive second phase of rehab at Ethan Allen and get solid funding commitments for their proposal. They are working with VHCB, VHFA, as well as the LIHTC committee to secure the necessary funding.

2) **700 Riverside Ave -** In April, Scott Mansfield, the owner of 700 Riverside, filed for bankruptcy under Chapter 7. Although the mortgage is current, we have seen evidence that the owner is in trouble. The insurance coverage lapsed in the last quarter, the electric company threatened to shut off the electricity on the site and the project experienced delays in routine maintenance and unit turnovers (work normally performed by Scott Mansfield). LCHV, management agent at 700 Riverside, has entered into a new contract with the owner and are taking on more direct responsibility for the property. They were able to clear up the insurance matter, established the electricity bill in their name and address the outstanding maintenance issues.

There is little to no cash flow at this project due to higher than expected operating costs. LCHV is requesting money from the working capital letter of credit to cover shortfalls in the operating budget.

VHFA Legal Council has been in close contact with Scott Mansfield's lawyer in order to keep informed on the bankruptcy case and how it may affect VHFA's security interests.

3) **Abenaki Acres** - There continues to be a problem with this nonprofit's ability to submit audits, budgets and reports on time for this property. The owners chronically fail to meet deadlines. VHFA must constantly send late notices regarding delinquent submissions. We have not yet received the 1996 audit which was due on March 1st.

   Fortunately, the 12 unit family property is in good condition and mortgage payments are always current although VHFA staff has always needed to expend a disproportionate amount of energy and TLC to keep this property from sinking.

4) **Bromur Apartments** - While the total cost of operations was only off by $933, income was $2,493 less than budgeted. This, when taken with the substantial Tenant Rents Receivable ($11,450), merits our continuing attention. CVCLT, who is primarily responsible for tenant selection and collections is being asked to be more aggressive in reducing tenant receivables.

5) **Brookside Apartments** - Brookside has not had much luck in finding quality tenants for their 3 bedroom rehab units. These two units have had a history of being abused by tenants. Turnover costs in these units have drained both the replacement reserve and operating account. Recently, these units have been filled with new families. It was evident from the physical inspection that management did a better job screening new residents. Both apartments were in excellent shape. We are hopeful that better tenants will keep maintenance costs down at this site and improve their financial position.

6) **Cummings Street** - Cummings Street's HAP Contract expires in 1998 and this project is expected to be a prime candidate for the next round of HUD's Demonstration Program.

7) **Depot Square** - In January, there was a fire at this downtown St. Johnsbury location which fortunately resulted in no injuries but destroyed one unit and caused some smoke damage in the hallway. Repairs were estimated at approximately $20,000. Insurance covered the cost of the repairs and the work has been completed.

8) **Garden Apartments** - This project has experienced a 40% turnover of mostly long term residents in the past year. Two of the units required substantial repairs and rehab and all units are now occupied. Thorough screening of new applicants has lead to a more responsible group of residents that seem to get along well in this downtown Burlington property. We are hopeful that continued maintenance and upgrades at this property will keep attracting more good tenants.

9) **Hebert Farms** - The rash of vacancies has ended as anticipated and there are currently no vacancies. The property is performing well compared to budget although there are ongoing problems arising from deferred maintenance and limited resources. Still complicating matters is the outstanding 1995 Operating Reserve deposit of $5,635 which the Owner has not satisfied. Until this required deposit is completed, no distribution will be authorized. Also, the 1996 financial statements are still outstanding.

10) **Heineberg Senior Housing** - The deterioration of many of the wood framed windows and trim caused by improper flashing has yet to be corrected. The original contractor has agreed to pay up to one-third of the cost of repairs - if the replacement window treatment is done in vinyl. The City of Burlington will be approached soon for their consent. The architects are reluctant to participate in underwriting the cost of solving this problem. There are no health or life safety issues apparent at this time and the property continues to be in a healthy financial position

11) **Highgate** - There are now only 3 vacancies. Better still, eligible families have been approved for each of the vacant units! The first quarter operating profit is less than budgeted. Towing charges during winter snow removal and expenses incurred providing reasonable accommodations contributed to the increase in the cost of operations. Of course, it will be necessary to moderate the cost of operations if the project is to remain viable as affordable housing when the existing subsidy contract ends on June 30, 1998.

12) **Hillside** - The State supervised slow sand filtration water system pilot study at Hillside Mobile Home Park is still in progress. A water purification plan should be finalized along with a sources and uses statement by the end of August.

13) **Lamoille Housing Partnership** - As with a number of properties, unanticipated increases in the cost of fuel and higher than projected costs for snow removal are responsible for not performing as budgeted.

14) **Lane Shops** - Owner, David DuBrul has been trying to refinance this property for more than 2 years now. To date, he has been unsuccessful and has incurred over $48,000 ($23,000 in

1995 and $25,000 in 1996) in expenses in the process. In the 1995 audit, we explained that refinancing expenses were not authorized project costs and must be repaid from partnership assets before the return on equity is taken. After reviewing the 1996 Financial Statements, it was evident that the money had not been repaid (the expenses actually more than doubled) and the return on equity was taken anyway. Legal action is being explored although Dave is continuing his efforts to refinance out of VHFA regulatory control.

15) **Mill Village** - The windows in the elderly building at Mill Village need to be replaced. The owner is struggling with this issue because historic preservation is putting stipulations on the type and style of windows that need to be installed. The cost of these prototypes are twice the cost of replacement windows. Until the owner comes up with a plan, they are just repairing the existing windows in order to make them safe and usable for the tenants.

16) **Northgate** - The resident's association, management agent and HVT are proposing the use of $250,000, of the more than $691,000 remaining in deficit escrow and working capital, to enlarge and enhance the Community Building. It will have increased accessibility, as well as more suitable meeting and office spaces. VHFA has proposed using an identical amount of restricted accounts to reduce long-term debt which could adversely impact Northgate in terms of increased rents of about $100 per unit per month. No consensus has been reached at this juncture.

17) **Pine Meadow** - After adjusting for accrued audit expenses, Pine Meadow appears to have performed very close to budget for the 1st quarter. They are showing an operating profit in excess of $4,000. It looks as though the reason for the positive outcome was the postponement of payment of the audit expense until the next quarter. If we take out this item, the operating profit would be close to the budgeted figure.

Housing Vermont is waiting for approval for additional funding from VHCB and CDBG to fund needed rehab and are also looking to VHFA for 0% money for debt reduction.

18) **Randall Apartments** - As mentioned in the last Director's Report, we have been in the process of getting owner, John Randall, to agree to an energy conversion at this 11 unit family property. We recently received his approval to go ahead with the conversion while VT Gas is installing new gas lines on St. Paul Street. With substantial incentives being provided by the Burlington Electric Department, the balance of funding required to complete this work will come from project reserve accounts without the need for an energy loan. This conversion is scheduled for June with completion in July.

19) **Rockingham Canal House** - Residents at Rockingham Canal House experienced a tragic incident on June 1st at about 2:30 a.m. A woman posing as a nurse was mistakenly let

into the complex, and proceeded to find the first unlocked unit, entered and beat a 77-year old woman demanding money and threatening to kill her. The resident was able to sound the pull cord alarm in the bathroom which alerted the authorities and sent the assailant running. However, before leaving the building she also entered the unit of a 53-year-old deaf man who she began to beat with the lamp from his night stand. Both residents have been released from the hospital. The attacker was arrested at the scene and charged with attempted murder, plus burglary and assault. The management has held a resident meeting with a supportive services coordinator to discuss not letting unknown people into the building and keeping doors locked at all times.

20) **St. Johnsbury HP** - Although the property is not showing an operating loss for the first time in a while, income still is lower than projected and vacancies continue to be high. Extensive marketing and outreach has helped but long term stable occupancy is still elusive.

21) **Templeton** - In April, we were finally able to approve the 1997 operating budget here after the project received a special rent adjustment from HUD. The increase was effective February 1, 1997 and was needed in order to achieve break even cash flow.

Charles Stuart of the Replacement Reserve Report has completed the Comprehensive Needs Assessment (CNA) for Templeton. We were not surprised when he called attention to concerns about the major structural work needed on site which date back to soon after acquisition.

22) **Valley View** - As the Residential Energy Efficiency Program (REEP) has yet to initiate operations in Vermont as part of the Rebuild America national program, the management agent, Technical Planning & Management of Waitsfield, has been requested to proceed with the $47,000 energy conversion at this 24 unit elderly housing project. This conversion can be completed without incurring additional debt on the property.

23) **Walden Mountain** - Paul Stewart of Stewart Property Management, the Management Agent of record, is concerned that the many items identified in the recently completed Capital Needs Assessment can not be addressed by the very limited assets and resources of the property. Until a comprehensive strategy can be adopted, we have requested that health and life safety needs and structural issues be prioritized and addressed.

The property was about $3,000 over budget, mostly due to the higher than anticipated cost of unit turnovers. Based on our knowledge of the property, this was money that was well spent.

24) **Winchester Place** - The property continues to perform as anticipated in the proforma adopted as part of the two year Forbearance Agreement, a pleasant development. Litigation expenses arising from the water billing issue may have a modest impact on cash flow, but hopefully will not dramatically effect operations. Other, larger litigation issues have yet to be decided. With the Forbearance Agreement terminating late this year, serious discussion on the next phase of our ongoing workout with the Winchester partners lies ahead. The property is continuing to receive accommodation loans from our 0% refunding proceeds continue to be needed monthly as anticipated.

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: August 5, 1997

RE: Discussion on the conversion of Mortgage Revenue Bonding (MRB) authority to Mortgage Credit Certificates (MCC) authority and authorizing the 90 day public notice of the program as required by the Internal Revenue Service Tax Code.

Conversion of Mortgage Revenue Bonding (MRB) authority to Mortgage Credit Certificates(MCC) authority

Background

The last conversion of MRB authority to MCC authority took place in October, 1996, when the Board authorized staff to convert $9 million in MRB authority to $2.25 million in MCC authority. The MRB authority converted at that time can only be used to issue MCC commitments until December 31, 1997. All but $781,957 has been utilized to date. In order to have a continuous MCC program it will be necessary to convert some additional MRB authority to MCC authority.

The VHFA MCC program has gained statewide usage by 17 participating lenders. This is evidenced by the use to which these lenders are incorporating the program into their affordable housing initiatives. For the period of July 1996, through June 1997, MCC authority in the amount of $1.5 million was utilized which represents approximately $7.5 million in mortgage loans. Staff estimates that up to 130 MCCs representing almost $9 million in mortgage loans could be issued from November 1997 through December 1998.

Available Authority

Currently VHFA has $11.775 million of MRB authority available for issuing mortgage revenue bonds and conversion to MCC authority. All of this amount is from 1996 authority. MCC authority converted from this source can be used to issue MCCs until December 31, 1998. VHFA recently completed a large MRB bonding and Staff does not anticipate needing additional MRB authority until well into 1998. For future bond issues, VHFA will utilize 1997 and 1998 private activity bond authority we expect to be allocated to us by the Emergency Board.

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EQUAL HOUSING OPPORTUNITY

Discussion of Authorization to publish 90 day public notices for the program as required by the Internal Revenue Tax Code

Background

Staff is requesting authorization to publish the required public notices. Public notices are needed as the source of the MCC authority will change from 1995 MRB authority to 1996 MRB authority.

Recommended Board Action

Approval of the attached resolution authorizing the conversion of $11.775 million of 1996 MRB authority to MCC authority and publication of the required public notices.

RESOLUTION PERTAINING TO ELECTION OF VERMONT HOUSING FINANCE AGENCY TO CONVERT MORTGAGE REVENUE BOND AUTHORITY TO MORTGAGE CREDIT CERTIFICATE AUTHORITY

WHEREAS, by order of the Governor dated December 23, 1996, $55,540,000 of the State's 1996 private activity bond volume cap ("Volume Cap") was allocated to the Agency as provided in Section 146 of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, the Agency carried forward $76,775,000 in Volume Cap from 1996, which Volume Cap may be used for the purposes of mortgage revenue bonds or mortgage credit certificates; and

WHEREAS, the Agency wishes to establish a new Mortgage Credit Certificate Program in 1997 and 1998; and

NOW THEREFORE, in order to establish the Agency's 1997-1998 Mortgage Credit Certificate Program and to satisfy the requirements of Section 25 of the Code and regulations issued thereunder, it is hereby RESOLVED:

1. The Vermont Housing Finance Agency has previously elected to utilize $55,540,000 of its 1996 private activity volume cap for the purposes of issuing qualified mortgage bonds and mortgage credit certificates.

2. The Vermont Housing Finance Agency hereby elects not to issue $11,775,000 principal amount of qualified mortgage bonds that it is otherwise authorized to issue during calendar year 1997.

3. The Executive Director, Director of Finance, and the Director of Single Family Operations are directed, and each of them is authorized, to take all steps necessary to the continuation of the Agency's Mortgage Credit Certificate Program including, but not limited to:

   A. Preparation, execution, and delivery of a Mortgage Credit Certificate Election in such form as may be required by the Internal Revenue Service and consistent in content and effect with this Resolution.

   B. Certification to the Governor as provided in the Code.

   C. Preparation of any certificate required by the Code to be signed by the Governor.

   D. Preparation and placement of the appropriate public notices, if any, including income and purchase price limits as determined by the Agency.

vhfa

VERMONT HOUSING FINANCE AGENCY

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

DATE: JULY 31, 1997

RE: MULTI-FAMILY BOND FINANCING

We have been extremely busy since the last Board meeting in putting together the documents for a competitive sale of bonds to fund the Pines IV and South Square developments which is scheduled for August 7th. Attached to this memorandum is a copy of the Preliminary Official Statement (P.O.S.) and a Official Notice of Sale that was distributed to investment bankers and a copy of the Fifth Supplemental Multi-Family Housing Bond Resolution (Series Resolution). The Series Resolution is the document which lists the parameters under which the Bonds can be sold. The provisions in Section 2.01 mandate the limits of the financing, i.e. a bond financing not exceeding $6,115,000, a bond yield calculation that would result in a bond rate under 7%, and bonds maturing no later than February 15, 2029. Section 2.03 authorizes a competitive sale and further authorizes the Chairman and Executive Director to approve the sale to the bidders with the lowest interest cost.

Most of the negotiations have been with the Rating Agencies to confirm the existing ratings of A1/A+. Since one of the developments is new construction and the other an expiring Section 8 project, they are considered "weak" credits by the Rating Agencies. We applied for and received a "Private General Obligation" rating from Standard and Poor's (S&P) to give us enough strength to maintain the A+ rating. Although this required a large amount of work, we are now positioned to obtain a General Obligation Rating. This would require some additional review by S&P including interview with Administration and Legislative officials. S&P cannot guarantee the outcome of the GO rating review, but we are optimistic based on their analysis to date.

The financial markets continue to support lower rates and according to Evensen Dodge, we would be able to achieve a "full spread" mortgage rate of about 7.5%. A concession in rate is anticipated for the South Square financing to try to keep their rate at 7% or below. In the expected assumption cash flow case, we are expecting to earn between $55,000 and $70,000 per year. A contribution of approximately $30,000 is estimated to be needed at closing from our General Fund to cover costs in excess of 2% of the bonds. We will recover that contribution over the life of the bonds. Other ongoing costs will be a surveillance rating fee charge from S&P of $5,000 and a trustee fee from State Street Bank and Trust (who purchased the trust business from Fleet) of $3,000. Both of these fees are charged annually.

If you have questions on the documents enclosed or the financing in general, please call me at 652-3436 or Allan at 652-3421 at your convenience.

Recommended Action

Adoption of the Fifth Supplemental Multi-Family Housing Bond Resolution.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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EQUAL HOUSING OPPORTUNITY

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Glenn A. Jarrett, General Counsel GAJ

DATE: July 28, 1997

RE: Annual Meeting

BACKGROUND:

The Agency is required by its by-laws to conduct an annual meeting in July unless the Chairman for good cause designates another date. Since the Board did not meet in July this year, staff would like to have the August meeting constitute the Annual Meeting. A Vice-Chairman and a Treasurer must be elected. At present, Gus is Vice-Chairman and Roger is Treasurer.

Attached is a resolution setting out some necessary decisions and delegations. Delegations and duties specified in prior resolutions are incorporated by reference. The powers of the Single Family Operations loan servicing staff have been amended slightly to take into account the positions of Loan Servicing Manager and Assistant Director of Single Family Operations.

REQUESTED ACTION:

Approval of the attached resolution.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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EQUAL HOUSING OPPORTUNITY

RESOLUTIONS ADOPTED AT THE ANNUAL MEETING OF VERMONT HOUSING FINANCE AGENCY, AUGUST 6, 1997

RESOLVED, In addition to the officers specified as "Authorized Officers" under particular bond resolutions of the Agency, the Deputy Director shall be an "Authorized Officer" within the meaning of any and every bond resolution of the Agency whether now existing or to exist in the future.

RESOLVED, _____________ is elected Vice Chairman of the Agency for the fiscal year commencing July 1, 1997 and until his successor be elected and qualified.

RESOLVED, Roger A. Schoenbeck is elected Treasurer of the Agency for the fiscal year commencing July 1, 1997 and until his successor be elected and qualified.

RESOLVED, the following persons shall be authorized to sign checks drawn against the Agency's General Fund:

Executive Director	____________________	Allan S. Hunt
Deputy Director	____________________	Michael F. McNamara
Director of Single Family Operations	____________________	Douglas R. Lothrop
Director of Finance	____________________	Roger A. Schoenbeck
Controller	____________________	Timothy M. Gutchell

Any check in an amount over $1,000 payable against the General Fund must be signed by at least two of the foregoing persons. Any payroll check shall be valid and negotiable when signed by any one of the foregoing persons.

RESOLVED, all actions taken in the resolution entitled "Resolutions Adopted at the Annual Meeting of the Vermont Housing Finance Agency, July 25, 1996" not inconsistent with the resolutions contained herein are deemed to be ratified and will continue in force until changed by affirmative action of the Board of Commissioners.

RESOLVED, that the individuals whose titles are listed below be and hereby are authorized to execute documents of the following character for all of the Agency's single family loan programs, whether secured or unsecured:

The Agency's Director of Single Family Operations, Assistant Director of Single Family Operations, Loan Servicing Manager, Real Estate Disposition Specialist and Foreclosure Specialist:

A. Listing Agreements with real estate brokers for the sale of real estate owned by the Agency;

B. Deeds, property transfer tax returns, and other documents necessary or convenient for the transfer of real estate owned by the Agency;

C. Endorsements to property insurance claim checks pertaining to property on which the Agency holds a valid lien, in amounts up to $10,000 for the Foreclosure Specialist, the Real Estate Disposition Specialist and without limit for the Loan Servicing Manager, Assistant Director of Single Family Operations and Director of Single Family Operations;

D. Preparation and execution of claim forms to primary and pool insurers on property on which the Agency holds a valid lien;

E. Consent to actions of the following character:

1. Release and addition of signers of notes held by the Agency;

2. Creation of easements and rights of way and the partial release of mortgages held by the Agency for purposes of permitting the creation of easements and rights of way over property on which the Agency holds a valid lien; and

F. In addition to the individuals whose titles are listed above, the Agency's Loan Servicing Specialists are authorized to give authorizations to lenders and other appropriate persons for actions of the following character:

1. Foreclosure or other acquisition of title to property on which the Agency has a valid lien;

2. Necessary repairs and improvements to real estate owned by the Agency;

3. Actions necessary to make property in which the Agency has an interest secure;

4. Forbearance and modification agreements with delinquent borrowers;

5. Affidavits of amounts due and other affidavits required in foreclosure actions; and

6. Acknowledgment of receipt of liens junior to the lien of the Agency.

G. The Director of Single Family Operations, the Assistant Director of Single Family Operations and the Loan Servicing Manager are hereby authorized to execute Purchase and Sales Contracts for real estate owned by the Agency.

RESOLVED, that the Agency's Loan Servicing Manager, Real Estate Disposition Specialist and any other employee designated by the Executive Director or the Director of Single Family Operations be, and hereby is, authorized to sign any documents in connection with real estate auctions approved by the Agency that are necessary for the sale of Agency-owned property in an auction.

Assistant Director of Single Family Operations	______________	Jacklyn R. Santerre
Loan Servicing Manager	______________	Cynthia J. Cunningham
Real Estate Disposition Specialist	______________	Linda C. Wilson
Foreclosure Specialist	______________	Peter C. Barry
Loan Servicing Specialist	______________	Judith Smith
Loan Servicing Specialist	______________	Darren Keniston

RESOLVED, that the Director of Single Family Operations and the Assistant Director of Single Family Operations are hereby authorized to execute any and all agreements with lenders for the Agency's mortgage programs;

RESOLVED, that the Executive Director, Deputy Director, Director of Finance, Director of Single Family Operations and Deputy Director of Single Family Operations are hereby authorized to sign mortgage discharges;

RESOLVED, that the following employees of Vermont Housing Finance Agency are hereby authorized to have access to all safekeeping vault boxes of the Agency for the purposes of safekeeping and retrieving any and all books, papers and documents of the Agency:

Director of Finance: ________________________

(Signature)

Controller: ______________________________
(Signature)

Lender Accounting Coordinator: ______________________________
(Signature)

Portfolio Accountant: ______________________________
(Signature)

Investment/Portfolio Assistant: ______________________________
(Signature)

The names of all personnel of the Agency listed herein are included only for purposes of identification. The power to appoint persons to these or other positions within the Agency belongs to the Executive Director.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Glenn A. Jarrett, General Counsel

DATE: July 31, 1997

RE: Licensed Lenders

As some of you may know, there has been a controversy raging over the last several months regarding the fees that licensed lenders could charge borrowers on first mortgage loans. The Department of Banking, Insurance, Securities and Health Care Administration (the "Department") had taken the position that because of the interplay of federal and state banking laws, licensed lenders were precluded from charging some of the same fees banks were allowed to charge on those loans. The fees included document preparation fees, tax service fees and fees for attorneys closing the loan.

The Vermont Mortgage Bankers Association and several of its members had approached the Agency regarding some way to equalize the position of banks and licensed lenders regarding VHFA loans. The mortgage bankers pointed out that they were at a competitive disadvantage on VHFA loans, because the Agency restricted lenders to a 1% origination fee, but banks could charge for certain fees and the mortgage bankers could not. The Agency worked out a plan whereby mortgage bankers could charge an origination fee that was slightly higher than 1% to make up for fees for which they could not charge the borrower and yet not effect the yield on our single family bonds. While this plan solved the problem for VHFA loans, it was somewhat unwieldy and did not address the other mortgage loans that licensed lenders originate.

The Mortgage Bankers Association continued to seek more general relief from the Department. After an exhaustive analysis, the Commissioner issued Banking Bulletin No. 19 on July 23, 1997. Bulletin No. 19 goes through the legislative history of recent Vermont enactments concerning licensed lenders and concludes that licensed lenders can charge the same fees that banks charge on first mortgage liens, but are restricted on subordinate liens. This solution will obviate the need for the complex plan VHFA had adopted to equalize the treatment of banks and licensed lenders on VHFA mortgage loans and will allow mortgage bankers to compete with banks on a level playing field.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Glenn A. Jarrett, General Counsel GAG

DATE: July 30, 1997

RE: Proposed Housing Vermont By-law Change

Housing Vermont has been negotiating with NCIC, a Northeast Kingdom-based non-profit, to purchase NCIC's 19 multi-family properties, since NCIC's board has made the decision to change the focus of the organization away from property ownership and management. Fourteen of these properties are in Vermont and five are in New Hampshire. Housing Vermont's counsel, Bob Gensburg, thinks that the organization's articles and by-laws are unclear about whether Housing Vermont can engage in activities outside Vermont. He suggested language to amend the by-laws that we reviewed and made suggestions about changing. The language is as follows:

> The Corporation may participate materially in a housing project located outside of the State of Vermont if the Board of Directors affirmatively finds that such participation (i) is an ancillary part of an otherwise authorized activity that is primarily located in the State of Vermont, and (ii) will promote the best interests of the Corporation.

Allan has told Peter Richardson, the President of Housing Vermont, that he was satisfied with the language quoted above. We would like the Board to ratify that action, since Sustaining Members of Housing Vermont (of which VHFA is the only one) have to approve any by-law changes.

REQUESTED ACTION:

Ratification of the Executive Director's action in approving a proposed by-law change of Housing Vermont.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: CG Cathleen Gent, Director of Communications

DATE: July 25, 1997

RE: FY97/FY98 Marketing Activities

Advertising is one of the vehicles in the promotion of VHFA's programs and enhancement of our single family portfolio. Our consumer outreach program, training efforts, real estate professional contacts, and press-related opportunities all contribute to "getting the word out" about VHFA. The FY97 media advertising budget was $103,000. The FY98 budget has been approved for the same amount.

FY97 RESULTS

The overall goal of the FY97 media advertising campaign was to complement VHFA's ongoing strategic planning objectives, namely to promote the Agency's successful public education and information efforts. A specific goal was to generate calls to the Helpline at levels consistent with the volume of activity for FY96. A second goal was to devote a larger portion of the budget toward home buyer education events, to increase participation at classes and to generate public awareness of VHFA at local level.

1) The number of calls to the Helpline decreased to 4,100, compared with 4,700 in FY96, a 12% decrease. This reduction is attributable to increases in the cost of buying advertising which resulted in fewer ads being placed, our shift to advertising home buyer events, and termination of advertising in mid April in four counties due to uncertainties related to VHMGB legislation.

2. The media campaign effectively reached our intended audience, namely those potential borrowers in the $20,000 to $40,000 income range. So, while the total number of calls was less than anticipated, the people contacting VHFA are good candidates for our programs based on income.

3. For the period January 1, 1996 through March 31, 1997, over 28% of VHFA loan reservations were matched with callers to the Helpline, representing almost $24 million in reservations. The results of this analysis show a pattern similar to one found in a 1995 study.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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4. More than $14,000 was spent to advertise home buyer events, including the Chittenden County Home Buyer Fair. Almost 150 potential home buyers attended the classes, and 400 people came to the Home Buyer Fair. Attendance at the fair was affected by poor weather and reduced advertising. An advertising "glitch," in which most of the radio stations aired the general campaign ad instead of the Home Buyer Fair ad, confirms the importance of advertising.

5. The print ad used in the spring campaign, with the inclusion of a coupon, was extremely effective. The coupon was re-designed in a visually appealing manner, and was particularly popular with our target audience.

6. The pilot cooperative advertising program for REALTORS® and lenders received mixed results, and was not expanded on a state-wide level.

FY98 MEDIA PLAN

Previous VHFA and current national research shows that the vast majority of renters want to own a home. Our goal is to help them attain homeownership in the near future using VHFA or other lender programs. We are planning our media campaign to complement our outreach efforts with consumers, lenders, housing nonprofits, and real estate professionals to maximize its effectiveness.

The overall approach in FY98 will be similar to the approach in FY97. With the budget level funded at $103,000, the media campaign can be re-configured, but not expanded. General features of the FY98 plan include:

1. We will begin the fall campaign on September 1. (In FY97, we did not begin the campaign until October, which contributed to modest results.)
2. The portion of total dollars targeted for home buyer events will be $16,000.
3. The educational focus of the ads will remain our primary direction.
4. Special targeting of southern Vermont is planned. This may necessitate some re-distribution of media resources from other parts of the state. We will, however, continue to stretch our print and radio media dollars by placing ads in the largest markets which have the greatest coverage throughout Vermont.

RECOMMENDED BOARD ACTION

No Board action is needed. Attached is a sample of one of the general campaign print advertisements used in FY97.

Thinking about buying a home? Here's how VHFA can help you.

We are here to help Vermonters with household incomes of $20,000–$40,000 buy their own homes. Our programs make money available through local banks, mortgage companies and credit unions, to bring homeownership within reach.

At VHFA we'll tell you about mortgage options with our current 7.15% interest rate (based on an annual percentage rate of 7.36%), figure out what you can afford to buy and help you get started.

Take the first step to home ownership today! Clip the coupon or call the VHFA Helpline at

1-800-287-8432

TDD 1-800-586-5832

Visit us on the World Wide Web at
http://www.vhfa.org

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VERMONT HOUSING FINANCE AGENCY

A not-for-profit agency providing affordable homeownership options

YES! I would like FREE information on buying a home.

Name ______________________________

Address ______________________________

____

Number of people in household? ______________

Gross monthly household income? ______________
(income before taxes)

Fixed monthly payments? ______________
(Car/personal/student loans, minimum credit card or other monthly installment payments) Do not include rent, utilities, insurance.

Please answer each question and mail to:
VHFA, P.O. Box 408,
Burlington, VT 05402-0408

EQUAL HOUSING LENDER

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: CG Cathleen Gent, Director of Communications

DATE: July 25, 1997

RE: FY97/FY98 Community Outreach Activities

VHFA's community-based outreach activities extend to consumer education, real estate professional outreach, and training/outreach for VHFA and VHMGB lenders, nonprofit organizations and professional trade organizations. VHFA's strategic plan affirms the importance of maintaining on-going efforts in community outreach. In May 1996, a decision was made to combine all outreach and training coordination within one position, the Outreach Program Manager, currently held by Marcia Mattoon, who has been with VHFA since 1994.

For your review, the map attached to this memo shows VHFA's outreach activities between FY94 and FY97.

CONSUMER OUTREACH

The goal of our consumer education is to reach potential VHFA borrowers through media communications, instruction, the dissemination of materials, and coordinated activities with our affordable housing partners. This outreach is designed to accommodate the needs of a wide range of consumers in varying stages of the home buying process, as cost effectively as possible.

The Home Buying Basics workshop is an in-depth overview of the home buying process. In FY97, we held seven Basics classes in conjunction with Adult Continuing Education programs in local high schools. In addition, we experimented with two different pilot formats: a 3-evening class and a 2-evening class. The 2-evening class has proven to be a successful format, which will be continued in the future. Advertising was used to increase attendance for most of the Basics classes in FY97. The response to advertising as very good, and we exceeded our attendance goal for the year.

Eleven home buyer events were held in 11 Vermont communities and reached a total of 587 consumers. We exceeded our goals for the Basics classes in FY97
with the exception of the Colchester Home Buyer Fair, Attendance at the fair was affected

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by poor weather and reduced advertising. An advertising "glitch," in which most of the radio stations aired the general campaign ad instead of the Home Buyer Fair ad, confirms the importance of advertising.

FY97 consumer education activities included:

- One VHFA Home Buyer Fair - 400 attendees
  [Colchester]

- Five VHFA Home Buying Basics Classes - 110 attendees
  [Burlington, Middlebury, Lyndon, Randolph, Hyde Park]

- One 3-evening pilot VHFA Home Buying Basics Class - 12 attendees
  [St. Albans]

- One 2-evening VHFA Home Buying Basics Class - 27 attendees
  [Brattleboro]

- Three Non-VHFA Sponsored Events - 39 attendees
  [Barre, Newport, St. Johnsbury]

FY98 planned consumer education activities include:

- Four Home Buying Basics classes in collaboration with local adult education programs.
  [Burlington, Brattleboro, St. Johnsbury, Hartford]

- Two 2-evening sessions of Home Buying Basics classes.
  [fall in Bennington County and spring in Orange/Washington County]

- Vermont Home Buyer Fair on March 7, 1998.
  [We plan to hold the event at the Sheraton Hotel in South Burlington and to change the name to the Vermont Home Buyer Fair. The event will be marketed to a larger area, beyond Chittenden, Addison, Grand Isle and Franklin counties.]

- Non-VHFA sponsored home buying events.
  [These will be scheduled throughout the year.]

PROFESSIONAL OUTREACH

VHFA's real estate professional outreach, training/outreach for VHFA and VHMGB lenders, nonprofit organizations and professional trade organizations are a major component of our outreach activities.

One new initiative involving all our professional partners is the "Homeownership 2000" round table breakfast discussions in five locations around Vermont. Having held our first session in Grand Isle on July 23rd, these gatherings are intended to explore affordable homeownership program options available in specific local areas, and begin planning for programs needed in the year 2000. Based on the positive response received after the Grand Isle breakfast, these sessions will be very productive and valuable.

A. LENDER TRAINING

FY97 was the first year in which lender training was done as a component of the outreach function. To gain efficiencies, we employed a regional approach rather than individual institutional training. FY97 proved to be a very busy year, due to the addition of 4 new lender partners as well as some major changes in VHMGB guidelines. VHFA held 16 sessions of lender training with a total of 237 participants. Additionally, 35 lenders attended nonprofit outreach sessions that were held to introduce the Homeownership Centers locally.

In FY98, we plan to offer 5 VHFA lender training sessions (3 overview and 2 MCC sessions), schedule visits to the 4 new lenders, and hold a series of 7 breakfast sessions to introduce our new credit underwriting guidelines.

B. REAL ESTATE PROFESSIONALS

The four-credit Vermont Real Estate Commission approved course for real estate professionals was offered at 3 locations in FY97 (Putney, Brandon, Waterbury). A total of 53 participants completed the course for credit toward renewal or reactivation of a real estate license. These classes continued to receive an overwhelmingly positive response from participants. *Because FY98 will be a relicensing year, we project heavy enrollment for the "Real Estate Financing Options" class, which will be offered in five locations.*

By request, a VHFA program update was presented at a Burlington real estate office in FY97. Allan Hunt also made presentations were made at 4 Boards of REALTORS® regional meetings in FY97 (Orleans, Windsor/Orange, Rutland, Southwestern). *We plan to visit 6 Board meetings in FY98.*

The 1997 convention of the Vermont Association of REALTORS® was held in New Hampshire. VHFA was represented at the convention. The attendance by Vermont real estate professionals was disappointing. We are considering whether this event is a good use of agency resources and decision regarding our future participation will be made when details about the next convention are available.

C. NONPROFIT EVENTS

In FY97, VHFA sponsored the development of 3 Homeownership Centers. A number of promotional, training, and outreach events were held in association with the initiation of the Homeownership Centers. VHFA sponsored 3 "kick off" local events for each of the centers to introduce lenders and real estate professionals to the services of the centers. VHFA also provided marketing and advertising funding, representing $5,500 in FY97.

VHFA offered support during FY97 to local nonprofit organizations in a number of ways. Over $4,000 was allocated for the cooperative advertising program. In addition, a Housing Counseling training session was held in June in collaboration with the Neighborhood Housing Reinvestment Corporation. Participation was good, with 27 attendees learning new approaches for providing housing counseling services.

In FY98, training for Homeownership Centers will focus on credit counseling and home repair. In addition, a fourth Homeownership Center, Rockingham Area Community Land Trust, will offer education and counseling services. VHFA will provide support to Rockingham in the form of ongoing assistance with outreach, workshops, advertising, and professional training. We will also train Howeownership Center staff about VHFA's HOUSE program, in advance of the Federal Home Loan Bank program initiation.

In FY98, support of nonprofit outreach includes $8,000 for the (non Homeownership Center) cooperative advertising program and $12,000 for the Homeownership Center cooperative advertising program. Additionally, $5,700 is allocated as matching funds to purchase laptop computers and printers for each of the Homeownership Centers.

D. HOME BUILDER OUTREACH

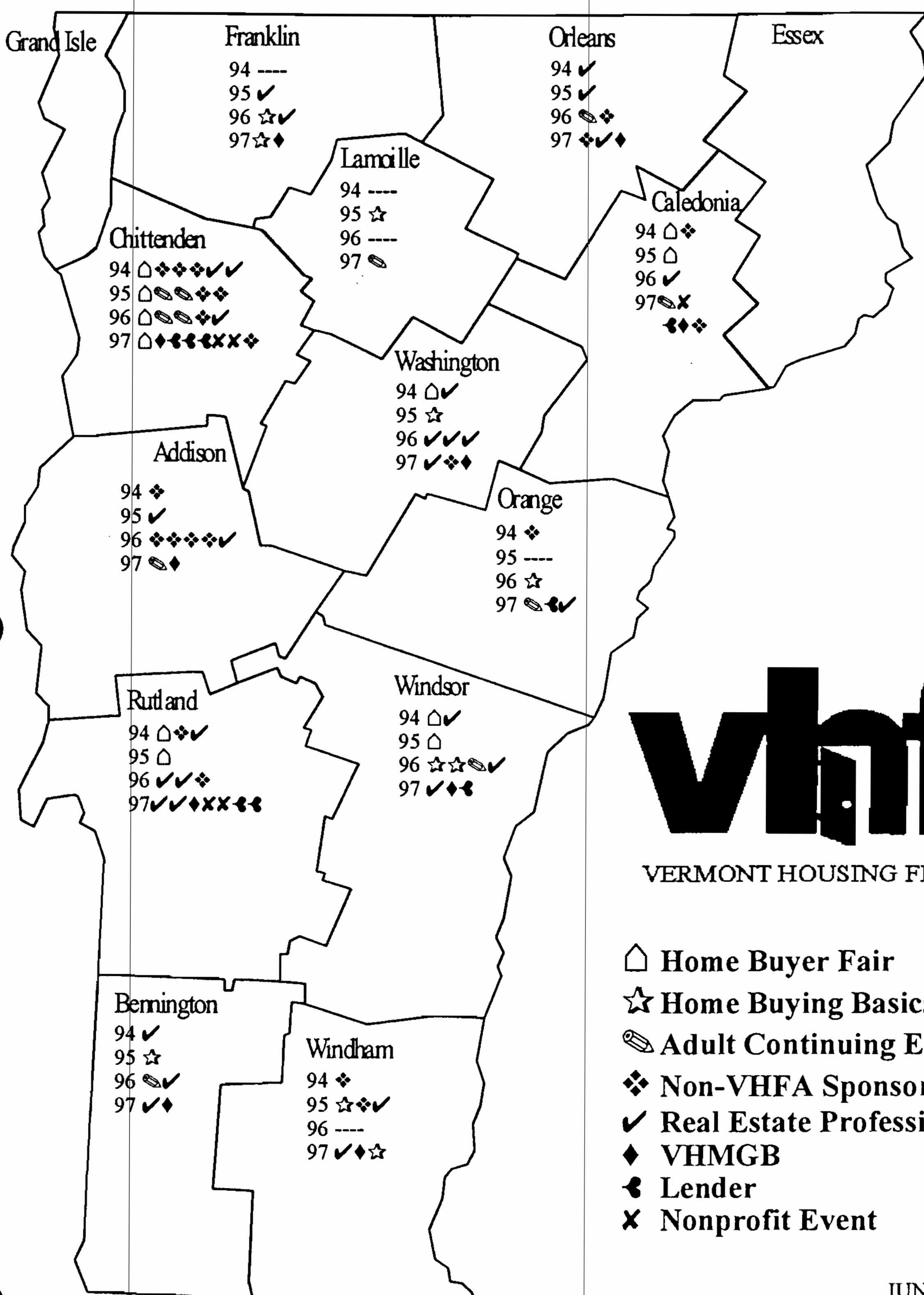
In FY97, VHFA participated in two events with home builder trade organizations. We sponsored the Affordable Home award category for the Home Builders Association of Northern Vermont annual awards. Allan Hunt also spoke at a monthly meeting of the Central Vermont Home Builders Association.

In FY98, we plan to sponsor the annual meeting of the Home Builders Association of Northern Vermont, in addition to the Affordable Home award for their annual awards event. We also plan to attend a meeting of the Central Vermont home builders group.

RECOMMENDED BOARD ACTION

No Board action is needed.

VHFA OUTREACH FY94 -FY97



VERMONT HOUSING FINANCE AGENCY

- ⌂ Home Buyer Fair
- ☆ Home Buying Basics
- ✎ Adult Continuing Education
- ❖ Non-VHFA Sponsored Events
- ✔ Real Estate Professional
- ♦ VHMGB
- ❧ Lender
- ✘ Nonprofit Event

JUNE 1997

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: CG Cathleen Gent, Director of Communications

DATE: July 30, 1997

RE: FY97/FY98 Public Relations Activities

During FY97, VHFA initiated a number of public relations activities in an effort to enhance information dissemination strategies as part of our outreach and overall information dissemination plan. The attached FY97 Publicity Report describes the 44 TV, radio, and newspaper interviews/stories about VHFA in the last year. We plan on expanding public relations activities in FY98. Highlights of FY97 public relations activities include:

- Two press events/coverage for the two single family bond issues released in November and June.
- Allan Hunt interviews with eight radio stations.
- Ground breaking ceremony for new HIV/AIDS facility at Dalton Drive in Colchester.

Also attached are samples of newspaper articles included in the attached publicity report. I would be glad to provide you with copies of any articles referenced in the list.

BOARD ACTION: No Board action is needed.

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Vermont Housing Finance Agency
FY97 Publicity Report

Publication/TV/Radio	Date/Event
Burlington Free Press	6/21/97, "Residence for Those with AIDS Begins Construction"
WPTZ TV Channel 5	6/20/97, covers Dalton Drive Story
WVNY TV Channel 22	6/20/97, covers Dalton Drive Story
WCAX TV Channel 3	6/20/97, covers Dalton Drive Story
VHFA, Vermont Cares, and Burlington Community Land Trust News Release	6/20/97, "Construction on New HIV/AIDS Housing Facility Begins in Colchester"
WDEV 550 AM radio station, Waterbury	6/17,97, interview with Cathleen Gent regarding new bond deal
WTSA 1450 AM radio station, Brattleboro	6/16/97, interview with Allan Hunt regarding new bond deal
WCAX TV Channel 3	6/16/97, interview with Allan Hunt/story about new bond deal
VHFA News Release	6/16/97, "VHFA Announces $67 Million Bond Placement for Home Mortgages"
Burlington Free Press	6/13/97, "70% Own Homes"
VHFA Homeownership News Release	6/13/97, local radio stations carry story on homeownwership rate
WVNY TV Channel 22	6/11/97, Allan Hunt interviewed on homeownership rate in VT
Vermont Times	6/11/97, "Homeownership Rate High in Vermont"
VHFA News Release	6/6/97, "More Vermonters Now Own Their Own Homes"
Burlington Free Press	6/8/97, "Sites Give Sound Fiscal Advice Sans Pomp"
WBTN 1370 AM radio station, Bennington	6/4/97, interview with Allan Hunt
Rutland Business Journal	4/97, "Increased Residential Sales in Vermont Helped Set a National Record"
Chittenden Business Journal	4/97, "Chittenden County Realtors Predict Modest Growth Gains for 1997 Residential Sales"
Vermont Business Magazine	4/97, "Home Builders Awards"
Burlington Free Press	3/13/97, "Mortgage Board Seeks Higher Fees"
Associated Press	3/13/97, Picks up story on VHMGB, reports of story on local radio stations
The Sunday Rutland Herald	3/9/97, article on VHMGB
The Rutland Herald	3/25/97, "Panel OKs Plan for VT Mortgage Fund"
Bennington Banner	1/29/97, "Applegate Revamp Begins"
WBTN AM/WHGC FM Radio Bennington	1/16/97, Allan Hunt interviewed by Bob Harrington regarding new VHFA programs
WSTJ AM/WNKV FM Radio St. Johnsbury	1/15/97, Allan Hunt interviewed by Tom Field regarding new VHFA programs
WDEV 550 AM Radio Waterbury	1/9/97, Allan Hunt interviewed by Eric Michaels regarding new VHFA programs
WMOO 92.1 FM Radio Derby	1/8/97, Allan Hunt interviewed by Ed Barber regarding new VHFA programs
WCFR AM/WMKS FM Radio Springfield	1/3/97, Allan Hunt interviewed by Kathleen Marple regarding new VHFA programs

over →

The Sunday Rutland Herald & The Sunday Times Argus	12/22/96, "Residents Organize to Make Housing Feel Like Home"
Bennington Banner	11/26/96, "Applegate Residents Deserve Town Support"
Bennington Banner	11/25/96, "Optimism Reigns at Applegate"
Associated Press	11/16/96, VHFA News Release: "VHFA Announces $31.6 Million Bond Placement for Home Mortgages"
Burlington Free Press	11/16/96, "Vermont Agency Offers Low-Rate Mortgages"
Valley Voice Middlebury	11/16/96, Carries news story of announced VHFA programs
Rutland Daily Herald	11/16/96, "VHFA Expands Housing Program"
St. Albans Messenger	11/16/96, "VHFA Lowers Interest Rate, Offers More Mortgages" *Expanded Lending Program Will Allow Low to Moderate Income Vermonters to Buy Homes*
Caledonian Record St. Johnsbury	11/16/96, "VHFA Lowers Interest Rate; Offers More Mortgages"
WKDR 1070 AM Radio Burlington	11/15/96, Coverage of News Conference, reported on 12:00 PM, 4:00 PM and 5:00 PM news
WNNE TV Channel 31 White River Junction	11/15/96, News conference announcements reported on evening news.
WCAX TV Channel 3 Burlington	11/15/96, Coverage of News Conference. News conference announcements reported on evening news
WVNY Channel 22 Burlington	11/15/96, Coverage of News Conference. News conference announcements reported on evening news
VHFA News Conference at VHFA	11/15/96, Press packet sent to Vermont daily, weekly, monthly publications, radio stations that carry news local news, Vermont television stations, and VHFA contacts
Burlington Free Press	10/28/96, "Mobile Home Tenants Forced to Vacate, Might Lose Homes"

The Burlington Free Press

SATURDAY,
JUNE 21, 1997

Residence for those with AIDS begins construction

By Debbie Salomon
Free Press Staff Writer

By Thanksgiving, a handsome old Colchester residence will house Vermonters living with a devastating illness.

On Friday, representatives of Burlington Community Land Trust, Vermont Housing Finance Agency, Vermont CARES, state and local government, historic preservation and banking institutions broke ground on renovations to the former Officer's Club at Fort Ethan Allen. Upon completion, 11 people living with HIV/AIDS and earning less than 50 percent to 80 percent of median income may lease the one-bedroom apartments for $400-$600 or less. Onsite services will be provided by Vermont CARES.

"Today is the fifth annual Day of Compassion, where loss is acknowledged," announced Josh Noble of the Vermont AIDS Consortium. "What started as compassion has turned into action."

600 Dalton Drive, as the project will be known, is the state's first HIV/AIDS residential facility. An estimated 1,200 Vermonters are living with HIV/AIDS.

> "There is nothing more important for a person with HIV than having housing to come home to."
> **Kat Perera**

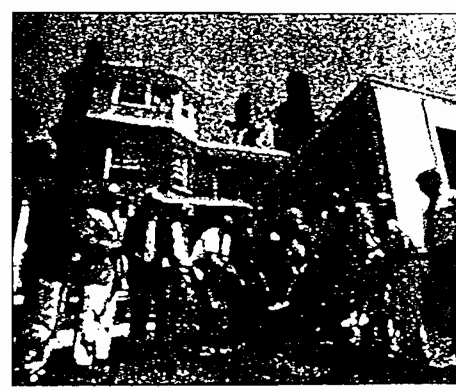
"The nicest thing is the community has been supportive about having it here, which is not always the case," said Peter Kurth, a Vermont-based author living with HIV. "This isn't the Plague; this residence won't bring down property values," Noble added.

600 Dalton Drive is the last leg of a project begun 10 years ago that converted 19 billets built at the turn of the century into 77 perpetually affordable housing units with high ceilings, hardwood floors, intricate moldings, wide porches and recreational facilities on the park-like parade ground. Transformation of the Officers' Club had been a gleam in several eyes since Josh Noble, who lives at Fort Ethan Allen, envisioned a residence.

In May, the land trust purchased the building from Vermont Housing Finance Agency for $80,000 instead of the $275,000 asking price. Renovations, including handicapped accessibility and an elevator, are expected to cost $1.2 million. Tax credits, federal and local funds, and preservation grants contributed to financing the project.

After agencies were recognized ar thanked, the program turned emotion: Barbara Grimes of Vermont Departme of Housing and Community Affairs, wh lived at the fort while her father was : the service, complimented communi spirit. Vermont CARES executive dire tor Tim Palmer said, "This is the fir time I've gone through a process that h: been so humane — and so human." N ble and Saramichelle Stultz spoke friends and relatives who died of AIDS.

But the most meaningful testimor came from Kat Perera, a woman fro Hancock who has been living with HI for 15 years. "There is nothing more im portant for a person with HIV than ha ing housing to come home to and su port from the community."



JAY CALDERON, *for the Free Pr*

The groundbreaking ceremony for 600 Dalton Drive, Assisted Housing for Peo ple Living with HIV/AIDS, was held Fri day. For more information, call Michae Gilman of Vermont CARES at 863-2437.

VERMONT Times
Chittenden County's Newsweekly: www.vermont-times.com
JUNE 11, 1997

Community Digest

Homeownership rate high in Vermont

More than 70 percent of Vermonters own their homes, giving the state the sixteenth highest homeowner rate in the nation, according to information released jointly by Vermont Housing Finance Agency, the Department of Housing and Urban Development, and USDA Rural Development.

Vermont's homeownership rate has been significantly higher than the national average for many years," said VHFA Director Allen Hunt, "We believe this is a key factor in our state's quality of life."

Hunt added that education plays a significant role in homeownership, and Vermont has a well-educated work force. Vermont is ranked fourth in the U.S. with 30 percent of its over-25 population having completed at least a bachelor's degree.

VHFA, HUD and RD are working toward expanding homeownership opportunities for lower and moderate income populations. In the last year, over 1,200 Vermont families and individuals have become homeowners through the three organizations' mortage loan and mortgage guarantee programs.

"Owning a home fulfills the American dream and gives people a reason to care about what goes on around them," said Roberta Harold, State Director of Rural Development.

The three organizations are planning a series of brainstorming sessions for local providers of affordable homeownership programs. "Vermont Homeownership 2000" meetings will take place throughout Vermont in the next several months with local lenders, nonprofits, and real estate professionals gathering to meet with VHFA, HUD and RD staff to develop local strategies to encourage homeownership.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commisioners

FROM: Allan S. Hunt ASH

DATE: July 30, 1997

RE: Nominee for Housing Vermont Board

John Simson, a long time Board member of Housing Vermont, will be leaving the Board in September, 1997. He has suggested that we consider appointing Paul Hartmann, an architect and faculty member at Vermont Technical College, as his replacement. I know Paul and I agree with John's assessment that Paul would be an excellent addition to their Board. A copy of Paul's resume is attached.

Attachment

229-9495

PAUL D. HARTMANN

- **Licensed Architect**, State of Vermont #1358.

- **Hartmann Associates, PC.** Providing energy consulting and architectural services to residential, commercial, industrial, institutional, and professional clients since January, 1983. (The firm has also done business as Hartmann Associates and Barbara Conrey, Architect.)

- **Department Chairperson & Professor**, Architectural & Building Engineering Technology Department, Vermont Technical College, Randolph Center, Vermont. Fall 1985 to present. Full time tenured professor, providing courses in architectural design, environmental systems, cost estimating and seminar courses for freshmen and graduating seniors.

- **Professional Affiliations & Community Service:**

  Member, Vermont Chapter, American Institute of Architects.
  Member, Energy Efficient Builders Association
  Montpelier Master Plan Task Force 1989
  Montpelier Board of Adjustment 1987 -1991
  Warren Board of Adjustment 1986
  Warren Zoning Administrator 1982 - 85

- **Professional Experience:**

  Dirt Road Company, Waitsfield, Vermont, 1982. Involved with the design, production, and distribution of the insulated shade manufactured by the firm.

  The Architectural Association, Waitsfield, Vermont. June 1980 to January 1982. Project Architect on most of the energy conservation related projects in the office.

  Landplan, Inc., Warren, Vermont. February 1979 to May 1980. Involved with the design and construction management of residential and small commercial projects.

  Barton-Malow Company, General Contractor and Construction Managers, Detroit, Michigan. June 1975 to August 1976. Involved with all phases of construction management on a large institutional project.

- **Education:**

  Master of Architecture Degree (with High Distinction), University of Michigan, May, 1978.

  Bachelor of Science (Architecture), University of Michigan, 1975

  Summer Program, Institute for Social Ecology, Goddard College, Plainfield, Vermont 1977

vhfa
VERMONT HOUSING FINANCE AGENCY

Burlington Free Press (Newsroom)	660-1802
Rutland Herald (Newsroom)	802/775-2423
WCAX-TV (Newsroom)	864-3759
Secretary of Administration (c/o Su Wolters)	802/828-3320

NOTICE OF SPECIAL MEETING

The Board of Commissioners of the Vermont Housing Finance Agency will meet via telephone conference call on Friday, August 22, 1997, at 11:00 a.m. to discuss the issuance of the Agency's Black River Overlook Housing project bonds (federally taxable issue) as well as any other matters properly before the meeting. The public may attend the meeting in the Board Room at the Agency's offices at 164 St. Paul Street, Burlington, Vermont 05401.

S:\ADMIN\SPECMEET

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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

EQUAL HOUSING OPPORTUNITY

vhfa
VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

ASH

FROM: Allan S. Hunt, Executive Director

DATE: August 19, 1997

RE: CONFIRMING CONFERENCE CALL

This is to inform you that the Board will meet via **conference call at 11:00 a.m. on Friday, August 22**, to discuss the issuance of the Agency's Black River Overlook Housing project bonds (federally taxable issue) and any other matters that come before the meeting. The enclosed memo and attachments offer background information that should be reviewed prior to the conference call.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to talking with all of you on August 22.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

To: VHFA Board of Commissioners

From: Glenn A. Jarrett, General Counsel GAJ

Date: August 19, 1997

Re: Black River Overlook--Federally Taxable Bond

BACKGROUND:

As you recall, last year the Agency agreed to finance a construction loan and a long-term loan for the Black River Overlook development in Ludlow. Construction is complete and we have obtained an agreement from the Vermont Municipal Employees' Retirement System to purchase a federally taxable bond of the Agency to finance the term loan. Ninety percent of the term loan, or $337,500, will be guaranteed by Rural Development through their demonstration project. This is the amount of the bond to be purchased by the Retirement System. Attached is a bond resolution authorizing the Agency to issue such a bond and a three party agreement between the Agency, the Retirement System and the Owner of the Development. If there are any questions about the bond or the three party agreement, please give me a call at 652-3426.

REQUESTED ACTION:

Adoption of the attached resolution.

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

EQUAL HOUSING OPPORTUNITY

RESOLUTION OF VERMONT HOUSING FINANCE AGENCY AUTHORIZING THE ISSUANCE OF ITS BLACK RIVER OVERLOOK HOUSING PROJECT BONDS (FEDERALLY TAXABLE ISSUE)

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

ARTICLE I
DEFINITIONS AND AUTHORITY

SECTION 101. Definitions.

(A) In this Resolution unless a different meaning clearly appears from the context:

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

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

"Anniversary Date" means the date the first scheduled amortizing payment was due on the Term Loan.

"Authorized Officer" means the Chairman, Vice Chairman, Executive Director and Secretary, Deputy Director and Director of Finance of the Agency, and any other person authorized by resolution of the Agency to act as an Authorized Officer under this Resolution.

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

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

"Bond Fund" means the Housing Project (Federally Taxable Issue) Bond Fund established under Section 301 of this Resolution.

"Commitment Letter" means the Commitment Letter relating to the Term Loan dated as of July 3, 1996 issued by the Agency and accepted by the Sponsor.

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

"Development" means the Black River Overlook development as more fully described in the Commitment Letter.

"General Account" means the account so designated and established under Section 301 of this Resolution.

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

"Loan Account" means the account so designated and established under Section 301 of this Resolution.

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

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

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

"Revenues" means and includes all payments, proceeds, charges, fees, rents, investment earnings and all other income (including without limitation all payments of principal and interest received by or on behalf of the Agency on the Term Loan and all Recovery Payments) derived by or for the account of the Agency from or related to the Development and the Term Loan.

"Sinking Fund Account" means the account so designated and established under Section 301 of the Resolution.

"Sponsor" means Ludlow Housing Associate, A Limited Partnership, a limited partnership organized and existing under the laws of the state of Maine.

"State" means the State of Vermont.

"Term Loan" means a long-term mortgage loan made by or on behalf of Agency to the Sponsor with the proceeds of the Bonds.

"Term Loan Amount" means the amount of the Term Loan established pursuant to paragraph 3 of the Commitment Letter.

"Three Party Agreement" means the agreement so denominated among the Sponsor, the purchaser of the Bond, and the Agency, in substantially the form presented at this meeting.

(B) Except as otherwise expressly provided in this Resolution, the terms "housing development costs," "housing sponsor," "mortgage," "mortgage loan," and "residential housing" when used in this Resolution shall have the meanings given such terms in the Act.

SECTION 102. Authority.

This Resolution is adopted pursuant to the Act and shall take effect upon its adoption. The Agency is duly authorized under the Act and all applicable laws to issue the Bonds and to adopt this Resolution in the manner and to the extent provided herein. The Agency will at all times, to the extent permitted by law, defend, preserve and protect all the rights of the registered owner of the Bonds hereunder against all claims and demands of all persons whomsoever.

ARTICLE II
AUTHORIZATION OF THE BOND; FINDINGS; TERMS AND SALE OF THE BONDS

SECTION 201. The Bonds.

(A) The Bonds of the Agency, designated "Housing Project Bond (Federally Taxable Issue) Black River Overlook" are hereby authorized to be issued as herein provided in an aggregate principal amount not to exceed Three Hundred Thirty Seven Thousand Five Hundred Dollars ($337,500), the original principal amount of the Bonds to be determined upon their issuance by the Authorized Officers of the Agency executing the same. The Bonds shall be in such denomination as the authorized officers of the Agency shall determine. The Bonds shall be dated and shall bear interest from the Bond Date and shall mature, subject to prior redemption as provided herein and in the Bond, twenty years from the Anniversary Date. Interest on the Bonds shall be payable on March 1, 1998 and semi-annually thereafter on March 1 and September 1 of each year. The form of the Bonds, the rate or rates of interest payable thereon, the terms of redemption thereof prior to maturity and all other terms and conditions thereof shall be as set forth in Article IV of this Resolution.

(B) The Agency hereby ratifies and confirms the Commitment Letter and approves the Term Loan on the terms and conditions provided herein, in the Commitment Letter and in the Three Party Agreement. The Agency hereby determines that:

(1) the Term Loan does not exceed the value of the Development as determined by the Agency and the principal amount of the Bonds is necessary to provide sufficient funds to be used and expended for the Program in respect of the Development;

(2) the Term Loan can be issued bearing interest at a rate that will be less than the prevailing rate of interest on comparable mortgage loans available in the State without the assistance of the Agency;

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

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

(5) the acquisition, construction and or rehabilitation costs incurred or to be incurred by

the Sponsor are for housing development costs within the meaning of the Act;

(6) there exists or without the Development 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 investments are unable, without assistance, to provide an adequate supply of residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families; and

(7) the Sponsor is a housing sponsor as defined in the Act, the Sponsor will maintain or increase the supply of well-planned, well-designed term, temporary transitional or emergency housing for persons of low and moderate income and the Sponsor is a financially responsible person.

(C) The purposes for which the Bonds are being issued are to provide funds to make the Term Loan and to pay Costs of Issuance in the amount determined by or pursuant to Article III hereof.

SECTION 202. Sale of the Bonds.

(A) The Bonds are hereby sold to the Vermont Municipal Employees Retirement System at the price of par on the terms and conditions provided herein and in the Three Party Agreement. The Three Party Agreement, in substantially the form presented at this meeting and included in the minutes thereof, and its execution and delivery by Authorized Officers of the Agency is hereby approved with such changes therein and thereto not inconsistent herewith as may be approved by the Authorized Officers executing the same prior to the execution and delivery thereof.

ARTICLE III
ESTABLISHMENT OF FUNDS AND ACCOUNTS; APPLICATION OF BOND PROCEEDS; OBLIGATION OF THE BONDS

SECTION 301. Funds and Accounts.

(A) The Housing Project (Federally Taxable Issue) Project Fund (the "Project Fund") is hereby established to be held and administered together with all accounts therein by the Agency as provided in this Resolution. On or prior to the Bond Date the Agency shall establish within the Project Fund a separate account designated the "Black River Overlook Loan Account" (the "Loan Account"), the amounts in which shall be applied as provided in this Article III.

(B) The Housing Project (Federally Taxable Issue) Bond Fund (the "Bond Fund") is hereby established to be held and administered together with all accounts therein by the Agency as provided in this Resolution. On or prior to the Bond Date the Agency shall establish within the Bond Fund the following separate accounts to be applied as provided in this Article III:

(1) Black River Overlook General Account (the "General Account");

(2) Black River Overlook Sinking Fund Account (the "Sinking Fund Account");

(3) Black River Overlook Special Redemption Account (the "Special Redemption Account").

SECTION 302. Application of Bond Proceeds.

(A) The proceeds of the Bonds shall be deposited in the Loan Account. Moneys in the Loan Account shall be used solely as follows:

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

(2) amounts in the Loan Account in excess of the Term Loan Amount shall be applied by the Agency to defray Costs of Issuance of the Bonds within six (6) months of the Bond Date.

(B) Notwithstanding anything herein to the contrary, if the Term Loan is not made within six (6) months of the Bond Date, or in any event if any balance remains on deposit in the Loan Account on the date which is six (6) months after the Bond Date, the entire balance on deposit in the Loan Account shall be transferred to the Special Redemption Account for application to the redemption of the Bonds as provided in Section 303 of this Resolution.

SECTION 303. Application of Revenues.

(A) The Agency shall deposit all Revenues in the Bond Fund upon receipt and shall immediately allocate the same to accounts therein as follows:

(1) Revenues constituting scheduled repayments of principal on the Term Loan and Revenues constituting permitted prepayments of the outstanding principal of the Term Loan - to the Sinking Fund Account;

(2) Revenues constituting Recovery Payments and excess moneys in the Loan Account under Section 302(B) hereof - to the Special Redemption Account; and

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

(B) On September 1, 1998 and each succeeding September 1 thereafter, all amounts deposited in the Sinking Fund Account under Section 303(A)(1) shall be applied to the redemption of the outstanding principal of the Bonds, except that, in the event that the Agency receives a prepayment of the outstanding principal of the Term Loan under Section 303(A)(1) on the tenth anniversary of the Bond Date, or at any time thereafter, all as provided in the Term Loan, the Bonds shall be subject to redemption at the option of the Agency in whole or in part, from the amount deposited in said Account.

(C) All amounts deposited in the Special Redemption Account shall be promptly applied to the redemption of the outstanding principal of the Bonds. At any time not later than the interest payment date for the Bonds next succeeding the date of any deposit into said Account under Section 303(A)(2), the amount so deposited shall be applied to the redemption of the outstanding principal of the Bonds.

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

(1) on each interest payment date of the Bonds, to pay the interest on the Bond then due;

(2) on the redemption date of any portion of the principal of the Bonds being redeemed hereunder to pay any interest then payable on the principal amount of the Bonds to be redeemed;

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

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

(E) Whenever funds in any account in the Project Fund are required to be applied to a payment on account of principal of the Bonds, the Agency may at its election hold back such amount not exceeding $100 as will facilitate payment of principal on the Bonds in rounded amounts. Payments from the Project Fund shall be deemed to have been made on the date of the Agency's check therefor and not on the date of any prior mailing of said check.

SECTION 304. Transfers from General Fund.

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

SECTION 305. Investment.

Moneys in the funds and accounts established hereunder may be invested by the Agency, until needed for their respective purposes, in any manner permitted by the Act. Moneys in two or more of such funds and accounts may be invested on a commingled basis for the account of such funds and accounts pro rata in proportion to the moneys invested on behalf of each such fund or account. Interest and other income earned upon the investment or deposit of amounts in the Loan Account shall be deposited in such Account. Interest and other income earned upon the investment or deposit of amounts on deposit in the General Account, the Sinking Fund Account and the Special Redemption Account shall be deposited in the General Account.

SECTION 306. Obligation of The Bonds.

The Bonds shall be general obligations of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than the Bonds pledging particular revenues, moneys or assets for the payment thereof. The Agency hereby covenants and agrees with the registered owners of the Bonds that it will not grant to any person any lien on or pledge of the Term Loan or of any of the Revenues or moneys or investments in any of the accounts created hereunder or any proceeds thereof unless the

Agency shall simultaneously therewith grant to the registered owners of the Bonds a prior and senior lien on or pledge of the Term Loan and such Revenues, moneys and investments and the proceeds thereof. The Bonds shall not constitute a debt or grant or loan of credit of the State and the State shall not be liable thereon nor shall the Bonds be payable out of any funds other than those of the Agency. The Agency is not obligated to pay the Bonds or the interest thereon except from the revenues or assets of the Agency pledged therefor under this Resolution and neither the faith nor credit nor taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.

ARTICLE IV
FORM OF THE BONDS

The Bonds shall be issued substantially in the following form:

VERMONT HOUSING FINANCE AGENCY
BLACK RIVER OVERLOOK
HOUSING PROJECT BOND
(Federally Taxable Issue)

No. 1 $337,500

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

The Vermont Housing Finance Agency (herein called the "Agency"), a body politic and corporate of the State of Vermont, for value received hereby promises to pay to Vermont Municipal Employees' Retirement System, or registered assigns, on the Tenth day of September, 2017, the principal sum of Three Hundred Thirty Seven Thousand Five Hundred and No Dollars ($337,500), upon presentation and surrender hereof, and to pay interest on the principal balance hereof outstanding from time to time from the date of original delivery of this bond (the "Bond Date") until final payment hereof at the annual rate provided below, such interest payments to be made semi-annually on the first day of March and September in each year commencing March 1, 1998. The principal or redemption price of and interest on this Bond are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts and shall be payable by check or draft mailed to the registered owner at his address appearing on the registration books of the Agency kept for that purpose at the offices of the Agency; provided that the registered owner of this bond by acceptance hereof agrees that whenever any payment on account of principal shall occur, such owner shall promptly note the date and amount thereof on the Schedule of Payments and Prepayments endorsed hereon and further agrees that this bond shall be surrendered to the Agency upon final payment hereof.

The annual rate of interest on this bond shall be 8 % per annum.

This bond is issued pursuant to No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (the "Act") and under and pursuant to a resolution of the Agency adopted September 18, 1997 entitled "Resolution of Vermont Housing Finance Agency Authorizing the Issuance of its Black River Overlook Housing Project Bond (Federally Taxable Issue)" (the "Resolution"). This bond is a general obligation of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than this bond pledging particular revenues, moneys or assets for the payment thereof.

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

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

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

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

1. in whole or in part on September 1, 1998 and on each September 1 thereafter without notice through application of moneys in the Sinking Fund Account as required by the Resolution;

2. in whole or in part at any time upon notice through application of moneys in the Special Redemption Account as required by the Resolution; and

3. in whole or in part at the election of the Agency upon notice, through application of moneys deposited in the Sinking Fund Account in the event of the prepayment of the outstanding principal amount of the Term Loan as described in the Resolution.

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

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

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

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

ATTEST: VERMONT HOUSING FINANCE AGENCY

By: ____________ By: ________________________
Authorized Officer Authorized Officer

Bond Date: _______ __, 1997

Schedule of Payments and Prepayments of Principal

Principal Amount Paid	Date Paid	Authorized Signature and Balance Due	Title

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

ARTICLE V
MISCELLANEOUS

SECTION 501. Default.

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

SECTION 502. Defeasance.

If the Agency shall pay or cause to be paid to the registered owners of the Bonds the principal, redemption price and interest thereon at the times and in the manner stipulated therein and herein, then all obligations of the Agency hereunder and under the Bonds and all other rights granted hereby shall be discharged and satisfied.

SECTION 503. Transfer.

The Bonds may be transferred in whole but not in part to new owners, subject to the restrictions on transfer and upon compliance with the provisions for transfer described in the form of the Bonds and payment of a transfer fee of $100.00 for each substitute Bond issued as a result of a request for transfer.

SECTION 504. Amendment.

This Resolution may be amended by the Agency without the consent of the registered owners of the Bonds to cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provision herein or to insert such provisions clarifying matters or questions arising hereunder as are necessary or desirable and are not inconsistent with this Resolution as theretofore in effect. The Agency may also adopt a resolution amending, supplementing or otherwise modifying this Resolution without the consent of the registered owners of the Bonds to incorporate the provisions hereof in a resolution of the Agency of general application to bonds issued to finance the Program the interest on which is not excludable from federal income taxes; provided no such resolution shall reduce the principal amount of the Bonds or the rate of interest payable thereon or change the maturity date thereof or the dates for payment of interest thereon or the terms of redemption thereof or the security granted for the payment thereof without the express written consent of the registered owners of the Bonds. Except as hereinabove provided in this Section 504, this Resolution and the Bonds may be amended by the Agency only with the prior written consent of the registered owners of the Bonds.

SECTION 505. Authorization of Officers.

The Chairman, Vice-Chairman, Executive Director, Deputy Director, Director of Finance and all other Authorized Officers of the Agency are hereby authorized and directed to do all acts and things and to execute and deliver any and all documents, certificates, and other instruments necessary or desirable to effectuate the transactions contemplated by this Resolution, including the transaction involving the loan of the proceeds of the Bonds for the acquisition, construction, rehabilitation or long term financing of the Development.

SECTION 506. Severability.

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

THREE PARTY AGREEMENT

This Agreement is made this _____ day of _________, 19__, by and between the Vermont Municipal Employees' Retirement System, having its principal office at Montpelier, Vermont (hereinafter called the "Buyer"); Ludlow Housing Associates, A Limited Partnership, a Vermont limited partnership, having a place of business at Ludlow, Vermont (hereinafter called "Borrower"); and the Vermont Housing Finance Agency, having its principal office at 164 St. Paul Street, Burlington, Vermont (hereinafter called "Agency").

In consideration of the promises hereinafter set forth, it is agreed by and among the parties hereto as follows:

1. Upon the completion of a certain housing development located in Ludlow, Vermont known as Black River Overlook (the "Development"), and otherwise subject to the terms and conditions of the Agency's commitment letter to the Borrower or Borrower's representative dated as of July 3, 1996 (the "Commitment Letter"), Agency agreed to make a Permanent Loan (the "Loan") to Borrower in an amount not to exceed the lesser of (a) the security value of the Development as determined by the Agency, or (b) THREE HUNDRED SEVENTY FIVE THOUSAND ($375,000) AND 00/100 DOLLARS. The Loan shall be amortized over a period of 30 years, but have a balloon payment of all principal and accrued interest due after 20 years, shall be prepayable only with the written approval of the Agency, and conform in all other respects to the requirements of the Commitment Letter. The Loan shall be evidenced and secured by a Note, Mortgage, Security Agreement, a Conditional Assignment of Leases and Rents, and be subject to the conditions of the Regulatory Agreement. The Development shall have no encumbrances or defects in title that would adversely impair in any way the security of the Agency therein.

2. The parties hereby agree that, notwithstanding any date set forth in any other document of prior date between the parties, the agreement of the Agency to make the Permanent Loan upon completion of the Development by the Borrower shall continue in force until October 31, 1997, which date shall be the expiration date of the Agency Commitment and any Agency responsibility or liability, unless further extended in writing by the Agency.

3. The Borrower agrees for the benefit of the Agency and the Buyer to accept the Loan to be made by the Agency pursuant to the terms of the Commitment Letter, and the Borrower further consents and agrees that it will not accept a first mortgage loan from any lender other than the Agency during the term of this Agreement or any extension hereof.

4. Agency hereby acknowledges that the Agency Commitment Letter is in full force and is unmodified except as set forth in this Agreement.

5. The parties hereby acknowledge that the Agency Commitment Letter and all of its terms are an express condition of this document. Furthermore, the Borrower agrees to accept and approve for purposes of the Loan the form of the following documents attached to the Commitment Letter, except insofar as they must be revised in accordance with this Agreement:

   (a) Permanent Note
   (b) Mortgage Deed

(c) Regulatory Agreement
(d) Conditional Assignment of Leases and Rents

6. Subject to the terms of the Commitment Letter, prior to the expiration of the Agency Commitment, upon three business days notice to the Buyer, the Agency agrees to issue to the Buyer (and/or to another investor acceptable to the Agency in its sole and absolute discretion, but subject to the consent of the Buyer) and the Buyer agrees to purchase from the Agency, at its face value, the Agency's Bond in an amount established pursuant to the Commitment Letter. For the protection of the Agency, the Buyer represent as follows:

(a) The Buyer is a sophisticated investor in securities of the general type of the Agency's Bonds.

(b) The Buyer has examined the Agency's audited financial statements for the most recent period for which audited statements are available, has been offered access to all prior audited financial statements of the Agency and the current books of account of the Agency and has availed itself of such access to the extent it deems necessary.

(c) The Buyer represents that it is purchasing the Bond for its own account for investment and does not currently intend to sell or otherwise distribute the Bonds or any interest or participation therein. The Buyer understands that the extent and nature of the information furnished in this transaction is based upon the foregoing.

(d) As between the Buyer and the Agency and all counsel for and representatives of the Agency, the Buyer has assumed responsibility for obtaining the information relating to the Bond that it deems necessary for its investment decision, and has not looked to the Agency, its counsel, or its other representatives to provide or review that information.

7. The Agency represents to the Buyer and the Borrower that, under current law, and subject to compliance with such law, it is able to issue bonds in such form, that the interest thereon will be subject to federal income tax, but exempt from Vermont income tax.

8. Notice shall be deemed delivered when mailed registered mail, return receipt requested, to the Borrower at c/o Realty Resources Chartered, 247 Commercial Street, Rockport, Maine 04856; to the Agency at P.O. Box 408, Burlington, Vermont 05402-0408, or the Buyer at State Treasurer's Office, 133 State Street, Montpelier, Vermont 05633-6200 (or to such other place as a party may designate in writing).

9. This Agreement is not assignable.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be signed by their duly authorized agents all as of the date and year first above mentioned.

LUDLOW HOUSING ASSOCIATES,
A LIMITED PARTNERSHIP

By: ______________________
Joseph Cloutier
Its General Partner

Springfield Housing Unlimited,
Its General Partner

By: ______________________
Its Duly Authorized Agent

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

By: ______________________
(Buyer)

Its ______________________
and Duly Authorized Agent

VERMONT HOUSING FINANCE AGENCY

By: ______________________
(Agency)

Its ______________________
and Duly Authorized Agent

RESOLUTIONS ADOPTED AT THE ANNUAL MEETING OF VERMONT HOUSING FINANCE AGENCY, AUGUST 6, 1997

RESOLVED, In addition to the officers specified as "Authorized Officers" under particular bond resolutions of the Agency, the Deputy Director shall be an "Authorized Officer" within the meaning of any and every bond resolution of the Agency whether now existing or to exist in the future.

RESOLVED, Gustave Seelig is elected Vice Chairman of the Agency for the fiscal year commencing July 1, 1997 and until his successor be elected and qualified.

RESOLVED, Roger A. Schoenbeck is elected Treasurer of the Agency for the fiscal year commencing July 1, 1997 and until his successor be elected and qualified.

RESOLVED, the following persons shall be authorized to sign checks drawn against the Agency's General Fund:

Executive Director	Allan S. Hunt	Allan S. Hunt
Deputy Director	Michael F. McNamara	Michael F. McNamara
Director of Single Family Operations	Douglas R. Lothrop	Douglas R. Lothrop
Director of Finance	Roger A. Schoenbeck	Roger A. Schoenbeck
Controller	Timothy M. Gutchell	Timothy M. Gutchell

Any check in an amount over $1,000 payable against the General Fund must be signed by at least two of the foregoing persons. Any payroll check shall be valid and negotiable when signed by any one of the foregoing persons.

RESOLVED, all actions taken in the resolution entitled "Resolutions Adopted at the Annual Meeting of the Vermont Housing Finance Agency, July 25, 1996" not inconsistent with the resolutions contained herein are deemed to be ratified and will continue in force until changed by affirmative action of the Board of Commissioners.

RESOLVED, that the individuals whose titles are listed below be and hereby are authorized to execute documents of the following character for all of the Agency's single family loan programs, whether secured or unsecured:

The Agency's Director of Single Family Operations, Assistant Director of Single Family Operations, Loan Servicing Manager, Real Estate Disposition Specialist and Foreclosure Specialist:

A. Listing Agreements with real estate brokers for the sale of real estate owned by the Agency;

B. Deeds, property transfer tax returns, and other documents necessary or convenient for the transfer of real estate owned by the Agency;

C. Endorsements to property insurance claim checks pertaining to property on which the Agency holds a valid lien, in amounts up to $10,000 for the Foreclosure Specialist, the Real Estate Disposition Specialist and without limit for the Loan Servicing Manager, Assistant Director of Single Family Operations and Director of Single Family Operations;

D. Preparation and execution of claim forms to primary and pool insurers on property on which the Agency holds a valid lien;

E. Consent to actions of the following character:

1. Release and addition of signers of notes held by the Agency;

2. Creation of easements and rights of way and the partial release of mortgages held by the Agency for purposes of permitting the creation of easements and rights of way over property on which the Agency holds a valid lien; and

F. In addition to the individuals whose titles are listed above, the Agency's Loan Servicing Specialists are authorized to give authorizations to lenders and other appropriate persons for actions of the following character:

1. Foreclosure or other acquisition of title to property on which the Agency has a valid lien;

2. Necessary repairs and improvements to real estate owned by the Agency;

3. Actions necessary to make property in which the Agency has an interest secure;

4. Forbearance and modification agreements with delinquent borrowers;

5. Affidavits of amounts due and other affidavits required in foreclosure actions; and

6. Acknowledgment of receipt of liens junior to the lien of the Agency.

G. The Director of Single Family Operations, the Assistant Director of Single Family Operations and the Loan Servicing Manager are hereby authorized to execute Purchase and Sales Contracts for real estate owned by the Agency.

RESOLVED, that the Agency's Loan Servicing Manager, Real Estate Disposition Specialist and any other employee designated by the Executive Director or the Director of Single Family Operations be, and hereby is, authorized to sign any documents in connection with real estate auctions approved by the Agency that are necessary for the sale of Agency-owned property in an auction.

Assistant Director of Single Family Operations	Jacklyn R. Santerre	Jacklyn R. Santerre
Loan Servicing Manager	Cynthia J. Cunningham	Cynthia J. Cunningham
Real Estate Disposition Specialist	Linda Wilson	Linda C. Wilson
Foreclosure Specialist	Peter Barry	Peter C. Barry
Loan Servicing Specialist	Judith Smith	Judith Smith
Loan Servicing Specialist	Darren Keniston	Darren Keniston

RESOLVED, that the Director of Single Family Operations and the Assistant Director of Single Family Operations are hereby authorized to execute any and all agreements with lenders for the Agency's mortgage programs;

RESOLVED, that the Executive Director, Deputy Director, Director of Finance, Director of Single Family Operations and Deputy Director of Single Family Operations are hereby authorized to sign mortgage discharges;

RESOLVED, that the following employees of Vermont Housing Finance Agency are hereby authorized to have access to all safekeeping vault boxes of the Agency for the purposes of safekeeping and retrieving any and all books, papers and documents of the Agency:

Director of Finance: Kay A. Hennekirk
(Signature)

Controller: Timothy M. [signature] (Signature)

Lender Accounting Coordinator: Susan B. Joachim (Signature)

Portfolio Accountant: Martha Fleming (Signature)

Investment/Portfolio Assistant: Lisa Merry (Signature)

The names of all personnel of the Agency listed herein are included only for purposes of identification. The power to appoint persons to these or other positions within the Agency belongs to the Executive Director.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on August 6, 1997.

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

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director, 652-3421 ASH

DATE: September 10, 1997

RE: CANCELING SEPTEMBER/RESCHEDULING OCTOBER BOARD MEETING

This is to inform you that the September 18 meeting of the Vermont Housing Finance Agency Board of Commissioners has been *cancelled.*

The September meeting has been rescheduled to Thursday, October 2, at 11:00 a.m. (This replaces the October 23 meeting). The location will be in Derby at the Community National Bank. Board packets will be mailed to you on Friday, September 26.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to meeting with you on October 2!

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

EQUAL HOUSING OPPORTUNITY

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Samuel J. Falzone, Director, Multifamily Management

DATE: September 24, 1997

RE: MULTIFAMILY DIRECTOR'S REPORT

The attached report for the quarter ending June 30, 1997, is provided for the Board's information and includes the status of various financial aspects of the Multifamily portfolio. The report also contains narratives on Department activities through August 31, 1997, as well as detailed project reports for properties that have outstanding maintenance or other unusual issues or problems.

I will not be at the Derby Board meeting but please feel free to contact me by phone if I can answer any questions or provide additional information (652-3435).

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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

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VERMONT HOUSING FINANCE AGENCY

September 22, 1997

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

Dear Ms. Wolters:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Thursday, October 2, at 11:00 a.m., at the Office of the President of the Community National Bank, Newport-Derby Road, Derby, Vermont.

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

Sincerely,

Kari Caragher

Kari A. Caragher
Office Assistant

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director ASH

DATE: September 26, 1997

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 11:00 a.m. Thursday, October 2, at the Office of the President of the Community National Bank, Newport-Derby Road, Derby, Vermont.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Derby at 11:00 October 2!

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VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

Office of the President of Community National Bank
Newport-Derby Road
Derby, Vermont

Thursday, October 2, 1997 at 11:00 a.m.

1. Review and approval of minutes of August 6, 1997

2. Review and approval of minutes of August 22, 1997

3. Development
   A. Essex Town Center Update **[Erdelyi // Enclosure]**

4. Operations
   A. Servicer Performance Measurement **[Lothrop // Enclosure]**
   B. Single Family Program Activity Report for Aug. 1997 **[Lothrop // Enclosure]**

5. Administration
   A. Executive Director's Report **[Hunt]**
   B. Applegate Update **[McNamara]**

6. Multifamily Management
   A. Multifamily Director's Report **[Falzone // Enclosure]**

7. Finance
   A. Fiscal Year June 30, 1997, Audit Results **[Schoenbeck // Enclosure]**
   B. General Fund Budget Performance **[Schoenbeck // Enclosure]**

8. Legal
   A. 700 Riverside Avenue (Burlington) **[Jarrett // Enclosure]**

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

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vhfa
VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
Office of the Commissioner of Banking,Insurance Securities & Health Care Administration
89 Main Street
Montpelier, Vermont
Wednesday, August 6, 1997

PRESENT: Chairman White; Commissioners Candon (designee of Costle), Canney (via telephone), Seelig, Grimes (designee of Shouldice), Douglas

Agency Staff: Mr. Hunt, Mr. McNamara, Mr. Schoenbeck, Mr. Lothrop, Mr. Jarrett, Ms. Gent, Mrs. Blatt, Ms. Reid, Mr. Erdelyi

Guests: Mr. Broderick (Housing Vermont)

The meeting was called to order at 1:07 p.m. by Chairman White. Upon a motion duly made by Ms. Grimes and seconded by Mr. Seelig, the minutes of June 19, 1997, were unanimously approved as written.

Mr. Erdelyi reviewed his memo of July 28, 1997, included in the Board packet, regarding the "South Square Apartments - Letter of Commitment for permanent financing." In June 1997, the Board resolved to issue a Letter of Interest that would provide permanent financing for the South Square Apartments, a 65 unit housing project for elderly and disabled tenants with an adjacent 2,847 square foot commercial building. Since then, staff has worked with the sponsor to bring the development closer to readiness for closing. An appraisal and Environmental Site Assessment have been completed and reviewed by staff, and raise no significant concerns. Under the current Housing Assistance Payments (HAP) contract, tenants pay 30% of income towards housing costs, and the difference between this amount and the contract rents is paid by the federal government. Because the project has only a one year extension of its HAP contract, the rents have been reduced to the appraised market rents in years two and higher of the cashflow projection for underwriting purposes. Staff believe that a "worst case" scenario would involve no project-based HAP renewals and vouchering out rents at HUD Fair Market Rent. Because the Certificates or Vouchers would be tenant based, the tenants could move out of the project and take their rental assistance with them. Currently the rate for the project has been underwritten at 7.5%, but could possibly go as low as 7%. A motion was made by Ms. Grimes to approve the "Resolution Pertaining to Commitment Letter re: South Square Apartments (Burlington)" as attached to these minutes and carried unanimously after being seconded by Mr. Seelig.

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Next, Mr. Schoenbeck discussed his memo of July 31, included in the Board packet, regarding " Multi-family Bond Financing" for Pines IV and South Square. Mr. Schoenbeck noted that Moodys had concerns about HUD status and contract renewals. The Agency received a "Private General Obligation" rating from Standard & Poor's to give the Agency enough strength to maintain the A+ rating. Offer to bid forms were sent to housing underwriting firms throughout the country and five banking firms are planning to bid and are expected to be very aggressive. Full spread loan rates derived from the sale of the bonds are expected to be 8% for the Pines and 7% for South Square. Mr. Hunt noted that Mr. Schoenbeck and Mr. Baker did a very good job in putting this together. After a brief discussion, a motion was made by Mr. Douglas to approve the Adoption of the Fifth Supplemental Multi-Family Housing Bond Resolution, as attached to these minutes and carried unanimously after being seconded by Mr. Candon.

Ms. Reid reviewed her memo "Lake Champlain Housing Development Corporation, 1306 Ethan Allen Drive, Colchester: Combined Letter of Interest and Commitment for Permanent Financing," dated July 24, included in the Board packet. Lake Champlain Housing Development Corporation (LCHDC) has applied to VHFA for $85,000 in permanent financing. LCHDC has owned this property for ten years, and is proposing a transfer to a limited partnership consisting of LCHDC and a subsidiary of Housing Vermont, in order to obtain Housing Credits to rehabilitate the property in an amount of $20,000 per unit, lower debt service payments, improve its financial operations and improve affordability. Ms. Reid indicated that this would be the last phase of their financing. Mr. Broderick noted that staff is close to receiving a deferment of their CDBG loan from the Town of Colchester . A motion was made by Mr. Candon to approve the "Resolution Pertaining to Combined Letter of Interest and Commitment Letter re: 1306 Ethan Allen Drive" as attached to these minutes and carried unanimously after being seconded by Ms. Canney.

Mr. McNamara then gave a update on Applegate. The staff has been back and forth with HUD regarding 204 Upfront Grant Authority. The Agency has been receiving help from Senator Leahy's Office, Senator Jefford's Office and Congressman Sander's Office in trying to receive the 204 grant. On July 31, 1997, a letter went to Mr. Cuomo from the Chairmen of the House and Senate authorizing and appropriations committees indicating that HUD does indeed have the authority to provide up-front grants. Subsequently, we received word that Applegate would be going ahead with the final documents coming this week from HUD Atlanta. No Board action necessary.

Next, Mr. McNamara discussed a memo from himself, Ms. Reid and Mr. Erdelyi regarding "Staff Response to RAHC Tax Credit Allocation Issues" dated July 28, 1997, included in the Board packet. At the June 19 VHFA Board Meeting, Chairman White received a fax from Brett Rooney, Chairman of the Regional Affordable Housing Corporation (RAHC) of Bennington, expressing RAHC's concerns with respect to the scoring criteria and the review process that led up to the award of Low Income Housing Tax Credits (LIHTC) for 1997. On June 26, Chairman White responded to Mr. Rooney noting that staff would review RAHC's concerns and that he would discuss this with the Board as to whether or not changes should be considered in the future. Mr. McNamara reviewed the memo with the Board and responded to each specific issue. Chairman White wanted to make sure that the RAHC application was handled in the same manner as other applications. Mr. Seelig mentioned that VHCB had approached RAHC, suggesting that they look at other financing alternatives for the Cora B. Whitney project, particularly HUD 202. He went on to indicate that perhaps all projects should be fully analyzed by staff for the Joint Committee on Tax Credits (JCTC), to provide more public confidence in the process. Chairman White agreed, but noted that this might be difficult with only the current staff. A general discussion of criteria ensued, including special needs and geographic targeting. The consensus was that Ms. Grimes and Mr. Hunt will meet with the other members of the JCTC and recommend needed changes to the criteria/process.

Next, Mr. Erdelyi discussed the Essex Town Center located near Lang Farm in Essex, Vermont. The Agency issued a commitment letter in 1996 for permanent financing for this project of combined residential units over commercial space. The project sponsors are currently trying to obtain construction financing and there is a possibility that the Agency would be asked to do the construction loan. Discussion ensued around affordability of units, success in attracting tenants, need of services, etc. The overall feeling was that since there is higher risk involved with commercial property and if area lenders are reluctant to finance the project, then the Agency must look very closely at the whole picture. There is the possibility of sharing the risk with another lender, perhaps the Howard Bank, who VHFA has a good working relationship with. There is also a question of whether the Agency has the authority under its regulations to make a loan for the entire development.

Mr. Lothrop discussed his memo "Single Family Program Activity Report For June, 1997," dated July 1, 1997, included in the Board packet. Mr. Lothrop indicated that reservations were still strong for June. While purchase numbers are less, the dollar volume is higher, which means higher loan amounts. Incomes have still not gone up, but housing prices have gone up slightly. Mr. Lothrop reported on the Delinquency Report for the Servicing Department, the delinquencies are up, but there is an increase of only one loan at 60 days and three loans at 90 days. Foreclosures went down by six loans, and are holding steady. REO's are relatively high but are selling when they are marketed. The Agency has six closings scheduled in August, but only are taking on four new REOs. The Agency has contracted with a firm to help Ms. Wilson handle some of the REO's. Bankruptcy has had some impact on delinquencies, but we are attempting to work with the borrower on a workout plan. Bankruptcies will continue to be a problem as they are increasing in Vermont, as well as nationally.

Next, Mr. Lothrop reviewed his memo of July 8, 1997, included in the Board packet, regarding "Quarterly Report of the Results of the Single Family Mortgage Loan Quality Control Process - April 1, 1997 through June 30, 1997." Mr. Lothrop indicated that this report was required by FHLMC and FNMA. One loan reviewed indicated that the charge-off was paid in full at the time of underwriting, but through the Agency's Quality Control System it was discovered that an error had been made by the reporting institution and that the account was still open. The other issues were minor. The staff has purchased software to pull credit reports from three different repositories. The Agency is working on a plan to target issues at the origination of the loan. No Board action required.

Mr. Lothrop discussed his memo "Discussion on the Conversion of Mortgage Revenue Bonding (MRB) authority to Mortgage Credit Certificates (MCC) authority and authorizing the 90 day public notice of the program as required by the Internal Revenue Service Tax Code," from August 5, 1997. Mr. Lothrop indicated that currently the Agency has $11.775 million of MRB authority available for issuing mortgage revenue bonds and conversion to MCC authority. The Agency recently completed a large MRB bonding and Staff does not anticipate needing additional MRB authority until well into 1998. For future bond issues, the Agency will utilize 1997 and 1998 private activity bond authority expected to be allocated to us by the Emergency Board. The staff is requesting authorization to publish the required public notices. Public notices are needed as the source of the MCC authority will change from 1995 MRB authority to 1996 MRB authority. A motion was made by Mr. Candon to approve the "Resolution Pertaining to Election of Vermont Housing Finance Agency to Convert Mortgage Revenue Bond Authority to Mortgage Credit Certificate Authority" as attached to these minutes and unanimously carried after being seconded by Mr. Seelig.

In his Executive Director's report, Mr. Hunt stated that the transition without Barbara Parker has begun and is going well, and he hopes that the Board will find this to be true with the two Board packets that went out. There is no plan to replace Barbara at this time. Mr. Hunt noted that he attended two project openings in July, Westview Terrace and Black River. Both went very well. Mr. Seelig indicated that he took a trip to Springfield recently and he felt the project used to be one of the most depressed areas until it was rehabilitated. The rehabilitation looks great and it has made a real difference to the people.

Mr. McNamara discussed his memo "FY 97 Business Plan Results/FY 98 Goals", dated July 29, 1997, included in the Board packet. The Business plan has new initiatives that were not in the original plan. There are side by side comparisons for '97 and project '98 goals. Mr. McNamara mentioned his appreciation to all the directors for pulling this together quickly and efficiently. Mr. Hunt indicated that he would like to be less aggressive about the new plans and work on increasing home improvement loans. Mr. Candon questioned whether or not the lead paint was going away. Mr. McNamara answered by stating that the Agency has committed $100,000 for two years ($50,000 for the first year and $50,000 for the second year). Chairman White recommended that the overall planning process for the strategic plan in early '98 should have Board involvement prior to a recommendation. He mentioned that there could possibly be a special meeting on the morning of a scheduled Board meeting. Mr. Hunt originally thought that the Agency could assume responsibility for bonding by other state agencies before it was deleted. He now believes that the Agency should defer that program for the time being. Candon asked if the Homeownership Centers could be expanded as an alternative to people going to subprime lenders. Ms. Grimes questioned whether banks were interested in giving them more support, and to answer her question, Mr. Hunt stated that yes, the Chittenden Bank has expressed interest so long as the customers references would come back. Ms. Grimes congratulated the staff on the Business Plan, and noted that it was easy to read and very concise. Ms. Grimes raised the concern that mobile home financing is for parks and not for mobile home purchases. Mr. Hunt did not seem to think that this should be an issue since VHFA already provides financing for mobile homes. After further discussion, a motion was made by Mr. Candon to approve the FY'98 Business Plan for immediate implementation, incorporating further suggestions or recommendations made by the Board, and carried unanimously after being seconded by Mr. Seelig.

Next, Mr. Jarrett discussed his memo "Annual Meeting," dated July 28, 1997, included in the Board packet. Chairman White designated the August 6, 1997, Board Meeting to constitute the Annual Meeting since the Board did not meet in July this year. Mr. Seelig was re-elected Vice-Chairman and Mr. Schoenbeck was re-elected Treasurer. A motion was made by Ms. Grimes to approve the "Resolutions Adopted at the Annual Meeting of Vermont Housing Finance Agency, August 6, 1997" and carried unanimously after being seconded by Ms. Canney.

Mr. Jarrett reviewed his memo dated July 31, 1997, included in the Board packet, regarding "Licensed Lenders." There has been a controversy over the last several months regarding the fees that licensed lenders could charge borrowers on first mortgage loans. The Commissioner of Banking, Insurance Securities and Health Care Administration issued Banking Bulletin Number 19 on July 23, 1997, which concluded that licensed lenders can charge the same fees that banks charge on first mortgage liens but are restricted on subordinate liens. This solution will obviate the need for the complex plan VHFA had adopted to equalize the treatment of banks and licensed lenders on VHFA mortgages.

The "Proposed Housing Vermont By-law Change" was reviewed by Mr. Jarrett, who referred to his memo of July 30, 1997, included in the Board packet. Housing Vermont has been negotiating with NCIC, a Northeast Kingdom-based non-profit, to purchase NCIC's 19 multi-family properties. Fourteen of these properties are located in Vermont and five are in New Hampshire. Housing Vermont's counsel, Bob Gensburg, thinks that the by-laws are unclear about whether Housing Vermont can engage in activities outside Vermont. He suggested language to amend the by-laws that we reviewed and made suggestions about. After reviewing the language, Mr. Seelig made a motion to approve the Ratification of the Executive Director's action in approving a proposed by-law change of Housing Vermont, and the motion carried unanimously after being seconded by Mr. Douglas.

Mr. Hunt stated that John Simson, who has served as Board Member for Housing Vermont, will be leaving September 1997. Mr. Simson has suggested that the Board consider replacing him with Paul Hartmann, an architect and faculty member at Vermont Technical College. Mr. Hunt has agreed with this suggestion. A consensus from the Board indicated that this recommendation is acceptable.

Mr. McNamara reviewed Mr. Falzone's memo "Multifamily Refunding Savings (0%) Proposed Uses," of July 28, 1997, included in the Board packet. The demand for the Agency's Multifamily Refunding Savings from within the existing portfolio continues to be very high. At the April and June Board meetings, the Board approved 0% funding requests for Homeownership Centers ($78,000) and Lead Hazard Reduction ($100,000). During 1996, $200,000 in 0% funding was approved by the Board for the purpose of facilitating the sale of REO's. The Agency is now able to quantify the proposed uses for 0% funds within our multifamily portfolio for the coming year. Northgate, Pine Manor, Pine Meadow, Winchester Place and Mad River Meadows are all projects that have an acute need for this resource. A motion was made by Mr. Seelig to approve the 0% Funding Uses as outlined in the memo, granting the Executive Director the authority to require whatever additional documentation that may be necessary in order to disburse these funds in accordance with "yield-compliance" provisions of the 1995 Series A Bonds, and carried unanimously after being seconded by Ms. Grimes.

Next, Mr. Hunt presented an update on Northgate's request to use deficit escrow funds to expand the Community Building. Northgate is reluctant to consider rent increases as a means of repaying the HUD Flex loan although this approach may be the only way to generate sufficient cash in order to help retire this loan in 2011. Failure to address this future debt obligation now may place the property at long-term risk financially. The Board offered their support for VHFA's position and agreed that Northgate should pursue annual rent increases in an attempt to refund and build up the deficit escrow account. A motion was made by Mr. Seelig for Northgate to maintain and refund the deficit escrow account, which carried unanimously after being seconded by Ms. Grimes.

Ms. Gent discussed her memo of July 25, 1997, included in the Board packet, regarding "FY97/FY98 Marketing Activities." The overall goal of the FY97 media advertising campaign was to promote the Agency's successful public education and information efforts. Two other goals were to generate calls to the Helpline at an even consistency with the level of activity for FY96 and to increase participation at classes and overall awareness of the Agency's programs among the public at a local level. Ms. Gent indicated that the number of Helpline calls decreased to 4,100, compared with 4,700 in FY96, a 12% decrease. The increase in the cost of buying advertising which resulted in fewer ads being placed, the shift to advertising home buyer events, and termination of advertising in mid April in four counties due to uncertainties related to VHMGB legislation all played a key role in contributing to the decrease in Helpline calls. Ms. Gent also mentioned that although the number of Helpline calls were less than what the Agency had expected, the people contacting the Agency were good candidates for our programs based on income. For the period January 1, 1996, through March 31, 1997, over 28% of the Agency loan reservations were matched with callers to the Helpline, representing almost $24 million in reservations.

Ms. Gent then went on to discuss the Chittenden County Home Buyer Fair. The total attendance for the fair was 400, with roughly 150 potential home buyers. Attendance at the fair was affected by poor weather and the reduced advertising. Mr. Seelig indicated that he was concerned with the reduction of calls. Ms. Gent noted that due to uncertainties with VHMGB total authority, the costs of advertising, and a relatively weak radio ad, the results were subdued; but assured the Board that we think we can increase calls again. Ms. Gent finished by discussing the Media Plan for FY98. The Agency is planning it's media campaign to add to our outreach efforts with consumers, lenders, housing nonprofits, and real estate professionals to maximize its effectiveness. Ms. Gent pointed out that we have strengthened the lenders role which is another reason for the decrease in Helpline calls. No Board action was necessary.

Next, Ms. Gent reviewed her memo "FY97/FY98 Community Outreach Activities," dated July 25, 1997, included in the Board packet. Ms. Gent explained how the staff has used the strategic plan to develop the outreach plans. Ms. Gent also noted that the evaluations from real estate professionals, non-profit events , classes for lenders and homebuyer events have been very favorable and prove to be extremely valuable. No Board action required.

The "FY97/FY98 Public Relations Activities" was reviewed by Ms. Gent, who referred to the Board memo of July 30, 1997, included in the Board packet. There were 44 TV, radio and newspaper interviews/stories about the Agency last year. Ms. Gent noted that the Agency would like to expand the public relation activity in FY98. No Board action necessary.

Lastly, the Group discussed any old or new business that came before the Board. Ms. Grimes asked whether VHFA had had any role in assisting families in the flood. Mr. Lothrop indicated that one house had been affected by the flood, but did have flood insurance. There were no other reports of any current borrowers that needed help or were affected. Ms. Grimes inquired whether or not the Agency had rehabilitation loans. Mr. Hunt indicated that VHFA does not do rehabilitation loans at this time, but that the Agency could lend an existing homeowner additional funds for repairs. Mr. Lothrop indicated that there are still 6.95% funds available, and could potentially be recycled for others who don't have a mortgage or who do not have VHFA loans, to act as disaster relief. This subject will be explored immediately for the recent disaster. Mr. Lothrop indicated that there could be some limitations, but he will certainly research it.

The next Board Meeting is scheduled for September 18, in Derby, Vermont. The Board agreed to start the meeting at 11:00 a.m. rather than at 1:00 p.m., and have a working lunch to make it possible to adjourn earlier.

At this time a motion was made by Mr. Candon, seconded by Mr. Douglas and unanimously carried by the Board to go into Executive Session pursuant to 1 VSA sec. 313(a)(3). Following their discussion, a motion was made by Mr. Seelig, seconded by Ms. Grimes and unanimously carried to come out of Executive Session. It was then moved by Ms. Canney, seconded by Mr. Candon and unanimously carried to increase the salary of the Executive Director by 4.5% with the same effective date as the Agency's other employees.

There being no further business, and following a motion duly made and seconded, the meeting was adjourned at 4:00 p.m.

Respectfully submitted,

Allan S. Hunt, Secretary

RESOLUTION PERTAINING TO COMMITMENT LETTER
RE: SOUTH SQUARE APARTMENTS (BURLINGTON)

WHEREAS, a proposal has been presented to the Agency by the Burlington Housing Authority (the "Housing Sponsor") and Housing Vermont on behalf of a to-be-formed limited partnership, 101 College Street Housing Limited Partnership, involving the acquisition and rehabilitation of 65 rental units for the elderly and disabled located in a building in Burlington together with an adjoining two story office building, as referenced in a memorandum from Joe Erdelyi dated July 25,1997 (the "Development"); and

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

WHEREAS, 64 of the 65 units in the Housing Sponsor's proposal are currently subsidized under HUD's Section 8 Substantial Rehabilitation Program, and would remain affordable to households earning less than 80 percent of median income; and

WHEREAS, housing credits will be available to the Development outside the state's housing credit ceiling due to the expected issuance of tax-exempt private activity bonds; and

WHEREAS, the Housing Sponsor has applied for a loan from the City of Burlington's Housing Trust Fund in the amount of $15,000; and

WHEREAS, the Housing Sponsor has agreed to make a subordinate loan for the Development of $130,000; and

WHEREAS, the maximum amount of the mortgage loan will not exceed $1,850,000; and

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

It is hereby DETERMINED:

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

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

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

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

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

6. The Housing Sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a Letter of Commitment for a first mortgage loan for the acquisition and rehabilitation of the Development in Burlington in an amount not to exceed $1,850,000. The loan will be for a term of 30 years, with an interest rate to be set at spread of not more than 150 basis points above the bond yield. The source of funds shall be tax-exempt private activity bonds to be issued by the Agency.

2. The Commitment Letter may be issued to Burlington Housing Authority and Housing Vermont, as representatives of the to-be-formed limited partnership, the 101 College Street Housing Limited Partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including, but not limited to, the following conditions:

    a. sponsor must provide final plans and specifications for VHFA approval, which must incorporate the abatement of any asbestos in the development;

    b. sponsor must provide evidence of competitive bidding

    c. sponsor and VHFA must enter into an agreement regarding the disposition of any surplus cash that may accumulate if rent levels are more favorable than projected.

3. The Executive Director, Deputy Director and Director of Finance are hereby authorized to take all necessary steps and execute any and all documents required to effectuate this loan.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on August 6, 1997.

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

RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST AND COMMITMENT LETTER RE: 1306 ETHAN ALLEN DRIVE

WHEREAS, a proposal has been presented to the Agency by Lake Champlain Housing Development Corp., a non-profit development corporation, (the "Sponsor") on behalf , of a to-be-formed limited partnership, involving the acquisition and rehabilitation of a 32 unit family rental property located on Ethan Allen Drive in Colchester (the "Development"); and

WHEREAS, the proposal contemplates an assumption of the existing VHFA loan with an approximate current balance of $485,000, retirement of another existing VHFA loan in the approximate amount of $250,000 and a new VHFA loan from recycled bond proceeds in an amount not to exceed $85,000; and

WHEREAS, the Sponsor is intending to use Housing Tax Credits that were allocated to the Development; and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated July 24, 1997 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

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

2. The acquisition and rehabilitation costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.

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

4. The housing sponsor undertaking the Development will increase the supply of well-planned, well-designed term housing for persons and families of low and moderate income.

5. The security value of the Development will equal at least the amount of the Agency's loan.

6. The Sponsor is a financially responsible organization and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to, and allowing an assumption of an existing mortgage loan in the approximate amount of $485,000 by, a to-be-formed limited partnership for the acquisition and rehabilitation of the 1306 Ethan Allen Drive housing development in Colchester. The term of the loan will be approximately 20 years, but the loan will be amortized over a period of up to 30 years. The interest rate is expected to be 7.22% per annum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance or for other purposes with the consent of the Agency.

2. The Letter of Interest shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:

   a. Sponsor must demonstrate that requisite financing has been committed by September 30, 1997. "Requisite financing" means the amount and terms of each of the sources of funding represented on the multifamily loan application or their equivalent;

   b. Sponsor must provide a letter satisfactory to VHFA staff from a qualified attorney opining that the project can receive credit outside of the State housing credit ceiling for the acquisition because of the tax exempt source of the financing of the acquisition;

   c. Sponsor must negotiate repayment terms of the Colchester CDBG loan which demonstrate financial feasibility for the project, satisfactory to VHFA staff;

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

   e. Sponsor must provide evidence of competitive bidding.

3. The Executive Director may, in his discretion, issue a Commitment Letter for loans for the acquisition, rehabilitation and long-term financing of the Development, in an amount not to exceed $85,000.

4. The term loan shall be amortized over a period of up to 30 years, but all principal and accrued interest shall be due approximately 20 years from the date of the term loan. The interest rate shall be 7.22%. The source of funds shall be recycled tax-exempt bond proceeds. The Commitment Letter may be issued to Lake Champlain Housing

Development Corp., as a representative of the to-be-formed limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

5. The Executive Director, Deputy Director and Director of Finance are hereby authorized to take all necessary steps and execute any and all documents required to effectuate this loan.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on August 6, 1997.

Allan S Hunt

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

RESOLUTION PERTAINING TO ELECTION OF VERMONT HOUSING FINANCE AGENCY TO CONVERT MORTGAGE REVENUE BOND AUTHORITY TO MORTGAGE CREDIT CERTIFICATE AUTHORITY

WHEREAS, by order of the Governor dated December 23, 1996, $55,540,000 of the State's 1996 private activity bond volume cap ("Volume Cap") was allocated to the Agency as provided in Section 146 of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, the Agency carried forward $76,775,000 in Volume Cap from 1996, which Volume Cap may be used for the purposes of mortgage revenue bonds or mortgage credit certificates; and

WHEREAS, the Agency wishes to establish a new Mortgage Credit Certificate Program in 1997 and 1998; and

NOW THEREFORE, in order to establish the Agency's 1997-1998 Mortgage Credit Certificate Program and to satisfy the requirements of Section 25 of the Code and regulations issued thereunder, it is hereby RESOLVED:

1. The Vermont Housing Finance Agency has previously elected to utilize $55,540,000 of its 1996 private activity volume cap for the purposes of issuing qualified mortgage bonds and mortgage credit certificates.

2. The Vermont Housing Finance Agency hereby elects not to issue $11,775,000 principal amount of qualified mortgage bonds that it is otherwise authorized to issue during calendar year 1997.

3. The Executive Director, Director of Finance, and the Director of Single Family Operations are directed, and each of them is authorized, to take all steps necessary to the continuation of the Agency's Mortgage Credit Certificate Program including, but not limited to:

    A. Preparation, execution, and delivery of a Mortgage Credit Certificate Election in such form as may be required by the Internal Revenue Service and consistent in content and effect with this Resolution.

    B. Certification to the Governor as provided in the Code.

    C. Preparation of any certificate required by the Code to be signed by the Governor.

D. Preparation and placement of the appropriate public notices, if any, including income and purchase price limits as determined by the Agency.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on August 6, 1997.

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

RESOLUTIONS ADOPTED AT THE ANNUAL MEETING OF VERMONT HOUSING FINANCE AGENCY, AUGUST 6, 1997

RESOLVED, In addition to the officers specified as "Authorized Officers" under particular bond resolutions of the Agency, the Deputy Director shall be an "Authorized Officer" within the meaning of any and every bond resolution of the Agency whether now existing or to exist in the future.

RESOLVED, Gustave Seelig is elected Vice Chairman of the Agency for the fiscal year commencing July 1, 1997 and until his successor be elected and qualified.

RESOLVED, Roger A. Schoenbeck is elected Treasurer of the Agency for the fiscal year commencing July 1, 1997 and until his successor be elected and qualified.

RESOLVED, the following persons shall be authorized to sign checks drawn against the Agency's General Fund:

Executive Director	Allan S. Hunt	Allan S. Hunt
Deputy Director	Michael F. McNamara	Michael F. McNamara
Director of Single Family Operations	[signature]	Douglas R. Lothrop
Director of Finance	Roger A. Schoenbeck	Roger A. Schoenbeck
Controller	Timothy M. Gutchell	Timothy M. Gutchell

Any check in an amount over $1,000 payable against the General Fund must be signed by at least two of the foregoing persons. Any payroll check shall be valid and negotiable when signed by any one of the foregoing persons.

RESOLVED, all actions taken in the resolution entitled "Resolutions Adopted at the Annual Meeting of the Vermont Housing Finance Agency, July 25, 1996" not inconsistent with the resolutions contained herein are deemed to be ratified and will continue in force until changed by affirmative action of the Board of Commissioners.

RESOLVED, that the individuals whose titles are listed below be and hereby are authorized to execute documents of the following character for all of the Agency's single family loan programs, whether secured or unsecured:

The Agency's Director of Single Family Operations, Assistant Director of Single Family Operations, Loan Servicing Manager, Real Estate Disposition Specialist and Foreclosure Specialist:

A. Listing Agreements with real estate brokers for the sale of real estate owned by the Agency;

B. Deeds, property transfer tax returns, and other documents necessary or convenient for the transfer of real estate owned by the Agency;

C. Endorsements to property insurance claim checks pertaining to property on which the Agency holds a valid lien, in amounts up to $10,000 for the Foreclosure Specialist, the Real Estate Disposition Specialist and without limit for the Loan Servicing Manager, Assistant Director of Single Family Operations and Director of Single Family Operations;

D. Preparation and execution of claim forms to primary and pool insurers on property on which the Agency holds a valid lien;

E. Consent to actions of the following character:

1. Release and addition of signers of notes held by the Agency;

2. Creation of easements and rights of way and the partial release of mortgages held by the Agency for purposes of permitting the creation of easements and rights of way over property on which the Agency holds a valid lien; and

F. In addition to the individuals whose titles are listed above, the Agency's Loan Servicing Specialists are authorized to give authorizations to lenders and other appropriate persons for actions of the following character:

1. Foreclosure or other acquisition of title to property on which the Agency has a valid lien;

2. Necessary repairs and improvements to real estate owned by the Agency;

3. Actions necessary to make property in which the Agency has an interest secure;

4. Forbearance and modification agreements with delinquent borrowers;

5. Affidavits of amounts due and other affidavits required in foreclosure actions; and

6. Acknowledgment of receipt of liens junior to the lien of the Agency.

G. The Director of Single Family Operations, the Assistant Director of Single Family Operations and the Loan Servicing Manager are hereby authorized to execute Purchase and Sales Contracts for real estate owned by the Agency.

RESOLVED, that the Agency's Loan Servicing Manager, Real Estate Disposition Specialist and any other employee designated by the Executive Director or the Director of Single Family Operations be, and hereby is, authorized to sign any documents in connection with real estate auctions approved by the Agency that are necessary for the sale of Agency-owned property in an auction.

Assistant Director of Single Family Operations	[signature]	Jacklyn R. Santerre
Loan Servicing Manager	[signature]	Cynthia J. Cunningham
Real Estate Disposition Specialist	[signature]	Linda C. Wilson
Foreclosure Specialist	[signature]	Peter C. Barry
Loan Servicing Specialist	[signature]	Judith Smith
Loan Servicing Specialist	[signature]	Darren Keniston

RESOLVED, that the Director of Single Family Operations and the Assistant Director of Single Family Operations are hereby authorized to execute any and all agreements with lenders for the Agency's mortgage programs;

RESOLVED, that the Executive Director, Deputy Director, Director of Finance, Director of Single Family Operations and Deputy Director of Single Family Operations are hereby authorized to sign mortgage discharges;

RESOLVED, that the following employees of Vermont Housing Finance Agency are hereby authorized to have access to all safekeeping vault boxes of the Agency for the purposes of safekeeping and retrieving any and all books, papers and documents of the Agency:

Director of Finance: [signature]
(Signature)

Controller: Timothy M. [illegible]
(Signature)

Lender Accounting Coordinator: Susan B. Joachim
(Signature)

Portfolio Accountant: Martha Fleming
(Signature)

Investment/Portfolio Assistant: Lisa Meuy
(Signature)

The names of all personnel of the Agency listed herein are included only for purposes of identification. The power to appoint persons to these or other positions within the Agency belongs to the Executive Director.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on August 6, 1997.

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

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BOARD CONFERENCE CALL MINUTES
Vermont Housing Finance Agency
164 Saint Paul Street
Burlington, Vermont
Friday, August 22, 1997

PRESENT VIA SPEAKERPHONE: Chairman White; Commissioners Douglas, Canney, Candon

Agency Staff: Mr. Hunt, Mr. Schoenbeck, Mr. Jarrett, Mrs. Blatt

The meeting was called to order at 11:03 a.m. by Chairman White. Participants were identified by roll call, conducted by AT&T.

Mr. Jarrett began by discussing his memo "Black River Overlook-- Federally Taxable Bond," of August 19, which was mailed to each member prior to the conference call. Last year the Agency agreed to finance a construction loan and a long-term loan for the Black River Overlook development in Ludlow. Construction is complete and staff have obtained an agreement from the Vermont Municipal Employees' Retirement System to purchase a federally taxable bond of the Agency to finance the term loan. Ninety percent of the term loan will be guaranteed by Rural Development through their demonstration program. The Agency is waiting for a guarantee from Rural Development, so no closing has taken place at this time. After a brief discussion, a motion was made by Mr. Candon to approve the "Resolution of Vermont Housing Finance Agency Authorizing the Issuance of its Black River Overlook Housing Project Bonds" as attached to these minutes, and was approved unanimously after being seconded by Ms. Canney.

After discussing the history surrounding the issue of accrued vacation time for the Executive Director and three other employees at the agency and answering questions from the Board in regard thereto, Mr. Hunt left the meeting.

The Board then discussed Mr. Hunt's request to use his accrued vacation time this year. Three other agency employees apparently were in a situation similar to Mr. Hunt, in that they also were unable to take their accrued vacations during the year the "use it or lose it" policy was being implemented. In Mr. Hunt's case, and presumably for the other employees as well, it would have presented a hardship to the agency for all the accrued vacation to be taken at that time.

In light of the fact that the issue involving these employees has been unresolved for some time and that these employees, including the Executive Director, still have accrued vacation time beyond the 15 day "carryover" allowed by current policy, the Commissioners present felt it was in

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the agency's interest to clarify this situation once and for all. Accordingly, it was moved by Mr. Douglas, seconded by Ms. Canney and unanimously voted to allow the affected employees to use their accrued vacation time by taking time off between now and the end of this fiscal year, June 30, 1998, in the discretion of the Executive Director and, in the case of the Executive Director, in the discretion of the Chairman. After June 30, 1998, employees, including the Executive Director, will only be able to carry over a maximum of 15 days per year.

The Chairman was asked to communicate the foregoing to the Executive Director following the meeting. The meeting was adjourned at 11:45 a.m.

Respectfully submitted,

Allan S. Hunt, Secretary

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joseph A. Erdelyi, Multifamily Development Underwriter JE

DATE: September 25, 1997

RE: Essex Town Center - Financing Update and Request for Bridge Loan

Executive Summary

The Essex Town Center development, a mixed commercial/residential, new construction development has received a Letter of Commitment from VHFA for permanent financing on the residential portion of the development for approximately $2.2 million. The first floor of the structure will be commercial space and will be separated from the other floors by a declaration of condominium. VHFA was recently approached by the developer, Homestead Design Inc. (HDI) with the request for permanent financing on the commercial space as well a construction financing on the whole development. In addition, the developer was seeking a way to lock the interest rates on the permanent loans at the time of construction closing. At its August meeting, the Board suggested to staff that it would consider a proposal, but that it wanted participation by another lender to ameliorate the risk.

Financing Update

HDI has made substantial progress in bringing the Essex Town Center project to readiness to begin construction. The appraisal has been commissioned and is underway, and a Level I Environmental Site Assessment has been completed and reviewed by staff with no significant concerns. Local approvals have been received and final Act 250 approval is very near.

In the last Board summary on this development, staff recommended the source of funds for the loan as either a taxable bond or a non-member advance from the Federal Home Loan Bank of Boston (FHLBB). HDI looked into privately placing a taxable bond with some of the prospective equity investors and has decided to focus on using the FHLBB advance. As with The Pines development, staff could lock the interest rate on the permanent loan by drawing the full advance down at construction closing and build into the capital budget the cost of carrying these funds until the permanent closing. However, HDI also needed to secure construction financing and permanent financing on the commercial portion. After considerable study of the VHFA Rules on Grants, Loans, and Advances (which govern mixed-use developments), counsel has concluded that VHFA does not have the authority in this case (i.e., new construction) to make a permanent loan on the commercial portion of the development.

At staff's suggestion, HDI approached Howard Bank and working with the Howard, staff asked FHLBB about the possibility of having the Howard, a member bank, receive the advance and fund the construction,

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and then assign the advance to VHFA at the time of permanent closing, thus locking the rate early and having two lenders share the risks. The FHLBB was unwilling to go along with this request, but they will allow VHFA to purchase a rate lock on the residential permanent financing piece. The cost for this one year rate lock is 16 basis points on the permanent loan rate. Howard Bank is already committed to financing the construction and permanent portion of the commercial portion of the development, but Howard is seeking a guarantee from VHFA for the full amount of the construction loan on the residential portion (approximately $3.1 million). The guarantee would cover the entire construction period until permanent closing which entices Howard to make the construction loan on the residential portion. VHFA needs to commit to bridge the equity that will come into the project after the permanent closing, to meet the terms of The Howard Bank.

Bridge Loan Proposal

VHFA has already provided a permanent loan commitment of about $2.2 million, and the construction loan on the residential portion of the development is expected to total $3.1 million, so the bridge loan amount would be the difference, approximately $900,000. The tax credit equity has been committed to be paid in according to the following schedule: 10% at construction loan closing, 80% upon achieving 95% occupancy of the market rate units, and 10% after the first year's tax return for the partnership has been filed. Due to this schedule, the take out of the construction loan and the permanent loan closing are likely to occur prior to the majority of the equity funds being received. The sponsor projects that full rent-up of the market rate units should occur approximately three months after completion of construction.

The Howard commitment essentially requires that VHFA take all of the construction risk on the residential portion of the project. In the past, when VHFA has made construction loans it has charged a higher fee than when only a permanent loan has been made (one and one-half points versus one point). In addition, VHFA always requires meaningful personal guarantees from the developer to secure its construction loans. Staff recommend that these guarantees be provided to secure this bridge loan and the higher fees charged.

Staff are also unsure of the reliability of the developer's estimate of the unit rent up schedule, and a concern is that a slower rent-up could delay the second equity contribution. Staff would recommend that HDI explore the possibility of re-negotiating the equity pay-in schedule with the purpose of reducing the length of VHFA's bridge loan exposure.

RECOMMENDATION

Staff recommends Board approval of the attached Resolution to provide a Letter of Commitment to provide bridge financing in an amount of up to $900,000, loan term of up to 6 months and interest rate equal to VHFA's cost of funds plus a spread of one and one-half points. This Commitment will have to be outstanding for approximately one year before the loan is actually made (the bridge loan will be made after construction completion). The proposed source of funds is VHFA's line of credit. The security for the loan is the real estate (to the extent the appraised value provides additional security), the equity commitment, and the developer's personal guarantees. The Letter of Commitment shall include the condition that: 1) all conditions of VHFA's permanent financing commitment be met; and 2) the developer provide VHFA with personal guarantees and an additional one-half point loan origination fee to compensate VHFA for the construction loan risk and to secure the bridge loan; and 3) the developer will endeavor to renegotiate a more favorable equity pay-in schedule.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: September 10, 1997

RE: Servicer Performance Measurement

One of the projects staff has mentioned to the Board from time-to-time is the development of an objective method of measuring the performance of servicers of VHFA mortgage loans. The goal is to be able to use this information in discussions with servicers concerning the quality of loan servicing being provided by them as compared with their peers. As an initial step, staff is recommending that we measure performance based on two criteria, (1) delinquency rate and (2) a workout to REO ratio. The criteria used in measuring performance may be expanded in the future.

☑ DELINQUENCY RATE

VHFA has set 6% as its delinquency goal for the period April 1, 1997 though March 31, 1998. Therefore, staff is suggesting each servicer be measured on their ability to reduce their delinquencies to this level. In addition, staff believes that it is worthwhile to show servicers how their delinquency rate compares with their peers. The peer groups have been categorized into three distinct ranges; (1) lenders servicing in excess of 400 loans, (2) lenders servicing between 50 and 399 loans and (3) lenders servicing 49 loans or less. Attached to this memo, as Attachment A, is a copy of a report that shows the comparison of lenders to others in their range and to the average of the lenders in their range. The quarterly report that we will send to each servicer will have the other servicers name blacked out so they can not identify specific servicers. However, they will be able to still compare themselves against others in the group and the average for the group.

☑ WORKOUT TO REO RATIO

Staff recommends we utilize the workout to REO ratio measurement tool currently employed by the Federal Home Loan Mortgage Corporation (FHLMC). In this way those lenders which are an approved FHLMC seller servicer will be familiar with the measurement tool.

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The workout to REO ratio is calculated by dividing the number of VHFA REOs the servicer has plus the number of workouts completed into the number of workouts. As an example: If a servicer completes 6 workouts and has 3 VHFA REOs, the ratio would be 67% (6 ÷ 9 = .66666).

A workout would be an action that prevents VHFA from taking title by strict foreclosure. A list of loss mitigation tools is attached to this memo as Attachment B. Staff suggests as an initial benchmark a ratio 25% (FHMLC uses a benchmark of 36%). Any servicer with a ratio of less than 25% is not performing up to the standard and visa-versa.

Attached to this memo, as Attachment C, is a sample report that will be sent to each servicer on a quarterly basis.

ANTICIPATED RESULTS

It is hoped that by having specific known measurement tools along with informing servicers of how they are performing as compared with their peers will promote a reduction of delinquencies and an increase in the use of loss mitigation tools. Staff will monitor the results and recommend actions that will encourage servicers to meet or exceed the goals. It is possible that through the use of this and other measurement tools that some of our current servicers could be asked to give up the servicing of VHFA loans they service if they continually fail to meet agreed upon goals. At this time, however, staff anticipates providing the results with comments only.

IMPLEMENTATION

At the next Vermont Bankers Association Mortgage Committee meeting, VHFA will present this initiative, outlining the goals and measurement devises, and request feedback. It is anticipated that the first report to the servicers will be as of September 30. As mentioned previously, staff anticipates that for the first couple of quarters the reports that are sent to the lenders will contain questions on any data that needs further explanation to allow them to get used to the measurement system. After that, a more in depth discussion will be held with servicers concerning the results.

BOARD ACTION REQUESTED

Approval to implement measuring servicer performance as outlined above.

ATTACHMENT A

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

Lenders	Loans	30	Days	60	Days	90+	Days	Auth	FCL	Delinq		REO	
Large Servicer 400+													
ALBANK, FSB	446	27	6.05%	7	1.57%	4	0.90%	3	0.67%	41	9.19%	4	0.90%
Banknorth Mortgage Co.	782	38	4.86%	7	0.90%	11	1.41%	3	0.38%	59	7.54%	4	0.51%
Chittenden Bank	944	60	6.36%	12	1.27%	9	0.95%	7	0.74%	88	9.32%	6	0.64%
Graystone Mortgage Company	478	33	6.90%	8	1.67%	7	1.46%	8	1.67%	56	11.72%	17	3.56%
Vermont Federal Bank	1243	55	4.42%	18	1.45%	19	1.53%	8	0.64%	100	8.05%	11	0.88%
Vermont National Bank	648	24	3.70%	2	0.31%	8	1.23%	12	1.85%	46	7.10%	6	0.93%
Totals	4541	237	5.22%	54	1.19%	58	1.28%	41	0.90%	390	8.59%	48	1.06%
Average	757	40	5.25%	9	1.12%	10	1.32%	7	1.06%	65	8.75%	8	1.30%
Medium Servicers 399-50													
Bennington Co-op S&L Assoc.	52	1	1.92%	0	0.00%	0	0.00%	0	0.00%	1	1.92%	0	0.00%
Citizens Savings Bank	111	3	2.70%	0	0.00%	1	0.90%	2	1.80%	6	5.41%	1	0.90%
Community National Bank	312	11	3.53%	5	1.60%	1	0.32%	1	0.32%	18	5.77%	0	0.00%
Lyndonville Savings Bank	57	2	3.51%	0	0.00%	0	0.00%	0	0.00%	2	3.51%	0	0.00%
Merchants Bank	293	16	5.46%	2	0.68%	2	0.68%	1	0.34%	21	7.17%	3	1.02%
Mortgage Service Ctr. of NE	89	5	5.62%	1	1.12%	0	0.00%	2	2.25%	8	8.99%	4	4.49%
National Bank of Middlebury	65	2	3.08%	2	3.08%	0	0.00%	2	3.08%	6	9.23%	0	0.00%
Northfield Savings Bank	128	6	4.69%	1	0.78%	1	0.78%	0	0.00%	8	6.25%	1	0.78%
Passumpsic Savings Bank	174	10	5.75%	1	0.57%	1	0.57%	2	1.15%	14	8.05%	4	2.30%
Peoples Trust Co.	96	4	4.17%	1	1.04%	2	2.08%	0	0.00%	7	7.29%	0	0.00%
Union Bank	170	6	3.53%	4	2.35%	1	0.59%	1	0.59%	12	7.06%	3	1.76%
Totals	1547	66	4.27%	17	1.10%	9	0.58%	11	0.71%	103	6.66%	16	1.03%
Average	141	6	4.56%	2	1.09%	1	0.84%	1	0.92%	9	7.42%	1	1.11%
Small Servicers 49-													
Brattleboro Savings & Loan	25	1	4.00%	0	0.00%	0	0.00%	0	0.00%	1	4.00%	0	0.00%
Connecticut River Bank	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Factory Point Nat. Bank	35	2	5.71%	0	0.00%	0	0.00%	0	0.00%	2	5.71%	0	0.00%
First Brandon Nat. Bank	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
First Nationwide Mortgage	10	1	10.00%	0	0.00%	0	0.00%	0	0.00%	1	10.00%	0	0.00%
Fleet Mortgage	47	5	10.64%	1	2.13%	2	4.26%	1	2.13%	9	19.15%	1	2.13%
GMAC Mortgage	4	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Granite Bank (NH)	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Heritage Family Credit Union	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
New England Federal CU	44	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Randolph National Bank	40	1	2.50%	0	0.00%	0	0.00%	0	0.00%	1	2.50%	0	0.00%
Vermont Development CU	49	5	10.20%	0	0.00%	1	2.04%	1	2.04%	7	14.29%	0	0.00%
Vermont State Employees CU	5	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Wells River Savings Bank	30	0	0.00%	2	6.67%	0	0.00%	0	0.00%	2	6.67%	1	3.33%
Totals	292	15	5.14%	3	1.03%	3	1.03%	2	0.68%	23	7.88%	2	0.68%
Average	21	1	3.55%	0	0.82%	0	0.51%	0	0.57%	2	5.45%	0	0.70%

ATTACHMENT B

LOSS MITIGATION TOOLS

1. FORBEARANCE

A. Short term - a written agreement with the borrower reducing or suspending monthly payments for a period not to exceed three months from the date of the agreement. The mortgage must be fully reinstated as of the end of the forbearance period.

B. Long Term - a written agreement with the borrower reducing or suspending monthly payments for a period of 4 to 12 months from the date of the agreement. The mortgage must be fully reinstated as of the end of the forbearance period.

Counted as complete when the forbearance document is signed and the loan terms adjusted on the lenders and VHFA books.

2. REPAYMENT PLAN

An agreement, oral or written, with the borrower that gives the borrower a defined period of time, not to exceed 12 months from the date of the agreement, to reinstate the mortgage by making payments in excess of the monthly premium. A repayment demand should be used in all cases where the mortgage loan is past due 90+ days.

Counted as complete after the borrower is current or has made three consecutive payments under the plan.

3. LOAN MODIFICATION

A written agreement with the borrower that permanently changes one or more of the original terms of the mortgage note.

Counted as complete when the modification document is signed and the loan terms adjusted on the lenders and VHFA books

ATTACHMENT B

4. SHORT PAYOFF

A sale of a property for less than the total amount necessary to pay off the mortgage loan.

Counted when the property is sold and VHFA receives the appropriate sale proceeds.

5. WORKOUT MORTGAGE ASSUMPTION

Permits an eligible applicant to take title to the property and take over the mortgage obligation of a borrower who is delinquent or in default.

Counted when the assumption is complete and the lenders and VHFA records are updated.

6. CHARGE OFF

Cease collection efforts on a mortgage when the debt is uncollectible because the property has been condemned due to deterioration, a disaster or a hazardous substance and no relief or workout option is appropriate and

A. It is not economically feasible to repair the property and the land has little or no value, and/or

B. The borrowers property insurance does not cover the peril, and/or

C. There is no legal recourse against the borrower or a third party.

Counted when the loan is removed from the VHFA books.

7. DEED-IN-LIEU OF FORECLOSURE

A voluntary conveyance of marketable title in exchange for a discharge of debt. This option should be considered only where the borrowers inability to pay is permanent and involuntary, they cannot retain ownership of the property and they have been unsuccessful in selling the property at the reasonable market value.

Counted when VHFA takes title to the property and if the transfer takes place less than 60 days from the request.

SERVICER PERFORMANCE REPORT

29-Aug-97

LOAN #	MORTGAGOR	TYPE OF WORKOUT		REO DATE
[redacted]	[redacted]	REPAYMENT PLAN		1/8/97
		LOAN MODIFICATION		
		FOREBEARANCE		
		SHORT PAYOFF		
		ASSUMPTION		
		DIL		
[redacted]	[redacted]	REPAYMENT PLAN		8/9/97
		LOAN MODIFICATION		
		FOREBEARANCE		
		SHORT PAYOFF		
		ASSUMPTION		
		DIL		
[redacted]	[redacted]	REPAYMENT PLAN		6/20/97
		LOAN MODIFICATION		
		FOREBEARANCE		
		SHORT PAYOFF		
		ASSUMPTION		
		DIL		
[redacted]	[redacted]	REPAYMENT PLAN		2/27/97
		LOAN MODIFICATION		
		FOREBEARANCE		
		SHORT PAYOFF		
		ASSUMPTION		
		DIL	2/27/97	
[redacted]	[redacted]	REPAYMENT PLAN		4/11/97
		LOAN MODIFICATION		
		FOREBEARANCE		
		SHORT PAYOFF		
		ASSUMPTION		
		DIL		

TOTAL # OF WORKOUTS 1

REO'S ACQUIRED THROUGH STRICT FORECLOSURE: 4

WORKOUT RATIO: 1 / 5 = 20.00%

WORKOUT RATIO = TOTAL # OF WORKOUTS / STRICT FCL REO'S + TOTAL # OF WORKOUTS

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: September 2, 1997

RE: Single Family Program Activity Report For August, 1997

MORTGAGE PURCHASE PROGRAMS

Month	No.	Amount	Previous Year	No.	Amount
Reservations	68	$ 4,633,003		146	$10,066,630
Purchases	53	$ 3,570,687		92	$ 6,084,283

Period to Date	No.	Amount	Previous Year	No.	Amount
Reservations	697	$49,666,147		920	$61,213,789
Purchases	414	$28,485,132		492	$32,309,666

MORTGAGE PLUS

Month	No.	Amount	Previous Year	No.	Amount
Reservations	10	$ 789,044		6	$ 401,140
Issued	8	$ 620,040		11	$ 872,845

Period to Date	No.	Amount	Previous Year	No.	Amount
Reservations	85	$ 6,995,189		76	$ 5,681,794
Issued	51	$ 3,911,891		72	$ 5,601,684

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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EQUAL HOUSING OPPORTUNITY

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: September 23, 1997

RE: Servicing Activity for August, 1997

SERVICING ACTIVITY

Collections:

Last months 90+ accounts:		70
New 90 day accounts (+):	13	
To foreclosure/DIL (-):	1	
To 60 days or less (-):		
Under payment arrangement:		
Modifications (-):		
90+ accounts:		82
In Foreclosure:		
Last months foreclosure accounts:		54
New foreclosures (+):	10	
To REO (-):	5	
Successful interventions (-):	1	
Negotiating workouts:	19	
Modifications (-):		
Foreclosure accounts:		58

Real Estate Owned:

Last months REO's:		66
New REO's (+):	5	
Properties sold (-):	3	
Properties under contract:	8	
Other:		
REO's:		68

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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EQUAL HOUSING OPPORTUNITY

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

Lenders	Loans	30	Days	60	Days	90+	Days	Auth	FCL	Delinq		REO	
ALBANK, FSB	445	22	4.94%	8	1.80%	6	1.35%	2	0.45%	38	8.54%	4	0.90%
Banknorth Mortgage Co.	782	42	5.37%	7	0.90%	10	1.28%	4	0.51%	63	8.06%	5	0.64%
Bennington Co-op S&L Assoc.	52	2	3.85%	0	0.00%	0	0.00%	0	0.00%	2	3.85%	0	0.00%
Brattleboro Savings & Loan	25	0	0.00%	1	4.00%	0	0.00%	0	0.00%	1	4.00%	0	0.00%
Chittenden Bank	947	52	5.49%	13	1.37%	12	1.27%	5	0.53%	82	8.66%	7	0.74%
Citizens Savings Bank	113	2	1.77%	1	0.88%	1	0.88%	1	0.88%	5	4.42%	2	1.77%
Community National Bank	316	15	4.75%	4	1.27%	3	0.95%	0	0.00%	22	6.96%	1	0.32%
Connecticut River Bank	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Factory Point Nat. Bank	35	1	2.86%	0	0.00%	0	0.00%	0	0.00%	1	2.86%	0	0.00%
First Brandon Nat. Bank	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
First Nationwide Mortgage	10	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Fleet Mortgage	47	4	8.51%	1	2.13%	2	4.26%	1	2.13%	8	17.02%	1	2.13%
GMAC Mortgage	5	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Granite Bank (NH)	2	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Graystone Mortgage Company	474	43	9.07%	9	1.90%	12	2.53%	7	1.48%	71	14.98%	16	3.38%
Heritage Family Credit Unio	2	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Lyndonville Savings Bank	57	1	1.75%	0	0.00%	0	0.00%	0	0.00%	1	1.75%	0	0.00%
Merchants Bank	292	18	6.16%	1	0.34%	3	1.03%	1	0.34%	23	7.88%	3	1.03%
Mortgage Service Ctr. of NE	89	4	4.49%	2	2.25%	0	0.00%	2	2.25%	8	8.99%	4	4.49%
National Bank of Middlebury	65	4	6.15%	2	3.08%	0	0.00%	2	3.08%	8	12.31%	0	0.00%
New England Federal CU	45	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Northfield Savings Bank	127	5	3.94%	2	1.57%	0	0.00%	1	0.79%	8	6.30%	1	0.79%
Passumpsic Savings Bank	174	11	6.32%	0	0.00%	1	0.57%	2	1.15%	14	8.05%	4	2.30%
Peoples Trust Co.	97	4	4.12%	1	1.03%	1	1.03%	0	0.00%	6	6.19%	0	0.00%
Randolph National Bank	39	1	2.56%	1	2.56%	0	0.00%	0	0.00%	2	5.13%	0	0.00%
Union Bank	171	7	4.09%	5	2.92%	3	1.75%	1	0.58%	16	9.36%	3	1.75%
Vermont Development CU	49	4	8.16%	1	2.04%	1	2.04%	1	2.04%	7	14.29%	0	0.00%
Vermont Federal Bank	1254	55	4.39%	21	1.67%	20	1.59%	8	0.64%	104	8.29%	9	0.72%
Vermont National Bank	646	19	2.94%	6	0.93%	6	0.93%	13	2.01%	44	6.81%	7	1.08%
Vermont State Employees CU	5	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Wells River Savings Bank	31	0	0.00%	1	3.23%	1	3.23%	0	0.00%	2	6.45%	1	3.23%
Totals	6397	316	4.94%	87	1.36%	82	1.28%	51	0.80%	536	8.38%	68	1.06%
Totals Previous Month	6380	318	4.98%	74	1.16%	70	1.10%	54	0.85%	516	8.09%	66	1.03%
Totals Same Mo. Last Yr.	6121	282	4.61%	93	1.52%	68	1.11%	48	0.78%	491	8.02%	30	0.49%

VERMONT HOUSING FINANCE AGENCY

Board Property Disposition Report

Month of: August, 1997

Properties Sold

Property	Listing Price	Sale Price	Principal Balance	Interest	To Date Expenses	Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Petterson* Lyndon		$68,000	$70,097	$10,939	$ 8, 273	$15,375	($ 5,934)		($ 5,934)
Sontheimer Rochester	$69,900	$69,900	$73,815	$2,275	$19,708	$22,145	($3,753)	$2,242	($ 5,995)

Properties Sold in the VHFA/Non Profit Sale Program

Property	Listing Price	Sale Price	Principal Balance	Interest	To Date Expenses	Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Dumas Burlington BCLT		$77,900	$73,715	$ 9,789	$24,249	$16,000	($13,853)	($ 5,035)	($ 8,818)

Properties Under Contract

Property	Listing Price	Contract Price	Principal Balance	Interest	Estimated Expenses	Estimated Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Welch Springfield	$59,900	$59,900	$66,754	$ 6,759	$12,519	$13,558	($12,574)	($ 4,736)	($ 7,838)
Monniere Morristown	$79,500	$68,000	$70,762	$ 6,961	$12,972	$15,000	($ 7,695)		($ 7,695)
Bascom Eden	$39,500	$37,250	$34,517	$ 3,332	$14,489	$ 7,330	($ 7,758)	($ 8,160)	$ 402
Daly Rutland	$36,500	$35,000	$59,405	$ 9,642	$12,356	$12,500	($33,903)	($33,917)	$ 14
Boutin Alburg	$59,900	$55,000	$61,118	$ 3,495	$25,348	$13,200	($21,761)	($ 4,449)	($17,312)

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

DATE: SEPTEMBER 25, 1997

RE: FISCAL YEAR JUNE 30, 1997, AUDIT RESULTS

The basic financial statements for the fiscal year ended June 30, 1997, are attached as reviewed by our auditors, KPMG Peat Marwick. The final bound audit (with opinion letter) is not expected to be available by the Board meeting due to the absence of the audit partner who is currently out of the country. The formalized audit and related additional letters addressing internal controls and conduct of the audit will be distributed to Board members and will be sent to the State Auditor of Accounts as required, as soon as they are available. We thought that it would be useful to discuss the results of FY97, given the timing of the actual audit receipt.

Some highlights of the past year follow:

- Total assets increased from $602 million to $702 million for the year, primarily due to the issuance of two new single family bond issues and the increased loan activity undertaken with the Federal Home Loan Bank of Boston.

- On an overall basis, we are continuing a favorable pattern as the Agency's total revenues exceeded expenses for the year in the amount of $3.2 million compared to a $2.4 million surplus in FY96 and $1.5 million in FY95.

- Losses on single family properties during the fiscal year totaled approximately $1.3 million (compared to $1.5 million for FY96 and $1.9 million for FY95). The loss reserve was increased slightly from $900,000 to $1.1 million. However, real estate owned increase from $1.4 million at June 30, 1996 to $4.55 million at June 30, 1997.

- The General Fund balance increased by $190,000 due to transfers from bond programs exceeding loss from operations for the fiscal year, to $6.4 million. Liquidity remains an issue as general fund cash is tied up in loans, escrowed deposits and notes due the banks.

If you have any questions regarding the summary financials presented or the contents of this memo, feel free to contact me at your convenience.

Recommended Board Action:

Acceptance of the audit and special reports as presented.

VERMONT HOUSING FINANCE AGENCY
BALANCE SHEET
JUNE 30, 1997

		SINGLE FAMILY				MULTI-FAMILY				
	GENERAL FUND	INSURED MORTGAGE PROGRAM	MORTGAGE PURCHASE PROGRAM	HOME MTG PURCHASE PROGRAM	HOUSING PROGRAM	MORTGAGE PROGRAM	HOUSING PROGRAM	DIRECT PLACEMENT PROGRAM	HOUSING DEVELOPMENT PROGRAM	COMBINED TOTAL
ASSETS										
Cash and cash equivalents	2,772,662	1,120,414	3,226	42,194,118	113,321,499	2,411,453	2,237,640	275,720	191,123	164,527,855
Investments	4,449,290	6,691,569	30,955	16,439,242	46,225,000	6,463,671	2,303,465	0	883,384	83,486,576
Mortgage and const loans receivable	11,135,350	4,141,019	96,751	107,763,315	236,868,987	33,315,068	22,955,890	15,177,640	7,095,304	438,549,324
Accrued int rec - mtg and notes	448,048	22,656	6,855	898,479	1,591,393	170,360	154,784	185,065	35,651	3,513,291
Accrued int rec - investments	85,857	90,378	780	485,112	1,062,896	102,647	85,620	1,716	24,358	1,939,364
Deferred costs of bond issuance	0	28,698	0	499,545	1,814,880	223,925	315,165	5,592	49,491	2,937,296
Land	775,000	0	0	0	0	0	0	0	0	775,000
Building	1,000,834	0	0	0	0	0	0	0	0	1,000,834
Office furniture and fixtures	1,173,728	0	0	0	0	0	0	0	0	1,173,728
Accumulated depreciation	(970,662)	0	0	0	0	0	0	0	0	(970,662)
Other receivables and prepaid expenses	407,805	2,849	4,963	172,925	207,505	0	(6,143)	0	0	789,904
Interfund receivables (payables)	(986,548)	(12,741)	1,003,618	(353,138)	373,704	(6,031)	(161,521)	(243,854)	386,511	0
Other assets and REO	0	0	9,200	2,407,453	2,134,415	0	0	0	0	4,551,068
TOTAL ASSETS	20,291,364	12,084,842	1,156,348	170,507,051	403,600,279	42,681,093	27,884,900	15,401,879	8,665,822	702,273,578
LIABILITIES AND FUND BALANCES										
Deferred loan origination fees	458,101	0	0	0	0	0	0	0	0	458,101
Accounts payable	242,037	1,480	242	35,958	482,865	0	0	0	0	762,582
Escrowed cash deposits	3,508,167	0	0	(391)	(124,236)	0	635,932	0	78,890	4,098,362
Notes payable	8,981,722	0	0	0	0	0	0	0	0	8,981,722
Accrued interest payable	41,899	116,059	0	1,023,645	3,789,153	1,084,171	492,960	103,426	27,501	6,678,814
Bonds payable	625,610	7,540,000	0	157,730,000	391,645,000	37,595,000	23,010,000	15,141,235	8,060,000	641,346,845
Unamortized discount on bonds	0	(103,502)	0	(1,994,906)	(2,849,686)	(605,452)	(1,014,952)	(19,206)	(145,602)	(6,733,306)
TOTAL LIABILITIES	13,857,536	7,554,037	242	156,794,306	392,943,096	38,073,719	23,123,940	15,225,455	8,020,789	655,593,120
Fund balance	6,433,828	4,530,805	1,156,106	13,712,745	10,657,183	4,607,374	4,760,960	176,424	645,033	46,680,458
TOTAL LIABILITIES & FUND BAL	20,291,364	12,084,842	1,156,348	170,507,051	403,600,279	42,681,093	27,884,900	15,401,879	8,665,822	702,273,578

VERMONT HOUSING FINANCE AGENCY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1997

		SINGLE FAMILY				MULTI-FAMILY				
	GENERAL FUND	INSURED MORTGAGE PROGRAM	MORTGAGE PURCHASE PROGRAM	HOME MTG PURCHASE PROGRAM	HOUSING PROGRAM	MORTGAGE PROGRAM	HOUSING PROGRAM	DIRECT PLACEMENT PROGRAM	HOUSING DEVELOPMENT PROGRAM	COMBINED TOTAL
REVENUES:										
Interest Income:										
Mortgage and construction loans receivable	586,462	331,997	24,426	10,247,416	17,407,762	2,975,816	2,533,450	1,057,394	644,767	35,809,490
Investments	230,273	399,064	14,504	4,219,012	6,402,211	546,477	249,562	19,607	90,443	12,171,153
Fee Income:										
Multi-Family Mortgage Programs	150,670	0	0	0	0	0	73,715	0	0	224,385
Single Family Mortgage Programs	375,781	0	0	0	0	0	0	0	0	375,781
VHMGB income	329,185	0	0	0	0	0	0	0	0	329,185
Gain on sales of investments	0	(591)	0	0	0	0	0	0	0	(591)
Miscellaneous income	60,182	0	0	0	0	0	0	0	0	60,182
TOTAL REVENUES	1,732,553	730,470	38,930	14,466,428	23,809,973	3,522,293	2,856,727	1,077,001	735,210	48,969,585
EXPENSES:										
Financing costs, including interest and amortization of premium, discount and costs of issuance	532,656	498,098	0	12,503,772	20,529,185	3,031,677	1,406,182	1,020,709	643,083	40,165,362
Mortgage service and contract administration fees	12,031	22,743	504	406,195	808,869	0	0	0	0	1,250,342
Salaries and benefits	1,910,979	0	0	0	0	0	0	0	0	1,910,979
Operating expenses	866,969	0	0	0	0	0	0	0	0	866,969
Professional fees	56,806	0	0	0	0	0	0	0	0	56,806
Trustee and assignee fees	199,622	0	0	0	0	0	0	0	0	199,622
Property disposition and loan loss expenses	0	1,002	4,529	724,741	576,279	0	0	0	0	1,306,551
TOTAL EXPENSES	3,579,063	521,843	5,033	13,634,708	21,914,333	3,031,677	1,406,182	1,020,709	643,083	45,756,631
Excess (deficiency) of revenues over expenses	(1,846,510)	208,627	33,897	831,720	1,895,640	490,616	1,450,545	56,292	92,127	3,212,954
Fund balance at beginning of year	6,243,103	4,522,178	2,322,209	13,059,325	8,659,990	4,406,758	3,535,903	155,132	562,906	43,467,504
Transfers to general fund	2,037,235	(200,000)	(1,200,000)	(178,300)	101,553	(290,000)	(225,488)	(35,000)	(10,000)	(0)
Fund balance at end of period	6,433,828	4,530,805	1,156,106	13,712,745	10,657,183	4,607,374	4,760,960	176,424	645,033	46,680,458

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

DATE: SEPTEMBER 25, 1997

RE: GENERAL FUND BUDGET PERFORMANCE

Attached to this memo is the budget performance report for the fiscal year ending June 30, 1997. The report agrees to the audited financials by adjusting for $163,901 of net fee income recognized on the audited financials from prior year deferrals but not collected during the fiscal year and therefore shown as an adjustment on the budget report.

INCOME. We finished at 104% for the income categories. We invested funds for loan collateral purposes which increased our total interest income over the budgeted amount. Charges to the Vermont Home Mortgage Guarantee Board were lower than budgeted and also reflected some minor savings in some expense categories.

FUND TRANSFERS. The transfers of funds from the Programs to the General Fund have been collected as expected with the exception that the General Fund had to contribute $335,000 to the Single Family Housing and Home Mortgage Purchase Bond programs to cover loan losses.

EXPENSES. Total expenses ended at 98% of budget without the year-end write-offs of $75,000 on a prior year receivable setup for Energy Rated Homes (who during the year dissolved and merged with Vermont Energy Investment Corporation) and a $28,492 balance on the Dalton Drive property sold to Burlington Community Land Trust. The only other variances of note were the extra interest expense associated with the higher interest income line item and the telephone extra costs associated with the conversion to the direct dial system. All other expenses were close to expectations.

CAPITAL BUDGET. The approved capital budget for the fiscal year was $96,000, of which $94,642 was expended representing 98.6% of the capital budget.

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

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

Mailing Address: PO Box 408, Burlington, Vermont 05402-0408
Delivery Address: 164 Saint Paul Street, Burlington, Vermont 05401-4364
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EQUAL HOUSING OPPORTUNITY

BUDGET PERFORMANCE REPORT			
VERMONT HOUSING FINANCE AGENCY			
JUNE 30, 1997			
	APPROVED BUDGET (REV.)	**ACTUAL 6/30/1997**	**YTD PERCENT**
INCOME			
SINGLE FAMILY FEES	$ 139,000	147,497	106.1%
MULTI-FAMILY FEES	210,000	192,207	91.5%
PROJECT ADMIN FEES	73,700	79,858	108.4%
INTEREST INCOME-LOANS	585,000	586,461	100.2%
INTEREST INCOME-INVEST	135,000	230,273	170.6%
VHMGB CHARGES	375,000	329,185	87.8%
MISCELLANEOUS	50,000	60,182	120.4%
TOTAL INCOME	**$ 1,567,700**	**$ 1,625,663**	**103.7%**
FUND TRANSFERS			
SINGLE FAM HOUSING	(32,500)	(101,553)	312.5%
FLEET MASS INSURED MTG	200,000	200,000	100.0%
HOWARD MTG PURCHASE	1,250,000	1,200,000	96.0%
HOWARD HOME MTG PURCH	260,000	178,300	68.6%
HOWARD MULTI-FAMILY	280,000	290,000	103.6%
FLEET CONN MULTI-FAMILY	160,000	145,629	91.0%
HOUSING DEVELOP BDS-MF	10,000	10,000	100.0%
DIRECT PLACEMENT BONDS	35,000	35,000	100.0%
TOTAL TRANSFERS	**2,162,500**	**1,957,376**	**90.5%**
TOTAL INC & TFRS	**3,730,200**	**3,583,039**	**96.1%**
EXPENSES			
ADVERTISING & PROMOTION	129,300	113,392	87.7%
AUDIT	42,000	42,000	100.0%
ANNUAL REPORT	7,500	6,362	84.8%
COMMISSIONERS EXPENSES	5,000	2,694	53.9%
CONSULTING FEES	106,800	85,789	80.3%
DEPRECIATION	145,000	147,328	101.6%
DUES & SUBSCRIPTIONS	32,000	31,803	99.4%
INSURANCE	190,000	181,188	95.4%
INTEREST EXPENSE	460,000	532,656	115.8%
LEGAL	37,700	14,805	39.3%
LOSS ON REAL ESTATE	-	28,492	n/a
MISCELLANEOUS	5,000	5,441	108.8%
OCCUPANCY EXPENSE	79,000	62,352	78.9%
OFFICE EXPENSES	35,000	34,036	97.2%
PENSION PLAN	130,000	117,437	90.3%
POSTAGE	26,000	21,067	81.0%
REPAIRS & MAINTENANCE	40,000	35,436	88.6%
SALARIES & WAGES	1,469,466	1,481,246	100.8%
STAFF TRAVEL & TRAINING	66,000	70,852	107.4%
SUBSIDY-HOUSING VT, ERH	99,000	173,000	174.7%
TAXES-PAYROLL	111,400	108,260	97.2%
TELEPHONE	40,000	48,927	122.3%
TRUSTEE & CREDIT FEES	250,000	211,652	84.7%
TOTAL EXPENSES	**3,506,166**	**3,556,215**	**101.4%**
SURPLUS (DEFICIT)	**224,034**	**26,824**	**12.0%**
FEE DEFERRAL		163,901	
ACCTG SURPLUS		190,725	

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

To: VHFA Board of Commissioners

From: Glenn A. Jarrett, General Counsel GAJ

Date: September 24, 1997

Re: 700 Riverside Avenue (Burlington)

BACKGROUND:

Five years ago the Agency financed a development at 700 Riverside Avenue in Burlington for Scott Mansfield, a developer in the area. The development consists of two newly built buildings containing a total of eight units. The development was underwritten with a thin margin and has not produced sufficient cash flow to always meet all expenses. In the opinion of staff, it currently needs either a partial prepayment of debt, additional operating revenue or owner deficit guarantees in order to survive. Mr. Mansfield filed a Chapter 7 bankruptcy petition several months ago. The loan is current, the balance is approximately $335,000 and the property is managed by Lake Champlain Housing. 700 Riverside Avenue is the only property among the many owned by Mr. Mansfield that has a value equal to the outstanding debt.

A proposal has been submitted to the Bankruptcy Court for the sale of 700 Riverside Avenue, along with several surrounding properties not financed by VHFA, to a private investor, Lawrence Kruse. Mr. Kruse has indicated that he is not interested in paying down the mortgage, but is willing to personally guarantee any deficits. He wants to assume the existing mortgage, which has an interest rate of 8.5 percent per year with 20 years remaining on the term. The promissory note prohibits prepayment for a period of 15 years, which is ten years from this December. Mr. Kruse owns 55 units in Burlington besides the ones he is trying to acquire in this transaction. His reputation as a landlord seems to be good. We have reviewed his financial statements and income tax return. In my opinion, he is certainly capable of making up any deficits that might occur.

The Regulatory Agreement requires the prior approval of the Agency before a transfer of the Development. The Housing Subsidy Covenant applicable to the Development requires that any deed transferring the Development acknowledge the Covenant and the transferee execute a separate document acknowledging the Covenant.

REQUESTED ACTION:

Staff recommends the Board give it authority to negotiate satisfactory conditions on the Agency's approval of the transfer of the 700 Riverside Avenue Development to Lawrence Kruse.

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VERMONT HOUSING FINANCE AGENCY

November 10, 1997

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

Dear Ms. Wolters:

The Vermont Housing Finance Agency will be having its regular Board Meeting on Thursday, November 20,1:00 p.m., here at the office of the Vermont Housing Finance Agency, 164 Saint Paul Street, Burlington, Vermont.

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

Sincerely,

Kari Caragher

Kari A. Caragher
Office Assistant

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director ASH

DATE: November 14, 1997

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:00 p.m. Thursday, November 20, here at the VHFA offices, 164 Saint Paul Street, Burlington, Vermont.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Burlington at 1:00 November 20!

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VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA
Vermont Housing Finance Agency
164 Saint Paul Street
Burlington, Vermont

Thursday, November 20, 1997 at 1:00 p.m.

1. Review and approval of minutes of October 2, 1997

2. **Development**
   - A. 1306 Ethan Allen Drive/53-67 E. Spring Street (Letter of Interest/Commitment) — **[Reid // Enclosure]**
   - B. Assisted Living — **[Reid // Enclosure]**

3. **Operations**
   - A. Activity and Delinquency Reports — **[Lothrop // Enclosure]**
   - B. Quarterly Report - Loan Quality Control Report — **[Lothrop // Enclosure]**
   - C. Credit Score Proposal/Underwriting Changes — **[Lothrop // Enclosure]**
   - E. Self Servicing by State HFA's — **[Lothrop // Enclosure]**

4. **Administration**
   - A. Executive Director's Report — **[Hunt]**
   - B. Review and Update of Strategic Plan — **[McNamara // Enclosure]**
   - C. First Quarter Business Plan Results — **[McNamara // Enclosure]**

5. **Multifamily Management**
   - A. Parsons Hill Water System Status - Castleton — **[Falzone // Enclosure]**

6. **Communications**
   - A. Summary of VHFA Market Share, Home Prices, and Economic Conditions — **[Gent-Bertoni// Enclosure]**
   - B. Federal Legislation Update — **[Gent // Enclosure]**

7. **Finance**
   - A. Fiscal Year June 30, 1997, Audit Reports — **[Schoenbeck // Enclosure]**

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

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
Community National Bank
Derby, Vermont

PRESENT: Chairman White; Commissioners Candon (designee of Costle), Canney, Douglas, Hill (designee of Shouldice) and Seelig.

Agency Staff: Mr. Hunt, Erdelyi, Jarrett, Lothrop, McNamara, and Schoenbeck; Ms. Gent.

Chairman White called the meeting to order at 11:09 AM. Upon a motion duly made by Mr. Douglas and seconded by Ms. Canney, the minutes of August 6 and August 22, 1997 were unanimously approved as written.

Mr. Candon arrived at this time.

Mr. Erdelyi then outlined the content of the Board Memo with regard to **Essex Town Center**. As recommended during the August VHFA Board Meeting, Homestead Design Inc. (HDI) approached the Howard Bank to provide financing for the construction and permanent financing of the commercial portion of the project. Howard has agreed to this; however, they are also seeking a guarantee for the full amount of the construction loan on the residential portion, which is approximately $3.1 million. The guarantee would cover the construction period through permanent closing, which would entice Howard to make the construction loan on the residential portion as well. Since VHFA has already provided a permanent loan commitment of about $2.2 million, a further commitment of $900,000 to bridge the equity that is scheduled to come in at permanent closing is required to meet the terms of The Howard Bank.

Several questions were raised by the Board. Chairman White asked why VHFA could not make the construction loan. Mr. Jarrett answered that it is not permitted by the rules for new construction financing of mixed use developments. Ms. Canney asked about inspection during construction; Mr. Hunt replied that this would need to be part of the final negotiations. Mr. Seelig asked why we are using the Federal Home Loan Bank (FHLB) for a rate lock on the residential permanent financing piece instead of doing a taxable bond, citing the FHLB as a limited resource. Mr. Schoenbeck outlined some of the problems with a taxable bond (rate, finding a buyer, legal costs, etc.) and indicated that this transaction would use 25% of $800,000 in excess collateral, leaving $600,000 for other potential projects.

General discussion ensued with regard to marketing and the overall level of risk VHFA would be assuming. Mr. Hunt indicated that HDI's ads have generated 140 responses from applicants willing to pay market rents ($610-$760) and that the outlook for "high end" rentals is very strong and should get stronger in this location given its proximity to

IBM and Husky. Mr. Candon asked for clarification of the risk VHFA would be taking in providing the guarantee. Mr. Erdelyi indicated that HDI would provide Howard with a corporate guarantee and that the principals would provide personal guarantees as well. Since these guarantees would have collateral assignment to VHFA, VHFA has recourse should problems arise. Chairman White asked if the HDI/personal guarantees have meaningful financial backing. Mr. Hunt replied that this was still being investigated but he suspects they are satisfactory. Mr. Erdelyi pointed out that HDI has a good reputation as a builder, the site is good and that HDI owns the land, which goes into the deal as equity. Mr. Jarrett indicated that there will be a Performance and Payment Bond or Letter of Credit required by Howard in any case.

A **motion** was made by Mr. Seelig to approve the **"Resolution Pertaining To Essex Town Center"** with specific amendments regarding collateral assignment of all security taken by The Howard Bank and the coordination of construction inspections and administration of the construction loan. Second by Mr. Candon, the vote was unanimous.

Mr. Lothrop then went over the **Single Family Program Activity Report for August, 1997**. While reservations are down, they are down against our two biggest years; when compared to '93/'94 we are on track. Mr. Hunt also pointed out that we have had no ads running for the past four months; the new ad campaign began in September and should begin to bump up the numbers. General discussion centered on market conditions. Chairman White pointed out that even though rates are low and prices have come down, people still feel uncertain about their personal employment situations. There was general agreement that the big season many expected turned into an extremely slow one.

Mr. Lothrop then outlined delinquencies, which are ratcheting-up again. With bankruptcies up and as we head into fall and the holiday season, this does not bode well for the coming months. We now have 10 REOs under contract; although prices will be less than market, selling these now is better than carrying them through the winter. A general discussion ensued concerning the condition of properties we are taking back. Many are in very tough shape. Mr. Hunt said that VHFA needs to develop a strategy to induce contractors to rehab these properties. Education seems to be another key: people often do not understand the responsibilities involved in homeownership. Chairman White asked if we "have pushed the envelope too far" by providing multiple resources to assist first time buyers. Mr. Hunt and Mr. Lothrop answered with an outline of what Credit Scoring is slated to achieve: a profile of the whole borrower which would provide thresholds when a potential buyer needs more training, etc. This will give us a better tool to balance the risks and prevent problems we now see with the "layering effect." Mr. Lothrop went on to indicate that the major problem in this area is life crisis, primarily when a borrower goes through a divorce or suffers a loss of employment.

Mr. Lothrop then reviewed the **Servicer Performance Measurement** memo. Staff has developed this as an objective method of measuring the performance of servicers of VHFA mortgage loans. Measurement of *Delinquency Rate* and *Workout to REO Ratio* are the two primary criteria; in addition, banks have been broken out by size of portfolio so they can see how they measure up against their peers. After general discussion of particular banks, there was consensus that we should proceed in this direction. Mr. Lothrop indicated that we would be running this by VBA before we proceed with implementation. A **motion** was made by Mr. Douglas to implement the **Servicer Performance Measurement** proposal. Seconded by Ms. Canney, the vote was unanimous.

The meeting recessed at 12:15 PM for lunch, during which Ed Stretch of Gilman Housing Trust gave an informative presentation of his organization and its activities in the Northeast Kingdom, including sponsorship of a Homeownership Center.

The meeting was called back to order at 1:15 PM

Mr. Hunt then gave the **Executive Director's Report**, beginning with an update on the *Parsons Hill water problems* in Castleton. The Agency of Natural Resources (ANR) continue to negotiate with the owners to get permission to replace the water tank, with no success to date. The residents are now using water from a water buffalo provided by the National Guard. Litigation is now pending against the owner in a suit brought by the tenants. There was general agreement that the State needs to set a protocol where the lender and residents are also informed in the event of a "no drink" advisory. ANR and the Health Department are continuing discussions along these lines. The *Northgate Community Center Expansion* agreement is getting closer; this has been a good forum to discuss Northgate's financial planning for dealing with debt in the out years.

A *mediation process for Winchester Apartments* will begin in late October or early November in an attempt to resolve the dispute around repairs and thereby avoiding litigation. Given the Forebearance Agreement, all funds realized in litigation would flow back to VHFA; it is prudent to try to resolve this without the additional cost litigation would entail. Mr. Hunt asked the Board for a Resolution to empower him to negotiate a settlement in consultation with Chairman White. On a **motion** by Mr. Candon, seconded by Mr. Seelig, the vote was unanimous.

Mr. Hunt continued, giving brief updates on the transfer of housing developments from NCIC to Gilman Housing Trust, Housing Vermont and a NH entity and the impending reorganization of HUD. He concluded with an update of Act 60; a completed Op-Ed piece on the generally positive impact the Act will have on affordable housing. Mr. Seelig pointed out that we need to assess the impact on multifamily housing in the "Gold Towns."

Mr. McNamara then gave a brief report that the Applegate closing took place on September 26th without a hitch and was structured in such a way that VHFA is not in the chain of title.

The **Multifamily Director's Report** was then reviewed. The major area of concern is the growing number of prepayment requests. These are being driven by low interest rates and the ability for owners to access built-up cash and remove projects from VHFA control.

Mr. Schoenbeck then outlined the **results of the FY '97 Audit**. Due in large part to recent bond issues, total assets are listed at approximately $700 million with a surplus for the year of $3.2 million. The major concern is the rise in REOs from $1.4 million (20 properties) to $4.5 million (70 properties). Mr. Lothrop pointed out that the auction held in 1995 artificially lowered the FY '96 number to the $1.4 million. Mr. Schoenbeck indicated that we are now carrying a $1.1 million loan loss reserve as was recommended in the last audit. Chairman White asked if this is enough, i.e. wouldn't 1% be about $4.4 million? Mr. Schoenbeck replied that moving it up that high would jeopardize bond ratings and that HFAs are not required to conform to the same loan loss reserve requirements as regulated lending institutions. Mr. Candon asked if there is an upset limit on the number of REOs we carry before we go to auction. Mr. Lothrop replied that there is no set number, but if we are only to realize 60% of market value at auction, this must be balanced against carrying costs and Guarantee Board impacts. The audit will be distributed to the Board upon receipt of the complete version.

Mr. Schoenbeck also briefly reviewed the **June 1997 General Fund Budget Performance** memo. Everything ended on target; noted that transfers to the General Fund from bond programs which were reduced by $335,000 contribution to cover loan losses and the write-off of $28,492 balance on the Dalton Drive property which was sold to BCLT and a $75,000 write off of the loan to Energy Rated Homes.

Mr. Jarrett introduced the Board memo on **700 Riverside Avenue**, where Lawrence Kruse wants to assume the existing mortgage as part of a Bankruptcy Court proceeding with Scott Mansfield. After brief discussion, on a **motion** by Mr. Douglas, seconded by Mr. Candon, staff was authorized to negotiate satisfactory conditions on VHFA's approval of the transfer of 700 Riverside Avenue to Mr. Kruse. The vote was unanimous.

Under "Other Business" Mr. Schoenbeck and Mr. Jarrett outlined upcoming RFPs for a Credit Facility and Bond Counsel. Mr. Douglas recommended using a 2 year format with two consecutive 1 year renewal clauses. Ms. Canney pointed out new opportunities for VHFA to expand educational resources to Realtors®. Mr. Hunt will review the Board Meeting schedule for 1998 with an eye toward minimizing the need to reschedule meetings.

There being no further business, following a motion made and seconded, the meeting was adjourned at 2:45 PM.

Respectfully submitted,

Allan S. Hunt, Secretary

RESOLUTION PERTAINING TO ESSEX TOWN CENTER

WHEREAS, a proposal has previously been presented to the Agency by Homestead Design, Inc., a developer located in Williston (the "Sponsor") on behalf of a to-be-formed limited partnership, one of whose general partners would be Homestead Design, Inc., involving the permanent financing of a mixed-use development in Essex containing 44 units in one building located on 15 acres in Essex (the "Development"); and

WHEREAS, the Agency has issued a commitment letter for permanent financing for the residential portion of the Development in an amount not to exceed $2,217,000; and

WHEREAS, the Sponsor has received a reservation of Low Income Housing Tax Credits and has received a decision of the Essex Town Selectboard granting it a tax stabilization agreement for ten years; and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi dated September 25, 1997 containing information and recommendations about the financing of the Development (the "Memorandum"); and

WHEREAS, the Sponsor has received a commitment from the Howard Bank to finance the construction of the Development and a permanent loan for the commercial portion of the Development and the Agency will be able to purchase a rate lock from the Federal Home Loan Bank of Boston for the permanent loan for the residential portion of the Development; and

WHEREAS, the Howard Bank is requesting that the Agency guarantee the full amount of the construction loan on the residential portion of the Development; and

WHEREAS, due to the timing of the equity pay-in for the Development, there will be a shortfall of approximately $900,000 from the time of the closing of the Agency's permanent loan until 95% of the market rate units are leased and occupied and the second installment of equity is paid and the Sponsor is seeking a bridge loan from the Agency for that period of time;

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a Letter of Commitment to provide a bridge loan of not more than $900,000, with a term of six months and an interest rate at the Agency's cost of funds plus one and one half points. The Letter of Commitment shall be conditioned on the sponsor providing the following in form and substance satisfactory to the Agency:

a) evidence that all conditions of the Agency's permanent financing commitment have been met;

b) meaningful personal guarantees by its principals; and

c) a pledge of the equity commitment.

2. The commitment of the Agency shall be subject to receipt, on or before the date of the closing, as set out in the Commitment Letter, of commitment fees in an amount equal to one and one half percent (1.5%) of the total of the maximum principal amount of (a) the permanent loan and (b) the bridge loan.

3. The Agency shall urge the Sponsor the attempt to negotiate a more favorable pay-in schedule for the equity.

4. The Agency is authorized to issue a guarantee to the Howard Bank for the amount of the portion of the Howard Bank's construction loan that is attributable to the residential portion of the Development, with the terms of the guarantee to be satisfactory to the staff of the Agency. In addition, the Agency shall obtain a pledge or collateral assignment of the all security taken by the Howard Bank and shall enter into an agreement with the Howard Bank regarding the coordination of construction inspections and and administration of the construction loan.

5. The Executive Director, the Deputy Director and the Director of Finance, or any of them, are authorized to take all necessary steps and execute all documents required to effectuate the permanent and bridge loans.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Derby, Vermont, on October 2, 1997.

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

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Development Officer CR

DATE: November 14, 1997

RE: Lake Champlain Housing Development Corporation, 1306 Ethan Allen Drive, Colchester & 53-67 East Spring Street, Winooski: Combined Letter of Interest and Commitment for Permanent Financing

<u>Executive Summary</u>

At the August, 1997 meeting, the Board approved an $85,000 (now shown as $65,938) permanent loan for 1306 Ethan Allen Drive in Colchester, currently owned by Lake Champlain Housing Development Corporation (LCHDC). One of the conditions of the loan was that all requisite financing be committed, including Housing Credit from outside of the State Housing Credit ceiling. Since that time, it has been determined that the project is not eligible for "out-of-cap" Housing Credit due to the fact that the existing tax exempt bond (on 1306 Ethan Allen Drive) was issued prior to the State's volume limitation cap on tax exempt private activity bonds. In addition, original rehabilitation cost estimates proved low, and Labor & Industry is now requiring that 1306 Ethan Allen Drive have a sprinkler system installed; thus the rehabilitation budget has increased by approximately $170,000.

LCHDC and Housing Vermont have now proposed utilizing new privately placed tax exempt financing issued by VHFA in the amount of $740,000 so that the project can benefit from out-of-cap Housing Credit. The financing gap without Housing Credit would jeopardize the project's viability. The Merchants Bank has committed to buying the bond and providing the equity investment. The proposed project now consists of the refinancing and rehabilitation of 1306 Ethan Allen Drive in Colchester, a 32 unit family rental property, and 53-67 East Spring Street in Winooski, a three-building, 10 unit family rental property. The combined properties applied for Housing Credits as one project, but only 1306 Ethan Allen Drive in Colchester, which is currently in our portfolio, was presented to the Board in August. The East Spring Street property, like 1306, suffers from high debt and insufficient original rehabilitation work. VHFA's total debt amount in this scenario ($805,938) will be higher than the current outstanding balance of our debt ($718,000), but it will be secured by three additional buildings in Winooski (10 additional units) and both the physical condition and affordability of the development will be improved.

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

The Development

Projected Funding Sources

VHFA First Mortgage (proposed tax exempt bond)	$740,000	25%
VHFA Shared First Mortgage (committed 8/97)	$65,938	2%
Winooski Mortgage - Spring	$30,656	1%
VHCB	$394,500	13%
HOME	$306,732	11%
Rental Rehab Deferred Loan	$215,000	7%
Lead & Preservation Grant	$24,000	1%
Colchester Grant	$56,615	2%
Handicap Access Grant	$10,000	1%
Historic Credit Equity	$185,384	6%
Housing Credit Equity	$904,616	31%
Totals	$2,933,441	100%

The assessed value of 1306 Ethan Allen Drive is $705,800; the assessed value of the Winooski properties is $402,500. The VHFA combined loan to cost ratio is approximately 27%. Appraisals have been ordered on both properties and will be available later this month.

Unit Breakdown And Rents

The project consists of 18 one-bedroom units (including one manager's unit), 18 two-bedroom units, and six three-bedroom units, for a total of 42 units. Sixteen units will be affordable to households at 50% of area median income; sixteen units will be affordable to households at 60% of area median income, and ten units will be market units, all of which are currently affordable to households at 60% of area median income and below. Two units will be made handicapped accessible. Six units have Shelter + Care subsidies, which serve homeless individuals with mental illness. The project restructuring will allow the rents to be lowered from their current levels by an average of $37 per unit per month to the new rents below.

A breakdown of unit sizes and rents follows:

Size	#	Rents	Affordable to
1 BR	5	$370	50% median
2 BR	8	$430	50% median
3 BR	2	$514	50% median
1 BR	6	$400	60% median
1 BR	1	$427	60% median
2 BR	2	$479	60% median
2 BR	4	$510	60% median
3 BR	3	$550	60% median
1 BR	5	$440	market - actual is 56% median

2 BR	4	$550	market - actual is 60% median
3 BR	1	$620	market - actual is 57% median

The current monthly rent on the one-bedroom manager's unit is discounted to $200 to compensate for work performed. All tenants will pay for their own utilities. Fuel is natural gas.

Sponsor, Management and Market

The project is being developed by LCHDC and Housing Vermont. LCHDC is a private, nonprofit development corporation whose mission is to provide permanently affordable housing in Chittenden and Franklin Counties. LCHDC has owned 1306 Ethan Allen Drive since 1986, and 53-67 East Spring Street since 1991. Both are managed by Lake Champlain Ventures, LCHDC's management subsidiary. LCHDC has maintained the properties as mixed-income rental property. Turnover has been low at 1306; one third of the residents have lived at the property for more than five years. For the past two years the vacancy rate at 1306 has averaged 4% (LCHDC believes this to be due in part to holding units open for Shelter + Care residents when those units turn over). The East Spring Street properties had a vacancy rate of less than 4% in 1996. A corporate subsidiary of Housing Vermont will be part of the to-be-formed limited partnership.

Site And Environmental Concerns

1306 Ethan Allen Drive is a three story historic brick structure in Fort Ethan Allen in Colchester. 53-67 East Spring Street consists of three buildings totaling ten units in Winooski. The rehabilitation plan at 1306 Ethan Allen Drive involves roofing repairs, unit finishes, window repairs, handicap accessibility modifications, kitchen cabinet replacement, exterior paving, selective bathroom upgrades, re-pointing, selective flooring replacement, energy improvements (air sealing and weatherizing), selective door replacement, selective appliance replacement, installation of fire separation, electrical re-wiring, and installation of a sprinkler system. The rehabilitation plan at 53-67 Spring Street includes lead abatement, some kitchen and bath upgrades, roof repairs, selective window replacement, new heating systems for 3 units, electrical repairs, selective flooring replacement, exterior paving and various finishes.

We have received Environmental Site Assessments for both properties and are in the process of reviewing them.

Discussion

The sponsor has requested tax exempt financing, in order to utilize out-of-cap Housing Credit. The time frame is very tight; if the loan is approved by the Board, a TEFRA hearing will need to take place, the Governor's approval secured, and additional Board authorization will be needed in order to approve issuance of the bond. A closing in mid-December, the soonest it could feasibly happen, would allow the sponsor to meet their Housing Credit requirements.

Strengths

a) The sponsor has obtained all other proposed funding for the project except for final approval of the Colchester acquisition grant (to be decided 11/18/97), and the project will bring in equity from an underutilized resource.

b) The sponsor, its management company, and Housing Vermont all have considerable experience.

Weaknesses

a) The sponsor lost time because the project needed to be re-worked due to the problems associated with it previously; time is of the essence now in order for the sponsor to close on the loan in time to meet the Housing Credit requirements.

Recommended Board Action

Staff recommends Board approval of the attached Resolution to provide a Letter of Commitment to provide permanent financing in the amount of $740,000, with a loan term of 20 years and amortization period of 30 years, with an interest rate to be determined by the Finance Director. Staff further recommends that the Board authorize the Executive Director to issue a Commitment Letter upon satisfaction of certain conditions. The proposed source of funds is a tax exempt bond. The Letter of Commitment shall include the following conditions:

1. Sponsor must demonstrate that requisite financing has been committed by November 20, 1997. "Requisite financing" means the amount and terms of each of the sources of funding represented on the multifamily loan application or their equivalent;

2. Sponsor must provide appraisals satisfactory to VHFA staff;

3. Sponsor must provide Level I Environmental Site Assessments for both properties, satisfactory to VHFA staff.

4. Sponsor must provide final plans and specifications for VHFA approval;

5. Sponsor must provide evidence of competitive bidding.

RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST AND COMMITMENT LETTER RE: 1306 ETHAN ALLEN DRIVE

WHEREAS, a proposal has been presented to the Agency by Lake Champlain Housing Development Corp., a non-profit development corporation, (the "Sponsor") on behalf of a to-be-formed limited partnership, involving the acquisition and rehabilitation of a 32 unit family rental property located at 1306 Ethan Allen Drive in Colchester and a 10 unit family rental property located at 53-67 East Spring Street in Winooski (the "Development"); and

WHEREAS, the Agency previously approved, on August 6, 1997, a resolution authorizing the assumption of an existing mortgage loan and a new $85,000 mortgage loan for 1306 Ethan Allen Drive, but due to issues surrounding the Housing Credits with the former proposal, the Sponsor has returned with a revised proposal including both properties; and

WHEREAS, the proposal contemplates a refinancing of the existing VHFA loans with an approximate current combined balance of $740,000 and a new loan of up to $85,000; and

WHEREAS, the Sponsor is intending to use Housing Credits that were allocated to the Development and additional Credits from the proposed issuance of new, privately-placed tax exempt financing; and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated November 14, 1997 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

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

2. The acquisition and rehabilitation costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.

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

4. The housing sponsor undertaking the Development will increase the supply of well-planned, well-designed term housing for persons and families of low and moderate income.

5. The security value of the Development will equal at least the amount of the Agency's loan.

6. The Sponsor is a financially responsible organization and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a revised Letter of Interest declaring Vermont Housing Finance Agency's interest in making a mortgage loan to a to-be-formed limited partnership, including Lake Champlain Housing Ventures as a general partner, for the acquisition and rehabilitation of the 1306 Ethan Allen Drive housing development in Colchester and the 53-67 East Spring Street development in Winooski. The term of the loan will be approximately 20 years, but the loan will be amortized over a period of up to 30 years, with an interest rate to be determined by staff of the Agency. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance or for other purposes with the consent of the Agency.

2. The Letter of Interest shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:

   a. Sponsor must demonstrate that requisite financing has been committed by November 20, 1997. "Requisite financing" means the amount and terms of each of the sources of funding represented on the multifamily loan application or their equivalent;

   b. Sponsor must provide appraisals satisfactory to Agency staff;

   c. Sponsor must provide Level I Environmental Site Assessments for both properties that are satisfactory to Agency staff;

   d. Sponsor must provide final plans and specifications for Agency approval; and

   e. Sponsor must provide evidence of competitive bidding.

3. The Executive Director may, in his discretion, issue a Commitment Letter for two loans for the acquisition, rehabilitation and long-term financing of the Development, in a combined amount not to exceed $825,000.

4. The term loan shall be amortized over a period of up to 30 years, but all principal and accrued interest shall be due approximately 20 years from the date of the term loan. The interest rate shall be determined by Agency staff. The source of funds shall be proceeds of a privately-placed tax-exempt bond. The Commitment Letter may be issued to Lake Champlain Housing Ventures, as a representative of the to-be-formed limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

5. The Executive Director, Deputy Director and Director of Finance are hereby authorized to take all necessary steps and execute any and all documents required to effectuate this loan.

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1306 Ethan Allen Drive, Colchester/East Spring Street, Winooski				RUN DATE:	14-Nov-97
Total Residential Units:	42	Increase LIHTC			1.50%
Restricted Units:	32	Increase Market			1.50%
Percent Restricted:	76.19%	Expense increase:			3.00%
Avg Net Monthly Rent:	436	Vacancy Rate:			5.00%
Total Dev Costs	2,926,156	Partner's Tax Rate:			34.00%
TDC/Unit	69,670	Depreciation Schedule:			27.5
Monthly Operating Cost	282	Sponsor's Estimated Yield:			84.68%
Max Credit Amount	103,292	Pool Credit			77,672
Credit Amount Requested	103,292	Out of Cap Credit			34,930
Net Syndication	871,659				
LIHTC - 9%	8.64%		June '97		
LIHTC - 4%	3.70%				

FINANCING SOURCES

	Amount	% of TDC	Interest	Amortization	Term
New TE Bond	740,000	25.29%	8.00%	30	20
VHFA New	65,938	2.25%	7.22%	30	20
Spring - Debt 2	30,656	1.05%	3.00%	20	20
Colchester Acq. Grant	56,615	1.93%	0.00%	N/A	N/A
HOME defer loan	306,732	10.48%	6.54%	30	30
VHCB Loans	394,500	13.48%	0.00%	30	30
LCHDC Deferred Loan	215,000	7.35%	0.00%	20	20
Lead & Preserv Grant	24,000	0.82%	0.00%	N/A	N/A
Access Loan	10,000	0.34%	0.00%	20	20
Historic Credit Equity	211,056	7.21%			
Tax Credit Equity	871,659	29.79%			
TOTAL	2,926,156	100.00%			
Gap	0				

Max cost allowed by unit cost limits

Projected total cost, excluding cash accounts & relocation expenses

1 BR	78,380		18	1,410,840
2 BR	83,380		18	1,500,840
3 BR	88,380		6	530,280
				3,441,960
				2,880,656
		(over)/under		561,304
		Per Unit Average Cost		68,587

1306 Ethan Allen Drive, Colchester/East Sprin		DEVELOPMENT BUDGET					14-Nov-97
			Total Budget	Per Unit	Per s.f.	Acquisition Credit	Rehab/Const Credit
ACQUISITION & CONSTRUCTION							
Land			235,835	5,752	7.98		
Building			1,229,576	29,990	41.61	1,229,576	
Construction Contract			901,649	21,991	30.51		901,649
Accessibility Ramp			0	0	0.00		0
Lead/Asbestos Abatement			41,000	1,000	1.39		41,000
Construction Estimating/Inspecting			0	0	0.00		0
Relocation			38,000	927	1.29		38,000
Appliances			6,000	146	0.20		6,000
Construction Contingency		10.14%	91,464	2,231	3.10		91,464
Clerk of the Works & Specs			17,500	427	0.59		17,500
Subtotal			2,561,024	62,464	86.67	1,229,576	1,095,613
PROFESSIONAL SERVICES							
Architect & Engineering			45,000	1,098	1.52		45,000
Legal & Accounting			15,000	366	0.51		11,250
Title Ins & Recording			7,500	183	0.25		0
Subtotal			67,500	1,646	2.28	0	56,250
INTERIM COSTS							
Construction Insurance & Taxes			7,563	184	0.26		5,672
Construction Interest			34,125	832	1.15		25,594
Subtotal			41,688	1,017	1.41	0	31,266
OTHER SOFT COSTS							
Property Appraisal			4,500	110	0.15	4,500	0
Energy Audit			2,100	51	0.07		
Permits & Fees			7,250	177	0.25		7,250
Environmental Assessment			1,000	24	0.03		1,000
Marketing			4,000	98	0.14		
Tax Credit Fees			4,503	110	0.15		4,503
Soft Cost Contingency			5,591	136	0.19		4,193
Subtotal			28,944	706	0.98	4,500	16,946
FINANCING FEES & EXPENSES							
Loan Fees			19,500	476	0.66		6,435
Subtotal			19,500	476	0.66	0	6,435
SYNDICATION COSTS							
Organizational (Partnership)				0	0.00		
Subtotal			0	0	0.00	0	0
DEVELOPER'S FEES							
Housing Vermont Fee			100,000	2,439	3.38		100,000
LCHDC Fee			100,000	2,439	3.38		100,000
Subtotal		7.36%	200,000	4,878	6.77	0	200,000
PROJECT RESERVES							
Working Capital			7,500	183	0.25		
Subtotal			7,500	183	0.25	0	0
TOTAL DEVELOPMENT COSTS			2,926,156	71,370	99.02	1,234,076	1,406,510
	LESS:	Amount of Non-qualified Financing		Less Grants			24,000
	LESS:	Historic tax Credit (Residential Portion		Less Historic Tax Credit			211,056
				Total Eligible Basis		1,234,076	1,171,454
	TIMES:	Adjusted for QCT/DDA			100.0%		1,171,454
	TIMES:	Applicable Fraction			76.19%	940,248	892,537
				Total Qualified Basis		940,248	892,537
	TIMES:	Applicable Percentage				3.70%	8.64%
			Total Annual Credit Qualified			34,789	77,115
Total Tax Credits Requested			103,973			By Bldg Basis x Fraction:	
Total Tax Credits Allocated			69,044			Acq Credit=	34,930
Estimated Net Syndication Proceeds			871,659			Rehab Credit	77,672
Estimated Yield - LIHTC Syndication			0.847			Total Credit	112,601
Equity Gap			871,659			By Bldg, Equity Gap Calc:	
Credits Needed to fill Equity Gap			103,973			109,702	
				Request Breakdown:			
					1306	Spring	Total
				Acq =	48,775	20,269	69,044
				Rehab =	22,819	12,110	34,929
				Total	71,594	32,379	103,973

1306 Ethan Allen Drive, Colchester/East Spring				Rental Income		14-Nov-97	
Housing Credit Units							Total
Bedrooms	Type	Building	Square Feet	Number	Rent	Utilities	Annual Rent
1 Br	50%	1306	600	5	370	75	22,200
2 Br	50%	1306	750	3	430	93	15,480
2 Br	50%	Spring	800	5	430	107	25,800
3 Br	50%	1306	900	2	514	109	12,336
1 Br	60%	Spring	600	1	427	85	5,124
1 Br	60%	1306	600	6	400	75	28,800
2 Br	60%	1306	750	4	510	93	24,480
2 Br	60%	Spring	800	2	479	107	11,496
3 Br	60%	1306	900	3	550	109	19,800
Other - Mngr		1306	600	1	200	75	2,400
	Totals		22,550	31			165,516
Market Rate Units							Total
Bedrooms	Type	Building	Square Feet	Number	Rent	Utilities	Annual Rent
1 Br	Market	1306	600	5	440	75	26,400
2 Br	Market	1306	750	2	550	93	13,200
2 Br	Market	Spring	800	2	550	107	13,200
3 Br	Market	1306	900	1	620	109	7,440
	Totals		7,000	10			60,240
All Units							
	Grand Totals		29,550	41			225,756
			Less Vacancy	5.00%			(11,288)
						NET RENT	214,468
			OTHER INCOME				
			Interest Income				
			Laundry	1306			2,200
			Manager's Unit 1306				2,400
			Total Other Income				4,600
						TOTAL INCOME	219,068
Manager's Unit		1306	600	1	200	75	2,400

1306 Ethan Allen Drive, Col	EXPENSE BUDGET			14-Nov-97
			Per Unit	
	Annual	Monthly	Per Month	
Administration				
Management Fee	25,464	2,122	52	11.3%
Advertising		0	0	
Audit/Accounting	5,016	418	10	
Legal		0	0	
HVT Fee	4,032	336	8	
LCHDC Fee		0	0	
Office Payroll		0	0	
Compliance Monitoring	1,008	84	2	
TOTAL ADMINISTRATIVE	35,520	2,960	72	
Utilities				
Water/Sewer	5,640	470	11	
Electric	4,800	400	10	
Fuel	9,552	796	19	
Pump Station		0	0	
TOTAL UTILITIES	19,992	1,666	41	
Maintenance				
Maintenance Payroll	23,448	1,954	48	
Grounds	4,920	410	10	
Trash Removal	5,040	420	10	
Snow	2,520	210	5	
Repairs- material		0	0	
Paint/Decorating	5,040	420	10	
Exterminating		0	0	
Contract Maintenance		0	0	
Grounds		0	0	
Janitorial		0	0	
Other		0	0	
TOTAL MAINTENANCE	40,968	3,414	83	
Taxes	26,440	2,203	54	
Insurance	5,365	447	11	
Other	0	0	0	
Replacement Reserves	10,267	856	21	
Total	138,552	11,546	282	

14-Nov-97		1306 Ethan Allen Drive, Colchester/East Spring Street, Winooski						Cash Flow Projection									
		Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Residential Rent			225,756	229,142	232,579	236,068	239,609	243,203	246,851	250,554	254,312	258,127	261,999	265,929	269,918	273,967	278,076
Less Res Vacancy			(11,288)	(11,457)	(11,629)	(11,803)	(11,980)	(12,160)	(12,343)	(12,528)	(12,716)	(12,906)	(13,100)	(13,296)	(13,496)	(13,698)	(13,904)
Plus Other Income			4,600	4,669	4,739	4,810	4,882	4,956	5,030	5,105	5,182	5,260	5,338	5,419	5,500	5,582	5,666
Total Actual Income			219,068	222,354	225,690	229,075	232,511	235,999	239,539	243,132	246,779	250,480	254,238	258,051	261,922	265,851	269,839
Less Operating Expense			128,285	132,134	136,098	140,180	144,386	148,717	153,179	157,774	162,508	167,383	172,404	177,576	182,904	188,391	194,043
Less Reserves			10,267	10,421	10,577	10,736	10,897	11,060	11,226	11,395	11,566	11,739	11,915	12,094	12,275	12,460	12,646
Net Operating Income			80,516	79,800	79,015	78,158	77,228	76,221	75,133	73,963	72,705	71,358	69,918	68,381	66,743	65,000	63,150
Less VHFA First Mortgage - Bond			65,158	65,158	65,158	65,158	65,158	65,158	65,158	65,158	65,158	65,158	65,158	65,158	65,158	65,158	65,158
Less VHFA 2nd Mortgage			5,382	5,382	5,382	5,382	5,382	5,382	5,382	5,382	5,382	5,382	5,382	5,382	5,382	5,382	5,382
Less VNB Mortgage			2,040	2,040	2,040	2,040	2,040	2,040	2,040	2,040	2,040	2,040	2,040	2,040	2,040	2,040	2,040
Less LCHDC Loan			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Flow			7,936	7,219	6,434	5,578	4,648	3,641	2,553	1,382	125	(1,222)	(2,662)	(4,199)	(5,837)	(7,580)	(9,431)
Oper Subsidy			0	0	0	0	0	0	0	0	0	1,222	2,662	4,199	5,837	7,580	9,431
Net Cash			7,936	7,219	6,434	5,578	4,648	3,641	2,553	1,382	125	0	0	0	0	0	0
DCR			114.14%	113.13%	112.01%	110.80%	109.48%	108.05%	106.51%	104.85%	103.07%	101.16%	99.12%	96.94%	94.62%	92.15%	89.52%
Cumulative Cash Flow																	
Beginning Balance			9,750	25,101	32,037	38,256	43,669	48,183	51,700	54,116	55,324	56,430	56,337	54,802	51,698	46,895	40,253
Interest		2.0%	195	502	641	765	873	964	1,034	1,082	1,106	1,129	1,127	1,096	1,034	938	805
Withdrawals			0	0	0	0	0	0	0	0	0	(1,222)	(2,662)	(4,199)	(5,837)	(7,580)	(9,431)
Ending Balance			17,881	25,603	32,678	39,021	44,542	49,147	52,734	55,198	56,430	56,337	54,802	51,698	46,895	40,253	31,627
Cumulative Reserves		2.0%	10,267	20,893	31,889	43,262	55,025	67,186	79,756	92,745	106,166	120,029	134,344	149,125	164,383	180,130	196,380
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income			80,516	79,800	79,015	78,158	77,228	76,221	75,133	73,963	72,705	71,358	69,918	68,381	66,743	65,000	63,150
Plus Reserves			10,267	10,421	10,577	10,736	10,897	11,060	11,226	11,395	11,566	11,739	11,915	12,094	12,275	12,460	12,646
Less Interest Expense			84,580	83,755	82,868	81,913	80,885	79,778	78,587	77,305	75,925	74,438	72,837	71,113	69,256	67,256	65,101
Less Short Term Depreciation			(857)	(857)	(857)	(857)	(857)	(857)	0								
Less Depreciation			(87,510)	(87,510)	(87,510)	(87,510)	(87,510)	(87,510)	(87,510)	(87,510)	(87,510)	(87,510)	(87,510)	(87,510)	(87,510)	(87,510)	(87,510)
Taxable Income (Loss)			86,996	85,608	84,092	82,440	80,642	78,692	77,437	75,152	72,686	70,026	67,160	64,078	60,764	57,205	53,386
Cash Flow			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings			(29,579)	(29,107)	(28,591)	(28,029)	(27,418)	(26,755)	(26,329)	(25,552)	(24,713)	(23,809)	(22,835)	(21,786)	(20,660)	(19,450)	(18,151)
Plus Tax Credits			315,000	103,944	103,944	103,944	103,944	103,944	103,944	103,944	103,944	103,944					
Less Cap Gain Tax																	0
After Tax Cash Flow			285,422	74,837	75,353	75,915	76,526	77,189	77,616	78,392	79,231	80,135	(22,835)	(21,786)	(20,660)	(19,450)	(18,151)
Total 15 years															Original Basis		2,648,923
Internal Rate of Return:		#DIV/0!													Less Depreciation		(1,312,653)

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Development Officer CR

DATE: November 14, 1997

RE: Assisted Living

Executive Summary

VHFA has received a proposal from a private developer to finance a mixed income assisted living facility. VHFA has not yet financed any assisted living facilities, though the Board approved a conceptual proposal to do so at the April 1996 meeting (see attached). Since we now have a proposal to consider, staff wanted to present it for Board review prior to bringing a Letter of Interest since there are some policy considerations.

Assisted Living

There are currently no licensed assisted living facilities in the State. This past summer, however, the State Legislature approved a licensing category definition of assisted living: *Assisted living residence means a program which combines housing, health and supportive services for the support of resident independence and aging in place. Within a homelike setting, assisted living units offer, at a minimum, a private bedroom, private bath, living space, kitchen capacity, and a lockable door. Assisted living promotes resident self-direction and active participation in decision-making while emphasizing individuality, privacy and dignity.* Regulations still need to be approved in order for assisted living facilities to be licensed. The Department of Aging and Disabilities has indicated that this will happen by Spring of 1998.

Currently in the State there are 71 Level III Community Care Homes with 1,700 beds, and 62 Level IV Community Care Homes with 668 beds. Of the 71 Level III Homes, approximately five (or some portion of each of five developments) may qualify to become assisted living facilities. According to the Department of Aging and Disabilities, there is a tremendous need for assisted living, due to changing demographics and because the consumer choice allowed within the assisted living model makes it a desirable alternative for consumers. However, national growth in assisted living is in the high, not the affordable range. The State is shifting medicaid funding from nursing homes to community based services over the next four years, and assisted

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living facilities will be one of the programs funded. The subsidies that will be available include Supplemental Security Income (SSI) (currently $23 per day), and Medicaid Waivers ($25-$45 per day based on an individual's frailty). Neither source is project-based, and not all residents of a facility will receive additional income to offset operating expenses, which is one of the challenges in creating affordable assisted living units.

Summary of Proposed Development

Jack Heaton, of Health Properties Partners, is proposing to develop a 60-unit new construction assisted living facility on a 10 acre parcel in Hartford (near Norwich). He is applying for $5,000,000 in tax exempt financing, and plans to utilize 4% out-of-cap Housing Credit. The sponsor intends to develop a facility which will initially meet the State's definition and licensing requirements of both a Level III Community Care Home and an assisted living facility. All residents will have access to three meals per day, housekeeping, personal care, medical assistance, laundry, transportation, 24 hours per day nursing care. Upon lease up, each resident will complete an individual service plan with a nurse.

Proposed Rents

Br Size	# Units	Sq Ft	Rent	Unit Type
0-Br	15	356	$373/mo ($12.26/day)	Housing Credit
0-Br	13	356	$1,594/mo($52.40/day)	Affordable (86% Median)
1-Br	3	528	$1,594/mo ($52.40/day)	Affordable (86% Median)
1-Br	29	528	$3,346/mo ($110/day)	Market

Some of the Housing Credit units may have additional income from Supplemental Security Income, and Medicaid Waivers. All units will have private kitchens and baths.

The sponsor has obtained a market study which supports the size and proposed rents of the facility for the location in which it is situated. The sponsor has ten years of experience in housing development, including development of assisted living. In 1987 Mr. Heaton developed Equinox Terrace, a 74-bed Community Care Home in Manchester, and recently he completed a 75-bed assisted living facility in Scarborough, Maine. THM Property Management Services, Mr. Heaton's company, would manage the project once it is completed.

Issues for Discussion

Project's Overall Affordability

The tax exempt financing requires that 20% of the units be affordable to households at or below 50% of area median income, and overall, VHFA Multifamily Rules require that *75% of housing units* be *limited to persons and families of low or moderate income*. The Rules further state, *the Agency may waive the requirements...provided that more than half of such units shall remain reserved for initial occupancy by persons and families of low and moderate income.* Due to the high operating and service costs associated with assisted living, and the absence of dependable operating subsidy, staff requests that the Board consider waiving this requirement to 51% for this project. Massachusetts Housing Finance Agency (MHFA) has experience developing assisted living with tax exempt financing and 4% Housing Credit. MHFA has developed projects with 20% of the units serving 50% of median, and the remaining 80% at market. Their rationale is that enough market units are needed both to subsidize the affordable units, and to maintain the expenses associated with the facilities (services and amenities).

Staff is currently evaluating both the operating expenses and projected income for the proposed project, but at this time it is evident that requiring 75% of the units to serve households below median is unworkable.

Recommendation: That the Board allow 51% of the units to serve households at or below area median income. This is a waiver of the Multifamily Rules, but is consistent with the Statute. (In addition, 20% of the overall units will serve households at or below 50% of area median income, as required by the tax exempt financing.)

Affordability of Rents

Currently housing affordability is calculated using 30% of a household's gross income. However, in order to calculate affordability of housing and services when they are provided as a package, staff has been considering using the range of 75% to 85% of a household's gross income towards housing plus services (roughly 30% for housing and 45 - 55% for services). This is in the interest of determining that the housing and service charges will be affordable. This guideline is similar to what several other Housing Finance Agencies have used (although not rigidly) in underwriting assisted living projects.

Recommendation: That the affordability of housing plus services (for the 51% affordable units) be calculated using 75% - 85% of a household's gross income.

Cash Distributions

Currently our policy for cash distributions allow for 10% of initial equity on an annual basis. For example, if initial equity was $250,000, then the developer would be allowed up to $25,000 annually, after all operating expenses and assuming enough cash flow. However, we are increasingly seeing that tax liability can be an issue for owners. Thus, staff would like the flexibility to allow for tax liability to be covered in addition to the 10% of equity allowed as an annual distribution.

Recommendation: That allowable annual cash distributions be 10% of equity plus tax liability.

Recommended Board Action

Staff recommends Board approval on the issues outlined above. Staff will continue to work with the sponsor with the intention of bringing this proposal back to the Board for a Letter of Interest.

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Paul M. Cummings, Development Officer

DATE: April 12, 1996

RE: Assisted Living Financing Program

Executive Summary

As a result of VHFA's Strategic Planning process, the following strategy was developed:

> *To create and enhance affordable housing integrated with services to provide realistic alternatives for people with special needs.*

One of the primary focuses of this strategy is to finance affordable housing with supportive services developed for the elderly, also referred to as assisted living. In an effort to satisfy this strategy, VHFA has been working with other states and assisted living developers in an effort to better understand the financing and management issues specific to this type of housing. As a result of these discussions and based on the success of assisted living and elderly housing with limited services (meals/laundry) developments in the state, it is clear that a demand for this type of housing exists. In addition, the population characteristics, specifically an aging population base, indicates that the demand for elderly housing with services will only increase in the future.

Housing Vermont, a qualified 501(c)(3) nonprofit development organization, has applied to VHFA for $3,815,000 in construction and permanent financing. The proposed project would be a 60-unit Level III assisted living facility located in Chittenden County. This facility would be an elderly housing development with support services including meals, personal care assistance with Activities of Daily Living (ADLs) including bathing and dressing, and skilled nursing care for assistance with activities such as taking medication. The total proposed development cost is $66,917 per unit.

A summary of sources and uses of funds, rents, operating expenses, and financial projections is attached.

ASSISTED LIVING

The long-term health care industry provides a continuum of accommodations and health care services primarily to the elderly. These range from retirement communities to home-based care to skilled nursing facilities. Assisted Living facilities are targeted at the elderly who require more assistance than typically offered by retirement communities but do not need the full time medical care of a nursing home. Services provided by congregate and retirement centers are often limited to meals, housekeeping and laundry. As an elderly person's needs for assistance increase, care in an assisted living facility, where assistance with personal care (dressing and bathing), support services (housekeeping and laundry), and routine nursing services (assistance with taking medication and health monitoring) are generally available, is sometimes preferable to home-based care.

The state of Vermont does not currently have a definitive statement in statute which describes what "assisted living" means. The state does have a lengthy licensing regulations document which governs how Level III facilities operate. According to the Department of Aging and Disabilities Division of Advocacy and Independent Living, there are currently 65 Level III and 75 IV facilities in Vermont. Many Level III facilities refer to the services they provide as "assisted living" although this generally differs from the definition used in many states (i.e., kitchen facilities, private baths, etc.). According to the Department of Aging and Disabilities, none of the Level IIIs in Vermont offer kitchenettes in private room settings.

The sponsor's proposed assisted living facility will provide 60-studio units with private bathrooms. The facility will have a common dining area, laundry, and community areas. The support staff will provide three meals daily, personal care (bathing and dressing assistance), nursing services (assistance with taking medication and health monitoring), support services (transportation, general housekeeping and laundry services), and organized social activities.

THE DEVELOPMENT

Projected Funding Sources

VHFA First Mortgage	$3,815,000	95.02%
Deferred Developer's Fee	200,000	4.98%
Total	$4,015,000	100.00%

Because the sponsor/owner is a qualified nonprofit organization, VHFA could loan up to 100% of appraised value. The sponsor would have to commission an "as-completed" appraisal that would indicate a value at least equal to VHFA's loan amount. As proposed, the loan-to-cost is 95%.

Unit Breakdown and Rents

The sponsor has proposed to make over half (52%) of the units affordable to households earning less than 50% of median income ($1,374/month excluding some income from assets) that may be eligible for Vermont's new Enhanced Residential Care Medicaid Waivers. The Medicaid Waivers would provide $30/day in reimbursement for residential care services. This waiver, combined with Social Security payments, would allow a low income household to afford a $55/day ($1,673/month) housing/assisted living services payment.

The remaining units would be market units affordable to households able to pay $70/day ($2,129) in housing/services costs. The unit size and rent breakdown is as follows:

Restricted Rents			Market Rents		
Size	#	Rents	Size	#	Rents
1 BR	31	$1,673	1 BR	29	$2,129

These rents include three meals daily, nursing and personal care services, and all utilities including heat. For comparison purposes, nursing home costs range from $97/day ($2,950) for light care to $155/day ($4,715) for heavy care.

Sponsor, Management & Market

Since it was founded in 1988, Housing Vermont has sponsored the development of 1,546 units with a total value of $95 million. VHFA is Housing Vermont's largest single source of funds as almost $30 million has been loaned by VHFA to Housing Vermont - sponsored partnerships. In addition, Housing Vermont has experience with elderly housing projects in Chittenden County including Heineberg (Burlington) and Whitney Hill (Williston).

Housing Vermont has proposed to form a partnership with Health Properties Partners of Manchester, Vermont. Health Properties Partners, consisting of Jack Heaton and Francis Murphy, have nine years of experience in developing and operating assisted living facilities and would provide the management for the proposed Chittenden County project. In 1987 Health Properties Partners developed the Equinox Terrace, a 40-bed assisted living facility in Manchester. Due to substantial demand, Equinox Terrace has received two additions and now sits occupied at 74-beds. Health Properties Partners have also recently completed a new 75-bed assisted living facility, Scarborough Terrace, in Scarborough, Maine.

The sponsor has commissioned a market study from a market research firm in Cincinnati that has experience in evaluating the demand/need for assisted living units. Staff would require that the market study indicates a demand for the units that is consistent with the proposed lease-up and rent schedule.

Site & Environmental Concerns

The sponsor is currently trying to identify an appropriate site for the proposed facility. The sponsor would be required to complete environmental testing and obtain all local and state required approvals in a form satisfactory to the Agency.

DISCUSSION

Because current demographic trends indicate an aging population, there are a number of people looking at increasing the types of elderly housing options available. Assisted living developments have been successful as market rate projects (i.e., Equinox Terrace in Manchester) because of the high demand for the services in a community housing setting. However, because the level of services is costly, it is difficult to develop affordable assisted living. The state's Department of Aging and Disabilities has expressed concern about the limited number of affordable Level III options in the Chittenden County area. This proposal seeks to create a high quality assisted living development that is affordable.

Because the sponsor is seeking to create studio units without kitchenettes (units will have a private bathrooms), we would utilize 501(c)(3) bonds to finance this project. (Based on Sec. 142 of the Internal Revenue Code, units financed with tax-exempt bonds must have kitchen facilities.) The Massachusetts Housing Finance Agency, which recently announced a program to finance assisted living development, recently completed a 501(c)(3) bond sale for an assisted living development that did not have kitchen facilities.

Strengths

a) The sponsor has successfully developed multifamily developments, including elderly housing development and $30 million in projects financed by VHFA.

b) The sponsor's management partner has successfully developed and managed two assisted living developments, including the 70-unit Equinox Terrace in Manchester, Vermont.

c) VHFA has had success financing Level III developments in the state, including the 46-unit Canterbury Inn in St. Johnsbury and the 24-unit Brownway in Enosburg. In addition, the State has expressed concern (verbally) about the limited number of affordable Level III beds options in Chittenden County.

Weaknesses

a) There is no guarantee that residents with Medicaid Waivers will occupy the affordable units in the proposed project because the waivers are not project based. However, the Department of Aging and Disabilities has indicated that they would take into consideration the limited number of Level III beds in Chittenden County when allocation the resident waivers. In addition, the sponsor has indicated that the rents would be competitive and affordable in the marketplace and could therefore operate at full occupancy without the waivers.

RECOMMENDED BOARD ACTION

Staff recommends Board approval of the concept to finance assisted living developments, such as has been proposed by the sponsor. Staff would continue to work with the sponsor with the intention to bring this proposal back to the Board at a later date once the sponsor has secured a site.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: October 1, 1997

RE: Single Family Program Activity Report For September, 1997

MORTGAGE PURCHASE PROGRAMS

Month	No.	Amount	Previous Year	No.	Amount
Reservations	57	$ 3,759,160		122	$ 8,266,753
Purchases	67	$ 4,580,244		89	$ 5,987,367

Period to Date	No.	Amount	Previous Year	No.	Amount
Reservations	754	$53,425,307		1042	$69,480,542
Purchases	481	$33, 065,376		581	$38,297,033

MORTGAGE PLUS

Month	No.	Amount	Previous Year	No.	Amount
Reservations	7	$ 585,700		7	$ 540,502
Issued	8	$ 597,189		5	$ 376,485

Period to Date	No.	Amount	Previous Year	No.	Amount
Reservations	92	$ 7,580,889		83	$ 6,222,296
Issued	59	$ 4,509,080		77	$ 5,978,169

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EQUAL HOUSING OPPORTUNITY

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: November 3, 1997

RE: Servicing Activity for September, 1997

SERVICING ACTIVITY

Collections:

Last months 90+ accounts:		82
New 90 day accounts (+):	12	
To foreclosure/DIL (-):	6	
To 60 days or less (-):		
Under payment arrangement:		
Modifications (-):		
90+ accounts:		88

In Foreclosure:

Last months foreclosure accounts:		58
New foreclosures (+):	7	
To REO (-):	4	
Successful interventions (-):	0	
Negotiating workouts:	16	
Modifications (-):	0	
Foreclosure accounts:		61

Real Estate Owned:

Last months REO's:		68
New REO's (+):	4	
Properties sold (-):	4	
Properties under contract:	9	
Other:	0	
REO's:		68

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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EQUAL HOUSING OPPORTUNITY

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

Lenders	Loans	30	Days	60	Days	90+	Days	Auth	FCL	Delinq		REO	
ALBANK, FSB	447	36	8.05%	6	1.34%	9	2.01%	2	0.45%	53	11.86%	1	0.22%
Banknorth Mortgage Co.	793	45	5.67%	11	1.39%	10	1.26%	4	0.50%	70	8.83%	5	0.63%
Bennington Co-op S&L Assoc.	52	1	1.92%	0	0.00%	0	0.00%	0	0.00%	1	1.92%	0	0.00%
Brattleboro Savings & Loan	26	0	0.00%	0	0.00%	1	3.85%	0	0.00%	1	3.85%	0	0.00%
Chittenden Bank	952	49	5.15%	13	1.37%	10	1.05%	7	0.74%	79	8.30%	6	0.63%
Citizens Savings Bank	113	2	1.77%	0	0.00%	2	1.77%	0	0.00%	4	3.54%	3	2.65%
Community National Bank	316	13	4.11%	6	1.90%	2	0.63%	0	0.00%	21	6.65%	1	0.32%
Connecticut River Bank	4	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Factory Point Nat. Bank	35	0	0.00%	2	5.71%	0	0.00%	0	0.00%	2	5.71%	0	0.00%
First Brandon Nat. Bank	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
First Nationwide Mortgage	10	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
GMAC Mortgage	6	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Granite Bank (NH)	2	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Graystone Mortgage Company	510	33	6.47%	10	1.96%	19	3.73%	3	0.59%	65	12.75%	15	2.94%
Heritage Family Credit Union	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Lyndonville Savings Bank	57	2	3.51%	0	0.00%	0	0.00%	0	0.00%	2	3.51%	0	0.00%
Merchants Bank	294	19	6.46%	0	0.00%	4	1.36%	1	0.34%	24	8.16%	3	1.02%
Mortgage Service Ctr. of NE	89	3	3.37%	3	3.37%	1	1.12%	1	1.12%	8	8.99%	4	4.49%
National Bank of Middlebury	65	4	6.15%	2	3.08%	2	3.08%	1	1.54%	9	13.85%	0	0.00%
New England Federal CU	49	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Northfield Savings Bank	127	8	6.30%	1	0.79%	1	0.79%	0	0.00%	10	7.87%	1	0.79%
Passumpsic Savings Bank	173	11	6.36%	0	0.00%	1	0.58%	1	0.58%	13	7.51%	3	1.73%
Peoples Trust Co.	99	5	5.05%	2	2.02%	2	2.02%	0	0.00%	9	9.09%	0	0.00%
Randolph National Bank	38	2	5.26%	0	0.00%	1	2.63%	0	0.00%	3	7.89%	0	0.00%
Union Bank	174	9	5.17%	4	2.30%	2	1.15%	0	0.00%	15	8.62%	2	1.15%
Vermont Development CU	53	4	7.55%	0	0.00%	2	3.77%	1	1.89%	7	13.21%	0	0.00%
Vermont Federal Bank*	1254	87	6.94%	32	2.55%	27	2.15%	8	0.64%	154	12.28%	7	0.56%
Vermont National Bank	643	34	5.29%	3	0.47%	7	1.09%	10	1.56%	54	8.40%	9	1.40%
Vermont State Employees CU	5	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Wells River Savings Bank	30	0	0.00%	1	3.33%	1	3.33%	0	0.00%	2	6.67%	1	3.33%
Totals	6420	367	5.72%	96	1.50%	104	1.62%	39	0.61%	606	9.44%	61	0.95%
Totals Previous Month	6425	356	5.54%	94	1.46%	88	1.37%	45	0.70%	583	9.07%	69	1.07%
Totals Same Mo. Last Yr.	6220	324	5.21%	100	1.61%	76	1.22%	47	0.76%	547	8.79%	45	0.72%

* The figures for this lender may be overstated due to computer conversion problems

VERMONT HOUSING FINANCE AGENCY

Board Property Disposition Report

Month of: September, 1997

Properties Sold

Property	Listing Price	Sale Price	Principal Balance	Interest	To Date Expenses	Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Welch Springfield	$59,900	$59,900	$66,754	$ 6,759	$12,519	$13,558	($12,574)	($ 4,736)	($ 7,838)
Bascom Eden	$39,500	$37,250	$34,517	$ 3,332	$14,489	$ 7,330	($ 7,758)	($ 8,160)	$ 402
Daly Rutland	$36,500	$35,000	$59,405	$ 9,642	$12,356	$12,500	($33,903)	($33,917)	$ 14

Properties Sold in the VHFA/Non Profit Sale Program

Properties Under Contract

Property	Listing Price	Contract Price	Principal Balance	Interest	Estimated Expenses	Estimated Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Monniere Morristown	$79,500	$68,000	$70,762	$ 6,961	$12,972	$15,000	($ 7,695)		($ 7,695)
Boutin Alburg	$59,900	$55,000	$61,118	$ 3,495	$25,348	$13,200	($21,761)	($ 4,449)	($17,312)
Marrotta Roxbury	$58,500	$58,500	$65,107	$13,029	$21,400	$14,100	($26,936)	($29,544)	$ 2,608
Poro Brandon	$63,500	$65,500	$61,750	$ 4,509	$20,488	$18,525	($ 2,722)	($ 4,652)	$ 1,930

Properties Under Contract (Con't)

Property	Listing Price	Contract Price	Principal Balance	Interest	Estimated Expenses	Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Walters Danville	$46,500	$30,000	$53,662	$11,640	$17,856	$11,600	($41,558)	($26,344)	($15,214)
Gordon* St. Albans	$28,700	$19,000	$62,581	$ 3,774	$ 5,073	$ 9,000	($43,428)	($53,595)	$10,167
Seamans Dover	$79,900	$77,900	$84,349	$ 7,823	$ 7,287	$17,900	($ 3,659)	($22,839)	$19,180
Kilgariff Hartford	$59,900	$56,000	$64,278	$ 5,935	$24,618	$ 9,500	($29,331)	($25,465)	($ 3,866)
Elie Coventry	$25,900	$18,000	$42,179	$ 3,565	$ 8,020	$ 9,900	($25,864)	($27,219)	$ 1,355
Richardson Concord	$47,900	$47,900	$66,711	$ 7,286	$17,000	$14,375	($28,722)	($21,401)	($ 7,321)

Properties in the VHFA/Non Profit Sale Program

Massey
Stannard
Gilman Housing Trust

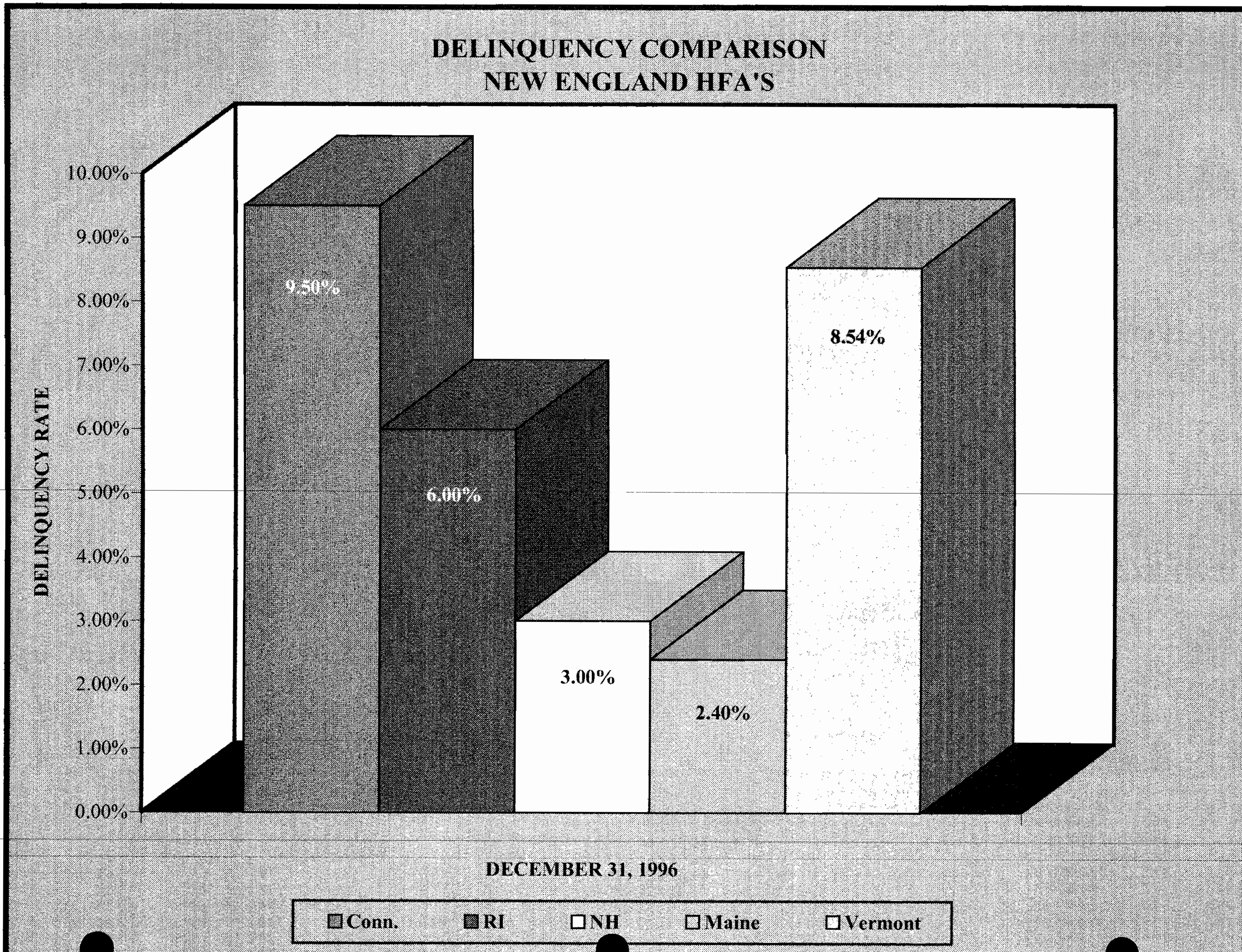
Watkins
Springfield
Rockingham CLT

Richards
Fair Haven
Rutland West NHS

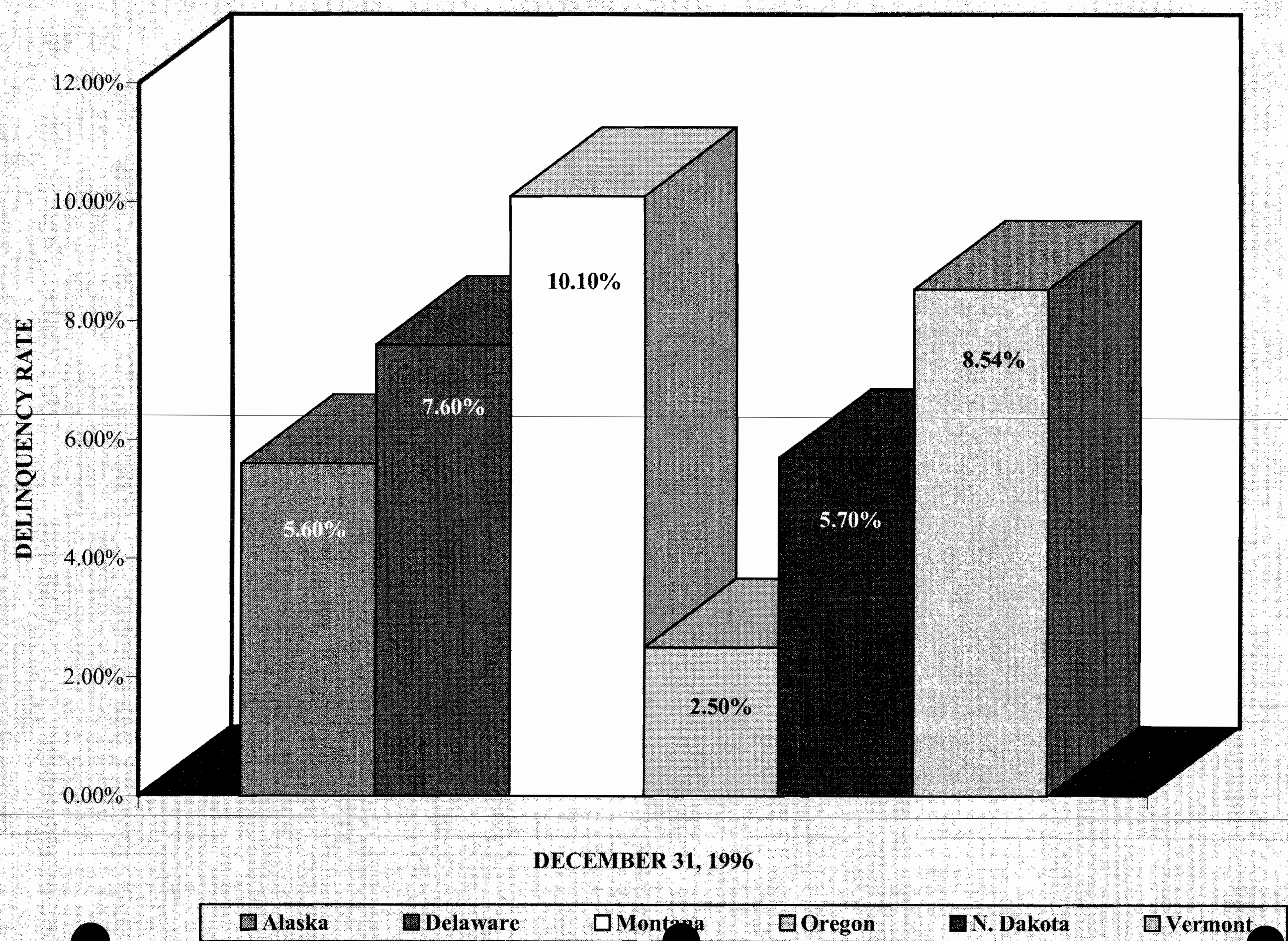
Stocker
Rutland
Rutland West NHS

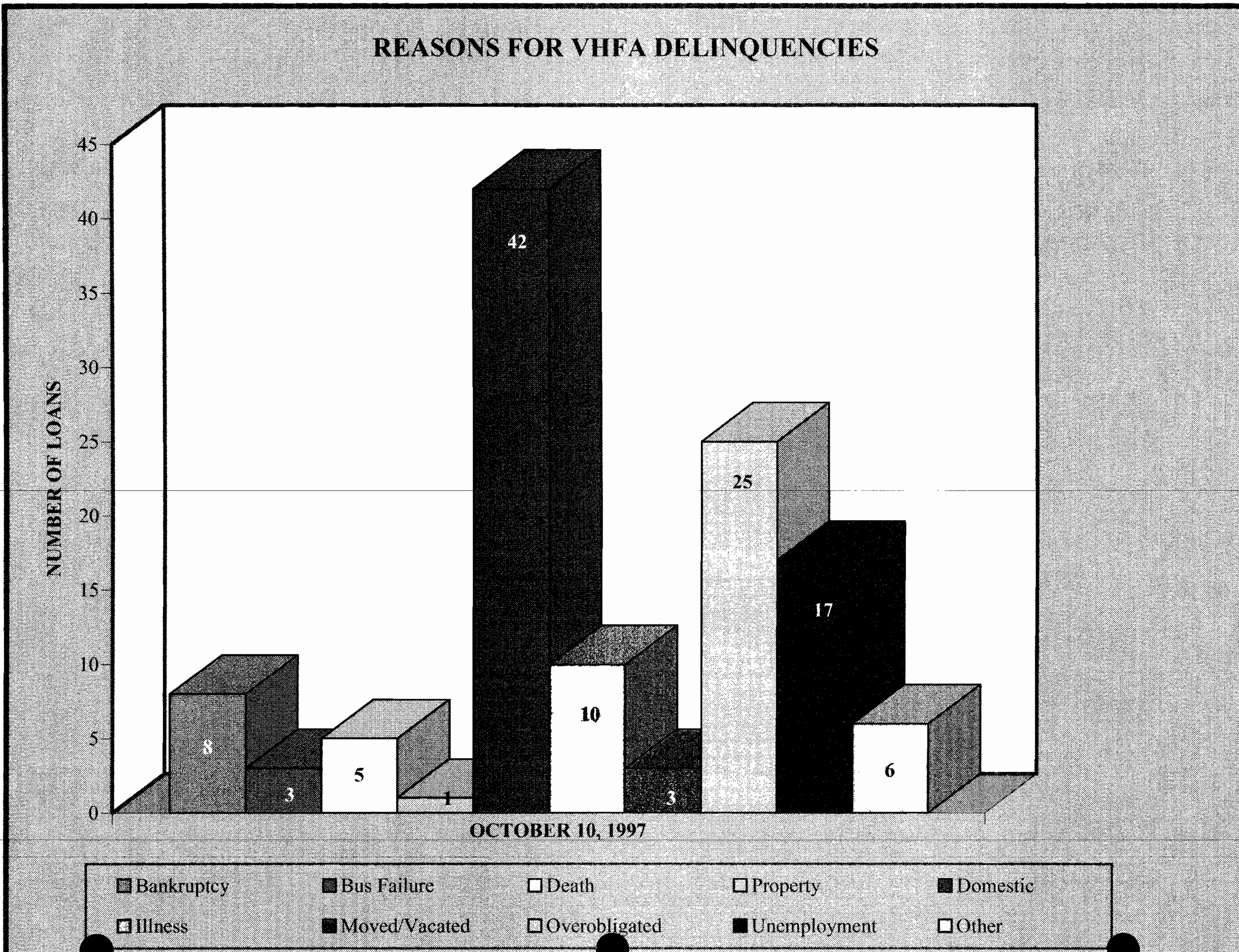
Provencher
Burlington
BCLT

* VHFA took a $15,000 second mortgage on a REO we sold to Gordon.


DELINQUENCY COMPARISON
NEW ENGLAND HFA'S
DELINQUENCY RATE
10.00%
9.00%
8.00%
7.00%
6.00%
5.00%
4.00%
3.00%
2.00%
1.00%
0.00%
9.50%
6.00%
3.00%
2.40%
8.54%
DECEMBER 31, 1996
Conn.
RI
NH
Maine
Vermont

DELINQUENCY COMPARISON
HFA'S OF APPROXIMATELY THE SAME SIZE





REASONS FOR VHFA DELINQUENCIES
NUMBER OF LOANS
0
5
10
15
20
25
30
35
40
45
8
3
5
1
42
10
3
25
17
6
OCTOBER 10, 1997
Bankruptcy
Bus Failure
Death
Property
Domestic
Illness
Moved/Vacated
Overobligated
Unemployment
Other

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: October 6, 1997

RE: Quarterly Report of the Results of the Single Family Mortgage Loan Quality Control Process - July 1, 1997 through September 30, 1997

VOLUME

LOANS SELECTED FOR REVIEW

A total of 189 loans were guaranteed by VHMGB during the above period. Of these, 124 were loans to be purchased by VHFA, and 65 were conventional. The conventional loans were further broken down into 37 fixed rate loans and 28 adjustable rate loans.

Seventeen (17) loans guaranteed by VHMGB were randomly selected by the computer to participate in the quality control process. Of these loans, 10 were to be purchased by VHFA and 7 were conventional loans. The conventional loans were further split as 5 fixed rate and 2 adjustable rate loans.

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

Category	VHFA	Conv	Fixed	Adj.
Total Loans Guaranteed In Period	66%	34%	20%	14%
Total Loans Pulled for QC	59%	41%	29%	12%

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

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LOANS WHICH HAVE BEEN COMPLETED

Sixteen (16) loans completed the quality control process during the period. Most of these loans were selected to participate in the quality control process in the previous period. Of the loans completed, 6 were loans sold or to be sold to VHFA and 10 were conventional loans. The conventional loans were split 6 fixed rate and 4 adjustable rate.

FINDINGS ON LOANS REVIEWED

On one loan the method of income calculation was questioned as the calculation was not shown. This was answered satisfactorily by underwriting.

In another case a charge off was not shown as paid in full in the file. Underwriting pointed out that this was a delegated condition and would be reviewed at a later date in a lender audit.

We requested that the original appraiser respond to review appraisers comments. All responded satisfactorily.

Note: It appears that in some cases the original appraiser is very sensitive concerning review appraiser comments and disagreement occurs quite frequently on how USPAP is interpreted. I am scheduling a meeting with several experienced appraisers to determine appropriate qualifications for review appraisers as USPAP is not clear on this issue. I will also discuss a review system that can assist us in determining who is correct when the original appraiser or review appraiser disagree on a significant issue.

VERMONT HOUSING FINANCE AGENCY
MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: November 13, 1997

RE: Credit Score Proposal

Due to advances that have occurred in the of mortgage lending business, staff recommends VHFA update its methods. This proposal represents VHFA's first steps into restructuring its underwriting criteria and methods to better serve the needs of its customers. A similar proposal will be presented to the VHMGB Board of Commissioner's on November 18, 1997. The results from that meeting will be provided to the Board at the meeting.

Background

Based on previous Board discussions, results of a lender survey on this issue, further research of VHFA's loan portfolio and the use of credit scores by the secondary market and mortgage insurers, staff is recommending that VHFA begin using credit scores in a limited form at this time. In addition to utilizing credit scores, staff's proposal includes reduced documentation requirements under certain circumstances.

Proposal

The use of credit scores are explained in the attached "Proposed VHFA Revisions - Underwriting / Program Requirements". Staff recommends that VHFA's first venture in using credit scores focus on using credit scores in a positive manner. Instead of combining credit scores with tighter underwriting and stricter program requirements, we have designed two programs, Excell and Excell Plus, for "low risk" borrowers based on credit scores. Borrowers with an excellent credit history will be underwritten using more flexible criteria (higher LTV, expanded ratios). These changes are very similar to programs being offered by Freddie Mac and Fannie Mae and the private mortgage insurers.

We have determined that 60% of the VHFA loans have a credit score meeting the criteria for Excell or Excell Plus. While the retrospective analysis of credit scores indicates that some loans that fall within the standards of Excell or Excell Plus will show delinquencies from time to time, the recovery rate is much greater than loans that do not meet those standards.

In addition, staff has also addressed some areas of VHFA's underwriting that were not fully explained in our guidelines or felt to be inadequate.

For loans over 95%, VHFA would continue to accept a reduced amount of coverage from VHMGB. Loans between 95% and 97% would receive coverage at 30% rather than the 35% coverage provided on conventional loans.

Staff also recommends that VHFA put in place a formal process for auditing lender files. VHFA currently allows lenders to warrant that they have obtained sufficient documentation to meet certain conditions. Staff is researching allowing lenders to submit reduced loan documentation to VHFA for underwriting. The audit process will assure VHFA that lenders are following aour guidelines.

The final attachment "Appraisal and Inspection Disclosure" addresses property inspections. Staff recommends that in lieu of requiring property inspections, that VHFA inform borrowers of the differences between a Residential Appraisal Report and property inspection and the value of obtaining a property inspection. All borrowers would be required to sign the Appraisal and Inspection Disclosure at time of application.

Recommended Board Action

Approval of the Underwriting / Program Requirements, underwriting changes for all borrowers, the lender audit process and increased coverage for higher LTV loans.

Proposed VHFA Revisions

Underwriting / Program Requirements

Mortgagor's that meet VHFA's eligibility requirements and have demonstrated the ability to maintain an excellent credit reputation may be qualified using relaxed criteria.

Eligibility is dependent upon credit scores. The credit scores of each mortgagor must meet the limits below. Credit scores must be provided by at least two different repositories and each score must be based on a minimum of three trade-line references. The lower of the two scores will be used to determine eligibility. If three scores are provided the middle score will be used. In cases where the credit scores are invalid, the score will be disregarded and VHFA will establish creditworthiness.

Excell Plus: For borrowers with exceptionally well proven histories of meeting their credit obligations in a timely manner and meeting a specific credit level. This level of credit is equivalent to a FICO credit score of **720** and above, or a MDS score of **350** and below for each borrower. Any adverse credit references would be isolated, minor and not recent.

-Maximum LTV of 97%
-Maximum ratios of 35% housing/ 41% total debt.
-Disregard installment debt with 10 payments or less in ratios.
-No restrictions as to the source of the 3% of the downpayment.
-Use merged in-file credit reports in rather than Residential Mortgage Credit Reports.
-No credit or inquiry explanations required.
-No rental references required

Excell: For borrowers with proven histories of meeting their credit obligations in a timely manner, and meeting a specific credit level. This level of credit is equivalent to a FICO credit score of **660** to **719**, or a MDS score of **550** to **351** for each borrower. Any adverse credit references would be isolated, minor, and not recent.

-Maximum LTV of 97%
-Maximum ratios of 33% housing/ 38% total debt.
-Disregard installment debt with 10 payments or less in ratios.
-3% of the purchase price must be from the borrower's own funds. Windfall funds (insurance settlements, inheritances, etc.) are an acceptable source.
-Use merged in-file credit reports in rather than Residential Mortgage Credit Reports.
-No credit or inquiry explanations required.
-No rental references required.

Required Documentation

No change from documentation currently required.

Proposed Changes For All Borrowers

Topic	Current Policy	Proposed Policy
Sale of Assets:	No restrictions	Determination of value, verify transfer of ownership.
Savings History:	Not addressed	May be used to offset a limited credit history.
Buy-Downs:	Not addressed	Not appropriate for individuals with severe past credit problems, fixed income or deferred debt.
Child Support:	Received for past 6 months	Received for past 12 months and must continue for 24 months after closing.
Temporary Income:	Not specifically addressed	Must continue for 24 months after closing.
Self-Employment:	Minimum 12 month history	Minimum 18 month history. One tax return that reflects a full 12 month history.
Deferred Payments:	Payments deferred for 6 months not included in debt ratio.	Payments deferred for 24 months not included in debt ratio.
Excessive Credit Usage:	Not addressed	May be a reason for denial, especially excessive revolving debt.
Re-Establishing Credit:	Reviewed on a case-by-case basis.	Minimum 18 month history of acceptable credit. May require a longer period of re-established credit based on the circumstances given for credit problems.
Bankruptcy:	After discharge, 12 months of re-established credit.	After discharge, 24 months of re-established credit.
Foreclosure:	Not specifically addressed	Generally not acceptable. If foreclosure was the result of a one-time occurrence, may consider after a 36 month period of re-established credit.
Association Fees:	If a current budget is provided, use 30% of the fees in qualifying.	Increase to 50%.
Credit Underwriting:	For certain mortgage insurers we accept their credit underwriting.	Underwrite the credit for all VHFA loans with mortgage insurance.

VERMONT HOUSING FINANCE AGENCY

LENDER AUDITS

On a periodic basis, VHFA will examine Lender's loan files for compliance with VHFArequirements. Audits will be performed either at a Lender's office or by mail. A schedule of Lenders to receive personal visits and Lenders to audited by mail will be established. All Lenders must receive a personal visit, at a minimum, once every three years.

VHFA will review files for approximately 10% of VHFA guaranteed loans originated within the previous 12 month period. For Lender visits, two to three persons will conduct the audit. Lenders will be notified 30 days prior to the audit. For audits through the mail, the Lender will be required to submit the information by a specific date.

File Review

Loan files will be reviewed for the following:

- The file information agrees with documents submitted and there was no omission of material information.
- Borrowers were eligible for the program.
- All conditions have been satisfactorily met and documented.
- Other items as deemed appropriate by staff.

Audit Findings

Upon completion of the audit, the Underwriting Supervisor will complete a preliminary report to be presented to the Executive Director, Clerk of the Board, Director of Single Family Operations, Communications Director and Outreach Program Coordinator for action.

The type of action will depend on the type of deviations and infractions that are discovered, for example:

<u>Finding:</u>	Minor infractions that do not impact VHFA's risk. Lender shows a good-faith effort to comply with VHFA requirements.
<u>Action:</u>	VHFA will provide feedback and offer suggestions for avoiding future occurrence.
<u>Finding:</u>	Borrower(s) were ineligible for the program. Lender shows a blatant disregard of VHFA's underwriting guidelines or documentation requirements.
<u>Action:</u>	Cancellation of guarantee.

Lenders with two audits finding infractions may be required to attend specific VHFA training sessions and could be subject to more frequent audits.

Lenders with three audits finding infractions may lose the privilege of submitting reduced documentation loans and being issued delegated conditions.

Findings of fraud or misrepresentation could result in the lender losing its approval to offer VHFA's program.

The final report will be sent to the Lender's management, giving the institution the opportunity to respond. The VHFA Board of Commissioners will be apprised, on a regular basis, of audit findings and action taken.

VERMONT HOUSING FINANCE AGENCY

APPRAISAL AND INSPECTION DISCLOSURE

Vermont Housing Finance Agency (VHFA) requires that lenders have an appraiser licensed by the State of Vermont determine the value of all properties financed by VHFA. The appraised value is a professional estimate of market value and is used to determine the maximum allowable amount of your loan.

While an appraisal may indicate that there are some issues which may affect the value of the property, you should be aware that the appraiser is not a property inspector. An appraisal is not a guarantee that the property is free of defects.

VHFA recommends that as the purchaser, YOU should carefully examine the property, or have a property inspection done to make sure the condition of the property is acceptable to you. A property inspection, by a qualified individual, should provide you with information regarding the condition of the property's structure and its mechanical systems. You may be able to include the costs of some repairs in your mortgage loan amount.

While VHFA recommends that you have a property inspection, it is not a requirement for most VHFA loans. In some cases, VHFA may require a complete inspection, or an inspection of only certain items affecting value, and/or health and safety issues.

You may have other concerns about the property. These may include water purity, energy efficiency, lead paint, or other property issues. VHFA encourages you to obtain the necessary tests or inspections to address these items. You will be responsible for the cost of the inspection or test. Your lender, the State of Vermont, or your real estate professional may be able to provide you with a list of inspectors or testing laboratories. Check with your loan officer to make sure it meets the lender's standards before you order an inspection or test.

I/We have read this Disclosure and understand that while VHFA may in some cases require a home inspection, VHFA does not perform the home inspection nor guarantee the value or condition of the property being purchased. **VHFA is not liable for any defects in a property.**

Borrower: ______________________________ Date: ______________________

Co-Borrower: ______________________________ Date: ______________________

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: November 11, 1997

RE: Self Servicing by State Housing Finance Agencies (SHFA)

Attached to this memorandum is an article from the September issue of the Standard & Poor's Credit Week Municipal dealing with the above subject.

Based on a survey of SHFA, the authors of the article found that a rising number of SHFA were servicing a portion of their loan portfolios. In addition, those SHFA that were self servicing were servicing a larger percentage of their total portfolio from year-to-year.

The article points out that the benefits of servicing your own loans are:

- Higher quality mortgage loans;
- lower reserve levels; and
- increased revenues.

The main reason given by SHFA for this shift to self servicing was a concern for the quality of servicing being received by outside servicers. The concern was based on servicers receiving lower fees and facing increased costs of servicing an affordable housing portfolio. This is explained further in the article. In addition, the ability to obtain information quicker and track information not tracked by outside servicers were other reasons for moving to self servicing.

In our case, VHFA has acquired the servicing of an additional 53 loans from Fleet Mortgage and the Vermont State Employees Credit Union since June 30, 1997 and is in the process of acquiring an additional 62 loans from the National Bank of Middlebury. This will bring the total loans subserviced for us to 430. In addition to acquiring the servicing portfolios, the lenders will continue to originate VHFA mortgage loans and sell them to us servicing released.

Currently Graystone Mortgage Corporation (Graystone) subservices the mortgage loans that we purchase the servicing rights to. In 1995 we had put out a Request For Proposal (RFP) to Vermont lenders to ascertain their interest in subservicing. We did not receive any proposals that were as competitive as the one we received from Graystone. It staffs intention to do another RFP

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for subservicing once our lender servicing performance information, approved by the Board at the last meeting, can be used to determine which Vermont lenders we would consider as a subservicer.

It is the intent of staff to continue to work with the relatively small servicers of VHFA loans and negotiate with them for their servicing portfolios. In this way, staff hopes to keep these lenders originating VHFA mortgage loans while reducing the number of servicers VHFA has to deal with and increase our portfolio of self serviced mortgage loans.

Requested Board Action

No Board action requested

State Housing Finance Agencies' Mortgage Loan Servicing

The credit quality of state housing finance agencies (SHFAs) self-serviced loan portfolios continues to improve. Quality master servicing by SHFAs keep delinquency rates of affordable housing portfolios in line with conventional mortgage loans. Servicing loans in-house very often results in higher quality mortgage loans, lower reserve levels and increased revenues. To confirm these findings, Standard & Poor's conducted a survey on all housing finance agencies that service their own single-family mortgage loan portfolio. This article covers the credit impacts of servicing and expands on the survey performed in June 1996 (*See CreditWeek Municipal, July 1, 1996*).

Self Service or Reliance on Third Parties

While SHFAs have provided financing to low- and moderate-income mortgagors for more than 20 years, SHFAs did not start servicing their own loans until the last 10 years (*See table*). The number of agencies that service their own loans doubled in the last five years. Of those SHFAs that self-service, they are also servicing a larger percentage of their loan portfolio from year-to-year. In the last year alone, Rhode Island Housing and Mortgage Finance Corp. increased its level of servicing to 91% from 65%.

Standard & Poor's asked issuer's why they chose to start servicing loans in-house. Responses varied but a majority of the respondents echoed similar concerns. Ninety-five percent of the issuers claimed they had concerns about the quality of servicing. More than half questioned the capability of outside servicers. To a lesser extent, agencies chose to service in-house to get information quicker and or get information not currently tracked by outside servicers.

SHFAs feel that traditional servicers can not (or did not want to) offer the standard of servicing necessary to maintain a high quality mortgage loan portfolio. This is due primarily to two reasons — lower fees and higher costs. These mortgagors are typically first-time low- and moderate-income home buyers. Their loan balances are typically lower than that of conventional mortgagors. Since servicing fees are a function of the mortgage balance, the potential for revenue is lower than the conventional market. Second, since SHFAs often tailor their loan programs to assist low and moderate-income mortgagors, the programs often require more attention. The cost of providing that level of service may erode already slim margins. SHFA's feel that these conditions may have left some affordable markets without high quality servicers.

Benefits of In-House Servicing

Quality of servicing has a direct impact on the performance of a pool of loans, the level of reserves necessary to offset potential losses and the credit impact on the bonds that they back. When servicers aggressively service affordable loans,

State HFAs That Service Their Own Mortgage Loans

Agency	Date started	Number loans serviced*	Number loans total portfolio	% Loans serviced 1997	% Loans serviced 1996
Alaska HFC	June 1984	318	27,953	1	2
California HFA	Feb 1990	5,714	40,789	14	17
Colorado	April 1997	413	11,123	4	0
Connecticut¶	NA	900	30,190	3	10
Georgia	Sept 1984	3,900	12,135	32	22
Idaho	March 1990	13,237	16,182	82	81
Kentucky	Aug 1991	7,588	18,960	40	35
Mass Housing	May 1996	6,300	15,735	40	32
Missouri¶	NA	682	23,182	3	3
Nevada	Feb 1996	536	7,503	7	3
New Hampshire§	N.A.	400	11,830	3	0
New Mexico	July 1994	2,942	13,230	22	15
North Dakota HFA	June 1990	3,964	7,402	54	50
Pennsylvania HFA	Nov 1988	20,565	35,837	57	60
Rhode Island HMFC	March 1995	15,339	16,938	91	65
South Carolina HFA	July 1991	4,100	11,000	37	34
Texas¶	NA	400	11,500	3	0
Utah	Feb 1996	4,873	13,032	37	6
Vermont HFA§	N.A.	450	6,400	7	3
Virginia HDA	Dec 1990	7,944	48,801	16	15
West Virginia HDF	March 1989	8,049	12,165	66	54
Wisconsin HEDA	Aug 1979	9,181	28,631	32	26
Wyoming CDA	Dec 1990	6,116	13,546	45	43

*Figures do not include second mortgage loans, home improvement loans and down payment assistance loans. ¶Represents servicing originally performed by outside servicers. §Service only special program loans. NA—Not available.

Steven Tencer 212-208-8431, **Thomas Sheridan** 212-208-1118

both delinquency and foreclosure rates should be in line with state and regional averages.

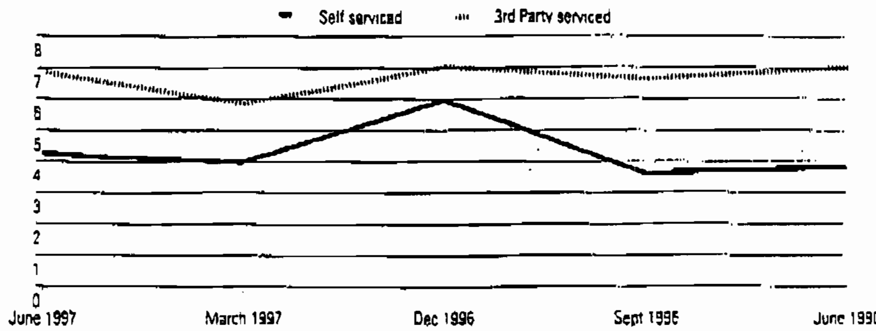
Also, many agencies claim that if they did not service their loans, they would be unable to keep some of their bond programs active. Earlier this year the Texas Department of Housing and Community Affairs shelved a deal because it could not find a private sector servicer willing to participate. More than half of the respondents claimed they could only provide adequate servicing to these special program loans. Five of the agencies on the list (18%) are agencies that only service special program loans or took back servicing from outside servicers that did not perform adequately.

Another benefit of in-house servicing is that it enables SHFAs to lend their strength and expertise to help state governments meet goals and objectives. From a credit perspective, a SHFA's involvement in a wide variety of state programs strengthens its state mandate and the likelihood of continuing as an ongoing entity. SHFA servicing improves the state loan performance while enhancing the SHFA's relationship with the state. Pennsylvania Housing Financing Agency (PHFA) services a special group of loans called the Ben Franklin portfolio. Many years ago, the state made monies available for loans to special interest groups. While the state had the funding to make the loan, it did not have the necessary skills to service the loan. The state called upon PHFA to service this group of loans. Without the assistance of PHFA, the program may not be as successful as it is today.

Expected Trends

Standard & Poor's believes that there will be an increase in the number and percentage of loans serviced by SHFAs. Credit quality should continue to increase resulting in lower levels of reserves and fewer delinquencies and foreclosures. Currently, a few agencies such as Texas Department of Housing and Community Affairs are exploring the opportunity to start servicing.

West Virginia Housing Development Fund Delinquencies



Standard & Poor's also expects to see SHFAs continue to explore avenues such as servicer fee securitization. Securitization could allow servicers to capitalize up front on their expected servicing fees. However, this trend could be thwarted if outside third-party servicers find a way to provide the level of service SHFAs have come to expect at a price that the market can bear.

Benchmarking Servicer Quality

In order to evaluate an agency's servicing function, Standard & Poor's will review the agency's procedures to ensure:

- Timely flow of mortgage loan payments,
- Timely payment of all escrows,
- Appropriate foreclosure and delinquency experience,
- Compliance with requirements,
- Adequate safeguards and controls,
- Timely follow upon delinquent mortgagors, and
- Adequate systems and technology.

Timely flow of mortgage loan payments is critical in order to ensure that the trustee receives sufficient monies to provide for debt service on the bonds and payment of taxes and insurance on the underlying properties. Improper flow of these funds could result in a shortfall of debt service, lack of insurance, or foreclosure proceedings. It is also important for an agency to have an adequate system of internal controls. This reduces the chance for improper use of funds and quickly alerts the agency to situations that need attention.

Standard & Poor's examines an agency's delinquency rates and compares them with the Mortgage Bankers Association average as a benchmark. In addition, Standard & Poor's compares the delinquency rates on an agency's self-serviced portfolio to the agency's overall rate to see any differences.

For agencies that self-service, Standard & Poor's compared delinquency rates on all loans excluding special loan portfolio (e.g., secondary mortgage loans, mobile home loans) to loans serviced by third parties by state and regional averages. Agencies that service their loans in-house had markedly lower delinquency and foreclosure rates. Delinquency rates were one-third lower for self-serviced loans and foreclosure rates were more than 50% lower. The *Chart* illustrates delinquency rates for self-serviced and third-party serviced loans for West Virginia Housing Development Fund. The third-party serviced loans had a significantly higher delinquency rate than loans serviced in-house. In four of the past five quarters, this difference is at least 50%.

For loans delinquent 60 or more days, Standard & Poor's will look for higher reserves to cover for potential loan losses. Depending on the loan characteristics (specifically the loan to value ratio), an issuer may need to post as much as 60% more reserves for delinquent loans. By servicing a majority of the loans in-house and keeping delinquencies significantly lower, SHFAs will need much lower reserves to maintain their ratings and therefore lower their cost of debt.

VERMONT HOUSING FINANCE AGENCY
Memorandum

TO: VHFA Board of Commissioners

FROM: Mike McNamara, Deputy Director *Mike McNamara*

DATE: November 6, 1997

RE: Review and Update of Strategic Plan

Background:

In September of 1993, VHFA embarked on a Strategic Planning process that culminated in the publication of its first formal strategic plan in February of 1995, covering the five Fiscal Years 1996-2000. The process involved a high caliber Strategic Planning Advisory Committee appointed by the Board of Commissioners, VHFA staff and the consulting firm of Lanzikos, McDonough and Associates and included extensive interviews and surveys of numerous VHFA partners including non-profits, lenders and government agencies.

A complete analysis of the internal and external environment was undertaken at that time, including a SWOT (Strengths, Weaknesses, Opportunities and Threats) exercise with the VHFA Board and Staff, which was administered by Lanzikos, McDonough and Associates. From June to September 1994, the Board revised VHFA's statements of mission, overall goals and objectives. The strategies or actions needed to carry out the goals and objectives were then determined by VHFA staff. The original Strategic Plan now serves as the benchmark from which the Annual Business Plan is developed and progress measured.

Looking Ahead:

A stated goal in the original Strategic Plan was to review and update the plan each year. While this has taken place in the form of the adoption of the Annual Business Plan by the VHFA Board for Fiscal Years 1997 and 1998, it is clear that a more extensive review needs to be done as we approach the mid-point of the original plan. Given the even more radical restructuring of federal housing resources than could have been envisioned in 1994, and the rapid changes in the banking industry fostered in large part by advancing technology, the time is right for a closer look at the plan.

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EQUAL HOUSING OPPORTUNITY

Since the original effort was so exhaustive, we need not "reinvent" the entire Strategic Plan, but merely refine and build upon the current version. In this vein, senior staff completed a rough SWOTs analysis in early 1997. CORE then agreed that a more in-depth Employee Survey would bring valuable feedback into the process; the survey results are now being tabulated by Palmer and Associates and should be available within the next few weeks.

As we begin the review of the Strategic Plan, it will be useful to keep in mind the question upon which the original plan was predicated: "Where does VHFA want to be in the next five years?" Not only do we need to think about things that are *not now in the plan but should be*, but also about things that *are now in the plan that should come out or be lowered in priority*. I strongly suspect that there are also goals and objectives in the current plan that we have not gotten to yet that we may want to redouble our efforts and resources to accomplish.

Timeline:

For the sake of discussion, I propose the following timeline:

November, 1997	Preliminary Board Discussion; Refine and commit to timeline.
December, 1997	Review and discussion of existing SP, SWOTs and Employee Survey.
January, 1998	Discussion of potential new initiatives to incorporate into the SP.
February/March, 1998	Prioritize goals and objectives, 1999-2003
April/May, 1998	Give and take with staff: establish actions in support of goals and objectives; specify needed staff and resources.
June, 1998	Draft Strategic Plan for FY 1999-2003 complete; to VHFA Board for approval.

As we move through this process, we must also bear in mind the somewhat serendipitous nature of housing programs. New initiatives can come about at any time through changes in state or federal legislation.

Please let me know if any additional copies of the Strategic Plan (or other documents) need to be provided to individual Commissioners so that each member has more than enough time to begin a "mark-up" before the next scheduled meeting.

VERMONT HOUSING FINANCE AGENCY

Memorandum

TO: VHFA Board of Commissioners

FROM: Mike McNamara, Deputy Director Mike McNamara

DATE: November 14, 1997

RE: First Quarter Business Plan Results

Attached is the FY 98 Business Plan indicating activities to date through September 30, 1997. We will continue to report on progress in this format on a quarterly basis.

Staff will be available at the Board meeting to answer questions about any aspect of the plan.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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EQUAL HOUSING OPPORTUNITY

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

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

STRATEGIC PLAN INFO	PROGRAM NAME	FY97 ACTUALS	FY98 GOALS	DEPT	FY98 ACTUALS (July 1, 1997 - September 30, 1997)
1. To encourage and support a work environment that enables staff to realize their full potential as employees of VHFA.					
1a.	Encourage and support a productive and positive work environment				
Support	Computer Software/Hardware Convert	All Mitas modules installed; conversion to MS Word and Excel complete; 3 year rolling IT capital budget prepared; year 1 budget approved 6/19/97	Update existing and add new server; replace (20) and upgrade (20) desktops; conversion to Windows '95 and Office '95. Expand Mitas and software training	Admin	All desktop upgrades and replacements complete 9/18/97. New server on -site; up and running by 12/97. Conversion to Windows '95 complete. One MITAS training session complete.
2.	*To enhance affordability and habitability that will maintain and increase homeownership*				
Ongoing	MOVE (Includes IORTA)	779 mtges purch; $53,415,904	750 mortgages purch.; $52,000,000 Program suspended	SF Ops	163 mortgages purch.;$11,284,166
Ongoing	MCC (Mortgage Plus)	99 MCCs issued; $7,451,056	120 MCCs issued; $9,000,000	SF Ops	29 MCCs issued; $2,272,732
Ongoing	HOUSE (Includes IORTA)	44 HOUSE loans purchased; $2,943,442	50 loans purch.;$3,300,000	Development/ SF Ops	11 HOUSE loans purchased; $724,970
Ongoing	Rural VT Mtge	6 mtges purch; $116,710	10 mortgages purch.; $195,000	SF Ops	Program reinstatement expected 12/97
Ongoing	SF Development/Construction	No activity	Review program; determine if changes would increase level of activity	Development	No activity date
Ongoing	Condominium Project Inspections	40 inspections completed; 20 financials reviewed	Conduct inspections using MF form and photograph at each location (40 inspections; 30 financials); review new projects as requested	MF Mgmt	7 inspections and 2 finanical reviews completed
NEW	REO Sales to Nonprofits		Complete 15 sales	SF Ops	2 REO sales
NEW	Officers Row Affordable Units		Transfer administration from LCHDC to BCLT	Development	Waiting for approval from VHCB
2a.	**Expand Down Payment Assistance**				
Ongoing	IORTA Down Payment Assist	Program suspended; using last of 500 loans allocated; 23 loans purch; $1,490,913	Using remaining 36 of 500 loans allocated	SF Ops	1 Loan purchased; $66,500
Ongoing	Targeted Use of IORTA Pool	$100,500 transferred to HO Centers ($33,500 each) to create revolving loan fund for down payment and closing costs	Better utilize the RD guarantee program; use IORTA in conjunction with Homeownership Centers and Burlington Enterprise Community	Development	Reports were due 9/30 on IORTA funds - waiting for info from GHT & RWNHS
Ongoing 2A #1 2E FY97	Homeownership Centers: Expand Down Payment Assistance; in FY98, Improve Financing for 3-4 unit owner-occupied	Homeownership Center Activity 6/1/96 - 3/31/97; 240 households received services; 16 new homeowners (VHFA loans included in MOVE, HOUSE); 90 households working to become howmeowners; Board approved 4/97 expansion to include RACLT	4 Homeownership Centers operational; down payment funding from FHLB, AHP & VHFA 0% MF Refunding saving; 40 new homeowners; 4 interventions	Development	RACLT operation by Nov 1. - intake system training scheduled for Nov 6th and 7th

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

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

STRATEGIC PLAN INFO	PROGRAM NAME	FY97 ACTUALS	FY98 GOALS	DEPT	FY98 ACTUALS (July 1, 1997 - September 30, 1997)
#2 FY97	Down Payment Assistance Using Second Mortgage Program	{Deferred to FY98}	(Defer to FY99)		
2b.	**Develop Home and Energy Improvement Lending Programs**				
Implement	Home Improvement	No activity	Complete program development for implementation in Spring or Summer 1998	Development	No activity to date
Implement Summer 97	Qualified Rehabilitation	No activity; defer to Spring 1998	Defer to FY99	Development	
2c.	**Expand Financing Options for Mobile Home Purchases**				
Ongoing	Mobile Home Park Financing (MF)	No activity	2 loans; $415,000 (69 units)	Development	No activity to date
FY97	Expand Financing Options for Mobile Home Purchases		Defer to FY99		No activity to date
2d.	**Provide Financing for Co-op Housing**				
FY96-FY97	Provide Financing for Co-Op Housing	No activity	Status quo: expect some activity in FY98	Development	Proposal to use IORTA funds for share loans to Board in Nov. or Dec.
2e.	**Improve Financing for 3 and 4 Unit Owner-Occupied Properties**				
FY97	Improve Financing for 3-4 Unit Owner-Occupied Properties (Develop financing option through MOVE-HOUSE)	{Deferred to FY98]	Defer to FY99	Development	
3.	***To improve flexibility of financing tools as a lender for rental housing***				
Ongoing	LIHTC	100% of Cal 1997 ceiling reserved; a portion of 1998 ceiling committed	Work with JCTC to amend Allocation Plan; Allocate 100% of available credit	Development	No activity to date
Ongoing	MF Construction	5 loans committed; 275 units; $7.2 million 3 loans closed; 42 units; $3.4 million	2 loans; $5,200,000 (85 units)	Development	1 bridge loan; 60 units;$670,000
Ongoing	Bridge Financing Initiative	$325,000 loan fund; $123,000 committed	SF bridge - 4 loans; $240,000	Development	No activity to date
Ongoing	MF Permanent Financing	7 loans committed; 330 units; $9,602,006 5 loans closed; 156 units; $4,176,531	8 loans; $9,925,000 (385 units)	Development	2 loans committed; 97 units;$1,935,000/3 loans closed; 207 units; $3,125,000
3a.	**Expand Energy Lending Activities**				
Ongoing	Expand Energy Lending Activities and Weatherization Assistance	2 loans committed; $4,124	VT OEO Weatherization Program 10 loans; $50,000	Development	No activity to date
4.	***To create and enhance affordable housing integrated with services to provide realistic alternatives for people with special needs.***				
Ongoing	Special Needs Housing	2 loans; $135,500 (included in HOUSE totals)	Will be developed in conjunction with Homeownership Centers Scattered Site Program	Development	No activity to date

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

STRATEGIC PLAN INFO	PROGRAM NAME	FY97 ACTUALS	FY98 GOALS	DEPT	FY98 ACTUALS (July 1, 1997 - September 30, 1997)
4a.	**Address Homelessness**				
Support FY96	Address Homelessness	600 Dalton Drive closed 5/8/97	600 Dalton Drive sheduled to open in 11/97	Development/ Comm	600 Dalton Drive ribbon cutting 11/97;first residents are moving in 11/97
4b.	**Collaborate to Develop Programs for Support and Special Needs**				
Analyze #2 FY96	Financing for Assisted Living (Developmentally Disabled Adults)	No activity	Direction unclear at this time; continue to participate in	Development	
Analyze #1 FY97	Financing for Assisted Living (Combine Affordable Housing for Elderly with Supportive Services)	Executive Director participates on Elderly/Assisted Living Taskforce	Monitor state initiatives in these areas	Development	
5.	***To increase the efficiency and responsiveness of the multi-family lending process.***				
5a.	**Increase Efficiency of Multifamily Lending Process**				
Support FY96 #1 #2 #3 #4	Increase Efficiency of MF Lending Process	Statewide single application forms in final development; underwriting criteria reviewed; closing process improved	Continue efforts in this area to complete application forms and streamline MF lending process	Development	No activity to date
5b.	**Improve Financing for small rental projects up to 20 units.**				
Analyze FY97	Improve Financing for 3-4 Unit Investor-Owned Properties (Provide capital for 3-4 unit investor-owned properties)	Preliminary work on Section 108 Revolving Loan Pool w CEDO/LCHDC in Old North End; HUD Small Projects Processing conference	Obtain approval as HUD Small Projects Processing Lender; continue discussions with LCHDC on ONE rehab. program	Admin/ Development	HUD SPP lender application approved 10/22/97; continue discussions with LCHDC on ONE rehab program
6.	***To develop programs to finance the mitigation or elimination of environmental hazards that may inhibit the production or preservation of safe and decent affordable housing.***				
Ongoing	Lead Paint Response	As of 6/30/97 $100,000 loaned for 33 units	Loan $50,000 for 15 commitments (average of $3,333 per loan)	Admin/ Development	All $100,000 committed; $84,914 dispursed
6b.	**Financing Housing Infrastructure**	**FY98**		Admin/	
7.	***To work with other housing and regulatory agencies to facilitate the development and preservation of affordable housing.***				
Ongoing	Preservation—Section 8	No activity	Renew efforts to obtain Preservation Agreements where possible	MF Mgmt	Have renewed discussions with some owners on features and incentives of this program
Ongoing	Portfolio Reengineering Demonstration	Submitted application to HUD, approved as Vermont processing agent for program	Complete Management Plan for HUD Submission and Approval	MF Mgmt	Menagement plan being prepared for submission to HUD

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

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

STRATEGIC PLAN INFO	PROGRAM NAME	FY97 ACTUALS	FY98 GOALS	DEPT	FY98 ACTUALS (July 1, 1997 - September 30, 1997)
Ongoing	Preservation of federally - funded housing developments	Applegate acquisition/rehab under negotiation with HUD; all financing except for HUD 204 Up Front grant in place as of 6/30/97; Action on Westgate on hold; monitor	Resolve 204 up front grant issue; closing during Summer; rehab. begins late fall '97	Development	Applegate closed 9/26/97
Ongoing	VT Housing Ventures	$325,000 new program cap approved 5 loans for $131,664	5 loans; $125,000	Development	1 loan $50,000
Ongoing	Section 8 Refunding	0% lending guidelines to Board 04/17/97	FY98 proposed uses to VHFA Board 8/6/97; Adoption of future years lending guidelines	Finance	Board adoption of uses and continuing dialog re proposed program outline
Ongoing	Burlington Enterprise Community	For FY96 and FY97 down payment assistance loans; 16 out of 20 slots reserved; marketing has guaranteed positive response with area lenders and real estate professionals	FY98 market and purchases 10 downpayment assistance loans (IORTA)	Development/ Admin/Comm	No activity to date
Support	Housing Vermont	Ongoing evaluation	Reactivate VHFA Bridge financing facility with Housing Vermont ($1,000,000 pool)	Finance	Met with Housing VT staff and offered changes to the Bridge loan facility to make it easier for them to use
Support	MF Management	104 developments (3,023 units)	108 Developments (3,170 units) Provide effective servicing and monitoring of	MF Mgmt	106 developments (3.246 units)
			MF portfolio; administer HUD Section 8 funds, $2.9 million/year		
Support	LIHTC Compliance Monitoring	67 projects completed (2,444 units)	75 Projects (2,574 units)	MF Mgmt	Final reports on 40 properties completed (1,373 units)
7a.	**Collaborate with Other Agencies To Achieve Efficiencies**				
Implement #1 FY96-97 #2 FY96-97	Monitoring: Streamline Statewide Programs (Improve affordable housing program compliance monitoring)	VHFA, HVT, Section 8, tax credit & VHCB monitoring coordinated	Expand VHFA, HVT, Section 8, Tax Credit, RD, FHLB and VHCB monitoring and finalize work on single application	MF Mgmt/ Admin	VHFA, HVT Section 8, Tax Credit & VHCB coordination continues. Agreement with RD to begin scheduling joint site inspections
Analyze #3 FY97-98	Collaborate with Other Agencies to Achieve Efficiencies (Improve overall quality and create efficiencies in gathering data re: monitoring)	Progress with VHCB on underwriting issues & sharing information	Continue on-going interagency collaboration	Dev/ Comm/ Admin	Common form developed; ongoing work to standardize where possible
8.	***To inform policy makers on an ongoing basis regarding affordable housing issues and needs.***				
Support	Statewide Affordable Housing Activity/Promotion	Statewide conference held 09/16/96; next conference to be held in 1998	Initiate planning for 1998	Comm	Community Investment Conference planned for 4/98
Support	Housing Policies State/Fed Level	Executive Director continues to participate in these groups	Continue current level of activity	Admin	
Support	HUD Consolidated Plan (formerly CHAS) Performance	LIHTC Allocation Plan completed 03/97 maintaining consistency with HUD Consolidated Plan; awards completed 6/19/97	Revise LIHTC Allocation Plan in Fall 1997 and implement as applicable in early 1998	Admin	JCTC meeting 10/28/97 to discuss allocation plan changes

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

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

STRATEGIC PLAN INFO	PROGRAM NAME	FY97 ACTUALS	FY98 GOALS	DEPT	FY98 ACTUALS (July 1, 1997 - September 30, 1997)
8a.	**Maintain Data Collection/Analysis/Dissemination of Housing Data**				
Support	Data Collection, Analysis, Dissemination of Housing Data	Capacity not maintained at 60% time, position expanded to full time in 6/97	With full time position, will resume previous level of data analysis, collection, and dissemination for internal and external projects	Comm	Full time research anaylst hired 9/98
9.	***To promote VHFA's affordable housing programs and to build upon VHFA's successful public education and information efforts.***				
Ongoing	Nonprofit Training/Technical Assist	Housing Counseling Training held 6/97 - 27 attendees	Training for loss mitigation re-sales; HOC training for HOUSE, home maintenance and credit counseling	Development/ Comm	Training for HO Centers on intake process sheduled for Nov 6th & 7th; conducted training for loss mitigation, 37 attendees; Conducted training for HOUSE, 7 attendees
Ongoing	Home Buyer Education	1 home buyer fair; 400 attendees 5 home buy basics workshops; 113 attendees 2 Pilot home buying basics workshops; 44 attendees, 3 non VHFA events; 39 attendees	1 home buyer fair; 6 home buy basics workshops; 2 Pilot home buying basics workshops; non-VHFA events as needed	Comm	4 Homeownership 2000 events held, 90 attendees; 1 pilot home buying basics workshop, 14 attendees
Implement	Homeownership Counseling	Homeownership Center evaluation completed 03/97	Carry on Homeownership Center evaluation for year two	Comm	Planning for eval. in progress
Ongoing	Cooperative Advertising	3 mailings for nonprofit to 2,556 consumers; $4,000 dispensed to nonprofits $5,500 dispensed to Homeownership Centers	$8,000 allocated for nonprofits; $12,000 allocated for Homeownership Centers	Comm	Awarded $8,000 for non-profits; Awarded $12,000 for Homeownership Centers
Support	Lender Training	10 VHMGB sessions; 135 participants 6 VHFA sessions; 102 participants (4 new lenders in 6 months)	VHMGB sessions scheduled as needed; 12 VHFA sessions	Comm	2 VHFA sessions held, 35 attendees
Support	Training for RE Professionals	3 sessions; 53 participants	5 class sessions; 6 RE Board meetings; sponsor/VAR R-Gram newsletter	Comm	2 classes held, 37 attendees
Support	Promote VHFA's Affordable Housing Programs Through Advertising	Spring 97 general campaign completed 6/97.4,900 Helpline Calls received; 28% of VHFA borrowers also called helpline	Maintain advertising campaign to generate consumer interest and result in loans at current levels for VHFA homeownership mortgage programs	Comm	Fall 1997 campaign began 9/97
Support	Communications Plan	Redesign of external newsletter completed, distributed 10/96; Materials for Legislative Conference completed 03/97; Annual Report distributed 01/97; New brochure design underway 6/97	Develop for program promotion, development of materials and/or outreach to meet VHFA's needs	Comm	New brochure designed 9/97
9a.	**Promote Homeownership Through Expansion of Home Buyer Education**				
10.	***To enhance the long-term financial viability of VHFA by improving efficiency, reducing costs and increasing revenues.***				
Support	Cash Flow: Analyze Alternatives	Began implementation of E&D cash flow services	Fully integrate E&D cash flow services into operation	Finance	Evenson Dodge begins to prepare cash flows on new bond issues

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

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

STRATEGIC PLAN INFO	PROGRAM NAME	FY97 ACTUALS	FY98 GOALS	DEPT	FY98 ACTUALS (July 1, 1997 - September 30, 1997)
Support	Strategic Planning	New SWOT analysis began 03/97; review years 3-5 in preparation for FY98 Business Plan submission	Complete staff - wide survey by September 30; Review current strategic Plan by Dec. 31; Recommend adoption of revised SP in early 1998	Comm/Admin	Draft survey completed by 9/30
Support	Regional Attorneys	Opened 80 cases; handled 129 cases; closed 80 cases	Continue utilization and monitoring of efficiency of regional attorney system	SF Ops	Considering expanding the number of attorneys in regions where we have only one
Support	Loan Servicing	6519 Loans Serviced by 32 servicers; $350 million; Hired Loan Servicing Manager 11/26/96; reorganized Loan Servicing Department	Relocate LS Dept. into new space; continue close monitoring	Finance/ SF Ops	6500 loans serviced by 32 servicers; $350 million; SF servicing staff should be on the first floor by the end of Oct. Completing a servicing measurement tool to be put into effect in the second quarter of FY98
Analyze	Credit Scoring	Credit scoring for 06/95 and 6/96 received from credit bureau; survey sent to lenders and presentation made to VHMGB Board, refinements need to be made	With Board approval, implementation of credit scoring into underwriting process	SF Ops	Credit score analysis for 6/97 received from credit bureau; Surveys returned by lenders and reviewed by staff; New proposal to be submitted to VHMGB Board in second quarter of FY98
10a.	**Expansion of Financing to Non-Housing Activities**				
Analyze #1 FY96	Finance Non-Housing Activities (Integrate existing entity functions)	No actvity	Defer	Finance	
Analyze #2 FY96	Expand Financing to Non-Housing Activities (Integrate auxiliary financing functions)	No activity	Defer	Admin	
10b.	**Better Utilize VHMGB to Enhance Services/Products of VHFA**				
Ongoing	VHMGB Program Administration	VHMGB business plan updated 06/97	See VHMGB business plan (attached)	SF Ops	No activity to date
Implement	Proactive Servicing (SF)		Implement	Finance	Working with DP, SF Ops and MITAS to structure the billing of monthly P&I Payments on serviced loans to lenders
Analyze #1 FY97	Utilize VHMGB to Enhance Products/ Services of VHFA (Guarantee home improvement loans)	{Delayed implementation to FY98}		SF Ops	Delayed implementation to later in FY98
Analyze #2 FY97	Utilize VHMGB to Enhance Products/ Services of VHFA (Guarantee 3-4 unit owner-occupied residences)	{Delayed implementation to FY98}	Utilize FHA Title I prior to involving VHMGB	SF Ops	Delayed implementation to later in FY98
Support	Quality Control	Quality Control process in compliance with secondary market guidelines; integrated with VHMGB quality control; initial discussions begun to perform quality control on pre-purchase basis rather than post-purchase	Adjust process to incorporate Freddie mac suggestions made at last audit	SF Ops	No activity to date

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

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

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

STRATEGIC PLAN INFO	PROGRAM NAME	FY97 ACTUALS	FY98 GOALS	DEPT	FY98 ACTUALS (July 1, 1997 - September 30, 1997)
10c.	**Reduce Operating and User Costs**				
NEW	Guides on disk	Accounting and Servicing Guides to lenders on disk 6/30/97	Have remaining VHFA guides on disk by 9/97	SF Ops	Loan accounting, Loan Servicing and Loan Sale currently on disk. VHMGB and MCC should be on in the second quarter of FY98
10d.	**Increase Revenues Through Loan Servicing Modifications and New Investment Opportunities**				
Analyze #2 FY97	Increase Revenues (Explore VHFA Direct Servicing)	Subservicing 328 loans; revenues of $20,000	Subservice at least 700 loans with revenues of $70,000	SF Ops	Subservicing 323 loans. Servicing of an additional 50 loans anticipated for second quarter of FY98
Support#1 FY96	Direct Servicing (Explore reducing servicing fees to servicers)	Subservicing 328 loans; continued analyzing direct servicing option	Continue analyzing direct servicing option	Finance/ SF Ops	Subservicing 323 loans. Servicing of an additional 50 loans anticipated for second quarter of FY98

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

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Samuel J. Falzone, Director, Multifamily Management

DATE: November 11, 1997

RE: Parsons Hill Water System Status - Castleton

I am happy to inform you that the contaminated water problem, which had been identified in August, has been corrected. The Agency of Natural Resources (ANR) was finally successful in gaining the owner's cooperation and installed three pressure tanks in place of the original 2,800 gallon hydropneumatic tank that had been suspected as the source of tetrachlorethlene (PCE) in the domestic water system. All testing since the removal of the old tank from the water system has been absolutely clean with no detection of PCE.

The Vermont Department of Health and Department of Environmental Conservation have designed an ongoing sampling protocol in order to ensure that the system is free from contamination and continues to be free from it in the future. In their jointly prepared report dated November 5, 1997, they outline specific water testing procedures for the next two years. They also conclude that the 2,800 gallon tank that had been installed when the project was built in 1983 is the primary or only source of contamination.

Two groups of residents have initiated suits against the owners Yvonne and Cathy Rooney for failing to tell them that their water had been contaminated with a suspected carcinogen. The Rooneys, who also manage Parsons Hill, had been issued advisories by the ANR to warn residents not to drink the water. Upon advice from their attorney, the Rooneys decided not to warn residents because the levels of contamination were only advisory and had not exceeded either State or Federal standards. This has made things very tense between the residents and the Rooneys, even now that the water problem is corrected.

VHFA, VSHA and ANR staff met with the residents on November 7th to answer questions and hear their ongoing concerns. As a result of this meeting, each unit will undergo a joint VHFA/VSHA inspection to identify deferred maintenance items that need to be corrected. We have also begun taking steps through CVPS and the Residential Energy Efficiency Program to consider this property as a prime candidate for fuel switching. We have agreed to meet with the residents again in mid-December to see how things are going.

As a result of this incident, General Counsel has revised our loan documents so that owners will now be required to inform us of any notices or orders issued by a governmental agency relating to a VHFA financed property. Members of Housing Council and ANR have also agreed to review procedures and improve communication with lenders when a problem of this nature occurs in the future.

No Board action is needed at this time.

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cathleen Gent, Director of Communications CG
Alex Bertoni, Research Analyst AB

DATE: November 13, 1997

RE: Summary of VHFA Market Share, Home Prices, and Economic Conditions

In the last several weeks, a variety of data updates and special reports have been released. Attached are summaries of these updates:

- VHFA Market Share - For the first half of 1997, VHFA's market share of all primary homes has remained stable at 15%, and decreased slightly for properties priced at or below VHFA's new construction price limit. While the number of loans purchased and MCCs issued decreased during the first half of 1997, the residential real estate market activity also declined.
- Residential Home Prices - In the first half of 1997, the median and mean home prices were $98,000 and $113,385, respectively. These prices reflect a small increase from 1996, and represent historically high prices. There appears to be a dichotomy between the relatively "sluggish" volume of property transfer activity and the high home prices. This may be related to better sales in higher-end priced homes and a good balance between the number of home buyers and homes for sale, thus keeping home prices high.
- Consumer Confidence and Vermont Economic Forecast - The "Vermont Economy Newsletter" is reporting that, based on information released for October, consumer confidence in Vermont has strengthened in the last eighteen months, in sync with the state's growing economy. In addition, the regional differences in consumer confidence are narrowing, highlighting a general positive trend throughout the state. The new state economic forecast was also released by the New England Economic Project (NEEP). Vermont's economic forecast for growth is expected to increase at a rate close to that of 1996. The "Vermont Economy Newsletter" forecast for job growth is even more optimistic than the NEEP projection.
- Harvard University 1997 State of the Nation's Housing/Fannie Mae 1997 National Housing Survey - These two annual surveys both point to strong growth nationally in homeownership rates, with greater affordability through lower interest rates, improved access to mortgage capital, and economic growth. The Harvard University study cautions that low-income renters will experience difficulties nationally due to: reductions in numbers of affordable rental units because of reductions in federal programs; property structural inadequacy and undermaintenance; and incomes insufficient to pay rents.

BOARD ACTION: No Board action is needed.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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

EQUAL HOUSING OPPORTUNITY

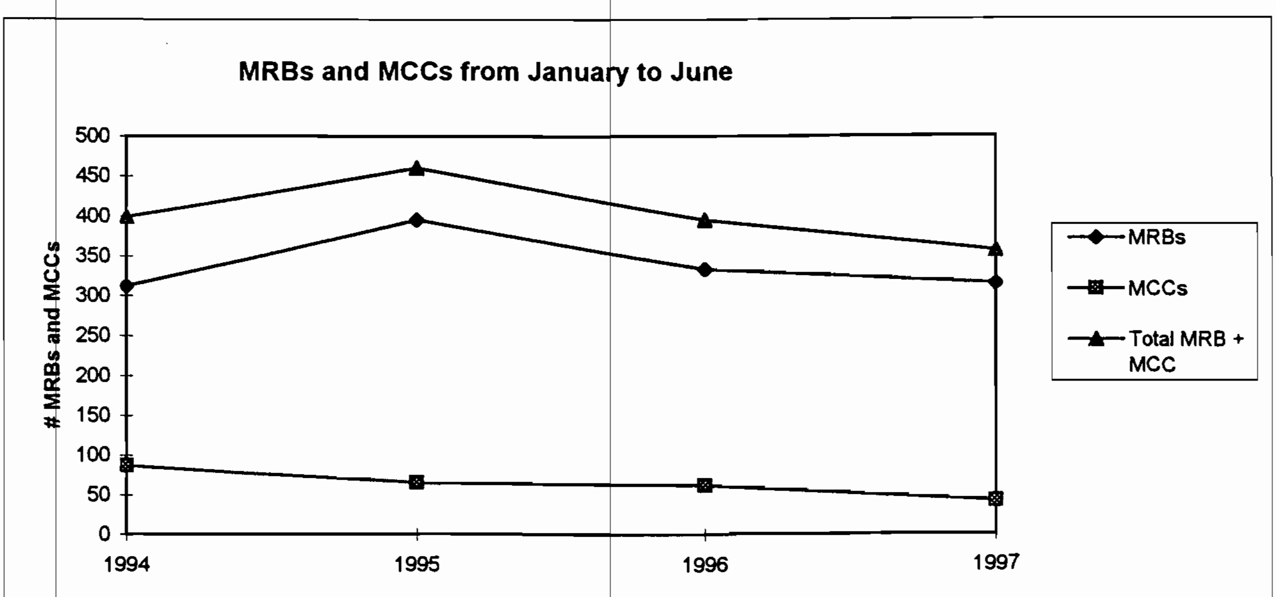
VHFA Market Share - All Primary Homes

	MRB Purchases	Total Transfers	Market Share	MCCs Issued	Total Transfers	Market Share	Total MRB & MCC	Total Transfers	Total Market Share
	Jan.-June			Jan.-June			Jan.-June		
1997	315	2,370	13.3%	42	2,370	1.8%	357	2,370	15.1%
1996	333	2,606	12.8%	62	2,606	2.4%	395	2,606	15.2%
1995	395	2,495	15.8%	65	2,495	2.6%	460	2,495	18.4%
1994	312	3,330	9.4%	87	3,330	2.6%	399	3,330	12.0%

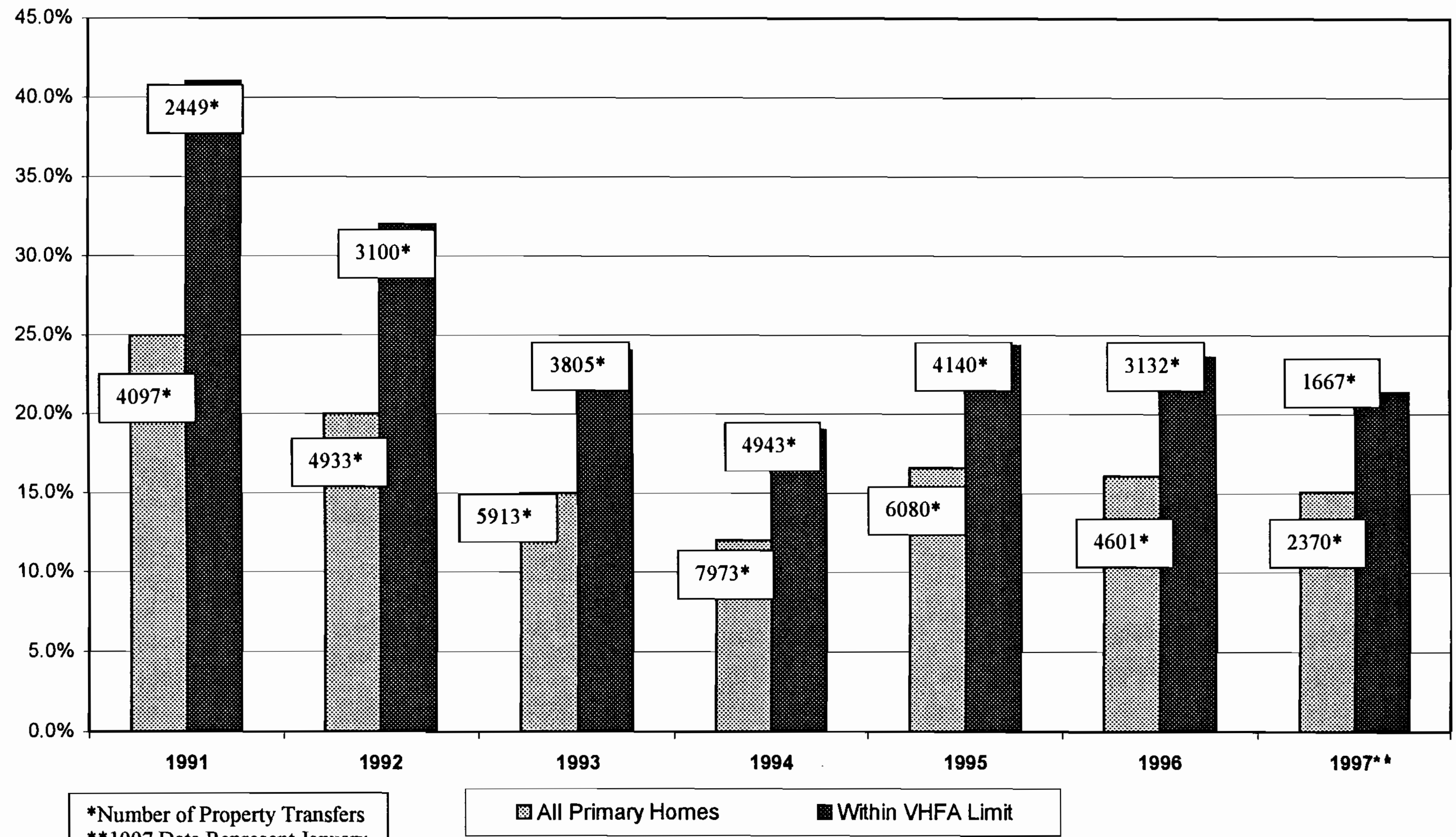
VHFA Market Share Under VHFA Limit*

	MRB Purchases	Transfers Below VHFA Limit	Market Share	MCCs Issued	Transfers Below VHFA Limit	Market Share	Total MRB & MCC	Transfers Below VHFA Limit	Total Market Share
	Jan.-June			Jan.-June			Jan.-June		
1997	315	1,667	18.9%	42	1,667	2.5%	357	1,667	21.4%
1996	333	1,773	18.8%	62	1,773	3.5%	395	1,773	22.3%
1995	395	1,730	22.8%	65	1,730	3.8%	460	1,730	26.6%
1994	312	2,102	14.8%	87	2,102	4.1%	399	2,102	19.0%

*"Under VHFA Limit" refers to new construction purchase price limits and is subject to periodic changes. The following were the limits for the respective years: 1994 - $110,000; 1995 - $120,000; 1996 - $120,000 1997 - $126,000



VHFA Market Share (MRB & MCC) for all Primary Homes Sold in Vermont and All Vermont Homes sold for a Price at or Below VHFA Purchase Price Limits



*Number of Property Transfers
**1997 Data Represent January to June

PRICES AND TOTAL TRANSFERS FOR THE FIRST HALF OF THE YEAR

Source: Reported by Vermont Housing Finance Agency based on data from VT Dept. of Taxes, Property Transfer Tax System

ALL HOMES: PRIMARY PROPERTIES, AND MOBILE HOMES WITH LAND:

	1992		1993		1994		1995		1996		1997	
	Price	Transfers	Price	Transfers	Price	Transfers	Price	Transfers	Price	Transfers	Price	Transfers
MEANS												
ADDISON	$99,082	99	$109,393	105	$105,084	170	$99,365	123	$109,637	114	$112,636	130
BENNINGTON	$123,838	120	$107,300	127	$108,597	188	$106,004	139	$131,954	149	$141,009	125
CALEDONIA	$67,885	83	$88,430	81	$65,323	122	$69,112	117	$72,064	109	$74,672	96
CHITTENDEN	$122,278	677	$120,716	723	$134,600	1,136	$132,386	772	$131,193	893	$131,171	852
ESSEX	$53,017	15	$79,325	12	$51,628	39	$37,294	16	$58,562	31	$59,110	24
FRANKLIN	$85,136	136	$89,661	139	$85,324	280	$86,806	173	$90,807	183	$91,960	177
GRAND ISLE	$124,523	27	$96,812	17	$118,734	23	$114,896	24	$97,798	27	$162,565	17
LAMOILLE	$119,893	71	$106,739	70	$101,157	116	$121,287	75	$125,940	104	$123,159	78
ORANGE	$90,022	54	$102,014	79	$81,902	137	$94,629	94	$106,018	93	$93,038	74
ORLEANS	$68,225	72	$58,153	79	$64,866	110	$62,942	103	$64,538	89	$71,132	86
RUTLAND	$101,833	175	$88,515	173	$93,023	281	$94,939	241	$95,208	224	$94,472	196
WASHINGTON	$94,260	188	$93,705	194	$91,386	271	$103,327	210	$97,703	226	$100,304	202
WINDHAM	$109,363	113	$113,284	118	$115,832	166	$119,595	162	$104,967	151	$100,060	121
WINDSOR	$128,226	171	$115,609	176	$116,734	291	$121,065	246	$128,141	213	$122,727	192
VERMONT	$95,000	2,001	$106,042	2,093	$108,704	3,330	$109,750	2,495	$112,623	2,606	$113,385	2,370
MEDIANS												
ADDISON	$92,000	99	$94,000	105	$94,750	170	$87,000	123	$104,500	114	$97,275	130
BENNINGTON	$95,000	120	$92,500	127	$88,835	188	$96,000	139	$105,000	149	$102,000	125
CALEDONIA	$60,000	83	$77,000	81	$65,750	122	$62,500	117	$70,000	109	$63,750	96
CHITTENDEN	$110,000	677	$110,000	723	$117,625	1,136	$115,000	772	$116,390	893	$117,450	852
ESSEX	$50,000	15	$69,950	12	$53,000	39	$35,000	16	$47,000	31	$53,000	24
FRANKLIN	$85,000	136	$87,000	139	$84,950	280	$86,000	173	$89,767	183	$90,000	177
GRAND ISLE	$96,000	27	$83,900	17	$119,500	23	$89,500	24	$89,000	27	$107,600	17
LAMOILLE	$85,000	71	$90,475	70	$85,000	116	$87,500	75	$103,750	104	$97,000	78
ORANGE	$86,750	54	$92,352	79	$75,000	137	$77,328	94	$85,000	93	$82,750	74
ORLEANS	$64,000	72	$57,000	79	$58,500	110	$55,900	103	$62,000	89	$64,000	86
RUTLAND	$89,900	175	$84,500	173	$85,000	281	$82,500	241	$85,000	224	$85,000	196
WASHINGTON	$88,875	188	$85,000	194	$85,000	271	$90,000	210	$85,700	226	$89,450	202
WINDHAM	$100,000	113	$10,000	118	$98,000	166	$102,398	162	$89,200	151	$93,000	121
WINDSOR	$100,000	171	$91,000	176	$94,000	291	$95,000	246	$96,000	213	$99,500	192
VERMONT	$95,000	2,001	$94,846	2,093	$94,000	3,330	$94,000	2,495	$97,500	2,606	$98,000	2,370

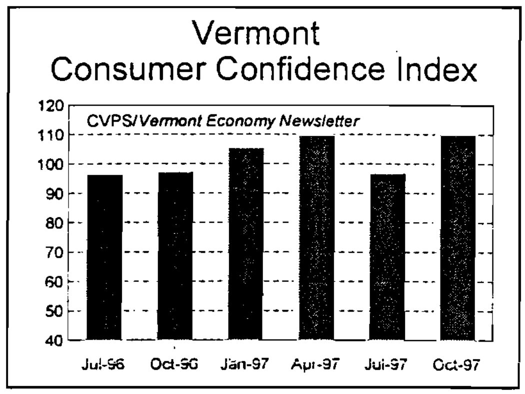
THE
VERMONT ECONOMY
NEWSLETTER

Vol. 7 No. 11 *A monthly newsletter of trends and analysis of the Vermont economy.* November 1997

Vermont Consumer Confidence Records New High Mark

Vermont's consumer confidence has strengthened in the past eighteen months in sync with the state's growing economy. The CVPS/*Vermont Economy Newsletter* Consumer Confidence Index recorded its highest level to date in the October survey. The confidence index stood at 110.0, well above the level set in our first survey of July 1996.

The Vermont index level of 110.0 trails the national level of 123.3 and the New England level of 120.0 as reported by the Conference Board of New York.



Labor Market Source of the Strength

The consumer confidence index was constructed from the answers to five questions submitted to a random sample of 415 Vermont households. The answers that revealed the greatest increase in consumer confidence where to questions on current conditions not those on expectations of future economic conditions.

More Vermonters than in any survey before responded that there were "plenty of jobs" available today and fewer Vermonters than ever responded that "jobs were hard to get." In addition, more Vermonters than ever before rated general business conditions as "good." This is certainly in keeping with the steady growth of jobs in the state and the current low unemployment rate which we are enjoying.

In-State Regional Differences Narrow

The October confidence readings showed a narrowing of the gap among the three regions used to analyze the state. The confidence index in the Southern region (Windsor, Windham, Bennington, and Rutland Counties) jumped more than ten points from July to October and is now at 104.5. The Central/Northeast region (Orange, Washington, Lamoille, Essex, Orleans, and Caledonia Counties) reported the largest increase in confidence of the three regions. Confidence jumped 28 points, to 88.5.

The Northwestern region (Franklin, Grand Isle, Chittenden, and Addison Counties) continued to have the highest confidence reading in the state, at 130.4. This is slightly below the record of July, but is still a very high level, and is similar to the levels being recorded in those areas of the U.S. reporting the best economic performance. ■

INSIDE THIS ISSUE

New State Economic Forecast: Smooth Sailing Ahead

"Continued growth ahead," was the theme from all of the state forecasters at the latest meeting of the New England Economic Project (NEEP) in Boston. Every state forecaster saw the regional economic fortunes paralleling the national economic pattern.

The National Economy

The U.S. economy continues to surprise just about everyone and if the forecast is correct, we will continue to be surprised as the rather old expansion keeps chugging along. The economy has been growing since early 1991 which makes the expansion nearly 7 years old.

Although the economy is due for a downturn, none of the imbalances that usually lead to a recession is on the horizon. Despite continued low unemployment, inflation remains in check; indeed it is still declining. With consumer spending rising and consumer confidence still at high levels, overall demand for goods and services remains strong.

What could derail the continued economic growth? Any significant economic shock, such as a sudden runup in oil prices, is one scenario. Another is a sharp decline in the stock market or major financial shock to the economy. The runup in stock prices has contributed a lot to the health of the economy and any reversal would have the opposite effect.

None of these can be forecasted, and the outlook for the national economy is for smooth sailing through the first years of the millennium. The economy is expected to slow during late 1998 and 1999 as the Fed raises interest rates by one-half point to combat expected rising prices. But this slowdown will not be enough to put the economy into a recession.

The Region

All New England states are expected to grow over the next four years with the regional growth rate nearly identical to the national average. Rhode Island is expected to trail all states in the region, with employment growing at a slugglish rate of under 1.0% each year. The leader, as usual, will be New Hampshire which will add jobs at a 2.4% to 2.9% rate each year.

The good news for the region is that by December of this year, total employment in New England will finally reach the previous peak employment of 1989. Vermont reached that peak in 1994. Connecticut, the slowest growing state in the region, has only regained half of the jobs it lost during the 1989-91 downturn. It will not hit its 1989 peak employment until 2000.

Vermont

Vermont's economy has now been expanding for six and one-half years and the forecast sees no letup from that trend. The state forecast does call for the state to slow in 1998 and 1999, just as the national economy slows. Job growth will be 1.5% this year and next, down a bit from the 1.8% rate of 1996.

We think that is a shade too low. Our best estimate is a job growth rate of closer to 2.0% this year and next.

Vermont Economy: Growth Rates (%)

	1996	1997	1998	1999
Jobs	1.8	1.5	1.5	1.1
Labor Force	1.5	1.5	1.6	0.8
Population	0.7	0.6	0.6	0.5
Personal Income	4.8	4.1	5.1	6.0
Unempl. Rate	4.6	3.8	4.0	4.5

The major threat to Vermont's continued expansion is the national economy. We won't have a regional recession that precedes a national downturn as we did in 1989. Our economic fortunes are increasingly tied into the national and regional economies.

We currently are facing the same macroeconomic problems as the nation: where will the workers that our firms need come from? And how long can our labor force and jobs grow at a rate faster than population without labor shortages hurting our ability to grow? The answers to these questions will be crucial to Vermont's ability to continue on its growth path. ■

Harvard University Joint Center for Housing Studies
The 1997 State of the Nation's Housing - *Summary*

- The housing boom is continuing, with homeownership at 65.4%. This growth has been driven by the baby boomers reaching prime trade up ages and the increases in homeownership among minorities and immigrants. So far in the 1990s, one third of population growth has come from immigration.

- **Non-metro** areas have seen larger population growth due to domestic migration away from cities and foreign immigration. Non-metro areas with the highest growth have been adjacent to metropolitan borders, recreation and retirement markets.

- In recent years, rental property owners have substantially reduced their spending levels on renovation and repairs. Nine percent of all rental units are structurally inadequate, compared to 5.1 percent for owned units. The disparity of inadequate structures between owners and renters holds across all income levels. Approximately 3.2 million **rental** units are at risk of loss because of structural inadequacy and undermaintenance. **Promoting the sale of housing assets to residents able and willing to maintain properties in distressed communities is an essential element of the national housing agenda.**

- The divergence of incomes between well educated and less well educated is intensifying. Inflation adjusted median earnings of male high school graduates have fallen 25 percent from 1979-1995, while income levels of college graduates has held steady. **As the gap between high and low income households is widening, so too is the spatial separation of these groups.** Households with the resources are found in lower density communities far from the urban center, while large metro areas have a disproportionately high number of lower income households within their centers.

- While homeownership has become more affordable through lower interest rates, improved access to mortgage capital, and income and employment growth, renters have seen persistently high rents. These high rental costs help contribute to the current homeownership boom.

- Changes in welfare legislation and other assistance programs will reduce the ability for low-income households to pay increasing housing costs. **1996 marked the first time in the history of federal housing programs where the number of assisted rental units actually fell.**

- Welfare reform is expected to reduce the ability to afford housing for many of the nation's most disadvantaged households. Of the extremely low-income households (less than 30% of median) living in assisted housing, nearly half also receive income assistance. Housing subsidy programs tied to a fixed percentage of income, such as Sections 8, may offset this decline. **However, the number of units available to low-income households will drop as owners and managers of these developments adjust their tenant mix to make up for the loss of rent.**

- Extremely low-income households that do not receive any housing assistance but do receive income assistance are at the greatest risk of losing the ability to afford their dwellings through the proposed reforms.

- **Partnership Offices** continue as an important avenue for Fannie Mae to address obstacles to homeownership. Begun three years ago and located in more than 25 cities, these offices work with various organizations and local governments to increase homeownership levels.
- ***The Fannie 97*** is a new mortgage product that attempts to address the obstacle of sufficient downpayment and closing costs. It requires only 3 percent downpayment.
- ***Fannie Mae Mortgage Protection Plan*** has been introduced to address another identified impediment to homeownership, job insecurity. This will provide protection against the loss of the home in the event of job loss or other catastrophic event.
- **The 1997 survey** focused on cities. The study revealed that since 1991 there has been an improvement in the image of American cities. Cities are increasingly viewed as centers of culture, entertainment and opportunity. Employment opportunity is a major determining factor why city dwellers choose city life. The most positive image of the cities is held by the 18-to-24 year-old segment of the survey. Despite these findings, still only one in ten Americans view cities as the ideal place to live. It would appear that the saying, "it's a great place to visit, but I wouldn't want to live there," is becoming more accurate. Overcrowding and congestion were cited in the survey as dominant negative factors for *big* cities.

  (83%) of respondents would consider living in a **small-to medium-sized city**.

  (72%) would consider buying a home in a **small town**.

  (70%) would consider buying a home in a **suburb**.

  (66%) would consider a **rural area** for the purchase of a home.

  (9%) would list a **big city** as their first choice of a place to live.

Another finding of the survey was that 1997 is viewed by 63 percent of the survey respondents as a "somewhat good" or "very good" time to buy a home. This has changed little from the previous survey. Although the obstacles to homeownership surveyed by Fannie Mae have declined from the previous survey, the major obstacles to homeownership remain:

(44%) Having enough money for **downpayment and closing costs**.
(42%) Being able to find a home that you **like and can afford**.
(36%) Having enough confidence in **job security**.
(35%) Finding a neighborhood in which you feel **confident investing in a home**.

- Consistent with the findings of the survey, Fannie Mae has determined that they must help persuade Americans that cities are good places to live, not just to visit. Partnership Offices, located in more than 25 of America's largest cities, will work to increase homeownership rates by working with lenders, non-profits and local governments. Since the effort began, Fannie Mae has committed more than $80 billion towards targeted financing plans developed by its Partnership Offices.

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: CG Cathleen Gent, Director of Communications

DATE: November 12, 1997

RE: Federal Legislation Update

The U.S. Congress is currently considering legislation which would significantly increase the level of activity in the Housing Credit Program and would expand the Private Activity Bond Volume Cap.

Vermont's Congressional delegation is co-sponsoring legislation (S.1252 in the Senate and H.979 in the House) to increase the annual limitation on the state authority to allocate Housing Credits to $1.75 per capita and to index the cap to the rate of inflation. The adjusted cap would increase Vermont's authority cap to $1.03 million, an increase of 40 percent from the current limit. As demonstrated during the 1997 allocation process, the demand for Housing Credits is increasing -- and is expected to increase even more in future years with the reduction in resources for other federal housing programs. VHFA's Housing Credit partners across Vermont have been in contact with Senators Leahy and Jeffords and Congressman Sanders to thank them for their continued support for the Housing Credit Program.

Federal legislation to increase the amount of private activity bonds which may be issued annually by each state has also been introduced. Congressional bills S.1251 and H.979 would raise the current small state cap of $150 million to $250 million each year, and would be indexed for inflation in subsequent years. The private activity bonds are issued by VHFA, VSAC, VEDA, the Higher Health and Education Authority, and the Municipal Bond Bank to finance a wide range of public needs. At this time, the combined bonding activities for Vermont use the current allocation in bonding authority of $150 million. Congressman Sanders is co-sponsoring the legislation to increase the private activity bond cap. VHFA is collaborating with the other state organizations which use private activity bonds to encourage Senators Leahy and Jeffords to co-sponsor S.1251.

Attached are copies of Senate bills S. 1251 and S.1252, as well as a letter from Allan Hunt to Senator Leahy encouraging him to co-sponsor S. 1251 and "Talking Points" for each piece of legislation.

BOARD ACTION: No Board action is needed.

105TH CONGRESS
1ST SESSION

S. 1252

IN THE SENATE OF THE UNITED STATES

Mr. D'AMATO (for himself and Mr. GRAHAM) introduced the following bill; which was read twice and referred to the Committee on ____________

A BILL

To amend the Internal Revenue Code of 1986 to increase the amount of low-income housing credits which may be allocated in each State, and to index such amount for inflation.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. INCREASE IN STATE CEILING ON LOW-INCOME HOUSING CREDITS.

(a) IN GENERAL.—Section 42(h)(3)(C)(i) of the Internal Revenue Code of 1986 (relating to State housing credit ceiling) is amended by striking "$1.25" and inserting "$1.75".

(b) ADJUSTMENT OF STATE CEILING FOR INCREASES IN COST-OF-LIVING.—Section 42(h)(3) of the Internal Revenue Code of 1986 (relating to housing credit dollar amount for agencies) is amended by adding at the end the following new subparagraph:

"(H) COST-OF-LIVING ADJUSTMENT.—

"(i) IN GENERAL.—In the case of a calendar year after 1998, the dollar amount contained in subparagraph (C)(i) shall be increased by an amount equal to—

"(I) such dollar amount, multiplied by

"(II) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting 'calendar year 1997' for 'calendar year 1992' in subparagraph (B) thereof.

"(ii) ROUNDING.—If any increase under clause (i) is not a multiple of $1, such increase shall be rounded to the next lowest multiple of $1."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to calendar years after 1997.

Housing Credit Cap Increase Talking Points

- NCSHA supports legislation to increase the annual limitation on state authority to allocate Low Income Housing Tax Credits (Housing Credits) to $1.75 per capita and to index the cap to inflation.

- The Housing Credit is the primary federal-state tool for producing affordable rental housing all across the country. Since 1987, state agencies have allocated over $3 billion in Housing Credits to help finance nearly 900,000 apartments for low income families, including 75,000 apartments in 1996.

- Despite the success of the Housing Credit in meeting affordable rental housing needs, the apartments it helps finance can barely keep pace with the nearly 100,000 low cost apartments which are demolished, abandoned, or converted to market rate use each year.

- Nationwide, demand for Housing Credits outstrips supply by more than three to one. In 1996, states received applications requesting over $1.2 billion in Housing Credits—far surpassing the $365 million in Credit authority available to allocate that year.

- The current Housing Credit cap—$1.25 times the state's population—has not been adjusted since the program was created in 1986.

- Annual cap growth is limited to the increase in state population, which has been less than five percent nationwide over the past decade.

- During the same time period, inflation has eroded the Housing Credit's purchasing power by approximately 45 percent, as measured by the Consumer Price Index.

- Many tax provisions, such as deductibility of home mortgage interest, grow with the economy. Other provisions, like the personal exemption, are indexed to inflation, while some, like the estate tax exemption, have been adjusted by periodic legislation.

- The nation's governors have adopted policy calling for an increase in the Housing Credit cap.

- The current cap is strangling state capacity to help the millions of Americans who still have no decent, safe, affordable place to live.

105TH CONGRESS
1ST SESSION

S. 1251

IN THE SENATE OF THE UNITED STATES

Mr. D'Amato (for himself and Mr. Breaux) introduced the following bill; which was read twice and referred to the Committee on ______________

A BILL

To amend the Internal Revenue Code of 1986 to increase the amount of private activity bonds which may be issued in each State, and to index such amount for inflation.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. INCREASE IN STATE CEILING ON PRIVATE ACTIVITY BONDS.

(a) REPEAL OF POST-1987 REDUCTION.—Subsection (d) of section 146 of the Internal Revenue Code of 1986 (relating to State ceiling) is amended by striking paragraph (2).

(b) ADJUSTMENT OF STATE CEILING FOR INCREASES IN COST-OF-LIVING.—Subsection (d) of section

Bond Cap Increase Campaign Talking Points

- Senior House Ways and Means Committee members Houghton (R-NY) and Kennelly (D-CT) and Senior Senate Finance Committee members D'Amato (R-NY) and Breaux (D-LA) have introduced identical companion bills to increase the decade old cap on "private activity" tax-exempt bonds and index the cap to inflation.

- These bills (H.R. 979 and S. 1251, respectively) would raise the cap more than 40 percent to $75 times state population or $250 million, if greater. The current cap is $50 times population or $150 million, if greater.

- One hundred-four additional House members (32 R, 72 D), including 11 additional Ways and Means Committee members (5 R, 6 D), have cosponsored H.R. 979. S. 1251 has just been introduced but should generate the same strong support.

- The nation's governors have adopted policy calling for a cap increase. The nation's state treasurers, National Association of Counties (NACO), and Association of Local Housing Finance Agencies (ALHFA) also support raising the cap.

- NCSHA's fellow National Partners in Homeownership members, ALHFA, NACO, the Mortgage Bankers, and the Realtors, have joined NCSHA's cap increase coalition.

- The bills are a top priority for the National Partners—and should be for anyone with an interest in affordable homeownership—because it would enable state HFAs to issue more Mortgage Revenue Bonds (MRBs), the primary federal-state partnership for expanding lower income first-time homeownership.

- State housing finance agencies (HFAs) issue MRBs to finance about 100,000 lower income first-time home mortgages each year.

- The average MRB buyer has less than 80 percent of the national median income; less than 75 percent of an average conventionally financed first-time buyer's income; and just 65 percent of an average conventional buyer's income.

- Average MRB-financed homes cost only 80 percent of average conventionally financed first-time homes and 60 percent of all average conventionally financed homes. A quarter of MRB families are minorities.

- Many HFAs could use their state's entire cap, or at least twice what they receive, each year for their MRB programs.

- MRBs are lumped under the cap with bonds for multifamily housing (which HFAs also issue) redevelopment of blighted areas, student loans, and manufacturing and municipal service facilities. Congress never intended the current cap to accommodate so many deserving needs indefinitely, without adjustment for inflation.

- In fact, Congress never intended the cap to shrink at all. It allowed the cap to grow with state populations and imposed the cap in the same 1986 Tax Act which terminated the two heaviest cap users, MRBs and manufacturing facilities, by 1989, leaving plenty of room for the rest. Then Congress extended MRBs and IDBs several times past their original expiration dates and finally made them permanent in 1993.

- But Congress did not at that time adjust the cap to reflect that increased demand. Unfortunately, inflation rises much faster than state populations. As a result, inflation has severely eroded the cap's value. The cap has grown only five percent (due to population) over a period of 45 percent inflation, as measured by the Consumer Price Index. This means private activity bonds have lost nearly half of their buying power.

- The Joint Tax Committee estimates H.R. 979 would cost just over $1 billion over five years. That's just one percent of the $95 billion in net tax relief the Taxpayer Relief Act of 1997 provides. The bill's ten year cost is $4.4 billion, according to JCT.

- JCT also acknowledged for the first time that inflation has in fact significantly eroded cap purchasing power, it says by 30 percent.

- The Taxpayer Relief Act of 1997 repealed the decade old cap on non-hospital 501(c)3 bonds, proving bipartisan support exists for adjusting arbitrary caps which strangle worthy and needed investment.

VERMONT HOUSING FINANCE AGENCY

October 15, 1997

The Honorable Patrick J. Leahy
U.S. Senate
433 Russell Senate Building
Washington, DC 20510-4503

Dear Pat,

I wanted to call to your attention and request that you consider co-sponsoring S-1251, a bill to increase the amount of private activity bonds which may be issued by each state annually. Under Senator D'Amato's bill, the current small state cap of $150 million would be raised to $250 million annually. In addition, this amount would be indexed for inflation in subsequent years.

As you know, these bonds are issued by us, as well as VSAC, VEDA, the Higher Health and Education Authority, and the Municipal Bond Bank to address a wide variety of public needs. These state organizations fully use the current $150 million in bonding authority available to them, making this increase critical to our future ability to meet the needs of our state. This cap was imposed in 1986 and has not been adjusted since that time. S-1251 would restore the "buying power" of this cap and allow it to be adjusted in future years.

Your willingness to co-sponsor this bill would mean a great deal to us, as well as the other issuers affected by this bill. As always, we appreciate you continued support of all of our activities.

Sincerely,

Allan S. Hunt
Executive Director (652-3421)

cc: VHFA Board of Commissioners

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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EQUAL HOUSING OPPORTUNITY

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: **VHFA BOARD OF COMMISSIONERS**

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

DATE: **OCTOBER 21, 1997**

RE: **FISCAL YEAR JUNE 30, 1997, AUDIT REPORTS**

The final audited financial statements for the fiscal year ended June 30, 1997, are attached as reviewed by our auditors, KPMG Peat Marwick. The related additional letters addressing internal controls and conduct of the audit are also included. There were no changes from the financial summary reports that were distributed at the September Board meeting. The management letters contain no comments of substance. Please reference my September 25, 1997 memorandum which highlighted the financial operations for the June 30, 1997 fiscal year.

If you have any questions regarding the audited financials or the management letters presented, feel free to contact me at your convenience.

Recommended Board Action:
At the next Board meeting we will need to accept the audit and special reports as presented.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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EQUAL HOUSING OPPORTUNITY

RESOLUTION PERTAINING TO ESSEX TOWN CENTER

WHEREAS, a proposal has previously been presented to the Agency by Homestead Design, Inc., a developer located in Williston (the "Sponsor") on behalf of a to-be-formed limited partnership, one of whose general partners would be Homestead Design, Inc., involving the permanent financing of a mixed-use development in Essex containing 44 units in one building located on 15 acres in Essex (the "Development"); and

WHEREAS, the Agency has issued a commitment letter for permanent financing for the residential portion of the Development in an amount not to exceed $2,217,000; and

WHEREAS, the Sponsor has received a reservation of Low Income Housing Tax Credits and has received a decision of the Essex Town Selectboard granting it a tax stabilization agreement for ten years; and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi dated September 25, 1997 containing information and recommendations about the financing of the Development (the "Memorandum"); and

WHEREAS, the Sponsor has received a commitment from the Howard Bank to finance the construction of the Development and a permanent loan for the commercial portion of the Development and the Agency will be able to purchase a rate lock from the Federal Home Loan Bank of Boston for the permanent loan for the residential portion of the Development; and

WHEREAS, the Howard Bank is requesting that the Agency guarantee the full amount of the construction loan on the residential portion of the Development; and

WHEREAS, due to the timing of the equity pay-in for the Development, there will be a shortfall of approximately $900,000 from the time of the closing of the Agency's permanent loan until 95% of the market rate units are leased and occupied and the second installment of equity is paid and the Sponsor is seeking a bridge loan from the Agency for that period of time;

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a Letter of Commitment to provide a bridge loan of not more than $900,000, with a term of six months and an interest rate at the Agency's cost of funds plus one and one half points. The Letter of Commitment shall be conditioned on the sponsor providing the following in form and substance satisfactory to the Agency:

a) evidence that all conditions of the Agency's permanent financing commitment have been met;

b) meaningful personal guarantees by its principals; and

c) a pledge of the equity commitment.

2. The commitment of the Agency shall be subject to receipt, on or before the date of the closing, as set out in the Commitment Letter, of commitment fees in an amount equal to one and one half percent (1.5%) of the total of the maximum principal amount of (a) the permanent loan and (b) the bridge loan.

3. The Agency shall urge the Sponsor the attempt to negotiate a more favorable pay-in schedule for the equity.

4. The Agency is authorized to issue a guarantee to the Howard Bank for the amount of the portion of the Howard Bank's construction loan that is attributable to the residential portion of the Development, with the terms of the guarantee to be satisfactory to the staff of the Agency. In addition, the Agency shall obtain a pledge or collateral assignment of the all security taken by the Howard Bank and shall enter into an agreement with the Howard Bank regarding the coordination of construction inspections and and administration of the construction loan.

5. The Executive Director, the Deputy Director and the Director of Finance, or any of them, are authorized to take all necessary steps and execute all documents required to effectuate the permanent and bridge loans.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Derby, Vermont, on October 2, 1997.

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

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VERMONT HOUSING FINANCE AGENCY

December 10, 1997

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

Dear Ms. Wolters:

The Vermont Housing Finance Agency will be having its regular Board Meeting on Thursday, December 18, at 2:00 p.m., here at the office of the Vermont Housing Finance Agency, 164 Saint Paul Street, Burlington, Vermont.

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

Sincerely,

Kari Caragher

Kari A. Caragher
Office Assistant

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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EQUAL HOUSING OPPORTUNITY

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

ASH

FROM: Allan S. Hunt, Executive Director

DATE: December 12, 1997

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 2:00 p.m. Thursday, December 18, here at the VHFA offices, 164 Saint Paul Street, Burlington, Vermont.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Burlington at 2:00 December 18!

REMINDER: Following the Board meeting will be our annual Holiday Party at the Econo Lodge Conference Center in South Burlington (Williston Road) from 5:00 - 9:00 p.m. I hope you all can attend.

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EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

Vermont Housing Finance Agency
164 Saint Paul Street
Burlington, Vermont

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

1. Review and approval of minutes of November 20, 1997

2. **Development**
   - A. Public Comments on Proposed Changes to the 1998 Housing Credit Allocation Plan; Final Recommended Changes — **[Erdelyi/Reid // Enclosure]**
   - B. Combined Letter of Interest and Commitment for Permanent Financing for 1306 Ethan Allen Drive, Colchester & 53-67 East Spring Street, Winooski — **[Reid // Enclosure]**

3. **Operations**
   - A. Yearly Energy Savings System Program Update — **[Lothrop/Gent // Enclosure]**
   - B. Single Family Program Activity Report for October, 1997 — **[Lothrop // Enclosure]**

4. **Administration**
   - A. Executive Director's Report — **[Hunt]**
   - B. Strategic Plan — **[McNamara // Enclosure]**

5. **Multifamily Management**
   - A. Multifamily Director's Report — **[Falzone // Enclosure]**

6. **Finance**
   - A. General Fund Budget Performance Report — **[Schoenbeck // Enclosure]**
   - B. September 30 VHFA Financials — **[Schoenbeck]**

7. **Legal**
   - A. Private Activity Bond Volume Cap — **[Jarrett // Enclosure]**

8. **Communications**
   - A. Evaluation of Down Payment Assistance Loans — **[Gent/Bertoni // Enclosure]**

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

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VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES

Vermont Housing Finance Agency
164 Saint Paul Street
Burlington, Vermont
Thursday, November 20, 1997 at 1:00 p.m.

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

Agency Staff: Mr. Hunt, Mr. McNamara, Mr. Jarrett, Mr. Lothrop, Mr.Schoenbeck, Mr. Falzone, Ms. Santerre, Ms. Gent, Mr. Bertoni, Ms. Caragher, Ms. Reid, Ms. Crady, Ms. Sweeney, Ms. Santucci and Ms. Roy

Other: Mr. Broderick (Housing Vermont) and Mr. Cole (AG Edwards)

Chairman White called the meeting to order at 1:05 p.m. Upon a motion duly made by Mr. Seelig and seconded by Ms. Grimes, the minutes of October 2, 1997 were unanimously approved as written.

Ms. Reid reviewed her memo "Assisted Living" of November 14, 1997, included in the Board packet. VHFA has received a proposal from a private developer to finance a mixed income assisted living facility. The Board approved a conceptual proposal to do so at the April 1996 meeting. There are currently no licensed assisted living facilities in the State and according to the Department of Aging and Disabilities, there is a large need for assisted living. Ms. Reid indicated that there was a correction that needed to be made to her memo. The memo stated that the proposed development in Hartford, Vermont would have 24 hours per day nursing care, but it appears that there will be a nurse on site only during the day with attendants at night who will make rounds and administer medication. This keeps the facility from being classified as a nursing home. Ms. Reid then discussed two outstanding issues: (1) The operating budget assumes that all residents will receive all services, which is unlikely and (2) We need to find a way to make assisted living facilities work with tax exempt financing and housing credits. The staff is working on these outstanding issues by starting to determine which services are mandatory and which are optional and determining how much additional income we can count on.

Ms. Reid presented the staff's three recommendations for this development: (1) Project's overall affordability - tax exempt financing requires that 20% of the units be affordable to households at or below 50% of area median income, and overall, VHFA Multifamily Rules require that 75% of housing units be limited to persons and families of low or moderate income. The staff is recommending that the Board allow 51% of the units to serve households at or below area median income. This is a waiver of the Multifamily Rules, but is consistent with the Agency's authorizing legislation. At least, 20% of the overall units will serve households at or below 50% of area median income, as required by the tax exempt financing; (2) Affordablility in rents - Currently, housing affordability is calculated using 30%

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of a household's gross income. The staff is recommending that the affordability of housing plus services (for the 51% affordable units) be calculated using 75% - 85% of a household's gross income; (3) Cash distributions - Presently the Agency's policy is to allow for 10% of initial equity on an annual basis. The staff is seeing more and more that tax liability can be an issue for owners, so staff's recommendation is that the allowable annual cash distributions be 10% of equity plus tax liability. A few Board members asked whether or not this project would be viewed positively. Ms. Grimes replied that yes, with all the services, provided it is a marketable project. After further discussion, the Board agreed to accept the three staff recommendations.

Next, Ms Reid discussed her memo "Lake Champlain Housing Development Corporation, 1306 Ethan Allen Drive, Colchester & 53-67 East Spring Street, Winooski: Combined letter of Interest and Commitment for Permanent Financing", included in the Board packet. At the August meeting, the Board approved an $85,000 loan. The project was counting on getting a 4% out-of-cap credit because it had existing tax exempt financing. Shortly after that meeting, it became clear that they were not eligible for out-of-cap credit with the existing financing. Thus, this new proposal is refinancing the existing tax-exempt financing with $740,000 in new tax-exempt financing, so that the project can qualify for the 4% out-of-cap credit. Also, Labor and Industry is now requiring that 1306 Ethan Allen Drive have a sprinkler system installed or alternately, provide one hour fire separation between units, thus the rehabilitation budget has increased by $170,000. Ms. Reid added that since the memo was written, VHCB has approved an additional $52,500 which is included in the budget and the Town of Colchester did approve a CDBG Loan payment which is shown slightly different in the budget. The Board raised concern about the level of development fee for this project. Ms. Reid added 2 conditions to the resolution: (1) approval is contingent on final approval of the operating budget; and (2) approval is contingent on satisfactory review of the replacement reserve adequacy after reviewing the capital needs assessment of these properties. After further discussion, a motion was made by Ms. Grimes to approve the "Resolution Pertaining To Combined Letter Of Interest And Commitment Letter Re: 1306 Ethan Allen Drive" and carried unanimously after being seconded by Ms. Canney.

Mr. Lothrop then outlined the Activity and Delinquency Report. A brief update was given on the Activity Report. Mr. Lothrop stated that this year has been significantly slower than last year. On the positive side, when the interest rates get closer, the Mortgage Plus Program picks up. When one program goes down, the other program goes up. Mr. Lothrop then went on to discuss the Servicing Activity. He noted on a positive note that out of the 61 outstanding foreclosures, 16 are negotiating workout agreements. The delinquencies went up again this September, and also in October, with the larger lenders accounting for the largest share. Mr. Lothrop did indicate that he would be visiting each one of those lenders to discuss the delinquencies.

Ms. Randall asked if the recapture fee was a reason for the slow down in activity? Ms. Gent answered that she does not believe it is because all lenders are told well ahead of time what the recapture fee is. The recapture fees affect only a very few of our borrowers. Mr. Lothrop indicated that there are only 2 reasons why people have to pay a recapture fee: (1) if the borrower's income raises dramatically and (2) if the house value raises dramatically.

Mr. Lothrop reviewed his memo "Quarterly Report of the Results of the Single Family Mortgage Loan Quality Control Process - July 1, 1997 through September 30, 1997", included in the Board packet. A total of 189 loans were guaranteed by VHMGB during this period. Of these, 124 were loans to be purchased by VHFA, and 65 were conventional. Seventeen loans guaranteed by VHMGB were randomly selected by the computer to participate in the quality control process. Sixteen loans completed the quality control process during the period, and most of these loans were selected to participate in the quality control process in the previous period. Of the loans completed, 6 were sold or to be sold to VHFA and 10 were conventional loans. One of the findings on the loans reviewed was that a charge off was not shown as paid in full in the file. Underwriting pointed out that this was a delegated condition and would be reviewed at a later date in a lender audit.

Mr. Lothrop then outlined his memo regarding Credit Score Proposal/Underwriting Changes. This proposal represents VHFA's first steps into restructuring its underwriting criteria and methods to better serve the needs of its customers. Staff recommends that we use credit scores in a positive manner. The Agency has created two programs, Excell and Excell Plus, for "low-risk" borrowers based on credit scores. Borrowers with high credit scores will have more flexible criteria when being underwritten. Staff has determined that 60% of VHFA loans meet this criteria. The staff anticipates spending less time on underwriting borrowers with higher scores and more time underwriting borrowers with lower scores. Mr. Candon asked whether or not we look at a borrower's credit limit on revolving debt. Mr. Lothrop answered that our major concern is the number of revolving accounts, not the limits.

Another piece of this proposal is the Appraisal and Inspection Disclosure, which addresses property inspections. Staff is recommending that in lieu of requiring property inspections, VHFA inform borrowers of the differences between a Residential Appraisal Report and property inspection and the value of obtaining a property inspection. All borrowers would be required to sign the Appraisal and Inspection Disclosure at time of application. Ms. Canney suggested that the disclosure include an option to a property inspection as a sellers disclosure to protect the borrowers. There was general agreement of the Board on this point.

While discussing the Underwriting/Program Requirements, Ms. Grimes indicated that she disagrees with having to show 12 months of child support payments. Ms. Santerre explained that using only 6 months of payments didn't prove to be long enough, and payments were usually not consistent. Ms. Randall noted that she thinks that there should be 6 consecutive months of payments, rather than the 12 months. Chairman White stated that if there is 6 consecutive months of payment and it continues over the next 24 months after the closing, then it is what the proposed policy should be. After further discussion, Ms. Grimes moved to approve the Proposal with two changes: (1) to include a seller disclosure in the Appraisal and Inspection Disclosure and (2) to change child support requirement to 6 consecutive months of child support and that it must be scheduled to continue for 24 months after the closing. The motion carried unanimously after being seconded by Mr. Seelig.

The self servicing article by State HFAs was reviewed next by Mr. Lothrop. Based on a survey of HFAs, the authors of the article attached to the memo found that a rising number of HFAs were servicing a portion of their loan portfolios. The main reason given by HFAs for this shift to self servicing was a concern for the quality of servicing being performed by outside servicers. This was based on servicers receiving lower fees and facing increasing costs of servicing an affordable housing portfolio. It is the intent of the staff to continue to work with the relatively small servicers of VHFA loans and negotiate with them for their servicing portfolios if they decide to sell their servicing. Staff hopes to keep these lenders originating VHFA mortgages loans while reducing the number of servicers VHFA has to deal with and increase our portfolio of self serviced mortgage loans. Mr. Hunt stated that the two benefits with self servicing HFAs were: (1) better loan performance and (2) the opportunity to increase revenue. No Board action necessary.

The meeting recessed at 3:05 p.m. for a ten minute break.

The meeting was called back to order at 3:15 p.m.

Mr. McNamara then gave an update on the Strategic Plan. The Board agreed that there should be a special meeting scheduled in January solely devoted to the Strategic Plan. Chairman White indicated that perhaps a day long retreat might be something to consider, so that they may spend more time looking at the big issues and less time on the smaller ones. Mr. Candon suggested that he would like more in-depth explanations done on the Plan. Mr. McNamara will send Commissioners the current version of the Strategic Plan for mark-up prior to the December Board Meeting.

Next, Mr. McNamara outlined the First Quarter Business Plan Results. After a brief overview, Mr. McNamara indicated that we are expecting the first round of tax credit applications in January. He agreed to send each of the Board members the current Allocation Plan with the letter that Mr. Erdelyi sent out to developers with the proposed changes.

Mr. McNamara then gave a brief report regarding the Applegate dedication on Saturday, November 15, 1997. Senator Leahy was the keynote speaker, Treasurer Douglas attended and many residents came to show their appreciation. Construction is expected to begin by January 1, 1998.

Mr. Falzone then gave a brief update on the Parsons Hill Water System in Castleton, Vermont. The source of the contamination has been identified as tetrachlorethylene (PCE) which was found in a 2800 gallon hydropneumatic tank that was installed when the project was built in 1983. The tank was disconnected and three pressure tanks were installed in its place. All testing since the removal of the old tank from the water system has been absolutely clean with no detection of PCE. There are tensions between the residents and the manager, due to the fact that the managers were advised by the Agency of Natural Resources (ANR) to warn their residents not to drink the water. The managers decided not to warn the residents because the levels of contamination did not exceed the State or Federal Standards. Staff from VHFA, VSHA and ANR have met with residents to help rebuild relations between residents and management.

The memo "Summary of VHFA Market Share, Home Prices, and Economic Conditions" was reviewed by both Ms. Gent and Mr. Bertoni. For the first half of 1997, VHFA's market share of all primary homes has remained stable at 15%, and decreased slightly for properties priced at or below VHFA's new construction price limit. In the first half of 1997, the median and mean home prices were $98,000 and $113,385, reflecting a small increase from 1996. The "Vermont Economy Newsletter" is reporting that consumer confidence in Vermont has strengthened in the last eighteen months. The New England Economic Project had indicated that Vermont's economic forecast for growth is expected to increase at a rate close to that of 1996. The Harvard University 1997 State of the Nation's Housing/Fannie Mae 1997 National Housing Survey stated that there is strong growth nationally in homeownership rates, with greater affordability through lower interest rates, improved access to mortgage capital, and economic growth. No Board action necessary.

Ms. Gent reviewed her memo regarding Federal Legislation update included in the Board packet. Vermont's Congressional delegation is co-sponsoring legislation S.1252 in the Senate (HR.979 in the House) to increase the annual limitation on the state authority to allocate Housing Credits to $1.75 per capita and to index the cap to the rate of inflation. The demand for Housing Credits is increasing and will continue to increase even more in future year. VHFA's Housing Credit partners across Vermont have been in contact with Senators Leahy and Jeffords and Congressman Sanders to thank them for their support.

Congressional bills S.1251 and HR.979 would raise the current small state private activity bond cap of $150 million to $250 million each year, and would index the cap for inflation in subsequent years. In Vermont, private activity bonds are issued by VHFA, VSAC, VEDA, the Higher Education and Health Authority and the Municipal Bond Bank to finance a wide range of public needs. Congressman Sanders is co-sponsoring the legislation to increase the private activity bond cap. Neither Senator Jeffords or Leahy have committed to co-sponsoring the bill although will most likely vote for it. Mr. Hunt noted that he will be rallying the other issuers to make a more compelling case to the Senators while they are on recess. No Board action necessary.

Mr. Schoenbeck touched briefly on his memo "Fiscal Year June 30, 1997, Audit Reports", included in the Board packet. After a brief discussion, Ms. Grimes made a motion to accept the audit and special reports as presented, and it carried unanimously after being seconded by Mr. Candon. Ms. Grimes commended staff for receiving "clean" management reports.

Mr. Schoenbeck then discussed the bids for credit facility. The Agency rebid to Key Bank, Chittenden Bank, Howard Bank and Vermont National. All responses were very positive, but Howard Bank's bid was most responsive, so we will maintain our relationship with them. Mr. Schoenbeck also noted that the Merchants Bank had planned to purchase the bond for 1306 Ethan Allen Drive and 53-67 East Spring Street, but last week they advised us that they could not purchase the private placement bond at a competitive rate. Our bond attorney said that we could use the Federal Home Bank of Boston as a funding source. While this is not final, it looks very promising and would provide a much better financing rate.

Mr. Hunt then gave his Report. He began by informing the Board that the Homebuilders contacted the Agency with concerns about the State access rules, specifically the requirement to make townhouses accessible for physically challenged people. The rule being proposed is to make 1 out of every 4 townhouses accessible for people who are handicapped. The homebuilders believe that this will have a major impact on the cost of housing. They have proposed that one of every four townhouse units be constructed as <u>adaptable</u> and have requested that VHFA set up a low-interest fund that a particular family could draw upon to install a lift. The proposal would be to set aside $100,000 for families that were identified as needing the help so that they could access that help for VHFA eligible properties. After further discussion a motion was made by Mr. Candon to accept this proposal and it carried unanimously after being seconded by Mr. Douglas.

Mr. Hunt then discussed a meeting he had with the Department of Environmental Conservation regarding the need to potentially establish a revolving loan fund for replacing or repairing on-site septic systems, in conjunction with H.206, a bill to regulate on-site septic systems. The concern of the committee is that the cost of replacing a system may be increased given the regulations and requirements, and low and moderate income people may not be able to afford it. DEC has money available today and has committed a half million dollars for two years at no interest, but they are looking for an agency to administer the money. Mr. Hunt feels that it is something that we should consider. Mr. Candon made a motion to accept that VHFA express interest in becoming administrator of the DEC funds and the motion carried unanimously after being seconded by Ms. Randall.

Lastly, Mr. Jarrett gave a brief update on Winchester Place. Two years ago we entered into a forbearance agreement with the owner which we've been operating under since. It originally expired November 1, and was extended until tomorrow, November 21, 1997. Negotiations continue, with the sticking point getting the Merchants Bank (which is a limited partner in that partnership) to share the risks of the project. The Merchants has agreed to share 50/50 up to a $125,000 per year. Mr. Jarrett asked that this be ratified by the Board. A motion was made by Ms. Grimes and seconded by Mr. Douglas, the vote was unanimous.

At this time a motion was made by Ms. Randall, seconded by Mr. Candon and unanimously carried by the Board to go into Executive Session pursuant to 1 VSA Sec. 313 (a)(3). Following their discussion, a motion was made by Ms. Grimes, seconded by Mr. Douglas and unanimously carried to come out of Executive Session.

There being no further business, following a motion made and seconded, the meeting was adjourned at 4:50 p.m.

Respectfully Submitted,

Allan S. Hunt, Secretary

RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST AND COMMITMENT LETTER RE: 1306 ETHAN ALLEN DRIVE

WHEREAS, a proposal has been presented to the Agency by Lake Champlain Housing Development Corp., a non-profit development corporation, (the "Sponsor") on behalf of a to-be-formed limited partnership, involving the acquisition and rehabilitation of a 32 unit family rental property located at 1306 Ethan Allen Drive in Colchester and a 10 unit family rental property located at 53-67 East Spring Street in Winooski (the "Development"); and

WHEREAS, the Agency previously approved, on August 6, 1997, a resolution authorizing the assumption of an existing mortgage loan and a new $85,000 mortgage loan for 1306 Ethan Allen Drive, but due to issues surrounding the Housing Credits with the former proposal, the Sponsor has returned with a revised proposal including both properties; and

WHEREAS, the proposal contemplates a refinancing of the existing VHFA loans with an approximate current combined balance of $740,000 and a new loan of up to $85,000; and

WHEREAS, the Sponsor is intending to use Housing Credits that were allocated to the Development and additional Credits from the proposed issuance of new, privately-placed tax exempt financing; and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated November 14, 1997 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

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

2. The acquisition and rehabilitation costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.

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

4. The housing sponsor undertaking the Development will increase the supply of well-planned, well-designed term housing for persons and families of low and moderate income.

5. The security value of the Development will equal at least the amount of the Agency's loan.

6. The Sponsor is a financially responsible organization and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a revised Letter of Interest declaring Vermont Housing Finance Agency's interest in making a mortgage loan to a to-be-formed limited partnership, including Lake Champlain Housing Ventures as a general partner, for the acquisition and rehabilitation of the 1306 Ethan Allen Drive housing development in Colchester and the 53-67 East Spring Street development in Winooski. The term of the loan will be approximately 20 years, but the loan will be amortized over a period of up to 30 years, with an interest rate to be determined by staff of the Agency. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance or for other purposes with the consent of the Agency.

2. The Letter of Interest shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:

   a. Sponsor must demonstrate that requisite financing has been committed by November 20, 1997. "Requisite financing" means the amount and terms of each of the sources of funding represented on the multifamily loan application or their equivalent;

   b. Sponsor must provide appraisals satisfactory to Agency staff;

   c. Sponsor must provide Level I Environmental Site Assessments for both properties;

   d. Sponsor must provide final plans and specifications for Agency approval; and

   e. Sponsor must provide evidence of competitive bidding;

   f. Sponsor must supply an approved operating budget;

   g. Sponsor must secure an agreement with the Town of Colchester regarding repayment of the outstanding Community Development loan; and

h. Sponsor must demonstrate the adequacy of the Replacement Reserve.

3. The Executive Director may, in his discretion, issue a Commitment Letter for two loans for the acquisition, rehabilitation and long-term financing of the Development, in a combined amount not to exceed $825,000.

4. The term loan shall be amortized over a period of up to 30 years, but all principal and accrued interest shall be due approximately 20 years from the date of the term loan. The interest rate shall be determined by Agency staff. The source of funds shall be proceeds of a privately-placed tax-exempt bond. The Commitment Letter may be issued to Lake Champlain Housing Ventures, as a representative of the to-be-formed limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

5. The Executive Director, Deputy Director and Director of Finance are hereby authorized to take all necessary steps and execute any and all documents required to effectuate this loan.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on November 20, 1997.

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

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Development Officer C.Reid

DATE: December 12, 1997

RE: Lake Champlain Housing Development Corporation, 1306 Ethan Allen Drive, Colchester & 53-67 East Spring Street, Winooski: Combined Letter of Interest and Commitment for Permanent Financing

Executive Summary

At the August 1997 meeting the Board approved an $85,000 permanent loan, and at the November 1997 meeting, the Board approved a $740,000 tax exempt permanent loan, for a 42 unit development consisting of four buildings located at 1306 Ethan Allen Drive in Colchester and 53-67 East Spring Street in Winooski, and currently owned by Lake Champlain Housing Development Corporation (LCHDC). The Board expressed concern regarding the level of development fees - $100,000 for Housing Vermont and $100,000 for LCHDC. Due to the Board's concern about this issue, staff is bringing the project back for Board review because LCHDC has requested an increase in their fee of $6,000. There are two reasons for this request: 1) The Vermont Housing & Conservation Board (VHCB) will allow a fee of $106,000 for LCHDC based on their development fee policy; 2) LCHDC did not take a fee when they developed the property ten years ago.

Status of Outstanding Conditions

- Appraisals: 1306 Ethan Allen Drive appraised at $1,100,000, and the East Spring Street properties appraised at $360,000, for a total combined appraised value of $1,460,000. This provides VHFA with a loan to value (before rehab) of 57%.
- Environmental Site Assessments: There were no significant findings.
- Construction Bids: The bids have come in and it appears that the project <u>can</u> afford to have the sprinkler system installed.

Recommended Board Action

Staff recommends that the Board allow a development fee for LCHDC of $106,000. The rationale is that it makes sense to staff to have some consistency between lending and funding agencies in terms of policies such as development fee, and secondly, 1306 Ethan Allen Drive was a pre-tax credit, pre-VHCB development and LCHDC did not take a fee when they originally developed it.

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

1306 Ethan Allen Drive, Colchester/East Spring Street, Winooski				RUN DATE:	12-Dec-97	
Total Residential Units:	42	Increase LIHTC			1.50%	
Restricted Units:	32	Increase Market			1.50%	
Percent Restricted:	76.19%	Expense increase:			3.00%	
Avg Net Monthly Rent:	436	Vacancy Rate:			5.00%	
Total Dev Costs	2,992,393	Partner's Tax Rate:			34.00%	
TDC/Unit	71,247	Depreciation Schedule:			27.5	
Monthly Operating Cost	282	Sponsor's Estimated Yield:			84.60%	
Max Credit Amount	103,292	Pool Credit			77,672	
Credit Amount Requested	103,292	Out of Cap Credit			34,930	
Net Syndication	870,831					
LIHTC - 9%	8.64%		June '97			
LIHTC - 4%	3.70%					
FINANCING SOURCES						
	Amount	% of TDC		Interest	Amortization	Term
New TE Bond	740,000		24.73%	8.00%	30	20
VHFA New	85,000		2.84%	7.22%	30	20
Spring - Debt 2	30,656		1.02%	3.00%	20	20
Colchester Acq. Grant	56,701		1.89%	0.00%	N/A	N/A
HOME defer loan	306,732		10.25%	6.54%	30	30
VHCB Loans	394,500		13.18%	0.00%	30	30
LCHDC Deferred Loan	215,000		7.18%	0.00%	20	20
Lead & Preserv Grant	24,000		0.80%	0.00%	N/A	N/A
Access Loan	10,000		0.33%	0.00%	20	20
Replacement Reserve	44,700		1.49%			
Historic Credit Equity	211,056		7.05%			
Tax Credit Equity	870,831		29.10%			
TOTAL	2,989,176		99.89%			
Gap	3,217					
Max cost allowed by unit cost limits						
Projected total cost, excluding cash accounts & relocation expenses						
1 BR	78,380		18	1,410,840		
2 BR	83,380		18	1,500,840		
3 BR	88,380		6	530,280		
				3,441,960		
				2,909,793		
		(over)/under		532,167		
		Per Unit Average Cost		69,281		

1306 Ethan Allen Drive, Colchester/East Sprin		DEVELOPMENT BUDGET					12-Dec-97
			Total Budget	Per Unit	Per s.f.	Acquisition Credit	Rehab/Const Credit
ACQUISITION & CONSTRUCTION							
Land			235,835	5,752	7.98		
Building			1,229,576	29,990	41.61	1,229,576	
Construction Contract			879,115	21,442	29.75		879,115
Lead/Asbestos Abatement			9,700	237	0.33		9,700
Construction Estimating/Inspecting			0	0	0.00		0
Relocation			72,600	1,771	2.46		72,600
Appliances			19,350	472	0.65		19,350
Construction Contingency		12.50%	109,914	2,681	3.72		109,914
Clerk of the Works & Specs			21,500	524	0.73		21,500
Subtotal			2,577,590	62,868	87.23	1,229,576	1,112,179
PROFESSIONAL SERVICES							
Architect & Engineering			45,000	1,098	1.52		45,000
Legal & Accounting			15,000	366	0.51		11,250
Title Ins & Recording			7,500	183	0.25		0
Subtotal			67,500	1,646	2.28	0	56,250
INTERIM COSTS							
Construction Insurance & Taxes			7,563	184	0.26		5,672
Construction Interest			25,593	624	0.87		19,195
Subtotal			33,156	809	1.12	0	24,867
OTHER SOFT COSTS							
Property Appraisal			4,500	110	0.15	4,500	0
Energy Audit			3,400	83	0.12		
Permits & Fees			7,988	195	0.27		7,988
Environmental Assessment			2,500	61	0.08		2,500
Marketing			4,000	98	0.14		
Tax Credit Fees			4,503	110	0.15		4,503
Soft Cost Contingency			7,056	172	0.24		5,292
Subtotal			33,947	828	1.15	4,500	20,283
FINANCING FEES & EXPENSES							
Loan Fees			19,500	476	0.66		6,435
Subtotal			19,500	476	0.66	0	6,435
SYNDICATION COSTS							
Organizational (Partnership)				0	0.00		
Subtotal			0	0	0.00	0	0
DEVELOPER'S FEES							
Housing Vermont Fee			100,000	2,439	3.38		100,000
LCHDC Fee			106,000	2,585	3.59		106,000
Subtotal		7.54%	206,000	5,024	6.97	0	206,000
PROJECT RESERVES							
Working Capital			10,000	244	0.34		
Replacement Reserve			44,700				
Subtotal			54,700	1,334	1.85	0	0
TOTAL DEVELOPMENT COSTS			2,992,393	72,985	101.27	1,234,076	1,426,014
	LESS:	Amount of Non-qualified Financing		Less Grants			24,000
	LESS:	Historic tax Credit (Residential Portion		Less Historic Tax Credit			211,056
				Total Eligible Basis		1,234,076	1,190,958
	TIMES:	Adjusted for QCT/DDA			100.0%		1,190,958
	TIMES:	Applicable Fraction			76.19%	940,248	907,397
				Total Qualified Basis		940,248	907,397
	TIMES:	Applicable Percentage				3.70%	8.64%
			Total Annual Credit Qualified			34,789	78,399
Total Tax Credits Requested			103,973			By Bldg Basis x Fraction:	
Total Tax Credits Allocated			69,044			Acq Credit=	34,930
Estimated Net Syndication Proceeds			870,831			Rehab Credit	77,672
Estimated Yield - LIHTC Syndication			0.846			Total Credit	112,601
Equity Gap			874,048			By Bldg, Equity Gap Calc:	
Credits Needed to fill Equity Gap			104,357			109,807	
				Request Breakdown:			
					1306	Spring	Total
				Acq =	48,775	20,269	69,044
				Rehab =	22,819	12,110	34,929
				Total	71,594	32,379	103,973

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Single Family Operations DRL
Cathleen L. Gent, Director of Communications CLG

DATE: December, 11 1997

RE: Yearly Energy Savings System (YESS) Program Update

Attached with this memorandum is a copy of a recently completed survey of homebuyers who have participated in the Yearly Energy Savings System (YESS) program. YESS is a pilot program which combines VHFA's Mortgages for Vermonters (MOVE), our main homeownership mortgage program, with an energy savings component and special low interest rate. YESS was implemented by VHFA in cooperation with Energy Rated Homes of Vermont (ERH) and USDA-Rural Development (RD) to promote energy efficiency in Vermont's existing housing stock, especially for low- and moderate-income Vermonters. We plan to continue to offer YESS for an additional period of time to gain more experience.

Although the survey included only eleven respondents, staff believes that some important information was obtained on how the program could be enhanced to promote usage. Some of the more interesting survey information included:

1. Sixty- percent of the respondents listed the lower interest rate as the primary appeal of the program;
2. Seven of the eleven respondents were made aware of the program by either their lender or a real estate agent;
3. Seventy- percent of the respondents did not feel the lenders were knowledgeable about the mechanics of the energy component of the loan process;
4. Thirty- percent had problems with the mortgage insurer;
5. Forty-five percent utilized the higher LTV allowed in this program; and
6. Despite the problems and issues, 80% indicated they would participate in the program again or recommend it to someone else.

The body of the survey summary outlines the responses received on each question asked. The report then outlines some recommendations that would improve the program based on the responses received.

① *Improved Communications:* VHFA and ERH will put together a package of materials to provide the lenders who have chosen to participate, as much information as possible, to ensure a smoother process.

② *Offer Facilitation (Construction Management) Services:* ERH currently has grant funding to offer construction management services for up to 10 YESS loans. VHFA and ERH will begin to explore other sources of funding for this service, including rolling it's cost into a mortgage.

③ *Make Mortgage Insurance Affordable and Hassle-free:* In order for VHMGB to participate in this program the definition of "value" contained in the VHMGB statute must be changed. Staff will be looking into this possibility. VHFA and ERH will work with current mortgage insurers to try to improve the mortgage insurance component of YESS.

④ *Investigate the Possibility of a More Flexible Financing Product:* VHFA and ERH are always looking for a more flexible mortgage product to encourage energy efficiency. One idea that is currently being researched is the possibility of allowing the YESS borrower to finance energy efficiency measures up to a year after the initial mortgage is made and receive some financial incentives to do that.

BOARD ACTION REQUESTED

No Board action is requested.

Vermont Energy Investment Corporation
127 Pine Street Burlington, VT 05401-8410
(802) 658-6060 (802) 658-1643 FAX
(800) 639-6069 email: energy@veic.org

Results of YESS Mortgage Program Home Buyer Survey

Prepared by:
Vermont Energy Investment Corporation

October, 1997

INTRODUCTION

This document provides a summary review of the Yearly Energy Savings System (YESS) Mortgage Loan Program offered by the Vermont Housing Finance Agency. A survey was conducted of all home buyers who participated in the YESS program from its inception in order to gain insight into customer perceptions of the program. The survey took place between 9/9/97 and 9/18/97. Eleven home buyers were surveyed including one home buyer who dropped out of YESS but did use VHFA financing. With the exception of the first question relating to how respondents heard about the YESS program, this survey is based on the ten participants. All of the loans had been approved by the time the phone survey took place. Virtually all energy improvement work had also taken place with only one respondent indicating energy work had yet to be done.[1] This report summarizes and analyzes responses to each of the survey questions. Based on this review, we have developed recommendations to address issues raised by program participants. A one-page matrix summary of responses is attached to the back of this memo.

SURVEY RESPONSES

Question #1: How Did You Hear About the YESS Program?

Home buyers heard about YESS through a variety of avenues. The most common source was lenders, with four of the eleven surveyed (including the non-participant) saying their bank/mortgagor informed them of the program. Realtors were the second most cited source with three participants indicating agents as their point of referral. One additional home buyer mentioned the "spec sheet or MLS listing" as the place they first learned of YESS. Homeownership workshops/housing fairs sponsored by the Burlington Community Land Trust and VHFA were listed by two participants. Word of mouth (relatives) and newspaper ads were mentioned by one participant each.

Lenders were clearly a good *initial* source of information for the home buyers. In addition, it appears that Realtors believe YESS is a good marketing tool; they should continue to be provided training on the YESS program. Homeownership workshops should not be ignored since two respondents listed this as their answer. Note that the same two respondents listed energy savings as the *primary* appeal of the program.

Question #2: What Was the Main Appeal of the YESS Program to You?

All 10 participants were drawn to the YESS program because of its lower interest rate; it was listed by 60% of the respondents as the *primary* appeal of the program and by the remaining 40% as the secondary reason. Thirty percent (30%) listed energy savings/efficiency as the first reason they were interested in YESS; it was given as the secondary reason by three additional home buyers. One person (10%) listed "No Down Payment" as the main draw for them and one respondent listed "Low Down Payment" as their secondary motivation for choosing YESS.

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[1] - Based upon responses to Question 3, "Where are you in the process of finalizing the loan and getting the work completed?"

Though most people (60%) mentioned the energy savings/efficiency component of YESS as partially motivating them to use the program, there is no doubt that the interest rate was really where home buyers saw the greatest opportunity for savings. That said, the energy savings seem likely to have a positive impact on how the program is viewed in the long term. Despite participants' dissatisfaction with the level of effort required to participate in the program (discussed further below), the continuing energy and interest savings appear to have created the feeling among buyers that their efforts were worth the trouble. Though it is difficult to separate the effects of these savings components on attitudes, at least one buyer valued the YESS program's efforts to focus home buyers on ongoing costs of maintaining a home, especially heating a home in Vermont.

Question #3a: How Knowledgeable Is/Was Your Lender With the Program?

Although 30% of the home buyers rated lenders' knowledge as "pretty good" or "very good", 70% rated their lenders "poor" regarding their knowledge of specific details of the YESS program and its procedures. A few participants acknowledged that YESS, as a new program, would require an introductory learning period, but even these home buyers were frustrated with their lenders' failure to learn quickly, and explain clearly, the YESS program process. One notable exception to this was Bennington Savings and Loan where the home buyer indicated that their mortgage officer was very motivated to learn about YESS because she (the lender) thought it would be a popular program. Overall, lenders' lack of knowledge and familiarity (as perceived by home buyers) led to significant communication problems among the parties and, from the home buyers' perspective, was an unsatisfying part of the YESS process.

Question #4: Would You Have Used YESS If It Did Not Offer a Reduced Interest Rate?

Ninety percent (90%) of the participants were unsure in their response to this question. Though the YESS program's low interest rate was clearly a major draw, other considerations were part of these home buyers' mortgage selection process. Energy savings and no/low down payment were factors of great interest to these buyers, as would be any other loan conditions and factors which could make the difference between whether or not homeownership was affordable. One participant said she would have definitely used the program anyway.

Question #5: Did You Make A Down Payment? (Corollary questions: If No, "Would You Have Used YESS If a Down Payment Had Been Required?" or If Yes, "What Was the Amount (Percentage) of Your Down Payment?")

Seventy percent (70%) of the YESS program participants made down payments ranging from 3% to approximately 10%. The average down payment was 5.7%. Of those three who made no down payment, only one listed the "no down payment" aspect of the program as their primary reason for interest in the YESS program. One respondent indicated they probably would have participated in the program if a down payment had been required, and the remaining respondent indicated that their participation would have depended on the amount of down payment required.

A low down payment is an important component of the affordability equation, but is clearly not the primary attraction of the YESS program. VHFA and other lenders offer a number of other mortgage products requiring down payments of 5% or less; YESS participants had other options if the low down payment been their main (or only) criterion for choosing a loan. That the majority of YESS participants did not avail themselves of the opportunity to make no down payment is an interesting finding and, perhaps, worth some follow up. It is possible that the information was not communicated to home buyers or that home buyers are more interested in reducing the amount of their mortgage or increasing their equity as quickly as possible.

Question #6: How Important to You Were the Energy-Saving Features of YESS?

The overwhelming majority (90%) said the energy-saving features of the YESS program were "Very" important to them. One person indicated energy savings were "Somewhat" important and no one answered that these savings were only "A little" or "Not at all" important to them. Two buyers indicated that they would have made the energy improvements anyway (i.e., had they pursued a conventional mortgage); one was very interested in energy efficiency; the other had a heating system that simply had to be replaced.

Nevertheless, this strong response is somewhat tempered by the citing of the interest rate as the primary motivation for program participation as well as the home buyers' frustration with the logistics of the energy improvement portion of the process. This apparent conflict may indicate buyers' dual desires to "do the right thing" *at the right price* (i.e., motivated by a lower interest rate), even if it requires jumping through some fairly demanding hoops.

Question #7: How Would You Describe Your Overall Experience With the YESS Program?

The responses to this open-ended question were mixed. Twenty percent (20%) termed their experience "Very good". Forty percent (40%) found the process cumbersome in at least one way, describing their experience as long but "worth it". However, the remaining 40% had frustrating or unsatisfactory experiences with the program as a whole. While much valuable information comes from those who had the worst experiences, some issues were common to anyone who had less than a "Very good" experience. This section focusses mostly on the negative aspects of the buyers' experiences. Please note that even those buyers with somewhat negative comments believed their efforts were worthwhile. Suggested resolutions to problems are discussed in the following sections on "Improvements Needed" and "Recommendations".

The most common experience cited was the length of the YESS mortgage process. Few home buyers were prepared for either the extent of effort required from them (e.g., soliciting estimates) or the paperwork involved in the process. It is noteworthy that virtually all YESS participants were *first-time* home buyers and thus, it is difficult to assess what buyers expected regarding the amount of paperwork required by the standard mortgage process relative to what can reasonably be expected from the additional workload necessitated by energy improvements. Despite complaints about the length of the process, the YESS mortgage loan program took an average of

65 days[2] as compared to the 70-day[3] average normally experienced with VHFA loans -- five (5) days *less*. Mortgage processing timelines are affected by a number of contingencies, not all of which are related to the process itself. (For instance, closing dates can be dictated by rental conditions such as a buyer's current lease or a seller who must give sufficient notice to tenants occupying the property for sale.) Delays *did* occur, however, for different buyers at different points in the process. One buyer said their closing date changed five times due to paperwork not being completed in a timely fashion. Others said the [energy] reports took a long time to be prepared. Still others blamed the U.S.D.A.'s Rural Development program (R.D.) for unnecessarily bureaucratic requests as well as exceedingly long waiting periods.

A second common experience was the *lack of knowledge about YESS program policies and procedures on the part of lenders*. Though some participants were forgiving of this aspect due to the new nature of the YESS program, most buyers expected a much greater depth of knowledge than was available from their lenders. Within the lending community, there appears to be a wide variation in the level of effort made to come up to speed with YESS requirements. Some went to great effort, while others did the absolute minimum. One buyer put the onus directly on the mortgage officer, rather than the YESS program, declaring that while they *would* use YESS again, they would *not* use their banker. The level of effort extended by lenders is a *customer service* issue that is not appropriately addressed by this report. However, lack of familiarity can be held accountable indirectly or directly for some of the other problems experienced by the buyers, most notably miscommunication among all the parties -- seller, buyer, ERH, lender, mortgage insurer, contractor, etc. Professionals were not the only ones with insufficient knowledge; many buyers felt acutely ignorant of energy issues in addition to their lack of familiarity with a house they had not yet lived in.

At least thirty percent (30%) of home buyers experienced *problems with their mortgage insurer*[4]. Those forced to use private mortgage insurers (MI) found prices exorbitant -- often two to three times greater than U.S.D.A.'s Rural Development (R.D.) and VHMGB mortgage insurance costs for similarly priced homes. MI's reportedly told buyers the low down payment was the reason for the higher insurance cost. Respondents who were able to use the R.D. mortgage insurance program had access to lower mortgage insurance rates but still had negative experiences. R.D.'s rates are comparable to those of VHMGB rates, but the lower prices experienced by these home buyers were more than offset by the "hassle factor" experienced by dealing with R.D. From the customers' point of view, hassles included the review of private inspectors' reports, the prescriptive improvements (not necessarily energy-related) and further delays necessitated by participation in the R.D. program. R.D.'s strict inspection (and sometimes repair) requirements are well-intentioned, but were a source of frustration for buyers who felt they already had too many plates in the air. Finally, confusion about where R.D. is -- and is not -- available in Chittenden County became an issue in one instance.

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2 - This number was ascertained using the Energy Rating order date as the date of application; thus, the actual length may be 1 - 3 days longer. Information on closing dates was available for 9 of the 10 YESS participants. If the 10th respondent (who dropped out of the YESS program, but who used VHFA) is included, the average number of days to closing is 75.

3 - Number provided by VHFA as average number of days between loan reservation date and closing date.

4 - Thirty percent specifically mentioned R.D. or MI problems. At least 3 other respondents mentioned problems regarding inter-agency communication or inspection problems that may have been related to R.D., but could also have been a different party.

Communication issues came up frequently. Respondents felt they lost control of the process because they did not have an overall plan of action or know what to expect next. Confusion resulted from lack of information; some from confusion about energy contracting practices; some from errors of "omission"; some from conflicting information received from different parties involved in the same transaction or from information conflicts between written materials and people; some from the difficulty of interacting with so many parties including, but not limited to, the seller, the lender, the energy auditor, the contractors solicited, the contractors who performed the work, mortgage insurers, property inspectors, etc.

The *overwhelming nature of the process* was difficult for many buyers. As one person put it: "there were so many little components, so many people" and she kept getting "information from different people". For these mostly first-time buyers, the sheer volume of tasks and details, in addition to the stress of the mortgage process itself, was more than many buyers expected or felt they could effectively coordinate themselves. Again, this may be as much a reflection on the home buying process in general, given the large percentage of first-time home buyers.

All the above specific complaints notwithstanding, a majority of buyers had a positive experience. Problems were primarily with *process* rather than people and many respondents commented on the pleasant nature of a particular lender, auditor, etc. A review of responses to the question of whether buyers would go through the YESS program again or recommend it to others bears this out. (See Question #9 section below.)

Question #8: [Is There] Anything You Think Should be Improved?

In addition to the improvements implied by the responses reported above, the following represent specific areas for improvement cited by YESS participants:

Communications

- *Communication between lender and buyers.* There was confusion about specific details of the program; for instance, whether or not energy work was *required* to be completed before closing. This is a requirement of the lender, not the YESS program, and thus this information needs to be identified (which lenders), spelled out or clarified, and communicated to buyers in written materials.

- *Communication between contractor and energy auditor or between contractors.* Conflicting information, approaches and recommendations between the energy auditor and/or contractors about the improvements needed resulted in confusion to the less-than-informed buyer.

- *Communication between energy specialist and buyer.* One respondent felt that the energy specialist/ERH's recommendation was too limiting and presumably did not understand the cost-effectiveness requirements of the program. Effective communication includes listening to what buyers want rather than just telling them what they need. Careful explanations are required with technical information; another buyer thought the energy recommendation for a brand name had to be the specific system rather than a comparable system. One respondent who complained of inaccurate cost estimates received an estimate that was only slightly lower than the actual cost of improvements, but the buyer mistook the YESS program's required minimum of $2500 in repairs to be the original estimate. An improvement in communication (rather than a more accurate estimate) would have solved this particular problem. It is conceivable this miscommunication originated with the lender instead of the energy specialist.

Timeliness

Almost every party *(energy auditor, estimator, contractor, lender and insurer)* was faulted by at least one buyer for submitting or reviewing reports late or only after a series of phone calls.

Cost Estimates

Improve accuracy of estimates. In one instance, the auditor estimated improvements would cost significantly less than what the marketplace bore out. The buyer felt that accuracy and good recommendations were the basis for paying the ERH fee.

Question #9: Would You Do It Again/Recommend It to Others?

Despite the many improvements needed, most respondents (80%) said they would either do it again or recommend YESS to someone else. At least in part, this is due to buyers becoming more educated about mortgages, energy issues and contracting issues as they went through the process.

Of the remaining 20%, one person honestly didn't know -- she liked the energy savings and the low rate, but found it frustrating to coordinate the entire process -- and one person said "No". Even this person expressed some hope, however, since she thinks "it's a very important program, wasting energy is bad" and said she wouldn't use the program in its *present form*. This strong philosophical desire for an environmentally-oriented financing product resulted in a push for an improved program rather than a request to eliminate the program entirely.

Affordability was the basis for strong support for the program regardless of experience. One buyer said that she had been recommending the program, essentially because of its low interest rate. It is interesting to note this person also works at a bank (though not in the mortgage loan area). "The best interest rate we could ever see" and "it forces home buyers to look at the high cost of heating, especially in Vermont," said another. A third said it was "a great opportunity for a single parent to own a home". This person in particular was very appreciative of the opportunity to use the program. "It worked great with our situation...even with the frustration," stated one home buyer. Someone else summed up by saying that "moneywise" the YESS program makes homeownership affordable for a low-income or one-income family and that more of these programs should exist.

RECOMMENDATIONS

The YESS program in its current form is a complex process and requires a great deal of participation from home buyers dealing with both mortgage AND energy issues. We present below some recommendations to improve the program and its reception by lenders, contractors and the home-buying public in order of near-term to long-term solutions.

Improve Communication. The importance of clear and accurate communication cannot be overemphasized. Some initial discussion could have alleviated a number of misperceptions on the part of these mostly first-time buyers. Though a few buyers might have been dissuaded from using the YESS program if they had known the full extent of what was involved, there would have been a lot less frustration experienced if the entire process and their responsibilities had been communicated at the outset. It would be useful to supply better educational materials including a clear, <u>written action plan</u> or <u>checklist</u> that details each step of the process (and the responsible party) from start to end. The timeliness of submission and accuracy of required forms, reports, etc. should also be improved. Improved communication among the lending, inspecting, energy and contracting parties would also contribute to a smoother process for everyone. In particular, energy specialists' role as "enforcer" of the cost-effectiveness requirements of improvements, including their responsibility to counsel the home buyer about the reason(s) for recommended energy work, needs to be made clear to home buyers and energy specialists. Finally, lender <u>training</u> should be provided. The form of this training is not as important as making sure lenders have sufficient information to effectively communicate the program's detailed components to prospective home buyers. Again, because it seems that Realtors also believe YESS is a good marketing tool, they should also continue to be provided training on the YESS program.

Offer facilitation services. The number of people and components involved in the YESS program is too high for the average first-time home buyer. An effective method to alleviate buyer confusion and present a more unified process, especially with the technical aspects of the process, would be to remove buyers' energy contracting responsibilities. Offering facilitation services would lift a tremendous weight from buyers who are not knowledgeable about, or would rather not deal with, energy issues or the construction trades. For instance, an initial coordination meeting between the lender, ERH and the buyer; soliciting estimates from which the buyer could choose; providing contract management services; etc. are examples of services that could be potentially offered to buyers. Such services would reduce communication problems between the numerous parties, as well as limit the number of "strangers" going through the house. Another method to alleviate energy contracting snags is to change the rating process so that either the customer or ERH solicits actual contractor bids <u>before</u> issuing the rating package. This slight change in timing would insure that cost estimates better reflect real costs and local conditions.

Make mortgage insurance affordable and hassle-free. Both private mortgage insurers and R.D. were a source of consternation to a number of respondents. Allowing YESS program participants to access VHMGB, with its lower rates and less stringent requirements, would make mortgage insurance available at reasonable cost, equalize mortgage insurance treatment of customers statewide and eliminate additional inspections and repairs. Currently, the legal definition of "value" in Vermont statutes prevents YESS participants from being able to access VHMGB; changing the definition requires legislative involvement. In the interim, better coordination with R.D. may smooth the process sufficiently for buyers to appreciate the lower rates.

Investigate the possibility of a more flexible financing product. While the current structure of YESS allows energy efficiency improvements to be financed as part of the mortgage, it complicates the mortgage process by adding to the timeline and increasing the number of parties who do not need to be involved in the energy contracting portion (e.g., real estate agents, sellers). The financial benefits of including such improvements with the mortgage (long-term, low interest financing which is tax-deductible) are great enough to continue this approach. One respondent's suggestion to address the complex nature of the YESS program was to remove the energy component from the *initial* mortgage process and instead provide a mortgage conversion product that would lock the buyer into making energy improvements within a year's time. Such a product would easily or automatically convert the mortgage into an energy improvement mortgage at the time improvements were actually made during the pre-determined contractual period. A longer term financial product such as HUD Title I might also be a workable alternative.

CONCLUSION

In general, participants indicated that YESS was a worthwhile program to them. Although many respondents had some difficulty and dissatisfaction with the process, the majority were happy with a more affordable mortgage and lower energy bills than would exist without the YESS program. With some program modifications and/or additional options for the buyer, it could be further improved. Combining an affordable mortgage product with energy efficiency is a worthy goal and this is a workable program. If the question is "should the program be continued?", the answer is YESS.

Attachments:

Matrix of YESS survey responses
YESS Loans in Progress, Sheet 1 (2 pp.)

YESS Customer Survey Results
September 1997

Customer

Question	# 35528 (1)	#35013	#35352	#35287	#35429	#35489	#35745	#35783	#35978 (3)	#35986	#36045	Summary of Responses
1 How did you hear about the YESS program?	Lender	Realtor	Spec sheet or MLS book	Realtor	Curt's parents	Lender	Newspaper ads, BCLT workshop	Lender, local bank	Realtor	VHFA housing fair, last year	Lender	Lenders most common; realtors close second; homeownership workshop/fairs third; and a couple miscellaneous.
2 What was the main appeal of the YESS program to you? (2)	n/a	No down payment	E.E. home at a good rate	Interest rate	Low interest, only loan could get	Interest rate	Energy efficiency as environmental issue	Interest rate	Interest rate	Energy savings	Interest rata	Primarily the low interest rate, energy efficiency second.
3 Where are you in the process of finalizing the loan and getting the work completed?	n/a	Loan - done Work - done	Loan - done Work - done	Loan - done Work - done	Loan - done Work - done	Loan - done Work - done	Loan - done Work - done	Loan - done Work - done	Loan - done Work - done	Loan closes 9/18 Work yet to be done	Waiting for report from post-work inspection	All loans complete by 9/19. Virtually all energy work complete.
3a How knowledgeable is/was your lender with the program?	n/a	Pretty knowledgeable	Not at all	Well-versed, had done VHFA	New program, not that familiar	Not at all (had heard about it day before)	Knew nothing	B -	Very good	Loan officer not familiar, req. by buyer	First time, but lender was very motivated	70% knew nothing or were unfamiliar (tho' 1 was very motivated), 30% were rated well.
4 Would you have used the YESS program if it did offer a reduced interest rate?	n/a	Not sure, would have qual. for other low rates	Not sure, but probably not	Probably not	Maybe, but needed low rate	Probably not	Probably yes	Not sure, depends on other conditions of loan	Doesn't know, would review other VHFA	Possible if e.e. available	Yes, definitely	All but one was unsure, other loan variables.
5 Did you make a down payment?	n/a	No (deposit only)	3%	8 to 10%	approx. 10%	5%	3% (was supposed to be 5%)	5%	No	5%	No	70% made down payments averaging 5.7%; 30% made no down payment.
6 How important to you were the energy-saving features of YESS?	n/a	Very (i.e., savings from e.e.)	Very	Very	Somewhat	Very (but would have done e.e. work anyway)	Very	Very	Very, saves us money in the long run	Very	Very	Overwhelming majority (90%) thought e.e. was very important.
7 How would you describe your overall experience with the YESS program?	n/a	Frustrating, many components, overwhelming, too many people.	Positive; long process, but worth it	Very good	Pretty good; long process, but worth it	Happy w/ program itself, but rough haul w/ the bank	Really bad, but thinks it's important program	Lender and auditor knowledge insufficient	Everything fine, lot of paperwork, not sure if just this program.	Extremely frustrating; "get rid of R.D."; lost control of process.	Very good	Mixed response. 20% thought experience was very good; 40% found process long but worth it; 40% had frustrating (or worse) experiences.
8 Anything you think should be improved?	n/a	Communication bet. agencies, audit/report delay.	Lack of lender knowledge/ participation	No	No, worked well for us	Low down pymt issue w/ priv. mort. ins., inexp. bnkr	Work timing unclear; mort. ins. probs + more	Timeliness of report writing & estimate accuracy	No	Remove process from closing; but keep option 1 yr.	Not really, longer more involvement, well worth it	Lender knowledge, length of process, mortgage insurers, timeliness of reports, and communication bet. agencies all rated poorly.
9 Would you do it again? Would you recommend it to others?	Views favorably	Yes, more knowledgeable now	Yes. Thinks program is great.	Yes, very appreciative of opportunity to use program.	Yes, makes h/o affordable for low-income	Probably not for fixer-upper, but yes if just need energy imprvmt. if pmi issue resolved	No, not in present form & procedures.	Yes, a lot of work, but best int. rate & forces h/b to look at heating cost.	Yes, has already recommended to others re: interest rate	Doesn't know, experience bad but likes energy savings & rate.	Yes	80% yes (one qualified); 10% not sure; 10% no; and 1 non-participant views favorably.
Lender	Summit	Summit	VNB	Peoples Trust	Merchants	Merchants	Source One	Merchants	Peoples Trust	VNB	Bennington S&L	
Energy Rating Date	11/13/96	11/22/96	03/25/96	04/15/97	04/03/97	04/15/97	06/06/97	06/12/97	06/16/97	07/14/97	07/23/97	
Loan Closing Date	05/01/97	12/30/96	05/08/97	06/30/97	06/30/97	07/10/97	07/25/97	07/30/97	N/A	09/18/97	10/20/97	
Number of days to closing	169	38	44	76	88	66	49	48	N/A	66	89	Average all respondents: 75 days Average YESS participants: 65 days

These are summaries of total responses. Please see individual customer survey sheets for more detailed information.

Note (1) - Ultimately did not participate in YESS program, though did use VHFA.
Note (2) - Only first reason is stated in this chart, many respondents listed more than 1 reason. See survey sheets for additional info.
Note (3) - Buyer is employee of Peoples Trust.

YESS Loans in Progress -- Compiled 9/8/97

Name (deleted for confidentiality)	Loan Number	Purchase Price	Improvement Cost	Acquisitio Cost	Loan Date	Loan Amount	LTV ratio	Other Debt	Total Debt	Annual Income
	35783	50,000	4,780	54,780.00	7/30/97	51,968	0%	628	1,123	35,137
	35429	67,000	7,490	74,490.00	6/30/97	63,650	0%	18	559	23,800
	35489	55,000	11,961	66,961.00	7/10/97	57,250	0%	215	752	34,608
	35267	95,000	6,873	101,873.00	6/30/97	87,000	0%	254	1,010	32,770
	35745	100,662	3,299	103,961.00	7/25/97	100,880	0%	211	1,087	36,780
	35526	90,000		90,000.00	5/1/97	85,500	94.84%	234	1,034	37,624
	35013	85,000	4,869	89,869.00	12/30/96	88,934	98.85%	744	1,393	46,001
	35352	77,300	7,707	85,007.00	5/8/97	85,000	99.88%	0	663	32,697
	35978	81,675		81,675.00	00/00/00	81,675	0%	382	1,032	31,854
	35986	77,500	4,600	82,100.00	00/00/00	77,995	0%	282	891	28,600
	36045	69,200		69,200.00	00/00/00	69,200	0%	0	390	32,500
Averages (mean)		59,600	6,447	61,990.00		60,584				33,819
Averages (median)		77,500	5,871	82,100.00		81,675				32,770

9/11/97

Name	Monthly Income	Housing ratio	Other Debt ratio	D/I ratio	Loan Status
#35783	2,928	16.94%	21.44%	38.38%	preliminary approval
#35429	1,983	27.28%	0.90%	28.18%	active
#35489	2,884	18.64%	7.45%	26.09%	preliminary approval
#35267	2,690	28.11%	9.35%	37.57%	active
#35745	2,833	30.90%	7.47%	38.37%	preliminary approval
#35526	2,714	29.47%	8.61%	38.09%	active
#35613	3,833	16.94%	19.40%	36.35%	active
#35352	2,724	24.34%	0.00%	24.34%	active
#35978	2,654	24.50%	14.39%	38.89%	preliminary approval
#35986	2,383	25.54%	11.86%	37.40%	preliminary approval
#36045	2,708	14.43%	0.00%	14.43%	reserved
	2,758	23.37%	9.17%	32.55%	
	2,714	24.50%	9.35%	37.40%	

9/11/97

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: November 3, 1997

RE: Single Family Program Activity Report For October, 1997

MORTGAGE PURCHASE PROGRAMS

Month	No.	Amount	Previous Year	No.	Amount
Reservations	66	$ 4,159,809		93	$ 6,096,116
Purchases	43	$ 3,006,611		64	$4,638,763

Period to Date	No.	Amount	Previous Year	No.	Amount
Reservations	820	$57,585,116		1135	$75,576,658
Purchases	524	$36,071,987		645	$42,935,796

MORTGAGE PLUS

Month	No.	Amount	Previous Year	No.	Amount
Reservations	12	$ 1,042,400		7	$ 432,355
Issued	17	$ 1,293,311		6	$ 440,633

Period to Date	No.	Amount	Previous Year	No.	Amount
Reservations	104	$ 8,874,420		90	$ 6,654,651
Issued	76	$ 5,802,391		83	$ 6,418,832

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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

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EQUAL HOUSING OPPORTUNITY

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: November 25, 1997

RE: Servicing Activity for October, 1997

SERVICING ACTIVITY

Collections:

Last months 90+ accounts:		88
New 90 day accounts (+):	17	
To foreclosure/DIL (-):	1	
To 60 days or less (-):		
Under payment arrangement:	50	
Modifications (-):		
90+ accounts:		104
In Foreclosure:		
Last months foreclosure accounts:		61
New foreclosures (+):	3	
To REO (-):	7	
Successful interventions (-):	1	
Negotiating workouts:	15	
Modifications (-):	1	
Foreclosure accounts:		55
Real Estate Owned:		
Last months REO's:		68
New REO's (+):	7	
Properties sold (-):	8	
Properties under contract:	6	
Other:	0	
REO's:		67

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

Mailing Address: PO Box 408, Burlington, Vermont 05402-0408
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VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: SEPTEMBER, 1997

Lenders	Loans	30	Days	60	Days	90+	Days	Auth	FCL	Delinq		REO	
ALBANK, FSB	447	29	6.49%	8	1.79%	7	1.57%	2	0.45%	46	10.29%	2	0.45%
Banknorth Mortgage Co.	787	43	5.46%	8	1.02%	9	1.14%	4	0.51%	64	8.13%	5	0.64%
Bennington Co-op S&L Assoc.	52	2	3.85%	0	0.00%	0	0.00%	0	0.00%	2	3.85%	0	0.00%
Brattleboro Savings & Loan	24	2	8.33%	0	0.00%	0	0.00%	0	0.00%	2	8.33%	0	0.00%
Chittenden Bank	955	48	5.03%	9	0.94%	11	1.15%	5	0.52%	73	7.64%	8	0.84%
Citizens Savings Bank	114	2	1.75%	0	0.00%	2	1.75%	1	0.88%	5	4.39%	2	1.75%
Community National Bank	318	16	5.03%	10	3.14%	1	0.31%	0	0.00%	27	8.49%	1	0.31%
Connecticut River Bank	4	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Factory Point Nat. Bank	36	2	5.56%	1	2.78%	0	0.00%	0	0.00%	3	8.33%	0	0.00%
First Brandon Nat. Bank	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
First Nationwide Mortgage	10	1	10.00%	0	0.00%	0	0.00%	0	0.00%	1	10.00%	0	0.00%
Fleet Mortgage	46	6	13.04%	0	0.00%	1	2.17%	1	2.17%	8	17.39%	1	2.17%
GMAC Mortgage	5	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Granite Bank (NH)	2	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Graystone Mortgage Company	469	38	8.10%	10	2.13%	13	2.77%	6	1.28%	67	14.29%	17	3.62%
Heritage Family Credit Union	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Lyndonville Savings Bank	57	1	1.75%	1	1.75%	0	0.00%	0	0.00%	2	3.51%	0	0.00%
Merchants Bank	297	17	5.72%	0	0.00%	5	1.68%	0	0.00%	22	7.41%	3	1.01%
Mortgage Service Ctr. of NE	89	6	6.74%	2	2.25%	0	0.00%	1	1.12%	9	10.11%	4	4.49%
National Bank of Middlebury	65	3	4.62%	3	4.62%	1	1.54%	1	1.54%	8	12.31%	0	0.00%
New England Federal CU	48	1	2.08%	0	0.00%	0	0.00%	0	0.00%	1	2.08%	0	0.00%
Northfield Savings Bank	127	5	3.94%	2	1.57%	0	0.00%	0	0.00%	7	5.51%	1	0.79%
Passumpsic Savings Bank	174	9	5.17%	1	0.57%	2	1.15%	2	1.15%	14	8.05%	4	2.30%
Peoples Trust Co.	99	5	5.05%	2	2.02%	1	1.01%	0	0.00%	8	8.08%	0	0.00%
Randolph National Bank	38	2	5.26%	1	2.63%	0	0.00%	0	0.00%	3	7.89%	0	0.00%
Union Bank	171	8	4.68%	4	2.34%	3	1.75%	1	0.58%	16	9.36%	2	1.17%
Vermont Development CU	49	4	8.16%	1	2.04%	1	2.04%	1	2.04%	7	14.29%	0	0.00%
Vermont Federal Bank*	1256	85	6.77%	26	2.07%	23	1.83%	9	0.72%	143	11.39%	9	0.72%
Vermont National Bank	646	21	3.25%	4	0.62%	7	1.08%	11	1.70%	43	6.66%	9	1.39%
Vermont State Employees CU	5	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Wells River Savings Bank	31	0	0.00%	1	3.23%	1	3.23%	0	0.00%	2	6.45%	1	3.23%
Totals	6425	356	5.54%	94	1.46%	88	1.37%	45	0.70%	583	9.07%	69	1.07%
Totals Previous Month	6397	316	4.94%	87	1.36%	82	1.28%	51	0.80%	536	8.38%	68	1.06%
Totals Same Mo. Last Yr.	6094	290	4.76%	82	1.35%	57	0.94%	47	0.77%	476	7.81%	40	0.66%

* The figures for this lender may be overstated due to computer conversion problems

VERMONT HOUSING FINANCE AGENCY

Board Property Disposition Report

Month of: October, 1997

Properties Sold

Property	Listing Price	Sale Price	Principal Balance	Interest	To Date Expenses	Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Monniere Morristown	$79,500	$68,000	$70,762	$ 6,961	$12,972	$15,000	($ 7,695)		($ 7,695)
Boutin Alburg	$59,900	$55,000	$61,118	$ 3,495	$25,348	$13,200	($21,761)	($ 4,449)	($17,312)
Marrotta Roxbury	$58,500	$58,500	$65,107	$13,029	$21,400	$14,100	($26,936)	($29,544)	$ 2,608
Walters Danville	$46,500	$30,000	$53,662	$11,640	$17,856	$11,600	($41,558)	($26,344)	($15,214)
Gordon* St. Albans	$28,700	$19,000	$62,581	$ 3,774	$ 5,073	$ 9,000	($43,428)	($53,595)	$10,167
Kilgariff Hartford	$59,900	$56,000	$64,278	$ 5,935	$24,618	$ 9,500	($29,331)	($25,465)	($ 3,866)
Elie Coventry	$25,900	$18,000	$42,179	$ 3,565	$ 8,020	$ 9,900	($25,864)	($27,219)	$ 1,355
Richardson Concord	$47,900	$47,900	$66,711	$ 7,286	$17,000	$14,375	($28,722)	($21,401)	($ 7,321)

* VHFA took a $15,000 second mortgage on a REO we sold to Gordon.

Properties Under Contract

Property	Listing Price	Contract Price	Principal Balance	Interest	Estimated Expenses	Estimated Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Seamans Dover	$79,900	$77,900	$84,349	$ 7,823	$ 7,287	$17,900	($ 3,659)	($22,839)	$19,180
McDonough Burlington	$75,000	$69,500	$73,612	$ 4,727	$ 8,695	$17,024	($ 510)	$5,276	($ 5,786)
Severance Fair haven	$48,900	$40,000	$56,094	$ 7,848	$18,245	$11,875	($30,312)	($24,472)	($ 5,840)
Yana Lincoln	$79,900	$73,000	$88,591	$ 9,932	$20,831	$19,219	($27,135)	($19,334)	($ 7,801)
Baker St. Johnsbury	$69,900	$56,000	$62,067	$ 4,531	$24,884	$12,642	($22,840)	($ 5, 635)	($17,205)
Goulding Kirby	$39,900	$35,000	$63,717	$ 8,080	$13,047	$14,000	($35,844)	($27,334)	($ 8,510)

Properties in the VHFA/Non Profit Sale Program

Massey
Stannard
Gilman Housing Trust

Watkins
Springfield
Rockingham CLT

Richards
Fair Haven
Rutland West NHS

Stocker
Rutland
Rutland West NHS

Provencher
Burlington
BCLT

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VERMONT HOUSING FINANCE AGENCY

TO: VHFA Board of Commissioners

FROM: Mike McNamara, Deputy Director Mike McNamara

DATE: December 10, 1997

RE: Strategic Plan

As you recall from the November meeting, we will be taking some time at the December meeting to review the existing VHFA Strategic Plan. A copy of the existing plan, and a memo highlighting some major points raised at board meetings during the year, was sent out under separate cover on November 26th.

I hope you have been able to take the time to mark-up that copy and to jot down any thoughts you have about new programs, etc.

Please feel free to call me if you have any questions at 652-3431.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: **VHFA Board of Commissioners**

FROM: **Samuel J. Falzone, Director, Multifamily Management**

DATE: **December 10, 1997**

RE: **MULTIFAMILY DIRECTOR'S REPORT**

The attached report for the quarter ending September 30, 1997, is provided for the Board's information and includes the status of various financial aspects of the multifamily portfolio. The report also contains narratives on department activity through November 30th as well as detailed project reports for properties that have outstanding maintenance or other unusual issues or problems.

I will be available at the Board meeting but would be happy to answer any questions or provide additional information if it is desired. You may reach me at 652-3435 should you like clarification on any point prior to the meeting.

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MULTIFAMILY MANAGEMENT
DIRECTOR'S REPORT
For the Period Ending September 30, 1997

1. DELINQUENT MORTGAGE LOAN PAYMENTS

PROJECT NAME	PENALTY/INTEREST	MONTH	TOTAL DAYS LATE
Monroe Street	$339.89 (fee waived)	Aug & Sept	77

2. ACC AND HAP CONTRACT AMENDMENTS REQUIRED

PROJECT NAME	ORIGINAL ACC	CURRENT AMENDMENT	RESERVE BALANCE
21 Main Street	$46,200	$61,600	($338)
Abenaki Family Housing	103,909	*	23,598
Bardwell House	558,504	571,004	4,841
Bemis Block	83,769	93,269	23,504
Benson Heights	106,700	N/A	18,303
Brookside Apts.	33,198	36,798	(1,176)
Bobbin Mill	397,273	423,523	78,700
Butler Apts.	53,928	70,528	4,279
Canterbury N & S	217,324	267,224	38,849
Chester Arthur	56,737	69,037	6,988
Colonial Apts.	75,312	101,612	(6,632)
Colonial Village	60,360	84,460	15,777
Conant Square Inn	79,896	*	8,487
Darling Inn	136,704	171,254	(17,904)
Depot II	52,416	67,416	20,609
Duggan Row House	95,904	118,404	24,109
Garden Apts.	72,876	87,876	24,187
Graystone Village	139,002	*	75,918
Green Hill Apts.	93,814	99,614	(2,446)
Hebert Farm	53,448	*	15,130
Hillside Acres	75,216	88,116	13,697
Holy Angels Commons	227,988	301,988	51,259
Homestead Mews	180,403	196,503	(2,035)
Jeri-Hill	182,326	228,926	(91)
Lamoille View Apts.	101,976	162,677	40,005
Lane Shops	215,040	*	(56,806)
Linden Terrace	78,504	98,154	13,626

2. ACC AND HAP CONTRACT AMENDMENTS REQUIRED (Cont.)

PROJECT NAME	ORIGINAL ACC	CURRENT AMENDMENT	RESERVE BALANCE
Mad River Meadows	$190,194	N/A	$14,261
Maple St./Hardwick	65,688	83,738	(717)
Maple St./K.S.N.R.C.	57,900	N/A	24,762
Meadow Lane	88,452	*	2,983
Mellishwood Houses	40,920	56,720	(10,670)
Mellishwood Houses II	63,612	74,612	584
Mill Village	102,127	109,127	(3,743)
Mountain View/Fairfax	150,785	170,685	1,017
Olde Windsor Village	313,596	*	(61,077)
Pine Grove	101,496	127,596	21,603
Pine Manor	114,285	*	19,095
Proctor Place	80,254	N/A	22,774
Randall Apts.	60,528	N/A	22,191
Randolph Circle	127,080	*	36,429
Randolph House	210,744	323,594	21,105
Saxtons River	103,776	143,176	9,107
School House Apts.	76,449	83,249	608
School Street Apts.	68,028	89,278	25,808
Sunrise Manor	141,960	172,160	27,849
Valley View	156,152	*	56,142
Walden Mountain	99,096	109,696	(6,429)
Wells House Apts.	54,744	80,144	8,069
West Burke Housing	115,664	123,664	(11,581)
Westminster Family	86,555	N/A	22,393
Willey Street Apts.	106,186	N/A	36,458

* amendment reverted to original ACC amount
N/A: Has never received an amendment

3. CASH FLOW PROBLEMS:

PROJECT	CASH POSITION AS OF 09/30/97	OPERATING PROFIT/LOSS	
		BUDGET	ACTUAL
700 Riverside	$2,088	$882	(2,076)
Abenaki Acres	$2,306	$12,486	$5,032
Barre Street	$7,788	$18,024	(6,259)
Bromur	$2,659	$5,473	(2,081)
Ethan Allen	$0	$2984	(11,017)
Lake Champlain Apts	$10,501	$15,436	(890)
Pine Meadow	$1,699	$8,635	$2,619
Proctor Place	$6,242	$15,079	0
Templeton	$16,764	$30,583	(23,128)
Wells House	$2,096	$11,691	$2,127
Winchester Place	$56,142	$11,327	$61,359

A. MULTIFAMILY MANAGEMENT ACTIVITY - NARRATIVE

1. 1998 Budget Approvals
2. Prepayment Strategy
3. 1997 Housing Credit - Compliance Monitoring Wrap Up

B. PROJECT REPORTS

1) 700 Riverside
2) Abenaki Acres
3) Barre Street Apts
4) Bromur Apts
5) Conant Square
6) Cummings Street
7) Depot Square
8) Eno Apts
9) Ethan Allen
10) Lake Champlain Apts
11) Lane Shops
12) Pine Meadow
13) NCIC
14) Proctor Place
15) Maple Street/GE
16) Meadow Lane
17) Mountain View
18) Northgate Apts
19) Parsons Hill
20) Pine Manor
21) Randolph Circle
22) Templeton
23) West Burke Housing
24) Westview Terrace
25) Winchester Place

A. Multifamily Management Activity - Narrative

1. 1998 Budget Approvals

Multifamily staff has reviewed and approved 52 (almost half) of the operating budgets and we have begun to see the results of our policy on Capital Needs Assessments (CNA) reflected in this year's proposed budgets. Many owners have increased replacement reserve deposits based on the findings of these studies which indicated that some properties were not adequately prepared for future capital expense levels. Other property owners and managers have begun to address the immediate and short term capital needs that were identified as a result of these studies. With the average age of our multifamily portfolio at 15 + years, the focus on capital needs in the '98 budgets is an appropriate activity.

There are a handful of properties that have extraordinary capital needs without the income or resources to address these future needs. It seems likely that we will need to allocate a portion of our 0% refunding money toward helping these properties as their capital needs become more acute.

2. Prepayment Strategy

VHFA has continued its efforts to address the rising level of multifamily prepayments. John Burczy, Management Officer, has prepared a position paper on the problem and, along with other members of Multifamily, has made recommendations to Core Staff on how to respond to owners' increased interest in prepaying VHFA loans. Although there appear to be many complex variables, we have agreed to adopt the following strategy as a short term response:

a. Complete a current prepayment risk analysis of the MF portfolio.

b. Consider a policy of using 0% funds in an effort to limit prepayments and preserve the affordability and HAP dollars that have been committed to these properties.

c. Initiate high level discussions with HUD and VSHA on adopting a consistent response to refinancing requests that encompasses the important public policy issues involved.

d. Consider further deregulation of VHFA project oversight (within the limits imposed by the HUD Regs) in an effort to provide passive incentives to owners.

e. Participate in NCSHA's National Task Force meetings on this topic to be held in January.

3. 1997 Housing Credit - Compliance Monitoring Wrap Up

Sixty-seven projects were subject to LIHTC compliance monitoring reviews for 1997. Of these, eighteen required on-site tenant file reviews and physical inspections. The remaining projects required desk audit reviews of information contained in the annual status reports. Reviews have now been completed for all sixty-seven projects and final reports have been sent out. We are waiting for a response from one owner for a possible non-compliance finding that may require us to file an 8823 with the IRS. Compliance monitoring fees collected for 1997 totaled $29,800.

The IRS has been trying to improve the compliance piece of the Housing Credit Program. Some changes have been made to the regulations in an attempt to clarify some of the gray areas. They have tried to integrate some of the ideas and suggestions that resulted from last year's GAO study. They have also kept in close contact with our national organization (NCSHA) in order to get good information from those who are most knowledgeable about the value of the Housing Credit and other affordable housing programs.

B. Project Reports

1. 700 Riverside Ave - On November 14, Lawrence and Carolyn Kruse became the new owners of 700 Riverside Ave in place of Scott Mansfield who filed for bankruptcy under Chapter 7. Lake Champlain Housing Ventures (LCHV) will stay on as the management agent for a least one year. The new owners have agreed to establish a new replacement reserve account and provide a guarantee that will cover any operating deficits going forward. LCHV is in the process of submitting a Special Rent Adjustment claim that may provide a $1,700 increase in income for these eight family units located in Burlington.

2. Abenaki Acres - Chief Homer St. Francis sent a certified letter to VHFA guaranteeing that management practices would be improved. Since that time we have been receiving required documents and reports in a more timely manner. We continue to keep Abenaki Self-Help on our watch list. The property sustained a $6,000 vacancy loss during the third quarter and this had a negative impact on cash flow.

3. Barre Street Apartments - As mentioned in the last Director's Report, Barre Street is experiencing a significant loss when compared to the development proforma budget that predicted an $18,000 profit at the end of the third quarter. Part of the reason is that the McKinney Grant funds were not received as expected. However, the full amounts budgeted will be received by the end of the year. In addition, the rehabilitation work schedule has created a higher vacancy loss than anticipated.

4. Bromur Apartments - The year-to-date income was $5,394 less than the budgeted amount. This was largely due to vacancies, for example there are currently two vacant units. Central Vermont Community Land Trust is the entity that has the primary responsibility for marketing the units. Also, the Total Cost of Operations was $1,750 above budget or 2.8%.

5. Conant Square - Owner, Frank Guillot has requested that we provide him with draft Preservation Agreement documents. He has received approval from his co-general partner to explore the VHFA preservation concept.

6. Cummings Street - Cummings Street's HAP contract will expire on May 29th, 1998 and is the only FHA insured project in Vermont that is eligible for HUD's 1998 Demonstration Program. Contract rents at Cummings Street are already under the 120% of FMR level that has been established under the Demonstration as a threshold for active participation in the program. In an effort to be better prepared for whatever happens in the future, we have targeted this property for an energy conversion under Vermont's "Residential Energy Efficiency Program" (REEP). VHFA may need to lend energy money at 0% to make this deal work. It is unlikely that Housing Vermont (HVT) will agree to participate in this program because of the uncertainty over tax and rent level issues that are still being refined by HUD under the 1998 Demonstration. HVT must still notify the residents 6 months in advance of the actual contract expiration date.

7. Depot Square - Depot Square Apartments has not produced the operating cash flow that they expected because they didn't receive their Special Rent Adjustment until June. They originally thought this increase would be retroactive. The operating profit is off by $11,000 for the third quarter.

8. Eno Apartments - The ownership of Eno Apartments was transferred from a family Trust to Steve and Linda (Eno) Knight who bought out the partnership interest owned by her two brothers. As part of our approving the transaction, VHFA was able to negotiate an amendment to the 1993 Preservation Agreement that offers protection from a future prepayment. Steve and Linda will continue as managers of the property as well as be the sole owners.

9. **Ethan Allen** - 1306 Ethan Allen went back to the Board in November with a new rehab proposal. The new project is made up of the 32 original units at Fort Ethan Allen and 10 new units at Spring Street in Winooski. The Board approved the proposed loan request subject to conditions at the November meeting. Unfortunately, vacant units were not filled in anticipation of a major rehab effort. Delays in finalizing these plans caused a significant reduction in income and this has been the primary reason for the $11,000 loss as of September 30th.

10. **Lake Champlain Apartments** - A $12,000 loss in income this past quarter has created a cumulative loss in income of $17,000 year to date. Five vacancies created most of this deficit. Vacancy claims were paid in October and some of these funds were received following the close of the quarter. IPM Management has filled all of the vacancies and has proceeded with an eviction for nonpayment of rent. The prospect of BHA buying Lake Champlain Apartments has not materialized because their offer was $600,000 below what the owners needed to meet all tax liability at the time of sale.

11. **Lane Shops** - David DuBrul, the owner of Lane Shops, has a commitment letter from the Northfield Savings Bank for $1.1 million to refinance his Montpelier property plus an additional $1 million he hopes to use to buy out his limited partners. He had hoped to close on December 4th but the closing date has been rescheduled because one of his limited partners has raised a due diligence issue with the bank.

12. **Pine Meadow** - Effective November 1st, Maloney Properties has taken over as the new management agent for Pine Meadow in Middlebury. Housing Vermont has been successful in securing funding to address the structural and mechanical issues at Pine Meadow. They hope to have the energy work completed in 2 months and wood trim replacement work will be performed in the spring.

13. **NCIC** - Northeastern Vermont Housing Company (consisting of Housing Vermont, Gilman Housing Trust and AHEAD) signed a purchase and sales agreement to buy all NCIC's housing stock in their portfolio of properties. As part of our approval for this transaction, VHFA has entered into a Memorandum of Understanding with Housing Vermont and Gilman Housing Trust that will ensure the future affordability of these properties.

14. **Proctor Place** - One of the commercial spaces continues to be vacant, causing income to be less than projected. The owner is still working on a solution to this problem. Cash flow has been adversely affected.

15. **Maple Street Apartments /GE Building** - At the end of October, three fires took place at this property in a matter of four days. The most tragic fire was believed to have been started by a resident when he fell asleep with a burning cigarette on his living room couch. The resident was in critical condition for several days but did not survive. This resident had also disconnected his smoke detector but luckily a nearby neighbor pulled the building's fire alarm after noticing the fire. The unit will need a complete rehab and some nearby units have heavy smoke damage and smashed in doors due to the fire fighters' quick action. The other two fires were small and contained to individual units. Both were kitchen, fires one due to grease the other due to a plastic pot on the stove. Owner/manager, Pizzagalli fixed the units immediately and all is back to normal now.

16. **Meadow Lane** - Milton Associates prepaid their mortgage with VHFA on October 15th. In an effort to avoid the reductions in the contract rents that a decrease in debt service would yield, this partnership opted to simply incur an additional $149,000 of debt on the property so that the debt service would closely mirror the original financing. Although there were still net debt service savings, VSHA and HUD chose not to require reductions in contract rents.

17. **Mountain View Apartments** - On November 21st, the Harvey Partnership prepaid their VHFA mortgage with HUD's approval. Although only a five unit family housing project, this was significant since it

was the first Section 8 "New Reg" higher interest rate property to refinance with a conventional lender. This type of prepayment may force us to redeem our tax exempt bonds, thus eroding the financial capacity of the Agency. Contract Rents were not reduced although there were only minor debt service savings.

18. Northgate Apartments - HUD has initially responded positively to our proposal regarding the expansion of the Community Building and the debt restructuring for Northgate/Greenfield. There are a few issues rela[illegible] to handicap accessibility in the new kitchen that have yet to be resolved. Final legal approval of the debt restructuring by HUD is expected soon. One additional benefit to this protracted process of negotiation has been a much better understanding of the long term debt structure. Also, the 1998 operating budget has been accepted, including a 3% rent increase and has been sent to HUD for their approval.

19. Parsons Hill - Now that the Agency of Natural Resources (ANR) has disconnected and replaced the original water tank, the water to these 12 family units has been found to contain no contaminants. The Department of Health and the Department of Environmental Conservation have implemented a sampling protocol to ensure safe drinking water. VHFA, VHSA and ANR staff met with residents in Castleton on November 7. Physical inspections of the 6 duplexes were then carried out by VHFA and VSHA on November 17 and December 3 to identify any deferred maintenance and other possible concerns. No significant findings resulted from the unit inspections, other than identifying substantial tenant damages in a number of units. Rents have been withheld as these matters have been addressed. It is our expectation that residents will resume rent payments now that the crisis is over. Considerable tenant turnover is anticipated in the next month or two and the law suits are still pending against the Partnership.

20. Pine Manor - The necessary sewage and drainage work has been completed utilizing a $30,000 loan made from 0% refunding proceeds. This work has remedied health issues that were impacting upon the habitability of these 12 units of low income elderly housing such that HAP checks were at risk of being suspended. A general partner has brought greater involvement to the day-to-day operations and improvement in management is evident.

21. Randolph Circle - The owners , Randolph Circle Limited Partnership, prepaid their VHFA mortgage on May 19th. As a part of this refinancing the partnership was restructured using refinancing proceeds and project funds available to the owners. Rents were not reduced as a result of these equity take-outs. The HAP Contract continues to be honored.

22. Templeton - Due to continued vacancy problems, the income at Templeton this quarter is down by $15,000 producing a year-to-date loss of $29,000. The discrepancy in expenses is due to the taxes being paid in the third quarter when they were budgeted to be paid in the fourth quarter. A broken sewer pipe is finally being replaced which will hopefully lower the costs of dealing with this long term chronic problem. We are still awaiting the CNA report for this property.

23. West Burke Housing - Doug Henderson, the managing general partner, has begun the installation of vinyl siding/weatherization of the family duplexes with our approval. This project will be completed in stages in an effort to avoid incurring additional debt. By installing the siding and insulation board in phases, project operating funds will be sufficient to complete this project.

24. Westview Terrace - After receiving our tax credit inspection report expressing the concerns discussed in the last Director's Report, there has been a meeting with VHFA, the contractor, the general partner and local sponsor/manager to try and resolve some of these difficult issues. Joe Cloutier has promised to provide a personal guarantee on the parking lot construction for five years. Concerns regarding window failures and boiler room exhaust fumes are still unresolved.

25. **Wells House** - This 12 unit elderly housing project is $9,055 below income projections year-to-date because there were four vacancies/unit turnovers due to the death of four long time residents.

26. **Winchester Place** - We have successfully concluded an Amendment to the Winchester Place Forbearance Agreement with Winchester Associates/Housing Vermont and the Merchants Bank. The original Forbearance Agreement had a term of two years. The new Amendment expires no later than March 31, 2005. One key component is the willingness of VHFA and the Merchants Bank to share in the operating deficits equally, subject to a limit of $125,000 annually on the part of the Merchants Bank. The Agreement also contemplates a bond refunding in 1999 which may offer lower debt service expense. The litigation concerning liability for the extensive repairs that were needed at this property is slowly making its way through the legal process. The court ordered mediation scheduled for December 5 has been deferred. The trial will probably be held in March if needed. The operating budget for 1998 has been submitted and approved with a modest rent increase although operating deficits are still expected to be in the $250,000 range.

vhfa
VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: **VHFA BOARD OF COMMISSIONERS**

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

DATE: **DECEMBER 12, 1997**

RE: **GENERAL FUND BUDGET PERFORMANCE**

On the reverse side of this memo is the budget performance report for the period ending September 30, 1997 representing the first quarter of the fiscal year. All things being equal, budget categories should be at 25% of the annual budget.

INCOME. We are in good shape in most income categories. Single family mortgage origination is slower than projected.

FUND TRANSFERS. The transfers of funds from the Programs to the General Fund have been collected as expected. The difference from the budgeted amounts is based on timing of when we pay debt service to bondholders at which time we make the transfers to the General Fund. We are waiting for approval from the Rating Agencies of the $2.5 million transfer from the Single Family Housing Bond program.

EXPENSES. Total expenses are 25.4 % of budget within the expense constraints for the fiscal year. Legal expenses have been higher than expected and the first quarter subsidy for the Guarantee Board was 75% of the annual allocation.

CAPITAL BUDGET. The approved capital budget for the fiscal year is $278,485. Through September 30, 1997 we had expended $84,585 or 30.4% of the capital budget.

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

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EQUAL HOUSING OPPORTUNITY

BUDGET PERFORMANCE REPORT
VERMONT HOUSING FINANCE AGENCY
SEPTEMBER 30, 1997

		APPROVED BUDGET		ACTUAL 9/30/97	PERCENT OF BUDGET
INCOME					
Single family fees	$	137,000	$	16,940	12.4%
Multi-family fees		177,000		43,711	24.7%
Project Administration fees		89,200		36,858	41.3%
Single family servicing fees		53,000		4,922	9.3%
Interest income-loans		712,000		230,575	32.4%
Interest income-invest		100,000		41,917	41.9%
VHMGB charges		380,000		70,885	18.7%
Miscellaneous income		60,000		11,917	19.9%
TOTAL INCOME		**1,708,200**		**457,725**	**26.8%**
FUND TRANSFERS					
Single Family Housing Bonds		2,500,000		-	0.0%
Single Family Insured Mtg Bonds		200,000		-	0.0%
Single Family Mortgage Purchase		1,000,000		-	0.0%
Single Family Home Mortgage Purchase		220,000		-	48.9%
Multi-Family Mortgage Bonds		450,000		220,000	25.3%
Multi-Family Housing Bonds		160,000		40,432	0.0%
Multi-Family Housing Develop Bonds		10,000		-	24.3%
Direct Placement Bonds		35,000		8,500	5.9%
TOTAL TRANSFERS		**4,575,000**		**268,932**	**5.9%**
TOTAL INCOME & TRANSFERS		**6,283,200**		**726,657**	**11.6%**
EXPENSES					
Advertising & Promotion		132,000		50	0.0%
Annual report		6,500		60	0.9%
Audit expense		43,250		-	0.0%
Commissioners expense		5,000		128	2.6%
Consulting fees		144,950		4,105	2.8%
Depreciation		172,000		34,644	20.1%
Dues & Subscriptions		37,460		9,306	24.8%
Insurance		203,600		44,762	22.0%
Interest expense		527,500		203,737	38.6%
Legal expense		20,000		13,573	67.9%
Miscellaneous		5,000		1,262	25.2%
Occupancy expense		82,000		13,415	16.4%
Office expenses		37,500		5,966	15.9%
Organization subsidy expense		164,000		111,090	67.7%
Payroll taxes		120,383		30,811	25.6%
Pension expense		135,000		32,890	24.4%
Postage		26,500		1,098	4.1%
Repairs & Maintenance		28,000		8,800	31.4%
Salaries & Wages		1,602,442		389,358	24.3%
Staff travel & Training		75,200		17,513	23.3%
Telephone		45,000		8,666	19.3%
Trustee & Credit fees		235,000		45,251	19.3%
TOTAL EXPENSES		**3,848,285**		**976,485**	**25.4%**
SURPLUS (DEFICIT)	**$**	**2,434,915**	**$**	**(249,828)**	**-10.3%**

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commisioners

FROM: Glenn A. Jarrett, General Counsel GAJ

DATE: December 5, 1997

RE: Private Activity Bond Volume Cap

BACKGROUND:

Each year the Agency is allocated part of the State's $150 million annual volume cap for private activity bonds. So far this year the Agency has been allocated $15 million in volume cap, which the Agency allocated to exempt facility bonds (multi-family developments). We do not expect to receive additional volume cap when the Governor allocates the $40 million contingency near the end of the year, but expect to receive $50 million in 1998 volume cap next month. We carried forward $76.775 million of volume cap from 1996, but have utilized all but $11.775 million on the Series 9 bonds.

The Board must take action before the end of the year to carry forward the private activity volume cap the Agency expects to have allocated by the State. In addition, the Board must allocate the volume cap between single family (qualified mortgage bonds and mortgage credit certificates) and multi-family (exempt facility bonds) purposes. Staff recommends that any additional 1997 volume cap received before the end of the year be allocated to single family purposes.

I would be happy to answer any questions that you may have.

REQUESTED ACTION:

Approval of the attached resolution.

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

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

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

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

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

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

NOW, THEREFORE, it is hereby RESOLVED:

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

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

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

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cathleen Gent, Director of Communications CG
Alex Bertoni, Research Analyst AB

DATE: December 5, 1997

RE: Evaluation of Down Payment Assistance Loans

In an effort to make homeownership opportunities available to eligible borrowers who lack the necessary cash for down payment and closing costs, VHFA has offered two major down payment assistance programs in collaboration with VHMGB. The first was the Down Payment Assistance Program (January 1987 through May 1992); the second program is IORTA (VHMGB approved loans made between June 1992 to December 1995). Prior to the introduction of this pilot program in June 1992, VHFA and VHMGB entered into a Risk Share Agreement which required that an annual program review and evaluation be performed. Annual reviews of the program have been performed since the introduction of the IORTA (Interest on Real Estate Trust Account) program, as per the original agreement. The results of the September 1997 evaluation are described below and the associated tables are attached to the memo.

I. Executive Summary

The September 1997 comparison of performances between loans receiving down payment assistance and a comparable group of 95% LTV loans shows the following:

- For loans originated between June 1992 and September 1997:
  - Borrower characteristics for the IORTA down payment assistance loans and 95% LTV comparison group are generally comparable, thus the two groups are similar other than in the amounts of down payment.
  - In keeping with the results of previous evaluations, the past due status rate for the loans made through the IORTA Program (7.4%) was not significantly different than that of the 95% LTV comparison group (5.5%). However, the percentage of loans ever in foreclosure was significantly higher in the IORTA group (4.6%) compared with 2.9% for the 95% LTV group. In a few instances, loans that have a status of "approved for foreclosure" can be brought to "current" status if all owed payments are made.
  - The total delinquency rates for the IORTA loans and the 95% LTV comparison group were slightly below VHFA's delinquency rate for the total loan portfolio as of September 30, 1997.

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- More than two-thirds of the IORTA loans were made to borrowers earning at or below 90% of the state median income. Therefore, a program goal was met that at least 50% of the loans would be made to households at or below 90% of the state median income.

- For loans originated between January 1987 and May 1992, the original Down Payment Assistance loans continue to show no significant difference in past due and foreclosure status rates when compared with the 95% LTV comparison group loans.

II. Description of Analysis

The original Down Payment Assistance and IORTA loans were compared to 95% LTV loans from the same time periods with respect to past due status. In addition, the evaluation includes an analysis of the characteristics of the loans and borrowers with respect to the purchase price, geographic distribution of loans, annual income, housing debt, total debt, number of wage earners, and household size. This was done to ensure that the down payment assistance and the 95% LTV comparison groups are similar in all respects other than amounts of down payments.

III. Evaluation Results

A. Borrower Characteristics

Statistically, there were small but significant differences between the IORTA and the 95% LTV loans with respect to the average purchase price, number of dependents, and number of wage earners. The IORTA group had a lower average purchase price, housing ratios, and a greater number of dependents and wage earners (Table 1). Also, the geographic distribution of the borrowers was somewhat different; in Caledonia, Lamoille, and Orleans Counties there were more IORTA than 95% LTV loans, while in Rutland and Washington Counties there were more 95% LTV than IORTA loans. With these small differences between the two groups, the integrity of the current analysis is not affected.

B. Past Due Status

The percent of past due loans for both of the down payment assistance programs has decreased since the previous study in March 1997. The percent of past due loans in both 95% LTV comparison groups has also decreased. The relative sizes of the portfolios for three sets of loans are remaining constant. The original Down Payment Assistance and 95% LTV Comparison loan groups and the IORTA loans are not increasing in number, however, the new 95% LTV comparison group is getting larger. Tables 2 through 5 illustrate these trends.

In this study, the "past due" status rates for all groups have decreased since March 1997. As seen in Table 2, the September 1997 analysis shows comparable "past due" status rates for the IORTA and 95% LTV groups, using standard statistical measures. The number of past due loans was 30 for the IORTA loans and 23 for the weighted 95% LTV comparison group. Both groups have experienced decreases in the numbers of past due active loans since March 1997. While there is no significant difference in "past due" status, the percentage of all loans ever in the foreclosure process is significantly higher in the IORTA group (Table 3.)

An evaluation of the original Down Payment Assistance loan program as of September 1997 shows no significant difference in "past due" rates between the original Down Payment Assistance and the 95% LTV Comparison Group loans, using standard statistical measurements (Table 4). Table 5 shows the comparison of past due and foreclosure status loans for the original program comparison. There is no significant difference between the original Down Payment Assistance and 95% LTV groups with respect to past due status and percentage of loans in foreclosure.

As of September 30, 1997, the 30/60/90+ days delinquency rate for loans in this study was lower than VHFA's delinquency rate of 8.2% for the total loan portfolio of 6,425 loans.

- The current IORTA loans had slightly lower total "past due" rates for active loans when compared to the total loan portfolio (7.4% compared with 8.2%). This represents a change from the March 1997 study where the current IORTA loans had slightly higher "past due" rates. The current 95% LTV loan group's "past due" rate was also lower than the Agency's portfolio level rate of 5.5%.
- The "past due" rate for the original Down Payment Assistance loans was slightly lower than the Agency's portfolio level, at 8.0%, while the corresponding 95% LTV loans made in the same time period had slightly higher "past due" rates than VHFA's total portfolio, at 8.4%.

C. At or Below 90% of Median Income

One of the goals set forth in the Risk Sharing Agreement was that at least 50% of the down payment assistance loans would be made to borrowers earning incomes at or below 90% of the state median income. As seen in Table 6, 62.7% of the IORTA loans were below the target set in the agreement. The program was successful in meeting this goal; the 95% LTV loan comparison group had (72.4 %) of loans with household incomes at or below 90% of the state median income. The past due status is similar for borrowers earning above 90% and those earning at or below 90% of median income.

Recommended Board Action:
No Board Action is required.

Table 1. Borrower Characteristics

COMPARISON OF IORTA LOANS AND 95% LTV LOANS PURCHASED 6/1/92 THROUGH 9/30/97		
Characteristics	IORTA Loans	95% LTV Loans
Number of Loans	458	1572
Average Annual Income	$29,458	$29,117
Average Purchase Price	$64,360	$69,998 *
Average Loan Amount	$64,533	$66,597
Average Number of Dependents	1.90	1.39*
Average Number of Wage Earners	1.59	1.49*
Average Borrower Age	30.9	31.6
Average Housing Debt	25.0%	26.2%*
Average Total Debt	34.2%	34.9%

* Statistically significantly different at p = 0.05

Table 2. Delinquencies on Active IORTA and 95% LTV Loans, 3/31/93 through 9/30/97 (weighted comparison)

Past Due Report Date	# of Active IORTA Loans	IORTA LOANS				95% LTV Loans (Weighted to Result in Equal Sample Size)			
		30	60	90+	Total	30	60	90+	Total
9/30/97	403	22	2	6	**30**	12	5	6	**23**
3/31/97	409	22	8	11	**41**	20	7	3	**30**
9/30/96	453	17	10	5	**32**	24	4	4	**32**
6/30/96	436	18	10	8	**36**	26	4	3	**33**
1/31/96	383	18	10	7	**35**	17	1	9	**27**
4/30/95	300	12	2	9	**23**	11	2	5	**18**
12/31/94	300	10	3	11	**24**	13	3	6	**22**
3/31/94	192	4	0	0	**4**	5	1	0	**6**
12/31/93	186	1	1	0	**2**	2	0	0	**2**
5/31/93	100	0	0	1	**1**	1	0	0	**1**
3/31/93	83	1	0	1	**2**	1	0	0	**1**

** Weighting Factor = .28

Table 3. Past Due Status and Foreclosure Status for IORTA and Current 95% LTV Loans (actual unweighted numbers)

	Current IORTA	Current 95% LTV
Total # Loans Made	458	1572
# Loans Still Active	403	1430
# Active Loans in Past Due Status	30	79
% Active Loans in Past Due status	7.4	5.5
# of Loans Ever in Foreclosure*	21	45
% in Foreclosure	4.6	2.9

*Some loans may come out of "foreclosure approval" status to "current" if they pay all arrears.

Table 4. Original Program Comparison (Loans Purchased from 1/1/87 through 5/31/92)

Past Due Report Date	DOWN PAYMENT LOANS *				95% LTV Loans **			
	30	60	90+	Total	30	60	90+	Total
9/30/97	6	2	0	8	6	2	1	9
3/31/97	8	2	2	12	6	1	1	8
9/30/96	3	2	2	7	9	2	1	12
6/30/96	5	6	3	14	9	3	1	13
1/31/96	8	1	.3	12	9	2	4	15
4/30/95	9	4	0	13	6	2	4	12
12/31/94	13	2	0	15	11	2	4	17
3/31/94	10	3	6	19	8	2	6	16
12/31/93	10	2	5	17	11	3	4	18
5/31/93	8	0	5	13	13	2	3	18
3/31/93	10	0	8	18	8	3	4	15

* 100 active loans ** Weighting Factor = .27

Table 5. "Past Due" Status and Foreclosure Status for Original Program Comparison as of 9/30/97

	Original Down Payment Assistance	Original 95% LTV
Total # Loans Made	191	719
# of Loans Still Active	100	379
# Active Loans in Past Due Status	8	32
% Active Loans in Past Due status	8.0	8.4
# of Loans Ever in Foreclosure*	15	40
% in Foreclosure	7.9	5.6

*Some loans may come out of "foreclosure approval" status to "current" if they pay all arrears.

Table 6. Distribution of borrower income in relation to Vermont median income: a comparison of active IORTA & 95% LTV loans (9/30/97)

IORTA LOANS AND 95% LTV LOANS AT OR BELOW 90% OF MEDIAN INCOME						
INCOME	IORTA Loans			95% LTV Loans		
	#	%	% Past Due	#	%	% Past Due
Above 90% of VT Med. Income	130	32.3	6.9	395	27.6	7.1
At or Below 90% of VT Med. Income	253	67.7	7.7	1035	72.4	4.9
Total # Active Loans	403	100	7.4	1430	100	5.5

VERMONT HOUSING FINANCE AGENCY
BALANCE SHEET
SEPTEMBER 30, 1997

		SINGLE FAMILY				MULTI-FAMILY				
	GENERAL FUND	INSURED MORTGAGE PROGRAM	MORTGAGE PURCHASE PROGRAM	HOME MTG PURCHASE PROGRAM	HOUSING PROGRAM	MORTGAGE PROGRAM	HOUSING PROGRAM	DIRECT PLACEMENT PROGRAM	HOUSING DEVELOPMENT PROGRAM	COMBINED TOTAL
ASSETS										
Cash and cash equivalents	2,887,502	2,833,628	6,548	47,951,109	109,131,019	3,606,878	6,682,127	253,989	358,754	173,711,554
Investments	1,449,658	5,330,749	30,899	16,437,467	46,225,000	4,757,833	2,303,465	0	883,473	77,418,544
Mortgage and const loans receivable	10,636,457	3,997,221	106,353	104,604,719	245,223,439	33,092,114	24,781,138	15,104,971	7,059,511	444,605,923
Accrued int rec - mtg and notes	512,548	23,707	1,900	907,707	1,751,957	169,139	165,616	191,353	35,383	3,759,310
Accrued int rec - investments	23,956	35,091	1,805	1,505,852	3,513,011	39,448	52,255	1,412	5,537	5,178,367
Deferred costs of bond issuance	0	27,416	0	495,025	1,799,537	221,370	399,713	5,492	48,838	2,997,391
Land	775,000	0	0	0	0	0	0	0	0	775,000
Building	1,000,834	0	0	0	0	0	0	0	0	1,000,834
Office furniture and fixtures	1,258,313	0	0	0	0	0	0	0	0	1,258,313
Accumulated depreciation	(1,005,306)	0	0	0	0	0	0	0	0	(1,005,306)
Other receivables and prepaid expenses	408,144	3,181	4,963	162,347	200,564	21,093	0	0	0	800,292
Interfund receivables (payables)	(905,034)	4,717	1,003,912	(401,885)	396,577	(44,155)	(253,586)	(254,849)	454,303	0
Other assets and REO	0	0	9,200	2,205,405	2,196,535	0	0	0	0	4,411,140
TOTAL ASSETS	17,042,072	12,255,710	1,165,580	173,867,746	410,437,639	41,863,720	34,130,728	15,302,368	8,845,799	714,911,362
LIABILITIES AND FUND BALANCES										
Deferred loan origination fees	427,305	0	0	0	0	0	0	0	0	427,305
Accounts payable	381,435	1,553	51	36,393	490,366	0	182,065	0	0	1,091,863
Escrowed cash deposits	3,510,525	0	0	0	0	0	693,278	0	77,867	4,281,670
Notes payable	5,821,159	0	0	0	0	0	0	0	0	5,821,159
Accrued interest payable	62,522	232,117	0	4,094,583	9,941,710	366,705	218,891	72,822	182,193	15,171,543
Bonds payable	625,610	7,540,000	0	157,730,000	391,645,000	37,595,000	29,125,000	15,067,417	8,060,000	647,388,027
Unamortized discount on bonds	0	(98,985)	0	(1,977,020)	(2,826,567)	(598,747)	(1,060,385)	(19,410)	(143,681)	(6,724,795)
TOTAL LIABILITIES	10,828,556	7,674,685	51	159,883,956	399,250,509	37,362,958	29,158,849	15,120,829	8,176,379	667,456,772
Fund balance	6,213,516	4,581,025	1,165,529	13,983,790	11,187,130	4,500,762	4,971,879	181,539	669,420	47,454,590
TOTAL LIABILITIES & FUND BAL	17,042,072	12,255,710	1,165,580	173,867,746	410,437,639	41,863,720	34,130,728	15,302,368	8,845,799	714,911,362