VERMONT HOUSING FINANCE AGENCY

January 13, 1988

Ms. Jean Gauthier
Pavilion Office Building
Montpelier, VT 05602

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its monthly Board Meeting on Thursday, January 21, 1988, at 1:30 p.m., at the Office of the Commissioner of Banking and Insurance, 89 Main Street, Montpelier, Vermont.

If you have any questions or require any additional information, please do not hesitate to contact me.

Sincerely,

Barbara M. Parker
Office Manager

/bp

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: January 15, 1987

TO: Vermont Housing Finance Agency Board of Commissioners

FROM: Allan S. Hunt

RE: CONFIRMATION AND AGENDA FOR UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners' meeting has been confirmed. It will be held on Thursday, January 21, 1988, at 1:30 p.m., at the Office of the Commissioner of Banking and Insurance, 89 Main Street, Montpelier, Vermont.

If you need any further information regarding the upcoming Board meeting, please feel free to contact me. I look forward to seeing you January 21.

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VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

Office of the Commissioner
of Banking and Insurance
89 Main Street, Montpelier, Vermont

Thursday, January 21, 1988 at 1:30 p.m.

1. Review and approval of minutes of December 17, 1987
2. Director's Report
3. Development
   A. Low Income Housing Tax Credit Update [**Pond//Enclosure**]
   B. Secondary Mortgage Market [**Hunt//Enclosure**]
   C. Housing Vermont Update [**Hunt**]
4. Operations
   A. Single Family Program Update [**Lothrop//Enclosure**]
   B. Manufactured Housing Energy Standards Analysis [**Faesy//Enclosure**]
5. Finance
   A. Operating Budget Performance Report as of 12/31/87 [**Schoenbeck//Enclosure**]
   B. Update and Revisions to Operating Budget [**Schoenbeck//Enclosure**]
6. Legal
   A. Legislative Update [**Jarrett//Enclosure**]
   B. Bobbin Mill Update [**Jarrett**]
7. Reorganization Update [**Hunt//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
One Burlington Square
Burlington, Vermont
Thursday, December 17, 1987

Present: Commissioners Hebard, Hahn, Seelig, Babcock; Agency Staff Mr. Hunt, Mr. Schoenbeck, Mr. Jarrett, Mrs. Parker, Mr. Lothrop, Ms. Wilson, Mr. Whitehurst, Ms. Pond, Ms. Torpy; Frank Kochman of F.L. Kochman; guest: John Ingalls of Bank of Boston

As a quorum was still not present at 2:40, but with the knowledge that Mr. Hahn was planning to attend the meeting and would be arriving shortly, Mr. Hunt suggested that the Board begin reviewing agenda items not requiring Board action.

Mr. Lothrop presented an update on the various Single Family Programs, as detailed in his report dated December 10, 1987, distributed in the packet to the Board prior to this meeting.

Ms. Wilson then reviewed the status of Loan Servicing, as detailed in her memo to the Board dated December 10, 1987.

The meeting was called to order at 2:50 p.m. by Commissioner Hebard, after the arrival of Mr. Hahn.

Upon a motion duly made and seconded, the minutes of the November 19 meeting were unanimously approved as written.

The Board then began a discussion of the Carry Forward of M.R.B. Authority, as detailed in Mr. Lothrop's memo of December 10, 1987. Mr. Hunt explained to the Board that he was asking for the Board's approval to carry forward $90 million plus any amount that the Emergency Board allocates to the Agency prior to the end of 1987. After a motion was duly made and seconded, Mr. Seelig questioned why staff planned to allocate $30 million to multi-family, and Mr. Schoenbeck explained that as there was still a carry forward from 1986, this allocation seemed to be appropriate. The motion was then unanimously approved.

The next agenda item was an Analysis and Recommendation(s) on Extending the 1987(A) Programs. Referring to his memo dated December 10, 1987, and previously distributed to the Board, Mr. Schoenbeck explained that a new origination schedule is critical to the analysis. A loss in reservations was anticipated, but it

is expected that the program could cost more than was originally thought. The mortgage rate is set at 9.7%, based on cash flow. As a further explanation, Mr. Schoenbeck pointed out that when the funds are not out in mortgages, they are out in an investment contract, and the Agency loses 2% by investing and not having the funds in mortgages. Mr. Schoenbeck then referred the Board to the three viable options described in his memo, and noted again that the best investment for this program is mortgages.

Mr. Hunt explained to the Board that according to the original schedule, the lenders were to originate all loans by December 31, 1987. Board action is needed to inform lenders of the extension, and avoid having the lenders opt to not originate loans, since the program currently is scheduled to end 01/01/88. Mr. Lothrop added that the original schedule in the memo is based on the results of the first months of the program. Mr. Schoenbeck cautioned the Board that if a decision was made not to continue the program, the bonds would have to be called. Ms. Babcock asked if the front end costs were too high to allow the Agency to pull out and go back in again, and Mr. Hunt assured her that this was the case. A decision on this issue was tabled, pending the Marketing Update Report.

Ms. Hope began her marketing update presentation by emphasizing that if the Agency terminated the program, this would create a need to reestablish the faith borrowers currently have in the Agency. A discussion of the marketing report (as described in Ms. Hope's memo to the Board, dated December 11, 1987) followed. Mr. Hahn advised that the upcoming marketing survey should be sure to involve not only assembling source data, but also qualifying the data; i.e, how many callers actually receive financing through the Agency. Ms. Hope assured the Board that an in-depth analysis is anticipated; the survey will be distributed to the nearly 4,000 individuals who called the Agency hotline. Mr. Hunt suggested an additional survey of the 200 individuals who have received a mortgage financed through the agency, to ask where they first heard of the program. Mr. Hahn inquired about the fall off in advertising response in November, and Ms. Hope explained that this was because the Agency did not advertise during that month. Mr. Hebard recommended that the Agency consider joining the "Association of Editors," a centralized location for placing advertisements to appear in a selection of publications throughout Vermont.

The Board then returned to the discussion of extending the 1987(A) Program. Mr. Hunt made a recommendation to the Board that the Agency continue the program, continue advertising it, and notify lenders that the program would continue until September 30, 1988, or until all mortgages committed under this program have been purchased. Mr. Hahn noted that the analysis

had been particularly useful, and requested another in six months, as well as the standard monthly updates, but Ms. Babcock requested the analysis be performed quarterly, rather than in six months. After a motion duly made and seconded, the Board unanimously agreed to extend the 1987(A) program, as per the Staff recommendation.

Mr. Jarrett then advised the Board on the latest proceedings in the Bobbin Mill case. The Board will be kept updated on the status of this issue.

The Board then moved on to the next Agenda item, a proposed Resolution Concerning Permanent Loan Closing on South Meadow, as expressed in Mr. Richardson's memo to the Board dated December 10, 1987. Ms. Babcock first advised the Board that due to what she perceived as a potential conflict of interest, she would remove herself from any discussion or vote. Mr. Hebard stated that he felt there was not enough of a conflict, and that he saw no reason for her to abstain, but Ms. Babcock stated that she would do so anyway. After consulting with Mr. Jarrett and determining that a quorum still remained, the discussion followed. Mr. Jarrett then left the meeting.

Mr. Richardson presented a brief overview regarding the South Meadow project, and distributed copies of the proposed Resolution to the Board for their review. The total amount of the proposed adjustment is $18,748 on a $9,000,000 project. Mr. Kochman explained that this figure reflects a developers fee, and Mr. Richardson explained that in the trade a developers fee is a profit to the principals; in this project, it covers the administration fees. Mr. Hahn stated that at the formation of this project, he had suggested ways for the application to be submitted, and he was concerned that this might also represent a conflict of interest. Mr. Kochman asked if Mr. Hahn had received a fee, or made a profit by his suggestions; at Mr. Hahn's negative assurance, Mr. Kochman expressed his legal opinion that there was then no conflict of interest.

Mr. Hahn asked if the Agency had received an analysis of the costs, and was assured by Mr. Richardson that such an analysis had been received. Mr. Hunt explained to the Board that the issue is redistribution of funds left over from the management of a project, <u>not</u> a loan increase.

Mr. Hebard then inquired as to the extent of liability of the proposed Bike path to the project, and Mr. Kochman assured the Board that although there is a potential for exposure, the cost of maintenance would be imposed on the City of Burlington. After a motion duly made and seconded, the motion to pass the proposed Resolution was passed, with Ms. Babcock abstaining.

The next Agenda item was the Vermont State Housing Authority's Loan Request for ENABLE, as detailed in Mr. Hunt's memo of December 10, 1987. After a brief discussion, and a motion duly made and seconded, the Board unanimously agreed to approve a loan to VSHA of $50,000 based on receipt of a $25,000 grant from the Independence Fund.

Mr. Schoenbeck then reviewed his proposed job description for an Investment Officer, as described in his memo of December 9, 1987. Mr. Hahn asked if there was enough need for this position, given the limited investment opportunity, and Mr. Schoenbeck assured him that such an individual's concentrated efforts may help get Vermont banks to collateralize loans for the Agency. After a motion duly made and seconded, the Board voted unanimously to advertise for and hire an Investment Officer.

Mr. Seelig requested a salary schedule for Agency positions, and this was provided for Board members interested.

The Board then moved on to other business. Mr. Hunt advised the Board that he and Mr. Seelig had met with a developer in White River Junction regarding a proposed project in West Brattleboro. A blueprint of the proposed Brattleboro project was displayed to the Board. As currently planned, the project could result in 48 affordable housing units, but the site could be re-approved to 80 units. Mr. Hunt indicated the costs of seeking new permits would be approximately $10,000, and the developers were willing to go through the process if they could borrow the necessary funds. In exchange for the loan, the developers would agree to keep the units affordable through some kind of resale restriction, details to be worked out. After a motion duly made and seconded, the Board unanimously authorized Mr. Hunt to negotiate a loan of up to $10,000, as recommended.

Mr. Hunt then informed the Board that he had met with Don Taranelli and Bernie Gilhooley, owners of HUD and FHA financed low to moderate income housing projects in Vermont which are approaching the 20th anniversaries of their loans. Mr. Taranelli is aware of affordable housing issues, and he and his partner are interested in negotiating the sale of all 800 units to VHFA, Housing Vermont, or any <u>one</u> entity, to remain as affordable housing. Mr. Hunt stressed that this would, in effect, save 800 units of affordable housing, and is the positive first step in a lengthy series of negotiations. The Board agreed that Mr. Hunt

should continue discussions with Mr. Taranelli, and commended him on having begun such discussions.

Mr. Hunt then briefed the Board on the status of Housing Vermont, the nonprofit being formed. A meeting with the Governor is scheduled on December 18, with other meetings resulting in positive feedback on what the Agency is trying to accomplish. A high profile, but available, Board of Directors is being sought for Housing Vermont.

The proposed dates and locations for Board meetings during 1988 were reviewed, and generally agreed to.

The meeting was adjourned at 4:45.

Respectfully submitted,

Allan S. Hunt
Secretary

RESOLUTION PERTAINING TO MODIFICATION
OF CONDITIONS OF PERMANENT MORTGAGE LOAN
TO SOUTH MEADOW HOUSING ASSOCIATES

WHEREAS, the Development undertaken by South Meadow Housing Associates pursuant to the Agency's Commitment Letter of October 28, 1986 is substantially completed; and,

WHEREAS, certain events have occurred which bar strict compliance with the condtions of the Agency's agreement to make the Permanent Loan; and,

WHEREAS, the construction of the Development has been accomplished ahead of schedule and well within the contemplated budget; it is hereby

RESOLVED: The Executive Director, in his discretion, is authorized to modify the conditions of the Permanent Loan in the following particulars, subject to the advice of bond counsel that (1) no violation of the pertinent general bond resolution or series resolution will thereby occur, and (2) the modification selected will not adversely affect the Federal income tax status of the interest on the pertinent Bonds of the Agency:

1. Notwithstanding any formula set forth in the Commitment Letter which would result in a different maximum amount of the Permanent Loan, the amount of the Permanent Loan may be such amount not exceeding $4,738,300 as is determined by the Executive Director.

2. The Executive Director may consent to the granting of an easement by the Developer to the City of Burlington for a bike path.

3. The Executive Director, pursuant to the advice of counsel, shall require and may consent to modification of the Development description to the extent necessary to assure that the Developer has such legal interest in all land pertaining to the Development as is sufficient to satisfy the requirements of the general resolution.

4. The Developer's fee provided for in the original construction budget may be increased by an amount not exceeding $18,748.

I 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 VHFA held December 17, 1987.

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

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: January 15, 1988

TO: VHFA Board of Commissioners

FROM: Margaret A. Pond, Director of Development

RE: REPORT OF ALLOCATION OF LOW INCOME HOUSING TAX CREDITS FOR 1987

Attached is a report of the final allocation of the 1987 credits.

Nationally, the Low Income Housing Tax Credit has been frustrating to administer due to several factors, including:

1. The IRS came out with incomplete regulations in mid- and late 1987, causing administrators of the program and developers alike to question how the program was to be effected.

2. Where low median incomes and high housing costs exist together in one area (as here in Vermont), it is practically impossible to make the development numbers work without low interest loans, grants, or some sort of gap financing. VHFA has not been able to offer any of these.

3. The credits do not benefit individuals who earn more than $250,000--and that income consideration remains for the full ten years of the credit. This limits the marketability of the credit.

Despite these serious limitations for use of the credit in Vermont, we have allocated over $100,000 ($1,000,000 plus over the ten-year period) of the approximately $650,000 allowed for 1987.

The projection for the 1988 credit use is better than 1987, especially with the potential to use it with Housing Vermont projects and at-risk developments. We will be marketing it to the general public as well, although most of the same limitations exist for the private investor.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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LIHTC TRACKING

1987

ON OF CT	AMOUNT APPLIED FOR	TOTAL # OF UNITS	TOTAL # LI UNITS	CREDIT TYPE	AMOUNT RESERVED	AMOUNT ALLOCATED	DATE ALLOCATED
	$ 1,188	4	4	9% Rehab		$ 1,188	12/21/87
	$ 2,490	20	20	4% Acquis		$ 2,490	12/21/87
	$ 2,262	12	12	4% Acquis		$ 2,262	12/21/87
	$ 235	1	1	9% Rehab		$ 235	12/21/87
	$ 4,525	4	4	4% Acquis		$ 4,525	12/21/87
	$ 762	6	6	4% Acquis		$ 762	12/29/87
	$14,391	6	6	9% Rehab		$14,391	12/29/87
	$69,181	148	30	4% NewCon		$69,181	12/29/87
	$ 7,875	20	20	9% Rehab		$ 7,875	12/29/87
				TOTALS		$102,909	

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: January 15, 1988

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt

RE: VERMONT SECONDARY MORTGAGE MARKET

The enclosed letter from Seth Bongartz requests that this Agency explore the possibility of creating a secondary market for non-conforming loans originated by Vermont lenders. This letter was the result of a great deal of testimony taken by the Legislative Special Committee on Housing this summer.

Also enclosed are the results of a survey done by the Vermont Bankers Association to establish the need for such an activity. Needless to say, the results are quite surprising.

The issue for this Board is whether or not this activity should be made a priority for staff. We currently possess the legislative authority to implement such a program.

Enclosures

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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cc. Doug
Rob

STATE OF VERMONT

SENATE CHAMBERS
STATE HOUSE
MONTPELIER, VERMONT 05602

TELEPHONE (802) 828-2231

December 18, 1987

Mr. Allan S. Hunt, Executive Director
Vermont Housing Finance Agency
P.O. Box 408
Burlington, VT 05402

Dear Mr. Hunt:

The Special Committee on Housing has heard testimony this fall that Vermont banks which sell mortgages on the secondary market are unable to do so for those properties that do not meet the strict national secondary market standards. These "non-conforming mortgages" may include houses on dirt roads, steep hills or that use wood as a sole source of heat. Nationally some of these conditions are considered a bad risk. In Vermont we know it isn't necessarily so.

We understand that Vermont Housing Finance Agency has agreed to develop a system to package such loans for sale to investors, that Vermont Home Mortgage Guaranty Board may be able to insure these mortgages, and that Vermont pension funds would consider investing in a portion of these mortgages. Those Vermont banks that sell mortgages to VHFA would then be able to replenish some of their loan funds, and perhaps more banks would be able to make such loans.

We also heard convincing testimony about the difficulties average Vermonters are having in trying to purchase homes. For this reason, this committee strongly supports the efforts of VHFA, VHMGB, Vermont banks and Vermont pension funds to develop this nontraditional secondary mortgage market. We believe that Vermont home loans are an appropriate investment of a portion of the state pension funds and urge the directors of these funds to seriously consider it.

If it is necessary and feasible for VHMGB to guarantee these nontraditional loans and to do so would require an increase in the maximum insurable loan, we urge the Joint Fiscal Committee to approve such an increase.

The members of this committee look forward to your questions and support.

Sincerely,

Seth Bongartz (AUD)

Seth B. Bongartz
Chairman, Special Committee
on Housing

SBB/ad
131.1o

VERMONT BANKERS ASSOCIATION, INC.

cc. Gayle
Jeanne
Gaetano

TIMOTHY Y. HAYWARD
Executive Vice President

29 MAIN STREET, P.O. BOX 587
MONTPELIER, VERMONT 05602
TELEPHONE: 229-0341

January 4, 1988

Mr. Allan S. Hunt
Executive Director
Vermont Housing Finance Agency
P. O. Box 408
Burlington, VT 05402-0408

Dear Allan:

I enclose for your information the results of the survey taken by the Vermont Bankers Association to determine the need for a Vermont non-conforming real estate mortgage secondary market.

It is clear from the survey that the development of a secondary market such as we have discussed would be welcomed by Vermont's banking community and should enhance the ability of our banks to write more of these types of mortgages.

The VBA is prepared to join with you and other appropriate parties to bring about the successful implementation of this secondary market. Please do let me know when and how you would like to proceed.

With best wishes for the new year.

Sincerely,

Timothy Y. Hayward
Executive Vice President

TYH:jhr

Enclosure

cc: Douglas R. Lothrop
Beverley S. Cooke
Lawrence W. Deshaw
Elizabeth Grover-Preston
JoAnn Murray

VERMONT HOUSING FINANCE AGENCY
RECEIVED
JAN 5 1988

NON-COMFORMING REAL ESTATE MORTGAGE SECONDARY MARKET SURVEY RESULTS

PREPARED BY:
Vermont Bankers Association, Inc.
P.O. Box 587
Montpelier, Vermont 05602
(802) 229-0341
January 5, 1987

NON-CONFORMING REAL ESTATE MORTGAGE SECONDARY MARKET
SURVEY RESULTS

The Vermont banking community was surveyed during November/December of 1987 to determine the type and severity of problems involved in selling primary real estate mortgages to the secondary market. It further asked the respondents to indicate their interest in utilizing a proposed Vermont secondary market with more liberal and Vermont specific criteria for those mortgages not now sold to the existing secondary markets. Twenty-seven banks responded and are included in the following analysis.

The most striking finding shows every respondent interested in selling mortgages to a Vermont secondary market. Twenty-three of those twenty-seven were interested even if the proceeds had to be reinvested in primary mortgages. There clearly is a large number of primary residential mortgages which are not now saleable to existing secondary markets. For those banks which sell most of their mortgages, there is a limit to the number of these non-conforming ones which can be held in portfolio. For those banks which do not now sell to the secondary market, at least partially because of the nature of the criteria, many are "loaned up" and find it difficult to meet existing demand. A Vermont secondary market, designed with underwriting criteria which recognizes Vermont's rural character, markets, economy and experience of low defaults would provide an option and opportunity to "roll-over" existing portfolios and bring new resources for mortgage lending.

The survey showed that six banks would perfer to sell variable rate loans and ten banks fixed rate loans from their existing portfolios. Several had no preference. Six banks reported that their loan portfolios met Freddie Mac and Fannie Mae standards while sixteen did not. The volume of existing loans banks said they would consider selling totaled over 69 million for variable rate mortgages and 58 million - 68 million for fixed rate. Obviously, the design and requirements of the market would have a significant effect on these numbers.

One of the major questions posed by the survey was a request to list the major areas where existing loans failed to conform to Freddie Mac and Fannie Mae standards. Appendix A lists all the responses. These varied from the rural nature of the property (too much land, wood central heat, water supply, dirt roads) to the self-employment status of the applicant to properties in need of major repairs. Many of these disqualifying factors have little bearing on the quality of the loan, the marketability of the property or the likelyhood of default. They are merely a fact of Vermont life.

The respondent banks indicated that they might choose to sell to a Vermont secondary market a significant volume from new origination. These estimates totaled 55 million of variable rate and 49 million - 62 million of fixed rate loans. And when the question was asked which types of loans do you now make, or would make, that serve the public need but are not saleable, the perponderence of responses included construction (and sweat equity) loans and loans for homes in need of repair as well as the reasons listed above for sale from existing portfolios. A full listing is contained in Appendix B.

A number of banks reported a significant dollar amount of condominium loans that do not conform to the secondary market criteria. Nine banks estimited this amount to be 49 million - 58 million dollars.

Finally, the respondent banks were asked if their institution were not already conforming to standard Freddie Mac and Fannie Mae mortgage documentation requirements, would they be willing to do so. Seventeen banks responded yes and two no.

In conclusion, this survey demonstrated the difficulties in selling certain Vermont primary mortgage loans to existing secondary markets. National criteria do not recognize the uniqueness of Vermont's marketplace, rural nature and independent employment. This has limited the ability of Vermont banks to "recycle" these types of loans and creates limits to the numbers which can be made. The establishment of a non-conforming secondary market which uses realistic Vermont criteria for Vermont loans should enable the banking community to recycle these loans. And most importantly, this will place the participating banks in a position to better meet the mortgage demands of their customers.

* * * * * * * * * *

NON-CONFORMING REAL ESTATE MORTGAGE SECONDARY MARKET
SURVEY RESULTS

APPENDIX A

- Land value in excess of 30% of the full appraisal value for house and land (17 responses)
- Self employed applicants who have difficulties verifying the required amount of income, etc. (22 responses)
- Problems caused by the rural nature of the property (14 responses)
    - No central heat or wood central heat (4 responses)
    - Water supply, springs, wells (6 responses)
    - Dirt roads (4 responses)
    - Unheated second story (1 response)
    - Electrical Systems (2 responses)
    - No survey (1 response)
    - Foundations (2 responses)
    - Number of acres (1 response)
- Properties in need of major repairs (5 responses)
- Construction loans (3 responses)
- Non-standard or inadequate documents (8 responses)
- Appraisals (2 responses)
- High debt to income ratio (3 responses)
- Mixed use residential and commercial loans (1 response)
- Two dwellings on one land parcel (2 responses)
- Lack of Comparables (2 responses)

APPENDIX B

The following problems are in addition to those listed in Appendix A:

- More than one property used to secure a loan
- New construction or equity based on gift or sweat
- One to four family residences
- Mobile home loans
- Short term ARMs
- Condominium project with no Freddie Mac/Fannie Mae approval

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: January 15, 1988

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

RE: HOUSING VERMONT (Nonprofit)

Two important meetings occurred, one with Governor Kunin, and the other with The Merchants Bank.

At my meeting with Governor Kunin, she indicated her surprise that Housing Vermont had developed so far without her "being kept fully informed." Her primary concern was the method of selecting the Board, a process in which she has no direct appointment authority. I was certainly surprised by this, as I had briefed Liz Bankowski and Al Moulton on our plan and received very positive feedback. It was left that I would consider the issue and respond to the possibility of her making a few appointments to the Board.

We have discussed with The Merchants Bank over the past several months the concept of buying tax credits through the Vermont Equity Fund. Several issues have arisen that need to be addressed. The major one involves the bank's legal authority to purchase the securities, as the rules governing banks investing in real estate are very strict! I have asked Gretchen for her assistance.

The other two issues involve giving the investors an opportunity to review each project before a commitment is issued, as well as providing a way to further assure their return on investment by pledging access to appreciation to the extent needed to make up any deficiency in their annual review. We are evaluating these issues.

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VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

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

RE: Information Updates for the MOVE and New Homes Program

DATE: January 15, 1988

Attached are the most recent reports for the MOVE and New Homes Programs.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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STATISTICAL REPORT PROGRAM ID: 87A
SINGLE FAMILY DATABASE
EFFECTIVE: 01/15/88

Total Number of Loans:	252
Total Loan Amount:	$12,899,852
Average Loan Amount:	$51,189

EXISTING:	$11,703,780	92.0%	232 Loans
NEW CONSTRUCTION:	$1,196,072	7.9%	20 Loans
NEW DETACHED HOUSING:	$1,070,207	89.4%	18 Loans
NEW CONDOMINIUM:	$125,865	10.5%	2 Loans

Total Insured or Guaranteed Loans:	243
Loans Guaranteed by VHMGB:	243

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$53,603	$62,639	$56,543
Avg. Loan Amount	$48,228	$57,330	$51,189
Avg. Borrower Income	$25,241	$27,086	$25,841
Avg. Housing Debt-Income Ratio	25.1%	28.0%	26.0%
Avg. Total Debt	$706.17	$793.29	$734.52
Avg. Total Debt-Income Ratio	33.7%	35.3%	34.2%
Total No. of Loans	170	82	252
First Time Homebuyers	75.2%	100.0%	83.3%
% Loans with 2 or more Wage Earners	52.9%	47.5%	51.1%
% of Total Loan Amount	63.6%	36.4%	100.0%

	Loans	$ Amount	% of $ Amount	Population	% of Pop.
Addison	4	$191,177	1.5%	29,406	5.8%
Bennington	3	$167,750	1.3%	33,345	6.6%
Caledonia	19	$853,785	6.6%	25,808	5.1%
Chittenden	61	$3,584,897	27.8%	115,534	22.6%
Essex	4	$153,107	1.2%	6,313	1.0%
Franklin	34	$1,663,331	12.9%	34,788	6.8%
Grand Isle	3	$199,439	1.5%	4,613	0.9%
Lamoille	10	$491,014	3.8%	16,747	3.3%
Orange	12	$564,118	4.4%	22,739	4.5%
Orleans	19	$706,860	5.5%	23,440	4.6%
Rutland	37	$1,953,853	15.1%	58,347	11.4%
Washington	32	$1,637,753	12.7%	52,393	10.2%
Windham	3	$174,950	1.4%	36,933	7.2%
Windsor	11	$557,818	4.3%	51,030	10.0%
TOTAL	252	$12,899,852	100.0%	511,456	100.0%

* 1980 Adjusted Census Data

Vermont Housing Finance Agency
1987 Series A - $25,000,000 HOME MORTGAGE PURCHASE PROGRAM
Status Report (with percent of pool proceeds approved)
Rate : 9.700%
Date : 01/15/88

Lender	Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased
Bank of Vermont	$716,325	2.8%	$583,075	2.3%	$455,875	$127,200
Bradford National Bank	$60,000	0.2%	$60,000	0.2%	$60,000	$0
Caledonia National Bank of Danville, The	$398,900	1.5%	$214,150	0.8%	$0	$214,150
Chittenden Trust Company	$2,191,701	8.7%	$1,769,861	7.0%	$1,336,836	$433,025
Commonwealth Mortgage Company, Inc	$101,400	0.4%	$101,400	0.4%	$0	$101,400
Community National Bank	$650,982	2.6%	$650,982	2.6%	$565,232	$85,750
First Northern Mortgage Corporation	$114,325	0.4%	$114,325	0.4%	$0	$114,325
First Twin-state Bank	$209,840	0.8%	$209,840	0.8%	$0	$209,840
Granite Savings Bank and Trust Company	$49,400	0.1%	$49,400	0.1%	$49,400	$0
Howard Bank, National Assn, The	$1,519,500	6.0%	$1,221,800	4.8%	$908,450	$313,350
Lyndonville Savings Bank & Trust Company	$187,990	0.7%	$148,090	0.5%	$79,590	$68,500
Marble Bank	$447,425	1.7%	$310,495	1.2%	$105,800	$204,695
Merchants Bank, The	$1,150,360	4.6%	$973,385	3.8%	$234,950	$738,435
National Bank of Middlebury, The	$49,600	0.1%	$49,600	0.1%	$49,600	$0
New England IBM Employees Fed Crdt Union	$389,833	1.5%	$217,808	0.8%	$217,808	$0
Northfield Savings Bank	$401,230	1.6%	$311,230	1.2%	$233,805	$77,425
Passumpsic Savings Bank	$887,866	3.5%	$697,724	2.7%	$614,804	$82,920
Peoples Trust Company of St Albans	$371,470	1.4%	$371,470	1.4%	$312,570	$58,900
Proctor Bank	$365,200	1.4%	$323,200	1.2%	$222,200	$101,000
Randolph National Bank	$42,750	0.1%	$42,750	0.1%	$42,750	$0
Union Bank	$167,450	0.6%	$167,450	0.6%	$134,200	$33,250
Valley Bank	$133,950	0.5%	$0	0.0%	$0	$0
Vermont Federal Bank, FSB	$2,913,298	11.6%	$2,404,556	9.6%	$1,712,365	$692,191
Vermont Mortgage Group, Inc	$1,360,502	5.4%	$1,018,252	4.0%	$570,602	$447,650
Vermont National Bank	$1,375,515	5.5%	$1,020,315	4.0%	$549,630	$470,685
TOTALS 322 Loans	$16,256,812	65.0%	$13,031,158	52.1%	$8,456,467	$4,574,691

STATISTICAL REPORT NEW HOMES PROGRAM
SINGLE FAMILY DATABASE
EFFECTIVE: 01/15/88

Total Number of Loans:	143
Total Loan Amount:	$8,364,059
Average Loan Amount:	$58,489

NEW DETACHED HOUSING:	$7,219,749	86.3%	121 Loans
NEW CONDOMINIUM:	$1,144,310	13.6%	22 Loans

Total Insured or Guaranteed Loans:	132
Loans Guaranteed by VHMGB:	132

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$65,340	$69,764	$67,506
Avg. Loan Amount	$55,599	$61,504	$58,489
Avg. Borrower Income	$24,789	$27,304	$26,020
Avg. Housing Debt-Income Ratio	26.3%	26.3%	26.3%
Avg. Total Debt	$702.63	$758.11	$729.79
Avg. Total Debt-Income Ratio	33.8%	33.2%	33.5%
Total No. of Loans	73	70	143
First Time Homebuyers	69.8%	67.1%	68.5%
% Loans with 2 or more Wage Earners	42.4%	45.7%	44.0%
% of Total Loan Amount	48.5%	51.5%	100.0%

	Loans	$ Amount	% of $ Amount	Population	% of Pop.
Addison	10	$620,496	7.4%	29,406	5.8%
Bennington	5	$279,500	3.3%	33,345	6.6%
Caledonia	7	$349,636	4.2%	25,808	5.1%
Chittenden	50	$3,102,833	37.1%	115,534	22.6%
Essex	0	$0	0.0%	6,313	1.0%
Franklin	16	$921,975	11.0%	34,788	6.8%
Grand Isle	4	$241,750	2.9%	4,613	0.9%
Lamoille	6	$330,851	4.0%	16,747	3.3%
Orange	4	$178,000	2.1%	22,739	4.5%
Orleans	5	$264,318	3.2%	23,440	4.6%
Rutland	16	$1,005,510	12.0%	58,347	11.4%
Washington	9	$415,825	5.0%	52,393	10.2%
Windham	10	$592,645	7.1%	36,933	7.2%
Windsor	1	$60,720	0.7%	51,030	10.0%
TOTAL	143	$8,364,059	100.0%	511,456	100.0%

* 1980 Adjusted Census Data

Vermont Housing Finance Agency
1978 Series A - $12,000,000 NEW HOMES PROGRAM
Status Report (with percent of pool proceeds approved)
Rate : 7.750%
Date : 01/15/88

ender	Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased
ank of Vermont	$1,264,475	10.5%	$920,370	7.6%	$287,160	$633,210
ennington Coop Savings & Loan Assn Inc	$120,400	1.0%	$57,400	0.4%	$0	$57,400
aledonia National Bank of Danville, The	$437,520	3.6%	$281,520	2.3%	$0	$281,520
hittenden Trust Company	$1,779,880	14.8%	$1,604,380	13.3%	$679,325	$925,055
ommonwealth Mortgage Company, Inc	$124,750	1.0%	$124,750	1.0%	$0	$124,750
ommunity National Bank	$272,717	2.2%	$272,717	2.2%	$147,000	$125,717
actory Point National Bank, The	$61,200	0.5%	$61,200	0.5%	$0	$61,200
irst Northern Mortgage Corporation	$67,925	0.5%	$67,925	0.5%	$0	$67,925
oward Bank, National Assn, The	$850,800	7.0%	$660,300	5.5%	$422,450	$237,850
yndonville Savings Bank & Trust Company	$50,000	0.4%	$50,000	0.4%	$50,000	$0
arble Bank	$366,045	3.0%	$306,990	2.5%	$58,400	$248,590
erchants Bank, The	$680,926	5.6%	$542,826	4.5%	$0	$542,826
ational Bank of Middlebury, The	$241,753	2.0%	$241,753	2.0%	$130,753	$111,000
ew England IBM Employees Fed Crdt Union	$512,265	4.2%	$317,000	2.6%	$116,600	$200,400
assumpsic Savings Bank	$248,200	2.0%	$145,000	1.2%	$0	$145,000
eoples Trust Company of St Albans	$276,500	2.3%	$141,600	1.1%	$0	$141,600
roctor Bank	$70,300	0.5%	$70,300	0.5%	$0	$70,300
andolph National Bank	$495,870	4.1%	$54,750	0.4%	$0	$54,750
alley Bank	$396,829	3.3%	$114,220	0.9%	$0	$114,220
ermont Federal Bank, FSB	$1,423,361	11.8%	$1,027,341	8.5%	$576,100	$451,241
ermont Mortgage Group, Inc	$899,560	7.4%	$674,360	5.6%	$0	$674,360
ermont National Bank	$1,078,129	8.9%	$722,360	6.0%	$0	$722,360
OTALS 199 Loans	$11,719,405	97.6%	$8,459,062	70.4%	$2,467,788	$5,991,274

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Richard Faesy, Energy Specialist RF

DATE: 1/11/88

RE: Manufactured Housing Energy Use/Cost Question

At the November Board meeting, you asked to see a comparison of the energy use of manufactured housing built to our existing energy standards and manufactured housing built to the new, less stringent standards that were adopted at that November meeting.

Discussions with manufactured home dealers around the state have informed me that by reducing the energy standards for manufactured housing, we are opening up a significant opportunity for many home buyers. This was looked at as a very positive step.

I examined two typical "single-wide" manufactured homes (14' x 70') with everything the same except for the amount of insulation in the walls (R-11 vs. 19), floor (R-11 vs. 19), and ceiling (R-19 vs. 38) [see chart below]. With these new standards, I expect that we will finance many manufactured homes with insulation packages that include R-11 in the walls and floor and R-19 in the ceilings. These insulation amounts seem to be typical of manufactured housing sold in Vermont. Our existing energy standards call for R-19 in the walls and floor, and R-38 in the ceiling.

Running the calculations two different ways, I came up with a difference in annual space heating costs of between $126 - $161 for the home built to the existing standards (R-19,19,38) vs. the one built to the new standards (R-11,11,19). This increase in heating costs with the less stringent standards turns out to be between $11 - $13 per month.

The incremental cost of purchasing a manufactured home built to the existing VHFA energy standards (if this increased insulation package option is available for that particular model) over one that we will typically find under the new energy standards is somewhere between $800 - $1,300. At an interest rate of 10% over 25 years, the difference in insulation packages represents an incremental mortgage payment of between $7 - $12 per month.

Thus, the increased heating costs are essentially offset by the lower mortgage cost. Another way to look at this is that, in this case, added insulation just barely pays for itself.

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Comparison Between VHFA Exising Energy Standards and New Energy Standards in Manufactured Housing

	R-Values			Annual Heating Costs		Energy Upgrade Costs from Existing to New Stds.	
	Walls	Floor	Ceiling	Range	Per Month	Range	Per Month; 10%, 25yr
Existing Stds.	19	19	38	$315-322	$26-27	$800-1,300	$7-12
New Stds.	11	11	19	$481-483	$37-40	---	---
Difference	-8	-8	-19	$126-161	$11-13	$800-1,300	$7-12

VERMONT HOUSING FINANCE AGENCY

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

RE: GENERAL FUND LOAN COMMITMENTS

DATE: JANUARY 15, 1988

During the first half of the fiscal year the Board has approved several loans for various purposes to be made from the General Fund of the Agency. Below are listed the General Fund loan commitments as of December 31, 1987 for your reference.

Central Vermont Public Service	$150,000
Vermont Energy Investment Corp.	$200,000
Vermont State Housing Authority-ENABLE	$50,000
VHFA Non-Profit Housing Revolving Loan	$250,000
Affordable Housing Demonstration-Milton	$5,000
Affordable Housing Project-West Brattleboro	$10,000
Homeless Shelter Program	$141,000

These commitments total $806,000. At this point some of the funds under the VEIC program and the Homeless Shelter program have been loaned out. The first $50,000 for CVPS has been deposited to their account for drawdowns of mortgages.

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VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: January 15, 1988

TO: VHFA Board of Commissioners

FROM: Glenn A. Jarrett, GAJ General Counsel

RE: PENDING LEGISLATION OF INTEREST TO VHFA

There are many bills pending in the Legislature in which VHFA has an interest. The Joint Summer Study Committee on Affordable Housing has recently introduced several bills and the Governor's State of the State speech promises more bills that are not yet available for review. Here are capsule summaries of some of the more important bills that we have reviewed:

1. S.160.

   This bill, substantially rewritten since the 1987 session, would enable the formation of housing cooperative corporations, including limited equity cooperatives. Housing cooperatives are a hybrid between renting and owning, but allow many of the advantages of home ownership. Limited equity cooperatives would enable lower income people to join cooperatives without a large down payment and insure that the cooperative shares would remain affordable. The Governor supports the bill, which last week obtained unanimous approval from the Senate Judiciary Committee.

2. H.401.

   As redrafted by the Summer Study Committee, this bill would provide $750,000 to be used by VHFA-approved developers or owners who have been allocated low income housing tax credits, and who need additional funding. Money provided by this bill would be in the form of no-interest loans for as long as the project remains affordable.

3. Property Transfer Tax.

   Both the Governor and the Summer Study Committee have proposed raising the property transfer tax. The Governor's proposal, as outlined in her State of the State speech, would raise the transfer tax by one-quarter per cent on January 1, 1989, and another one-quarter per cent on January 1, 1990, and would exclude residential property sold for less than $100,000. The Summer Study

Committee's recommendation would raise the transfer tax immediately by one-half per cent and exempt the first $70,000 of any primary residential property from the increased tax.

4. Housing and Conservation Trust Fund.

   The Governor's proposal would give the Trust Fund $1 million in fiscal 1989, plus any General Fund surplus over $31 million. In fiscal 1990, the Trust Fund would receive $1.5 million, to be funded from the increased property transfer tax. The Summer Study Committee's proposal would appropriate $4.5 million to the Trust Fund in fiscal 1989, to be funded by the increase in the transfer tax.

5. At-risk housing.

   Both the Governor and the Summer Study Committee favor some mechanism to limit the ability of owners of affordable rental housing to prepay subsidized mortgages or to sell the property if rents for affordable units would become market rate. No bill has yet been introduced and reviewed, however.

6. Exxon money.

   VHFA has been told by one senator that $1 million may be appropriated for our use to expand our pilot program of energy conservation loans to be statewide. The money will come from the funds the State received from Exxon and other major oil companies as a result of federal sanctions against the oil companies for overcharging.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: January 15, 1988

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

RE: FISCAL YEAR JUNE 1988 BUDGET

Attached is the budget performance report for the first half of the fiscal year. In addition to discussing the results of the report, I will also be capsulizing changes to the budget which have been approved at previous Board meetings, and asking for approval of changes we foresee for the balance of the fiscal year.

BUDGET PERFORMANCE REPORT AT DECEMBER 31, 1987

A review of the budget performance report to date shows that we are on target in most areas. As was discussed at a prior Board meeting, the format I had suggested is being implemented to show the original budget approved, the revised approved budget, actual income and expenses incurred to date and the percentage of budget absorbed. In a perfect accounting world, since half the year is over the budget line items should be 50% absorbed. However, timing differences of both income and expense items make this impossible. Following is a short summary of the major areas of the budget.

1. **INCOME.** Based on the slower than expected delivery of mortgage loans, single family fee income is lower than anticipated and it is possible that we will not meet the budget expectation in that area. Multi-family fees have not been realized yet, since there have been no new originations of loans hoped for through Housing Vermont. Interest rates in general and the conversion of cash to slightly higher loan rates have kept us ahead of the interest income estimate. I will explain the adjustment necessary for miscellaneous income under the "Budget Amendment Requests" section of this memo.

2. **FUND TRANSFERS.** The transfer of funds from the Programs to the General Fund are basically all on track, but vary based on the timing of the maturities of the issues.

3. **EXPENSES.** After adjusting out the $1 million subsidy expected to be contributed to Housing Vermont, we are at almost exactly 50% of the budget for the year. Individual line item adjustments will be discussed in the "Budget Amendment Requests" secion of this memo.

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APPROVED BUDGET CHANGES FISCAL YEAR TO DATE

The following information summarizes Board approved actions which have adjusted the budget so far this year.

1. **1987A BOND PROGRAM.** Due to the high costs associated with this issue, it was agreed to reimburse the Underwriter $50,000 and also to increase the advertising budget by $40,500. Both these changes are shown as an increased negative in the Fund Transfer section of the report under Home Mortagage Purchase Program.

2. **DUES & SUBSCRIPTIONS.** A special payment to the National Council of State Housing Agencies was approved in the amount of $2,500.

3. **HOUSING VERMONT.** A subsidy of $1 million was approved for this fiscal year which is reflected in both the Howard Mtg Purchase program fund transfers and in the subsidy expense.

4. **SALARIES & WAGES.** Approval of the investment officer and the technical assistant for the Revolving Loan Fund increases salaries by $16,000 for the fiscal year and results in associated increases in the areas of insurance and payroll taxes. These new employees also impact the capital budget by $6,000.

5. **ENERGY RATED HOMES.** The Board approved a subsidy of $36,400 for Energy Rated Homes of Vermont through October of 1988. This amount is translated to $27,000 during the current fiscal year.

BUDGET AMENDMENT REQUESTS

After reviewing the budget performance report through December and trying to anticipate financial implications for the balance of the fiscal year, there are certain areas in the budget that require adjustment based on expectations of activity.

1. **MISCELLANEOUS INCOME.** In the original budgetary process, there was an omission of the Guarantee Board's reimbursement to the Agency for data processing services. This amounts to approximately $3,000 a quarter or $12,000 for the year.

2. **DEVELOPMENT ADMINISTRATIVE ASSISTANT.** Due to the increased activity and staffing in the Development area, staff feels that an additional administrative assistant is required to assist with word processing and secretarial functions. A starting date of March 1st would be expected with the cost of this position in wages and benefits estimated at $6,100 for the balance of the year.

3. **SALARIES AND WAGES.** In the original budget, it was not contemplated that when replacing legal counsel we would have to increase the salary substantially. Also, based on the reorganization the new department heads will require some additional compensation to meet the expanded responsibilities that they are absorbing. In factoring this together, it

is expected that there needs to be a budget increase of $15,000 for salaries and wages.

4. **POSTAGE & OFFICE EXPENSE.** Increased staff size and higher than expected activity in the promotional efforts of the Agency relating to its programs demonstrate that increases in both these areas are necessary. Increases of $3,000 for postage and $6,000 for office expense are needed.

5. **ADVERTISING & PROMOTION.** Continued attention is required in this area to assist in placing of funds under the 1987A (Move) program. Since the mortgages originally were scheduled to be placed by this time, the budget has been mostly spent. An additional $37,000 has been preliminarily budgeted by Hollis to continue to advertise this program and hopefully cut our investment losses from unplaced funds. In addition, through oversight no budget was established for the New Homes Program. Funds have been expended in this area and staff was working with an assumed budget of $15,000. General advertising for help wanted ads, brochures, etc., is expected to exceed original estimates by $4,000. In total this is an increase of $56,000 for the category.

6. **1987A Home Mortgage Purchase Plan Subsidy.** As explained at the last Board meeting, the loss to the Agency from slow originations of mortgages under this program is expected to cost $192,000. Of that amount, $185,000 would be recognized in this fiscal year. If that in fact is the case, it is anticipated that a contribution to the Program would be required.

7. **MISCELLANEOUS EXPENSE.** The Agency has made a contibution to the YMCA so that employees could join at a discounted rate. The cost was $350 and we would like to amend the budget for that amount.

8. **CAPITAL BUDGET.** The original estimate for capital items was $50,000 for the year; this has been increased by $9,000 due to employee additions for computers and furniture. Increased usage of computer systems and more employees requiring computers and retrofit of space is expected to cost an additional $11,000 making a projected capital budget of $70,000 for the year.

The total of all the above changes would amount to a net amount of $244,450, which would end up being a bottom line subtraction from the increase fund balance originally budgeted.

If you have any questions or need clarification of any of these items, contact me at your convenience.

BUDGET PERFORMANCE REPORT
VERMONT HOUSING FINANCE AGENCY
FOR THE PERIODS ENDING

	ORIGINAL BUDGET FYE 6/30/88	CURRENT APPROVED BUDGET	ACTUAL YR TO DATE 12/31/87	% BUDGET RECOGNIZED TO DATE
INCOME				
SINGLE FAMILY FEES	345,000	345,000	76,854	22.28%
MULTI-FAMILY FEES	37,000	37,000	0	0.00%
INTEREST INCOME	230,000	230,000	134,074	58.29%
MISCELLANEOUS	2,500	2,500	7,265	290.60%
TOTAL INCOME	614,500	614,500	218,193	35.51%
FUND TRANSFERS				
LOANS TO LENDERS	150,000	150,000	150,000	100.00%
SHAWMUT MTG PURCHASE	100,000	100,000	50,000	50.00%
HOWARD MTG PURCHASE	750,000	1,750,000	500,000	28.57%
HOWARD HOME MTG PURCH	(150,000)	(240,500)	(366,246)	152.29%
HOWARD MULTI-FAMILY	430,000	430,000	200,000	46.51%
CONN NATL MULTI-FAMILY	180,000	180,000	77,114	42.84%
TOTAL TRANSFERS	1,460,000	2,369,500	610,868	25.78%
TOTAL INC & TFRS	2,074,500	2,984,000	829,061	27.78%
EXPENSES				
ADVERTISING & PROMOTION	50,000	50,000	35,275	70.55%
AUDIT	20,000	20,000	20,000	100.00%
ANNUAL REPORT	12,000	12,000	891	7.43%
COMMISSIONERS EXPENSES	4,000	4,000	764	19.10%
CONSULTING FEES	50,000	50,000	26,062	52.12%
DUES & SUBSCRIPTIONS	17,000	19,500	9,385	48.13%
INSURANCE	79,000	80,300	36,482	45.43%
INTEREST EXPENSE	3,800	3,800	1,882	49.53%
LEGAL	47,000	47,000	28,069	59.72%
MISCELLANEOUS	2,500	2,500	2,477	99.08%
OFFICE EXPENSES	18,000	18,000	12,106	67.26%
PENSION PLAN	60,500	60,500	25,389	41.97%
POSTAGE	15,000	15,000	8,688	57.92%
RENT	65,100	65,100	31,976	49.12%
REPAIRS & MAINTENANCE	30,000	30,000	12,722	42.41%
SALARIES & WAGES	708,600	724,600	364,912	50.36%
STAFF TRAVEL & TRAINING	56,000	56,000	23,774	42.45%
SUBSIDY-HOUSE VT, ERH	0	1,032,000	7,133	0.69%
TAXES-PAYROLL	50,400	51,650	30,727	59.49%
TELEPHONE	30,000	30,000	11,877	39.59%
TRUSTEE & CREDIT FEES	195,000	195,000	97,120	49.81%
DEPRECIATION	58,000	58,000	27,300	47.07%
TOTAL EXPENSES	1,571,900	2,624,950	815,011	31.05%
INCREASE (DECREASE) TO FUND BALANCE	502,600	359,050	14,050	3.91%

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: January 15, 1988

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

RE: REORGANIZATION

First, the bad news. Brenda Torpy has submitted her resignation, in order to accept a new position as Coordinator of the Northgate Task Force Steering Committee. She will be missed!

I have asked Meg Pond to step in as Acting Director of the Development Department. Meg's work on the Tax Credit Program and overall enthusiasm and energy makes her an ideal candidate to take on this task. We will evaluate how this is working in approximately six months.

One additional change from the original reorganization plan involves Public Information/Marketing. After lengthy discussions with Hollis and our consultants, we have decided to form a separate department called Communications, with Hollis as the Director, and to comprise it of the Field Representatives, the Hotline Coordinator, and Hollis' Administrative Assistant. It is my belief that communications and outreach are critical to our overall efforts and a separate department not only acknowledges its importance but also provides a more direct accountability.

The enclosed proposal from Don Ross reflects the ongoing need for someone to facilitate the reorganization to assure a smooth, workable transition. We believe our current budget is adequate to pay for these services.

Recommended Action: Approve the proposed consulting contract with Don Ross.

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Donald J. Ross, Consulting

Box 2388, Charlotte, Vermont 05445
(802) 425-2528

January 7, 1988

CONSULTING SERVICES AGREEMENT
BETWEEN THE VERMONT HOUSING FINANCE AGENCY AND
DONALD J. ROSS, CONSULTING

...to provide for part time management consulting services for a period of six-months to help implement the VHFA reorganization plan. The services to be provided were agreed upon in discussions January 6, 1988 among Donald Ross, Allan Hunt and Brenda Torpy and are outlined below.

Consulting Tasks:

MANAGEMENT STYLES WORKSHOP - (Jan/Feb)
For all staff, 2 hour participation. To recognize and accommodate different styles.

PERSONNEL ADMINISTRATION -(Feb/Mar)
Clarify handling of personnel issues. Review for suggested improvements, Personnel Manual, hiring, orientation, and evaluation practices. Job description review. Review of salary structure and recommendations for salary structure management. Training for those directly involved.

MANAGEMENT & SUPERVISORY PRACTICES - (Mar/Apr)
Provide coaching and training on management and supervisory practices, e.g. structured communication, intra-VHFA interaction, tools for supervision. Probably one workshop session-- 2 to 4 hours, for "supervisory" people in two groups.

DEFINING & AND IMPLEMENTING "DEVELOPMENT" - (Jan/Feb)
Work with Margaret Pond to clarify goals and objectives, practical work plans. Possible joint working session with other Departments (e.g. Operations, Finance, Marketing/Public Information) to establish effective working relationships.

DEFINING AND INTEGRATING "Marketing/Public Information" - (Jan/Feb)
Work with Hollis Hope to clarify goals and objectives and practical working relationships. Possible joint session with others.

DEVELOPING FINANCIAL MANAGEMENT - (Feb/Mar)

Work with Roger Schoenbeck to establish financial management performance goals, to increase financial management support to other Departments and to refine forward-looking financial planning practices for the Agency.

MANAGEMENT ASSISTANCE - (Dec/June)

Provide additional assistance to Executive Director and key agency management to ensure an effective transition to the new organizational structure and to support the adoption of good management process. Assist in the integration and implementation of Agency plans and Department plans. Consult individually, attend core meetings, resolve issues, be available to core staff. Up to 2 consulting days per month.

Terms -

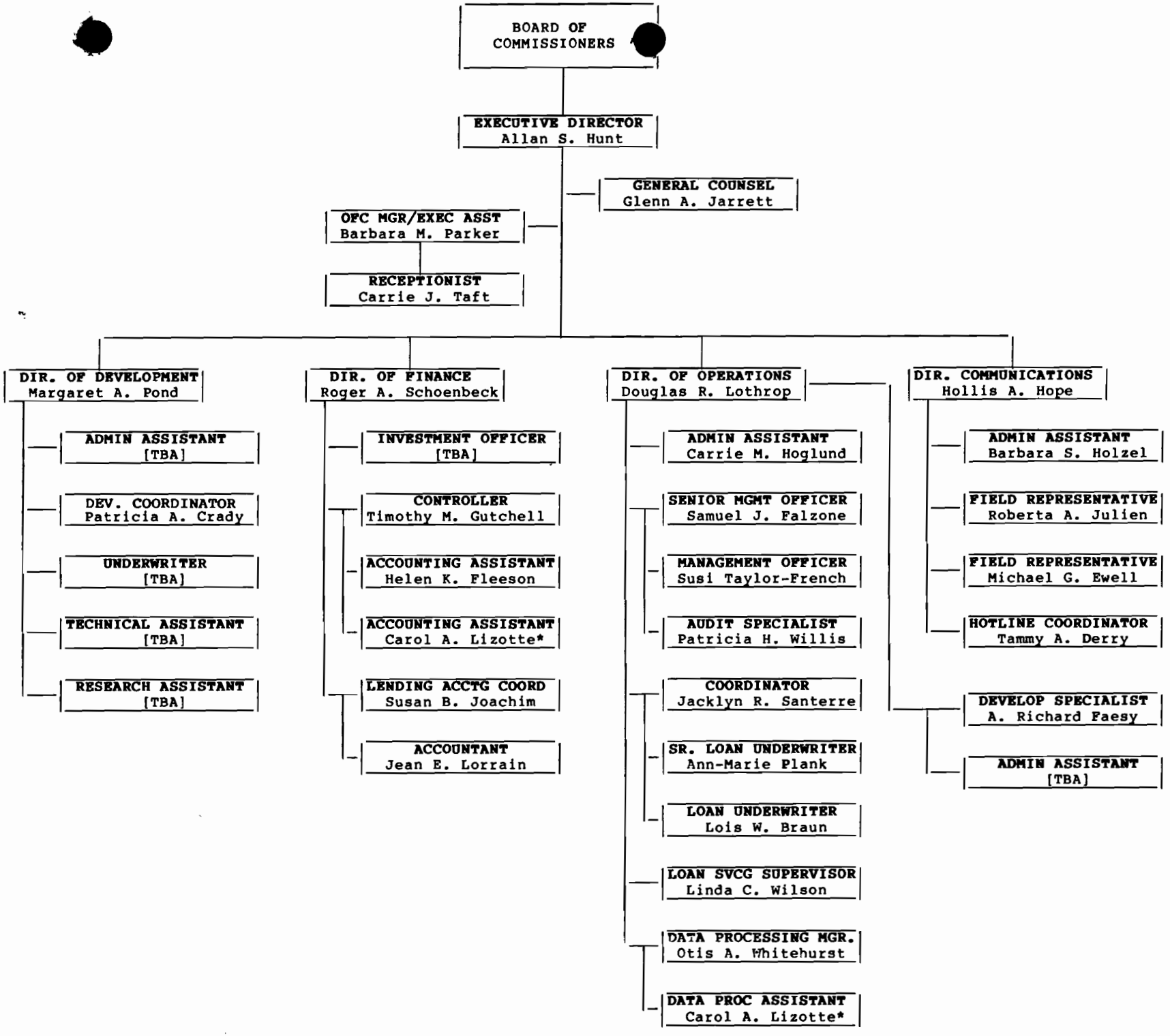
Consulting services to be provided by consultants Donald J. Ross and Emma Lou Gale, and to be furnished between December 21, 1987, and June 30, 1988. To be billed monthly at a rate of $62.50 per hour or $500 per day plus direct expenses if incurred. Total cost not to exceed $12,500.

The agreement may be terminated at any time with written notice and proper payment of services provided to date.

Agreed by:

Signature: Donald J. Ross Date 1/7/88
Donald J. Ross, Consulting

Signature:_____ Date_____
Vermont Housing Finance Agency



*Accounting Assistant/Data Processing Assistant are presently half-time positions.

APPOINTMENT

I, Elbert G. Moulton, Secretary of the Agency of Development and Community Affairs, pursuant to 10 V.S.A. Section 611(b), hereby appoint Nancy Eldridge, Director of Housing, as my designee to serve as Commissioner of the Vermont Housing Finance Agency for purposes of the Agency meeting to be held on January 21, 1988, or any adjourned session thereof. In this capacity, I specifically authorize Nancy Eldridge to act in my stead on all matters which may properly come before the Agency for disposition at said meetings.

This designation shall remain in effect until revoked by me in writing, or suspended during my personal attendance at or participation in the January 21, 1988, meeting of the Vermont Housing Finance Agency.

DATED at Montpelier, Vermont, this 19 day of June, 1988.

Elbert G. Moulton
Secretary

STATE OF VERMONT
CHITTENDEN COUNTY, SS:

CHITTENDEN SUPERIOR COURT
DOCKET NO.

VERMONT HOUSING FINANCE AGENCY,
PLAINTIFF

v.

BOBBIN MILL BUILDING COMPANY,
ANGELO PIZZAGALLI,
REMO PIZZAGALLI, AND
JAMES PIZZAGALLI,
DEFENDANTS

DRAFT

COMPLAINT

1. Plaintiff, the Vermont Housing Finance Agency (hereinafter referred to as "VHFA") is a body politic and corporate of the State of Vermont, created by Chapter 25, Title 10, Vermont Statutes Annotated and having its principal place of business in Burlington, Vermont.

2. Defendant, Bobbin Mill Building Company, is a Vermont partnership having its principal place of business in South Burlington, Vermont.

3. Defendants Angelo, Remo, and James Pizzagalli are the general partners of Bobbin Mill Building Company and all reside in Chittenden County.

4. Defendants Bobbin Mill Building Company, Angelo, James, and Remo Pizzagallis own property known as the Bobbin Mill apartments located in Burlington, Vermont.

5. On or about December 29, 1982, Defendant Bobbin Mill Building Company entered into a Housing Assistance Payments ("HAP") Contract and a Regulatory Agreement with Plaintiff and gave Plaintiff a First Mortgage and Security Agreement, all relating to the property known as the Bobbin Mill apartments.

Count I

6. Paragraphs 1 through 5 of this Complaint are realleged and incorporated herein by reference.

7. Defendants agreed with Plaintiff in Section 2.5(a) of the HAP Contract to maintain and operate the Bobbin Mill apartments to provide Decent, Safe and Sanitary Housing.

8. Defendants agreed with Plaintiff in Section 2.11(a) of the HAP Contract to not discriminate against any person in the provision of services or in any other manner on the grounds of, inter alia, sex.

9. Defendants, through the actions of their servant, the resident manager at the Bobbin Mill apartments, have discriminated in the rental of the apartments on the basis of sex.

10. The actions of Defendants' servant, the resident manager of the aparatments, constitute sexual harassment.

11. Plaintiff notified Defendants of the discrimination in the rental of apartments by letter dated August 18, 1987, a copy of which is attached hereto as Exhibit A and incorporated herein by reference. In Exhibit A, Plaintiff requested that Defendants enter into a management agreement with an independent property manager approved by Plaintiff for the purposes of maintenance of the Bobbin Mill apartments.

12. Defendants have refused to comply with Plaintiff's request to enter into a management agreement with an independent property manager approved by Plaintiff.

13. Pursuant to Section 2.21 of the HAP Contract, Defendants' failure to comply with the provisions of the HAP Contract and failure to correct deficiencies identified by Plaintiff constitutes a default under the HAP Contract.

14. Defendants' failure to take action to correct the violations of the HAP Contract to the satisfaction of Plaintiff gives Plaintiff the right to take corrective action to achieve compliance.

15. Section 2.21(b)(3) of the HAP Contract allows Plaintiff to apply to any state or federal court for specific performance of the HAP Contract, for an injunction against any violation of the HAP Contract, for the appointment of a receiver to take over and operate the project in accordance with the Contract, or for such other relief as may be appropriate.

Count II

16. Paragraphs 1 through 15 of this Complaint are realleged and incorporated herein by reference.

17. Article IV, paragraph 3 of the First Mortgage Deed and Security Agreement, recorded in the City of Burlington Land Records, states:

> Mortgagor covenants and agrees to promptly comply, or cause compliance with, all present and future laws, ordinances, rules, regulations, and other requirements of all governmental authorities having jurisdiction of with respect to the property or any portion thereof or the use or occupation thereof. [emphasis added]

18. Article XII of the First Mortgage and Security Agreement provides that a default under the Regulatory Agreement constitutes a default under the First Mortgage and Security Agreement.

19. Defendants Bobbin Mill Building Company and Maple Street Building Company have defaulted on the First Mortgage and Security Agreement by reason of their failure to comply with Plaintiff's requirements and their default under the Regulatory Agreement.

Count III

20. Paragraphs 1 through 19 of this Complaint are realleged and incorporated herein by reference.

21. The Regulatory Agreement entered into by Defendants requires that the Mortgagor shall provide for the management of the Development in a manner acceptable to the Mortgagee. The Regulatory Agreement further provides:

> Where the Mortgagor itself manages the Development, the Mortgagee shall have the right, under this paragraph, to require Mortgagor to enter into a management agreement with an independent property manager approved by the Mortgagee. The Mortgagee shall not request termination of said management agreement or require Mortgagor to enter into a managment [sic] agreement with an independent property manager unless it shall appear that management of the Development is not being conducted in accordance with the terms and conditions of the management agreement or this agreement.

22. The Regulatory Agreement entered into by Defendants provides in paragraph 13, that no person in the United States shall, on the grounds of race, color, creed, religion, sex, or national origin, be excluded from participation in, or denied the benefits of the Housing Assistance Payments Contract, or otherwise subjected to discrimination.

23. Defendants, by the actions of their servant, the resident manager of the Bobbin Mill apartments, have denied persons in the United States the benefits of the Housing Assistance Payments Contract and have subjected such persons to discrimination based on sex.

24. Defendants have refused the request of Plaintiff-Mortgagee to require Defendants to enter into a management agreement with an independent property manager.

25. Defendants' actions constitute a default under the Regulatory Agreement.

26. Paragraph 17 of the Regulatory Agreement provides that Defendants' default under the HAP Contract constitutes a default under the Regulatory Agreement.

27. Paragraph 19 of the Regulatory Agreement provides that if a violation of the Regulatory Agreement is not corrected to the satisfaction of

the Mortgagee within 30 days of the mailing of a notice of violation by the Mortgagee or such further time as Mortgagee may permit, the Mortgagee, without further notice, may declare a default under the Regulatory Agreement effective on the date of such written notice of the violation.

28. Exhibit A constitutes written notice of a violation of the Regulatory Agreement, which violation was not corrected within the time allowed Defendants by Plaintiff-Mortgagee.

29. Defendants are in default of the Regulatory Agreement.

30. Paragraph 19(d) of the Regulatory Agreement allows Plaintiff, in the event of a default, to apply to any state or federal court for specific performance of this Agreement, for an injunction against any violation of the Agreement, for the appointment of a receiver to take over and operate the Development in accordance with the terms of the Agreement, or for such other relief as may be appropriate.

Count IV

31. Paragraphs 1 through 30 of this Complaint are realleged and incorporated herein by reference.

32. Defendants' actions in discriminating against persons on the basis of sex and handicap, and in denying persons the benefits of the Housing Assistance Payments Contract, constitute constructive eviction in violation of the Housing Assistance Payments Contract and the Regulatory Agreement.

[MORE]

WHEREFORE, Plaintiff demands that the Court:

1. Grant Plaintiff judgment in its favor;

2. Grant Plaintiff specific performance of its contracts with Defendants and order the removal of Defendants' resident manager;

3. Appoint a receiver pursuant to the HAP Contract, the Regulatory Agreement, and 10 V.S.A. Section 624(a)(2) for the purpose of discharging Defendant's resident manager and contracting with an independent property manager to manage the property;

4. Grant Plaintiff an injunction prohibiting Defendant from discriminating against tenants on the basis of sex or handicap, or from denying persons the benefits of the HAP Contract;

5. Grant Plaintiff any other just and equitable relief the court deems proper, together with its fees and costs.

CENTRAL VERMONT
COUNCIL ON AGING
18 South Main Street • Barre, Vermont 05641 • 802-479-0531

December 21, 1987

Allan Hunt, Executive Director
Vermont Housing Finance Agency
P.O. Box 408
Burlington, Vermont 05401

Dear Allan:

As you know, the Central Vermont Council on Aging is an active participant in the Affordable Housing Coalition and has a strong interest in affordable housing problems and solutions.

My purpose in writing to you is to ask for financial assistance to aid in the passage of S.160. This enabling legislation for cooperative housing development will allow another option for older disabled or low income persons to attain affordable housing.

The request is for $10,000.00 and will be used to hire Steve Kimball to assist in the passage of S.160.

On behalf of the Affordable Housing Coalition, thank you for your continued support.

Sincerely,

Charles W. Castle

Charles W. Castle
Executive Director

CWC/clh
cc: Kirby Dunn, Director
Chittenden Community Action Agency

CONTRACT BETWEEN AFFORDABLE HOUSING COALITION

AND

KIMBELL & SHERMAN

PART I - PARTIES

1. This contract for services is entered into between the Affordable Housing Coalition (hereinafter COALITION) and Kimbell and Sherman (hereinafter CONTRACTOR).

PART II - TERM

2. The term of this contract shall be from January 1, 1988, until final adjournment of the 1988 session of the Vermont General Assembly.

PART III - CONTRACTOR'S OBLIGATIONS

3. CONTRACTOR agrees to perform hereunder as follows:

A. With respect to S.160, the so-called cooperative housing corporation bill, to perform research, drafting, testimony before legislative committees, conversations with individual legislators, preparation of amendments and explanatory materials and such other personal services as may be necessary to maximize the likelihood that S.160 will achieve final passage during the 1988 legislation session.

B. To meet at mutually convenient times and places with representatives of the COALITION to discuss strategy, receive instructions and analyze the progress of CONTRACTOR'S work on behalf of the COALITION.

C. To keep representatives of the COALITION fully informed of CONTRACTOR'S activities on behalf of the COALITION.

PART IV - COALITION'S OBLIGATIONS

4. The COALITION agrees to perform hereunder as follows:

A. To pay to CONTRACTOR the sum of $10,000, payable as follows: $5,000 on or before February 1, 1988, and $5,000 within ten (10) days after final passage of S.160 or within ten (10) days after final adjournment of the 1988 legislative session, whichever occurs first. Provided, however, that payments hereunder shall be reduced by $100 for each hour that the total hours worked by CONTRACTOR hereunder is less than 100 hours.

B. To meet with CONTRACTOR at mutually convenient times and places to discuss the progress of CONTRACTOR'S work on behalf of the COALITION and to provide instruction and guidance to CONTRACTOR with respect to future work.

PART V - TERMINATION

5. This contract may be terminated by either party hereto with ten (10) days written notice to the other party.

Dated: January 7, 1988

S. W. Kimbell

Stephen W. Kimbell for
Kimbell & Sherman

Dated:

_____

For the Affordable Housing
Coalition

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: January 18, 1988

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

RE: MERGER LEGISLATION

Enclosed is a draft of proposed legislation to merge this Agency, along with the Vermont State Housing Authority, into a new state department to be called Housing and Community Affairs.

It may be prudent to discuss this at this week's Board meeting.

Enclosure

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA

CREATE A NEW DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Statement of Purpose: This bill proposes to make the department of housing and community affairs independent and to consolidate the vermont housing finance agency and the vermont housing authority under the department.

AN ACT TO MAKE THE DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS INDEPENDENT FROM THE AGENCY OF DEVELOPMENT AND COMMUNITY AFFAIRS

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

Chapter XX Department of Housing and Community Affairs

Amend 3 VSA Chapter 47 by deleting ss.2472 and 2473.
Amend 3 VSA Chapter 47 by changing the name of the Agency of Development and Community Affairs to the Agency of Economic Development.

Sec.1 DEFINITIONS
As read in this chapter:
(1) "Department" means the department of housing and community affairs.
(2) "Director" means the head of a division of the department.
(3) "Division" means a major component of the department engaged in furnishing services to the public or to units of

government at levels other than the state level.

(4) "Commissioner" means the head of the department responsible for the administration of the department.

Sec. 2 CREATION OF DEPARTMENT

(a) A department of housing and community affairs is created to provide regional and municipal assistance and to be the central state department to coordinate, consolidate and operate, to the extent possible, all housing programs enacted by the general assembly or created by executive order of the Governor. The department shall include the following divisions:

(1) a division of regional and local planning assistance which shall also staff the council of regional commissions.

(2) a division of community development assistance which shall manage the community development block grant program.

(3) a division of housing assistance which shall operate all housing programs enacted by the general assembly or executive order of the governor.

(4) a division of solid waste planning which shall manage the preparation of solid waste management plans and to provide the financial assistence for their preparation.

(5) a division of information coordination and management which shall have the responsibility for the coordination, collection and management of all data related to the municipal and regional planning.

(6) a division of historic preservation which shall manage all historic perservation programs.(delete T3ss2473)

(7) a division of administrative services which shall

provide the personnel and financial support to carry out the functions of the department.

Sec.3 PERSONNEL DESIGNATION

The commissioner, deputy commissioner and all members of boards, committees, commissions or councils attached to the department for support are exempt from the classified state service. All other positions shall be within the classified service.

Sec.4 COMMISSIONER, APPOINTMENT

(a) The department shall be under the direction and supervision of a commissioner, who shall be appointed by the governor with the advice and consent of the senate and shall serve at the pleasure of the governor.

(b) The salary of the commissioner shall be fixed by the governor.

Sec.5 BUDGET AND REPORT

The commissioner shall be responsible to the governor and shall direct the functions vested in the department. The commissioner shall prepare and submit to the governor an annual budget and shall prepare and submit to the governor and the general assembly in November of each year a report concerning the operation of the department for the preceding fiscal year and the future goals and objectives of the department.

Sec. 6 MANDATORY AND PERMISSIVE DUTIES

(a) The commissioner shall determine the policies of the department, and may exercise the powers and shall perform the duties required for its effective administration.

(b) In addition to the other duties imposed by law, the commissioner shall:

(1) Administer the laws assigned to the department.

(2) Coordinate and integrate the work of the divisions.

(3) Supervise and control all staff functions

(c) The commissioner may:

(1) Transfer appropriations or parts therof within or between divisions and branches, consistent with the purposes for which the appropriation was made.

(2) Transfer classified positions within or between divisions and sections, consistent with the purposes for which the appropriation was made.

(3) Cooperate with the appropriate federal agencies and administrater federal funds in support of programs within the department.

(4) Submit plans and reports, and in other respects comply with federal law and regulations which pertain to programs administered by the department.

(5) Make regulations consistent with law for the internal administration of the department and its

programs.

(6) Appoint a deputy commissioner.

(7) Create such advisory councils or committees as the commissioner deems necessary within the department, and appoint their members, for a term not to exceed the commissioner's term.

(8) Provide training and instruction for any employees of the department, at the expense of the department, in educational institutions or other places.

(9) Organize, reorganize, transfer or abolish divisions and staff function sections within the department. This authority shall not extend to divisions or other bodies created by law.

Sec. 7 DIRECTORS

(a) A director shall administer each division created within the department. The commissioner shall appoint the directors for the divisions.

(b) Each division and its officers shall be under the direction and control of the appointing authority, except with regard to judicial or quasi-judicial acts or duties vested in them by law.

(c) No rule or regulation may be issued by a director of a division without the approval of the appointing authority.

Sec. 8 ACCEPT FUNDS

(a)the department may accept, contract for, and administer under this chapter and for its objectives and purposes contributions, capital grants, property, appropriations, gifts, services, and other financial assistance from or for any individual, association, corporation or other organization having an interest in planning, this state, and the United States, and any of their agencies, political or administrative subdivisions, and instrumentalities, corporate or otherwise.

Sec. 9 HOUSING PROGRAM CONSOLIDATION: FINDINGS AND DECLARATION OF INTENT

Whereas, the need for affordable housing has become urgent,

Whereas, the efficient implementation of a coordinated housing policy is the quickest and most effective way to provide affordable housing,

Whereas, housing programs are currently fragmented among three agency, frustrating the efficient delivery of services,

Whereas, the consolidating of housing programs into one department will improve the efficiency of policy implementation,

Therefore, the general assembly directs that Vermont state housing authority and the vermont housing finance agency shall be merged into the new department of housing and community affairs on July 1, 1989.

Sec.10 IMPLEMENTATION PLAN

The commissioner shall prepare an implementation plan in consultation with the Vermont housing authority and the Vermont housing finance agency that will result in a proposed organizational structure for the merged entities and will ensure the most efficient delivery of housing service to the citizens of the State of Vermont and an assessment of how the housing and land conservation trust shall interact with the department. The study shall include proposed legislation to effectively enact the merger and shall be completed no later than December 15, 1988.

Sec.11 PROHIBITION

The Vermont housing finance agency and the Vermont housing authority shall not enter any legal or financial commitments that will interfere with the consolidation described in section 9.

Sec.12 APPROPRIATIONS

(a) An appropriation of not more than $50,000 is made to the commissioner to conduct the organizational study described in section 10.

(b) An appropriation of not more than $50,000 is made to the commissioner for the costs associated with the management and separation of the department from the agency of development and community affairs.

Introduced by

Referred to Committee on

Date:

Subject: Executive branch; department of housing and community affairs

Statement of purpose: This bill proposes to make the department of housing and community affairs independent of the agency of development and community affairs and to consolidate the Vermont housing finance agency and the Vermont housing authority under that department.

AN ACT RELATING TO CREATING AN INDEPENDENT DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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

Sec. 1. 24 V.S.A. § 2401(1) is amended to read:

(1) Agency: The agency of <u>economic</u> development *[and community affairs]* .

Sec. 2. 24 V.S.A. § 2402(a) is amended to read:

(a) An agency of <u>economic</u> development *[and community affairs]* is created consisting of the following:

(1) The department of development.

[(2) The department of housing and community affairs.]

(3) The division for historic preservation.

Sec. 3. 3 V.S.A. chapter 48 is added to read:

CHAPTER 48. DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

§ 2501. DEFINITIONS

As read in this chapter:

(1) "Department" means the department of housing and community affairs.

(2) "Director" means the head of a division of the department.

(3) "Division" means a major component of a department engaged in furnishing services to the public or to units of government at levels other than the state level.

(4) "Commissioner" means the head of the department responsible for the administration of the department.

§ 2502. CREATION OF DEPARTMENT

A department of housing and community affairs is created to:

(1) provide regional and municipal assistance;

(2) coordinate, consolidate and operate, to the extent possible, all housing programs enacted by the general assembly or created by executive order of the governor;

(3) staff the council of regional commissions;

(4) manage the community block grant program;

(5) manage the preparation of solid waste management plans; and

(6) coordinate, manage, and collect data related to municipal and regional planning.

§ 2503. COMMISSIONER; APPOINTMENT

The department shall be under the direction and supervision of a commissioner, who shall be appointed by the governor with the advice and consent of the senate and shall serve at the pleasure of the governor.

§ 2504. PERSONNEL DESIGNATION

The commissioner, deputy commissioner and all members of boards, committees, commissions or councils attached to the department for support shall be exempt from the classified state service. All other positions shall be within the classified service.

§ 2505. BUDGET; REPORT; DUTIES OF COMMISSIONER

(a) The commissioner shall be responsible to the governor and shall plan, coordinate and direct the functions vested in the department. The commissioner shall prepare and submit to the governor an annual budget and shall prepare and submit to the governor and the general assembly in November of each year a report concerning the operation of the department for the preceding fiscal year and the future goals and objectives of the department.

(b) The commissioner shall determine the policies of the department, and may exercise the powers and shall perform the duties required for its effective administration.

(c) In addition to other duties imposed by law, the commissioner shall:

(1) administer the laws assigned to the department;

(2) coordinate and integrate the work of the divisions;

(3) supervise and control all staff functions.

(d) The commissioner may:

(1) transfer appropriations or parts thereof within the department, consistent with the purposes for which the appropriation was made;

(2) transfer classified positions within the department;

(3) cooperate with the appropriate federal agencies and administer federal funds in support of programs within the department;

(4) submit plans and reports, and in other respects comply with federal law and regulations which pertain to programs administered by the department;

(5) make regulations consistent with law for the internal administration of the department and its programs;

(6) appoint a deputy commissioner;

(7) create such advisory councils or committees as the commissioner deems necessary within the department, and appoint their members;

(8) provide training and instruction for any employees of the department, at the expense of the department, in educational institutions or other places;

(9) organize, reorganize, transfer or abolish divisions, staff function sections within the department. This authority shall not extend to divisions or other bodies created by law.

§ 2506. ACCEPTANCE OF FUNDS

The department may accept, contract for, and administer contributions, capital grants, property, appropriations, gifts, services, and other financial assistance from or for any person including the United States and any of its agencies, subdivisions, and instrumentalities, corporate or otherwise.

§ 2507. HOUSING PROGRAM CONSOLIDATION; FINDINGS AND DECLARATION OF INTENT

(a) The general assembly finds that the need for affordable housing has become urgent. Efficient implementation of a coordinated housing policy is the quickest and most effective way to provide affordable housing. Housing programs currently are fragmented among three agencies, frustrating the efficient delivery of services. Consolidating housing programs into one department will improve the efficiency of policy implementation.

(b) Therefore, the general assembly intends that the Vermont state housing authority, the Vermont housing finance agency and home mortgage guarantee board will be merged into the new department of housing and community affairs effective on July 1, 1989.

Sec. 4. PROPOSALS OF CONFORMING AMENDMENTS

The commissioner shall prepare an implementation plan, in consultation with the Vermont housing authority, the Vermont housing finance agency and the home mortgage guarantee board, that will result in a proposed organizational structure for the merged entities

and will ensure the most efficient delivery of housing service to the citizens of the state. The study shall include an assessment of how the housing and land conservation trust shall interact with the department. The study shall include proposed legislation, if necessary to conform with the provisions of this act, and shall be completed no later than December 15, 1988.

Sec. 5. REDESIGNATION

The statutory revision commission is directed to revise the statutes so that all references to the agency of development and community affairs instead refer to the agency of economic development.

VERMONT HOUSING FINANCE AGENCY

February 8, 1988

Ms. Jean Gauthier
Pavilion Office Building
Montpelier, VT 05602

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its monthly Board Meeting on Thursday, February 18, at 1:30 p.m., at our office here at One Burlington Square, Burlington, Vermont.

If you have any questions or need any additional information, please do not hesitate to contact me.

Sincerely,

Barbara M. Parker

Barbara M. Parker
Office Manager/Executive Assistant

/bp

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA

APPOINTMENT

I, Elbert G. Moulton, Secretary of the Agency of Development and Community Affairs, pursuant to 10 V.S.A. Section 611 (b), hereby appoint Nancy Eldridge, Director of Housing, as my designee to serve as Commissioner of the Vermont Housing Finance Agency for purposes of the Agency meeting to be held on February 18, 1988, or any adjourned session thereof. In this capacity, I specifically authorize Nancy Eldridge to act in my stead on all matters which may properly come before the Agency for disposition at said meetings.

This designation shall remain in effect until revoked by me in writing, or suspended during my personal attendance at or participation in the February 18, 1988, meeting of the Vermont Housing Finance Agency.

DATED at Montpelier, Vermont, this 16th day of February, 1988.

Elbert G. Moulton
Secretary

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: February 11, 1988

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt

RE: CONFIRMATION AND AGENDA FOR UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners' meeting has been confirmed. It will be held on Thursday, February 18, 1988, at 1:30 p.m., here at the VHFA office, One Burlington Square, Burlington, Vermont.

If you need any further information regarding the upcoming Board meeting, please feel free to contact me. I look forward to seeing you February 18.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA

VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont

Thursday, February 18, 1988 at 1:30 p.m.

1. Review and approval of minutes of January 21, 1988
2. Director's Report
3. Communications
   A. MOVE Marketing Plan [**Hollis//Enclosure**]
4. Operations
   A. Northfield Dogwood Glen II [**Lothrop//Enclosure**]
   B. 1987(A) MOVE - Potential Changes [**Lothrop//Enclosure**]
5. Finance
   A. Update and Revisions to Operating Budget [**Schoenbeck//Enclosure**]
   B. Discussion and Possible Approval to Seek Legislative Approval to Raise Bond Cap [**Schoenbeck//Enclosure**]
6. Legal
   A. Legislative Update [**Jarrett**]
   B. Bobbin Mill Update [**Jarrett**]
7. Other old or new business to come before the Board

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA

VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
Office of the Commissioner of Banking and Insurance
89 Main Street
Montpelier, Vermont
Thursday, January 21, 1988

Present: Commissioners Hebard, Babcock, Seelig, Eldridge (designee of Elbert Moulton); via speaker phone Commissioners Myette and Shaw; Agency Staff Mr. Hunt, Mr. Schoenbeck, Mr. Jarrett, Mrs. Parker, Mr. Lothrop, Ms. Pond, Ms. Crady; Ms. Russell of VHMGB; Ms. Costle, General Counsel to the Office of Banking and Insurance

As a quorum was still not present at 1:35, but with the knowledge that Mr. Moulton or his designee was expected to attend the meeting and would be arriving shortly, Mr. Hebard suggested that the Board begin reviewing agenda items not requiring Board action.

Ms. Pond presented an update on the Low Income Housing Tax Credit (LIHTC) Allocations for 1987, as described in her memo of January 15, 1988, included in the Board packet. Ms. Pond assured the Board that with an earlier start in 1988 the program should do much better this year.

Mr. Seelig then inquired on the status of Housing Vermont, the nonprofit development corporation, and whether its existence would be useful in LIHTC applications. Mr. Hunt referred the Board to his memo of January 15, included in the Board packet, regarding an update on Housing Vermont, and explained to the Board that several banks had been approached in an effort to determine their level of interest in investing in the corporation. During conversations with these banks, it was determined that investing in the LIHTC's might be against Vermont banking statutes. Ms. Babcock elaborated by explaining that present Vermont statutes prohibit banks from investing in real estate. According to Ms. Babcock, a legislative amendment would be required to revise the statute(s).

The Board then turned to another agenda item, a review of the secondary market for mortgages in the state of Vermont. Mr. Hunt explained that the Vermont Bankers' Association (VBA) had surveyed 27 members and learned that there was great interest in a statewide secondary mortgage market, especialy for non-conforming loans. Mr. Hunt referred to his memo, dated January 15 and included in the Board packet, and to the letter from Seth Bongartz attached thereto. Mr. Hunt asked the Board for prioritization of the secondary market issue in light of other issues the Agency is facing, and advised the Board that a secondary market is attractive to housing finance agencies for at

three reasons: 1) it is not much different from current Agency practices; 2) there is a potential for a positive revenue impact; and 3) there would be a residual benefit to the state. Mr. Hebard asked if this would be a targetted program, and Mr. Hunt replied that it would not be, really, but that more mortgage capital would be made available.

Ms. Babcock then addressed the question of prioritization by asking who would provide staffing, and whether bankers would contribute to the set up costs. Mr. Hunt informed the Board that as he had received the Business Plan for the Agency just that morning, he had not had a chance to review it; it will be presented for discussion at the Board's monthly meeting in February. However, Mr. Hunt speculated that the current underwriting and loan processing staff could possibly handle the responsibilities, but an in depth staff analysis would be helpful.

The Board was then asked by Mr. Hunt whether he should acknowledge the letter from Mr. Bongartz, but not make a commitment yet. Ms. Babcock recommended the Board defer commitment. Mr. Hebard suggested that in responding to Mr. Bongartz' letter, Mr. Hunt mention the issue of state tax exempt securities, and the need for legislation thereof, indicating that Mr. Bongartz' group address that issue. Mr. Hebard then asked if there was any Board action necessary at this meeting, and was advised by Mr. Hunt that an acknowledgement of Mr. Bongartz' letter/proposal would be sent, and Mr. Hunt will review and analyze staffing needs vis-a-vis the Business Plan, and will update the Board at the next monthly meeting.

During the course of the previous discussion, Ms. Eldridge arrived, completing the Board's quorum.

The Board then returned to a discussion of the status of Housing Vermont. Ms. Babcock advised Staff to draft an amendment to Section 1103 of Title VIII, to exempt Housing Vermont from the bank investment issue. Mr. Hunt also advised the Board that banks which had been approached to consider investment in Housing Vermont had requested the opportunity to review projects and potentially reject some. Mr. Hunt advised the Board that he would prefer a balance between the banks' concerns and Housing Vermont's objectives. Ms. Babcock asked if Staff was prepared with specific proposals, and Mr. Hunt informed the Board that language was being drafted to keep the projects Housing Vermont would be involved in as affordable housing.

Mr. Hunt then advised the Board that in a meeting December 18 Governor Kunin informed him that she is concerned about creating an organization which would deal with affordable housing in which she would not have the authority to appoint Board members. Mr. Hunt reminded the Board that the point of forming Housing Vermont was to have it be a membership corporation, reflecting a balance of a public and private partnership. The formation of Housing Vermont was specifically mentioned in the Governor's State of the State address. A joint committee on LIHTC set broad parameters for the use of the credits, and two members of the Governor's staff were on this committee; yet

the Governor expressed surprise at the proposal to form Housing Vermont with no Board members as her direct appointees. Mr. Seelig stated his opinion that the Governor appears to be reviewing issues of policy control, and that if the Governor has additional involvement in the Board selection, this would not alter the formation of the nonprofit since the Agency's Board has already approved the formation.

The minutes of the December 17 Board meeting were then reviewed and unanimously accepted as written.

The Board then moved on to the Director's Report, as listed in the Agenda. The Governor's proposed merger was listed by Mr. Hunt as being one topic of his report, but first he reported to the Board on a meeting hosted by the National Council of State Housing Agencies (NCSHA) which he attended in New York. That meeting was held to discuss and strategize the Mortgage Revenue Bond (MRB) Sunset campaign. The Board was informed by Mr. Hunt that he has written to Senators Leahy and Stafford, and Representative Jeffords, asking them to support and sponsor this bill. Senators Leahy and Stafford both responded that the were, in fact, in favor of the bill. Only Rep. Jeffords responded that he wanted to "wait and see." The HFA directors and chairmen attending the NCSHA meeting were warned that the bill is likely not to pass without efforts by the HFA's.

Mr. Hunt then distributed to the Board a revised draft of the proposed merger legislation which he had received just prior to today's meeting. At a meeting last week with Rick Menard, Dick Williams, Nancy Eldridge, several "surface" problems inherent in the proposed merger were identified: e.g., would the State assume the Agency's current bond debt liability; also, the strength of the Agency is its independence, and thus its ability and interest in continuing low income housing efforts whether or not such housing is of current political concern. Mr. Hunt also pointed out that the Agency currently has strong state representation in the composition of the Board, as directed by Vermont Statutes. Mr. Myette asked if the bill had been introduced to the legislature yet, and Ms. Eldridge informed the Board that the issue is scheduled to be discussed the week of January 25, but it may not have been formally introduced prior to such discussion.

Mr. Hunt then asked for some direction from the Board, as far as the position the Agency should assume, and whom the Board would recommend to testify regarding the merger. Mr. Shaw stated emphatically that the merger should be opposed; he proposed that Mr. Hunt and Mr. Hebard testify, as he doubted his own influence and his term on the Board is expiring. Mr. Hebard suggested that assuming the Agency's bond debts would double the State's bond liability and would probably affect the state's overall rating.

Ms. Eldridge then discussed the Administration's reasons for suggesting a merger and responded to questions from the Board. Mr. Seelig stated that he feels it is important to recognize the stress up on Staff by the way the merger proposal was presented, and also to be aware that some states have one housing entity and it seems to work well. It is Mr. Seelig's opinion that straight out opposition to the merger would not be a good idea, and that the

Board and Staff should find a way to work with the Administration to do what is possible. He feels it is important to not take the attitude that since "we weren't consulted, we are against the merger." There may be a potential for a merger with a lesser level of state involvement. After a lengthy discussion, a motion was duly made and seconded for the Board to adopt a Resolution to encourage a study of the merger issue; the motion was passed, with Ms. Eldridge opposing.

The next issue of the Director's Report was addressed by Mr. Hunt, who stated that neither VHFA nor VSHA are eligible applicants to the Vermont Housing and Conservation Trust Fund. Some concerns seem to be that the Agency would "gobble up" the funds available. Mr. Hunt stated that staff is not comfortable proposing an amendment without Board support. Mr. Seelig then stated that he would not be voting on this issue, and further cautioned the Board that it might not be a good idea to bring up this issue this year, strategically. He further stated that he understands the Housing Coalition wants the VSHA, not the VHFA, to be allowed eligibility, to allow partnerships with local nonprofits wherever possible. After additional discussion, a motion was duly made and seconded to not seek to change the eligibility for this year; this motion passed, with Mr. Seelig abstaining.

Next, Mr. Lothrop reviewed and updated the Board on various Single Family Programs, referring to his memo of January 15, included in the Board packet. He also advised the Board that he and Hollis Hope would be presenting a Marketing Plan for MOVE at the February Board meeting. Mr. Hunt pointed out to the Board that builder interest for the last few months has been directed toward building affordable housing rather than creating an inventory that can not be sold. Mr. Lothrop advised the Board that $218,000 out of the $350,000 authorized has been loaned for 51 VEIC energy loans.

Mr. Lothrop turned next to the Manufactured Housing Energy Use/Cost Question, as detailed in Richard Faesy's memo to the Board dated January 11 and included in the Board packet. The Board was reminded by Mr. Lothrop that new energy regulations had been passed in November regarding manufactured housing, and the Board had agreed to a change in the Agency's energy regulations. Mr. Hunt reminded the Board that manufactured housing represents a very small base for the Agency. Ms. Babcock asked whether the assumption was based on slabs or cellars for the manufactured housing, and Mr. Lothrop emphasized that manufactured housing financed by the Agency carries the pre-supposition that prudent energy conservation measures are followed in their construction and installation. Ms. Babcock then asked that staff determine to what standards the cellar or slab foundations for manufactured housing are built, and further asked that staff provide a monthly or quarterly analysis for the Board.

Mr. Jarrett then reviewed his memo of January 15 regarding "Pending Legislation of Interest to VHFA," and was complimented by Mr. Myette on the brevity of his report.

The Board was then advised by Mr. Jarrett of the latest events in the Bobbin Mill issue. A draft Complaint was distributed for the Board's review. After a motion duly made and seconded, the Board authorized the Executive Director and General Counsel to take action in the form of a suit if necessary. The Board will be kept advised of any further developments.

At this point Mr. Myette expressed his regrets and stated that he would not be available for the remainder of the meeting.

The Board then turned to the next agenda item, which was a review of the Budget. Mr. Schoenbeck reviewed the proposed changes and additions as enumerated in his memo of January 15. Ms. Babcock asked if there were a recorded history of percentage increases to the budget, and Mr. Schoenbeck explained that an effort is made to increase the fund balance to maintain it at a reasonable level. He further explained that the subsidizing of Housing Vermont and the 1987A MOVE Program have had negative impacts on the Agency's budget, but he also reminded the Board that these are not repeating expenses. Mr. Hunt further elaborated by pointing out that the fund balance is not comparable to income and expenses. Mr. Shaw made a motion that the suggested increases in expenses be approved. As this motion was not seconded, it was withdrawn. A motion was then made and seconded to table the decision until the next Board meeting; this motion was agreed to unanimously.

Mr. Hunt then advised the Board of the Reorganization status as per his memo of January 15. After reviewing the proposal from Donald J. Ross, Consulting, a motion was duly made and seconded to authorize payment to the consultant for services as detailed in the proposed contract; this motion was unanimously approved.

Mr. Hunt then presented to the Board a proposal that the Agency contribute $10,000 to the Central Vermont Council on Aging to support the passage of the Coop bill (S.160). Mr. Seelig advised the Board that Steven Kimbell is more capable than anyone else to continue the lobbying efforts. After a motion duly made and seconded, it was agreed that the Agency would pay up to $10,000 to the Central Vermont Council on Aging for these lobbying efforts; the motion passed, with Ms. Babcock abstaining.

The meeting was adjourned at 4:10.

Respectfully submitted,

Allan S. Hunt
Secretary

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Hollis Hope, Director of Communications

DATE: February 11, 1988

RE: Marketing Plan for 1987A Mortgages for Vermonters (MOVE) Plan

Attached for your review please find a detailed marketing plan for the MOVE program. The plan outlines an aggressive advertising schedule and a variety of outreach activities designed to heighten awareness about the availability of these funds throughout the state. We have already begun to implement various elements of this plan.

We are continuing to track requests received for information and we will monitor the effectiveness of advertising efforts on an ongoing basis. We will modify the marketing plan in response to significant changes in the market or rate of program activity.

If you have any questions with regard to the attached material, please let me know.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA

Mortgages for Vermonters (MOVE)
Marketing Plan
January - June 1988

MOVE Marketing Plan January - June 1988

1. Purpose of the 1987 MOVE Program

To make $25 million in low interest mortgage funds available to low- and moderate-income Vermonters, mostly first-time home buyers.

2. Program Goal

From January to June 1988, to get remaining funds (approximately $13 million) committed and purchased as quickly as possible.

3. Marketing Objective

To create awareness of availability of low interest funds and motivation to purchase a home among target audience (those who can afford to own a home but cannot qualify for a conventional loan).

4. Strategy

VHFA will continue to actively promote the MOVE program through media advertising, promotional mailings, canvassing and follow-up with lenders and realtors and informational mailings to hotline inquiries. Marketing efforts will concentrate on those regions where loan activity appears to be the strongest and where data shows homes and households within our purchase price and income limits.

The addition of field staff to VHFA in September made inroads which will continue for a fresh approach to lender and realtor relations throughout the state. We will exhibit at five home shows this spring and hold pre-advertised home buyer workshops in four counties. We hope that this "grassroots" attempt to reach out into local communities will reinforce the awareness created through advertising and enable us to reach potential borrowers not reached through advertising, or who have been discouraged by prices or past experiences with realtors or lenders.

5. Positioning

VHFA can make the difference ("We open doors") for the marginal, first-time home buyer, because of the unconventional properties and borrowers we will underwrite and the 5% minimum down payment. Providing affordable housing is the only business we are in, so we will go the extra mile.

6. Target Audience

Primary: First-time home buyers in Non-ACED and first-time buyers or otherwise qualified borrowers in ACED counties, men and women generally between the ages of 25-40.

Secondary: Participating lenders' loan officers, realtors and others providing services to potential VHFA borrowers.

7. Creative

Objective: To make our target audience aware of our low interest financing, low down payment requirement, flexible underwriting guidelines and the possibility of rolling closing costs into the mortgage.

Method:

a. Advertising (a combination of paid and public service time) will be directed toward home buyers. Based on the number of telephone inquiries generated by the advertising between July and November 1987, advertising will continue to direct interested readers to call toll free for more information. Ads will be friendly and to the point.

b. Informational mailings with a brochure and cover letter to educate and motivate prospective home buyers, referring them to participating lenders in their community.

c. Personalized, promotional mailing to 600 real estate brokers statewide, introducing field reps.

d. Home Show exhibits will be directed toward home buyers and a limited amount of pre-show advertising will be done to encourage people to visit our booth.

e. Home buyer workshops will be held in four counties to test interest at the community level and the effectiveness of such a forum. These will be geared toward those individuals considering buying a home, but not yet actively looking. Based on information gathered by the hotline coordinator, we believe that many first-time home buyers lack the skills and/or the confidence to become actively involved in the process, particularly with home prices escalating. VHFA will offer one-to-one assistance and materials.

8. Marketing Tools

To minimize production time and expense, much of the material that was developed the first five months of the program will be repeated or re-used.

a. Brochure - (If income guidelines changes, HUD, reprint 10,000)
   Distribution:
   Participating lenders (follow-up on fall effort)
   Vermont Realtors membership mailing list (2nd mailing with updated fact sheet)
   Hotline inquiries mailing list
   State and local offices
   Home Shows
   Home buyer workshops

b. Lender/Realtor MOVE Fact Sheet
   Update and reprint for distribution to loan officers and realtors.

c. Closing Cost pilot fact sheet for Lenders, Realtors, borrowers
   Produce and distribute to loan officers and realtors with MOVE fact sheet.

d. Fliers (blue and white Opening Doors poster)
   Purpose: To reinforce advertised message and to reach those individuals who were not reached through print and TV advertising.
   Inventory and post in laundromats, Ma & Pop stores, supermarkets and other highly visible, heavily frequented locations in identified areas.

e. Print Ad
   Purpose: Maintain identity through VHFA logo, stimulate interest and maintain awareness of availability of funds under this program.
   Review and repeat print ads used last fall and possibly update for seasonal appropriateness or market relevance. Schedule with regular frequency February 1 - June 30 in major dailies, weeklies, shoppers, industry-specific magazines and newsletters, etc.

f. TV Ads (already produced)
   Purpose: To create a strong audio-visual identification with VHFA borrowers through true life testimonial format. (He/she did it, so can I/you = empowerment.) Will both reinforce print message and reach many who print will not.
   Scheduling: Less saturation through frequency than earlier this year, but dollars (30 second spots) spread over longer period of time, selected times for reaching targeted audience; WCAX - 3, WPTZ -5, WNNE - 31 and possibly WVNY - 22.

Public Relations:

g. Press Release - Closing Cost Pilot
   Purpose: To formally announce the innovative pilot program allowing closing costs to be financed.
   Timing: Mid-February.

h. Press Release - Outreach Efforts

Purpose: To promote and introduce field reps and the commitment represented by their efforts; and to reinforce advertising efforts with free publicity; and to reinforce awareness among lenders and realtors of our commitment to the audience we serve.

Timing: Early March as primer to anticipated spring real estate upsurge, home buyer workshops and home shows.

i. Canvassing/Follow-up

Purpose: To promote program through one-on-one, personal contact with loan officers and realtors.

Strategy involves mailings and publicity to solicit interest among realtors. This effort is all-important, especially since there have been changes and multiple programs in 1987. A certain level of confusion is bound to exist.

j. Talk Shows

Purpose: To reinforce awareness of VHFA home ownership through MOVE program, among captive listening audience on free TV and radio air time.

Shows will be researched in February and scheduled for March-June.

k. Trade Shows

Purpose: To create a presence outside of Burlington, to take advantage of an opportunity for direct contact and generate interest among a captive audience of consumers at home shows in five counties:

Share booth with VEIC to promote Home Energy/Improvement Loan Program.

l. Home Buyer Workshops

Purpose: To create a presence outside of Burlington and to provide information about VHFA programs one-on-one and assistance in determining affordablility to potential borrowers in a convenient, local, non-threatening setting.

Scheduling: Four sessions in four targeted regions in late March, early April.

9. Timeline

Realtor mailing	Jan 22, 1988
Marketing & Media Plan	Feb 1, 1988
Follow-up to realtor mailing (calls and visits)	Feb 1-29, 1988
Ad campaign - print	Feb 6-June 30, 1988
North West Realtors Board Meeting	Feb 9, 1988
"Across the Fence" (WCAX)	Feb 18, 1988
Press release 1	Feb 19, 1988
VT Contractors Conference	Feb 24, 1988
Press release 2	March 15, 1988
Home buyer workshops (4)	T.B.A.
Exhibit at VT Legistature	T.B.A.

TV ads	March-May, 1988
Home shows	
Rutland Lions	March 25-27, 1988
Addison Chamber of Commerce	March 25-27, 1988
Barre Rotary Club	April 13-15, 1988
VT Home Builders	April 21-24, 1988
Lyndonville Lions Sports Assoc. (St. Johnsbury) (pending space availability)	April 28-May 1, 1988

10. Budget

Printing & Production	$ 3,500
Postage	1,200
5 Home Shows	2,500
4 Home Buyer Workshops	1,500
Paid Advertising*	
Print	31,000
TV	12,000
TOTAL	$51,700

11. Advertising Plan

11.1 TARGET AUDIENCE

Primary: Home buyers, predominantly first-time buyers, age 25-40.
Secondary: Lenders, realtors, home builders.
Advertising will be directed at the potential home buyer, with the object to motivate action-- a telephone call for information.

11.2 POSITIONING

The MOVE program offers home ownership opportunity to Vermonters who otherwise wouldn't have that opportunity because of flexible features VHFA can offer first-time borrower. Message will convey that we have helped thousands purchase their first home and will position VHFA as a "helping", public-spirited organization to promote affordable housing.

11.3 STRATEGY

a. Schedule classified display ads in nine daily newspapers statewide to reach prospective home buyers.
b. Continue classified line ads where effective.
c. Schedule display ads in weeklies in areas of strongest activity.
d. Schedule display ads in industry-specific publications, such as newsletters and real estate guides.
e. Schedule retail and classified display ads preceding home buyer workshops to stimulate attendance.
f. Schedule TV advertising to reinforce print advertising mid-way through spring buying season.

11.4 TIME FRAME & GEOGRAPHIC REACH

11.4 TIMEFRAME & GEOGRAPHIC REACH

Print advertising will begin statewide the first week of February 1988 and run through June 30, 1988 or until the MOVE funds run out (whichever comes first). Paid and public service television testimonial ads (30 sec.) will supplement print ads in March, April and May. Print ad placement will also be heavier during these months, anticipating increased real estate activity. See attached schedule for details.

11.5 ADVERTISING BUDGET ALLOCATION FOR MOVE FEB-JUNE 1988

Publication	Cost	% of Total Budget
Daily newspapers (includes classifieds)	$15,115.98	35 %
Weekly newspapers (includes classifieds)	5,223.00	12 %
Special interest publications	1,851.00	4 %
Television ads	12,000.00	29 %
Contingency*	8,810.02	20 %
TOTAL	**$43,000.00**	100 %

* Retail and classified ads to be scheduled prior to home buyer workshops in four targeted areas.

11.6 ADVERTISING SCHEDULE

(See next page.)

11.6 A. Advertising Schedule
January through June 1988

I. NEWSPAPER

A. DAILY	Circulation	Cost
1. Burlington Free Press	51,000+	
CD - 39 x 2 column x 5"		$ 3,868.48
Classified - 147 (daily) x 4 lines		517.44
2. Brattleboro Reformer	8,000	
CD - 31 x 2 column x 5"	(in VT)	1,007.50
3. Bennington Banner	7,400	
CD - 31 x 2 column x 5"		1,388.80
4. Caledonian Record	7,000	
CD - 31 x 2 column x 5"		1,317.50
Classified - 127 (daily) x 6 lines		245.00
5. Newport Daily Express	5,000	
CD - 34 x 2 column x 5"		1,275.00
6. Times Argus	13,000	
CD - 29 + 5(SU/RH) x 2 column x 5"		1,301.00
Classified - 147 x 25 words		362.50
7. Rutland Herald	25,000	
CD - 29 (+ 5 SU) x 2 column x 5"		1,650.00
Classified - 147 x 25 words		404.25
8. Valley News	8,300	
CD - 31 x 2 column x 5"		1,720.50
9. St. Albans Messenger	4,800	
CD - 31 x 2 column x 5"		1,587.20
		$15,115.98

(Cont.)

B. WEEKLY	Circulation	Cost
1. Town Crier		
(Brattleboro & Bellows Falls editions)	14,900	
CD - 20 wks x 2 column x 5"		$1,652.00
Classified - 20 x 25 words		121.00
2. World	28,600	
CD - 20 wks x 2 column x 5"		1,020.00
Classified - 20 wks x 25 words		137.50
3. Rutland Shopper		
CD - 20 wks x 2 column x 5"	17,500	1,176.00
4. News & Citizen/Transcript		
CD - 10 wks x 2 column x 5"	3,600	350.00
(Alternates wks with Hardwick Gazette)		
5. Hardwick Gazette		
CD - 10 wks x 2 column x 5"	3,100	255.00
(Alternates wks with News & Cit/Trans)		
6. Chronicle		
CD - 10 wks x 1 column x 5"	7,300	275.00
(Alternates wks with Weekly News)		
7. Weekly News		
CD - 10 wks x 1 column x 5"	3,000	237.50
(Alternates wks with Chronicle)		
		$5,223.00

(CONT)

II. INDUSTRY SPECIFIC PUBLICATIONS/MONTHLY	Circulation	Cost
1. People's Voice - bi-monthly Classified Display - 2 x 2 column x 5"	15,000	$ 50.00
2. VT Real Estate Showcase Display - 5 mo. x 1/2 page	30,000	675.00
3. Burlington Real Estate Guide Display - 5 mo. x 1/2 page	23,000	830.00
4. VT Homebuilders Display - 5 mo. x 1/8 page	350	155.00
5. VT Association of Realtors Display - 2 quarters x 1/4 page	4,600	141.00
	$ 1,851.00	

III. TELEVISION ADVERTISING (Schedule and allocation TBA)	$12,000.00

DAILIES	$15,115.98
WEEKLIES	5,223.00
INDUSTRY SPECIFIC/MONTHLY	1,851.00
TV	$12,000.00
TOTAL	$34,189.98

11.6 B. Advertising Flow Chart - FEB through JUNE 1988
DAILIES - Classified Display

Newspaper	Feb	Mar	Apr	May	Jun
Burlington Free Press (SA,SU)	SU 7 F 19 TH 11 TH 25 SA 13 SU 28 M 15	F 4 SU 20 SA 5 W 23 W 16 SA 26 TH 17 TH 31	F 1 F 15 SU 3 W 20 TH 7 SU 24 W 13 TH 28	F 6 TH 19 SA 7 SA 21 W 11 F 27 SU 15 SU 29	W 1 SU 19 SA 7 TH 23 SA 11 SA 25 W 15 W 29
Brattleboro Reformer (SA)	F 19 TH 11 W 24 SA 13 SA 27	F 4 F 18 SA 5 W 23 SA 12 SA 26	SA 2 TH 21 W 6 SA 23 SA 9 F 29	W 4 SA 21 SA 7 F 27 F 13 SA 28	W 1 SA 18 W 8 TH 23 SA 11 SA 25
Bennington Banner (SA)	Same schedule as BR				
Caledonian Record (SA)	Same schedule as BR				
Newport Daily Express	W 10 F 19 TH 11 W 24 W 17 F 26	W 2 F 18 F 4 W 23 W 9 TH 31 TH 10	W 6 W 20 F 9 F 22 W 18 TH 28 TH 14 F 29	W 11 TH 26 F 13 F 27 W 18 F 20	F 3 W 22 TH 9 F 24 F 10 TH 30 F 17
Rutland Herald (SA,SU)	F 19 TH 11 W 24 SA 13 SU 28	F 4 SU 20 SA 5 W 23 W 16 SA 26 TH 31	F 1 F 15 SU 3 W 20 TH 7 SU 24 SA 9 SA 30	F 6 TH 19 SA 7 SA 21 W 11 F 27 SA 14 M 30	W 1 SU 19 SA 7 TH 23 SA 11 SA 25
Times Argus (SA,SU)	Same schedule as RH				
Valley News (SA)	Same schedule as BR				
St. Albans Messenger (SA)	Same schedule as BR				

Burlington Free Press	- 39	insertions	= $3,868.48
Brattleboro Reformer	- 31	"	= 1,007.50
Bennington Banner	- 31	"	= 1,388.80
Caledonian Record	- 31	"	= 1,317.50
Newport Daily Express	- 34	"	= 1,275.00
Times Argus	- 34	"	= 1,301.00 (included in price is SU/RH)
Rutland Herald	- 34	"	= 1,650.00
Valley News	- 31	"	= 1,720.50
St. Albans Messenger	- 31	"	= 1,587.20
		TOTAL	$15,115.98

(CONT)

Advertising Flow Chart - FEB through JUNE 1988
WEEKLIES - Classified Display

Newspaper	Feb	Mar	Apr	May	Jun
Town Crier (Bellows Falls & Brattleboro)	W 17 W 24	W 2 W 23 W 9 W 30 W 16	W 6 W 20 W 13 W 27	W 4 W 18 W 11 W 25	W 1 W 22 W 8 W 29 W 15
Rutland Shopper	M 15 M 22 M 29	M 7 M 21 M 14 M 28	M 4 M 18 M 11 M 25	M 2 M 23 M 9 M 30 M 16	M 6 M 20 M 13 M 27
The World	Same schedule as TC				
News & Citizen/ Transcript	M 22	M 7 M 21	M 4 M 18	M 2 M 30 M 16	M 13 M 27
Hardwick Gazette	W 17	W 2 W 30 W 16	W 13 W 27	W 11 W 25	W 8 W 22
Chronicle	W 17	W 2 W 30 W 16	W 13 W 27	W 11 W 25	W 8 W 22
Weekly News	W 24	W 9 W 23	W 6 W 20	W 4 W 18	W 1 W 29 W 15

Town Crier	- 20	insertions	= $1,652.00
Rutland Shopper	- 20	"	= 1,176.00
The World	- 20	"	= 1,020.00
News & Citizen/Transcript	- 10	"	= 350.00
Hardwick Gazette	- 10	"	= 255.00
Chronicle	- 10	"	= 275.00
Weekly News	- 10	"	= 237.50
		TOTAL	$4,964.50

Advertising Flow Chart - FEB through JUNE 1988
MONTHLY & SPECIAL INTEREST - Classified Display

Newspaper	Feb	Mar	Apr	May	Jun
People's Voice (Bi-monthly)		10" $25		10" $25	
VT Real Estate Showcase (Monthly)	1/2 pg $135	1/2 pg $135	1/2 pg $135	1/2 pg $135	1/2 pg $135
Burlington Real Estate Guide (Mo)	1/2 pg $166	1/2 pg $166	1/2 pg $166	1/2 pg $166	1/2 pg $166
VT Homebuilders (Monthly)	1/8 pg $31	1/8 pg $31 W 16	1/8 pg $31	1/8 pg $31	1/8 pg $31
VT Association of Realtors (Qtrly)		1/4 pg $72			1/4 pg $69

People's Voice	- 2	insertions	= $ 50.00
VT Real Estate Showcase	- 5	"	= 675.00
Burlington Real Estate Guide	- 5	"	= 830.00
VT Homebuilders	- 5	"	= 155.00
VT Association of Realtors	- 2	"	= 141.00
		TOTAL	**$1,851.00**

testimonials were only run in real estate guides.

"As a single parent, it wouldn't have been possible for me to obtain a mortgage without the VHFA. The VHFA program has resulted in a warm feeling about a good place to live."

– *Barbara Goldman, South Burlington, VT*

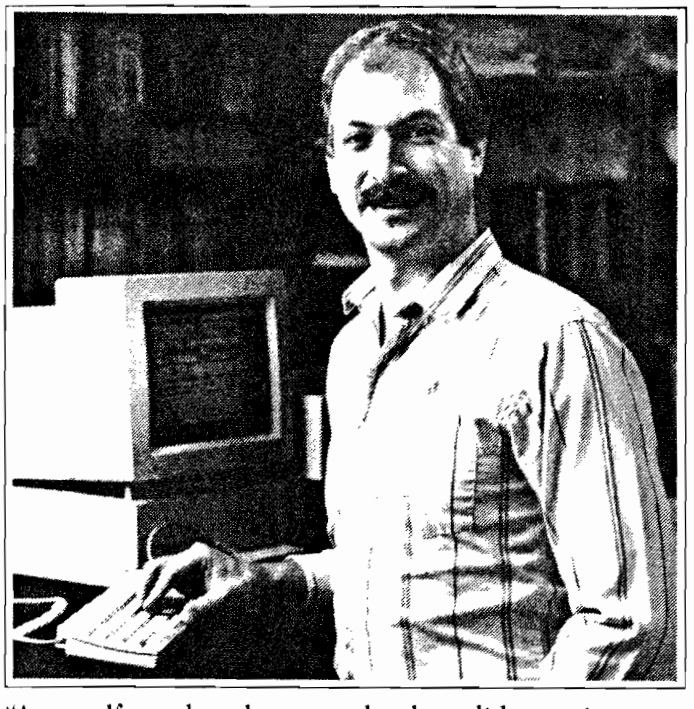
We've put more than 10,000 Vermonters into their first home.

Call today and let us help *you!*

864-5743 or toll free 1-800-222-VHFA

vhfa

VERMONT HOUSING FINANCE AGENCY



"As a self-employed person, lenders did not view me as a good credit risk. VHFA helped me work with my bank. Without the VHFA, I wouldn't own my own home today."

– *Steven Hirsch, Co-owner, The Mixing Board*

We've put more than 10,000 Vermonters into their first home.

Call today and let us help *you!*

864-5743 or toll free 1-800-222-VHFA

vhfa

VERMONT HOUSING FINANCE AGENCY

We've put more than 10,000 Vermonters into their first home.

Call today and let us help *you!*

864-5743 or
toll free 1-800-222-VHFA

vhfa

VERMONT HOUSING FINANCE AGENCY

Equal Housing Opportunity

VERMONT HOUSING FINANCE AGENCY

DATE: February 10, 1988

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Operations

RE: TRANSFER AND SALE OF DOGWOOD GLEN II

BACKGROUND

Over the past several months VHFA has been working closely with the Vermont State Housing Authority to help in their efforts to acquire Dogwood Glen II from Northfield Associates. This 20-unit project was financed by VHFA and is one of two at-risk properties located in Northfield and owned by Judson Babcock, General Partner.

The two parties have entered into a purchase and sale agreement setting the purchase price for Dogwood II at $680,000 plus an additional amount to be determined by the actual amounts in all project accounts in excess of $100,000 (not to exceed $20,000) at the time of closing.

PROPOSED TRANSFER AND SALE

VSHA has submitted a formal application requesting that we approve this transaction including the following conditions:

1. Assumption of the current mortgage totaling $417,000.

2. VHFA to provide $87,000 in additional financing to cover the gap between the purchase price/acquisition costs and the funds available from a $120,000 community improvement grant and assumed VHFA mortgage.

3. VHFA to allow $29,000 in project cost escrow funds to be used toward the purchase price.

4. VHFA approval to use $50,000 in surplus operating funds to be applied toward the purchase price.

5. VHFA waiver of the $4,170 mortgage assumption fee and $800 application fee.

6. VHFA approval that VSHA will be allowed the same $1,888 annual return on equity currently available to Northfield Associates under the Regulatory Agreement.

7. VSHA to provide VHFA with a working capital letter of credit in an amount equal to any additional surplus funds needed at closing, but not to exceed $20,000.

Additional information including a staff recommendation will be presented for discussion at Thursday's Board meeting.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Operations

SUBJECT: Increased Income Limits availability - MOVE and Mortgage Plus
Increased Purchase Price Limits for New Construction - MOVE

DATE: February 12, 1988

Income Limits

The U.S. Department of Housing and Urban Development (HUD) has published new Section 8 Income Limits from which the maximum income limits for the Mortgage Purchase Program (MOVE), and the Mortgage Credit Certificate Program (Mortgage Plus) are derived.

The new limits allow increases to our existing limits of from $920 in Grand Isle County to $3,240 in the Burlington MSA. Most of the increases are in the $2,100 to $2,800 range.

Staff is in the process of studying this situation in anticipation of a future recommendation to you.

Purchase Price Limit for New Construction

Under the most recently published Safe Harbor Limits, which were effective May 11, 1987, we have the ability to increase the new construction limit for the MOVE program to an amount substantially larger than our present limit. At the beginning of the program staff made a recommendation which was approved by the board that the new construction limit be set at $80,000.

Staff is studying the feasibility and effect of raising this limit in light of the rising housing costs and our desire to place the bond proceeds as rapidly as possible.

It is anticipated that a staff recommendation will be presented on both of the above issues at the March board meeting.

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VERMONT HOUSING FINANCE AGENCY

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

RE: FISCAL YEAR JUNE 1988 BUDGET ADJUSTMENTS

DATE: FEBRUARY 10, 1988

Pursuant to the discussion at the last board meeting, following is a reiteration of information provided regarding budget adjustments that staff is seeking for the current fiscal year.

The only changes from the last presentation that are included in budget now are: 1) under Fund Balance Transfers is the $185,000 cost for slow originations in the 1987A MOVE Program; and 2) under Consulting is the $10,000 approval for payment to Steve Kimbell for lobbying efforts to assist in the passage of S.160.

I have also included a new schedule showing the current approved budget, the adjustment requests as enumerated below, a third column showing the new budget including the requested adjustments, and a final column showing the operations through December 31st as a reference item.

1. **Miscellaneous Income.** In the original budgetary process, there was an oversight of the fact that the Guarantee Board would be reimbursing the Agency for data processing services. This amounts to approximately $3,000 a quarter or $12,000 for the year.

2. **Development Administrative Assistant.** Due to the increased activity and staffing in the Development area, staff feels that an additional administrative assistant is required to assist with word processing and secretarial functions. A starting date of March 1st would be expected with the cost of this position in wages and benefits estimated at $6,100 for the balance of the year.

3. **Salaries and Wages.** In the original budget, it was not contemplated that in replacing legal counsel we would have to increase the salary substantially. Also, based on the reorganization the new department heads will require some additional compensation to meet the expanded responsibilities that they are absorbing. In factoring this together, it is expected that there needs to be a budget increase of $15,000 for salaries and wages.

4. **Postage & Office Expense.** Increased staff size and higher than expected activity in the promotional efforts of the Agency relating to its programs demonstrates that increases in both these areas are necessary. An increase of $3,000 for postage and $6,000 for office expenses is needed.

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5. **Advertising & Promotion.** Continued attention is required in this area to assist in the placing of funds under the 1987A (MOVE) program. Since the mortgages originally were scheduled to be placed by this time, the budget has been mostly spent. An additional $37,000 has been preliminarily budgeted by Hollis to continue to advertise this program and hopefully cut our investment losses from unplaced funds. In addition, through oversight no budget was established for the New Homes Program. Funds have been expended in this area and staff was working with an assumed budget of $15,000. General advertising for help wanted ads, brochures etc. is expected to exceed original estimates by $4,000. Since the additional funds to the 1987A program are categorized as Cost of Issuance for the program, that share is shown under Fund Balance Transfers. The balance of the adjustment is under Advertising expense.

6. **Miscellaneous Expense.** The Agency has made a contibution to the YMCA so that employees could join at a discounted rate. The cost was $350 and we would like to amend the budget for that amount.

The changes requested above amount to an increase in income of 2%, a decrease in fund balance transfers of 1.7%, and an increase in expenses of 1.9%.

Capital Budget. In addition to the operating budget we had originally proposed a capital budget in the estimated amount of $50,000 for the year; this has subsequently been increased by $9,000 due to employee additions for computers and furniture. Increased usage of computer systems, more employees requiring computers and retrofit of space is expected to cost an additional $11,000 making a projected capital budget of $70,000 for the year.

If you have any questions or need clarification of any of these items, I will be available at your convenience.

RECOMMENDATION: Approval of operating and capital budget adjustments.

BUDGET ADJUSTMENT REPORT
VERMONT HOUSING FINANCE AGENCY
DECEMBER 31, 1987

	CURRENT APPROVED BUDGET	$ CHANGE BUDGET REQUESTED	REQUESTED AMENDED BUDGET	ACTUAL YR TO DATE 12/31/87
INCOME				
SINGLE FAMILY FEES	345,000	0	345,000	76,854
MULTI-FAMILY FEES	37,000	0	37,000	0
INTEREST INCOME	230,000	0	230,000	134,074
MISCELLANEOUS	2,500	12,000	14,500	7,265
TOTAL INCOME	614,500	12,000	626,500	218,193
FUND TRANSFERS				
LOANS TO LENDERS	150,000	0	150,000	150,000
SHAWMUT MTG PURCHASE	100,000	0	100,000	50,000
HOWARD MTG PURCHASE	1,750,000	0	1,750,000	500,000
HOWARD HOME MTG PURCH	(425,500)	(37,000)	(462,500)	(366,246)
HOWARD MULTI-FAMILY	430,000	0	430,000	200,000
CONN NATL MULTI-FAMILY	180,000	0	180,000	77,114
TOTAL TRANSFERS	2,184,500	(37,000)	2,147,500	610,868
TOTAL INC & TFRS	2,799,000	(25,000)	2,774,000	829,061
EXPENSES				
ADVERTISING & PROMOTION	50,000	19,000	69,000	35,275
AUDIT	20,000	0	20,000	20,000
ANNUAL REPORT	12,000	0	12,000	891
COMMISSIONERS EXPENSES	4,000	0	4,000	764
CONSULTING FEES	60,000	0	60,000	26,062
DUES & SUBSCRIPTIONS	19,500	0	19,500	9,385
INSURANCE	80,300	650	80,950	36,482
INTEREST EXPENSE	3,800	0	3,800	1,882
LEGAL	47,000	0	47,000	28,069
MISCELLANEOUS	2,500	350	2,850	2,477
OFFICE EXPENSES	18,000	6,000	24,000	12,106
PENSION PLAN	60,500	0	60,500	25,389
POSTAGE	15,000	3,000	18,000	8,688
RENT	65,100	0	65,100	31,976
REPAIRS & MAINTENANCE	30,000	0	30,000	12,722
SALARIES & WAGES	724,600	20,000	744,600	364,912
STAFF TRAVEL & TRAINING	56,000	0	56,000	23,774
SUBSIDY-HOUSE VT, ERH	1,027,000	0	1,027,000	7,133
TAXES-PAYROLL	51,650	350	52,000	30,727
TELEPHONE	30,000	0	30,000	11,877
TRUSTEE & CREDIT FEES	195,000	0	195,000	97,120
DEPRECIATION	58,000	0	58,000	27,300
TOTAL EXPENSES	2,629,950	49,350	2,679,300	815,011
INCREASE (DECREASE) TO FUND BALANCE	169,050	(74,350)	94,700	14,050

VERMONT HOUSING FINANCE AGENCY

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

RE: BONDING AUTHORITY CEILING

DATE: FEBRUARY 10, 1988

Currently, under our Statute, we have a ceiling of $500 million of bonding authority relating to outstanding bonds and notes. As of June 30, 1987 we had outstanding bonds and notes in the amount of $375 million. Since June 30th we bonded for the 1987A Home Mortgage Purchase Program in the amount of $28.7 million and have paid off debt through scheduled and special redemption calls in the amount of $42 million. This leaves us with an outstanding bond indebtedness at February 15, 1988 of $361.5 million.

As you know, there has been considerable pressure to Sunset Mortgage Revenue Bonds at December 31, 1988. If Sunset were to come to pass it is conceivable that HFA's would be looking to do some kind of large financing to carry them over for an extended period of time, given that financial and programmatic concerns are satisfied. This large issue would have to be done before the end of 1988. The Agency has a carryforward of $120 million of bonding authority and a current year allocation of $80 million. Therefore, it is possible, although not probable or likely, for us to offer a bond issue in the amount of $200 million. Since we would exceed our statutory authority to bond with an issue that size, we would not be able to pursue this option.

We would like the Board's consideration and thoughts as to the feasibility of pursuing an amendment to our Statute to enable us to bond to the full extent of our allowance. This would translate to a recommended amount of $600 million of statutory authority.

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VERMONT HOUSING FINANCE AGENCY

DATE: February 18, 1988

TO: VHFA Board of Commissioners

FROM: Samuel J. Falzone

RE: DOGWOOD GLEN II, TRANSFER AND SALE

Your Board packet includes a memorandum on the background and proposed terms for the transfer and sale of Judson Babcock's 20-unit Northfield property. Since the Board mailing, staff has completed a comprehensive review of this deal and feels that approval would provide the stability of long term affordability and establish a replicable model for future cooperation between VSHA and VHFA in dealing with the at-risk problem.

PROJECT DESCRIPTION

Dogwood Glen II contains 12 units of elderly and 8 units of family housing located in the town of Northfield. The property was occupied in June of 1979 and has 21 years remaining in HAP Contract Authority, representing $1,720,740 in tenant assistance payments. It is in very good physical condition and over the years has been able to generate $55,000 in surplus operating funds. The project cost escrow and replacement reserve accounts have another $58,000 in funds available to the project.

RECOMMENDATIONS

1. Approve the assumption of the current mortgage which has a balance of $417,931.

2. Provide $87,000 in additional financing at 8.25% from the General Fund Commitment Fee pool. This amount will amortize over the remaining 21-year term of the mortgage but be subject to a 5 year balloon. We expect that when VSHA becomes eligible, they will apply to the Trust Fund for loan approval in an amount sufficient to repay the balance of the General Fund portion of the mortgage.

3. Allow $29,000 of the project cost escrow to be used toward the purchase price.

4. Approve the use of $50,000 in surplus operating funds to be applied toward the purchase price. This will leave roughly $5,000 in the operating account as working capital, a comfortable margin going into the summer months.

5. Grant a waiver of both the $4,170 mortgage assumption fee and the $800 application fee as requested.

6. Allow VSHA the same $1,888 annual return on equity that was available to Northfield Associates under the Regulatory Agreement.

7. It is recommended that the Board authorize the Executive Director to issue a letter of commitment and, when satisfied that all conditions of the letter have been met, to execute all necessary documents in order to complete this transaction.

RESOLUTION PERTAINING TO THE SALE AND TRANSFER

OF DOGWOOD GLEN II TO VERMONT STATE HOUSING AUTHORITY

The Vermont Housing Finance Agency's Board of Commissioners hereby determines that:

WHEREAS Dogwood Glen II, a low income housing project in the town of Northfield, Vermont, represents a valuable housing resource; and

WHEREAS the proposed transfer and sale of the property to the Vermont State Housing Authority will ensure the long term availability of these units as affordable housing for low income families; and

WHEREAS the purchase price of $35,000 per unit is fair and supported by the appraisal report dated August 3, 1987; and

WHEREAS the Board recognizes that this transaction will occur on or about March 15, prior to the next regularly scheduled Board meeting;

NOW THEREFORE BE IT RESOLVED THAT the Executive Director is hereby authorized and directed to issue a Letter of Commitment approving the sale and transfer of Dogwood Glen II upon substantially the terms of financing set out in the recommendations presented to the Board. Upon satisfactory determination that conditions set forth in the Commitment Letter have been fulfilled, the Executive Director is further authorized to execute all necessary documents in order to complete the transaction substantially in accordance with the conditions contained in the Commitment Letter.

VERMONT HOUSING FINANCE AGENCY

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VERMONT HOUSING FINANCE AGENCY

TESTIMONY OF GLENN A. JARRETT,

GENERAL COUNSEL, VERMONT HOUSING FINANCE AGENCY,

RECOMMENDED CHANGES TO ENABLING LEGISLATION

The changes that VHFA is recommending are designed to enable the Agency to form a non-profit subsidiary to create and preserve affordable housing for Vermonters and to enable us to make so-called "silent" second mortgages to allow potential homebuyers who can afford monthly payments, but cannot afford the down payment and closing costs, to purchase a home. Here are section by section descriptions of the proposed changes.

Section 1. These changes were suggested by bond counsel recently. They arise from our desire to begin a pilot program of "silent" second mortgages to enable people who can afford monthly payments for a mortgage, but cannot afford the down payment or closing costs, to become homeowners. Bond counsel pointed out that our enabling legislation defines "mortgage" as a **first** lien. In order to permit the Agency to begin this pilot program, the statute will have to be changed.

Section 2. This change appears in the version of H. 401 suggested by the Joint Housing Study Committee. It would enable the Agency to be a member of Housing Vermont, the 501(c)(3) organization we are forming to help preserve at-risk housing and to create more affordable housing. The change would give VHFA the powers of a non-profit corporation as well as the powers of a for-profit corporation, since for-profit corporations are not explicitly allowed to invest in non-profit corporations, but non-profit corporations are.

Section 3. The Tax Reform Act of 1986 contained a sunset provision for Mortgage Revenue Bonds, VHFA's principal method of financing. The sunset is scheduled for December 31, 1988. While we were hopeful that Congress would extend that deadline, it now appears that an extension is not at all assured. VHFA is now contemplating what is, in essence, a large "shelf" issuance of mortgage revenue bonds before the end of 1988. That issuance would utilize the allowable bond volume the Agency has carried forward in the last two years, plus some or all of our 1988 volume cap. The total of that allowable volume, when added to our outstanding bond volume, would exceed the limit on our bonding authority contained in 10 V.S.A. section 631.

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VERMONT HOUSING FINANCE AGENCY

Section 4. One of the key ingredients in the plan to have Housing Vermont create and preserve affordable housing is the investment of money by Vermont banks in the Equity Fund, a limited partnership that would enable banks and other investors to utilize the Low Income Housing Tax Credits created by the 1986 Tax Reform Act.

Vermont Banking laws do not allow banks to invest in real estate either directly or indirectly, with certain exceptions not relevant here. For a time, we thought there might be an administrative solution to this problem, but Commissioner Babcock recently informed us that she felt a change in the law would be needed. We have drafted the language in this proposed addition together with the Department of Banking and Insurance and the Department supports the purpose of the addition as well.

Section 5. It is important to VHFA's plans to start Housing Vermont to have these enabling changes go into effect as soon as possible. Even a delay until July 1 might preclude some projects from taking advantage of the 1988 tax credits. Therefore, the Agency requests that this act be effective from passage.

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A bill to increase the availability of affordable housing by amending the Vermont Housing Finance Agency Act and chapter 57 of title 8, Vermont Statutes Annotated.

Sec. 1. 10 V.S.A. sec. 601 is amended to read:

(8) "Mortgage" means a mortgage deed, deed of trust, or other instrument which shall constitute a *[first]* lien on real property in fee simple or on a lease hold under a lease having a remaining term, at the time such mortgage is acquired, which does not expire for at least that number of years beyond the maturity date of the obligation secured by the mortgage as is equal to the number of years remaining until the maturity date of the obligation or on a cooperative interest or on an interest in a mobile home. "Mortgage" shall also include any mortgage or obligation guaranteed by the Vermont home mortgage guarantee board or its successor;

(10) "Mortgage loan" means and includes:

(A) an interest- bearing obligation secured by either a mortgage or note or bond constituting a *[first]* lien on land and improvements in the state;

* * *

Sec. 2. 10 V.S.A. sec. 621 is amended to read:

§ 621. GENERAL POWERS AND DUTIES

The agency shall have all of the powers necessary and convenient to carry out and effectuate the purposes and provisions of this chapter, including without limitation those general powers provided a business corporation by section 1852 of Title 11 and those general powers provided a nonprofit corporation by section 2352 of Title 11 and including, without limiting the generality of the foregoing, the power to:

(1) Make and execute contracts and all other instruments necessary or convenient for the exercise of its powers and functions under this chapter, including contracts and instruments which may be made and executed with the state or the United States or any agency or instrumentality of either of them or with private corporations or individuals, including contracts with mortgage lenders for the servicing of mortgages made or acquired by the agency pursuant to this chapter or for assistance rendered the agency in the location of all eligible mortgagees or to pay the reasonable value of services rendered to the agency pursuant to these contracts;

(2) Acquire real or personal property, or any interest therein, on either a temporary or long-term basis in its own name by gift, transfer, foreclosure, lease, pledge, assignment or otherwise, including rights or easements in real property; hold, sell, assign, lease, encumber, mortgage or otherwise dispose of any real or

personal property or any interest therein; hold, sell, assign or otherwise dispose of any mortgage lien interest owned by it or under its control, custody or in its possession; and release or relinquish any right, title, claim, lien, interest, easement or demand however acquired, including any equity or right of redemption in property foreclosed by it and to do any of the foregoing by public or private sale, with or without public bidding, notwithstanding the provisions of any other law;

(3) Receive and accept grants, aid or contributions, from any source, of money, property, labor or other things of value, to be held, used and applied or awarded to carry out the purposes of this chapter subject to the conditions upon which the grants, aid and contributions may be made, including, but not limited to gifts or grants from any agency or instrumentality of the United States or of this state for payment of rent supplements to eligible persons or families or for the payment in whole or in part of the interest expense of residential housing or for any other purpose consistent with this chapter;

(4) Provide, contract or arrange for consolidated processing of any aspect of the financing of residential housing under this chapter in order to avoid duplication thereof by either undertaking the processing in whole or in part on behalf of any department, agency, or instrumentality of the United States or of this state, or, in the alternative, to delegate the processing in whole or in part to any department, agency or instrumentality of the United States or of this state;

(5) Provide advice and technical information, including assistance in obtaining federal and state aid, as will assist the planning, construction, rehabilitation, and operation of residential housing, including but not limited to assistance in community development and organization, advisory services, the formation of mutual housing associations and to encourage community organizations to assist in developing same;

(6) Conduct research and promote development in housing, building technology, and related fields;

(7) Stimulate environmental planning for housing for persons of low and moderate income in order to enhance opportunities of such persons for self-development and employment;

(8) Procure insurance against any loss in connection with its property and other assets, including mortgages and mortgage loans, in such amounts and from such insurers as it deems desirable;

(9) Subject to any agreement with bondholders or noteholders, invest monies of the agency not required for immediate use, including proceeds from the sale of any bonds or notes, at the discretion of the agency in the same manner as permitted for investment of funds belonging to the state or held in the treasury;

(10) Include in any borrowing such amounts as may be deemed necessary by the agency to pay financing charges, interest on its obligations for a period not exceeding one year from their date, consultant advisory and legal fees, and such other expenses as are necessary or incident to such borrowing;

(11) Subject to any agreement with bondholders or noteholders, purchase bonds or notes of the agency out of any funds or money of the agency available therefor, and to hold, cancel or resell such bonds or notes;

(12) Make and publish rules and regulations respecting its housing programs and such other rules and regulations as are necessary to effectuate its corporate purposes;

(13) Borrow money and issue bonds and notes or other evidences of indebtedness thereof, issue mortgage credit certificates as hereinafter provided;

(14) Subject to any agreement with bondholders or noteholders, 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, mortgage loan commitment, contract or agreement of any kind to which the agency is a party;

(15) Procure or agree to the procurement of insurance or guarantees from the federal government of the payment of any bonds or notes or any other evidences of indebtedness thereof issued by the agency including the power to pay premiums on any such insurance;

(16) Purchase and enter into commitments to purchase eligible securities from mortgage lenders provided the proceeds of such purchase are reinvested by such mortgage lenders in new mortgage loans on residential housing for occupancy by persons and families of low and moderate income;

(17) Do any and all things necessary or convenient to effectuate the purposes and provisions of this chapter and to carry out its purposes and exercise the powers given and granted in this chapter;

(18) Make grants and loans or advances secured by a mortgage to housing sponsors;

(19) Make loans to members of a housing cooperative corporation to finance their cooperative interests in such housing cooperative corporation and make mortgage loans and loans to persons or families to finance mobile homes.

Sec. 3. 10 V.S.A. sec. 631 is amended to read:

(a)(1) The agency may issue its negotiable notes and bonds in such principal amount as the agency determines to be necessary to provide sufficient funds for achieving any of its corporate purposes, including the payment of interest on notes and bonds of the agency, establishment of reserves to secure the notes and bonds including the reserve funds created under section 632 of this title, and all other expenditures of the agency incident to and necessary or convenient to carry out its corporate purposes and powers. However, the bonds or notes of the agency outstanding at any one time shall not exceed *[$500,000,000.00]* $650,000,000.00.

Sec. 4. 8 V.S.A. sec. 1108 is added to read:

Notwithstanding any other provisions of this chapter, a bank may invest as a limited partner in a partnership, the sole purpose of which is, direct or indirect investment in, the acquisition, rehabilitation, or new construction of residential real estate intended to primarily benefit persons and families of low and moderate income throughout the period of the investment. Persons and families of low and moderate income shall have the same meaning as in Title 10, section 601(11), Vermont Statutes Annotated or any successor statute. The aggregate of any bank's

investments pursuant to this section shall not exceed two percent of the bank's total assets.

Sec. 5. EFFECTIVE DATE

This act shall take effect from passage.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: February 18, 1988

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

RE: POSITION ON AT-RISK BILL (S.279)

S.279, the so-called "At-Risk" bill, provides that owners of federally insured or subsidized multi-family rental projects: give residents or nonprofit organizations an option to purchase the project; give tenants a one-year notice of their intent to prepay the mortgage or terminate their subsidy contract; and requires that the project remain affordable if they do not sell to a nonprofit or the tenants. Incidentally, the Agency did not have any input into the drafting of this bill.

I have been asked to testify on this bill and I am reluctant to do so without the Board taking a position. The following outlines my concerns about the bill, supporting my recommendation that this issue be studied this summer by a statewide at-risk task force appointed by the Governor, with recommendations to the legislature next year.

1. I believe the bill is an overreaction to the current situation. The recently passed Federal Housing Act protects for one year those projects financed or insured by the Farmers' Home Administration (FmHA) or the Federal Housing Administration (FHA). Additionally, the bulk of the FHA projects in Vermont are owned by one group, with whom the Agency is currently discussing a possible sale of all their properties.

   Those projects which we financed that could prepay in the next year or two are not likely to do so, according to our analysis. Most are in market areas where Section 8 rents are far higher than market rents. Additionally, in virtually every case the owner would be unable to terminate his Section 8 contract without the Contract Administrator's (VSHA and/or VHFA) permission. I have had personal conversations with many of these owners and am unaware of <u>any</u> who are seriously considering leaving the program.

2. The concept of restricting an owner's ability to prepay a mortgage and/or terminate a HAP Contract without giving a year's notice is clearly a violation of existing contracts and understandings. Property values can be greatly affected during the year's notice period due to changes in interest rates, etc.

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TO THE HONORABLE SENATE

The Committee on General Affairs to which was referred Senate Bill S.279, entitled "AN ACT RELATING TO FEDERALLY SUBSIDIZED RENTAL HOUSING PROJECTS"

respectfully report that they have considered the same and recommend that the bill be amended by striking all after the enacting clause and inserting in lieu thereof the following:

Sec. 1. 10 V.S.A. chapter 28 is added to read:

CHAPTER 28. AFFORDABLE HOUSING

§ 671. POLICY AND PURPOSE

(a) The general assembly finds and declares that a serious public emergency exists throughout the state created by the conversion of multi-family rental housing projects, constructed or substantially rehabilitated under a federal or state mortgage insurance or loan program, into market-rate condominium, cooperative, or rental housing, or even to nonhousing use. Such projects have been affordable to low and moderate income tenants by virtue of below-market financing costs, rental assistance subsidies, and rent stabilization provisions required or provided with the mortgage insurance or loans. The loss of these affordable housing resources, and the displacement of tenants therefrom, is occurring at a time when the housing shortage for low and moderate income people and

families is acute and increasing, due to the lack of sufficient new subsidized housing production, to prolonged increases in housing costs at a rate substantially exceeding increases in personal income, and to depletion of the existing rental housing supply through conversion. Unless the available stock of such multi-family rental housing, and the tenants who reside therein, are further protected from the loss of favorable financing, rental assistance, and rent stabilization, existing housing emergency conditions will be exacerbated, posing a serious threat to the public health, safety, and general welfare of substantial numbers of citizens throughout the state of Vermont, particularly persons and families of low and moderate income.

(b) The general assembly therefore endorses efforts by governmental agencies and others to encourage voluntary commitments on the part of owners of federally or state-financed multi-family rental housing projects to maintain affordability of these projects for at least the expected term of the original mortgage or to otherwise preserve affordable rents. If voluntary commitments cannot be obtained and enforced, the general assembly hereby enacts this chapter to preserve the affordability of multi-family rental housing projects.

§ 672. APPLICABILITY; WAIVER

(a) The provisions of this chapter shall apply to all multi-family rental housing projects in the state of Vermont constructed or substantially rehabilitated pursuant to a federal or state tax credit, mortgage insurance, or multi-family loan program.

(b) The provisions of this chapter may be waived in writing by the department if the owner of any such project executes a binding commitment in writing, in a form satisfactory to the department, to preserve the same degree of affordability of the project as existed on July 1, 1988 or when the project was originally put in service, whichever is later. Such waiver shall continue in effect for as long as the owner's commitment is observed. Such waiver and commitment shall be binding on successors to the interest of the owner of the property, shall constitute a lien on the property, and shall be recorded as such in the land records of the municipality in which the property is located. If such commitment is held to be not binding on the owner, the waiver shall expire and the provisions of this chapter shall apply.

§ 673. DEFINITIONS

As used in this chapter, the following words shall, unless the context clearly requires otherwise, have the following meanings:

(1) "Department" means the department of housing and community affairs of the agency of development and community affairs.

(2) "Housing replacement agreement" means a contract between the state of Vermont and the owner of a multi-family rental housing project that defines the terms and conditions under which the owner will meet his or her housing replacement obligation.

(3) "Lower income families or persons" and "very low income families or persons" mean families or persons whose incomes do not exceed the respective levels established for lower income families and very low income families under Section 3(b)(2) of the United States Housing Act of 1937 or by the federal department of housing and urban development.

(4) "Moderate income families or persons" means families or persons whose incomes are between 80 percent and 100 percent of median income for the area, as determined by the federal department of housing and urban development.

(5) "Multi-family rental housing project" means a building or buildings under common ownership and containing five or more rental units that received governmental assistance under a federal or state tax credit, mortgage insurance, or multi-family loan program.

(6) A "federal or state tax credit, mortgage insurance, or multi-family loan program" shall mean:

(A) new construction, substantial rehabilitation, moderate rehabilitation, and loan management set-aside programs under Section 8 of the United States Housing Act of 1937, as amended (42 U.S.C. 1437f);

(B) programs under the following sections of the National Housing Act, Section 23 (42 U.S.C. 1421b), Section 221 (d)(3) or (d)(4) (12 U.S.C. 17151(d)(3) or (d)(4)), Section 236 (12 U.S.C. 1715z-1) and Section 202 (12 U.S.C. 1708);

(C) programs under Section 515 of the Housing Act of 1949 (42 U.S.C. 1485); or

(D) low income housing tax credit programs under the Federal Tax Reform Act of 1986, 26 U.S.C. Sections 42 and 146.

(7) "Prepayment" means payment of outstanding debt on a loan issued pursuant to a federal or state mortgage insurance or multi-family loan program, prior to the maturity date of said loan.

(8) "Qualified nonprofit organization" means a limited equity housing cooperative or other nonprofit corporation with tax-exempt status under Section 170(c) of the Internal Revenue Code of 1986, certified by the department according to the procedures set forth in section 675 of this chapter.

(9) "Qualified public agency" means a public housing agency or municipality certified by the department according to the procedures set forth in section 675 of this chapter.

(10) "Subsidy contract" means a contract under which housing assistance payments are made to the owner of a multi-family rental housing project by a governmental agency in order to maintain rents affordable by very low income, lower income or moderate income families or persons.

(11) "Termination" of a subsidy contract means termination, cancellation, or nonrenewal of any such contract.

§ 674. NOTICE OF INTENT TO PREPAY

( ) Preliminary Notice. Any owner of a multi-family rental housing project subject to this chapter shall, at least 395 days prior to the anticipated termination of a subsidy contract or mortgage prepayment, file with the department a preliminary notice of intent to prepay. No termination or prepayment shall be made during the applicable notice period.

(b) Public notice.

(1) Within 14 days of receipt of the preliminary notice, the department shall notify the owner of the information which must be contained in a public notice of intent to prepay. The department may require disclosure of any reasonable and relevant information, including but not limited to:

(A) information regarding current property financing and subsidy arrangements, previous capital expenditures, outstanding liens, annual rental income and expenses, monthly rental charges, physical conditions, the method and term of depreciation utilized for tax purposes, and an anonymous profile of tenant incomes and rental charges by family and bedroom size; and

(B) a description of the owner's plans for continued operation or disposition of the property;

(C) an invitation to the tenants, to the local government, and to local nonprofit corporations, to submit written comments to the department not later than 45 days following receipt of such notice. Such comments may include, but may not be limited to:

(i) facts regarding the impact of the proposed action on the tenants residing in the property and on the supply of affordable housing existing within the locality;

(ii) expressions of interest by the tenants, nonprofit organizations, or a public housing agency in acquiring the property or a portion thereof in the event that it is offered for sale; and

(iii) indications of any local resources or assistance that may be available to facilitate retention of the project's low and moderate income tenants under existing or alternative ownership arrangements;

(2) Within 1 days of receipt of the department's notice requirements, the owner shall issue a public notice of intent to prepay, containing all information required by the department. Such notice shall be sent to the department, to the local government, the lender, and each tenant residing in the property, at least 365 days prior to the proposed termination or prepayment, or at such earlier date as may be required by applicable federal law or regulations.

(c) Informational meeting. Within 15 days of issuance of the public notice, the department shall conduct an informational meeting at the project site. All tenants, potentially interested nonprofit organizations, public housing agencies, and the municipality in which the project is located shall be invited.

(d) Notice of assistance. Upon completion of the 45 day comment period, the department shall notify all parties that responded to the public notice of assistance available to tenants, nonprofit organizations, and public agencies that participate in an effort to purchase the project in question.

§ 675. CERTIFICATION OF A QUALIFIED NONPROFIT ORGANIZATION OR PUBLIC AGENCY

(a) After the comment period the department shall assist the tenants, interested nonprofit organizations and public agencies and may certify an appropriate buyer for the project.

(b) The department shall evaluate the following characteristics in determining which organization or agency to certify as buyer.

(1) the buyer has an ability and willingness to incorporate the tenants' interests and needs in the areas of ownership, management and maintenance into project design and operation;

(2) the buyer has or can obtain the administrative capacity to develop, own and manage the project;

(3) the buyer is able to build a consensus around community housing needs and a commitment to develop, rehabilitate, or preserve housing which is perpetually affordable;

(4) the buyer is acceptable to the federal, state or local agency administering any subsidy contracts or holding a mortgage on the project;

(5) the buyer has, or can obtain within a reasonable period of time, a firm commitment from a lender for permanent financing for the project.

(c) At the expiration of 180 days following notice of intent to prepay under section 674(a), of this title the department shall either certify a qualified nonprofit organization or public agency as buyer, or notify the tenants that an additional period is needed to complete the certification process. An additional period of no more than 30 days shall be allowed to the department in which to attempt to certify a buyer under this section. Failure to certify a buyer after the expiration of 210 days following notice of intent to prepay shall relieve the owner of the obligation to sell to a certified buyer under section 676 of this title.

§ 676. SALE TO CERTIFIED BUYER

(a) Within 30 days after a buyer has been certified by the department, the owner shall offer to sell the project to the certified buyer. The offer shall be made in good faith in a proposed purchase and sale agreement acceptable to the department and include a purchase price that is no greater than fair market value.

(b) Fair market value shall be determined by two independent appraisers, one selected by the prospective buyer and one by the owner. If after these appraisals the owner and buyer fail to agree on the property's fair market value the owner shall be entitled to a hearing in the superior court of the district in which the property is located to determine the necessity for the taking of the owner's property for a public purpose under this chapter and for a

determination of the amount of compensation due the owner. All applicable procedures for the condemnation of property for hig ways under chapte: 5 of Title 19 shall apply.

(c) The requirements of this section shall not apply to:

(1) a sale of a project for which a waiver has been granted by the department under section 672 of this title; or

(2) a sale to anyone occurring 210 days after the notice of intent under section 674 of this title if no qualified buyer has been certified by the department by that date; or

(3) a prepayment which is a refinancing without a sale und·r the terms and conditions for maintenance of affordable housing nits provided by section 678 of this title.

§ 677. GRANTS AND TECHNICAL ASSISTANCE; TENANT PURCHASE OF PROJECTS

(a) The department shall provide financial assistance in the form of a grant to tenants, or a qualified nonprofit organization or public agency, where in the discretion of the commissioner such a grant will facilitate a purchase of the project. Such a grant shall be used to develop the capacity to purchase and operate the project in a way that will combine tenants, community and organizational needs and resources. Such grant may also be used to cover project development costs and other related costs.

(b) If a qualified nonprofit organization or pub ic agency reaches agreement with the owner to purchase of the project and is ready, willing and able to sign an option or purchase and sale agreement on the project, the department may provide a grant for some or all of the earnest money deposit needed.

§ 678. PREPAYMENT WITHOUT SALE

(a) If an owner prepays a mortgage, as "prepayment" is defined under section 673(6) of this title, or terminates a subsidy contract, as "subsidy contract" is defined under section 673(9) of this title, but does not sell the project to a buyer certified by the department nor realize a gain after a sale or conveyance to a buyer not certified by the department, the owner shall demonstrate to the department that 80 percent of the units will be available and affordable for the term of the original mortgage to the same proportions of very low income, lower income, and moderate income persons or families as resided in the project on the date 365 days prior to prepayment.

(b) If less than 80 percent of the units remain available and affordable as required above, for each unit that is not retained as affordable the owner shall execute a housing replacement agreement with the department. The housing replacement agreement shall be recorded in the land records of the municipality in which the project is located. Under said agreement, the owner shall replace any units which become unavailable or unaffordable, either by creating new units, by contributing to the housing and conservation trust fund established by Title 15, or by a combination of both remedies.

(c) The department shall issue regulations regarding methods by which the owner can replace unaffordable units and how the owner may satisfy its obligations under the housing replacement agreement.

(d) Any tenant involuntarily displaced by the owner's prepayment or termination action shall be paid by the owner the actual documented cost of relocation, not to exceed $1,000.00, payable within 30 days after the tenant vacates the unit.

(e) An owner shall not willfully cause a tenant to vacate a dwelling unit or to be evicted from the unit without good cause in contemplation of prepayment or termination.

§ 679. ADMINISTRATION

The department shall administer this chapter and promulgate rules for this purpose under chapter 25 of Title 3.

§ 680. PENALTIES AND REMEDIES

(a) Civil remedies. A violation of this chapter is deemed to be a violation of section 2453 of Title 9, and is subject to all rights, obligations and penalties provided under chapter 63 of Title 9.

(b) Criminal penalties. Any owner who acts in violation of any provision of this chapter, or any rule or regulation promulgated by the department may be punished by a fine of not less than $5,000.00, or by imprisonment of not less than three months. A separate offense is established for each unit for which the owner fails to comply with the provisions of this chapter.

Sec. 2. APPROPRIATION

(a) The amount of $750,000.00 is appropriated from the municipal and regional planning fund to the department of housing and community affairs for the administration of this act.

(b) One new classified position: housing program coordinator is authorized on the department of housing and community affairs in fiscal year 1989.

Sec. 3. EFFECTIVE D. TE

This act shall take effect upon passage.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

DATE: February 18, 1988

TO: VHFA Board of Commissioners

FROM: Michael Richardson

RE: POTENTIAL HOUSING VERMONT PROJECT

There are several project possibilities for Housing Vermont in 1988. While it is still premature to discuss most of them at this point, I would like to draw your attention to one. This would be an acquisition of two Section 8 subsidized properties (88 family units) in Burlington's King Street neighborhood, immediately adjacent to the central business district.

The projects were developed by the Pizzagalli Company in 1981 and 1983. They have offered to sell for $5,500,000. We are currently assessing that offer and may determine that a counter-offer should be made; contingent, of course, upon future approval by the Housing Vermont Board and the partners of the Vermont Equity Fund. In all likelihood there will be a gap between what the project will be able to sustain and the asking price. The gap could amount to as much as $300,000, or approximately $3,400 per unit.

There are several attractive features to such a transaction. The location of the project insures that at some future date the units will be converted to market rate housing. The terms of the Section 8 subsidies require 24 and 22 years, respectively, of continued affordability. Were the property to be owned by a non-profit when these subsidies terminated, continued affordability in an area of very high demand would be assured. Finally, by acquiring so many existing units, Housing Vermont could advance the date at which it becomes self-sustaining.

On the other hand, the projects are not at immediate risk. The owner must continue to operate the properties as Section 8 units throughout the subsidy terms. They have told us that their decision must be to either sell now or hold the properties for their residual value after the use restrictions lapse. We will be seeking Board guidance as to whether to continue negotiations or not. No final commitment can be made, of course, until we understand al the facts and circumstances and have brought these before you at a subsequent Board meeting.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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VERMONT HOUSING FINANCE AGENCY

March 7, 1988

Ms. Jean Gauthier
Pavilion Office Building
109 State Street
Montpelier, VT 05602

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its monthly Board Meeting on Thursday, March 17, 1988, at 1:30 p.m., at the Office of the Commissioner of Banking and Insurance, 89 Main Street, Montpelier, Vermont.

If you have any questions or require any additional information, please do not hesitate to contact me.

Sincerely,

Barbara M. Parker

Barbara M. Parker
Office Manager

/bp

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802 864-5743 • 1-800/222-VHFA

APPOINTMENT

I, Elbert G. Moulton, Secretary of the Agency of Development and Community Affairs, pursuant to 10 V.S.A. Section 611 (b), hereby appoint Steve Holmes, Commissioner of Housing and Community Affairs, as my designee to serve as Commissioner of the Vermont Housing Finance Agency for purposes of the Agency meeting to be held on March 17, 1988, or any adjourned session thereof. In this capacity, I specifically authorize Steve Holmes to act in my stead on all matters which may properly come before the Agency for disposition at said meetings.

This designation shall remain in effect until revoked by me in writing, or suspended during my personal attendance at or participation in the March 17, 1988 meeting of the Vermont Housing Finance Agency.

DATED at Montpelier, Vermont, this 7 day of March, 1988.

Elbert G. Muolton
Secretary

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: March 10, 1988

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt

RE: CONFIRMATION AND AGENDA FOR UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners' meeting has been confirmed. It will be held on Thursday, March 17, 1988, at 1:30 p.m., at the office of the Commissioner of Banking and Insurance, 89 Main Street, Burlington, Vermont

If you need any further information regarding the upcoming Board meeting, please feel free to contact me. I look forward to seeing you March 17.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

Office of the Commissioner
of Banking and Insurance
89 Main Street
Montpelier, Vermont

Thursday, March 17, 1988 at 1:30 p.m.

1. Review and approval of minutes of February 18, 1988
2. Executive Director's Report
3. Operations
   - A. 1987A MOVE Update **[Lothrop//Enclosure]**
     - a. Discussion and possible action on increasing MOVE income and purchase price limits
     - b. Update on financing closing costs
     - c. Quarterly Update of Loan Delivery Schedule
   - B. VHFA/Farmers' Home Update **[Lothrop]**
4. Discussion and recommendation on New Homes program **[Crady//Enclosure]**
5. Initial Discussion of Agency Three-Year Business Plan **[Hunt//Enclosure]**
6. Legislative Update **[Jarrett]**
7. Other old or new business to come before the Board

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont
Thursday, February 18, 1988

Present: Commissioners Shaw, Hebard, Babcock, Seelig, Eldridge (designee of Elbert Moulton), Myette and Hahn; Agency Staff Mr. Hunt, Mr. Schoenbeck, Mr. Jarrett, Mrs. Parker, Mr. Lothrop, Ms. Pond, Mr. Richardson, Mr. Falzone, Ms. Hope; Ms. Wadsworth of VHMGB

The meeting was called to order at 1:35 p.m. by Chairman Shaw.

Upon a motion duly made and seconded, the minutes of the January 21 meeting were unanimously accepted as written.

Mr. Hunt then presented his Director's Report, and informed the Board that the reorganization is progressing; all staff will be attending a Management Styles Workshop February 26. He also reported that the Business Plan had been received, but staff is reviewing and revising it prior to presentation to the Board. A draft of the Business Plan will be included in the March Board packet. Mr. Hunt then distributed copies of the Annual Report to the Board, and explained that the report had been delivered to the Governor and the legislature; approximately 700 copies will be mailed before the end of February. He then turned to the issue of the Mortgage Revenue Bond (MRB) Sunset Campaign, and explained that a packet of information is being compiled on the effectiveness of MRB's. Mr. Hunt and Ms. Hope will be attending the annual National Legislative Conference in Washington, D.C., March 21-22, and will meet with Senators Stafford and Leahy, and Representative Jeffords, to urge their support of this bill.

Ms. Hope then presented her "Marketing Plan for the MOVE Program," as detailed in her memo of 02/11 and included in the Board packet. She explained to the Board that the premise is to educate potential borrowers regarding affordable homes that are available, and how to qualify. Mr. Shaw then asked how the $8,000 per month marketing cost compares with the amount lost by not investing these funds, and Mr. Schoenbeck explained that the monthly loss was approximately $25,000; Mr. Shaw commented that it was a good comparison. A brief discussion of the marketing plan followed, during which Ms. Hope informed the Board that she would be appearing on "Across the Fence" February 19, discussing

Agency programs, and that several workshops are being scheduled at community centers. As Mr. Hunt assured Mr. Shaw that no Board action was necessary, the Board then moved on to the next agenda topic.

Mr. Falzone distributed and reviewed his memorandum, "Dogwood Glen II - Transfer and Sale," and a proposed Resolution regarding the same for the Board's review. A brief discussion of the transaction followed, during which Mr. Hahn stated his opinion that public agencies should not end up owning projects, and he further cautioned the Board that a precedent may be developing. Mr. Seelig added a further caution that the closing is dependent upon the Trust Fund and eligibility. After a further discussion on why Vermont State Housing Authority (VSHA) is purchasing the project, rather than Housing Foundation, Inc. (HFI), and after a motion duly made and seconded, it was decided to table a decision until further details were available. Mr. Falzone was instructed to research the matter further while the Board meeting continued, and report to the Board later in the meeting.

Mr. Lothrop then briefly explained to the Board that further details on his memo, "Increased Income Limits - MOVE and Mortgage Plus; Increased Purchase Price Limits for New Construction - MOVE," as well as specific recommendations, would be provided to the Board for the March Board meeting.

The Board then turned to the next agenda item, which was the review of the 1987 Budget. Mr. Schoenbeck briefly explained the budget updates and revisions as detailed in his memo, "Fiscal Year June 88 Budget Adjustments," included in the Board packet. After a motion duly made and seconded, the Board voted unanimously to accept the revised budget.

Mr. Schoenbeck then led the Board in a discussion on the "Bonding Authority Ceiling," as per his memo of February 10, included in the Board packet. It was emphasized that a change in the bond authority ceiling does not necessarily mean that the Agency is obligated to issue bonds to meet the higher limit. Mr. Shaw inquired if a rider on existing legislation would be necessary, and was informed by Mr. Hunt that the Agency's underwriters have reviewed the proposal and determined that various legislative changes would be necessary. Mr. Hebard cautioned the Board that as the legislature is overscheduled this year, any non-essential legislative changes should not be introduced. After a motion duly made and seconded, the Board voted unanimously to have staff pursue raising the Bonding Authority Ceiling through legislative channels.

A motion was then made, seconded, and unanimously agreed to take from the table the discussion regarding Dogwood Glen II. Mr. Falzone then informed the Board that his further research had determined that HFI is a nonprofit, and is subject to a property transfer tax, while VSHA is not. Mr. Hunt then made a recommendation that the Board agree to lend the transfer tax costs if necessary, and go with HFI as the purchaser. A motion was then duly made and seconded that the Resolution be accepted, with the understanding that the executive director agree to finance the transfer tax if necessary, including it in the commitment letter, and with HFI as the purchaser; this motion passed unanimously.

Mr. Jarrett then presented the Board with an update on legislative issues related to the Agency, and distributed a copy of his "Testimony: Recommended Changes to Enabling Legislation." Mr. Shaw inquired as to the meaning of the term "silent second" and Mr. Jarrett explained that it meant a non-amortizing second loan payable upon sale.

Mr. Hunt then distributed his memo, "Position on At-Risk Bill (S.279)," and recommended that the Board support the proposal in concept, but request a delay of the bill and a broad-based study over the summer. Mr. Seelig stated his opinion that the bill is an important piece of legislation. A lengthy discussion followed, during which Mr. Hebard recommended and staff agreed to sending a draft of the bill to bond counsel for their review. Mr. Hunt cautioned, however, that the issue is more likely to be with the rating agencies than with the bond counsel. Mr. Shaw then asked if it would be possible to delay Board action, but was informed by Mr. Hunt that staff has been asked to testify before the Senate General Affairs Committee regarding this bill. A motion was duly made and seconded to support the bill as currently written, and have staff report any changes or updates at the next Board meeting, or earlier if necessary. The motion passed, with Mr. Hebard and Mr. Myette opposed, and the Chairman not voting. A further motion was made and seconded to send the bill to bond counsel for review, and was agreed to unanimously.

Mr. Hunt then requested that the Board select and appoint a representative of the Agency to testify February 19 on the at-risk bill. Mr. Hahn suggested that an indication of the Board's action be sent to the decision makers in the form of a letter; there was general agreement to this proposal, but no vote was taken. Mr. Seelig indicated his willingness to testify February 19, and Mr. Shaw advised that Mr. Jarrett should also attend the hearing.

The Board then returned to Mr. Jarrett's memo regarding changes in enabling legislation. A motion was duly made and

seconded to support the proposed statutory changes; this motion passed unanimously.

Mr. Jarrett then updated the Board on the latest events in the Bobbin Mill case, and assured the Board that no suit has been brought against the Bobbin Mill yet. Mr. Jarrett then left the Board meeting because as the Agency's attorney in the potential litigation against the Bobbin Mill Company, he is staying apart from any negotiations regarding purchase of the project. Mr. Hunt distributed a memo from Mr. Richardson, "Potential 'Housing Vermont' Project," and asked the Board for a decision on whether this project would be worth pursuing. After a brief discussion, a motion was duly made, seconded, and unanimously agreed to that staff should continue negotiations on this project and seek participation from the Vermont Housing and Conservation Trust Fund.

The meeting was adjourned at 4:10.

Respectfully submitted,

Allan S. Hunt
Secretary

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Operations

SUBJECT: Increased Income Limits - MOVE and Mortgage Plus
Increased Purchase Price Limits for new construction - MOVE

DATE: March 10, 1988

At the last board meeting I indicated to you that staff would be preparing a recommendation on increasing the Income Limits for the MOVE and Mortgage Plus program and the new construction maximum purchase price for MOVE. I have listed on Attachment A the effect the allowable increase would have on a by-county basis and I have also listed the present new construction purchase price and the maximum limit allowable.

Based on statistics from the Vermont Department of Taxes and the Vermont Housing Needs Analysis-Summary Report it is my estimate that the increased income limits have the ability to affect a total of 6,341 families in the $30,000 to $39,999 income range. Of the number of families in this income range, 87% or 5,508 families already own a home and, I assumed that a majority of them would probably not be in the housing market.

Based on the above analysis, this would leave a total of 833 potential new users of our program, all at the upper end of the income scale.

The following additional points were considered in making our recommendation.

1. Changes to income and purchase price limits tends to cause confusion in the marketplace.
2. VHFA should be attempting to reach down to lower income groups, not up to higher ones.
3. One of the major criticisms of mortgage revenue bond programs is they only help the higher income groups. We are participating in a national campaign to eliminate the sunset of mortgage revenue bonds and increasing income limits at this time would not be wise.
4. We have in place a marketing plan to bring the MOVE program to a successful close.
5. MOVE seems to be progressing satisfactorily at the present time, even with falling interest rates.

In addressing the alternative of increasing the new home purchase price limit for the MOVE program, staff considered the average acquisition cost for newly constructed homes that have been purchased through the MOVE and New Homes Program to date. As of March 4th, these figures were roughly $61,000 and $59,000 respectively, which are well below the present limit. Out of the

total of 315 loans purchased or committed, less than 10%, or 30 loans, were for new construction.

Recommended Action

Based on the findings as illustrated above, staff recommends that the income limits and acquisition cost limits for the MOVE program not be changed at this time. It is felt by staff that the negative impact of these changes at this time outweigh any benefits that might be gained.

Attachment A

Increased Income Limits

Effective January 15, 1988 HUD has issued new median income limits on which both MOVE and Mortgage Plus income limits are based. The net effect of the new limits would be to increase the income levels which would be allowed under both MOVE and Mortgage Plus. The hypothesis is that by adopting the new higher levels, more Vermonters would be eligible for VHFA financing. The chart below indicates by county the old and new levels along with the net change.

County	Old Limit	New Limit	Net Change
Addison	$29,095	$31,280	+$2,185
Bennington	30,360	32,545	+ 2,185
Burlington (MSA)	37,720	40,940	+ 3,220
Caledonia	33,320	35,560	+ 2,240
Chittenden	35,880	38,870	+ 2,990
Essex	31,360	33,460	+ 2,100
Franklin	34,580	36,680	+ 2,100
Grand Isle	26,220	27,140	+ 920
Lamoille	34,580	36,820	+ 2,240
Orange	32,060	33,460	+ 1,400
Orleans	31,360	33,460	+ 2,100
Rutland	37,380	40,040	+ 2,660
Washington	36,260	39,060	+ 2,800
Windham	36,120	38,780	+ 2,660
Windsor	32,085	34,270	+ 2,185

New Construction Purchase Price Limit

Present Limit	Maximum Available Limit
$80,000	$87,500

This change would be for MOVE only as the limit for Mortgage Plus was increased to $87,500 at the start of our new issue on January 1, 1988.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Operations DRL

SUBJECT: Reducing equity downpayment requirement on mortgage loans to allow for financing of an amount equivalent to a 95% loan plus closing costs

DATE: March 10, 1988

VHFA is constantly gathering information from the marketplace to determine what factors are present that a low-to-moderate Vermont family must hurdle in order to gain the benefits of homeownership. This information is obtained from realtors, lenders, hot line callers, and other shelter industry participants.

The first obstacle to homeownership is the cost of buying or building a house, and the second is the inability of a family to save funds to afford the minimum downpayment along with the necessary closing costs.

The Vermont Home Mortgage Guarantee Board has agreed to a pilot program in Guarantee cooperation with VHFA to guarantee loans of a higher loan to value ratio than 95%, up to a total guarantee exposure of $2,000,000. Based on the present average purchase price of a home in our 1987A mortgage purchase program of $56,614, this will allow 100+ applicants to own a home that they otherwise would not be able to purchase.

For control and marketing purposes we are allowing an amount equivalent to the closing costs to be included in the mortgage. An example of how this would effect the amount of funds necessary to purchase a home and the conditions attached is illustrated by the example below.

	Pilot	Present
Purchase Price	$75,000	$75,000
Equity Downpayment (5% of purchase price)	3,750	3,750
Closing Costs	2,700	2,700
Cash Requirement	3,750	6,450
Loan Amount	73,950	71,250
Loan to Value Ratio	98.6%	95%

The following conditions would be placed on qualifying borrowers for this pilot program:

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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1. The amount of the mortgage loan may not exceed 100% of the acquisition cost of the property.

2. Liquid assets of the borrower may not be more than 125% of the total of closing costs and 5% of the purchase price.

VHMGB will issue a guarantee in an amount sufficient to bring our exposure down to the required 75% level, as long as the loan amount does not exceed the appraised value or purchase price, whichever is less.

This pilot program will assist us in determining the degree to which the inability to save the amount of funds necessary to purchase a home prevent otherwise very qualified borrowers from obtaining home ownership.

RECOMMENDATION

That the board approve VHFA's participation in the pilot program and approve the attached amendment to the Procedural Guide in effect for the 1987A Mortgage Purchase Program.

AMENDMENT TO
VERMONT HOUSING FINANCE AGENCY
MORTGAGE PURCHASE PROGRAM
PROCEDURAL GUIDE

MAILING DATE: March 18, 1988

EFFECTIVE DATE: March 28, 1988 [Ten days after mailing date]

For mortgage loans purchased after the Effective Date, Section B.2.2.B. of Vermont Housing Finance Agency Procedural Guide is amended to read as follows:

B. DOWN PAYMENT REQUIREMENTS

A minimum equity down payment of five percent (5%) of the value of the property is required for all mortgage loans with the exception of the following:

(i) The cost to the Mortgagor of previously owned land to be used for New Construction may be counted toward the equity requirement. Also in such cases, the down payment may not equal less than the Acquisition Cost minus the cost of completion of the New Construction.

(ii) In any case where a Mortgagor's liquid assets are less than one hundred twenty five percent (125%) of the total of (a) the estimated closing costs, as shown on the completed Good Faith Estimate, and (b) the five percent (5%) equity down payment requirement, the down payment requirement may be reduced by an amount not exceeding the sum of (i) 1.75% Loan Origination Fee, (ii) .70% VHMGB guarantee fee, (iii) recording fees, (iv) Vermont Property Transfer Tax, (v) appraisal fee, (vi) Credit Report Fee, (vii) the reasonable fee of mortgagor's attorney, and (viii) title insurance premium, but only if title insurance is required by the Lender in the particular case. NOTWITHSTANDING THE FOREGOING, THE AMOUNT OF THE MORTGAGE LOAN MAY NOT EXCEED 100% OF THE ACQUISITION COST IN ANY CASE.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Operations

SUBJECT: Progress Reports for MOVE and New Homes Programs

DATE: March 10, 1988

Attached are the most recent updates on the above mentioned programs.

Reservation activity in the New Homes Program is winding down as it moves towards May 1, 1988, which is the last day we will accept reservations under the present program. As indicated on the update, to date we have purchased or committed to purchase 143 newly constructed homes. It is interesting to note that over 50% of the loans were made in targeted counties, which should assist us in our campaign to eliminate the sunset of Mortgage Revenue Bonds.

The MOVE program continues to show strong activity even though conventional, fixed rate, 30 year term mortgage rates hover at 10% with some lenders as low as 9.75% Throughout the program activity has been strong in Chittenden, Franklin, Rutland, and Washington Counties with weaknesses showing up in Addison, Bennington, Windham, and Windsor.

At the December 17th board meeting, you requested quarterly updates on our progress in meeting the revised purchase schedule for MOVE. Attached is a chart which gives a comparison of the revised estimates we presented to you and our performance through March 1st. We are ahead of our revised purchase schedule by $743,000, which translates to a decreased loss of $620 over our projections. Based on the activity and strength of MOVE to date, and our very fine marketing plan, I feel that we will meet the revised delivery schedule as presented to you.

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ras 3/8/88

ORIGINATION ANALYSIS
1987A HOME MORTGAGE PURCHASE PROGRAM
DECEMBER 1987-SEPTEMBER 1988

DATE	EST PURCHASE	CUM PUR	ACTUAL PUR	CUM ACT	GAIN/(LOSS)
12/ 1/87	$708,930	$708,930	$708,798	$708,798	($0)
12/15/87	713,389	1,422,319	1,119,210	1,828,008	$338
1/ 1/88	800,000	2,222,319	1,119,716	2,947,724	$266
1/15/88	925,000	3,147,319	1,004,746	3,952,470	$66
2/ 1/88	750,000	3,897,319	526,633	4,479,103	($186)
2/15/88	1,050,000	4,947,319	1,457,594	5,936,697	$340
3/ 1/88	950,000	5,897,319	704,153	6,640,850	($205)
3/15/88	1,000,000	6,897,319			
4/ 1/88	1,100,000	7,997,319			
4/15/88	1,400,000	9,397,319			
5/ 1/88	1,900,000	11,297,319			
5/15/88	1,500,000	12,797,319			
6/ 1/88	1,250,000	14,047,319			
6/15/88	$1,200,000	15,247,319			
7/ 1/88	$1,200,000	16,447,319			
7/15/88	$1,400,000	17,847,319			
8 1/88	$950,000	18,797,319			
8/15/88	$900,000	19,697,319			
9/ 1/88	$800,000	20,497,319			
	$20,497,319		$6,640,850		$620

STATISTICAL REPORT PROGRAM ID: 87A
SINGLE FAMILY DATABASE
EFFECTIVE: 03/10/88

Total Number of Loans:	324
Total Loan Amount:	$16,567,197
Average Loan Amount:	$51,133

EXISTING:	$14,680,457	90.4%	293 Loans
NEW CONSTRUCTION:	$1,886,740	9.5%	31 Loans
NEW DETACHED HOUSING:	$1,623,725	86.0%	26 Loans
NEW CONDOMINIUM:	$263,015	13.9%	5 Loans

Total Insured or Guaranteed Loans:	312
Loans Guaranteed by VHMGB:	311

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$53,464	$62,586	$56,673
Avg. Loan Amount	$47,974	$56,952	$51,133
Avg. Borrower Income	$25,200	$27,093	$25,866
Avg. Housing Debt-Income Ratio	25.0%	27.9%	26.0%
Avg. Total Debt	$704.31	$786.29	$733.16
Avg. Total Debt-Income Ratio	33.6%	34.9%	34.1%
Total No. of Loans	210	114	324
First Time Homebuyers	75.7%	100.0%	84.2%
% Loans with 2 or more Wage Earners	51.4%	48.2%	50.3%
% of Total Loan Amount	60.8%	39.2%	100.0%

	Loans	$ Amount	% of $ Amount	Population	% of Pop.
Addison	8	$388,710	2.3%	31,078	5.8%
Bennington	4	$210,916	1.3%	34,832	6.5%
Caledonia	22	$982,885	5.9%	26,552	5.0%
Chittenden	82	$4,854,327	29.4%	123,078	23.0%
Essex	5	$212,607	1.3%	6,607	1.2%
Franklin	48	$2,322,173	14.0%	36,473	6.8%
Grand Isle	5	$289,408	1.7%	5,040	0.9%
Lamoille	12	$606,053	3.7%	17,776	3.3%
Orange	15	$734,293	4.4%	23,930	4.5%
Orleans	22	$822,460	5.0%	23,985	4.5%
Rutland	42	$2,214,894	13.4%	59,644	11.1%
Washington	40	$1,944,280	11.7%	53,960	10.1%
Windham	4	$234,984	1.4%	39,000	7.3%
Windsor	15	$749,207	4.5%	53,045	9.9%
TOTAL	324	$16,567,197	100.0%	535,000	100.0%

* Vermont Department of Health - July 1985 Estimate

STATISTICAL REPORT NEW HOMES PROGRAM
SINGLE FAMILY DATABASE
EFFECTIVE: 03/10/88

Total Number of Loans:	167
Total Loan Amount:	$9,797,401
Average Loan Amount:	$58,667

NEW DETACHED HOUSING:	$8,362,486	85.3%	139 Loans
NEW CONDOMINIUM:	$1,434,915	14.6%	28 Loans

Total Insured or Guaranteed Loans:	152
Loans Guaranteed by VHMGB:	151

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$66,288	$69,614	$67,881
Avg. Loan Amount	$56,513	$61,009	$58,667
Avg. Borrower Income	$25,020	$26,982	$25,960
Avg. Housing Debt-Income Ratio	26.3%	26.4%	26.3%
Avg. Total Debt	$707.21	$754.28	$729.76
Avg. Total Debt-Income Ratio	33.7%	33.4%	33.6%
Total No. of Loans	87	80	167
First Time Homebuyers	72.4%	68.7%	70.6%
% Loans with 2 or more Wage Earners	42.5%	43.7%	43.1%
% of Total Loan Amount	50.2%	49.8%	100.0%

	Loans	$ Amount	% of $ Amount	Population	% of Pop.
Addison	10	$620,496	6.3%	31,078	5.8%
Bennington	7	$406,625	4.2%	34,832	6.5%
Caledonia	8	$404,071	4.1%	26,552	5.0%
Chittenden	56	$3,409,233	34.8%	123,078	23.0%
Essex	0	$0	0.0%	6,607	1.2%
Franklin	23	$1,371,201	14.0%	36,473	6.8%
Grand Isle	4	$241,750	2.5%	5,040	0.9%
Lamoille	6	$323,616	3.3%	17,776	3.3%
Orange	6	$307,100	3.1%	23,930	4.5%
Orleans	5	$264,317	2.7%	23,985	4.5%
Rutland	18	$1,113,261	11.4%	59,644	11.1%
Washington	10	$483,230	4.9%	53,960	10.1%
Windham	11	$649,845	6.6%	39,000	7.3%
Windsor	3	$202,656	2.1%	53,045	9.9%
TOTAL	167	$9,797,401	100.0%	535,000	100.0%

* Vermont Department of Health - July 1985 Estimate

Vermont Housing Finance Agency
1978 Series A - $12,000,000 NEW HOMES PROGRAM
Status Report (with percent of pool proceeds approved)
Rate : 7.750%
Date : 03/10/88

Lender	Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased
Bank of Vermont	$1,223,160	10.1%	$1,157,160	9.6%	$633,115	$524,045
Bennington Coop Savings & Loan Assn Inc	$120,400	1.0%	$120,400	1.0%	$57,400	$63,000
Caledonia National Bank of Danville, The	$442,520	3.6%	$281,520	2.3%	$0	$281,520
Chittenden Trust Company	$1,838,180	15.3%	$1,731,680	14.4%	$1,076,300	$655,380
Commonwealth Mortgage Company, Inc	$124,750	1.0%	$124,750	1.0%	$0	$124,750
Community National Bank	$272,717	2.2%	$272,717	2.2%	$213,717	$59,000
Factory Point National Bank, The	$61,200	0.5%	$61,200	0.5%	$0	$61,200
First Northern Mortgage Corporation	$67,925	0.5%	$67,925	0.5%	$0	$67,925
Howard Bank, National Assn, The	$846,700	7.0%	$781,200	6.5%	$660,300	$120,900
Lyndonville Savings Bank & Trust Company	$50,000	0.4%	$50,000	0.4%	$50,000	$0
Marble Bank	$366,490	3.0%	$366,490	3.0%	$58,400	$308,090
Merchants Bank, The	$542,826	4.5%	$542,826	4.5%	$0	$542,826
National Bank of Middlebury, The	$254,753	2.1%	$254,753	2.1%	$130,753	$124,000
New England IBM Employees Fed Crdt Union	$439,100	3.6%	$439,100	3.6%	$230,000	$209,100
Passumpsic Savings Bank	$249,435	2.0%	$199,435	1.6%	$35,000	$164,435
Peoples Trust Company of St Albans	$389,850	3.2%	$147,000	1.2%	$0	$147,000
Proctor Bank	$70,300	0.5%	$70,300	0.5%	$70,300	$0
Randolph National Bank	$236,925	1.9%	$54,750	0.4%	$0	$54,750
Valley Bank	$400,319	3.3%	$326,219	2.7%	$60,720	$265,499
Vermont Federal Bank, FSB	$1,361,166	11.3%	$1,361,166	11.3%	$684,800	$676,366
Vermont Mortgage Group, Inc	$874,735	7.2%	$729,735	6.0%	$375,360	$354,375
Vermont National Bank	$892,060	7.4%	$776,560	6.4%	$0	$776,560
TOTALS 189 Loans	$11,125,511	92.7%	$9,916,886	82.6%	$4,336,165	$5,580,721

Vermont Housing Finance Agency
1987 Series A - $25,000,000 HOME MORTGAGE PURCHASE PROGRAM
Status Report (with percent of pool proceeds approved)
Rate : 9.700%
Date : 03/10/88

Lender		Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased
Bank of Vermont		$965,313	3.8%	$918,313	3.6%	$455,875	$462,438
Bradford National Bank		$93,250	0.3%	$60,000	0.2%	$60,000	$0
Caledonia National Bank of Danville, The		$468,700	1.8%	$350,450	1.4%	$0	$350,450
Chittenden Trust Company		$2,914,025	11.6%	$2,368,786	9.4%	$1,604,261	$764,525
Commonwealth Mortgage Company, Inc		$101,400	0.4%	$101,400	0.4%	$0	$101,400
Community National Bank		$612,982	2.4%	$612,982	2.4%	$565,232	$47,750
First Northern Mortgage Corporation		$151,725	0.6%	$114,325	0.4%	$69,200	$45,125
First Twin-state Bank		$155,650	0.6%	$155,650	0.6%	$35,000	$120,650
Franklin-Lamoille Bank		$59,850	0.2%	$59,850	0.2%	$0	$59,850
Granite Savings Bank and Trust Company		$49,400	0.1%	$49,400	0.1%	$49,400	$0
Howard Bank, National Assn, The		$2,044,150	8.1%	$1,704,900	6.8%	$1,164,450	$540,450
Lyndonville Savings Bank & Trust Company		$148,090	0.5%	$148,090	0.5%	$148,090	$0
Marble Bank		$548,003	2.1%	$506,003	2.0%	$196,495	$309,508
Merchants Bank, The		$1,242,560	4.9%	$1,184,960	4.7%	$932,310	$252,650
National Bank of Middlebury, The		$89,600	0.3%	$89,600	0.3%	$49,600	$40,000
New England IBM Employees Fed Crdt Union		$284,308	1.1%	$284,308	1.1%	$217,808	$66,500
Northfield Savings Bank		$423,530	1.6%	$311,230	1.2%	$233,805	$77,425
Passumpsic Savings Bank		$905,129	3.6%	$801,079	3.2%	$614,804	$186,275
Peoples Trust Company of St Albans		$519,045	2.0%	$422,295	1.6%	$371,470	$50,825
Proctor Bank		$365,200	1.4%	$323,200	1.2%	$222,200	$101,000
Randolph National Bank		$102,750	0.4%	$102,750	0.4%	$42,750	$60,000
Union Bank		$330,570	1.3%	$167,450	0.6%	$167,450	$0
Valley Bank		$183,350	0.7%	$0	0.0%	$0	$0
Vermont Federal Bank, FSB		$4,186,401	16.7%	$3,539,560	14.1%	$2,371,791	$1,167,769
Vermont Mortgage Group, Inc		$1,468,012	5.8%	$1,204,962	4.8%	$962,202	$242,760
Vermont National Bank		$1,277,565	5.1%	$1,063,515	4.2%	$618,030	$445,485
TOTALS	384 Loans	$19,690,558	78.7%	$16,645,058	66.5%	$11,152,223	$5,492,835

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady PC, Development Coordinator

DATE: March 10, 1988

RE: Affordable Sub-Division Program

Our current program to promote the construction of affordable, energy efficient, new construction will end on May 1, 1988. This program was developed in the spring of 1987 after a review of the "Vermont Housing Needs Analysis", to address the need for additional units of affordable housing. This program has produced 166 additional units and we estimate a total of approximately 230 will be produced by the end of the program, utlizing approximately $14.4 million of the original $20 million allocated. Attached is information on these loans.

This program was funded with recycled proceeds from prepayments of loans made under the 1978A and 1979A programs at interest rates of 7.75% and 8.25%. While these lower rates allowed us to target a new construction program to lower income groups, it was not without its problems.

* The program was developed with the help of home builders from around the state and while they expressed an interest in building affordable housing, only 57 units have have been produced by participating builders.

* A major portion of the units not produced by participating builders were built by the home owner acting as his or her own general contractor. Our program provides permanent financing for up to 95% of the cost of construction; however, construction financing is not available at the same terms. Most lenders require a down payment or equity of 20%. This resulted in some potential home buyers feeling that we were advertising a program that did not really exist.

* The introduction of the New Homes Program in May and MOVE and Mortgage Plus in July resulted in a general state of confusion in the marketplace as we went from having one basic program to having three very different programs. As an example:

In the MOVE program we promote flexibility. Each borrower is reviewed individually and does not need to be perfect to utilize this program. We also take property that would be unacceptable to a conventional lender and allow gifts from family members for the down payment and we will even provide assistance with the closing costs.

The New Homes Program is not at all flexible due to the requirement that each loan be covered by a pool insurance policy that VHFA has with MGIC. MGIC requires that each borrower have a two year history of stable employment preferably with the same employer. They also have very strict property requirements and will not allow gifts to be utilized for down payment and closing costs. Home buyers must have a minimum of a 5% down payment, funds for closing costs and have cash reserves remaining after closing equal to two months housing expenses. MGIC also has very strict credit requirements with very few "blemishes" allowed.

In some cases, a loan was declined by MGIC at a rate of 7.75% and was made under MOVE at a rate of 9.70%. It's difficult for a home buyer to understand that they don't qualify for the lower rate with a lower monthly payment but they do qualify for the higher rate and higher payment.

We estimate that when the New Homes Program ends on May 1, we will have approximately $9 million remaining that is available for recycling. We recommend using those funds for a new program to set-aside funds for affordable sub-divisions.

With affordable housing one of the top issues of this Legislative session, the result has been increased awareness by home builders of the need to increase the supply of lower priced homes. In the past several months, I have met or had telephone conversations with an estimated 20 builders who have land available that would allow for the construction of affordable housing projects. To do this, they need to know that affordable financing will be available to their buyers.

While removing this program from the public marketplace does not solve problems created by MGIC's strict underwriting requirements, it does provide for better control and improved communication because;

* Instead of having funds available from 29 lenders with 150 lending offices, funds would be reserved for builders to be made available to eligible buyers.

* A builder would sign a contract with VHFA to reserve funds and be responsible for finding a lender to process their applications.

* Builders will be encouraged to ask their lender to designate one loan officer to process all applications.

* To access funds a home buyer would work with a participating builder and that builder's lender. The lender, builder, and the builder's sales staff would become experts and only those buyers who have a reasonable chance of being approved by MGIC would be directed to this program.

* Buyers who do not qualify could be directed to other VHFA programs including Mortgage Plus.

* Builders would be encouraged to work with their lender to negotiate financing programs for buyers who do not qualify for VHFA programs.

I recommend the following additional limits and guidelines.

Maximum Purchase Price Limits

Priority will be given to those projects providing for perpetual affordability and initially $5 million will be set-aside for those projects.

The maximum purchase price limit for any unit financed under this program will be $87,500 and this maximum limit will be restricted to:

* High cost areas identified in the "Housing Needs Analysis Report". These high cost areas are; Chittenden County, Bennington County, Rutland County, Windham County and Windsor County.

* For those projects where a portion of the units provide for perpetual affordability, and purchase price limits exceed $80,000, VHFA will finance a maximum of 25% of the units that exceed $80,000 to the $87,500 maximum limit.

The purchase price limit for all other units in all other areas will be $80,000.

There will be no limit on the number of units that may be financed for those projects with a provision for perpetual affordability or for those projects where the units are priced at or below $80,000. Another exception will be condominium projects which VHFA limits to 30% of the total units and in some cases are further restricted by MGIC.

Maximum Income Limits

Maximum income limits will be determined by county and proposed limits are as follows:

Addison	$33,000	*Lamoille	$35,505
Bennington	$33,960	*Orange	$33,000
*Caledonia	$34,290	*Orleans	$33,000
Chittenden	$40,560	*Rutland	$38,610
*Essex	$33,000	*Washington	$37,665
*Franklin	$35,370	*Windham	$37,395
Grand Isle	$33,000	Windsor	$35,760

These limits represent 135% of the median income in targeted counties and 120% of the median income in non-targeted counties. (targeted counties are indicated with a *). Where the limit using this formula was less than the $33,000 limit presently in place for the New Homes Program, the limit for that county was capped at $33,000.

Fees

Builders would be charged a 1% reservation fee which we would refund at the end of their contract period based on funds used. Generally the contact period would be for one year with performance goals established for each project and reviewed quarterly. The reservation fee would be waived on projects with provisions for on-going affordability.

Home buyers would pay a 1.50% loan origination fee. Of this fee 1.25% would be retained by the lender and .25% would be remitted to VHFA.

This program as recommended would continue to address the need to increase the supply of affordable housing in the state and would encourage developers to work with non-profits to provide for on-going affordability.

ACTION REQUESTED BY THE BOARD

Approval of the program outlined above to set-aside funds for affordable housing projects.

STATISTICAL REPORT NEW HOMES PROGRAM
SINGLE FAMILY DATABASE
EFFECTIVE: 03/10/88

Total Number of Loans:	167
Total Loan Amount:	$9,797,401
Average Loan Amount:	$58,667

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Essex	0	$0	0.0%	6,607	1.2%
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Washington	10	$483,230	4.9%	53,960	10.1%
Windham	11	$649,845	6.6%	39,000	7.3%
Windsor	3	$202,656	2.1%	53,045	9.9%
TOTAL	167	$9,797,401	100.0%	535,000	100.0%

* Vermont Department of Health - July 1985 Estimate

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: March 11, 1988

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

RE: BUSINESS PLAN

Enclosed is a preliminary draft of our 3-year Business Plan, developed by the Core staff and our consultant.

If possible, I would appreciate it if you could review the Plan and be prepared to give us feedback as to the form and substance.

Thanks!

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA

BUSINESS PLAN

VERMONT HOUSING FINANCE AGENCY

1988-1990

As prepared by the Core Staff

March, 1988

Draft 5

ANNUAL OUTLINES AND SUMMARIES

The following are outlines and summaries for VHFA for the next three years.

The outlines are merely brief, one-line descriptions of planned or ongoing activities, programs, or initiatives. However, each brief description in the outline should be supported by a more detailed paragraph in the summary.

The summaries have more detailed explanations of each program or activity. Departmental responsibility for each activity at that point in time is indicated by the name of the department(s), underlined, at the beginning of each paragraph detailing "Responsibility and Explanation/Comments." The department(s) listed would have primary, secondary, tertiary, etc., responsibility in the order they are listed.

New, existing, or affiliated entities will be identified as "Affiliated Entities," with an additional notation for the department that will have oversight.

Some programs will be the responsibility of more than one department. The lead department will be indicated in capitals and the supporting department(s) in upper and lower case (e.g.: FINANCE, Development).

Any activity involving all departments will be indicated by "All."

The business plan assumes the implementation of all the programs researched the previous year. In practice, some will be delayed or dropped as a result of the research and evaluation process; **the plan must be amended at least once annually**. The internal activities become annual activities to maintain goal oriented focus. The results of this evaluation will affect program implementation schedule. As activities shift, so must human resources, necessitating staffing changes.

Major emphasis in the first six months of 1988 will be placed on completing the transition to the new organizational structure, especially forming the new Development and Communications Departments. Throughout 1988 the staff will continue to improve internal communication.

In future years, the staff will continue to review progress against business plan on a regular basis.

1988

ONGOING PROGRAMS

1. MRB Extension Campaign
2. Mortgages for Vermonters (MOVE - 1987A)
3. New Homes Program
4. Mortgage Plus Program
5. Low Income Housing Tax Credits (LIHTC)
6. Home Energy Improvement Loan Program (HEI/LP)
7. Rural Vermont Mortgage Program
8. Servicing of Existing Loan Portfolio
9. Energy Efficient Mortgage

PROGRAMS TO IMPLEMENT

1. New Multi-Family Programs
2. Facilitate Sale of Tax Credits
3. Nonprofit Revolving Loan Fund
4. Refinancing of At Risk Projects
5. Affordable Housing Demonstration Program
6. New Mortgage Purchase Program
7. Affordable Subdivision Program

INTERNAL ACTIVITIES IN SUPPORT OF NEW PROGRAMS

1. Integrate financial research
2. Expand computer capacity
3. Evaluate 1987A bond issue
4. Conduct further market research
5. Expand Development department resources
6. Maintain high profile
7. Participate in new federal and state housing policies
8. Expand consumer outreach
9. Housing Cooperatives Education
10. At Risk Task Force
11. Evaluate new programs for transfer to Operations
12. Evaluate cost of new programs to Agency
13. Analyze alternative cash flow preparation programs

PROGRAMS/INITIATIVES TO ANALYZE FOR FUTURE IMPLEMENTATION

1. Housing cooperatives blanket and share loan financing
2. Secondary Mortgage Market
3. HUD 202
4. Further targeting of Single Family mortgage programs
5. Increased automation of underwriting
6. Options for "at risk" projects
7. New financial instruments to make bonds saleable (credit enhancements)
8. Housing Information Center
9. Mobile Home Financing Alternatives
10. Research feasibility and impact of alternative mortgage delivery/ servicing systems
11. Create capacity for housing market analysis (long range) in house
12. Proactive portfolio servicing

1988 ONGOING PROGRAMS

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
MRB Extension Campaign	COMMUNICATIONS, Operations, Executive Director: Congressional authority to issue MRBs sunsets December, 1988. A comprehensive grassroots education campaign will be developed and implemented this year to save MRBs. Ongoing effort to promote continuation of Mortgage Revenue Bonds.
Mortgages for Vermonters (MOVE - 1987A)	OPERATIONS: This mortgage purchase program was initiated July 2, 1987. To date (03/04/88) 315 loans have been purchased or committed to be purchased. It is anticipated that approximately 500 Vermont families will be afforded the opportunity to purchase a home through this program. The estimated completion date for this program is September 1, 1988.
New Homes Program	OPERATIONS: The New Homes program was designed to encourage and stimulate the construction of single family housing in the State of Vermont. To date (03/04/88) 167 new homes have obtained permanent financing through this program. We expect to finance an additional 100 homes. This program is an example of the use of funds from previous mortgage purchase programs to help meet the housing needs of Vermont.
Mortgage Plus Program	OPERATIONS: The Mortgage Plus program is different from any program previously offered the public by VHFA. It represents a tax credit against federal tax liability, with the reduction in taxes to be used to make a mortgage payment. This credit may be used with any permanent mortgage financing offered by the borrowers' lender of choice. In 1987, 8 Mortgage Plus certificates were issued. It is believed that the use of this program will increase as it gains market understanding.
Low Income Housing Tax Credits	DEVELOPMENT: Tax Credits will remain in Development as the volume of this program is dependent on the activities of the Vermont Equity Fund and Housing Vermont.

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Home Energy Improvement Loan Program (HEI/LP)	AFFILIATED ENTITIES, Operations: This pilot program was intitiated to demonstrate the cost effectiveness of energy saving home improvements and the ability of non-bank originations of loans. As of 03/04/88, 59 loans have been made with the anticipation that at the conclusion of the pilot it will become an ongoing statewide program.
Rural Vermont Mortgage Program	AFFILIATED ENTITES, Operations, Finance: Under this program VHFA funds are used in conjunction with FmHA funds to expand the supply of mortgage money available to low income borrowers. As of 03/04/88, 2 loans have been made, with 3 in the underwriting process. We expect this program to last through 1989, with a review late in 1988. This program is basically a direct servicing portfolio which will be tracked and monitored internally.
Servicing of Existing Loan Portfolio	OPERATIONS, Finance: VHFA presently has approximately 5,000 loans, a majority of which are mortgage loans, which requires action from time to time on the part of VHFA. These actions include delinquency monitoring, partial releases, bankruptcies, etc. One of the most important functions of the Finance department is to monitor, balance, and analyze the collections on existing loans. This process enables the required payments to bondholders, transfers of funds to support the budget and provide resources for future programs.
Energy Efficient Mortgage	AFFILIATED ENTITIES, Operations: This pilot program encourages energy efficiency improvements to a home at the time of purchase. Incentives, and stretched ratios are being used to encourage borrower participation to quantify the energy savings vs. increase in mortgage payment. As of 03/04/88, 4 loans have been made with funds for energy improvements included in the mortgage.

1988 PROGRAMS TO IMPLEMENT

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
New Multi-Family Programs	AFFILIATED ENTITIES, Finance, Development: Coordinate the creation of Housing Vermont, a nonprofit housing development corporation. Finance will monitor funding agreement with Housing Vermont.
Facilitate Sale of Tax Credits	AFFILIATED ENTITIES, Finance: The companion entity to Housing Vermont is the Vermont Equity Fund, that will utilize the LIHTC credits to pull equity into housing development through Housing Vermont. Finance will oversee the collection, disbursement, and monitoring of the program.
Nonprofit Revolving Loan Fund	DEVELOPMENT, Finance: Development will produce the program specifications and implement by April 1, 1988. A Technical Assistant will be hired to run the Revolving Loan Fund. Finance will service the loan collections and analyze availability of funds.
Refinancing of At Risk Projects	ALL: Working with bond counsel and underwriters, VHFA will encourage the prepayment of low interest multi-family loans and refinance these projects using taxable debt. The low interest money will then be available for use in the new deals anticipated to be in the pipeline.
New Mortgage Purchase Program	FINANCE, Development, Communications, Operations, Legal: Finance will interpret the feasibility of a new single family financing based on analysis of demand and special targeting requirements. Development will coordinate a complete review of this program to provide for better targeting and an improved mortgage delivery system. Communications will work with Development to provide market information and will work with Operations to promote the program.
Affordable Subdivision Program	DEVELOPMENT: This program will utilize recycled 1979A prepayments to set-aside funds for developers of affordable subdivisions.

1988 INTERNAL ACTIVITIES IN SUPPORT OF NEW PROGRAMS

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Integrate Financial Research	FINANCE, Development: A new priority for Finance, beginning with the hiring of an investment officer, will be to develop financial strategies to maintain the fiscal health of the Agency while supporting Development activity.
Expand Computer Capacity	OPERATIONS: In cooperation with all departments, research new uses for automation and make the most and best use of our computer capability.
Evaluate 1987A Bond Issue	COMMUNICATIONS, Development, Operations, Finance: All departments will do an evaluation of effectiveness (successes and areas for improvement) of 1987A, from market, operational, financial perspectives. Development should take this information into account for future programs.
Conduct Further Market Research	COMMUNICATIONS, Development: Surveys are being designed and conducted to review mortgage purchase program effectiveness from two perspectives: potential borrowers and participating lenders. The data will be analyzed as part of future program development and targeting of marketing efforts.
Expand Development Department Resources	DEVELOPMENT: Development will expand to include a research analysit, a technical assistant, and an administrative assistant to adequately perform our responsibilities.
Maintain High Profile	COMMUNICATIONS, Development, Executive Director: Over the last two years we have actively worked to establish the VHFA in theherats and minds of Vermonters as a caring and responsive provider of affordable housing opportunities. By developing communications goals with each department, creating programs that work effectively, increased community involvement (outreach), and by routinely publicizing our activities we will strive to maintain a highly visible presence.

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Participate in new federal and State Housing Policies	DEVELOPMENT, Communications, Executive Director, Legal: A special Task Force led by Senators Cranston and D'Amato has been convened at Senators Cranston and Damato has been convened at the federal level to develop housing solutions for the future. VHFA will keep abreast of these developments and participate, as appropriate, in cooperation with other state housing agencies.
Expand consumer outreach and	COMMUNICATIONS: Expand the role of recently hired field representatives to provide consumers better access to VHFA information and programs, through education and local involvement in housing issues.
Housing Cooperatives Education	DEVELOPMENT, Communications, Legal: Upon passage of the Housing Cooperative Enabling Legislation (S.160), the next step will be to create a campaign to educate the lending community and general public of the merits of housing coops.
At Risk Task Force	DEVELOPMENT, Operations: An in-house task force will examine the issues comprised in "at risk" housing and to develop strategies to deal with "at risk" projects.
Evaluate New Programs for Transfer to Operations	ALL: Project teams, comprised of members from each department involved, will evaluate new program status prior to transfer to Operations.
Evaluate Cost of Programs	EXECUTIVE DIRECTOR, All: A cost benefit analysis and analysis of staffing needs must also be part of this process. Part of the development process will include a cost benefit analysis.
Analyze Alternative Cash Flow Preparation Programs	FINANCE: A study of the most cost-effective way to generate timely, responsive cash flow data for the purpose of determining finances available and what-if scenarios.

1988 PROGRAMS/INITIATIVES TO ANALYZE FOR FUTURE IMPLEMENTATION

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Housing Cooperative Blanket and Share Loan Programs	DEVELOPMENT, Finance: Development must begin research into the structures for blanket and share loan financing for cooperatives. Additional program support for limited equity coops should also be researched in conjunction with the financial products.
Secondary Mortgage Market	EXECUTIVE DIRECTOR, Development, Finance: An initiative is under review whereby VHFA would purchase nonconforming mortgages from Vermont banks in order to to free up more Vermont mortgage money. Bonding and alternative financing strategies will be examined.
HUD 202	DEVELOPMENT: The Development Director has begun to negotiate with HUD to be the Vermont contractor for this program. This role will support our technical assistance work with nonprofits to access very low-income housing for elderly and disabled Vermonters.
Further Targeting of Single Family Mortgage Programs	DEVELOPMENT: Through its marketing studies, Development will work with research and Finance to develop targeted single family mortgage programs that meet specific Vermont needs.
Increased Automation of Underwriting	OPERATIONS, Finance: With the new data processing component, Operations will research electronic underwriting systems and how, in general, automation can save the VHFA money in servicing ongoing programs and products.
Options for "At Risk" Projects	DEVELOPMENT, Operations, Finance: As an ongoing initiative, the at-risk task force wil research new options for dealing with the "at risk" projects through out Vermont. Development will lead an in-house task force to research options to the "At Risk" problem in the state; should also interface with state agencies and outside resources. The implementation of action on any VHFA project should be the responsibility of the management staff. Recycling bond prepayments.

1988 PROGRAMS/INITIATIVES TO ANALYZE FOR FUTURE IMPLEMENTATION (Continued)

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
New Financial Instruments (i.e. Credit Enhancements)	FINANCE, Development: This will be the role of the new investment officer. Coinsurance for use with future multi-family projects can be researched in coordination with Development. Research into new and existing financing methods will be studied for applicable VHFA use.
Housing Information Center	COMMUNICATIONS: Communications has laid the groundwork for a housing resource center withthe information hotline established in 1987. Based on further understanding of the housing needs of Vermonters, and depending upon our ability to provide services and programs to meet the identified needs, the information service may be expanded and more formalized in the future.
Mobile Home Financing Alternatives	DEVELOPMENT, Finance: Development and Finance will research financing options available for mobile homes.
Research feasibility and impact of alternative mortgage delivery/servicing systems	DEVELOPMENT, Operations, Finance: Development will examine the alternatives to our current mortgage delivery/servicing system and, with Operations, evaluate their relevance to Vermont. Finance will assist in analysis of the appropriateness of direct servicing of new and/or existing loans. Currently all of our single family mortgage programs are offered through private lenders (except the Rural Vermont Mortgage Program with Farmers' Home Administration).
Create capacity for housing market analysis (long range) in-house	DEVELOPMENT, All: Development will coordinate with all departments to determine the extent of inhouse research capacity needed to improve our database and knowledge of Vermont housing market reality and needs.
Proactive Portfolio Servicing	FINANCE, Operations: Further computerization of single family portfolios will be undertaken and exploration of a billing program to the lenders will be studied.

ONGOING PROGRAMS

1. New Multi-Family Programs
2. Tax Credits
3. Mortgage Plus Program
4. Home Energy Improvement Loan Program
5. Energy Efficient Mortgage
6. Servicing of Existing Loan Portfolio
7. Rural Vermont Mortgage Program
8. Nonprofit Revolving Loan Fund
9. Secondary Mortgage Market
10. Refinancing of At Risk Projects
11. Affordable Housing Demonstration Program
12. New Mortgage Purchase Program

PROGRAMS TO IMPLEMENT

1. HUD 202
2. Housing cooperatives share and blanket financing
3. Targeted Single Family mortgage programs
4. Housing Information Center
5. Pilot alternative mortgage delivery/servicing system
6. Recycled Fund Program
7. New Mortgage Purchase Program
8. Proactive Portfolio Servicing

INTERNAL ACTIVITIES IN SUPPORT OF 1989 PROGRAMS

1. Evaluate new programs for transfer to Operations
2. Evaluate cost of new programs to Agency
3. Capacity for ongoing housing market analysis in house

PROGRAMS/INITIATIVES TO ANALYZE FOR FUTURE IMPLEMENTATION

1. Research special needs housing (e.g. elderly) alternatives
2. Ongoing analysis of manufactured housing
3. Analysis of HUD Co-Insurance

1989 - ONGOING PROGRAMS

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
New Multi-Family Programs	DEVELOPMENT, Finance, Affiliated Entities: These groups will coordinate the development of new multi-family programs. The Housing Vermont program will be evaluated, and Finance will examine alternative vehicles.
Tax Credits	DEVELOPMENT, Operations, Finance: The last year for the Tax Credit program is 1989; Development will continue to administer program unless it is decided to transfer it to Operations. Finance will service the loan collections and anaylze availability of funds.
Mortgage Plus Program	OPERATIONS: It is anticipated that this program will remain as a continuous program as long as it is allowed under federal law and VHFA determines that it is an effective method of helping Vermonters afford homeownership.
Home Energy Improvement Loan Program (HEI/LP)	AFFILIATED ENTITIES, Operations: If additional funding for this program can be obtained, we expect to expand this program from a pilot to an operating statewide program.
Energy Efficient Mortgage	AFFILIATED ENTITIES, Operations: Continue the expansion of this program to encompass a larger portion of the state.
Servicing of Existing Loan Portfolio	OPERATIONS, Finance: Continue the servicing activities on the loan portfolio and monitor the need to expand this area as new programs are added and work load increases. One of the most important functions of the Finance department is to monitor, balance and analyze the collections on existing loans. This process enables the required payments to bondholders, transfers of funds to support the budget and provide resources for further programs.

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Rural Vermont Mortgage Program	AFFILIATED ENTITIES, Operations, Finance: Continue this program if the review indicates the program is progressing well. Research the possibility of its continuation past 1989. This program is basically a direct servicing portfolio which will be tracked and monitored internally.
Nonprofit Revolving Loan Fund	DEVELOPMENT, Finance: Development will administer this fund and support nonprofits with technical assistance. Finance will service the loan collections and analyze availability of funds.
Secondary Mortgage Market	DEVELOPMENT, Finance: Applicability of replication, continuation or supplemental programs will be examined.
Refinancing of At Risk Projects	OPERATIONS, Development, Finance: The project management staff will have primary responsibility for implementing this program, in cooperation with Development and Finance as needed.
Affordable Housing Demonstration Program	DEVELOPMENT: This program will combine new building technology with a limited equity provision to reach lower income Vermonters.
New Mortgage Purchase Program	FINANCE, Development, Communications, Operations, Legal: Finance will interpret the feasibility of a new single family financing based on analysis of demand and special targeting requirements. Development will coordinate a complete review of this program to provide for better targeting and an improved mortgage delivery system. Communications will work with Development to provide market information and will work with Operations to promote the program.

1989 - PROGRAMS TO IMPLEMENT

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
HUD 202	DEVELOPMENT: As a contractor for services, VHFA will provide technical assistance to nonprofits creating housing for the elderly through the HUD 202 program. Should be staffed by technical assistant to nonprofits with support from the underwriter.
Housing Cooperatives, Share and Blanket Financing	DEVELOPMENT, Finance: VHFA, pending supporting research, will implement a share financing program and a blanket financing program, focusing on limited equity cooperatives.
Targeted Single Family Mortgage Program(s)	OPERATIONS, Finance, Communications: Based on marketing and financial research of 1988.
Housing Information Center	COMMUNICATIONS: Communications will implement this program as a pilot in 1989. The objective will be to provide low- and moderate-income Vermonters with information and referral on a variety of housing issues, beyond programs specific to the VHFA.
Pilot Alternative Mortgage Delivery System	DEVELOPMENT, Operations: Development will research alternatives to our current system of originating loans through participating lenders.
Recycled Fund Program	ALL: Using Operation's analysis, Finance will accept prepayments and refinance these projects using newly issued taxable bonds. Development will use the recycled proceeds from the low interest prepaid loans to finance the deals they have in the pipeline.
New Mortgage Purchase Program	ALL: Finance will interpret the feasibility of a new single family financing based on analysis of demand and special targeting requirements. Development will coordinate a complete review of this program to provide for better targeting and an improved mortgage delivery system. Communications will work with Development to provide market information and will work with Operations to promote the program.

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Proactive Portfolio Servicing	FINANCE, Operations: Pilot program on a lender-by-lender basis of billing direct from our computer database, with the lenders reporting on an exception-only basis.

1989 INTERNAL ACTIVITIES IN SUPPORT OF NEW PROGRAMS

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Evaluate New Programs for Transfer to Operations	ALL: Project teams, comprised of members from each department involved, will evaluate new program status prior to transfer to Operations.
Evaluate Cost of Programs	EXECUTIVE DIRECTOR, All: A cost benefit analysis and analysis of staffing needs must also be part of this process.

1989 PROGRAMS/INITIATIVES TO ANALYZE FOR FUTURE IMPLEMENTATION

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Technical Advances in Housing Delivery	DEVELOPMENT, Affiliated Entities: Manufactured and prefabricated housing units, on-site innovations and new materials can greatly reduce housing purchase, and monthly operating costs. Development, in consultation with our Affiliated Entities will research prospects for a demonstration.
Special Needs Housing (e.g., Elderly)	DEVELOPMENT, Finance: Financial instruments like reverse equity mortgages, and housing alternatives such as ECHO housing units, "granny flats," and elderly coops will be evaluated as potential solutions to this special group's housing needs.
Manufactured Housing: Needs and Potential Services	DEVELOPMENT: Development will work with other state agencies to facilitate the development and financing of manufactured housing and mobile homes.
Co-insurance	FINANCE, Development: This is one means of decreasing interest rates on multi-family debt financing, but it is a costly and complex process as established by HUD, and will require additional staffing. These costs need to be evaluated against our volume of construction and the savings that can ultimately be passed on to the consumer.

ONGOING PROGRAMS

1. Mortgage Plus Program (IF AUTHORIZED)
2. Tax Credits (IF AUTHORIZED)
3. Servicing of Existing Loan Portfolio
4. Secondary Mortgage Market
5. Nonprofit Revolving Loan Fund
6. New Multi-Family Programs
7. HUD 202
8. Housing cooperatives share and blanket financing
9. Targeted Single Family mortgage programs
10. Housing Information Center
11. Pilot alternative mortgage delivery/servicing system
12. Recycled Fund Program
13. New Mortgage Purchase Program

PROGRAMS TO IMPLEMENT

1. Expansion of alternative mortgage delivery systems
2. Energy conservation programs and/or other technical demonstrations
3. Special needs housing demonstrations
4. Manufactured Housing Program
5. HUD Co-Insurance
6. Proactive Portfolio Servicing

INTERNAL ACTIVITIES IN SUPPORT OF 1990 PROGRAMS

1. Conduct evaluation of new programs for transfer to Operations
2. Evaluate cost of new programs to Agency
3. Evaluate VHFA role in new federal state housing programs
4. Increase capacity for ongoing housing market analysis in house

PROGRAMS/INITIATIVES TO ANALYZE FOR FUTURE IMPLEMENTATION

1990 - ONGOING PROGRAMS

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Mortgage Plus Program (IF AUTHORIZED)	AFFILIATED ENTITIES, Operations: Continuation of program with addition of new uses such as home improvement loans and rehabilitation loans.
Tax Credits (IF AUTHORIZED)	Finance: Finance will oversee the collection, disbursement and monitoring of the program.
Servicing of Existing Loan Portfolio	FINANCE: One of the most important functions of the Finance department is to monitor, balance and analyze the collections on existing loans. This process enables the required payments to bondholders, transfers of funds to support the budget and provide resources for future programs.
Secondary Mortgage Market	DEVELOPMENT, Finance: Applicability of replication, continuation or supplemental programs will be examined.
Nonprofit Revolving Loan Fund	DEVELOPMENT, Finance: Development will administer this fund and support nonprofits with technical assistance. Finance will service the loan collections and analyze availability of funds.
New Multi-Family Programs	DEVELOPMENT, Finance, Affiliated Entities: The Housing Vermont program will be evaluated, and Finance will continue to examine alternative vehicles.
HUD 202	DEVELOPMENT: As a contractor for services, VHFA will provide technical assistance to nonprofits creating housing for the elderly through the HUD 202 program. Should be staffed by technical assistant to nonprofits with support from the underwriter.
Housing Cooperatives Share and Blanket Financing	DEVELOPMENT, Finance: VHFA will continue a share financing program and a blanket financing program, focusing on limited equity cooperatives.
Targeted Single Family Mortgage Programs	OPERATIONS, Finance, Communications: Based on marketing and financial research of 1989.

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Housing Information Center	COMMUNICATIONS: The objective of this program is to provide low- and moderate-income Vermonters with information and referral on a variety of housing issues, beyond programs specific to the VHFA.
Pilot alternative mortgage delivery/servicing system	DEVELOPMENT, Finance: Switch direct servicing of problem lender(s) loans to VHFA.
Recycled Fund Program	OPERATIONS: A pilot program will be initiated with an origination staff. Operations will underwrite the loans due to the technical expertise available.
New Mortgage Purchase Program	FINANCE, Development, Communications, Operations, Legal: Finance will interpret the feasibility of a new single family financing based on analysis of demand and special targeting requirements. Development will coordinate a complete review of this program to provide for better targeting and an improved mortgage delivery system. Communications will work with Development to provide market information and will work with Operations to promote the program.

1990 Programs to Implement

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Expansion of Alternative Mortgage Delivery/Servicing Systems	OPERATIONS, Finance, Development: Based on the findings of the pilot program initiated in 1989, continue to research and expand where appropriate. Calculation of cost benefit relationship of system.
Energy Conservation Programs and/or Other Technical Demonstrations	DEVELOPMENT or Affiliated Entities: These will be implemented in Development, or through one of the Affiliated Entities. For example, an energy conservation innovation may be demonstrated by ERH or VEIC.
Special needs housing Demonstrations	DEVELOPMENT, Finance: A working program developed from alternatives and instruments analyzed in 1989 will be put into place.
Manufactured Housing Program	DEVELOPMENT, Operations: Development will implement a program to target affordable manufactured housing options.
HUD Co-Insurance	DEVELOPMENT, Finance: Pilot program developed based on financing techniques determined.
Proactive Portfolio Servicing	FINANCE: Expansion of pilot program to balance of lending community.

1990 - INTERNAL ACTIVITIES IN SUPPORT OF NEW PROGRAMS

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Evaluate New Programs for Transfer to Operations	ALL: Project teams, comprised of members from each department involved, will evaluate new program status prior to transfer to Operations.
Evaluate Cost of Programs	EXECUTIVE DIRECTOR, All: A cost benefit analysis and analysis of staffing needs must also be part of this process.
Evaluate VHFA role in new federal state housing programs	ALL: Focus this year should be on preparation for new federal and state programs.
Increase capacity for Ongoing Housing Market Analysis In-House	DEVELOPMENT, Communications: VHFA will build upon its research capacity to develop sophisticated housing market data as a resource to all of Vermont. This capacity will greatly enhance our ability to serve Vermonters with timely and responsive programs.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: March 10, 1988

TO: VHFA Board of Commissioners

FROM: Glenn A. Jarrett, GAJ General Counsel

RE: S.326 AFFORDABLE HOUSING

Attached is a copy of S.326 as introduced, for your review and information.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA

S.326

Introduced by Committee on Finance

Subject: Development; affordable housing

Statement of purpose: This bill would increase the availability of affordable housing by amending the Vermont Housing Finance Agency Act and chapter 57 of Title 8, Vermont Statutes Annotated.

AN ACT RELATING TO AVAILABILITY OF AFFORDABLE HOUSING

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

Sec. 1. 10 V.S.A. § 601(8) and (10) are amended to read:

(8) "Mortgage" means a mortgage deed, deed of trust, or other instrument which shall constitute a *[first]* lien on real property in fee simple or on a lease hold under a lease having a remaining term, at the time such mortgage is acquired, which does not expire for at least that number of years beyond the maturity date of the obligation secured by the mortgage as is equal to the number of years remaining until the maturity date of the obligation or on a cooperative interest or on an interest in a mobile home. "Mortgage" shall also include any mortgage or obligation guaranteed by the Vermont home mortgage guarantee board or its successor;

(10) "Mortgage loan" means and includes:

(A) an interest-bearing obligation secured by either a mortgage or note or bond constituting a *[first]* lien on land and improvements in the state;

* * * *

Sec. 2. 10 V.S.A. § 621 is amended to read:

§ 621. GENERAL POWERS AND DUTIES

The agency shall have all of the powers necessary and convenient to carry out and effectuate the purposes and provisions of this chapter, including without limitation those general powers provided a business corporation by section 1852 of Title 11 and those general powers provided a nonprofit corporation by section 2352 of Title 11 and including, without limiting the generality of the foregoing, the power to:

(1) Make and execute contracts and all other instruments necessary or convenient for the exercise of its powers and functions under this chapter, including contracts and instruments which may be made and executed with the state or the United States or any agency or instrumentality of either of them or with private corporations or individuals, including contracts with mortgage lenders for the servicing of mortgages made or acquired by the agency pursuant to this chapter or for assistance rendered the agency in the location of all eligible mortgagees or to pay the reasonable value of services rendered to the agency pursuant to these contracts;

(2) Acquire real or personal property, or any interest therein, on either a temporary or long-term basis in its own name by gift, transfer, foreclosure, lease, pledge, assignment or otherwise, including rights or easements in real property; hold, sell, assign, lease, encumber, mortgage or otherwise dispose of any real or personal property or any interest therein; hold, sell, assign or otherwise dispose of any mortgage lien interest owned by it or under its control, custody or in its possession; and release or relinquish any right, title, claim, lien, interest, easement or demand however acquired, including any equity or right of redemption in property foreclosed by it and to do any of the foregoing by public or private sale, with or without public bidding, notwithstanding the provisions of any other law;

(3) Receive and accept grants, aid or contributions, from any source, of money, property, labor or other things of value, to be held, used and applied or awarded to carry out the purposes of this chapter subject to the conditions upon which the grants, aid and contributions may be made, including, but not limited to gifts or grants from any agency or instrumentality of the United States or of this state for payment of rent supplements to eligible persons or families or for the payment in whole or in part of the interest expense of residential housing or for any other purpose consistent with this chapter;

(4) Provide, contract or arrange for consolidated processing of any aspect of the financing of residential housing under this chapter in order to avoid duplication thereof by either undertaking the processing in whole or in part on behalf of any department, agency, or instrumentality of the United States or of this state, or, in the alternative, to delegate the processing in whole or in part to any department, agency or instrumentality of the United States or of this state;

(5) Provide advice and technical information, including assistance in obtaining federal and state aid, as will assist the planning, construction, rehabilitation, and operation of residential housing, including but not limited to assistance in community development and organization, advisory services, the formation of mutual housing associations and to encourage community organizations to assist in developing same;

(6) Conduct research and promote development in housing, building technology, and related fields;

(7) Stimulate environmental planning for housing for persons of low and moderate income in order to enhance opportunities of such persons for self-development and employment;

(8) Procure insurance against any loss in connection with its property and other assets, including mortgages and mortgage loans, in such amounts and from such insurers as it deems desirable;

(9) Subject to any agreement with bondholders or noteholders, invest monies of the agency not required for immediate use, including proceeds from the sale of any bonds or notes, at the discretion of the agency in the same manner as permitted for investment of funds belonging to the state or held in the treasury;

(10) Include in any borrowing such amounts as may be deemed necessary by the agency to pay financing charges, interest on its obligations for a period not exceeding one year from their date, consultant advisory and legal fees, and such other expenses as are necessary or incident to such borrowing;

(11) Subject to any agreement with bondholders or noteholders, purchase bonds or notes of the agency out of any funds or money of the agency available therefor, and to hold, cancel or resell such bonds or notes;

(12) Make and publish rules and regulations respecting its housing programs and such other rules and regulations as are necessary to effectuate its corporate purposes;

(13) Borrow money and issue bonds and notes or other evidences of indebtedness thereof, issue mortgage credit certificates as hereinafter provided;

(14) Subject to any agreement with bondholders or noteholders, 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, mortgage loan commitment, contract or agreement of any kind to which the agency is a party;

(15) Procure or agree to the procurement of insurance or guarantees from the federal government of the payment of any bonds or notes or any other evidences of indebtedness thereof issued by the agency including the power to pay premiums on any such insurance;

(16) Purchase and enter into commitments to purchase eligible securities from mortgage lenders provided the proceeds of such purchase are reinvested by such mortgage lenders in new mortgage loans on residential housing for occupancy by persons and families of low and moderate income;

(17) Do any and all things necessary or convenient to effectuate the purposes and provisions of this chapter and to carry out its purposes and exercise the powers given and granted in this chapter;

(18) Make grants and loans or advances secured by a mortgage to housing sponsors;

(19) Make loans to members of a housing cooperative corporation to finance their cooperative interests in such housing cooperative corporation and make mortgage loans and loans to persons or families to finance mobile homes.

Sec. 3. 10 V.S.A. § 631(a)(1) is amended to read:

(a)(1) The agency may issue its negotiable notes and bonds in such principal amount as the agency determines to be necessary to provide sufficient funds for achieving any of its corporate purposes, including the payment of interest on notes and bonds of the agency, establishment of reserves to secure the notes and bonds including the reserve funds created under section 632 of this title, and all other expenditures of the agency incident to and necessary or convenient to carry out its corporate purposes and powers. However, the bonds or notes of the agency outstanding at any one time shall not exceed *[$500,000,000.00]* $600,000,000.00.

Sec. 4. 8 V.S.A. § 1108 is added to read:

§ 1108. BANKS, LIMITED PARTNERSHIPS; RESIDENTIAL REAL ESTATE

Notwithstanding any other provisions of this chapter, a bank may invest as a limited partner in a partnership, the sole purpose of which is, direct or indirect investment in, the acquisition, rehabilitation, or new construction of residential real estate intended to primarily benefit persons and families of low and moderate income throughout the period of the investment. Persons and families of low and moderate income shall have the same meaning as in 10 V.S.A. § 601(11). The aggregate of any bank's investments pursuant to this section shall not exceed two percent of the bank's total assets.

Sec. 5. EFFECTIVE DATE

This act shall take effect from passage.

To: VHFA Board of Commissioners
From: M.R. MC
Subj: Housing Vermont Update
Date: 3/11/88

On March 4th Allan and I met with Governor Kunin and members of her staff to discuss the makeup of Housing Vermont's Board of Directors. You will recall that 6 Directors are appointed initially. Then, in July of this year, the first annual meeting is held and an additional 5 Directors are chosen. We asked the Governor to consider selecting 3 of the initial Directors and to select 1 Director at each annual meeting thereafter. We provided her with a list of names from which she choose Miles Jensen and John Simson. She indicated that she preferred Betty Wheeler (the Town Manager for Middlebury) as the 3rd of her initial selections. Her staff is contacting these people and we should know by next Thursday's meeting as to their willingness to serve. Allowing the Governor to select one Director annually requires a slight modification the Housing Vermont's by-laws. A draft of that is enclosed for your review.

We are contacting additional people who would be willing to serve if appointed by you. They will represent a geographic balance to the Governor's selections and will include at least one representative from the non-profit sector. We would hope that all the appointments can be made by the end of the month so that incorporation can take place very soon thereafter.

On another front, a bill which, among other things, permits banks to invest in the Vermont Equity Fund should have received Senate approval by the time you read this.

Finally, Housing Vermont has a new office across from the entrance to VHFA's offices. It is served by a seperate telephone line: 863-8424. I can be reached there if you would like more information as to our progress with this venture, and of course, Allan is also available at the regular VHFA number.

MEMO

TO: ALLAN S. HUNT
FROM: FRANK KOCHMAN
DATE: MARCH 9, 1988
RE: DESIGNATION OF NON-PROFIT BOARD MEMBER BY GOVERNOR

Mike Richardson advises that you and the Governor have agreed that she shall designate three of the initial board members and, thereafter, one of the board members to be elected at each annual meeting.

As to the first three, I don't think any particular action is necessary (so long as you check with the Chairman) in order to be consistent with the October VHFA board resolution; however, the annual opportunity to name a board member requires bylaw changes which should be approved by a formal board action. (Preferably before the corporation is formed, but ratification would be okay since I suspect the change will not be controversial.)

Below please find a proposed revision to section 1 of the bylaws, with new matter underlined. I think these are the only changes needed to accommodate the agreement. I have taken the liberty of adding a few details for workability. Please look over this proposal and tell me whether it is consistent with your agreement with the Governor and should be incorporated into a full-blown reprint of the draft bylaws (either as is or with further modification).

The gist of the proposal is that the Governor's selection comes out of the share of the General Members (and not from the Sustaining Members allocation), that the President must notify her in writing at least 60 days before the meeting, and that if she defaults the General Members elect the seat.

ARTICLE II - MEMBERS

1. CLASSES OF MEMBERSHIP AND QUALIFICATIONS

There shall be two classes of Members, hereinafter identified, respectively, as "General Members" and "Sustaining Members", having the qualifications and rights hereinafter specified. The term "Members" includes General Members and Sustaining Members.

A. <u>General Members.</u> Any natural person of majority age and any legal entity of either a public or private nature may become a General Member of the corporation upon payment of an annual membership fee as established from time to time by the board of directors in an amount not exceeding $50. <u>Subject to the rights of the Governor of the State of Vermont, as specified in paragraph D of this section,</u> General Members shall be entitled to participate in the election of not more than 50% of the directors

to be elected at any Annual Meeting; provided, however, that in the event that no Sustaining Members or public entities entitled to vote exist at the time of an Annual Meeting or a special meeting of Members, but not otherwise, and subject to the rights of the Governor of the State of Vermont, as specified in paragraph D of this section, (i) General Members shall be entitled to elect all of the directors to be elected at such meeting, (ii) a two-thirds majority of the General Members present at such meeting shall be entitled to amend the articles of association or these bylaws, and (iii) a simple majority may remove a director for cause. General Members shall have no other rights.

B. Sustaining Members. Any political subdivision of the State of Vermont, including, without limitation, Vermont Housing Finance Agency, may become a Sustaining Member of the corporation for any calendar year upon payment of an annual sustaining membership fee in the amount of $30,000. Sustaining Members shall be entitled to participate in the election of all directors to be elected at any Annual Meeting, and shall have the exclusive right to elect not less than 50% of the directors to be elected at any Annual Meeting. Subject to applicable notice requirements, a two-thirds majority of Sustaining Members present at any Annual Meeting or special meeting of Members may amend the articles of association or these bylaws and a simple majority may remove a director for cause. Sustaining Members shall be entitled to call a special meeting of the Members as hereinafter provided. Sustaining Members shall have no other rights.

C. Rights of certain public entities. During such period as no Sustaining Member exists and is entitled to vote, but not otherwise, any public entity which could qualify as a Sustaining Member and which, during the then-current fiscal year of the corporation, has made a grant or contribution to the corporation of at least $30,000, shall have all of the rights of a Sustaining Member.

D. Right of the Governor to Designate One Director. At her or his option, the Governor of the State of Vermont shall be entitled to elect by designation one of the General Qualification Directors to be elected at each Annual Meeting. Such designation shall be made not later than ten days prior to such meeting by written notification to the President. The written designation of the Governor shall be attached to the minutes of such Annual Meeting. Not later than sixty days prior to each Annual Meeting, the President shall provide written notice to the Governor of the date of the meeting, and shall include with such notice a copy of this paragraph. If, after notice, the Governor declines to make, or otherwise fails to make, such designation, or if the designee of the Governor does not agree to serve, then the seat otherwise herein reserved for the Governor's designee shall be filled by vote of the General Members.

cc: Mike Richardson
Glenn Jarrett

CANDIDATES FOR HOUSING VERMONT BOARD OF DIRECTORS March 15, 1988

TO BE CONTACTED BY GOVERNOR:

John Simson	Chittenden	Business
Betty Wheeler	Addison	Gov't
Miles Jensen	Chittenden	Spec.

POTENTIAL CANDIDATES FOR VHFA BOARD CONSIDERATION:

Gar Anderson	Lamoille	Business
Allen Avery	Orange	Gov't
Harry Behney	Chittenden	Gov't/Bus
Paul Bohne	Bennington	Gov't
Joe Boutin	Rutland	Lender
Joel Cherrington	Windham	Business
Ben Cohen	Chittenden	Business
Jack Candon	~~Orange?~~ Windsor	Legal
Kathy Davis	Chittenden	Legal
Sheldon Dimmick	Orange	
Kathy Dowd	Windham	Business
Amy Davenport	Washington	Gov't/leg.
Dart Everret	Windsor	Business
Nancy Foster	Addison	
Peg Garland	Chittenden	Business?
Bob Gillette	Washington	Business
Mike Henry	Windham	
Clark Hinsdale III	Chittenden	Developer
George Little	Chittenden	Business
Louise McCarren	Chittenden	Lender/leg
Karen Myer	Washington	Gov't/Bus
Roland Scott	Windsor	
Mark Snelling	Chittenden	Business
Sally Soule	Chittenden	Gov't
Pat Moulton	Bennington	Gov't/Bus.
David Tucker	Orleans	Spec.
Vida Lyon	Washington	Spec.
Les Seaver	Washington	Lender
Polly Nichol	Washington	Spec.
Sara Carpenter	Chittenden	Spec.
Tom Yahn	Brattleboro	Spec.

The Mortgage Revenue Bond (MRB) sunset comes at a time when the obstacles facing potential home buyers have never been more plentiful and difficult to overcome. In Vermont the benefits of MRBs have been numerous and far-reaching. Through your support of legislation to extend the MRB program through 1992, you are extending ownership opportunities to Vermont households who otherwise might never cross that threshold.

Mortgage Revenue Bonds Help Vermonters Become Home Owners

Since 1974, VHFA mortgage purchase programs have enabled over 10,500 Vermont households to purchase homes representing approximately $500 million in (MRBs). Low down payment requirements and flexible underwriting criteria have allowed us to serve a sector of the market conventional mortgage programs cannot.

A survey of VHFA home buyers since 1986, beneficiaries of our two most recent MRB programs, highlights typical characteristics which explain why VHFA's MRB programs have made the difference for so many Vermont home buyers:

	1985B	1987A
% of loans where housing or liability ratio exceeds conventional underwriting guidelines	64%	77%
% of first-time home buyers	92%	84%
% of loans with less than 10% down payment	69%	66%
% of loans below median income	38%	58%
% of loans with multiple wage earners	64%	50%
% of loans requiring mortgage insurance	94%	96%
Average Purchase Price	$52,818	$56,651

Who are typical VHFA borrowers?

The best way to understand how Vermonters benefit from VHFA's Mortgage Revenue Bond programs is to look at who is being served. A representative sampling of families and individuals who have purchased homes over the last two years is presented below. Without the VHFA, these borrowers would not have been able to obtain a conventional fixed rate loan.

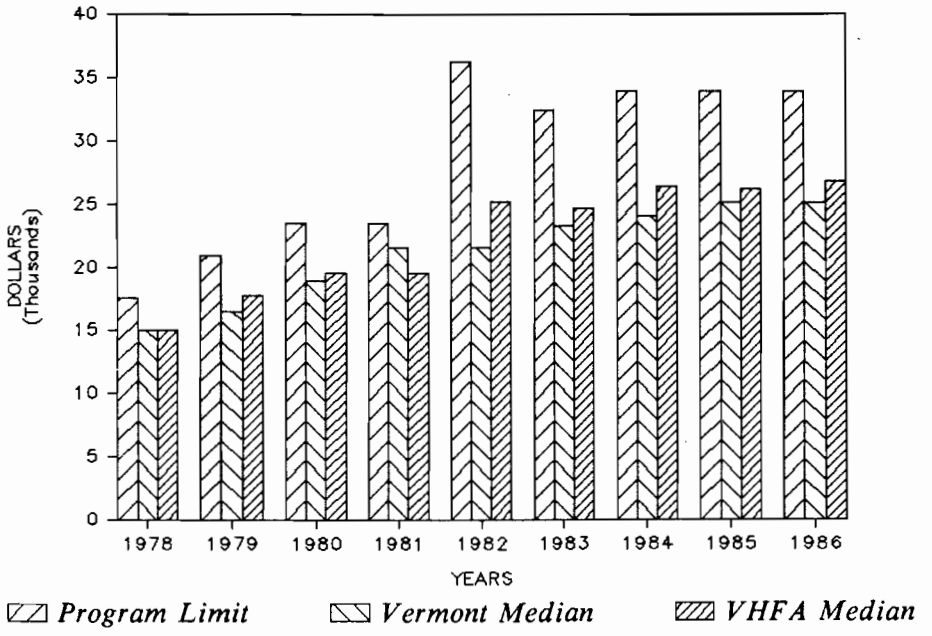
Occupation	Age	Combined Household Income	Town of Residence	Household Size	Reason for Needing VHFA*
Electronic Service Tech. Homemaker	35 29	$28,992	Sheldon	4	Job Time
Dental Hygienist	31	27,036	S. Burlington	1	Gift
Carpenter Secretary	23 21	27,168	Chelsea	2	Job Time
Cheese Factory Floor Oper. Travel Agent	22 20	25,716	Newport	2	Unstable Employment
Granite Foreman Homemaker	26 25	22,356	Williamstown	4	Lack of Savings
High School Teacher Associate Attorney	29 27	29,976	Bristol	3	High Ratio/ Gift
Account Rep./Radio	28	24,348	Shelburne	1	High Ratio
Chef Bartender	23 21	22,884	Cornwall	2	Lack of Assets/Gift
Manager/Retail Cashier	29 24	32,172	Georgia	2	High Ratio/ Gift
Clerk Post Office Homemaker	39 29	26,844	Corinth	4	High Ratio
Teacher	34	25,656	Rutland Town	2	High Ratio
Self Employed/Retail Secretary	45 31	26,616	E. Montpelier	3	High Ratio

* Reasons for not Qualifying for Conventional Financing:

High Ratio	=	Housing or liability ratio would be excessive
Job Time	=	Lack of adequate time on job
Unstable Employment	=	Income seasonal or not adequately verifiable
Lack of Savings	=	Lack of accumulation of own savings
Credit Problems	=	Previous credit problems
Gift	=	Funds for downpayment and closing costs from third party in form of gift, insurance settlement, inheritance

These are ordinary, working Vermonters for whom achieving the dream of home ownership has become a greater challenge than ever before. With rising purchase prices, two incomes are frequently required to qualify for any type of mortgage program.

Comparison of Vermont's Median Household Income with Average Incomes of VHFA Mortgagors and Mortgage Purchase Program Limits



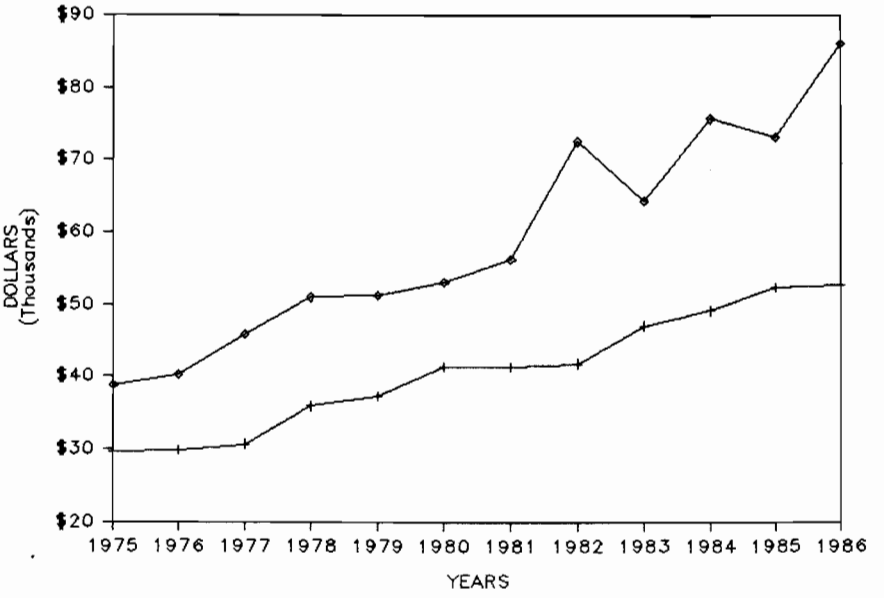
The graph above indicates that the median income of users of MRBs historically has been slightly higher than the median income of residents of the state of Vermont. This fact is not surprising when you consider that all users of the MRB program had to have enough income to afford a home, whereas the Vermont resident median income represents all Vermonters, including the elderly, households on public assistance, etc. Seen in this light, VHFA's ability to use the MRB program to serve as low an income household as it does is noteworthy.

Furthermore, the graph compares the median income of the users of Vermont's MRB program and the maximum income eligibility limits. This comparison indicates that the people served are consistently below the maximum eligibility limits of the MRB programs. Prior to the Tax Reform Act of 1986 the maximum income limits were established to work with the home purchase price statistics in Vermont and the purchase price "Safe Harbor Limits" published by the Treasury Department.

Home Ownership Affordability Gap

The access to home ownership by low- and moderate-income first-time home buyers is hampered by a shrinking supply of affordably priced homes. Nevertheless, VHFA has provided a critical financial vehicle to lower the threshold of home ownership to those Vermont households facing the greatest difficulty purchasing a home. The following graph illustrates the VHFA's consistent presence and ability to serve this low end of the real estate market.

Comparison of VHFA Average Property Purchase Price with Average Vermont Purchase Price of Homes on the Market



+ *VHFA Average Purchase Price* ◇ *Vermont Average Purchase Price*

As this chart demonstrates, MRBs in Vermont have succeeded in expanding home ownership opportunities at the low end of the market.

Economic Impact

Since it was established in 1974, the VHFA has issued over $500 million in MRBs. On the average, 15% of VHFA's total loan volume represents mortgages on newly constructed homes. Over the years, a total of approximately 1,330 VHFA loans were made to buyers of new homes.

By directly stimulating new home construction, the economic impact of MRBs in Vermont can be measured as follows:

Jobs Created	**1,474**
Wages Generated	**$28,890,400**
Federal Taxes	**$ 5,501,907**
State and Local Taxes	**$ 1,230,670**

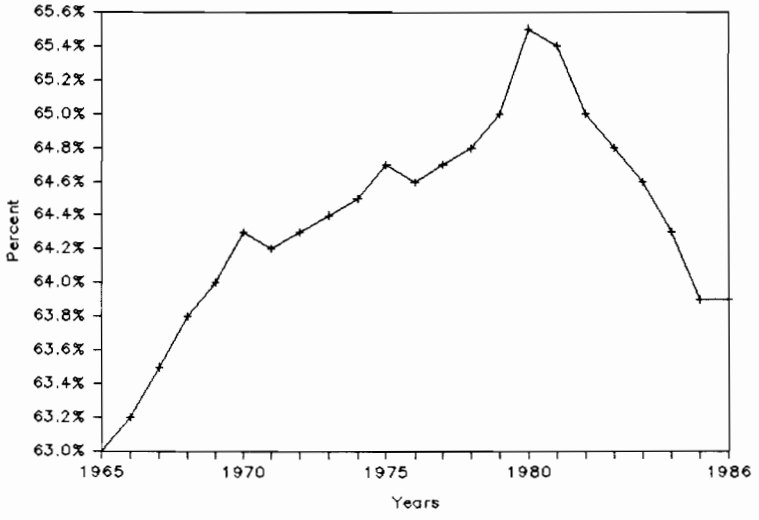
These 1,330 new homes represent a significant investment in the state's economy as well as an important investment in the lives of Vermonters who live within them.

Another measure of economic impact can be shown by looking at the outside mortgage capital MRBs have brought into the State of Vermont. With a small, predominantly rural population, MRBs have provided a lasting, important investment in the state's economy. It is estimated that MRBs have brought $375 million into the state since 1974.

Why Should the Mortgage Revenue Bond Program Be Extended?

The rate of home ownership is on the decline nationwide.

Percent of Households Owning Their Homes



In Vermont, this trend is exacerbated by the significant economic boom ocurring throughout the Northeast. This has triggered a critical shortage of affordably priced homes, due to rapid development in the more populated areas where home prices have outpaced increases in income as well as Vermont's appeal to out-of-state buyers who are willing to pay higher prices. The demand, while increasing, already far exceeds the supply.

In the last year, the VHFA has stepped up its outreach activities in an effort to make more Vermonters aware of our home ownership programs. We have a toll-free, statewide hotline and maintain an active mailing list of 4,000-5,000 households.

Recently we conducted a survey to learn more about the needs of Vermont home buyers. We mailed a questionnaire to 65% of our active list. While the results are only just being tabulated for analysis, a cursory glance at some of the data is enlightening.

Of the 2,342 people surveyed, 810 responded, or 34%. This high rate of response indicates a strong feeling about housing and the VHFA among those contacted.

- 82% do not currently own their own home.
- 75% reported household incomes under $30,000.
- 89% expect to purchase a home for less than $80,000.
- 56% said their motivation to own their own home is rooted in a desire for security and sense of control over their own space.

These figures illustrate a poignant need for affordable home ownership opportunities. When asked at the end of our survey to suggest ways we can better serve them, we were literally overwhelmed with comments. The most frequently voiced concerns are the lack of supply and the difficulty of accumulating funds to meet down payment and closing cost expenses.

Nevertheless, these Vermonters expressed a great deal of confidence in the VHFA's ability to serve them, as illustrated in a few examples below:

"Allow supply of affordable housing to meet the demand..."
"Help low-income out of the renting rut..."
"I think VHFA is the answer to Vermont's housing needs..."
"Lobby for assistance for native Vermonters..."
"We make too much for VHFA and not enough for banks..."
"Use your influence to lower prices and increase availability..."
"VHFA is doing all it can. Finances are just difficult today..."

We have used the Mortgage Revenue Bond program to counteract the difficulties faced by low- and moderate-income home buyers-- in many cases, Vermont's first-time buyers. To rejuvenate this nation's commitment to home ownership as an achievable dream, greater efforts than ever will be needed. If available to Vermont, the VHFA will continue to implement effective MRB programs for the benefit of Vermonters-- now and in the future.

VERMONT HOUSING FINANCE AGENCY

April 13, 1988

Ms. Jean Gauthier
Pavilion Office Building
Montpelier, VT 05602

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its monthly Board meeting on Thursday, April ~~18~~ 21, 1988, at 1:30 p.m., at the Office of the Commissioner of Banking and Insurance, 89 Main Street, Montpelier, Vermont.

If you have any questions or require any additional information, please do not hesitate to contact me.

Sincerely,

Barbara M. Parker

Barbara M. Parker
Office Manager

/bp

Rob Eley
~~District Ranger~~
828-3441

Sue Wood
after 2:00

Donna
828-3322

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA

service station and convenience store at exit 11 of Interstate 89 would increase truck traffic in the town.

More than 20 people attended a Zoning Board of Adjustment hearing where discussion also centered around how the project would fit in with the town zoning ordinance.

Walter Simendinger of Champlain

The contradiction between the zoning and the town plan surfaced at Monday's meeting. Zoning Board Chairman Matthew Buckley said final word on how the town plan should affect the board's decision will come from the town attorney.

Members of the Richmond Land Trust said the town plan should play a part in the board's decision, while Stephen Crampton, attorney for Simendinger, disagreed.

the proposed service station would sell diesel fuel.

Residents said truck fumes and fears that a "truck stop" atmosphere would be created were reasons to not allow the sale of diesel fuel. Others said catering to trucking is necessary to Vermont's economy.

"We need them and we should not try to push them away," said Jacob Verburg who owns the 290-acre dairy farm on which the

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Law needed to protect homosexuals, supporter

By David Karvelas
Free Press Staff Writer

MONTPELIER — Anti-gay messages scrawled on vehicles at two fraternity houses at the University of Vermont show the need for a law protecting the rights of homosexuals, supporters of a gay rights bill said Monday.

"I'm saddened to say I'm not surprised," state Sen. Harvey Carter, D-Bennington, said after learning that the words "kill queers" were spray-painted on a car at a UVM fraternity house last week. In an earlier and separate incident, the phrase "Drink beers kill queers" was written on the window of a "party bus" belonging to another fraternity.

"Clearly, it's an indication of the absolute prejudice and bias that exist in Vermont and elsewhere," said Susan Aranoff, a spokeswoman for the Coalition of Lesbian and Gay Men in Vermont. "It's a strong message to stay in the closet, just for physical safety."

Carter has sponsored legislation that would outlaw discrimination against gay men and lesbians in the areas of employment, housing and credit.

The bill, passed by the Senate earlier this year, is pending in the House Judiciary Committee, where it faces an uncertain fate.

Even some supporters concede the bill is likely to be defeated if it is sent to the House for a vote.

Judiciary Chairwoman Elizabeth Nuovo, D-Middlebury, said that while she supports the proposal, she is unsure whether the bill should be brought to the House floor for a vote.

"Maybe it would be better to bring it out when we have enough votes," she said. "Sometimes, when you bring a bill out and it fails, it makes it harder to do the next year."

Aranoff's organization is seeking a vote this session. "Justice too long delayed is justice denied," she said.

Several legislative supporters of the gay rights bill said publicity about the fraternity incidents would increase awareness of the prejudice against homosexuals, but might not have much impact in advancing Carter's proposal.

"I hope it raises consciousness," said state Rep. Vi Luginbuhl, R-South Burlington, a member of the Judiciary Committee.

Another committee member, Rep. Micque Glitman, D-Burlington, said, "Sometimes it takes these kind of events to make people aware this is going on."

Glitman called the spray-painted messages "just an incident of graffiti. I've heard of stories more severe — actual beatings."

Gov. Madeleine Kunin, a supporter of the bill, has urged House leaders to bring the proposal up for a vote before the end of the session.

"She feels it's a fundamental civil rights issue and is important for Vermont," said Elizabeth Bankowski, the governor's chief of staff. "The governor certainly feels it should be brought up for a vote and she has let the leadership know that."

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State government meetings

TODAY

Vermont State Board of Education, 9:30 a.m., Pavilion Auditorium, 109 State St., Montpelier.

Vermont Advisory Council on Historic Preservation, 9:30 a.m., Room 112, Redstone Office Building, 26 Terrace St., Montpelier.

State Transportation Board, 10 a.m., Community Hall, Vermont 14, East Randolph.

Board of Barber Licensing and Examination, 10 a.m., Redstone Office Building, 26 Terrace St., Montpelier.

Board of Medical Practice, North Committee, 3 p.m., Aesculapius Medical Center, South Burlington.

WEDNESDAY

Vermont Office On Aging Advisory Board Meeting, 10 a.m., Holiday Inn, Waterbury.

Board of Architecture, 10 a.m., Redstone Office Building, 26 Terrace St., Montpelier.

Vermont State Housing Authority Board of Commissioners, 10:30 a.m., Authority Offices, Third Floor, Tavern Motor Inn, Montpelier.

Board of Medical Practice, South Committee, 12:30 p.m., Veterans Hospital, White River Junction.

Teachers' Retirement Board of Trustees, 1:30 p.m., Treasurers Conference Room, 133 State St., Montpelier.

Community Development Program, 2 p.m., Pavilion Auditorium, 109 State St., Montpelier.

THURSDAY

Public Service Board, 9 a.m. hearing for Great Falls Hydroelectric, PSB Conference Room, Third Floor, 120 State St., Montpelier.

Children and Family Council for Prevention Programs, 9:30 a.m., Skylight Conference Room, Waterbury Complex.

Lottery Commission, 9:30 a.m., Lottery Headquarters, South Barre.

Vermont Municipal Bond Bank, 1 p.m., Howard Bank, 111 Main St., Burlington.

FRIDAY

Agency of Transportation, 9 a.m., Superior Courthouse, Rutland.

Public Service Board, 9:30 a.m. hearing on Lifeline and 1 p.m. hearing on Stowe Electric Department, PSB Conference Room, Third Floor, 120 State St., Montpelier.

Holiday Inn Holiday Inn Holiday Inn Holiday Inn

SCHEDULED COMMITTEE MEETINGS

April 18 - April 29, 1988

Apr. 18	10:00 A.M.	CRIMINAL JUSTICE TRAINING COUNCIL BOARD	Vermont Police Academy, Pittsford
Apr. 18	1:30 P.M.	VERMONT HOUSING FINANCE AGENCY	Banking & Insurance, 89 Main St., Montpelier
Apr. 18	2:00 P.M.	VERMONT STUDENT ASSISTANCE CORPORATION'S BOARD OF DIRECTORS	VSAC, Champlain Mill, Winooski
Apr. 18	5:30 P.M.	VERMONT VETERANS' HOME BANDSTAND COMMITTEE	Vets' Home, 325 No. St., Bennington
Apr. 18	6:00 P.M.	WHEY POLLUTION ABATEMENT AUTHORITY BOARD MEETING	Mann Hall, Trinity College
Apr. 19	9:30 A.M.	VERMONT STATE BOARD OF EDUCATION	Pavilion Aud., 109 State St., Montpelier
Apr. 19	9:30 A.M.	VERMONT ADVISORY COUNCIL ON HISTORIC PRESERVATION	Room 112, Redstone Bldg., 26 Terrace St., Montpelier
Apr. 20	10:30 A.M.	VERMONT STATE HOUSING AUTHORITY	Tavern Motor Inn, Montpelier
Apr. 20	1:30 P.M.	TEACHERS' RETIREMENT BOARD OF TRUSTEES	Treasurer's Conf. Rm., 133 State St., Montpelier
Apr. 20	2:00 P.M.	COMMUNITY DEVELOPMENT PROGRAM	Pavilion Aud., 109 State St., Montpelier
Apr. 21	9:30 A.M.	CHILDREN AND FAMILY COUNCIL FOR PREVENTION PROGRAMS	Skylight Conf. Rm., Waterbury Complex, Waterbury
Apr. 21	1:00 P.M.	VERMONT MUNICIPAL BOND BANK	Howard Bank, 111 Main St., Burlington
Apr. 26	9:30 A.M.	HUMAN SERVICES BOARD	Labor Relations Conf. Rm., 13 Baldwin St., Montpelier
		VERMONT STATE COLLEGES BOARD OF TRUSTEES	
Apr. 26	5:00 P.M.	Education Committee	Vt. State Colleges, Waterbury
Apr. 26	6:30 P.M.	Student Life/Personnel	Vt. State Colleges, Waterbury
Apr. 27	4:00 P.M.	Development Committee	Vt. State Colleges, Waterbury
Apr. 27	5:00 P.M.	Finance/Facilities Committee	Vt. State Colleges, Waterbury
Apr. 27	1:30 P.M.	CONSOLIDATED COUNCIL FOR EMPLOYMENT & TRAINING	Emp. & Training Board Rm., Green Mtn. Dr., Montpelier

SCHEDULED COMMITTEE MEETINGS
April 18 - April 29, 1988

Apr. 28	9:30 A.M.	LABOR RELATIONS BOARD, Grievance of John Imburgio	Labor Relations Conf. Rm., 13 Baldwin St., Montpelier
		PUBLIC SERVICE BOARD	
Apr. 18	11:00 A.M.	Petition of HYDRA-CO requesting 30-year levelized rate, approval of contract for sale of power through Vt. Power Exchange	PSB Conf. Rm., 3rd Fl., 120 State St., Montpelier
Apr. 18	1:30 P.M.	Sept. 1986 Small Power Production rates filed by the DPS	PSB Conf. Rm., 3rd Fl., 120 State St., Montpelier
Apr. 18	6:00 P.M.-Tech. 6:30 P.M.-Public	Petition of AT&T for certificate of public good to operate in State of Vermont by providing intrastate telecommunications	GMP Auditorium, 25 Green Mountain Dr., So. Burlington
Apr. 21	9:00 A.M.	Petition of Burlington Telephone for authorization to obtain $10,000,000 financing and to mortgage or pledge its corporate property and issue notes of indebtedness in connection with financing	PSB Conf. Rm., 3rd Fl., 120 State St., Montpelier
Apr. 21	10:00 A.M.	Application of Great Falls Hydroelectric for 30-year levelized rates for project located in Thetford Center	PSB Conf. Rm., 3rd Fl., 120 State St., Montpelier
Apr. 22	9:30 A.M.	Investigation into adoption and implementation of "Lifeline"	PSB Conf. Rm., 3rd Fl., 120 State St., Montpelier
Apr. 22	1:00 P.M.	Tariff filing of Village of Stowe Electric requesting revision of Rules and Regulations	PSB Conf. Rm., 3rd Fl., 120 State St., Montpelier
		DISTRICT ENVIRONMENTAL COMMISSION	
Apr. 19	10:00 A.M.	Felix Callan, revocation of land use permit	AHS Training Ctr., Room 119, Waterbury
Apr. 26	2:00 P.M.	Jet Service Envelope, construct building for production of envelopes	Env. Board Office, 58 East State St., Montpelier
Apr. 26	7:00 P.M.	Trapp Family Lodge, construction of 16 time share units in 4 buildings	Env. Board Office, 58 East State St., Montpelier
Apr. 27	1:15 P.M.	Jesse F. Sammis, III and Jean T. Sammis, renovation of two barns	Municipal Office, Randolph
Apr. 28	9:30 A.M.	Ruth Swezey, fifteen lot subdivision	Manchester Court House, Manchester
Apr. 28	1:15 P.M.	William Eckert, increase extraction rate of pre-existing gravel pit	Town Office Bldg., Windsor
Apr. 28	2:00 P.M.	Gerard and Rene Bedard, subdivide land into residential lots	Sheldon Town Office, Town Highway 4, Sheldon

VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

Office of the Commissioner
of Banking and Insurance
89 Main Street
Montpelier, Vermont

Thursday, April 21, 1988 at 1:30 p.m.

1. Review and approval of minutes of March 17, 1988

2. Executive Director's Report

3. Operations

   A. 1987A MOVE Update [**Lothrop//Enclosure**]
   B. FNMA Update [**Lothrop//Enclosure**]
   C. Farmers' Home Status [**Lothrop//Enclosure**]

4. Development

   A. Nonprofit Strategy [**Pond//Enclosure**]
   B. Extension of Addison County Comm. Grant for Homeless [**Pond//Enclosure**]
   C. Northgate, et al., Update [**Pond/Hunt**]
   D. Riverside Project [**Pond//Enclosure**]
      (1) Description of Project
      (2) Resolution re: Letter of Interest for Riverside Development
      (3) Advancing Money to Housing Vermont for this project

5. Finance

   A. Quarterly Budget/General Fund Update [**Schoenbeck**]
   B. Multi-Family Project Structured Refinancing [**Schoenbeck//Enclosure**]

6. Legal

   A. Legislative Update [**Jarrett**]
   B. Spool and Bobbin Mill Update [**Jarrett**]

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

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA

VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont
Thursday, March 17, 1988

Present: Commissioners Hebard, Babcock, Seelig, Holmes (designee of Elbert Moulton), Hahn, and Myette (via speaker phone); Agency Staff Mr. Hunt, Mr. Schoenbeck, Mr. Jarrett, Mrs. Parker, Mr. Lothrop, Ms. Pond, Mr. Koppelkam, Ms. Crady; Ms. Wadsworth of VHMGB

The meeting was called to order at 1:40 p.m. by Commissioner Hebard.

Upon a motion duly made and seconded, the minutes of the February 18 meeting were unanimously accepted as written.

Mr. Hunt presented his Executive Director's Report, informing the Board that he and Michael Richardson had met with Governor Kunin regarding the appointment of Board members for Housing Vermont. Three potential members have been contacted by Gov. Kunin, who plans to host a luncheon for the appointees at a to-be-determined date. Mr. Hunt next reported on other meetings he had recently attended: with the South Windsor task force (regarding affordable housing); with Don Taranelli, who served on the Governor's Growth Commission, regarding the 800 units he owns throughout the state which appear to be the focus of the at-risk bill; and with realtors in Bennington. Mr. Hunt also informed the Board that he and Hollis Hope would be travelling to Washington, D.C., to attend the NCSHA Legislative Meeting (March 21-22), which will concentrate on the MRB Sunset Campaign.

Mr. Lothrop then reviewed his memorandum, "Increased Income Limits..." dated March 10, 1988, and included in the Board packet. He explained that the negatives to changing the program appeared to outweigh the advantages, and thus staff was recommending no changes to the MOVE, Mortgage Plus, or MOVE--New Construction programs. Mr. Hahn commended Mr. Lothrop on his perceptive analysis, which took into consideration a broad range of issues.

The Board then turned to the next agenda item, "Reducing Equity Downpayment Requirement..." as per Mr. Lothrop's memo of March 10, 1988, and Mr. Lothrop recommended that the Board review and approve a change to the Procedural Guide, which was attached

to the same memo. A discussion of the issue followed, during which Mr. Lothrop explained that potential borrowers' excess liquid assets would disqualify them from the program. After a motion duly made and seconded, the Board unanimously agreed to the change in the Procedural Guide as drafted.

Mr. Lothrop next reviewed the "Progress Reports for MOVE and New Homes Programs," as detailed in his memo of March 10. A brief discussion followed; no Board action was required.

Ms. Pond introduced Mark Koppelkam, who recently joined the Agency as an Underwriter in the newly formed Development Department.

Turning to the next agenda item, Ms. Crady reviewed her memorandum, "Affordable Sub-Division Program," dated March 10, 1988, and recommended that the Board approve the targeting of funds to this program for developers of affordable housing and perpetual affordability. Mr. Hunt explained that Mortgage Guarantee Insurance Corporation (MGIC) appeared in the recommendation because the program would involve recycled funds. Mr. Hunt further explained that in order to eliminate MGIC from the proposed program, it would be necessary to have a comparable substitute. Ms. Crady pointed out that there are many problems with MGIC when dealing with condominium projects. According to Mr. Hunt, it is conceivable that VHMGB would be able to receive a Double A rating (from Moody's and/or Standard & Poor's); if this is possible, VHMGB could provide pool insurance. As VHMGB has not been rated directly before, only during bond issues, the cost for a rating would be approximately $5-12,000. Mr. Hunt commented to the Board that the Agency's underwriter could call Moody's or Standard & Poor's to inquire on the possibility of a successful Double A rating.

There was a further discussion of the proposed program, during which Mr. Hebard inquired if the Agency could make construction loans; Mr. Hunt explained that Bond proceeds could not be used for construction, but the possibility of revolving loans for construction provided by the Trust Fund could be explored. Mr. Hunt further stated that construction participation would make the package more attractive. Upon a motion duly made and seconded, the Board unanimously agreed that staff should proceed with the Affordable Sub-Division Program as outlined in the Board packet.

Mr. Hunt then introduced the Agency's proposed Business Plan, and cautioned that as this was still a draft, the items listed were still pending prioritization. Ms. Babcock commended the staff on the excellent format and outstanding effort in

creating such a plan. Mr. Hahn pointed out that it will be important to include information on where the funds come from in the analysis, and that a mission statement is needed. Mr. Hunt assured the Board that every effort would be made to finalize the Business Plan, incorporating the Board's suggestions, by the April Board meeting.

The legislative update was then presented by Mr. Jarrett, who informed the Board of the current status of bills relating to the Agency. Ms. Babcock commended Mr. Jarrett for a job well done in pushing through the financing bill, and Mr. Seelig commended Mr. Jarrett for his handling of the At-Risk bill.

Moving on to other business, Mr. Hunt distributed a proposed information packet on the Mortgage Revenue Bond campaign, which he planned to distribute during the legislative conference in Washington, D.C., March 21-22. The Board expressed approval of the packet's content and design.

A list of candidates for the Housing Vermont Board was then distributed by Mr. Hunt, and some discussion followed on the eligibility of certain proposed members.

Mr. Jarrett informed the Board that the closing on Dogwood Glen II (in Northfield) was successfully completed March 15.

Upon a motion duly made and seconded, the meeting was adjourned at 3:35.

Respectfully submitted,

Allan S. Hunt

Allan S. Hunt
Secretary

STATISTICAL REPORT PROGRAM ID: 87A
SINGLE FAMILY DATABASE
EFFECTIVE: 04/14/88

Total Number of Loans:	365
Total Loan Amount:	$18,762,294
Average Loan Amount:	$51,403

EXISTING:	$16,482,176	89.5%	327 Loans
NEW CONSTRUCTION:	$2,280,118	10.4%	38 Loans
NEW DETACHED HOUSING:	$1,915,103	83.9%	31 Loans
NEW CONDOMINIUM:	$365,015	16.0%	7 Loans

Total Insured or Guaranteed Loans:	348
Loans Guaranteed by VHMGB:	346

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$53,753	$62,705	$56,917
Avg. Loan Amount	$48,311	$57,060	$51,403
Avg. Borrower Income	$25,437	$27,300	$26,095
Avg. Housing Debt-Income Ratio	25.0%	27.7%	25.9%
Avg. Total Debt	$712.55	$789.88	$739.88
Avg. Total Debt-Income Ratio	33.7%	34.8%	34.1%
Total No. of Loans	236	129	365
First Time Homebuyers	76.6%	100.0%	84.9%
% Loans with 2 or more Wage Earners	53.3%	48.0%	51.5%
% of Total Loan Amount	60.8%	39.2%	100.0%

	Loans	$ Amount	% of $ Amount	Population	% of Pop.
Addison	9	$453,074	2.4%	31,078	5.8%
Bennington	7	$406,516	2.2%	34,832	6.5%
Caledonia	27	$1,244,927	6.6%	26,552	5.0%
Chittenden	93	$5,463,260	29.2%	123,078	23.0%
Essex	5	$212,607	1.1%	6,607	1.2%
Franklin	51	$2,470,687	13.2%	36,473	6.8%
Grand Isle	5	$289,408	1.5%	5,040	0.9%
Lamoille	15	$772,573	4.1%	17,776	3.3%
Orange	15	$734,237	3.9%	23,930	4.5%
Orleans	23	$867,110	4.6%	23,985	4.5%
Rutland	46	$2,425,210	12.9%	59,644	11.1%
Washington	50	$2,439,219	13.0%	53,960	10.1%
Windham	4	$234,936	1.3%	39,000	7.3%
Windsor	15	$748,530	4.0%	53,045	9.9%
TOTAL	365	$18,762,294	100.0%	535,000	100.0%

* Vermont Department of Health - July 1985 Estimate

Vermont Housing Finance Agen[redacted]
1987 Series A - $25,000,000 HOME MORTGAGE PURCHASE PROGRAM
Status Report (with percent of pool proceeds approved)
Rate : 9.700%
Date : 04/14/88

Lender	Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased
Bank of Vermont	$1,085,013	4.3%	$965,313	3.8%	$725,575	$239,738
Bennington Coop Savings & Loan Assn Inc	$53,800	0.2%	$0	0.0%	$0	$0
Bradford National Bank	$93,250	0.3%	$60,000	0.2%	$60,000	$0
Caledonia National Bank of Danville, The	$468,700	1.8%	$350,450	1.4%	$179,050	$171,400
Chittenden Trust Company	$3,495,913	13.9%	$2,945,650	11.7%	$2,062,206	$883,444
Commonwealth Mortgage Company, Inc	$101,400	0.4%	$101,400	0.4%	$0	$101,400
Community National Bank	$613,982	2.4%	$613,982	2.4%	$565,232	$48,750
Factory Point National Bank, The	$38,500	0.1%	$0	0.0%	$0	$0
First Northern Mortgage Corporation	$288,271	1.1%	$180,730	0.7%	$69,200	$111,530
First Twin-state Bank	$209,450	0.8%	$155,650	0.6%	$105,300	$50,350
Franklin-Lamoille Bank	$130,450	0.5%	$59,850	0.2%	$0	$59,850
Granite Savings Bank and Trust Company	$49,400	0.1%	$49,400	0.1%	$49,400	$0
Howard Bank, National Assn, The	$2,285,523	9.1%	$2,129,173	8.5%	$1,494,250	$634,923
Lyndonville Savings Bank & Trust Company	$188,090	0.7%	$148,090	0.5%	$148,090	$0
Marble Bank	$605,003	2.4%	$506,003	2.0%	$250,495	$255,508
Merchants Bank, The	$1,214,110	4.8%	$1,136,810	4.5%	$1,136,810	$0
National Bank of Middlebury, The	$89,600	0.3%	$89,600	0.3%	$49,600	$40,000
New England IBM Employees Fed Crdt Union	$284,308	1.1%	$284,308	1.1%	$284,308	$0
Northfield Savings Bank	$423,530	1.6%	$423,530	1.6%	$269,905	$153,625
Passumpsic Savings Bank	$1,093,417	4.3%	$956,879	3.8%	$614,804	$342,075
Peoples Trust Company of St Albans	$530,045	2.1%	$465,045	1.8%	$371,470	$93,575
Proctor Bank	$437,900	1.7%	$323,200	1.2%	$222,200	$101,000
Randolph National Bank	$102,750	0.4%	$102,750	0.4%	$42,750	$60,000
Union Bank	$378,070	1.5%	$271,570	1.0%	$167,450	$104,120
Valley Bank	$107,350	0.4%	$0	0.0%	$0	$0
Vermont Federal Bank, FSB	$5,272,918	21.0%	$4,060,536	16.2%	$2,937,990	$1,122,546
Vermont Mortgage Group, Inc	$1,382,892	5.5%	$1,235,128	4.9%	$1,148,912	$86,216
Vermont National Bank	$1,433,498	5.7%	$1,179,415	4.7%	$618,030	$561,385
TOTALS 440 Loans	$22,457,133	89.8%	$18,794,462	75.1%	$13,573,027	$5,221,435

STATISTICAL REPORT NEW HOMES PROGRAM
SINGLE FAMILY DATABASE
EFFECTIVE: 04/14/88

Total Number of Loans:	182
Total Loan Amount:	$10,680,176
Average Loan Amount:	$58,682

NEW DETACHED HOUSING:	$9,135,326	85.5%	152 Loans
NEW CONDOMINIUM:	$1,544,850	14.4%	30 Loans

Total Insured or Guaranteed Loans:	165
Loans Guaranteed by VHMGB:	164

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$66,281	$69,742	$67,936
Avg. Loan Amount	$56,733	$60,809	$58,682
Avg. Borrower Income	$25,157	$27,017	$26,046
Avg. Housing Debt-Income Ratio	26.3%	26.3%	26.3%
Avg. Total Debt	$709.50	$761.51	$734.36
Avg. Total Debt-Income Ratio	33.6%	33.7%	33.7%
Total No. of Loans	95	87	182
First Time Homebuyers	73.6%	67.8%	70.8%
% Loans with 2 or more Wage Earners	42.1%	47.1%	44.5%
% of Total Loan Amount	50.5%	49.5%	100.0%

	Loans	$ Amount	% of $ Amount	Population	% of Pop.
Addison	11	$679,495	6.4%	31,078	5.8%
Bennington	10	$580,435	5.4%	34,832	6.5%
Caledonia	9	$464,071	4.3%	26,552	5.0%
Chittenden	58	$3,512,566	32.9%	123,078	23.0%
Essex	0	$0	0.0%	6,607	1.2%
Franklin	27	$1,631,613	15.3%	36,473	6.8%
Grand Isle	5	$315,784	3.0%	5,040	0.9%
Lamoille	6	$323,418	3.0%	17,776	3.3%
Orange	6	$307,100	2.9%	23,930	4.5%
Orleans	5	$264,317	2.5%	23,985	4.5%
Rutland	20	$1,199,231	11.2%	59,644	11.1%
Washington	10	$481,363	4.5%	53,960	10.1%
Windham	12	$718,606	6.7%	39,000	7.3%
Windsor	3	$202,177	1.9%	53,045	9.9%
TOTAL	182	$10,680,176	100.0%	535,000	100.0%

* Vermont Department of Health - July 1985 Estimate

Vermont Housing Finance Agency
1979 Series A - $8,000,000 NEW HOMES PROGRAM
Status Report (with percent of pool proceeds approved)
Rate : 8.250%
Date : 04/14/88

Lender	Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased
Chittenden Trust Company	$140,045	1.7%	$0	0.0%	$0	$0
Community National Bank	$70,000	0.8%	$0	0.0%	$0	$0
Howard Bank, National Assn, The	$68,000	0.8%	$0	0.0%	$0	$0
Marble Bank	$73,412	0.9%	$0	0.0%	$0	$0
National Bank of Middlebury, The	$67,729	0.8%	$0	0.0%	$0	$0
Passumpsic Savings Bank	$50,000	0.6%	$0	0.0%	$0	$0
Peoples Trust Company of St Albans	$132,000	1.6%	$0	0.0%	$0	$0
Vermont Mortgage Group, Inc	$68,150	0.8%	$0	0.0%	$0	$0
Vermont National Bank	$103,000	1.2%	$43,000	0.5%	$0	$43,000
TOTALS 12 Loans	$772,336	9.6%	$43,000	0.5%	$0	$43,000

Vermont Housing Finance Agency[redacted]
1978 Series A - $12,000,000 NEW HOMES PROGRAM
Status Report (with percent of pool proceeds approved)
Rate : 7.750%
Date : 04/14/88

Lender	Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased
Bank of Vermont	$1,404,910	11.7%	$1,289,510	10.7%	$722,370	$567,140
Bennington Coop Savings & Loan Assn Inc	$120,400	1.0%	$120,400	1.0%	$57,400	$63,000
Caledonia National Bank of Danville, The	$447,520	3.7%	$336,520	2.8%	$41,000	$295,520
Chittenden Trust Company	$2,094,590	17.4%	$1,988,090	16.5%	$1,357,952	$630,138
Commonwealth Mortgage Company, Inc	$124,750	1.0%	$124,750	1.0%	$0	$124,750
Community National Bank	$272,717	2.2%	$272,717	2.2%	$213,717	$59,000
Factory Point National Bank, The	$61,200	0.5%	$61,200	0.5%	$0	$61,200
First Northern Mortgage Corporation	$67,925	0.5%	$67,925	0.5%	$0	$67,925
First Vermont Bank and Trust Company	$70,900	0.5%	$0	0.0%	$0	$0
Franklin-Lamoille Bank	$190,200	1.5%	$65,000	0.5%	$0	$65,000
Howard Bank, National Assn, The	$781,200	6.5%	$781,200	6.5%	$730,300	$50,900
Lyndonville Savings Bank & Trust Company	$50,000	0.4%	$50,000	0.4%	$50,000	$0
Marble Bank	$366,490	3.0%	$366,490	3.0%	$118,020	$248,470
Merchants Bank, The	$545,926	4.5%	$545,926	4.5%	$416,076	$129,850
National Bank of Middlebury, The	$378,618	3.1%	$305,618	2.5%	$185,753	$119,865
New England IBM Employees Fed Crdt Union	$439,100	3.6%	$439,100	3.6%	$278,000	$161,100
Passumpsic Savings Bank	$254,435	2.1%	$204,435	1.7%	$35,000	$169,435
Peoples Trust Company of St Albans	$265,250	2.2%	$213,000	1.7%	$0	$213,000
Proctor Bank	$94,300	0.7%	$94,300	0.7%	$70,300	$24,000
Randolph National Bank	$187,175	1.5%	$59,000	0.4%	$0	$59,000
Valley Bank	$397,330	3.3%	$323,230	2.6%	$60,720	$262,510
Vermont Federal Bank, FSB	$1,361,166	11.3%	$1,361,166	11.3%	$876,855	$484,311
Vermont Mortgage Group, Inc	$992,735	8.2%	$779,735	6.4%	$516,935	$262,800
Vermont National Bank	$959,205	7.9%	$907,405	7.5%	$0	$907,405
TOTALS 202 Loans	$11,928,042	99.4%	$10,756,717	89.6%	$5,730,398	$5,026,319

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Operations

SUBJECT: Meeting with Fannie Mae (The Federal National Mortgage Association)

DATE: April 15, 1988

Background Information

Fannie Mae is a private shareholder-owned corporation that was chartered by the U.S. Congress to help insure a steady flow of mortgage funds in all of the housing markets across the U.S. They attempt to do this by linking lenders who originate mortgages with those who invest in them.

Fannie Mae has historically provided funds for residential mortgages in two ways. First, it purchases mortgages for it's portfolio. It finances those purchases by selling debt securities to investors. Second, Fannie Mae issues and guarantees Mortgage-Backed Securities (MBS) that are backed by loans written by approved lenders.

Approximately 50 percent of Fannie Mae's business is with mortgage bankers; 36 percent with thrift institutions; the remainder is with others, including state and local housing finance agencies.

The Initiative

To help promote efforts on behalf of lower income households, Fannie Mae recently created a department of low- and moderate-income housing to develop programs to expand housing opportunities throughout the country.

On April 5th and 6th representatives of Fannie Mae came to Vermont to meet with VHFA staff and share with us some of the programs in which they have been involved, in both the single family and multi family areas. A brief description of a sampling of these initiatives are attached for your information.

Staff was very interested in the presentation made to us and the programs they have been associated with and we anticipate further investigation into ways that Fannie Mae and VHFA might work together to further the cause of affordable housing in Vermont. Possibilities might include: (1) Selling our bonds directly to Fannie Mae, eliminating most of the sales expense associated with selling bonds, (2) Providing credit enhancements for tax-exempt mortgage revenue bonds, (3) Issuing Mortgage-Backed Securities as collateral for tax-exempt bonds, (4) Direct the purchase of taxable multi-family loans, and

(5) Assisting in the development of a secondary market for non-conforming loans.

Action Requested by the Board

No formal action is being requested at this time. Staff would like an indication from the board of it's support for staff to follow up on this possibility for assisting low- and moderate-income Vermonters.

Wood Street Commons

Where is the program operating?

Pittsburgh, Pennsylvania.

How does the program work?

The Wood Street Commons project will preserve and substantially renovate 270 single-room occupancy units of permanent housing in a historic YMCA. One hundred thirty-six of the units will be reserved for homeless and very-low-income people at subsidized rents. Social and other support services will be provided to residents through public and nonprofit offices located in the building.

The project is being financed through a variety of private, state, local, and foundation sources, as well as through the syndication of a limited partnership for equity investment.

What is Fannie Mae's role?

Fannie Mae has made a $2 million equity investment as sole limited partner in the Wood Street Commons project. The partnership, syndicated by the Enterprise Foundation, enables Fannie Mae to utilize the low-income housing tax credit created by the 1986 Tax Reform Act, as well as the historic preservation tax credit.

Who are Fannie Mae's partners?

- The Enterprise Foundation.
- The Enterprise Social Investment Corporation.
- The Ford Foundation.
- Community Human Services, Inc.
- Tom Mistick and Sons.
- The Allegheny Conference.
- The City of Pittsburgh and County of Allegheny.

Where can I get more information?

At Fannie Mae, contact:
Martin Levine
(202) 537-6030

At the Enterprise Foundation, contact:
Helen Szablya
(301) 964-1230

At Tom Mistick and Sons, contact:
Jane Clark
(412) 322-1121

Purchase of tax-exempt mortgage revenue bonds

Where is the program operating?
Alabama, Colorado, Florida, Georgia, Louisiana, Minnesota, Missouri, Oklahoma, Texas, and Washington State.

How does the program work?
In March 1987, Fannie Mae began a program to purchase tax-exempt mortgage revenue bonds issued by state and local housing finance agencies to fund mortgages on single-family homes. The program's goal is to provide affordable housing for approximately 23,000 low- and moderate-income first-time home buyers.

What is Fannie Mae's role?
By purchasing the bonds directly, Fannie Mae reduces the agencies' marketing costs, making it possible for them to offer mortgages at lower interest rates than otherwise would be possible. In negotiating with the issuing agencies, Fannie Mae also encourages them to offer additional subsidies to home buyers, making homeownership more affordable to lower income families.

As of October 1, 1987, Fannie Mae had purchased $1.03 billion in bonds, helping provide below-market-rate mortgage financing for 20,000 first-time home buyers.

Who are Fannie Mae's partners?
State and local housing finance agencies.

Where can I get more information?
At Fannie Mae, contact:
John Gallagher
(202) 537-6607

Agency	Bonds Purchased ($ in millions)	Estimated Number of Borrowers
Florida Housing Finance Agency	118.4	2,400
Washington State Housing Commission	67.5	1,300
Houston Housing Finance Corporation	50.0	1,000
DeKalb County (GA) Housing Authority	75.0	1,500
Cities & Metro Counties of Minneapolis/St. Paul	198.5	3,900
Oklahoma Housing Finance Agency	208.7	4,100
City & Metro Counties of Denver	80.0	1,600
Missouri Housing Finance Agency	75.0	1,500
Alabama Housing Finance Agency	72.0	1,440
Jefferson Parish (LA) Housing Finance Agency	38.6	770
Urban Residential Finance Authority (Atlanta)	43.5	870

Energy-Efficient Mortgages

Where is the program operating?
Arkansas, Connecticut, Idaho, Montana, Oregon, Texas, Vermont, Virginia, and Washington State. More than 100 smaller utilities offer rating programs to help buyers qualify for energy-efficient mortgages.

How does the program work?
Through its Energy-Efficient Mortgage (EEM) loan options, Fannie Mae recognizes that homes built or renovated with high-efficiency heating and cooling equipment, adequate insulation, and other energy-saving measures are worth more and cost less to run. Buyers of energy-efficient new and older homes can get an Energy-Efficient Mortgage that allows them to qualify for a higher loan amount than if they were purchasing an inefficient home. In addition, buyers of older homes can get an EEM that enables them to include in their mortgage the cost of energy-saving improvements.

The EEM options can improve housing affordability, particularly for first-time home buyers. In cooperation with lenders, builders, electric and gas utilities, real estate agents, and public interest groups, Fannie Mae promotes energy-efficient housing along with the EEM loan options.

What is Fannie Mae's role?
Fannie Mae offers the EEM loan options to its network of over 4,000 approved lenders. The lenders determine whether to offer it in the communities they serve.

Fannie Mae sponsored several pilot projects with consumer groups, lenders, utilities, and others to demonstrate and refine the company's EEM loan options. One pilot is now under way in Connecticut to develop and test new underwriting guidelines and to prepare a complete marketing program for the EEM that involves real estate agents, lenders, and others involved in the home purchase process.

Fannie Mae is jointly sponsoring the pilot with the Alliance to Save Energy and Conn Save, Inc., two nonprofit groups that promote investment in energy-efficient housing.

Fannie Mae has provided lenders with consumer brochures that explain the EEM, bank countercards, and other marketing materials. The company also provides technical advice to organizations such as Energy Rated Homes, a national nonprofit group that conducts home energy audits.

Who are Fannie Mae's partners in the EEM program?

- Fannie Mae-approved lenders that are willing to offer the EEM option.
- The Alliance to Save Energy; Washington, DC.
- Conn Save, Inc., Hartford, Connecticut.
- Energy Rated Homes of Arkansas, Washington, and Vermont.

Where can I get more information?

At Fannie Mae, contact:
John Nevin
(202) 537-7514

At The Alliance to Save Energy, contact:
James Wolf
(202) 857-0666

At Energy Rated Homes, contact:
Ronald Hughes
(501) 374-7827

Credit enhancement for tax-exempt-financed single-family mortgages

Where is the program operating?
California, Georgia, and Kentucky.

How does the program work?
Fannie Mae has developed two credit enhancement programs for single-family mortgage revenue bonds issued by state and local housing finance agencies (HFAs). In the first, credit enhancement is provided by Fannie Mae Mortgage-Backed Securities (MBS) that are backed by mortgages funded with bond proceeds. The second program provides credit enhancement with a direct corporate guarantee rather than with MBS.

What is Fannie Mae's role?
Three prototype transactions utilizing the MBS have been completed. These transactions, which total $90 million, have provided below-market financing for approximately 1,800 low- and moderate-income families in west central Kentucky and in the cities of Atlanta, Georgia and Thousand Oaks, California.

Who are Fannie Mae's partners?
- State and local housing finance agencies.

Where can I get more information?
At Fannie Mae, contact:
John Gallagher
(202) 537-6607

Credit enhancement for tax-exempt-financed rental housing developments

Where are projects financed by tax-exempt bonds located?

Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Georgia, Illinois, Indiana, Iowa, Kansas, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, Nevada, New Jersey, New Mexico, New York, North Dakota, Oklahoma, South Dakota, Tennessee, Texas, Utah, Virginia, and Washington.

How the program worked

Under this program—known as "Muni Mae"—Fannie Mae has helped state and local housing finance agencies provide rental housing for low- and moderate-income families by using its Mortgage-Backed Securities (MBS) as collateral for the agencies' tax-exempt housing bonds. The triple-A rating of bonds collateralized with Fannie Mae MBS enabled bond issuers to reduce their financing costs significantly and to pass on those savings in the form of lower rents.

All of the projects financed under this program have set aside a minimum of 20 percent of their units for low-income tenants. Although deliveries are still being made under the Muni Mae program, commitments are no longer available.

What is Fannie Mae's role?

Under the Muni Mae program, Fannie Mae provided credit enhancement for $1.793 billion in bonds issued to finance 417 multifamily projects in 29 states:

State	Number of Projects	Number of Units	Mortgage Loans Made With Proceeds of Tax-Exempt Bonds*
Georgia	9	1,450	46.9
Mississippi	1	392	10.0
Tennessee	2	448	14.6
Indiana	6	1,332	42.1
Iowa	1	210	5.3
Minnesota	5	563	25.7
Nebraska	4	408	10.7
North Dakota	7	547	12.4
South Dakota	4	244	6.2
Arkansas	4	876	21.0
Colorado	3	792	28.2
Kansas	5	828	15.1
Missouri	10	1,990	63.9

State	Number of Projects	Number of Units	Mortgage Loans Made With Proceeds of Tax-Exempt Bonds*
New Mexico	20	3,773	110.8
Oklahoma	5	1,006	20.3
Washington	114	10,758	309.6
Texas	25	6,067	198.0
Arizona	14	3,072	74.5
California	101	14,081	475.3
Nevada	4	463	15.9
Utah	34	5,005	132.0
Connecticut	5	573	15.5
Massachusetts	16	862	30.7
New Jersey	3	720	28.2
New York	9	690	17.3
Virginia	2	1,011	32.8
Delaware	1	234	5.4
Illinois	1	63	5.2
Michigan	2	580	19.6
	417	59,038	1,793.0

*Dollars in millions

Who are Fannie Mae's partners?
State and local housing finance agencies.

Where can I get more information?
At Fannie Mae home office contact:
Gerald La Haie
(202) 537-7055

Regional office contacts:

Atlanta:	Robert Hunter (404) 365-6046
Chicago:	David Shelby (312) 368-6265
Dallas:	Harry Donavon (214) 770-7579
Los Angeles:	John Delaney (213) 209-6341
Philadelphia:	H. Gerald Nanos (215) 574-1442

Concord Park

Where is the program operating?
Staten Island, New York.

How does the program work?
Fannie Mae is working with the New York City Housing Partnership (NYCHP) and Norstar Mortgage to enable between 150 and 170 families now priced out of the housing market to purchase new homes.

Norstar Mortgage is originating and servicing the first mortgages. The NYCHP is making second mortgages, through an Urban Development Action Grant (UDAG), available to families who meet program income and credit guidelines. Payment of the second mortgage is not required until the property is sold, and then only if the property is sold for a profit. If the buyer remains in the home for 15 years, the second mortgage is forgiven entirely; if the buyer sells the home before 15 years have elapsed, the second mortgage is repayable from the net profit on resale, unless resale is to another income-eligible buyer.

What is Fannie Mae's role?
Fannie Mae is purchasing $6 million to $7 million in conventional first mortgages.

Who are Fannie Mae's partners?
- The New York City Housing Partnership (NYCHP).
- Norstar Mortgage Corporation.

Where can I get more information?
At Fannie Mae, contact:
Irene Baggio
(215) 574-1487

At the New York City Housing Partnership, contact:
Kathryn Wylde
(212) 561-2001

At Norstar Mortgage, contact:
Lawrence Strauss
(516) 832-6378

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Operations

SUBJECT: Meeting with Farmers Home Administration (FmHA)

DATE: April 15, 1988

On April 5th Allan, Meg and I met with Ed Eurich, the new State Director of FmHA, along with Chip Higgins and Bob Pratt of his staff, to discuss three specific areas:

1. The status of the present FmHA/VHFA cooperative mortgage program.
2. The mortgage held by FmHA on the farm in Milton on which VHFA and a developer are trying to put together a combination 30 acre affordable housing sub-division with 300 acres of perpetual farm land.
3. The availability of FmHA Multi Family (515) funds for projects in Vermont.

A brief synopsis of the outcome of that meeting is presented for your information and comments.

VHFA/FmHA Cooperative Loan Program

Staff was told that FmHA is, for all intents and purposes, out of funding for their fiscal year ending October 31, 1988. As reported to us, they have enough funding left for two loans a month for each of their fourteen offices. This figure includes loans which are made by FmHA that would not be using our funds. There is the possibility that they may get additional funds from the "National Pool" which consists of unused allocations from all parts of the country. FmHA staff indicated that in order to gain access to this funding they must have loan requests on hold. Indications are that there will be a large demand for these funds, and obtaining a large share was not presented to us with confidence.

In addition to the above, FmHA staff expressed concern as to the level of funding they would receive for their next fiscal year. This will depend on what actions Congress takes.

We were told further that the maximum need for our funding for this fiscal year would be $500,000. Depending on continued funding by Congress of the FmHA Rural Housing Program and other demands for VHFA funds, staff may be making a recommendation to the board that we adjust our committment to this program in some amount less than the present $2,500,000.

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Both FmHA and VHFA staffs agreed that this was potentially a very valuable housing assistance program, and should be continued at some level, despite the above problems.

Milton Property

At the November, 1987 board meeting, the above property was discussed and a copy of the portion of the board minutes which pertain to it is attached for your review. FmHA holds the mortgage on this property and VHFA staff was interested in ascertaining from them under what conditions they would consider a partial release of the portion of the farm that would contain the affordable housing units. FmHA staff indicated that they did not usually consider partial releases, and normally only accept a full payoff. Allan pointed out that by using the partial release technique FmHA would have considerably less exposure to loss and at the same time keep a large majority of the property as farmland. FmHA indicated that they understood this and would take a look at any proposal presented to them, but did not appear to be very positive toward this idea.

It is the recommendation of staff that VHFA continue to pursue a workable solution and bring this much needed affordable housing project to Chittenden County. We believe that this project would be very suitable to bring to fruition the Governor's request to have a "new technology/affordable housing" demonstration project.

Rental Housing Funds

VHFA staff was anxious to ascertain the availability of rental housing funds that might be available from FmHA, as we feel that these funds are a good vehicle to continue the construction of Multi Family housing. It is possible that by combining these funds with Housing Vermont, the ability to continue to provide new low- to moderate-income Multi Family housing will be enhanced while we attempt to prevent present subsidized projects from leaving by the back door.

FmHA staff indicated that there was $1,500,000 available in this fiscal year which is sufficient for one or two projects. Staff will aggressively seek projects to bring to Farmer's Home.

EXCERPT FROM THE BOARD MINUTES
NOVEMBER 19, 1987
VERMONT HOUSING FINANCE AGENCY

..."Moving on to other business, Mr. Hunt discussed a sub-division proposal to make building lots available to builders who will then be able to demonstrate their versions of affordable housing. There are 350 acres available in Milton, with a proposal for 30 lots of perpetually affordable housing. A water quality standards test is necessary before proceeding with plans, at a potential cost of $15,000. The Housing and Conservation Trust Fund, the Agency, and the Developers (Dan Mahoney and Sam Johnson) are each willing to pay one-third of the cost ($5,000 each). Mr. Hunt cautioned that the expenditure of this $5,000 would be "at risk". Mr. Shaw advised that the record should show that Mr. Hunt brought the topic before the Board; as there were no objections, Mr. Shaw did not ask for a motion, and advised Mr. Hunt to proceed. Mr. Hahn observed that there was a nice potential for positive public relations if the Agency plays its cards wisely, and that this is the first true project for the Housing Conservation Trust Fund..."

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: April 14, 1988

TO: VHFA Board of Commissioners

FROM: Meg Pond, Director of Development

RE: VHFA NONPROFIT STRATEGY

BACKGROUND

Since the federal government's withdrawal from providing all Americans with "a decent home and suitable living environment" (1949 National Housing Goal), culminating with the 1986 Tax Reform, VHFA has struggled with new ways to fulfill our mission. To promote nonprofit housing development, during 1987 VHFA:

1. began the creation of Housing Vermont, a stand-alone nonprofit housing development corporation;

2. held a statewide nonprofit housing conference;

3. authorized the formation of the Nonprofit Revolving Loan Fund (NPRLF);

4. authorized a staff position to provide technical assistance to nonprofits.

The NPRLF will be on-line in May 1988, based upon the guidelines approved by the Board (see attachment). The Technical Assistant, soon to be hired, will staff the NPRLF. Housing Vermont should be incorporated shortly, is already developing 80 units of housing, and is involved in negotiations to preserve 680 units. Plans are underway for the June nonprofit conference.

Now seems to be an ideal time to envisage a more comprehensive nonprofit housing strategy for VHFA. We need to articulate our plan of action and coordinate with other statewide entities providing nonprofit support to ensure effective assistance delivery and to preclude duplication of efforts.

PROPOSED DIRECTION

The Vermont community based nonprofits are in varying stages of sophistication. A key concern in housing development is having

community concensus and support for the development effort. In order to meet that concern, nonprofits need to develop organizationally and politically. After the community base is achieved, nonprofits need technical knowledge and access to financing.

VHFA's support for nonprofits to develop housing unfortunately will not meet all of the above needs, but hopefully will support each stage in a significant way.

A. 1988 Nonprofit Conference: The theme for this year's nonprofit conference is "Building Your Nonprofit." The idea is to generate increasing levels of nonprofit stability at the community level to promote housing development. For smaller developments, the local nonprofits would be able to develop housing by themselves, with the help of the technical assistance. For the larger developments, it would most likely be beneficial to have a partner (such as Housing Vermont) to be able to be successful. The nonprofit conference agenda is aimed at both small and large nonprofit development potential through the support of local nonprofits.

   Also included in the conference agenda will be case studies demonstrating nonprofit successes, and a review of the resources. We hope to be co- sponsoring this conference with the Housing Conservation Trust Fund.

B. Cooperative Housing Technical Assistance: Assuming that S.160 passes, VHFA along with the cities of Burlington and Winooski needs to hire a law firm to create model documents to use in creating housing cooperatives. Our focus will be the limited equity coop. The same law firm hopefully will perform training for the legal, lending, and nonprofit communities to familiarize everyone with the process and documents.

C. Finance Training: To augment the technical needs of nonprofits, I would like to propose that VHFA provide an in-depth "numbers crunching" training for nonprofit persons eager to understand how the numbers of a deal are constructed. Even if a local nonprofit is going to be in partnership with Housing Vermont, it is important that someone in the nonprofit comprehends the system by which the financing is done. The National Development Council, an excellent training and consulting group out of New York City, is prepared to offer the kind of training needed, in mid-September. (The course is 3 1/2 days long, is limited to 30 people, and costs $7,800.)

   In surveying the nonprofit network, there is a high level of interest in this kind of training. We are discussing the

possibility of co-sponsoring this training with the Housing Conservation Trust Fund.

D. Linkage Deposits: All too often the major stumbling block to developing smaller nonprofit projects is the lack of below market rate financing. VHFA does not have a program with attractive long term financing and Farmers' Homes' programs are insufficiently funded.

To counter this situation, I would like to propose that VHFA investigate ways to invest monies in Vermont banks in exchange for a commitment from the banks to invest comparable amounts of money at below market rates into local nonprofit housing development.

This plan (compensating balances) is a way to support local bank investment in nonprofit housing and, in turn, the local nonprofits gain experience.

VHFA NON-PROFIT HOUSING REVOLVING LOAN FUND

PURPOSE/GOALS:

The purpose of the fund is to promote and assist locally based non-profit housing development as a complement to the VHFA non-profit effort . The fund is designed to be consistent with VHFA's fiduciary responsibility by providing hands-on technical assistance and guidance from experienced VHFA staff, along with venture capital for non-profit housing.

By these means we propose not only to create a stock of locally owned non-profit housing for low and moderate income Vermonters throughout the state, but also to build the expertise of Vermont's non-profit housing sector and to better access existing sources of subsidy and debt financing. Through repayments and potential matches from such sources as the Housing Assistance Council, VHFA will also aim to establish a perpetual resource for non-profit housing sponsorship without unduly depleting VHFA funds.

OBJECTIVES AND PROGRAM IMPLEMENTATION:

- Establish non-profit housing development loan fund administered by staff in VHFA Multi-Family Housing Department.
- Seed fund with up to $250,000 and actively seek match for this VHFA contribution.
- Maintain funds in existing investments until actually loaned.
- Cap loans at $50,000 for up to a 3 year term at 3% interest repayable in lump sum at closing.

ELIGIBLE PROJECTS:

Projects must meet VHFA's definition of residential housing and additionally, provide for long term, if not perpetual affordability to Vermonters of low and moderate income. While a firm size limit will not be enforced, the intent of the program is to serve projects that would be too small to joint venture with Housing Vermont, or to be financed by a tax exempt issue.

ELIGIBLE USES OF FUNDS:

- Appraisals
- Option agreements
- Plans and specifications
- Professional services such as legal, and architectural fees
- Permits
- Closing costs

TECHNICAL ASSISTANCE SERVICES:

- Timely review and critique of key development documents, appraisals, option agreements, plans and specs, development budgets, construction budgets, management plans and budgets.
- Timely review and critique of applications for grants, loans, permits and closing documents.
- Assistance in the development of overall subsidy and financing plan and timetable. Access to state and national resources or models pertinent to sponsor's needs.

NON-PROFIT SPONSOR RESPONSIBILITIES:

1. Application.
2. Preparation of timetable, subsidy and financing plan.
3. Preparation of development budget to determine loan needs.
4. Adherence to timetable, plan, and budget.
5. Regular reporting to TA staff.
6. Timely provision of documents needing review.
7. Preparation of all loan, grant, and permit applications.
8. Demonstration of long-term affordability mechanism.

FUNDING PRIORITIES

Applications will be taken and funds reserved on a first-come first-serve basis.

Once the fund drops below $100,000 an application deadline will be established and applications will be taken up to that date on a competitive basis.

Also, in this case, each applicant will provide additional information on a VHFA form allowing staff to score each project according to the following criteria:

- Likelihood of going forward.
- Numbers served.
- Other funding leveraged.
- Security of long term affordability mechanism.

LOSS POTENTIAL

The VHFA must be prepared to take some loss in this program because no matter how much diligence is exercised by staff, some projects may not go forward.

STAFFING

This program will require the oversight and administration of one full-time multi-family staff person and thus will require us to hire. This person will be an experienced project developer/coordinator with knowledge of the resources currently available for low income housing in Vermont.

PROGRAM FLOW CHART

PHASE I APPLICATION

PREAPPLICATION: Any non-profit may discuss potential application, and procedure with T.A. staff.

APPLICATION:

- Sponsor submits application on Agency form, with project summary, preliminary funding, financing plan and timetable, and other information requested by VHFA.
- Sponsor submits resolution from its Board to pursue project in question.
- T.A. staff reviews these, and if determined feasible, accepts fee and signs T.A. agreement with sponsor.

PHASE II PROJECT DEVELOPMENT

PLANNING:

- Sponsor provides detailed development schedule and requests setaside from the RLF.
- Funds are drawn down as needed to pay for pre-agreed upon costs.

ACCOUNTABILITY:

- Documentation for these costs maintained in project file.
- Bi-monthly reports also provided by sponsor to T.A. staff throughout development process.

PHASE III CLOSING

PROJECT CLOSEOUT:

- Final Review of all closing documents.
- Loan repaid to VHFA as project cost at closing.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: April 14, 1988

TO: VHFA Board of Commissioners

FROM: Meg Pond, Director of Development

RE: EXTENSION OF HOMELESS GRANT DEADLINE
FOR ADDISON COUNTY COMMUNITY ACTION GROUP
AND CHANGE OF USE REQUEST

The Homeless Grants have all been given to the recipients (see attached) with the exception of the $15,000 award to the Addison County Community Action Group (ACCAG).

I've visited with Tom Plumb, the Executive Director of ACCAG. They received a $50,000 grant last December from the Gannett Foundation to create temporary (for families in transition) family housing. Tom would like to use both grants on the same project. He would also like to extend the deadline for use of our funds until October 1, 1988.

Our funding agreement requires that the "expansion/ development of the temporary homless shelter [be] operational within one year of the date hereof" which is May 27, 1988. The agreement also requires that "the property shall be used exclusively as a **temporary** [emphasis mine] shelter for homeless families and for no other purpose whatsoever."

It is the desire of ACCAG to create a **transitional** housing development which by definition would allow for occupancy for longer than "temporary," perhaps up to 18 months or 2 years.

ACTION REQUESTED

We would like the Board to consider allowing the minor change of use from "temporary" to "temporary housing for families in transition." If this is acceptable, please consider extending the grant deadline to October 1, 1988.

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VERMONT HOUSING FINANCE AGENCY

HOMELESS GRANTS AWARDED

AS OF APRIL 14, 1988

AMOUNT AWARDED	LOCATION	RECIPIENT	STATUS
$15,000	Barre	Good Samaritan Haven	Open Since January 1988
$30,000	Bennington	Rutland Opportunity Council	Open since September 1987
$50,000	Burlington	Firehouse	In final stages of renovation Opening May 1988
$29,000	Northeast Kingdom	Community Action Coventry House	Open since September 1987

VERMONT HOUSING FINANCE AGENCY

March 30, 1988

Mr. Donald Taranelli
The Haystack Group, Inc.
Mann Road
Wilmington, VT 05363

Re: Memorandum of Intent

Dear Don:

Based on the discussions we have been having over the past four months, enclosed please find a proposed "Memorandum of Intent" regarding a future transfer of the "Gates" under circumstances in which they can continue to be used for affordable housing.

We at VHFA are excited by the prospect of working on this project. I must emphasize, however, that it is important to proceed immediately. One of the keys to our ability to be useful in this endeavor is the current availability of Low Income Housing Tax Credits under the Internal Revenue Code. That credit, as you may know, only applies to projects "placed in service" by December 31, 1989, with stringently limited partial exceptions for one more year after that. In other words, given the issues to be dealt with in the actual physical accomplishment of the work, the financing, and existing legal contingencies (HUD, etc.), we are already at the eleventh hour.

Therefore, if you want to proceed, please sign the memo with the expectation that we will get down to brass tacks immediately with a commitment to using our best efforts to reach a formal agreement by June 1.

To anticipate the process a little, I have enclosed a discussion draft of a possible form of agreement. We look forward to sitting down with you and your counsel just as soon as possible.

Please call if you have any questions about the Memorandum of Intent.

Very truly yours,

Allan S. Hunt
Executive Director

ASH044/bp

Enclosures

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MEMORANDUM OF INTENT

This Memorandum of Intent between VERMONT HOUSING FINANCE AGENCY ("VHFA") and Donald Taranelli as agent (the "Agent") for the legal owners (the "Owners") of those residential rental properties (the "Properties") commonly known as the Northgate Apartments (consisting of two legally distinct developments) located in Burlington, Vermont; Applegate, located in Bennington, Vermont; Westgate, located in Brattleboro, Vermont; and Highgate, located in Barre, Vermont,

W I T N E S S E T H

WHEREAS, the Properties in the aggregate consist of approximately 800 units of low and moderate income housing, representing a significant percentage of the subsidized rental housing in the State; and,

WHEREAS, the preservation of affordable housing is a matter of vital public interest; and,

WHEREAS, it is the mutual purpose of the parties to effect the orderly transfer of ownership of the Properties, and physical rehabilitation thereof, under conditions that assure their continuing use as affordable housing while returning a fair price to the Owners; and,

WHEREAS, the realization of the mutual purpose of the parties is contingent on a variety of factors, including the availability of public and private investment, construction costs, interest rates, and intergovernmental cooperation; and,

WHEREAS, the parties believe that VHFA, by reason of its statutory mandate, its experience in the financing of affordable housing, and its standing in the financial markets, is best positioned to develop a viable master plan for realization of the purpose of the parties;

NOW THEREFORE, the parties agree as follows:

1. The parties shall promptly enter into negotiations with a view to arriving at a legally binding agreement (the "Agreement"), within sixty (60) days from the date hereof, which will enable VHFA to acquire any or all of the Properties on or before December 31, 1989, with a right of extension until December 31, 1990.

2. It is understood that it is the intention of VHFA to serve as a conduit for the transfer of the Properties to new prospective owners deemed suitable for the long-term operation of the Properties as affordable housing. Accordingly, the Agreement shall permit VHFA freely to assign its rights thereunder.

3. The Agreement will establish a method for determining the purchase price of each of the Properties, based on fair market value as determined by a qualified appraiser, but with the understanding that any appraiser shall be instructed to proceed on the basis of certain limiting assumptions. Such assumptions will be calculated to strike a compromise

acceptable to the parties between the theoretical value of the Properties if they were assumed to be convertible to condominiums or other non-rental uses and the theoretical value of the Properties if they were assumed to be forever limited to use as low-income rental housing.

4. The Owners have expressed the intention to finance, either themselves or through their nominee, a substantial portion of the purchase price of the Properties, in an amount, on terms, and through mechanisms to be negotiated among the parties either in the Agreement or in a separate agreement. Examples of mechanisms to be discussed for the purpose of such financing include, without limitation, subordinate mortgages, bonds of VHFA, or combinations thereof.

5. After the Agreement is established, VHFA shall in good faith employ resources toward the establishment of a viable master plan calculated to realize the mutual purpose of the parties.

6. Pending the completion of negotiations, VHFA, through its employees, agents, and contractors, shall have a license to enter the Properties, on reasonable notice and subject to the privacy rights of tenants, for the purpose of inspection and evaluation of rehabilitation costs. The Owners shall make reasonable efforts to gain the cooperation of tenants for the purpose of permitting inspection and evaluation of individual units.

7. At or before the commencement of negotiations, the Owners shall provide financial, legal, and tenant data pertaining to the Properties, all as deemed appropriate by the Owners or reasonably requested by VHFA.

IN WITNESS WHEREOF the parties have executed this Memorandum of Intent effective as of the ____ day of _____, 1988.

VERMONT HOUSING FINANCE AGENCY

By: _____
Allan S. Hunt, Executive Director

AGENT

By: _____
Donald Taranelli, as agent for the legal Owners of the Properties

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: April 13, 1988

TO: VHFA Board of Commissioners

FROM: Meg Pond, Director of Development

RE: RIVERSIDE PROJECT

The following is a brief summary of the Riverside project and its current status.

THE PROJECT. An 80-unit new construction rental project for families is proposed. The location is 220 Riverside Avenue in Burlington. Rents and unit configurations are:

20	3-BR Flat	$350 (Restricted to 50% of Median Income)
16	3-BR Flat	$445
24	2-BR Townhouse	$500
20	3-BR Townhouse	$595

The site is in a small valley with steep banks running up to Trinity College and Nash Place. Preliminary engineering indicates that the project is feasible as planned and that there are no environmental problems (as there are in other locations along Riverside Avenue).

THE SPONSORS. Originally the sponsor was to be a limited partnership composed of the Davis Co. as the general partner and some yet-to-be-identified limited partners. The Davis Co. has now agreed to joint venture with Lake Champlain Housing Development Corporation (LCHDC), the developers of the 32-unit rehab at Fort Ethan Allen, which VHFA funded at the end of 1986. Under this plan a Limited Partnership will be formed composed of Housing Vermont and LCHDC as General Partners and a straw limited partner, to be replaced at a later date by the Vermont Equity Fund. The Davis Co. may or may not be a general partner during the construction phase only, pending further legal research. LCHDC will be the managing general partner when the project is in operation. During the operating phase the rents will be increased only to cover increases in operating costs. Over time, all the units at Riverside will be highly affordable relative to market rents in Burlington. The partnership will sell the project to LCHDC after 15 years for a price that reflects LCHDC's goal of perpetual affordabililty.

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THE DAVIS CO. ROLE. The Davis Co. will assign its option on the site to the partnership. The Davis Co. will also enter into a contract for services with the partnership. Under that contract, the Davis Co. will secure permits and debt financing for the project, will negotiate all construction related contracts for the project and will oversee the development of the project. The Davis Co. would receive the following compensation for performance of this role:

1.	For finding the site and assigning clear title to the partnership	$325,000
2.	For performing development services	425,000
3.	For relinquishing all claims to the project	50,000

In addition, the Davis Co. would receive 1/2 of the contingency allowance remaining at the end of construction.

FINANCING. The genesis of this project was a HODAG grant from HUD to the City of Burlington for this project. That grant, together with a senior 1st Mortgage Loan from VHFA, would comprise the debt financing. The partnership will ask both VHFA and the City to make these funds available first as construction financing and later as permanent financing in much the same way as was done with South Meadow. Since the HODAG proceeds may not be available until some months after construction closing, some short term credit facility will be needed as a bridge. The HODAG permanent loan to the partnership will be at a deferred and compounded interest rate of approximately 5%. Some level of repayment must begin in year 20, but in any event the HODAG loan will not mature before VHFA's loan. The precise terms of the HODAG are under negotiation now.

Equity financing for the project will be from Housing Vermont via the Vermont Equity Fund. The Equity Fund will make the equity available to the project after the construction is completed. In case this option fails to materialize, for whatever reason, the Housing and Conservation Trust Fund has agreed to provide the equity financing at that time. During construction Housing Vermont intends to meet the equity requirement by drawing against funds set aside for it by VHFA per the Funding Agreement.

Financing Sources During Construction:

Sources (Construction Period)

Equity	$ 750,000	H.V. from VHFA
1st Mortgage	2,550,000	VHFA
2nd Mortgage/HODAG	2,900,000	City
Bridge Loan...Up to	2,900,000	Local Bank

Sources (Permanent Financing)		% TDC	
Equity	$ 750,000	12.25	Equity Fund/Trust Fund
1st Mortgage	2,550,000	41.12	VHFA
2nd Mortgage/HODAG	2,900,000	46.77	City
TOTAL	$6,200,000	100.00	

Uses		Per Unit
Acquisition	$ 700,000	$ 8,750
Hard Costs	4,150,000	51,875
Fees	1,350,000	16,875
TOTAL	6,200,000	$77,500

RECOMMENDED ACTION:

Passage of the attached Resolution Re: Letter of Interest for Riverside Development.

RESOLUTION RE: LETTER OF INTEREST FOR RIVERSIDE DEVELOPMENT

WHEREAS, Lake Champlain Housing Development Corporation ("LCHDC") has presented a proposal for construction of 80 units of rental housing in Burlington, Vermont (the "Riverside Development"); and,

WHEREAS, the proposal contemplates that the Riverside Development shall constitute a "qualified low-income housing project" within the meaning of §42(g) of the Internal Revenue Code of 1986; and,

WHEREAS, LCHDC is a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and,

WHEREAS, the estimated total development cost of the Riverside Development is approximately $6.2 million; and,

WHEREAS, the City of Burlington has indicated its intention to provide subordinate financing of $2.9 million for the Riverside Development from proceeds of a Housing Development Action Grant available to it; and,

WHEREAS, the Housing and Conservation Trust Fund has indicated its intention to commit grant funds of up to $750,000 to LCHDC as "back-up" equity to the extent that private equity investment is not available; and,

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

RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest in providing up to $2.55 million of first mortgage financing for the Riverside Development, which financing may include both construction and permanent financing. The Letter of Interest shall be issued to LCHDC as the representative of a limited partnership to be formed and which shall include LCHDC or a subsidiary thereof, Housing Vermont or a subsidiary thereof, and such private equity investors as may be available. Consistently with applicable rules of the Agency, the Letter of Interest shall include the following language:

> "This Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds from the issuance of new bonds of the Agency and the satisfactory completion of such further requirements as the Agency may establish. This Letter of Interest may be used by you in support of applications for construction and/or operating subsidies, insurance, construction

financing, and other purposes after first obtaining the permission of the Agency."

2. The Executive Director and appropriate staff are hereby authorized and directed to negotiate with the developer, review all relevant facets of the Riverside Development, and make preliminary arrangements for bond financing.

VERMONT HOUSING FINANCE AGENCY

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

RE: MULTI-FAMILY REFINANCING STRATEGY

DATE: APRIL 15, 1988

In the past several months, staff has been reviewing alternatives for refinancing a batch of multi-family projects which have reached or are nearing the allowable term that they are able to prepay their mortgages. These projects were originally financed between 1977 and 1979 and are at-risk to the extent that if they could prepay their mortgages, the developers/owners would be able to take out of the projects the surplus cash that has been generated. It is highly unlikely that any of these projects would opt out of their Section 8 contracts and therefore, the tenants would not be affected.

Attached is a list of the sixteen projects involved indicating the loan balances outstanding at their allowed prepayment dates, totalling approximately $10 million. These loans also carry an average interest rate of 8.26%.

Because these loans carry such a low interest rate, our goal is to provide some kind of refinancing to those projects so that we could use their prepayments as a source to make new loans to new projects at an attractive interest rate.

We have been working with Andy Gurley of Drexel to structure a financing to provide funds for the existing loans who will be looking to prepay. The intention is to refinance them with new money at a higher rate, but hopefully below conventional rates, and tie the projects into additional commitments of continued affordability for the tenants of the projects. Bond counsel has advised us that we cannot do this in a tax-exempt mode and therefore we are looking to do a taxable financing as the source of funds.

The current financing scenario would offer a 25 year mortgage term at a 10.8% mortgage rate to the old projects and would also return to the Agency servicing fees in the neighborhood of $25,000 per year. There are still some problems and wrinkles to be ironed out, such as how fast we would have to reloan the prepayments collected, but we are working on solutions to these concerns. The purpose of this information is to keep you advised as to our progress in this area.

RECOMMENDED ACTION

Support in concept the idea of offering a refinancing package to eligible Section 8 projects and use the prepayments to create additional affordable rental housing.

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07-Jan-88

MORTGAGE RECYCLE
A:\ LOTUS

LOCATION/NAME	TOTAL LOANS AMOUNT	MORTGAGE RATE	FIRST PREPAY DATE	LOANS BALANCES AT FIRST PREPAY DATE	12/86 CASH BALANCE	12/86 PCE BALANCE	12/86 REP RESERVE BALANCE	TOTAL CASH AVAILABLE	1988 CASH FLOW	YEARLY MAXIMUM RETURN	PENALTY AMOUNT
RANDOLPH WISHCAMPER	1,571,313	7.70%	15-Feb-87	1,502,805	115,570	94,787	51,033	261,390	22,000	6,423	82,654
ENOSBURG	863,199	8.25%	15-Feb-88	792,884	113,255	32,230	16,426	161,911	11,881	3,461	31,715
CHELSEA	1,255,000	8.50%	15-Feb-89	1,138,700	41,466	64,225	31,418	137,109	24,762	4,278	45,548
RICHFORD	594,510	8.50%	15-Feb-88	546,636	48,335	33,802	21,622	103,759	19,460	2,384	21,865
FAIR HAVEN	1,299,965	8.50%	15-Feb-89	1,187,529	10,294	52,441	28,051	90,786	8,952	3,712	47,501
WILLIAMSTOWN	659,725	8.25%	15-Feb-88	586,480	33,542	28,332	18,713	80,587	12,000	2,606	17,594
SWANTON BRULEY	360,500	8.25%	15-Feb-88	326,680	37,869	22,254	15,462	75,585	9,828	4,864	9,800
BRANDON	539,262	8.25%	15-Feb-88	492,060	10,456	31,653	14,708	56,817	14,928	2,505	14,762
BRISTOL	464,973	8.50%	15-Feb-88	449,221	21,666	22,913	11,094	55,673	2,281	1,865	17,969
POULTHEY BROWN	226,322	7.35%	15-Feb-88	156,273	28,358	14,331	11,482	54,171	29,351	8,334	6,251
BRADFORD	637,591	8.25%	15-Feb-88	582,593	6,393	27,184	12,897	46,474	3,592	8,868	23,304
ALBURG DUBIE	487,000	8.63%	15-Feb-88	477,726	19,104	17,600	8,948	45,652	7,326	4,069	19,109
BETHEL	326,614	8.50%	15-Feb-88	303,071	16,600	18,400	10,262	45,262	3,627	1,520	12,123
BARTON	502,387	8.50%	15-Feb-89	455,428	22,431	8,011	10,850	41,292	4,652	2,472	18,217
HARDWICK FREEMAN	421,132	8.50%	15-Feb-88	386,725	10,345	18,776	11,985	41,106	5,679	1,811	15,469
ISLAND POND FAMILY	490,661	8.50%	15-Feb-89	442,783	5,864	17,774	12,098	35,736	14,429	1,931	17,711
DERBY LINE	303,766	7.45%	15-Feb-88	269,892	1,046	13,626	12,083	26,755	18,011	2,713	10,796
	11,803,920	8.26%		10,097,486							

VERMONT HOUSING FINANCE AGENCY

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

RE: BUDGET PERFORMANCE UPDATE

DATE: APRIL 20, 1988

Attached for your review is the updated budget performance report for the General Fund of the Agency through March 31, 1988. These numbers are somewhat preliminary as I have not yet had a chance to scrutinize all the individual accounts in detail. However, I am comfortable with the numbers in total.

The report shows in general we are right on track with staying in budget for the year. The major exception is that the Subsidy for Housing Vermont is still being held pending their need for funds. This has the effect of increasing our interest earned on investments, lowering expected total expenses and significantly increasing the Fund Balance. If we eliminate the effect of the subsidy expense from both the budget and the actual expenses, then total expenses represent 73.3% of budget through March 31st. Since 75% of our fiscal year has expired this number is very much on target.

We will be updating the Board with April numbers at the next meeting, which will also serve to prepare everyone for the proposed FY 6/89 budget to be presented at the June board meeting.

If I can answer any questions either now or subsequent to the Board meeting, feel free to call on me at your convenience.

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BUDGET PERFORMANCE REPORT
VERMONT HOUSING FINANCE AGENCY
MARCH 31, 1988

	ORIGINAL BUDGET FYE 6/30/88	CURRENT APPROVED BUDGET	ACTUAL YR TO DATE 3/31/88	% BUDGET RECOGNIZED TO DATE
INCOME				
SINGLE FAMILY FEES	345,000	345,000	117,766	34.14%
MULTI-FAMILY FEES	37,000	37,000	3,871	10.46%
INTEREST INCOME	230,000	230,000	217,006	94.35%
MISCELLANEOUS	2,500	14,500	10,628	73.30%
TOTAL INCOME	614,500	626,500	349,271	55.75%
FUND TRANSFERS				
LOANS TO LENDERS	150,000	150,000	150,000	100.00%
SHAWMUT MTG PURCHASE	100,000	100,000	50,000	50.00%
HOWARD MTG PURCHASE	750,000	1,750,000	1,750,000	100.00%
HOWARD HOME MTG PURCH	(150,000)	(462,500)	(366,246)	79.19%
HOWARD MULTI-FAMILY	430,000	430,000	430,000	100.00%
CONN NATL MULTI-FAMILY	180,000	180,000	164,713	91.51%
TOTAL TRANSFERS	1,460,000	2,147,500	2,178,467	101.44%
TOTAL INC & TFRS	2,074,500	2,774,000	2,527,738	91.12%
EXPENSES				
ADVERTISING & PROMOTION	50,000	69,000	42,901	62.18%
AUDIT	20,000	20,000	20,000	100.00%
ANNUAL REPORT	12,000	12,000	10,541	87.84%
COMMISSIONERS EXPENSES	4,000	4,000	1,114	27.85%
CONSULTING FEES	50,000	60,000	45,002	75.00%
DUES & SUBSCRIPTIONS	17,000	19,500	16,841	86.36%
INSURANCE	79,000	80,950	56,529	69.83%
INTEREST EXPENSE	3,800	3,800	2,777	73.08%
LEGAL	47,000	47,000	35,342	75.20%
MISCELLANEOUS	2,500	2,850	3,759	131.89%
OFFICE EXPENSES	18,000	24,000	19,034	79.31%
PENSION PLAN	60,500	60,500	40,082	66.25%
POSTAGE	15,000	18,000	14,060	78.11%
RENT	65,100	65,100	48,015	73.76%
REPAIRS & MAINTENANCE	30,000	30,000	19,312	64.37%
SALARIES & WAGES	708,600	744,600	553,135	74.29%
STAFF TRAVEL & TRAINING	56,000	56,000	35,643	63.65%
SUBSIDY-HOUSE VT, ERH	0	1,027,000	20,201	1.97%
TAXES-PAYROLL	50,400	52,000	43,319	83.31%
TELEPHONE	30,000	30,000	21,081	70.27%
TRUSTEE & CREDIT FEES	195,000	195,000	141,421	72.52%
DEPRECIATION	58,000	58,000	42,000	72.41%
TOTAL EXPENSES	1,571,900	2,679,300	1,232,109	45.99%
INCREASE (DECREASE) TO FUND BALANCE	502,600	94,700	1,295,629	1368.14%

Amendment to S. 279

1. In section 672, by adding subsection (e), to read as follows:

(e) Notwithstanding any other provisions of this chapter, housing that, at the time of any sale, whether in the hands of the seller or buyer, has the benefit of an allocation of low income housing credits within the meaning of section 42 of the Internal Revenue Code of 1986, shall be exempt from the provisions of this chapter. If such allocation is finally revoked and/or determined to be invalid by a court of competent jurisdiction then the owner shall be subject to the penalties provided in section 681(b) of this title. Housing that is the subject of a commitment for the allocation of low income housing credits pursuant to regulations of the Agency of Development and Community Affairs shall be exempt from the provisions of sections 674-76 of this title. If such commitment is cancelled, or the credits are not allocated, then, in the event of a prepayment, all provisions of this chapter shall apply to such housing.

2. In section 673 (4), by deleting the words "tax credit" and deleting subsection (D) and by conforming the punctuation thereto.

3. In section 673 (13), by deleting the phrase, "federal low income housing tax credit,".

AN ACT RELATING TO FEDERALLY SUBSIDIZED RENTAL HOUSING PROJECTS

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

Sec. 1. 10 V.S.A. chapter 28 is added to read:

CHAPTER 28. AFFORDABLE HOUSING

§ 671. POLICY AND PURPOSE

(a) The general assembly finds and declares that a serious public emergency exists throughout the state created by a severe shortage of affordable housing. This emergency will be made significantly more serious by the potential conversion of multi-family rental housing projects, constructed or substantially rehabilitated under a federal or state mortgage insurance or loan program, into market-rate condominium, cooperative, or rental housing, or even to nonhousing use. Housing units in such projects have been affordable to low and moderate income tenants by the infusion of public funds in the form of below-market financing costs, rental assistance subsidies, favorable income tax treatment to owners, and rent stabilization provisions required or provided with the mortgage insurance or loans. The loss of these affordable housing resources, and the displacement of tenants therefrom, threatens to occur at a time when the housing shortage for low and moderate income people and families is acute and increasing, due to the lack of sufficient new subsidized housing production, to prolonged increases in housing costs at a rate substantially exceeding increases in personal

income, and to depletion of the existing rental housing supply through conversion. Unless the available stock of such multi-family rental housing, and the tenants who reside therein, are further protected from the loss of favorable financing, rental assistance, and rent stabilization, existing housing emergency conditions will be exacerbated, posing a serious threat to the public health, safety, and general welfare of substantial numbers of citizens throughout the state of Vermont, particularly persons and families of low and moderate income. The general assembly hereby declares that preservation of subsidized multi-family rental housing units is a public purpose and necessitates the provisions of this chapter.

(b) The general assembly therefore endorses efforts by governmental agencies and others to encourage voluntary commitments on the part of owners of federally or state-financed or subsidized multi-family rental housing projects to maintain affordability of these housing units for at least the expected term of the original mortgage or to otherwise preserve affordable rents. If voluntary commitments cannot be obtained and enforced, the general assembly hereby enacts this chapter to preserve the affordability of multi-family rental housing units.

(c) The general assembly endorses the federal 1987 Housing Preservation Act. It is the intent of the general assembly to allow the federal act to prevail wherever it applies.

(d) It is the policy of the state to maintain all subsidy contracts for their full term including all renewal periods.

§ 672. APPLICABILITY; WAIVER

(a) All provisions of this chapter shall apply to all subsidized multi-family rental housing projects in the state of Vermont placed in service after the passage of this chapter.

(b) All provisions of this chapter shall apply to projects presently financed under sections 221(d)(3) or 236 of the National Housing Act, regardless of the date placed in service.

(c) The provisions of this chapter may be waived in writing by the department if the owner of any such project executes a binding commitment in writing effective through the remaining term of the mortgage period, in a form satisfactory to the department, to preserve affordability of units in the project as defined by the federal or state regulations under which the units were financed or subsidized. Such waiver shall continue in effect for as long as the owner's commitment is observed. Such waiver and commitment shall be binding on successors to the interest of the owner of the property, shall constitute a lien on the property, and shall be recorded as such in the land records of the municipality in which the property is located. If such commitment is held to be not binding on the owner, the waiver shall expire and the provisions of this chapter shall apply.

(d) The provisions of this chapter may be waived in writing by the department if the owner of any such project is restricted by comparable federal regulations which preserve the project's affordability. Such projects may receive lower priority for funding available under section 677 of this title.

§ 673. DEFINITIONS

As used in this chapter, the following words shall, unless the context clearly requires otherwise, have the following meanings:

(1) "Affordable" means, with reference to housing units, having total monthly housing costs no greater than 30 percent of the tenant's monthly adjusted income as defined by the federal or state regulations under which the units were financed or subsidized.

(2) "Certified buyer" means the buyer or prospective buyer of a subsidized multi-family rental housing project, certified by the department in accordance with § 675 of this chapter.

(3) "Department" means the department of housing and community affairs of the agency of development and community affairs.

(4) "Federal subsidy contract, tax credit, mortgage insurance, or multi-family loan program" shall mean:

(A) new construction, substantial rehabilitation, and loan management set-aside programs under Section 8 of the United States Housing Act of 1937, as amended (42 U.S.C. 1437f);

(B) programs under the following sections of the National Housing Act, Section 23 (42 U.S.C. 1421b), Section 221 (d)(3) or (d)(4) (12 U.S.C. 17151(d)(3) or (d)(4)), Section 236 (12 U.S.C. 1715z-1) and Section 202 (12 U.S.C. 1708);

(C) programs under Section 515 of the Housing Act of 1949 (42 U.S.C. 1485); or

(D) low income housing tax credit programs under the Federal Tax Reform Act of 1986, 26 U.S.C. Sections 42 and 146.

(5) "Housing replacement agreement" means a contract between the state of Vermont and the owner of a subsidized multi-family rental housing project that defines the terms and conditions under which the owner will meet his or her housing replacement obligation.

(6) "Lower income families or persons" and "very low income families or persons" mean families or persons whose incomes do not exceed the respective levels established for lower income families and very low income families under Section 3(b)(2) of the United States Housing Act of 1937 or by the federal Department of Housing and Urban Development.

(7) "Moderate income families or persons" means families or persons whose incomes are between 80 percent and 100 percent of median income for the area, as determined by the federal Department of Housing and Urban D velopment.

(8) "Prepayment" means payment prior to maturity of any outstanding debt, on a loan issued pursuant to a federal or state mortgage insurance or multi-family loan program, resulting in the release of any of the housing units securing such debt from restrictions on rents or use of such housing units.

(9) "Qualified appraiser" means a member of either the Society of Real Estate Appraisers or the American Institute of Real Estate Appraisers who is designated by either society for the appraisal of multi-family rental property.

(10) "Qualified nonprofit organization" means a limited equity housing cooperative or other nonprofit corporation with tax-exempt status under the Internal Revenue Code, certified by the department according to the procedures set forth in section 675 of this chapter.

(11) "Qualified partnership" means a partnership certified by the department in accordance with section 675 of this title. The department may certify a partnership as a qualified partnership if the partnership agreement expressly states that, (i) the project will be operated in such a way as to qualify for low income housing tax credits provided by Section 42 of the Internal Revenue Code of 1986 as amended, (ii) the project will maintain such eligibility for such periods as are required by Section 42 of the Internal Revenue Code, and (iii) a right of purchase at a future date is granted by the qualified partnership to a qualified nonprofit corporation, or

a qualified public housing agency, or to another qualified partnership.

(12) "Qualified public agency" means a public housing agency or municipality certified by the department according to the procedures set forth in section 675 of this chapter.

(13) "Subsidized multi-family rental housing project" means a building or buildings under common ownership and containing five or more rental units that received governmental assistance under a federal or state subsidy contract, federal low income housing tax credit, mortgage insurance, or multi-family loan program.

(14) "Subsidy contract" means a contract under which housing assistance payments are made to the owner of a subsidized multi-family rental housing project by a governmental agency in order to maintain rents affordable by very low income, lower income or moderate income families or persons.

(15) "Termination" of a subsidy contract means early termination, cancellation, or nonrenewal of any such contract before its final expiration date, including all optional renewal periods.

§ 674. NOTICE OF INTENT TO PREPAY

(a) Preliminary notice. Any owner of a subsidized multi-family rental housing project subject to this chapter shall, at least 395 days prior to the anticipated early termination of a subsidy contract or mortgage prepayment, file with the department a

preliminary notice of intent to prepay. No early termination or prepayment shall be made during the applicable notice period except to a certified buyer.

(b) Public notice.

(1) Within 14 days of receipt of the preliminary notice, the department shall notify the owner of the information which must be submitted to the department. The department may require disclosure of any reasonable and relevant information, including but not limited to:

(A) information regarding current property financing and subsidy arrangements, previous capital expenditures, outstanding liens, annual rental income and expenses, monthly rental charges, physical conditions, the method and term of depreciation utilized for tax purposes, and an anonymous profile of tenant incomes and rental charges by family and bedroom size; and

(B) a description of the owner's plans for continued operation or disposition of the property;

(C) an invitation to the tenants, to the local government, and to local nonprofit corporations, to submit written comments to the department not later than 45 days following receipt of such notice. Such comments may include, but may not be limited to:

(i) facts regarding the impact of the proposed action on the tenants residing in the property and on the supply of affordable housing existing within the locality;

(ii) expressions of interest by the tenants, nonprofit organizations, or a public housing agency in acquiring the property or a portion thereof in the event that it is offered for sale; and

(iii) indications of any local resources or assistance that may be available to facilitate retention of the project's low and moderate income tenants under existing or alternative ownership arrangements.

(2) Within 14 days of receipt of the department's notice requirements, the owner shall issue a public notice of intent to prepay or terminate, containing the information submitted to the department pursuant to subdivisions (b)(1)(B) and (b)(1)(C) of this section. Such notice shall be sent to the department, to the local government, the lender, and each tenant residing in the property, at least 365 days prior to the proposed early termination or prepayment, or at such earlier date as may be required by applicable federal law or regulations.

(c) Dissemination of information. The department shall provide the information submitted to it by the owner under this section to any person requesting it. Within 15 days of issuance of the public notice, the department shall conduct an informational meeting at the project site. All tenants, potentially interested nonprofit organizations, public housing agencies, and the municipality in which the project is located shall be invited.

(d) Notice of assistance. Upon completion of the 45-day comment period, the department shall notify all parties that responded to the public notice of assistance available to tenants, nonprofit organizations, and public agencies that participate in an effort to purchase the project in question.

§ 675. CERTIFICATION OF A QUALIFIED NONPROFIT ORGANIZATION, QUALIFIED PARTNERSHIP OR PUBLIC AGENCY

(a) After the comment period the department shall assist any potentially qualified buyers and may certify an appropriate buyer for the project.

(b) The department shall evaluate the following characteristics in determining which organization or agency to certify as buyer:

(1) the buyer has an ability and willingness to incorporate the tenants' interests and needs in the areas of ownership, management and maintenance into project design and operation;

(2) the buyer has or can obtain the administrative capacity to develop, own and manage the project;

(3) the buyer is able to build a consensus around community housing needs and a commitment to develop, rehabilitate, or preserve housing which is perpetually affordable;

(4) the buyer is acceptable to the federal, state or local agency administering any subsidy contracts or holding a mortgage on the project;

(5) the buyer has, or can obtain within a reasonable period of time, a firm commitment from a lender for permanent financing for the project.

(c) Within 180 days following notice of intent under section 674(a) of this title, the department shall either certify a qualified nonprofit organization, qualified partnership, or qualified public agency as buyer, or notify the tenants that an additional period is needed to complete the certification process. An additional period of no more than 30 days shall be allowed to the department in which to attempt to certify a buyer under this section. Nothing in this chapter shall prevent the department from certifying a subsequent buyer or buyers within 210 days after the public notice of intent if a certified buyer is unable to complete the purchase. Failure to certify a buyer after the expiration of 210 days following notice of intent shall relieve the owner of the obligation to sell to a certified buyer under section 676 of this title, and the department shall issue a certificate to that effect.

§ 676. SALE TO CERTIFIED BUYER

(a) Within 30 days after a buyer has been certified by the department, the owner shall offer to sell the project to the certified buyer. The offer shall be made in good faith in a proposed purchase and sale agreement acceptable to the department and include a purchase price that is no greater than fair market value as determined under subsection (b) of this section.

(b) The department shall engage a qualified appraiser, who shall appraise the fair market value of the project. If the owner accepts this appraisal it shall be deemed the fair market appraisal. If the owner does not accept the first appraisal he or she may engage another qualified appraiser. If the result of this second appraisal is within ten percent of the first appraisal, the average of the two appraisals shall be deemed fair market value. If the result of the second appraisal is not within ten percent of the first appraisal, the department and the owner shall select a single arbitrator. The arbitrator shall conduct proceedings and make a determination according to subchapter 2 of the Vermont Arbitration Act. Such determination shall be binding on the certified buyer and the owner, provided that the owner shall have the right to judicial review of just compensation for any taking of property for a public purpose, and the right to review of the arbitration proceedings under subchapter 3 of the Vermont Arbitration Act. The time required for the second appraisal or for any arbitration or judicial proceedings shall not be deemed a part of the notice period required by section 674 of this title, or of the 30 day offering period allowed by this section.

(c) The department shall deliver and execute at the closing of the sale a certificate of satisfactory compliance with this chapter. If the qualified buyer defaults on the executed purchase

and sale agreement, the department shall issue a similar certificate at the expiration of the purchase and sale agreement, including any extensions, or at the end of 210 days following the public notice of intent, whichever is later.

(d) The requirements of this section shall not apply to:

(1) a sale of a project for which a waiver has been granted by the department under section 672 of this title; or

(2) a sale to anyone occurring 210 days after the notice of intent under section 674 of this title if no buyer has been certified by the department by that date; or

(3) a prepayment which is a refinancing without a sale under the terms and conditions for maintenance of affordable housing units provided by section 678 of this title.

§ 677. GRANTS AND TECHNICAL ASSISTANCE; TENANT PURCHASE OF PROJECTS

(a) The department shall recommend to the housing and conservation board approval of financial assistance in the form of a grant to tenants, or a qualified nonprofit organization or public agency, where in the discretion of the commissioner such a grant will facilitate a purchase of the project. Technical assistance by department staff may be made available to any subsidized multi-family rental housing project or any nonprofit buyer of a mobile home park at the discretion of the commissioner and financial assistance may be made available from the housing and conservation

board. Such a grant shall be used to develop the capacity to purchase and operate the project in a way that will incorporate tenant, community and organizational needs and resources. Such grant may also be used to cover project development costs and other related costs.

(b) The department shall give first priority to federally-subsidized projects presently financed under section 221(d)(3) or 236 of the National Housing Act. Second priority shall be given to other federally-subsidized projects and mobile home parks. The commissioner shall consider the number and income level of households potentially displaced and the timeframe when determining which projects receive priority for staff assistance and grant recommendations.

(c) If the certified buyer is a qualified nonprofit organization or public agency, the housing and conservation trust fund may provide a grant for some or all of the earnest money deposit needed.

§ 678. PREPAYMENT WITHOUT SALE

(a) If an owner prepays a mortgage, as "prepayment" is defined under section 673 of this title, or terminates early a subsidy contract, as "termination" is defined under section 673 of this title, but does not sell the project to a certified buyer, the owner shall demonstrate to the department that at least 80 percent of the units will be available and affordable for the term of the original

mortgage or subsidy contract, including all optional renewals, to the same proportions of very low income, lower income, and moderate income persons or families as resided in the project on the date 365 days prior to prepayment. Upon such demonstration the department shall issue a certificate of satisfactory compliance with this chapter.

(b) If less than 80 percent of the units remain available and affordable as required above, for each unit that is not retained as affordable the owner shall execute a housing replacement agreement with the department. The housing replacement agreement shall be recorded in the land records of the municipality in which the project is located. Under such agreement, the owner shall replace any units which become unavailable or unaffordable, either by creating new units, by contributing to the housing and conservation trust fund established by chapter 15 of Title 10, or by a combination of both remedies.

(c) The department shall issue regulations regarding methods by which the owner can replace unaffordable units and how the owner may satisfy its obligations under the housing replacement agreement.

(d) Any tenant involuntarily displaced by the owner's prepayment or early termination action shall be paid by the owner the actual documented cost of relocation, not to exceed $1,000.00, payable within 10 days after the tenant vacates the unit.

(e) An owner shall not willfully cause a tenant to vacate a dwelling unit or to be evicted from the unit without good cause in contemplation of prepayment or early termination.

§ 679. ADMINISTRATION

The department shall administer this chapter and promulgate rules for this purpose under chapter 25 of Title 3.

§ 680. CERTIFICATE OF COMPLIANCE

A certificate of satisfactory compliance executed in accordance with this chapter shall be recorded in the land records of the town in which the land records are located at the same time that the deed is recorded or within a reasonable time after the activities contemplated under sections 674-678 of this title have been complied with by the owner. It shall be conclusive evidence that the provisions of this chapter were complied with. Upon execution of such certificate, nothing in this chapter shall constitute an encumbrance on marketable title arising from the transaction referenced in the certificate. Issuance of the certificate shall prevent the department from bringing action against the owner arising out of the application of this chapter to the transaction referenced in the certificate, except in case of fraud or deceit on the part of the owner.

§ 681. ENFORCEMENT; PENALTIES

(a) Civil enforcement. Any person aggrieved by a violation of this chapter or the attorney general on behalf of such a person may bring an action for injunctive relief, damages, and costs.

(b) Civil penalties. Any person who violates section 676 or section 678 of this title shall be subject to a civil penalty of not more than $10,000.00 per unit plus three times the pecuniary gain realized as a result of the offense.

Sec. 2. APPROPRIATION

(a) The amount of $50,000.00 is appropriated for fiscal year 1989 to the department of housing and community affairs for the administration of this act.

(b) One new classified position: housing program coordinator is authorized in the department of housing and community affairs in fiscal year 1989.

Sec. 3. EFFECTIVE DATE

This act shall take effect from passage.

MEMORANDUM

To: Allan S. Hunt

From: Glenn A. Jarrett

Re: HUD regulations on at-risk housing

Date: April 8, 1988

You have asked for a summary of the recently issued HUD regulations implementing Title II, Subtitle B of the Housing Community Development Act of 1987, Pub. L. No. 100-242, approved February 5, 1988. These regulations govern the prepayment of a multifamily mortgage by an owner of eligible low income housing in cases where, but for the recently-enacted legislation, the owner would be free to prepay without HUD's approval or would within one year become eligible to prepay without HUD's approval.

The Subtitle is scheduled for repeal on February 5, 1990, at which time the regulations will be removed or revised to reflect the then-current law. The introduction to the regs notes that Congress enacted the provisions of Subtitle B as an interim measure to prevent displacement of lower income families while the public and private sectors work together to find long-term responses to the potential loss of affordable housing. The clear implication is that Congress plans to address the problem further in the next two years.

A brief overview: As a general matter, an owner of "eligible low income housing" as that term is defined in the 1987 Act will no longer be able to prepay a mortgage, unless the prepayment is first approved by HUD. HUD can only approve a prepayment that involves the termination of low income affordability restrictions in accordance with an acceptable "plan of action" submitted by the owner that discusses the impact of the proposed prepayment on the future use of the involved housing units, and most particularly, on lower income tenants.(sections 221 and 225 (a) If HUD determines that the mortgage cannot be prepaid, it can still give the owner certain financial incentives to keep the mortgage in place, provided that doing so (a) is necessary to provide a fair return on the investment of the owner; (b) is the least costly alternative that is consistent with achieving the purposes of the statute; and (c) meets statutory criteria designed to protect current and future tenants (section 225 (b)). Alternatively, a plan of action could combine prepayment with incentives, provided that the standards set forth in section 225 (b) are met.

If an owner does not submit an acceptable plan of action or HUD cannot approve a plan of action that would permit either prepayment or the provision of financial inducements, the status quo would be retained, with one possible exception. HUD could, upon request of the owner, make certain modifications to the owner's existing regulatory agreement (section 228).

Definitions:

Eligible low income housing (section 233) includes projects financed by mortgage loans (1) insured or held under section 221 (d)(3) and assisted under the Rent Supplement or section 8 program; (2) insured or held under the section 221(d)(3) BMIR program; (3) insured, assisted, or held under the section 236 program, or (4) held by the Secretary and formerly insured under a program referred to in clause (1), (2) or (3).

Applicable period--The statute states that Subtitle B is applicable only if, "under regulation or contract in effect before [February 5, 1988, the mortgage] is or will within one year become eligible for prepayment without prior approval of the Secretary." HUD interprets this language to mean that if, at any time within the two year duration of the statute, a mortgagor is within one year of becoming eligible to prepay its mortgage without HUD's approval in accordance with the terms of the mortgage and applicable program regulations, the mortgagor must initiate proceedings under part 248 (these regs) by filing a notice of intent. Thus there is a three year period of prepayment eligibility that is covered by the statute--February 5, 1988 through February 5, 1991.

The plan of action must include:

1. A description of any proposed changes in the status or terms of the mortgage or regulatory agreement, which may include a request for incentives;

2. A description of any assistance that could be provided by State or local government agencies, as determined by prior consultation between the owner and the agencies;

3. A description of any proposed changes in the low income affordability restrictions;

4. A description of any proposed change in ownership related to the plan of action or prepayment;

5. An assessment of the effect of the proposed changes on existing tenants;

6. A statement of the effect of the proposed changes on the supply of housing affordable to low and very low inclome families in the community and area; and

7. Other information determined by the Commissioner to be necessary to evaluate the proposed plan of action and achieve the purposes of the regs.

If the Commissioner determines that incentives are warranted, he may agree to provide one or more of the following incentives: (Regs section 248.241)

1. an increase in the allowable distribution, or other measures to increase the rate of return;

2. Revisions to the method of calculating equity;

3. Increased access to residual receipts funds or excess reserve for replacements funds;

4. Provision of insurance for an equity loan;

5. An increase in the rents permitted under an existing section 8 contract or, possibly, additional assistance under section 8 or an extension of any project based assistance attached to the housing;

6. Provision of a capital improvement loan;

7. Other actions to facilitate the transfer or sale of the housing to a qualified nonprofit organization, limited equity tenant cooperative, public agency, or other entity acceptable to the Commissioner;

8. Provision of flexible subsidy assistance; and

9. Any other incentive for which the owner is eligible.

Before approving a plan that includes incentives, the Commissioner must make findings that the incentives are necessary, are the least costly alternative to the Federal government to achieve the purposes of the Subtitle, and that binding commitments have been made to insure the affordability of the housing (Regs section 248.233).

STATE OF VERMONT

EXECUTIVE DEPARTMENT

EXECUTIVE ORDER

WHEREAS, it is essential to the proper operation of government that public officers be independent and impartial; that governmental decisions and policy be made fairly and impartially, on the merits of the matter at issue; that public office not be used for private gain other than the remuneration provided by law; and that there be public confidence in the integrity of government;

WHEREAS, there is a risk that the attainment of one or more of these ends may be impaired whenever a conflict, or the appearance of a conflict, exists between the private interests of a public officer and his or her official responsibilities;

WHEREAS, it is also essential to the proper operation of government that those best qualified not be discouraged from serving as public officers by requiring them to relinquish totally the opportunity to further their own interests, at least where such interests do not create irreconcilable conflicts with their official responsibilities;

WHEREAS, both the public and private sectors of Vermont are enriched by the healthy exchange of individuals who have hands-on knowledge and work experience in both the public and private sectors;

NOW, THEREFORE, to ensure fairness and impartiality in the conduct of official state business, while, at the same time, encouraging the recruitment and retention of those best qualified to serve the state;

BE IT RESOLVED THAT I, Madeleine M. Kunin, by virtue of the authority vested in me as Governor, do hereby promulgate the following Executive Code of Ethics.

EXECUTIVE CODE OF ETHICS

Except where otherwise provided by law, all gubernatorial appointees of the executive branch shall be subject to the provisions of this executive order.

To assure adherence to this code, current appointees are asked to sign the attached acknowledgment and submit it to the Secretary of Civil & Military Affairs. All future appointees will be asked to sign and submit the acknowledgment upon acceptance of their appointments.

The Secretary of Civil & Military Affairs has the authority to interpret the provisions of this code as they relate to particular circumstances and to issue exemptions from the code under special circumstances. All such interpretations and exemptions shall be recorded.

Definitions

As used in this executive order:

(a) "Public body" means any agency, department, division or office and any board or commission of any such entity, or any independent board or commission, in the executive branch of the State.

(b) "Appointee" means any exempt employee or member of any public body appointed by or upon the approval of the Governor, or by or upon the approval of such an appointee.

(c) "Full-time appointee" means any appointee receiving a full-time salary for state service.

(d) "Conflict of interest" means a pecuniary interest of an appointee, or such an interest, known to the appointee, of a member of his or her immediate family or household or of a business associate, in the outcome of any particular matter pending before the appointee or his or her public body. "Conflict of interest" does not arise where the interest is no greater than that of other persons generally affected by the outcome of the matter.

Code of Conduct

(1) An appointee has an affirmative obligation to conduct the affairs of his or her office in such a manner as to instill public trust and confidence. Thus, an appointee shall take all reasonable steps to avoid any action or circumstance, whether or not specifically prohibited by this code, which might result in, or create the appearance of --

(a) undermining his or her independence or impartiality of action;
(b) taking official action on the basis of unfair considerations, unrelated to the merits of the matter;
(c) giving preferential treatment to any private interest on the basis of unfair considerations, unrelated to the merits of the matter;
(d) using public office for the advancement of personal interest;
(e) using public office to secure special privileges or exemptions; or
(f) affecting adversely the confidence of the public in the integrity of state government.

(2) An appointee shall not take any official action in any particular matter in which he or she has a conflict of interest or in which there is an appearance of a conflict of interest that, in the appointee's view, will undermine public confidence.

Annually, on June 30, every full-time appointee who earns $30,000 or more per year shall file with the Secretary of Civil & Military Affairs a "Disclosure Questionnaire" as prescribed in Exhibit A. These questionnaires shall be treated as confidential personnel documents and kept as such during the gubernatorial administration in which the appointee serves, or for one year after the appointee leaves office, whichever occurs first.

(3) An appointee shall not take any official action that advances the interests of a private entity with which the appointee is actively seeking employment or a significant financial relationship.

(4) A full-time appointee shall not, for pecuniary gain, be an advocate for any private interest in any matter before any public body or before the state legislature or its committees.

(5) For one year after leaving office, a former full-time appointee shall not, for pecuniary gain, be an advocate for any private interest before any public body or before the state legislature or its committees, regarding any particular matter in which the appointee had participated personally and substantially or exercised official responsibility.

(6) An appointee shall not disclose to any private entity any confidential or privileged information for the purpose of advancing his or her, or anyone else's, pecuniary interest.

(7) An appointee shall not solicit or receive any payment, gift, or favor based on any understanding that it would influence any official action.

(8) A full-time appointee shall not solicit or receive any payment, gift, or favor from any private interest which --

(a) has, or seeks to obtain, contractual or other business or financial relationships with the appointee's public body, or

(b) conducts business or activities that are regulated by the appointee's public body, or

(c) has interests that may be substantially affected by the appointee's official actions.

For purposes of this provision, "payment, gift, or favor" shall not apply to:

(i) social expenses of less than $200 per year from any given source, or, if greater, which are approved by the Secretary of Civil & Military Affairs;

(ii) reasonable expenses in connection with teaching, public appearances or attendance at meetings or conferences;

(iii) compensation or honoria paid for public appearances or services unrelated to the appointee's official responsibilities;

(iv) compensation or honoraria paid for teaching or for appearances related to the appointee's official responsibilities, if approved by the Secretary of Civil & Military Affairs; or

(v) lawful contributions to the campaign of a candidate for elective public office.

(9) An appointee shall not use or permit the use of State property unless reasonably related to his or her official responsibilities.

(10) An appointee shall not enter into any commitment to expend state funds unless the expenditure is reasonable and valuable to the state and made in accordance with all applicable statutes, rules or directives from the Secretary of the Agency of Administration.

This Executive Order takes effect upon signing.

Witness my name hereunto subscribed and the Great Seal of the State of Vermont hereunto affixed at Montpelier this 30 day of March A.D., 1988.

Madeleine M. Kunin
Governor

By the Governor:

Elizabeth A. Bankowski
Secretary of Civil and Military Affairs

Executive Order #62

Executive

Code of Ethics

Acknowledgment

I, _____, _____

name position

have read the Executive Code of Ethics promulgated by Governor Madeleine M. Kunin on _____, 1988, and agree to adhere to it.

_____

Signature Date

DISCLOSURE QUESTIONNAIRE

EXECUTIVE BRANCH OF THE STATE OF VERMONT

The purpose of this questionnaire is to determine any significant personal interests of gubernatorial appointees as defined in the Executive Order Code of Ethics, Executive Order No. ____, which might conflict with the best interests of the State. It is understood that individuals serving the State as gubernatorial appointees may have community or personal interests that may relate to matters arising in the course of their performance of the official responsibilities. This form is intended to identify those interests and provide assurance that conflicts of interest will not impair fair and impartial state actions. Gubernatorial appointees should, whenever possible, avoid conflicts of interest and, where they do occur, make them clearly evident.

In answering questions, please disclose not only your own direct interests but also any indirect or beneficial interests which could arise through members of your immediate family (spouses, dependent children) or through persons who reside in your home or by reason of a trust or partnership arrangement in which you or a member of your immediate family or household participates or has an interest.

Upon completion, this questionnaire should be returned to the Secretary of Civil & Military Affairs, who will keep it in a confidential personnel file during the gubernatorial administration in which the appointee serves, or for one year after the appointee leaves office, whichever occurs first.

(Use reverse side to give additional information, if necessary)

1. Are you the director, officer, partner or employee of any enterprise which, to your knowledge, does business or has a financial relationship with the State? If yes, please list all such positions.

Yes _____ No _____

2. Except for securities which are listed on a national exchange, do you own directly, indirectly, or beneficially, securities, options, or rights to purchase securities or share in profits of companies, to your knowledge, doing business with the State? If yes, list company and percent of total shares.

Yes _____ No _____

3. Do you directly, indirectly, or beneficially, have any ownership interest in a proprietorship, partnership, or syndicate which, to your knowledge, operates any business which does business with the State? If yes, explain briefly.

Yes _____ No _____

4. Does there currently exist, or has there existed, any creditor-debtor relationship between you, directly or indirectly, and any non-financial organization, to your knowledge, doing business with the State, except normal charge accounts and installment purchase accounts? If yes, explain briefly.

Yes _____ No _____

5. Are you receiving commissions or any form of compensation, gift or reward on business transacted with the State either directly or through a third person? If yes, explain briefly.

Yes _____ No _____

6. In addition to the information reported above, do you have any direct or indirect business relationships which may reasonably be considered to have some influence on your judgment and decisions involving transactions with the State, or otherwise during the performance of your duties and responsibilities as a gubernatorial appointee? If yes, explain briefly.

Yes _____ No _____

I agree to disassociate myself from situations where possible conflicts of interest might occur, when/if requested by the Governor.

To the best of my knowledge, the answers to all of the above questions are true and complete in every respect.

Date _____ Print _____

Signed _____

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Hollis Hope, Director of Communications

DATE: April 21, 1988

RE: VHFA Home Buyer Survey Results

Attached for your review please find a summary report of the home buyer survey we conducted earlier this year. This report was compiled and written by the Center for Rural Studies at the University of Vermont and released to us yesterday.

We are very pleased with the level of response (35%) as well as the nature and volume of data collected. From my first reading I believe our objectives were achieved. This data will undoubtedly help us better understand the needs of Vermont home buyers in 1988 in addition to helping us target specific areas of the state. I hope that this information will also prove valuable in the development of future programs to meet the affordable housing needs of our constituents.

Please feel free to give me a call if you would like any further information with regard to this effort.

Thank you.

HH422/bh

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA

Results of Vermont Housing Finance Agency Survey

Compiled by

The Center for Rural Studies
College of Agriculture and Life Sciences
University of Vermont
Burlington, Vermont

4/20/1988

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Introduction:

Late in January the Vermont Housing Finance Agency mailed out questionnaires to 2,345 Vermonters. The sample for the survey was drawn from an active list of households who called VHFA's information hotline in response to paid and public service advertising. The sample represented 65% of the mailing list. Each county was sampled at a rate of 65% to ensure a good distribution of responses from around the state.

From the original mailing, which was followed up by a post card reminder, 809 households responded. This represents a response rate of 35% which is very good and in and of itself indicates a high degree of interest and motivation on the part of this population.

The impetus for conducting the survey was to determine why there was less demand than anticipated for the mortgage funds which were available under two financing programs, given that there appeared to be a high degree of interest, as indicated by the number of calls inquiring about the programs and the generally robust housing market. This prompted the question as to whether the programs were being marketed to the appropriate population.

Ultimately, the questionnaire tried to accomplish the following.

1) To profile the population who have inquired about VHFA financing programs. The population which VHFA generally serves are persons or households with incomes between $20,000 and $35,000. The assumption was that if the profile of those people who called the VHFA information hotline did not match the target audience, households with incomes between $20,000 and $35,000, then the advertising and promotional campaign was in fact not reaching its intended audience.

2) To get a better understanding of the needs and preferences of first time home buyers.

3) Assess what the respondents perceive as the greatest obstacle to purchasing a home.

4) Determine if the respondents have a realistic understanding of the cost of housing in Vermont today given their incomes.

5) Determine the respondents willingness to attend affordability workshops that VHFA is considering sponsoring.

6) Determine whether the information VHFA mails out in response to inquiries received through the hotline is adequate.

7) Test the assumption that low and moderate income Vermonters would prefer to deal with VHFA directly rather than a bank.

The questionnaire grew to be four pages long, when it was completed, and consisted of 28 questions in three sections.

Selected questions have been crosstabulated by county of residence to determine whether responses varied by counties and regions of the state. While there are more than enough respondents in the entire sample to be very confident in the accuracy of the overall results, data from the smaller counties such as Essex and Grand Isle cannot be considered reliable given the very small number respondents from these areas. Also, small variations in responses to questions between even the larger counties can not be considered significant and therefore should accepted with a grain of salt - small being 3 to 5 percentage points. The only county for which we can, with a modicum of confidence, generalize to, is Chittenden County. The counties in some tables have been collapsed into county groups, such as the North East Kingdom and Windham and Windsor Counties, and the confidence of course improves once we do this, but, we lose the geographic specificity

Respondent Profile:

The marketing program tended to capture along with its targeted audience, clients at the lower end of the income spectrum. However, the presence of a fairly large number of lower income households is probably to be expected in a survey such as this, given that the income profile which defines the targeted audience is determined by persons who have qualified for VHFA financing, not by persons who have inquired about VHFA programs. Given this, the targeted audience appears to have been reached by the marketing program.

The respondents, for the most part, were living in moderate income households. Just over 53% of the respondents had household incomes between $20,000 and $35,000, the range which generally defines the population which VHFA serves with regards to mortgage programs. Thirty eight percent of the respondents had incomes under $20,000 and 8.8% had incomes over $35,000 - 17.0% had incomes below $15,000. The median household income was approximately $22,500.

Examining the income distribution by counties, we generally find patterns similar to the overall distribution, however, there were a few counties which appeared to have a disproportionate

number of persons with incomes under $20,000. These were Bennington (50.0%), Caledonia (55.2%) and Orleans (66.7%).

Most of the respondents were in their twenties or early thirties - 70.0% were under the age of 35 and 42.8% were under 30. Many did not have children (45.9%). If households had children they were more likely to be children under the age of 6. Many of the households were small - 49% were either one or two person households. Many were living in households where two or more persons worked full time (36.0%). Most of the respondents rented their homes (71.6%). These are demographic characteristics which we would expect to find among the first time home buyer market and serve as another indication that the marketing and promotional material is reaching its intendend audience.

Housing Preference:

Most respondents, 59.3% would prefer to purchase a conventional single family home - 18.7% said their first choice would be a modular or log home. Only 1.4%, or 11 people, ranked condominium or townhouse as their first choice for housing. While single family homes were expected to be the preferred type of housing, it is important to note that over 40% of the respondents would prefer to buy something other than a conventional single family home. (Those respondents who would said they would prefer a modular or log home actually may have meant that this is the type of housing they can afford.)

When we examine the average rank score for each type of housing (1 being the highest score possible), we find that single family homes scored 1.5, log or modular homes scored 2.2, double wide mobile homes scored 3.7, condominiums 4.1 and single wide mobile homes 4.7. The rank score for single family homes ranged from 1.2 in Washington County to 1.9 in Addison. The score for modular or log homes ranged from 1.9 in Windham to 2.4 in Chittenden County. If we look at the distribution of first choice selections for type of housing from around the state we find they range from 46.7% in Addison County for a single family home to just over 67% in the North East Kingdom. So there does appear to be some variation in the types of housing the respondents would prefer between areas of the state.

Financing the Respondents Would Prefer:

The financing respondents clearly would prefer the most, would be a fixed rate mortgage with a fixed payment - 67.4% ranked this as their first choice. The other two methods which the respondents would consider as second choices would be a lease with an option to buy, 12.9% of the first choice votes or a

convertible adjustable rate mortgage with 9.0% of the first choice votes.

Reasons Why Respondents Want to Own A Home:

There were three reasons which people indicated were quite important to them with regards to owning a home. (None received a majority of the first place rankings.) Having control over one's own space garnered 33.6% of the first choice votes, followed by security with 25.2% and more space with 16.1%. When the average rank scores were examined for these three reasons we find they scored 2.3, 2.6 and 3.1, respectively. The least important reason for owning a home according to the respondents, was to leave something for their children.

When we look at the distribution of the most important reasons for owning a home i.e. ranked first, across counties and county groupings, we find a fair amount of variation. In the Washington and Orange County area, we find that 47.6% thought that control over their own space was the most important reason for owning a home. In the North East Kingdom only 22.6% thought control over one's own space was the most important reason for owning a home. In the Windham and Windsor County area, as well as in the Franklin, Grand Isle and Lamoille County area, respondents thought that security was more important than control over one's own space. In Addison County, more space was more important than security of control over ones own space.

Obstacles to Purchasing a Home:

The greatest obstacle to purchasing a home for the respondents was the price of a home, with 51.2% ranking this as the primary obstacle followed by the closing costs and down payment with 20.5%. Given that 38% of the respondents had incomes of less that $20,000 and the cost of housing, it is not surprising that the price of home represented the most significant obstacle to purchasing a home. Interest rates were seen as the third greatest obstacle out of three choices.

Overall, 42.5% of the respondents would be able to put less than $3,000 dollars toward a down payment and closing costs, however, 34.5% have in excess of $5,000 available and 11.8% would be able to get together in excess of $10,000. Thus it appears that a significant number of households would have sufficient funds available for housing in their price range.

The vast majority, 83.9%, of the respondents would use savings for the down payment on a home - 31.0% would use gifts and 35.2% would acquire money through the sale of assets. (The respondents could have checked any of the three sources.)

Familiarity with the Housing Market:

Generally speaking, it appears that the respondents were familiar the with housing market and how they fit into it. Most have contacted realtors (71.9%) or loan officers (49.1%) and 79.7% had been looking for a home prior to hearing about the VHFA programs. Given this, the respondents should know what they can afford and what the cost of housing is in their area of the state. However, it is difficult to determine if the expected cost for a home was a function of the prices in the area or was determined by the amount of financing they could obtain with their respective incomes. That is, the price some respondents expect to pay appears to be determined by what they would be able to pay and for others it relates more to market conditions. For example, 52% of the households with incomes under $15,000 anticipate spending less than $50,000 for a home, yet 20.1% of these households expect to spend over $70,000 even though they clearly could not afford a house at this price. Overall, 26.9% of all respondents expect to spend less than $50,000 for a home even though 38% had incomes below $20,000. Just over 60% anticipate spending between $50,000 and $80,000 which seems appropriate, though homes in this price range are becoming a scarce commodity. Only 9.6% expected to spend in excess of $80,000.

Among those households with incomes between $20,000 and $30,000, 73.1% anticipate spending between $50,000 and $80,000 for a home. And, 61.8% of the households in this income range have over $3,000 available for a down payment and represented 25.0% of the respondents. These households appear to have a good idea of the price range in which they can expect to purchase a house, given their income. Among those households with incomes under $20,000, 55.6% anticipate spending over $50,000 for a home - 45.2% of the households in this income bracket have less than $2,000 available for the down payment and closing costs. Clearly, these people have an unrealistic understanding as to the amount of housing they would be able to purchase at their present level of income.

Willingness to Attend Affordability Workshops:

When the respondents were asked whether or not the would attend a free seminar or workshop for first time home buyers in their county 56.8% said they were very likely to attend. A total of 91.9% said they were either likely or very likely to attend. This again underscores the interest and the desire these people have to own a home. The interest in attending was quite strong throughout the state. At least 80% of the respondents in each county said that they would be either likely or very likely to

attend such workshops. There appeared to be a great deal of interest in Orleans County with 76.2%, Windsor County with 65.6%, Chittenden County with 62.9%, and in Windham County with 61.9% stating that they would be very likely attend such a workshop. The interest appeared to be a little soft in Franklin County where only 48.6% said they would be very likely to attend such a workshop and 20.0% said they probably wouldn't. Other counties where the interest was not very robust were Caledonia, where only 44.8% said they were likely to attend and in Lamoille County with 48.8% and Bennington with 44.8% stating they would very likely attend such workshops.

Quality of Information Provided to Respondent by VHFA and by Loan Officers:

The VHFA got very good marks for the information they provided the respondents - 84.6% of the respondents thought the information was very helpful and informative, 8.2% thought that it was not helpful and 6.4% thought it was confusing.

With regards to the information about VHFA programs provided by bank loan officers from around the state, of the 373 respondents who have received information from a loan officer, 32.2% thought the information provided was very helpful, 38.3% thought it was simply helpful, 22.0% thought it was discouraging and 7.5% thought the information was not helpful. If the reason that the information regarding VHFA was discouraging was because it indicated that they would not be able to obtain financing, then this may indicate that approximately 20% of the respondents may not be able to participate in VHFA loan programs either because their incomes were too low and/or they had insufficient cash available for the down payment and closing costs. That is, even with VHFA's assistance these people would still not be able to purchase a home at today's prices and thus the information was discouraging. (Keep in mind that 38% of the respondents had incomes under $20,000 and 17.4% had less than $1,000 available for a down payment and closing costs.)

Respondents Choice for Source of Assistance: Bank Officer or VHFA Representative:

A great number of respondents, 77.8%, indicated they would rather meet with a VHFA representative than with a loan officer. This ranged from a low of 50.0% in Orleans County and 57.9% in Bennington County to a high of 88.2% in Orange and 84.2% in Addison.

To summarize the results in terms of the objectives of the survey, the profile of the respondent population appears to fit

the targeted population - young, low and moderate income persons and households who primarily rent their homes. The respondents, for the most part, understand the cost of housing today and/or the current financial position vis a vis the cost of housing. The respondents would prefer single family homes though there does appear to a significant minority who would prefer other types of housing, notably, modular or log homes. The greatest obstacle the respondents face with regards to purchasing a home is the price of a new home. The respondents are very willing to learn more about the programs VHFA has to offer by attending workshops. The information which VHFA has provided the respondents is quite helpful and informative and they would very much like to meet with a VHFA representative rather than a bank loan officer for further assistance in their search for a home.

Presented below are highlights from the tables which are to be found in the appendix. Much of the material below has been touched upon above and is supplemented with additional findings.

- Residence: The distribution of respondents across counties reflects very well the residential distribution found in the mailing list from which the sample was drawn. Chittenden County represented 26.8% of all respondents. The three North East Kingdom counties made up 6.9% of the respondents, Windham and Windsor 16.0% and Bennington and Rutland represented 15.8%. (See Table 1.)

- While many persons, 35.1%, said they would be willing live more than 20 miles from their place of work, most respondents did not want to move from the county in which they currently resided. Most people, 64.6%, indicated they would be willing to live no more than 20 miles from their place of work. (See Table 3.)

- In virtually every county, more than 75% of the respondents said that they would prefer to remain in the county they currently live in. Only 47.5% of the respondents indicated a county as a second choice for a place to live. When we examine this distribution we find counties such as Franklin, Addison and Orange stand out as second choices. (See Table 2)

- Just over 60% of all respondents anticipated spending between $50,000 and $80,000 for a home, 26.9% anticipated spending less than $50,000 and 9.6% anticipated spending over $80,000 - 11.6% anticipated spending less than $40,000. (See Table 4.)

- The respondents' ability to come up with a down payment and meet the closing cost varied widely. Nearly 12% had $10,000 or more available and 17.4% had less than $1,000 - 57.6% had in excess of $3,000 available. ($3,000 would be required to meet a 5% down payment on a home costing $60,000.) (See Table 6) Most respondents, 83.9%, would rely on savings for their down payment and closing costs, 35.2% would acquire money through the sale of assets and 31.0% would receive gifts. (The respondents could obtain money from more than one source.) (See Table 5)

Referring to Table 28, we can see, with some quick calculations, that 160, or 20.7% of all respondents with incomes of less than $20,000, and have less than $3,000 available in closing costs. At the other end of the scale, 173, or 27.7% of all respondents had incomes in excess of $25,000 and more than $3,000 available in closing costs.

- The median household income was approximately $22,500. Nearly 40.0% of the respondents had incomes of over $25,000 and 8.8% had incomes in excess of $35,000. Just over 50% of the respondents had incomes in 1987 between $20,000 and $35,000. When examining the income distribution by counties we generally find patterns similar to the overall distribution, however, there were a few counties which appeared to have a disproportionate number of persons with incomes under $20,000. These were Bennington (50.0%), Caledonia (55.2%) and Orleans (66.7%). Overall, 38.% of all respondents had incomes under $20,000.

  Among those households with incomes between $20,000 and $30,000, 73.1% anticipate spending between $50,000 and $80,000 for a home. And, 61.8% of these households in this income range have over $3,000 available for a down payment. and represent 25.0% of the respondents. (See Table 28.)

  Among those households with incomes under $20,000, 55.1% anticipate spending between $50,000 and $80,000 for a home, yet, 45.2% of these households have less than $2,000 available for a down payment. (See Table 28.)

- A majority of the respondents were renters, 71.6%, and 15.9% own their own home. An additional 12.5% were classified as other, presumably living with their parents.

  The median rent was $325. The rents ranged from under $100 to $800 - 46.3% had rents between $300 and $500. (See Table 12) Forty one percent experienced an increase in their rent during the last year. Only 27.4% had heat included with their rent and 15.6% included electricity - 67.4% included water. (See Table 13)

  With regards to owners, mortgage payments ranged from a $50 to $800. The median mortgage payment was $275. Only 22.4% had mortgages between $250 and $400, while 33.6% paid more $400 and 26.4% paid between $50 and 249. (See Table 15)

- Over 70% of the respondents were under the age of 35, 43% were less than 30 and 57% were between the ages of 25 and 35. (See Table 17)

- 49% of the households were one or two person households. Only 11% were 4 or more person households. The median household size state wide in 1980 was 2.78 and is thought to have decreased to about 2.53. Thus, the respondents tend to reside in households which are smaller than the state average. (See Table 16)

- 45.9% of the households had no children under the age of 18 residing. (We could only check for the presence of people of a certain age and not for their relationship to the respondent. Thus we don't know for sure if they are in fact the respondent's children. We also don't know the respondents position in the household.) 31.8% had two or more children under the age of 18 in the household. Among those households with children, 64.8% had children under the age of six and only 19.0% had children aged 13 to 17. (See Table 18)

- 97 women, or 11.9% of all households, identified themselves as the head of single parent households - 16 males identified themselves as such.

- Virtually all, 93.3%, of the households had at least one person working at least part time. 38.8% of the households had two or more persons working full time and 54.5% had one and only one person working full time. (See Table 19)

- Most of the respondents, 79.7%, had been looking for a house prior to hearing about VHFA. (See Table 21)

- Most of the respondents have been quite active in their search for a home - 71.9% have talked with a realtor, 49.1% have talked to a loan officer and 32.8% have talked to a builder. (See Table 23.)

- Only 25, 3.2% of the respondents have received financing through VHFA. (See Table 27.)

- Overall, 373, or 46.1% of the respondents have received information about VHFA from loan officers. Of these respondents 70.5% thought the information was helpful. Those respondents who thought the information was very helpful ranged from 17.6% in Addison County to 37.9% in Windham County. In Caledonia County, out of 14 respondents, 42.8% thought the information about VHFA as presented by a loan officer was either not helpful or discouraging, 5 out of 11 persons, or 45.5%, of the respondents from Caledonia County thought the material was discouraging.

Appendix I.

Table 1. County of Residence.

County	Percent	Number
Addison	5.6%	45
Bennington	2.6%	21
Caledonia	3.7%	30
Chittenden	26.8%	217
Essex	0.6%	5
Franklin	4.6%	37
Grand Isle	1.2%	10
Lamoille	5.4%	44
Orange	4.8%	39
Orleans	2.6%	21
Rutland	13.2%	107
Washington	11.9%	96
Windham	8.2%	66
Windsor	7.8%	64
Total	100.0%	802

Table 2. County of Choice for Residence.

	First Choice		Second Choice	
County	Percent	Number	Percent	Number
Addison	6.4%	50	13.8%	53
Bennington	2.7%	21	2.6%	10
Caledonia	3.7%	29	3.9%	15
Chittenden	29.1%	226	18.5%	71
Essex	0.6%	5	2.1%	8
Franklin	3.2%	25	14.3%	55
Grand Isle	1.4%	11	2.9%	11
Lamoille	4.6%	36	2.1%	8
Orange	4.4%	34	14.3%	55
Orleans	2.4%	19	2.9%	11
Rutland	11.9%	93	5.7%	22
Washington	13.5%	105	8.6%	33
Windham	8.4%	65	1.8%	7
Windsor	6.9%	54	8.6%	33
Totals	100.0%	774	100.0%	384

Table 3. Distance From Work Respondents Are Willing to Live.

Distance	Percent	Number
10 Miles or Less	23.8%	191
11 to 20 Miles	40.8%	328
21 to 30 Miles	28.4%	230
31 Miles or More	6.7%	54
Total	100.0%	803

Table 4. The Amount Respondents Expect to Pay for A Home.

Expected Costs	Percent	Number
Less Than $30,000	4.0%	32
$30,000 to $40,000	7.6%	61
$40,000 to $50,000	15.3%	122
$50,000 to $60,000	21.1%	169
$60,000 to $70,000	20.5%	164
$70,000 to $80,000	21.9%	175
$Over $80,000	9.6%	77
Total	100.0%	800

Table 5. Source of Money For Down Payment.

Source	Percent	Number
Savings	83.9%	659
Gifts	31.0%	243
Sale of Assets	35.2%	276
Total	---	785

Table 6. The Amount Respondents Could Afford for A Down Payment.

Amount	Percent	Number
Less Than $500	6.4%	51
$500 to $999	11.0%	88
$1,000 to $1,999	12.7%	102
$2,000 to $2,999	12.4%	99
$3,000 to $3,999	11.6%	93
$4,000 to $4,999	11.5%	92
$5,000 to $5,999	9.9%	79
$6,000 to $7,999	8.9%	71
$8,000 to $9,999	3.9%	31
$10,000 or More	11.8%	94
Total	100.0%	800

Table 7. Obstacles to Purchasing a Home.

	Rank Importance of Each Obstacle			
Obstacles	First	Second	Third	Fourth
Interest Rates	82 10.6%	213 30.6%	256 38.8%	132 32.4%
Prices of Homes	396 51.2%	163 23.4%	108 16.4%	59 14.5%
Closing Costs	159 20.5%	233 33.5%	223 33.9%	76 18.7%
Other Obstacles	132 17.0%	86 12.3%	72 10.9%	140 34.4%

Table 8. Type of Home Respondents Would Like to Buy: Ranked First.

Type of Home	Percent	Number
Single Wide Mobile Home	1.3%	10
Double Wide Mobile Home	2.4%	19
Conventional Single Family Home	59.3%	461
Modular Home	18.7%	145
Condominium/Townhouse	1.4%	11
Other	16.9%	131
Total	100.0%	777

Table 9. Most Important Reason for Owning Own Home: Ranked First

Reason	Percent	Number
More Space	16.1%	124
Security	25.2%	194
Control Over Own Space	33.6%	258
Build Retirement Nest Egg	7.9%	61
Leave Something for Children	2.6%	20
Increase NET Worth Over Short Period	6.6%	51
Other	8.2%	63
Total	100.0%	769

Table 10. Household Income Before Taxes.

Income	Percent	Number
$15,000 or Less	17.0%	132
$15,000 to $20,000	21.0%	163
$20,000 to $25,000	22.4%	174
$25,000 to $30,000	18.0%	140
$30,000 to $35,000	13.0%	101
$35,000 to $40,000	4.8%	37
$40,000 or More	4.0%	31
Total	100.0%	778

Table 11. Tenure.

Tenure	Percent	Number
Renters	71.6%	562
Owners	15.9%	125
Other	12.5%	98
Total	100.0%	785

Table 12. Monthly Rent.

Monthly Rent	Percent	Number
Less Than $200	8.7%	49
$200 to $249	11.6%	65
$250 to $299	14.6%	82
$300 to $349	19.9%	112
$350 to $399	12.3%	69
$400 to $449	14.1%	79
$450 to $499	7.5%	42
$500 or MOre	11.5%	64
Total	100.0%	562

Table 13. Utilities Included in the Rent.

Utility	Percent	Number
Heat	27.4%	154
Electricity	15.6%	88
Gas	7.3%	41
Water	67.4%	379
Trash Removal	31.5%	305

Table 14. Has the rent Increased in Last Year.

Response	Percent	Number
Yes	41.4%	247
No	58.6%	349
Total	100.0%	596

Table 15. Monthly Mortgage Payments.

Monthly Mortgage Payments	Percent	Number
No Mortgage Or Missing Data	17.6%	22
$50 to $199	11.2%	14
$200 to $249	15.2%	19
$250 to $299	8.0%	10
$300 to $349	8.0%	10
$350 to $399	6.4%	8
$400 to $499	18.4%	23
$500 or More	15.2%	19
Total	100.0%	125

Table 16. Size of Household.

Number of Persons in Household	Percent	Number
One Person	16%	122
Two Persons	33%	256
Three Persons	20%	176
Four Persons	18%	142
Five Persons	8%	66
Six or More Persons	3%	25
Total	100%	787

Table 17. Age of Respondent.

Age	Percent	Number
19 to 24	13.2%	102
25 to 29	29.6%	229
30 to 34	27.2%	210
35 to 39	15.4%	119
40 and Over	14.5%	112
Total	100.0%	772

Table 18. Presence and Age of Children in Household.

Age of Children	Number of Children in Household: None	One	Two	Three or More
1 to 17	354 45.9%	171 22.2%	155 20.1%	92 11.9%
1 to 5	514 65.3%	159 20.6%	97 12.6%	17 2.2%
6 to 12	582 75.4%	121 15.7%	49 6.3%	20 2.6%
13 to 17	692 89.6%	59 7.6%	21 2.7%	0 0.0%

Note: Percentages Read Across

Single Parent Households:

o 97 women, or 11.9% of all respondents, identified themselves as being the head of single parent households on question 12. There were 16 males who identified themselves as being the head of single parent households.

Table 19. Number Who Worked Full Time by Number Who Worked Part Time.

Worked Full Time	Number Who Worked Part Time: None	One	Two+	Total
None	38	13	3	54
One	300	134	4	438
Two +	290	15	7	312
Total	628	162	14	804

Table 20. County of Residence by Willingness to Attend Affordability Workshops.

County	Likelihood of Attending Workshops		
	Very Likely	Likely	Not Very Likely
Addison	23 54.8%	18 42.9%	1 2.4%
Bennington	10 47.6%	9 42.9%	2 9.5%
Caledonia	13 44.8%	13 44.8%	3 10.3%
Chittenden	134 62.9%	61 28.6%	18 8.5%
Essex	3 60.0%	2 40.0%	0 0.0%
Franklin	17 48.6%	11 31.4%	7 10.9%
Grand Isle	4 40.0%	6 60.0%	0 0.0%
Lamoille	21 48.8%	16 37.2%	6 14.0%
Orange	21 53.8%	16 41.0%	2 5.1%
Orleans	16 76.2%	4 19.0%	1 4.8%
Rutland	54 51.9%	39 37.5%	11 10.6%
Washington	47 50.5%	39 41.9%	7 7.5%
Windham	39 61.9%	20 31.7%	4 6.3%
Windsor	40 65.6%	19 31.1%	2 3.1%
Total	442 56.7%	273 35.0%	64 8.2%

Note: Percentages are row percentages.

Table 21. Looking for Home Prior to Hearing About VHFA.

Yes/No	Percent	Number
Yes	79.7%	628
No	19.8%	160
Total	100.0%	788

Table 22. Type of Financing Desired: Ranked First

Type of Financing	First	Second	Third
Fixed Interest Rate, Fixed Payment	67.4%	18.7%	6.6%
Lease With Option to Buy	12.9%	23.2%	9.8%
Adjustable Interest Rate	4.1%	16.4%	40.3%
Convertable Adjustable Rate Mortgage	9.0%	31.3%	31.2%
Graduated Payment Mortgage	6.8%	10.2%	12.0%
Total	N=774	N=674	N=664

Table 23. Steps Taken to Find a Home.

Steps Taken	Percent	Number
Talked to a Realtor	71.9%	564
Talked to a Builder	32.8%	257
Talked to a Loan Officer	49.1%	385
Talked to FHmA	10.5%	247
Looked at Newspaper Ads	9.4%	222

N=784

Table 24. Helpfulness of Information About VHFA From Loan Officer.

Degree of Helpfulness	Percent	Number
Very Helpful	32.2%	120
Helpful	38.3%	143
Not Helpful	7.5%	28
Discouraging	22.0%	82
Total	100.0%	373

Table 25. Person Respondent Would Like to Meet With.

Person	Percent	Number
VHFA Representative	77.8%	572
Local Lender	22.2%	163
Total	100.0%	735

Table 26. Quality of Information Received from VHFA.

Quality	Percent	Number
Very Helpful	84.6%	646
Not Helpful	8.2%	66
Confusing	6.4%	52
Total	100.0%	764

Table 27. Obtained Financing Through VHFA.

Status	Percent	Number
Yes	3.2%	25
No	96.8%	739
Total	100.0%	764

Table 28. Expected Expenditure for Home by Household Income.

	Household Income					
Expected Expenditure	Less Than $14,000	$15,000 to $20,000	$20,00 to $25,000	$25,000 to $30,000	$30,000 to $35,000	$35,000 and Over
< $30,000	18 13.7%	10 6.3%	2 1.2%	1 0.7%	1 1.0%	0 -
30k to $40k	23 17.6%	23 14.4%	7 4.1%	3 2.1%	2 2.0%	2 2.9%
$40 to $50,000	27 20.6%	26 16.2%	26 15.1%	18 12.9%	16 16.0%	3 4.5%
$50 to $60,00	21 16.0%	37 23.1%	48 27.9%	32 22.9%	17 17.0%	4 5.9%
$60 to $70,000	17 13.0%	28 17.5%	40 23.3%	35 25.0%	27 27.0%	11 16.4%
$70 to $80,000	19 14.5%	28 17.5%	36 20.9%	37 26.4%	24 24.0%	26 38.8%
Over $80,000	6 4.6%	8 5.0%	13 7.6%	14 10.0%	13 13.3%	21 31.3%
Total	131	160	172	140	100	67

Table 29. Down Payment by Household Income.

Anticipated Down Payment	Household Income: Less Than $14,000	$15,000 to $20,000	$20,000 to $25,000	$25,000 to $30,000	$30,000 to $35,000	$35,000 and Over
$10,000 Plus	4 3.1%	15 9.3%	22 12.8%	23 16.5%	14 14.0%	12 17.6%
$8,000 to $9,999	5 3.8%	8 4.9%	5 2.9%	7 5.0%	1 1.0%	5 7.3%
$6,000 to $7,999	8 6.2%	9 5.6%	17 9.9%	13 9.4%	14 14.0%	9 13.2%
$5,000 to $5,999	11 8.5%	10 4.2%	16 9.3%	18 12.9%	11 11.0%	10 14.7%
$4,000 to $4,999	6 4.6%	24 14.8%	21 12.2%	19 13.7%	10 10.0%	7 10.3%
,000 to $3,999	15 11.5%	17 10.5%	17 9.9%	14 10.1%	14 14.0%	13 19.1%
$2,000 to $2,999	14 10.8%	14 8.6%	32 18.6%	18 12.9%	15 15.0%	5 7.3%
$1,000 to $1,999	26 20.0%	22 13.6%	19 11.0%	13 9.4%	11 11.0%	5 7.7%
$500 to $999	20 15.4%	29 17.9%	15 8.7%	13 9.4%	7 7.0%	1 1.5%
Less Than $500	21 16.2%	14 8.6%	8 4.7%	1 0.7%	3 3.0%	1 1.5%
Total	130 16.9%	162 21.0%	172 22.3%	139 18.0%	100 13.0%	68 8.8%

Table 30. Income by County of Residence.

County	Household Income				
	Less Than $20,000	$20,000 to $25,000	$25,000 to $30,000	$30,000 to $35,000	$35,000 and Over
Addison	19 45.2%	6 14.3%	6 14.3%	6 14.3%	5 11.9%
Bennington	10 50.0%	2 10.0%	4 20.0%	4 20.0%	0 0.0%
Caledonia	16 55.2%	7 24.1%	4 13.8%	0 0.0%	2 6.9%
Chittenden	69 32.9%	50 23.8%	45 21.4%	24 11.4%	22 10.5%
Essex	1 -	1 -	1 -	- -	1 -
Franklin	12 34.3%	11 31.4%	7 20.0%	4 11.4%	1 2.9%
Grand Isle	3 -	3 -	2 -	2 -	0 -
Lamoille	17 41.5%	8 19.5%	7 17.1%	5 17.9%	4 9.7%
Orange	15 38.4%	9 23.1%	6 15.4%	7 17.9%	2 5.1%
Orleans	14 66.7%	2 9.5%	3 14.3%	1 4.8%	1 4.8%
Rutland	39 38.6%	26 25.7%	17 16.8%	11 10.9%	8 7.9%
Washington	32 34.4%	20 21.5%	18 19.4%	12 12.9%	11 11.9%
Windham	17 36.0%	14 21.9%	10 15.6%	10 15.6%	7 11.0%
Windsor	23 37.7%	15 24.6%	8 13.1%	11 18.0%	4 6.6%

Note: Percentages are row percentages.

Table 31. Quality of Information About VHFA Provided by oan Officers by County.

County	Quality of Info on VHFA from Loan Officer			
	Very Helpful	Helpful	Not Helpful	Discouraging
Addison	3 17.6%	10 58.8%	1 5.9%	3 17.6%
Bennington	4 40.0%	3 30.0%	1 10.0%	2 20.0%
Caledonia	4 28.6%	4 28.6%	3 21.4%	3 21.4%
Chittenden	36 35.0%	42 40.8%	4 3.9%	21 20.4%
Essex	1 50.0%	1 50.0%	0 -	0 -
Franklin	7 31.8%	8 36.4%	1 4.5%	6 27.3%
Grand Isle	3 60.0%	1 20.0%	1 20.0%	0 -
Lamoille	5 31.3%	4 20.0%	3 18.8%	4 20.0%
Orange	6 35.3%	10 58.8%	1 5.9%	0 -
Orleans	3 27.3%	3 27.3%	0 -	5 45.5%
Rutland	20 33.3%	18 30.0%	6 10.0%	16 26.7%
Washington	9 23.1%	18 46.2%	3 7.7%	9 23.1%
Windham	11 37.9%	12 41.4%	0 -	6 20.7%
Windsor	7 25.9%	9 33.3%	4 14.8%	7 25.9%

Note: Percentages are row percentages.

Table 32. Person Respondent Would Like to Meet With by County.

County	Person Respondent Would Like to Meet With: VHFA REP	Person Respondent Would Like to Meet With: Local Lender
Addison	32 84.2%	6 15.8%
Bennington	11 57.9%	8 42.1%
Caledonia	23 85.2%	4 14.8%
Chittenden	166 83.4%	33 16.6%
Essex	4 80.0%	1 20.0%
Franklin	28 82.4%	6 17.6%
Grand Isle	6 66.7%	3 33.3%
Lamoille	31 73.8%	11 26.2%
Orange	30 88.2%	4 11.9%
Orleans	10 50.0%	10 50.0%
Rutland	70 72.2%	27 27.8%
Washington	62 69.7%	27 30.3%
Windham	47 81.0%	11 19.0%
Windsor	46 71.4%	10 28.6%

Note: Percentages are row percentages.

Table 33. What Makes Owning a Home So Important by County: Mean Scores

County	Reasons for Wanting to Own a Home					
	More Space	Security	Control Over Space	Retirement Nest Egg	Leave Something For Children	Increase NET Worth
Addison	2.9	2.7	2.6	4.2	5.0	4.5
Bennington	3.0	2.3	2.4	4.1	5.0	4.7
Caledonia	2.9	2.9	2.6	4.3	5.0	4.3
Chittenden	2.9	2.6	2.4	3.9	5.2	4.4
Essex	3.4	2.2	2.8	3.2	5.0	5.6
Franklin	3.2	2.1	2.1	4.7	5.2	4.7
Grand Isle	3.0	3.0	2.7	3.4	5.1	3.8
Lamoille	3.4	2.3	2.3	4.2	5.1	4.6
Orange	3.5	2.5	2.2	3.8	4.8	4.8
Orleans	3.1	2.3	3.2	4.2	4.8	3.8
Rutland	3.2	2.7	2.1	4.5	4.9	4.5
Washington	3.0	2.7	1.9	4.3	5.2	4.3
Windham	3.1	2.5	2.4	4.0	4.7	4.9
Windsor	3.2	2.3	2.6	4.2	4.6	4.7
Grand Mean	3.1	2.6	2.3	4.1	5.0	4.5

Table 34. Type of Home Respondents Desire by County: Mean Scores.

County	Single Wide Mobile Home	Double Wide Mobile Home	Single Family Home	Log or Modular Home	Condo-minium
Addison	4.7	3.5	1.9	2.2	4.5
Bennington	4.9	3.4	1.7	2.1	4.5
Caledonia	4.2	3.3	1.3	2.0	4.5
Chittenden	4.9	3.8	1.5	2.4	3.6
Essex	5.5	4.0	1.4	1.8	3.7
Franklin	5.0	4.0	1.8	2.2	4.1
Grand Isle	5.0	4.5	1.3	2.3	4.1
Lamoille	4.8	4.0	1.6	2.1	4.3
Orange	4.7	3.7	1.7	2.0	4.9
Orleans	4.4	3.3	1.5	2.0	4.5
Rutland	4.6	3.4	1.6	2.3	4.5
Washington	4.7	3.6	1.2	2.2	4.1
Windham	4.7	3.7	1.5	1.9	4.3
Windsor	4.6	3.5	1.6	2.1	4.4
Grand Mean	4.7	3.7	1.5	2.2	4.1

Table 35. Obstacles to Purchasing a Home by County.

County	Obstacles		
	Interest Rates	Price Range	Cash
Addison	2.8	1.7	2.4
Bennington	2.2	2.1	2.6
Caledonia	2.2	2.1	2.0
Chittenden	2.6	1.6	2.3
Essex	3.0	2.7	2.0
Franklin	2.6	2.1	2.4
Grand Isle	2.4	1.3	2.1
Lamoille	2.6	2.1	2.4
Orange	2.5	1.9	2.1
Orleans	2.7	1.9	2.1
Rutland	2.5	1.7	2.3
Washington	2.6	1.7	2.3
Windham	2.9	1.6	2.5
Windsor	2.8	1.7	2.1
Grand Mean	2.6	1.8	2.3

Table 36. Type of House Respondents Really Want: Percent of House Type in Each Rank Position by County Group.

County/ Rank	Single Wide Mobile Home	Double Wide Mobile Home	Coven- tional Single Family House	Modular Home	Condo- minium /Town House	Other
Addison						
1st	0.00	4.44	46.67	24.44	2.22	20.00
2nd	4.44	4.44	24.44	42.22	2.22	6.67
3rd	6.67	35.56	15.56	17.78	13.33	0.00
4th	22.22	28.89	6.67	4.44	22.22	2.22
5th	33.33	15.56	2.22	2.22	28.89	2.22
6th	20.00	0.00	0.00	2.22	17.78	17.78
Bennington and Rutland						
1st	2.48	5.79	56.20	14.05	1.65	19.83
2nd	3.31	8.26	26.45	44.63	1.65	4.13
3rd	1.65	29.75	10.74	23.14	14.05	4.96
4th	25.62	20.66	3.31	5.79	19.83	5.79
5th	29.75	16.53	.83	1.65	25.62	4.96
6th	19.83	.83	0.00	0.00	19.83	9.09
North East Kingdom						
1st	1.82	3.64	67.27	23.64	0.00	3.64
2nd	3.64	7.27	23.64	50.91	1.82	3.64
3rd	1.82	43.64	3.64	12.73	25.45	5.45
4th	45.45	21.82	3.64	5.45	3.64	7.27
5th	21.82	10.91	0.00	0.00	43.64	10.91
6th	14.55	1.82	0.00	0.00	14.55	20.00
Chittenden						
1st	1.42	1.42	63.03	14.69	2.84	15.17
2nd	.95	5.69	21.80	39.34	15.64	4.27
3rd	4.27	22.75	6.16	18.96	25.12	6.16
4th	14.69	25.59	1.42	8.53	22.27	3.32
5th	35.55	21.33	1.42	2.37	12.32	3.79
6th	22.27	.95	.47	1.42	7.58	9.00

Table 36. Type of House Respondents Really Want: Percent of House Type in Each Rank Position by County Group continued.

County/ Rank	Single Wide Mobile Home	Double Wide Mobile Home	Coven- tional Single Family House	Modular Home	Condo- minium /Town House	Other
Franklin, Grand Isle and Lamoille						
1st	1.12	2.25	50.56	21.35	0.00	23.60
2nd	1.12	4.49	33.71	37.08	6.74	6.74
3rd	5.62	20.22	8.99	26.97	17.98	8.99
4th	22.47	24.72	1.12	6.74	30.34	3.37
5th	24.72	33.71	2.25	0.00	22.47	4.49
6th	32.58	3.37	0.00	0.00	12.36	10.11
Washington and Orange						
1st	.75	0.00	66.92	16.54	.75	14.29
2nd	.75	5.26	26.32	49.62	3.76	3.76
3rd	1.50	36.84	3.01	16.54	21.05	5.26
4th	32.33	24.81	.75	5.26	14.29	3.76
5th	33.08	11.28	0.00	1.50	22.56	6.77
6th	15.04	3.76	0.00	0.00	18.80	9.02
Windham and Windsor						
1st	.81	2.42	51.61	24.19	.81	18.55
2nd	.81	5.65	32.26	44.35	2.42	4.03
3rd	4.03	29.84	7.26	17.74	22.58	3.23
4th	26.61	28.23	2.42	4.03	11.29	6.45
5th	31.45	12.10	0.00	0.00	28.23	2.42
6th	15.32	1.61	0.00	0.00	15.32	15.32

Table 37. Type of Financing Respondents Really Want: Percent in Each Rank Position by County Group.

County/ Rank	Fixed Interest Rate, Fixed Payment	Lease with Option to Buy	ARM, 2% annual, 5%life time adjustment	Convert-able ARM	Graduated Payment Mortgage
Addison					
1st	60.98	19.51	4.88	7.32	7.32
2nd	9.76	9.76	24.39	31.71	14.63
3rd	4.88	14.63	14.63	36.59	19.51
4th	9.76	12.20	39.02	9.76	19.51
5th	9.76	36.59	7.32	7.32	29.27
Bennington and Rutland					
1st	73.50	8.55	5.13	9.40	3.42
2nd	16.24	27.35	15.38	26.50	7.69
3rd	5.98	9.40	35.04	29.91	11.11
4th	1.71	19.66	29.06	19.66	18.80
5th	2.56	26.50	5.98	5.13	47.86
Northeast Kingdom					
1st	69.81	15.09	3.77	3.77	7.55
2nd	18.87	18.87	15.09	39.62	3.77
3rd	3.77	16.98	41.51	18.87	11.32
4th	3.77	20.75	26.42	22.64	18.87
5th	0.00	26.42	7.55	7.55	49.06
Chittenden					
1st	67.18	8.72	3.08	10.77	10.26
2nd	13.85	21.54	13.85	30.77	12.82
3rd	6.67	9.23	34.36	28.21	14.36
4th	6.67	16.41	28.21	17.95	22.05
5th	3.59	35.90	12.31	5.64	32.82
Frank,GI,L					
1st	64.71	9.41	5.88	9.41	10.59
2nd	16.47	15.29	16.47	32.94	7.06
3rd	9.41	5.88	40.00	27.06	5.88
4th	4.71	18.82	21.18	16.47	27.06
5th	3.53	38.82	5.88	2.35	36.47

ntinued....

Table 37. Type of Financing Respondents Really Want: Percent in Each Rank Position by County Group continued.

County/ Rank	Fixed Interest Rate, Fixed Payment	Lease with Option to Buy	ARM, 2% annual, 5%life time adjustment	Convert-able ARM	Graduated Payment Mortgage
Washington and Orange					
1st	66.12	16.53	1.65	11.57	4.13
2nd	20.66	22.31	18.18	22.31	8.26
3rd	6.61	7.44	38.84	28.93	8.26
4th	3.31	13.22	19.83	22.31	26.45
5th	.83	31.40	9.92	4.13	40.50
Windham and Windsor					
1st	67.52	17.95	5.13	5.13	4.27
2nd	21.37	23.93	10.26	26.50	7.69
3rd	3.42	5.98	41.88	28.21	7.69
4th	4.27	12.82	23.08	22.22	23.93
5th	1.71	27.35	6.84	6.84	43.59

Table 38. What Makes Owning A Home So Important: Percent in Each Rank Position by County Group.

County/ Rank	More Space	Security	Control Over Your Own Space	Build Retirement Nest Egg	Leave Something for Children	Increase NET worth over short period	Other
Addison							
1st	26.19	23.81	23.81	7.14	4.76	7.14	7.14
2nd	14.29	28.57	33.33	9.52	0.00	9.52	2.38
3rd	28.57	14.29	21.43	7.14	7.14	9.52	7.14
4th	11.90	19.05	4.76	28.57	16.67	16.67	0.00
5th	4.76	7.14	14.29	28.57	26.19	19.05	0.00
6th	11.90	4.76	2.38	11.90	35.71	28.57	2.38
7th	0.00	0.00	0.00	4.76	7.14	7.14	28.57
Bennington and Rutland							
1st	17.07	21.14	36.59	5.69	3.25	4.88	9.76
2nd	17.07	30.08	29.27	6.50	5.69	6.50	2.44
3rd	22.76	27.64	19.51	11.38	3.25	10.57	1.63
4th	21.95	12.20	4.88	17.07	16.26	19.51	.81
5th	6.50	4.88	4.88	30.08	21.95	18.70	1.63
6th	8.94	1.63	2.44	20.33	27.64	25.20	2.44
7th	1.63	1.63	0.00	3.25	11.38	4.88	21.14
North East Kingdom							
1st	20.75	16.98	22.64	13.21	3.77	9.43	13.21
2nd	20.75	32.08	20.75	7.55	0.00	16.98	1.89
3rd	15.09	30.19	28.30	11.32	7.55	7.55	0.00
4th	26.42	15.09	11.32	7.55	18.87	15.09	3.77
5th	5.66	3.77	11.32	39.62	28.30	7.55	1.89
6th	9.43	1.89	3.77	15.09	28.30	32.08	1.89
7th	0.00	0.00	1.89	3.77	7.55	7.55	32.08
Chittenden							
1st	17.39	22.71	31.88	9.18	2.42	8.70	8.21
2nd	25.60	23.67	25.60	8.70	1.93	12.08	.97
3rd	21.26	26.57	21.74	14.01	5.31	5.80	1.93
4th	16.91	14.01	10.14	25.60	11.11	12.56	4.35
5th	9.66	8.21	5.31	23.19	26.09	19.81	1.45
6th	6.28	.97	1.93	13.53	35.75	29.47	3.86
7th	.97	.48	.97	1.45	11.11	6.28	18.84

VERMONT HOUSING FINANCE AGENCY

May 16, 1988

Ms. Jean Gauthier
Pavilion Office Building
Montpelier, VT 05602

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its monthly Board of Commissioners meeting on Thursday, May 26, 1988, at our office here at One Burlington Square, Burlington, Vermont. The meeting will start at 1:30 p.m.

Should you have any questions or need any additional information, please do not hesitate to contact me.

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

/bp

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800-222-VHFA

M E M O R A N D U M

DATE: May 13, 1988

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt

RE: 1988 BOARD MEETING SCHEDULE (REVISED)

The following revised schedule is proposed for Board Meetings during the remainder of 1988:

May 26, 1988	1:30	Burlington
June 23, 1988	1:30	Burlington
July 28, 1988	1:30	Montpelier
August 25, 1988	1:30	Burlington
September 22, 1988	1:30	Montpelier
October 27, 1988	1:30	Burlington
November 17, 1988	1:30	Montpelier
December 22, 1988	1:30	Burlington

Please advise if there is a scheduling conflict.

M E M O R A N D U M

DATE: May 13, 1988

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

RE: 1987A MORTGAGE PURCHASE PROGRAM

I am pleased to report that the 1987A MOVE program has been gaining momentum and reservations have come in considerably ahead of our projected schedule.

I wanted to make you aware that funds at 9.7% are now very limited, and I have decided to continue the program with recycled funds at an interest rate of 10.0%. There is approximately $3 milion to make available on a first-come, first-served basis until these additional funds are exhausted.

Enclosed for your wearing enjoyment is our MRB campaign button!

Please call if you have any questions!

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: May 20, 1988

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt

RE: CONFIRMATION AND AGENDA FOR UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners' meeting has been confirmed. It will be held on Thursday, May 26, 1988, at 1:30 p.m., here at the office of the Vermont Housing Finance Agency, One Burlington Square, Burlington, Vermont.

If you need any further information regarding the upcoming Board meeting, please feel free to contact me. I look forward to seeing you May 20.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA

VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont

Thursday, May 26, 1988 at 1:30 p.m.

1. Review and approval of minutes of April 21, 1988

2. Executive Director's Report

3. Operations

   A. 1987A MOVE Update [**Lothrop//Enclosure**]
   B. Energy Rated Homes Budget [**Faesy//Enclosure**]
   C. Robert Wood Johnson Application [**Falzone//Enclosure**]

4. Development

   A. Loan Originator's Survey [**Crady//Enclosure**]

5. Finance

   A. Quarterly Budget/General Fund Update [**Schoenbeck//Enclosure**]
   B. Preliminary Discussion of 1988A Single Family Bond Issue [**Schoenbeck//Enclosure**]

6. Legal

   A. Legislative Update [**Jarrett**]

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

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA

VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
Office of the Commissioner of Banking and Insurance
89 Main Street
Montpelier, Vermont
Thursday, April 21, 1988

Present: Commissioners Shaw, Hebard, Babcock, Seelig, Holmes (designee of Elbert Moulton), and Myette (via speaker phone); Agency Staff Mr. Hunt, Mr. Schoenbeck, Mr. Jarrett, Mrs. Parker, Mr. Lothrop, Ms. Pond, Mr. Koppelkam, Mr. Richardson; Ms. Costle, General Counsel to the Office of Banking and Insurance; John Ingalls of Bank of Boston

The meeting was called to order at 1:40 p.m.

Upon a motion duly made and seconded, the minutes of the March 17 meeting were unanimously accepted as written.

The Executive Director's Report was offered by Mr. Hunt, who informed the Board that the National Council of State Housing Agencies (NCSHA) would be holding their annual Executive Director's meeting at Topnotch at Stowe June 28-July 1. A tentative plan calls for two dinners which the Board would be invited to attend; the final agenda will be sent to the Board once it is made available from NCSHA. Mr. Hunt assured the Board that VHFA staff would be provided to assist in registration of conference attendees, and that the Agency would also be providing "welcome gifts" of Vermont foodstuffs (chocolates, syrup, etc.) at an approximate cost of $25 each for the anticipated 50 attendees. This expense was approved by the Board.

Mr. Hunt then distributed the "VHFA Home Buyer Survey Results" as per Ms. Hope's memo of April 21; he also reported that two homebuyer workshops had been held which were very successful. These workshops generated much interest on the part of prospective homebuyers, but also identified some frustration in meeting the income or home cost requirements.

Energy Rated Homes (ERH) has conducted over 50 ratings. There have been some preliminary discussions of a potential merger with Vermont Energy Investment Corporation (VEIC); the cost of moving ERH out of VHFA office space and combining their space needs with those of VEIC is being considered. No Board action was required at this time.

Mr. Holmes arrived during the previous discussion.

Mr. Lothrop then offered an update on the 1987A MOVE Program as per his report included in the Board packet.

The Board was also informed by Mr. Lothrop that FNMA has created a department to handle low-to-moderate income borrowers, and met with VHFA to discuss how the two can work together. Mr. Hunt noted that is encouraging to see FNMA's interest in Vermont, an indication of a renewed interest in rural states; further meetings are anticipated.

Mr. Lothrop then reported on a meeting with Farmers' Home Administration (FmHA), which Ms. Pond and Mr. Hunt had also attended; he referred the Board to his memo, "Meeting with Farmers' Home Administration," dated April 15. FmHA has run out of funding for the remainder of this fiscal year, which places the FmHA/VHFA cooperative effort on hold. To date, five mortgages had been purchased through this program.

The "VHFA Nonprofit Strategy" was addressed by Ms. Pond as per her memo of April 14. The 1988 Nonprofit Conference is being held at Ascutney Mountain June 8, which is the day after the Department of Community Affairs' annual conference. Ms. Pond also noted that in anticipation of the passage of S.160 (the Co-op bill) there would be a need to create model documents and train other nonprofits. "Number-crunching" training for nonprofit developers throughout Vermont would be held in September, with VHFA as a co-sponsor with the Housing and Conservation Trust Fund, at a cost of approximately $224 per person. In response to Mr. Hebard's question on staffing, Ms. Pond assured the Board that the position of technical assistant (which was approved by the Board in November 1987) would be advertised and filled in May or June.

Mr. Hunt further explained that the intent of the Revolving Loan Fund (RLF) is not to capacity build, but to pay for specific project-related expenses. Mr. Seelig, who had arrived during the discussion, observed that there is room for some overlap of functions between the RLF and the Trust Fund as long as they are not both committed to duplication. Ms. Pond assured the Board that the technical assistant would be spending a few days per week with the Trust Fund specifically to avoid duplication of effort.

The Board then turned to the "Extension of Homeless Grant Deadline..." as per Ms. Pond's memo of April 14. After a brief discussion and a motion duly made and seconded, it was unanimously agreed to allow the change of use for a homeless

project to "temporary housing for families in transition," and to extend the grant deadline to October 1, 1988.

Mr. Hunt then addressed the Board regarding his letter to Donald Taranelli dated March 30, 1988, and the Memo of Intent attached thereto. According to Mr. Hunt, a detailed analysis is being done by staff; several meetings have been and will be scheduled with Mr. Taranelli and his associate, Bernard Gilhuly. VHFA and Housing Vermont have recognized the need for a staff person to work solely on this project, and in that interest has interviewed a qualified candidate who would be willing and available to work for VHFA as a consultant until Housing Vermont is incorporated and their Board has been finalized. After a motion duly made and seconded, it was unanimously agreed to hire one staff person as a consultant to VHFA until Housing Vermont is incorporated and its Board is assigned, with the individual so hired knowing the contingencies inherent in the position; after Housing Vermont is legally organized, the responsibility for this individual's salary would become the responsibility of Housing Vermont.

A brief discussion then followed on the negotiations with Mr. Taranelli, during which Mr. Seelig reminded the Board that the Trust Fund should not be viewed as the only source of funds.

Ms. Pond then turned to her memo dated April 13 on the "Riverside Project." This project consists of six 12-unit buildings and one 8-unit building, plus parking. It is a $6 million project, requiring approximately $2.55 million from VHFA. Lake Champlain Housing Development Corporation (LCHDC) and Housing Vermont (HVT) would be the general partners, with The Davis Co. anticipated as a partner during construction. The current timetable would call for reservation of funds in April, with a commitment in May. Mr. Richardson advised the Board that the project would be affordable to people earning below the state median income level, and would be the first new construction rental project not motivated by cash flow or residual benefits.

Mr. Hunt cautioned the Board that HVT and LCHDC would need to advance a total of $50,000 to the Davis Co.; if HVT is legally unable to do so, Mr. Hunt requested that the Board authorize VHFA to extend the funds to HVT, with the understanding that such funds would be returned to VHFA as soon as HVT is legally organized. After a motion duly made and seconded, the Board unanimously agreed that VHFA would provide whatever portion of the $50,000 would normally have been HVT's responsibility, and that HVT would be instructed to pay back such funds after it becomes a legal corporation.

Mr. Myette expressed his pleasure with the Development department's activities.

Mr. Shaw then asked that the Board defer discussion of the quarterly "Budget Performance Update" (as per Mr. Schoenbeck's memo dated April 20) until the May Board meeting.

Mr. Schoenbeck referred the Board to his memo, "Multi-Family Refinancing Strategy," dated April 15. He explained that these would be taxable bonds (as per bond counsel), and that staff was asking the Board to support the idea in concept. No further Board action was needed.

Mr. Jarrett then reported on legislative issues which were pertinent to VHFA, and also informed the Board that there were no new developments in the Bobbin Mill issue.

There being no further business, and following a motion duly made and seconded, the meeting was adjourned at 3:35.

Respectfully submitted,

Allan S. Hunt
Secretary

RESOLUTION PERTAINING TO LETTER OF INTEREST FOR RIVERSIDE DEVELOPMENT

WHEREAS, Lake Champlain Housing Development Corporation ("LCHDC") has presented a proposal for construction of 80 units of rental housing in Burlington, Vermont (the "Riverside Development"); and,

WHEREAS, the proposal contemplates that the Riverside Development shall constitute a "qualified low-income housing project" within the meaning of §42(g) of the Internal Revenue Code of 1986; and,

WHEREAS, LCHDC is a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and,

WHEREAS, the estimated total development cost of the Riverside Development is approximately $6.2 million; and,

WHEREAS, the City of Burlington has indicated its intention to provide subordinate financing of $2.9 million for the Riverside Develompent from proceeds of a Housing Development Action Grant available to it; and,

WHEREAS, the Housing and Conservation Trust Fund has indicated its intention to commit grant funds of up to $750,000 to LCHDC as "back-up" equity to the extent that private equity investment is not available; and,

WHEREAS, the Agency has determined that the Riverside Developent will assist in fulfilling the purposes of the Act and is financially feasible; it is hereby

RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest in providing up to $2.55 million of first mortgage financing for the Riverside Development, which financing may include both construction and permanent financing. The Letter of Interest shall be issued to LCHDC as the representative of a limited partnership to be formed and which shall include LCHDC or a subsidiary thereof, Housing Vermont or a subsidiary thereof, and such private equity investors as may be available. Consistently with applicable rules of the Agency, the Letter of Interest shall include the following language:

> "This Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds from the issuance of new bonds of the Agency and the satisfactory completion of such further requirements as the Agency may establish. This Letter of Interest may be used by you in support of applications for construction and/or operating subsidies, insurance, construction financing, and other purposes after first obtaining the permission of the Agency."

2. The Executive Director and appropriate staff are hereby authorized and directed to negotiate with the developer, review all relevant facets of the Riverside Development, and make preliminary arrangements for bond financing.

I 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 VHFA held April 21, 1988.

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

STATISTICAL REPORT PROGRAM ID: 87A
SINGLE FAMILY DATABASE
LTV 0% TO 100%
EFFECTIVE: 05/19/88

Total Number of Loans:	417
Total Loan Amount:	$21,532,921
Average Loan Amount:	$51,637

EXISTING:	$19,018,444	89.9%	375 Loans
NEW CONSTRUCTION:	$2,514,477	10.0%	42 Loans
NEW DETACHED HOUSING:	$2,149,506	85.4%	35 Loans
NEW CONDOMINIUM:	$364,971	14.5%	7 Loans

Total Insured or Guaranteed Loans:	396
Loans Guaranteed by VHMGB:	394

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$53,926	$62,944	$57,019
Avg. Loan Amount	$48,631	$57,397	$51,637
Avg. Borrower Income	$25,607	$27,806	$26,361
Avg. Housing Debt-Income Ratio	24.9%	27.4%	25.8%
Avg. Total Debt	$718.21	$806.01	$748.32
Avg. Total Debt-Income Ratio	33.7%	34.9%	34.1%
Total No. of Loans	274	143	417
First Time Homebuyers	77.7%	99.3%	85.1%
% Loans with 2 or more Wage Earners	54.3%	51.0%	53.2%
% of Total Loan Amount	61.9%	38.1%	100.0%

	Loans	$ Amount	% of $ Amount	Population	% of Pop.
Addison	10	$522,783	2.4%	31,078	5.8%
Bennington	8	$460,189	2.1%	34,832	6.5%
Caledonia	37	$1,702,077	7.9%	26,552	5.0%
Chittenden	104	$6,150,548	28.6%	123,078	23.0%
Essex	5	$212,607	1.0%	6,607	1.2%
Franklin	54	$2,648,014	12.3%	36,473	6.8%
Grand Isle	5	$289,408	1.3%	5,040	0.9%
Lamoille	19	$980,931	4.6%	17,776	3.3%
Orange	19	$966,927	4.5%	23,930	4.5%
Orleans	25	$944,485	4.4%	23,985	4.5%
Rutland	51	$2,673,348	12.4%	59,644	11.1%
Washington	59	$2,903,794	13.5%	53,960	10.1%
Windham	5	$292,880	1.4%	39,000	7.3%
Windsor	16	$784,930	3.6%	53,045	9.9%
TOTAL	417	$21,532,921	100.0%	535,000	100.0%

* Vermont Department of Health - July 1985 Estimate

STATISTICAL REPORT PROGRAM ID: 85S
SINGLE FAMILY DATABASE
LTV 0% TO 100%
EFFECTIVE: 05/19/88

Total Number of Loans:	1
Total Loan Amount:	$39,187
Average Loan Amount:	$39,187

EXISTING:	$39,187	100.0%	1 Loans
NEW CONSTRUCTION:	$0	0.0%	0 Loans
NEW DETACHED HOUSING:	$0	0.0%	0 Loans
NEW CONDOMINIUM:	$0	0.0%	0 Loans

Total Insured or Guaranteed Loans:	1
Loans Guaranteed by VHMGB:	1

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$0	$41,250	$41,250
Avg. Loan Amount	$0	$39,187	$39,187
Avg. Borrower Income	$0	$18,624	$18,624
Avg. Housing Debt-Income Ratio	0.0%	29.0%	29.0%
Avg. Total Debt	$0.00	$569.00	$569.00
Avg. Total Debt-Income Ratio	0.0%	37.0%	37.0%
Total No. of Loans	0	1	1
First Time Homebuyers	0.0%	100.0%	100.0%
% Loans with 2 or more Wage Earners	0.0%	0.0%	0.0%
% of Total Loan Amount	0.0%	100.0%	100.0%

	Loans	$ Amount	% of $ Amount	Population	% of Pop.
Addison	0	$0	0.0%	31,078	5.8%
Bennington	1	$39,187	100.0%	34,832	6.5%
Caledonia	0	$0	0.0%	26,552	5.0%
Chittenden	0	$0	0.0%	123,078	23.0%
Essex	0	$0	0.0%	6,607	1.2%
Franklin	0	$0	0.0%	36,473	6.8%
Grand Isle	0	$0	0.0%	5,040	0.9%
Lamoille	0	$0	0.0%	17,776	3.3%
Orange	0	$0	0.0%	23,930	4.5%
Orleans	0	$0	0.0%	23,985	4.5%
Rutland	0	$0	0.0%	59,644	11.1%
Washington	0	$0	0.0%	53,960	10.1%
Windham	0	$0	0.0%	39,000	7.3%
Windsor	0	$0	0.0%	53,045	9.9%
TOTAL	1	$39,187	100.0%	535,000	100.0%

* Vermont Department of Health - July 1985 Estimate

AS OF: 05/19/88
PAGE NO. 1

Vermont Housing Finance Agency
1987 Series A - $25,000,000 HOME MORTGAGE PURCHASE PROGRAM
Status Report (with percent of pool proceeds approved)
Rate : 9.700%
Date : 05/19/88

Report: 1130
PERSTATU

Lender	Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased
Bank of Vermont	$1,323,988	5.2%	$1,035,613	4.1%	$857,113	$178,500
Bennington Coop Savings & Loan Assn Inc	$53,800	0.2%	$53,800	0.2%	$0	$53,800
Bradford National Bank	$93,250	0.3%	$93,250	0.3%	$60,000	$33,250
Caledonia National Bank of Danville, The	$488,542	1.9%	$457,650	1.8%	$320,950	$136,700
Chittenden Trust Company	$3,872,253	15.4%	$3,437,896	13.7%	$2,567,937	$869,959
Commonwealth Mortgage Company, Inc	$101,400	0.4%	$101,400	0.4%	$101,400	$0
Community National Bank	$648,818	2.5%	$613,982	2.4%	$613,982	$0
First Northern Mortgage Corporation	$468,542	1.8%	$222,230	0.8%	$69,200	$153,030
First Twin-state Bank	$263,434	1.0%	$263,434	1.0%	$105,094	$158,340
Franklin-Lamoille Bank	$126,985	0.5%	$95,950	0.3%	$59,850	$36,100
Granite Savings Bank and Trust Company	$80,350	0.3%	$49,400	0.1%	$49,400	$0
Howard Bank, National Assn, The	$2,654,969	10.6%	$2,315,823	9.2%	$1,840,023	$475,800
Lyndonville Savings Bank & Trust Company	$148,090	0.5%	$148,090	0.5%	$148,090	$0
Marble Bank	$748,938	2.9%	$542,408	2.1%	$424,650	$117,758
Merchants Bank, The	$1,413,310	5.6%	$1,263,410	5.0%	$1,136,810	$126,600
Middlebury Savings & Loan	$37,975	0.1%	$0	0.0%	$0	$0
National Bank of Middlebury, The	$159,425	0.6%	$159,425	0.6%	$89,600	$69,825
New England IBM Employees Fed Crdt Union	$350,333	1.4%	$284,308	1.1%	$284,308	$0
Northfield Savings Bank	$584,255	2.3%	$423,530	1.6%	$330,705	$92,825
Passumpsic Savings Bank	$1,233,444	4.9%	$1,061,019	4.2%	$763,369	$297,650
Peoples Trust Company of St Albans	$599,845	2.3%	$530,045	2.1%	$371,470	$158,575
Proctor Bank	$395,900	1.5%	$353,900	1.4%	$222,200	$131,700
Randolph National Bank	$164,500	0.6%	$102,750	0.4%	$102,750	$0
Union Bank	$324,170	1.2%	$276,670	1.1%	$231,670	$45,000
Valley Bank	$49,400	0.1%	$0	0.0%	$0	$0
Vermont Federal Bank, FSB	$5,891,364	23.5%	$5,106,844	20.4%	$3,977,344	$1,129,500
Vermont Mortgage Group, Inc	$1,377,892	5.5%	$1,267,839	5.0%	$1,168,112	$99,727
Vermont National Bank	$1,356,728	5.4%	$1,286,928	5.1%	$837,355	$449,573
TOTALS 487 Loans	$25,011,900	100.0%	$21,547,594	86.1%	$16,733,382	$4,814,212

Vermont Housing Finance Agency
1985 Series B - $3,000,000 1987A SUPPLEMENTAL PROGRAM (1985B FUNDS)
Status Report (with percent of pool proceeds approved)
Rate : 10.000%
Date : 05/19/88

Lender	Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased
Bank of Vermont	$75,100	2.5%	$0	0.0%	$0	$0
Chittenden Trust Company	$579,237	19.3%	$39,187	1.3%	$0	$39,187
Community National Bank	$69,350	2.3%	$0	0.0%	$0	$0
Franklin-Lamoille Bank	$25,100	0.8%	$0	0.0%	$0	$0
Howard Bank, National Assn, The	$209,055	6.9%	$0	0.0%	$0	$0
Lyndonville Savings Bank & Trust Company	$38,000	1.2%	$0	0.0%	$0	$0
Marble Bank	$54,480	1.8%	$0	0.0%	$0	$0
Merchants Bank, The	$24,700	0.8%	$0	0.0%	$0	$0
National Bank of Middlebury, The	$61,900	2.0%	$0	0.0%	$0	$0
Northfield Savings Bank	$190,875	6.3%	$0	0.0%	$0	$0
Passumpsic Savings Bank	$218,585	7.2%	$0	0.0%	$0	$0
Union Bank	$59,375	1.9%	$0	0.0%	$0	$0
Vermont Federal Bank, FSB	$395,884	13.1%	$0	0.0%	$0	$0
Vermont Mortgage Group, Inc	$82,980	2.7%	$0	0.0%	$0	$0
Vermont National Bank	$71,250	2.3%	$0	0.0%	$0	$0
TOTALS 41 Loans	$2,155,871	71.8%	$39,187	1.3%	$0	$39,187

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: Vermont Housing Finance Agency Board of Commissioners

FROM: Allan S. Hunt, Doug Lothrop, Richard Faesy

DATE: May 20, 1988

RE: Continued Funding of Energy Efficient Mortgage Program

Background

For two years the VHFA has been involved with the initiative to institute the Energy Rated Homes (ERH) rating system in Vermont and improve homes' energy efficiency at the time of sale - the Energy Efficient Mortgage. This effort has been primarily funded through a $500,000 allocation of Exxon oil overcharge funds from the Vermont Legislature. The Energy Efficient Mortgage has been quite successful, and we expect it to positively impact the energy efficiency - and therefore affordability - of homes for some time to come.

Participating lenders in the four pilot counties allow higher debt-to-income ratios for any home that rates "energy efficient" on the rating scale. For homes that rate below "energy efficient", lenders allow the borrower to include in the mortgage the cost of the energy improvements recommended by ERH, and will also allow the higher debt-to-income ratios, even when the improvement work will not be completed until after closing.

In the short term, ERH and the Energy Efficient Mortgage program allow buyers to access home mortgages they may not have otherwise been able to afford without the ERH rating, and in the long term the program assures affordability by improving the energy efficiency of the housing stock.

Since October of 1987, 80 ERH ratings have been completed on new and existing Vermont homes, putting the program right on the pre-established schedule. Rating requests continue to come in daily. Additionally, ERH will be rating 36 homes for one builder, and are negotiating with others to possibly rate another 56 homes and condominiums. These ratings have provided useful information to the home buyer, and, in many instances, have enabled the buyer to close on a home he or she may otherwise not have been able to afford by taking advantage of the stretched debt-to-income ratios.

Proposal

In order to increase the efficiency of ERH operations and expand its capacity, ERH plans to lease office space with the Vermont Energy Investment Corporation (VEIC). VEIC has provided the consultation and technical support

for the Energy Efficient Mortgage program from its inception two years ago. This move will facilitate expanding the program from a pilot in four counties with limited lender participation, to a statewide program, and will establish the capability for continued program delivery. By combining operations, ERH and VEIC will not be as vulnerable as they are now with the processing of each rating depending on specialized people at each organization. Once together, these specialized tasks will be shared. Additionally, by co-locating, both organizations will be able to hire one full time administrative assistant together, will more easily be able to share the programatic responsibilities, and will be able to handle the increasing demand and statewide expansion of the program, including the extensive amount of training necessary for expansion.

Expanding statewide will enable ERH to provide its rating services and the Energy Efficient Mortgage to all Vermont residents through all lenders in the state. This will put within reach of home buyers many of those homes that have been beyond their grasp before now. The stretched debt-to-income ratio allowances and a program for buyers to bring a home in need of energy improvements up to an "energy efficient" level will really benefit all home buyers in Vermont. Along with the statewide expansion, ERH plans to develop the technical capacity to rate condominiums which, with the stretched ratio allowances, could really assist in housing affordability.

At the Board meeting last October, you allocated $36,000 towards the Energy Efficient Mortgage program ($27,000 for FY88, $9,000 for FY89). This program is anticipated to run through March 1990, at which point the Exxon oil overcharge and other anticipated funds which currently support the majority of the program's expenses expire and fees for services are anticipated to start carrying the program. A total allocation of $100,000 from the VHFA would enable the program to become institutionalized in the home buying and selling marketplace. In order to become part of this home buying and selling main stream, a good deal of promotion, outreach, training, hand-holding, and subsidized services need to take place until the public realizes the value of ERH and the Energy Efficient Mortgage. Presence in the single family and condominium marketplace for as long a period of time will more likely ensure this success. VHFA support will enable the program to operate through March 1990 at which point we anticipate to have completed 645 ratings and 120 energy improvements.

We plan to go back to the legislature to request an additional amount of oil overcharge funds which would be used to reduce the VHFA contribution.

Request

In order to continue operating the Energy Efficient Mortgage program at the current pace of increasing activity, relocate the ERH offices to decrease the program's vulnerability, increase efficiency in handling ratings, develop the capabilities to rate condominiums, and be able to continue operating through March 1990, Energy Rated Homes of Vermont would like to request an additional commitment of $64,000 for support of the Energy Efficient Mortgage program through March 1990, contingent on ERH pursuing additional oil overcharge funding.

VERMONT HOUSING FINANCE AGENCY

TO: VHFA Board of Commissioners

FROM: Samuel J. Falzone, Senior Management Officer

DATE: May 20, 1988

RE: Robert Wood Johnson Foundation Grant Application

After exploring the possibility of a joint effort with New Hampshire, and realizing a level of interest by Vermont project owners, VHFA staff decided to prepare and submit a grant proposal for the Elderly Support Services Program. (New Hampshire also submitted a separate proposal.) Within one week of this decision, we had a comprehensive, high- quality grant proposal worthy of submission. The deadline for applications to be postmarked was May 6.

Ten state HFA's will be awarded up to $400,000 each from this private foundation to assist in developing efficient support service models for aging residents living in housing projects throughout the country. A key component of this model assumes the commitment of VHFA reserves, and project development funds from the owners, to help pay for services both during the grant period and beyond.

Although time did not allow a thorough analysis of staffing and financial commitment, we felt the overall potential benefits of receiving this grant, which would address the serious problem of aging in place, warranted submission at this time.

During the month of June, we will be assessing the overall impact of this proposal and expect to come to you with a formal recommendation on its merits at a future Board meeting.

Nineteen states have applied for the grants which will be awarded in November. If prior to then it is decided by the Board not to proceed with this initiative, we will simply withdraw our grant proposal.

An Abstract of the proposed program follows:

SUPPORTIVE SERVICES PROGRAM IN SENIOR HOUSING

The Vermont Housing Finance Agency (VHFA) is requesting $225,000 from the Robert Wood Johnson Foundation to help underwrite the development of a Supportive Services Program for elderly residents living in senior housing projects throughout Vermont. The primary goal of the program is to improve the coordination and delivery of existing services and to develop additional resources targeted to addressing the problems presented by aging in place.

As the resident population ages, there is an increased burden on family members, fellow tenants, property managers and service providers. In addition, due to the rural character of the state and the geographical isolation of many communities, existing services are not being utilized to their fullest extent. This has resulted in a growing gap between the elderly in need and the service delivery system.

The Supportive Services Program will address these issues through both a statewide focus and local initiatives. In the first year, a project director and two regional coordinators will be hired to conduct a needs assessment and to investigate underutilized or previously untapped resources. In addition to program planning and the initiation of two pilot projects, first year activities will include a broad-based program of education and training for housing owners/managers and service providers. A third regional coordinator will be hired in Year II to expand these activities.

Year I will target seven projects (184 units) which have expressed a desire to participate in the program. By Years II and III it is expected that the efforts of the project director will have enlisted the support and involvement of ten additional projects containing over 450 units. All of these initiatives will be completed within the framework of existing social services including the State Office on Aging, local Area Agencies on Aging, and Home Health Care associations.

The VHFA request for $225,000 from the Robert Wood Johnson Foundation will be combined with $109,000 in VHFA reserve funds and $67,000 in support from housing projects. The balance of the $460,000 total three-year program budget will come primarily from fundraising, self-pay, and expanded public and private support.

It is anticipated that by Year III the success of this program will have increased awareness and provided concrete evidence that the investment of time and dollars is a necessary and cost-effective way to improve the quality of life for Vermont's elderly population. This acknowledgement will form the basis for expanding participation and financial support of program activities beyond the grant period.

SF466/cjt

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PC

DATE: May 19, 1988

RE: Loan Originators Survey

To assist Communications in the targeting of our marketing efforts, an internal Marketing Focus Group was formed during the summer of 1987. In our meetings we attempted to identify what factors both internal and external affect our programs. A variety of factors were identified and one conclusion was that to have successful programs we needed to know more about the lenders who are responsible for the delivery. A survey of loan originators was developed to provide us with information on the lenders organization, how they operate, and how they view our programs: where they work and where they do not.

In late March we mailed 276 surveys to the loan origination staff of our participating lenders. A total of 128 completed surveys were returned. I feel the response rate of 46%, indicates a strong interest by originators in participating in the process and the information it provides will be a valuable tool for use in the design of new programs and modification of existing programs. Lender input will be incorporated into the development process for all new programs and when major changes are contemplated to existing programs.

Attached is a copy of the preliminary results of this survey and comments made by originators.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA

PRELIMINARY RESULTS OF THE LOAN ORIGINATOR SURVEY

Please note: Out of 276 surveys mailed, 128 were returned. The results indicated below are based on 100% of the responses to each question and not on all of the surveys received.

1. How long have you originated/processed residential mortgage loans?

10%	**12 months or less**
7%	**1-2 years**
33%	**2-5 years**
50%	**over 5 years**

2. How long have you worked for your present employer?

7%	**12 months or less**
10%	**1-2 years**
25%	**2-5 years**
58%	**over 5 years**

3. Approximately how many residential mortgage loans did you originate/process in 1987?

26%	**0-25**
27%	**25-50**
22%	**50-100**
25%	**over 100**

4. Of the above loans, approximately what percentage were fixed and adjustable?

All Lenders:	**59%**	**fixed**
	41%	**adjustable**

*** 14% indicated that 0-25% of loans originated were fixed**
*** 18% indicated that 25-50% of loans originated were fixed**
*** 36% indicated that 50-75% of loans originated were fixed**
*** 32% indicated that 75-100% of loans originated were fixed**

*** 28% indicated that 0-25% of loans originated were adjustable**
*** 32% indicated that 25-50% of loans originated were adjustable**
*** 27% indicated that 50-75% of loans originated were adjustable**
*** 13% indicated that 75-100% of loans originated were adjustable**

5. Of the above loans, approximately how many were VHFA?

21% no loans
59% less than 10 loans
14% less than 25 loans
6% more than 25 loans

6. Do you presently originate/process loans for sale to other investors such as Freddie-Mac or Fannie-Mae?

87% yes
13% no

7. Does your institution set loan origination goals for you to meet?

47% yes
53% no

8. If yes to above, are VHFA originations included in those goals?

46% yes
54% no

9. Generally, what is your first contact with a potential VHFA applicant?

#1 response: general discussion as to program requirements
#2 response: for pre-qualification prior to signing a sales agreement
#3 response: after a sales agreement has been signed

10. When you first meet with an applicant, generally, what is your first clue that they might be a potentional VHFA applicant?

#1 response: lower income
#2 response: lack of down payment
#3 response: modest purchase price
#4 response: *first-time home buyer

*** first-time home buyer was not an option on the survey. The fourth most common response was "other". A number of originators included that their first clue was the applicant being a first-time homebuyer.**

11. Do you feel information is effectively communicated to your office through your VHFA liaison?

44% always
43% most of the time
13% some of the time

12. If you have a questions about a program requirement or need to discuss a specific situation, how do you obtain the information you need?

#1 response: Call VHFA Liaison
#2 response: Call a VHFA Underwriter

13. When you call VHFA, do you feel you get good information and clear direction?

42% always
35% most of the time
15% some of the time

14. Do you have program brochures available for display in your lobby?

69% yes
31% no

15. Generally, how do applicants hear about VHFA Programs?

#1 response: Realtor
#2 response: Other
#3 response: Newspaper Ad
#4 response: Newspaper Article
#5 response: Called VHFA
#6 response: Radio Ad
#7 response: TV Ad

16. How knowledgeable do you feel you are of VHFA's requirements?

39% very knowledgeable
46% somewhat knowledgeable
15% would like to be more knowledgeable

17. Do you feel you've received an adequate amount of VHFA training?

65% yes
35% no

18. If you were to participate in VHFA sponsored training seminars, what format do you feel would be the most beneficial to you and that you would be most likely to attend?

20% small group (5-10) from only my institution
23% large group (11+) from only my institution
36% small group (5-10) from my institution and other lending institutions
21% large group (11+) from my institution and other lending institutions

19. How often do you feel training seminars should be held?

19% prior to the start of a program
6% once a year
4% every 6 months
10% when major program changes are made
61% gave multiple answers

20. Do you currently have available for your use a copy of a VHFA Procedural Guide?

95% yes
5% no

21. How often do you refer to your Procedural Guide?

36% frequently
43% sometimes
18% rarely
3% never

22. How can we make our procedural guides easier to use?

#1 response: have a special section for originators
#2 response: reduce its size

23. What factors affect the length of time that it takes to originate a VHFA mortgage?

#1 response: Additional Forms
#2 response: Condition of Property
#3 response: Borrower's Work History

COMMENTS AND SUGGESTIONS FROM MORTGAGE LOAN ORIGINATORS SURVEY

Bank of Vermont

Make procedural guide more specific. Spell out what will be required when certain conditions exist. i.e. exterior badly in need of painting, fair ratings on appraisal etc.

We need timetables for each program.

Rarely do I find VHFA conditions that are not founded. I have worked with VHFA and VHMGB since they started and they have always been a pleasure to work with. You are doing a good job. (comments from Al Chapin)

When I am not satisfied with the initial response I receive from VHFA it is usually my own fault. Just keep up the good work. (comments from Rod Dolliver)

Make sure that each originator has a copy of your procedural guide.

As I'm sure you are aware, it is very difficult to get applicants to qualify for a maximum purchase price with the income limits allowed. It becomes more complicated because lower priced homes are hard to come by, and when found are often in need of major repairs. Income and purchase price limits should be raised. (originator from Bennington County)

Chittenden Bank

The lack of use of your program is mainly due to the lack of affordable housing in this area. It has a major impact on your loan programs. If your purchase price limits were raised to the 80's+ then we would be able to use your program more often. Also, the 5 year requirement on your 2 family houses has to go! (originator from Rutland/Windsor county)

The only major problem aside from the low purchase price limits for Chittenden County, is that with three programs going, New Homes, MOVE and Mortgage Plus and the different requirements and paperwork, it gets very confusing. A small one page fact sheet for each program with a list of guidelines, requirements and forms needed (special affidavits) would be a huge help for originators who need to have the correct forms on hand when taking applications out of the office.

I feel I always get good information, although it's not always what I want to hear. Pat Crady and Gayle Russell are wonderful. The Rutland County area has a definite problem conforming to the $80,000 maximum for new construction. Our area is changing and it is difficult to find housing. (originator from Rutland)

Generally the borrower's position financially causes additional work with more needed back-up documentation to understand certain situations regarding credit, income, etc. There seems to be few clear cut deals. I feel your programs are a real credit to the State of Vermont. Unfortunately a large gap exists between a FmHA borrower and a VHFA borrower. This crisis is extreme and throughout Vermont. Possibly the answer is a program that would promote manufactured homes on owned land. A program such as this would create a market of homes in a lower price category. (Dan Stannard CTC Milton Office)

Most of the time we receive very short notice of new programs or changes. I have found your underwriters very helpful. In my area, I would say maybe 1 in 10 people would actually qualify for VHFA programs. A fact sheet for each program would be helpful to briefly describe the requirements of each program. With a large selection of bank and VHFA programs, keeping the requirements straight is a challenge. In my case, I do not just wear a mortgage hat. I also do installment loans, student loans and branch operations. (originator from Essex Junction)

I do not feel a VHFA mortgage takes any longer than a conventional mortgage.

You need to increase the purchase price limits for Chittenden County.

Underwriters should call loan originator with verbal approval. Your requests for inspection reports often result in unreasonable repairs. Your New Homes Program was excellent except for the pool insurer. VHFA is showing its commitment to working with lenders, realtors and customers which is excellent. The underwriters need to also have that attitude.

First Vermont Bank and Trust Company

Your survey was a great idea. I'd like to make two general comments on the present programs. I think your advertising on the New Homes Program led people to believe that you were going to finance the construction. A lot of my customers were angry to learn otherwise. Second in regard to the MCC Program. It's so confusing it is intimidating. I doubt anyone would recommend a plan that they don't understand. The result is clear, however, the process is Greek! You also need to raise income and purchase price limits for your programs or provide some form of subsidy. (Sue Steckley, Bennington)

Franklin Lamoille Bank

Your approval time is very quick. Maybe you can speed up the time it takes MGIC?

First Twin-state Bank

I much preferred the one income limit for the entire state. We need higher purchase price limits in this area. Our average sale is close to $95,000. (Windsor County originator)

Conditions requiring repair of property really hold up the process. Sending a contractor out to see what repairs need to be made hold up the sale and I have to deal with angry sellers and realtors. Allow people to buy houses they can work on and improve. You should only be concerned that the value is there.

Merchants Bank

We have been asked by our bank not to call VHFA directly which I feel is unfortunate. Conditions requiring repair of property when the repair is cosmetic is unreasonable.

We have been told not to call VHFA or VHMGB to see if a loan is approved.

The requirement to obtain tax returns sometimes holds up the deal. Increase income limits for Bennington County and discontinue first-time homebuyer requirement. A mobile home program would be helpful.

Vermont Federal Bank

Regular annual review of programs with lender input would be of both value to lenders and VHFA. (Stewart Wooster)

I like your procedural guide as it is.

One of the problems is that first-time home buyers don't know what is needed to buy a home. Their expectations are too high and they haven't saved enough. I think your plans to meet with potential home buyers on a one to one is a start in this educational process.

I believe that realtors think that there are too many restrictions to the programs and that the processing time is too long.

I enjoy working with VHFA and I don't have very many problems working with your programs. You help me have a lot of very happy purchasers. Thanks! (Greg Gallagher, Montpelier)

Reduce paperwork and the complexity of your forms.

Make your procedural guide and forms plain language and add an index and glossary to the procedural guide.

Thanks for this opportunity. It's nice to know that what we think counts. Obtaining tax forms from IRS takes too long. New Homes program in Addison County has been ineffective. Income and Purchase Price Limits are too low. New Homes Program does not provide construction money which means a buyer needs 20% down. Very few people can qualify.

Income limits and purchase price limits are unrealistic in this present market. On the whole I get very good response to any questions I have when I contact anyone at VHFA. Your response and consideration is indicative of a well trained staff who really want to make the system work. (Chittenden County)

Vermont National Bank

I think that purchase price limits are too low for Chittenden County. I feel this is why I have done so few VHFA loans in the past 2 1/2 years I have been doing mortgages. Otherwide I think the program works very well. Turnaround time for both VHFA and VHMGB is excellent. The personnel in your offices are great, very courteous, friendly and helpful.

I would like to under extreme cases be able to call VHFA directly rather than go through the liaison. It is often difficult to be the third person communicated to. Messages get confused through too many channels. Sometimes when there is a change I do not get the information. I don't think it's VHFA's fault.

Lois, Jacklyn and Bobbie Julien have been a great help. New pilot program to finance closing costs is great. Most of my exposure to VHFA has been through regular attendance at Realtor Board Meetings. I would like a training/discussion session for lenders only in order to iron out how to avoid numerous conditions on approvals. All in all your staff has done an excellent job in making VHFA accessible, understandable and are a pleasure to work with. I spent 2 1/2 years in Virginia and working with their housing finance agency. By contrast VHFA is much more professional, helpful and innovative. Vermont lenders do not participate in FHA programs due to a lack of demand due to Vermonts relatively small population. You need to originate a lot of this product to sell it. Why not use VHFA to create a secondary market to act as an agent so the banks can funnel FHA's to VHFA or why not allow FHA insured mortgages to be eligible for VHFA programs. (Bennington County)

Marble Bank

It is very difficult in the immediate market area of our office to find a qualifying property due to purchase price limits. I realize this is beyond your control. The New Homes Program seemed to work best for our area, but the MGIC underwriting for pool insurance was extremely stringent. (Windsor and Orange Counties)

I feel your procedural guides are very clear.

Your procedural guide would be easier to use with a more comprehensive table of contents or index.

Randolph National Bank

You need to recognize that lower priced older homes have wear and tear. Lengthen term to reduce monthly payments or set up balloon schedules.

What are MGIC's requirements? Do I imagine it or are they a moving target?

Northfield Savings Bank

Getting an appraisal holds up the deal in most cases.

Caledonia National Bank

Allow the lender to make the judgement calls on gray areas. The lenders know the customers.

Lyndonville Savings Bank

I think you should hold a meeting and train the loan department from step one on how to process a loan through your agency.

National Bank of Middlebury

I have no specific problems with your procedural guide. We miss a large group of home buyers! The single wage earner who makes $16,000 - $24,000 is often priced out of the market and makes too much for FmHA.

Proctor Bank

Increase purchase price limits to reflect high cost areas.

Design a program to provide rehabilitation mortgages on older homes. This program should be low income but should provide funds to purchase or refinance and rehab.

Income requirements should not be based on number of persons in the household.

Completely revamp your procedural guide so that it is like Freddie-Mac's. Raise income and purchase price limits. Discourage the construction of single-wide manufactured homes and raised ranches. Gear VHFA programs to all Vermonters instead of poorer ones. (Peter Becker)

New Homes Program is very ineffective because construction financing is not available with 5% down.

Granite Savings Bank and Trust Company

I do not have much opportunity to use VHFA. The rate isn't that great and your underwriting criteria are the same as our conventional mortgages.

Your procedural guide is OK now. It does not take any longer to originate a loan for VHFA than any other saleable loan.

Community National Bank

We do not offer fixed rate loans so any applicant wanting a fixed rate is considered for VHFA along with those specifically requesting the program.

We have always been satisfied with your response. Your staff is always courteous, helpful and prompt. I would like a form designed to prescreen customers before taking an application. Housing costs have risen sharply in our area over the past year. Affordable homes need a lot of repairs. It's very helpful that VHFA will include these repairs in the mortgage, however, it means a lot more follow-up work for us.

Commonwealth Mortgage Company

When implementing programs be careful not to create a program which will only help a very tiny segment of the population due to limiting and narrowing criteria such as income limits combined with MGIC approval.

Going to one set of income limits regardless of family size was a good move. Glad VHFA did not wait any longer so as to jeopardize the program further.

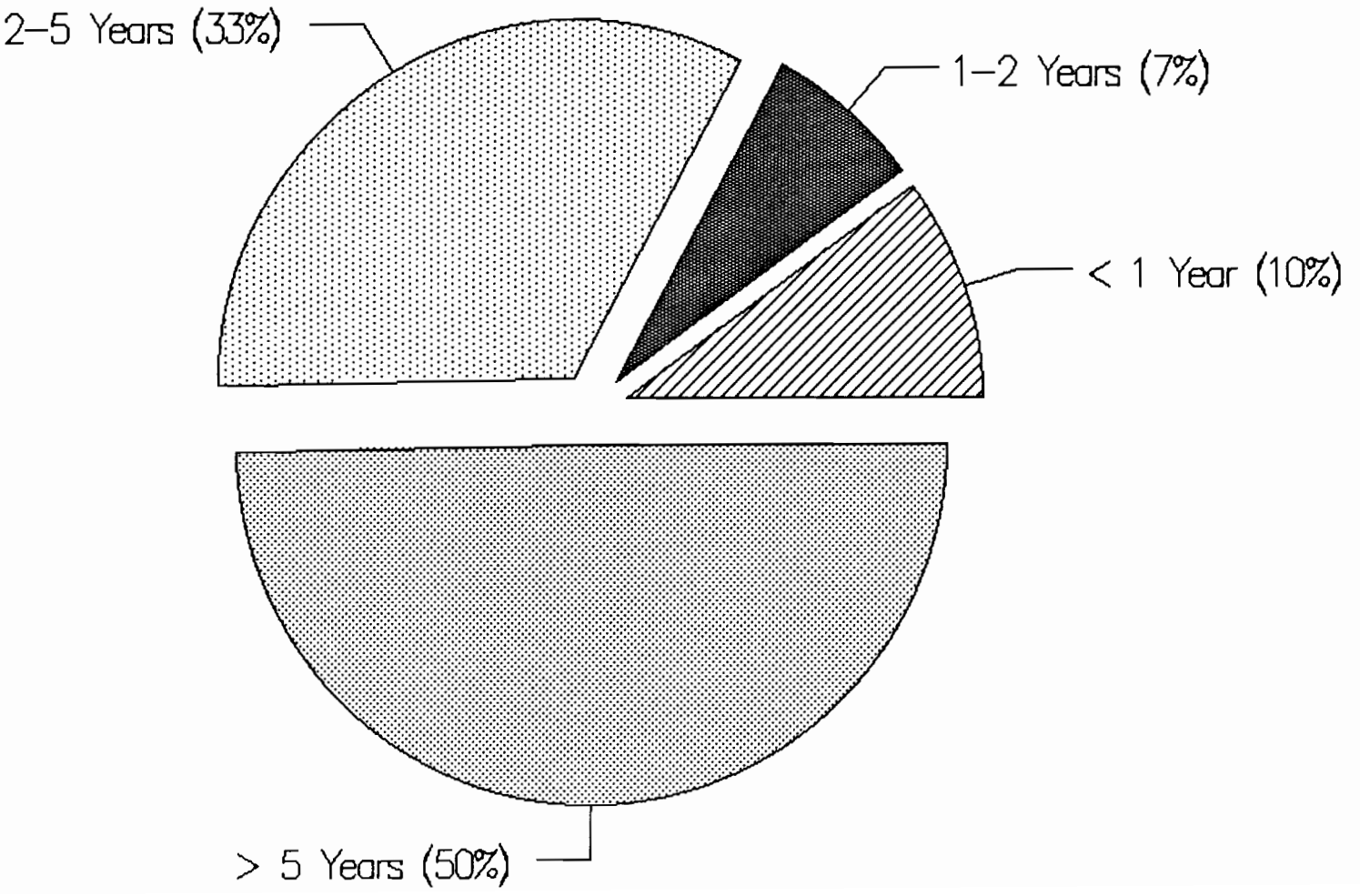
Vermont Mortgage Group

Your procedural guide should have more details on underwriting. Present guide is too general. Also, more details on eligible property, conditions, etc.

Passumpsic Savings Bank

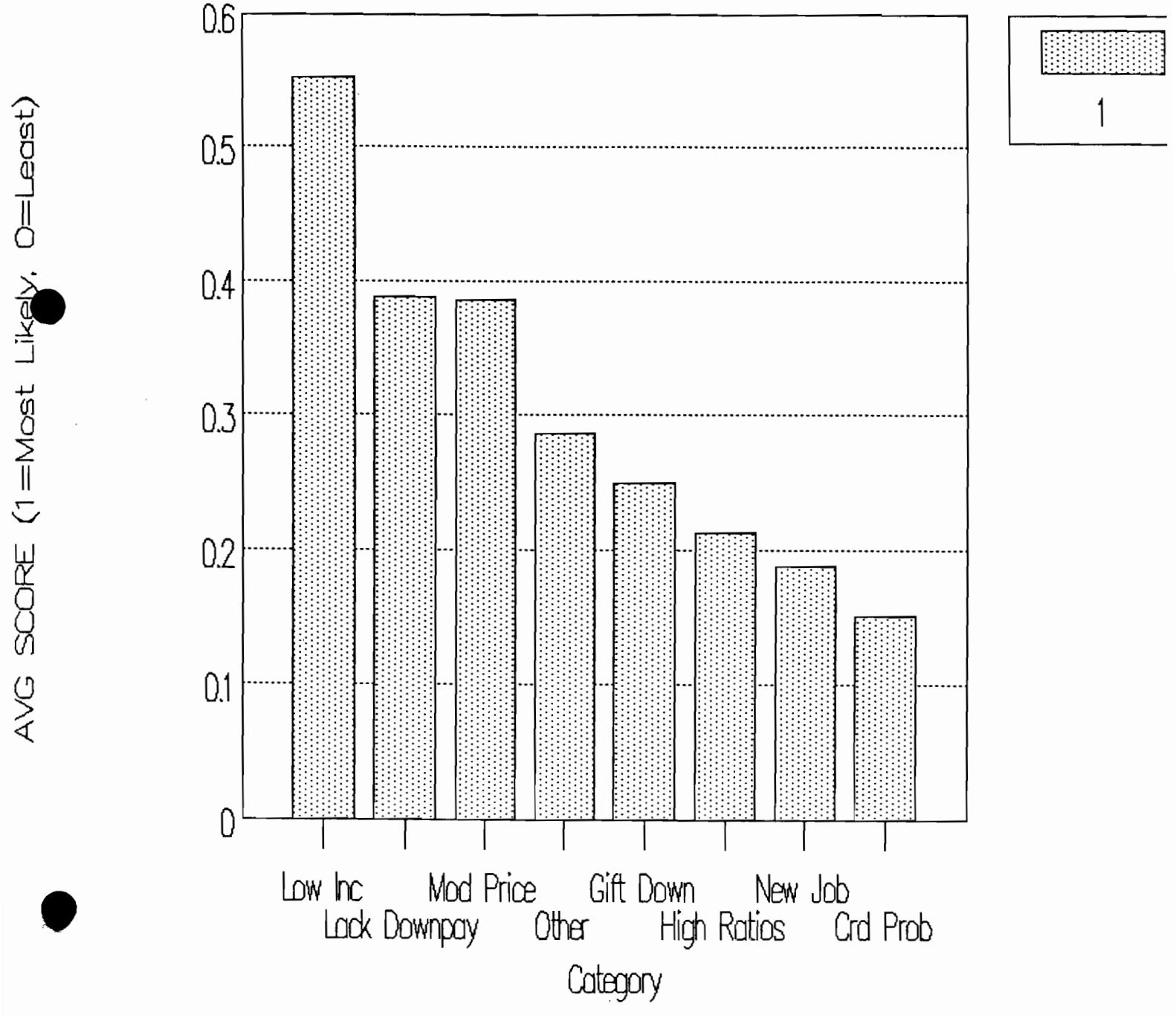
I always attempt to fit the borrower into the best possible mortgage available. I feel you are doing enough now. I believe that an individual deserves the right to own a home by at least "earning" a nominal 5% down payment and closing costs. Then they have proven their commitment and have a stake in the ownership.

VHFA LENDER SURVEY
Years Worked As Loan Originator



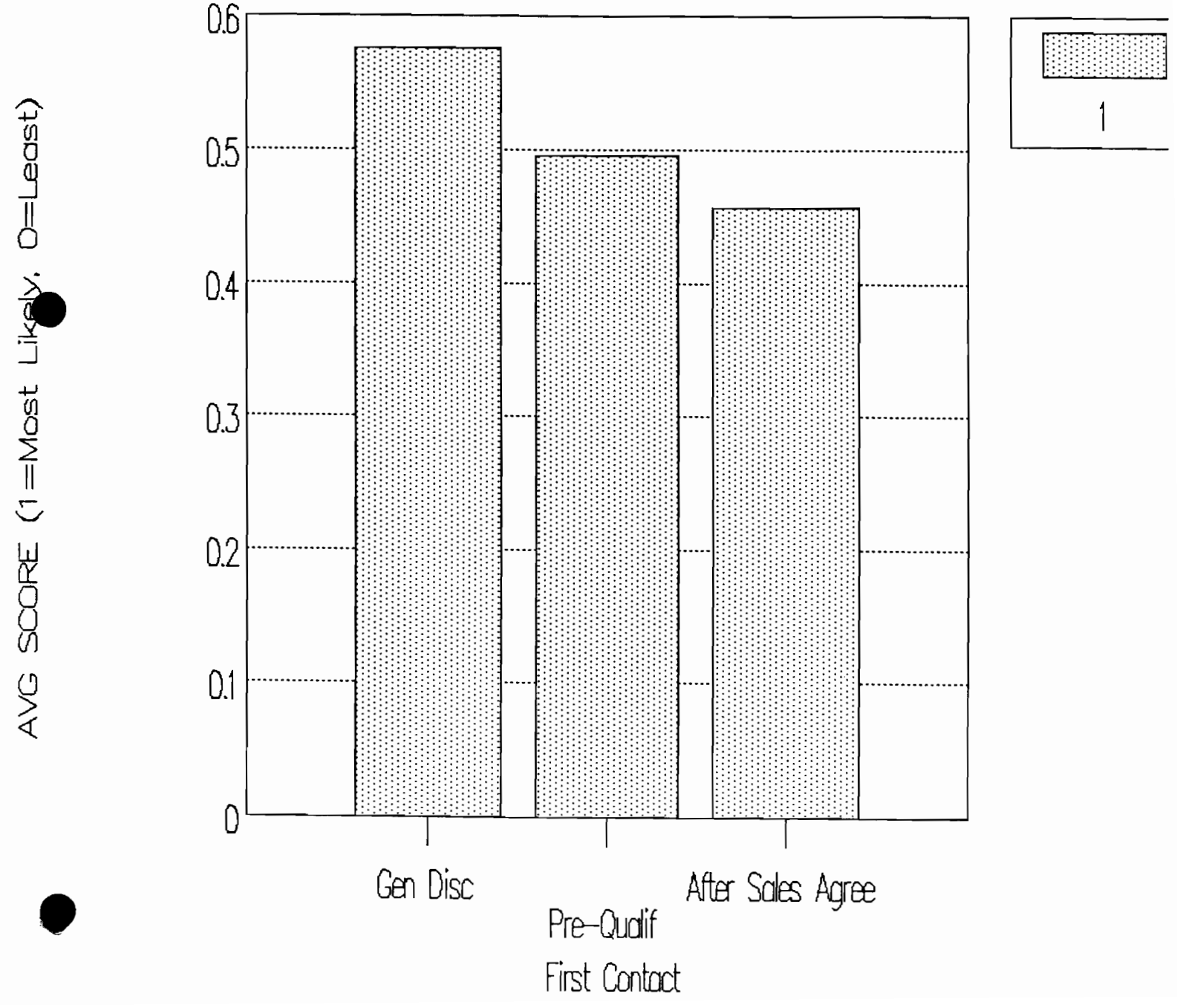
VHFA LENDER SURVEY

First Clue Potential VHFA Applicant

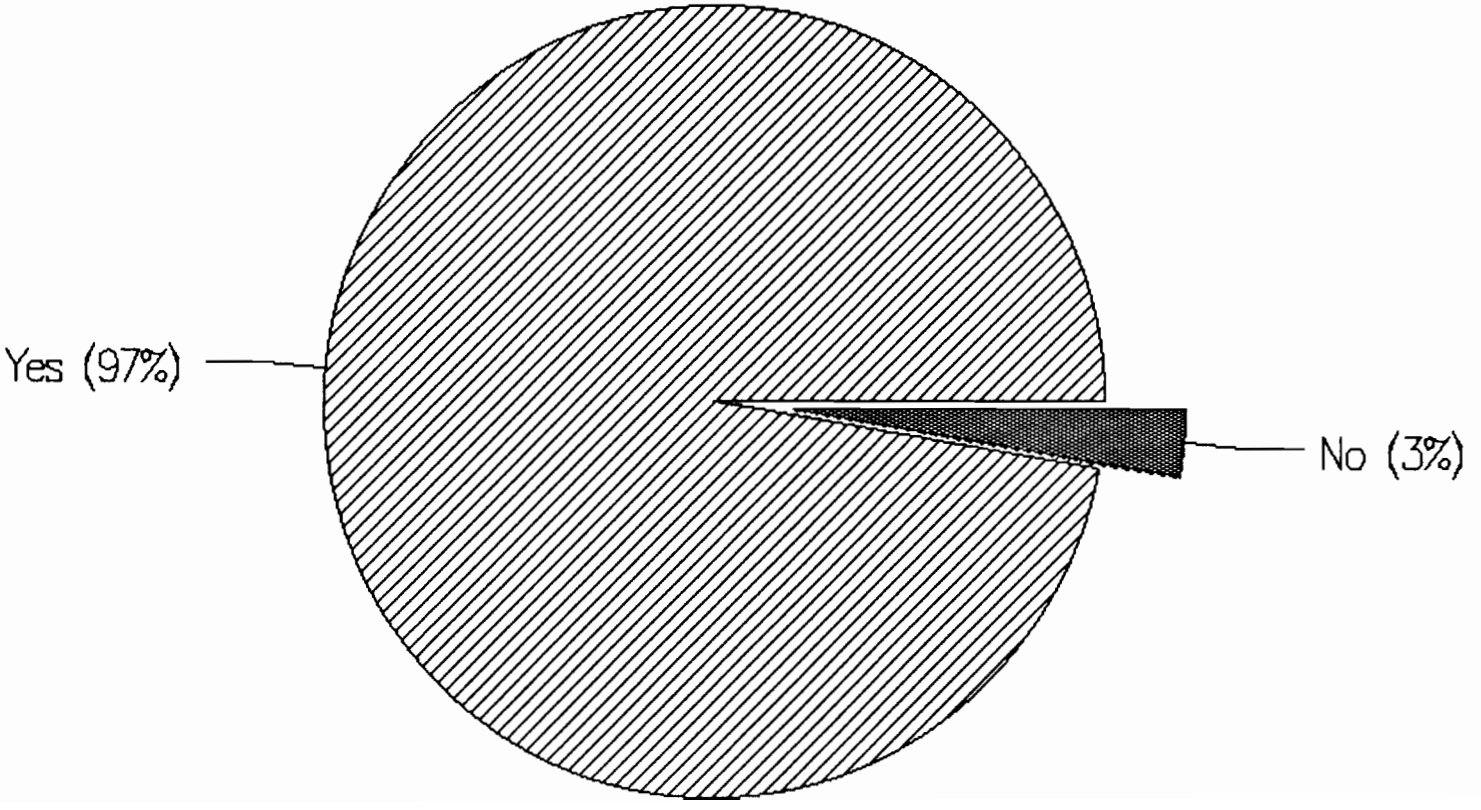


VHFA LENDER SURVEY

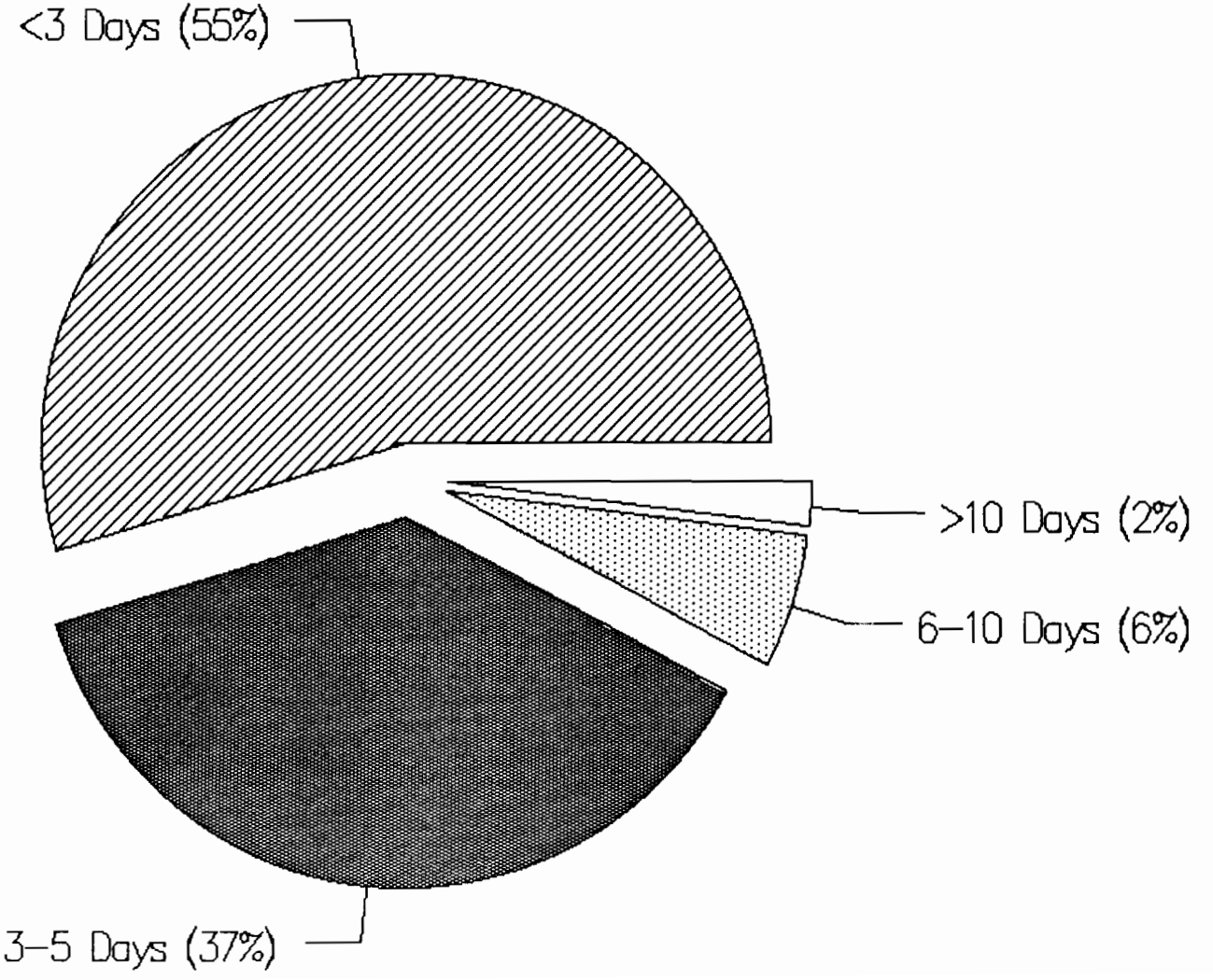
Lender's First Contact w/ Applicant



VHFA LENDER SURVEY
Is VHFA Turnaround Time Satisfactory?

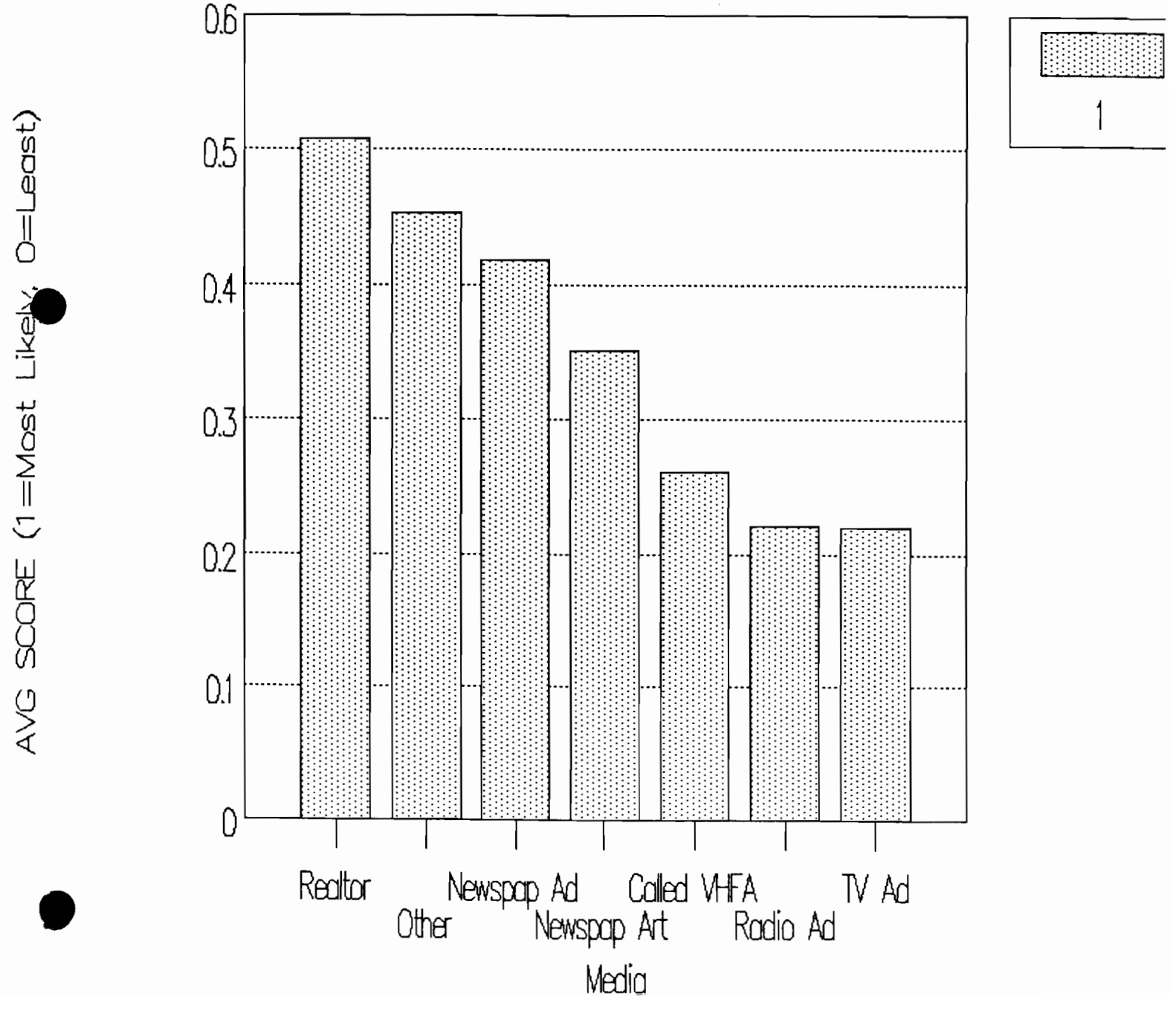


VHFA LENDER SURVEY
How Long Does VHFA Approval Take?



VHFA LENDER SURVEY

How Do Applicants Hear About VHFA?



VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: May 20, 1988

TO: VHFA Board of Commissioners

FROM: Roger A. Schoenbeck

RE: BUDGET UPDATE THROUGH APRIL 1988

Attached for your review is the General Fund budget performance report through April 30, 1988. Although these numbers are preliminary, I am confident that they accurately reflect General Fund activity.

The subsidy for Housing Vermont is still being held, pending their need for funds, and results in increasing the interest earned on investments and the General Fund balance. Actual fees received are less than budgeted and will not meet the goal targeted for this year. After eliminating the effect of the subsidy expense from the budget and actual expenses, total expenses would represent 81.85% of budget through April 30. We then are on target, since 83% of our fiscal year has expired.

Should you have any questions, please feel free to contact me at your convenience.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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BUDGET PERFORMANCE REPORT
VERMONT HOUSING FINANCE AGENCY
APRIL 30, 1988

	ORIGINAL BUDGET FYE 6/30/88	CURRENT APPROVED BUDGET	ACTUAL YR TO DATE 4/30/88	% BUDGET RECOGNIZED TO DATE
INCOME				
SINGLE FAMILY FEES	345,000	345,000	124,714	36.15%
MULTI-FAMILY FEES	37,000	37,000	3,871	10.46%
INTEREST INCOME	230,000	230,000	242,945	105.63%
MISCELLANEOUS	2,500	14,500	11,628	80.19%
TOTAL INCOME	614,500	626,500	383,158	61.16%
FUND TRANSFERS				
LOANS TO LENDERS	150,000	150,000	150,000	100.00%
SHAWMUT MTG PURCHASE	100,000	100,000	100,000	100.00%
HOWARD MTG PURCHASE	750,000	1,750,000	1,750,000	100.00%
HOWARD HOME MTG PURCH	(150,000)	(462,500)	(366,246)	79.19%
HOWARD MULTI-FAMILY	430,000	430,000	430,000	100.00%
CONN NATL MULTI-FAMILY	180,000	180,000	164,713	91.51%
TOTAL TRANSFERS	1,460,000	2,147,500	2,228,467	103.77%
TOTAL INC & TFRS	2,074,500	2,774,000	2,611,625	94.15%
EXPENSES				
ADVERTISING & PROMOTION	50,000	69,000	43,861	63.57%
AUDIT	20,000	20,000	20,000	100.00%
ANNUAL REPORT	12,000	12,000	10,541	87.84%
COMMISSIONERS EXPENSES	4,000	4,000	1,114	27.85%
CONSULTING FEES	50,000	60,000	50,207	83.68%
DUES & SUBSCRIPTIONS	17,000	19,500	17,622	90.37%
INSURANCE	79,000	80,950	63,754	78.76%
INTEREST EXPENSE	3,800	3,800	3,077	80.97%
LEGAL	47,000	47,000	43,849	93.30%
MISCELLANEOUS	2,500	2,850	4,658	163.44%
OFFICE EXPENSES	18,000	24,000	22,287	92.86%
PENSION PLAN	60,500	60,500	50,801	83.97%
POSTAGE	15,000	18,000	16,002	88.90%
RENT	65,100	65,100	53,361	81.97%
REPAIRS & MAINTENANCE	30,000	30,000	21,052	70.17%
SALARIES & WAGES	708,600	744,600	616,432	82.79%
STAFF TRAVEL & TRAINING	56,000	56,000	43,223	77.18%
SUBSIDY-HOUSE VT, ERH	0	1,027,000	20,774	2.02%
TAXES-PAYROLL	50,400	52,000	47,684	91.70%
TELEPHONE	30,000	30,000	23,367	77.89%
TRUSTEE & CREDIT FEES	195,000	195,000	152,482	78.20%
DEPRECIATION	58,000	58,000	47,000	81.03%
TOTAL EXPENSES	1,571,900	2,679,300	1,373,148	51.25%
INCREASE (DECREASE) TO FUND BALANCE	502,600	94,700	1,238,477	1307.79%

VERMONT HOUSING FINANCE AGENCY

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

RE: 1988A BOND FINANCING CONSIDERATIONS

DATE: MAY 19, 1988

Over the last several months, staff has been contemplating the problems of the past bond financing, which had been lagging behind the projected delivery schedule, and the prospect of having our tax-exempt authority being terminated by Federal legislation as of the end of this year. Most recently, the activity in the 1987A single family bond financing (MOVE program) has accelerated to the point where we are now fully booked for the balance of the proceeds.

We had been considering a large financing to carry us over the Sunset date at December 31st, assuming there would be funds available until we could structure the deal and move forward, based on Board approval. Since activity is currently so brisk and the bond market has significantly improved, it seems that some thought should be given to a small financing to carry us over until the implications of a large issue can be more carefully analyzed. The other positive adjunct to this plan would be having the capability to have funds available on a continual basis and not being in a position to be forced to close down the program and snuff out the momentum that has been recently building.

At the May 26th Board meeting our underwriters, led by Drexel Burnham, will be presenting some alternatives for this small issue to tide us over for the current demand. One of the feasible options would allow us to take prepayments collected recently from prior deals and put them into the new financing, thereby allowing the bonds to escape taxation under alternative minimum tax provisions which translates into a savings of up to 1/2% on the mortgage rate to be offered.

When the whole package was first discussed with underwriters in early May, it appeared that we could offer a mortgage rate of under 9%. Although the bond market has weakened somewhat since then, it would appear that we could still offer a mortgage rate under the rate of the current program which was at 9.7%. Since we are now commiting recycled funds at 10%, we will be utilizing all available funds under 10.6% (representing the 1985A Program, which was not structured for recycling). Other recycled funds available would not create a large enough pool to be able to run a state-wide program.

As we get closer to the Board meeting, underwriters will be continually updating information to give us the best interpretation of changing market conditions and looking at other options or twists to the carryover financing. If I can be of further assistance prior to the meeting, please contact me at your convenience.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: May 20, 1988

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt

RE: "A DECENT PLACE TO LIVE"

Attached please find a copy of "A Decent Place to Live," which is a Report of the National Housing Task Force. This report, published in March 1988, provides for some insightful reading on affordable housing.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA

FAIRFIELD ASSOCIATES

144 ISLAND BROOK AVENUE
BRIDGEPORT, CONNECTICUT 06606
203 333-3181

May 10, 1988

Vermont Housing Finance Agency
1 Burlington Square
P. O. Box 408
Burlington, VT 05402-0408

Gentlemen:

The undersigned owns certain residential rental apartments, as follows:

Northgate Apartments, Burlington, Vermont
Applegate Apartments, Bennington, Vermont
Westgate Apartments, Brattleboro Vermont
Highgate Apartments, Barre, Vermont

Your agency has indicated that it may be desirous of purchasing all or part of these properties for the purpose of preserving their status as low and moderate income housing in the state of Vermont.

In order to give to your agency an opportunity to explore a prospective purchase, please be advised that the undersigned, owner of these facilities, agrees that they will not be offered for sale to any other party for a period of six months from the date of this letter.

It is understood that during this 6-month period your agency will exercise all due diligence to obtain the necessary appraisals, etc. so as to permit you to make a judgment as to whether or not to proceed with an offer to purchase these properties.

I trust that this letter will enable you to proceed.

Very truly yours,

FAIRFIELD ASSOCIATES

Bernard A. Gilhuly,
General Partner

BAG:bb

MEMO

TO: VHFA
FROM: FRANK KOCHMAN
DATE: May 25, 1988
RE: PROPOSED FUNDING AGREEMENT BETWEEN VHFA AND HOUSING VERMONT: SUMMARY OF CHANGES FROM DRAFT OF OCTOBER, 1987 PREVIOUSLY APPROVED BY THE BOARD. ALSO, DESCRIPTION OF SIGNIFICANT HOUSING VERMONT BYLAW CHANGES.

The planned Funding Agreement with Housing Vermont is attached. There have been a number of changes since the draft approved by the Board last October, and the most significant ones are summarized below.

1. Funding commitment remains at $2,000,000, but is now, by lapse of time in getting started, payable over about two and a half years rather than the full three year period originally envisioned. One million dollars is payable between now and the end of the year, and $500,000 is payable in each of the two succeeding calendar years. The commitment period expires on December 31, 1990.

2. The definition of "Housing Development Costs" has been amended to make clear that Housing Development Funds may be drawn in good faith anticipation of the realization of "Residential Housing" of the approved type, and not at any particular stage of development. For example, if Housing Vermont has a timely market opportunity to buy a piece of land before it has firmed up plans for a particular project, the agreement now makes it clear than it can draw Housing Development Funds for that purpose.

3. The definition of Recycled Funds has been simplified to make clear that the term is limited to principal repayments (if any) to HV of funds it has paid out for Housing Development Costs and net profits (if any) on the sale or other disposition of property assisted by Housing Development Funds. Recycled Funds may only be used for Housing Development Costs.

4. Please review Mike Richardson's production schedule, which is attached to the agreement as Exhibit A, and which varies in form and substance from the schedule in the original business plan.

SIGNIFICANT BYLAW CHANGES

The Bylaws adopted by Housing Vermont provide that the initial six directors shall be the only directors until the first annual meeting (July 1 of this year), at which time five more directors will be elected. (The original draft had the first six electing the next five until the annual meeting, which made more sense last fall than it does now.)

Also, the Governor now has the option of designating one of

VERMONT HOUSING FINANCE AGENCY

RESOLUTION AUTHORIZING EXECUTION OF FUNDING AGREEMENT

WITH

HOUSING VERMONT

RESOLVED: The Executive Director is authorized to execute a "Funding Agreement" with Housing Vermont, a nonprofit corporation, committing the Agency to provide funds in the amount of $2,000,000 payable in aggregate annual amounts not exceeding $1,000,000 in 1988, $500,000 in 1989, and $500,000 in 1990, substantially in the form presented to the Commissioners of the Agency at its meeting of May 26, 1988, with such modifications as to terms (other than the committed amount and the annual amounts) as the Executive Director in his discretion shall deem appropriate.

FURTHER RESOLVED: After execution and delivery of the Funding Agreement, the Executive Director is authorized and directed to fulfill the obligations of the Agency thereunder, and in connection therewith the Executive Director shall have the authority to approve Housing Vermont operating budgets on behalf of the Agency and to determine compliance with all other conditions of Advances under the Funding Agreement.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA

FUNDING AGREEMENT

This agreement is made effective as of the ___ day of May, 1988, by and between VERMONT HOUSING FINANCE AGENCY (the "Agency"), a body politic and corporate of the State of Vermont, existing by virtue of, and having the powers granted by, the Vermont Housing Finance Agency Act, being Chapter 25 of Title 10, Vermont Statutes Annotated (the "Act"), and HOUSING VERMONT, a non-profit corporation organized under the laws of the State of Vermont, having its principal place of business at Burlington, Vermont (the "Corporation").

STATEMENT OF PURPOSE AND PARTICULAR POLICIES

The broad purpose of this agreement, and the reason for the funding commitment hereinafter made, is to assist the Agency in carrying out its public and governmental function of encouraging an adequate supply of safe and decent housing at reasonable costs.

It is a policy of the Agency to preserve the supply of such housing and to avoid displacement of low and moderate income tenants. In furtherance of this policy, the Agency endeavors to assure that Residential Housing assisted pursuant to the Act will be preserved during its entire economic life primarily for occupancy by persons of low and moderate income.

While recognizing the long-term unpredictability of future conditions with respect to low income housing needs, financial viability of particular projects, and contributions to the Corporation, it is expected that the Corporation, in good faith, and to the extent consistent with the tax status of a Community Housing Corporation, will endeavor to further such policy in the financial and legal structure of each Residential Housing project in which it participates.

By way of example, the Corporation shall attempt to obtain, on its own behalf or on the behalf of entities controlled by it, options to purchase or otherwise to obtain ownership or control of Residential Housing at the end of any initial period of restricted occupancy that is not co-terminus with the economic life of such housing, and to use its power of disposition to extend the period during which such housing is used primarily for occupancy by persons of low and moderate income.

It is a further policy of the Agency, as expressed in its Rules pertaining to Loans to Multi-Family Housing Sponsors, and it is one of the express objectives of federal housing law as set forth in Title I of the Housing and Community Development Act, to encourage economic integration in housing. The agreement which follows defines "Economically Integrated Housing" consistently with the Agency's Rules. It is expected that the Corporation, to the extent consistent with the tax status of a Community Housing Corporation, will advance the Agency's policy in this respect.

RECITALS

Pursuant to the Act: (A) it is the policy of the State of Vermont to encourage an adequate supply of safe and decent housing at reasonable costs; (B) the Agency is constituted a public instrumentality exercising public and essential governmental functions; (C) the Agency is authorized to make grants to "housing sponsors" within the meaning of the Act, and to make and execute contracts necessary or convenient for the exercise of its powers and functions under the Act.

The Corporation is a "housing sponsor" within the meaning of the Act, having the following purposes as set forth in its Articles of Association:

"Purposes. The Corporation is organized exclusively for charitable, educational, and scientific purposes including, for such purposes, (i) the fostering of low-income housing, (ii) the alleviation and prevention of community deterioration through the production of affordable housing, (iii) the making of distributions to the State of Vermont and political subdivisions and public instrumentalities thereof for public purposes and to organizations that foster low-income housing in the State of Vermont and that qualify as exempt organizations under section 501(c)(3) of the Internal Revenue Code, or corresponding provisions of any future federal tax code, and (iv) any other charitable, educational, or scientific purpose that tends to foster housing for low income families in the State of Vermont."

In consideration of the reciprocal promises contained in this Funding Agreement, the parties agree as follows, with capitalized terms having the meaning ascribed to them in ARTICLE III, below:

ARTICLE I: FUNDING COMMITMENT

§1.01. During the Commitment Period, and subject to the terms and conditions of this Agreement, the Agency shall provide TWO MILLION AND 00/100 ($2,000,000.00) DOLLARS of Funds to the Corporation.

§1.02 The Funds shall consist of Operating Funds and Housing Development Funds.

§1.03. Except as set forth in §1.04, below, or as the Agency may otherwise consent, the amount of Funds to be provided by the Agency shall not exceed $1,000,000.00 in the first Funding Year and shall not exceed $500,000.0 in any subsequent Funding Year. The amount of Operating Funds to be provided by the Agency in any Funding Year shall not exceed the greater of (a) 40% of all Funds available for that Funding Year or (b) the

actual operating deficit of the Corporation for that Funding Year. Funds not needed as Operating Funds may be drawn as additional Housing Development Funds upon the written election of the Corporation.

§1.04. Subject to substantial compliance with the Performance Standards, the difference between the amount of Housing Development Funds which were drawn by the Corporation in a given Funding Year and the maximum amount of Housing Development Funds which might have been drawn for that Funding Year, shall be carried forward to, and may be drawn as, additional Housing Development Funds in the succeeding Funding Year.

§1.05. Operating Funds not drawn may be carried forward on the same principle as is applicable to Housing Development Funds; provided, however, and except as the Agency may otherwise consent, after December 31, 1988, no Operating Funds shall be payable to the Corporation for any Funding Year if, during the preceding Funding Year, the Corporation has not achieved substantial compliance with the Performance Standards applicable to that preceding Funding Year.

ARTICLE II: TERM

§2.01. Unless sooner terminated by the Agency pursuant to the provisions of this Agreement, the term of this Agreement shall commence as of the Effective Date and shall expire on the later to occur of (a) the date on which all Operating Funds advanced by the Agency have been repaid, (b) the date of exhaustion of the Economic Life of all Residential Housing assisted in whole or in part with Housing Development Funds or Recycled Funds, or (c) the last day of the Commitment Period.

ARTICLE III: DEFINITIONS

§3.01. As used in this agreement, the following terms shall

have the meaning ascribed to them in this Article III:

Advance means a transfer by the Agency to or for the benefit of the Corporation of money, property, or instruments representing money or property or a promise to pay money.

Affiliate of the Corporation means any corporate subsidiary of the Corporation, whether such subsidiary is organized for profit or not for profit, and any title holder of Residential Housing in which the Corporation or any such subsidiary has a financial interest.

Approved Project means Residential Housing described in Article VII of this agreement.

Code means the United States Internal Revenue Code of 1986 and the regulations applicable thereto, as the same may be amended from time to time.

Commitment Period means the period commencing on the Effective Date and ending on December 31, 1990.

Community Housing Corporation means an organization which is exempt from federal income taxes under §501(c)(3) of the Code , which is not a private foundation by reason of §509(a)(1), (2), or (3) of the Code, and which is organized, in whole or in part, for the express purpose of fostering low income housing.

Default means a material breach by the Corporation of any warranty, covenant, or other obligation of the Corporation under this agreement, or the discovery that any representation of the Corporation set forth in this agreement and relied upon by the Agency in entering this Agreement or in making any Advance was untrue when made, or the occurrence of any specific event described in Article X, below.

Effective Date means the date first above written.

Economic Life means, with respect to particular Residential Housing assisted by Housing Development Funds or Recycled Funds, that date 40 years after the date on which such Residential Housing is placed in service by the Corporation, or any Affiliate of the Corporation.

Economically Integrated Housing means Residential Housing which is intended for occupancy by Persons and Families of Low and Moderate Income and others, but only to the extent consistent with Chapter Three of the Agency's Rules pertaining to Loans to Multi-Family Housing Sponsors, which reads in pertinent part as follows:

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

Funds means Operating Funds and Housing Development Funds.

Funding Year means (a) the period commencing on the Effective Date and ending on December 31, 1988, and (b) any calendar year within the Commitment Period and beginning after December 31, 1988.

Housing Development Account means the "housing development account" required to be established pursuant to Article IX.

Housing Development Costs means the costs, other than Operating Costs, incurred in good faith by the Corporation or any Affiliate of the Corporation in connection with the actual or anticipated acquisition, construction or rehabilitation of an Approved Project, including the costs of its physical construction, the costs of acquisition of land, real or personal property, rights, rights-of-way, easements and franchises necessary or convenient for the construction, acquisition, or rehabilitation, and the costs of legal, administrative, architectural and related professional services, the costs of insurance, project reports, survey, other preliminary expenses and the costs of working capital, reserves and carrying charges.

Housing Development Funds means money or other assets, credits, or instruments intended to pay or guarantee the payment of Housing Development Costs, or to supply in kind any item payable as a Housing Development Cost. By way of illustration, such other assets, credits, or instruments may include, without limitation, real estate, options to purchase real estate, letters of credit, promissory notes, and guarantees of payment or performance. The term "Housing Development Funds" includes Advances so designated by the Agency and Recycled Funds.

Operating Account means the "operating account" required to be established pursuant to Article IX, below.

Operating Costs means current obligations reasonably incurred by the Corporation in carrying out its corporate purposes including, without limitation, employee salaries and wages, fees and expenses of directors of the Corporation, rent payments, telephone expenses, insurance premiums, general corpo-

rate legal expenses, and general office and employer overhead, but excluding Housing Development Costs.

Operating Funds means money intended primarily to pay Operating Costs, including, without limitation, Advances so designated by the Agency.

Performance Standards means the obligations of the Corporation described in Article VIII, below.

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

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

(B) The size of the family;

(C) The cost and condition of Residential Housing available;

(D) The cost and availability of mortgage loans on Residential Housing in the State of Vermont;

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

(F) The ability of such persons and families to compete successfully in the normal housing market and to pay the amounts at which private enterprise is providing decent, safe and sanitary housing, and deemed by the Agency therefore to be

eligible to occupy residential housing constructed and financed, wholly or in part, with insured or guaranteed construction loans or insured or guaranteed mortgages, or with other public or private assistance other than as provided by the Act.

Recycled Funds means (i) principal repayments to the Corporation of Funds advanced by the Corporation for Housing Development Costs; and (ii) the net (after-tax, if applicable) proceeds of sale, lease, or other disposition of property the acquisition, construction or rehabilitation of which was assisted in whole or in part with Housing Development Funds, and accruing to or for the benefit of the Corporation or any subsidiary of the Corporation.

Residential Housing means residential housing units designed primarily to provide principal dwelling accommodations whether on a permanent or temporary basis for persons or families, which may include the land and improvements thereon and such non-housing facilities or services considered necessary or convenient by the Agency in connection with the housing units. The term includes, but is not limited to, single or multi-family dwellings, housing cooperative corporations and cooperative interests, congregate homes, residential care homes as defined in 18 V.S.A. §2002, nursing homes, transitional housing, emergency shelters for the homeless or displaced, mobile homes, single room occupancy dwellings, and group homes for the mentally ill or developmentally disabled.

ARTICLE IV -- REPRESENTATIONS AND WARRANTIES

In order to induce the Agency to enter this agreement and to make Advances hereunder, the Corporation represents and warrants to the Agency as follows:

§4.01. Legal Capacity.

A. The Corporation warrants that it is a lawfully existing, duly organized non-profit corporation in good standing

under the laws of the State of Vermont and has all the requisite power and authority to enter into this agreement.

B. The Corporation warrants that the person executing and delivering this agreement on behalf of the Corporation is fully authorized to do so and this agreement constitutes the legal and binding obligation of the Corporation.

C. The Corporation warrants that there is no action, proceeding or investigation now pending, nor any basis therefor known or believed to exist by the Corporation, which (i) questions the validity of this agreement or any action taken or to be taken under it, or (ii) is likely to result in any materially adverse change in the authority, property, assets, liabilities, or condition of the Corporation which would materially and adversely affect the Corporation's ability to perform any of the obligations imposed upon it under this agreement.

§4.02. Federal Tax Status of the Corporation.

A. The Corporation shall promptly apply to the Internal Revenue Service for an advance ruling permitting the Corporation to be treated as an organization exempt from federal income taxes by reason of §501(c)(3) of the Code and which is not a private foundation by reason of §509(a)(1),(2), or (3) of the Code.

B. In the event that it obtains such advance ruling, and thereafter until the termination or expiration of this agreement, the Corporation shall maintain its status as a Community Housing Corporation.

C. The corporate purposes of the Corporation, as set forth above, accurately state the purposes of the Corporation as set forth in its Articles of Association, and the Corporation shall not amend its Articles of Association without the written

consent of the Agency, which consent shall not be withheld if necessary to comply with requirements imposed by the Internal Revenue Service as a condition of qualification of the Corporation as a Community Housing Corporation.

§4.03. Maintenance of Corporate Existence; Distribution of Assets.

A. The Corporation shall maintain its corporate existence during the term of this agreement.

B. Except for the payment of Operating Costs and Housing Development Costs, the Corporation shall not make any distribution of its assets without the express prior written consent of the Agency.

C. In the event of the voluntary or involuntary dissolution of the Corporation during the term of this agreement, and whether such dissolution occurs with or without the consent of the Agency, the Corporation shall distribute all of its assets to the Agency.

ARTICLE V -- TERMS AND CONDITIONS OF ADVANCES

§5.01. Subject to the terms and conditions hereof, Advances shall be made on written request of the Corporation.

§5.02. Each request for an Advance shall constitute the reaffirmation, as of the date of such request, of each and every representation and warranty set forth in Article IV, above, and shall constitute the representation by the Corporation to the Agency that no Event of Default has occurred.

§5.03. The Agency shall not be obligated to make any Advance if an Event of Default has occurred.

§5.04. No Advance shall be made unless the Corporation has first submitted, and the Agency has approved, a written itemized operating budget for the applicable Funding Year, broken down by quarters.

§5.05. Notwithstanding Article I, the Agency shall not be obligated to make any Advance for Operating Funds in an amount which would cause the total Advances for Operating Funds in a given Funding Year to exceed the operating deficit, if any, indicated by the applicable budget, whether as originally approved or as subsequently amended by the Corporation and approved by the Agency. In the event that the Corporation enjoys unanticipated income, the Agency may require the Corporation to amend the applicable budget to reflect that income.

§5.06. Except as the Agency may otherwise consent, requests for Advances for Operating Funds shall be submitted on a quarterly basis, and the Agency shall not be obligated to make any one Advance for Operating Funds in an amount greater than the projected operating deficit for the applicable quarter of the Funding Year, which may be further adjusted on a pro-rata basis for unanticipated income if the Agency has requested the Corporation to submit an amended budget.

§5.07 Any request for an Advance of Housing Development Funds shall specify a particular actual or anticipated Residential Housing project for which the request is made, setting forth the purpose of the Advance and the date or dates on which the Housing Development Funds will be needed.

§5.08 Any request for an Advance which complies with the terms and conditions of this Article V shall be honored by the Agency within ten days of the date of submission of the request, or, in the case of Housing Development Funds, such later date as the Housing Development Funds are actually needed, as reasonably specified in the request. PROVIDED, however, that in the case of

any Advance for Housing Development Costs, the Agency may elect to make the Advance in any form which will meet the Corporation's actual need, regardless of the form in which the Advance may have been requested. For example, a request for a cash Advance may be honored by a letter of credit if such is adequate to satisfy the purpose of the Advance. Further provided, that in the event the Corporation combines several Housing Development Costs in a single request, the Agency may elect to withhold any portion of the Advance until actually needed, and need not provide the withheld portion if an Event of Default occurs during the interim period.

§5.09 If Recycled Funds are available to the Corporation, at the time of the request for an Advance of Housing Development Funds, the Agency in its discretion may elect to withhold so much of the Advance as can be satisfied by the application of such Recycled Funds.

ARTICLE VI -- USE OF FUNDS, RECYCLED FUNDS, INTEREST, AND FEES

§6.01. Pending disbursement for a proper purpose, Operating Funds shall be maintained in the Operating Account. The Corporation shall use Operating Funds to pay Operating Costs. Interest earned, if any, on Operating Funds, shall be the property of the Corporation. In the discretion and at the risk of the Corporation, Operating Funds may also be used for Housing Development Costs. Reimbursement from Housing Development Funds of Operating Funds used for Housing Development Costs shall constitute a proper use of Housing Development Funds, notwithstanding anything to the contrary contained in this agreement.

§6.02. Except as the Agency may otherwise expressly consent in writing, the Corporation shall use Housing Development Funds and Recycled Funds for the exclusive purposes of paying Housing Development Costs for Approved Projects, making reimbursements for Housing Development Costs advanced from Operating Funds, as permitted by §6.01, above, or repayment to the Agency. The

Corporation shall determine, in its exclusive discretion, for which of such exclusive purposes such Funds shall be used in any given case.

§6.03 Pending disbursement for their proper purpose, Housing Development Funds and Recycled Funds shall be maintained in the Housing Development Account, except that Recycled Funds which are the property of a corporate subsidiary of the Corporation need only be deposited annually (on or before March 15 in each year) in the Housing Development Account and may be maintained indefinitely in an account of the corporate subsidiary to the extent reasonably necessary to assure that any partnership of which such corporate subsidiary is a general partner shall, for federal income tax purposes, be treated as a partnership within the meaning of §761 of the Code.

§6.04 It is the intention of the parties that all Housing Development Funds and Recycled Funds shall be used exclusively for their intended purposes, and not for investment that is not directly related to the payment of Housing Development Costs. Accordingly, all interest earned on the Housing Development Account and any other investment (whether permitted or not permitted), and excluding interest earned on investments made for the express purpose of paying Housing Development Costs, shall be deemed, as between the parties, to be the property of the Agency, and the Corporation shall hold the same in trust for the benefit of the Agency. The Corporation may pay over such interest whenever convenient for the Corporation; provided, however, that on the first day of April, 1988, and on the first day of April in each year thereafter during the term of this agreement, the Corporation shall pay over to the Agency all such interest earned during the preceding calendar year and not previously paid over to the Agency. Such interest shall not constitute Operating Funds, Housing Development Funds, or Recycled Funds, and such payments shall neither constitute repayment of Funds nor have the effect of increasing the amount of Funds otherwise available for

disbursement as Advances.

§6.05. Nothing in this agreement shall be construed to limit the ability of the Corporation to invest in its Affiliates, in such manner as it deems appropriate, for the purpose of paying Housing Development Costs, or to limit the abililty of the Corporation to earn interest or dividends on such investments. Such interest and/or dividends shall constitute Operating Funds for the purposes of this agreement. Repayments by the Affiliate of any portion of the principal amount of such investments, however, shall constitute Recycled Funds.

§6.06. No provision of this agreement shall be construed to limit the ability of the Corporation to provide contract services to Affiliates of the Corporation and to receive reasonable fees therefor. Such reasonable fees shall constitute Operating Funds.

ARTICLE VII -- APPROVED PROJECTS

§7.01. No project which is not Residential Housing shall constitute an Approved Project.

§7.02. To the extent consistent with the federal tax status of the Corporation, any Residential Housing of the type hereinafter described in this Article VII shall constitute an Approved Project.

§7.03. Residential Housing for the handicapped.

§7.04. Residential Housing for the elderly.

§7.05. Residential Housing intended primarily for occupancy by Persons of Low and Moderate Income, including, without limitation, Residential Housing of the following types.

§7.06. Residential Housing which qualifies for the low

income housing credit established by §42 of the Code.

§7.07. Residential Housing which is the subject of a new construction or substantial rehabilitation "Housing Assistance Payments Contract" pursuant to Section 8 of the federal Housing and Community Development Act of 1974, or any other housing subsidy provided by the Federal government or the State of Vermont.

§7.08. Residential Housing financed with the proceeds of "exempt facility bonds" within the meaning of §142(a) of the Code.

§7.09 Residential Housing financed with the proceeds of "qualified mortgage bonds" within the meaning of §143(a) of the Code.

§7.10. Residential Housing financed by the U.S. Farmers Home Administration, the U.S. Department of Housing and Urban Development, or any other agency of the Federal government or the State of Vermont.

§7.11. Residential Housing the mortgage indebtedness on which is insured or guaranteed by the Federal Housing Administration, the Department of Housing and Urban Development, or any other agency of the Federal government or the State of Vermont.

§7.12. Economically Integrated Housing.

ARTICLE VIII -- PERFORMANCE STANDARDS

§8.01. During the Commitment Period, the Corporation shall substantially comply with the Performance Standards with respect to production or acquisition of housing set forth in Exhibit A attached hereto and incorporated herein by reference.

§8.02. At all times during the term of this agreement, the Corporation shall assure that any Residential Housing assisted with Housing Development Funds or Recycled Funds and owned by the Corporation or any Affiliate of the Corporation:

A. Shall be constructed and maintained in a workman-like manner and in accordance with all laws, ordinances, and building codes applicable thereto.

B. Shall be managed, with respect to accounting and financial matters, in a business-like manner and in accordance with generally accepted accounting principles.

ARTICLE IX -- MONITORING AND ACCOUNTING

§9.01. The Corporation shall promptly establish with a Vermont bank, and shall thereafter maintain during the term of this agreement, an "operating account" (Operating Account) separate and distinct from the Housing Development Account, and insured by the Federal Deposit Insurance Corporation.

§9.02. All Operating Funds disbursed to the Corporation pursuant to this agreement shall be deposited in the Operating Account.

§9.03. The Corporation shall promptly establish with a Vermont bank, and shall thereafter maintain during the term of this agreement, one or more interest-bearing, insured, "housing development accounts" (Housing Development Accounts).

§9.04. All Housing Development Funds and Recycled Funds shall be deposited in a Housing Development Account.

§9.05. Funds in a Housing Development Account shall be used exclusively to pay Housing Development Costs, to make repayments of Funds to the Agency, or to make payments of earned interest

held in trust for the benefit of the Agency pursuant to §6.04 of this agreement.

§9.06. Quarterly, not later than the 15th day of each month next following each calendar quarter during the term of this agreement, and in such form as the Agency may specify, the Corporation shall provide to the Agency a statement of all of its receipts and disbursements for such preceding quarter, and such additional accounting information as the Agency may request.

§9.07 Annually, not later than March 15 of each year during the term of this agreement, the Corporation shall provide the Agency with its audited financial statements for the preceding year.

§9.08. The books of account of the Corporation shall be kept in accordance with generally accepted accounting principles and this agreement. In furtherance of its right to monitor the activities of the Corporation, the Agency may, but need not, keep and maintain the books of account of the Corporation, which shall be based upon the quarterly reports and other information required by §9.06 to be provided by the Corporation. If the Agency so elects, it shall cooperate fully with the Corporation's auditors and shall hold the Corporation harmless from any failure of the Agency to comply with generally accepted accounting principles. Notwithstanding such election by the Agency, the Corporation shall be fully responsible at all times for maintaining an accurate receipts and disbursement journal, checkbooks and certificates of deposit, and back-up materials customarily required in connection with a financial audit.

§9.09. Any election of the Agency to keep and maintain the books of account of the Corporation may be revoked by the Agency effective as of the end of any fiscal year of the Corporation, and the Corporation shall thereafter be responsible therefor.

§9.10. The quarterly reports of the Corporation and the books of account of the Corporation shall be kept in such fashion as shall assure the availability of an audit trail for sums expended on particular Residential Housing and interest which is the property of the Agency pursuant to §6.04, above.

§9.11. The Corporation shall assure that, at all times during the term of this agreement, with respect to any Residential Housing assisted with Housing Development Funds or Recycled Funds and owned by the Corporation or any Affiliate of the Corporation, the Agency shall be entitled to enter upon and inspect such Residential Housing for the purpose of investigating the physical and financial condition thereof, and its construction, rehabilitation, operation, management and maintenance, and to examine all books and records of the Corporation or any Affiliate of the Corporation with respect to capitalization, income and other matters relating thereto.

ARTICLE X - EVENTS OF DEFAULT

§10.01. The occurrence of any event described in this Article X shall constitute an Event of Default for the purposes of this agreement.

§10.02. After written notice of default from the Agency to the Corporation, specifying (a) a Default other than one of the specific Defaults hereinafter described in this Article X, (b) the steps required to cure the Default, and (c) a reasonable time for effecting such cure, the failure by the Corporation to cure any such Default within the time permitted by such notice.

§10.03. The deliberate or fraudulent misapplication of Funds by the Corporation, any director of the Corporation, or any officer of the Corporation.

§10.04. The voluntary or involuntary dissolution of the

Corporation during the term of this agreement.

§10.05. Receipt by the Corporation from the Internal Revenue Service of a notice of revocation of the Corporation's status as, or right to be treated as, an organization exempt from federal income taxes and which is not a private foundation pursuant to §501(c)(3) and §509(a)(1),(2), or (3) of the Code. This section shall not be construed to apply to any failure of the Corporation to obtain such status in the first instance.

ARTICLE XI -- REMEDIES OF THE AGENCY IN THE EVENT OF DEFAULT

§11.01. In case of an Event of Default, and in addition to any other remedy available to the Agency at law or in equity, the Agency shall have any or all of the remedies described in this Article XI.

§11.02. The Agency, at its election, may decline to make further Advances under this agreement.

§11.03. The Agency, at its election, may sue to recover from the Corporation immediate repayment of all Advances made to or for the benefit of the Corporation.

§11.04. With respect to Events of Default arising from the Corporation's failure to comply with Performance Standards specified in §8.02 or the Agency's inspection rights specified in §9.11, such provisions being primarily for the benefit of the public and the occupants of Residential Housing, with damages to the Agency being difficult of measurement, the Agency shall be entitled to make any order and to pursue any appropriate remedy within the scope of 10 V.S.A. §624(b) (6) and §624(a)(2), respectively, and shall further be entitled to the equitable remedy of specific performance.

§11.05. The remedies herein specified are intended to be

cumulative for the benefit of the Agency, and the election by the Agency of any one remedy shall not be deemed to exclude any other remedy.

IN WITNESS WHEREOF, the parties have caused this agreement to be subscribed by their respective undersigned agents effective as of the date first above written.

VERMONT HOUSING FINANCE AGENCY

By_____
Executive Director and authorized agent

HOUSING VERMONT

By_____
President and authorized agent

EXHIBIT A

26-May-88

Performance Standards for the production and acquisition of housin

I. NEW CONSTRUCTION

FUNDING YEAR	PRE-CONSTRUCTION	CONSTRUCTION	PLACED IN SERVICE	CUMULATIVE TOTAL
1988	163	80	0	0
1989	500	250	183	183
1990	800	500	250	433
1991	1250	800	500	933
1992	1500	1250	800	1733
1993	1750	1500	1250	2983

II. ACQUISITION AND REHAB

FUNDING YEAR	PRE-ACQUISITION	ACQUISITION	TOTAL
1988	566	120	120
1989	300	566	686
1990	350	300	986
1991	350	350	1336
1992	350	350	1686
1993	350	350	2036

III. TOTAL

FUNDING YEAR	CUMULATIVE TOTAL
1988	120
1989	869
1990	1419
1991	2269
1992	3419
1993	5019

MEMO

TO: Allan S. Hunt, Executive Director
FROM: Frank Kochman
RE: Omission from minutes of April 21 VHFA meeting.
DATE: May 21, 1988

In reviewing the board mailing for the upcoming meeting, I note that "Resolution Pertaining to Letter of Interest for Riverside Development" is attached to the minutes of the April 21 meeting, but there is no indication in the draft of the minutes that the board took action on the resolution.

I was informed by Mike Richardson that the resolution was in fact adopted, and passed that information along to Palmer and Dodge several weeks ago, with a copy of the resolution.

If Mike was correct, please correct the minutes to expressly reflect adoption of the resolution. If he was not correct, please let me know so I can alert Palmer and Dodge, and also consider placing it on the May agenda for adoption.

As you know, if Riverside becomes a reality, the date of adoption of this resolution will be an important bond-related matter.

VERMONT HOUSING FINANCE AGENCY

June 21, 1988

Ms. Jean Gauthier
Pavilion Office Building
109 State Street
Montpelier, VT 05602

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its monthly Board Meeting on Thursday, June 30, 1988, at 1:30 p.m., at Stoweflake, Mountain Road (Route 108), Stowe, Vermont.

If you have any questions or require any additional information, please do not hesitate to contact me.

Sincerely,

Barbara M. Parker

Barbara M. Parker
Office Manager

/bp

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: June 15, 1988

TO: VHFA Board of Commissioners

FROM: Roger A. Schoenbeck, Director of Finance RAS

RE: CONFERENCE CALL PREPARATION

In preparation for the conference call Thursday, June 16, at 3:30 p.m., attached please find my memo dated June 14, "1988A Bond Issue Update," which offers a brief recap of the schedule for the proposed bond deal, as well as some information on the various options being reviewed.

Also attached is a draft of the first nine pages of the Preliminary Offering Statement for your information. Please review the biographical information included in this statement and let us know any areas of concern.

Should you have any questions regarding this bond issue or any other financial matters, please feel free to contact me.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

RE: 1988A BOND ISSUE UPDATE

DATE: JUNE 14, 1988

Things have been moving along quickly on the current bond financing, so it seemed appropriate at this time for an update on where things stand. We are in the midst of finalizing cash flows for all the issues affected in this resolution as well as an independent cash flow for the 1988A issue as a stand alone. We are also finishing the narrative and financial statements for the official statement (O.S.) to be released in conjunction with the new issue. The important upcoming dates for the issue and events are as follows:

1. 6/15, Wednesday.-Due Diligence, bond attorneys will be here to check on us for compliance with existing rules and regulations.

2. 6/16, Thursday.-Conference call, to the Board to inform them of the projected deal and seek approval to mail the Preliminary Official Statement (P.O.S.) to interested investors.

3. 6/17, Friday.-P.O.S., Mailing of the preliminary statement to potential investors.

4. 6/28, Tuesday.-Pricing, Drexel will seek orders at the scale of prices that they determine meets the market and inform the Agency of the resulting mortgage rate. At this time the Board will be asked to approve the sale of bonds based on meeting the pricing scale.

5. 6/30, Thursday.-Board Meeting, at this meeting the sale of the bonds should take place, assuming agreement with the deal and acceptable mortgage rate, etc. Drexel will give us a 10% Good Faith deposit on the deal.

6. 7/13 & 7/14, Wednesday & Thursday.-Closing. At this time all documents are signed, all agreements are in place and the Agency receives the balance of the proceeds on the deal. Money will be available to buy mortgages and **WE'RE DONE.**

In looking at all these things we have been tracking a dual scenario for choices of financing. One choice is a standard vanilla deal and the second is a deal for tender option bonds. Further explanation of a tender option bond deal is that it is a way to sell the bonds at a lower rate because you have a bank setup who will purchase the bonds from the holders at any point in time. They of course charge a fee for this service and we must also make a concession to them to sell them 1/2 of the tender option bonds and also pledge to pay them all of the expected prepayments collected. A further delineation of the differences between the different structures follows on page 2.

	STANDARD BOND STRUCTURE	TENDER OPTION BOND STRUCTURE
MORTGAGE RATE	9.25	9.05
AGENCY CONTRIBUTION	$70,000	-0-
LETTER OF CREDIT	$500,000	$275,000
LOAN LOSS FUND	$225,000	$225,000
PRES VALUE INCOME	13,000	$56,500

$15,000,000*

VERMONT HOUSING FINANCE AGENCY
Home Mortgage Purchase Bonds, 1988 Series A

This Official Statement of the Vermont Housing Finance Agency (the "Agency") is provided for the purpose of setting forth information concerning the Agency; its Home Mortgage Purchase Bonds, 1988 Series A to be issued in the principal amount of $15,000,000* (the "1988 Series A Bonds"); its Home Mortgage Purchase Bond Resolution adopted on July 8, 1983, authorizing the issuance of Home Mortgage Purchase Bonds (the "General Resolution"); and its Series Resolution Authorizing the Issuance and Sale of Home Mortgage Purchase Bonds, 1988 Series A, adopted on June __, 1988 (the "Series Resolution"). The General Resolution and the Series Resolution are sometimes collectively referred to herein as the "Resolutions." Certain terms not defined elsewhere in this Official Statement are defined in the "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION."

INTRODUCTORY STATEMENT

The 1988 Series A Bonds will be the seventh series of Bonds issued and secured under the provisions of the General Resolution and will be issued in accordance with the provisions of the Resolutions and the Vermont Housing Finance Agency Act, being No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (the "Act"). The 1988 Series A Bonds will be equally and ratably secured with $29,205,272 principal amount of Home Mortgage Purchase Bonds, 1983 Series A (the "1983 Series A Bonds"), $28,596,385 principal amount of Home Mortgage Purchase Bonds, 1983 Series B (the "1983 Series B Bonds"), $47,830,707 principal amount of Home Mortgage Purchase Bonds, 1984 Series A (the "1984 Series A Bonds"), $41,878,509 principal amount of Home Mortgage Purchase Bonds, 1985 Series A (the "1985 Series A Bonds"), $47,226,625 principal amount of Home Mortgage Purchase Bonds, 1985 Series B (the "1985 Series B Bonds") and $28,715,806.50 principal amount of Home Mortgage Purchase Bonds, 1987 Series A (the "1987 Series A Bonds") issued by the Agency under the General Resolution in July 1983, September 1983, July 1984, May 1985, December 1985, and July 1987, respectively. Additional series of bonds may be issued by the Agency on a parity with the 1983 Series A Bonds, the 1983 Series B Bonds, the 1984 Series A Bonds, the 1985 Series A Bonds, the 1985 Series B Bonds, the 1987 Series A Bonds, and the 1988 Series A Bonds, provided that

*Preliminary, subject to change.

each additional series is authorized by a series resolution adopted in accordance with and under the provisions of the General Resolution and the Act. The 1983 Series A Bonds, the 1983 Series B Bonds, the 1984 Series A Bonds, the 1985 Series A Bonds, the 1985 Series B Bonds, the 1987 Series A Bonds and the 1988 Series A Bonds and additional bonds issuable under the General Resolution are hereinafter sometimes collectively called the "Bonds."

The Act provides that the Agency constitutes a public instrumentality of the State of Vermont (the "State") exercising public and essential governmental functions, and the exercise by the Agency of the powers conferred by the Act is deemed to be an essential governmental function of the State. The Act authorizes the Agency to issue bonds and notes in such principal amounts as the Agency may determine. The total principal amount of bonds and notes of the Agency, including the 1988 Series A Bonds, outstanding at any one time may not exceed $[6]00,000,000. The Act permits the Agency to engage in an additional limited obligation program not subject to the debt limitation. As of December 31, 1987, the Agency had $_____ principal amount of debt outstanding, all of which is subject to the debt limitation. No additional indebtedness subject to the debt limitation has been issued by the Agency since December 31, 1987. For information regarding outstanding indebtedness see "THE AGENCY - Outstanding Indebtedness."

Pursuant to the provisions of the Act and the Resolutions, the Agency has authorized the issuance of the 1988 Series A Bonds to refund on _____, 1988 certain of the 1983 Series A Bonds, the 1983 Series B Bonds, the 1984 Series A Bonds and the 1985 Series A Bonds (the "Prior Bonds") which Prior Bonds will be called for redemption due to the receipt of certain mortgage loan prepayments. Money made available from the refunding of the Prior Bonds will be used to (i) purchase Mortgage Loans (hereinafter defined) made to finance the purchase of single family housing in the State by Persons and Families of Low and Moderate Income (hereinafter defined), [(ii) deposit in the Bond Reserve Fund the amount necessary to cause the amount on deposit in said Fund to equal the Bond Reserve Requirement, (iii) deposit in the Loan Loss Claim Fund the amount necessary to cause the amount on deposit in said Fund to equal the Loan Loss Claim Fund Requirement] (iv) deposit money in the Capitalized Interest Account to pay a portion of the interest on the 1988 Series A Bonds, and (v) deposit money in a Cost of Issuance Account to pay certain expenses of the Agency. The total amount contributed by the Agency for the foregoing purposes is expected to be $_____.

The Bonds will be secured, to the extent and as provided in the Resolutions, by a pledge of (a) Revenues, (b) Mortgage Loans financed under the Resolutions, and (c) all money in the funds and accounts pledged under the Resolutions (other than the Rebate Account). In addition, the Bonds are, or upon issuance will be, general obligations of the Agency payable from any of the Agency's revenues, money or assets, subject to agreements heretofore or hereafter made with holders of obligations of the Agency, other than the Bonds, pledging particular revenues, money or assets for the payment thereof. Pursuant to the Act, the principal or redemption price, if any, of and interest on the Bonds are payable solely from the revenues or assets of the Agency, which has no taxing power. The State is not obligated to pay the principal of the Bonds or the interest thereon, and neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal or redemption price, if any, of or the interest on the Bonds. There is no statutory provision for the maintenance of any funds or accounts pledged under the Resolutions.

THE AGENCY

Purpose and Powers

The Agency was created as a body politic and corporate of the State. Under the Act the purpose of the Agency is to promote the expansion of the supply of funds available for mortgages on residential housing and to encourage an adequate supply of safe and decent housing at reasonable costs.

Under the Act the Agency has the power to, among other things, make loans to housing sponsors and mortgage lenders and purchase mortgage loans from mortgage lenders to finance the making of new residential mortgage loans and rehabilitation mortgage loans for the benefit of persons and families of low and moderate income, include in any borrowing amounts to pay Agency expenses necessary or incident to such borrowing, issue bonds and notes, and do any and all things necessary or convenient to carry out its purposes.

Management

The powers of the Agency are vested in seven commissioners, consisting of the State Commissioner of Banking and Insurance, the State Treasurer, the Secretary of Development and Community Affairs, or their designees, and four members appointed by the Governor with the advice and

consent of the State Senate. The appointed commissioners serve for terms of four years or until a successor is appointed and qualified.

The present commissioners are:

HORACE B. SHAW, JR. - Chairman, term expires February 1, 1992. Mr. Shaw is a Director of the Bank of Vermont, a former member of the board of directors of the Federal Home Loan Bank Board of Boston and Treasurer of the Vermont Educational and Health Buildings Financing Agency. Mr. Shaw is a former President and Treasurer of the Bank of Vermont, and a former President of the Vermont Bankers Association.

RUSSELL HAHN - Term expires February 1, 1991. Mr. Hahn has been the publisher of New England Builder since 1985. Mr. Hahn was an independent housing consultant from 1980 to 1985 and was formerly Deputy Director of the Vermont State Housing Authority from 1978 to 1980.

RICHARD A. MYETTE - Term expires January 31, 1990. Mr. Myette is a real estate consultant and President of RAM Realty and Appraisal Associates. Mr. Myette is a former member of the Vermont House of Representatives and a former Director of the Vermont Municipal Bond Bank.

GUSTAVE SEELIG - Term expires February 1, 1989. Since 1987, Mr. Seelig has been Executive Director of the Vermont Housing and Conservation Board. From 1982-87 he was Executive Director of the Central Vermont Community Action Council. Mr. Seelig has served on the Energy Committee of the National Community Action Foundation since 1983 and the Central Vermont Regional Planning Commission since 1982. He was also appointed to the Governor's Task Force on Housing for 1985 and 1986.

GRETCHEN G. BABCOCK - Commissioner of Banking and Insurance, ex officio member. Ms. Babcock has been Deputy Commissioner of Banking, General Counsel to the Department of Banking and Insurance and an Assistant Attorney General. She is Chair of the Vermont Home Mortgage Guarantee Board and is a member of the Teacher's Retirement Board of Trustees.

EMORY A. HEBARD - State Treasurer, ex officio member. Mr. Hebard is a member of the Vermont Home Mortgage Guarantee Board and ex officio Director of the Vermont Municipal Bond Bank. Mr. Hebard was a member of the State Legislature from 1961 through 1976 and was Chairman of the House Appropriations Committee for the last four of such years. Mr. Hebard is a former real estate appraiser and broker.

ELBERT G. MOULTON, Secretary of Development and Community Affairs, ex officio member. Mr. Moulton has been Special Assistant to Governor Deane C. Davis, Executive Director of the Brattleboro Area Chamber of Commerce, Executive Vice President of the Greater Rutland Chamber of Commerce, Vermont's first Secretary of Development and Community Affairs, and Director of the Brattleboro Development Credit Corporation.

The following are the principal staff members of the Agency:

ALLAN S. HUNT is Executive Director of the Agency. He was formerly Chairman of the Agency (1985-1986). Mr. Hunt was formerly Deputy Director and Director of Financing for the California Housing Finance Agency (1982-1984), Executive Director of the Vermont Housing Finance Agency (1976-1982), Director of Development of the New England Nonprofit Housing Development Corporation and a Housing Specialist for the Department of Housing and Urban Development.

ROGER A. SCHOENBECK is Director of Finance for the Agency. Mr. Schoenbeck is a certified public accountant and a member of the American Institute of CPA's and the Vermont and New York State Societies of CPA's. Prior to joining the Agency in 1982, he was an officer of the public accounting firm of Bach & Schoenbeck, P.C., located in Norwich, New York. He received his BS in business administration from the State University of New York at Buffalo in 1971.

DOUGLAS R. LOTHROP is Director of Operations for the Agency. Mr. Lothrop was previously with the Agency as Loan Service Supervisor (1983-1985) before accepting a position with the Peoples Trust Company of St. Albans, Vermont (1985-1986). Prior to joining the Agency in 1983, Mr. Lothrop was Vice-President, operations for the Marble Savings Bank in Rutland, Vermont. He received his BS in business administration from Norwich University in 1961, is a graduate of the Northern New England School of Banking and has completed and taught course work at the American Institute of Banking.

PATRICIA A. CRADY is the Agency's Development Coordinator. Prior to joining the Agency, Ms. Crady was a branch manager and loan originator for ComFed Mortgage Company, Inc. in South Burlington, Vermont from August 1983 to January 1985, and prior to that, Vice President and Manager, secondary market department, with the Bank of Vermont. She attended the University of Vermont.

JACKLYN R. SANTERRE is Coordinator, Single Family Programs for the Agency. Before joining the Agency she was a loan processor and office manager for the Lomas and Nettleton Company in Burlington, Vermont for 4 years.

LINDA C. WILSON is the Loan Servicing Supervisor for the Agency. Before joining the Agency, she worked in the loan servicing department at Vermont Federal Bank, FSB in Burlington, Vermont from 1979 to August 1986. She was an officer and active member of the Vermont Chapter #181 of the Institute of Financial Education.

ANN-MARIE PLANK is the Senior Loan Underwriter for Single Family Programs for the Agency. Prior to joining the Agency, Ms. Plank was Loan Officer for Malmart Mortgage Company, Inc. of Brookline, Massachusetts from October 1979 to February 1982. She is also a licensed real estate broker in Massachusetts. She received her BA from the University of Vermont in 1977 and did graduate work in business administration at Bentley College in Waltham, Massachusetts.

Currently the Agency has ___ employees who are responsible for the operation and management of the Agency's single family and multi-family programs. Of these employees, six are charged with responsibility for the single family program. Included on the staff of the Agency are professionals with experience in mortgage underwriting and portfolio and investment management.

Operations to Date

As of May 1, 1988, the Agency had financed or assisted in the development of over 12,016 housing units in the State through its various programs. Of these, approximately 2,145 units have been financed with the proceeds of bonds issued to provide funds to make multi-family mortgage loans under four general bond resolutions, 8,567 units have

been financed with the proceeds of bonds issued to provide funds to purchase single family mortgage loans under three general bond resolutions, including the General Resolution, and the balance have been financed with the proceeds of bonds issued to provide funds to make loans to mortgage lenders under two general bond resolutions and to make loans to finance the Enosburg and Canterbury Inn projects.

See Appendix I for certain statistical and financial information concerning the mortgage loans purchased by the Agency with the proceeds of $26,765,000 aggregate principal amount of Single Family Insured Mortgage Bonds issued under the Single Family Insured Mortgage Bond Resolution adopted by the Agency in 1976 (the "Insured Mortgage Bonds"), $172,330,000 aggregate principal amount of Single Family Mortgage Purchase Bonds issued under the Single Family Mortgage Purchase Bond Resolution adopted by the Agency in 1978 (the "Mortgage Purchase Bonds"), and the 1983 Series A Bonds, 1983 Series B Bonds, 1984 Series A Bonds, 1985 Series A Bonds, 1985 Series B Bonds and 1987 Series A Bonds (collectively sometimes referred to as the "Home Mortgage Purchase Bonds"). Such information is not necessarily indicative of the results that may be expected from the mortgage loans purchased with the proceeds of the 1988 Series A Bonds. Moreover, the mortgage loans purchased with the proceeds of the Insured Mortgage Bonds and the Mortgage Purchase Bonds are not pledged as security for the Bonds, and no revenues or proceeds derived from mortgage loans purchased with the proceeds of the Insured Mortgage Bonds or the Mortgage Purchase Bonds or reserves established therefor may be used to pay the principal of or interest on the Bonds.

Pursuant to the Act and its agreements with bondholders, a substantial portion of the Agency's assets are pledged to secure specific obligations or are otherwise restricted. The Agency maintains separate restricted funds for each of its programs financed by the issuance of bonds under a particular general bond resolution. Such funds and programs have separate sets of self-balancing accounts set up in accordance with the Act and the various general bond resolutions. Assets and revenues of such funds and programs are restricted by various resolutions and agreements and are not available in any manner other than as provided in the various general bond resolutions adopted by the Agency for its programs. Money in excess of restricted fund requirements is transferred periodically from these restricted funds to the General Fund. All of the Agency's outstanding bonds are general obligations of the Agency secured by and payable from any of the Agency's revenues, moneys or assets, including the General Fund, subject to agreements heretofore or hereafter

made with holders of notes and bonds that pledge particular revenues, money or assets for the payment thereof. The Agency has not pledged any money in the General Fund to the payment of any particular bonds of the Agency.

The General Fund balance is affected by operations of the Agency as well as transfers from or to any of the Agency's restricted funds under its general bond resolutions. Operating expenses of all of the Agency's programs are charged to the General Fund. At December 31, 1987, the Agency had a General Fund balance of $_____. For more information concerning the General Fund balance and the balances of the Agency's restricted funds see Appendix II.

Other Agency Programs

On December 23, 1987, the Agency elected to convert a portion of a prior year's qualified mortgage bond authority into mortgage credit certificate authority, and began issuing mortgage credit certificates as of January 1, 1988. Such mortgage credit certificates must pertain to mortgage loans made on or before December 31, 1988. The aggregate principal amount of mortgage loans pertaining to such certificates shall not exceed $61,435,693. The mortgage credit certificate program has substantially similar income and purchase price limitations as the Mortgage Loans to be financed with the proceeds of the 1988 Series A Bonds. No Eligible Borrower is permitted to obtain both a Mortgage Loan and a mortgage credit certificate from the Agency with respect to the same mortgage loan.

On August 14, 1987, the Agency entered into an agreement to participate with the Farmers Home Administration in a housing finance program, by making up to $2,500,000 of funds held pursuant to the 1976 Single Family Insured Mortgage Bond Resolution available for the purchase of mortgage loans. The interest rate on those loans will be significantly lower than the interest rate on the mortgage loans to be financed with the proceeds of the 1988 Series A Bonds, and the program will have lower income limitations than the 1988 A Program (hereinafter defined).

The Agency has committed up to $350,000 of General Fund money for the purpose of making loans to homeowners pursuant to a home energy conservation program and to administer an energy conservation program to be funded from a loan made to the Agency by another State agency. In addition, the Agency also expects to make $150,000 of loans to homeowners with amounts in the General Fund pursuant to a home energy conservation program in which a lender will originate

the loan and a local utility company will buy down the interest rate. All of the loans in these home energy programs will be guaranteed by the Vermont Home Mortgage Guarantee Board.

The mortgage credit certificate program and the Farmers Home Administration program mentioned above are programs designed to assist persons and families of low and moderate income in the State to obtain affordable housing. Although each of those programs differs from the 1988 A Program in many respects, there may be potential borrowers for the 1988 A Program who will qualify and prefer to borrow under one of these other programs rather than the 1988 A Program. The Agency has taken into consideration the existence and effect of these programs in determining the aggregate principal amount of the 1988 Series A Bonds to be issued. Accordingly, the Agency believes that the existence of these programs will not have a material adverse effect on the ability of the Agency to purchase Mortgage Loans under the 1988 A Program. There are many other factors, including the interest rates on conventional mortgages otherwise available from mortgage lenders, that will affect the ability of mortgage lenders to originate and sell to the Agency the Mortgage Loans. Accordingly, although the Agency believes that all of the amounts available to purchase Mortgage Loans pursuant to the 1988 A Program will be used to purchase Mortgage Loans, no assurance can be given that this will occur. Pursuant to the Resolutions, unexpended proceeds of the 1988 Series A Bonds are required to be used to redeem Bonds no later than two years following the date of issuance of the 1988 Series A Bonds. See "THE 1988 SERIES A BONDS - Special Redemption Provisions."

Summary of Revenues, Expenses and Fund Balances

A summary of Revenues, Expenses and Fund Balances for the Agency's General Fund derived from the audited financial statements of the Agency for the four years ended June 30, 1984 through 1987 and from the unaudited financial statements of the Agency for the six-month periods ended December 31, 1986 and 1987, appears in the following table.

VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

Stoweflake
Mountain Road (Route 108)
Stowe, Vermont

Thursday, June 30, 1988 at 1:30 p.m.

1. Review and approval of minutes of May 26, 1988

2. Executive Director's Report

3. Operations

   A. 1987A MOVE Update [**Lothrop//Enclosure**]
   B. Approval of $200,000 loan from VHMGB to finance HEI/LP [**Lothrop//Enclosure**]

4. Development

   A. Riverside: Schedule and Authorization to explore financing alternatives [**Pond//Enclosure**]
   B. Advisory Group Recommendations re: 1988A [**Pond//Enclosure**]

5. Finance

   A. Proposed 1988-89 Budget [**Schoenbeck//Enclosure**]
   B. Discussion and Approval of Series Resolution approving the issuance of approximately $15,000,000 in Single-Family Mortgage Revenue Bonds [**Schoenbeck//Enclosure**]

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

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA

VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
Mather's Restaurant
Seven Burlington Square
Burlington, Vermont
Thursday, May 26, 1988

Present: Commissioners Shaw, Hebard, Babcock, Seelig, Eldridge (designee of Elbert Moulton), Hahn and Myette.

VHFA Staff: Mr. Hunt, Mr. Schoenbeck, Mr. Jarrett, Ms. Pond, Mrs. Parker, Mr. Lothrop, Mr. Falzone, Ms. Crady, Ms. Hope; Mr. Faesy of Energy Rated Homes of Vermont; Mr. Richardson of Housing Vermont; Mr. Kochman of F.L. Kochman, Inc.

Guests present included from Drexel Burnham Lambert: Dan Irvin, Liz Riley, Andy Gurley; from Palmer & Dodge: Walter St. Onge, Ed Tumavicus; from Orrick Herrington: Cathy Crost, Laurene St. Germain; from Shearson Lehman Hutton: Laurel Esterlein.

The meeting was called to order at 1:35 p.m.

Mr. Hunt requested that the minutes of the April 21 meeting be corrected to show that the Resolution regarding the letter of interest for Housing Vermont had been moved, seconded, and approved unanimously; Mr. Seelig also indicated to the Board that he had wanted the Board to understand the implications of the advantages and disadvantages of the negotiations with Don Taranelli, as expressed on Page 3 of the April 21 minutes, and did not intend for his remarks to sound as though the Trust Fund was denying funds or support. After a motion duly made and seconded, the minutes of the April 21 meeting were accepted with the above stated corrections.

Mr. Lothrop then offered an update of the 1987A MOVE Program as per his report included in the Board packet, and Mr. Hunt's memo to the Board ("1987A Mortgage Purchase Program," dated 05/13/88). Mr. Shaw requested that delinquency statuses be reflected in the full report to be offered to the Board at the June meeting.

Mr. Schoenbeck offered a "Budget Update through April 1988," as detailed in his memo dated 05/20/88 and included in the Board packet. He reported that VHFA is reasonably within budget categories in all areas. Mr. Schoenbeck further assured the

Board that 1988-89 budget recommendations would be presented to the Board prior to the June meeting, to allow time for a review. The Board was encouraged to be a part of the budget planning process. Mr. Hahn inquired if there were any areas of concern, where the budget is unreasonably off target, and was assured by Mr. Schoenbeck that it might appear so if only the percentages were considered, but dollarwise VHFA is on target.

A preliminary discussion of "1988A Bond Financing Considerations" was led by Mr. Schoenbeck who referred the Board to his memo dated 05/19/88 and included in the Board packet. Mr. Gurley distributed a "Presentation to the Board of Directors," dated 05/26/88, for the Board's review. He then briefly recapped the discussions that the "Bond Group" (as detailed in the "guest" listing above) had been having with members of VHFA staff during a meeting earlier that day.

Mr. Schoenbeck indicated that he felt a small ($15-20 million) bond issue was appropriate at this time to assure continuation of mortgage funds during the summer. Approximately $3 million of 1985B funds have already been committed to the continuation of the current program.

A number of options on how to structure the bond issue were discussed, including using refunding bonds to minimize rate and expense. Mr. Schoenbeck indicated that costs of the issue would depend on the size and structure of the financing. After extensive discussion regarding the need and appropriateness for this money, and the pros and cons of doing a larger issue sooner, a motion was made, seconded, and unanimously approved to pursue a bond issue of approximately $15 million, with a structure reflecting the minimum VHFA contribution consistent with a rate of less than 10%, details subject to a conference call and final approval at the next Board meeting.

In further discussion, Mr. Hebard indicated that the State Treasurer's office had funds that would be available that might be accessible for the purpose of a line of credit for VHFA. A separate motion was duly made and seconded authorizing Staff to investigate the possibility of up to $3 million in a line of credit from a bank (to be determined) or through the State Treasurer's office. This motion passed unanimously, with Mr. Shaw and Ms. Babcock abstaining.

The Board then asked for the Executive Director's report, and Mr. Hunt reminded the Board that the National Council of State Housing Agencies (NCSHA) would be holding a conference for HFA Executive Directors at Topnotch in Stowe June 28-30. An agenda will be sent to the Board once it is made available from

NCSHA. The Board is invited to join the conference attendees for a Thursday night dinner, June 30.

Mr. Hunt then informed the Board that he had received a scholarship of $5,000 to attend the "Program for Senior Executives in State and Local Government July 10-29 at Harvard University. The total cost would be $5,700, plus a paid leave of absence; after a motion duly made and seconded, the Board unanimously approved the $700 payment by VHFA as well as the paid leave of absence.

Mr. Hunt also reported on continuing discussions with the Federal National Mortgage Association (FNMA), which had included discussions of a pricing schedule to purchase securities backed by Section 8 projects. Another option would be that these would be sold through underwriters. During these discussions, the FNMA representative suggested that VHFA become a direct lender. Staff will provide further information to FNMA and Drexel, and provide the Board with further details at future Board meetings.

Next, an update of the negotiations with Donald Taranelli regarding the various "Gates" projects was offered by Mr. Hunt, who assured the Board that Mr. Taranelli and his associate, Bernard Gilhuly, had been responsive to all of Staff's requests for information regarding the projects. However, Mr. Hunt cautioned the Board that there was a potential conflict of interest with the Northgate project in Burlington, regarding VHFA's interest in the entire "Gates" package, and the Northgate Task Force's interest in Northgate only. Mr. Hunt reminded the Board that he has been a member of the Northgate Task Force since it was created. The Task Force is requesting the right to have designated representatives present at all negotiations regarding the Northgate project; the seller does not want so many individuals (and their respective lawyers) involved in the basic negotiations.

A lengthy discussion followed, during which the Board did not vote, but agreed that an extension of the six-month commitment would be necessary in order for VHFA to continue negotiations in good faith. Mr. Seelig cautioned the Board and Staff that city and state government administration should be involved in the ultimate decision of continuing the projects as rentals or converting them to some form of ownership.

Mr. Faesy then offered a brief review of "Continued funding of Energy Efficient Mortgage Program, as per his memo dated 05/20/88 and included in the Board packet. Mr. Hunt explained to the Board that it has been a hard program to sell, but it is doing well. Mr. Faesy informed the Board that 17% of the ratings had generated loans. After a motion duly made and seconded, it

was unanimously agreed to commit $64,000 for continuation of this program through 1990.

Next, Mr. Hunt advised the Board that VHFA had submitted an application for the Robert Wood Johnson Foundation grant for an Elderly Support Services Program. Mr. Hunt cautioned the Board that Staff had submitted the application knowing that full staff resources for such a program are not in place, and the application was not in the VHFA Business Plan. Mr. Shaw stated that he felt it was a "good idea," and Mr. Hahn expressed his congratulations on Staff's initiative. Mr. Falzone assured the Board that Staff has had contact with various statewide offices serving the elderly, and that when the results of the application are known in November, the Board would be informed.

The "Loan Originators Survey," as detailed in Ms. Crady's memo of 05/19/88, included in the Board packet, was discussed next, and several graphs were distributed to the Board. Ms. Crady advised the Board that VHFA is pleased with the high response from lenders, and assured the Board that VHFA intends to have lender input on every new program; the survey will be conducted annually.

Mr. Jarrett offered an update on legislative matters of interest to VHFA.

A Funding Agreement for Housing Vermont, as well as a memorandum from Mr. Kochman and a proposed Resolution regarding this Agreement, was then distributed for the Board's review. Mr. Richardson reported that Housing Vermont had been incorporated as of last week, and was in need of funds. Mr. Richardson further described the projects under consideration by Housing Vermont, and informed the Board that Elizabeth Mullikin had been hired as a consultant. After a brief discussion, it was moved and seconded that the Resolution be adopted as written; this was unanimously approved. After a further motion and second, it was unanimously approved to pay $30,000 (subject to the signing of S.326 by the Governor) to Housing Vermont in order to become a sustaining member.

After a brief discussion regarding the Randall project in Burlington, and following a motion duly made and seconded, it was unanimously agreed that since Mr. Hunt is on the board of the Burlington Housing Authority (BHA), Mr. Lothrop and Mr. Falzone were designated to sign the management agreement for the 11-unit project which is being sold to BHA.

Ms. Pond then reminded the Board that the second Nonprofit Conference was being held June 8 at Ascutney. Posters and

details were distributed to the Board, and the Board was invited to attend.

After clearing the room of all but the Board, and upon a motion duly made by Ms. Eldridge and seconded by Mr. Hahn, it was unanimously agreed to go into Executive Session. During the course of the Executive Session personnel matters were discussed, but no action was taken. After a motion duly made by Mr. Hebard and seconded by Mr. Seelig, it was unanimously agreed to end the Executive Session.

There being no further business, and following a motion duly made and seconded, the meeting was adjourned at 4:35.

Respectfully submitted,

Allan S. Hunt
Secretary

RESOLUTION AUTHORIZING EXECUTION OF FUNDING AGREEMENT

WITH

HOUSING VERMONT

RESOLVED: The Executive Director is authorized to execute a "Funding Agreement" with Housing Vermont, a nonprofit corporation, committing the Agency to provide funds in the amount of $2,000,000 payable in aggregate annual amounts not exceeding $1,000,000 in 1988, $500,000 in 1989, and $500,000 in 1990, substantially in the form presented to the Commissioners of the Agency at its meeting of May 26, 1988, with such modifications as to terms (other than the committed amount and the annual amounts) as the Executive Director in his discretion shall deem appropriate.

FURTHER RESOLVED: After execution and delivery of the Funding Agreement, the Executive Director is authorized and directed to fulfill the obligations of the Agency thereunder, and in connection therewith the Executive Director shall have the authority to approve Housing Vermont operating budgets on behalf of the Agency and to determine compliance with all other conditions of Advances under the Funding Agreement.

I 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 VHFA held May 26, 1988.

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

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Operations

SUBJECT: 1987A Report

DATE: June 23, 1988

RESERVATIONS

Reservations are being received at a continued rapid pace throughout the month of June. The figures show that the weekly average of reservations received in the last two months is over 1.1 million dollars as compared to 564 thousand dollars per week for the first ten months of the 1987A program.

I do not believe that there is one single reason for this increased activity, however I think the major push stems from the fact that we are in the traditional buying season and that there is a fear of rising interest rates. The most difficult phenomenon to explain is that in the first ten months of the program, we were told that one of the main reasons our program was not going as well as expected was the fact that there was a shortage of product. For whatever reason, this does not seem to be the case at this time.

Total reservations to date, excluding those for the 1987A program, are approximately 6.7 million dollars.

INTEREST RATES

Over the past several months, mid-March in actuality, fixed 30-year mortgage rates showed a steady increase of seventy-five basis points rising from 10% to 10.75. Over the last two weeks these rates have dropped by ten basis points. It is early to call this a trend and from what I read the analysts feel that a drop in interest rates is of a short term nature.

ORIGINATIONS

As of the last purchase date, we had fallen behind in our origination schedule by 1.2 million dollars. However, this was not caused by a lack of delivery of loans to be purchased, but rather that a high number of loans could not be purchased due to defects in the packages. The most common defects are: 1. No mortgage insurance or guarantee certificate,

2. Missing documentation, and 3. Documents completed incorrectly. The focal point is that the above defects are correctable and we will be purchasing these loans. It is my opinion that come Sept. 1st, which is the last scheduled purchase date, we will be on target.

DELINQUENCIES - OVER 95% LOAN-TO-VALUE MORTGAGES

Ending this brief update on a positive note, as of this date we have no past due loans in the over 95% loan-to-value pilot program. In the 1987A program as a whole, as of the last report date of May 31, 1988, we had only one loan reported delinquent and that was in the 30 day category.

To actually determine what effect the pilot program has on delinquencies, we will have to do an analysis in approximately one year. We will make a report to the board at that time and, in the meantime, will monitor the situation and bring to the board's attention any major increase in delinquency activity on loans in the pilot program.

AS OF: 06/23/88
PAGE NO. 1

Vermont Housing Finance Agency
1987 Series F - $25,000,000 HOME MORTGAGE PURCHASE PROGRAM
Status Report (with percent of pool proceeds approved)
Rate : 9.700%
Date : 06/23/88

Lender		Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans Delivered
Bank of Vermont		$1,303,905	5.2%	$1,294,545	5.0%	$931,913	$[illegible]
Bennington Coop Savings & Loan Assn Inc		$53,800	0.2%	$53,800	0.2%	$0	$53,800
Bradford National Bank		$93,250	0.3%	$93,250	0.3%	$60,000	$33,250
Caledonia National Bank of Danville, The		$489,000	1.9%	$489,000	1.9%	$367,459	$1,151,851
Chittenden Trust Company		$3,867,389	15.4%	$3,764,909	15.0%	$2,340,695	$1,141,515
Commonwealth Mortgage Company, Inc		$101,400	0.4%	$101,400	0.4%	$101,400	$0
Community National Bank		$618,812	2.5%	$616,982	2.4%	$613,982	$0
First Northern Mortgage Corporation		$426,542	1.7%	$396,601	1.6%	$69,200	$[illegible]
First Twin-state Bank		$263,434	1.0%	$263,434	1.0%	$[illegible]	$[illegible]
Franklin-Lamoille Bank		$126,985	0.5%	$126,985	0.5%	$35,900	$91,085
Granite Savings Bank and Trust Company		$80,250	0.3%	$80,250	0.3%	$49,400	$30,850
Howard Bank, National Assn, The		$2,451,273	9.8%	$2,451,273	9.8%	$2,099,603	$351,670
Lyndonville Savings Bank & Trust Company		$148,090	0.5%	$148,090	0.5%	$148,090	$0
Marble Bank		$745,938	2.9%	$745,938	2.9%	$[illegible]	$[illegible]
Merchants Bank, The		$1,409,985	5.6%	$1,377,885	5.5%	$1,[illegible]	$ 41,085
Middlebury Savings & Loan		$37,975	0.1%	$0	0.0%	$0	$0
National Bank of Middlebury, The		$159,425	0.6%	$159,425	0.6%	$159,425	$0
New England IBM Employees Fed Crdt Union		$350,333	1.4%	$350,333	1.4%	$284,308	$66,025
Northfield Savings Bank		$594,030	2.4%	$584,030	2.3%	$[illegible]	$[illegible]
Passumpsic Savings Bank		$1,197,769	4.7%	$1,197,769	4.7%	$918,869	$[illegible]
Peoples Trust Company of St Albans		$599,845	2.3%	$530,045	2.1%	$[illegible]	$[illegible]
Proctor Bank		$345,900	1.5%	$353,900	1.4%	$[illegible]	$[illegible]
Randolph National Bank		$164,500	0.6%	$164,500	0.6%	$102,750	$[illegible]
Union Bank		$276,670	1.1%	$276,670	1.1%	$[illegible]	$[illegible]
Valley Bank		$49,400	0.1%	$0	0.0%	$0	$0
Vermont Federal Bank, FSB		$6,001,364	24.0%	$5,660,114	22.6%	$4,304,[illegible]	$1,[illegible]
Vermont Mortgage Group, Inc		$1,440,454	5.7%	$1,371,604	5.4%	$1,160,112	$ 03,492
Vermont National Bank		$1,356,728	5.4%	$1,356,728	5.4%	$1,[illegible]	$[illegible]
TOTALS	483 Loans	$24,844,512	99.3%	$23,886,560	95.5%	$19,481,95[illegible]	$ 4[illegible]

Vermont Housing Managers Association
3 Cathedral Square
Burlington, Vermont 05401

Dist to Bd 6/14
TO CORE 6/14
RECEIVED
JUN 10 1988
VHFA

June 9, 1988

Commissioners
Vermont Housing Finance Agency
1 Burlington Square
Burlington, Vermont 05401

Re: S.279 - Federally Subsidized Rental Housing Project Bill

Dear Commission Members:

As the President of the Vermont Housing Managers Association, I would like to express our extreme disappointment and dismay concerning the position which VHFA took in support of S.279.

This Bill, as it was proposed and amended (until its final amendment), had extremely unfavorable consequences to federally subsidized housing projects in the State of Vermont.

Our Association believes that the future of effective subsidized housing in Vermont can only be achieved by an active cooperative partnership between the owners and managers of these projects and the federal and state agencies which administer the programs.

We do not think S.279, as it was proposed and pursued, is in any respect consistent with that partnership concept.

Equally disturbing is the fact that before taking a formal public position concerning this Bill, your agency did not elicit comment from the Housing Managers Association's representatives or from the owners of the projects as a group.

The consensus of our Association membership is that proposals like S.279 radically change the nature of the commitment which the owners of these projects made when the contracts were negotiated. We certainly wish that we had been given the opportunity to give you our input before your formal endorsement of the proposal.

In the future, we would appreciate being made aware of proposed action by the Agency concerning its position on legislative proposals of this nature.

Very truly yours,

Greg Gallagher, President
Vermont Housing Managers
Association

VERMONT HOUSING FINANCE AGENCY

August 10, 1988

TO: VHFA Board of Directors

FROM: Meg Pond, Director of Development

RE: Riverside Development Status Report

At a meeting on Tuesday, August 9, VHFA staff and legal counsel met to review the Riverside Project progress. Upon review and extensive discussion, we decided to recommend to the Board on Thursday, August 11, that no new action (i.e. changes to the commitment letter) be taken on the project. This in effect will result in "mothballing" the project until Spring 1989 or some other alternative, depending upon the interests of Housing Vermont, Lake Champlain Housing Development Corporation, and the Davis Company.

The timing of several elements contributed to this "hold" recommendation. Last week proposed legislation came out of a Congressional committee that would retroactively prohibit most banks from investing in real estate, thereby jeopardizing the equity capital of $1,050,000 that was being raised for this project. While the action is only that taken by the Banking Committee of the House of Representatives, any such cloud on the proposed equity would raise serious concerns on the part of VHFA's bond counsel, not to mention Housing Vermont and all of the other participating parties.

Additionally, and also of serious concern, the September 1st deadline for the commencement of the sitework imposed by the Act 250 requirements appears to be an impossible date to meet. Documentation needed for closing has not been as forthcoming as needed for adequate VHFA counsel and bond counsel review.

Timing also is the issue relating to the developer's proposal that VHFA provide financing prior to the sale of the bonds for the project. As was noted in the Riverside Status Board packet memo for the August 11 meeting, providing financing prior to the bond sale would be an unprecedented action for VHFA, which would take special and serious consideration.

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There are several other considerations which staff believes can be worked out to the advantage of the project, given a better time frame. Allan and I have been in contact with Burlington, Housing Vermont, and Lake Champlain Housing Development Corporation representatives and are intending to work towards a resolution that will preserve the HODAG funding. As yet it is unknown what the response will be to our recommendation.

In sum, the overall risks of proceeding on the project at this time, in the view of the staff, are unacceptable and thus our recommendation.

VERMONT HOUSING FINANCE AGENCY

September 12,1988

Ms. Jean Gauthier
Pavilion Office Building
Montpelier, VT 05602

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its monthly Board Meeting on Thursday, September 22, 1988, at 1:30 p.m., here at the office, One Burlington Square, Burlington, Vermont.

If you have any questions or require any additional information, please do not hesitate to contact me.

Sincerely,

Barbara Parker

Barbara Parker
Executive Assistant

/bp

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VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: September 15, 1988

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt ASH

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. It will be held on Thursday, September 22 1988, at 1:30 p.m., here at our office, One Burlington Square, Burlington. A buffet lunch will be provided at 1:00 at the same location.

If you need any further information regarding the upcoming Board meeting, please feel free to contact me. I look forward to seeing you in Burlington September 22.

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VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont

Thursday, September 22, 1988 at 1:30 p.m.

1. Review and approval of minutes of August 11, 1988

2. Executive Director's Report

3. Operations

   A. 1988A Update [**Lothrop//Enclosure**]
   B. Robert Wood Johnson Grant Status [**Lothrop//Enclosure**]

4. Development

   A. At Risk Task Force Report [**Pond//Enclosure**]
   B. Richford Elderly Housing Request [**Hunt//Enclosure**]
   C. Riverside Update [**Pond//Enclosure**]
   D. Secondary Market/Business Plan [**Pond//Enclosure**]

5. Finance

   A. Year End Financials [**Schoenbeck**]
   B. Paying Agent Transfer Resolution [**Schoenbeck//Enclosure**]

7. 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 Commissioner of Banking and Insurance
89 Main Street
Montpelier, Vermont
Thursday, August 11, 1988

Present: Commissioners Shaw, Hebard, Babcock, Seelig, Holmes (designee of Elbert Moulton), Myette (via speaker-phone), and Hahn.

VHFA Staff: Mr. Hunt, Mr. Schoenbeck, Mr. Jarrett, Ms. Pond, Mrs. Parker, Mr. Lothrop, Ms. Crady, Ms. Hope; Ms. Russell of VHMGB.

The meeting was called to order at 1:40 p.m.

Upon a motion duly made and seconded, the minutes of the June 30 meeting were unanimously accepted as written.

Chairman Shaw then indicated that as this was the Annual meeting of the Agency, it would be appropriate to receive nominations for Vice Chairman. Mr. Hahn was nominated. There being no additional nominations, it was moved, seconded and unanimously agreed to appoint Mr. Hahn as Vice Chairman.

Mr. Schoenbeck was then nominated for Treasurer. There being no additional nominations, it was moved, seconded and unanimously agreed to appoint Mr. Schoenbeck as Treasurer.

Mr. Lothrop then offered a report on the status of 1988A, as well as other Agency programs, as per his "Program Updates" memo dated 08/05/88 and included in the Board packet.

The Board next reviewed Mr. Lothrop's memo dated 08/03/88, "Energy Savings vs. Loan Cost: HE/ILP Program," as included in the Board packet. Mr. Lothrop explained that this was an interim report, and advised the Board that in-depth reports would be provided throughout the current fiscal year.

The Board then briefly discussed Mr. Lothrop's memo dated 08/03/88, "Loan to VEIC - Cogeneration Pilot." Mr. Hunt explained that the loan was being sought by VEIC rather than Burlington Housing Authority since the Department of Housing and Urban Development (HUD) does not allow local housing authorities to borrow funds. Responding to a question from Mr. Hahn, Mr.

Hunt further explained that environmental concerns would be considered. Mr. Hunt also emphasized that the proposed cogeneration project has been favorably reviewed at all HUD levels, including Washington, D.C. After a motion was duly made and seconded, it was unanimously agreed that the Board approve the loan request for $116,000 to VEIC, and that the Executive Director be authorized to implement the loan on such conditions as he may feel appropriate.

Mr. Lothrop then led a discussion of his memo dated 08/03/88, "Condominium Approval - Conversion: Otterside Apartments to Otter Creek Condominiums," and cautioned the Board that any action on this issue would be precedent-setting, as there is a condominium conversion policy already adopted by the Board. During this discussion, Ms. Babcock advised that the Board should risk criticism by saying no; Mr. Hebard added that since there had been no application to the Agency prior to a conversion to condominiums, the Agency should not approve the condominiums for financing. No formal Board action was taken, but staff was instructed to get more information on the status of the tenants.

Mr. Hunt then offered his Executive Director's report, informing the Board that the three-week seminar for Executives in State and Local Government, held at Harvard, had been very worthwhile. Regarding the recent 1988A Bond Issue, Mr. Hunt again expressed his appreciation to the staff, and to Mr. Schoenbeck in particular, for all of the effort put into this transaction.

The "Riverside Development Status Report," as per Ms. Pond's memo dated 08/10/88, was distributed to the Board for review. After a lengthy discussion, during which Mr. Hunt emphasized that timing was the critical factor in any determination that the Board might make, and with Ms. Pond's assurance that the developer is reluctantly willing to wait until spring, Mr. Hunt advised the Board that a revised or interim plan may be presented to the Board at some time prior to spring 1989. Mr. Hunt also advised the Board that the Commitment Letter, which has already been issued, would not be withdrawn; however, the conditions are fairly numerous and it is not anticipated that they will be satisfied before the expiration date. No formal Board action was taken.

Ms. Pond then presented a brief review of "Vermont Housing Ventures," the Agency's revolving loan fund, as per her memo dated 08/04/88, included in the Board packet. Ms. Pond advised the Board that due to staff's concern about the level of $250,000 in the loan fund, steps are being taken to identify other funding sources which would leverage the existing funds.

After reviewing Mr. Jarrett's memo, "Homeless Shelter Grant Deadline Extension," dated 08/03/88 and included in the Board packet, and following a motion duly made and seconded, the Board unanimously agreed to extend the deadline for this shelter, with the provision that it be operational by January 1, 1989.

"New Strategy and Direction for Development of Home Ownership Programs," as detailed in a memo from Ms. Pond and Ms. Crady, dated 08/04/88 and included in the Board packet, was the next topic of discussion by the Board. (In addition, Ms. Markman's memo, "Evaluation Survey Results..." dated 08/10/88 was distributed to the Board for review.) Following a brief discussion, Mr. Hahn urged the Board to allow the Development department to move forward with the plans outlined in the memorandum, with frequent status updates for the Board at future meetings.

In a related discussion, Mr. Hunt advised the Board that members of the Vermont banking community have been asking staff about plans for a Secondary Market. In view of such factors as the anticipated sunset of Mortgage Revenue Bonds (MRB's), Mr. Hunt requested the Board reconsider their earlier low prioritization of this issue. Ms. Babcock and Mr. Seelig requested a review of the Business Plan at the next Board meeting, in order to ensure that the Board is aware of what other planned activities might be affected if the Secondary Market is more highly prioritized. Ms. Babcock advised the Board that there may be other groups poised to take action toward creating a Secondary Market, and that the Agency should definitely be a part of this activity. Although there was no formal action taken, it was generally agreed by Board members that the Development department should proceed as outlined, and report to the Board at the September meeting regarding further research on the Secondary Market.

At this time Mr. Myette expressed his regrets and stated that he would not be available for the remainder of the meeting.

Mr. Hunt then discussed the ongoing problem of his degree of responsibility to the Northgate Nonprofit group. A lengthy discussion followed, during which Mr. Jarrett distributed two proposed drafts of a letter responding to the Northgate Nonprofit organization's contention that Mr. Hunt was their agent for the purpose of negotiations with the owners of Northgate; the Board did not view either draft as acceptable. After a motion duly made and seconded, the Board unanimously agreed that a subcommittee be formed to draft a response; Mr. Hahn, Ms. Babcock and Mr. Seelig were appointed to the committee, which was directed to work with Mr. Jarrett to draft an appropriate and

acceptable reponse to Northgate Nonprofit Inc., for review by the entire Board prior to distribution.

Mr. Hunt then reminded the Board of a letter from Greg Gallagher, president of the Vermont Housing Managers Association, dated June 9, 1988, regarding "S.279 - Federally Subsidized Rental Housing Project Bill." This correspondence had been received at the Agency office June 10, and distributed to the Board the same day. Following a brief discussion, Mr. Shaw directed Mr. Hunt to respond, assuring VHMA that they will be contacted on similar issues in the future.

The next Board meeting was scheduled for Thursday, September 22, 1988 in Burlington.

Upon a motion made by Mr. Seelig and seconded by Mr. Hebard, it was unanimously agreed to go into Executive Session. After a lengthy discussion, a motion was made and seconded by to end the Executive Session.

There being no further business, and following a motion duly made and seconded, the meeting was adjourned at 4:45.

Respectfully submitted,

Allan S. Hunt
Secretary

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Operations

SUBJECT: 1987A Report

DATE: September 15, 1988

As indicated by the attached report, VHFA has either committed or purchased 473 loans for a total of $24,436,120. Of this figure, we have purchased 449 loans totaling $23,265,530. This leaves 24 loans unpurchased for a total of $1,170,590.

Of the unpurchased loans, 11 for $512,683 have not been purchased as repairs needed have not been completed, 4 loans for $216,610 are new construction and have not yet been completed, 8 loans for $393,797 have not been purchased as required documentation has not been obtained, and 1 loan for $47,500 cannot be purchased as the borrower does not intend to occupy the property as a primary residence.

Based on conversations we have had with the lenders, the following is the anticipated purchase schedule of the remaining loans.

Date	Amount
10/01/88	$ 578,830
10/15/88	136,364
11/01/88	284,253
12/15/88	123,643
Total	1,123,090

In setting up the revised purchase schedule, we did not know to what extent loans would be committed to that required repairs, that documentation would not be obtained, or that a borrower would not intend to occupy the property.

Working closely with the lenders, every effort will be made to purchase these loans as quickly as possible.

STATISTICAL REPORT PROGRAM ID: 87A
SINGLE FAMILY DATABASE
LTV 0% TO 100%
EFFECTIVE: 09/15/88

Total Number of Loans:	473
Total Loan Amount:	$24,436,120
Average Loan Amount:	$51,661

EXISTING:	$21,620,414	89.8%	425 Loans
NEW CONSTRUCTION:	$2,815,706	10.1%	48 Loans
NEW DETACHED HOUSING:	$2,450,735	87.0%	41 Loans
NEW CONDOMINIUM:	$364,971	12.9%	7 Loans

Total Insured or Guaranteed Loans:	449
Loans Guaranteed by VHMGB:	445

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$53,753	$62,688	$56,907
Avg. Loan Amount	$48,562	$57,341	$51,661
Avg. Borrower Income	$25,721	$27,660	$26,406
Avg. Housing Debt-Income Ratio	24.8%	27.4%	25.7%
Avg. Total Debt	$717.36	$804.82	$748.24
Avg. Total Debt-Income Ratio	33.5%	35.0%	34.0%
Total No. of Loans	306	167	473
First Time Homebuyers	78.7%	100.0%	86.2%
% Loans with 2 or more Wage Earners	55.2%	52.0%	54.1%
% of Total Loan Amount	60.8%	39.2%	100.0%

	Loans	$ Amount	% of $ Amount	Population	% of Pop.
Addison	12	$605,753	2.5%	31,078	5.8%
Bennington	11	$619,713	2.5%	34,832	6.5%
Caledonia	46	$2,112,558	8.6%	26,552	5.0%
Chittenden	118	$6,995,511	28.6%	123,078	23.0%
Essex	6	$229,707	0.9%	6,607	1.2%
Franklin	61	$3,033,126	12.4%	36,473	6.8%
Grand Isle	6	$357,754	1.5%	5,040	0.9%
Lamoille	19	$974,054	4.0%	17,776	3.3%
Orange	19	$966,794	4.0%	23,930	4.5%
Orleans	28	$1,037,975	4.2%	23,985	4.5%
Rutland	56	$2,950,147	12.1%	59,644	11.1%
Washington	66	$3,262,822	13.4%	53,960	10.1%
Windham	5	$292,880	1.2%	39,000	7.3%
Windsor	20	$997,326	4.1%	53,045	9.9%
TOTAL	473	$24,436,120	100.0%	535,000	100.0%

* Vermont Department of Health - July 1985 Estimate

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Operations

SUBJECT: 1988A Report

DATE: September 15, 1988

As of the September 14, 1988 VHFA has in one of the four stages of origination or has purchased $11,403,836 of the $14,438,000 available for mortgage loans in the 1988A Mortgage Purchase Program.

Reservations have averaged just over a million dollars a week from the last week in July. With four weeks left in our proposed reservation schedule we will have to average approximately $835,000 in reservations to reach our goal, and this includes a 10% fallout factor. With interest rates remaining at their current level we feel confident we will meet our schedule, even taking into account the time of year.

We are seeing a slightly larger percentage of requests to finance newly constructed units as compared to previously existing units as has historically been the case (13.6% vs 10%). This is one good indicator that our economy is strong, however, the more newly constructed homes we finance the longer it requires for us to purchase the loan. The reason for this is that most of the requests to finance come to us prior to the new unit being completed and ready for occupancy. This increase, based on standard delivery assumptions, has the effect of projecting our delivery of loans out another two and a half months.

Interest in the marketplace for our financing seems to be remaining stable and I would expect it to remain so for at least the next four weeks.

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STATISTICAL REPORT PROGRAM ID: 88A
SINGLE FAMILY DATABASE
LTV 0% TO 100%
EFFECTIVE: 09/14/88

Total Number of Loans:	95
Total Loan Amount:	$5,002,328
Average Loan Amount:	$52,656

EXISTING:	$4,225,738	86.3%	82 Loans
NEW CONSTRUCTION:	$776,590	13.6%	13 Loans
NEW DETACHED HOUSING:	$378,900	48.7%	7 Loans
NEW CONDOMINIUM:	$397,690	51.2%	6 Loans

Total Insured or Guaranteed Loans:	93
Loans Guaranteed by VHMGB:	93

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$56,282	$61,874	$57,813
Avg. Loan Amount	$50,902	$57,308	$52,656
Avg. Borrower Income	$26,931	$28,411	$27,336
Avg. Housing Debt-Income Ratio	23.7%	25.5%	24.2%
Avg. Total Debt	$715.53	$763.35	$728.61
Avg. Total Debt-Income Ratio	31.8%	32.6%	32.0%
Total No. of Loans	69	26	95
First Time Homebuyers	76.8%	100.0%	83.1%
% Loans with 2 or more Wage Earners	57.9%	50.0%	55.7%
% of Total Loan Amount	70.2%	29.8%	100.0%

	Loans	$ Amount	% of $ Amount	Population	% of Pop.
Addison	2	$100,350	2.0%	31,078	5.8%
Bennington	3	$159,852	3.2%	34,832	6.5%
Caledonia	8	$358,550	7.2%	26,552	5.0%
Chittenden	14	$843,277	16.8%	123,078	23.0%
Essex	0	$0	0.0%	6,607	1.2%
Franklin	11	$574,252	11.5%	36,473	6.8%
Grand Isle	0	$0	0.0%	5,040	0.9%
Lamoille	10	$511,250	10.2%	17,776	3.3%
Orange	4	$159,079	3.2%	23,930	4.5%
Orleans	7	$283,050	5.7%	23,985	4.5%
Rutland	8	$400,000	8.0%	59,644	11.1%
Washington	14	$834,822	16.7%	53,960	10.1%
Windham	7	$391,292	7.8%	39,000	7.3%
Windsor	7	$386,554	7.7%	53,045	9.9%
TOTAL	95	$5,002,328	100.0%	535,000	100.0%

Vermont Department of Health - July 1985 Estimate

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: September 15, 1988

TO: VHFA Board of Commissioners

FROM: Samuel J. Falzone, Senior Management Officer

RE: ROBERT WOOD JOHNSON FOUNDATION GRANT APPLICATION UPDATE

At the May Board meeting we informed you of VHFA's decision to submit a grant application in response to the Foundation's call for proposals for the Supportive Services Program in senior housing, and provided you with a copy of the Grant abstract. Following a site visit in July, we were informed that our application was being favorably considered, although certain revisions and concerns needed to be clarified in a revised proposal. As of this date, we are still in the process of providing the Foundation with requested documentation; the feedback we have received indicates a strong likelihood that we will be awarded the Grant for the first year. The Foundation will then evaluate the program during the first year to determine awards for Years II and III. The total three-year Grant award is expected to be $225,000.

Susi Taylor-French, Multi-Family Management Officer, has been designated as primary VHFA liaison with the Grant committee. The nature of the revisions which differ from our original Grant application are in response to the Foundation's desire to commit fewer dollars in Year I and more in Years II and III. In order to accomplish this we have reduced the scope of activity in the first year with emphasis on planning, education and marketing of the Supportive Services Program. The total hard dollar contribution from VHFA for the three-year Grant period has not changed from the $109,000 level presented to you in May.

The Foundation's Board of Trustees will be meeting in October to make final Grant approvals. As soon as we know for sure, and are fully aware of the details as yet unresolved, we will bring the matter before you with a formal recommendation including the exact nature of VHFA's commitment.

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VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: September 15, 1988

TO: VHFA Board of Commissioners

FROM: Meg Pond, Director of Development

RE: "AT RISK TASK FORCE" REPORT

Attached is the report to you of the At Risk Task Force's findings and recommendations.

The Task Force, which started its inquiry in March 1988, consists of Sam Falzone, Susi Taylor-French, Tim Gutchell, Glenn Jarrett, Hollis Hope, and myself. We began with a previously compiled database and expanded our analysis from there. Kudos are in order for Sam, who had compiled the existing database and whose keen understanding of the Section 8 portfolio is reflected throughout the report. Indeed, although we were all active in our contribution, the report is largely authored by Sam.

Because both the quantitative and qualitative analyses are complex, we have spared you the backup data analysis. If you would like to review any of the back up information not attached to the report, or to have staff discuss the analysis, please let me know. We would be happy to arrange for a meeting at your convenience.

ACTION REQUESTED

We would like you to consider supporting the recommendations listed on Page 6.

MP578/njw

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VERMONT HOUSING FINANCE AGENCY

FOR USE BY COMMISSIONERS AND STAFF OF VHFA ONLY

TO: VHFA Board of Commissioners

FROM: At Risk Task Force: Meg Pond, Chair

DATE: September 15, 1988

RE: AT RISK ANALYSIS, VHFA PORTFOLIO

ABSTRACT

In light of this exhaustive analysis, it is our conclusion that the "At Risk Problem" has minimal impact on the continuing assisted use of the 88 VHFA-financed Section 8 rental housing properties. It has been determined that there are five projects that fall into an overall category of being at moderate risk and eight that qualify as being at low risk to a conversion. All other VHFA projects are considered to be at very low risk of conversion. The group of 13 rated as being moderate or low risk have either reached their first prepayment date or will do so by February 15, 1989. Despite this fact, no owners have notified us of an intention to convert, nor do we have reason to believe any of them are contemplating a prepayment and conversion to unassisted use. In addition, recently enacted Federal legislation severely limits an owner's right to terminate their subsidy contract prior to February 5, 1990.

It is our opinion that the probability of project conversion remains remote, even for the projects determined to be at moderate risk. This conclusion rests on the underlying actuality that being in a beneficial economic position to convert does not necessarily mean that owners will choose to convert. Other factors including additional incentives must be considered. For example, many owners have respected positions in the communities where these projects were built and have demonstrated a continued social commitment in their strong support of the Section 8 program. Additionally, due to the threat of future State and Federal restrictions, owners may be very willing to exchange a commitment to honor the total HAP Contract term of 30 to 40 years, for a redefined equity position which would produce a higher rate of return on their investment. Using this kind of incentive, we could offer the owners increased profits while protecting the nearly 2,000 units, and provision of $300 million in housing assistance payments for Vermont's low income renters.

The "At Risk Problem" may thus be seen as not so much an impending conversion problem but an opportunity to evaluate creative ideas and refinancing alternatives, appropriate for each project, aimed at keeping VHFA'S portfolio of assisted housing in balance with the ideals that provided for its creation.

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DETERMINING THE OVERALL AT RISK RATINGS

The following discussion presents a comprehensive view of the At Risk problem and attempts to introduce the myriad of factors that are critical in beginning to understand this issue.

In February of 1987 the Multi-Family staff began developing a means to determine which of the VHFA-financed Section 8 projects were "At Risk" of conversion to market rentals or condominiums. The analysis we assembled rests on an extensive data base comprised of relevant "At Risk" determinants which, when combined, help us predict which projects are in a position to prepay, refinance and/or convert to unassisted use. Over the past year we have refined and expanded our methodology to more accurately reflect the VHFA regulatory and prepayment restrictions, as well as HUD regulatory and contractual legal requirements. Detailed market rent and condo conversion cash flow models have also been incorporated in an effort to identify which owners might be tempted to opt out of the HAP Contract in favor of a more profitable conversion to alternate use. The overall at risk rating is determined by the following major factors:

1. Has the property reached its first prepayment date or will it do so within one year?

2. Is there a HAP Contract renewal term coming up within the next two years?

3. Does the property have a strong market rent and/or condo conversion potential?

4. Does the HAP Contract termination language give us less than absolute approval over a proposed opt out?

5. What is the total amount of walking cash available to the owner?

6. What are the owners motivations and social commitment?

METHODOLOGY

The attached AT RISK PROBABILITY ANALYSIS presents the most critical quantitative information to determine to what degree a project is at risk. "First Prepayment, Next HAP Renewal, and Final HAP Expiration" dates provide a framework from which the more dynamic factors such as "Market Rent and Condo Conversion Potential" can be integrated to produce an "Overall At Risk Probability" rating. Also included in the analysis is the total cash from all accounts that the owner would be entitled to take with the project after refinancing and conversion (Total Walking Cash).

The HAP CONTRACT TERMINATION RESTRICTION reflects VHFA/VSHA's level of control and approval of any proposed opt outs. There were three forms of HAP Contracts used during the program, and each gives us varying degrees of

control over a proposed termination of the subsidy contract. One version provides for renewals of five-year optional terms at the sole discretion of the owner. Projects with these contracts are rated high in the "HAP Contract Termination Factor" column. In another version of the HAP Contract, we essentially have veto power over any proposed terminations prior to the final HAP expiration date. Projects with these contracts are rated as low in their "HAP Contract Termination Factor". A third version of the contract gives us consenting authority over any proposed termination but is ambiguous as to exactly how long this control can be exercised. For this reason, we have designated projects with these contracts as moderate in the "HAP Contract Termination Factor" column.

The ratings found in the "Market Rent" and "Condo Conversion Potential" columns are based on the profit potential and economic incentives estimated in two comprehensive cash flow models. Projects with a high rating in these columns are capable of throwing off a cash return or profit from sale that far exceeds that which is being realized from the current use as Section 8 housing. This translates into a monthly cash return in the range of $50 to $100 per unit for market rent conversion, and profit from sales in the condo conversion scenario of between $18,000 and $28,000 per unit.

All five of the projects we have identified as being at moderate risk overall fit one or both of the preceding criteria. Where "Market Rent and Condo Conversion Potential" is rated moderate, the market rent cash return would generally be in the range of $10 to $40 per unit per month, and the condo conversion profit between $3,000 and $17,700 per unit. It is important to note that the walking cash available to owners adds an additional dimension of incentive to any decision regarding a conversion to alternate use. Projects with a low rating in the market rent and condo conversion columns are not economically viable for other than Section 8 use.

Our final determination of the Overall At Risk Probability rating is obtained by integrating all of the above information and predicting whether the economic incentives, contract terms, opportunities for refinancing and termination of the subsidy contract, along with the owner's motivations, dictate to what degree a project is at risk. A project that:

1. has reached its first prepayment date, or will do so within one year,
2. has a HAP renewal term coming up within the next two years,
3. demonstrates strong market rent and/or condo conversion potential,
4. contains HAP Contract termination language giving us less than absolute approval over a proposed opt out,
5. has a large total walking cash balance,and
6. has an owner with a focus only on maximizing the bottom line

would receive a higher combined overall rating of at risk probability.

We must also recognize that project owners have differing objectives and motivations. For example some owners, while welcoming opportunities to increase their annual return on equity, would not consider converting their properties to alternate use because of their strong commitment to the Section 8 program. At the opposite end of the spectrum, there are owners who would

jump at the chance to convert their projects for an increased return and/or profit opportunity. Most owners simply have not considered all of the variables and restrictions which dictate what they can or cannot do. Fortunately, this lack of understanding provides us with the time needed to evaluate the portfolio and formulate strategies in order to preserve all VHFA assisted housing units. It will also dictate how and when we decide to make the information contained in this report available to the public.

DISCUSSION

As we sort through the body of information contained in this report, it is important to acknowledge the limitations and differences of interpretation which will ultimately color how one views a particular problem or project. In addition to these concerns, the following discussion highlights several issues which may potentially affect the validity of this study.

1. The **Federal restrictions imposed by the Preservation Act of 1987**, regarding prepayments and contract terminations, are raising serious questions of Constitutional law; it is expected that a test case will be filed in court seeking a declaratory judgment and to enjoin HUD from enforcing it nationally. The validity of these challenges will put VHFA's authority to prohibit HAP Contract terminations directly on the firing line should we get a notice of non renewal from an owner. In light of the uncertainty of these federal restrictions, we will continue to rely on our control over HAP Contract terminations as a primary means of protection against opt outs.

2. The **concept of rent comparability**, and the resulting impact on Section 8 rents and rent increases continues to be an unknown. Recent federal legislation requires that new regulations on implementation and processing be published. It is evident by HUD's actions that they will continue to pursue this issue as a means of meeting the Administration's deficit reduction goals. Comparability's final outcome may affect future income levels on all projects, and our cash flow and refinancing models can notreflect to what extent or with what degree of flexibility this factor will apply. Interestingly, there has been a U.S. District Court ruling barring HUD from using comparability studies to set Section 8 rents, which extends to all projects in the Western District's jurisdiction. Also still pending is a $10 million law suit on behalf of 200-plus owners nationally who have had rent decreases as a result of comparability procedures imposed by HUD.

3. The At Risk Analysis does not reflect the **tax consequences of an owner** selling or converting their property. This level of analysis seems to be more appropriate after the higher risk properties have been identified and discussions with project owners have begun.

4. There is a certain amount of public outcry and backlash that could be expected if an owner decided to displace low income residents in order to convert to market rents or condos. This public response would be significant and might, in itself, lead to very unpleasant publicity in

addition to lengthy and costly legal challenges. We see this as another key deterrent to conversion which has not been given weight in our at risk rating.

5. The analysis projects a conventional refinancing where the owner keeps the HAP Contract in place and continues to operate the property as Section 8 housing. As you may recall, this is exactly what happened to three of our elderly projects in early 1987 (Riverview in Bellows Falls, Castleton Meadows, and Manchester Meadows). In these cases we received written commitments from the owners that they would continue to operate the housing under the Section 8 program. VSHA has continued to oversee these projects in their role as HAP Contract administrator.

6. The data generated in this analysis is not static. As decisions on legal questions are rendered, interest rates rise and fall, and market conditions change, so will the window of opportunity and level of incentives for owners. For this reason, it will be necessary to periodically update the analysis to reflect these changes.

OPTIONS

Our options are numerous and involve either direct acquisition or providing increased incentives to project owners in exchange for either a long term commitment under the program or an opportunity to cash out under favorable refinancing and/or tax recapture schemes. Some of the more likely possibilities are, in order of priority:

1. **Nonprofit acquisition utilizing tax credits**: VHFA would promote acquisition by Housing Vermont or other eligible nonprofits using the bargain sale technique in conjunction with the low income housing tax credits, Housing and Conservation Trust Fund allocations, and property tax stabilization agreements with local communities. The new owner would have to commit to the total term of the HAP Contract, as well as provide a favorable option to ensure ongoing affordability (see #4).

2. **Redefined equity position**: This method would increase the maximum allowable return on equity by either: (a) using the capitalized value of a project's cash flow as a basis for recalculating the owner's equity position, or (b) allowing restricted project cash and reserves to be used for paying down the principal balance on a loan and recognize this reduction of principal as an additional equity contribution in calculating the owner's maximum return.

3. **Project refinancing**: VHFA would refinance projects using taxable debt and provide owners with the incentives of a redefined basis for calculating return on equity and reduced regulatory oversight. Discussions have been underway with FannieMae on their underwriting criteria for a number of projects where this option looks promising.

4. **Refinancing equity take-outs**: VHFA would allow owners to refinance the accumulated equity built up over the years by market appreciation, to the

extent that the added debt service is supportable by the project's present cash flow.

5. **Limited appreciation:** Using any of the above techniques, VHFA would secure an option, where possible, to purchase the property at below market value upon expiration of the HAP Contract. The sale price would be discounted based on either the net present value or future value of the increased cash flow made available to the owner after refinancing.

6. **Lobbying efforts:** VHFA could become proactive in legislative efforts aimed at:

   A. Re-establishment of the depreciable tax basis which existed prior to the 1986 Tax Reform Act.

   B. Waiver of State and Federal Capital Gains tax when a property is sold to a nonprofit or public entity.

   C. Extension of expiring subsidy contracts and a new housing production program designed to meet the goals as outlined in each of the National Housing Acts since 1937.

RECOMMENDATIONS

1. Continue an active dialogue with the owners of properties in the higher risk categories to determine their needs, concerns and long-term objectives. Try to identify which owners may be willing to sell their properties to a viable nonprofit. Offer them any of the above options that seem most appropriate to their individual situations. In most cases the redefined equity position will provide adequate incentives to keep projects in the subsidized mode until their HAP Contracts expire. Actively seek out project owners who might be inclined to refinance their properties under the limited appreciation option to purchase model.

2. Begin the process of locking in the lower risk projects by offering them the alternative of VHFA taxable refinancing with reduced restrictions in exchange for a full HAP Contract term commitment (Multi-Family Refinancing Program).

3. Take an active leadership role, in coordination with other statewide housing related entities, in identifying and lobbying for the reintroduction of Federal and State incentives designed to keep owners of subsidized housing committed to ongoing participation in the programs.

**********AT-RISK PROBABILITY ANALYSIS**********

13-Sep-88

		I	II	III	IV	V	VI	VII	
	NUMBER OF UNITS	FIRST PREPAY DATE	NEXT HAP RENEWAL DATE	FINAL HAP EXPIRE YEAR	MARKET RENT CONVERSION POTENTIAL	CONDO CONVERSION POTENTIAL	HAP CONTRACT TERMINATION RESTRICTION FACTOR	TOTAL WALKING CASH AVAILABLE PER UNIT	OVERALL AT-RISK PROBABILITY
ST ALBANS CARR	32	15-Feb-88	30-Jan-93	2018	MOD	HIGH	HIGH	3,718	MODERATE
WOODSTOCK I	26	15-Feb-88	03-Nov-92	2020	MOD	HIGH	HIGH	3,516	MODERATE
BURLINGTON ENO	6	15-Feb-89	12-Jun-90	2010	HIGH	HIGH	MOD	3,108	MODERATE
BURLINGTON BAKER	13	15-Feb-89	03-Jun-90	2010	HIGH	HIGH	MOD	3,100	MODERATE
BURLINGTON DUGGAN	16	15-Feb-89	15-Oct-90	2010	HIGH	HIGH	MOD	2,614	MODERATE
SOUTH BURLINGTON	75	15-Feb-88	03-Jun-89	2019	MOD	HIGH	MOD	8,259	LOW
POULTNEY BROWN	14	15-Feb-88	30-Apr-88	1998	MOD	HIGH	MOD	5,246	LOW
MIDDLEBURY BICKNELL	40	15-Feb-88	18-Feb-89	2004	MOD	HIGH	MOD	5,183	LOW
ESSEX JUNCTION	64	15-Feb-88	26-Sep-89	2009	MOD	HIGH	MOD	3,418	LOW
MONTPELIER WISHCAMP	20	15-Feb-88	29-May-88	1998	LOW	MOD	HIGH	1,634	LOW
BURLINGTON RANDALL	11	15-Feb-89	31-May-91	2011	MOD	HIGH	MOD	1,609	LOW
WINOOSKI	17	15-Feb-89	02-Feb-91	2011	MOD	MOD	MOD	737	LOW
BURLINGTON HARRINGT	5	15-Feb-89	31-May-91	2011	MOD	MOD	MOD	713	LOW
BURLINGTON KSNRC	11	15-Feb-89	25-Sep-90	2010	HIGH	HIGH	MOD	7,250	VERY LOW
RANDOLPH WISHCAMPER	48	15-Feb-87	14-Sep-88	2018	LOW	LOW	HIGH	6,559	VERY LOW
MORRISVILLE	25	15-Feb-88	30-Sep-89	2009	LOW	MOD	MOD	6,024	VERY LOW
RICHFORD	24	15-Feb-88	20-Mar-90	2010	LOW	LOW	HIGH	5,567	VERY LOW
BETHEL	10	15-Feb-88	08-Apr-90	2010	LOW	LOW	MOD	5,501	VERY LOW
SWANTON BRULEY	16	15-Feb-88	06-Jul-89	2009	LOW	MOD	MOD	5,369	VERY LOW
WILLIAMSTOWN	22	15-Feb-88	30-Apr-89	2009	LOW	MOD	MOD	5,170	VERY LOW
ENOSBURG	30	15-Feb-88	08-May-90	2010	LOW	LOW	MOD	4,686	VERY LOW
NORTHFIELD	20	15-Feb-88	03-Jun-89	2009	LOW	LOW	LOW	4,458	VERY LOW
BRISTOL	16	15-Feb-88	06-Feb-92	2022	LOW	MOD	MOD	4,322	VERY LOW
WATERBURY STEELE	12	15-Feb-89	28-Feb-90	2010	LOW	MOD	MOD	4,316	VERY LOW
ISLAND POND FAMILY	12	15-Feb-89	22-Jan-90	2010	LOW	LOW	MOD	4,206	VERY LOW
RANDOLPH CARON	20	15-Feb-89	31-May-90	2010	LOW	LOW	MOD	3,958	VERY LOW
MONTPELIER DUBRUL	50	15-Feb-88	08-Apr-89	2009	LOW	MOD	MOD	3,897	VERY LOW
BRANDON	19	15-Feb-88	16-Feb-89	2009	LOW	MOD	MOD	3,818	VERY LOW
BARTON	14	15-Feb-89	10-Feb-90	2010	LOW	LOW	MOD	3,802	VERY LOW
CHELSEA	36	15-Feb-89	02-May-90	2010	LOW	LOW	MOD	3,781	VERY LOW
RUTLAND KOHLHEPP	18	15-Feb-88	14-May-88	2018	LOW	MOD	MOD	3,676	VERY LOW
WINDSOR	75	15-Feb-87	18-Sep-88	2018	LOW	LOW	HIGH	3,566	VERY LOW
ALBURG DUBIE	13	15-Feb-88	23-Jul-92	2022	LOW	LOW	MOD	3,058	VERY LOW
FAIR HAVEN	40	15-Feb-89	22-Aug-90	2010	LOW	LOW	MOD	3,033	VERY LOW
BRADFORD	21	15-Feb-88	20-Dec-89	2009	LOW	LOW	MOD	2,765	VERY LOW
MONTPELIER BABCOCK	10	15-Feb-88	08-Apr-90	2010	LOW	MOD	MOD	2,697	VERY LOW
ROCHESTER	6	15-Feb-89	30-Apr-90	2010	LOW	LOW	MOD	2,648	VERY LOW
HARDWICK FREEMAN	16	15-Feb-88	12-Feb-90	2010	LOW	LOW	MOD	2,638	VERY LOW
WHITE RIVER JUNCTIO	34	15-Feb-88	19-Sep-89	2019	LOW	MOD	MOD	2,100	VERY LOW

		I	II	III	IV	V	VI	VII	
	NUMBER OF UNITS	FIRST PREPAY DATE	NEXT HAP RENEWAL DATE	FINAL HAP EXPIRE YEAR	MARKET RENT CONVERSION POTENTIAL	CONDO CONVERSION POTENTIAL	HAP CONTRACT TERMINATION RESTRICTION FACTOR	TOTAL WALKING CASH AVAILABLE PER UNIT	OVERALL AT-RISK PROBABILITY
DERBY LINE	11	15-Feb-88	28-Feb-89	2009	LOW	LOW	MOD	2,018	VERY LOW
WATERBURY PARISI	12	15-Feb-89	15-May-90	2010	LOW	MOD	MOD	1,839	VERY LOW
DANVILLE ST JOHN	18	15-Feb-89	16-Nov-91	2011	LOW	LOW	MOD	1,048	VERY LOW
BURLINGTON MCKENZIE	41	15-Feb-93	22-Nov-03	2013	LOW	LOW	LOW	972	VERY LOW
ST ALBANS HOLY ANGE	31	15-Feb-91	23-Nov-01	2011	LOW	LOW	LOW	954	VERY LOW
WESTMINSTER	9	15-Feb-92	01-Jan-03	2013	LOW	LOW	LOW	932	VERY LOW
WAITSFIELD	24	15-Feb-91	01-Jan-02	2012	MOD	HIGH	LOW	925	VERY LOW
BURLINGTON GE	37	15-Feb-89	30-Mar-01	2011	LOW	LOW	LOW	909	VERY LOW
COLCHESTER	5	15-Feb-91	14-Jul-01	2011	LOW	MOD	LOW	901	VERY LOW
BURLINGTON BOBBIN	51	15-Feb-92	28-Dec-02	2012	LOW	MOD	LOW	891	VERY LOW
LYNDONVILLE	27	15-Feb-89	31-May-00	2010	LOW	LOW	LOW	890	VERY LOW
SAXTONS RIVER	17	15-Feb-89	03-Oct-00	2010	LOW	LOW	LOW	883	VERY LOW
RUTLAND BARDWELL	75	15-Feb-93	28-Feb-04	2014	LOW	LOW	LOW	870	VERY LOW
NORTH TROY	14	15-Feb-91	26-Jun-01	2011	LOW	LOW	LOW	856	VERY LOW
BELLOWS FALLS HOCHM	41	15-Feb-91	24-Aug-02	2012	LOW	LOW	LOW	855	VERY LOW
CASTLETON ROONEY	12	15-Feb-93	03-Apr-03	2013	LOW	LOW	LOW	852	VERY LOW
HANCOCK	5	15-Feb-89	15-Jun-01	2011	LOW	LOW	LOW	838	VERY LOW
JERICHO	24	15-Feb-91	09-Oct-01	2011	LOW	LOW	LOW	830	VERY LOW
VERGENNES	24	15-Feb-91	08-May-01	2011	LOW	MOD	LOW	815	VERY LOW
MIDDLEBURY BRUSH	12	15-Feb-91	02-Feb-02	2012	LOW	HIGH	LOW	813	VERY LOW
BURLINGTON ASHLINE	27	15-Feb-91	31-Jul-02	2012	MOD	HIGH	LOW	804	VERY LOW
BURLINGTON KAISER/D	7	15-Feb-91	13-Jul-01	2011	LOW	MOD	LOW	778	VERY LOW
ST JOHNSBURY NCIC	28	15-Feb-91	02-Apr-02	2012	LOW	LOW	LOW	774	VERY LOW
ISLAND POND ELDERLY	22	15-Feb-89	31-Mar-01	2011	LOW	LOW	LOW	764	VERY LOW
POULTNEY SWENOR	11	15-Feb-91	14-Nov-01	2011	LOW	LOW	LOW	751	VERY LOW
BRIDGEWATER	14	15-Feb-91	01-May-01	2011	LOW	LOW	LOW	740	VERY LOW
PROCTOR	12	15-Feb-92	21-Oct-02	2012	LOW	LOW	LOW	727	VERY LOW
BURLINGTON SOUTH ST	15	15-Feb-92	31-Mar-03	2013	MOD	HIGH	LOW	725	VERY LOW
BENSON	15	15-Feb-92	16-Jul-02	2012	LOW	LOW	LOW	724	VERY LOW
NEWPORT	12	15-Feb-92	30-Dec-04	2014	LOW	LOW	LOW	714	VERY LOW
HARDWICK FAMILY	8	15-Feb-93	02-Feb-04	2014	LOW	LOW	LOW	696	VERY LOW
ST ALBANS CIOFFI	12	15-Feb-92	09-Jun-02	2012	LOW	LOW	LOW	693	VERY LOW
WEST BURKE	15	15-Feb-92	06-Jun-02	2012	LOW	LOW	LOW	690	VERY LOW
NORTH BENNINGTON	24	15-Feb-91	28-Feb-02	2012	LOW	LOW	LOW	689	VERY LOW
HARDWICK BEMIS	14	15-Feb-93	19-Dec-03	2013	LOW	LOW	LOW	655	VERY LOW
SWANTON ABENAKI	12	15-Feb-91	31-Mar-02	2012	LOW	LOW	LOW	645	VERY LOW
MILTON	20	15-Feb-88	21-Feb-89	2009	LOW	MOD	MOD	634	VERY LOW
FAIRFAX	20	15-Feb-91	14-May-02	2012	LOW	LOW	LOW	632	VERY LOW
WEST RUTLAND	14	15-Feb-89	14-Dec-00	2010	LOW	MOD	LOW	615	VERY LOW
RANDOLPH FAITH	9	15-Feb-92	18-Feb-03	2013	LOW	LOW	LOW	607	VERY LOW
FAIRFIELD	8	15-Feb-91	30-Sep-02	2012	LOW	LOW	LOW	590	VERY LOW
CANAAN	12	15-Feb-92	28-Feb-03	2013	LOW	LOW	LOW	570	VERY LOW
BURLINGTON MONROE S	7	15-Feb-93	03-Nov-03	2013	LOW	MOD	LOW	559	VERY LOW
PLAINFIELD	13	15-Feb-88	14-Nov-00	2010	LOW	LOW	LOW	501	VERY LOW
ALBURG LAMPHERE	16	15-Feb-91	17-Mar-02	2012	LOW	LOW	LOW	38	VERY LOW

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: September 9, 1988

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

RE: PARTIAL PREPAYMENT OF SECTION 8 LOAN

William Flanders, owner of the Richford Elderly Housing project, has proposed that he use approximately $112,000 of project surplus cash and project cost escrow funds to partially prepay his loan of approximately $500,000 and thereby increase his equity position by that amount. A benefit of doing this would be that his annual distribution would increase from $2,800 to nearly $11,000 as a result of the larger equity position.

In exchange for allowing him to do this, he would agree to the following:

1. A commitment to renew his Housing Assistance Payment contract for as long as it is available, assuming rents are sufficient to operate the project.

2. An option to VHFA or its assigns to purchase the project if the owner wishes to sell to a purchaser who will not maintain the project as affordable housing.

3. A requirement to continue to fund the replacement reserve up to a maximum of $40,000.

As Mr. Flanders has the legal authority to prepay his loan without any conditions, and the financial capacity to do so, I believe this is a good deal for the Agency to assure this project remains affordable.

The purpose of bringing this proposal to the Board is that approving this will establish a precedent for other projects in a similar situation. Your approval of this will give us one of several tools to negotiate continued long-term affordability with project owners.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA

VERMONT HOUSING FINANCE AGENCY

Date: September 15, 1988
To: VHFA Board of Commissioners
From: Mark Koppelkam, Multi-Family Underwriter
Re: Riverside Status Report

In our last report to you, for the August 11th Board meeting, we said that the Riverside project remained "incomplete" due to construction budget increases and inadequate documentation. At the same time the probability of meeting an October 15th Act 250 sitework deadline (which inferred a September 1st financing deadline) was becoming increasingly doubtful. Thus during the week of August 15th VHFA staff decided to put a tentative "hold" on the project. In a letter to Housing Vermont and the other parties involved in the project, we cited the following as reasons for the "hold."

1. The failure to receive any significant project documentation and no serious indication that we would receive it in time for an adequate review to meet the September 1st deadline. The primary missing documentation included an accurate and workable project budget, a settled partnership agreement, development agreement, construction contract, HUD grant agreement, HUD-Grantee agreement, sitework bids, detailed construction cost itemization, etc.

2. A decision that we did not want to present the project to the VHFA Board as it was then structured, where in a worst case scenario VHFA faced the risk of holding a $5.5 million dollar project, funded out of agency reserves (assuming that no bond sale occurred and no HODAG monies were received). As indicated in earlier reports to the Board, in order to meet the project deadlines, the parties were requesting VHFA financing prior to "virtual certainty" of a bond sale. Thus VHFA faced the uncertainty of both the saleability of the project bond and its price. Further, since the only project owner with significant assets is Housing Vermont, any project cost overruns would also likely fall to VHFA (via the Housing Vermont funding agreement).

3. Two important elements of the project valuation process, an updated appraisal and a detailed comparison of the actual construction costs with the Agency's independent cost estimate, had not been completed.

4. The U.S. House Banking Committee passed legislation that jeopardized the equity capital that Housing Vermont was attempting to raise. That committee's action, which is still pending in Congress, would retroactively prohibit real estate investment by banks or bank holding companies. While the action was only that taken by a committee of the House of Representatives, any such cloud on the proposed project equity would raise serious concerns on the part of VHFA's bond counsel, not to mention Housing Vermont and all the other participating parties. We have been advised that this measure does not stand much chance of adoption by Congress prior to the end of the session, which is slated for October 8th.

In the same letter, we reiterated VHFA staff's willingness to continue backing the project, with some recommended changes. As requested by the project sponsors in order to make up the construction budget shortfalls, we also indicated that we would recommend to the VHFA Board approval of a deferred payment subordinated loan of an amount not to exceed $100,000, for the purposes of making up the combined sum of the construction budget shortfall and for "writing down" the interest rate of any bond sale which exceeds 9.75%.

VHFA staff's recommended changes to the project financing structure are threefold:

a) Approve financing only when it is absolutely assured that we can proceed to a bond pricing within 30 days, and with confirmation from VHFA counsel, bond counsel and bond underwriters that the deal looks fine and can proceed smoothly to a bond sale.

b) Keeping the developer responsible for project cost overruns by putting part of the development fee into the contingency fund. Even if this amount is repayable to the developer, it will give them greater incentive to complete the project on schedule within the stated budget parameters.

c) Keeping some pressure on the City and the other parties to ensure that the HODAG monies will come in in a timely manner.

In so far as VHFA is being asked to provide a $100,000 deferred payment loan above and beyond standard debt financing, I believe it is fair to say that we are becoming more intensively involved in the budget deliberations to

carefully see if and where more money can be saved. All parties are continuing to examine the project in detail for ways to reduce expenses and otherwise improve the outlook for the financing. Housing Vermont has tentatively proposed increasing their equity from $1,050,000 to $1,134,000. Proposed rents have been raised in the market rate units. One major change is that The Davis Company has proposed not doing the construction management, which has a potential cost savings of $100,000. The ramifications of these various changes are still being looked at.

At this time the project sponsors are trying to fashion a timetable where 3 of the 7 buildings are started on November 1st. This could be accomplished without disturbing the slopes which involve the Act 250 regulations.[1] The other 4 buildings would be started in spring 1989. Unfortunately this new timetable results in a significant increase (at least $150,000) to the construction budget.

The timing implications of a November 1st start still dictate VHFA financing prior to a bond sale. The reason for the continued rush, despite having missed the Act 250 deadline, is that the entire equity contribution being made by Housing Vermont is contingent upon the Low Income Housing Tax Credit Program. This program is currently set to expire at the end of 1989. One exception is that if projects are 10% completed by January 1, 1989, they can be completed as late as January 1991 and still be eligible for the tax credits. The current project schedule, assuming a November 1st start, would mean completion December 31, 1989. However to be absolutely certain of the tax credits, the project sponsors are working to ensure that the project falls under the 10% exception cited above.

Congress is also considering an extension of the Low Income Housing Tax Credit Program, and the success of this measure will likewise be known by the time the session ends on October 8th. If enacted, it may be to VHFA's benefit to delay financing of the Riverside project until next spring, since the bonds could then be sold prior to financing.

Much work and many issues remain to be resolved. However

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[1] The Act 250 permit says that no earthwork shall be done between October 15, 1988 and April 15, 1989. It is not clear at this time if an amendment to the permit to allow the proposed new construction schedule will be a simple administrative matter or not.

it is critical that the Board support at this time the concept of the deal with the following key ingredients:

1) A willingness to issue a commitment letter by November 1st specifying a fixed rate on the permanent financing ($2.6 million), assuming that VHFA and bond counsel have received and approved documentation sufficient to price bonds within 30 days of the commitment letter, and assuming that bond market conditions are reasonable and stable.[2] Note that accomplishing this task will require enormous amounts of staff and legal time.

2) A willingness to provide up to $100,000 in a deferred payment loan to be used partially to make up the construction budget shortfall and for protection from potential increases in the bond rate.

3)A continued willingness to provide a stand-by commitment of up to $2,900,000 pending receipt of the HODAG monies.

We will likely be presenting you with a comprehensive resolution on the Riverside project which incorporates the factors listed above, at or before this week's Board meeting.

---

[2] Note that the 30 day period may straddle the national presidential elections, which could add instability to the bond markets.

Summary of Current Project Development Budget

Sources and Uses of Funds*

Sources		
VHFA	$2,600,000	38.5%
HODAG	2,900,000	42.9%
Equity - Housing Vermont	1,134,000	16.8%
Construction Shortfall	124,768	1.8%
Total Sources of Funds	$6,758,768	100.0%
Uses		
Land	$ 700,000	10.4%
Construction	3,639,088	53.8%
Sitework	943,829	14.0%
Contingency	226,146	3.3%
Arch & Engineering	165,000	2.4%
Legal	75,000	1.1%
Marketing	50,000	.7%
Developer Fee	400,000	5.9%
Permits & Fees	130,000	1.9%
Financing Fees	107,500	1.6%
Interest During Construct	216,805	3.2%
Taxes & Insurance	20,000	.3%
Water Line Extension	65,000	1.0%
Prop Management Equip	10,000	.1%
Reserve for Replacements	10,400	.2%
Total Development Cost	$6,758,768	100.0%

* Note that this sources and uses chart does not show (but does implicitly incorporate) a commitment by the Housing and Conservation Trust Fund to provide up to $161,850 to "write down" VHFA's mortgage rate from 9.75% to 9%.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

Date: September 15, 1988

To: VHFA Board of Commissioners

From: Meg Pond, Director of Development

Re: Prioritizing the Secondary Mortgage Market on VHFA Business Plan

As we discussed at the August Board Meeting, it is time to consider a new strategy for the development of home ownership programs. The idea of a Vermont Secondary Mortgage Market has been on our Business Plan for calendar year 1988, but we wish to move it to a higher priority. (See attached)

Action Requested:

Please consider moving the Secondary Mortgage Market from its existing priority ranking of #6, to an updated priority ranking of #3. Of note: The #1 and #2 priorities are already well underway; thereby placing the Secondary Market initiative in a primary position.

MP580/njw
Attachment

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA

EXISTING PLAN

PROGRAMS/INITIATIVES TO ANALYZE FOR FUTURE IMPLEMENTATION (PRIORITIZED)

1. Options for "At Risk" Projects
2. Create Capacity for Housing Market Analysis (Long Range) In House
3. Credit Enhancements to Make Bonds Saleable
4. Mortgage Purchase Program
5. Further Targeting of Single Family Mortgage Programs
6. Secondary Mortgage Market
7. Housing Cooperatives Blanket and Share Loan Financing
8. Research Feasibility/Impact of Alternative Mortgage Delivery/Servicing Systems
9. Mobile Home Financing Alternatives
10. Housing Information Center
11. Proactive Portfolio Servicing
12. Increased Automation of Underwriting
13. Housing and Urban Development (HUD) 202

PROPOSED PLAN

PROGRAMS/INITIATIVES TO ANALYZE FOR FUTURE IMPLEMENTATION (PRIORITIZED)

1. Options for "At Risk" Projects
2. Create Capacity for Housing Market Analysis (Long Range) In House
3. Secondary Mortgage Market
4. Credit Enhancements to Make Bonds Saleable
5. Mortgage Purchase Program
6. Further Targeting of Single Family Mortgage Programs
7. Housing Cooperatives Blanket and Share Loan Financing
8. Research Feasibility/Impact of Alternative Mortgage Delivery/Servicing System
9. Mobile Home Financing Alternatives
10. Housing Information Center
11. Proactive Portfolio Servicing
12. Increased Automation of Underwriting
13. Housing and Urban Development (HUD) 202

VERMONT HOUSING FINANCE AGENCY

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

RE: RESOLUTION FOR SUCCESSOR PAYING AGENY

DATE: SEPTEMBER 16, 1988

Attached is a resolution that the Trustee and Bond Counsel require in conjunction with appointing Citibank as a successor paying agent for the 1977B 1979A and 1980A Series of bonds. This action is necessary due to the resignation of Manufacturers Hanover as paying agent. The resolution requires a paying agent located in the City of New York. Howard Bank, as trustee, was able to locate Citibank to accept the duties at a reasonable price.

RECOMMENDATION

Board approval of the attached resolution.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: APPOINTING A SUCCESSOR PAYING AGENT

FOR THE 1977 SERIES B AND 1979 SERIES A MULTI-FAMILY MORTGAGE BONDS

AND THE 1980 SERIES A SINGLE FAMILY MORTGAGE PURCHASE BONDS

WHEREAS, the Vermont Housing Finance Agency (hereinafter referred to as the "Agency") on February 3, 1977 adopted a resolution entitled "Multi-Family Mortgage Bond Resolution" (hereinafter referred to as the "General Bond Resolution"), and on November 17, 1977 adopted a Resolution entitled "Series Resolution Authorizing the Issuance and Sale of $8,800,000 Multi-Family Mortgage Bonds, 1977 Series B" (hereinafter referred to as the "Series Resolution"); and

WHEREAS, the Executive Director appointed Manufacturers Hanover Trust Company, New York, New York as a Paying Agent for the Agency's $8,800,000 Multi-Family Mortgage Bonds, 1977 Series B (hereinafter referred to as the "Bonds"); pursuant to the authority given to him under Section 206 of the Series Resolution; and

WHEREAS the Agency on February 3, 1977 adopted a Resolution entitled "Multi-Family Mortgage Bond Resolution" (hereinafter referred to also as the "General Bond Resolution"), and on November 5, 1979 adopted a Resolution entitled "Series Resolution Authorizing the Issuance and Sale of $17,300,000 Multi-Family Mortgage Bonds, 1979 Series A" (hereinafter referred to also as the "Series Resolution"); and

WHEREAS, the Executive Director on October 18, 1984, appointed Manufacturers Hanover Trust Company, New York, New York as a Paying Agent for the Agency's $17,300,000 Multi-Family Mortgage Bonds, 1979 Series A (hereinafter referred to as the "Bonds"); pursuant to the authority given to him under Section 206 of the Series Resolution; and

WHEREAS, the Agency on June 16, 1978 adopted a Resolution entitled "Single Family Mortgage Purchase Bond Resolution" (hereinafter referred to also as the "General Bond Resolution"), and on May 2, 1980 adopted a Resolution entitled "Series Resolution Authorizing the Issuance and Sale of $75,000,000 Single Family Mortgage Purchase Bonds, 1980 Series A" (hereinafter referred to also as the "Series Resolution"); and

WHEREAS, the Executive Director on October 18, 1984 appointed Manufacturers Hanover Trust Company, New York, New York as a Paying Agent for the Agency's $75,000,000 Single Family Mortgage Purchase Bonds, 1980 Series A (hereinafter referred to also as the "Bonds"); and

WHEREAS, Manufacturers Hanover Trust Company has notified the Agency in writing of its resignation from the position of Paying Agent for all of the above named Bonds; and

WHEREAS, pursuant to Sections 1102 and 1110 of the General Bond Resolution, the Agency is authorized to appoint a Paying Agent to fill the vacancy created by said resignation pending the appointment of a successor Paying Agency by the Bondholders; and

WHEREAS, Citibank, N.A. is a trust company having trust powers and a capital and surplus aggregating at least five million dollars ($5,000,000) and is willing and able to accept the office of Paying Agent for the Bonds, as required by Section 1102 of the General Bond Resolution;

IT IS HEREBY RESOLVED BY THE VERMONT HOUSING FINANCE AGENCY and the Commissioners thereof that:

1. Citibank, N.A., New York, New York is hereby appointed Paying Agent for the Bonds pending the appointment of a successor Paying Agent by the Bondholders pursuant to Section 1110 of the General Bond Resolution.

2. This Resolution shall take effect immediately.

CERTIFICATE

The undersigned, _____ of the VERMONT HOUSING FINANCE AGENCY, DOES HEREBY CERTIFY that the foregoing resolution was duly adopted by the Commissioners of said Agency and became effective on September __, 1988, and that said Resolution has been compared by me with the original thereof recorded in the minute book of said Agency and that it is a correct transcript therefrom and of the whole of said original and that said Resolution has not been altered, amended or repealed but is in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of said Agency this _____ day of _____, 1988.

_____

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: September 16, 1988

TO: VHFA Board of Commissioners

FROM: Roger A. Schoenbeck, Director of Finance

RE: RATING AGENCY REVIEW/UPGRADE

Attached is a letter we have received from Moody's regarding the updated analysis of the Single Family Bonded programs, done in conjunction with the review of the 1988 Series A bond financing recently completed. A review had not been done in some time, and consists of supplying detailed information regarding the financial and portfolio aspects of the programs.

We are pleased to report, as indicated in the letter, that Moody's has confirmed the AA rating for the Mortgage Purchase Program consisting of the 1978-1982 Series of bonds, and has **upgraded** the rating on the Insured Mortgage Purchase Program which covers the 1976 and 1977 Series of bonds, from Al to AA. These ratings are a statement by Moody's to the investing public that these issues are believed to be very strong and are the highest obtainable without purchasing Bond Insurance.

We believe that these ratings are based on the excellent history of the mortgage portfolios in the area of delinquency and foreclosure activity and the continued financial viability of the programs.

Attachment

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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Moody's Investors Service

99 Church Street, New York, N.Y. 10007

July 19, 1988

Mr. Allan S. Hunt
Executive Director
Vermont Housing Finance Agency
Post Office Box 408
Burlington, Vermont 05402

Dear Mr. Hunt :

We wish to inform you that our Rating Committee has reviewed and confirmed the rating of Aa to the Vermont Housing Finance Agency, Single Family Mortgage Purchase Bonds.

We have also reviewed and revised the rating of the Vermont Housing Finance Agency, Single Family Insured Mortgage Bonds to Aa from A 1.

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

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

Sincerely yours,

Freda S. Ackerman

Freda S. Ackerman
Executive Vice President

JSW:pl

Riverside Project

Changes from VHFA Perspective

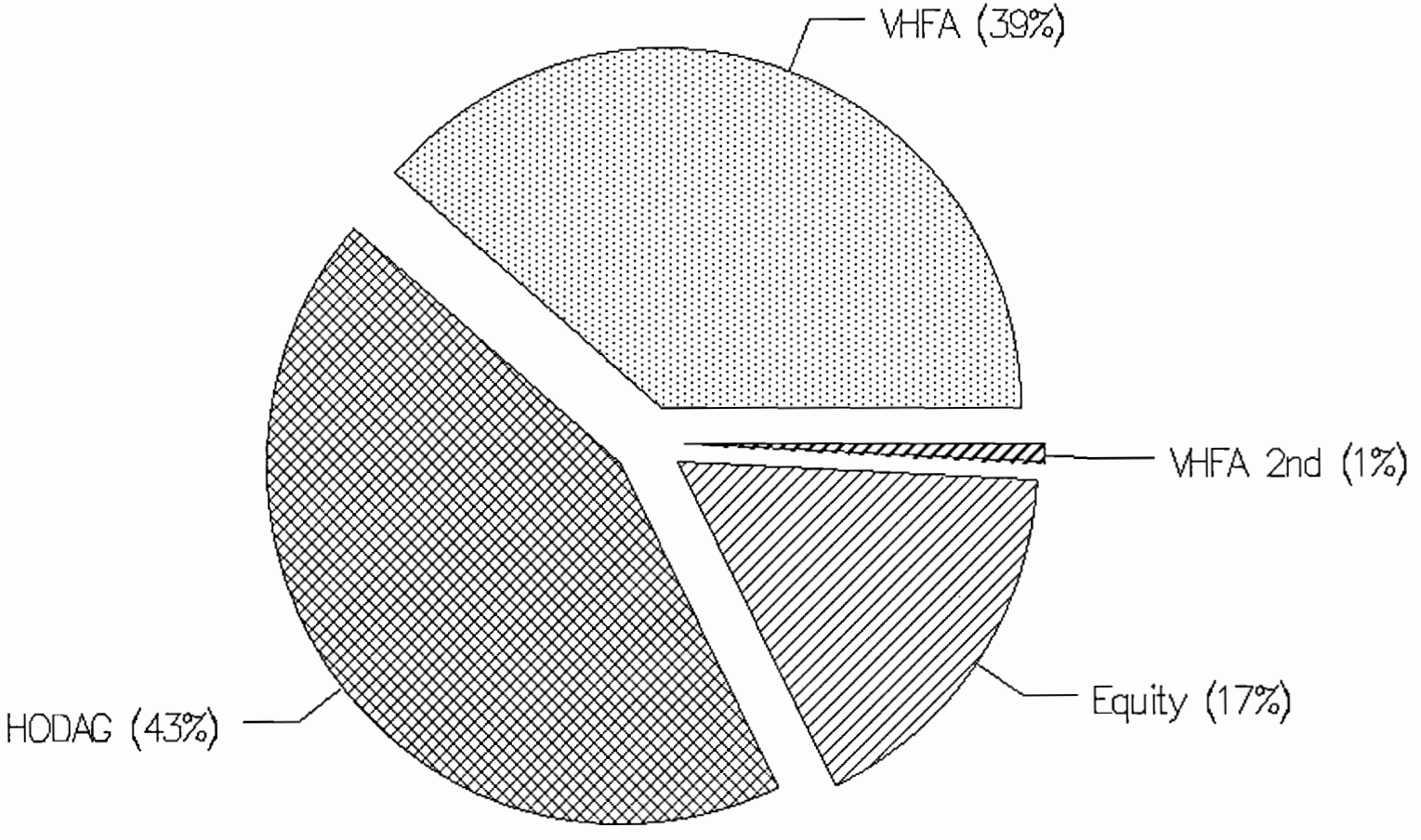
1. Approval of VHFA financing prior to "virtual certainty" of a bond sale, but limited to a 30 day risk window.
2. Approval of general fund deferred financing to cover some level of construction budget shortfall and "rate shock."
3. The total project cost has increased to $6.692 million, and VHFA's share of the permanent debt financing has increased to $2.7 million or 40% of the total project value.

Riverside Project

Other Important Changes

1. The Housing Conservation Board has approved a contribution to the project of up to $161,000.
2. Project equity from Housing Vermont has increased to $1,134,000, or 17% of total project cost. The number of units reserved for low income households is 36 of the 80 total units.
3. The construction schedule has been changed to November 1, 1988 start, with completion by December 31, 1989.

Riverside Project
Sources of Longterm Financing



VHFA Riverside Project

Project Benefits

1. Adding 80 family (2 and 3 BR) units to a very tight housing market. 36 of the 80 units are allocated for low income households.
2. Provision for likelihood of perpetual affordability. Option to nonprofit owners after 15 years.
3. Leveraging $1.134 million in equity and $2.9 million HODAG using Low Income Housing Tax Credit and tax exempt bond financing. VHFA financing expected to equal 40% of total cost.
4. First project for Housing Vermont and Vermont Equity Fund.
5. Ongoing support of nonprofit LCHDC.

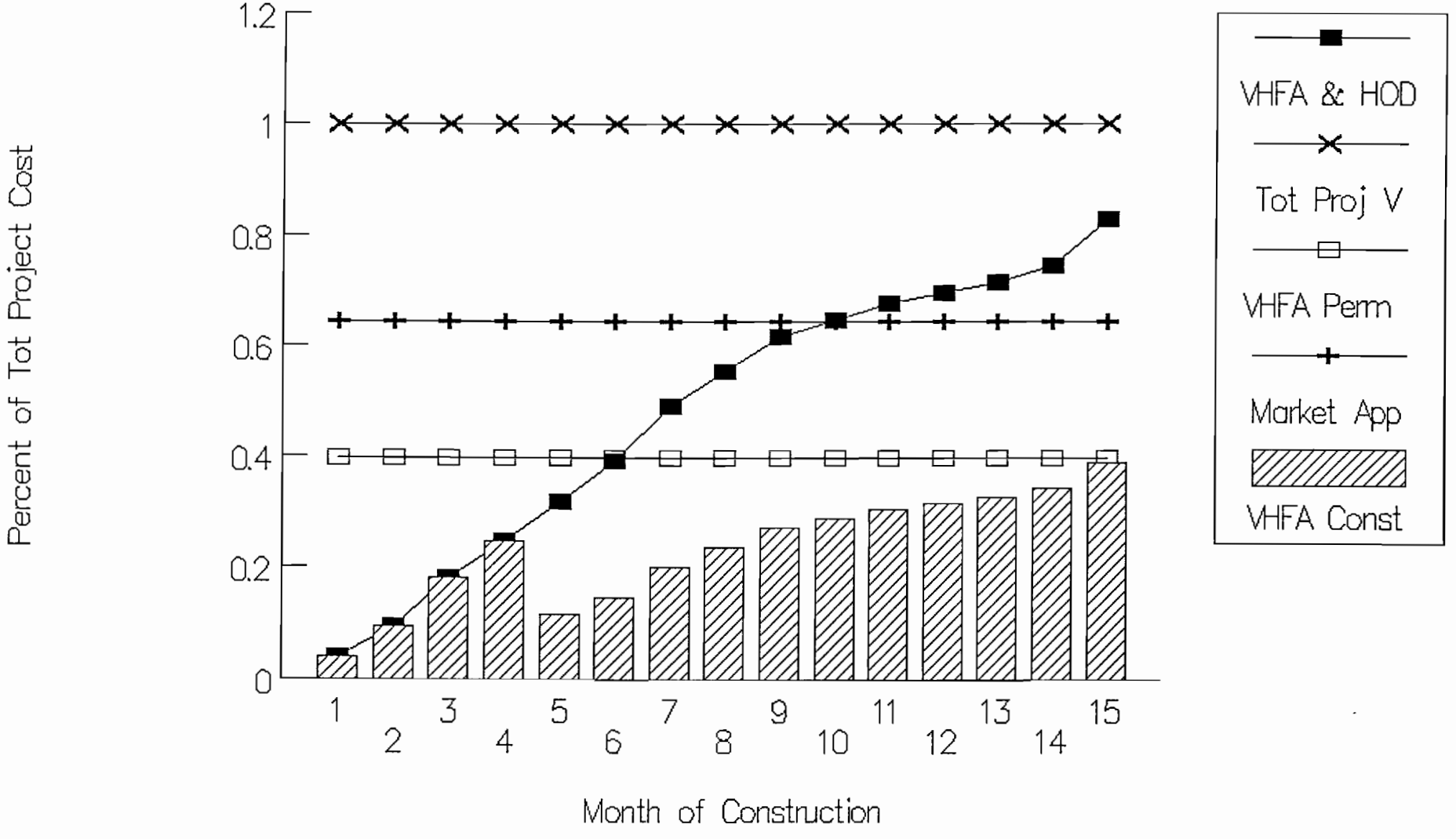
VHFA Riverside Project

Project Risks

1. Risk of bond price increase during 30 day window. Each 1/4 point increase means that $50,000 of the VHFA portion of the debt will need to be funded with a deferred payment general fund loan instead of bond proceeds.
2. Risk of HODAG coming in later than anticipated. Cost approx $7,000 for one month late, $21,000 for two months late etc.
3. Small sized units in area of City that is not heavily residential; more mixed commercial.
4. Difficult site – north facing bowl with steep slopes, engineering challenges, winter and spring construction and sitework scheduled.

VHFA RIVERSIDE PROJECT

Valuation and Risk



VERMONT HOUSING FINANCE AGENCY

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

RE: PRELIMINARY FINANCIAL STATEMENTS FOR FISCAL YEAR JUNE 30, 1988

DATE: SEPTEMBER 22, 1988

Attached in draft form are the preliminary financial statements for the fiscal year ended June 30, 1988. All programs have been completed and have been reviewed by our auditors, Peat Marwick Main & Company. We are moments away from wrapping up the General Fund numbers. That column is preliminary and there are expected to be some changes, but minor in nature with the exception of Fee income as explained below. We will have for the next Board meeting the final audited financials as attested to by the auditors. Since the preliminary financials are loaded with numbers, a capsulized description of the more relevant information is warranted.

* Prepayments of mortgage loans and related redemptions of bonds continue to be the most time consuming financial activity. Due to the magnitute of prepayments redemptions of bonds were completed in January of $9 million and on September 1st of $18.9 million. The September call also took advantage of selling off some reserve funds at a gain.

* Total assets of the Agency decreased by $16.5 million during the year due in large part to $25 million of mortgage collections and related redemptions. The June 30 numbers do not include the 1988 Series A Bond Issue which increase assets by an additional $15 million.

* Excess revenues for the year decreased to approximately $1 million compared to fiscal year June 1987 excess of $1.7 million. An accounting requirement mandating a special charge to income in the amount of $800,000 due to the redemptions was a prime contributor to the decrease.

* The General Fund balance increased from $4.1 million to $5.1 million which was basically due to the fact that Housing Vermont did not draw down the total appropriated, in essense General Fund operated at a breakeven point as originally projected and budgeted. Agency-wide Fund balances increased from $30 million to $31 million for the year.

* We are still in the process of discussing and adjusting the Fee Income line items in the General Fund with the auditors. A new accounting pronouncement has dictated that these fees be recognized over the life of the mortgages financed as opposed to taking them into income during the year of receipt. This item amounts to about $175,000 of income. This is presently being shown as income but may be reduced.

* Finally, at this juncture the General Fund final numbers appear to be very much in line with the projected actual numbers presented to the Board with the budget proposal related to fiscal year June 1989.

If you have any questions on the financial audit or financing activities of the Agency, please contact me at any time at your convenience.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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VERMONT HOUSING FINANCE AGENCY
BALANCE SHEETS
AS AT JUNE 30, 1988
(UNAUDITED)

	SINGLE FAMILY			MULTI-FAMILY			
NS TO ERS	INSURED MORTGAGE PROGRAM	MORTGAGE PURCHASE PROGRAM	HOME MTG. PURCHASE PROGRAM	MORTGAGE PROGRAM	HOUSING PROGRAM	DIRECT PLACEMENT PROGRAM	COMBINED TOTAL (MEMO)
	$ 7,334,245	$ 39,605,969	$ 35,620,000	$ 2,196,258	$ 1,768,179	$ 38,268	$ 93,541,989
	948,125	12,443,893	22,427,146	4,285,859	3,880,759		43,985,782
							2,250,000
	6,875	60,651,698	116,103,799	38,733,800	24,760,706	817,336	250,746,602
	6,966	386,155	872,378	192,347	183,221	4,134	1,752,153
	3,420	1,251,907	837,394	139,535	142,373	242	2,508,227
	4,867	281,683	578,558	234,827	141,711	9,191	1,325,267
							382,537
							(240,559)
	2,191	2,269	772	2,968			160,569
	0,874)	208,916	(220,276)	(58,721)	(45,112)		-0-
		49,530	27,428				76,958
	5,815	$114,882,020	$176,247,199	$45,726,873	$30,831,837	$869,171	$396,489,525
	3,073	18,527	89,495				174,589
		15,024	135,940				2,386,510
							37,586
	5,755	3,838,724	1,121,154	1,180,240	1,341,977	19,722	7,758,191
			7,813,248				7,813,248
	0,000	100,595,000	165,642,314	42,315,000	29,180,000	832,600	355,644,914
	6,105)	(2,694,667)	(3,763,085)	(759,081)	(888,882)		(8,369,257)
	3,092	13,109,412	5,208,133	2,990,714	1,198,742	16,849	31,043,744
	5,815	$114,882,020	$176,247,199	$45,726,873	$30,831,837	$869,171	$396,489,525

Building Affordable Housing Through Partnerships

Mr. Allan Hunt
Executive Director
Vermont Housing Finance Agency
One Burlington Square
Burlington, VT 05401

September 16, 1988

Dear Allan;

At the Housing Vermont Directors Meeting last Tuesday the Board voted to approve equity investments in both the Heineberg Seniors project and the 220 Riverside project. But, as you know, the combined equity commitment exceeds our $2,000,000 Funding Agreement with VHFA. The Board, therefore, conditioned the 220 Riverside commitment upon securing bridge capital from the Agency.

Essentially, we have run out of money with which to meet construction period equity requirements. Without bridge financing we will not be able to take on new projects over the winter months for construction next year.

We believe that an additional $2,000,000 of bridge financing would permit us to continue toward our overall goal of 5,000 units within 5 years. We envision the Agency generating these funds through short term notes as opposed to a drawdown on VHFA reserves. The funds would be collateralized by corporate pledges made to the Vermont Equity Fund. The Agency's bridge loans would be repaid as each project was placed in service.

Sincerely,

Michael M. Richardson
President

cc: VHFA Board

MMR/kf

One Burlington Square
Burlington, Vermont 05401

802-863-8424

VERMONT HOUSING FINANCE AGENCY

September 27, 1988

Ms. Jean Gauthier
Pavilion Office Building
Montpelier, VT 05602

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its monthly Board Meeting on Monday, October 17, 1988 at 1:30 p.m., here at our office, One Burlington Square, Burlington, Vermont.

Should you have any questions or require additional information, please do not hesitate to contact me.

Sincerely,

Barbara Parker

Barbara Parker
Executive Assistant

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: September 27, 1988

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt

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. It will be held on Monday, October 17, 1988, at 1:30 p.m., here at our office, One Burlington Square, Burlington. A buffet lunch will be provided at 1:00 at the same location.

Attached is a preliminary agenda; the finalized agenda and complete board packet will be delivered to you by October 12. As the agenda is short but important, I would expect the meeting to be no longer than two hours!

If you need any further information regarding the upcoming Board meeting, please feel free to contact me. I look forward to seeing you in Burlington October 17.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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VERMONT HOUSING FINANCE AGENCY

PRELIMINARY

VHFA BOARD MEETING AGENDA

Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont

Monday, October 17, 1988 at 1:30 p.m.

1. Review and approval of minutes of September 22, 1988

2. Executive Director's Report

3. Operations

   A. 1988A Update [Lothrop]
   B. 1988B Discussion [Lothrop]

4. Development

   A. Riverside Update [Pond//Enclosure]

5. Finance

   A. Distribution of Audited Financial Statements [Schoenbeck]

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

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: October 11, 1988

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt AH

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. It will be held on Monday, October 17, 1988, at 1:30 p.m., here at our office, One Burlington Square, Burlington. A buffet lunch will be provided at 1:00 at the same location.

Attached is the finalized agenda and board packet. If you need any further information regarding the upcoming Board meeting, please feel free to contact me. I look forward to seeing you in Burlington October 17.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont

Monday, October 17, 1988 at 1:30 p.m.

1. Review and approval of minutes of September 22, 1988

2. Executive Director's Report

3. Operations

   A. 1988A Update [**Lothrop//Enclosure**]
   B. 1988B Mortgage Revenue Bond Discussion
      1. Advisory Group Recommendations [**Crady//Enclosure**]
      2. Finance Recommendations [**Schoenbeck**]

4. Development

   A. Riverside Status [**Pond//Enclosure**]
   B. Mortgage Credit Certificate Election [**Crady//Enclosure**]

5. Finance

   A. Distribution of
      Audited Financial Statements [**Schoenbeck**]

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

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA

VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont
Thursday, September 22, 1988

Present: Commissioners Shaw, Hebard, Babcock, Seelig, Holmes (designee of Elbert Moulton), Myette.

VHFA Staff: Mr. Hunt, Mr. Schoenbeck, Mr. Jarrett, Ms. Pond, Mrs. Parker, Mr. Lothrop, Mr. Koppelkam; Ms. Russell of VHMGB; Mr. Richardson of Housing Vermont; Mr. Kochman of F.L. Kochman, Inc.

Guests present included: Robert Hale, Palmer and Dodge; Amy Wright, representing the City of Burlington.

The meeting was called to order at 1:30 p.m.

Upon a motion duly made and seconded, the minutes of the August 11 meeting were unanimously accepted as written.

Mr. Lothrop presented the "1987A Report" as well as a "1988A Report" as per his memos of September 15, included in the Board packet.

The Board then reviewed Sam Falzone's memo dated September 15 regarding the "Robert Wood Johnson Foundation Grant Application Update;" if available, the results will be reported at the next Board meeting.

The Executive Director's Report followed, and Mr. Hunt informed the Board that he and Mr. Richardson had traveled to Maine to discuss Housing Vermont and the Vermont Equity Fund with the Maine Enterprise Foundation, as Maine is interested in adopting a model similar to these formats. Mr. Hunt further reported that he will be attending the National Council of State Housing Agencies (NCSHA) Annual Meeting in New Orleans October 2-4; Mr. Hunt will be presenting awards, as a member of the awards committee. Testimony to the Joint Committee on Housing was given by Mr. Hunt in September. On the Northgate negotiations, Mr. Hunt reported that the problems mentioned at the August Board meeting seem to have been resolved, thanks to the actions of the Board's subcommittee. Since the August Board meeting, Mr. Hunt met with the owners of the property and representatives of the Northgate Nonprofit to discuss the primary need for the sales price based on tax cost anticipations. Mr. Hunt reported that he will be meeting with HUD in Washington,

D.C., September 29, to discuss subsidies available for Northgate. A survey of the quality and status of the various "Gates" properties has been completed, and financial scenarios will be determined prior to the meeting with HUD. Mr. Hale and Mr. Hunt also updated the Board on the latest legislative actions regarding Mortgage Revenue Bonds (MRBs).

Mr. Seelig informed the Board that a recent "Multi-Family Housing Finance Workshop," cosponsored by VHFA and the Vermont Housing and Conservation Trust, had been useful in terms of training and policy, and he thanked the staff for their participation in this event.

Mr. Myette expressed his enthusiasm for the current advertising program, stating that the impact of the television ads is "tremendous!" Mr. Hunt agreed, and pointed out that 2,100 calls have been received in the past six weeks, many of them directly attributable to the television campaign.

The "Riverside Status Report" as presented in Mr. Koppelkam's memo dated September 15, included in the Board packet, was reviewed next. Mr. Hunt indicated that this project presented unusual risk for the Agency, and wanted the Board to be aware of the various risk elements. Mr. Hunt reported that the staff has been working on this project for months, and that construction needs to begin by November 1, 1988 in order to qualify for the tax credits. One major issue is committing to a fixed rate loan prior to the issuance of bonds; another is that the HoDAG funds would not be immediately available, but should be within four months of closing; further, a deferred loan of approximately $100,000 would need to be considered for construction on this project.

Mr. Koppelkam distributed several charts, "Riverside Project: Changes from VHFA Perspective," for the Board to review. These charts indicated how the budget structure and project timing would be affected. A proposed Resolution to commit VHFA resources to assisting Housing Vermont and Lake Champlain Housing Development Corporation in qualifying for the Agency's Commitment to finance the Riverside Development was also distributed for the Board's review. Following a lengthy discussion, a motion was duly made, seconded and unanimously approved to adopt the Resolution as proposed, with Mr. Seelig abstaining due to the Housing and Conservation Trust Fund's involvement in the project.

Ms. Pond then discussed the "'At Risk Task Force' Report" and "At Risk Analysis, VHFA Portfolio," as per her memos dated September 15 and included in the Board packet. Mr. Shaw commended the staff for the work that had been done to achieve this report, and Ms. Pond pointed out that Sam Falzone had been primarily responsible for compiling the data in this report.

After a motion duly made and seconded, it was unanimously agreed that staff should proceed with the recommendations outlined in these memos.

The "Partial Prepayment of a Section 8 Loan," as detailed in Mr. Hunt's memo of September 9, included in the Board packet, was reviewed next. Mr. Hunt recommended that the Board approve this procedure, with the stipulations listed in the memo, and with the further understanding that some other terms might be negotiated with individual owners of other projects. Upon a motion duly made and seconded, it was unanimously agreed to proceed as outlined.

Ms. Pond then reviewed "Prioritizing the Secondary Mortgage Market," as outlined in her memo of September 15, included in the Board packet. Although no motion was called for, after a brief discussion staff was urged by the Board to reprioritize the 1988-89 Business Plan as indicated.

Mr. Schoenbeck distributed his memo dated September 22, "Preliminary Financial Statements for Fiscal Year June 30, 1988," and reported that a final published copy with the auditors' opinions would be distributed as soon as it is available.

The Board then turned to the "Resolution for Successor Paying Agent," as detailed in Mr. Schoenbeck's memo dated September 16, included in the Board packet. Upon a motion duly made and seconded, it was unanimously agreed to adopt the Resolution changing the Paying Agent as indicated.

Mr. Hunt then approached the Board with a request from Housing Vermont for an additional $2 million in "bridge" financing to cover short term equity needs. After a brief discussion, and a upon a motion duly made and seconded, it was unanimously agreed to authorize the Executive Director to provide "bridge" financing for up to $2 million to Housing Vermont.

As further support of a motion passed June 30, 1988, and after a brief discussion, a motion was made, seconded, and unanimously approved to proceed with a single family bond issue, to occur by November, 1988, at an amount to be determined.

The next Board meeting was scheduled for Monday, October 17, 1988 in Burlington. There being no further business, and following a motion duly made and seconded, the meeting was adjourned at 3:55.

Respectfully submitted,

Allan S. Hunt
Secretary

Certificate as to Agency Resolution

The undersigned, Executive Director and Secretary of the Vermont Housing Finance Agency (the "Agency"), certifies that attached hereto is a true and complete copy of the Resolution duly adopted by the Commissioners of the Agency at a meeting of the Agency held September 22, 1988, which resolution has not been amended, modified, supplemented or repealed and remains in full force and effect.

Dated: September 28, 1988

Allan S. Hunt
Executive Director
and Secretary

VERMONT HOUSING FINANCE AGENCY

RESOLVED:

1. The Executive Director is authorized and directed to commit the resources of the Agency to assisting Housing Vermont and Lake Champlain Housing Development Corporation in their effort to qualify for the Agency's Commitment to finance the Riverside Development (the "Development") in time to commence construction by November 1, 1988.

2. Provided that, on the advice of the Executive Director: (a) as of October 17, 1988, the sponsors of the Development have first complied or demonstrated the clear ability and intent to comply with substantially all of the pre-conditions to a construction closing; (b) rates on single-A rated housing bonds, with a 30 year term, subject to alternative minimum tax, do not exceed 8.50% as of October 1, 1988 and do not exceed 8.75% as of October 17, 1988; (c) underwriters and bond counsel are of the opinion that tax-exempt bonds of the Agency can be firmly priced within 30 days; and (d) the budget is realistic and could support $2.6 million of level-amortizing 30 year financing at an effective interest rate of NINE PER CENT (9%), the Agency will favorably entertain a motion to issue a commitment letter to finance the Development which shall, in substance, assure the sponsors that the monthly debt service required to be paid to the Agency for permanent financing shall not exceed the amount budgeted for that purpose.

3. The construction and permanent financing is expected to be in the approximate requested amount of $2,700,000. (A portion of which, it is understood, shall be funded on a deferred payment basis from the General Fund). In addition, the proposal for the issuance of such commitment may include a request for up to $2.9 million in "stand-by" short-term construction financing, in order to assure coverage for the portion of the construction financing expected to be financed ultimately by the City of Burlington, from proceeds of a Housing Development Action Grant (the "HoDAG"), it being understood that HoDAG proceeds are not expected to be available for some months after the construction closing.

4. The Agency has determined that under all of the circumstances, especially the unavoidable delay in the disbursement of HoDAG proceeds, and the difficulty of obtaining an appraisal which takes into account the true investment value of the Development, strict application of Section 1(b) of Chapter Four of the Agency's rules pertaining to loans to Multi-Family Housing Sponsors (the "Rules") relating to security value, may result in undue hardship; therefore, the provision of such section pertaining to security value is hereby waived for the Development. On the basis of the independent cost certification obtained by the Agency and the analysis underlying the expected equity contribution of more than $1 million, the Agency has determined that a total loan commitment of the Agency not exceeding $5.6 million would not exceed the value of the residential housing constituting the Development within the meaning of 10 V.S.A. {624(b)(2).

VERMONT HOUSING FINANCE AGENCY
RESOLUTION APPOINTING A SUCCESSOR PAYING AGENT FOR THE
$8,800,000 MULTI-FAMILY MORTGAGE BONDS
1977 SERIES B

September ~~August~~ 22, 1988

WHEREAS, the Vermont Housing Finance Agency (hereinafter referred to as the "Agency") on February 3, 1977 adopted a resolution entitled "Multi-Family Mortgage Bond Resolution" (hereinafter referred to as the "General Bond Resolution") and on November 17, 1977 adopted a resolution entitled "Series Resolution Authorizing the Issuance and Sale of $8,800,000 Multi-Family Mortgage Bonds, 1977 Series B" (hereinafter referred to as the "Series Resolution"); and

WHEREAS, the Executive Director appointed Manufactures Hanover Trust Company, New York, New York as a Paying Agent for the Agency's $8,800,000 Multi- Family Mortgage Bonds, 1977 Series B (hereinafter referred to as the "Bonds"); pursuant to the authority given to him under Section 206 of the Series Resolution; and

WHEREAS, Manufacturers Hanover Trust Company has notified the Agency in writing of its resignation from the position of Paying Agent for the Bonds; and

WHEREAS, pursuant to Sections 1102 and 1110 of the General Bond Resolution, the Agency is authorized to appoint a Paying Agent to fill the vacancy created by said resignation pending the appointment of a successor Paying Agent by the Bondholders; and

WHEREAS, Citibank, N.A. is a trust company having trust powers and a capital and surplus aggregating at least ten million dollars ($10,000,000) and is willing and able to accept the office of Paying

Agent for the Bonds, as required by Section 1102 of the General Bond Resolution;

IT IS RESOLVED BY THE VERMONT HOUSING FINANCE AGENCY and the Commissioners thereof that:

1. Citibank, N.A., New York, New York is hereby appointed Paying Agent for the Bonds pending the appointment of a successor Paying Agent by the Bondholders pursuant to Section 1110 of the General Bond Resolution.

2. This resolution shall take effect immediately.

CERTIFICATE

The undersigned, Allan S. Hunt of the VERMONT HOUSING FINANCE AGENCY, DOES HEREBY CERTIFY that the foregoing resolution was duly adopted by the Commissioners of said agency and became effective on September 22 August __, 1988 and that said resolution has been compared by me with the original thereof recorded in the minute book of said Agency and that it is a correct transcript therefrom and of the whole of said original and that said resolution has not been altered, amended or repealed but is in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of said Agency this 27th day of September, 1988

[Seal]

Allan S. Hunt
Executive Director

603-5/636

VERMONT HOUSING FINANCE AGENCY
RESOLUTION APPOINTING A SUCCESSOR PAYING AGENT FOR THE
$17,300,000 MULTI-FAMILY MORTGAGE BONDS
1979 SERIES A

September ~~August~~ 22, 1988

WHEREAS, the Vermont Housing Finance Agency (hereinafter referred to as the "Agency") on February 3, 1977 adopted a resolution entitled "Multi-Family Mortgage Bond Resolution" (hereinafter referred to as the "General Bond Resolution") and on November 5, 1979 adopted a resolution entitled "Series Resolution Authorizing the Issuance and Sale of $17,300,000 Multi-Family Mortgage Bonds, 1979 Series A" (hereinafter referred to as the "Series Resolution"); and

WHEREAS, the Executive Director appointed Marine Midland Bank, N.A, New York, New York as a Paying Agent for the Agency's $17,300,000 Multi-Family Mortgage Bonds, 1979 Series A (hereinafter referred to as the "Bonds"); and on October 18, 1984 appointed Manufactures Hanover Trust Company; pursuant to the authority given to him under Section 206 of the Series Resolution; and

WHEREAS, Manufacturers Hanover Trust Company has notified the Agency in writing of its resignation from the position of Paying Agent for the Bonds; and

WHEREAS, pursuant to Sections 1102 and 1110 of the General Bond Resolution, the Agency is authorized to appoint a Paying Agent to fill the vacancy created by said resignation pending the appointment of a successor Paying Agent by the Bondholders; and

WHEREAS, Citibank, N.A. is a trust company having trust powers and a capital and surplus aggregating at least ten million dollars ($10,000,000) and is willing and able to accept the office of Paying

Agent for the Bonds, as required by Section 1102 of the General Bond Resolution;

IT IS RESOLVED BY THE VERMONT HOUSING FINANCE AGENCY and the Commissioners thereof that:

1. Citibank, N.A., New York, New York is hereby appointed Paying Agent for the Bonds pending the appointment of a successor Paying Agent by the Bondholders pursuant to Section 1110 of the General Bond Resolution.

2. This resolution shall take effect immediately.

CERTIFICATE

The undersigned, Allan S. Hunt of the VERMONT HOUSING FINANCE AGENCY, DOES HEREBY CERTIFY that the foregoing resolution was duly adopted by the Commissioners of said agency and became effective on September 22, ~~August~~ __, 1988 and that said resolution has been compared by me with the original thereof recorded in the minute book of said Agency and that it is a correct transcript therefrom and of the whole of said original and that said resolution has not been altered, amended or repealed but is in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of said Agency this 27th day of September, 1988

[Seal]

Allan S. Hunt
Executive Director

603-5/636

VERMONT HOUSING FINANCE AGENCY
RESOLUTION APPOINTING A SUCCESSOR PAYING AGENT FOR THE
1980 SERIES A

September ~~August~~ 22, 1988

WHEREAS, the Vermont Housing Finance Agency (hereinafter referred to as the "Agency") on June 16, 1978 adopted a resolution entitled "Single Family Mortgage Purchase Bond Resolution" (hereinafter referred to as the "General Bond Resolution") and on May 2, 1980 adopted a resolution entitled "Series Resolution Authorizing the Issuance and Sale of $75,000,000 Single Family Mortgage Purchase Bonds, 1980 Series A" (hereinafter referred to as the "Series Resolution"); and

WHEREAS, in Section 306 of the Series Resolution the Agency appointed Marine Midland Bank, N.A, New York, New York as a Paying Agent for the Agency's $75,000,000 Single Family Mortgage Purchase Bonds, 1980 Series A (hereinafter referred to as the "Bonds"); and on October 18, 1984 appointed Manufactures Hanover Trust Company;

WHEREAS, Manufacturers Hanover Trust Company has notified the Agency in writing of its resignation from the position of Paying Agent for the Bonds; and

WHEREAS, pursuant to Sections 1102 and 1110 of the General Bond Resolution, the Agency is authorized to appoint a Paying Agent to fill the vacancy created by said resignation pending the appointment of a successor Paying Agent by the Bondholders; and

WHEREAS, Citibank, N.A. is a trust company having trust powers and a capital and surplus aggregating at least five million dollars ($5,000,000) and is willing and able to accept the office of Paying

Agent for the Bonds, as required by Section 1102 of the General Bond Resolution;

IT IS RESOLVED BY THE VERMONT HOUSING FINANCE AGENCY and the Commissioners thereof that:

1. Citibank, N.A., New York, New York is hereby appointed Paying Agent for the Bonds pending the appointment of a successor Paying Agent by the Bondholders pursuant to Section 1110 of the General Bond Resolution.

2. This resolution shall take effect immediately.

CERTIFICATE

The undersigned, Allan S. Hunt of the VERMONT HOUSING FINANCE AGENCY, DOES HEREBY CERTIFY that the foregoing resolution was duly adopted by the Commissioners of said agency and became effective on September 22 ~~August~~ __, 1988 and that said resolution has been compared by me with the original thereof recorded in the minute book of said Agency and that it is a correct transcript therefrom and of the whole of said original and that said resolution has not been altered, amended or repealed but is in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of said Agency this 27th day of September, 1988

[Seal]

Allan S. Hunt
Executive Director

603-5/636

STATISTICAL REPORT PROGRAM ID: 88A
SINGLE FAMILY DATABASE
LTV 0% TO 100%
EFFECTIVE: 10/11/88

Total Number of Loans:	139
Total Loan Amount:	$7,434,224
Average Loan Amount:	$53,483

EXISTING:	$6,024,161	84.1%	117 Loans
NEW CONSTRUCTION:	$1,410,063	15.8%	22 Loans
NEW DETACHED HOUSING:	$828,573	58.7%	13 Loans
NEW CONDOMINIUM:	$581,490	41.2%	9 Loans

Total Insured or Guaranteed Loans:	136
Loans Guaranteed by VHMGB:	135

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$57,634	$61,447	$58,649
Avg. Loan Amount	$52,566	$56,012	$53,483
Avg. Borrower Income	$27,248	$27,906	$27,423
Avg. Housing Debt-Income Ratio	23.9%	25.4%	24.3%
Avg. Total Debt	$730.50	$767.51	$740.36
Avg. Total Debt-Income Ratio	32.0%	33.1%	32.3%
Total No. of Loans	102	37	139
First Time Homebuyers	76.4%	100.0%	82.7%
% Loans with 2 or more Wage Earners	56.8%	48.6%	54.6%
% of Total Loan Amount	72.1%	27.9%	100.0%

	Loans	% of Loans	$ Amount	*Households	% of Hshlds	% DIFF
Addison	5	3.6%	$224,100	5,115	5.7%	2.1-
Bennington	4	2.9%	$177,852	6,538	7.3%	4.4-
Caledonia	11	7.9%	$523,171	4,500	5.0%	2.9
Chittenden	20	14.4%	$1,240,052	17,415	19.4%	5.0-
Essex	0	0.0%	$0	1,455	1.6%	1.6-
Franklin	21	15.1%	$1,212,385	5,798	6.5%	8.6
Grand Isle	0	0.0%	$0	932	1.0%	1.0-
Lamoille	11	7.9%	$561,505	3,234	3.6%	4.3
Orange	6	4.3%	$287,129	4,221	4.7%	0.4-
Orleans	11	7.9%	$408,579	4,149	4.6%	3.3
Rutland	12	8.6%	$625,800	10,051	11.2%	2.6-
Washington	22	15.8%	$1,295,405	9,282	10.3%	5.5
Windham	8	5.8%	$447,792	6,944	7.7%	1.9-
Windsor	8	5.8%	$430,454	10,120	11.3%	5.5-
TOTAL	139	100.0%	$7,434,224	89,754	100.0%	

* Estimated number of households, $15,000 to $35,000 income.
ACI, 1988 County Sourcebook

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia Crady, Chair of Program Group

SUBJECT: Summary of Recommendations for 1988B Program

DATE: October 11, 1988

Attached is a detailed summary of the research conducted by the Program Group in preparation for the 1988B Program. The Program Group's recommendations regarding the size and operation of the next home ownership program are based on an extensive analysis of available data. We request your review and approval of the following program elements.

Sizing - $85-95 million for a three year reservation period based on historic data and projections. This figure includes $10-20 million for a builders' set-aside. We are currently surveying builders to determine their interest in reserving funds. We anticipate demand for a builders' set-aside to be in the $10-20 million range.

New Purchase Price Limits - recommended limits are $85,000 for existing residences and $93,000 for newly constructed residences, reflecting increased Vermont property costs since our last adjustment in July 1987.

New Income Limits - the Program Group recommends significant increases in six counties: Addison, Bennington, Chittenden, Windham and Windsor. Income limits were reviewed on a county level with the objective of decreasing disparity between counties, increasing limits in counties where aggregate (median) incomes and property costs are high in comparison to current VHFA limits, and to encourage better utilization of VHFA programs in those counties identified as under-served. (Proposed Income Limits are listed on attachment #2.)

Other Program Recommendations - change from 25 year to 30 year loan term; continuation of 20% low income set-aside; inclusion of FHA Insured and VA Guaranteed mortgages.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Program Group (Pat Crady, Hollis Hope, Glenn Jarrett, Bobbi Julien, Doug Lothrop, Stacy Markman, Jacklyn Santerre)

SUBJECT: Recommendations for 1988B Home Ownership Program

DATE: October 11, 1988

The Program Group, a team representing the Development, Operations, Legal and Communications Departments, has been working to gather and analyze new data pertinent to the development and enhancement of VHFA home ownership programs. The memo submitted by the Program Group to the Board in June provided an analysis of statewide supply and demand issues. The focus of this presentation is on factors reviewed primarily at the county level. With the possibility that the next MRB program may be VHFA's last, the Program Group utilized these county level data to gain a more thorough understanding of the VHFA home ownership market and to identify means to achieve improved program targeting and broader statewide utilization.

The information provided below does not encompass all the data reviewed by the Program Group during the past three months (more detailed data is available upon request). This memo summarizes only those elements most germane to the Program Group's recommendations regarding the size and operation of the next MRB home ownership program.

The summary includes three general areas of concern:

- **$85-95 million recommended size for the 1988B bond issue** (final size to be determined following completion of a survey of builders' interest in reserving $10-20 million in a Builders' Set-Aside program) and the factors utilized to determine this recommendation;

- **Recommended changes to the home ownership program,** including increased income and purchase price limits, a 30 year mortgage term, a 20% low income set-aside, expanded program provisions to include FHA Insured and VA Guaranteed mortgages, and expanded procedural guidance regarding property conditions.

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- County level data relied upon to determine new income and purchase price limits including: property costs in 1987 and 1988, purchase price affordability based on recommended income and purchase price limits, level of VHFA program usage by county and an identification of counties that appear to be "under-served" by VHFA in 1987 and 1988, and a look at VHFA's place in the market based on utilization rates and supply data.

SIZING

Due to the strong possibility that MRBs will sunset within the next three to nine months, the Program Group recommends that this issue be sized to provide funding for the longest period possible. Federal law stipulates three years as the maximum allowable origination period; any monies left in the program account after three years must be used to redeem bonds.

The Program Group recommends $85-95 million to be an appropriate size for a 1988B issue. This recommendation is based on the following assumptions:

Reservation Rate - For the period of 07/02/87 to 09/23/88 VHFA averaged 12.8 reservations per week. The spread between VHFA and conventional rates during that period ranged from a high of 1.65% to a low of 0.50%. If the rate on the 1988B issue does not exceed 9.25% we will enjoy a 1.25% spread over current conventional rates. Given that conventional rates are expected to rise (to a level of 11% by mid-1989, according to the Federal Home Loan Bank Board) we assume that we will have at least a 125 basis point spread over conventional rates through mid-1989.

Reservation Period - A review of past programs indicates that it may take approximately ten months from the closing of the reservation period to purchase all loans. This time is necessary because of new construction and the high percentage of loans on property requiring repairs. We assume a 26 month reservation period, three years less the estimated ten months necessary to purchase all loans.

Fallout Rate - Based on historic data we assume that 16% of all loans reserved and committed will not be purchased.

Average Loan Amount - VHFA's average loan amount is currently $53,000. We estimate that increased purchase price limits will yield an average loan of $60,000.

Lender Survey - Lenders have been asked to estimate the amount they will be able to originate within a two year period based on a projected fixed rate of 9.25%. Results will be available at the October 17 Board meeting.

Builders' Set-Aside - We are currently surveying builders to determine their interest in reserving additional funds. We anticipate demand to be in the $10 - $20 million range. The Builders' Set-Aside will be actively promoted.

Calculation:
26 months = 112 weeks x 13 reservations per week @$60,000 per reservation - 16% fallout = $73.4 million.

Recommendation:
$75 million (rounded) + $10-20 million Builders' Set-Aside = $85-95 million 1988B issue.

PURCHASE PRICE LIMITS

With new data available from the U.S. Department of Treasury, we now have the ability to adjust purchase price limits to reflect changes in the marketplace. Current purchase price limits were established for the start of the 1987A program and reflect average area purchase prices based on 1986 data provided by HUD.

Information received from Vermont property transfer tax returns indicates that the average purchase price of primary residences and mobile homes with land increased nearly 13% from 1987 to the first half of 1988. Additionally, the percentage of all properties sold at $80,000 and below has decreased as a proportion of all transfers from 57% in 1987 to 52% in the first half of 1988, also attesting to the upward increase in housing prices.

The purchase price limits recommended by the Program Group, $85,000 for existing residences and $93,000 for newly constructed residences, represent a 13% increase over current limits for existing properties and a 16% increase for new properties. These recommended limits remain well below the maximum limits allowed by federal Safe Harbor limits. (See Attachment #1.) The VHFA recommended purchase price limits also are lower than the $95,000 maximum mortgage amount set by the Farmers Home Administration.

Higher limits for new homes may promote new construction. It is hoped that an expanded stock of lower priced homes will result, thereby diminishing competition for existing housing stock and allowing lower income buyers to better compete in the housing market.

INCOME LIMITS

The Program Group recommends significant increases to income limits in six counties: Addison, Bennington, Chittenden, Grand

Isle, Windham, and Windsor. In all other counties income limit recommendations are based on present limits rounded up to the nearest $500. The recommended income limits have been raised to approximately the maximum allowable in four counties: Addison, Bennington, Grand Isle and Windsor. VHFA present and proposed limits, and the maximum allowable income limits prescribed by HUD, are provided as Attachment #2. Attachment #3 ranks the proposed county income limits and lists an estimated maximum affordable purchase price for each proposed income limit.

The Program Group reviewed income limits on a county level. Our objective was threefold: 1) to decrease the wide disparity that currently exists between county income limits; 2) to apply the logic that counties with higher property costs and higher aggregate (median) incomes should have the higher VHFA income limits; and 3) to encourage better utilization of VHFA programs in those counties identified as under-served. The recommended income limit changes have been applied to those six counties where at least two of these objectives have not been previously achieved.

1) Income Limit Disparity: Current limits range from a high of $37,720 to a low of $26,220, a range of $11,500 with 14 different income limits statewide. The recommended income limit changes would reduce this range to $6500, from a high of $38,000 to a low of $31,500, yielding eight income limits statewide.

While the recommended increase in Grand Isle County is substantial, the Grand Isle limit will remain at the lowest level statewide. The Chittenden County limit has been raised to a level equal to Burlington MSA; this change will reduce consumer confusion while actually affecting increases in only four towns.

2) County Property Costs and Incomes: The Program Group attempted to match income limit recommendations with ranked property costs and median incomes for each county. This was not always possible because of federal regulations that are more restrictive in non-targeted counties than in targeted counties.

The six counties for which income limit increases are recommended are the six counties with the highest cost of property in the state. Average property costs and percentage increases from 1987 to Jan.-Jun. 1988 are provided as Attachment #4.

Aggregate income data for each county were also analyzed. Data were obtained from three sources: HUD, 1988 median family incomes; 1986 Vermont personal income tax statistics (the most current available); and CACI (private demographic services company), 1988 median household income. Each county income list was ranked and compared with the ranking of VHFA's current income limits (based on the premise that VHFA's income ranks should more or less correspond with the rank of actual county incomes).

Although each data source revealed a somewhat different county rank, five of the six counties for which increased VHFA income limits are recommended showed an income limit that was too low compared to the ranking of the counties' actual aggregate income. Only Windham county, because of its high present income limit, was not found too low in this comparison. An income limit increase is recommended for Windham, however, on the basis of high purchase prices and under-utilization of VHFA programs.

3) Counties Identified as Under-Served by VHFA: One of the goals of the Program Group was to encourage better program utilization in those counties that demonstrate evidence of being under-served by VHFA. Two methods were used to measure program usage. First, the number of VHFA loans originated in each county from January 1987 through September 1988, expressed as a percentage of all VHFA loans statewide, was compared to the percentage of Vermont households residing in each county. Only households with incomes between $15,000 and $35,000 were included, as this income range is representative of the households served by VHFA (94% of all households in the 87A and 88B programs). The premise is that VHFA should be serving an equal percentage of our market, i.e., households with incomes $15-35,000, in each county.

Results of VHFA's "Program Usage" analysis are provided as Attachment #5. The county ranking reveals that the four counties with the lowest program usage, compared to county population as defined above, are Windsor, Windham, Bennington and Addison. All of these counties are included in the Program Group's recommendation for income limit increases.

The second measure of program utilization is referred to as "Market Share" (also referenced in the previous memo of June 23). The number of VHFA loans originated in each county during 1987 and the first half of 1988 were compared to the total number of property transfers, $80,000 and below, recorded in each county during the same time periods. ($80,000 is the highest current VHFA purchase price limit, thus this amount was used to define the VHFA property sales "market".) Again, only primary residences and mobile homes with land were included in the property transfer data obtained from the Vermont Department of Taxes. Transfer data beyond June 1988 are as yet too incomplete to be utilized.

The VHFA "Market Share" for each county in 1987 and from January to June 1988 are displayed as Attachment #6. The ranked lists reveal the counties with the lowest Market Share in 1987 and Jan.-Jun. 1988: Windsor, Bennington, Windham and Essex. Windsor, Bennington and Windham are included in the six counties where income limit increases are recommended. The Program Group does not recommend raising the income limit in Essex because of this county's very low incomes and property costs (the average property cost in Essex was $49,700 for the first half of 1988,

the lowest in the state).

Statewide VHFA Market Share and Program Usage
Attachment #6 also reports the statewide VHFA Market Share in 1987 and during the first half of 1988: 7.2% and 18.8% respectively. It appears from these percentages that the ratio of VHFA loans to all property transfers in Vermont in our market has risen significantly from 1987 to 1988. Although this can be accounted for in part by the fact that VHFA funds in 1987 were only available for seven out of twelve months, this marked increase may also be attributed to expanded outreach and marketing efforts.

Parallel to Market Share increases, the total percentage of statewide households served (of those households with incomes $15,000 - $35,000) has also demonstrated a notable increase from 1987 to 1988. Based on estimates provided by CACI*, in 1987 there were roughly 86,800 households in Vermont in this income range. VHFA provided 444 home ownership loans in 1987, thus serving an estimated .5% of households with incomes in this range. To date in 1988 (1/1-9/30/88) VHFA has provided 531 loans. An annualized projection through the end of December would bring the total to 708 loans. This represents .8% of the estimated 89,800 households in 1988 with incomes between $15,000 and $35,000. These figures indicate a sizable increase in the portion of Vermont households served by VHFA.

OTHER PROGRAM RECOMMENDATIONS

Low Income Set-Aside: As with past programs, a percentage of the proceeds will be set aside for lower-income Vermonters. For this issue, it is recommended that a minimum of 20% of the proceeds be set aside for six months to assure that Vermonters at or below median income are served.

Loan Term: The Program Group recommends an increase in the loan term from 25 to 30 years. This will make the payments more affordable and the 30 year term will be consistent with financing available in the conventional marketplace.

FHA/VA Insured/Guaranteed Mortgages: The Program Group recommends expanding the program to allow FHA Insured and VA Guaranteed mortgages. This change will allow borrowers to qualify for FHA financing with an average down payment of 3%. VA financing requires no down payment.

Property Conditions: When loan originators were surveyed earlier this year, a vast majority felt that VHFA places too many

* CACI is a private demographic services company.

property conditions on mortgages. A review of many of the loans processed in 1987, and conversations with lenders, revealed that a great number of the homes financed through VHFA were in need of repairs to fit VHFA's definition of "safe and decent" housing. Lenders are in agreement with VHFA that in most areas, property that is affordable to the low- and moderate-income population is often in need of some repair. To address this growing problem, the Program Group recommends providing lenders with more direction with regard to dealing with property in need of repair.

It is estimated that over 50% of the mortgages financed by VHFA in 1988 included the financing of repairs, yet the fact that repairs may be financed has not been actively publicized. The Program Group recommends that this financing option be promoted in the 1988B program.

CONCLUSION

While VHFA activity has been very strong throughout the 1988A program, utilization has remained consistently low in certain counties. Those counties identified as under-served by VHFA are of special interest to the Program Group. We are raising purchase price and income limits, in part, to encourage the use of VHFA funds. It may be, however, that supply shortages could limit the expansion of program services in some areas.

Staff are currently examining what appears to be a relationship between under-utilization of VHFA funds and an apparent shortage of lower priced properties in certain counties. (Supply shortages were examined through a comparison of the number of transfers of lower priced properties and the number of households in the $15-35,000 income range in each county, and through discussions with Real Estate Agents.) There is still much to be learned about property supply in Vermont; the Program Group will continue to explore this issue.

Other means of targeting counties that appear under-served are being pursued. For example, in an effort to directly reach out to potential VHFA borrowers, home buyer workshops (where VHFA representatives meet directly with interested residents) have been conducted this fall in Bennington and the Windham/Windsor areas. Future workshop locations will include Addison County.

An efficient delivery system is also key to our success in reaching potential home buyers. While the time constraints we faced for this issue did not allow for a complete review of our delivery system, we plan to work with lenders to further identify areas for improvement.

VHFA PURCHASE PRICE LIMIT INFORMATION

VHFA PROPOSED PURCHASE PRICE LIMITS

	Proposed	Present	Increase
New Property	$ 93,000	$ 80,000	16%
Existing Property	85,000	75,000	13%

MAXIMUM ALLOWABLE LIMITS

	90% of Safe Harbor* for Non-Targeted Counties	110% of Safe Harbor For Targeted Counties**
New Property	$126,270	$154,330
Existing Property	85,770	104,830

* Safe Harbor Limits are published by the U.S. Department of Treasury.

** Federally Targeted Counties: Caledonia, Essex, Franklin, Lamoille, Orange, Orleans, Rutland, Washington and Windham.

ANNUAL INCOME NEEDED FOR PROPOSED MAXIMUM PURCHASE PRICES***

Rate	New $93,000	Existing $85,000
8.50%	35,800	32,800
8.75%	36,500	33,500
9.00%	37,200	34,100
9.25%	37,900	34,700
9.50%	38,600	35,300

*** Maximum purchase prices are calculated assuming: 5% down, 30 year term, annual average "effective" property tax rate of $1.70 per $100 of purchase price, $300 annual fire insurance, 28% total housing debt to income.

VHFA PROPOSED INCOME LIMITS

	Present Limit	Proposed Limit	Maximum Allowable Limit *
ADDISON +	$29,095	**$31,500**	$31,510
BENNINGTON +	30,360	**32,500**	32,545
BURLINGTON MSA	37,720	**38,000**	40,940
CALEDONIA	33,320	**33,500**	38,360
CHITTENDEN +	35,880	**38,000**	38,870
ESSEX	31,360	**31,500**	38,360
FRANKLIN	34,580	**35,000**	38,360
GRAND ISLE +	26,220	**31,500**	31,510
LAMOILLE	34,580	**35,000**	38,360
ORANGE	32,060	**32,500**	38,360
ORLEANS	31,360	**31,500**	38,360
RUTLAND	37,380	**37,500**	40,040
WASHINGTON	36,260	**36,500**	39,060
WINDHAM +	36,120	**37,500**	38,780
WINDSOR +	32,085	**34,000**	34,270

+ Significant increases recommended.

* Maximum allowable income limit based on HUD published medians.

VHFA INCOME LIMIT INFORMATION

	Proposed Income Limits (ranked)	Maximum Affordable** Purchase Prices (@9.25%)
BURLINGTON MSA	$38,000	$93,300
CHITTENDEN	38,000	93,300
RUTLAND	37,500	92,100
WINDHAM	37,500	92,100
WASHINGTON	36,500	89,500
FRANKLIN	35,000	85,800
LAMOILLE	35,000	85,800
WINDSOR *	34,000	83,200
CALEDONIA	33,500	82,000
BENNINGTON *	32,500	79,400
ORANGE	32,500	79,400
ADDISON *	31,500	76,900
ESSEX	31,500	76,900
GRAND ISLE *	31,500	76,900
ORLEANS	31,500	76,900

* Counties where proposed income limit is approximately the maximum income limit allowable.

** Maximum purchase prices calculated assuming: 5% down, 30 year term, annual average "effective" property tax rate of $1.70 per $100 of purchase price, $300 annual fire insurance, 28% total housing debt to income.

AVERAGE PROPERTY COSTS

PRIMARY RESIDENCES AND MOBILE HOMES WITH LAND
(Vacation and other properties excluded)

	1987	Jan-Jun 1988	Percent Increase
ADDISON	$ 79,852	$ 94,415	18.2%
BENNINGTON	97,572	104,993	7.6%
CALEDONIA	55,060	61,485	11.7%
CHITTENDEN	101,634	109,878	8.1%
ESSEX	39,508	49,765	26.0%
FRANKLIN	61,172	70,230	14.8%
GRAND ISLE	92,097	95,888	4.1%
LAMOILLE	81,731	81,491	-0.3%
ORANGE	67,604	77,546	14.7%
ORLEANS	47,360	56,635	19.6%
RUTLAND	81,161	92,410	13.9%
WASHINGTON	69,917	82,859	18.5%
WINDHAM	92,413	104,123	12.7%
WINDSOR	100,518	122,216	21.6%
VERMONT	84,883	95,543	12.6%

RANKED AVERAGE PROPERTY COSTS
January - June 1988

WINDSOR	$122,216
CHITTENDEN	109,878
BENNINGTON	104,993
WINDHAM	104,123
GRAND ISLE	95,888
ADDISON	94,415
RUTLAND	92,410
WASHINGTON	82,859
LAMOILLE	81,491
ORANGE	77,546
FRANKLIN	70,230
CALEDONIA	61,485
ORLEANS	56,635
ESSEX	49,765

Data Source: Vermont Department of Taxes, property transfer tax system. The Program Group prefers to rely on median property costs as medians are not as strongly affected by extreme values as are averages; unfortunately, median figures are unavailable at this time.

VHFA PROGRAM USAGE BY COUNTY

Number of VHFA loans January 1987 - September 1988
compared to number of households with incomes $15,000 - $35,000 *

COUNTY	1988 Number of Households $15-35,000	% of Vermont Households $15-35,000	# of VHFA Loans Jan 87-Sep 88	% of VHFA Loans	Difference between % Hshlds & % Loans
ADDISON	5,120	5.7%	39	4.0%	-1.7%
BENNINGTON	6,540	7.3%	29	3.0%	-4.3%
CALEDONIA	4,500	5.0%	73	7.5%	2.5%
CHITTENDEN	17,420	19.4%	259	26.6%	7.2%
ESSEX	1,460	1.6%	7	0.7%	-0.9%
FRANKLIN	5,800	6.5%	132	13.5%	7.1%
GRAND ISLE	930	1.0%	14	1.4%	0.4%
LAMOILLE	3,230	3.6%	43	4.4%	0.8%
ORANGE	4,220	4.7%	37	3.8%	-0.9%
ORLEANS	4,150	4.6%	54	5.5%	0.9%
RUTLAND	10,050	11.2%	105	10.8%	-0.4%
WASHINGTON	9,280	10.3%	114	11.7%	1.4%
WINDHAM	6,940	7.7%	32	3.3%	-4.5%
WINDSOR	10,120	11.3%	37	3.8%	-7.5%
TOTAL	89,760	100.0%	975	100.0%	0.0% (See ranking below)

VHFA PROGRAM USAGE 1/87 - 9/88
(Counties in rank order)

CHITTENDEN	7.2%
FRANKLIN	7.1%
CALEDONIA	2.5%
WASHINGTON	1.4%
ORLEANS	0.9%
LAMOILLE	0.8%
GRAND ISLE	0.4%
RUTLAND	-0.4%
ESSEX	-0.9%
ORANGE	-0.9%
ADDISON	-1.7%
BENNINGTON	-4.3%
WINDHAM	-4.5%
WINDSOR	-7.5%

Larger percents indicate high program usage compared to county population.

Negative percents indicate counties that appear to be under-served by VHFA.

* Data Source: CACI (private demographic services organization), "The 1988 Sourcebook of Demographics and Buying Power for Every County in the USA," Fairfax, VA.

VHFA "MARKET SHARE"

Ratio of VHFA Loans to Vermont Property Transfers, $80,000 or Less, January 1987 - June 1988 *

	1987			Jan-Jun 1988		
	VHFA Loans	Transfers $80,000 & Less	Ratio	VHFA Loans	Transfers $80,000 & Less	Ratio
ADDISON	18	322	5.6%	16	84	19.0%
BENNINGTON	10	323	3.1%	12	99	12.1%
CALEDONIA	26	402	6.5%	33	161	20.5%
CHITTENDEN	142	1175	12.1%	88	422	20.9%
ESSEX	4	122	3.3%	2	29	6.9%
FRANKLIN	54	521	10.4%	52	180	28.9%
GRAND ISLE	8	51	15.7%	6	25	24.0%
LAMOILLE	15	225	6.7%	15	73	20.5%
ORANGE	19	320	5.9%	13	91	14.3%
ORLEANS	25	399	6.3%	16	110	14.5%
RUTLAND	58	703	8.3%	31	218	14.2%
WASHINGTON	38	674	5.6%	58	232	25.0%
WINDHAM	12	323	3.7%	11	91	12.1%
WINDSOR	15	594	2.5%	13	129	10.1%
TOTAL	444	6154	7.2%	366	1944	18.8%

1987 RANKED VHFA MARKET SHARE		Jan - Jun 1988 RANKED VHFA MARKET SHARE	
GRAND ISLE	15.7%	FRANKLIN	28.9%
CHITTENDEN	12.1%	WASHINGTON	25.0%
FRANKLIN	10.4%	GRAND ISLE	24.0%
RUTLAND	8.3%	CHITTENDEN	20.9%
LAMOILLE	6.7%	LAMOILLE	20.5%
CALEDONIA	6.5%	CALEDONIA	20.5%
ORLEANS	6.3%	ADDISON	19.0%
ORANGE	5.9%	ORLEANS	14.5%
WASHINGTON	5.6%	ORANGE	14.3%
ADDISON	5.6%	RUTLAND	14.2%
WINDHAM	3.7%	WINDHAM	12.1%
ESSEX	3.3%	BENNINGTON	12.1%
BENNINGTON	3.1%	WINDSOR	10.1%
WINDSOR	2.5%	ESSEX	6.9%

* Data Source: VT Department of Taxes, property transfer tax system. Property transfers include primary residences and mobile homes with land; vacation homes and all other properties excluded.

The completeness of the property tax data cannot be verified as the Tax Dept. was unable to estimate the number of missing returns. If additional records are recorded, the "market share" percentage of VHFA loans would decrease commensurately, although it is expected that the percentage change would not be great.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Meg Pond, Director of Development

SUBJECT: Riverside Development Proposal

DATE: October 11, 1988

At the time of the Board mailing, we have no new information to send to you regarding the Riverside Project.

Much activity is going on on all sides, and we anticipate that we will bring a resolution and new commitment letter for action by the Board on Monday, October 17th.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia Crady, PC Development Coordinator

SUBJECT: Mortgage Credit Certificate Election

DATE: October 11, 1988

VHFA's authority to issue Mortgage Credit Certificates will expire on December 31, 1988. To continue the Mortgage Plus Program after that date, we will need to elect a portion of our 1988 authority to issue Qualified Mortgage Bonds. Election of 1988 authority may be used for the issuance of Mortgage Credit Certificates through December 31, 1990.

Activity under Mortgage Plus has increased in 1988 over 1987. In 1987 under Issue #1, 8 Mortgage Credit Certificates were issued during the six months of program operation. Under Issue #2, as of September 23, 1988, 56 Mortgage Credit Certificates have been issued with another 13 pending.

Our plan for this program in 1989 includes a review with major changes contemplated to improve delivery and program operation. Mortgage Credit Certificates will also have a major application with the Vermont Secondary Market by providing the subsidy that will be needed to reach low- and moderate-income home buyers. We recommend the continuation of this program.

Attached is a draft of a resolution you will be asked to adopt at the October 17, 1988 meeting. The amount of election has been left blank and will be available at the meeting.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA

DRAFT

RESOLUTION PERTAINING TO ELECTION NOT TO ISSUE CERTAIN BONDS REQUIRED FOR IMPLEMENTATION OF THE AGENCY'S MORTGAGE CREDIT CERTIFICATE PROGRAM (ISSUE NO. 3)

WHEREAS, Vermont Housing Finance Agency (the "Agency") intends to issue Mortgage Credit Certificates during calendar year 1989 and thereafter; and,

NOW THEREFORE, in order to accomplish the conditions precedent to its authority to issue such certificates, it is

RESOLVED, for purposes of section 25 of the Internal Revenue Code of 1986 and regulations thereunder (the "Code"):

1. Of the amount of qualified mortgage bonds which it is otherwise authorized to issue during calendar year 1988, Vermont Housing Finance Agency hereby elects not to issue _____ principal amount of qualified mortgage bonds.

2. The Executive Director, the Director of Finance, and the Director of Operations are directed, and each of them is authorized, to take all preliminary steps necessary to the continuation of the Mortgage Credit Certificate program after December 31, 1988, including:

   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 with this Resolution.

   B. Solicitation of any certificate required by the Code to be provided by the Governor.

   C. Certification to the Governor as authorized by the Code.

RESOLUTION PERTAINING TO ELECTION NOT TO ISSUE CERTAIN BONDS REQUIRED FOR IMPLEMENTATION OF THE AGENCY'S MORTGAGE CREDIT CERTIFICATE PROGRAM (ISSUE NO. 3)

WHEREAS, Vermont Housing Finance Agency (the "Agency") desires to issue Mortgage Credit Certificates during calendar year 1989 and thereafter; and,

WHEREAS, the continued ability of the Agency to issue Mortgage Credit Certificates after December 31, 1988 depends on imminent Congressional action;

NOW THEREFORE, if there is Congressional action before Congress adjourns that enables the Agency to continue to have the authority to issue Mortgage Credit Certificates, which action is to be certified by the Executive Director; then, in order to accomplish the conditions precedent to its authority to issue such certificates, it is

RESOLVED, for purposes of section 25 of the Internal Revenue Code of 1986 and regulations thereunder (the "Code"):

1. Of the amount of qualified mortgage bonds which it is otherwise authorized to issue during calendar year 1988, Vermont Housing Finance Agency hereby elects not to issue $ 26,132,022 principal amount of qualified mortgage bonds.

2. The Executive Director, the Director of Finance, and the Director of Operations are directed, and each of them is authorized, to take all preliminary steps necessary to the continuation of the Mortgage Credit Certificate program after December 31, 1988, including:

   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 with this Resolution.

   B. Solicitation of any certificate required by the Code to be provided by the Governor.

   C. Certification to the Governor as authorized by the Code.

   D. Publication of necessary notices.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: October 11, 1988

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt ASH

RE: HOME BUYER WORKSHOP MEDIA COVERAGE

Enclosed please find a copy of an article which appeared in the Valley News of West Lebanon, New Hampshire. This coverage of the recent home buyer workshops is very beneficial to educating the public!

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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VALLEY NEWS
WEST LEBANON, NH
D. 16,888

SEP 22 1988
NEW ENGLAND NEWSCLIP AGENCY, INC.

Homeward Bound, With Help

VHFA

By ANDREA HEIL
Valley News Staff Writer

BELLOWS FALLS — A group of Windsor and Windham County residents took their first step toward owning a home yesterday when they showed up at a home-buyer information session armed with hope and a lot of questions.

The biggest question on all of their minds: What can we afford?

In a state with an affordable-housing crunch, the answer is probably "not much," but the Vermont Housing Finance Agency is hoping to bring their dreams of owning a home a little closer to reality.

VHFA works with Vermont banks to try to make homes affordable for residents with low and moderate incomes, offering a mortgage interest rate of only 9.1 percent and requiring down payments of just 5 percent.

That caught the attention of West Lebanon resident Terrence Garrison. Garrison, a self-employed builder, is hoping to build his own home in Strafford. He has never owned a house.

"It's funny being a builder and building other people's houses, and not being able to afford my own home," Garrison said.

With VHFA's help, he's hoping to be able to finally do that.

Valley News - Larry Crowe

Prospective homeowner Garrison, left, reviews numbers with VHFA's Derry.

In an effort to reach out directly to first-time home buyers, the housing finance agency held a Home Buyer Day at the Rockingham Motor Inn yesterday. The motel's lounge was converted into an impromptu office, and a steady flow of would-be homeowners came in to ask VHFA representatives an equally steady

(Continued on page 11)

— HOME BUYERS

Home Buyers

(Continued from page 1)

stream of questions, and to fill out forms and scribble in worksheets to figure out how much they can afford to borrow.

VHFA officials were there to answer the questions and determine if the expectant buyers were eligible for its financing program. VHFA sets maximum income limits, which vary from county to county. The maximum income limit for homebuyers in Windsor County is $32,085, while Windham County's limit is $36,120, calculated according to federal guidelines.

The agency also sets statewide purchase price limits of no more than $80,000 for newly constructed homes and $75,000 for existing housing.

VHFA was prompted to broaden its outreach efforts to first-time home buyers because of the shortage of affordable housing in Vermont, says Executive Director Allan Hunt. Four Home Buyer Days were held in the spring and three are being held around the state this fall. The sessions allow prospective buyers to educate themselves before making a loan application.

Would-be homeowners interviewed yesterday afternoon all spoke about skyrocketing rents in the state.

Garrison said he has lived in the Upper Valley for a dozen years and has probably rented a dozen different places.

"My wife is finishing up at Dartmouth, and once we're out of college housing, we're looking at ridiculously high rents within a 20-mile radius of Hanover," he said. Since his wife, Katie Botsford, is going to school and not working, their annual income is now just $15,000.

"As prices keep going up, we're going to have to find more creative ways of putting people in homes," Garrison said.

He and Botsford are doing just that. They are members of a cooperative of five households — three couples and two single persons — who bought 150 acres of land in Strafford two years ago. A few of the members just started building on the land this summer, and Garrison is anxious to build a home, too.

The landowners, as members of the Blue Moon Cooperative Community, lease the land back to themselves. The property was bought with two ideas in mind, Garrison said: good stewardship of the land — to keep it from being chopped up into many parcels — and to make available affordable housing.

VHFA loan underwriter Lois Braun told Garrison during their session together that she would have to consult with VHFA legal counsel about his plan to build on leased land. She told him he would need a 50-year lease for the 25-year mortgage that VHFA offers. He said that would be no problem.

VHFA representative Tammy Derry told Garrison: "If VHFA finances you they'll probably use you for a model, because you are unique. We're very interested in land trusts and land cooperatives."

He said after the session he was pleased that the home finance agency seemed open to giving him a mortgage on leased land.

"There is reticence by conventional bankers to loan on leased land. There's reticence, also, because I'm self-employed and because I want to build my own home," Garrison said.

"I've never applied for a loan. I had friends act as advance scouts," he said, smiling ruefully. "After hearing their stories of rejection I didn't actually have to go through the process myself."

Liz Fournier, who lives in Jacksonville — a town near the Mt. Snow ski area in Windham County — has a more immediate need for a home. She and her husband and their three teenagers are living in an 18-foot camper. They moved into the camper last month after they were forced to move out of the house they were renting.

"The availability of affordable housing in my area is terrible," Fournier said. "They all cater to the coneheads — the people who go there to ski. They can afford $450- to $500-a-week rental housing, but you can't afford it if you work there.

"We couldn't find a place to live, so we took $900 and bought a camper. I figured at least we'd have a camper after we found a place to live," she said.

During her session with loan underwriter Braun, Braun worked with Fournier's household income of $17,699 and the family's other expenses and debts to figure out what kind of home she could afford. She came up with $30,000.

"You could buy a mobile home with that and put it on a permanent foundation on owned land," Braun told her. "It could be your starter home."

Fournier's face showed her disappointment.

"You say, 'on owned land,' but one acre of land is selling for $25,000," Fournier said.

Braun told her it's tough to find cheaper land, but people are doing it. "You really have to search out there," she said.

Fournier had already done some searching. She had taken her town's grand list and called all the residents who owned less than 10 acres to see if anyone was interested in selling. She came up emptyhanded.

Braun asked her if she had any assets.

"No," she said simply. "We've been renting, and the rents just keep going up and up and up."

Fournier is an office worker and her husband is a trucker.

"I do wish you a lot of luck," Braun told her later. "It's kind of discouraging, I know."

As Fournier walked away, she said: "Thirty thousand dollars. I can't even buy land for that."

She said later, "I wouldn't want to live in a mobile home because it would have to be in a mobile home park. So when she said 'mobile home,' I saw 'trailer park.' Forget it."

Braun's next session had a happier ending. The first-time home buyer, a registered nurse with a 10-week-old daughter on her lap, walked away from her session with a smile. She was told that she and her husband, a machinist, could afford to buy a $70,000 home.

Braun said of her job, "It's been pretty satisfying — we've been able to put people in homes who never could afford to be in one."

VHFA was established in 1974 by the state legislature, and has helped more than 10,000 families take their first step toward owning a home. It is a self-supporting agency that doesn't use any state tax dollars. Program funds are obtained through the sale of mortgage revenue bonds. About $1.8 million is left in the current VHFA mortgage pool.

VERMONT HOUSING FINANCE AGENCY

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

RE: 1988B BOND FINANCING UPDATE

DATE: OCTOBER 17, 1988

The staff has been spending quite a bit of time the last couple of weeks reviewing possible alternative financing structures for a new and possibly final single family bond issue. We have been assuming in these structures that Sunset will happen and we will be unable to issue bonds after December.

The structure we are presently reviewing is a combination fixed rate financing and a conditional variable rate financing sized to provide funds for a projected three year period. The primary tool in this financing is called a convertible option bond which gives us considerable flexibility to meet the demand for funds and protection against falling interest rates.

A possible scenario would have the Agency issue a $85 million dollar issue consisting of basically three pieces. A fixed rate piece of $25 million for the next season which could be utilized immediately along with a $10 million piece for the builder set-aside. A second $25 million convertible option bond piece which would be available in early 1990 or rolled out to a later date and a third $25 million piece to be available in early 1991 or rolled out to a later date.

This is a very large issue and has some significant financial implications to be considered. These bond issues are proposed to be issued under the current Bond Resolution which requires a 1.5% contribution to a Loan Loss Claim Fund to cover potential losses on mortgage loans. A $85 million issue would require funding of approximately $1.3 million which would be contributed as the various pieces of the issue were converted into fixed rate bonds. As always, we would expect that a significant portion of this contribution would be recovered. In addition to the Loan Loss Claim Fund an Agency contribution to cover excess issuance costs would be expected of at least $420,000 for the total financing over the three year period. If the Agency opted for rolling out portions of the convertible option bonds for extended times an additional contribution would be required. The Agency Wide Cash Flow presented last fall included provisions for a $250,000 subsidy for fiscal years ending in June 1990-1992.

We should also recognize that fee income would be earned to offset some of the out of pocket contribution required. Assuming that a point would be charged to the builders would raise $100,000, points received from the borrowers under our current structure would generate $375,000 in fees and if we were to increase the point charge by a quarter point an additional $187,500 would be raised if all the mortgages were originated.

In light of the fact that we are considering such a large issuance and that the issue has significant impact on Agency resources it is important that the Board understand the financial implications and provide staff guidance and direction.

RESOLUTION AUTHORIZING ISSUANCE OF COMMITMENT LETTER TO THE RIVERSIDE HOUSING PARTNERSHIP

WHEREAS, the 220 Riverside Avenue development (the "Development") has been the subject of prior resolutions of the Agency adopted, respectively, on April 21, 1988, June 30, 1988, and September 22, 1988 (the "Prior Resolutions"); and,

WHEREAS, the Agency has been apprised of certain changes in the details of the Development, and points noted in a report of the Agency's consulting architect, including an increase in total development cost to $_____, the formal creation of The Riverside Housing Partnership (the "housing sponsor"), which is the limited partnership intended to construct and own the Development, and certain design drawbacks inherent in the difficult site, but which are acceptable to the Agency in light of the need for affordable housing and the scarcity of desirable sites; and,

WHEREAS, the housing sponsor has not fully complied with the conditions of the resolution adopted by the Agency on September 22, 1988, but certain critical conditions have been accomplished and the Agency has elected to proceed with its commitment, it is hereby

DETERMINED:

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

2. The acquisition and construction costs incurred or 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 the persons and families.

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to execute and issue to The Riverside Housing Partnership a Letter of Commitment and Intent to Finance, substantially in the form attached hereto (the "Commitment Letter"), and to make a mortgage loan for construction and permanent financing of the Development in accordance with the terms thereof.

2. Provided that the principal amount of the Agency's commitment shall not be increased, the Executive Director may in his discretion extend the time for performance under the Commitment Letter and may modify the loan documents attached to the Commitment Letter prior to their execution in such respects as the housing sponsor and the Executive Director, after consulting counsel, may agree. Further, if requested by the housing sponsor, the Executive Director may in his discretion, but shall not be required to, modify the terms of repayment of the Additional Balance described in the Commitment Letter.

3. This resolution supersedes any inconsistent term or provision of the Prior Resolutions.

October 17, 1988

The Riverside Housing Partnership
c/o Michael M. Richardson,
President
Housing Vermont, Inc.
One Burlington Square
Burlington, VT 05401

Re: Commitment Letter and Intent to Finance

Dear Mr. Richardson:

I am pleased to advise you and Lake Champlain Housing Development Corporation as the representatives of The Riverside Housing Partnership (hereafter the "Borrower" or "Developer"), a Vermont limited partnership including, as general partners, 220 Riverside Avenue Corporation, a wholly owned subsidiary of Housing Vermont, and Lake Champlain Housing Ventures, Inc., a wholly owned subsidiary of Lake Champlain Housing Development Corporation, that Vermont Housing Finance Agency (hereinafter the "Agency") has approved your application for construction and permanent financing for the proposed housing development (the "Development") to be constructed on certain property (the "Property") located in the City of Burlington, subject to the terms and conditions herein stated. The Development and the Property (which constitutes part of the Development) are more fully described in ATTACHMENT A hereto.

1. The Agency's Commitment contained herein (the "Commitment") consists of this letter and the following attachments which are to be incorporated herein and made a part of the Commitment.

   ATTACHMENT A: Development Description.

   The following forms of documents are also incorporated herein, and execution and delivery thereof substantially in the forms attached is a condition of the Commitment:

   ATTACHMENT B: Three Party Agreement, among the Borrower, the Agency, and City of Burlington (the "City") evidencing the availability of proceeds of a United States Department of Housing and Urban Development Housing Development Action Grant (the "HoDAG Funds") for construction and permanent financing of the Development.

   ATTACHMENT C: A loan agreement (the "Loan Agreement"), establishing exact terms and conditions for disbursement of funds and which shall extensively supplement this letter (this letter being hereinafter called the "Commitment Letter").

ATTACHMENT D: A construction promissory note (the "Construction Promissory Note") evidencing the Construction Loan (as hereinafter defined).

ATTACHMENT E: A promissory note (the "Permanent Note") evidencing funds lent as and for the Permanent Loan (as hereinafter defined).

ATTACHMENT F: A regulatory agreement (the "Regulatory Agreement"), extensively regulating the use of the Development as residential rental property for persons and families of low and moderate income.

ATTACHMENT G: A mortgage deed (the "Mortgage") constituting a first lien on all of the property comprising the Development, securing repayment of the Construction Loan and the Permanent Loan and compliance with all covenants, promises, and conditions of this Commitment Letter, the Construction Promissory Note, the Permanent Note, the Loan Agreement, and the Regulatory Agreement.

ATTACHMENT H: A collateral assignment (the "Assignment") of certain contracts and rights.

2. Subject to compliance by the Borrower with all conditions imposed by this letter as prerequisites to the making of the Construction Loan (as defined below), the Agency will make a construction loan (the "Construction Loan") to the Borrower pursuant to the terms of the Loan Agreement and secured by the Construction Promissory Note, the Regulatory Agreement, the Assignment and the Mortgage.

   The Construction Promissory Note shall be in such amount as Borrower may request, but not to exceed Five Million Six Hundred Thousand ($5,600,000.00) and 00/100 Dollars. The Construction Promissory Note shall be payable on the earlier to occur of January 31, 1990 or that date on which the Agency makes the Permanent Loan (as hereinafter defined). So much of the principal amount of the Construction Loan as is actually disbursed in excess of the maximum principal amount of the Permanent Loan (as set forth below) shall be subject to immediate mandatory prepayment from the HODAG funds upon receipt thereof by Borrower. The annual interest rate on the Construction Promissory Note shall be as determined by the Agency but shall not exceed Eight and One Half Percent (8.5%) per annum. No partner of the Borrower shall be personally liable for repayment of the Construction Promissory Note. The Construction Promissory Note shall have such other terms and conditions as are set forth in ATTACHMENT D.

3. Upon substantial completion of the Development, and after compliance with all of the applicable prerequisites set forth below, the Agency will make a loan to the Borrower for the longterm financing of the Development (the "Permanent Loan"), to be secured and evidenced by the Permanent Note, the Mortgage, the Assignment and the Regulatory Agreement.

   The Permanent Note shall be such amount as Borrower may request but not to exceed Two Million Seven Hundred Thousand ($2,700,000.00) and 00/100 Dollars. Debt service on the Permanent Note shall be structured so that

the regular monthly debt service shall not exceed the amount which the Development can support based on its pro-forma operating budget as accepted by the Agency as of the date of the Construction Loan closing. This shall be accomplished, if necessary, by dividing the principal portion of the Permanent Loan into two parts: the first part (the "Primary Balance") shall be payable in regular monthly installments of principal and interest, based on 30-year level amortization, with the interest rate to be determined by the Agency. If the Agency has issued tax-exempt bonds in order to finance the Primary Balance, the annual interest rate on the Primary Balance shall not exceed the maximum amount which the Agency is permitted to charge consistently with rules of the Secretary of the Treasury of the United States applicable to bonds of the Agency the interest on which is intended to be excludable from the gross income of the holders thereof for federal income tax purposes. No partner of the Borrower shall be personally liable for repayment of the Permanent Note. The second part of the principal portion of the Permanent Note (the "Additional Balance") will be funded from Agency's reserves, and shall accrue interest for ten years at an annual rate not exceeding ___%, at which time the outstanding balance of the Additional Balance (including principal and accrued interest) shall be payable in equal monthly payments of principal and interest, level-amortizing, over the balance of the term of the Permanent Note. Funds included in the Additional Balance shall also be subject to mandatory prepayment from all "Surplus Cash", as that term is defined in the Regulatory Agreement. The term of the Permanent Note shall be approximately 30 years, commencing on the date of the closing of the Permanent Loan, and terminating on the tenth day of February, A.D. 2020. Prepayment of the Permanent Note shall be prohibited without the written consent of the Agency prior to the date which is 15 years after the date on which 50% of the residential units in the Development are first occupied. The Permanent Note shall have such other terms and conditions as are set forth in ATTACHMENT E.

4. The Construction Loan and the Permanent Loan are sometimes herein referred to, individually or collectively, as the "Mortgage Loan." The Commitment shall be further conditioned by the requirements that (a) at the Construction Loan closing and at the Permanent Loan closing, the Development property not be encumbered by any attachment, execution, lien, or mortgage whether or not subordinate to the Permanent Loan, or any encumbrance affecting marketability, except as otherwise set forth in ATTACHMENT A hereto, (b) reasonable assurance from the City of Burlington, in the form of the Three Party Agreement, that the HODAG Funds are expected to be available for disbursement to the Borrower within four months after the date of the Construction Loan closing, and (c) proof satisfactory to the Executive Director that, as of the date of the Construction Loan closing, the Borrower has available to it equity funds at least equal to the difference between the total development cost as accepted by the Agency and the sum of (i) the maximum amount of the Permanent Loan and (ii) the full amount of the HODAG Funds. Except as the Agency may otherwise permit or require, all equity funds shall be expended for the purpose of acquiring the Property and constructing the Development prior to the disbursement of funds under the Construction Loan.

5. In order to preserve this Commitment, the Borrower shall pay to the Agency, on or before the date of the Construction Loan closing, a commitment fee in the amount of $93,000.00, of which $15,000.00 shall be

attributable to so much of the Construction Loan commitment as exceeds the Permanent Loan amount (the "Bridge Portion"). To the extent that the Bridge Portion is unused, the Agency shall rebate a pro-rata portion of such $15,000.00 by crediting the same to the contingency line item in the construction budget.

6. At least 10 business days prior to the closing of the Construction Loan, the Borrower shall provide the Agency with the following documents in form satisfactory to the Agency:

   A. Organizational Documents.

      1. Borrower

         a. Limited partnership agreement and certified record copy of limited partnership certificate, incorporating the Regulatory Agreement and otherwise sufficient, in the opinion of counsel to the Agency, to constitute the Borrower as a "housing sponsor" within the meaning of the Vermont Housing Finance Agency Act.

         b. Trade name Registration.

         c. Evidence of authority of representative to execute Construction Loan documents.

         d. Subscription Agreement of Vermont Equity Fund I, evidencing commitment to invest in the Borrower in an amount sufficient to meet equity requirements.

         e. Subscription Agreement of the Merchants Bank evidencing its commitment to invest in Vermont Equity Fund I in an amount sufficient to meet equity requirement.

      2. 220 Riverside Avenue Corporation

         a. Articles of Association with copy of Certificate of Incorporation.

         b. Bylaws.

         c. Resolution designating person authorized to carry out its function as general partner of Borrower.

      3. Lake Champlain Housing Ventures, Inc.

         a. Articles of Association with copy of Certificate of Incorporation.

         b. Bylaws.

         c. Resolution designating person authorized to carry out its function as general partner of Borrower.

      4. Management agreement between Borrower and Lake Champlain Housing Development Corporation.

B. Title Documents.

5. Certified record copies of warranty deeds comprising the Property in favor of Borrower.

6. Certified copy of recorded HUD covenants.

7. Perimeter survey of the Property (mylar).

8. Commitment for ALTA Construction Loan form policy of title insurance naming the Agency as the insured, with deletion of standard exceptions as to boundaries, survey and mechanics' liens, in an amount at least equal to the maximum amount of the Construction Loan.

9. Such other deeds and instruments as may be necessary or reasonably required by the Agency in order to evidence marketability of title and/or to satisfy any conditions of the title insurance commitment or conditions of any third-party funding including, without limitation, an option to purchase the Development in favor of Lake Champlain Housing Development Corporation.

C. Opinions of Counsel.

10. Opinion of Vermont attorney, for the benefit of the Agency, and such other persons as the Agency may specify in form satisfactory to counsel to the Agency, as to the following matters:

a. Title to the Development.

b. Lawful existence and due organization of the Borrower and its general partners.

c. Authority of the Borrower and its representative to execute and deliver the construction closing documents.

d. That the construction closing documents are the valid and binding obligations of the Borrower and are enforceable against the Borrower in accordance with their respective terms, subject only to bankruptcy, insolvency and other laws affecting creditor rights generally and the exercise of equitable discretion by a court.

e. That the attorney has no actual knowledge or notice of any fact which would cause the Grant Agreement between HUD and the City or the OwnerGrantee Agreement between the City and the Borrower to become invalid or which could reasonably result in HUD's failure or refusal to deliver the Grant Funds to the City.

11. Opinion of Vermont attorney, for the benefit of the Agency, and such other persons as the Agency may specify, in form satisfactory to counsel to the Agency, as to the following matters:

B. Title Documents.

5. Certified record copies of warranty deeds comprising the Property in favor of Borrower.

6. Certified copy of recorded HUD covenants.

7. Perimeter survey of the Property (mylar).

8. Commitment for ALTA Construction Loan form policy of title insurance naming the Agency as the insured, with deletion of standard exceptions as to boundaries, survey and mechanics' liens, in an amount at least equal to the maximum amount of the Construction Loan.

9. Such other deeds and instruments as may be necessary or reasonably required by the Agency in order to evidence marketability of title and/or to satisfy any conditions of the title insurance commitment or conditions of any third-party funding including, without limitation, an option to purchase the Development in favor of Lake Champlain Housing Development Corporation.

C. Opinions of Counsel.

10. Opinion of Vermont attorney, for the benefit of the Agency, and such other persons as the Agency may specify in form satisfactory to counsel to the Agency, as to the following matters:

a. Title to the Development.

b. Lawful existence and due organization of the Borrower and its general partners.

c. Authority of the Borrower and its representative to execute and deliver the construction closing documents.

d. That the construction closing documents are the valid and binding obligations of the Borrower and are enforceable against the Borrower in accordance with their respective terms, subject only to bankruptcy, insolvency and other laws affecting creditor rights generally and the exercise of equitable discretion by a court.

e. That the attorney has no actual knowledge or notice of any fact which would cause the Grant Agreement between HUD and the City or the OwnerGrantee Agreement between the City and the Borrower to become invalid or which could reasonably result in HUD's failure or refusal to deliver the Grant Funds to the City.

11. Opinion of Vermont attorney, for the benefit of the Agency, and such other persons as the Agency may specify, in form satisfactory to counsel to the Agency, as to the following matters:

a. That the Borrower has obtained all permits and approvals of any governmental authority required prior to commencement of construction, with all such permits and approvals attached.

12. Opinion of an attorney for the benefit of the Agency, and such other persons as the Agency may specify, in form satisfactory to counsel to the Agency, as to the following matters:

    a. Compliance of the Borrower and Vermont Equity Fund I with all applicable federal and state laws pertaining to the offer to issue and the issuance of securities.

13. Opinion of the attorney for the City, for the benefit of the Agency and the Borrower, and such other persons as the Agency may specify, to the effect that the Owner-Grantee Agreement and the Three Party Agreement are legal, valid, and binding obligations of the City, duly authorized, and enforceable against the City in accordance with their terms.

D. Construction Documents.

14. Letters of professional engineers who have participated in the design of the Development, for the benefit of the Agency, indicating, to the satisfaction of the Executive Director of the Agency when considered in the aggregate, that soil, ground water and surface water conditions affecting the Development will not impair the structural soundness of the Development or materially interfere with the use of the Development for residential housing.

15. Certification of Design Architect as to the following matters:

    a. That the Development as proposed is in conformity with all applicable federal, state and local zoning, building, public health, land use and environmental regulations, ordinances and statutes.

    b. That the Development as proposed is in compliance with all applicable federal, state and local ordinances, regulations and statutes regarding access for the handicapped.

    c. That all recommendations of Doherty Consulting Engineers, Civil Engineering Associates, Inc. and Krebs & Lansing Consulting Engineers, Inc. have been incorporated into the Final Plans and Specifications and that, as a result, soil, ground water and surface water conditions will not impair the structural soundness of the Development as proposed or materially interfere with the use of the Development as proposed for residential housing.

16. "Contract for Development Services" between Borrower and The Davis Development Corporation, and including:

    a. Final Plans and Specifications.

    b. Final budget.

c. Consent to assignment to Agency.

d. Summary of Reimbursements.

17. Agreement (the "Construction Contract") between Borrower and Engelberth Construction, Inc. (the "Contractor"), encompassing all of the work necessary for completion of the Development, and including:

    a. VHFA Required Provisions.

    b. VHFA Acknowledgement of Specifications and Drawings.

    c. Davis-Bacon Wage Rate Determination.

    d. Consent to assignment to Agency.

    e. Guaranteed maximum price.

18. Architecture Contract, including consent to assignment.

19. 100% dual-obligee Performance Bond, for the benefit of Borrower, Agency and City as their respective interests may appear.

20. 100% Payment Bond, for the benefit of Borrower, Agency and City as their respective interests may appear.

21. Construction Schedule.

22. Construction Disbursement Schedule.

23. Contractor's Certificate(s) of Insurance for public liability ($1,000,000 minimum), auto ($1,000,000 minimum), and worker's compensation (statutory minimum), naming the Agency as Certificate Holder entitled to prior notice of cancellation.

24. Borrower's Certificate of Insurance for Owner's All Risk replacement cost insurance (in "broad form" and including, without limitation, coverage for public liability and for both earthquake and earth movement), naming the Agency and the City as Mortgagees and Certificate Holders entitled to notice prior to cancellation, and including written evidence that occupancy of any building by tenants will not adversely affect the coverage as to any portion of the Development not then completed and occupied.

25. Binder for permanent hazard insurance, including earthquake and earth movement coverage, together with public liability and rent interruption insurance, and including written evidence that permanent insurance will be effective with respect to any building upon occupancy of that building notwithstanding that construction of the Development as a whole is still in progress.

26. All governmental permits required prior to commencement of construction. (Note: should be attached to attorney's opinion as to permits.)

27. Certificate of the Contractor, addressed to the Borrower and the Agency and sworn before a notary public, as to all subcontracts pertaining to the Development, and including, as to each subcontract, the following information and representations:

    (A) Name and address of subcontractor; (B) Brief description of subject matter of subcontract; and (C) That the subcontract complies in all respects with the requirements of applicable federal law and the "Contract Documents" as defined in the Construction Contract between the Borrower and the general contractor. Further, the certificate shall include the dollar amount of the subcontract.

28. Certificates of Insurance for all subcontractors per 23, above, if requested.

29. Lien waivers of Contractor and all subcontractors for any and all work done prior to the date of the Construction Closing.

E. Construction Loan Documents.

30. Loan Agreement.

31. Mortgage.

    a. "Schedule A" (metes and bounds legal description of property.)

32. Construction Promissory Note.

33. The Assignment.

34. UCC-1 financing statement(s).

35. Three Party Agreement.

36. Regulatory Agreement.

37. Proof of equity in form satisfactory to the Executive Director.

38. Development Fund Letter of Credit, cash, or guaranty acceptable to the Agency.

F. HODAG Documents.

39. Grant Agreement between City and HUD.

40. Owner-Grantee Agreement between City and Borrower.

41. Junior mortgage and security agreement from Borrower to City.

42. Collateral security documents as required by City, if applicable.

43. Certified minutes of Board of Aldermen for City authorizing execution of HODAG Agreement with HUD, Owner-Grantee Agreement, and Three Party Agreement.

G. Permanent Loan Documents.

44. Agency Commitment Letter with all attachments.

45. Borrower's Financial Analysis Form.

46. Form of Permanent Note.

47. Such other documents and assurances as the Agency may reasonably require, including, without limitation, proof of availability of Permanent Loan credit enhancements per ATTACHMENT A.

In addition to all other prerequisites set forth in this Commitment, delivery of all of the foregoing documents (the "Construction Closing Documents") in form acceptable to the Agency, and execution and delivery of the same in the manner required by the Agency, is a prerequisite to the Agency's obligation to make the Mortgage Loan.

7. Before beginning excavation or other such substantial construction work, Borrower shall notify the Agency.

8. Borrower shall provide to the Agency at least ten (10) business days prior to the closing of the Permanent Loan, the following documents in a form reasonably satisfactory to the Agency.

A. Organizational Documents of Borrower and its general partners, if amended subsequent to Construction Loan closing, or certificate certifying no change.

B. Resolutions from Borrower and its general partners authorizing execution of Closing Documents by their respective representatives.

C. Management Agreement, if amended subsequent to construction closing, or certificate certifying no change.

D. A complete list adequately describing all personal property installed in the Development, including model and serial numbers.

E. Opinion from an attorney addressed to the Agency that the Borrower has complied in all respects with State and Federal laws and regulations relating to the offer and sale of securities, if any; if no securities have been offered or sold, a certification to that effect.

F. Certification by the design architect that to the best of his or her knowledge and belief the Development has been constructed in accordance with: plans and specifications, including all change orders, as approved by the Agency and all applicable local, State and Federal codes, ordinances, regulations and statutes, including, without limitation, laws governing access for the handicapped.

G. As-Built drawings and surveys (indicating location of boundaries, easements, utility lines, buildings, walks, driveways and other structures or facilities).

H. Opinion from an attorney licensed to practice in Vermont that the Development is in compliance with all applicable local and State land use and building statutes, regulations and ordinances, including, without limitation, laws governing access for the handicapped.

I. Signed policy for fire and extended coverage insurance, liability insurance, and business interruption insurance as required under the Regulatory Agreement, issued by a company authorized to do business in Vermont, and acceptable to the Agency and which shall include a Vermont standard mortgage clause in favor of the Agency.

J. Copies of all guarantees and warranties for materials and labor pertaining to the Development of whatever nature and from whatever source.

K. Contractor's certificate as to identity of all subcontractors and materialmen who actually worked on the construction of the Development, with amounts owed, together with final and absolute lien waiver of general contractor and all subcontractors and materialmen.

L. Completed VHFA Permanent Record Sheet.

M. Occupancy certificates, issued by the City for all buildings in the Development.

N. Copies of all Letters of Credit, if any, to be delivered at permanent closing, in the exact form proposed by the issuer.

O. Final first year "Financial Analysis Form."

P. Owner's Certification of as-built Total Development Cost.

Q. Documentary evidence, satisfactory to the Agency, that the Borrower has complied with the terms and conditions of any applicable grant or subordinate loan to the extent such terms and conditions, by their nature, can be satisfied as of the time of substantial completion.

R. Such other documents, certificates, assurances, and attorney opinions as the Agency may reasonably require.

9. By accepting this Commitment, Borrower covenants and agrees as follows:

i. As used in this Commitment, the term "Code" shall mean the Internal Revenue Code of 1986, as amended, and any regulations (permanent, temporary or proposed) thereunder or until such regulations are promulgated, any applicable regulations under the Internal Revenue Code of 1954, as amended. It is the intent of the Agency and the Borrower that the provisions of this Paragraph 9 shall be complied with by the Borrower in order to meet the requirements of the Code such that interest on bonds of the Agency issued to finance any portion of the Development ("Bonds") shall be and shall remain excludable from the gross income of the holders thereof for Federal income tax purposes (other than any alternative minimum tax and environmental tax imposed by the Code). Terms used in this Paragraph 9 and not otherwise defined in this Commitment Letter are used as defined in the applicable provisions of the Code.

ii. Pursuant to and in accordance with Section 142(a)(7) and (d) of the Code, and otherwise in accordance with applicable provisions of the Code, the Borrower will expend all of the aggregate proceeds of the Mortgage Loan representing proceeds of Bonds for the acquisition, construction, or reconstruction of property of a character subject to the allowance for depreciation provided in Section 167 of the Code or land, all of which property will constitute a "qualified residential rental project." The amount so expended will be charged by the Borrower to a capital account for Federal income tax purposes or would be chargeable to such account either (a) with a proper election, or (b) but for a proper election to deduct a portion of such amount and will consist solely of (x) costs paid or incurred subsequent to April 21, 1988, and (y) costs paid or incurred before such date which relate solely to planning, design and preliminary expenses incurred prior to the commencement of physical acquisition and construction or reconstruction of such property. No proceeds of the Mortgage Loan representing proceeds of Bonds will be used for any "private business use" or otherwise used for any purpose that would cause the Bonds not to be treated as "exempt facility bonds" within the meaning of Section 142(a)(7) of the Code. In accordance with this covenant, Borrower will at its expense provide a cost certification prepared by a certified public accountant registered to do business in the State of Vermont, if such certification is required by the Agency.

iii. At all times during the "qualified project period" (as defined in Section 142(d)(2) of the Code), the Development will be operated as a "qualified residential rental project." At all times during the qualified project period, at least forty percent (40%) of the residential units in the Development will be occupied by individuals whose income is sixty percent (60%) or less of median gross income as determined in accordance with the applicable provisions of the Code.

iv. The Borrower shall determine at least annually whether a resident of the Development meets the income requirement described in clause (iii) on the basis of the current income of the resident pursuant to and in accordance with Section 142(d)(3) of the Code. If the income of a resident of a unit in the Development did not exceed the income limit described above upon commmencement of such resident's occupancy of such unit (or as of any prior determination under the preceding sentence), the income of such resident shall be treated as continuing not to exceed such income limit. The preceding sentence shall cease to apply to any resident whose income as of the most recent determination under the preceding sentence exceeds one hundred and forty percent (140%) of the income limit, if after such determination, but before the next determination, any residential unit of comparable or smaller size in the Development is occupied by a new resident whose income exceeds the applicable income limit.

v. The Borrower shall submit to the Secretary of the Treasury an annual certification (at such time and in such manner as the Secretary shall prescribe pursuant to Section 142(d)(7) of the Code) that the Development continues to meet the requirements of clauses (iii) and (iv).

vi. Less than twenty-five percent (25%) of the aggregate proceeds of the Mortgage Loan representing proceeds of Bonds will be used directly or indirectly for the acquisition of land (or an interest therein) and no portion of such proceeds will be used directly or indirectly for the acquisition of land (or an interest therein) to be used for farming purposes.

vii. The Borrower will be the first user of all property (or an interest therein) to be acquired directly or indirectly with proceeds of the Agency's Bonds.

viii. No portion of the proceeds of the Mortgage Loan will be used directly or indirectly to provide any airplane, skybox or other private luxury box, health club facility, facility primarily used for gambling or store the principal business of which is the sale of alcoholic premises for consumption off the premises.

ix. Borrower will take all lawful action necessary under the Code to ensure that interest on Bonds will remain excludable from the gross income of the holders thereof for Federal income tax purposes and will refrain from taking any action which would cause interest on the Bonds to become includable in the gross income of the holders thereof for Federal income tax purposes.

x. In the event that, during the qualified project period, any legal or beneficial interest in the Development is conveyed by the Borrower or any substitute for, successor to, or assignee of, the Borrower, the instrument of conveyance shall provide (unless otherwise agreed to by the Agency in writing) that the estate created in the transferee by the conveyance is conditioned upon compliance by the transferee, its heirs, successors, or assigns, with all of the covenants contained in this paragraph 9. (The instrument which creates the right of a limited partner in the Borrower pursuant to the Uniform Limited Partnership Act as adopted in Vermont shall not be considered an "instrument of conveyance" for the purposes of this clause (x).

xi. The consideration for the covenants contained in this paragraph 9 is the Agency's commitment to provide financing to the Borrower in accordance with the terms of this Commitment Letter, and all such covenants shall be secured by the mortgage securing the Mortgage Loan, may be enforced by or for the benefit of the Agency as provided therein, and shall survive any sale or other transfer of the Development (whether or not the Agency has consented thereto), payment in full of the Construction Loan and/or the Permanent Loan, discharge of the Mortgage Loan, or any other circumstance whatsoever.

xii. The covenants contained in this paragraph 9 shall bind the Borrower, any substitute for, successor to, or assignee of, the Borrower, and those persons who have accepted this Commitment Letter on behalf of the Borrower, jointly and severally, in their corporate as well as their representative capacities.

10. Borrower acknowledges that as soon as practicable after acceptance of this Letter of Commitment and Intent to Finance by the Borrower or Borrower's representative, the Agency expects to issue Bonds with the

intent that the proceeds of the Bonds shall defray in whole or in part the cost to the Agency of financing the Development.

In the event that, without the fault of the Borrower, the Agency is unable or elects not to issue the Bonds, the Agency's commitment to finance the Development shall remain in effect. However, Borrower understands that the ability of the Agency to issue the Bonds depends in part upon fulfillment of certain conditions likely to be set forth in the purchase contract pertaining to the Bonds between the Agency and the buyer or buyers of the Bonds (the "Bond Purchase Contract"). Borrower covenants that Borrower will provide to the Agency, effective on the date of Closing as defined in the Bond Purchase Contract, such certificate or certificates of the Developer and such opinion or opinions of counsel for the Developer as the Agency may be required to produce as a condition of the Bond Purchase Contract. Borrower shall be liable to the Agency for any loss, cost, or expense resulting from the failure of the Borrower to provide any such certificate or opinion.

11. This offer to enter into a Commitment will expire on October 20, 1988 unless on or before such date, Borrower executes the acceptance page and returns the acceptance and a copy of this letter to the Agency. Notwithstanding any other provision of this Commitment to the contrary, including paragraph 12, the Agency's Commitment is further subject to the following requirements: Borrower shall timely comply with all requirements of this Commitment Letter with respect to delivery of Construction Closing Documents, and Borrower shall be fully prepared to close on the construction loan for the Development no later than the later of November 1, 1988 or such later date as the Agency may hereafter expressly agree.

12. This Commitment, once accepted by the Borrower, and assuming timely closing of the Construction Loan, shall remain in force until January 31, 1990. The Agency shall extend the term of its commitment on the occurrence of construction delays arising from causes not within the control of the Borrower, such as natural disasters, fire, strikes, or general unavailability of materials. Additionally, the Agency may extend its Commitment for such reasonable period of time which in its discretion is necessary or prudent. Any extension shall be conditioned upon the payment of an additional commitment fee of one-twelfth of the commitment fee for each month's extension beyond the term originally agreed upon by the parties, provided that there shall be no increase in the amount of the Mortgage Loan above the amount specified in this Commitment.

This Commitment is not assignable. Furthermore, Borrower agrees not to assign, transfer or sell any or all of its interest in the Development prior to or during the period of construction unless the Agency shall first approve in writing such assignment, transfer or sale.

NOTE: All Agency requirements of the Borrower and the City, including any required performance on documents set forth herein in any provision hereof, are express conditions precedent to the Agency's performance of this Commitment.

Notices shall be deemed delivered when mailed registered or certified mail, return receipt requested to the Borrower in care of the addressee hereof and

to the Agency at One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408 (or to such other place as a party may designate in writing).

VERMONT HOUSING FINANCE AGENCY

_____ By: _____
Date Its Duly Authorized Agent

ACCEPTED BY BORROWER, The Riverside Housing Partnership

_____ by its general partners,
Date 220 Riverside Avenue Corporation and
Lake Champlain Housing Ventures, Inc.

By: _____
Authorized Agent of 220 Riverside Avenue Corporation, general partner

By: _____
Authorized Agent of Lake Champlain Housing Ventures, Inc., general partner

FK201

ATTACHMENT A

DEVELOPMENT DESCRIPTION

1. SITE

Approximately 9 acres located at 220 Riverside Avenue in Burlington, Vermont, together with certain easements (the "Property"). The site is located in a bowl-shaped valley bounded to the south by Nash Place, Colchester Avenue and the Trinity College campus.

2. SPONSOR

The Riverside Housing Partnership, a Vermont limited partnership.

3. ATTORNEY

The attorney for the limited partnership is Neil Mickenberg of Mickenberg, Dunn, Sirotkin and Dorsch.

4. ARCHITECT/ENGINEER

The primary architect for the project is J. Graham Goldsmith Architects. The primary site engineers are Krebs & Lansing Consulting Engineers, Inc.

5. GENERAL CONTRACTOR

Engleberth Construction Inc.

6. MARKETING/MANAGEMENT AGENT

Lake Champlain Housing Development Corporation or its wholly-owned subsidiary.

7. PROJECT DESCRIPTION

A. The project consists of 6 generally identical three story buildings consisting of 12 units each. Each consist of 4 "flat" type units on the first floor, and 8 "townhouse" units on the second and third floors. There is an additional three story building fronting on Riverside Avenue which contains the property management offices and a central laundry facility on the first floor, with 4 flats on each of the upper 2 floors.

Overall there are 16 three bedroom flats, 16 two bedroom flats, 24 three bedroom townhouses and 24 two bedroom townhouses. Four of the "flat" units are handicap accessible.

There are 16 two bedroom flats, 16 three bedroom flats, and 4 three bedroom townhouses fulfilling the rent restricted HODAG and LIHTC allocation for low and moderate income families. Of the 32 two and three bedroom flats, 24 are ground floor apartments, and 8 are located on the upper floors of the builidng fronting Riverside Ave.

B. Parking - There will be 140 surfaced car parking spaces, of which 12 will be designated specifically for the handicapped. Of the 140 spaces, 38 are available in carports. There is future expansion capability for an additional 14 surface parking spaces.

C. Amenities - the central management building will contain the managment office, all mailboxes, storage spaces for residents and laundry facilities. Each living unit will have space for stacked washers and dryers, but the machines will not be provided. There will also be storage space in the covered parking structures. There will be several kids play areas.

9. ESTIMATED TOTAL DEVELOPMENT COST

$6,686,800.00

10. OCCUPANCY

A. During such period of time as restrictions on the income of tenants may be required in order to assure compliance with the terms of the Owner-Grantee agreement between the City and the Borrower, not less than 25% of the units in the Development shall be occupied by individuals whose income is 50% or less of area median gross income. All of such units shall be three-bedroom units.

B. To the extent that Paragraph 9 of the main body of this Commitment Letter, any commitment for the issuance of Low Income Housing Credits (within the meaning of §42 of the Code), or the partnership agreement of the Borrower impose occupancy requirements which are more restrictive, or affect a larger number of units, or apply to a different period of time, Borrower shall also comply with such provisions of this Commitment Letter, such commitment for the issuance of Low Income Housing Tax Credits, and the partnership agreement.

C. At all times until the Permanent Loan is paid in full, not less than 60 units (75% of the units in the Development), and which may include the units further restricted pursuant to the requirements described in subparagraphs "A" and "B" above, shall be occupied or held available for occupancy by families whose income does not exceed median income as established periodically by the Agency. The procedures for calculating family income for the purposes of this subparagraph "B" shall be as prescribed by the Agency.

D. Four (4) of the units shall be handicapped accessible, with fixtures and cabinets designed for the handicapped.

11. RENTS AND LEASE AGREEMENTS

A. Rents for the 36 units allocated for HODAG and LIHTC shall not exceed the applicable limits.

B. In addition to the general requirements for leases set forth in the Regulatory Agreement, leases for units reserved for occupancy by Low Income Families shall contain a provision stating that any material false statements made by the tenant in the tenant's income

certification, whether or not intentional and whether or not negligent, shall constitute a material breach of the lease.

12. CREDIT ENHANCEMENTS

A. A Revenue Deficit Escrow (as defined in the Regulatory Agreement) acceptable to the Agency and equal to the difference between the annual rental income necessary to pay all operating expenses of the Development including Debt Service and Replacement Reserve requirements (as projected by the Borrower and approved by the Agency) and the annualized monthly income receivable from apartments leased as of the date of the Permanent Loan shall be established at the Closing of the Permanent Loan and shall be maintained by the Borrower and renewed annually until such time as the annualized income from leased apartments has been sufficient for three consecutive months to pay all operating expenses for a full year (as reasonably projected by the Borrower and accepted by the Agency).

B. Working Capital (as defined in the Regulatory Agreement) equal to forty percent (40%) of the initial annual debt service on the Permanent Loan shall be established at the closing of the Permanent Loan and shall be maintained by the Borrower. The amount of the Working Capital may be reduced by an amount equal to ten percent (10%) of the initial annual debt service on the Permanent Loan for each year in which the Development is operated without an operating deficit (it being understood that the existence or non-existence of an operating deficit shall be calculated without regard to any reserve funds, whether Working Capital, Revenue Deficit Escrow, or Replacement Reserve).

C. The Borrower shall maintain a Reserve Fund for Replacements (as defined in the Regulatory Agreement) by depositing annually in cash and maintaining therein (subject only to reductions for the permitted uses thereof under the Regulatory Agreement) not less than SIX TENTHS OF ONE PERCENT (0.6%) of the construction cost for each year that the Regulatory Agreement remains in effect commencing on the date of the Permanent Loan (the "Replacement Reserve Requirement").

D. At the Construction Loan Closing, as additional security for the completion of construction, the Borrower shall deposit with the Agency cash, an irrevocable letter of credit, or guaranty acceptable to the Agency, in an amount equal to 4% of the total Development Cost (the "Development Fund"), the use of which shall be governed by the Loan Agreement.

13. PERMITTED SUBORDINATE FINANCING

A junior mortgage (subordinate as to both lien and payment) in favor of the City of Burlington in an amount not exceeding $2,900,000.00.

If required by the Housing Conservation Board, a third mortgage, subordinate both to the Mortgage Loan and the junior mortgage in favor of the City of Burlington, shall be permitted for the purpose of securing compliance with the terms of a grant in the amount of $161,000 from the Housing Conservation Board to Lake Champlain Housing Development

Corporation, provided such grant is used to reduce the amount of the Mortgage Loan requested by Borrower.

Default under any junior mortgage shall constitute a default under the Permanent Loan ("Cross Default"). No Cross Default shall be deemed waived by the Agency unless the Agency has received actual written notice of the underlying Default from the Borrower or the holder of the applicable junior mortgage and has then expressly waived cross default in writing addressed to the Borrower or such holder.

14. PERMITTED ENCUMBRANCES

A. Restrictive covenants required by the Grant Agreement between the City and HUD.

B. Act 250 Permits necessary to the lawful construction of the project.

C. Such easements and other encumbrances (excluding mortgages, attachments, and liens) as, in the sole judgment of the Agency, do not materially impair the value of the Development nor interfere with its intended use, as evidenced by the commitment for title insurance accepted by the Agency at the construction loan closing.

FK197

VHFA RIVERSIDE PROJECT

	OK	NOT READY
1. READINESS FOR CONSTRUCTION CLOSING	☐	☐
a)HODAG GRANT AGREEMENT	☐	☐
b)HOUSING VERMONT EQUITY	☐	☐
c)CONSTRUCTION CONTRACT	☐	☐
d)ARCHITECT'S CERTIFICATE	☐	☐
e)TITLE ISSUES	☐	☐
f)ACT 250, OTHER PERMITS	☐	☐
g)OTHER		
1)HCTF CONTRIBUTION	☐	☐
2)EARTH MOVEMENT INSURANCE	☐	☐
2. STABLE BOND MARKET	☐	☐
3. 30 DAY PRICE LOCK ON BOND PRICE	☐	☐
4. PROJECT BUDGET	☐	☐
5. BOND COUNSEL OK ON TAX EXEMPT BOND	☐	☐

Koppelkam
10/16/88
Ri[redacted]de, South Meadow Comparison
Kopp[redacted]am

1. Size of Units (sq ft)

South Meadow		Riverside	
2BR	1000-1122	2BR	770-881
3BR	1160-1300	3BR	1032-1095
148 units total		80 units total	
		36 HODAG Units (45%)	

2. Price of Units
(Note: RR = rent restricted, M = market rate)

South Meadow	$/m	$/sq ft/m	Riverside	$/m	$/sq ft/m	% Difference $/sq ft/m
			RR 2BR Fl	$340	0.44	
RR 3BR Flat	$360	0.30	RR 3BR Fl	$365	0.34	11.62%
RR 3BR Town	$360	0.28	RR 3BR To	$365	0.35	27.72%
M 2BR Flat	$550	0.55				
M 2BR Town	$620	0.55	M 2BR Tow	$505	0.64	15.54%
M 3BR Flat	$600	0.52				
M 3BR Town	$625	0.48	M 3BR Tow	$615	0.60	23.95%
Car port	$25		Car port	$15		

3[redacted]al Project Size (sq ft)

South Meadow	Riverside
198,188	84,000

4. Land Cost

South Meadow		Riverside Cost to Davis Co	Riverside Cost w/ Permits
148 units		80 units	80 units
19.5 acres		9 acres	9 acres
Cost $731,667		Cost $470,000	Cost $750,000
7.59	Density (units/acre)	9.00	9.00
$37,521	Land Cost (per acre)	$52,222	$83,333
$4,944	Land Cost (per u		

5. Hard Construction Cost, Including Site

South Meadow

$ 45,238 /unit
$ 33.78/sq ft

6. Loan to Value Rati[redacted] 3.62%

South [redacted]

8. Overall - Cost Per Unit

South Meadow $61,962

9/20/88 Koppelkam
220 Riverside Ave
PROJECT BUDGET

USES:	TOTAL	% OF TOTAL
LAND - RAPHEAL	375,000	5.59
- DELORME	45,000	0.67
- Bike ROW	50,000	0.74
CONSTRUCTION	3,630,165	54.08
SITEWORK	943,829	14.06
CONTINGENCY	310,000	4.62
ARCH. & ENG.	215,000	3.20
LEGAL	60,000	0.89
MARKETING	45,000	0.67
DEVELOPER	539,298	8.03
PERMITS & FEES		
SEWER IMPACT FEE	55,000	0.82
PARKS FEE	20,000	0.30
OTHER FEES	62,000	0.92
FINANCING - POINTS, INT		
VHFA CONSTRUCTION PT	39,000	0.58
VHFA PERMANENT PTS.	39,000	0.58
HODAG CEDO PTS.	14,500	0.22
HODAG GAP PTS.	15,000	0.22
INT. DURING CONST.	215,000	3.20
TAXES & INS	20,000	0.30
LCHDC OFFICE EQUIP.	10,000	0.15
V RESERVE REQUIREMEN	10,400	0.15
TOTAL	6,713,192	100.00
SOURCES:		
VHFA CONSTRUCTION LO	2,633,192	39.22
HODAG	2,900,000	43.20
EQUITY	1,150,000	17.13
VHFA SUB LOAN	30,000	0.45
TOTAL SOURCES	6,713,192	100.00

220 Riverside Ave
15 Month Cash Flow

	MONTHS	Amounts due at end of month [redacted]CT - 88	NOV - 88	DEC - 88	JAN - 89	FEB - 89	MARCH - 89	APRIL - 89	MAY - [redacted]	JUNE - 89	JULY - 90	AUGUST - 89	SEPT - 89	OCT - 89	NOV - 89	DEC - 89	[redacted]
USES:		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15 CLOSING	Check Sums
LAND - RAPNEAL	375,000	375,000															375,000
- DELORME	45,000	45,000															45,000
- Bike ROW	50,000	50,000															50,000
CONSTRUCTION	3,630,165	107,000	210,000	233,000	278,000	265,000	218,000	205,000	474,000	695,000	518,000	389,000	324,000	274,000	199,000	184,994	4,573,994
SITEWORK	943,829	Monthly expenditures included in construction.															0
CONTINGENCY	310,000														102,454	207,546	310,000
ARCH. & ENG.	215,000	126,325	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	13,925	215,000
LEGAL	60,000	37,500													11,250	11,250	60,000
MARKETING	45,000	3,214	3,214	3,214	3,214	3,214	3,214	3,214	3,214	3,214	3,214	3,214	3,214	3,214	3,218		45,000
DEVELOPER	539,298	539,298															539,298
PERMITS & FEES																	
SEWER IMPACT F	55,000	55,000															55,000
PARKS FEE	20,000	0					0									20,000	20,000
OTHER FEES	62,000	46,000														16,000	62,000
FINANCING - POINTS, INT																	
VHFA CONSTRUCT	39,498	39,498															39,498
VHFA PERMANENT	39,498	39,498															39,498
NCHAG CEDO PTS	14,500					14,500											14,500
NCHAG GAP PTS.	15,000	15,000															15,000
INT. DURING CO	197,346		2,421	3,989	5,732	7,805	7,814	7,848	7,907	7,984	8,847	11,014	12,635	14,021	15,204	84,126	197,346
FEES & INS	20,000	10,000					10,000										20,000
CNDC OFFICE EQUI	10,000	3,500						6,500									10,000
VHFA RESERVE REQU	10,400															10,400	10,400
TOTAL	6,696,534	1,491,833	221,385	245,953	292,696	296,269	244,778	228,312	490,871	711,948	535,811	408,978	345,599	296,985	336,876	548,241	6,696,534
SOURCES:																	
VHFA CONSTRUCT	2,633,192	341,833	221,385	245,953	292,696	1,269	4,778	8,312	10,871	121,948	305,811	228,978	195,599	166,985	191,876	294,899	2,633,192
VHFA NCHAG GAP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
NCHAG	2,900,000	0	0	0	0	295,000	240,000	220,000	480,000	590,000	230,000	180,000	150,000	130,000	145,000	240,000	2,900,000
EQUITY	1,150,000	1,150,000															1,150,000
VHFA SUB LOAN	13,342	0														13,342	13,342
MONTHLY TOTAL		1,491,833	221,385	245,953	292,696	296,269	244,778	228,312	490,871	711,948	535,811	408,978	345,599	296,985	336,876	548,241	6,696,534
TOTAL PERMANE	6,696,534			% Nchag to Tot Proj Cost		43.31	43.31	43.31	43.31	43.31	43.31	43.31	43.31	43.31	43.31	43.31	
				% of Cum Nchag to TPC to		11.58	19.16	24.99	35.16	43.21	43.17	43.24	43.25	43.28	43.26	43.31	
CUMULATIVE SOURCES:																	
VHFA CONSTRUCTION LOAN		341,833	563,218	809,172	1,101,867	1,103,136	1,107,914	1,116,226	1,127,096	1,249,044	1,554,855	1,783,833	1,979,432	2,146,417	2,338,293	2,633,192	
VHFA NCHAG GAP LOAN		0	0	0	0												
NCHAG						295,000	535,000	755,000	1,235,000	1,825,000	2,055,000	2,235,000	2,385,000	2,515,000	2,660,000	2,900,000	
EQUITY		1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	
VHFA SUB LOAN		0	0	0	0	0	0	0	0	0	0	0	0	0	0	13,342	
CUMULATIVE TOTAL		1,491,833	1,713,218	1,959,172	2,251,867	2,548,136	2,792,914	3,021,226	3,512,096	4,224,044	4,759,855	5,168,833	5,514,432	5,811,417	6,148,293	6,696,534	

ASSUMPTIONS FOR CONSTRUCTION LOAN:

VHFA LOAN INTE	8.50%
NCHAG INTEREST	3.00%
NCHAG GAP LOAN	8.50% (FIRST 4 MONTHS ONLY)

POINTS - VHFA 1.5 ON ALL LOANS, CEDO .5

POINT CALCULATIONS

	AMNT LOANED	POINTS
VHFA CONSTRUCT	2,633,192	39,498
VHFA PERMANENT	2,633,192	39,498
NCHAG	2,900,000	14,500
NCHAG GAP	0	0

INTEREST CALCULATIONS

																Int Totals
VHFA	2,421	3,989	5,732	7,805	7,814	7,848	7,907	7,984	8,847	11,014	12,635	14,021	15,204	16,563	18,652	148,435
NCHAG Gap	0	0	0	0												0
NCHAG Cedo (DEFERRED)					738	1,339	1,893	3,097	4,580	5,167	5,630	6,019	6,359	6,737	7,354	48,911
Total	2,421	3,989	5,732	7,805	7,814	7,848	7,907	7,984	8,847	11,014	12,635	14,021	15,204	16,563	18,652	197,346
					738	2,077	3,970	7,067	11,647	16,814	22,443	28,462	34,821	41,558	48,911	

DUNCAN · WISNIEWSKI ARCHITECTURE ■
313 SOUTH WINOOSKI AVE, BURLINGTON, VERMONT 05401 (802) 864-6693

Mr. Mark Koppelkam
VHFA
One Burlington Square
Burlington, VT 05401
13 October, 1988

Dear Mark,

We have been assisting the VHFA and Lake Champlain Housing Development Corportation since April of this year in their review of the proposed affordable housing project at 220 Riverside avenue. We were originally hired primarily to critique already designed and approved plans and specifications for code compliance, function and general quality levels. To this end we have written two letters after formal reviews, and we have had several meetings and phone conversations involving critiques of revised plans. Although not part of our scope of services we have also expressed our concerns over the appropriateness of the overall project design--our opinion being that it is a "project", not neighborhood housing.

We both support the goals of realizing more socially responsible and affordable housing. We are also aware that economic and other constraints necessitate compromises in order to realize these projects without direct and massive government support. Yet our most recent review of the design confirms our impression that although some improvements have been incorporated, the overall configuration is not a positive one.

Recently, now that the project as designed has been approved to begin construction you have asked us to represent your interests through the construction process. We greatly enjoy working with you, and are gratified to be able to make some small contribution towards our shared goal of providing more affordable housing. However, we feel that our concerns about the relationship of the buildings to this particular site have never been resolved. We feel that it is difficult to represent your interests on issues such as appropriate methods or materials of construction when, in our professional judgement, the overall concept is so seriously flawed.

We have enclosed a summary of our review of the project design and would be happy to discuss these issues in more detail with you.

Sincerely,

Robert Duncan

Michael Wisniewski

DUNCAN · WISNIEWSKI ARCHITECTURE ■
313 SOUTH WINOOSKI AVE., BURLINGTON, VERMONT 05401 (802) 864-6693

220 RIVERSIDE AVENUE
Design Review--12 October 1988
Based on 1 September G. Goldsmith progress prints; various dates/Krebs and Lansing prints.

THE BUILDINGS--Each building unit is a 12 unit apartment house. Although there is nothing creative or distinctive about design or layout, it is a building type that has been often used in Vermont--usually on a flat or gentle slope. Please refer to our previous memos and records of meetings for specific comments. In general, we do not feel that it is a very appropriate house form for families. For example, except on the ground, floor units do not have any connection to the exterior, potentially public realm. This means that parents who are in the house have no contact with children playing outside. Four of the units in each building are oriented only towards the parking areas. In spite of these shortcomings, economic constraints and the worthiness of providing affordable housing may possibly argue for it's use in this particular situation. Our main problem arises in the overall configuration and density of these units on this very difficult site.

COMPARISONS WITH OTHER PROJECTS--This building type, an apartment unit of 8 or more units, could be compared both with Franklin Square or South Meadow. Franklin Square is a similar concept of a perimeter road with buildings surrounding the open space. While Franklin Square was poorly built, at least each unit has direct access to exterior. South Meadow, on the other hand, although not ideal is an example of a project where a great deal of care was taken to try and ameliorate the problems of using this building type. The result is full of comprimises, but works fairly well considering the economic constraints.

SITE --The site and it's location are not ideal. This is a large project that is not near schools or recreational facilities. Even basic shopping is at the limit of pedestrian access. The site is very steep and not suitable for onsite recreation. We also have to question the solar access. It is north facing and rises steeply to the south far above the tops of the buildings. This may lead to very dim daylighting conditions on the site and in the units. The psychological effects of low daylighting have been researched by others, and perhaps should be considered. A careful solar access study might help to clarify this.

SLOPES--The site is extremely steep and involves major, expensive work to make it buildable--and then one has to look at the final result with a critical eye. Since the beginning of our involvement we have questioned how the great changes in grade would be accomplished. The most recent site drawings, which we have just seen, are the first specific enough to be evaluated.

These drawings show that the building site is essentially being ringed by a gabion retaining wall, which is wire baskets filled with stone, angled into the slope. The height ranges, as near as we can tell, from 6-16', mostly on the upper end of that range. The only analogy that we can come up with is that of a highway underpass or offramp where the roadway is rising steeply, but the surrounding grade is even steeper. The only difference is that we feel the appearance of the gabion wall is less attractive than most highway retaining walls. The image of affordable housing being placed in this type of environment needs to be addressed.

Even with the grade changes the streets are still very steep--6-7% slopes which are similar to French Hill on I-89 in Williston. This certainly has implications for access and safety in the winter. Since the roads are ringed by walls and slope the issue of where the snow is piled must also be raised.

Examination of slopes between and around the buildings also shows them to be very steep. Some of them are 45 degrees, or 1 in 1, which is more than the usual standard of 1 in 3 for growing and maintaining grass. There is at least one location where the ground drops at that slope

immediately off one of the ground floor rear decks.

SAFETY--These very steep slopes raise the issue of safety. Since the project has few recreational facilities we would assume that children will be clambering around the slopes. The gabion wall details do not indicate any railings which would prevent people from sliding down the slope and falling over the edge. Children also may be climbing up the wire of the walls and perhaps jumping onto the carport roofs and this should be considered from a safety viewpoint. Decks, and other areas around buildings should also be examined from a safety point of view.

OPEN SPACE--The plan does not really address planned open space as a positive element--it is treated as leftover space after the units have been distributed around the site. Ideally there would be a clear progression from definite, useful public space to the private space of each unit with some transition zone, such as a porch, between the two. This allows children to play while being observed, people to feel safer, and promotes a sense of neighborhood and community. The Ineed for adequate recreational space has not been addressed.

LANDSCAPING--The plantings and walkways do not seem well coordinated, and there are discrepancies between drawings on the locations of paths and plantings. The landscaping seems minimally adequate as far as the amount but it seems to be just scattered around without any overall idea. Unfortunately, it can not work to reinforce the open space planning since in our opinion the open space planning is lacking.

SUMMARY--220 Riverside Avenue has the worthy goal of providing affordable housing. Although we strongly support this goal, we have grave reservations about this project--mainly that it is another project and not a new neighborhood. The buildings, while certainly not distinguished, might, with modifications, be acceptable on a less difficult site. In this case, in functionally resolving each problem of this site, new problems having to do with quality of life are created. The gabion walls allow the site steepness to be lessened but they create problems of safety and image.

The buildings at South Meadow make an instructive comparison. First, given the standard apartment house type a good deal of care was taken to modify them so that some of the above mentioned issues were addressed. For example, the stairs are exterior and treated a bit like play areas with open space at the bottom so that at least parents can have some visual and auditory connection with the children. Second, some attempt was made to form positive open and recreational space and make a clear progression from the public to private realm. South Meadows was able to accomplish these things on a tight budget because they did not have to spend an exorbitant amount on sitework and therefore were able to devote some of their budget to overall planning ideas and specific details to reinforce those ideas and create a stronger feeling of neighborhood.

In evaluating any project a whole series of issues must be examined including, but not necessarily limited to, location, site, views, solar access, exterior spatial planning, landscaping and building design. In any situation negative qualities in one area may be offset by positive qualities in another area. As we consider this project we find that none of these issues are positive. The location itself is leftover space. The site is steep, requires major reworking, and the final result is not really acceptable. The immediate views are of a gabion wall. The solar access is extremely limited. Exterior spatial planning consists of what is left after placing buildings. Landscaping is minimal. Building design is average but poorly integrated into the site. In fact the only thing we can find on the positive side of the ledger is that this is affordable housing. Is that single factor alone enough to outweigh all the negatives? Furthermore, will the final result be viewed by residents and non-residents alike as a leftover project with all the problems that inevitably arise in such a situation?

vhfa

VERMONT HOUSING FINANCE AGENCY

November 8, 1988

Ms. Jean Gauthier
Pavilion Office Building
109 State Street
Montpelier, VT 05602

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its monthly Board meeting on Thursday, November 17, 1988, at 1:30 p.m., at the Office of the Commissioner of Banking and Insurance, 89 Main Street, Montpelier, Vermont.

If you have any questions or require any additional information, please do not hesitate to contact me.

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

/bp

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: November 10, 1988

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt ASH.

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. It will be held on Thursday, November 17, 1988, at 1:30 p.m., at the office of the Commissioner of Banking and Insurance, 89 Main Street, Montpelier.

Attached is the agenda and board packet. If you need any further information regarding the upcoming Board meeting, please feel free to contact me. I look forward to seeing you in Montpelier November 17.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA

VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

Office of the Commissioner of Banking and Insurance
89 Main Street
Montpelier, Vermont

Thursday, November 17, 1988 at 1:30 p.m.

1. Review and approval of minutes of October 17, 1988

2. Review and approval of minutes of November 4, 1988

3. Executive Director's Report

   A. Northgate Status [**Hunt//Enclosure**]
   B. Discussion of Support of Vermont Community Development Credit Union [**Hunt//Enclosure**]

4. Operations

   A. 1988A Update [**Lothrop//Enclosure**]
   B. Discussion and Approval of Grant from Robert Wood Johnson Foundation [**Falzone//Enclosure**]

5. Development

   A. Heineberg Elderly Housing Project
      (1) Project Description [**Koppelkam//Encl.**]
      (2) Financial Considerations [**Schoenbeck//Encl.**]
      (3) Commitment Letter [**Jarrett//Enclosure**]

6. Finance

   A. Pricing Package for 1988 Series B [**Schoenbeck//Encl.**]
   B. Discussion and Approval of Series Resolution for Riverside [**Schoenbeck***]

7. Legal

   A. Legislation [**Jarrett//Enclosure**]
   B. Update [**Jarrett**]
      (1) Richford
      (2) Lane Shops
      (3) Vermont Energy Investment Corporation

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

*To be delivered to the Board by Wednesday, November 16.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA

VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont
Monday, October 17, 1988

Present: Commissioners Shaw, Hebard, Babcock, Seelig, Hahn, Jeff Francis (designee of Elbert Moulton, Myette (via speakerphone).

VHFA Staff: Mr. Hunt, Mr. Schoenbeck, Mr. Jarrett, Ms. Pond, Mrs. Parker, Mr. Lothrop, Ms. Hope, Ms. Crady, Ms. Markman; Ms. Russell of VHMGB; Mr. Kochman of F.L. Kochman, Inc.

Guests present included: Dan Irvin, Drexel Burnham Lambert; Kathy Cade and Spencer Wright, Bank of Boston; Amy Wright, representing the City of Burlington; Gretchen Bailey, Assistant City Attorney, City of Burlington; Michael McNamara, Burlington Housing Authority; Kenn Sassorossi and Nancy Goodrich, Lake Champlain Housing Development Corporation.

The meeting was called to order at 1:35 p.m.

Upon a motion duly made and seconded, the minutes of the September 22 meeting were unanimously accepted as written.

In his Executive Director's report, Mr. Hunt informed the Board that the Agency had received an award from the National Council of State Housing Agencies (NCSHA) "in recognition of the most outstanding State Housing Finance Agency program in the Area of HFA Outreach," specifically for developing the Housing Vermont initiative. There was general applause and encouragement from the Board at this announcement. Mr. Hunt further informed the Board on the latest legislative activity relative to the anticipated sunset of mortgage revenue bonds (MRBs).

A review of 1988A activity was offered by Mr. Lothrop, as per his update distributed in the Board packet; as indicated, activity is continuing, with reservations on schedule.

Mr. Lothrop then began a discussion of 1988B, cautioning the Board that this could be the Agency's last MRB program. Ms. Crady reviewed her memo, "Summary of Recommendations for 1988B Program," dated October 11 and included in the Board packet. The

advisory group was commended by Mr. Shaw for their efforts and the tremendous research involved. A lengthy discussion of the impact and implications followed, during which Ms. Crady explained that the proposed continuation of a 20% low income set aside was based on historic precedent rather than focusing on the set aside. She further reminded the Board that the Agency has been sponsoring home buyer days and directing advertising at low income Vermonters. In response to a question from Mr. Hahn regarding the amount of reservations in a year, Mr. Lothrop reported reservations of $30-35 million, with originations of $20-25 million; Mr. Lothrop further cautioned the Board that it is difficult to compare 1987A and 1988A with the proposed 1988B bond issue due to a different interest rate environment.

Mr. Schoenbeck informed the Board that a meeting with bond counsel in Boston was scheduled for October 19, and reminded the Board that staff was anticipating action prior to the election. He further reminded the Board that 1.5% of the size of the bond deal to be assigned as a loan loss claim fund, as on any bond deal, was required by a resolution passed previously. Money from the General Fund would have to be supplemented with funds from earlier bond deals. After some further discussion, a motion was duly made and seconded and approved for the issuance of up to $100 million in bonds, with up to $60 million available for mortgage loans at a fixed rate and no more than $40 million available for mortgage loans as convertible option bonds.

Further discussion of income limits followed, during which Mr. Hahn and Mr. Seelig cautioned staff to avoid appearing to service the top income limits and ignoring the lower income group. Mr. Hunt assured the Board that the requested change in income and purchase price limits was prompted in reaction to calls being received from borrowers and legislators, who expressed disappointment at not being able to qualify for the current income and purchase price limits, as well as extensive research indicating increases were needed. Mr. Seelig made a motion to hold purchase price limits to $82,000 for existing homes and $90,000 for new homes; after being seconded, this motion was not approved. After some further discussion, a motion was duly made and seconded to adopt the recommendations of the program staff, including income and purchase price limits, as detailed in Ms. Crady's memo; this motion was passed, with Mr. Hahn opposed.

At this time a five-minute break was proposed and agreed upon, to allow for clearing the room and allowing the parties interested in the upcoming discussion on Riverside to join the meeting.

Upon calling the meeting back to order, the discussion of the "Riverside Development Proposal" as per Ms. Pond's memo of October 11 and the draft of the commitment letter and attached documents dated October 17 ensued. Mr. Kochman cautioned the Board that certain conditions required in the commitment letter had not yet been met. Although the signed HoDAG was in hand, as well as a letter from Merchants Bank promising to purchase Low Income Housing Tax Credits in exchange for the $1.15 million in equity, the firm construction contract was still not signed. Mr. Kochman further advised the Board that there were still some title problems pending resolution, and that insurance against earth movement was also pending; this insurance is expensive and difficult to get, although it is routinely required and has been a condition of the Commitment Letter since July.

At this point Mr. Myette expressed his regrets and stated that he would not be available for the remainder of the Board meeting.

An extensive discussion followed, during which Mr. Kochman distributed the proposed resolution and commitment letter, which would allow the borrower up to two weeks to submit a finalized construction contract. Mr. Hunt also distributed a letter from Duncan-Wisniewski Architecture regarding potential problems or concerns connected with the site. Mr. Hahn pointed out that this letter appears to be accurate regarding the site in that it reemphasizes his concerns regarding difficulty in management; he repeated a comment from an earlier meeting, that the biggest challenge lies in the potential number of people living in the limited number of units. Mr. Seelig inquired as to the owner's feelings on this letter.

Ms. Wright, representing the owner, assured the Board that the City had reviewed and approved the project early in the planning stages; other professionals have also reviewed the project. Mr. McNamara, a member of the board of Lake Champlain Housing Development Corporation (LCHDC), assured the Board that the Burlington Housing Authority has managed other projects on equally difficult sites; he agreed that while this is not the most ideal site, good management can help the project survive. Mr. McNamara further stated that the windows and cabinets proposed for this project are of better quality than those installed at the City Bluffs condominium project.

Mr. Sassorossi, director of LCHDC, further addressed the issue of management, agreeing that it is a high concern, and that what is done before a project is occupied is important to the successful management of a project. The main management office will be located on site, and the management agreement reflects rewards for managing the site properly.

A motion was duly made and seconded to approve the "Resolution Authorizing Issuance of Commitment Letter to the Riverside Housing Partnership," as distributed at the Boardmeeting. Further discussion regarding the need for earth movement insurance followed, and Mr. Francis urged that given the content of the architect's letter, earth movement insurance be required. The motion to approve the resolution as proposed was passed unanimously, with Mr. Seelig abstaining due to the Housing and Conservation Trust Fund's participation in the project. A motion was then made to instruct the Executive Director to negotiate for reasonable earth movement insurance as he sees fit, providing that the price would not be prohibitive to the project proceeding as scheduled, or deleting such coverage if necessary; this motion was seconded and passed unanimously.

Ms. Crady then led a discussion of "Mortgage Credit Certificate Election," as per her memo of October 11, and distributed an updated resolution for the Board's review. After a brief discussion a motion was duly made and seconded and agreed to unanimously to adopt this resolution as distributed.

The annual financial audit was distributed to Board members by Mr. Schoenbeck, who advised the Board that the auditor's management letter should be available by the next Board meeting.

In a discussion of other business, Mr. Seelig inquired on the status of the negotiations for the assorted "Gates" projects; Mr. Hunt informed the Board that the Department of Housing and Urban Development (HUD) has 163 project based subsidies available for Northgate. Mr. Hunt is working with bond counsel on various financial scenarios; although these proceedings are only for Northgate, it is anticipated that the results will be used as a model on all four of the "Gates" projects. According to Mr. Hunt, the owner remains open and cooperative in the continuing negotiations.

The next Board meeting was scheduled for Thursday, November 17, 1988 in Montpelier, and the Board was further advised that a conference call to sell bonds would be scheduled prior to the next meeting. Mr. Shaw further advised Mr. Jarrett to research a report that the legislature had amended the per diem for Board meetings to $70. There being no further business, and following a motion duly made and seconded, the meeting was adjourned at 4:20.

Respectfully submitted,

Allan S. Hunt
Secretary

RESOLUTION AUTHORIZING ISSUANCE OF COMMITMENT LETTER TO THE RIVERSIDE HOUSING PARTNERSHIP

WHEREAS, the 220 Riverside Avenue development (the "Development") has been the subject of prior resolutions of the Agency adopted, respectively, on April 21, 1988, June 30, 1988, and September 22, 1988 (the "Prior Resolutions"); and,

WHEREAS, the Agency has been apprised of certain changes in the details of the Development, and points noted in a report of the Agency's consulting architect, including an increase in total development cost to $6,713,192.00, the formal creation of The Riverside Housing Partnership (the "housing sponsor"), which is the limited partnership intended to construct and own the Development, and certain design drawbacks inherent in the difficult site, but which are acceptable to the Agency in light of the need for affordable housing and the scarcity of desirable sites; and,

WHEREAS, the housing sponsor has not fully complied with the conditions of the resolution adopted by the Agency on September 22, 1988, but certain critical conditions have been accomplished and the Agency has elected to proceed with its commitment, it is hereby

DETERMINED:

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

2. The acquisition and construction costs incurred or 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 the persons and families.

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to execute and issue to The Riverside Housing Partnership a Letter of Commitment and Intent to Finance, substantially in the form attached hereto (the "Commitment Letter"), and to make a mortgage loan for construction and permanent financing of the Development in accordance with the terms thereof.

2. Provided that the principal amount of the Agency's commitment shall not be increased, the Executive Director may in his discretion extend the time for performance under the Commitment Letter and may modify the loan documents attached to the Commitment Letter prior to their execution in such respects as the housing sponsor and the Executive Director, after consulting counsel, may agree. Further, if requested by the housing sponsor, the Executive Director may in his discretion, but shall not be required to, modify the terms of repayment of the Additional Balance described in the Commitment Letter.

3. This resolution supersedes any inconsistent term or provision of the Prior Resolutions.

I 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 VHFA held October 17, 1988.

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

RESOLUTION PERTAINING TO ELECTION NOT TO ISSUE CERTAIN BONDS REQUIRED FOR IMPLEMENTATION OF THE AGENCY'S MORTGAGE CREDIT CERTIFICATE PROGRAM (ISSUE NO. 3)

WHEREAS, Vermont Housing Finance Agency (the "Agency") desires to issue Mortgage Credit Certificates during calendar year 1989 and thereafter; and,

WHEREAS, the continued ability of the Agency to issue Mortgage Credit Certificates after December 31, 1988, depends on imminent Congressional action;

NOW THEREFORE, if there is Congressional action before Congress adjourns that enables the Agency to continue to have the authority to issue Mortgage Credit Certificates, which action is to be certified by the Executive Director; then, in order to accomplish the conditions precedent to its authority to issue such certificates, it is

RESOLVED, for purposes of Section 25 of the Internal Revenue Code of 1986 and regulations thereunder (the "Code"):

1. Of the amount of qualified mortgage bonds which it is otherwise authorized to issue during calendar year 1988, Vermont Housing Finance Agency hereby elects not to issue $20,000,000 principal amount of qualified mortgage bonds.

2. The Executive Director, the Director of Finance, and the Director of Operations are directed, and each of them is authorized, to take all preliminary steps necessary to the continuation of the Mortgage Credit Certificate program after December 31, 1988, including:

   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 with this Resolution.

   B. Solicitation of any certificate required by the Code to be provided by the Governor.

   C. Certification to the Governor as authorized by the Code.

   D. Publication of necessary notices.

I 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 VHFA held October 17, 1988.

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

VERMONT HOUSING FINANCE AGENCY

BOARD CONFERENCE CALL MINUTES
Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont
Thursday, November 4, 1988

PRESENT: Commissioners (via speakerphone) Shaw, Hahn, Babcock, Hebard, Francis (designee of Moulton).

Agency Staff: Mr. Hunt, Mr. Schoenbeck, Mrs. Parker, Ms. Crady, Mr. Jarrett; Mr. Kochman of F.L. Kochman, Inc.

Guests (via speakerphone): From Drexel Burnham, Andrew Gurley and Dan Irvin; from Orrick Herrington, Kathy Crost and Laurene St. Germain; from Palmer & Dodge, Robert Hale and Walter St. Onge; from Shearson Lehman Hutton, Harlan Sylvester.

The meeting was called to order at 10:05 a.m. Participants were identified by name.

Mr. Gurley informed the Board that if the pricing had taken place November 4 rather November 3, there would probably have been at least a ten basis point differential, not in the Agency's favor. According to Mr. Gurley, the Massachusetts Housing Finance Agency was going to price their bond issue November 4, but they have now postponed their issue until the following week, due to market conditions. Mr. Gurley explained that VHFA's bond issue met with very good reception; the yield was lowered on the serial bonds from the initial price by ten basis points. Specific interest rates were quoted by Mr. Gurley, who also informed the Board that a new term maturity for 2003 was also created; those bonds were sold to AIG, an insurance company, at 7.75%. All of the 2008 maturity bonds were sold to Allstate at a 7.95% interest rate. A new term maturity in 2010 was designed for Vermont retail buyers at 8%; for 2022 the rate would be 8.10%. Mr. Sylvester assured the Board that Vermont brokers with whom he had spoken seemed to be pleased with their allocations. A brief discussion followed, during which Mr. Irvin and Mr. Gurley explained that Agency staff had decided not to pursue the convertible option bond feature discussed at the Board meeting of October 17.

Mr. Schoenbeck then confirmed the receipt of the following documents, by roll call of each Board member: the Series Resolution; the Preliminary Official Statement; the Reimbursement Agreement; the Purchase Contract; and the Remarketing Agreement. Another brief discussion followed, during which Mr. Irvin disclosed that a rating of A 1 had been obtained. Mr. Gurley also complimented Mr. Schoenbeck and Mr. Hunt for their efforts on this bond issue.

The Board then confirmed the following details of the issue, based upon figures quoted by Mr. Hale: $67,100,000 as the par amount of the bonds; $900,000 Agency contribution; $310,560 accrued interest; for a total amount available of $68,310,560. $60,000,000 of this $68,310,560 will go into the program account for loans; $5,275,000 to the bond reserve fund; $483,000 to capitalized interest; $291,000 as an approximate cost of issuance; $310,560 as accrued interest; $900,000 the amount of the Agency contribution, going into the loan loss claim fund. The underwriters' discount would be $1,051,000. According to Mr. Gurley, this translates into a per bond cost of $15.66.

Mr. Hale then reviewed the "Series Resolution Authorizing the Issuance and Sale of Home Mortgage Purchase Bonds 1988 Series B;" after a motion duly made and seconded, the Resolution was unanimously adopted by roll call confirmation as proposed, with Mr. Shaw abstaining.

Mr. Kochman then reviewed the "Resolution Pertaining to Continuation of Vermont Housing Finance Agency 1987 Mortgage Purchase Program;" after a motion duly made and seconded, this Resolution was unanimously adopted by roll call confirmation as proposed, with Mr. Shaw abstaining.

There being no further business, the meeting was adjourned at 10:40 a.m.

Respectfully submitted,

Allan S. Hunt
Executive Director

RESOLUTION PERTAINING TO CONTINUATION OF VERMONT HOUSING FINANCE AGENCY 1987 MORTGAGE PURCHASE PROGRAM

WHEREAS, the Agency has this date adopted its Series Resolution Authorizing the Issuance and Sale of $67,100,000.00 Home Mortgage Purchase Bonds, 1988 Series B (the "Series Resolution");

NOW THEREFORE, with all terms herein and not otherwise defined having the same meaning as they have in the Series Resolution, it is hereby RESOLVED,

1. The Agency's 1987 Mortgage Purchase Program (the "Program") is hereby extended.

2. The Executive Director is authorized to extend to each Mortgage Lender which has indicated an intention to participate in the Program, including the Mortgage Lenders identified in the "Schedule of Mortgage Lenders" set forth in the Official Statement, an invitation to continue its participation in the Program. Any such invitation previously extended is hereby ratified. The Executive Director and the Director of Operations, and each of them, is further authorized to enter agreements with any such Mortgage Lender who has executed and delivered to the Agency a Mortgage Loan Purchase and Servicing Agreement as described in the Official Statement, which agreements shall be substantially in accordance with the "Commitment Agreements" described in the Official Statement.

3. The previous appointment of all Depositories under the Agency's Resolution of June 11, 1987 is hereby reaffirmed for the purposes of this Program.

I 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 VHFA held November 4, 1988.

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

SERIES RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF HOME MORTGAGE PURCHASE BONDS 1988 SERIES B

I certify that the following is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of VHFA held November 4, 1988.

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

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: November 10, 1988

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

RE: NORTHGATE STATUS

It appears we are narrowing the "financing gap" on this project. A group of home builders went through the project and concluded the original rehabilitation budget of $8,000,000+ could easily be reduced to $6,000,000-$6,500,000. Additionally, the receipt of 163 project-based subsidies will enable us to raise the rents without displacing low-income tenants. We also plan to negotiate with Vermont Gas to assist in the gas conversion, and we are recommending a legislative initiative to help mitigate the state taxes the seller will have to pay, thereby reducing the purchase price.

While the gap is still $2,000,000 assuming an outright sale, I believe it can be narrowed substantially if any of our cost reduction initiatives happen. We are hoping for a flexible subsidy loan from HUD, but it is unlikely we will know how much until March.

REQUESTED ACTION:

Authorize the Executive Director to negotiate a purchase/sales agreement wtih the owners of Northgate, including a moral commitment to purchase Highgate and Applegate. This agreement would be assignable to another party, presumably the partnership between Housing Vermont and Northgate Nonprofit, Inc. It is also likely that non-refundable deposit of up to $100,000 will be necessary. The terms of the agreement would be approved by the Board in December.

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VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: November 9, 1988

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

RE: SUPPORT OF VERMONT COMMUNITY DEVELOPMENT CREDIT UNION

I have been working with the Burlington Ecumenical Action Ministry (BEAM) to create a community development credit union. This type of credit union is special in that its membership must be at least 51% low/moderate income. While the initial focus will be to serve the Old North End of Burlington, the credit union is hoping and intending to eventually serve the entire state.

BEAM has been working with the Banking and Insurance Department to obtain a charter to operate, and will apply to the National Credit Union Association for deposit insurance. It is hoped that the necessary approvals will be received in January or February. The Chittenden Bank has announced support for our effort in the form of operating subsidies for three years, low interest deposits and technical assistance. Other banks are expected to follow.

BEAM is requesting that various nonprofit agencies consider placing a fully-insured certificate of deposit (CD) with them at a below-market interest rate. The Chittenden is making $50,000 available at 3%.

I recommend we make available a CD for a minimum period of 3 years in an amount of $50,000 at 3% or $100,000 at 5%. This will allow the credit union to originate with confidence 3-5 year loans at reasonably low interest rates. They hope to emphasize home improvement and energy lending, as well as small business loans.

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The Burlington Free Press

Opinion

Banking with BEAM

Sometimes it seems like there's a branch bank on every street corner in Chittenden County, with one conspicuous exception. Burlington's densely populated Old North End doesn't have a bank. One likely reason is the low incomes of its residents.

When the Vermont Community Development Credit Union opens in a North Street storefront in February, inner city residents will finally have a financial institution of their own.

And unlike commercial banks, the credit union will emphasize small loans to people of modest means. For many low-income people, access to credit doesn't mean a home mortgage or a new car loan. It means $300 for a security deposit on a new apartment, or $500 for a used car or home improvements.

Under special federal legislation, community development credit unions are allowed to accept deposits from non-members. Socially conscious investors like foundations, churches and non-profit groups can deposit money, knowing their money is safe (deposits are federally insured), earning a return, and still accomplishing a useful social purpose.

Only credit union members can obtain loans, and a majority of members must be low-income people. The credit union will emphasize loans to help people afford housing, though it will not immediately offer long-term mortgages.

Credit for founding the credit union goes to BEAM, the Burlington Ecumenical Action Ministry. In the 1970s, BEAM led the way in neighborhood revitalization and in coping with problems like teen-age runaways.

BEAM has been in hibernation the last few years. It's good to see the organization back, again offering a fresh approach to a community problem.

The Burlington Free Press

Money

Credit union seeks 'underserved'

Vermont Development Credit Union is formed to serve basic needs

By Ellen Neuborne
Free Press Staff Writer

An effort to help low-income Vermonters help themselves was launched Tuesday in the form of the Vermont Development Credit Union.

"We're trying to help low-income people take control of their limited resources," said Caryl Stewart, executive director of Burlington Ecumenical Action Ministry, which has organized the credit union.

At a news conference in Burlington's Old North End Tuesday, Stewart said low-income people are often left out or intimidated by larger banks and credit unions and that the new credit union will offer essential financial planning, education and credit services.

"We're reaching out with financial services to an underserved population," said Stewart, who worked as an investment broker and business owner prior to her work with BEAM. "We don't intend to be frivolous. Our criteria will be important, serious needs."

The new unit, which organizers hope to open at 64 North St. on Feb. 1, seeks to provide savings and loan services to families with an annual income of no more than $18,250, students, and clients of community action agency programs. At first, available services will include savings accounts, certificates of deposit and direct deposit.

"We're not going to be operating like the big guys on day one," Stewart said. "The emphasis will be on savings and loans, very plain vanilla. As soon as we can, we'll offer checks."

After the first three months, Stewart said the new credit union will make loans for housing-related needs, education, clothing and medical needs, as well as to small and minority-owned businesses. The first housing loans will focus on home improvement until a sufficient base is created to make mortgage loans, she said.

The new credit union, which will operate independent of BEAM, hopes to have $1 million in deposits by opening day. To date, 120 depositors have pledged $300,000, Stewart said.

Depositors need not be members, she said. "We are seeking deposits from the socially conscious sector, made by sources able to forgo a little bit of interest," she said.

Stewart said between 20 and 25 percent of the new unit's deposits will come from depositors "willing to accept a benevolent rate of interest." All deposits will be federally insured and Stewart estimated that the interest rate would be between 1 percent and 3 percent. Non-member depositors can be of any income, from any part of the country.

Chittenden Bank is a non-member depositor, pledging a $50,000 deposit at 3 percent interest. Chittenden is also offering the new credit union a three-year $10,000 grant and technical training for its operators. Other organizations that have expressed interest in being non-member depositors include the city of Burlington, the Burlington Housing Authority and Burlington's Cathedral Square Corp.

The new credit union's membership must be at least 51 percent from the low-income population. Residents of the Old North End will be offered membership, but the unit's scope will not be limited to Burlington. Membership will be accepted statewide for all meeting eligibility requirements, but marketing will emphasize Chittenden County during the first phase, Stewart said.

The new credit union will also draw from the moderate-income population, she said. Directors and employees of human service and non-profit organizations, including churches and synagogues, will be offered membership.

Still awaiting state and federal approval, the new credit union does not yet have a full board of directors, but two people have already accepted board positions. One is Ben Cohen, president of Ben and Jerry's Homemade Inc. The second is Old North End resident Maxine Leary. Leary said she hoped to see the credit union involve the young people of the Old North End.

STATISTICAL REPORT PROGRAM ID: 88A
UNDERWRITING DATABASE
LTV 0% TO 100%
EFFECTIVE: 11/09/88

Total Number of Loans:	214
Total Loan Amount:	$11,412,393
Average Loan Amount:	$53,328

EXISTING:	$9,082,540	82.2%	176 Loans
NEW CONSTRUCTION:	$2,329,853	17.7%	38 Loans
NEW DETACHED HOUSING:	$1,132,598	48.6%	19 Loans
NEW CONDOMINIUM:	$1,197,255	51.3%	19 Loans

Total Insured or Guaranteed Loans:	206
Loans Guaranteed by VHMGB:	204

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$57,745	$61,739	$58,921
Avg. Loan Amount	$52,164	$56,120	$53,328
Avg. Borrower Income	$26,941	$28,056	$27,269
Avg. Housing Debt-Income Ratio	24.2%	25.4%	24.5%
Avg. Total Debt	$727.19	$780.76	$742.96
Avg. Total Debt-Income Ratio	32.2%	33.4%	32.6%
Total No. of Loans	151	63	214
First Time Homebuyers	82.1%	100.0%	87.3%
% Loans with 2 or more Wage Earners	54.3%	50.7%	53.2%
% of Total Loan Amount	69.0%	31.0%	100.0%

	Loans	% of Loans	$ Amount	*Households	% of Hshlds	% DIFF
Addison	5	2.3%	$224,100	5,115	5.7%	3.4-
Bennington	9	4.2%	$419,190	6,538	7.3%	3.1-
Caledonia	17	7.9%	$780,564	4,500	5.0%	2.9
Chittenden	37	17.4%	$2,285,020	17,415	19.4%	2.0-
Essex	1	0.5%	$49,400	1,455	1.6%	1.1-
Franklin	26	12.1%	$1,422,040	5,798	6.5%	5.6
Grand Isle	1	0.5%	$45,600	932	1.0%	0.5-
Lamoille	16	7.5%	$863,480	3,234	3.6%	3.9
Orange	9	4.2%	$472,279	4,221	4.7%	0.5-
Orleans	18	8.4%	$714,969	4,149	4.6%	3.8
Rutland	17	7.9%	$881,125	10,051	11.2%	3.3-
Washington	34	15.9%	$1,957,370	9,282	10.3%	5.6
Windham	13	6.1%	$735,542	6,944	7.7%	1.6-
Windsor	11	5.1%	$561,704	10,120	11.3%	6.2-
TOTAL	214	100.0%	$11,412,393	89,754	100.0%	

* Estimated number of households, $15,000 to $35,000 income.
ACI, 1988 County Sourcebook

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: November 10, 1988

TO: VHFA Board of Commissioners

FROM: Samuel J. Falzone, Senior Management Officer

RE: ROBERT WOOD JOHNSON FOUNDATION GRANT

We are pleased to inform you that on October 21, 1988, it was announced that VHFA was chosen as one of ten nationwide recipients to be awarded a grant in conjunction with the Robert Wood Johnson Foundation's "Support Services Program in Senior Housing."

The Grant is in the amount of $64,786 and is for the one year period from November 1988 through October 1989. The money will be used to help underwrite the costs of developing and implementing a program to address the issue of aging in place for the seniors living in VHFA-financed housing. VHFA's contribution will be approximately $38,000 over the one-year period, although the actual cost may be higher if we include the overall support that will be required from all departments. VHFA will be accounting for all Grant activity in addition to housing, training and supervising the project director; management staff will work directly with the owners and managers to assist in the Grant effort.

VHFA and the Foundation will be continually assessing the development and success of the program. By the end of Year I, if we determine that the program should be continued and expanded, we may apply for an additional $160,000 for the succeeding two years. In essence the Grant is for one year, but it is a portion of a three-year proposal totalling $225,000 from the Foundation. First year activity will concentrate on program development and needs assessment throughout the state.

The Grant will provide us with an opportunity to focus on an issue that is not presently being adequately addressed by any existing programs. It provides us with not only additional funding and the vehicle to create a quasi-independent program, but also offers the support and recognition of the nation's largest health care philanthropy.

RECOMMENDATION:

We recommend that the Board approve acceptance of this Grant and support VHFA's overall commitment to this program.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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NEWS FROM:
THE ROBERT WOOD JOHNSON FOUNDATION

NOV 4 1988
VHFA

FOR MORE INFORMATION, CONTACT:
Leah Rothstein
Press Line: 609/452-8711

November 3, 1988

FOR IMMEDIATE RELEASE

Attention Editor: One of these grants was awarded to a housing finance agency in your area.

PRINCETON, N.J. -- The nation's largest health care philanthropy has awarded grants to 10 state housing finance agencies (HFAs) to develop new ways to finance and deliver support services for frail older people living in federally subsidized private housing for the elderly.

Under its Supportive Services Program in Senior Housing, the Princeton-based Robert Wood Johnson Foundation has committed up to $4 million over a three-year period to support the efforts of the 10 HFAs. The foundation will provide up to $400,000 to each HFA over the program's duration.

"The grants will enable HFAs to work with local housing projects to provide needed services that aging residents can no longer provide for themselves," said Leighton E. Cluff, MD, foundation president. "These could

(more)

sachusetts Housing Finance Agency, Boston; $62,697 to the New Hampshire Housing Finance Authority, Manchester; $182,935 to the New Jersey Housing and Mortgage Finance Agency, Trenton; $179,874 to the Pennsylvania Housing Finance Agency, Harrisburg; $107,669 to the Rhode Island Housing and Mortgage Finance Corp., Providence; $64,786 to the Vermont Housing Finance Agency, Burlington; and $71,620 to the Virginia Housing Development Authority, Richmond.

The program is directed by James J. Callahan, Jr., PhD, who also directs the Policy Center on Aging at Brandeis University in Waltham, Mass.

The Robert Wood Johnson Foundation was established as a national philanthropy in 1972. Since then, it has awarded more than $906 million in grants to improve health care in the United States.

-30-

include arranging emergency medical alert systems, supervising medication schedules, providing transportation and assisting residents with difficult household chores."

The goal of the program is to establish models of service delivery that will enable elderly tenants in subsidized housing to remain independent, Cluff said.

The grant awards will be distributed in two successive phases. An initial one-year grant will fund a planning effort to be reviewed before the two-year implementation grant is approved, said Cluff.

During the planning phase, the HFAs will:

>identify housing projects with a significant proportion of people in need of support services;

>assess the training needs of the housing projects' management and staff; and

>develop the financing mechanisms necessary to implement services.

In the implementation phase, HFAs will use their own reserve funds as well as those of the housing projects to establish relationships with service providers.

It is expected that a combination of client fees and housing-based reserve subsidies will pay for services requested by the residents, Cluff said.

Planning grants under the first phase of the program were awarded to the following HFAs: $144,807 to the Colorado Housing and Financing Authority, Denver; $49,598 to the Illinois Housing Development Authority, Chicago; $88,517 to the Maine State Housing Authority, Augusta; $204,000 to the Mas-

VERMONT HOUSING FINANCE AGENCY

November 9, 1988

TO: VHFA Board of Commissioners
FROM: Mark Koppelkam, Multi-Family Development Officer
RE: HEINEBERG PROJECT, Burlington

REQUESTED ACTION: Staff recommends approval of resolution extending a commitment for permanent financing in an amount not to exceed $2,050,000 for an 81 unit new construction housing project for the elderly, on Heineberg Road in Burlington.

THE PROJECT: 81 units of "perpetually affordable" housing for the elderly, to be located on the north side of Burlington immediately adjacent to an active senior center. Construction is planned to begin this year (1988) and be completed by December 1989. Pizzigalli Construction Company has been selected as the general contractor. A commitment for construction period financing from a Burlington bank is expected to be secured by the time of the VHFA Board meeting. The project will feature the following types of units and rent levels.

Rent Restricted

#	Type	Amount of Rent	Size of Unit
38	1 BR Flats	$374/m	564 sq ft
3	2 BR Flats	$427	696

Market Rate

#	Type	Amount of Rent	Size of Unit
27	1 BR Flats	$500/m	564 sq ft
3	1 BR Handicap	$500	663-696
8	2 BR Flats	$600	696
2	2 BR Handicap	$600	696

SPONSORS: The primary sponsor is a non-profit organization (Heineberg Senior Housing Corporation) that represents a coalition of parties specifically interested in building elderly housing. The project is to be built on approximately 4 acres land owned by an adjacent senior citizen center (the Heineberg Club), and leased to the

sponsors for $1 over a 99 year term. The Heineberg Club Building is owned and operated by the Chittenden County Senior Citizens Alliance, which will have four representatives on the Board of Directors of the sponsoring non-profit. Other Board members include 2 representatives of Cathedral Square Corporation (which operates a 100 unit senior housing project in downtown Burlington), 2 people from the immediate neighborhood and 1 representative of the City.

Housing Vermont and its subsidiary corporations will be a co-partner in the development, and will provide the project equity, using the Vermont Equity Fund and the benefits derived from the Low Income Housing Tax Credit.

PROJECT MANAGEMENT: The primary managers during construction will be Ms. Sarah Carpenter, Executive Director of Cathedral Square Corporation, and Ms. Elizabeth Mullikin of Housing Vermont. Cathedral Square Corporation will have property management responsibility after the completion of construction.

PROJECT SOURCES AND USES OF FUNDS:

SOURCE OF FUNDS

Equity/Housing Vermont	1,200,000	30.77%
City/CDBG	70,000	1.79%
Trust Fund	625,000	16.03%
VHFA 1st Mortgage Note*	2,004,935	51.41%
TOTAL FUNDS	$3,899,935	100.00%

USES OF FUNDS - CONSTRUCTION BUDGET

Renovation of Heineberg Club	20,000	0.51%
Construction + Site Work	3,087,000	79.16%
Contingency	170,867	4.38%
Appliances	63,000	1.62%
Furnishings	37,400	0.96%
Arch/Engineering	140,000	3.59%
Legal/Accounting	10,000	0.26%
Permits/Fees	45,010	1.15%
Taxes/Insurance	15,000	0.38%
Construction Loan Interest	127,059	3.26%
Construction Loan Fees	38,000	0.97%
Permanent Loan Fee	30,074	0.77%
Marketing	36,785	0.94%
Replacement Reserve	19,000	0.49%
Working Capital	35,740	0.92%
Developer's Fee	25,000	0.64%
TOTAL USES OF FUNDS	$3,899,935	100.00%

*Note: Construction financing in this amount is expected to be provided by the Chittenden Bank or the Merchant's Bank in Burlington.

HEINEBERG PROJECT SUMMARY

DISCUSSION: This project is on a fast track in order to qualify for the 1988 Low Income Housing Tax Credit (LIHTC). In order to so qualify, at least 10% of the cost of the project must be expended by December 31, 1988. There is growing demand for the 1989 credits, and only in the last few weeks did Congress approve a limited carry over of the 1988 credits (of which we have a surplus). Use of the 1988 LIHTC by the two Housing Vermont projects (Riverside and Heineberg) will permit additional projects to be financed in 1989.

According to the project sponsors, who are intimately familiar with the elderly community in Burlington, there is a large demand for these type of units. There are no "affordable" or market rate apartment complexes in the county specifically aimed at the elderly population except for Cathedral Square, which has a waiting list of 150 for their 100 unit downtown building. The Heineberg Senior Center has already gathered 175 names of individuals interested in living in the new Heineberg Senior Housing.

The sponsors intend to provide additional support services to residents (funded outside of the parameters of the project financing), including some meals, housekeeping services, social services and activities. Given the difficulty of finding reasonably priced alternative housing choices, and the attractiveness of a neighborhood based non-profit senior housing community, the sponsors feel that the project will be fully rented even before the completion of construction.

Staff is in the midst of project design review and will have further comments (if any) available at the time of the Board meeting. An appraisal is also being done which is not yet completed. We have decided not to require an independent cost estimate based on an existing cost estimate done early in the process for Housing Vermont, the involvement of the reputable Pizzigalli firm and based on our participation only for the permanent loan at 52% of total project cost.

At this time the biggest staff concerns relate to minor design considerations which need to be discussed with the various parties.

The size of the units was largely dictated by building economics, and is not a significant concern to VHFA staff because of the elderly focus. Unlike

HEINEBERG PROJECT SUMMARY

Riverside, the size of grant/deferred loan available to the project is just 16% of the project financing instead of 50%. The units are actually larger than the units at Cathedral Square, and above the HUD minimums. The project sponsors feel that the units are of adequate size, and are compensated for by the presence of common space in the large community room and the outdoor porches.

Finally Commissioners should be aware that Housing Vermont will need some level of bridge financing of their equity amount from VHFA during the construction period. Equity from their limited partner will not come into the project until the project is "placed in service," and thus eligible for the tax credit benefits. The exact nature of this bridge financing will be discussed at the Board meeting.

09-Nov-88

INPUT DATA

Project:	HEINEBERG SENIORS	RUN DATE:	09-Nov-88
Total Units:	81	********Assumptions*******	
Restricted Units:	41	Income increase:	3.00%
Percent Restricted:	49.24%	Expense increase:	5.00%
Avg Net Monthly Rent:	437	Appreciation:	2.50%
Other Monthly Income:	7	Vacancy Rate:	3.00%
Avg Cost Unit/Month	426	Partner's Tax Rate:	34.00%
Annual Pre-tax Cash:	13,576	Depreciation Schedule:	27.5

Financing

	Amount	% of TDC			
Equity Fund	1,200,000	30.77%			
City Grant	70,000	1.79%	Interest	Term	
1st Mort - VHFA	2,004,935	51.41%	9.50%	30	
HCTF Deferred Note	625,000	16.03%	9.50%	30	(Deferred)
Total Dev.	$3,899,935	100.00%			

HEINEBERG SENIORS SUMMARY PRO FORMA 09-Nov-88

	Year 1	Year 5	Year 10	Year 15
Gross Possible Rent	437,916	492,878	571,381	662,387
Less Vacancies	(13,137)	(14,786)	(17,141)	(19,872)
Plus Other Income	2,575	2,898	3,360	3,895
Total Actual Income	427,354	480,990	557,599	646,411
Less Operating Exp.	211,475	257,049	328,067	418,706
Net Operating Income	215,879	223,941	229,532	227,705
Less 1st Note Debt Service	202,303	202,303	202,303	202,303
Less 2nd Note Debt Service	0	0	13,615	12,701
Net Cash	13,576	21,638	13,615	12,701
Less Net Cash to Partners	13,576	21,638	13,615	12,701
Debt Coverage Ratio	1.07	1.11	1.06	1.06

(Note: DC Ratio before distribution to partners)

11/07/88

Heineberg, Riverside, South Meadow Comparison

Koppelkam

1. Size of Units (sq ft)

South Meadow	Riverside	Heineberg
2BR 1000-1122	2BR 770-881	1BR Flat 564
3BR 1160-1300	3BR 1032-1095	1 BR Hand 663-696
148 units total	80 units total	2 BR Flat 696
	36 HODAG Units (45%)	81 Units Total
		41 Units Rent Restricted (49.24%)

2. Price of Units

(Note: RR = rent restricted, M = market rate)

South Meadow	$/m	$/sq ft/m	Riverside	$/m	$/sq ft/m	Heineberg	$/m	$/sq ft/m
RR 3BR Flat	$360	0.30	RR 2BR Flat	$340	0.44	RR 1BR Flat	$374	0.66
RR 3BR Town	$360	0.28	RR 3BR Flat	$365	0.34	RR 2 BR Fla	$427	0.61
			RR 3BR Town	$365	0.35			
M 2BR Flat	$550	0.55				M 1BR Flat	$500	0.89
M 2BR Town	$620	0.55	M 2BR Town	$505	0.64	M 2 BR Flat	$600	0.86
M 3BR Flat	$600	0.52						
M 3BR Town	$625	0.48	M 3BR Town	$615	0.60	Note: Heineberg rent includes		
Car port	$25		Car port	$15		heat, water		

3. Total Project Size (sq ft)

South Meadow	Riverside	Heineberg
198,188	84,000	63,294
		47,763 (Apts Only)

4. Land Cost

	South Meadow	Riverside Cost to Davis Co	Riverside Cost w/ Permits	Heineberg
	148 units	80 units	80 units	81 units
	19.5 acres	9 acres	9 acres	4.1 acres
	Cost $731,667	Cost $470,000	Cost $750,000	Cost $0
Density (units/acre)	7.59	9.00	9.00	19.76
Land Cost (per acre)	$37,521	$52,222	$83,333	0
Land Cost (per unit)	$4,944	$5,875	$9,375	0

5. Hard Construction Cost, Including Sitework

South Meadow	Riverside	Riverside w/out Sitework	Heineberg
$ 45,238 /unit	$57,175 /unit	$45,377 /unit	$39,425 /unit
$ 33.78/sq ft	$54 /sq ft	$43 /sq ft	$50 /sq ft

6. Loan to Value Ratio

	South Meadow	Riverside	Heineberg
Total Project Cost	$9,170,332	$6,713,192	$3,899,935
VHFA Loan	$4,738,299	$2,595,692	$2,004,935
Ratio: Loan/Value	51.67%	38.67%	51.41%

7. Contingency

	South Meadow	Riverside	Heineberg
Costs as % of Total Proj Costs			
Hard Construction Costs (%)	56.71%	54.08%	
Sitework (%)	9.99%	14.06%	
Contingency (%)	2.41%	4.62%	4.26%
Conting as % of Hard Cnstr & Sitework			
Contingency (%)	3.62%	4.87%	5.37%

8. Overall - Cost Per Unit

South Meadow	Riverside	Heineberg
$61,962	$83,915	$48,147

INCOME/EXPENSE STATEMENT 11/07/88
FROM YEAR ONE PRO FORMA

	Heineberg		Riverside		South Meadow 12/16/87	
INCOME		p.u.m.		p.u.m.		p.u.m.
1. Total Apartment Rents	437,916	456.2	445,920	464.5	889,920	501.1
2. Vacancy Adj (3%)	(13,137)	-13.7	(13,378)	-13.9	(26,698)	-15.0
3. Tot. Rent Collections	424,779	442.5	432,542	450.6	863,222	486.0
4. Other Income	2,575	2.7	10,856	11.3	7,000	3.9
5. TOTAL INCOME	427,354	445.2	443,398	461.9	870,222	490.0
EXPENSE						
1. Administrative						
a.Management Fee	15,200	15.8	28,000	29.2	52,213	29.4
b.Marketing	1,500	1.6	1,200	1.3	1,500	0.8
c.Audit	2,500	2.6	1,700	1.8	5,000	2.8
d.Onsite Mngr Sal	9,900	10.3	0	0.0	17,500	9.9
e.Super's Unit		0.0	0	0.0	7,440	4.2
f.Legal	1,500	1.6	1,500	1.6	3,000	1.7
g.Office Exp	5,040	5.3				
h.Other Sal & Benefits	20,000	20.8				
i.Misc	1,000	1.0				
Admin Subtotal	56,640	59.0	32,400	33.8	86,653	48.8
2.Utilities						
a.Water & Sewer	15,800	16.5	20,000	20.8	25,500	14.4
c.Electric	18,025	18.8	3,600	3.8	19,200	10.8
d.Other	24,050	25.1	1,400	1.5		0.0
Util Subtotal	57,875	60.3	25,000	26.0	44,700	25.2
3. Maintenance						
a.Janitorial Payroll	18,800	19.6	23,300	24.3	18,000	10.1
b.Janitorial Supplies	1,200	1.3	2,100	2.2	3,000	1.7
c.Trash Removal	1,600	1.7	3,600	3.8	9,000	5.1
d.Snow/Grounds Maint.	4,800	5.0	5,000	5.2	10,000	5.6
e.Repairs	3,600	3.8	6,000	6.3	12,000	6.8
f.Painting & Decorating	1,000	1.0	0	0.0	4,000	2.3
g.Equip Debt Service		0.0	0	0.0	3,900	2.2
h.Exterm	1,500	1.6	0	0.0	0	0.0
i.Contract Maint	5,870	6.1	0	0.0	0	0.0
j.Other	8,040	8.4	0	0.0	0	0.0
Maint Subtotal	46,410	48.3	40,000	41.7	59,900	33.7
4. General Expenses						
a.Real Estate Taxes	20,250	21.1	58,000	60.4	114,500	64.5
b.Prop./Liab/Rent Loss Ins	11,300	11.8	12,000	12.5	24,000	13.5
c.Other		0.0		0.0	2,000	1.1
Gen Exp Subtotal	31,550	32.9	70,000	72.9	140,500	79.1
TOTAL OPERATING EXPENSES	192,475	200.5	167,400	174.4	331,753	186.8
Net Inc Avail for Debt Serv	234,879	244.7	275,998	287.5	538,469	303.2
Less Debt Service	202,303	210.7	255,158	265.8	478,106	269.2
Less Replacement Reserve	10,900	11.4	21,781	22.7	Prepaid	
NET OPERATING INCOME	21,676	22.6	(941)	-1.0	60,363	34.0
Tot Oper Exp/Gross Income	0.45		0.38		0.38	

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: November 10, 1988

TO: VHFA Board of Commissioners

FROM: Roger A. Schoenbeck, Director of Finance

RE: HEINEBERG FINANCING CONSIDERATIONS

Allan and I believe it is possible to structure a permanent loan to Heineberg using Agency reserve funds. To accomplish this there are are two possible scenarios:

1. Since Federal National Mortgage Assocation (FNMA) Securities are eligible investments for our multi-family reserve fund, we have discussed with FNMA "swapping" the Heineberg note and mortgage for their securities. The rate on the note would equal the security rate plus an override to FNMA. Since we are purchasing the security, we can set the rate and thus control the loan rate to the project. We believe a rate of 9.5%-10% is an acceptable rate.

2. Should this for any reason not work, we would seek to "buy" a certificate of deposit (CD) from a local bank in exchange for them making the loan at a rate and term consistent with the CD rate and term. A CD (collateralized) is eligible for purchase into our reserve fund.

Based on these two approaches, we feel confident that we can issue a commitment letter with an "upside" rate of 10% and work out the details later.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

To: VHFA Board of Commissioners

From: Glenn A. Jarrett, General Counsel GAJ

Re: Proposed Commitment Letter for Heineberg Project

Date: November 9, 1988

Enclosed is a proposed form of a commitment letter for the Heineberg project that will be discussed at the November 17 Board meeting.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA

DRAFT

November ___, 1988

Ms. Sarah Carpenter
Heineberg Senior Housing Corporation
Three Cathedral Square
Burlington, VT 05401

Re: Commitment Letter

Dear Ms. Carpenter:

I am pleased to advise Heineberg Senior Housing Corporation and HV-Heineberg as co-general partners of Heineberg Senior Housing Partnership (hereinafter the "Borrower") that the Vermont Housing Finance Agency (hereinafter the "Agency") has approved your application for permanent financing for the proposed housing development (hereinafter the "Development" as described in ATTACHMENT A) to be constructed on certain property located in the City of Burlington subject to the terms and conditions herein stated.

1. The Agency's Commitment contained herein (the "Commitment") consists of this letter and the following attachments which are to be incorporated herein and made a part of the Agency's Commitment.

   a. ATTACHMENT A: Development Description.

   b. ATTACHMENT B: VHFA Inspection Policies

   c. ATTACHMENT C: A Three-Party Agreement entered into pursuant to Paragraph 5 hereof.

   d. ATTACHMENT D: A promissory note (the "Permanent Note") evidencing funds lent as and for the Permanent Loan.

   e. ATTACHMENT E: A regulatory agreement (the "Regulatory Agreement"), extensively regulating the use of the Development as residential rental property for persons and families of low and moderate income.

2. Upon substantial completion of the Development as provided herein, the Agency will make a mortgage loan constituting a first lien on all real estate (hereinafter "Permanent Loan") to be evidenced by a Note and Mortgage and Security Agreement covering all personalty, in form satisfactory to the Agency. The Agency's Commitment to make the Permanent Loan shall be further conditioned by the requirement that, at the Permanent Loan closing, the Development property not be encumbered by any attachment, execution, lien, mortgage or conveyance, whether or not subordinate to the Permanent Loan, with the exception of a certain lease

from Chittenden County Senior Citizens Alliance, Inc., to _____, dated _____, recorded at Volume ____ Page ____ of the City of Burlington Land Records, a Declaration of Covenants and Easements and a Warranty Deed from Chittenden County Senior Citizens Alliance, Inc. to the Burlington Community Land Trust, Inc.

3. The Note shall be in an amount not to exceed TWO MILLION TEN THOUSAND AND 00/100 ($2,010,000.00) DOLLARS. The Note shall have a level term amortization, and shall be for a term of 30 years commencing the date on which the Agency makes the mortgage loan. The interest rate shall be at a rate not to exceed 10 percent per annum.

4. In order to preserve this Commitment, except as provided in Paragraph 10, Borrower shall pay to the Agency THIRTY FIVE THOUSAND AND 00/100 ($35,000.00) DOLLARS as a non-refundable commitment fee at or prior to the construction loan closing. This commitment fee may be financed out of the Construction Loan and shall be applicable to the Permanent Loan Fee.

5. Borrower shall obtain a Construction Loan from a financing institution authorized to do business in the State of Vermont (hereinafter "Bank"), selected by Borrower. Borrower, Bank and the Agency shall execute, at or prior to the closing of the construction loan made to Borrower by the Bank (the "Construction Loan"), a form of Three-Party Agreement substantially in the form attached hereto as ATTACHMENT C.

6. At least 10 business days prior to the closing of the Construction Loan, the Borrower shall provide the Agency with the following documents:

   a. Working Drawings and Specifications for the construction of the Development, which drawings and specifications shall have been reviewed and approved by the Agency before such closing. The drawings shall be prepared and sealed by an architect licensed to practice in Vermont, shall indicate the name of the general contractor, and shall include a complete landscaping plan for the Development.

   b. Copy of warranty deed showing present ownership of property.

   c. Copy of Lease.

   d. Copy of Declaration of Covenants and Easements.

   e. Warranty Deed to Burlington Community Land Trust.

   f. Letter from Burlington Department of Public Works stating amount of sewer impact fee.

   g. Draft of proposed assignment of lease and mortgage deed showing intended ownership/leasehold of property, with no easements or encumbrances that significantly reduce the value of the property.

h. Copies of all permits that may be required prior to or during construction by local, State and Federal regulatory bodies, and certification from an attorney licensed to practice in Vermont stating: that in his or her opinion and to the best of his or her knowledge and belief: (a) the attached permits are the only such approvals required prior to commencement of construction; and (b) that the Development as proposed is in conformity with local, State and Federal land use and environmental regulations, ordinances and statutes.

i. Copies of all contracts pertaining to the Development which have been entered into prior to the date of the Construction Loan closing including but not limited to the architect, general contractor, subcontractors and suppliers of materials.

j. Copies of final forms of all Construction Loan documents including Note, Mortgage and Security Agreements.

k. Organizational documents:

(1) Borrower

(a) Limited partnership agreement and certified record copy of limited partnership certificate, incorporating the Regulatory Agreement and otherwise sufficient, in the opinion of counsel to the Agency, to constitute the Borrower as a "housing sponsor" within the meaning of the Vermont Housing Finance Agency Act.

(b) Trade name Registration.

(c) Evidence of authority of representative to execute Construction Loan documents.

(d) Subscription Agreement of Vermont Equity Fund I, evidencing commitment to invest in the Borrower in an amount sufficient to meet equity requirements.

(e) Subscription Agreement of the Merchants Bank evidencing its commitment to invest in Vermont Equity Fund I in an amount sufficient to meet equity requirement.

(2) HV-Heineberg

(a) Articles of Association with copy of Certificate of Incorporation.

(b) Bylaws.

(c) Resolution designating person authorized to carry out its function as general partner of Borrower.

(3) Heineberg Senior Housing Corporation

(a) Articles of Association with copy of Certificate of Incorporation.

(b) Bylaws.

(c) Resolution designating person authorized to carry out its function as general partner of Borrower.

(4) Management agreement between Borrower and Cathedral Square Corporation.

l. Evidence of Borrower's authority to execute the construction loan documents, if applicable.

m. Construction disbursement schedule which shall have been reviewed and approved by the Bank.

n. Dual-obligee Performance and Payment Bonds from contracting entity acceptable to the Agency, the Bank and the owner each in the amount of 100 percent of contract cost of the development plus all labor and materials, or, in the alternative, an irrevocable letter of credit in the amount of 25% of the amount of the Construction contract, including, in either case, a one-year maintenance obligation, commencing as of completion and acceptance by Agency and after architectural certification of completion of said development, to guarantee that contracting entity will rectify all defects in materials and workmanship.

o. Certificate of Insurance for Owner's All-Risk replacement cost insurance (in "broad form" and including, without limitation, coverage for public liability), naming the Agency and the Bank as Mortgagees and Certificate Holders entitled to notice before cancellation, and including written evidence that occupancy of any part of the building by tenants will not adversely affect the coverage as to any portion of the building not then completed and occupied.

p. Contractor's Insurance Certificate covering Worker's Compensation, Comprehensive General Liability and Comprehensive Automobile Liability, acceptable to Bank.

q. Attorney's Title Opinion, and Mortgagee's Title Insurance Policy issued by a company authorized to do business in Vermont naming the Bank during the period of construction, naming the Agency as permanent mortgagee, and including mechanic's and materialmens' lien coverage.

r. Management Plan.

7. Before beginning excavation or other such substantial construction work, Borrower shall notify the construction lender and Agency.

8. Borrower shall prepare and deliver to the Agency at least ten business days prior to the closing of the Permanent Loan, the following documents in a form satisfactory to the Agency.

   a. Organizational Documents, if amended, subsequent to Construction Loan closing.

   b. Resolutions from Borrower and Bank authorizing execution of Closing Documents by their representatives or officers.

   c. Management Agreement (if applicable) clearly specifying the duties of the Management Agent.

   d. U.C.C. Financing Statement and security interests and agreements covering personalty, naming Vermont Housing Finance Agency as the secured party.

   e. Opinion from an attorney that the Borrower has complied in all respects with State and Federal laws and regulations relating to the sale of shares of the partnership or corporation, if any; if no shares have been sold, a certification to that effect.

   f. Certification by architect licensed to practice in Vermont that to the best of his or her knowledge and belief the Development has been constructed in accordance with: plans and specifications, including all change orders, as approved by the Agency; and all acceptable local, State and Federal Codes, ordinances, regulations and statutes.

   g. As-built drawings and surveys (indicating location of boundaries, easements, utility lines, buildings, walks, driveways and other structures or facilities).

   h. Opinion from an attorney licensed to practice in Vermont that Development is in compliance with all applicable local and State land use and building statutes, regulations and ordinances.

   i. Copies of all title documents showing recording information.

   j. Signed policy or binder for fire and extended coverage insurance, liability insurance, and business interruption insurance as required under the Regulatory Agreement, issued by a company authorized to do business in Vermont, and acceptable to the Agency and which shall carry an endorsement indicating the Agency's interest as mortgagee. Such binder or policy shall be accompanied by a receipt indicating proof of prepayment of one year's premium or evidence of an escrow for a one-year premium.

   k. Copies of all guarantees and warranties for materials and labor pertaining to the Development of whatever nature and from whatever source.

   l. Lien waivers from general contractors and all subcontractors.

   m. Completed VHFA Permanent Record Sheet. (Form Enclosed.)

9. At the Permanent Loan Closing, and prior to the disbursement by the Agency of loan proceeds, Borrower shall deliver an updated policy from the title insurer certifying that the Agency's mortgage is a valid first lien on the land and buildings, and that no defect, encumbrance or other such adverse claims exist which would impair the Agency's interest in the project.

10. This offer to enter into a Commitment and the Agency's Letter of Intent will both expire 30 days from the date of this letter unless Borrower executes the acceptance page, initials all pages of the enclosed copy of this letter, and returns the acceptance and copy of this letter to the Agency. Notwithstanding any other provision of this Commitment to the contrary, including Paragraph 11, the Agency's Commitment is further subject to the following requirements:

    a. Borrower shall close on the construction loan for this development no later than December 5, 1988.

    b. Borrower shall document all expenditures from the Contingency Allowance, and the Note shall be reduced to the extent of the unused funds.

11. This commitment, once accepted by the Borrower, shall remain in force for 13 months from this date. The Agency shall extend the term of its commitment on the occurrence of construction delays arising from causes not within the control of the Borrower, such as natural disasters, fire, strikes, or general unavailability of materials. Additionally, the Agency may extend its commitment for such reasonable period of time which in its discretion is necessary or prudent. Any extension shall be conditioned upon the payment of an additional commitment fee of _5_% of the commitment fee for each month's extension beyond the term originally agreed upon by the parties, provided that there shall be no increase in the loan amount above the amount specified in Paragraph 3 above.

This commitment is not assignable. Furthermore, Borrower agrees not to assign, transfer or sell any or all of its interest in the Development prior to or during the period of construction unless the Agency shall first approve in writing such assignment, transfer, or sale.

NOTE: All Agency requirements of the Borrower, including any required performance on documents set forth herein in any provision hereof, are express condition precedents to the Agency's performance of this commitment.

DRAFT

Notices shall be deemed delivered when mailed certified mail, return receipt requested to the Borrower at Three Cathedral Square, Burlington, Vermont 05401 and to the Agency at One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408 (or to such other place as a party may designate in writing).

VERMONT HOUSING FINANCE AGENCY

by: _____
Its Duly Authorized Agent

ACCEPTED BY BORROWER

Date: _____ by: _____
Its Duly Authorized Agent

GAJ089

VERMONT HOUSING FINANCE AGENCY

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

RE: 1988B BOND FINANCING WRAPUP

DATE: NOVEMBER 10, 1988

Enclosed in the red binder is the pricing analysis as produced by our underwriters, Drexel Burnham Lambert, on the 1988 Series B Home Mortgage Purchase Bonds sold on Friday November 4th via the telephone conference call.

This is a detailed synopsis of the financing which lays out the major terms and conditions as well as comparatives to other financings done at or about the same time as our bond sale.

As explained in our conference call, we were able to reduce the mortgage rate on the deal to 8.90% and 7.90% while still maintaining maximum earnings over the life of the financing to the Agency in the expected cases. The other main points of consideration are that the Agency will have to contribute $900,000 for the Loan Loss Claim Fund for this Series of bonds and will also have to fund a Letter of Credit which we were able to downsize to $800,000.

If you need any further clarification please feel free to contact me.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

To: VHFA Board of Commissioners

From: Glenn A. Jarrett, General Counsel GAJ

Date: November 9, 1988

Re: Contemplated Legislative Initiatives

VHFA staff is considering proposing several legislative changes in the 1989 Session and we wanted to acquaint you with the contemplated proposals in conceptual form.

There are a number of changes in the tax laws that we would like to see implemented to facilitate the construction and acquisition of affordable multi-family rental housing. We would like to see an exemption from the sales tax for non-profit corporations and qualified partnerships (such as Housing Vermont-type partnerships) that are building new projects or rehabilitating existing structures. For example, in the proposed Heineberg project, the developers foresee saving approximately $40,000 by having the ownership of the project remain in a 501(c)(3) qualified non-profit during the construction period. This solution is not always feasible, so we would like to see the exemption in 32 V.S.A. § 9743 broadened to apply to non-profit corporations without regard to 501(c)(3) status and to qualified partnerships so long as they were building or rehabilitating structures for affordable housing purposes.

We would like the Legislature to include an exemption from the Land Gains Tax when the land is being transferred to a non-profit or qualified partnership for the purpose of building or rehabilitating for affordable housing purposes. In addition, we would propose extending the exemption from the Property Transfer Tax for 501(c)(3) qualified organizations that the Legislature passed during the last session to non-profit corporations and qualified partnerships for transfers for affordable housing purposes. (See 32 V.S.A. § 9603 (20)).

Finally, we would propose an exemption from the Vermont portion of the Capital Gains Tax when an existing project is transferred to a non-profit or qualified partnership that will keep the project affordable. The amount of this saving would run to the seller, but could be used to negotiate the price downward by the amount of the saving. Many of the projects that might be sold have been depreciated in an accelerated manner, so that the basis is very low and the capital gain would be close to the amount of the selling price. If one assumes a 28% federal tax rate and a Vermont tax rate of approximately 7%, for every

million dollars of gain, the savings from this exemption would be $70,000.

The other area in which we are considering proposing legislation is mobile homes. The Legislature's Joint Committee on housing has devoted some time to the issue of mobile homes and strongly suggested that VHFA find a way to be more active in the area. There are two main areas of concern. First, the VHFA statute does not allow us to finance a mobile home on leased land unless the lease is twice as long as the term of the financing. Most leases in mobile home parks are for one year, so it is not generally feasible for us to finance a home in a mobile home park, even though a majority of homes are in parks. The second area we would like to address is that of preserving the affordability of mobile home park lots by financing the purchase of parks by non-profit organizations. In the last session, the Legislature passed a bill that requires owners of mobile home parks to notify the State when they are planning on selling the park, and to negotiate with tenant groups or tenant-approved non-profit organizations, and to consider offers from such groups for a period of time before selling the park. However, there is no funding provided in the recently passed legislation. We are continuing to research these questions and hope to have the language of proposed bills to present to you at next month's Board meeting.

REQUESTED ACTION:

Board Approval of these legislative initiatives in conceptual form, so we can continue working on details in conjunction with the Joint Committee on Housing and the Administration.

VERMONT HOUSING FINANCE AGENCY

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

RE: 1988B BOND FINANCING UPDATE

DATE: NOVEMBER 3, 1988

Enclosed in the package you are receiving are several documents related to the proposed sale of the 1988 Series B Single Family Home Mortgage Purchase Bonds. The preliminary official statement (P.O.S.) is the document that potential investors receive prior to ordering bonds; the Series resolution is the legal document authorizing this particular bond issue; the reimbursement agreement is our agreement with the Bank of Boston regarding the letter of credit pledged to this issue; finally, the remarketing agreement is the contract with the underwriters to remarket bonds if it becomes necessary.

Tomorrow's telephone conference call is for the purpose of approving the bond financing based on the prices obtained today by the underwriters. In approving the financing you are also accepting the attached documents. Normally this is done at a full Board meeting and the documents are available for review at the meeting.

The perception of the underwriters, led by Andy Gurley of Drexel Burnham, is that the market is in a great position at the moment for us to market the bonds and we should sell today, based on potential uncertainty next week related to the elections.

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Staff, in conjunction with the underwriters, have settled on a financing which would create $60 million of lendable funds which is expected to last up to a two year period; this would be done on a fixed rate basis. Allan proposed a scenario to the underwriters where we would restrict 10% of the issue proceeds ($6 million) to a population that is earning 80% or less of median income and give them a benefit of an interest rate 1% lower than the rate generated for the balance of the proceeds. Based on the perceived pricing and cash flow implications, that would mean that we could initiate mortgages at approximately 8% for the targeted group and 9% for the balance of the mortgagors. Alternatively, if we were to do a total one rate fixed issue it is expected that the rate available would be 8.9%.

There is some comfort in this type of financing because the rate seems to be excellent; built into the financing is the ability for us to go back to the Bondholders and reduce the interest rate on their bonds or alternatively call their bonds to be remarketed if they are not happy with the new proposed rate. This feature would only be implemented in the scenario where interest rates are falling significantly, which would then allow us to reset the mortgage rate on the balance of funds related to bonds remarketed. Since we are able to utilize this feature it was felt that the convertible option bond feature previously discussed was not necessary.

The financial implications of the issue are that the Agency will be contributing $900,000 to fund the Loan Loss Claim fund and we are expecting at this time to be able to pay the balance of the Cost of Issuance expenses from bond proceeds. The Letter of Credit required would be $1.35 million in the split rate scenario and $700,000 in the one rate scenario, the cost for the higher letter of credit of $5,250 per year for five years would be able to be earned

from the financing and would not require out of pocket payment. In both scenarios the expected case has a present value of earnings of about $950,000.

As a reminder the conference call is scheduled for 10:00 AM at which time the Underwriters will discuss the progress of the pricing of the Bonds and be looking for Board approval of the sale of the issue. If you have any questions either prior to or during the call, please do not hesitate to ask.

RESOLUTION RE: LETTER OF COMMITMENT FOR HEINEBERG DEVELOPMENT

WHEREAS, Heineberg Senior Housing Corporation ("HSHC") and Housing Vermont ("HV") have presented a proposal for construction of 82 units of rental housing in Burlington, Vermont (the "Heineberg Development"); and,

WHEREAS, the proposal contemplates that the Heineberg Development shall constitute a "qualified low-income housing project" within the meaning of §42(g) of the Internal Revenue Code of 1986; and,

WHEREAS, the owner of the Development (the "housing sponsor") is expected to be a limited partnership organized on a limited profit basis within the meaning of the Vermont Housing Finance Agency Act (the "Act") and which shall include Heineberg Senior Housing Corporation and Housing Vermont, or wholly owned subsidiaries thereof, as general partners and one or more private investors as limited partners; and,

WHEREAS, the total development cost of the Development is approximately $3.9 million; and,

WHEREAS, the Housing and Conservation Trust Fund has indicated its intention to commit funds of up to $625,000 to the Heineberg Development as a deferred loan; and,

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

DETERMINED:

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

2. The acquisition and construction costs incurred or 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 the persons and families.

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

moderate income, and the sponsors are financially responsible persons or institutions.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or the Director of Finance, and each of them, is authorized, in his discretion, to issue a combined letter of intent and commitment letter (herein called the "commitment letter") to provide a first Mortgage Loan for permanent financing for the Development.

2. The commitment letter shall be addressed to Heineberg Senior Housing Corporation and HV-Heineberg, an affiliate of Housing Vermont, as the representatives of the housing sponsor.

3. The commitment for permanent financing shall be in an amount not to exceed the least of (a) $2.05 million, (b) 95% of the total development cost as supported by an independent cost estimate to be commissioned by and for the exclusive benefit of the Agency, or (c) 95% of the fair market value of the Development as shown by an appraisal based on completion of the Development in accordance with the approved design.

4. The commitment of the Agency shall be subject to receipt, on or before the date of the construction closing, of a commitment fee to be determined by the Executive Director or the Director of Finance, as applicable, in an amount not exceeding one and one-half percent of the permanent financing commitment, and not less than $30,000.00.

5. The commitment letter shall provide, substantially, that the interest rate to be charged on the Mortgage Loan shall be as determined by the Agency, but shall not exceed 10 percent per annum.

6. As a prerequisite to the construction closing, the commitment letter shall require the Developer to demonstrate to the satisfaction of the Executive Director, that equity funds are available in an amount at least equal to the difference between the total development cost as accepted by the Agency and the amount of the permanent financing commitment.

7. The commitment letter shall contain such other terms and conditions as are required or customary in connection with the financing of multi-family developments and as the Executive Director, or the Director of Finance, as applicable, shall deem necessary or appropriate in the circumstances.

8. The Executive Director and the Director of Finance, and each of them, is authorized to make preliminary

THE
ROBERT WOOD
JOHNSON
FOUNDATION

RECEIVED
OCT 24 1988
VHFA

October 21, 1988

Allan S. Hunt
Executive Director
Vermont Housing Finance Agency
P.O. Box 408
Burlington, VT 05402-0408

Reference: Grant No. 14232

Dear Mr. Hunt:

It is a pleasure to inform you that the Board of Trustees of The Robert Wood Johnson Foundation has approved a grant of $64,786 to the Vermont Housing Finance Agency in one-year support of its participation in the Foundation's Supportive Services Program in Senior Housing.

The funds are to be used in accordance with the proposal to the Foundation and the terms and conditions outlined in the Request for Project Support, dated May 5, 1988. They are also to be used in accordance with the final budget and are to be applied over the period November 1, 1988 through October 31, 1989. Our Treasurer's Office will be in touch concerning payment of this grant and reporting requirements.

The Foundation will issue a news release on this grant award. Denise Graveline of our Communications Office will coordinate the announcement and you should address any inquiries to her. Any additional announcements you plan to make to the news media are subject to approval in advance by the Foundation's Communications Office.

All of us at The Robert Wood Johnson Foundation wish you success in carrying out this important undertaking.

Sincerely,

Leighton E. Cluff, M.D.

LEC:pll

cc: Samuel J. Falzone
Roger A. Schoenbeck
James J. Callahan, Jr., Ph.D.

VERMONT HOUSING FINANCE AGENCY

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

RE: RIVERSIDE BOND FINANCING UPDATE

DATE: NOVEMBER 14, 1988

Enclosed in the package you are receiving are documents related to the proposed sale of the 1988 Series A Muliti-Family Mortgage Bonds (Riverside Project). The preliminary official statement (P.O.S.) is the document that potential investors receive prior to ordering bonds and the Series resolution is the legal document authorizing this particular bond issue.

We have just received the P.O.S. from the underwriters (Bank of Boston) and the Series Resolution from Palmer & Dodge. Bank of Boston is planning on pricing the bonds today and is expecting an 8 and 3/8ths bond rate which is well below there guaranteed commitment of 8.75%.

We will have final details regarding the bond financing at the Board meeting. If you have any questions or comments regarding the enclosed documents, please feel free to contact me at your earliest convenience.

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VHFA 88B HOMEOWNERSHIP PROGRAM
Income Limits and Purchase Price Affordability

	Income Limits**	VHFA Rate	Maximum Affordable Purchase Price***
ADDISON	21,900	7.9%	58,400
	31,500	8.9%	79,000
BENNINGTON	22,600	7.9%	60,400
	32,500	8.9%	81,600
CALEDONIA	21,900	7.9%	58,400
	33,500	8.9%	84,200
CHITTENDEN	28,000	7.9%	75,500
(& MSA Communities*)	38,000	8.9%	95,800
ESSEX	21,900	7.9%	58,400
	31,500	8.9%	79,000
FRANKLIN	21,900	7.9%	58,400
	35,000	8.9%	88,000
GRAND ISLE	21,900	7.9%	58,400
	31,500	8.9%	79,000
LAMOILLE	21,900	7.9%	58,400
	35,000	8.9%	88,000
ORANGE	21,900	7.9%	58,400
	32,500	8.9%	81,600
ORLEANS	21,900	7.9%	58,400
	31,500	8.9%	79,000
RUTLAND	22,900	7.9%	61,200
	37,500	8.9%	94,500
WASHINGTON	22,300	7.9%	59,500
	36,500	8.9%	91,900
WINDHAM	22,100	7.9%	59,000
	37,500	8.9%	94,500
WINDSOR	23,800	7.9%	63,700
	34,000	8.9%	85,400

* MSA communities include Georgia and South Hero.

** The lower VHFA income limits for each county are based on the 80% of area median income figures established by HUD.

*** Maximum purchase prices calculated assuming: 5% down, 30 year term, annual average "effective" property tax rate of $1.70 per $100 of purchase price, $300 annual fire insurance, 28% housing debt to income.

(11/88 sm:afford.8B)

VERMONT HOUSING FINANCE AGENCY

December 2, 1988

Ms. Jean Gauthier
Pavilion Office Building
109 State Street
Montpelier, VT 05602

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its monthly Board Meeting on **Wednesday, December 14**, 1988, at 2:30 p.m., here at our office, One Burlington Square, Burlington, Vermont.

Should you have any questions or require any additional information, please do not hesitate to contact me.

Sincerely,

Barbara Parker

Barbara Parker
Executive Assistant

/bp

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VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: December 8, 1988

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt ASH

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. It will be held on Wednesday, December 14, 1988, at 2:30 p.m., here at our offices, One Burlington Square, Burlington, Vermont.

The annual holiday party, which this year is being combined with a closing dinner for the various bonds which have been issued, will follow at 6:00 p.m. at Marble Island, Malletts Bay, 150 Marble Island Road, Colchester, Vermont. There will be a buffet dinner at 6:30. The Vermont Jazz Ensemble will provide musical entertainment throughout the evening.

Photographs of Board members for inclusion in the upcoming Annual Report will be taken by Gary Clayton Hall immediately prior to the Board meeting. These will be more casual shots than in the past, using only available light in the Board room.

Attached is the agenda and board packet. If you need any further information regarding the upcoming Board meeting, please feel free to contact me. I look forward to seeing all of you December 14.

VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

One Burlington Square
Burlington, Vermont

Wednesday, December 14, 1988 at 2:30 p.m.

1. Review and approval of minutes of November 17, 1988

2. Executive Director's Report

   A. Northgate Purchase/Sales Agreement [**Hunt//Enclosure**]
   B. Possible Purchase of Montpelier/ Randolph Projects [**Hunt//Enclosure**]
   C. Fort Ethan Allen Update [**Hunt**]

3. Operations

   A. 1988A Update [**Lothrop//Enclosure**]
   B. Multi-Family Management Budget Amendments [**Lothrop//Encl.**]
   C. Discussion of Condominium Procedures [**Lothrop//Enclosure**]

4. Communications

   A. Summary of 1988 Activities and Plan for 1989 [**Hope//Enclosure**]

5. Finance

   A. Program Reserve Fund Analysis [**Schoenbeck//Encl.**]
   B. Financial Commitments/Fund Balances Calculation and Discussion [**Schoenbeck//Encl.**]

6. Legal

   A. Volume Cap Carry Forward [**Jarrett//Enclosure**]
   B. Legislation [**Jarrett//Enclosure**]

7. 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 Commissioner of Banking and Insurance
89 Main Street Square
Montpelier, Vermont
Thursday, November 17, 1988

Present: Commissioners Shaw, Hebard, ~~Babcock~~ not present; see 12/14/88 Minutes, Seelig, Hahn, Myette (via speakerphone).

VHFA Staff: Mr. Hunt, Mr. Schoenbeck, Mr. Jarrett, Mrs. Parker, Mr. Lothrop, Ms. Hope, Ms. Taylor-French, Ms. Crady, Mr. Koppelkam; Mr. Richardson, Ms. Mullikin of Housing Vermont; Mr. Kochman of F.L. Kochman, Inc.

Guests present included: Kathy Cade, Collette Chilton and Spencer Wright, Bank of Boston; Walter St. Onge, Palmer & Dodge; Sarah Carpenter, Cathedral Square/ Heineberg Senior Housing Corporation.

The meeting was called to order at 1:30 p.m.

Upon a motion duly made and seconded, the minutes of both the October 17 and November 4 meetings were unanimously accepted as written, with an explanation from Mr. Hahn that the observation attributed to him in Paragraph 3 of Page 3 of the October 17 minutes, regarding the "potential number of people..." in the "limited number of units" was really meant to express his concern regarding the "limited space on the site."

Mr. Hunt then offered a brief summary of the Heineberg Elderly Housing Project, which was followed by a more detailed description of the proposed project by Ms. Carpenter. According to Ms. Carpenter, the project was initiated by the Chittenden County Senior Citizens' Alliance, which also will be leasing the land at no cost to the project. Ms. Carpenter explained that the current plans call for 82 units to be built on the 4-acre parcel, and further advised the Board that neighbors of the site have been very supportive of the project. Mr. Richardson reviewed the history of attempts to obtain permanent financing for the project, including disappointing discussions with National Life Insruance Company. Mr. Koppelkam further stressed that a construction loan would be available from a bank. A discussion of the financial implications followed, during which Mr. Seelig requested that a summary breakdown of the different reserve funds available to the Agency be prepared for the Board. After a motion duly made and seconded, a resolution extending a

commitment for permanent financing passed unanimously, as proposed in Mr. Koppelkam's memo, "Heineberg Project, Burlington," dated November 9 and included in the Board packet. Ms. Carpenter announced that the groundbreaking was scheduled for December 6.

Mr. Hunt then introduced Ms. Taylor-French, who then addressed the "Robert Wood Johnson Grant," as detailed in Mr. Falzone's memo dated November 10 and included in the Board packet. Mr. Hahn commended the staff for their efforts on this grant, and emphasized that the maximum effort must be expended to work with existing agencies for support services for the elderly. Upon a motion duly made and seconded it was unanimously agreed to accept the Grant, with the stipulation that this project must include extensive outreach to Area Agencies on Aging and other service providers.

Following a review by Mr. Lothrop of his "Statistical Report" dated November 9 and included in the Board packet, Ms. Crady addressed the Board regarding the proposed 1988B bond issue; a chart indicating income limits and purchase price affordability was distributed. Mr. Schoenbeck offered details on the anticipated rates and commended Drexel Burnham on the pricing book for 1988B. Mr. Hahn expressed his appreciation for the new readable format of the pricing book, and Mr. Seelig commended Mr. Hunt and the staff on the structure of the deal.

Ms. Cade, of the Bank of Boston, then reviewed the background on the various negotiations and considerations regarding for the 1988A Multi-Family bond issue for the Riverside Development, and Mr. St. Onge distributed the Series Resolution for review. Mr. Hunt informed the Board of executive decisions which had been made during the Construction Closing, which was held November 4:

a. The Development Fund guaranty of Housing Vermont was reduced from 4% of Total Development Cost to 4% of Construction Cost, in order to be more consistent with past practice.

b. The Construction Closing was held without The Merchants Bank subscription agreement, relying instead on an agreement with the developer that if the subscription was not in hand by the second disbursement a default could be declared. Counsel for The Merchants Bank believes that delivery is imminent and will occur well before the 1988A bond closing.

c. The permanent earth movement insurance coverage requirement was deferred as a letter had been received

from Hickok and Boardman stating that no carrier would provide a quote prior to permanent occupancy; an attempt to acquire earth movement insurance will be made within 60 days of first occupancy.

On motion duly made and seconded, the above recited executive decisions were unanimously ratified.

A motion was duly made, seconded and passed unanimously, to adopt the 1988A Series Resolution as proposed, with Mr. Shaw abstaining.

Mr. Jarrett went over some proposed legislation making the financing of mobile homes and parks easier as well as seeking tax relief on at risk projects being sold to nonprofits and qualified partnerships, and assured the Board that draft legislation would be available for their review at the next Board meeting. Mr. Seelig suggested that any proposed legislation of this type, or a memorandum briefly describing the same be circulated to the Housing Roundtable and key people on the Affordable Housing Coalition. Both Mr. Hebard and Mr. Hahn expressed the need to move cautiously, as many concerns will arise as the details are established.

Mr. Jarrett then reviewed some activity on various Multi-Family projects, informing the Board that the owner of a project in Richford would be prepaying partially, but agreed to renew the Housing Assistance Payments (HAP) Contract at any time necessary and to give VHFA first option to purchase. According to Mr. Jarrett, the VEIC co-generation project closed November 4, and work on the actual installation should be starting soon. A portion of the cost of necessary window replacement at the Lane Shops elderly housing project will be covered by the prepayment from the Richford project, Mr. Jarrett informed the Board. In return, the developer has agreed to renew his HAP Contract to its full term and grant an option to purchase to VHFA.

The Executive Director's report was offered by Mr. Hunt, who informed the Board that the current purchase price gap on the Northgate apartments is approximately $2,000,000 and narrowing; ongoing negotiations with the owner are expected to be successful. After a discussion of the various "Gates" projects a motion was duly made and seconded to authorize the Executive Director to negotiate for the purchase of Northgate and spend up to $100,000 in the course of such negotiations, providing that a purchase and sales agreement is available for the Board to review by the next Board meeting; this motion passed unanimously.

Mr. Hunt then explained to the Board that the Burlington Ecumenical Action Ministry (BEAM) was organizing a community development credit union which is seeking deposits with a minimum three year commitment. Although the credit union is still

pending charter approval by the Department of Banking and Insurance, Mr. Hunt asked the Board to consider depositing either $50,000 at 3% or $100,000 at 5% for a minimum of three years. The use of credit union funds would be monitored, and would provide loans to the low income community, with Mr. Koppelkam having some involvement. Mr. Hunt assured the Board that while the credit union would not compete with land trusts, it might access the same depositors; major depositors of the credit union are anticipated to be churches and nonprofits, not socially motivated individual investors. Mr. Seelig cautioned the Board that should approval be given for such an investment, the Community Loan Fund may make a similar request of the Board at a later time. A motion was duly made, seconded, and unanimously agreed to authorize a future deposit to the credit union, providing that the credit union's charter is approved by the Department of Banking and Insurance, and includes insurance and competent management.

Mr. Hunt next reported that discussions were continuing with Shearson Lehman Hutton regarding the Vermont Secondary Market, with a target date of finalization set for April or June 1989.

The involvement of VHFA in the proposed renovation of Fort Ethan Allen was the next topic addressed by Mr. Hunt. Secretary Moulton of the Agency of Development and Community Affairs has requested that VHFA assume an active role in the development of this project. Included in the plan is the possibility of office space for VHFA. After a brief discussion, Mr. Shaw stated that as the Board was generally in favor of VHFA being involved in the Fort renovations, no resolution was necessary at this time.

The next Board meeting was scheduled for Wednesday, December 14, 1988 in Burlington. There being no further business, and following a motion duly made and seconded, the meeting was adjourned at 3:45.

Respectfully submitted,

Allan S. Hunt
Secretary

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: December 8, 1988

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

RE: NORTHGATE

The financing "gap" has grown since we last met. This is due to several factors:

1. The value of the tax credit was over-estimated.

2. The owners' new operating budget has increased nearly 30% from last year to this year. This has the effect of reducing net income needed to service debt.

3. There continue to be a number of "unknowns," including how much, if any, relocation will be needed. The current budget includes a line item of $250,000.

4. The tenants' representatives are asking for an operating line item expense of nearly $50,000 per year for tenant services. Northgate Nonprofit is asking for $30,000 to continue their oversight. These additional costs came as a bit of a surprise, since proformas have been circulating for six months. These are "extra" costs not currently being carried by the owners as an operating expense.

In addition, we have not received a written report from a group representing the Northern Vermont Homebuilders, who went through the development to review, critique and make recommendations on the least-cost approach to renovation.

As a result of these events, we have not pursued a purchase and sale agreement with the owners. Rather, we are going to hold a series of meetings with the various consultants to determine areas where costs can be cut. In addition, we are "encouraging" the Northgate Nonprofit group to negotiate and sign a development agreement with Housing Vermont, so that a clearer delineation of responsibilities can occur.

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VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: December 8, 1988

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, ASH Executive Director

RE: POSSIBLE PURCHASE OF SECTION 8 PROJECTS

The owner of two Section 8 developments, Joe Wishcamper, has expressed an interest in selling one or both of his developments to Housing Vermont. One project is a 20-unit family development in Montpelier; the other is a 48-unit elderly development in Randolph. The Montpelier development is one of six our analysis indicates is "moderately" at risk, since its loan is now prepayable.

We would like to facilitate the purchase of Montpelier or Randolph to utilize the 1988 Low Income Housing Tax Credit allocation. The 1988 credits appear to be far more plentiful than 1989 credits. It appears likely that in addition to the equity raised by tax credits ($150,000 for Montpelier; unknown for Randolph), some gap financing may be needed. It is possible that the owner might be willing to carry this as a second mortgage for a while. Ultimately, it may be necessary to seek funding from the Housing and Conservation Trust Fund for the gap.

As the owner approached us less than two weeks ago, I will provide a verbal update at the meeting.

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VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: December 8, 1988

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, ASH Executive Director

RE: FORT ETHAN ALLEN UPDATE

I had a meeting with the Town Managers of Colchester and Essex to discuss VHFA's role as "developer" of this property. While both towns continue to have reservations about the project, they both seem to welcome and support our involvement.

In addition to that meeting, Doug, Roger and I toured through Building 600 to see if relocating our offices would be possible. The building offers much potential, assuming a sizable amount of renovation work. I have asked the architects who did the State study to do a quick analysis to see if office space is a viable option.

A pressing need at this point is to hire someone who can coordinate our review of the work done to date, and make sure the project is "do-able," as getting involved represents some inherent risk. A little money spent now could save a lot in the future.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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The University of Vermont

ASSISTANT VICE PRESIDENT FOR
ADMINISTRATIVE AND FACILITIES SERVICES
109 SOUTH PROSPECT STREET
BURLINGTON, VERMONT 05405-0016
(802) 656-3208

RECEIVED
DEC 14 1988
VHFA

December 9, 1988

Alan Hunt
Executive Director
Vermont Housing Finance Agency
1 Burlington Square
P.O. Box 408
Burlington, VT 05402

Dear Alan:

On December 6, 1988 the Executive Committee of the University of Vermont and State Agricultural College Board of Trustees, acting on behalf of the full Board, met and passed the attached resolution. They also authorized me, on behalf of President Lattie F. Coor, to negotiate the terms of the approved sale.

Given the urgency of the deteriorating physical condition of the buildings, I would encourage negotiations to begin as soon as possible. Please call me at your earliest convenience so we may begin discussions. On behalf of the University, I look forward to a successful project creating affordable housing, preserving the open land and historic integrity of Fort Ethan Allen, and a project respecting the needs of the communities of Colchester and Essex.

Sincerely,

Rayburn V. Lavigne
Assistant Vice President

RVL/dv

cc: D. Bell, Town of Essex
J. C. Candon, Esq.
L. F. Coor
B. R. Forsyth
D. Timmons, Town of Colchester

huntvhfa.frt

The University of Vermont

ASSISTANT VICE PRESIDENT FOR
ADMINISTRATIVE AND FACILITIES SERVICES
109 SOUTH PROSPECT STREET
BURLINGTON, VERMONT 05405-0016
(802) 656-3208

RESOLUTION

WHEREAS, The University of Vermont and State Agricultural College no longer has educational use for the properties on Dalton Drive at Fort Ethan Allen in Colchester and Essex, Vermont, and

WHEREAS, the Town of Colchester has developed a Master Plan for the entire Fort Ethan Allen which recommends residential use of the Dalton Drive properties, and

WHEREAS, the State of Vermont Agency of Development and Community Affairs has developed a recommended plan for the rehabilitation of the Dalton Drive properties to create residential housing with a mix of affordable and market units, and

WHEREAS, the Vermont Housing Finance Agency has agreed to be the project director and owner of record, and

WHEREAS, the University of Vermont and State Agricultural College desires to assist the affordable housing market in the region and to assist the Towns of Colchester and Essex in working toward a responsible development of the entire Fort Ethan Allen, therefore

BE IT RESOLVED, that the University of Vermont and State Agricultural College accepts the offer of $1.5 million for the Dalton Drive properties, including the parade grounds, from the Vermont Housing Finance Agency, and

BE IT FURTHER RESOLVED, that the President or Senior Vice President is authorized to execute any and all instruments and agreements necessary to effect the sale under terms and conditions acceptable to the University.

Adopted by unanimous vote of the Executive Committee of the University of Vermont and State Agricultural College December 6, 1988.

Vermont Housing Finance Agency
1988 Series A - $14,438,000 MORTGAGE PURCHASE PROGRAM 88A
Status Report (with percent of pool proceeds approved)
Rate : 9.100%
Date : 12/07/88

Lender	Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased
Bank of Vermont	$628,075	5.7%	$769,975	5.3%	$427,425	$342,550
Caledonia National Bank of Danville, The	$304,950	2.1%	$250,950	1.7%	$0	$250,950
Chittenden Trust Company	$2,498,290	17.3%	$2,405,740	16.6%	$843,440	$1,562,300
Commonwealth Mortgage Company, Inc	$68,400	0.4%	$68,400	0.4%	$0	$68,400
Community National Bank	$460,223	3.1%	$412,723	2.8%	$169,700	$243,023
First Northern Mortgage Corporation	$187,725	1.3%	$118,650	0.8%	$0	$118,650
First Twin-state Bank	$169,567	1.1%	$130,717	0.9%	$45,000	$85,717
Franklin-Lamoille Bank	$643,450	4 4%	$593,450	4.1%	$299,150	$294,300
Howard Bank, National Assn, The	$872,142	6.0%	$872,142	6.0%	$612,250	$259,892
Lyndonville Savings Bank & Trust Company	$39,621	0.2%	$39,621	0.2%	$39,621	$0
Marble Bank	$460,912	3.1%	$412,937	2.8%	$112,608	$300,329
Merchants Bank, The	$451,485	3.1%	$451,485	3.1%	$279,185	$172,300
National Bank of Middlebury, The	$88,950	0.6%	$88,950	0.6%	$38,950	$50,000
New England IBM Employees Fed Crdt Union	$114,600	0.7%	$114,600	0.7%	$114,600	$0
Northfield Savings Bank	$532,545	3.6%	$489,795	3.3%	$429,945	$59,850
Passumpsic Savings Bank	$601,437	4.1%	$449,637	3.1%	$50,500	$399,137
Peoples Trust Company of St Albans	$85,025	0.5%	$85,025	0.5%	$0	$85,025
Proctor Bank	$171,800	1.1%	$115,800	0.8%	$85,400	$30,400
Randolph National Bank	$67,050	0.4%	$67,050	0.4%	$67,050	$0
Union Bank	$571,050	3.9%	$571,050	3.9%	$220,750	$350,300
Valley Bank	$94,400	0.6%	$49,400	0.3%	$49,400	$0
Vermont Federal Bank, FSB	$3,112,052	21.5%	$2,952,452	20.4%	$1,994,407	$958,045
Vermont Mortgage Group, Inc	$775,331	5.3%	$679,706	4.7%	$525,115	$154,591
Vermont National Bank	$1,102,933	7.6%	$854,333	5.9%	$183,875	$670,458
TOTALS 268 Loans	$14,302,013	99.0%	$13,044,788	90.3%	$6,588,371	$6,456,417

STATISTICAL REPORT PROGRAM ID: 88A
UNDERWRITING DATABASE
LTV 0% TO 100%
EFFECTIVE: 12/07/88

Total Number of Loans:	243
Total Loan Amount:	$13,043,930
Average Loan Amount:	$53,678

EXISTING:	$10,245,420	81.4%	198 Loans
NEW CONSTRUCTION:	$2,798,510	18.5%	45 Loans
NEW DETACHED HOUSING:	$1,522,995	54.4%	25 Loans
NEW CONDOMINIUM:	$1,275,515	45.5%	20 Loans

Total Insured or Guaranteed Loans:	234
Loans Guaranteed by VHMGB:	231

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$57,940	$62,642	$59,295
Avg. Loan Amount	$52,304	$57,076	$53,678
Avg. Borrower Income	$26,850	$28,449	$27,311
Avg. Housing Debt-Income Ratio	24.3%	25.5%	24.6%
Avg. Total Debt	$731.45	$795.97	$750.04
Avg. Total Debt-Income Ratio	32.6%	33.6%	32.9%
Total No. of Loans	173	70	243
First Time Homebuyers	83.2%	100.0%	88.0%
% Loans with 2 or more Wage Earners	53.7%	52.8%	53.4%
% of Total Loan Amount	69.4%	30.6%	100.0%

	Loans	% of Loans	$ Amount	*Households	% of Hshlds	% DIFF
Addison	5	2.1%	$223,863	5,115	5.7%	3.6-
Bennington	10	4.1%	$478,383	6,538	7.3%	3.2-
Caledonia	18	7.4%	$831,264	4,500	5.0%	2.4
Chittenden	42	17.3%	$2,625,929	17,415	19.4%	2.1-
Essex	1	0.4%	$49,400	1,455	1.6%	1.2-
Franklin	30	12.3%	$1,644,590	5,798	6.5%	5.8
Grand Isle	1	0.4%	$45,600	932	1.0%	0.6-
Lamoille	17	7.0%	$919,462	3,234	3.6%	3.4
Orange	10	4.1%	$526,904	4,221	4.7%	0.6-
Orleans	24	9.9%	$957,572	4,149	4.6%	5.3
Rutland	22	9.1%	$1,198,753	10,051	11.2%	2.1-
Washington	36	14.8%	$2,068,920	9,282	10.3%	4.5
Windham	15	6.2%	$851,736	6,944	7.7%	1.5-
Windsor	12	4.9%	$621,554	10,120	11.3%	6.4-
TOTAL	243	100.0%	$13,043,930	89,754	100.0%	

* Estimated number of households, $15,000 to $35,000 income.
ACI, 1988 County Sourcebook

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: December 8, 1988

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Operations

RE: MULTI-FAMILY MANAGEMENT BUDGET AMENDMENTS

At the Board meeting of November 17, we informed you of our successful Robert Wood Johnson Grant application and received your approval to accept and participate in this project. As we have represented in previous memoranda to the Board, VHFA's commitment in support of this effort is anticipated to be in the form of both hard and soft dollar contributions. Although much of the soft dollar cost is related to an increase in support staff contemplated by the Grant, a management officer and administrative assistant would have been needed by the end of this fiscal year because of existing Multi-Family programs and activities. The Robert Wood Johnson Grant award has simply accelerated this need.

We are now prepared to quantify the entire impact of the Grant on VHFA's budget over the remaining seven months.

VHFA HARD DOLLAR GRANT CONTRIBUTION $15,050

ADDITIONAL MANAGEMENT OFFICER - SALARY AND BENEFITS $17,436

John Burczy, formerly with Vermont State Housing Authority (VSHA), has been hired for this position and began work December 5. His experience in the field of housing and service delivery to the elderly will be invaluable.

ADMINISTRATIVE ASSISTANT - SALARY AND BENEFITS $ 9,150

A second administrative assistant in Operations was anticipated following the reogranization. The needs of the Multi-Family staff, especially in light of anticipated Grant activity, warrant that this position be approved effective January 1, 1989.

CAPITAL BUDGET $ 8,500

This amount includes computer terminals, office furniture and telephones for these two positions.

RECOMMENDATION: Approval of the above operating and capital budget amendments as presented.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Operations

SUBJECT: VHFA Condominium Procedures

DATE: December 8, 1988

The attached VHFA Condominium Procedures were developed by staff to address the different types of approvals we will be asked to review. The policy is sensitive to the need for affordable homeownership and does not encourage the conversion of present rental units.

For your comparison, I have also attached a copy of the previous condominium policy as approved by the Board.

The individuals that worked directly on producing this policy for your consideration were Pat Crady, Ann-Marie Plank, and myself from VHFA and Gayle Russell and Amanda Pearson from VHMGB. Comments on this policy were solicited from all members of the Core Staff.

Recommended Action

Approval of the attached policy

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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The Vermont Housing Finance Agency

Condominium Procedures

September 23, 1988

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Preface

The VHFA is dedicated to providing affordable housing to Vermont's low-and moderate-income families. Traditionally, condominiums have provided one of the most affordable types of homeownership for two main reasons: one, the land cost is shared by all condominium owners, and two, the maintenance on the buildings and common elements is shared by all owners.

A major consideration in providing housing is the balance between available affordable rental units and homeownership opportunities. Part of this process is to protect tenants in rental units from being displaced by the conversion of rental units to homeownership.

The VHFA condominium procedures presented here are designed to provide guidance for the approval of eligibility of individual condominium projects for financing, while at the same time encouraging an appropriate balance between homeownership opportunities and affordable rental units.

VHFA recognizes that housing is a dynamic marketplace. These procedures will be reviwed periodically to assure that they are consistent with the goals of VHFA and the Housing Policy of the State of Vermont.

Definitions

New Condominium Project

This type of project consists of the following:

1. The construction of a new discrete structure or structures;
2. A new addition to an existing residential structure which, when completed, will at least double the total number of dwelling units currently existing; and
3. The conversion of a non-residential structure or structures into residential units.

Existing Condominium Project

This type consists of projects which were built as condominiums and sold to individual purchasers as condominiums. VHFA approval of eligibility was not applied for or not granted at time of construction.

Conversion Condominium Project

This type consists of projects that were built as rental units or as condominium units and have been or are in the process of being converted to homeownership units. Date of conversion will be the date the first written notice of the conversion is given to the occupants of the units.

General Policies

1. Fees:

   The fee for application for approval of eligibility of a condominium project will be $275.00.

2. Documents needed in support of approval of eligibility request:

   All documents requested on VHFA Form #S-270 "Documentation Required for Multi-Unit Project Eligibility Approval" as it is amended from time to time.

3. Other:

   The minimum number of units in any one project is six.

   As a rule VHFA will consider financing up to 30% of the total number of the completed units of a project, as long as the project and phase in which they were built has been approved as eligible by VHFA. The percentage of units on which VHFA will allow financing may be adjusted at the sole discretion of VHFA, based on such considerations as financial stability of the project, age of the project, percent of units in the project which are owner occupied, the size of the project, and other pertinent considerations.

   If applicable, projects must obtain a land use permit pursuant to Chapter 151 of Title 10, Vermont Statutes Annotated, and any other State or local permits as required.

   VHFA reserves the right to withdraw its condominium eligibility approval at any time if, in its judgment, there are material deficiencies in the project, financial condition of the condominium/homeowners association, or the physical condition of the project. Among the reasons that withdrawal of approval might occur would include, without limitation, lawsuits, liens, and attachments. Withdrawal of approval will not cancel loan committments previously issued by VHFA.

   All approvals will be subject to site inspections.

4. Advertising:

   Approval of eligibility for financing by VHFA allows a developer to advertise that the units are "VHFA Eligible". Under no circumstances may a developer, its agent or any other seller or its agent advertise or represent that a unit or units are approved by VHFA. Any such advertising or representations may result in VHFA withdrawing its approval of eligiblity for financing.

New Condominium Project

This type of project consists of the following:

1. The construction of a new discrete structure or structures;
2. A new addition to an existing residential structure which, when completed, will at least double the total number of dwelling units presently existing; and
3. The conversion of a non-residential structure or structures into residential units.

Requirements:

1. The attached VHFA Energy Conservation Standards must be met.
2. All requirements listed under General Policies must be met.
3. If FreddieMac/FannieMae approved the following will apply or are required:
    A. Fee will be reduced to $100.00.
    B. In addition to required documentation an unconditional letter of approval by FreddieMac or FannieMae must be provided.

Existing Condominium Projects

This type consists of projects which were built as condominiums and sold to individual purchasers as condominiums and VHFA approval of eligibility was not applied for or not granted at time of construction.

Requirements

1. Reason for previous denial, if any, has been corrected.
2. All requirements listed under General Policies must be met.
3. List of owners and addresses along with an indication of which units are owner occupied.
4. Certification from the Association that to the best of their knowledge there are no circumstances which would subordinate a recorded first mortgage on any unit or that they anticipate any such action.
5. Certification from the Association that there are no substantive problems with the developers' warranties, that there is no anticipated phasing of additional units, and that all common elements and units are complete.
6. A report of delinquent Association dues.
7. Certification from the Association that the entire project was new when developed and was not any type of rental unit conversion project.
8. If FreddieMac/FannieMae approved the following will apply or are required:
    A. Fee will be reduced to $100.00.
    B. In addition to required documentation an unconditional letter of approval by FreddieMac or FannieMae must be provided.

Conversion Condominiums

This type consists of projects that were built as rental units or as condominium units and have been or are in the process of being converted to homeownership units. Date of conversion will be the date the first written notice of the conversion is given to the occupants of the units.

Requirements

A. Projects that have been converted.

1. Projects in this category must have been under control of the Homeowners Association for a period of two years.
2. The conversion process was in compliance with Chapter 15 of Title 27, Vermont Statutes Annotated, if the declaration was filed on or after July 1, 1986.
3. All requirements listed under General Policies must be met.
4. List of owners and addresses along with an indication of which units are owner occupied.
5. Certification from the Association that to the best of their knowledge there are no circumstances which would subordinate a recorded first mortgage on any unit or that they anticipate any such action.
6. Certification from the Association that there are no substantive problems with the developers' warranties, that there is no anticipated phasing of additional units, and that all common elements and units are complete.
7. A report of delinquent Association dues.
8. If FreddieMac/FannieMae approved the following will apply or are required:
    A. Fee will be reduced to $100.00.
    B. In addition to required documentation an unconditional letter of approval by FreddieMac or FannieMae must be provided.

B. Projects in the process of conversion or recently converted.

1. VHFA will consider financing only for tenants who: were given written notice of conversion; wish to purchase their units; are eligible for VHFA financing; and through the financing will avoid displacement.
2. Conversion process was in compliance with Chapter 15 of Title 27, Vermont Statutes Annotated.
3. All requirements listed under General Policies must be met.
4. If FreddieMac/FannieMae approval is being sought and is obtained the following will apply or are required:
    A. Fee will be reduced to $100.00.
    B. In addition to required documentation an unconditional letter of approval by FreddieMac or FannieMae must be provided.

RESOLUTION

RESOLVED, physical rehabilitation of existing residential property pursuant to a Declaration of Condominium, when combined with new construction under the same Declaration, shall constitute a "new condominium project" within the meaning of Section 2.1(F) of the Agency's Mortgage Purchase Program Procedural Guide, subject to the following definitions and conditions:

1. "New construction", for the purposes of this Resolution only, means the construction of at least a) a discrete structure or b) a new addition to an existing structure which, when completed, will increase the total floor area of the existing residential housing by not less than 50%.

2. The total number of apartments included within the Declaration of Condominium shall equal at least twice the number of dwelling units, whether habitable or not, which comprise the existing residential property at the time of application to the Agency for project approval.

3. The Declaration of Condominium must have been filed for record at least six months prior to date of application to the Agency for project approval.

4. The project must be the subject of a Land Use Permit pursuant to Chapter 151 of Title 10, Vermont Statutes Annotated.

FURTHER RESOLVED, physical rehabilitation of existing non-residential property pursuant to a Declaration of Condominium, whether or not combined with new construction, shall constitute a "new condominium project" within the meaning of Section 2.1(F) of the Procedural Guide; provided, however, that the project must be the subject of a Land Use Permit pursuant to Chapter 151 of Title 10, Vermont Statutes Annotated.

FURTHER RESOLVED, the Executive Director and the Program Director are instructed to amend the Procedural Guide consistently herewith.

Resolution passed October 26, 1983

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Hollis Hope, Director of Communications

DATE: December 8, 1988

RE: Marketing Efforts - VHFA Homeownership Programs

Loan Activity - Mortgages for Vermonters (MOVE)

One year ago, the Commissioners were updated on activities initiated to promote VHFA homeownership opportunities to low- and moderate-income Vermonters. At that time, the 1987A MOVE program was six months underway and $10.7 million, representing 210 loans, had been purchased and committed of the original total of $25 million made available. The slow delivery of mortgages under this program was of great concern to the staff, and the Board and a decision was made at the December Board meeting to extend the 1987A MOVE program's origination schedule.

In an effort to increase program utilization, a comprehensive marketing plan was developed in early 1988 to heighten awareness statewide as to the availability of low-interest VHFA funds. The plan incorporated extensive outreach activities reinforced by an aggressive advertising and promotion campaign. Paid print and television advertising was planned from February through June and August through October, 1988. Each schedule was cut short by one month due to steadily increasing loan reservation and commitment activity.

Since last December, an additional $29.9 million, for a total of more than $40 million since July of 1987, has been committed and purchased, representing 775 MOVE loans. We believe that many factors have led to this increased pace of mortgage activity. While the spread between the VHFA and conventional fixed interest rates has remained relatively low and stable during this eleven month period, averaging 79 basis points, a perceived fear of rising interest rates has been cited by the National Association of REALTORS as a significant motivating influence in home purchasing patterns nationwide. This perception, combined with Vermont's robust economy, may have fueled real estate sales in Vermont.

VHFA mortgage funds have been available under the MOVE program without interruption for the past 16 months, a factor which has played an important role in the successful delivery of funds. Continuous availability of funds is also critical to the effectiveness of our promotion efforts, because of the opportunity the programs provide to maintain a steady presence in the marketplace. While it is difficult to quantify the impact of marketing efforts, we believe that expanded outreach and promotion activities have factored significantly in the improved VHFA mortgage activity over the past year.

As cited in the October 11 memo to the Board from the Program Group, VHFA's "market share" (the ratio of VHFA loans to all transfers of primary residences, $80,000 or less) rose from 7.2% in 1987 to 18.8% in the first six months of 1988. We believe this increase reflects both the continuous availability of funds from January through June of 1988, as compared to a five month gap in 1987, and constant outreach and marketing efforts.

Outreach

Consumer Information Hotline. During the last year, we have received and responded to more than 6,000 telephone inquiries. Currently we have an active list of 2,200 Vermonters who are looking for a home and who we think are potentially eligible for VHFA assistance. Callers are screened for income-eligibility and only those we believe would qualify are placed on the mailing list, which is updated annually in August.

The toll-free hotline continues to be a vital link between the home buying public statewide and VHFA. The system we have developed has worked effectively, allowing us to provide basic information and to maintain a targeted audience to whom to promote VHFA homeownership programs on an ongoing basis through direct mailings. A second incoming watts line was added early this fall, and a part-time staff position has been created to provide back-up support to the Hotline Coordinator.

VHFA Home Buyer Days. The primary objective of the field activities undertaken by the Communications department during the past year has been to empower low and moderate-income Vermonters by providing information and written materials about mortgage affordability and the home buying process.

A total of 391 prospective home buyers attended seven home buyer workshops conducted this year. The first four home buyer workshops were held on a pilot basis during April and May, 1988 in Franklin, Washington, Orleans and Rutland counties. As a result of the success of these workshops, the pilot program was extended and three additional home buyer days were conducted during September and October in Windham, Caledonia and Bennington counties.

We are currently compiling a profile of participants based on information collected at the workshops; results will be presented at a future date. Additionally, we are surveying the 227 spring workshop participants to determine whether they have since purchased a home, what type of financing was obtained, and whether they found the workshops to be helpful.

Feedback received from the participants and preliminary analysis of the data suggest that many first-time home buyers need additional education about underwriting requirements and the mortgage lending process, topics which were addressed at the home buyer workshops.

Realtor Relations. To ensure that Realtors have up-to-date information on VHFA homeownership programs and activities, we periodically mail program updates to principal brokers and the local realtor board officers throughout Vermont. We have also established a distribution system utilizing the local MLS offices which enables us to provide supplies of program brochures and Eligibility Fact Sheets to the more than 600 real estate offices throughout the state.

We have participated in several realtor-sponsored home buyer seminars by addressing first-time home buyers and answering questions about home buying and the VHFA. In September, we attended the annual realtor convention to distribute literature and discuss VHFA homeownership programs. In addition, field staff visit real estate offices promoting the VHFA and providing program support and information.

1989 Outreach

The next few months should be very exciting as we launch a variety of promotion efforts to support the 8.9% MOVE funds and the 7.9% funds targeted for rehabilitation and new construction for lower income home buyers. In addition to educating potential VHFA borrowers, we will work extensively with lenders, realtors and builders to increase their understanding of our programs to further improve our service delivery.

An important goal of promotion and field activities in 1989 will be to reach the lowest possible income group that can be served by VHFA programs. Five counties--Addison, Bennington, Essex, Windham and Windsor--were identified by the program Group as underserved (as indicated in the Program Group memorandum of October 11, 1988). We will do all we can to heighten awareness in these geographic areas in an attempt to increase VHFA program utilization. In certain areas there appears to be a link between underutilization of VHFA funds and an apparent shortage of properties. We will aggressively promote the use of funds for new construction in these areas.

A marketing plan will be developed within the next month, based on similar strategies implemented last year. Informational literature will be updated and published with a new, more user-friendly look. A home buyer handbook which will incorporate the materials distributed at the workshops has been budgeted for and will be produced as soon as possible.

Communications department staff will expand its efforts to provide direct outreach and follow-up to nonprofits concerned with affordable housing and to the social and human services network to reach our targeted borrowers. We intend to have a presence in labor market areas across the state, through participating in externally sponsored housing and home buying workshops and by sponsoring VHFA Home Buyer Days on a regular basis. The addition of a second field representative will greatly enhance our effectiveness in reaching out beyond Chittenden County.

Paid and public service advertising will continue as a means to generate telephone inquiries and to generally promote the availability of MOVE funds throughout the state. Targeted direct mailings will also continue.

The Marketing Group works with the Program Group on an ongoing basis to assess the effectiveness of marketing strategies as well as to continue to monitor the supply and demand problem as it affects various areas of the state.

HH:dl
BD12-8.WR1

VERMONT HOUSING FINANCE AGENCY

DATE: DECEMBER 7, 1988

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

RE: RESERVE FUND REQUIREMENTS

Pursuant to discussions at the last Board meeting, attached please find a schedule of funds invested in the various required reserves of the Agency. There appears to be some confusion over the semantics of "reserve funds."

As commonly used within the Agency, the reference is to the funds required by the various bond indentures that support the bonds issued and give comfort to the bondholders that funds are available to pay off their bonds in case of problems in collecting mortgage payments or other cash crises. These funds are bonded for when the bonds are sold and generally are invested to earn at least what the bonds cost. These requirements usually last as long as bonds are outstanding and even though we may have excess funds invested over the legal requirements, either bond restrictions, covenants made to bondholders or rating agencies, and sometimes financial good sense precludes us from selling off "reserve funds."

In a discussion at the last Board meeting, a potential financing technique for the Heineberg Project was presented which had as a basic concept the selling off of some of the "reserve funds" currently held, replacing them with a FNMA security issued for the project. The confusion may have arisen because a commonly used phrase for Fund Balances of the Agency is "reserves." "Fund Balances" is an accounting term used to identify the funds available if all assets are collected at full value and all obligations are paid off.

Please see companion memo on fund availability.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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RESERVE REQUIREMENT ANALYSIS
VERMONT HOUSING FINANCE AGENCY

AS OF OCTOBER 31, 1988

	SINGLE FAMILY				MULTI-FAMILY		
	Loans to Lenders Program	Insured Mortgage Program	Mortgage Purchase Program	Home Mortgage Purchase	Mortgage Program	Housing Program	TOTALS
SHORT TERM INVESTMENTS							
Liquid Govt Invested Funds	43,778	356	159,997	3,940,069	61,346	115,393	4,320,939
Cert of Deposit - VT Banks	-	-	5,000,000	-	-	-	5,000,000
Government Agencies	1,200,609	866,814	-	-	-	-	2,067,423
LONG TERM INVESTMENTS							
Cert of Deposit - VT Banks	-	-	3,000,000	-	-	-	3,000,000
Government Agencies:							
Maturing by 1993 (1-5 yrs)	-	952,462	2,827,855	-	955,849	781,024	5,517,190
Maturing by 1998 (6-10 yrs)	-	-	-	-	1,822,757	-	1,822,757
Maturing after 1998	-	-	-	6,031,493	452,863	-	6,484,356
U.S. Treasuries:							
Maturing by 1993 (1-5 yrs)	-	-	-	3,222,614	-	-	3,222,614
Maturing after 1998	-	-	6,544,364	13,272,068	1,057,786	3,103,284	23,977,502
TOTAL VALUATION	1,244,387	1,819,632	17,532,216	26,466,244	4,350,601	3,999,701	55,412,781
BOND REQUIREMENT	1,230,000	1,472,105	11,695,717	23,453,520	3,898,265	3,541,562	45,291,169
LOAN REQUIREMENT	0	85,819	622,727	2,095,327	367,565	378,763	3,550,201
TOTAL RESERVE REQUIREMENT	1,230,000	1,557,924	12,318,444	25,548,847	4,265,830	3,920,325	48,841,370
VALUATION IN EXCESS OF REQUIREMENT	14,387	261,708	5,213,772	917,397	84,771	79,376	6,571,411

VERMONT HOUSING FINANCE AGENCY

DATE: DECEMBER 7, 1988

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

RE: FUNDS AVAILABILITY

I am becoming concerned about VHFA's "fund availability," especially due to recent financial obligations. Fund availability needs to be discussed on twin paths, one of cash availability and the other of fund balance availability. Generally these paths are in tandem but occasionally they deviate. Although cash is fairly easy to define, fund balance needs additional enlightenment. Fund balance is best described as surplus or accumulated profits, were we to try to emulate a profit making entity. Accounting requirements sometimes create "illusionary" fund balances. Deferred charges already spent and depreciation and related capital purchases are examples of deviations from matching cash and fund balances. As of July 1, 1988 the Agency had a General Fund Balance of $5.1 million and cash balance of $5.5 million. Of the cash balance, $2.25 million was being held for escrowed cash deposits for multi-family projects, reducing the "real" cash available to $3.25 million. In addition, included in the Fund balance side of the equation was unused Housing Vermont subsidy of approximately $1 million, reducing the Fund to $4.1 million. Below is an analysis of where we stand today, using the latest financial information and estimates where required.

GENERAL FUND BALANCE ANALYSIS

Balance July 1, 1988 (adjusted per above)	$4,100,000
Excess expenses over income -four months	(400,000)
Additional Housing Vermont expenses	(389,000)
Contributions to Single Family Programs (1988A, 1988B)	(1,125,000)
Bond fund transfers to General Fund	951,000
Balance, December 1, 1988	$3,137,000

CASH BALANCES

Balance July 1, 1988 (adjusted per above)	$3,250,000
Fund balance adjustments per above discussion, including addition of Housing Vermont $1 million expenses	(1,363,000)
Cash loan from State Treasurer	4,000,000
Balance, December 1, 1988	$5,287,000

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From this analysis we might assume that the cash balance is not too bad, until we consider that the $4 million from the State Treasurer must be returned and that we have unpaid loan commitments of $492,158 other than the short term Housing Vermont commitment. If all these transactions take place, our available cash could drop to an amount of about $800,000 which is less than the $1 million we have pledged to keep available in some of our legal bond agreements related to letters of credit obtained. Since we are in a constantly changing environment of fund collection and expenditure, it is possible to keep us at the $1 million funding requirement but only if we are very selective with future commitments or tie them to future collections.

VERMONT HOUSING FINANCE AGENCY

DATE: DECEMBER 5, 1988

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

RE: GENERAL FUND LOAN COMMITMENTS

At the end of the last calendar year I presented the Board with a list of General Fund commitments. In light of activity in 1988 and my companion memo regarding cash resource availability, the following is a list of currently outstanding loans and commitments to loan from the General Fund of the Agency.

Organization	Commitment	Loan to Date	Balance
Central Vermont Public Service	$150,000	$30,977	$119,023
Vermont Energy Investment Corp.	$350,000	$350,000	-0-
VT State Housing Authority-ENABLE	$50,000	$16,560	$33,440
VT Housing Ventures Loan Fund	$250,000	$22,430	$227,570
Afford Housing Demonstn-Milton	$5,000	$3,168	$1,832
Afford Housing Proj-W. Brattleboro	$10,000	$8,383	$1,6
Homeless Shelter Program	$141,000	$139,000	$2,0
Burl Housing Co-generation	$116,000	$9,324	$106,6
Montpelier Lane Shops-Energy	$37,000	$37,000	-0-
Housing Vermont-Bridge Loan	$2,000,000	-0-	$2,000,000
Totals	$3,109,000	$616,842	$2,492,158

The outstanding balance of commitments per the above schedule totals $492,158 without including Housing Vermont funds. These amounts are subtracted from the cash availability schedule and indicate that unless substantial prepayments are collected on VHFA General Fund loans, we will need to carefully monitor future commitments.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

To: VHFA Board of Commissioners

From: Glenn A. Jarrett, General Counsel

Re: Private Activity Bond Volume Cap Carryforward Election for Calendar Year 1988

Date: December 7, 1988

On January 27, 1988, the Emergency Board allocated $80 million of Vermont's $150 million volume cap for private activity bonds for 1988 to VHFA. Another $30 million was left in a contingency that Governor Kunin can allocate in the last ten days of the year. We expect the Governor to allocate approximately $27 million of the contingency to VHFA.

Because of carryforward from previous years, none of the single family bonds issued in 1988 has come from this year's allocation of volume cap. We have $7.9 million in single family authority left from 1987 along with $27.095 million in multi-family authority.

You did vote to forego $20 million of 1988 authority in order to issue Mortgage Credit Certificates. Therefore, at present, VHFA has $60 million in 1988 authority, with a strong possibility that we will be allocated $27 million more before the end of the year.

It is the recommendation of staff that the Board vote to carryforward the entire amount of 1988 authority available to VHFA, including any amounts to be allocated before the end of the year. Staff recommends that the $60 million be allocated $30 million to single-family and $30 million to multi-family, with any additional allocation the Agency receives before the end of the year being added to the single-family allocation.

REQUESTED BOARD ACTION:

Approval of the staff recommendation presented above together with authority for the Executive Director to file required forms with the Internal Revenue Service to effectuate this carryforward.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

To: VHFA Board of Commissioners

From: Glenn A. Jarrett, General Counsel

Re: Draft legislation

Date: December 8, 1988

Enclosed is a draft copy of legislation that I would like to discuss at the Board meeting on December 14. The following is a section by section discussion of the proposed changes.

SECTION 1

The first part of Section 1, subsection (10) is designed to increase the ability of the Agency to finance mobile homes by deleting the requirement that mobile homes be permanently sited and by allowing an exception to the general statutory requirement that the Agency only make loans involving a leasehold when the ground lease is at least twice the term of the loan.

The change in subsection (14) is to amend the definition of residential housing to include mobile home parks, so that the Agency would have the ability to finance parks.

The addition of subsection (19) would provide a definition of "qualified housing project" to be used as a reference in the changes to the tax statutes that are in subsequent sections.

SECTION 2

The first change in section 2 would allow the Agency to provide funds, along with technical support, to organizations working to provide affordable housing.

The second change in section 2, the addition of subsection (20), would allow the Agency to make loans based on the equity in an existing development. This could prove important in acquiring existing, at-risk developments.

SECTION 3

This section would provide an exemption from the Vermont portion of the capital gains tax for an individual upon the sale of a qualified housing project.

SECTION 4

This section provides a similar exemption for a corporation.

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SECTION 5

This section would create an exemption from the property transfer tax for qualified housing projects or land upon which such a project will be built.

SECTION 6

Section 6 provides an exemption from the sales and use tax for materials used in the construction of a qualified housing project. The use of a sales tax exemption by Heineberg Senior Housing Corporation will result in an estimated savings of $40,000 in building the Heineberg elderly project.

SECTION 7

Section 7 provides an exemption from the Land Gains Tax for the transfer of a qualified housing project or land upon which one will be built.

Introduced by

Subject: Affordable housing; taxation

Statement of purpose: This bill would increase the availability of affordable housing by amending the Vermont Housing Finance Agency Act and various sections of Title 32, Vermont Statutes Annotated.

AN ACT RELATING TO AVAILABILITY OF AFFORDABLE HOUSING

Sec. 1. 10 V.S.A. § 601 is amended as follows:

(10) "Mortgage loan" means and includes:

(A) an interest-bearing obligation secured by either a mortgage or note or bond constituting a lien on land and improvements in the state;

(B) an interest-bearing obligation secured by a pledge of stock or membership *[certificate]* <u>share</u> and the conditional assignment of the proprietary lease by a member of a *[housing]* cooperative <u>housing</u> corporation which is located in the state and organized under the laws of Vermont;

(C) an interest-bearing obligation secured by the owner-occupant's interest in a mobile home provided that:

(i) the mobile home is to be *[permanently]* sited in a

manner intended for continuous residential occupancy by the owner on land owned by the owner of the mobile home and shall be secured by a mortgage *[which]* that shall constitute a first lien on the mobile home and the real property to which it is affixed *[thereto]*; or

(ii) the mobile home is to be *[permanently]* sited in a manner intended for continuous residential occupancy on land leased by the owner of the mobile home and shall be secured by a note or otherwise and collateral assignment of a lease of real property *[which]* that shall constitute a first lien upon the mobile home and lease. Notwithstanding any other provision of this chapter, the lease of the land upon which the mobile home is sited shall be for a term of at least one year, shall be renewable for periods of at least one year, and shall comply with the requirements of 10 V.S.A. § 6236. This definition shall not preclude the requirement of security in addition to that specified in this subsection for any mortgage loan.

(14) "Residential housing" means residential housing units designed primarily to provide principal dwelling accomodations whether on a permanent or temporary basis for persons or families, which may include the land and improvements thereon and such non-housing facilities or services considered necessary or convenient by the agency in connection with the residential housing. "Residential housing" includes, but is not limited to, single or multi-family dwellings, *[housing]* cooperative housing

corporations and cooperative interests, congregate homes, residential care homes as defined in 18 V.S.A. § 2002, nursing homes, transitional housing, emergency shelters for the homeless or displaced, mobile homes, mobile home parks, as defined in 10 V.S.A. § 6201, single room occupancy dwellings, and group homes for the mentally ill or developmentally disabled;

(19) "Qualified housing project" means residential real estate in Vermont that is intended to primarily benefit lower income Vermonters for a sufficient period of time, as determined by the board of commissioners. Lower income means less than or equal to the median income based on statistics from state or federal sources.

Sec. 2. 10 V.S.A. § 621 is amended as follows:

(5) Provide advice and technical information, including grants, loans or advances, or assistance in obtaining federal and state aid, as will assist the planning, construction, rehabilitation, and operation of residential housing, including but not limited to assistance in community development and organization, advisory services, the formation of *[mutual]* cooperative housing *[associations]* corporations and to encourage community organizations to assist in developing same;

* * *

(20) Subject to any agreement with bondholders or noteholders, make loans to housing sponsors secured by a mortgage

in an amount that does not exceed the value of the property as determined by the agency less the amount of any prior liens, when the Agency finds that such a loan will maintain or increase the supply or residential housing in the state for persons and families of low and moderate income.

Sec. 3. 32 V.S.A. § 5823 is amended as follows:

(a) For any taxable year, the Vermont income of a resident individual, estate or trust is the adjusted gross income of the taxpayers for that taxable year less:

(1) Income exempted from state taxation under the laws of the United States; and

(2) Military pay for full-time active duty with the armed services;

(3) In the case of an individual (or either one o*[r]*f two persons filing a joint income tax return under this chapter) who has attained the age of 65 before the last day of the taxable year, the first $1,000.00 of the amount by which the net long-term capital gain exceeds the net short-term capital loss of the taxpayer to the extent that such amount is included in the adjusted gross income of the taxpayer for that taxable year; and

(4) In the case of an individual (or either one of two persons filing a joint income tax return under this chapter) who has attained the age of 65 before the last day of the taxable year, any capital gain from the sale of real property which is a homestead or real property adjacent thereto held in excess of ten years to the extent that such amount is included in the adjusted

gross income of the taxpayer for that taxable year*[.]* ; and

(5) That portion of wages which is required to be included as adjusted gross income as provided in section 280C*[(c)]* of the United States Income Tax Code which relates to federal tax credit incentive work programs*[.]* ; and

(6) Any capital gain from the sale or exchange of real property, which in the hands of the buyer shall constitute a qualified housing project, as defined in 10 V.S.A. § 601(19).

(b) For any taxable year, the Vermont income of a nonresident individual, estate or trust is the sum of the following items of income to the extent they are required to be included in the adjusted gross income of the taxpayer for the taxable year:

(1) Rents and royalties derived from the ownership of property located within this state;

(2) Gains from the sale or exchange of property located within this state, except capital gains from the sale or exchange of real property, which in the hands of the buyer shall constitute a qualified housing project, as defined in 10 V.S.A. § 601(19);

* * *

Sec. 4. 32 V.S.A. § 5834 is amended as follows:

(a) For the purpose of ascertaining gain or loss from the sale or other disposition of property, real, personal or mixed, acquired before January 1, 1931, the taxpayer may, in lieu of the adjusted basis prescribed by the applicable United States Internal Revenue Code, use the fair market value of such property

as of the above date, adjusted for the period subsequent thereto. In all other respects the gain or loss of the sale or other disposition of property shall be ascertained as prescribed by such Code.

(b) Notwithstanding any other provision of this subchapter, the capital gain on the sale or exchange of real property, which in the hands of the buyer shall constitute a qualified housing project, as defined in 10 V.S.A. § 601(19), shall be exempt from tax under section 5832 of this title.

Sec. 5. 32 V.S.A. § 9603 is amended as follows:

The following transfers are exempt from the tax imposed by this chapter:

* * *

(20) Transfers *[made to organizations qualifying under section 501(c)(3) of the Internal Revenue Code of 1986 or to a wholly-owned subsidiary corporation of such an organization provided one of the stated purposes of the transferee is to acquire property in order to preserve housing for low-income families and provided that the property transferred will be held by the transferee for this purpose.]* of real property, which in the hands of the buyer shall constitute a qualified housing project, as defined in 10 V.S.A. § 601(19), or upon which a qualified housing project shall be built.

* * *

Sec. 6. 32 V.S.A. § 9743 is amended as follows:

Any sale, service or amusement charged by or to any of the following or any use by any of the following are not subject to the sales and use taxes imposed under this chapter:

* * *

(4) Sales of building materials and supplies to be used in the construction, reconstruction, alteration, remodeling or repair of: (A) any building structure, or other public works owned by or held in trust for the benefit of any governmental body or agency mentioned in paragraphs (1) and (2) of this section and used exclusively for public purposes; (B) any building or structure owned by or held in trust for the benefit of any organization described in paragraph (3) and used exclusively for the purposes upon which its exempt status is based; *[and]* (C) any building or structure owned by a "development corporation" as defined in section 202(4) of Title 10 and any "local development corporation" as defined in section *[222(4)]* 212(10) of Title 10, and used exclusively for the purposes authorized in chapter *[11A]* 12 of Title 10; and (D) any qualified housing project, as defined in 10 V.S.A. § 601(19); provided, however, that the governmental body or agency, the organization, *[or]* the development corporation, or the owner has first obtained a certificate from the commissioner stating that it is entitled to the exemption and the vendor keeps a record of the sales price of each separate sale, and the number

of the certificate. In the case of qualified housing projects under (D), the certification of the Vermont Housing Finance Agency shall be conclusive evidence for the issuance of the certificate by the commissioner. In this paragraph the words "building materials and supplies" shall include all materials and supplies consumed, employed or expended in the construction, reconstruction, alteration, remodeling, or repair of any building, structure, or other public work as well as the materials and supplies physically incorporated therein.

Sec. 7. 32 V.S.A. § 10002 is amended by adding subsection (l) as follows:

* * *

(l) Also excluded from the definition of land is any land, which in the hands of the buyer shall constitute a qualified housing project, as defined in 10 V.S.A. § 601(19), or any land to be used for a qualified housing project. The person acquiring land to be used for a qualified housing project must certify to the commissioner of taxes that building will begin within one year of the date of purchase and the qualified housing project will be completed within three years from the date of purchase. The deed for the property shall recite the fact that there is running with the land a lien equal to the anount of land gains tax exempted by this subsection until such time as all conditions of this subsection have been met.

Sec. 8. This act shall take effect from passage.

vhfa

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: December 2, 1988

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, ASH Executive Director

RE: ENCLOSURES

Please find enclosed a memo from Doug Lothrop regarding the number of families below 80% of median income (low-income set-aside) assisted by our last big program. As you can see, over 25% of our funds reached that income level. I am very pleased by this data.

Also enclosed is Moody's credit ratings of our last Single and Multi-Family issues. I believe it is useful reading!

Enclosures

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COPY

MEMORANDUM

TO: [redacted]ian

FROM: Doug

SUBJECT: Income Catagories for our 1987A Mortgage Purchase Program

DATE: October 20, 1988

At the board meeting on the 17th, a question was raised as to the percent of our mortgages which met our low income set aside criteria of 100% of median, and what percent was lent to families with 80% or less od median.

At the time the question was raised I did not have the information at hand, and you subsequently requested the information.

I used the 1987A program as it is the latest program, under which enough loans have been purchased to provide a representative sample. I used the county median income as published by HUD effective 1/15/88 for this exercise. The following is the results of this analysis.

County/MSA	Median Inc.	Over Median	100% or Below	80% or Below
Addison	$27,200	16.7%	83.3%	33.3%
Bennington	28,300	36.3	63.7	00.0
Caledonia	25,400	45.7	54.3	19.5
Chittenden	33,800	7.1	92.9	42.8
Essex	23,900	66.7	33.3	00.0
Franklin	26,200	52.8	47.2	23.6
Grand Isle	23,600	60.0	40.0	00.0
Lamoille	26,300	36.9	63.1	21.0
Orange	23,900	79.0	21.0	10.5
Orleans	23,900	44.4	55.6	37.0
Rutland	28,600	46.4	53.6	26.7
Washington	27,900	39.3	60.7	19.6
Windham	27,700	66.7	33.3	00.0
Windsor	29,800	10.0	90.0	20.0
Burlington, MSA	35,600	9.0	91.0	41.4
Total Loans	473	166(35.1%)	307(64.9%)	126(26.6%)

Based on these figures it would appear that our 1987A program was well targeted even to the fact that 26.6% of our funds went to borrowers that were at or below 80% of the appropriate county/MSA median income. This would seem to satisfy our low income set aside.

[redacted]

COPY

Moody's Investors Service

99 Church Street, New York, N.Y. 10007

November 8, 1988

RECEIVED
NOV 14 1988
VHFA

Mr. Allan S. Hunt
Executive Director
Vermont Hsg. Fin. Agency
P.O. Box 408
Burlington, Vermont 05402

Dear Mr. Hunt:

As per our recent correspondence, please find enclosed Moody's Municipal Credit Report.

Should you have any further inquiry, please contact the assigned analyst, C. Martin, at (212) 553-0300.

Sincerely yours,

Freda S. Ackerman

Freda S. Ackerman
Executive Vice President

FSA:bt

Moody's Municipal Credit Report

Vermont Housing Finance Agency

November 7, 1988

	New Issue	Housing
sale:	$67,100,000	Home Mortgage Purchase Bonds, 1988 Series B
date:	Sold November 4	

Moody's rating: A1
Home Mortgage Purchase Bonds

opinion: The successful single family track record and the general obligation pledge of this financially sound agency offer above average security. Adequate levels of primary insurance and reserves and provisions for letters of credit to supplement cash flow offer additional strength.

key facts:

Nature of Obligation: General obligation of agency.

Reserve Funds: Bond Reserve Fund required at maximum annual debt service; Loan Loss Claim Fund required at 1.5% of loans outstanding, to be funded by agency contribution.

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

Parity Bonds: Seven series aggregating $188,455,562 outstanding.

Loan Type: Single family, 25 or 30 year, fixed-rate level payment.

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

Pool Insurance: None.

Mandatory Tender Feature: Series 1988 B bonds may be subject to mandatory tender on any date between November 1, 1989 through November 1, 1991, for remarketing to an adjusted interest rate.

Portfolio Performance: Satisfactory. Delinquencies slightly above state norms.

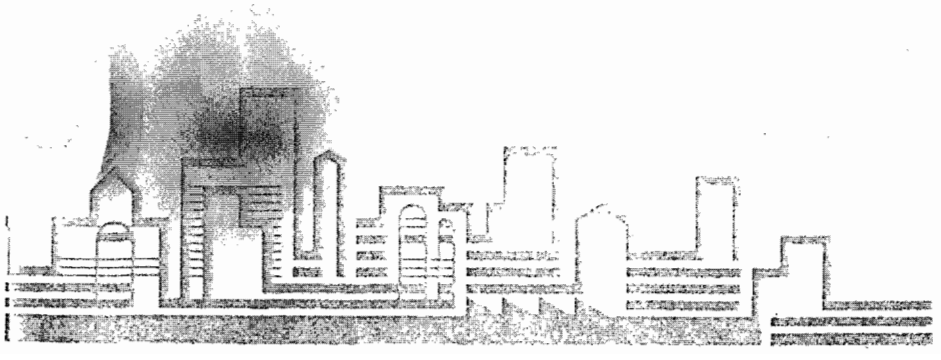
Private Mortgage Insurance,

Private, down to 75%:	90.3%
Uninsured:	9.7%

Financial Operations: Sound. Positive trend in fund balances. Program fund balance represents 3.0 percent of outstanding bonds as of June 30, 1988.

Cash Flow Projections: Sufficient revenues generated over life of bonds. Non-asset bonds covered by $1,350,000 five-year letter of credit with First National Bank of Boston and agency contribution to program.

update: Since our last report, dated June 29, 1988, there has been no change in credit quality. Uncommitted lendable proceeds as of June 30, 1988 total $5 million under the 1987 A Series, and $2.9 million are reserved but uncommitted under the 1988 A program. Program Fund balance continues to grow primarily from General Fund transfers at the time of bond sales.



Vermont Housing Finance Agency

analysis:

The current offering is the eighth series of bonds issued under the 1983 general resolution and continues the agency's program of providing funds for the purchase of mortgage loans to low and moderate income families. Approximately $60,000,000 in lendable proceeds will be provided by this issue. The outstanding portfolio of level payment mortgage loans, which provides basic security for the bonds, is of above average quality. The loans are distributed statewide and levels of insurance are adequate in providing protection against foreclosure loss. Currently 87% of the outstanding loans are guaranteed down to 75% of property value by the Vermont Home Mortgage Guarantee Board (VHMGB), approximately three percent are insured by private mortgage insurers and almost 10% are uninsured with loan-to-value ratios of 75% or less. The agency expects 95% of the loans originated from this offering to be covered by the VHMGB guarantee. The board has the authority to guarantee mortgage loans within the state and pledge the full faith and credit of the state to the payment of its obligations. Vermont's general obligations are rated **Aa**. At June 30, 1988 the board has a guarantee liability of $46 million on 7,078 mortgage loans with outstanding balances of $263 million. VHMGB's reserve account totaled 8.8% of its outstanding guarantees.

To date, the portfolio has performed satisfactorily; however, a large portion of the loans comprising the portfolio remains unseasoned. At June 1988, delinquency and foreclosure statistics were slightly above state levels. Foreclosure losses for the agency's total portfolio have been minimal relative to portfolio size and there are two loans currently in foreclosure.

In addition to the Bond Reserve Fund, the general resolution requires a loan loss claim fund to be maintained at 1.5% of outstanding loans, to be funded with monies other than bond proceeds. The agency will contribute approximately $900,000 from the General Fund monies and has covenanted to restore any deficiency. The fund will be used to cover foreclosure losses not covered by primary insurance to the extent needed to pay debt service.

The agency will deliver to the trustee a five-year letter of credit from the First National Bank of Boston rated (**Aa2/P-1**) in an amount equal to $1,350,000 to cover non-asset bonds in the event of non-orgination or rapid prepayment experience. Similar letters of credit were delivered with prior bond sales and to date the agency has not made any draws.

Financial operations are sound with general and combined fund balances exhibiting positive trends and thereby enhancing the general obligation pledge of the agency. Agency periodically transfers excess monies from its programs to the General Fund. The growth in the program fund is largely attributable to the agency's contributions to the program concurrent with prior bond sales. Net revenues have decreased due in part to decreased investment yields, increased expenses, and extraordinary losses from early redemption of bonds.

The agency has the option to adjust interest rates on the bonds one time during the period November 1, 1989 through November 1, 1991. Bonds to be adjusted will be called for mandatory tender on the interest rate adjustment date at which time bondholders may elect to retain bonds and receive a premium coupon per interest period not to exceed 15 basis points or tender bonds for remarketing. Any bonds not remarketed will be redeemed from unexpended bond proceeds. The structure of this feature does not adversely affect the credit quality of the bonds.

Vermont Housing Finance Agency

details of bond sale:

Legal Name of Issuer: Vermont Housing Finance Agency.

Date of Bonds: November 1, 1988.

Denomination: $5,000.

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

Year	Amount	Year	Amount
6/1/92	$ 280	12/1/97	$ 395
12/1/92	285	6/1/98	410
6/1/93	295	12/1/98	425
12/1/93	300	6/1/99	435
6/1/94	315	12/1/99	455
12/1/94	325	6/1/2000	470
6/1/95	330	12/1/2000	485
12/1/95	350	12/1/03 [1]	330
6/1/96	355	12/1/08 [1]	7,590
12/1/96	370	12/1/10 [1]	3,970
6/1/97	380	6/1/22 [1]	45,550

[1] Term.

TIC: 7.98%.

Interest Payable: Semiannually beginning June 1, 1989.

Call Features: Special redemption at any time from unexpended proceeds, prepayments, surplus revenues. Optional redemption beginning June 1, 1998 at 103%, declining to par June 1, 2001 and thereafter. Term bonds subject to mandatory Sinking Fund redemption.

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

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

Delivery: On or about November 22, 1988.

Bond Counsel: Palmer & Dodge, Boston.

Auditor: P.F. Jurgs & Company, Burlington (FY 1988).

Managing Underwriter: Drexel, Burnham, Lambert Inc., New York.

details of last comparable sale:

Date of Sale: June 30, 1988.

Amount: $15,000,000

Purchaser: Drexel, Burnham Lambert Inc., New York.

Interest Range: 5.40%-8.40%

rating history: June 1983: **A1**

analyst: C.W. Martin

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Vermont Housing Finance Agency

debt factors: Current offering is eighth under general resolution. Total principal amount of bonds and notes outstanding under all resolutions may not exceed $600,000,000.

Debt Statement as of 7/1/88 ($ 000)

	Rating	Amount Issued	Amount Outstanding	Final Maturity
Mortgage loan bonds	Aa	$21,965	$3,480	1989
Single Family Insured Mortgage Bonds [1]	Aa	26,675	13,600	2003
Single Family Mortgage Purchase Bonds [2]	Aa	172,330	100,595	2015
Multi-Family Mortgage Bonds	A	46,525	42,315	2021
Multi-Family Housing Bonds	Con. (A1)	31,300	29,180	2015
Enosburg Housing Bonds [5]	NR	392	386	2010
Canterbury Inn Housing Bonds [5]	NR	448	446	2011
Home Mortgage Purchase Bonds [3]	A1	238,454	[4] 188,455	2014
Subtotal	-	$538,089	$378,011	-
Home Mortgage Purchase Bonds, 1988 Series B (current offering)	A1	67,530	67,100	2022
Total	-	$605,189	$445,021	-

[1] Two parity issues.
[2] Four parity issues
[3] Seven isues on parity with current offering.
[4] Includes accredited values of capital appreciation bonds.
[5] Privately placed.

For additional information please refer to Moody's 1988 Municipal and Government Manual, page 6058.

security provision:

Legal Documents: General resolution, series resolution, sales and service agreement.

Nature of Obligation: General obligation of agency.

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

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

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

Reserve Funds: Bond reserve fund required at maximum annual debt service. Loan loss claim Fund required at 1-1/2% of loans outstanding to be funded by agency contribution.

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

Prepayment Assumptions: None.

loan factors:

Loans Outstanding: As of June 30, 1988, 2,680 mortgage loans aggregating $118 million were outstanding. Total under all single family programs were 4,957, aggregating $185 million.

Type: Single family, 25 or 30-year level payment.

Servicing: By originating lenders.

Primary Insurance: Primary mortage insurance or VHMGB guarantee down to 75% of property value. Loans purchased under prior series are insured in similar manner. FHA and VA loans permitted. 87% of loans are insured by VHMGB.

Pool Insurance: None.

Vermont Housing Finance Agency

Loans Past Due (as a percent of loans outstanding): [1]

	Total	30 Days	60 Days	90 days	In Foreclosure
Home Mortgage Purchase Program:	3.94	3.13	0.36	0.45	0.07
State	2.30	1.60	0.29	0.41	0.31
U.S.	4.57	3.04	0.71	0.82	1.03

[1] As of June 30, 1988.

administrative factors:

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

Year Created: 1974.

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

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

financial factors:

Overall financial operations are satisfactory with combined fund balances exhibiting moderate year-to-year increases. Audited financial statements for fiscal year ended June 30, 1988 indicate a continuance of this trend. Program fund balance also has shown satisfactory growth since its inception due largely to periodic transfers from General Fund to loan loss reserve fund. Excess monies from all funds are periodically transferred to the General Fund. Combined and program net revenues percent of gross have decreased in last several years and a deficit is shown in fiscal year 1988 mainly due to extraordinary losses incurred due to early redemption of bonds.

Key Financial Data:

	6/30/86	6/30/87	6/30/88
Program fund balance	$4,610	$4,903	$5,208
Program fund balance as % of program bonds outstanding	2.47	2.93	3.00
Program net revenues as % of program gross revenues	3.68	0.36	(0.73)
General fund balance	$2,827	$4,148	$5,093
General fund balance as % of bonds outstanding	0.70	1.11	1.43
Combined fund balance	$28,310	$30,007	$31,047
Combined fund balance as % of bonds outstanding	6.99	8.01	8.73
Combined net revenues as % of gross revenues	12.30	6.71	4.85

cash flow factors:

[1] Sufficient revenues to be generated over life of bonds. Acquisition Fund monies will be invested under an investment agreement with a financial institution meeting Moody's requirements. Bond reserve monies will be invested in government securities. Agency will contribute approximately $900,000 to loan loss claim fund. Five-year letter of credit from First National Bank of Boston aggregating approximately $1,350,000 will cover non-asset bonds. The letter of credit will be paid from General Fund. Expected mortgage rates are 9.00% for 90% of issue and 8.00% for 10% of issue. Cash flows show sufficient revenues even if only the 8.00% loans are originated.

Projected Parity: By 1993.

Projected Surplus: $1,152,602.

Projected Surplus as % of Bonds: 1.71%

[1] Based on stand-alone cash flows for this series only.

Moody's Investors Service

99 Church Street, New York, N.Y. 10007

November 23, 1988

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VHFA

Mr. Allan S. Hunt
Executive Director
Vermont Housing Finance Authority
Post Office Box 408
Burlington, Vermont 05401

Dear Mr. Hunt:

As per our recent correspondence, please find enclosed Moody's Municipal Credit Report.

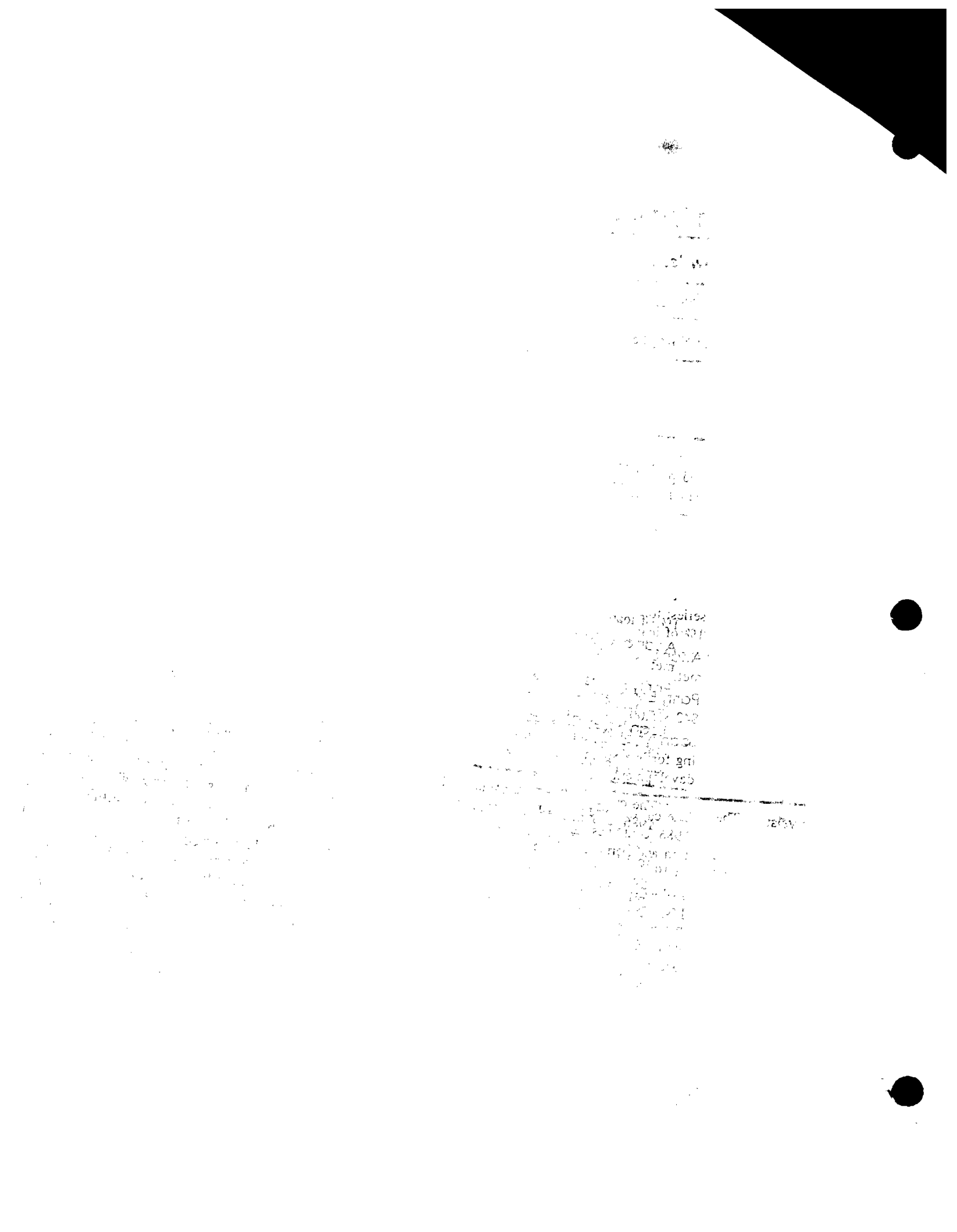
Should you have any further inquiry, please contact the assigned analyst, Ms. Julie Stern at (212) 553-0300.

Sincerely yours,

Freda S. Ackerman

Freda S. Ackerman
Executive Vice President

FSA:pl



Moody's Municipal Credit Report

Vermont Housing Finance Agency

November 21, 1988

	New Issue	Housing
sale:	$2,800,000	Multi-Family Mortgage Bonds, 1988 Series A
date:	Sold November 17	

Moody's rating: A
Multi-Family Mortgage Bonds

opinion: The successful performance of the existing subsidized portfolio and the sound program financial position offset concerns over the growing percentage of unsubsidized projects, providing average bond security.

key facts:

Nature of Obligation: General obligations of the agency.

Reserve Funds: Debt service reserve at maximum annual debt service. No mortgage reserve for this series; for four outstanding issues reserve equal to 1% of loans.

Additional Bonds: Permitted it standard tests are met.

Parity Bonds: Five issues outstanding aggregating $42,315,000 as of June 30, 1988.

Loan Type: Construction and permanent financing for one 80-unit unsubsidized multi-family development.

Loan Insurance: None.

Portfolio Performance: Under this resolution, 53 developments, 51 of which receive Section 8 subsidies. All projects report high occupancy rates.

Financial Operations: Sound. Success of program resulting in fund balance representing 7.07% of bonds outstanding.

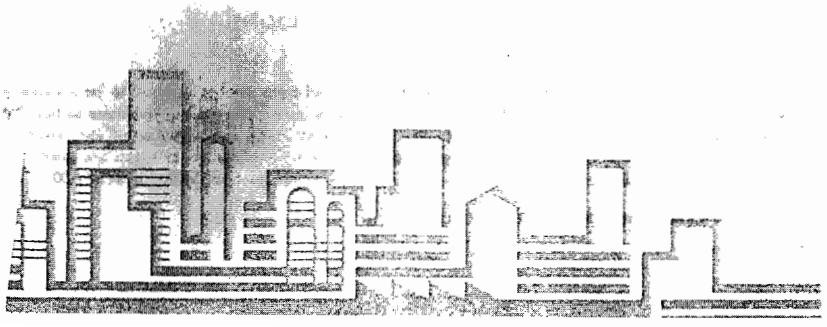
Cash Flow Projections: Sufficient revenues and surplus to be generated over life of bonds.

Other: Project to receive HoDAG loan for construction and permanent financing equal to approximately 43% of total project cost.

analysis:

The current offering, first under the indenture since 1986, continues the agency's multi-family construction and permanant loan financing program begun in 1977. Under this program the agency provides permanent financing for 53 developments. All projects have been completed and report high occupancy levels. In addition, most projects, 87% of all units, receive Section 8 subsidies. Continued high occupancy levels should assure the revenue stream provided by the subsidies.

Proceeds from the current sale will be used to provide construction and permanent financing for one unsubsidized project of 80 units. The construction financing will be provided by the agency and a HoDAG loan from the City of Burlington which will have a junior lien on the project; at completion the permanent financing will consist of the agency mortgage loan and the HoDAG loan. The city loan will continue to have a subordinate lien on the project, payable after the agency loan has been paid



Vermont Housing Finance Agency

in full. The agency's permanent loan will have a 39.5% loan to value ratio.

The HoDAG monies have been awarded but not yet disbursed by the Department of Housing and Urban Development; the agency will make funds available up to $5.6 million during the construction period, of which $2.9 million will be repaid by the HoDAG funds when received. Additionally, a $161,000 grant contribution to the project is expected from the Vermont Housing Conservation Board.

This will be the third unsubsidized project of the agency and will represent 7% of the portfolio. Although the agency has a successful track record with Section 8 projects, the inherent risk associated with construction financing and the increase in the total unsubsidized portfolio, which will now comprise 13.6% of loans outstanding, result in the rating of **A**.

details of bond sale:

Legal Name of Issuer: Vermont Housing Finance Agency.

Date of Bonds: November 1, 1988.

Denomination: $5,000.

Maturity 2/15 ($ 000)

Year: 2020.

Amount: $2,800.

NIC: 8.465%.

Interest Payable: Semiannually beginning February 15, 1989.

Call Features: Sinking Fund redemption of term bonds beginning February 15, 1991. Special redemption at any time from unexpended proceeds and recovery payments. Optional redemption beginning February 15, 1999 at 103% declining to par on February 15, 2002 and thereafter.

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

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

Delivery: On or about December 1.

Bond Counsel: Palmer and Dodge, Boston.

Managing Underwriter: The First National Bank of Boston, Boston.

rating history: September 1986: **A** February 1977: **A1**

analyst: J. Stern

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Vermont Housing Finance Agency

debt factors: Current offering is sixth under the 1977 bond resolution. The last series of bonds issued under the resolution was in 1986. Agency is frequent issuer of single and multi-family debt. Total bonds and notes outstanding of agency may not exceed $500 million.

Debt Statement as of 6/30/88 ($ 000)

	Rating	Amount Issued	Amount Outstanding	Final Maturity
Mortgage Loan Bonds [1]	Aa	$ 21,965	$ 3,480	1989
Single Family Insured Mortgage Bonds [1]	A1	26,765	13,600	2003
Single Family Mortgage Purchase Bonds [2]	Aa	172,330	100,595	2009
Home Mortgage Purchase Bonds [3]	A1	305,554	[4] 255,556	2011
Multi-Family Mortgage Bonds [5]	A	46,525	42,315	2021
Multi-Family Housing Bonds [6]	Con. (A1)	31,300	29,180	2015
Enosburg Housing Bonds [7]	NR	392	386	2011
Canterbury Inn Housing Bonds [7]	NR	448	446	2014
Subtotal		$605,279	$445,597	
Multi-Family Mortgage Bonds 1988 Series A (current offering)		2,800	2,800	2016
Total		$608,079	$448,397	

[1] Two parity issues.
[2] Four parity issues.
[3] Eight parity issues including sales of 1988 Series A and B subsequent to June 30, 1988.
[4] Includes accreted values of capital appreciation bonds.
[5] Five issues on parity with current offering.
[6] Three parity issues.
[7] Privately placed.

For additional information, please refer to Moody's 1988 Municipal and Government Manual, page 6058.

security provision: Legal Documents: General Resolution, Series Resolution.

Nature of Obligation: General obligation of the agency.

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

Additional Bonds: Permitted if debt service reserve is at required level.

Funds Flow: Open loop; revenues may flow out of resolution to agency's General Fund. Such transfers have been made periodically.

Reserve Funds: Debt service reserve required at maximum annual debt service. No mortgage reserve for this series, for four prior series equal to 1% of mortgage loans.

Authorized Investments: U.S. government and agency obligations, public housing bonds, FHA, VA, FmHA mortgages.

Prepayment Assumptions: None.

loan factors: Loans Outstanding: To date under resolution financed 53 developments totaling $38.7 million in mortgage loans. 1,181 of 1,361 units, or 87% receive Section 8 subsidies. Under separate resolution, 34 more developments have been financed totaling approximately $24.8 million; and four small projects are separately secured, adding another 30 unsubsidized units with $1,032,000 in loans outstanding. One loan defaulted resulting in $23,000 loss under this program; one default under other resolution has since been refinanced under this program. All projects are now current in debt service and report high occupancy levels.

Vermont Housing Finance Agency

Type: Construction and permanent financing of one 80-unit multi-family market rate development. Expected mortgage amount is $2.6 million. The developer expects to get a HoDAG loan for $2.9 million from the City of Burlington which will constitute a junior lien on the projects and a contribution of $161,000 from the Vermont Housing Conservation Board.

Income Limits: 25% of the units must be occupied by individuals whose income is at or below 80% of the area median income.

administrative factors: Issuer is a small, established agency with successful track record in both single and multi-family programs. The agency exercises direct programmatic oversight and control.

Year Created: 1974.

Management: Seven-member commission (three ex-officio), appointed by governor with consent of state senate. 33 staff members.

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

financial factors Successful performance of agency's programs reflected in sound financial position. Large combined fund balance primarily made up of single family program fund balance representing 72% of the total. Periodic transfer of program supluses to General Fund supports other programs.

Key Financial Data:

	6/30/86	6/30/87	6/30/88
General Fund balance	$2,827	$4,148	$5,093
Operating Fund balance as % of bonds outstanding	0.68	1.11	1.43
Program Fund balance	$2,760	$2,893	$2,991
Program Fund balance as % of bonds outstanding	7.12	6.75	7.07
Program PADR [1]	1.05	1.04	1.06
Program net revenue as % of gross revenue	15.97	13.32	13.86
Combined fund balance	$28,310	$30,007	$31,047
Combined fund balance as % of bonds outstanding	6.83	8.01	8.73
Combined net revenue as % of gross revenues	NA	6.71	4.85

[1] Represents program cash and investments, loans and receivables over bonds outstanding, accrued interest and accounts payable.

cash flow factors: [1] Sufficient revenues and surplus to be generated over life of bonds. Costs of issuance will be paid from bond proceeds,but existing program surplus will cover non-asset bonds in the event of non-origination. Reserve Fund will be invested in government securities or treasury obligations. Acquisition Fund will be invested in an investment agreement with First National Bank of Boston, rated Aa2/P-1.

Projected Parity: At August 15, 1993.

Projected Surplus: $1,968,260.

Projected Surplus as % of Bonds: 70.3%

NIC: 8.465%.

[1] This series only; based on preliminary cash flows.

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