

# 2016 Annual Report



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**Cover:**

Kelley and her husband Mike bought their first home last year with the help of a low-rate VHFA MOVE mortgage. About owning their 100-year old home, Kelley says she is thankful to have “a safe, warm space to build our future together in a home that is part of our town’s history.” Kelley, works for a local non-profit mental health organization.

Photo by P. Detzer.



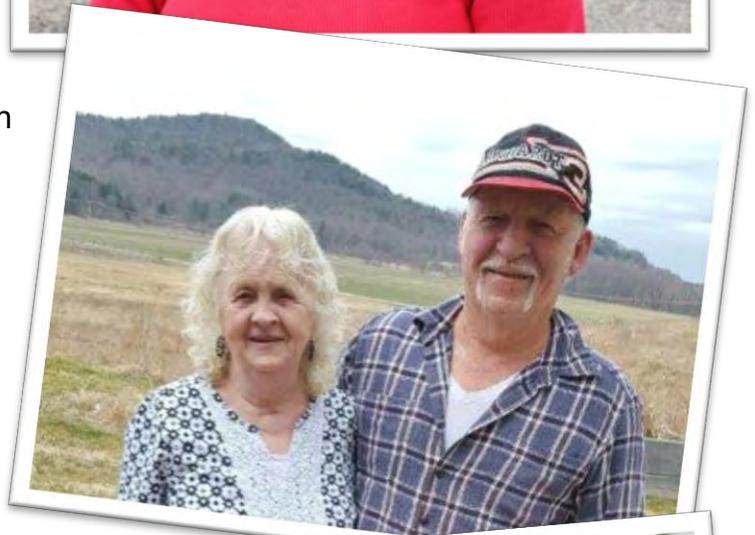
2016 provided the perfect opportunity to witness the powerful connection between VHFA's mission, workplace satisfaction and social impact. The agency served more home buyers in 2016 than in any year since the Great Recession. VHFA's awards of tax credits remained the largest source of funding for building and renovating affordable rental housing. In 2016, among the variety of public and private funders, VHFA's funding single-handedly paid for nearly half of all the costs statewide of creating affordable homes for low-income Vermont renters.

In testament to the importance of its mission and the impact of its work, VHFA was named the number one Best Place to Work in Vermont among small and medium-sized companies in 2016. "Our employees make this the best place to work because they are so committed to our mission," Executive Director Sarah Carpenter said. "This honor directly reflects the dedication of our staff."

**Photos**

**Top:** Dorothy, a refugee from Zimbabwe, moved to Vermont to be near her son and family. A licensed nurse assistant, she worked in the U.S. for 5 years before she was able to buy her first home. About reaching her long-time goal of buying a home with the help of a VHFA mortgage, Dorothy said "If you aim high and have determination and hard work and focus, the sky is the limit." Photo by P. Detzer.

**Middle:** Joyce and Louis live in an apartment at Richmond Terrace which was financed primarily with equity from VHFA-provided federal housing tax credits and a direct VHFA loan. They appreciate the friendly and caring atmosphere of the complex. Louis works at Richmond Terrace. **Bottom:** Rachel became a home owner in 2016 with a VHFA mortgage and down payment assistance. Her favorite room is the kitchen because she loves to try new recipes out on friends and co-workers. Rachel is an information technology business analyst. Photo by P. Detzer.



## VHFA helped more home buyers in 2016 than any other year since the recession

VHFA mortgage programs were used to purchase homes by **356 households** across the state in FY 2016. **Ninety-one percent** of these households were first-time home buyers. **137 households** used the new down payment assistance program to buy their first Vermont home.

### Average VHFA home buyer profile

Income	\$64,128
Mortgage amount	\$163,445
Home price	\$170,369

### Home buyers who used VHFA loan programs

Program	Homes	Loan volume
Government	182	\$30,465,797
Conventional	163	\$25,922,562
<b>Total</b>	<b>345</b>	<b>\$56,388,359</b>

### Most buyers had lower incomes

Percentage of area household median income	Percentage of home buyers
Less than 50%	8%
50.1 to 80%	35%
80.1 to 100%	24%
More than 100%	33%

### Home buyers who used VHFA's Mortgage Credit Certificate (MCC) program

	Homes
Combined MCC with VHFA loan	28
Used MCC with loan from another source	11
<b>Total</b>	<b>39</b>

*Katie Sargent and Josh Mead bought their first home in October using VHFA's Assist down payment assistance program and mortgage financing. What do they love most? The location and the lake!*

*Photo by P. Detzer*



## Down payment assistance program reaches hundreds of first-time home buyers statewide

Since its enactment in late August 2015, the Vermont Down Payment Assistance Program has helped 215 Vermonters and their families buy their first homes. The program provides qualified borrowers who use a VHFA mortgage with up to \$5,000 for down payment costs, to be repaid with zero interest down the road when they sell their home or refinance. Repayments generate new down payment funds for additional home buyers, creating an ongoing funding source for the program.



*Maura Collins, VHFA Director of Policy and Administration, addresses attendees at the bill signing in June 2015. Photo by Erhard Mahnke*

The program was created by the Vermont Legislature in Act 51 of 2015, which added \$125,000 to the existing Vermont Housing Tax Credit program for a period of seven years (State Fiscal Years 2016 – 2022). The program was part of a larger economic development package that received overwhelming support from the Vermont Legislature. The program was largely a response to pleas from employers around the state for more tools to help attract and retain workers faced with Vermont’s high housing costs, especially young professionals.

### TYPICAL HOME BUYER

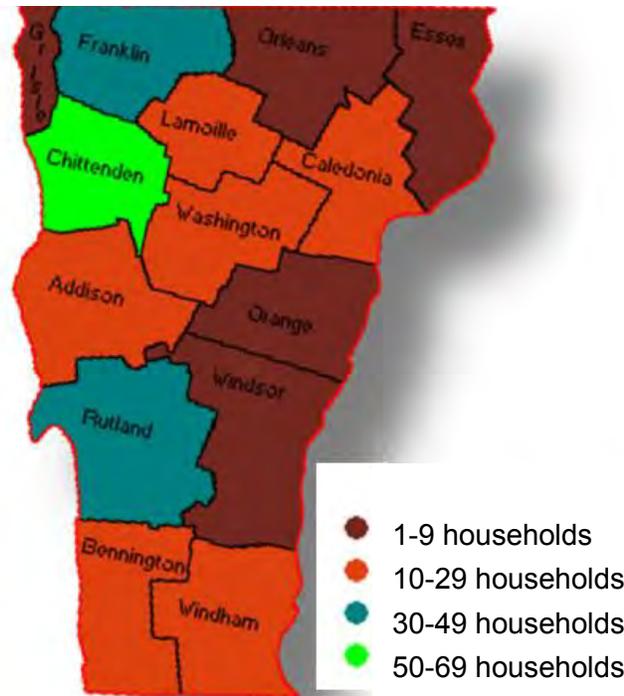


*Based on averages for VT Down Payment Assistance Program in 9/1/2015-10/31/2016. "Income" refers to total household income.*

VHFA’s unique, dual role serving Vermont home buyers and overseeing the state’s housing credit program has been key to the program’s success. Union Bank

purchased the first two years' credit allocations and has already agreed to purchase them again for the third year. Originally, policy makers expected that the steady stream of tax credit equity

**Down Payment Assistance Program use, 9/1/2015-10/31/2016**



created by seven years of credit allocations would keep pace with needs among the state's qualified first-time home buyers for down payment assistance. However, due to higher than expected demand for the program, in October 2016 VHFA supplemented the equity from the state tax credit with funds from the Federal Home Loan Bank of Boston's "Helping to House New England" program.

The program has been used by home buyers in every county in the state. The average home buyer served by the program is 31 years old with a household income of \$65,000 and purchasing a house priced at \$167,000.

**The Interest on Real Estate Trust Account**

The Interest on Real Estate Trust Account (IORTA) program is funded with the interest earned on earnest money and real estate contract deposits. Real estate brokers are required to put most of these deposits into pooled interest-bearing trust or escrow accounts and financial institutions are required to remit the interest made to VHFA for use in its homeownership programs.

For 24 years, funds from the proceeds of IORTA have been dedicated to VHFA for homeownership mortgage down payment or closing cost assistance. In FY 2016, VHFA received \$36,508 in IORTA funds and provided 17 Vermont home buyers with down payment assistance using the funds. The timing of IORTA fund distribution to borrowers depends on the timing of home purchases.

IORTA assistance provided in FY 2016					
<b>ADDISON</b>	\$5,000	<b>ESSEX</b>	\$5,000	<b>WINDHAM</b>	\$5,000
<b>BENNINGTON</b>	\$10,000	<b>FRANKLIN</b>	\$38,000	<b>WINDSOR</b>	\$1,500
<b>CHITTENDEN</b>	\$10,000	<b>WASHINGTON</b>	\$5,000		

## Continued investment in Vermont’s stock of new affordable owner-occupied housing

Throughout FY 2016, VHFA continued to fund investments that improve and expand the stock of affordable, owner-occupied homes. These investments assisted 52 Vermont home owners using equity created from allocations of the Vermont Affordable Housing Credit.

FY 2016 Vermont Affordable Housing Credit allocations for owner homes	Homes	Amount Allocated
Statewide mobile home replacement program	36	\$200,000
Down payment grants for perpetually affordable homes	16	\$100,000
<b>Total</b>	<b>52</b>	<b>\$300,000</b>

## VHFA covered half of costs of all VT affordable rental housing developed in 2016

Through funding for **14 projects** across the state, VHFA helped create and rehabilitate **530 rental units** in FY 2016. VHFA was the single largest source of funding for affordable rental housing development in the state in FY 2016. Equity generated from private investors through VHFA-allocated housing credits and permanent VHFA loans covered half of the total costs of the projects, with the other half coming from a variety of partners and programs. The investments in these 530 apartments spurred an estimated **\$137 million** in economic activity through new and sustained jobs and income for Vermont workers and businesses.

The federal and state housing credits VHFA provided to nine of this year’s projects produced \$30 million in private upfront equity for construction, acquisition and renovations. Permanent loans from VHFA created \$5 million for four projects.



*Executive Director Sarah Carpenter celebrates completion of Bennington Historic Rehabilitation Project in November. Photo courtesy of Shires Housing.*

Rental housing financing projects in FY 2016

		Homes	Short-term / construction loan	Permanent loan	0% loan	Bond housing credits	Allocated housing credits	State housing credits
		2016 = 2016 project H = financing provided in prior year						
<b>95 North Avenue</b>	Burlington	14					2016	
<b>Adams House (Senior)</b>	Fair Haven	13	2016			2016		2016
<b>Battenkill North</b>	Bennington	22					2016	
<b>Bennington Historic Rehabilitation Project</b>	Bennington	26	2016					
<b>Brattleboro Neighborhood Housing (PE3)</b>	Brattleboro	29	2016			2016		2016
<b>Elm Place (Senior)</b>	Milton	30					2016	
<b>Evergreen Heights</b>	Springfield	44		2016			H	
<b>Green Street Apartments</b>	Hinesburg	24	2016				2016	2016
<b>Hickory Street III</b>	Rutland	22					2016	2016
<b>Limehurst Mobile Home Park</b>	Williamstown	33		2016				
<b>McKnight Lane</b>	Waltham	14					2016	
<b>Maples I and II (Senior)</b>	Rutland	83		2016			H	
<b>Shelburnewood Mobile Home Cooperative*</b>	Shelburne	28		2016				
<b>South Meadow Apartments</b>	South Burlington	148	2016	H			H	2016

\*VHFA purchased shares in a loan made by another party to facilitate renovations at Shelburnewood.

## Summary financial statements

### Statement of net position

June 30, 2016

*(All amounts are in thousands of dollars)*

<b>ASSETS</b>	
Cash and cash equivalents	62,256
Accrued interest receivable:	3,136
Other receivables and prepaid expenses	1,139
Investments	11,638
Mortgage loans receivable, net	289,799
Mortgage backed securities	173,485
Capital assets	632
Real estate owned	1,126
Due from other funds	355
<b>TOTAL ASSETS</b>	<b>543,566</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Interest Rate Swaps	3,375
<b>LIABILITIES</b>	
Notes payable	39,435
Accrued interest payable	3,428
Other payables	428
Funds held on behalf of mortgagors	2,561
Bonds payable	407,572
Fair value of derivative instrument - interest rate swaps	3,375
Other liabilities	953
Due to other funds	355
<b>TOTAL LIABILITIES</b>	<b>458,107</b>
<b>NET POSITION</b>	<b>88,834</b>

**Statement of revenues, expenses and changes in net position**

Year ended June 30, 2016

*(All amounts are in thousands of dollars)*

<b>OPERATING REVENUES</b>	
Interest income	23,084
Fee income	987
Sales of state tax credits	594
Gain on sales of loans and securities	310
Gain (loss) on bond redemptions, net	501
Other revenue	16
<b>TOTAL OPERATING REVENUES</b>	<b>25,492</b>
<b>OPERATING EXPENSES</b>	
Financing costs	16,508
Mortgage service and contract administration fees	342
Salaries and benefits	3,385
Operating expenses	790
Professional fees	186
Trustee and assignee fees	121
Provision for losses on loans and real estate owned	804
<b>TOTAL OPERATING EXPENSES</b>	<b>22,136</b>
<b>OPERATING INCOME</b>	<b>3,356</b>
<b>NONOPERATING REVENUE (EXPENSES)</b>	
Net appreciation in fair value of investments	4,080
Other nonoperating revenue	755
Federal program revenue	2,854
Federal program and administration expenses	(2,854)
<b>TOTAL NONOPERATING REVENUE</b>	<b>4,835</b>
<b>INCREASE IN NET POSITION</b>	<b>8,191</b>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<b>80,643</b>
<b>NET POSITION AT END OF YEAR</b>	<b>88,834</b>

Audited financial statements are available at <http://www.vhfa.org/partners/investors/annual-financial-statements>

## Board of Commissioners

VHFA is governed by a nine-member Board of Commissioners. The Board includes four Ex Officio members and five members appointed by the Governor of Vermont, representing private and public lending, real estate and housing development interests.

### *Members (as of June 2016)*

- L. Randolph Amis (Attorney with Montroll Backus & Oettinger), Chair
- Lamont Barnett (Owner of [The Rock and Hammer](#))
- Dagyne Canney (Principal Broker, [Vermont Real Estate Sales Co.](#))
- Josh Hanford, Designee for Patricia Moulton, *Ex Officio* (Secretary of [Agency of Commerce and Community Development](#))
- Jeanne Morrissey (President, [J.A. Morrissey, Inc.](#))
- Beth Pearce, *Ex Officio* ([State Treasurer](#))
- Gustave Seelig, *Ex Officio*, Vice Chairman (Executive Director, [Vermont Housing & Conservation Board](#))
- Cynthia Stuart, Designee for Michael Pieciak, *Ex Officio* (Commissioner of [Department of Financial Regulation](#))



*From left to right: Jeanne Morrissey, Beth Pearce (State Treasurer), Cynthia Stuart, (Dept. of Financial Regulation), Josh Hanford (Agency of Commerce and Community Development), Lamont Barnett, Sarah Carpenter, L. Randolph Amis, Gustave Seelig (Vermont Housing and Conservation Board) and Dagyne Canney. Photo by Sam Falzone.*

## Staff and partners

<i>EXECUTIVE DIRECTOR</i>	
Sarah Carpenter	
<i>ADMINISTRATION</i>	<i>INFORMATION SYSTEMS</i>
Maura Collins Director of Policy and Administration	Rick Jean Information Systems Manager
Leslie Black-Plumeau Research and Communications Coordinator	Joe Brouard SQL Server Report Writer and Analyst
Lori Gilding Office Manager	Sara Everest Web Developer
Steve Gronlund Human Resources Manager	Chris MacAskill Network Administrator
Will White Social Media Intern	
<i>PROGRAM OPERATIONS</i>	<i>LEGAL</i>
David Adams Chief of Program Operations	George Demas General Counsel
Victoria Johnson Administrative Assistant	Brenda Howley Legal Coordinator
<i>HOMEOWNERSHIP</i>	<i>MULTIFAMILY MANAGEMENT</i>
Jacklyn Santerre Director of Homeownership	Samuel Falzone Director of Multifamily Programs
Kathy Cawley Administrative Assistant, Loan Servicing	Kimberly Roy Assistant Director of Multifamily Programs
Diane Edson Underwriter	Robin Castine Multifamily Operations Specialist
Pat LaFond Loan Servicing/Reporting Specialist	Kathy Curley Multifamily Management Officer
Seth Leonard Homeownership Outreach Coordinator	Erin Philbrick Multifamily Management Officer
Jennifer Martin Underwriter	Ann-Marie Plank Multifamily Management Officer
Joshua Mead Operations Coordinator	
Carolynn Mossey Loan Servicing Specialist	<i>DEVELOPMENT</i>
Polly Thibault Loss Management Specialist	Joe Erdelyi Director of Development
	Josh Slade Housing Development Underwriter

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**FINANCE**

Tom Connors  
Chief Financial Officer

Michelle Baird  
Manager of Bond Financing and Investments

Lisa Clark  
Finance Operations Manager

Brittany Garland  
Financial Analyst / Compliance Specialist

Matthew Harder  
Staff Accountant

Darren Keniston  
Mortgage Loan Analyst

Tom Kimball  
Controller

Robert Purcell  
Financial Analyst

**Financial / Legal Partners**

Bond Counsel  
Kutak Rock LLP

Underwriters  
Raymond James & Associates, Inc  
Morgan Stanley

Trustees  
Bank of New York Mellon Trust Company  
Wells Fargo Bank NA

AUDITOR  
CohnReznick LLP

FINANCIAL ADVISOR  
Piper Jaffray & Co.

**Writing and Design**

Leslie Black-Plumeau

**Contact**

**Vermont Housing Finance Agency**

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[www.vhfa.org](http://www.vhfa.org)

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