

# MEMORANDUM

**To:** House General and Housing Committee  
**From:** George Demas, General Counsel, Vermont Housing Finance Agency (VHFA)  
**Re:** Recommended Amendments to H.607  
**Date:** March 11, 2026

## Overview

VHFA supports the intent of H.607 to address the growing challenges posed by institutional real estate acquisitions of Vermont's single-family homes. However, as drafted, the bill could unintentionally impede VHFA's ability to execute its statutory mission, including the management and disposition of VHFA held mortgage assets.

To avoid adverse impacts on Vermont's affordable housing ecosystem, VHFA recommends a few targeted amendments:

1. Add "any agency, instrumentality, or political subdivision of the State" to the list of entities excluded from the definition of "covered entity" in §547(a)(1)(B).
2. Add "any entity that is primarily engaged in the construction or rehabilitation of residential property and which offers those residences for sale in the ordinary course of business" to the list of entities excluded from the definition of "covered entity" in §547(a)(1)(B).
3. Add a new §547(b)(3) exempting foreclosure-related sales conducted under 12 V.S.A. Chapter 172 from the 90-day waiting period.
4. Ensure any violation of the 90-day waiting period would not nullify the home sale if it were to later be found out that there was an issue. Without this protection it could put at risk buyers' ability to obtain mortgage financing if there's a chance the sale could be voided.

## Rationale for Excluding State Agencies, Instrumentalities, and Political Subdivisions

The statute's current carveouts already reflect the Legislature's intent to protect mission-driven entities. These carveouts demonstrate an explicit legislative recognition that entities serving public, charitable, or quasi-public purposes should not be treated as institutional investors, even when they hold real estate assets.

VHFA is a public instrumentality of the State, created by statute to promote affordable housing and support Vermont homebuyers. VHFA serves the same public interest purposes as the already exempted entities but is not technically listed in the current carveouts.

If VHFA were treated as a "covered entity," negative consequences include:

- Inability to acquire Real Estate Owned (REO) properties without a 90-day delay
- Impairment of VHFA's ability to manage and liquidate loan portfolios
- Additional financial losses on defaulted loans
- Reduced capital available for affordable lending programs

Foreclosure sales under 12 V.S.A. Chapter 172 typically occur through:

- Public auctions
- Strict foreclosure or judicial sale processes
- Competitive bidding environments
- No conventional marketing period

VHFA, as a mortgage holder, routinely disposes of REO properties through such processes.

Under the bill as written, purchasers who qualify as institutional real estate investors would be prohibited from purchasing these homes unless they sit unsold for 90 days. This would conflict with how foreclosure auctions function.

## Rationale for Excluding Builders' Portfolios

42% of the state's housing stock is more than 50 years old. As the most recent Housing Needs Assessment states, "At least 19,637 Vermont households live in homes with potentially serious housing quality issues, according to 2022 Census Bureau microdata<sup>7</sup>. These include homes lacking either heat, a complete kitchen, a complete bathroom, homes with coal heat, mobile homes built prior to 1979, rental homes built before 1939 with rent less than \$500, and owned homes valued less than \$75,000." [Page 3.](#)

Given the advanced age and condition of much of the housing stock, the state should not discourage investors from purchasing run-down units, investing in them, and then re-selling them into the market.

## Rationale for Exempting Foreclosure Procedures

Section §547(b) establishes the 90-day waiting period for covered entities seeking to purchase homes, yet foreclosure auctions:-day waiting period for covered entities seeking to purchase homes

- Do not involve preauction listing periods-auction listing periods
- Must comply with court approved processes
- Are designed to maximize recovery and minimize loss for borrowers, lenders, and housing programs
- Depend on the broadest bidder participation, including larger investors capable of purchasing at auction

Requiring a 90-day preauction marketing period would be legally incompatible with foreclosure statutes and operationally unworkable.

## Impacts on Foreclosure Sales

If not exempted, the bill will:

1. Reduce bidding pools in foreclosure auctions
  - Institutional bidders often participate in Vermont foreclosure sales. Restricting them would reduce competitive bidding.
2. Depress sale prices of REO properties

- Lower competition leads to lower sale proceeds, increasing losses to VHFA.
- 3. Increase VHFA's net losses and impair program funding
  - VHFA relies on loan portfolio performance to recycle capital into affordable lending programs.
- 4. Slow the return of REO homes to productive use
  - The 90-day delay would keep homes vacant longer, contrary to Vermont's housing availability goals.
- 5. Increase risks to neighborhoods and municipalities
  - Longer vacancy periods increase risks of deterioration, blight, and municipal carrying costs.

## Rationale for Preserving Validity of Sales

In the unfortunate event of an unknowing homeowner who sells their home to a buyer who does not disclose that they are a covered entity, the home's sale should be allowed to stand. This protects the seller from financial and other losses as a result of non-compliance by the buying institution.

## Proposed Statutory Language Changes

### Amend §547(a)(1)(B) to read:

“Covered entity” does not include:

(i) an organization described in section 501(c)(3)...

(ii) a land bank;

(iii) a community land trust;

(iv) a creditor or its loan servicer acquiring ownership...;

(v) any agency, instrumentality, or political subdivision of the State; or

(vi) any entity that is primarily engaged in the construction or rehabilitation of residential property and which offers those residences for sale in the ordinary course of business.

### Add §547(b)(3):

The 90-day waiting period shall not apply to any sale conducted pursuant to a mortgage foreclosure under 12 V.S.A. Chapter 172.

### Clarify §547(c):

Enforcement. A violation of this section shall not affect the enforceability or validity of any purchase contract entered into by a Covered Entity, but shall be deemed an unfair method of competition in violation of 9 V.S.A. § 2453 and the Attorney General may restrain prohibited acts in accordance with 9 V.S.A. chapter 63.