2014 Entry Form
(Complete one for each entry.)

Fill out the entry name ***exactly*** as you want it listed in the program.

Entry Name Proactive Rapid Rental Loan Refinancing and Retention Program

HFA Virginia Housing Development Authority

Submission Contact Brian Matt

Phone (804) 343-5520 **Email** Brian.Matt@vhda.com

Qualified Entries must be received by **Tuesday, July 1, 2014.**

For more information about Qualified Entries, click here to access the 2014 Entry Rules.

Use this header on the upper right corner of each page.

HFA **Virginia Housing Development Authority**

Entry Name **Proactive Rapid Rental Loan Refinancing and Retention Program**

Communications	**Homeownership**	**Legislative Advocacy**	**Management Innovation**
☐ Annual Report ☐ Promotional Materials and Newsletters ☐ Creative Media	☐ Empowering New Buyers ☐ Home Improvement and Rehabilitation ☐ Encouraging New Production	☐ Federal Advocacy ☐ State Advocacy	☒ Financial ☐ Human Resources ☐ Operations ☐ Technology
Rental Housing	**Special Needs Housing**	**Special Achievement**	**Are you providing visual aids?**
☐ Multifamily Management ☐ Preservation and Rehabilitation ☐ Encouraging New Production	☐ Combating Homelessness ☐ Housing for Persons with Special Needs	☐ Special Achievement	☒ YES ☐ NO

"VHDA's Multifamily Refinance Program has ensured that more than 10,000 affordable housing units have been refinanced and preserved, further strengthening our ability to provide affordable housing in Virginia. Programs like this one make VHDA a reliable and proactive business partner with developers and advocacy groups such as ours, and its multifamily financing programs have led the way in sustaining and expanding the stock of high quality affordable rental housing. With the demand for affordable rental housing on the rise, this is more critical than ever for our state."

Bob Adams, Executive Director of Housing Virginia

Brief Description

VHDA's multifamily mortgage loan portfolio is almost entirely self-insured. To be successful, the program requires VHDA to assess credit risk accurately, price it appropriately, and manage it effectively throughout the life of each loan. This model makes the multifamily loan program one of our most effective for achieving our mission because of the income profile of the tenants our program serves. It is also VHDA's most profitable line of business.

VHDA's multifamily loans are typically locked out from prepayment for either 10 or 15 years depending on whether the funding source is taxable or tax-exempt. This prepayment lock-out period gives VHDA some assurance that the development will remain affordable and subject to VHDA's mission-driven regulatory requirements for a predictable timeframe. Since VHDA's multifamily loans are largely financed through the issuance of bonds, the prepayment lock-out term also gives corresponding bond owners some assurance that their bonds will unlikely be redeemed prior to the first optional redemption date, the date on which VHDA gains the right to redeem the bond, if so desired. Optional redemption dates are generally set 1-5 years prior to prepayment eligibility dates.

Upon expiration of the prepayment lock-out period, borrowers have the option to pay off their loan and seek financing elsewhere. Once the loan has been paid off, developments are technically under no obligation to remain subjected to VHDA's regulatory requirements for maintaining affordable rental housing. Consequently, VHDA risks a diminishing footprint of affordable rental housing stock in the Commonwealth.

Because VHDA's multifamily loans serve a market that is so important to its lowest-income constituents and because the profits from such loans provide subsidies which flow to even harder to reach populations, almost from program inception, retention of such loans beyond their initial prepayment dates has been a high priority. In order to mitigate the risk of prepayment, VHDA has developed a proactive, streamlined, multifamily loan refinancing and retention program (Refinance Program).

Our strategy is to take advantage of VHDA's ability to restructure its source and cost of funding before the mortgagor gains the right to refinance elsewhere. With the prospect of a definable guaranteed holding period, bond investors desiring to invest in VHDA's multi-family bonds are readily available to fund the program. To attract existing borrowers, the program is designed to offer three compelling benefits: (1) eliminating the interest rate risk the borrower would incur while waiting to gain the right to prepay, (2) minimizing the need to pay fees to VHDA or to other parties to effect the transaction, and (3) increasing cash flow to the affordable housing development by lowering the monthly debt service costs.

Implementation of this strategy involves a joint effort of VHDA's Finance, Legal and Rental Housing divisions who collaborate together through regular on-going reviews of the loan portfolio to identify eligible loans: loans with an expiring prepayment lock-out period approaching yet also with an optional redemption date triggered. Development Officers then contact mortgagors with proposals that typically include a rate reset at VHDA's current rate with some adjustment, plus an extension of the term and reset of the amortization period for the next 25 years, along with a waiver of any prepayment, origination or refinance fees, and a new prepayment lock-out period of at least 10 years. Once the borrower and Development Officer reach agreement, only one week is needed for VHDA to produce the necessary amendments, set a new interest rate and obtain executed documents from the borrower. As most of VHDA's refinance transactions are structured and priced to avoid cash outlays by the mortgagor, the process can move very quickly to closure. This proactive approach to retaining loans in VHDA's multifamily portfolio and therefore subject to its regulatory agreements and monitoring facilitates longer-term benefits for Virginia residents and helps VHDA to fulfill its mission of providing affordable housing.

Why the Program is Meritorious and Meets NCSHA Award Judging Criteria

Innovative

VHDA has developed the Refinance Program in response to a desire (1) to keep developments subject to VHDA's regulatory agreements for a longer period of time, thereby ensuring such developments remain affordable to low and moderate income households, and (2) to keep multifamily loans from paying off prematurely, foregoing the associated income the Authority could otherwise generate for other grant or subsidy programs aimed at reaching underserved Virginians. *Over 10,000 affordable housing units have been refinanced and preserved pursuant to the Refinance Program, to further strengthen our ability to provide affordable housing in the Commonwealth*.

By being proactive in approaching multifamily mortgagors with an extremely simplified and virtually cost-free refinance process before their loan prepayment dates become available, VHDA creates a scenario whereby the mortgagor is given the option of accepting VHDA's proposal on the day offered, to lock in savings for the immediate future, or waiting until a future date to consider whatever borrowing options are available at that time and hope interest rates don't rise in the interim.

Replicable

Any similarly situated HFA can approach their multifamily mortgagors in a comparable fashion to VHDA's Refinance Program. VHDA is more than pleased to share its refinance templates (see attachments) with any state HFAs.

Responds to a management challenge or opportunity

VHDA's challenge in retaining multifamily borrowers has largely been timing. By the time a multifamily mortgagor requests a payoff quote, it is usually too late to entice them to refinance with us, and the risk of losing affordable rental housing stock heightens. Accordingly, the Refinance Program takes a proactive approach by reaching out to mortgagors well in advance of their loan prepayment dates. By extending a new offer with attractive financial terms, the mortgagor is able to accept our offer quickly, assuming their limited partners do not prohibit the transaction, by simply executing a few previously prepared documents. Consequently, the Authority is able to extend the duration of affordable rental housing stock for the foresee-able future as well as generate a consistent flow of income and guaranteed annual spread.

Achieves measurable improvements in agency operations

The Refinance Program offers are easily generated from various templates VHDA staff have developed and refined (see attachments for current versions of the templates). An estimated 1.5 hours of staff time is usually all that is needed to generate and negotiate a successful offer, plus 1.5 hours to generate the appropriate documentation, and 1 hour to process any acceptance (excluding staff time required to actually sell the refunding bonds).For a total of 4 hours of staff time, as compared to approximately 75-100 hours needed to underwrite a new multifamily mortgage loan, VHDA is able to extend financing arrangements for an estimated 7.5 – 10 years into the future. At $100 hourly rate, the process of generating and processing each offer and acceptance costs VHDA approximately $400. Assuming a mortgagor with a $3 million loan accepts a VHDA refinancing offer the additional 7.5 years of guaranteed annual spread of 1.25% can translate into approximately $281,000 of potential gross spread ($3,000,000 x 1.25% x 7.5). *VHDA estimates 160 loans with aggregate outstanding principal balances of $500 million have been refinanced utilizing the Refinance Program, generating approximately $46.9 million of potential gross spread that will be earned over an average period of 7.5 years*.

Provides benefits that outweigh the costs

The primary benefit of the Refinance Program is the ability to reduce the risk of losing affordable housing developments to market rate units or potentially other non-housing uses and to preserve the existing footprint of affordable rental housing stock for at least another 7.5 – 10 years by enticing multifamily property owners to extend the prepayment lock-out through an offer of attractive refinancing terms. A side benefit of the Refinance Program is that, in many instances, subsequent to the acceptance and implementation of a refinance offer, the mortgagor will apply for a loan increase, which, if approved, provides additional funding for updating or maintaining the condition of the affordable housing development as well as generate additional income to VHDA. Over $100 million of loan increases have been approved so far on developments refinanced under the Refinance Program. With an additional 10 years of guaranteed annual spread of 1.25% on such loan increases, approximately $12.5 million of potential gross spread ($100,000,000 x 1.25% x 10) can be generated for use in VHDA's other mission driven initiatives.

<u>Demonstrates effective use of resources</u>
As stated above, it is estimated that it takes 4.0 hours of staff time to generate a refinance offer under the Refinance Program and implement any acceptance. That compares very favorably to the estimated 75-100 hours necessary to process an application for a new multifamily mortgage loan. Because the development is currently operational and its performance is known, financial risk is substantially reduced when you retain an existing mortgage loan versus originating a new loan.

<u>Achieves strategic objectives</u>
The Refinance Program allows VHDA's existing footprint of affordable rental housing stock to remain affordable in the Commonwealth for an additional 7.5 to 10 years beyond the original loan prepayment dates triggered, thereby ensuring participating developments are subject to our regulatory agreements for longer periods of time and remain affordable to low and moderate income Virginians. Moreover, additional income is secured for an additional period of time. As shown below, the outstanding principal balance of VHDA's multifamily mortgage loan portfolio at the end of each fiscal year since 2002 has grown significantly. New originations and refinancings have successfully offset the impact of scheduled principal amortizations and loan pre-payments, despite the fact the presence of severe competition from Fannie Mae, Freddie Mac and FHA to refinance existing VHDA financed developments.

Date	Outstanding Principal Balance	Date	Outstanding Principal Balance
June 30, 2002	$2,189,970,327	June 30, 2008	$3,106,629,041
June 30, 2003	2,365,995,013	June 30, 2009	3,244,340,287
June 30, 2004	2,550,383,671	June 30, 2010	3,316,196,540
June 30, 2005	2,719,110,070	June 30, 2011	3,358,740,077
June 30, 2006	2,850,428,310	June 30, 2012	3,347,855,246
June 30, 2007	2,919,140,289	June 30, 2013	3,342,926,590

Conclusion
The Refinance Program has been extremely successful over time and has the following benefits:

- it keeps the participating developments subject to VHDA's regulatory agreements for longer periods of time, <u>*thereby ensuring that such developments remain affordable to low and moderate income Virginians;*</u>
  <u>*over 10,000 affordable rental housing units from an estimated 160 loans with aggregate outstanding principal balances of $500 million have been refinanced and preserved pursuant to the Refinance Program*</u>;
- refinance documentation can be quickly generated utilizing the templates designed by VHDA;
- refinance offer generation, negotiation, and execution can be accomplished with four hours of staff time;
- it allows refinanced borrowers to seek loan increases based upon the development's increased cash flow;
- mortgagor acceptance can be accomplished swiftly without any material out-of-pocket expenses and with minimal interest rate risk;
- it involves less financial risk than originating a new mortgage loan because the development is currently operational and its performance is known; and
- it's profitable over time, in that it translates into approximately $59.4 million ($46.9 million from refinances + $12.5 million from related loan increases) of additional gross spread which can be re-deployed to support grant and other subidy programs that reach the hardest to serve populations in need.

Attachments

1. Template – Refinance Offer Letter
2. Template – Amendment to Deed of Trust Note
3. Template – Amendment to Deed of Trust

TEMPLATE - REFINANCE OFFER LETTER

[insert date]

______________ Limited Partnership
c/o XXXXXXXXX
XXXXXXXXXXXXX
XXXXXXXXXXXXX
XXXXXXX, VA XXXXX

Re: __________ Apartments

Dear Mortgagor:

The Virginia Housing Development Authority (the "Authority") is considering an issuance of bonds (the "Refunding Bonds") to refund certain bonds, the proceeds of which were used to finance the original mortgage loan (the "Mortgage Loan") in the principal amount of $_____________ (excluding the "Gap Loan" of $_______) for the above captioned development (the "Development") owned by the mortgagor (the "Mortgagor"). Such Mortgage Loan is evidenced by ___ Deed of Trust Notes dated _____________ (collectively, the "Note"). **Other Possibilities 1** Such portion of Mortgage Loan is evidenced by a Deed of Trust Note dated _____________, in the original principal amount of $_____________ and a Supplemental Deed of Trust Note dated _____________, in the original principal amount of $_____________ (collectively, the "Note"). The Mortgage Loan Increase Deed of Trust Note dated _____________, in the original principal amount of $_____________ and the Mortgage Loan Increase Deed of Trust Note dated _____________, in the original principal amount of $_____________ are not included in the definition of Note nor are such notes affected hereby. **Other Possibilities 2** The Deed of Trust Note payable to the Virginia Housing Partnership Revolving Fund in the original principal amount of $_____________ will not be affected by the bond refunding and will not be subject to the terms of this letter. **OR, LIEU THEREOF:** At such time, the Virginia Housing Partnership Revolving Fund (the "Fund") provided a mortgage loan (the "Second Mortgage Loan") in the principal amount of $200,000 for the financing of the above captioned Development. Such Second Mortgage Loan is evidenced by a Deed of Trust Note dated [insert date] ("Note 2"). The Authority is the current owner of Note 2.

The current blended interest rate under the Note and note agreement is ___% per annum. The terms of the Note provide (i) for a scheduled maturity date of ____________ (the "Maturity Date"), (ii) that the Note may not be prepaid prior to insert date or mechanism such as "the date 15 years and one month after the initial occupancy of the Development " (the "Prepayment Date"), and (iii) that any prepayment on or after the Prepayment Date shall be subject to a prepayment fee (the "Prepayment Fee"). The current Prepayment Fee is ____% of the outstanding principal balance of the Mortgage Loan. **Other Possibilities** (a) the Authority may adjust the interest rate on the Note from time to time by written notice to the Mortgagor (the “Rate Adjustment”), and (b) the interest rate on the Note shall not exceed the Authority’s effective interest cost plus two per cent (2%) per annum, as determined solely by the Authority (the “Rate Limitation”).

In conjunction with the above contemplated Refunding Bonds, the Authority is pleased to be able to offer the Mortgage Loan refinance terms set forth below which, if accepted by the Mortgagor, will become effective [insert date] (the “Effective Date”), the date on which the existing bonds are expected to be redeemed and refunded.

1. **Tax-Exempt Only** The interest rate on the Note shall be reduced to an interest rate (the “Rate”) to be determined by the Authority, on the advice of its counsel, in connection with the sale of the Refunding Bonds, provided that the Rate shall not exceed ______% per annum. The Authority estimates that, if the Refunding Bonds had been sold on the date hereof, the Rate would have been _____%. It is the Authority’s current intention to price such Refunding Bonds in early ______.

   Taxable Only The interest rate under the Note will be reduced to an interest rate (the “Rate”) equal to the sum of (a) an interest rate (as determined by the Authority as of a date and time requested by the Mortgagor not later than 2:00 p.m. on [insert date]) equal to the interest rate established by the Authority for an Immediate Delivery, Permanent Loan under its Taxable Program and (b) forty-five (45) basis points. For example, on [insert date]at 11:34 a.m., the Authority’s posted interest rate for a mortgage loan meeting the above criteria was ____% (see attached interest rate quote sheet which is available on VHDA’s website at www.vhda.com). Accordingly, if the Mortgagor had requested to establish an interest rate on such aforementioned date and time, the Rate would have been ____% (____% + .45%). It should be noted that the 45 basis point premium in the Rate above has been established as the amount necessary to reimburse the Authority for foregoing upfront payment of the usual 1% processing/ financing fee and a portion of its Prepayment Fee.

2. The Maturity Date of the Mortgage Loan shall be extended to [insert date] (the “Amended Maturity Date”).

3. The Prepayment Date specified in the Note shall be extended to [insert date] (the “Amended Prepayment Date”).

4. **Tax-Exempt Only** The Note shall be amended to provide for a Prepayment Fee equal to 6.00% of the outstanding principal balance of the Mortgage Loan at the time of prepayment declining 1.00% for each 12 month period to elapse since the Amended Prepayment Date,

subject to a minimum Prepayment Fee equal to 3.00% of the outstanding principal balance of the Mortgage Loan at the time of prepayment (the "Amended Prepayment Fee"). The minimum Amended Prepayment Fee has been established as the amount necessary to partially reimburse the Authority for its significant upfront expenditures incurred in connection with the financing and refinancing of the Mortgage Loan. Such expenditures include the redemption premium on the bonds to be redeemed, the underwriter's discount and other costs of issuance of the Refunding Bonds, and the unamortized expenses related to the bonds to be refunded.

Taxable Only The Note shall be amended to provide for a Prepayment Fee equal to 6.00% of the outstanding principal balance of the Mortgage Loan at the time of prepayment declining 1.00% for each 12 month period to elapse since the Amended Prepayment Date, subject to a minimum prepayment fee equal to 3.00% of the outstanding principal balance of the Mortgage Loan at the time of prepayment (the "Amended Prepayment Fee"). The minimum Amended Prepayment Fee has been established as the amount necessary to partially reimburse the Authority for foregoing upfront payment of the balance of its Prepayment Fee not included in the 45 basis point premium in the Rate discussed above.

5. **Tax-Exempt Only** The date set forth in Section 19(b)(1) [check reference] of the Regulatory Agreement, which requires the Development's units to be available for rent to the general public on a continuous basis, will be extended to the Amended Maturity Date of the Mortgage Loan. [Non-AMT language---Also, as a result of the refunding, the time period set forth in Section 19(b)(2)(ii) [check reference] shall be extended to a date not later than the Amended Maturity Date. These changes to Section 19(b)(1) and (2) mean that the continuous rental requirement (as well as the income limitation in Section 19(c)) must be satisfied until the Amended Maturity Date of the Mortgage Loan or, if earlier, any prepayment in full of the Mortgage Loan on or subsequent to the Amended Prepayment Date.] [AMT Language-- This change to Section 19(b)(1) means that the continuous rental requirement (as well as the income limitation in Section 19(c)) must be satisfied until the Amended Maturity Date of the Mortgage Loan or, if earlier, any prepayment in full of the Mortgage Loan on or subsequent to the Amended Prepayment Date.]

6. **Other Possibilities** The Rate Adjustment and Rate Limitation provisions of the Note shall be deleted.

If you wish to accept the above refinance terms, you must execute and notarize, if applicable, and return to me by [insert date] (1) **Tax-Exempt Only** the enclosed Mortgagor Tax Certification and completed attachments, (2) the enclosed Amendment to Deed of Trust Notes and Amendment to Deed of Trust and Regulatory Agreement (collectively, the "Amendments") and (3) this letter evidencing your agreement that the enclosed Amendments will be held in escrow by the Authority subject to the following terms and conditions:

1. The Amendments shall be released from escrow and recorded, if applicable, and shall be in full force and effect upon the sale and issuance of the Refunding Bonds by the Authority for the Development on or before the Effective Date, at interest rates and on terms and conditions acceptable to the Authority; and

2. In the event that Refunding Bonds shall not be so sold and issued for the Development on or before the Effective Date, the Amendments shall be null and void and shall be canceled by the Authority.

Tax-Exempt Only In addition to the above, the Mortgagor agrees to provide such information as may be required by the Authority's Special Tax Counsel in order for such Counsel to render its opinion that the interest on the tax-exempt Refunding Bonds, if any are issued, is tax-exempt. It should be noted that, pursuant to Internal Revenue Service Regulations, if the above contemplated bond refunding is effected, the Authority will not approve a transfer of ownership of the Development during the 12 month period beginning 6 months before the date of issuance of the Refunding Bonds.

If you do not wish to accept the above refinancing terms, the Rate on the Note will not be lowered. No assurances can be given that refinance offers similar to the above will be made in the future. The Authority reserves the right to effect the sale of the Refunding Bonds without the extension of any such offer.

If you have any questions regarding this proposal **Taxable Only** or desire to determine the interest rate after acceptance hereof, please contact me at (804) 343-5847.

Very truly yours,

J. Hil Richardson, Jr.
Senior Finance Manager

ACCEPTANCE

The undersigned has duly executed the enclosed Amendments and hereby agrees that such Amendments shall be held in escrow by the Authority subject to the terms and conditions set forth in the foregoing letter.

_____________________ Limited Partnership

By: _____________________________

Its:

Date: _____________________________

Enclosures

Mortgagor Tax Certification **Tax-Exempt Only**

In connection with the refinancing of the mortgage loan for ________________ Apartments via the refunding of certain bonds of the Virginia Housing Development Authority (the "Authority") the interest on which is tax-exempt, I hereby certify and represent that the information set forth in Parts II and III attached hereto is true and complete to the best of my knowledge and belief. Furthermore, I understand that this certification is being relied upon by the Authority in the issuance of its refunding bonds and by the firm of Hawkins Delafield & Wood LLP, Special Tax Counsel, in rendering its opinion as to the tax-exempt status of the interest on such refunding bonds.

In Witness Whereof, I have hereunto set my hand this __ day of _____________, 20XX.

________________ Limited Partnership

By: _____________________________

Its:

Contact Person If Special Tax Counsel Has Questions

Name: _____________________________

Phone:

TEMPLATE - AMENDMENT TO DEED OF TRUST NOTE

AMENDMENT TO DEED OF TRUST NOTE NOTES

THIS AMENDMENT TO DEED OF TRUST NOTE NOTES dated as of the 1st day of [insert date], is entered into by and between ____, a _____________ ________________________________ formerly known as ____ (the "Mortgagor") and the **VIRGINIA HOUSING DEVELOPMENT AUTHORITY** (the "Authority").

W I T N E S S E T H:

WHEREAS, the Authority has made a mortgage loan to the Mortgagor ___________ evidenced by a deed of trust note dated __________ in the original principal amount of $________ (such deed of trust note, together with any amendments thereto, is referred to herein as the "Note") a deed of trust note dated ________, in the original principal amount of $_________ (such deed of trust note, together with any amendments thereto, is referred to herein as "Note 1"), a deed of trust note dated ________, in the original principal amount of $_________ (such deed of trust note, together with any amendments thereto, is referred to herein as "Note 2"; Note 1 and Note 2 are collectively referred to herein as the "Notes"), which Notes are subject to the terms of a note agreement dated ________, (the "Note Agreement"); and

WHEREAS, by Assignment and Assumption Agreement dated _______, the Mortgagor assumed all obligations under the Note Notes; and

WHEREAS, **Delete the following if all taxable:** as a result of the anticipated refunding of certain bonds of the Authority issued to finance the indebtedness evidenced by the Note Notes, the Mortgagor and the Authority desire to amend the Note Notes.

NOW THEREFORE, for good and valuable consideration, the Mortgagor and the Authority hereby agree that the Note is Notes are amended as follows:

PROVISION #1 FOR MULTIPLE NOTES- TAX EXEMPT

1. (a) Notwithstanding any provisions of the Notes or the Note Agreement to the contrary, effective ___________, note: the preceding date is the first day of the month prior to the change in monthly payments the per annum interest rate on the indebtedness evidenced by the Notes shall be such interest rate as shall be determined by the Authority, on the advice of its counsel, in connection with the sale of bonds issued by the Authority to refund the bonds previously issued to finance the indebtedness evidenced by the Notes; provided, however, that the interest rate shall not exceed _____% per annum.

(b) Notwithstanding any provisions of Note 1 to the contrary, (i) effective ______________, note- the preceding date is the date on which the monthly payments change and is the first day of the first month after the change in the interest rate above the monthly payments of principal and interest due and payable under Note 1 shall be adjusted to an amount which, in the determination of the Authority, will fully amortize, on a level annuity basis, the then outstanding principal balance of the indebtedness evidenced by Note 1 at the above described interest rate over the remaining term from and including ___________, note- the preceding date is the date on which the monthly payments change and is the first day of the first month after the change in the interest rate above to and including ___________, note: the preceding date is the maturity date of the mortgage loan and (ii) such monthly payments of principal and interest shall continue thereafter on the first day of each succeeding month until ___________, note: the preceding date is the maturity date of the mortgage loan at which time the balance of principal remaining unpaid, plus accrued interest thereon, shall be due and payable.

(c) Notwithstanding any provisions of Note 2 to the contrary, (i) effective __________ ________, _______, note- the preceding date is the date on which the monthly payments change and is the first day of the first month after the change in the interest rate above the monthly payments of principal and interest due and payable under Note 2 shall be adjusted to an amount which, in the determination of the Authority, will fully amortize, on a level annuity basis, the then outstanding principal balance of the indebtedness evidenced by Note 2 at the above described interest rate over the remaining term from and including ___________, note- the preceding date is the date on which the monthly payments change and is the first day of the first month after the change in the interest rate above to and including ___________, note: the preceding date is the maturity date of the mortgage loan and (ii) such monthly payments of principal and interest shall continue thereafter on the first day of each succeeding month until ___________, note: the preceding date is the maturity date of the mortgage loan at which time the balance of principal remaining unpaid, plus accrued interest thereon, shall be due and payable.

2. The provisions set forth in the last ____ sentences of Section A of each of the Notes permitting the Authority to alter the interest rate and providing that the interest rate shall at no time exceed the Authority's effective interest cost plus not to exceed _____________ percent (__%) per annum are hereby deleted.

PROVISION #1 FOR SINGLE NOTE – TAX-EXEMPT

1. Notwithstanding any provision of the Note to the contrary, (i) effective ___________, note: the preceding date is the first day of the month prior to the change in monthly payments below the per annum interest rate on the indebtedness evidenced by the Note shall be such interest rate as shall be determined by the Authority, on the advice of its counsel, in connection with the sale of bonds issued by the Authority to refund the bonds previously issued to finance the indebtedness evidenced by the Note; provided, however, that the interest rate shall not exceed _____% per annum, (ii) effective ___________, note- the preceding date is the date on which the monthly payments change and is the first day of the first month after the change in the interest rate above the monthly payments of principal and interest due and payable under the Note shall be adjusted to an amount which, in the determination of the Authority, will fully amortize, on a level annuity basis, the then outstanding principal balance of the indebtedness evidenced by the Note at the above described interest rate over the remaining term from and including ___________, note- the preceding date is the date on which the monthly payments change and is the first day of the first month after the change in the interest rate above to and including ___________, note: the preceding date is the maturity date of the mortgage loan and (iii) such monthly payments of principal and interest shall continue thereafter on the first day of each succeeding month until ___________, note: the preceding date is the maturity date of the mortgage loan at which time the balance of principal remaining unpaid, plus accrued interest thereon, shall be due and payable.

2. The provisions set forth in the last ____ sentences of Section A of the Note permitting the Authority to alter the interest rate and providing that the interest rate shall at no time exceed the Authority's effective interest cost plus not to exceed _____________ percent (__%) per annum are hereby deleted.

PROVISION #1 FOR SINGLE NOTE – TAXABLE

1. Notwithstanding any provision of the Note to the contrary, (i) effective ___________, note: the preceding date is the first day of the month prior to the change in monthly payments below the per annum interest rate on the indebtedness evidenced by the Note shall be equal to the sum of (a) an interest rate (as determined by the Authority as of a date and time requested by the Mortgagor not later than 2:00 p.m. on [insert date] equal to the interest rate established by the Authority for an Immediate Delivery, Permanent Loan under its Taxable Program and (b) forty-five (45) basis points, (ii) effective ___________, note- the preceding date is the date on which the monthly payments change and is the first day of the first month after the change in the interest rate above the monthly payments of principal and interest due and payable under the Note shall be adjusted to an amount which, in the determination of the Authority, will fully amortize, on a level annuity basis, the

then outstanding principal balance of the indebtedness evidenced by the Note at the above described interest rate over the remaining term from and including ___________, note- the preceding date is the date on which the monthly payments change and is the first day of the first month after the change in the interest rate above to and including ___________, note: the preceding date is the maturity date of the mortgage loan and (iii) such monthly payments of principal and interest shall continue thereafter on the first day of each succeeding month until ___________, note: the preceding date is the maturity date of the mortgage loan at which time the balance of principal remaining unpaid, plus accrued interest thereon, shall be due and payable.

2. The provisions set forth in the last ____ sentences of Section A of the Note permitting the Authority to alter the interest rate and providing that the interest rate shall at no time exceed the Authority's effective interest cost plus not to exceed _____________ percent (__%) per annum are hereby deleted.

PROVISION #1 FOR SINGLE NOTE – TAXABLE – alternate to be used when rate drops after term is extended

2. Notwithstanding any provision of the Note to the contrary, (i) effective ___________, note- the preceding date is the date on which the monthly payments change the monthly payments of principal and interest due and payable under the Note shall be adjusted to an amount which, in the determination of the Authority, will fully amortize, on a level annuity basis, the then outstanding principal balance of the indebtedness evidenced by the Note at the interest rate set forth in the Note over the remaining term from and including ___________, note- the preceding date is the date on which the monthly payments change and is the first day of the first month after the change in the interest rate above to and including ___________, note: the preceding date is the maturity date of the mortgage loan and (ii) such monthly payments of principal and interest shall continue thereafter on the first day of each succeeding month until ___________, note: the preceding date is the maturity date of the mortgage loan at which time the balance of principal remaining unpaid, plus accrued interest thereon, shall be due and payable.

3. Notwithstanding any provision of the Note to the contrary, (i) effective ___________, note: the preceding date is the first day of the month prior to the change in monthly payments below the per annum interest rate on the indebtedness evidenced by the Note shall be equal to the sum of (a) an interest rate (as determined by the Authority as of a date and time requested by the Mortgagor not later than 2:00 p.m. on [insert date]) equal to the interest rate established by the Authority for an Immediate Delivery, Permanent Loan under its Taxable Program and (b) forty-five (45) basis points, (ii) effective ___________, note- the preceding date is the date on which the monthly payments change and is the first day of the first month after the change in the interest rate above the monthly payments of principal and interest due and payable under the Note shall be adjusted to an amount which, in the determination of the Authority, will fully amortize, on a level annuity basis, the then outstanding principal balance of the indebtedness evidenced by the Note at the above described interest rate over the remaining term from and including ___________, note- the preceding date is the date on which the monthly payments change and is the first day of the first month after the change in the interest rate above to and including ___________, note: the preceding date is the maturity date of the mortgage loan and (iii) such monthly payments of principal and interest shall continue thereafter on the first day of each succeeding month until ___________, note: the preceding date is the maturity date of the mortgage loan at which time the balance of principal remaining unpaid, plus accrued interest thereon, shall be due and payable.

4. The provisions set forth in the last ____ sentences of Section A of the Note permitting the Authority to alter the interest rate and providing that the interest rate shall at no time exceed the Authority's effective interest cost plus not to exceed _____________ percent (__%) per annum are hereby deleted.

PROVISION #2 PREPAYMENT – SINGLE NOTE

2.3. Section F of the Note is hereby deleted, and the following is inserted in lieu thereof:

"F. The Mortgagor covenants not to pay the debt evidenced by this Note or any part thereof prior to or in advance of the payment schedule described hereinabove until ____________, (the "Prepayment Date"). note: this date must be later than the expiration of the Qualified Project Period after taking into account any effect as the result of any maturity date of the refunding bonds being later than the maturity date of the refunded bonds Subsequent to the Prepayment Date, the Mortgagor shall have the right to prepay, in whole but not in part, the debt evidenced hereby; provided, however, that the Mortgagor in connection with such prepayment shall pay, in addition to all amounts due under this Note, a prepayment fee equal to six per cent (6%) of the then outstanding principal balance of the Mortgage Loan reduced by one percentage (1%) point for each twelve month period that has expired since the Prepayment Date, but in no event less than three percent (3%) of the then outstanding principal balance of this Note. In the event that the Authority shall exercise its right under Section D hereinabove (regardless of whether the failure by the Mortgagor to perform or comply with any of the terms of this Note or the event of default under the Deed of Trust, all as described in Section D, is voluntary or involuntary on the part of the Mortgagor), a prepayment fee shall become at once due and payable in an amount equal to the amount then calculated under the preceding sentence for a prepayment in full of the then outstanding principal balance of the debt evidenced hereby. Any prepayment fee which shall become due and payable under this Section F shall be secured by the Deed of Trust described in Section G below."

Except as amended hereby, the terms of the Note shall remain in full force and effect.

PROVISION #2 PREPAYMENT-MULTIPLE NOTES

2.3.Section F of each of the Notes is hereby deleted, and the following is inserted in lieu thereof:

"F. The Mortgagor covenants not to pay the debt evidenced by this Note or any part thereof prior to or in advance of the payment schedule described hereinabove until ____________, (the "Prepayment Date"). note: this date must be later than the expiration of the Qualified Project Period after taking into account any effect as the result of any maturity date of the refunding bonds being later than the maturity date of the refunded bonds Subsequent to the Prepayment Date, the Mortgagor shall have the right to prepay, in whole but not in part, the debt evidenced hereby; provided, however, that the Mortgagor in connection with such prepayment shall pay, in addition to all amounts due under this Note, a prepayment fee equal to six per cent (6%) of the then outstanding principal balance of the Mortgage Loan reduced by one percentage point (1%) for each twelve month period that has expired since the Prepayment Date, but in no event less than three percent (3%) of the then outstanding principal balance of this Note. In the event that the Authority shall exercise its right under Section D hereinabove (regardless of whether the failure by the Mortgagor to perform or comply with any of the terms of this Note or the event of default under the Deed of Trust, all as described in Section D, is voluntary or involuntary on the part of the Mortgagor), a prepayment fee shall become at once due and payable in an amount equal to the amount then calculated under the preceding sentence for a prepayment in full of the then outstanding principal balance of the debt evidenced hereby. Any prepayment fee which shall become due and payable under this Section F shall be secured by the Deed of Trust described in Section G below."

Except as amended hereby, the terms of the Notes and Note Agreement shall remain in full force and effect.

______________________________	**VIRGINIA HOUSING DEVELOPMENT AUTHORITY**
(Mortgagor)	
By: ______________________	By: ______________________
Its: ______________________	Its: Authorized Officer

By: ______________________

Its: ______________________

By: ______________________

Its: ______________________

By: ______________________

Its: ______________________

TEMPLATE - AMENDMENT TO DEED OF TRUST

This Document Drafted By:
Virginia Housing Development Authority

Tax Map Reference Number or Parcel
Identification Number: ________________

This Document is Exempt from Recordation
Taxes under Section 58.1-809.

AMENDMENT TO DEED OF TRUST AND REGULATORY AGREEMENT

THIS AMENDMENT TO DEED OF TRUST AND REGULATORY AGREEMENT dated as of the 1st day of November 20XX, is entered into by and between ____________________, a ________________ formerly known as __________ (the "Grantor" or "Mortgagor"), **J. JUDSON MCKELLAR, JR.**, sole acting trustee (the "Trustee") and the **VIRGINIA HOUSING DEVELOPMENT AUTHORITY** (the "Authority").

W I T N E S S E T H:

WHEREAS, the Authority made a mortgage loan to the Mortgagor _______________ to finance the ownership of a certain housing development known as _______________ (the "Development") which mortgage loan is evidenced by a deed of trust note (such deed of trust note, together with any amendments thereto, is referred to herein as the "Note") __ deed of trust notes (such deed of trust notes, together with any amendments thereto, are collectively referred to herein as the "Note") dated _______________, and secured by a deed of trust dated as of _______________, (such deed of trust, together with any amendments thereto, is referred to herein as the "Deed of Trust"), recorded in Deed Book _____Page _____, among the land records of the City County of _______________, Virginia;

WHEREAS, the operation of the Development is governed by a regulatory agreement dated _____ ______________________, ______, (such regulatory agreement, together with any amendments thereto, is referred to herein as the "Regulatory Agreement"), recorded in Deed Book ____, Page _________, among the aforesaid land records; and

WHEREAS, by Assignment and Assumption Agreement dated _______________, the Mortgagor assumed all obligations under the Note Notes, and Deed of Trust and Regulatory Agreement; and

WHEREAS, **Delete the following if all taxable:** as a result of the anticipated refunding of certain bonds of the Authority issued to finance the above referenced mortgage loan, the Mortgagor, the Authority and the Trustee, as sole acting trustee under the Deed of Trust, desire to make certain amendments to the Deed of Trust and Regulatory Agreement.

NOW THEREFORE, for good and valuable consideration, the parties hereto agree that the Deed of Trust is and Regulatory Agreement are hereby amended as follows:

1. The penultimate sentence of Section 1 of the Deed of Trust entitled "Indebtednesses under Note (Construction/Permanent Financing)" is hereby amended in its entirety to state as follows:

   "The maturity date of the Note shall be _______________."

   The following two sections apply if (a) tax exempt refunding bonds will have a maturity date later than the maturity date of the refunded bonds and (b) the Regulatory Agreement contains the maturity date of the refunded bonds in the section containing the income limits, usually section 19

2. Subsection 19(b)(1) of the Regulatory Agreement is hereby amended and restated as follows:

   "(1) _________________, insert above maturity date of the loan; this date must be later than the expiration of the Qualified Project Period or, if earlier, the date on which the Authority's notes or bonds issued to finance the Mortgage Loan have been retired (it being understood that any prepayment made in accordance with the Deed of Trust Note shall be applied by the Authority to retire said notes or bonds) or"

3. The date described in (ii) of Subsection (b)(2) of Section 19 of the Regulatory Agreement is hereby extended to ____________________ insert above maturity date of the loan; this date must be later than the expiration of the Qualified Project Period or such earlier date on which the bonds issued to finance the Mortgage Loan are retired as a result of a prepayment of the Mortgage Loan in accordance with the terms of the Notes.

Except as amended hereby, the terms of the Deed of Trust and Regulatory Agreement shall remain in full force and effect.

THE SIGNATURES OF THE PERSONS EXECUTING THIS AMENDMENT TO DEED OF TRUST ON BEHALF OF THE MORTGAGOR, THE AUTHORITY AND THE TRUSTEE AND THE NOTARIAL CERTIFICATES FOR SUCH SIGNATURES ARE SET FORTH ON THE EXECUTION PAGE IMMEDIATELY FOLLOWING THIS PAGE.

EXECUTION PAGE FOR THE AMENDMENT TO DEED OF TRUST

SET FORTH BELOW ARE SIGNATURES AND NOTARIAL CERTIFICATES FOR THE AMENDMENT TO DEED OF TRUST EXECUTED BY THE MORTGAGOR, THE VIRGINIA HOUSING DEVELOPMENT AUTHORITY AND THE TRUSTEE.

____
(Grantor and Mortgagor)

By: ______________________________

Its: ______________________________

By: ______________________________

Its: ______________________________

By: ______________________________

Its: ______________________________

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

By: ___________________________________
Its: Authorized Officer

____
J. Judson McKellar, Jr., Trustee

STATE OF ________________
_______________of _____________________, to-wit:

The foregoing instrument was acknowledged before me this ____ day of _________________, 20XX, by ____, a ____________________________of _______________________ ____, a ____, on its behalf.

____
Notary Public
My notary seal is affixed below:

My commission expires: __________________
My notary registration number is: ________________________

STATE OF VIRGINIA
CITY OF RICHMOND, to-wit:

The foregoing instrument was acknowledged before me this ____ day of ____________________, 20XX, by _____________________________________, an Authorized Officer of the Virginia Housing Development Authority, a political subdivision of the Commonwealth of Virginia, on its behalf.

____
Notary Public
My notary seal is affixed below:

My commission expires: _________________
My notary registration number is: _______________________

STATE OF VIRGINIA
CITY OF RICHMOND, to-wit:

The foregoing instrument was acknowledged before me this ____ day of ____________________, 20XX, by J. Judson McKellar, Jr., sole acting Trustee.

____
Notary Public
My notary seal is affixed below:

My commission expires: _________________
My notary registration number is: _______________________

Return to: Legal Division
VHDA
601 South Belvidere Street
Richmond, Virginia 23220