



Entry Form 2018 Annual Awards for Program Excellence

Entry Deadline: Friday, June 15, 2018, Midnight ET

Each entry must include a completed entry form. Please complete a form for each entry your HFA is submitting. The completed entry form will become the first page of your entry.

This form is a fillable PDF. Type your information into the entry form and save it as a PDF. Please do not write on or scan the entry form. **Questions: Call 202-624-7710 or email awards@ncsha.org.**

Entry Title: Enter your entry's title exactly as you wish it to be published on the NCSHA website and in the awards program.

Category:

Subcategory:

Entry Summary: A 15-word (max) summary of the program, project, or practice you are entering.

HFA:

HFA Staff Contact:

Phone:

Email:

Visual Aids:

Are you mailing to NCSHA 10 copies of any visual aids that cannot be included in your entry PDF? Yes No

Payment:

My HFA is mailing a check to NCSHA.
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Innovative Funding Model

For the past six years, Vermont Housing Finance Agency (VHFA) has pioneered new ways to use state housing tax credits to meet down payment assistance needs of Vermonters. The Vermont Affordable Housing Tax Credit was originally created in 2000 to fund the creation and preservation of affordable multifamily rental housing. However, the destruction caused in 2011 by Hurricane Irene required immediate, innovative action on behalf of low-income owners of damaged mobile homes who were disproportionately impacted by the storm.

VHFA and its partners successfully advocated to expand the state's annual allocation of Vermont housing tax credits by \$200,000 to meet the urgent need to replace these homes. Since this expansion was enacted, 146 home buyers with incomes averaging \$39,000 have used down payment assistance (DPA) provided through state housing credit equity to purchase highly energy efficient manufactured homes. The program provides up to \$35,000 in DPA to income-eligible Vermonters purchasing energy efficient manufactured homes, including the path-breaking, net-zero energy use Vermod home. The program is administered through Vermont's largest Neighborworks organization, Champlain Housing Trust.

Several years after Hurricane Irene, VHFA proposed using state housing credits to provide down payment assistance for another group of low and moderate-income Vermonters faced with substantial affordability obstacles: first-time home buyers. In 2015, the VHFA convinced the State Legislature to issue an additional \$125,000 in Vermont Affordable Housing Tax Credits so that VHFA could pool the sale of credits to a singular investor for the use of DPA loans. By using this existing program in a completely new way, VHFA found a new funding tool to promote first time home buying in a state that previously had no DPA program.

Since DPA is provided in the form of a zero-percent loan repaid when a home is sold or refinanced, this extension of state housing credits sets the stage for repaid loans from the program's first year to begin to fund new loans in 2023, making this a revolving loan program to serve Vermont's first time home buyers for decades to come. Like the assistance provided through VHFA to first-time home buyers, mobile home DPA is also in the form of a zero percent loan to be repaid only if the home is sold or refinanced.

Replicability

According to Novogradac, 15 states, including Vermont, have a State Housing Tax Credit program. With the right political environment and broad based advocacy like Vermont's partnership with the Chamber of Commerce, any of these states could work to increase their state housing tax credit program in a similar manner to address unmet state housing needs.

Vermont has a strong market for the credits in large part because they are certificated, so that investors are not at risk if the home assisted through the program is non-compliant. Furthermore, by extending the program from three to seven years a year after it was launched, the Legislature made the first-time buyer program self-sustaining because repaid loans will fund new loans into the future after the housing credit funding ends.

Currently the mobile home homeownership credits are sold individually for each home assisted. VHFA is working with partners and the Legislature to replicate the pooling feature used for first-time home buyer tax credits for mobile homes to attract larger investors and increase demand for the credits.

Important State Housing Need

The stability of owning a home has proven benefits for individuals, their neighborhoods, employers and the state's economy. However, Vermont has a long-standing affordability gap between housing costs and median household income, including the 5th highest closing costs in the country¹. Young adults making entry-level Vermont salaries saddled with student loan and/or car loan debt face an uphill battle saving the cash needed for closing costs and a down payment. DPA is an essential resource for lower-income, first-time home buyers and manufactured home buyers.

In a state dominated by single owner occupied homes, manufactured homes are an important component of Vermont's affordable housing options. As in other rural states, mobile homes comprise a higher than average portion of Vermont's owner housing stock.

Measurable benefits to customers

The program for mobile home buyers provides DPA up to \$35,000, with the maximum assistance amount available exclusively for buyers of the highly energy efficient Vermod home. Through the program for first-time home buyers, VHFA makes down payment and closing cost assistance loans available to qualified buyers, in amounts up to \$5,000². The loans are made at a zero percent interest rate, with repayment of principal due at the time of sale or refinancing of the home.

Although the program for manufactured home buyers is administered by a partner agency, the first-time home buyer program helps bolster VHFA's production at a time when the Agency is doing very little tax exempt bonding and therefore VHFA's interest rates are comparable to what is available conventionally. Not only has this program benefited VHFA's customers, but it also has aided VHFA's loan production programs overall.

Proven track record of success

Since VHFA began allocating housing credit funding for DPA to manufactured home buyers in 2012, 146 households with an average income of \$40,000 have used the program to purchase new energy efficient homes. There is an equitable 50-50 split between placement of homes purchased through the program on owned land and in parks.

Since the DPA program for first-time home buyers began in August 2015, VHFA has closed 600 DPA loans. The average home buyer assisted through this program has an income of \$65,000, is 31 years old with credit score of 709 and purchases a home priced at \$160,000³.

Both programs have been used in every Vermont county.

Benefits that outweigh the costs

In Vermont, the need for access to affordable housing goes beyond housing to economic necessity. In our 2011e employer survey, VHFA found that employee turnover⁴ cost on average \$13,754 per employee. In the past 3 years, employers lost an average of 2.46 recruits due to housing costs, availability, or other limitations. The cost of housing for homeownership was regarded as a serious problem by 62% of employers.

Just one year after initially enacting the DPA program for first-time home buyers, the state

¹ According to National Mortgage News

² Not to exceed actual cash required to close

³ This is 65% of VT average home price of \$246,000

⁴ This includes the cost of lost productivity, advertising, and the time and expense of interviewing and training candidates

legislature demonstrated its confidence in the program's benefits by adding 4 years of tax credit funding to the 3 years originally approved. The bill to extend the program passed the House by a vote of 139 to 3 and made it a self-sustaining revolving loan program.

Effective use of resources

The tax credit is a 5-year credit, allowing the investor to offset their state tax liability for each of five years. The \$200,000 annual allocation of state credits for manufactured homes has generated \$4 million in tax credit equity for DPA.

The \$125,000 annual tax credit allocation for first-time home buyers is sold upfront to investors to capitalize a pool of funds each year for DPA loans to first time homebuyers who also use first mortgage loans from VHFA. VHFA lends up to \$5,000 for down payment assistance and closing costs per household in the form of a 0% second mortgage, with no monthly payments during the life of the loan. The loan is repaid to VHFA when the first mortgage is refinanced or the home is sold, creating the potential for a self-sustaining revolving loan fund. VHFA has been able to sell these tax credits at a very favorable price (\$0.95 cents on the dollar)--well above what is typical in the market for state credits sold recently.

Effectively employ partnerships

To advocate at the State House for these programs, VHFA gathered support of key partners, including Champlain Housing Trust who later became the administrator of the manufactured home DPA program. For the first-time home buyer program, VHFA partnered with the state's largest Chamber of Commerce, the Lake Champlain Regional Chamber of Commerce, who devoted extensive effort to building support for this program. The creation of this program was one of the Chamber's signature accomplishments in 2015 and 2016.

After the first-time home buyer program's enactment by the legislature, VHFA reached out to participating lenders in the Agency's homeownership program to solicit interest for purchasing the credits and eventually selected Union Bank as the singular investor in the first three years of available funding. Union Bank agreed to purchase all three years of available credits at the same high price offered for the first year.

Achieve strategic objectives

According to NCSHA's 2013 Fact Book, 59% of MRB homebuyers received DPA but Vermont was one of just four states that reported 0% of MRB loans received DPA. Creating this program was critical to VHFA's ability to maintain necessary production during this time of historically low conventional interest rates.

VHFA achieved its two primary strategic objectives through this program:

- First and foremost to meet the needs of Vermont's first time home buyers; and
- To stabilize and sustain VHFA's homeownership loan production program.

In September 2017, the demand for this assistance was so great that the program was forced to stop accepting applications until additional funds could be obtained, proving the need for and success of this program. As Vermont nears the end of its third state fiscal year with the program all of the proceeds from FY18 have been extended and we are forward committing FY19 expected funds for loans in the pipeline.

Expanding the use of state tax credits to provide down payment assistance for manufactured home buyers helps VHFA meet its overall mission of financing and promoting affordable, safe and decent housing opportunities for low- and moderate-income Vermonters.