

How the VT Housing Tax Credit Funds VHFA's Down Payment Assistance

As a part of this year's [economic development bill](#), an additional \$125,000 was added to the existing Vermont Housing Tax Credit program for the purpose of funding VHFA's down payment assistance program. This additional \$125,000 will be available for three years (State Fiscal Years 2016, 2017 and 2018). It is a 5-year credit, so the purchaser of the credits will receive a annual \$125,000 reduction in their state tax liability for five years after purchasing the credit.

The Vermont Housing Tax Credit program was originally created in 2000 as a way to fund the construction of affordable multifamily rental housing development. It was expanded in 2007 to include the creation of affordable single family housing development. In 2015, the program was again expanded to fund this down payment assistance program. The Vermont Housing Finance Agency (VHFA) has always been the allocator of these credits, awarding them to developers who then sold the credits to investors. The equity raised from the sale of the credits funded the affordable housing developments.

Using the Housing Credit program to fund individual home buyers through down payment assistance is a new approach to using this program.

VHFA approached some of its lending partners that participate in its loan programs who have historically purchased Housing Tax Credits for other purposes to gauge their interest in purchasing a pool of tax credits to fund this program. [Union Bank](#) agreed to purchase all of the available FY2016 credits and made a commitment to purchase all of the next two years' credits when they become available, at the same generous rate.

Since this is a five-year tax credit for Union Bank, they will receive a total benefit of \$625,000 in reduced state taxes (\$125,000 per year for five years). In return, they will pay VHFA just under \$600,000 in 2015 to fund its down payment program. VHFA will then allocate those funds to eligible first-time buyers in loans of up to \$5,000. VHFA hopes to be able to serve at least 115 first time homebuyers this year with this funding.

The commitment of Union Bank to purchase this year's credits, as well as those that will be available in Fiscal Years 2017 and 2018 assures that the program will be fully funded and available to assist an additional 115 homebuyers in each of those years as well.

Further Questions? Contact Maura Collins at mcollins@vhfa.org or call 802.652.3434.