



Vermont Housing Finance Agency

news release

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GOVERNOR DOUGLAS AND VHFA APPLAUD TREASURY ACTION ON HOUSING FINANCE AGENCY ASSISTANCE

BURLINGTON—**Gov. James Douglas** and the Vermont Housing Finance Agency (VHFA) applauded the U.S. Treasury Department announcement yesterday to bolster state Housing Finance Agencies (HFAs) and their efforts to stimulate home buying for low- and moderate-income homeowners, and provide affordable rental homes. The initiative is part of **President Obama's** *Making Home Affordable* program.

"I am so pleased that the Treasury Department has responded to calls for assistance from Vermont and across the country. This initiative is critical to helping struggling Vermonters access affordable and sustainable housing. It is also a welcome investment in the long-term viability of the VHFA. Dorothy and I had our first mortgage through VHFA, so we know first hand what an invaluable resource it is for working Vermonters, especially in a recovering economy," said Governor Douglas.

Since this spring, Governor Douglas, Chair of the National Governor's Association, Vermont's Congressional delegation, and VHFA have been actively encouraging the Treasury Department and the Federal Housing Finance Administration (FHFA) to develop a program to help state HFAs expand their affordable lending efforts and strengthen their financial standing by overcoming obstacles to both created by the financial crisis.

Despite the economic downturn, VHFA and other state HFA's homeownership loan performance has remained strong. Nationally, almost twice as many loans were in foreclosure (4.3%), as Vermont's loans (2.2%), according to the Mortgage Bankers Association (MBA), while only 0.9% of VHFA's loans were in foreclosure. VHFA's seriously delinquent mortgages have been less than 2%, compared with a national rate of almost 8%. HFAs did not engage in subprime lending, offering largely fixed-rate, 30-year loan products. VHFA's rental housing portfolio is also extremely strong, but according to VHFA, many older properties are in need of recapitalization.

The Administration's two-point plan provides for: a temporary Housing Bond purchase program, through housing Government-Sponsored Enterprises Fannie Mae and Freddie Mac, to fund home loans and finance rental production at affordable rates; and a temporary liquidity facility for outstanding HFA Variable Rate Debt (VRD) to strengthen HFA lending capacity.

According to **Sarah Carpenter**, Executive Director of VHFA, state HFAs have been virtually frozen out of the Housing Bond market, because of the shortage of investors willing to buy their long-term, fixed-rate bonds at rates that allow HFAs to lend the proceeds affordably.

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The lending and financial capacity of state HFAs that issued VRD to enable them to offer lower mortgage rates in recent years has been even further strained. These HFAs have been hard pressed to remarket this debt, as the institutions they have relied upon in the past to remarket it and serve as buyers of last resort have left the market, been significantly downgraded, or are imposing unreasonable terms and excessive rates.

“The key to providing long term housing affordability for Vermonters is access to long term affordable capital” said Carpenter. “This renewed relationship with the Treasury and the GSEs will allow VHFA to jump start our relationship with the private investment market and stabilize housing costs when it is needed the most.”

The newly announced program was developed by the Administration with input from state HFAs and reflects the confidence the Administration and Congress have in HFA lending practices. It is temporary, facilitating HFA affordable housing lending through and potentially beyond 2010. Through fees paid by the HFAs, the program is designed to break even, operating at no likely cost to taxpayers.

VHFA hopes to put to work \$96.5 million in Housing Bond authority Congress provided under the Housing and Economic Recovery Act of 2008 to stimulate the housing market.

Since its inception in 1974, VHFA has helped almost 27,000 Vermont households with affordable mortgages and financed the development of approximately 7,700 affordable rental units.