

Vermont Community Loan Fund

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Brian Pine, Project Coordinator

BUSINESS PLAN

January 1990

presented to

THE MERCHANT'S BANK

EXECUTIVE SUMMARY

The Vermont Community Loan Fund (VCLF) is a private sector initiative to address affordable housing needs in Vermont. As a not-for-profit financial intermediary, VCLF provides loans and financial, technical and other support services to community-based housing projects for low-income and other disadvantaged groups. Lower-interest loan capital is lent to the Fund by socially-concerned investors. The Fund is then able to reloan these funds to community borrowers at below market rates.

In its first eighteen months of operation, the Fund has been able to secure \$601,400 in loan capital from 53 investors at a weighted cost of funds of less than 3%. The Fund has extended loan commitments totalling \$577,946 to 17 projects around the state of Vermont. These developments were able to leverage an additional \$6 million and will create or preserve close to 200 units of affordable housing. VCLF has already become a major player in the development of affordable housing in Vermont.

VCLF expects to reach a million dollars in assets by the end of 1990 and become a multi-million dollar fund within the next five years. As one of the most sensible ways for community-minded investors to loan funds to groups developing affordable housing, VCLF holds tremendous appeal for Vermont's community-minded citizenry. Unencumbered by the political winds surrounding public sector programs, VCLF will be available as a consistent and reliable source of below-market rate financing far into the future.

All of the projects financed by VCLF address community needs in regards to housing and can easily be considered 'CRA-portfolio' loans. Working in partnership with the banking community, VCLF is able to create beneficial projects for all parties. VCLF's subordinate financing of a portion of a deal reduces the risk of a bank's participation in innovative non-profit housing projects. Ongoing technical assistance and monitoring from VCLF further assures the success of the project.

VCLF faces financial needs of both investment capital and funds for operations. Initial operational support has been provided by foundations, a source which will be significantly reduced over the coming years. VCLF anticipates being able to support its own operations from interest income, financing charges and technical assistance fees once the fund reaches \$2.5 million. For the next three-five years, VCLF is seeking a commitment of significant operational support from the state's financial community. This support will allow the Fund's staff to concentrate on acquiring loan capital and to move the Fund toward self-sufficiency in a most expedient fashion.

Description of the Loan Fund

The Vermont Community Loan Fund is a unique financial intermediary which 1) offers socially-concerned investors an opportunity to direct their resources towards the affordable housing needs of Vermont communities and 2) provides community groups located in Vermont with lower-interest loans and technical assistance in the development of affordable housing and other projects benefitting lower income Vermonters.

The VCLF accepts investments at terms determined by the investor, within certain parameters established by the Fund. Monies are pooled together and lent to a variety of projects providing affordable housing. By providing technical assistance as well as loan capital, the Loan Fund is able to locate qualified borrowers, evaluate their needs and capacities and help them develop workable plans for using and repaying loans.

All projects supported by VCLF are sound investments, yet frequently require terms which conventional lending institution cannot provide. For example, some projects demand lower interest rates in order to remain affordable. In other cases, the applicants may have initiative and ability but an insufficient track record. Other projects require unusual terms such as a graduated payment plan or a higher than normal loan to value ratio. Most frequently, the Loan Fund is an essential part of a total financing package which includes grants and bank loans.

Similar loan funds have been created across the country to help direct private funds towards community needs. Currently, there is over \$60 million invested nationwide. These funds have experienced a very enviable loan loss rate of less than one percent. Although investments in community loan funds are not guaranteed, no loan fund has failed to meet its obligations to its investors.

Purposes of the Fund

The purposes of the Vermont Community Loan Fund include the following:

- 1) To make loans to projects which provide long-term access to and control over housing, land and capital for low-income and other disadvantaged groups;
- 2) To encourage the elimination of discrimination in access to housing, credit and economic opportunities;
- 3) To promote models of ownership or tenant control which insure long-term affordability;
- 4) To stimulate and encourage, where possible, the revitalization of neighborhoods and communities;
- 5) To educate the public about the housing and economic needs of low-income and other disadvantaged groups.

History of the VCLF

The Vermont Community Loan Fund, Inc., was organized by a group of individuals working in the areas of affordable housing and economic development throughout Vermont. This group was aware of the increasing need for lower-interest capital especially for start-up costs and interim financing of viable projects which do not meet the strict criteria of conventional lending organizations.

VCLF was incorporated in June of 1987 after a two-year planning period including an extensive feasibility study. In April of 1988, the VCLF was recognized by the Internal Revenue Service as exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and given an advance ruling that the VCLF is a publicly supported organization and not a private foundation.

In its initial years, VCLF has been fortunate to receive strong and continuous financial support from the Vermont Housing and Conservation Board and the Joukowsky Family Foundation. The Fund has also received support from a number of private foundations including the Ellis L. Phillips Foundation, the Fund for Vermont's Third Century, the Vermont Community Foundation, the Friendship Fund and the Minute 60 Committee of the Religious Society of Friends,

The Fund holds a letter of exemption from securities registration signed by the Commissioner of Banking and Insurance. The Fund is subject to the anti-fraud provisions of Vermont securities laws. VCLF's first Offering Memorandum was made available in June of 1988. The current Offering Memorandum is attached.

Capitalization of the Fund began in June of 1988. As of December 31, 1989, fifty-three individuals or organizations have invested \$537,388 in the Fund. Eight gifts of permanent capital totalling \$81,044 have also been received.

Management of the Fund

VCLF is directed and controlled by a Board of Directors, who play a vital and active role in the organization. Directors are elected by the Board. The skills and experience of the directors represent a wide range of expertise in housing and economic development, community organizations, banking and financial management. The Board has three standing committees - Loan Review, Capitalization and Nominating.

All projects seeking financing from the Fund are evaluated first by the Loan Committee based on several criteria as described in the VCLF Loan Policies and Procedures. If a project receives approval from the Loan Committee, it is then presented to the full Board of Directors who make the final decision on all loans. Summary resumes and committee responsibilities of the Board Members are attached.

The day-to-day activities of VCLF are managed by the Fund Manager, Nancy Wasserman, who serves at the pleasure of the Board. The Fund Manager is expressly responsible for soliciting loans, helping borrowers to

develop applications to the Fund, keeping accurate financial records, processing loan applications for a decision by the Loan Committee and the Board, and hiring and firing of other personnel. She is also charged with executing all promissory notes and loan agreements with investors and approved borrowers.

Ms. Wasserman has been with the Fund since it began operations in March of 1988. A graduate of Dartmouth College, Ms. Wasserman expects to complete a Masters degree program in Community Economic Development at New Hampshire College by January of 1990. She has extensive experience in public relations, community involvement and the management of nonprofit, cooperative and for-profit businesses including serving as a member and former Chair of the Hartford Planning Commission, Coordinator of The Family Place, a parent/child center in White River Junction, and owning and operating her own business as a freelance photographer for ten years. Ms. Wasserman's resume is attached.

In October of 1989, the Fund has hired Brian Pine of Burlington as Project Coordinator. Mr. Pine has professional expertise as a trainer and volunteer experience with a broad variety of housing concerns. He will work primarily in providing technical training and assistance to potential borrowers, thereby allowing the Fund Manager to concentrate on securing additional investments in the Fund.

VCLF has been fortunate in securing excellent professional services. Priscilla Reidinger, Esq. of Downs, Rachlin & Martin provided pro bono services in advising the Fund on compliance with federal and state regulations in the preparation of our Offering Memorandums. The Norwich-based legal firm of Hershenson, Carter, Scott and McGee has provided pro bono services in the preparation and review of closing documents. William F. Hall, CPA of Woodstock prepares VCLF's quarterly financial reviews and the annual audit. The Fund is further assisted through its membership in the National Association of Community Development Loan Funds.

The Market - Borrowers

Currently, the average purchase price of a single family home in Vermont is approximately \$98,900. Financing this amount requires a minimum household income of \$40,000, yet the median Vermont household income is only \$26,800.* From 1985-1987 housing prices rose 35% while median income rose only 7%. A couple working full-time at minimum wage can not afford the average rent of a two-bedroom apartment in Vermont. Rents in mobile home parks, which currently provide affordable housing to 7000 Vermont families, are rising by 20 and 30% per year due to a limited supply and increasing demand.

In this environment, affordable housing has become a concern of the state, every municipality and numerous community groups. Non-profit

* Source: Report of the Housing Study Committee of the Vermont Legislature, January 1989, page 6

organizations have been identified by the state as the most appropriate developer of perpetually affordable housing. As a result, these organizations have received increased training and resources and have become increasingly sophisticated in their ability to undertake development projects.

Six years ago, Northern Community Investment Corporation and the newly-formed Burlington Community Land Trust were the only non-profits in the state actually developing housing for lower-income people. The Land Trust pioneered the very concept of perpetually affordable housing. Cooperative housing was not even addressed in the state statutes.

Today, community-based organizations committed to providing affordable housing are part of a booming field serving an ever increasing marketplace. Currently, there are at least seven community land trusts either operating or in the process of developing their initial projects, a Cooperative Housing Act has been enacted, all five of the state's Community Action Programs are involved in developing housing, at least four chapters of Habitat for Humanity have started, regional housing corporations have been formed in three areas, social service providers are beginning to acquire housing for their clients, and at least six mobile home parks and a number of apartment buildings have begun the work of converting to limited-equity cooperatives. Many of these groups have, like the Loan Fund, become active over the past two years. As early and vital support to these organizations, VCLF has gained valuable expertise and become an integral part of the growing affordable housing industry.

The Loan Fund targets its funding to the types of groups listed above - those non-profit organizations and limited-equity cooperatives committed to creating perpetually affordable housing for people earning less than median income. Priority is given to those projects which benefit households earning 80% of median or less. It has become increasingly difficult, if not impossible, for families at this income to secure safe, decent and affordable housing without some form of public subsidy and/or lower-interest financing.

Competition - Borrowers

VCLF plays an important role in providing a piece of the financing package needed for affordable housing projects. Some of the other sources for funding and the ways in which they differ from the Loan Fund are outlined below.

The Vermont Housing and Conservation Trust Fund is a government-financed fund administered by the Vermont Housing and Conservation Board (VHCB), a quasi-public entity. VHCB is charged with providing funds as loans and/or grants to municipalities, limited-equity cooperatives and non-profit organizations to insure land conservation and perpetually affordable housing. Although, VCLF and VHCB share many goals in regards to meeting Vermont's housing needs, VCLF is far more flexible in regards to who can borrow funds and how the project can be structured. Future funding of the VHCB is very dependent on the whims of the legislature.

The Vermont Housing and Finance Agency (VHFA) provides lower-interest loans for single family home purchases to families earning up to

125% of median income. Loan capital is obtained by the sale of tax-exempt revenue bonds. Currently, the VHFA has no funds available for financing of mobile home parks or multi-family housing. The Loan Fund provides exactly this type of commercial financing. In contrast, VHFA provides mortgage financing primarily to end users.

The Market - Investors

Many individuals and institutions have become increasingly concerned with the social consequences of where they place their money. Vermonters have traditionally expressed a strong interest in and commitment to social investment options. For years, Vermonters searching for social investments have found many options, but none which serviced needs within Vermont.

Lender surveys indicate that our investors share similar social concerns yet are impossible to characterize demographically. The vast majority have investment assets in excess of \$100,000. All reside in Vermont or have strong ties to the area. All are profoundly concerned that lower-income Vermonters be able to secure affordable housing. Age, occupation and lifestyle appear to run the gamut. Loan Fund investors are very aware of the benefits of low-interest financing. VCLF has discovered that many potential investors are unaware of the opportunity to invest in their communities using the Loan Fund model. Once they understand how the Fund works and the benefits it provides they are likely to invest in the Fund. The greatest challenge is informing potential investors of this opportunity.

The Loan Fund's Capitalization Plan, targets five major strategies - 1) direct solicitations of corporations, major institution, religious groups and identified individuals; 2) monthly houseparty-type information sessions; 3) outreach to borrower supporters and community and religious leaders through personal and written contact; 4) grant and loan requests to private foundations and 5) an ongoing public relations program including a quarterly newsletter, radio appearances and press releases. See the attached Investor Statistics.

Competition - Investors

Vermont National Bank's Socially Responsible Banking Fund offers small and large-scale bank customers with an opportunity to earmark their regular CD's or money market accounts for 'socially responsible' purposes. In addition to housing, these funds are used for environmental conservation, small business development, agriculture and education. Unlike VCLF, the bank loans funds at market rates and therefore has a lower impact on affordable housing per dollar invested.

The Vermont Development Credit Union opened its doors to the lower-income community later this spring. Unlike the Loan Fund, the Credit Union will be able to insure funds deposited as below-market rate investments. However, the Credit Union will focus primarily on consumer loans and is limited by its charter to lending to individuals. In its initial

years, the Credit Union's sole program benefitting housing will be home-improvement loans. By contrast, VCLF is focused on addressing affordable housing needs and providing capital to the developers of affordable housing rather than the eventual consumer.

South Shore Bank, Working Assets and the Calvert Fund all provide investors with socially-responsible investment opportunities. None of these operations earmark their funds to benefit Vermonters.

The VCLF/Bank Partnership

VCLF works in partnership with the many players involved in solving Vermont's affordable housing needs. Bringing together the banks, private investors, community organizations, government programs, and housing developers, VCLF is able to assist 'CRA-portfolio' projects in getting off the ground and securing financing.

VCLF is frequently able to bring unique, viable and exciting affordable housing projects to the attention of the banking community. Participation by VCLF helps to secure the bank's financing by reducing the loan to value ratio, increasing the cash flow and assuring responsive monitoring. Typical deals involve a low-interest, short-term loan from VCLF, conventional bank financing and one or more government grants or loans.

As a strong advocate of community reinvestment, VCLF follows its own convictions. A specific Board policy directs the Fund Manager to maintain all VCLF accounts in Vermont banks. As the repository for operating funds, uncommitted loan funds and committed loan funds awaiting closing, these accounts frequently hold deposits of \$50,000-100,000. In placing our deposits, we look to financial institutions who have participated with VCLF or other community-based housing corporations in financing specific deals.

We are equally committed to maintaining bank representation on the Board of Directors. Currently, we have two bankers. Consideration is also given to each of their institutions in making deposits.

Financial Needs

VCLF faces a continuing need for funds in three distinct areas: 1) invested capital; 2) permanent capital for loan loss reserve and increased lending flexibility and 3) operating funds. The 10-year Financial Plan which is attached outlines the scope of these needs.

The amount of capital invested in the Loan Fund will continue to increase over the next ten years. Other community loan funds have experienced a continuing increase in assets until they reach \$4-5 million, when investments begin to level off. Although all investments are short-term, other funds have experienced a renewal rate of about 70%. Generally, renewals are for longer terms as lenders gain confidence in the loan fund's ability to utilize and preserve their capital. Although there are currently no tax benefits to investing with Community Loan Funds, VCLF is pursuing legislative initiatives on both the state and federal level to address this

concern. (The recent Rouse Report on Housing strongly endorses tax exemption for interest earned from benevolent loan funds.)

VCLF is committed to maintaining a 5% loan loss reserve of permanent capital. We anticipate that gifts of permanent capital will continue to be attractive to both private foundations and individuals seeking the tax benefits of charitable giving. Gifts of permanent capital support VCLF's lending capabilities by giving us added flexibility and security and support VCLF's operating needs through interest income.

In the area of operations, VCLF will need financial support until such time as its interest income, financing charges and technical assistance fees can cover these expenses. Until that time, VCLF will be dependent on grants and contributions to meet its operating expenses. As capital in the Loan Fund grows, our interest income, based on a spread of 200 basis points, will also grow. We expect to break even on the expenses of fund management by 1994 when the Fund should have reached \$3 million in assets. Technical assistance fees will grow as VCLF gains recognition as having expertise in the field of developing affordable housing and cooperative conversions. VCLF charges up to 1 1/2 points in financing fees to help defray our costs in reviewing loan applications. These charges can be waived.

The 10-year Plan outlines the outside sources of financial support. The Vermont Housing and Conservation Board has provided strong support to VCLF in its initial years. The Board recently approved a grant of \$35,000 for 1989. We have been advised that future support is likely although at a reduced level. VCLF received a 1989 grant of \$20,000 from the Joukowsky Family Foundation. As the second grant from this foundation, it is highly unlikely that this magnitude of support will be repeated. Vermont provides limited potential for significant (>\$5000) foundation support. Although, we see the potential for strong support for gifts of permanent capital and gifts to cover the costs of providing technical assistance, we anticipate this support to consist primarily of small grants from a number of foundations. It is anticipated that foundation support will decrease over time.

Vermont corporations have traditionally been strong supporters of the non profit sector. VCLF offers the corporate community the opportunity to address the increasingly important issue of affordable housing through an exciting and dynamic statewide private initiative. We are seeking substantial initial support from the state's larger corporations. As the Fund grows, we will continue to expand the circle of corporate supporters to insure that VCLF is a regular recipient of annual corporate giving. We further expect individual support of VCLF to continue to be substantial.

Supporting Documents

Resumes

Board of Directors
Fund Manager

Financial Data

VCLF 10-Year Financial Plan
Year to date Expenditures
Second Quarter 1989 Financial Statements
1988 Audited Statements

Offering Memorandum

Loan Policies and Procedures

Organizational Documents

Articles of Association
By-Laws
IRS Determination Letter

Sample Loan Agreements

Lender's Loan Agreement and Promissory Note
Borrower's Promissory Note

Income Jan-Dec 89

		Unaudited	
	Budget	figures	% of
	January -	January -	budget
	Dec-89	Dec-89	100%
Income (includes Perm. Cap. Needs)			
CONTRIBUTIONS	3,000	7,400	247%
CORPORATE SUPPORT	18,000	17,500	97%
CONT. IN-KIND	1,500	1,000	67%
FINANCING CHARGES	1,500	2,820	188%
GRANTS	65,000	57,500	88%
INTEREST INCOME	8,000	14,557	182%
TECH. ASSISTANCE FEES	600	300	50%
Total Income	97,600	101,077	104%
Expenses			
ACCOUNTING	2,500	1,900	76%
ADVERTISING	0	494	
BANK CHARGES	0	0	
COMPUTER SUPPLIES	2,000	803	40%
CONSULTANTS	1,000	250	25%
COPYING	1,500	737	49%
DEPRECIATION EXPENSES	540	580	107%
DUES & PUBLICATIONS	600	999	167%
EMPLOYEE BENEFITS	2,300	1,811	79%
FUNDRAISING EXPENSES	0	792	
HEALTH INSURANCE	3,000	1,768	59%
INSURANCE	550	544	99%
LEGAL EXPENSES	3,000	0	0%
MISCELLANEOUS	400	157	39%
OFFICE SUPPLIES	1,300	795	61%
PAYROLL TAXES - FICA	1,994	2,140	107%
PAYROLL TAXES - OTHER	486	224	46%
POSTAGE	1,500	1,462	97%
PRINTING	1,750	3,003	172%
RENT & UTILITIES	3,000	1,504	50%
REPAIRS	0	0	
SALARIES	31,000	28,500	92%
TELEPHONE	3,500	3,047	87%
TRAINING	1,500	1,521	101%
TRANSPORTATION - MILES	1,750	1,521	87%
TRAVEL	1,200	1,081	90%
WORKMEN'S COMP	240	310	129%
Total Expenses	66,610	55,943	84%
Committed to Perm. Capital	31,000	16,926	55%
Net Income	- 10	28,208	

VCLF 10-YEAR FINANCIAL PLAN

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
INVESTED CAPITAL	520000	950000	1500000	2000000	2500000	3000000	3500000	4000000	4500000	5000000
PERMANENT CAPITAL	80000	110000	140000	170000	195000	220000	245000	265000	285000	305000
TOTAL CAPITAL	600000	1060000	1640000	2170000	2695000	3220000	3745000	4265000	4785000	5305000

EXPENSES										
Fund Management										
SALARIES										
FUND MANAGER	22000	25000	26500	28090	29775	31562	33456	35463	37591	39846
TAXES BENEFITS	5720	6500	6890	7303	7742	8206	8698	9220	9774	10360
LEGAL	3000	3000	3180	3371	3573	3787	4015	4256	4511	4782
ACCOUNTING	2500	2400	2544	2697	2858	3030	3212	3404	3609	3825
CONSULTANTS	1000	3000	3180	3371	3573	3787	4015	4256	4511	4782
PRINTING	1500	1500	1590	1685	1787	1894	2007	2128	2255	2391
TELEPHONE	2400	2000	2120	2247	2382	2525	2676	2837	3007	3188
POSTAGE	1200	1000	1060	1124	1191	1262	1338	1419	1504	1594
OFFICE SUPPLIES	1200	1000	1060	1124	1191	1262	1338	1419	1504	1594
COPYING	1500	1200	2500	2650	2809	2978	3156	3346	3546	3759
RENT & UTILITIES	3500	2400	2544	2697	2858	3030	3212	3404	3609	3825
DUES & PUBLICATIONS	600	1000	1060	1124	1191	1262	1338	1419	1504	1594
EDUCATION/TRAINING	1000	800	848	2500	2650	2809	2978	3156	3346	3546
EQUIPMENT	750	2000	750	795	843	893	947	1004	1064	1128
TRANSPORTATION	1500	1400	1484	1573	1667	1767	1874	1986	2105	2231
TRAVEL	1000	750	795	843	893	947	1004	1064	1128	1195
INSURANCE	300	650	689	730	774	821	870	922	977	1036
MISCELLANEOUS	300	250	265	281	298	316	335	355	376	398
Total Fund mgmnt	50970	55850	59059	64204	68056	72139	76468	81056	85919	91074
Tech assistance	6 mos									
TECH. ASSISTANT	9000	20000	21200	22472	23820	25250	26765	28370	30073	31877
TAXES BENEFITS	2340	5200	5512	5843	6193	6565	6959	7376	7819	8288
TELEPHONE	600	2000	2120	2247	2382	2525	2676	2837	3007	3188
POSTAGE	300	1000	1060	1124	1191	1262	1338	1419	1504	1594
PRINTING	250	1500	1590	1685	1787	1894	2007	2128	2255	2391
OFFICE SUPPLIES	300	750	795	843	893	947	1004	1064	1128	1195
EDUCATION/TRAINING	500	800	848	2500	2650	2809	2978	3156	3346	3546
TRANSPORT	750	1400	1484	1573	1667	1767	1874	1986	2105	2231
TRAVEL	250	750	795	1500	1590	1685	1787	1894	2007	2128
EQUIPMENT	1250	500	530	1500	1590	1685	1787	1894	2007	2128
MISCELLANEOUS	100	250	265	281	298	316	335	355	376	398
TOTAL TA	15640	34150	36199	41568	44062	46705	49508	52478	55627	58964
TOTAL EXPENSES	66610	90000	95258	105771	112117	118845	125975	133534	141546	150038

VCLF 10-YEAR FINANCIAL PLAN

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
TOTAL EXPENSES	66610	90000	95258	105771	112117	118845	125975	133534	141546	150038
ADD TO LOAN LOSS	31000	30000	30000	30000	25000	25000	25000	20000	20000	20000
NEED TO RAISE	97610	120000	125258	135771	137117	143845	150975	153534	161546	170038

INCOME										
VT. HOUS & CONS BD.	35000	30000	20000	15000	12000	10000	5000			
FOUNDATION GRANTS	30000	25000	22500	20000	17500	17500	17500	15000	12500	12500
CORPORATE SUPPORT	18000	30000	37500	37500	30000	23000	20000	20000	18000	15000
GIFTS	3000	7500	7000	8500	9000	10000	10000	10000	10000	10000
IN-KIND CONTRIBUTIONS	1500									
INTEREST INCOME (net)	8000	16000	26700	39800	51900	63650	75400	87150	98550	109950
TECHNICAL ASSISTANCE FE	600	7500	7500	10000	12500	15000	17500	17500	17500	17500
FINANCING CHARGES	1500	4300	5500	5000	5000	5000	5000	5000	5000	5000
TOTAL INCOME	97600	120300	126700	135800	137900	144150	150400	154650	161550	169950

ASSUMPTIONS:

- 1) EXPENSES INCREASE ≈6%/YR,
- 2) TAXES =11% OF WAGES
- 3) BENEFITS = 15% OF WAGES
- 4) INTEREST = 2% ON LOAN CAPITAL AND 7% ON PERMANENT CAPITAL
(figured on previous year totals)
- 5) FINANCING = 1 PT. OF NEW INVESTED CAPITAL

12/1/89

Vermont Community Loan Fund

P.O. Box 827 • Montpelier • Vermont 05602 • (802)223-1448

June 19, 1989

TO: Board of Directors
FROM: Tim McKenzie, Nancy Wasserman
RE: Technical Assistance

We met with Julie Eades of the New Hampshire Community Loan Fund (NHCLF) to hear about how they approach technical assistance (TA) and to formulate some recommendations about how we should proceed. The other members of the committee were unable to attend this meeting.

Highlights of Julie's info:

- NHCLF spends 85% of their operating funds on TA.
- Currently, in addition to Julie (who spends 1/2 her time on TA) and a business manager, they have two people working with mobile home parks (one does pre-loan TA, one does post-loan organizational training) and one person working with community land trusts (CLT's). Their fund is currently at about \$2.8 million, cumulative lending is in excess of \$4 million, annual budget is \$180,000 - half comes from grants, etc and 1/2 comes from fees and interest income.
- To date, they have made loans to 26 borrowers. Of those 26 borrowers, 16 borrowers did not exist before the NHCLF went in and started the organization (12 of these are mobile home park coops, 2 are CLT's and 2 are non-profits that were previously inactive), 4 borrowers were in existence and received substantial help with the project from NHCLF (e.g. similar to what we have done in Woodstock), 3 borrowers needed some help (e.g. like we did with Twin Pines) and 3 borrowers were simply a loan.
- Julie feels quite strongly that their best borrowers are those organizations they helped to establish. Rather than being a black hole, Julie sees TA to these groups as a "way NHCLF can give these folks a structure to do the things we want them to do." She sees TA as both an educational opportunity and capacity building. She also feels that TA reduces NHCLF's risk and that it can bring projects under resident control faster.
- NHCLF's approach is to sign a TA contract with the group. NHCLF is in effect hired to help form a coop, work with tenants to negotiate a purchase and sales agreement, assist with financing the purchase and provide TA to complete purchase and prepare for resident management.

NHCLF expects to work with a group on an intensive basis for 6-12 months and be available for consultation after that.

RECOMMENDATION:

VCLF should provide increased Technical Assistance particularly in the area of cooperative training and development of and conversion to cooperative housing. While the NHCLF has fostered the development of CLT's, that seems to be somewhat redundant in Vermont. On the other hand, developing coops seems to be one of the areas most baffling to housing advocates and tenants. VCLF should be able to provide assistance as well as written and hands-on resources in developing the legal, organizational, financial and management frameworks for the coop. This will allow us to guide the project's development in a responsible manner and truly monitor our borrowers. The monitoring is of particular significance since that is specifically what we are promising to our investors and the banks involved in the financing.

This technical assistance should be targeted to those groups which are likely to borrow from the fund and are located in areas where these types of services are unavailable or in areas where we want to see this done. Whenever possible, we should be working with local folks so that they will have the capacity to provide these services in the future.

The capitalization committee previously recommended that if we do TA, we charge a TA fee of 1/2% of the cost of the total package. This fee can be waived if requested and if a large number of the beneficiaries are earning less than 50% of median income. The committee further recommends that there be a minimum charge of say \$10/unit regardless of whether the deal goes through. General TA \$25/hour.

JOB DESCRIPTION
Project Development Specialist
Vermont Community Loan Fund

The Vermont Community Loan Fund (VCLF) is a non profit corporation providing loans and financial, technical and other support services to community-based housing projects for low-income and other disadvantaged groups. Lower-interest loan capital is lent to the Fund by socially-concerned investors. VCLF currently manages close to \$450,000 and has financed 10 projects around the state.

Position Description

The Project Development Specialist is responsible for working with actual and potential Loan Fund borrowers to assist them in developing and managing viable affordable housing projects including limited-equity cooperatives, community land trusts and mobile home parks. The position will also include promotional activities and some general administrative duties. The Project Development Specialist will report to the VCLF Fund Manager. The position requires the ability to travel around the state of Vermont and does involve some evening and weekend meetings.

Duties Include

1. Technical Assistance and Training
 - a. provide resources and hands-on training in cooperative development, project management, financial accounting and group process to residents and developers of affordable housing
 - b. inform borrowers of other sources of financial assistance
 - c. work with borrowers to complete loan applications
2. Outreach and Promotion
 - a. generate potential borrower contacts
 - b. represent VCLF as appropriate to community organizations, media and the public at large
 - c. stay informed regarding housing problems throughout the state and offering the Loan Fund as a resource to help solve those problems.
3. Loan Management
 - a. assist Fund Manager in monitoring borrower activity
 - b. problem solve
4. General Administration - assist Fund Manager in the following:
 - a. raising funds for operating budget
 - b. budget planning and overall direction of Fund
 - c. prepare for Board meetings/communicate with Board members

Qualifications: The Project Development Specialist should have prior experience in skills training and strong communication and interpersonal skills. Experience working with non-profit organizations, land development or planning, or housing development and financial analysis is desired. Knowledge of the problems of providing affordable housing and the resources available for solving such problems is also helpful.

Starting Salary Range: \$16,500-18,000 plus benefits

Submit resume and cover letter by August 25 to: Nancy Wasserman, Fund Manager,
VCLF, Box 827, Montpelier, VT 05601. EOE

June 20, 1989

TO: Board of Directors
FROM: Nancy Wasserman
RE: Financing Economic Development (ED)

BACKGROUND

Part of my academic program at New Hampshire College involves completing a project which relates to both the program of study, community economic development and one's work. Last October when we had a planning session for VCLF we talked a little bit about financing economic development. I figured I would look at whether or not VCLF should be involved with this given the current climate in Vermont. The following is my report on what I did and a recommendation for how we proceed. Also attached is a letter from Ralph, Jack and Lucy Taylor for your information.

What I would like from the Board meeting is your reactions to my thoughts, some indication as to whether or not we should proceed and some brainstorming on how to proceed. If you give some directed go-ahead, I will return with further questions to be resolved and a draft implementation plan over the next few months. If you say no way, so be it. Regardless, it is time to determine how/if to proceed with ED lending.

Economic Development Financing in Vermont Is there a niche for VCLF?

Over the past few months I have been talking with a number of people around the state to get a handle on what types of financing are available for economic development and where there are gaps. I spoke with Bruce Seifer at the Burlington Revolving Loan Fund, Steve Hedger from the Job Start program, Linda Aines from the Extension Service's Small Business Development Center in Rutland, Lynn Heglund from the Governor's Commission on Women, Pat Moulton from the Bennington County Industrial Council, a number of women business owners, Andy Ferguson of Northeast Cooperatives, Paul Harlow of Deep Root Cooperative, and a number of representatives of the Working Land Fund. I also relied on an earlier discussion with Paul Greenwood from Northern Community Investment Corporation regarding their economic development financing.

Prior to initiating these talks, I surveyed the Board of VCLF to gauge their preferences for what might be the goals of an economic development program. The Board showed a distinct split between placing highest priority on new workplace and ownership models and placing highest priority on new job creation. Most of the Board felt strongly about focusing on housing for the near future.

Available financing

The Vermont Industrial Development Agency makes available loans for manufacturing concerns. Generally speaking, VIDA loans are earmarked for larger concerns attempting to grow or expand. Funds are provided through Industrial Revenue Bonds and as Direct Loans. VIDA is prohibited by statute from being involved in developing a project until all the other financing is in place. The state has fourteen

regional development councils which assist prospective manufacturers in locating sites, getting through the regulatory processes and securing financing.

The Vermont Job Start program was initiated by the State Economic Opportunity Office to provide up to \$10,000 to lower-income individuals wanting to start, strengthen or expand a business. Applicants must have been turned down for a bank loan. Funds come from an RLF established by legislative appropriation. Currently Job Start has \$500,000 in assets from the state and recently added a \$250,000 low-interest loan from the J. C. Penney Insurance Fund. Last year, Job Start received an additional appropriation to provide five regional technical assistance providers. This technical assistance resulted in stronger businesses being developed through Job Start.

The Burlington Revolving Loan Fund provides loans up to \$10,000 as part of financing packages for any type of business operating or seeking to operate in Burlington. BRLF is involved with the business through the entire process, helping the owner(s) to develop a business plan, approach banks, etc.

A number of municipalities throughout the state have established small-scale revolving loan funds with CDBG funds as part of an economic development program. Most of these RLF's come from principal paybacks made by a large industry who received CDBG assistance at some critical juncture. Some of the RLF's revolve, others simply sit.

In the Northeast Kingdom, NCIC provides comprehensive technical and financing assistance to a variety of businesses. NCIC has an innovative equipment leasing program that helps many service businesses get established.

The state's Small Business Development Councils provide technical assistance through six regional offices to all types of small businesses. The quality of the SBDC's vary from region to region.

Vermont also has access to regional loan funds like the Cooperative Fund of New England and the Industrial Cooperative Association. The former has financed a number of consumer cooperatives and the Cherry Hill Cannery. The latter has not yet been involved in Vermont and is not well-known by many of the technical assistance providers.

In the agricultural arena, VIDA has recently initiated programs for debt stabilization, agricultural facility and family farm direct loans. The latter program appears to be the least funded and the most needed, especially by individuals trying to get into farming or trying to diversify from dairy.

The Gaps

Outside of Burlington and the Northeast Kingdom, there is essentially no alternatives to bank financing for retail or service businesses. Although established businesses can secure this credit, it is virtually impossible to get start-up loans for 'a good idea.' The sole exception is Job Start which services only lower-income borrowers and only up to \$10,000. Only Job Start provides working capital loans.

The major gaps are as follows:

- Loans in excess of \$10,000 to Job Start eligible borrowers (e.g. after the business is established, but still at the young stage)
- Loans to folks earning more than Job Start cut-off but not enough to qualify for conventional loans (e.g. no house so can't get home equity, bank reluctant to do personal loan)
- Loans for new or expanding retail, service or agricultural enterprises.

The Role for VCLF

After spending a long time thinking that VCLF should expand into ED financing, I am more inclined to recommend just the opposite. ED lending requires a great deal of TA to be done correctly and VCLF does not have the staff or the financial resources to provide sufficient TA around the state. Job Start is already up and running and trying to do just that. Rather than duplicate or add onto their services, I think VCLF should encourage them and advocate on their behalf in seeking large-scale foundation support for their programs. In regards to the folks earning more than Job Start maximums but not enough to qualify for conventional lending, I don't believe this is necessarily an area where VCLF wants to be involved, given our corporate purpose, etc. I would argue that there is a sizable need here that probably should be addressed by the state.

My one interest in looking at expanding into the ED field is taking a good, hard look at agricultural lending particularly lending that could assure the long-term affordability of the opportunity to farm. We are continually seeing the rising cost of land as a deterrent to entering farming. In the housing arena our concerns are toward who controls the housing and land in our communities. Looking at agriculture could also address this question. This type of lending would also be community investing rather than loans to individuals. As a result, I think the appeal might be stronger to our investors. The whole idea needs further discussion and thought. My one concern in this arena is that we address the 'specialty crops for the Boston restaurant trade vs. crops meeting local needs' dilemma.

Vermont Community Loan Fund

P.O. Box 827 • Montpelier • Vermont 05601 • (802)223-1448

DESCRIPTION OF BORROWERS

December, 1989

Active Borrowers

B-3	Central Vermont Community Land Trust	\$19,500
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Towards the purchase of a 2-unit apartment building in Montpelier. Each unit will be sold to the current tenant by July 1, 1990 with the usual Land Trust resale provisions.

B-4	Twin Pines Cooperative Housing Foundation	\$19,000
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Towards the purchase of 8 rental units in two buildings in the Town of Hartford. The residents of both buildings are in the process of creating cooperative housing corporation so that they can purchase the buildings. VCLF is working with the Twin Pines staff to provide technical assistance to the residents.

B-5	Addison County Community Action Group	\$30,000
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To help with the acquisition and rehabilitation of eight units of transitional housing in Middlebury. This housing is part of a comprehensive program to establish stability in the lives of young families in crisis.

B-6	Northern Community Housing Corporation	\$35,525
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Towards the purchase of a 5-unit rental property in Barton. The units will remain affordable to households earning 80% or less of median income.

B-9	Williston Elder Housing	\$5,050
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To help pay for some of the predevelopment costs incurred in the process of developing a 40-unit housing project for elders and people with disabilities.

B-10	Rutland West Neighborhood Housing Services	\$35,088
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To refinance the Gregory House in Fair Haven, which will be the first Community Land Trust-owned property in Rutland County. The house will be sold to a low-income household early in 1990.

B-11	Addison County Community Action Group	\$16,823
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Towards the acquisition and the purchase and installation of new heating units in a 5-unit building in Shoreham. The property will be maintained as affordable rental units.

B-12	Addison County Community Action Group	\$50,500
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Towards the acquisition of a 12-unit rental property located in the center of Vergennes. The units will remain affordable to households earning 80% or less of median income.

B-14	Upper Valley Services	\$15,000
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To help with the purchase of a property in Bradford which will be used as shared housing for six developmentally disabled individuals.

B-15	Committee on Temporary Shelter	\$2000
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For the earnest money deposit on the purchase of a property in Burlington which will be converted to single room occupancy housing for individuals who are currently homeless.

B-17	Rockingham Area Community Land Trust	\$24,000
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Toward the acquisition and rehabilitation of 12 units in Bellows Falls. This property will eventually be converted to cooperative ownership by the residents.

B-18	Gilman Housing Trust	\$25,375
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Toward the purchase of a 6-unit building in downtown Newport which will be maintained as affordable rentals.

Loans Committed and awaiting Closing

B-7	Housing Foundation Inc.	\$29,435
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Toward the purchase of a 29-unit mobile home park in Westminster which will be converted to resident cooperative ownership. This acquisition has been stalled as a result of inadequate septic systems on the property. Pending available funds, VCLF remains committed to the project.

B-16	Committee on Temporary Shelter	\$35,000
-------------	---------------------------------------	-----------------

Towards the purchase of the single room occupancy property described in loan B-15 above. This project has been stalled due to neighborhood opposition and

their appeal of approvals by the Burlington Zoning Board and Planning Commission.

B-19 Lake Champlain Housing Development Corporation \$80,500

For the rehabilitation of seven units of affordable rental using located in downtown Burlington. Property has already been purchased, closing on VCLF loan should occur February 1, 1990.

B-20 Lake Champlain Housing Development Corporation \$45,000

Toward the purchase of the Allen House in Winooski by a non-profit housing corporation. This 26-unit single room occupancy building will now be maintained as affordable rental housing. Closing scheduled for February 1990.

B-21 Burlington Community Land Trust \$100,000

For the purchase of six residential lots in Burlington's New North End. Construction of 3- bedroom single family homes will begin in early 1990. Some of the homes will be constructed by the Burlington Youth Employment Program and the Vocational Program of the Burlington School Department. Others will be moved to the site. Closing scheduled for mid-January 1990.

Loans Repaid in full

B-1 Brattleboro Area Community Land Trust \$5,075

For the earnest money deposit on the purchase of 17-units in the Canal Street area of Brattleboro. Due to a variety of circumstances, the Land Trust chose not to pursue this acquisition at the time of this loan. Since that time, the Land Trust has purchased five of the units.

B-2 Twin Pines Cooperative Housing Foundation \$5,075

For the earnest money deposit on the purchase of the two buildings described in loan B-4 above.

Cumulative # of projects	17
Cumulative # of borrowers	12
Cumulative funds lent	\$288,011
Cumulative funds committed	\$567,796
Total units of housing created or preserved	197

Investor Statistics - December 1989

Where \$ Come from	TOTAL \$	%	Ave	Min	MAX	Total	%
Foundation	\$156,000	29%	\$52,000	\$6,000	\$100,000	3	6%
Individuals	\$282,100	53%	\$8,297	\$1,000	\$50,000	34	69%
Educational	\$30,000	6%	\$30,000	\$30,000	\$30,000	1	2%
Religious	\$53,288	10%	\$7,613	\$2,000	\$25,000	7	14%
Board	\$9,000	2%	\$2,250	\$1,000	\$5,000	4	8%
	\$530,388	100%				49	100%

How Referred to VCLF

Borrower	\$28,000	5%	\$14,000	\$3,000	\$25,000	2	4%
Staff	\$170,888	32%	\$13,145	\$1,000	\$50,000	13	25%
Board	\$215,500	41%	\$12,676	\$1,000	\$100,000	17	32%
Lender	\$2,000	0%	\$2,000	\$2,000	\$2,000	1	2%
Lender Repeats	\$41,000	8%	\$6,833	\$1,000	\$20,000	6	11%
Broker	\$38,000	7%	\$12,667	\$3,000	\$25,000	3	6%
Press	\$23,000	4%	\$3,833	\$1,000	\$8,000	6	11%
Fundraising Ltr	\$19,000	4%	\$6,333	\$5,000	\$9,000	3	6%
Returned to lender	(\$7,000)	-1%		\$2,000	\$5,000	2	4%
	\$530,388	100%				53	100%

AFFORDABLE HOUSING CREDIT NEEDS

Single family home financing

- 5% down mortgages - no concern where the downpayment comes from as long as it does not need to be repaid.
- Package VHFA mortgages and make info about VHFA loans available.
- Relax secondary market criteria
 - greater than 36% debt if borrower can show that they have been paying that much already for debt and housing.
 - allow for innovative and energy-efficient heating and plumbing. e.g. solar heating vs. central heating, space heaters rather than central heating in energy-efficient homes, composting toilets, etc.
 - allow for owner-built homes. Train personnel to be able to constructively review these loans.

Multi-family home financing for owner-occupants.

- Credit all rental income at 100% with allowance for standard vacancy rate.
- 5% down - no concern where dollars come from as long as no need to be repaid.
- Allow for party-wall agreements for duplexes so that each half can be owned independently without a need for subdivision.

Multi-family home or mobile home park financing for non-profit organizations or limited-equity cooperatives committed to perpetually affordable housing.

- Train loan originators about perpetual affordability and the most common models likely to occur in Vermont - land trusts and limited-equity cooperatives.
- Make available the lower mortgage loan rates rather than commercial rates.
- If below-market rates are available, use them for these types of projects.
- Provide for fixed-rate financing for at least the first three years.
- Provide interest rate caps over the review period and over the life of the loan.
- Assure long-term commitment to the project with reviews only for interest rate adjustments.
- Recognize grant funds as equity.
- Recognize the value of technical assistance and offer reduced rates, no points, etc. to those projects which have received TA from an established provider such as VCLF.

- Recognize Section 8 certificates or other government housing allowances as adequate to cover housing costs for individual residents in coops, land trusts or non-profit rentals.

Mobile home financing

- Treat mobile homes as residential financing rather than auto or consumer loans.
- Offer 15-20 year financing for new mobile homes.
- Allow for 10% or less down payment.
- Finance used mobile homes.

Home improvement loans

- Treat potential rental income as income to pay for home improvement loans particularly in homes owned by elders or the disabled.
- Offer creative terms for disabled low and moderate income people to pay for home accessibility modifications.

Other resources

- Provide info to low and moderate income members of the community on how to access bank financing for mortgages including VHFA, VA and FmHA loans.
- Financially support non-profit organizations providing technical assistance and affordable housing.
- Provide programs on basic banking services to low-income people through community action programs, etc.
- Insure that facilities and resources are accesible to the disabled.
- Insure that basic banking services such as government check-cashing and basic checking accounts are available at no-charge and with minimum hassle. For example, provide ID bank for regular government check cashers, so they do not need to have ID with them.

VT. COMMUNITY LOAN FUND NOTES

Special Edition

December 1989

A Review of Loan Fund Activities: The First Eighteen Months

It was June of 1988 when the Vermont Community Loan Fund (VCLF) issued its first Offering Memorandum for Investors. A great deal has happened since then.

As of mid-November, 46 investors and six contributors had invested \$491,315 to be used by the Loan Fund for affordable housing projects.

Investments in the Loan Fund are pooled together and made available for a variety of housing projects. Each loan is reviewed by the Fund's Loan Committee and the Board of Directors.

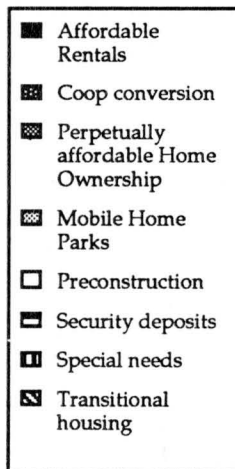
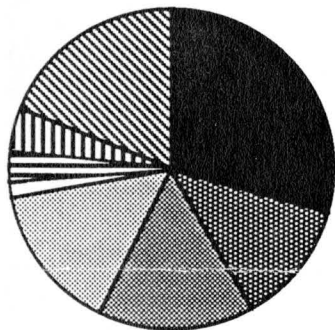
To date, 17 loans totalling \$373,945 have been committed to 13 groups to preserve or develop 186 units of affordable housing. Two of the loans have already been repaid in full.

the **Committee on Temporary Shelter** for their purchase of a building providing single room units.

In **Bellows Falls**, VCLF has committed a loan to help the **Rockingham Area Community Land Trust** purchase four buildings on Williams Street. Plans are to convert these buildings to cooperative resident ownership within the next three years.

Over the past year, the Loan Fund has helped many other projects around the state of Vermont. In **Montpelier** and **Fair Haven**, the loan fund has helped local community land trusts create 'perpetually-affordable' housing. In **Westminster** and **Woodstock**, VCLF is helping mobile home parks residents to purchase their parks cooperatively. The Loan Fund's lower-interest financing has helped non-profit buyers keep rents affordable for a number of lower-income tenants in **Barton**, **Vergennes** and **Shoreham**. In **White River Junction**, the Loan Fund has helped encourage conversion of apartments to cooperatively-owned residences. VCLF has helped Upper Valley Services acquire housing in **Bradford** for their developmentally disabled clients.

What the Loans
are Used For



The Vermont Community Loan Fund's most recent loan commitments are for projects in Newport, Bellows Falls, Burlington and Williston. These loans demonstrate the important role the Community Loan Fund is playing in bringing private resources to meet community needs. In Newport, VCLF is helping the Gilman Housing Trust keep a six-unit rental apartment building affordable. In Williston, the Community Loan Fund is helping to finance the preconstruction costs needed for an elder housing project undertaken by Williston Elder Housing. These costs must be incurred in order to apply for a construction loan.

In **Burlington**, the Loan Fund has committed loans for both the earnest money deposit and acquisition costs to

Vermont Community Loan Fund, Inc
P.O. Box 827
Montpelier, VT 05602
802 223-1448

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Susan O'Rourke, Vice President
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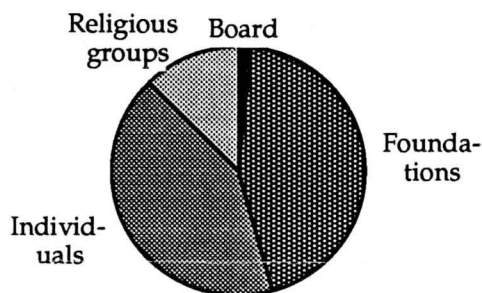
Staff

Nancy Wasserman, Fund Manager
Brian Pine, Project Coordinator

VERMONT COMMUNITY LOAN FUND NOTES

WHO INVESTS IN THE FUND?

By amount invested



Investing in Your Community A Great Idea for Vermonters

For years, Vermonters searching for social investments have found many options, but none which serviced needs within Vermont. VCLF provides this opportunity. Investments in the Fund are used to address the dwindling housing options available to lower income Vermonters.

How It Works

Investors in the VCLF loan funds at terms determined by the investor, within certain parameters established by the Fund. Monies are pooled together and lent to projects providing affordable housing. By providing technical assistance as well as loan capital, the Loan Fund is able to locate qualified borrowers, evaluate their needs and capacities and help them develop workable plans for using and repaying loans. All of these projects are quite viable, yet frequently need more than a traditional lending institution can provide. Sometimes, the project demands lower interest rates in order to remain affordable. In other cases, the applicants may have initiative and ability but no track record. Most frequently, the Loan Fund is an essential part of a total financing package which includes grants and bank loans.

Community Investment Across US

Loan funds have been created across the country to help direct private funds towards community needs. Currently, there is over \$55 million invested nationwide. Although investments in community loan funds are not guaranteed, no loan fund has failed to meet its obligations to its investors.

For more information about investing with VCLF, please request our Offering Circular.

Special Thanks to our Financial Supporters,

The Ellis L. Phillips Foundation
The Friendship Fund
Fund for Vermont's Third Century
The Howard Bank
Joukowsky Family Foundation
Religious Society of Friends
Vermont Community Foundation
Vt. Housing & Conservation Board
Vermont Housing Finance Agency
Vermont Office on Aging
Wells River Savings Bank

our institutional investors,

Benedictine Foundation of Vermont
Christ Church, Montpelier
The O.P. & W.E. Edwards Foundation
The Green Mountain Fund
Old Brick Church, East Montpelier
R & R Foundation
Society of St. Edmund
Dept. of Mission, United Church of Christ
Valley Clergy Council
Vt. Ecumenical Council & Bible Society

the following businesses and individuals who have donated services to VCLF,

Catherine Scott, Esq.
of Hershenson, Carter, Scott & McGee
Priscilla Reidinger, Esq.
of Downs, Rachlin & Martin
Maureen O'Connor Burgess
for graphic design advice and assistance
The Laughing Bear Associates
for use of their laser printer
The students and staff of the
Campus Ministry office at St. Michael's College

**and the many individuals
who have chosen
to invest in housing
by lending or donating funds
to VCLF.**

VT. COMMUNITY LOAN FUND NOTES

Vol. 2 # 3

November 1989



VCLF Hires Brian Pine as First Project Coordinator

Brian Pine of Burlington was hired as the Loan Fund's Project Coordinator earlier this fall. Brian will be working primarily with current and potential borrowers in the areas of cooperative and organizational development, project management, financial recordkeeping and other forms of technical assistance.

Previously employed as a job developer/trainer with the Burlington School District's ON-TOP program, Brian has also been a supervisor involved in housing renovation projects with the Burlington Youth Employment Project. For many years, Brian has been actively involved in housing issues. He has served as Chair of Vermont Tenants, Inc., a commissioner on the Burlington Housing Board of Review, a member of the Burlington Community Development Block Grant Advisory Board and most recently, joined the Board of the Burlington Community Land Trust. He also has first-hand knowledge of the challenges of developing cooperatives through his tenure as a Board member of the Onion River Cooperative.

A graduate of the University of Vermont, Brian also attended the School for International Training in Nepal. He currently lives in the Old North End of Burlington.

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for use of their laser printer
The students and staff of the CampusMinistry office
at St. Michael's College

and the many individuals
who have chosen to invest in housing
by lending or donating funds
to VCLF.

VERMONT COMMUNITY LOAN FUND NOTES

Loan Approved for Newport Building

At its October Board meeting, the Loan Fund approved a grant of \$25,000 to the Gilman Housing Trust to purchase a 6-unit building on Field Avenue in Newport. The former District Attorney's office will be maintained as affordable rental units.

Three Participate In National Conference

Board member Elizabeth Kent, Fund Manager Nancy Wasserman and new staff member Brian Pine all attended the National Association of Community Development Loan Funds' annual conference in Washington, DC.

Opening remarks by Tom Schlesinger of the Southern Finance Project and the Financial Democracy Campaign shed some new light on the recent S & L bailout. There were also panels on working with conventional financial institutions, working with micro-entrepreneurs and a variety of association issues.

The conference was followed by a training seminar for new and developing loan funds. VCLF's Fund Manager, Nancy Wasserman, was one of the presenters at the training.

The Statistical Story

Total # of borrowers	14
Range of loan size	\$ 2,000-50,500
# of housing units created or preserved	134

Total # of investments	46
Investment size	\$ 1,000-100,000

Recapitalizing the Housing & Conservation Trust Fund

Ever since the Loan Fund began, the Vermont Housing and Conservation Board, who administers the Trust Fund of the same name, has been one of our most consistent and dedicated supporters. In 1988, the Board provided a grant for operating funds, our first gift of permanent capital and free office space. In 1989, the Board

once again provided the Loan Fund with a substantial grant for operating expenses.

In addition to helping the Loan Fund directly, the Board has been involved in a major way in almost every project we have helped to finance.

The \$29 million made available to the Trust Fund by the Legislature since 1987 will be totally committed to housing and conservation projects by early 1990. The needs for both affordable housing and the preservation of important agricultural, conservation and historic lands remain great. In order to meet this challenge the Trust Fund must be recapitalized. We urge you to support these efforts. For more information about how you can help, contact the Vermont Housing & Conservation Coalition at PO Box 265, Fairfax, VT 05454 or 802 849-6444.

New Location

VCLF has moved to a newly renovated carriage house located at 136 1/2 Main Street in Montpelier. Please feel free to visit us when you are in the Capital City.

VERMONT COMMUNITY LOAN FUND, INC.
POST OFFICE BOX 827
MONTPELIER, VT 05602



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VERMONT COMMUNITY LOAN FUND NOTES

Vol. 2 # 2

Summer 1989

A Review of Loan Fund Activities: The First Year of Lending

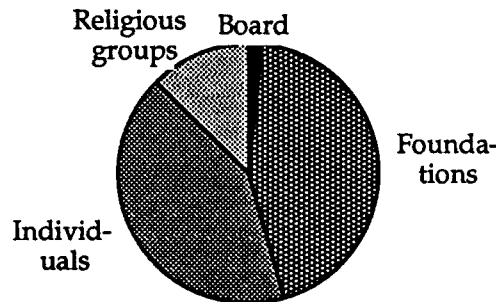
It was just one year ago when the Vermont Community Loan Fund (VCLF) issued its first Offering Memorandum for Investors. The Loan Fund has grown substantially since then.

As of June 30, 1989, 35 investors and four contributors have invested \$401,219 to be used by the Loan Fund for affordable housing projects.

Investments in the Loan Fund are pooled together and made available for a variety of housing projects. Each application is reviewed by the Fund's Loan Committee and the Board of Directors.

To date, 16 loans totalling \$348,570 have been committed to 12 groups to preserve or develop 180 units of affordable housing. Two of the loans have already been repaid in full, while the other borrowers are all paying on schedule.

WHO INVESTS IN THE FUND? By amount invested



VCLF's most recent loan commitments demonstrate the important role the Community Loan Fund is playing in bringing private resources to meet community needs.

In **Williston**, the Community Loan Fund is helping to finance the pre-construction costs needed for an elder housing project undertaken by **Williston Elder Housing**. These costs must be incurred in order to apply for a low-interest federal loan.

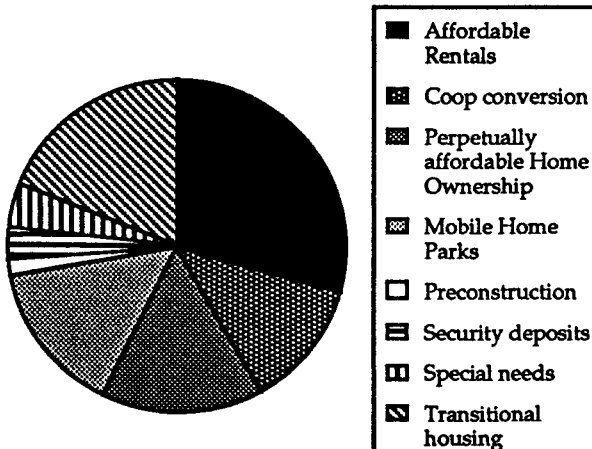
In **Burlington**, the Loan Fund has committed loans for both the earnest money deposit and acquisition costs to the **Committee on Tem-**

porary Shelter for their purchase of a building to house 20-30 single room units.

In **Bellows Falls**, VCLF has committed to making a loan to help the **Rockingham Area Community Land Trust** purchase four buildings on Williams Street. Plans are to convert these buildings to cooperative resident ownership within the next three years.

Over the past year, the Loan Fund has helped many other affordable housing projects around the state of Vermont. In **Montpelier** and **Fair Haven**, the loan fund has helped local community land trusts create 'perpetually-affordable' housing. In **Westminster** and **Woodstock**, VCLF is helping the residents of mobile home parks purchase their parks cooperatively. In **Barton**, **Vergennes** and **Shoreham**, the Loan Fund's lower-interest financing has helped non-profit buyers purchase rental buildings and keep the rents affordable for the current lower-income tenants. In **White River Junction**, the Loan Fund has helped encourage conversion of apartments to cooperatively-owned residences and in **Bradford**, VCLF has helped Upper Valley Services acquire housing for the mentally retarded.

What the Loans are Used For



VERMONT COMMUNITY LOAN FUND NOTES

Religious Groups Investing In VT Community Loan Fund

Like other organizations around Vermont, churches and religious societies have begun to address what they can do to help create affordable housing for their neighbors and co-workers. For the multi-denominational Vermont Ecumenical Council and Bible Society, Christ Episcopal Church in Montpelier, the Old Brick Church in East Montpelier, and the Valley Clergy Council in the Waitsfield-Warren area, a recent response has involved investing some of their portfolio in the Vermont Community Loan Fund. These groups join two previous religious investors, the Society of St. Edmund, one of the first investors in the Loan Fund and the Benedictine Foundation of Vermont.

"The Loan Fund is a really good opportunity for a church to get involved in housing in a way that is manageable," noted the Reverend Beth Hilgartner, interim rector of Christ Episcopal Church in Montpelier, when explaining why the Church had invested in the Loan Fund. According to Reverend John Nutting, Executive Secretary of the Vermont Ecumenical Council and Bible Society, "the Ecumenical Council chose to invest in the Community Loan Fund to help our neighbors and encourage

other religious groups to get involved in this type of community investing."

Funds are lent to the Vermont Community Loan Fund at terms that the investor determines, within certain parameters established by the Fund. All of the projects financed by the Fund are quite viable, yet they are hampered by their unique financial needs. In many cases, the housing project demands lower interest rates in order to remain affordable. In other cases, the applicants



may have excellent initiative and ability but no track record. Most frequently, the Loan Fund is an essential part of a total financing package involving grants and bank loans as well as monies from the Fund.

Donna Hall, a member of the Mission Committee at the Old Brick Church in East Montpelier first heard of the Vermont Community Loan Fund a year ago. "For the church who is looking to reach out and do something, the Loan Fund offers an opportunity." Hall arranged to have representatives of the Loan Fund attend a Sunday service and explain the program. She then encouraged the Church membership to invest some of their memorial funds with VCLF.

Although investments in community loan funds are not guaranteed, no loan fund has failed to meet its obligations to its investors. Commenting on Christ Church's investment, Rev. Hilgartner noted, "the record of community loan funds is very good - it didn't seem like a big risk."

For more information about how you can work with the Loan Fund, please contact Fund Manager, Nancy Wasserman at PO Box 827, Montpelier, VT 05601 or 802 223-1448.

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VERMONT COMMUNITY LOAN FUND NOTES

Vol. 2 # 1

Spring 1989

VCLF Board Approves 5 New Loan Requests, Commitments Surpass 1/4 Million Dollars

The Loan Fund Board recently approved five new loan requests increasing the year-old organization's total funds committed to over \$255,000. The newly-approved projects will help to create or preserve 88 units of housing.

In **Williston**, the Loan Fund is providing a \$5000 loan to help underwrite predevelopment work required for an application to the **Farmer's Home Administration** for construction and permanent financing for a thirty-unit elderly housing complex. The project is being developed by the **Williston Elder Housing Corporation** with the assistance of **Cathedral Square Corporation** of Burlington.

Two loans to **Addison County Community Action Group** will be

closed within the next few weeks. The loans will help finance the acquisition of a 5-unit building in **Shoreham** and a 12-unit building in **Vergennes**. Both buildings will be maintained as rental apartments. VCLF's loans will help to keep the rents affordable for the lower-income tenants.

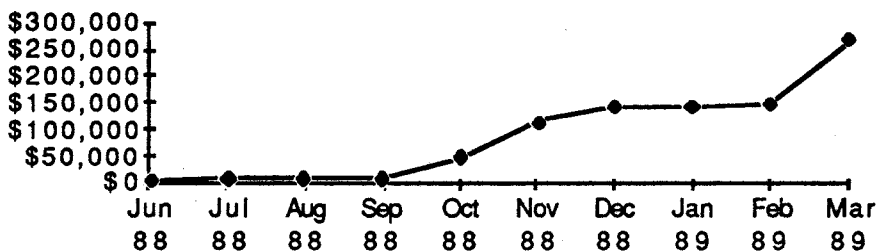
about housing to develop a community land trust and keep the home perpetually affordable. Rutland West will also be working with the home's current tenants to help them qualify for VHFA financing. VCLF's loan of \$35,000 at 6%, which is replacing an 11% bank loan, will allow \$150 of each

month's rent to be earmarked for the family's downpayment on permanent financing.

Finally, in **Woodstock**, the loan fund has committed \$22,000 for share financing to the residents of the **Riverside Mobile Home Park**. The residents hope to own and

operate their park as a limited-equity cooperative. VCLF has been working with the residents and the **Woodstock Community Development Corporation** to help create one of the state's first mobile home park cooperatives.

Funds committed to Affordable Housing Projects



In **Fair Haven**, a loan from VCLF is helping **Rutland West Neighborhood Housing Services** to provide a family with home ownership. Over the next few months, Rutland West will be working with other Rutland area groups concerned

Fund sets Goal of \$750,000 in Investments for 1989

The Loan Fund has set a goal of doubling its investment capital to \$750,000 by the end of 1989. Increased borrower interest in the Fund over the past few months indicates an ongoing need for the type of low-interest financing the Loan Fund is able to offer. The Fund considered requests for over

\$100,000 in loans in March and expects to do the same in April.

Investors in the Loan Fund are able to specify the amount, terms and any particular conditions of their investment loan. For more information about investing in the Loan Fund, please request a copy of our current Prospectus.

THIS NEWSLETTER

is being sent to friends of the Vermont Community Loan Fund - a network of people committed to investing their principles in Vermont. For more information about the Fund or its activities, please contact the Fund Manager, Nancy Wasserman at (802) 223-1448 or Post Office Box 827, Montpelier, VT 05601.

VERMONT COMMUNITY LOAN FUND NOTES

ANNUAL MEETING

On March 15th, VCLF held its second Annual Meeting in Montpelier. Newly elected to the Board was Elizabeth Kent of Brattleboro, the Coordinator of the recently-established Socially Responsible Banking Fund at Vermont National Bank.

Officers for the coming year are Lawrence Mires of Montpelier as President; Susan E. O'Rourke of Rutland as Vice President, Rep. Rick Hausman of Newbury as Treasurer and the Rev. Thomas F. X. Hoar, S.S.E. as Secretary.

GRANTS AWARDED TO VCLF

VCLF has received a \$10,000 grant from the **Ellis Phillips Foundation** for our loan loss reserve fund and a \$1,500 contribution from the **Fund for Vermont's Third Century**.

VERMONT SOLIDARITY II

Planning is underway for the 'Vermont Solidarity II Conference: Into the 90's' scheduled for June 17-18 at Castleton State College. The conference, which will feature workshops, panels and a keynote speaker, hopes to bring together Vermonters interested in social change. For more information contact Chris Wood at 229-0800 or at Post Office Box 281, Montpelier, VT 05601.

What is 'Affordable Housing'?

Affordable housing may be one of the most overused phrases in Vermont. Essentially, housing is considered affordable when all housing expenses - rent and utilities or mortgage payment, taxes and insurance - do not exceed 30% of a household's income.

The dimensions of the problem in Vermont is best explained by a few statistics. The **average** 1987 price of a home in Vermont was \$98,900. Financing that purchase required a **minimum** household income of about \$40,000, yet the current median income figure for a family of four in Vermont is only \$26,760. (Median income is the midway point - half of the households in Vermont earn more, half earn less.)

As housing prices escalate up to 15% per year, the gap between income and what it costs to own a home widens tremendously. It is estimated that four out of every five households who currently own their home could not afford to buy it in today's market.

Lack of ownership opportunities creates an additional demand on an already tight rental market. Vermont's average two bedroom rent requires an income of over \$19,000 to be 'affordable'. Rather than homelessness, many households are paying up to 50% of their income for housing and skimping

on other necessities such as food and health care. Ironically, while the need for housing programs has increased dramatically, the federal government has drastically reduced spending. Housing expenditure are currently at about 28% of their 1980 levels.

Creating housing that is affordable can be accomplished through grants, rent subsidies, low-interest loans and innovative bank financing. For households earning median income or above, a lower-interest loan is frequently enough to make a difference. For households earning 80% or less of median income, a combination of all of the financing schemes listed above is usually required.

Typical financing packages are quite complicated involving up to six separate mortgages including the Vermont Housing and Conservation Board, local banks, municipal housing funds, disappearing federal programs and VCLF.

VCLF prioritizes its low-interest loans to projects which 1) benefit households earning 80% of median income or less and 2) provide housing that is perpetually affordable. The latter requirement can be satisfied by ownership models such as community land trusts and limited-equity cooperatives, which are designed to prevent speculative appreciation.

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VERMONT COMMUNITY LOAN FUND NOTES

Vol. 1 # 2

November 1988

Four New Community Loans Approved

The Vermont Community Loan Fund has committed to four new loans totalling \$105,000 for four different non-profit groups providing four different types of affordable housing.

In **Montpelier**, VCLF has helped the **Central Vermont Community Land Trust** acquire a duplex where only three months ago, the tenants thought they would be facing eviction. The Land Trust will hold title to property in perpetuity selling each half of the duplex to the current tenants at a price they can afford.

With VCLF's help, the Upper Valley's **Twin Pines Cooperative**

Housing Foundation has gone ahead and purchased two buildings containing eight rental units in the Town of **Hartford**. One of the buildings - the red-roofed white-clapboard Merrimac Farm - can be spotted by regular drivers of Interstate 89 just north of the Quechee exit. VCLF had provided a loan for the earnest money on this purchase which originally included two more buildings. Twin Pines scaled back the project due to a variety of circumstances encountered in structuring the financing.

A 5-unit rental apartment building in **Barton** will remain affordable for its tenants thanks to VCLF's

help in financing the purchase by **Northern Community Housing Corporation**, a non-profit housing provider.

Last but certainly not least, VCLF is helping to finance the purchase of the old Parent/Child Center building in **Middlebury** by the **Addison County Community Action Group**. Although some of the child care space will remain, most of the building will be converted to 4 housing units. The building will be part of an 8-unit comprehensive transitional housing program designed for young families in the Addison County area.

The Loan Fund carefully screens all applicants and works with them to develop appropriate financing and management mechanisms to insure that their projects will be successful. "It generally takes up to six months to place our funds with borrowers," notes Fund Manager Nancy Wasserman, adding "We have applications in the works for at least another \$200,000 worth of loans."

Vt. Community Reinvestment Group Formed

Under the Federal Community Reinvestment Act (CRA) of 1977, financial institutions have an affirmative obligation to meet the credit needs of all sectors of their communities. The recently-enacted Vermont Interstate Banking Act has similar provisions. CRA evolved, in part, as a reaction to the practice of redlining, where banks defined certain areas as off-limits for lending.

As a result of CRA, citizens now have a voice in the decision-making process that determines whether a financial institution may open or relocate a branch office or merge with or acquire another financial institution. CRA groups have been formed around the country to help insure that financial institutions meet their community obligations.

While many banks in Vermont have been exemplary in their service to their community, acquisition of these institutions by larger out of state concerns may alter the community commitment. VtCRA was formed to serve as a watchdog for community needs in these transactions. VtCRA is particularly concerned with how each new institution plans to meet the credit needs of low-income people, farmers, women, small business owners and the handicapped.

VtCRA has recently been joined by CRA groups from Rhode Island, Massachusetts and Connecticut in challenging the proposed acquisition of Bank Of Vermont by Bank of Boston, due to the latter's poor CRA record. For more information, contact VtCRA at 191 North St. Burlington, VT 05401.

THIS NEWSLETTER

is being sent to friends of the Vt. Community Loan Fund - a network of people committed to investing their principles in Vermont. Future issues will detail projects supported by the Fund and keep you informed about ways to act on your principles in your local community. For more information about the Fund or its activities, please contact Nancy Wasserman, Fund Manager, at (802) 223-1448 or PO Box 827, Montpelier, VT 05602.

VERMONT COMMUNITY LOAN FUND NOTES\$

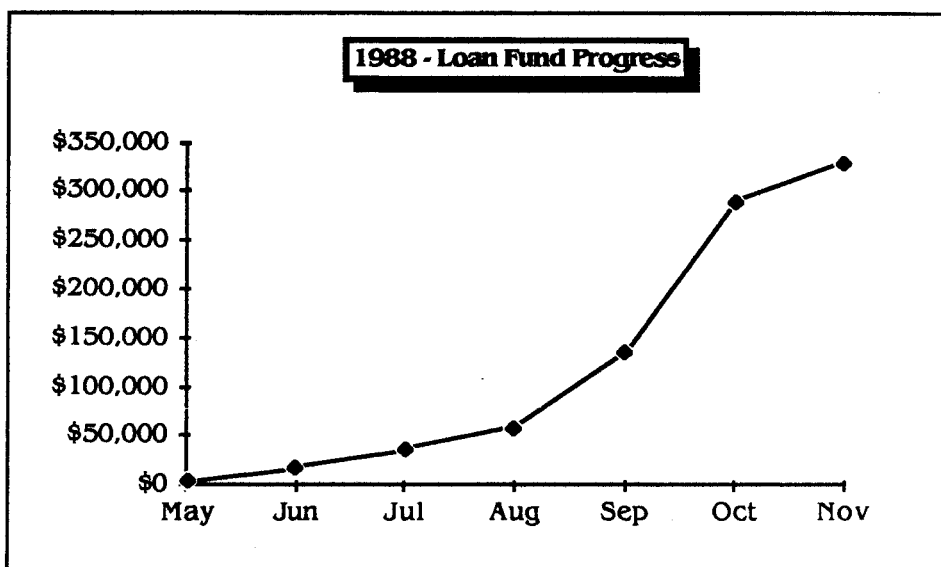
Loan Fund Investments Top Three Hundred Thousand

VCLF is rapidly becoming a significant player in the development and financing of affordable housing in the state.

'Response to the Loan Fund idea has been far greater than we expected,' noted Board President Lawrence Mires, 'We had projected about \$150,000 in investments by the end of the year. We are at twice that number with over a month to go. It's exciting since it means we were right on target in hoping that there were a growing number of people and organizations who are interested in investing some of their funds in socially worthwhile projects here in Vermont.'

The funds twenty-two investments have ranged in size from \$1,000 to \$100,000 for terms of one to five years. Interest has ranged from zero to 5.75%, with the cost of funds currently at just under 3%. Investors include individuals, religious organizations and foundations making program-related investments.

VCLF has also received gifts of permanent capital from the Ellis Phillips Foundation and the Vermont Housing and Conservation Board. Also, the Vermont Office on Aging placed its revolving loan fund monies with VCLF specifically targetting the funds for elder housing.



First Two Community Loans Repaid

VCLF's first two loans were repaid successfully giving the loan fund a limited, yet excellent 100 percent repayment rate.

Due to a variety of constraints, the Brattleboro Area Community

Land Trust has been unable, at this time, to go-ahead with the purchase of the thirty-four units they had hoped to purchase. The Land Trust is continuing to manage the TK units of housing they acquired earlier this year and pursuing acquisition of other properties in the Brattleboro area.

The loan to Twin Pines for earnest money was repaid earlier this month when they closed on the same deal.



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