

April 2013

**Vermont Housing & Conservation Board**  
**Single-Family Housing**  
**Refinancing Guidelines for Restricted Homes**

1. These guidelines pertain to refinance and home equity loan requests for single family homes and condominiums for which VHCB has provided financial assistance.
2. VHCB reviews refinancing requests on a case-by-case basis in order to determine risk to VHCB's interest in the property. VHCB reserves the right to reject any refinancing proposals that we conclude involve excessive risk to public subsidy.
3. Grantees are expected to: 1) educate prospective buyers, in advance of purchase, regarding the limitations inherent in refinancing homes that are permanently restricted for affordability and 2) discuss with homeowners, prior to contacting VHCB with a refinance request, the impact of refinancing on their long-term financial interests.
4. VHCB encourages grantees to assist buyers in selecting financing that is affordable and available from mortgage lenders that have an established track of lending for affordable permanently restricted single family homes. When submitting a proposed refinance transaction to VHCB for review, please state whether the lender maintains a business office staffed with personnel somewhere in Vermont or is a subsidiary of a regulated lender currently doing business in Vermont.
5. If the homeowner is proposing to increase the amount of financing secured by the property, VHCB requires repayment of outstanding VHCB Single Family Assistance Program loans unless the homeowner is only borrowing enough additional funds for closing costs.
6. Grantee shall make a request in writing for approval of the proposed refinance and subordination of VHCB's interest, if required. As part of this request, Grantee shall submit the following:
  - an option price calculation for the home to demonstrate that the homeowner's total proposed debt is no greater than the owner's option price, as calculated in conformance with the procedure established in the grantee's groundlease or covenant. Homeowners are only permitted to borrow again their portion of equity.
  - an updated affordability worksheet showing the buyer's current income, principal balance on current mortgage, proposed amount of new loan, proposed lender, term and rate of new loan, current monthly debt load including principal and interest payments, taxes, insurance, condo fees, lease fees, installment or revolving debt, and proposed monthly debt load after the refinance. VHCB staff may require additional information, such as credit scores or a copy of the proposed Promissory Note and Mortgage Deed.
7. Refinancing requests that require VHCB to subordinate to multiple liens (e.g., to a 1<sup>st</sup> mortgage and a home equity loan) place VHCB at greater risk. Grantees should not expect that VHCB will agree to subordinate in all such cases. VHCB will only subordinate to

home equity loans that are structured as a line of credit when the line of credit has a limit on it and the proposed liens against the property only total 90% of the homeowner's equity or less. "Cash out" refinancing requests for the purpose of maintaining or improving the home are a higher priority for VHCB than other uses.