

September 30, 2025

To the Commissioners
Vermont Housing Finance Agency

We have audited the financial statements of Vermont Housing Finance Agency (the "Agency") as of and for the year ended June 30, 2025, and have issued our report thereon dated September 30, 2025. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated May 16, 2025, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Agency solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant control deficiencies over financial reporting, material noncompliance, and other matters noted during our audit in a separate letter to you dated September 30, 2025.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Agency is included in Note 2 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

- Management's estimate of loan loss reserves for multi-family and construction loans is based on the watch list of possible troubled loans, individual loan evaluations and feasibility of the underlying projects. Management utilizes an aging report of delinquent single-family loans and estimates a percent of each aging category based on historical collection data to estimate the single-family loan loss reserve. We evaluated the key factors and assumptions used to develop the loan loss reserve estimates and determined it is reasonable in relation to the basic financial statements as a whole.
- The Agency reports investments and mortgage-backed securities at fair values based on quoted market prices in active markets and matrix pricing techniques, which values the securities relationship to benchmark quoted prices. Guaranteed investment contracts are not reported at fair value but rather costs as they are non-participatory in nature. We evaluated the assumptions used to estimate the fair value of the investments and determined management's estimate to be reasonable in relation to the basic financial statements as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Agency's financial statements relate to:

- The disclosure of fair value measurements in Note 4 to the financial statements. The financial statement disclosures are consistent and clear to the user of the financial statements.
- The disclosure of Bonds Payable in Note 9 to the financial statement as it details the various series of bonds issued, the applicable terms and balances.
- The disclosures of commitments and contingencies in Note 15 to the financial statements.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no uncorrected or corrected misstatements that we identified as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Agency's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter dated September 30, 2025.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

We applied certain limited procedures to management's discussion and analysis ("MD&A"), which is required supplementary information ("RSI") that supplements the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

In the normal course of our professional association with the Agency, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Agency's auditors.

This report is intended solely for the information and use of the Commissioners, and management of the Agency and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

CohnReznick LLP

Charlotte, North Carolina

VERMONT HOUSING FINANCE AGENCY
(A Component Unit of the State of Vermont)

Financial Statements and
Required Supplementary Information

June 30, 2025

(With Independent Auditor's Report Thereon)

VERMONT HOUSING FINANCE AGENCY
(A Component Unit of the State of Vermont)

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Independent Auditor's Report

The Honorable Douglas R. Hoffer
State Auditor of the State of Vermont
and
The Commissioners
Vermont Housing Finance Agency

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Vermont Housing Finance Agency (the "Agency"), a component unit of the State of Vermont, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Agency as of June 30, 2025, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The combining statements of net position by program, revenues, expenses and changes in net position by program, and cash flows by program are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements of net position by program, revenues, expenses and changes in net position by program, and cash flows by program, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2025, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.



Charlotte, North Carolina
September 30, 2025

VERMONT HOUSING FINANCE AGENCY
(A Component Unit of the State of Vermont)

Management's Discussion and Analysis – Required Supplementary Information

June 30, 2025

This section of the Vermont Housing Finance Agency's (the Agency) annual Financial Report presents management's discussion and analysis of its financial performance and significant changes in financial position for the fiscal year ended June 30, 2025. Readers are encouraged to consider the information presented in conjunction with the financial statements as a whole.

Overview of the Agency

The Agency was created in 1974 by an Act of the General Assembly of the State of Vermont. The purpose of the Agency is to promote the expansion of the supply of funds available for mortgages on residential housing and to encourage an adequate supply of safe and decent housing at reasonable costs. The Agency is authorized to issue bonds and other obligations to fulfill its corporate purposes. Obligations of the Agency do not constitute debt of the State of Vermont.

The majority of the Agency's funding has been provided from the proceeds of sales of tax-exempt and taxable bonds and notes, and advances from lending institutions. Since September 1974, the Agency has issued \$4.3 billion of bonds, notes and line of credit borrowings, of which \$555 million was outstanding as of June 30, 2025, to finance its various programs. The proceeds of the debt have been or will be used to make mortgage loans to sponsors of multi-family residential housing units for persons and families of low and moderate income in the State and to purchase mortgage-backed securities (MBS) or mortgage loans on single family residential housing units for persons and families of low and moderate income in the State. The bonds are secured pursuant to the terms of the resolutions under which they were issued.

Overview of the Financial Statements

The Agency's financial statements consist of three parts – Management's Discussion and Analysis, the basic financial statements and the notes to the financial statements. The basic financial statements include the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. The notes to the basic financial statements are intended to provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis

The Agency's Statement of Net Position consists primarily of single family and multi-family mortgage loans, mortgage-backed securities, cash and investments, and related bonds and notes payable. It also includes a portfolio of construction loans, as well as a variety of other assets such as miscellaneous receivables, prepaid expenses and capital assets.

Cash and investments are used to fund loan and MBS purchases, bond debt service, reserve funds, and operating expenses, and are typically held in a variety of investment vehicles, as authorized in accordance with the Agency's investment policy.

VERMONT HOUSING FINANCE AGENCY
(A Component Unit of the State of Vermont)

Management's Discussion and Analysis – Required Supplementary Information

June 30, 2025

The following table summarizes the Net Position of the Agency as of June 30, 2025 with comparative data from the prior fiscal year (in thousands):

	June 30, 2025	June 30, 2024	% Change June 2025 vs. June 2024
Assets:			
Cash and investments	\$ 91,610	98,388	(6.9)
Loans receivable, net	269,195	228,705	17.7
Mortgage-backed securities	313,704	233,997	34.1
Other assets	4,856	4,048	20.0
Capital assets, net	499	472	5.7
Total assets	679,864	565,610	20.2
Deferred Outflows of Resources:			
Interest rate swap agreements	0	8	(100.00)
VHCB related outflows	25,535	27,112	(5.8)
Total deferred outflows of resources	25,535	27,120	(5.8)
Total assets and deferred outflows of resources	705,399	592,730	19.0
Liabilities and deferred inflows of resources:			
Bonds and notes payable	555,029	460,415	20.5
Other liabilities	26,459	19,807	33.6
Deferred inflow of resources - swap agreements	267	316	(15.5)
Total liabilities and deferred inflows of resources	581,755	480,538	21.1
Net Position:			
Net investment in capital assets	499	472	5.7
Restricted for bond resolutions	91,691	81,630	12.3
Restricted for special purpose loans	15,219	12,171	25.0
Unrestricted	16,235	17,919	(9.4)
Total net position	\$ 123,644	112,192	10.2

Total assets increased by \$114 million for fiscal year ended June 30, 2025, when compared to the year ended June 30, 2024, mainly due to net increases of \$79.7 million in mortgage-backed securities and \$40.5 million in loans receivable, offset by a \$6.8 million decrease in cash and investments. Major contributors to mortgage loan and MBS changes were as follows:

- Multi-family loan originations totaled \$76.1 million for the twelve month period vs. \$52.8 million for the same period last fiscal year.

VERMONT HOUSING FINANCE AGENCY
(A Component Unit of the State of Vermont)

Management's Discussion and Analysis – Required Supplementary Information

June 30, 2025

- Bond financed single family mortgage-backed securities purchases totaled \$92.2 million for the twelve months vs. \$82 million for the same period last fiscal year.
- Down payment assistance loan originations totaled \$2.2 million vs \$2.1 million for the same period last fiscal year.
- Principal collections for the twelve month period totaled \$30.5 million in the multi-family portfolio and \$23.6 million in the single family whole loan and MBS portfolios.
- In the current fiscal year there were four planned forgiveness of loans in the amounts of \$2.8 million, \$4.7 million, 170 thousand, and 1.4 million, totaling \$9.1 million. These loans were part of the federal Section 1602 program through which the Agency provided forgivable loans to qualifying projects in lieu of low-income housing tax credits during and after the 2008 financial crisis. A like amount of Agency loan loss reserves tied to the forgiven loans was released.

The following table summarizes the change in mortgage loans receivable for the year ended June 30, 2025 (in thousands):

<u>Mortgage Loans Receivable:</u>	Year Ended June 30, 2025	Year Ended June 30, 2024	% Change June 2025 vs. June 2024
Beginning balance	\$ 228,705	234,023	-2.3%
Whole loan originations	76,122	52,760	44.3%
Down payment assistance loans	2,246	2,112	6.3%
Principal collections	(36,142)	(60,520)	-40.3%
Nonperforming loans transferred out	(74)	(16)	362.5%
Loans forgiven	(9,092)	0	-
Change in loan loss reserve	7,430	346	2047.4%
Ending balance	<u>\$ 269,195</u>	<u>228,705</u>	<u>17.7%</u>

VERMONT HOUSING FINANCE AGENCY
(A Component Unit of the State of Vermont)

Management's Discussion and Analysis – Required Supplementary Information

June 30, 2025

The following table summarizes the change in mortgage-backed securities for the year ended June 30, 2025 (in thousands):

<u>Mortgage Backed Securities (MBS):</u>	Year Ended June 30, 2025	Year Ended June 30, 2024	% Change June 2025 vs. June 2024
Beginning balance	\$ 233,997	170,264	37.4%
MBS purchases	92,189	81,976	12.5%
Principal paydowns on MBS	(18,007)	(15,441)	16.6%
Change in fair value	5,525	(2,802)	-
Ending balance	<u>\$ 313,704</u>	<u>233,997</u>	<u>34.1%</u>

The \$1.6 million decrease in VHCB related deferred outflows reflects the portion of the \$2.5 million Property Transfer Tax (PTT) revenue received from the State of Vermont which was allocated to the reduction in Deferred Outflows during the period.

Total liabilities of the Agency increased by \$101.2 million, or 21.1% for the fiscal year ended June 30, 2025 when compared to the year ended June 30, 2024 primarily due to an increase in bonds and notes payable of \$94.6 million. Activity related to bonds and notes payable can be summarized as follows:

- In August 2024, the Agency issued \$55.0 million of Multiple Purpose 2024 CDE bonds. The proceeds of the bonds were used to purchase approximately \$35.4 million in mortgage-backed securities, a \$3.3 million multi-family loan, and a \$16.3 million multi-family construction loan.
- In March 2025, the Agency issued \$45.0 million of Multiple Purpose 2025 AB bonds. The proceeds of the bonds are being used to purchase approximately \$45.6 million in mortgage-backed securities.
- Bonds redeemed prior to maturity at the discretion of the Agency totaled \$17.6 million in the Multiple Purpose indenture and \$3.6 million in the Multi-Family Mortgage indenture.
- Bonds redeemed as result of scheduled maturities totaled \$8.3 in the Multiple Purpose indenture, \$1.1 million in the Multi-Family Mortgage indenture, \$360 thousand in the HFA Initiative Multifamily indenture and \$1.5 in the Vermont Property Transfer Tax indenture.
- Notes payable increased by \$26.2 million primarily due to \$43.1 million in draws on construction lines of credit as well as \$9.4 million draw from the State of Vermont's 10% for Vermont investment program, offset by \$26.3 million in payments on construction lines and direct placement loans.
- The increase of \$6.7 million in other liabilities is due primarily to an increase in Unearned income, consisting mostly of \$4.5 million in new Capital Magnet Fund proceeds and a \$1.9 million increase in undisbursed State Tax Credits.

VERMONT HOUSING FINANCE AGENCY
(A Component Unit of the State of Vermont)

Management's Discussion and Analysis – Required Supplementary Information

June 30, 2025

Discussion of Changes in Statement of Revenues, Expenses and Changes in Net Position

The Agency's operating revenues consist primarily of interest income on mortgage and construction loans and mortgage-backed securities, investment income, revenue from state tax credit sales and miscellaneous fee and grant income. Operating expenses consist mainly of bond interest expense, other debt financing costs and operational expenses.

VERMONT HOUSING FINANCE AGENCY
(A Component Unit of the State of Vermont)

Management's Discussion and Analysis – Required Supplementary Information

June 30, 2025

The following summarizes these items for the fiscal year ended June 30, 2025 with comparative data from the prior fiscal year (in thousands):

	Year Ended June 30, 2025	Year Ended June 30, 2024	% Change June 2025 vs. June 2024
Operating revenues:			
Interest on investments	\$ 4,106	4,414	(7.0)
Interest on mortgage loans	12,130	10,892	11.4
Interest on mortgage-backed securities	13,410	8,976	49.4
Fee income	2,317	1,572	47.4
Grant administration revenue	143	393	(63.6)
Revenue from sales of state tax credits	1,125	1,125	-
State reimbursements	923	974	(5.2)
Grants	2,133	5,187	(58.9)
TBA program revenue	7	1	600.0
Gain on bond redemptions	744	756	(1.6)
Other revenue	187	96	94.8
Total operating revenues	37,225	34,386	8.3
Operating expenses:			
Financing costs	21,810	17,128	27.3
Operational expenses	8,586	6,461	32.9
Loan loss expenses	202	(282)	-
Total operating expenses	30,598	23,307	31.3
Operating income	6,627	11,079	(40.2)
Nonoperating revenues (expenses):			
Net appreciation (depreciation) in fair value of investments	4,825	(3,403)	-
Federal & State Programs:			
Program revenue	3,177	12,208	(74.0)
Program expenses	(2,987)	(10,713)	(72.1)
Administration and period costs	(190)	(1,495)	(87.3)
Net nonoperating revenues (expenses)	4,825	(3,403)	-
Increase (decrease) in net position	\$ 11,452	7,676	49.2

The Agency reported net operating income of \$6.6 million for the fiscal year ended June 30, 2025, compared to net operating income of \$11.1 million for the prior year. After the change in market value of investments and, inclusion of the impact of Federal & State Programs, the overall increase in net position for the fiscal year ended June 30, 2025 is \$11.5 million compared to a net increase of \$7.7 million for the same period last year. Income and expense highlights include:

VERMONT HOUSING FINANCE AGENCY
(A Component Unit of the State of Vermont)

Management's Discussion and Analysis – Required Supplementary Information

June 30, 2025

- Interest income on investments decreased by \$308 thousand or 7% due primarily to lower interest rates.
- Interest income on MBS increased by \$4.4 million or 49.4%, primarily due to a larger portfolio of mortgage-backed securities and interest income on mortgage loans increased by \$1.2 million or 11.4% due mainly to an increase in multi-family loans outstanding.
- The increase in Fee income of \$745 thousand or 47.4% is due primarily to increases in multi-family loan origination fees and an increase in IORTA receipts.
- The decrease in Grant administration revenue of \$250 thousand is due primarily to the wind down of the Homeowner Assistance Program.
- The decrease in Grants income of \$3.1 million or 58.9% was due primarily to the Agency receiving a one time \$3 million grant in the prior fiscal year and not in the current year.
- Financing costs increased \$4.7 million or 27.3% due primarily to an increase in bonds outstanding, higher interest rates and higher bond issuance costs.
- Operational expenses of \$8.6 million were up \$2.1 million or 32.9% relative to the same period last year. The increase is due primarily to an increase of \$769 thousand in salaries and benefits resulting from a change in payroll accrual policy, several new employees and some larger CTO payouts in this fiscal year. In addition, Vermont Statewide Housing Conference expenses were \$139 thousand this year compared to \$0 last year when the conference was not held. In addition, there was \$1.3 million in state grant related expenses for the Rental Revolving Loan Fund and Weatherization program which was offset by the same amount of associated Grants income.
- Loan and REO write offs, net of reserve adjustments, were \$202 thousand for the twelve months ended June 30, 2025. Compared to the prior year, this is an increase of \$484 thousand which includes an increase of \$76 thousand for single family loans, an increase of \$374 thousand for multi-family loans and an increase of \$34 thousand for distressed property related expenses.

VERMONT HOUSING FINANCE AGENCY
(A Component Unit of the State of Vermont)

Management's Discussion and Analysis – Required Supplementary Information

June 30, 2025

Budgetary Information

The Agency prepares an annual budget of income, expenses and fund transfers for the General Fund component of its Operating Fund. The budget is prepared by staff and reviewed and approved prior to the start of the fiscal year by the Agency's Board of Commissioners.

The Agency relies on fund transfers from bond programs and General Fund unrestricted cash to bridge the gap between annual operating expenses and General Fund operating income.

For fiscal year 2025, the Agency budgeted \$3.3 million in operating revenues and \$7.6 million in operating expenses. Actual operating revenues of \$3.7 million came in \$381 thousand more than the amount budgeted. This was primarily due to more interest income on loans than had been anticipated. Actual operating expenses were under budget by \$140 thousand. Most notably, salaries and benefits were \$136 thousand over budget for the year but this was offset by consulting, contract services and maintenance agreements being under budget.

Contacting the Agency's Financial Management

This financial report is designed to provide a general overview of the Agency's operations, and insight into the financial statements. If you have questions about this report or need additional information, please contact the Chief Financial Officer at VHFA, 164 St. Paul St., Burlington, VT 05401 or visit our website at www.vhfa.org.

VERMONT HOUSING FINANCE AGENCY
(A Component Unit of the State of Vermont)

Statement of Net Position

June 30, 2025

(in thousands)

Assets

Current assets:

Cash and cash equivalents:

Unrestricted	\$ 14,216
Restricted	73,462

Accrued interest receivable:

Investments	251
Mortgage loans	2,476
Mortgage backed securities	1,296

Investments maturing within one year	1,724
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Current portion of mortgage loans receivable	80,989
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Current portion of mortgage backed securities	7,783
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Other receivables and prepaid expenses	566
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Due from (to) other funds	—
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Total current assets	182,763
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Noncurrent assets:

Investments	2,208
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Mortgage loans receivable, net	188,206
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Mortgage backed securities, net	305,921
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Capital assets, net	499
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Fair value of derivative instrument - interest rate swaps, net	267
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Total noncurrent assets	497,101
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Total assets	679,864
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Deferred Outflows of Resources

VHCB related deferred outflows	25,535
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Accumulated decrease in fair value of hedging derivatives -

Interest rate swaps	—
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Total deferred outflows of resources	25,535
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Total assets and deferred outflows of resources	705,399
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VERMONT HOUSING FINANCE AGENCY
(A Component Unit of the State of Vermont)

Statement of Net Position

June 30, 2025

(in thousands)

Liabilities

Current liabilities:

Current portion of notes payable	42,467
Current portion of bonds payable, net	12,781
Accrued interest payable	3,602
Other payables	1,278
Funds held on behalf of others	9,496
Arbitrage rebate payable	291
Funds held for federal programs	<u>10,198</u>
Total current liabilities	<u>80,113</u>

Noncurrent liabilities:

Notes payable, net	71,687
Bonds payable, net	428,094
Other liabilities	<u>1,594</u>
Total noncurrent liabilities	<u>501,375</u>
Total liabilities	<u>581,488</u>

Deferred Inflows of Resources

Accumulated increase in fair value of hedging derivatives	<u>267</u>
Total liabilities and deferred inflows of resources	<u>581,755</u>

Net Position

Net Investment in capital assets	499
Restricted for bond resolutions	91,691
Restricted for special purpose loans	15,219
Unrestricted	<u>16,235</u>
Total net position	<u>\$ 123,644</u>

See accompanying notes to financial statements

VERMONT HOUSING FINANCE AGENCY

(A Component Unit of the State of Vermont)

Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2025

(in thousands)

Operating revenues:

Interest income:

Investments	\$ 4,106
Mortgage loans	12,130
Mortgage backed securities	13,410
Fee income	2,317
Grant administration revenue	143
Revenue from sales of state tax credits	1,125
State reimbursements	923
Grants	2,133
TBA program revenue	7
Gain on bond redemptions	744
Other revenue	187
Total operating revenues	<u>37,225</u>

Operating expenses:

Financing costs, including interest expense	21,810
Salaries and benefits	5,548
Operating expenses	1,431
Professional fees	275
State program expenses and administration costs	1,332
Provision for losses on loans and real estate owned	202
Total operating expenses	<u>30,598</u>
Operating income (loss)	<u>6,627</u>

Nonoperating revenues (expenses):

Net increase in fair value of investments and MBS	4,825
State and federal grants:	
Grant revenue	3,177
Grant expenses	(2,987)
Administration costs	(190)
Total nonoperating revenues (expenses)	<u>4,825</u>

Income (loss) before transfers 11,452

Net transfers (from) to other funds

Increase (decrease) in net position 11,452

Net position:

Net position at beginning of year	<u>112,192</u>
Net position at end of year	<u>\$ 123,644</u>

See accompanying notes to financial statements.

VERMONT HOUSING FINANCE AGENCY
(A Component Unit of the State of Vermont)

Statement of Cash Flows

Year Ended June 30, 2025

(in thousands)

Cash flows from operating activities:	
Mortgage loans interest receipts	\$ 11,778
MBS interest receipts	13,043
Mortgage loans principal collections	36,088
MBS sales and paydowns	18,178
Mortgage loan originations	(77,032)
MBS purchases, net	(92,359)
Fee income and other receipts	7,667
State tax credit sales	1,125
Salaries and benefits payments	(5,305)
Operating expense payments	(2,738)
PTT receipts from State of Vermont	2,500
State and Federal program receipts	3,177
State and Federal program expenditures	(3,177)
Net cash provided by (used in) operating activities	(87,055)
Cash flows from investing activities:	
Investment sales	9,724
Investment purchases	(1,481)
Investment interest receipts	4,205
Net increase in funds held on behalf of others	2,036
Sales of distressed properties	—
Distressed property expenditures	(27)
Rebate excess earnings received payable to IRS	291
Net cash provided by (used in) investing activities	14,748
Cash flows from noncapital financing activities:	
Bond and note interest payments	(20,155)
Bond principal payments	(32,460)
Repayment of notes	(54,842)
Bond issue proceeds	102,090
Increase in notes payable	81,009
Financing costs other than interest	(1,074)
Noncapital financing transfers (from) to other funds	—
Net cash provided by noncapital financing activities	74,568
Cash flows from capital and related financing activities:	
Capital asset purchases	(96)
Net cash provided by (used in) capital and related financing activities	(96)
Net increase (decrease) in cash and cash equivalents	2,165
Cash and cash equivalents at beginning of year	85,513
Cash and cash equivalents at end of year	\$ 87,678

VERMONT HOUSING FINANCE AGENCY
(A Component Unit of the State of Vermont)

Statement of Cash Flows

Year Ended June 30, 2025

(in thousands)

Reconciliation of cash flows from operating activities:

Net operating income (loss)	\$ 6,627
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	70
Financing costs other than interest	635
Investment interest income	(4,106)
Distressed property expenditures	24
Bond and note interest expense	20,968
Gain on bond redemptions	(744)
Net increase in fair value of investments and MBS	5,525
Changes in assets and liabilities:	
Decrease (increase) in accrued interest receivable	(720)
(Increase) decrease in mortgage loans receivable	(40,472)
Decrease (increase) in mortgage backed securities	(79,708)
Decrease (increase) in other receivables and prepaids	9
Decrease (increase) in VHCB related deferred outflows	1,577
Increase (decrease) in other liabilities	2,879
Increase (decrease) in other payables	381
Net cash provided by (used in) operating activities	<u>\$ (87,055)</u>

Supplemental noncash operating/investing activities:

See accompanying notes to financial statements.

VERMONT HOUSING FINANCE AGENCY
(A Component Unit of the State of Vermont)

Notes to Financial Statements

June 30, 2025

(1) Authorizing Legislation and Nature of Funds

(a) *Authorizing Legislation*

Vermont Housing Finance Agency (the Agency) was created as a body politic and corporate of the State of Vermont by an Act of the General Assembly approved on April 11, 1974 (the Act). The purpose of the Agency is to promote the expansion of the supply of funds available for mortgages on residential housing and to encourage an adequate supply of safe and decent housing at reasonable costs. The Agency is a component unit of the State of Vermont and the State of Vermont appoints a majority of the Agency's board of commissioners.

The Agency is empowered by the Act and subsequent amendments to issue bonds and notes. Instruments so issued do not constitute a debt or obligation of the State of Vermont and are payable solely from revenues or assets of the Agency.

The State of Vermont has pledged and agreed with the holders of bonds and notes of the Agency not to impair in any way the rights and remedies of such holders.

(b) *Basis of Presentation*

The financial statements are presented for the Agency as a whole. The financial statements are presented in Supplemental Information on a program basis combining the various restricted accounts required by each bond resolution into groups that account for the various bonds issued, related costs of issuance and debt service activity and the investment and related earnings of the bond proceeds in mortgages or loans and temporary investments and the maintenance of certain reserve fund requirements – all under the specific requirements of each resolution.

These accounts are in turn grouped by program as described below for the Operating Fund, the Single Family Mortgage Program Fund, the Multiple Purpose Program Fund, the Multi-Family Mortgage Program Fund, and the State Bond Fund.

(i) Operating Fund

This fund derives its revenue principally from fees, mortgage interest and investment income. Operating expenses of the Agency are paid from this fund.

Transfers from program funds to the Operating Fund primarily represent amounts allowed to be transferred pursuant to the terms of the Agency's bond resolutions.

(ii) Single Family Mortgage Program Fund

This fund has been established under the Single Family Insured Mortgage Bond Resolution adopted in September 1976, the Single Family Mortgage Purchase Bond Resolution adopted in June 1978, the Home Mortgage Purchase Bond Resolution adopted in July 1983, the Single

VERMONT HOUSING FINANCE AGENCY
(A Component Unit of the State of Vermont)

Notes to Financial Statements

June 30, 2025

Family Housing Bond Resolution adopted in September 1990, and the Mortgage Revenue Bond (Mortgage Backed Securities Program) indenture adopted in December 2009 under the federal New Issue Bond Program (NIBP). Monies from these programs have been used by the Agency to purchase mortgage backed securities or mortgage loans on single family residential housing units for persons and families of low and moderate income in Vermont.

(iii) Multiple Purpose Program Fund

This fund has been established under the Multiple Purpose Bond indenture adopted in July 2007. Monies from these programs have been used by the Agency to finance mortgage loans on single family residential housing units and multifamily residential housing units for persons and families of low and moderate income in Vermont.

(iv) Multi-Family Mortgage Program Fund

This fund has been established under the MultiFamily Mortgage Bond Resolution adopted in February 1977, the MultiFamily Housing Bond Resolution adopted in September 1981, the MultiFamily HFA initiative adopted in December 2009 under the federal NIBP, and various individualized taxable and tax-exempt bond and note resolutions adopted between December 1985 and June 2007. Monies from these programs are used by the Agency to make and finance mortgage loans to sponsors of multifamily residential housing units for persons and families of low and moderate income in Vermont. In addition, the Agency has lines of credit with TD Bank and Northfield Savings Bank used to support multi-family development projects.

(v) State Bond Fund

This fund was first established as a result of the adoption of the Property Transfer Tax Revenue Bond Resolution adopted in December 2017. Bonds issued under this program are special, limited obligations of the Agency paid and secured solely from pledged State of Vermont Property Transfer Tax Revenues. The State Bond Fund also now includes activity related to the Agency's Weatherization Repayment Assistance Program and Rental Revolving Loan Fund, both of which are funded by State appropriations. The fund also includes multi-family loans funded by the State's 10% for Vermont investment program, repayments of which are general obligations of the Agency.

(vi) Reserve Requirements

Under various bond resolutions of the Agency, certain amounts from bond proceeds are required to be set aside and maintained for potential debt service requirements in trustee accounts. As of June 30, 2025, reserve requirements totaled \$956,000 for the Operating Fund, \$2,777,000 for the Multiple Purpose Program Fund, and \$2,410,000 for the Multi-Family Mortgage Program Fund. Amounts held in reserve accounts as of June 30, 2025 exceeded the required balances in all cases.

VERMONT HOUSING FINANCE AGENCY
(A Component Unit of the State of Vermont)

Notes to Financial Statements

June 30, 2025

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The Agency's financial statements have been prepared on the accrual basis of accounting using the economic resource measurement focus. Accordingly, the Agency recognizes revenue in the period earned and expenses in the period incurred.

(b) Net Position

Net Position has been classified for external financial reporting purposes into the following three categories:

- *Net investment in Capital Assets* – Capital assets, net of accumulated depreciation, and cost of construction or improvement of those assets.
- *Restricted* – Net Position subject to externally imposed stipulations.
- *Unrestricted* – Net Position that is not subject to externally imposed stipulations. Unrestricted Net Position may be designated for specific purposes by action of management or the Board of Commissioners or may otherwise be limited by contractual agreements with outside parties.

The Agency first considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted net position is available.

(c) Cash Equivalents

The Agency considers all highly liquid investments with original maturities of three months or less to be cash equivalents for purposes of the Statement of Cash Flows. Cash equivalents also includes mortgage payments which are held in trust by loan servicers in depository accounts or amounts in transit to trustees.

(d) Mortgage Loans Receivable

Mortgage loans receivable are carried at their uncollected principal balances less allowances for loan losses on mortgages and reserves for federally funded loans that are pass-through in nature.

The allowance for the multi-family loan portfolio is based on a review of each loan and considers the operating cash flows of the respective projects and fair values of the properties. At June 30, 2025, the allowances for loan losses totaled \$7,907,000, broken out as follows: \$2,893,000 for the Operating Fund, \$2,554,000 for State & Federal Programs, \$1,887,000 for the Multiple Purpose Program Fund, and \$573,000 for the Multi-Family Mortgage Program Fund and are recorded net with the mortgage loans receivables on the Statement of Net Position.

VERMONT HOUSING FINANCE AGENCY
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Notes to Financial Statements

June 30, 2025

The reserve for federally funded mortgage loans made under Section 1602 and the Tax Credit Assistance Program (TCAP) is \$10,486,000 and is recorded net with the mortgage loans receivables and loan loss allowance in the Operating Fund on the Statement of Net Position.

(e) *Mortgage Backed Securities*

Mortgage backed securities consist of Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), and Government National Mortgage Association (GNMA) certificates. Mortgage backed securities are reported at fair value on the Statement of Net Position, and the net appreciation (depreciation) in the fair value, including both realized and unrealized gains and losses, is recognized in the Statement of Revenues, Expenses and Changes in Net Position.

(f) *Investments*

Investments are comprised of short-term- investments that did not meet the cash equivalent criteria and mature in one year or less, and long-term- investments with maturities in excess of one year. Investments, excluding guaranteed investment contracts (GICs), are reported at fair value in the Statement of Net Position. The net appreciation (depreciation) in the fair value of investments, including both realized and unrealized gains and losses, is recognized in the Statement of Revenues, Expenses and Changes in Net Position. The Agency's GICs are considered non-participatory in nature and therefore are recorded at cost rather than fair value.

(g) *Interest Income*

Interest income on mortgage loans, investments, and mortgage backed securities is recorded as income when earned.

(h) *Capital Assets and Depreciation*

The Agency records purchases of its capital assets at cost and depreciates that cost over the estimated useful lives of the assets, which are forty years for the building, five to ten years for building improvements, and three to five years for furniture and fixtures and computer equipment, using the straight-line method. In accordance with the Agency's capitalization policy, capital assets greater than \$5,000 are capitalized.

(i) *Real Estate Owned*

Real estate owned (REO) consists of properties acquired through foreclosure or repossession and are carried at the lower of cost or net realizable value (estimated market value less costs to sell). The Agency did not hold any Real Estate Owned at June 30, 2025.

VERMONT HOUSING FINANCE AGENCY
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Notes to Financial Statements

June 30, 2025

(j) *Deferred Outflows*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources, which represents a consumption of net position that applies to future periods.

The Agency issued State Property Transfer Tax Revenue (PTT) Bonds in fiscal year 2018 to provide funds to the Vermont Housing and Conservation Board (VHCB), a component unit of the State of Vermont financial reporting entity, to create affordable housing in Vermont. The State of Vermont has pledged to transfer to the Agency \$2,500,000 of State PTT receipts annually through 2038 to cover the PTT Bond debt service payments. Cash transfers to VHCB are recorded as deferred outflows of resources. As the annual State PTT reimbursements are received, the applicable PTT Bond interest portion is paid and the remaining reimbursement reduces the VHCB deferred outflows balance and is reported on the Statement of Revenues, Expenses and Changes in Net Position as State reimbursements.

(k) *Hedging Derivatives – Interest Rate Swaps*

The Agency enters into interest rate swap agreements with counterparties with the intention of achieving a lower overall cost of funds for certain bond issuances. In accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the interest rate swap instruments are reported at fair value on the Statement of Net Position.

All of the Agency's interest rate swaps deemed to be effective cash flow hedges, therefore the fair value adjustment is reported as a Deferred Outflow of Resources when the Agency owes the counterparty and a Deferred Inflow of Resources when the counterparty owes the Agency.

(l) *Bond Issuance Costs and Amortization*

Bond premiums and discounts are deferred and amortized over the lives of the respective issues using the straight-line method. Scheduled amortization of net bond premiums are \$444,000; \$405,000; \$360,000; \$315,000 and \$280,000 for the five years ending June 30, 2026 through 2030.

Bond issuance costs are expensed in the period they are incurred.

In the event of an in-substance defeasance, the difference between the reacquisition price and net carrying amount of defeased bonds is recognized as a gain or loss in the Statement of Revenues, Expenses and Changes in Net Position.

(m) *Income Tax Status*

The Agency is generally not subject to federal and Vermont income taxes under Section 115 of the Internal Revenue Code (IRC) and applicable state laws. The Agency qualifies as a tax-exempt organization under Section 501(c)(3) of the IRC.

VERMONT HOUSING FINANCE AGENCY
(A Component Unit of the State of Vermont)

Notes to Financial Statements

June 30, 2025

(n) *Arbitrage to be Rebated*

Bonds issued by the Agency are subject to a variety of Internal Revenue Service (IRS) regulations which limit the amount of income which may be earned with non-mortgage investments to an amount not greater than that amount which would have been earned had the funds been invested at the yield on the bonds as defined by the IRS. Excess earnings, if any, must be rebated every five years.

(o) *Operating and Nonoperating Revenues and Expenses*

The Agency records all revenues and expenses related to its loan programs as operating revenues and expenses since they are generated from the Agency's daily operations needed to carry out its statutory purposes. Investment income is recorded as operating revenue in all funds. Gains and losses on bond redemption are recorded in operating revenues and expenses, as they are a part of the normal operations of the Agency's activities.

Net appreciation and depreciation in the fair value of investments and federal grant revenues and expenses are recorded as nonoperating revenues and expenses. Grants received from federal, state and local governments are recognized as nonoperating revenue as the related expenditures are incurred.

(p) *Use of Estimates*

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires estimates and assumptions that affect the reported amount of the assets and liabilities and contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to estimates and assumptions include the provision for loan losses and the valuation of investments.

(3) *Cash, Cash Equivalents and Investments*

For mortgage program investments, bond resolution requirements mandate specific classes of investment vehicles. Qualified investments are: direct obligations of the United States of America; obligations unconditionally guaranteed by the United States of America; indebtedness issued by certain federal agencies; bank time deposits evidenced by certificates of deposit insured by the Federal Deposit Insurance Corporation (FDIC) and, if in excess of insured limits, collateralized in full by the aforementioned federal government investments; obligations of the State of Vermont, and/or federal or state insured mortgages; collateralized repurchase agreements secured by obligations of the federal government; Guaranteed Investment Contracts with the collateral held by or at the direction of the appropriate trustee; and, investment agreements with banks or bank holding companies rated in the top categories by nationally recognized rating agencies.

The Agency has an investment policy with an overriding goal of providing optimum coverage of risk exposure and maintaining liquidity necessary for future cash needs while maximizing the return on investments. All investment agreements with banks or bank holding companies, insurance companies or

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June 30, 2025

other financial institutions must be rated at least “A” by nationally recognized credit rating agencies or have posted adequate collateral to minimize the Agency’s risk.

(a) Custodial Credit Risk – Deposits

The custodial credit risk for deposits is the risk that in the event of a bank failure, the Agency’s deposits may not be recovered. Bank deposits in excess of the insured amounts are uninsured and uncollateralized. Deposits in bank accounts at June 30, 2025 totaled \$22,370,000. Of this amount, \$9,264,000 was exposed to custodial credit risk as uninsured and uncollateralized. The insured balances are in Sweep accounts which include multiple FDIC insured accounts.

(b) Cash, Cash Equivalents, and Investments

The Agency’s cash and investments at June 30, 2025 are presented below (in thousands).

	Total	Investment maturities (in years)			
		Less than 1	1 – 5	6 – 10	More than 10
Cash	\$ 22,370	22,370	—	—	—
Money market accounts	65,308	65,308	—	—	—
Certificates of deposit	3,260	1,724	1,536	—	—
Guaranteed investment contracts	—	—	—	—	—
U.S. Treasury securities	—	—	—	—	—
Government agency securities	672	—	—	672	—
Mortgage backed securities	313,704	7,783	129	967	304,825
Total cash and investments	\$ 405,314	97,185	1,665	1,639	304,825

The following table provides information on the short-term credit ratings associated with the Agency’s cash, money market and certificates of deposit at June 30, 2025 (in thousands):

	Total	P-1	Aaa-mf	NR
Cash	\$ 22,370	18,110	—	4,260
Money market accounts	65,308	—	65,308	—
Certificates of deposit (FDIC Insured. All under \$250,000)	3,260	—	—	3,260
Subtotal short-term investments	\$ 90,938	18,110	65,308	7,520

The following table provides information on the long-term credit ratings (Moody’s) associated with the Agency’s long-term investments at June 30, 2025 (in thousands):

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June 30, 2025

	<u>Total</u>	<u>Aaa</u>	<u>Aa</u>	<u>NR</u>
Guaranteed investment contracts	—	—	—	—
U.S. Treasury securities	—	—	—	—
Government agency securities	672	672	—	—
Mortgage backed securities	313,704	103,565	210,139	—
Subtotal long-term investments	<u>\$ 314,376</u>	<u>104,237</u>	<u>210,139</u>	<u>—</u>

(c) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the Agency's investment in a single issuer. Of the Agency's total cash and investments, 77% are MBS. MBS issued by Ginnie Mae, Fannie Mae, and Freddie Mac comprise 33%, 46%, and 21%, respectively, of the Agency's MBS portfolio.

(d) Interest Rate Risk – Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Agency's policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

(4) Fair Value of Investments, MBS, and Interest Rate Swaps

The Agency has adopted GASB No. 72, Fair Value Measurement and Application. This statement establishes a hierarchy of inputs to valuation techniques used to measure fair value:

- Level 1 – quoted market prices in active markets
- Level 2 – inputs other than quoted market prices that are observable either directly or indirectly
- Level 3 – unobservable inputs

U.S. Treasury securities and government agency securities classified in Level 1 are valued using prices quoted in active markets for those securities. Certificates of deposit and mortgage-backed securities classified in Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Interest rate swaps are valued based on quoted market prices or model-driven valuations using significant inputs derived from or corroborated by observable market data and determined to be Level 2.

The investments, MBS, and interest rate swaps that the Agency measured at fair value at June 30, 2025 are as follows (in thousands):

VERMONT HOUSING FINANCE AGENCY
(A Component Unit of the State of Vermont)

Notes to Financial Statements

June 30, 2025

	Total	Level 1	Level 2	Level 3
Certificates of Deposit	\$ 3,260	—	3,260	—
U.S. Treasury securities	—	—	—	—
Government agency securities	672	672	—	—
Mortgage backed securities	313,704	—	313,704	—
Total investments	<u>317,636</u>	<u>672</u>	<u>316,964</u>	<u>—</u>
Interest rate swaps	<u>\$ 267</u>	<u>—</u>	<u>267</u>	<u>—</u>

There have been no changes in classifications in Level 1, Level 2, and Level 3 and no changes in valuation techniques for these assets or liabilities for the year ended June 30, 2025.

(5) Mortgage Loans Receivable

(a) Single Family Mortgage Loans Receivable

Single Family mortgage loans earn interest at annual rates ranging from 0% to 8.80%. Mortgage payments are received monthly by the Agency from which servicing fees are generally retained by servicing lenders or sub-servicers.

At June 30, 2025, approximately 1.67% of the Single Family mortgage portfolios consist of primary insured mortgages.

Mortgage loans, not requiring primary insurance, are limited to 80% of the appraised value of the property.

(b) Multi-Family Mortgage Loans Receivable

Multi-family mortgage loans receivable earn interest at annual rates ranging from 0% to 8.43% and are collateralized by mortgage liens on all real and personal property of the mortgaged premises.

(6) Capital Assets

Capital Asset activity for the year ended June 30, 2025 is shown in the following table (in thousands):

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Notes to Financial Statements

June 30, 2025

	Beginning balance	Additions	Disposals	Ending balance
Capital assets not being depreciated:				
Land	\$ 50	—	—	50
Capital assets being depreciated:				
Building	1,001	—	—	1,001
Building improvements	1,009	8	—	1,017
Computer software	124	—	—	124
Computer equipment	519	30	(53)	496
Furniture and fixtures	217	—	(6)	211
Total capital assets being depreciated	2,870	38	(59)	2,849
Less accumulated depreciation for:				
Building	(738)	(25)	—	(763)
Building improvements	(893)	(27)	—	(920)
Computer software	(124)	—	—	(124)
Computer equipment	(478)	(17)	53	(441)
Furniture and fixtures	(216)	(1)	6	(210)
Total accumulated depreciation	(2,448)	(70)	59	(2,459)
Total capital assets being depreciated, net	422	(32)	—	390
Fixed Assets In-Progress	—	59	—	59
Capital assets, net	\$ 472	27	—	499

(7) Deferred Outflows of Resources – VHCB Related Deferred Outflows

Proceeds of the State Property Transfer Tax Revenue (PTT) Bonds are used to provide funds to the Vermont Housing and Conservation Board (VHCB), a component unit of the State of Vermont financial reporting entity, to create affordable housing in Vermont. Amounts transferred to VHCB are recorded as deferred outflows of resources. The State of Vermont has pledged to transfer to the Agency annual State PTT receipts to cover the PTT Bond debt service payments. The VHCB related deferred outflows beginning balance of \$27,112,000 less applicable State PTT receipts of \$1,577,000 equals the ending VHCB related deferred outflows balance at June 30, 2025 of \$25,535,000.

VERMONT HOUSING FINANCE AGENCY
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Notes to Financial Statements

June 30, 2025

(8) Funds Held on Behalf of Others

Funds held on behalf of others are received primarily from multi-family housing developers and are governed by agreements and released upon satisfactory compliance with their terms. At June 30, 2025, \$9,496,000 was held on behalf of others.

VERMONT HOUSING FINANCE AGENCY
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Notes to Financial Statements

June 30, 2025

(9) Bonds Payable

Outstanding bonds payable at June 30, 2025 are as follows (in thousands):

A. Multiple Purpose Program Fund:

Multiple Purpose Bonds:

2014 Series A and B maturing 2025 to 2044, interest at 3.700% to 4.250%	\$ 7,725
2015 Series D maturing 2027 to 2032, interest at 3.650%	4,000
2015 Series G maturing 2025 to 2034, interest at 3.050% to 3.900%	2,665
2016 Series A and B maturing 2025 to 2046, interest at 2.500% to 4.000%	7,160
2016 Series C and D maturing 2025 to 2046, interest at 2.150% to 4.000%	7,900
2017 Series A and B maturing 2025 to 2047, interest at 2.900% to 4.050%	8,465
2017 Series C and D maturing 2025 to 2048, interest at 2.400% to 4.000%	3,865
2018 Series A maturing 2025 to 2048, interest at 2.800% to 4.000%	6,855
2018 Series B, C, E and F maturing 2025 to 2048, interest at 3.200% to 5.050%	16,500
2019 Series A maturing 2025 to 2049, interest at 1.900% to 4.000%	14,335
2020 Series A maturing 2025 to 2050, interest at 1.300% to 3.750%	15,840
2021 Series A, B and C maturing 2025 to 2051, interest at 1.600% to 5.000%	20,225
2022 Series A and B maturing 2025 to 2052, interest at 2.450% to 5.250%	21,270
2023 Series A and B maturing 2025 to 2053, interest at 3.750% to 6.000%	23,005
2023 Series C and D maturing 2025 to 2053, interest at 4.550% to 6.000%	33,635
2023 Series E, F and G maturing 2025 to 2053, interest at 3.500% to 6.250%	30,660
2024 Series A and B maturing 2025 to 2054, interest at 3.500% to 6.250%	34,705
2024 Series C, D and E maturing 2025 to 2054, interest at 3.500% to 6.250%	55,010
2025 Series A and B maturing 2026 to 2055, interest at 3.750% to 6.500%	45,000
Total Multi Purpose Program Fund	358,820

B. Multi-Family Mortgage Program Fund:

Mortgage Program:

2012 Series B and C maturing 2032 to 2052, interest at 3.750% to 4.629%	2,795
2019 Series A and B maturing 2025 to 2049, interest at 2.400% to 3.900%	11,775
2021 Series A maturing 2025 to 2051, interest at 0.700% to 2.600%	9,735
2022 Series A and B maturing 2025 to 2052, interest at 0.850% to 3.100%	13,325
Total Mortgage Program	37,630

HFA Initiative Multifamily Bonds:

2009 Series C maturing 2025 to 2051, interest at 2.320%	12,460
Total Multi-Family Mortgage Program Fund	50,090

C. State Bond Fund:

Vermont Property Transfer Tax Revenue Bonds

Series 2018 maturing 2025 to 2037, interest at 3.050% to 3.800%	25,745
Total bonds payable	434,655

Plus Unamortized Bond Premium (Discount), net

6,220
\$ 440,875

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Notes to Financial Statements

June 30, 2025

(All calendar year 2025 maturities on bonds payable occur after June 30, 2025).

A summary of bonds payable, discount on bonds, premium on bonds and arbitrage rebate payable activity for the year ended June 30, 2025 is as follows (in thousands):

Vermont Housing Finance Agency (A Component Unit of the State of Vermont) Year ended June 30, 2025 (in thousands)						
	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>	<u>Due within one year</u>	<u>Due thereafter</u>
Bonds payable	\$ 367,105	100,010	(32,460)	434,655	12,335	422,320
Discount on bonds	(37)	-	23	(14)	(1)	(13)
Premium on bonds	5,360	2,080	(1,206)	6,234	447	5,787
Bonds payable, net	<u>\$ 372,428</u>	<u>102,090</u>	<u>(33,643)</u>	<u>440,875</u>	<u>12,781</u>	<u>428,094</u>
Arbitrage Rebate Payable	<u>\$ 84</u>	<u>211</u>	<u>(4)</u>	<u>291</u>	<u>—</u>	<u>291</u>

All bonds in the Multiple Purpose and Multi-Family Program Funds are general obligations of the Agency and are collateralized by the operating revenues, loans, funds, and investments pledged pursuant to the respective bond resolutions. The bond documents contain provisions that in the event of default, outstanding principal and accrued interest are immediately due and payable.

Bonds in the State Bond Fund are special, limited obligations of the Agency and are secured solely from pledged State of Vermont Property Transfer Tax Revenues. In the event of default the Bond Trustee may proceed to protect and enforce its rights and the rights of the Bond owners under the Vermont Housing Finance Agency Act, the Vermont Transfer Tax Statute, and the Bonds and Bond Indenture by such suits, actions, or proceedings deemed expedient.

In most cases, interest is payable semi-annually. All bonds are subject to redemption after various dates at par value.

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June 30, 2025

Debt service requirements at June 30, 2025 are as follows (in thousands):

Year ending June 30:	Multiple Purpose		Multi-Family		State Bond Fund - Property Transfer Tax		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 9,245	15,975	1,500	1,280	1,590	912	12,335	18,167
2027	26,770	15,029	1,620	1,251	1,640	860	30,030	17,140
2028	10,345	14,365	1,640	1,219	1,695	806	13,680	16,390
2029	10,810	13,965	1,660	1,185	1,750	748	14,220	15,898
2030	10,955	13,544	1,690	1,147	1,815	686	14,460	15,377
2031-2035	56,380	61,040	9,315	5,125	10,165	2,338	75,860	68,503
2036-2040	54,690	50,240	10,870	3,799	7,090	410	72,650	54,449
2041-2045	58,295	39,133	10,435	2,262	—	—	68,730	41,395
2046-2050	64,845	25,719	8,960	982	—	—	73,805	26,701
2051-2055	55,125	8,472	2,400	67	—	—	57,525	8,539
2056-2060	1,360	42	—	—	—	—	1,360	42
Total	<u>\$ 358,820</u>	<u>257,524</u>	<u>50,090</u>	<u>18,317</u>	<u>25,745</u>	<u>6,760</u>	<u>434,655</u>	<u>282,601</u>

The Agency enters into interest rate swap agreements with counterparties in connection with the Variable Rate Demand Bonds (VRDB). Under the only current swap agreement, the swap provider pays the Agency amounts based on the Securities Industry and Financial Markets Association (SIFMA), and the Agency pays the swap provider amounts at a fixed rate of interest.

Using rates as of June 30, 2025, debt service requirements of the variable rate bonds and net swap payments, assuming current interest rates remain constant, are as follows (in thousands):

Year ending June 30:	Variable rate		Interest rate swaps, net	Total
	Principal	Interest		
2026	\$ —	81	(13)	68
2027	—	81	(13)	68
2028	—	81	(13)	68
2029	—	81	(13)	68
2030	—	81	(13)	68
2031-2035	—	406	(67)	339
2036-2040	665	381	(63)	984
2041-2045	2,520	205	(34)	2,692
Total	<u>\$ 3,185</u>	<u>1,398</u>	<u>(229)</u>	<u>4,354</u>

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A summary of the swap agreement is as follows (in thousands):

Issue	Counter-Party	Ratings (Moody's/ Fitch)	Effective date	Notional amount	Termination date	Fixed swap payment rate	Variable receivable rate	Fair Value at 6/30/2025
MPB 2019A	BNY Mellon	Aa2/AA	7/16/2019	<u>\$ 3,185</u>	5/1/2044	2.08%	SIFMA + 0.05%	<u>\$ 267</u>

The notional amount of Swaps decreased by \$1,400,000 and the fair value of Swaps decreased by \$42,000 for the year ended June 30, 2025.

By using derivative financial instruments to hedge exposures to changes in interest rates, the Agency exposes itself to credit, market, and basis risk. Credit risk is the failure of the counter-party to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counter-party owes the Agency, which creates credit risk for the Agency. When the fair value of a derivative contract is negative, the Agency owes the counter-party and, therefore, it does not possess credit risk. The Agency minimizes its credit risk in derivative instruments by entering into transactions with high quality- counter-parties whose credit ratings are higher than A by Moody's. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rates is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken. Basis risk is the risk that variable rate payments to bondholders will not equal variable rate receipts from the swap counterparty.

(10) Notes Payable

The Agency may borrow from the Federal Home Loan Bank (FHLB) in an amount not to exceed assets pledged to the FHLB. As of June 30, 2025, the Agency had outstanding borrowings totaling \$1,553,000 which are secured by mortgage loans with a carrying value of \$1,323,000, and cash of \$225,000 in a FHLB collateral account. In the event of default FHLB may take immediate possession of any collateral. These borrowings do not accrue interest and mature from October 2026 through November 2027.

The Agency has \$1,500,000 in unsecured notes payable to the Vermont Community Foundation at rates from 1.0% to 1.5%, with \$500,000 payments due in June 2026, June 2038, and June 2053.

The Agency has \$37,126,000 in amortizing notes payable to the Federal Financing Bank (FFB). These borrowings have interest rates ranging from 1.565% to 3.652% and mature from March 2047 to November 2060. The proceeds of these notes were used to finance FHA Risk-Sharing Insured Mortgage Loans. The notes are secured by mortgage loans equal in value to the outstanding notes payable balance.

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The Agency is operating under three unsecured lines of credit with lending institutions that total \$107,500,000. There is a \$10,000,000 working line of credit with TD Bank expiring in March 2026, a \$75,000,000 line used for construction loans with TD Bank expiring in March 2026 and a \$23,400,000 line used for construction loans with Northfield Savings Bank expiring in April, 2026. As of June 30, 2025, there were \$50,851,000 of borrowings under the lines at interest rates of 4.5% to 5.75% as described below. Existing project subnotes are unaffected by expiration of these overall lines of credit.

The Agency has \$38,770,000 in notes payable to TD Bank at rates from 4.5% to 5.75%, maturing from August 2025 to April 2027.

The Agency has \$12,081,000 in notes payable to Northfield Savings Bank at rates from 4.50% to 4.87%, maturing from March 2026 to June 2027.

The Agency has \$11,324,000 in unsecured, long term notes payable to TD Bank at rates from 1.87% to 3.51% maturing from May 2029 to April 2036. The notes are secured by a moral obligation from the State of Vermont.

The Agency has \$2,385,000 in unsecured notes payable to National Bank of Middlebury at a rate of 2.15%, maturing from April 2036 to June 2036.

The Agency has \$9,415,000 in unsecured notes payable to the State of Vermont at rates from 1% to 2% maturing from February 2030 to February 2045.

For the Agency's outstanding notes, in the event of default, outstanding principal and accrued interest are immediately due and payable. The FFB notes contain a provision stating that FFB shall have all remedies available at equity and under law.

Future notes payable maturities as of June 30, 2025 are as follows (in thousands):

Year ending June 30,	Operating Fund		Multi-Family Program		State Programs		Agency totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 1,485	1,347	40,742	984	240	78	42,467	2,409
2027	1,620	1,317	10,109	54	965	116	12,694	1,487
2028	2,010	1,292	-	-	1,680	101	3,690	1,393
2029	7,179	1,255	-	-	1,680	83	8,859	1,338
2030	4,883	4,688	-	-	1,685	65	6,568	4,753
2031 - 2035	11,624	4,459	-	-	2,615	209	14,239	4,668
2036 - 2040	9,967	3,345	-	-	150	48	10,117	3,393
2041 - 2045	6,937	2,409	-	-	400	31	7,337	2,440
2046 - 2050	6,591	1,498	-	-	-	-	6,591	1,498
2051 - 2055	1,592	522	-	-	-	-	1,592	522
2056 - 2060	-	21	-	-	-	-	-	21
2061 - 2065	-	-	-	-	-	-	-	-
Total	\$ 53,888	22,153	50,851	1,038	9,415	731	114,154	23,922

A summary of notes payable activity for the year ended June 30, 2025 is as follows (in thousands):

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	Beginning	Increases	Decreases	Ending	Current	Non-current
Line of credit borrowings \$	33,148	43,798	(26,095)	50,851	40,742	10,109
Notes payable	54,839	9,415	(951)	63,303	1,725	61,578
	<u>\$ 87,987</u>	<u>53,213</u>	<u>(27,046)</u>	<u>114,154</u>	<u>42,467</u>	<u>71,687</u>

(11) Asset Restrictions

Pursuant to the Act and agreements with bondholders and other parties, the Agency's assets are pledged to secure specific obligations or are otherwise restricted.

Programs which are financed by the issuance of bonds are accounted for separately in accordance with each of the general bond resolutions. Program assets and revenues are pledged to bondholders. Revenues in excess of required amounts are available to be transferred to the Operating Fund.

Amounts transferred to the Operating Fund from the bond resolutions are free and clear of any lien or pledge created by the bond resolutions and may be used for any lawful purpose under the Act, including payments to various accounts within the bond resolutions. All of the outstanding bonds, except for the State Property Transfer Tax Revenue Bonds, are general obligations of the Agency. For general obligation bonds, the Agency covenants that it will restore deficiencies to the bond programs, as defined by the bond resolutions, from the Operating Fund.

The Operating Fund is also the primary source to pay administrative expenses in connection with current and future housing programs, and to provide collateral for credit agreements.

Net Position derived from purpose restricted resources provided under contractual agreements with federal agencies are restricted to the underlying purpose.

(12) Retirement Plan

Upon meeting certain eligibility requirements, the Agency's employees are eligible to participate in the Vermont Housing Finance Agency 403(b) Plan, a defined contribution retirement plan. The Agency's contribution to the Plan is 10% of the covered payroll. Employees are 30% vested in benefits under the plan upon participation, and vest in the remaining 70% on a pro-rata basis over five years of service. Forfeiture on non-vested benefits by terminated employees reduce the Agency's contribution. The cost of the plan was \$393,000 for the year ended June 30, 2025, and is included in salaries and benefits expense.

(13) Bond Redemptions

During the year ended June 30, 2025, the Agency redeemed \$12,895,000 of its Multiple Purpose premium PAC Bonds and serial bonds acquired at a premium and \$2,085,000 of its Multifamily Mortgage Term Bonds acquired at discount, prior to scheduled maturity dates. Net gain on premium and discount bond redemptions

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was \$723,000 and represents the unamortized balance of bond premium and discount that were written off when the bonds were retired.

(14) Federal and State Programs

The Agency is a subrecipient of a federal Homeowner Assistance Fund grant the State received as part of the American Rescue Plan Act (ARPA). During fiscal year 2022, the Agency was awarded a grant from the State of Vermont to administer the Homeowner Assistance Program (HAP) to financially assist Vermont homeowners experiencing financial hardship, for the purpose of preventing mortgage delinquencies, defaults, foreclosures, and loss of utilities or home energy services. The Agency expended \$424,000 of HAP funds in the year ended June 30, 2025. The HAP grant balance at June 30, 2025 was \$17,000. The program is currently in the process of being closed out.

The Agency is a recipient of a federal Capital Magnet Fund (CMF 2024) grant which was awarded on October 23, 2024 in the amount of \$4,500,000. The program is intended to create and preserve affordable housing for low-income families and revitalize distressed communities by attracting private capital. The Agency expended \$0 in CMF 2024 funds in the year ended June 30, 2025. The CMF grant balance at June 30, 2025 was \$4,500,000.

The Agency is a recipient of a federal Capital Magnet Fund (CMF 2023) grant which was awarded on October 4, 2023 in the amount of \$4,500,000. The program is intended to create and preserve affordable housing for low-income families and revitalize distressed communities by attracting private capital. The Agency expended \$0 in CMF 2023 funds in the year ended June 30, 2025. The CMF grant balance at June 30, 2025 was \$4,500,000.

The Agency is a recipient of a federal Capital Magnet Fund (CMF 2021) grant which was awarded on June 22, 2022 in the amount of \$4,000,000. The program is intended to create and preserve affordable housing for low-income families and revitalize distressed communities by attracting private capital. The Agency expended \$811,000 in CMF 2021 funds in the year ended June 30, 2025. The CMF grant balance at June 30, 2025 was \$1,303,000.

The Agency is a recipient of a State Middle Income Homeownership Development Program grant the State received as part of the American Rescue Plan Act (ARPA). In June 2022, the Agency was awarded a grant from the State of Vermont to administer the Middle Income Homeownership Development Program (MIHDP) to provide subsidies for new construction or acquisition and substantial rehabilitation of affordable owner-occupied housing for purchase by income-eligible homebuyers. The Program will provide funds to address both value and affordability gaps in the creation and financing of new single-family homes for low- and moderate-income Vermonters. The Agency expended \$1,108,000 in the year ended June 30, 2025. The MIHDP Grant balance at June 30, 2025 was \$22,198,000. As of June 30, 2025 the Agency had received a \$750,000 advance from the state and had incurred \$872,000 in unreimbursed expenses resulting in a \$122,000 balance owed to the Agency.

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The Agency is a recipient of a State Weatherization Repayment Assistance Program (WRAP) grant which was awarded on March 1, 2021 in the amount of \$9,000,000. In September 2024 the award was reduced from \$9,000,000 to \$3,000,000. The program is intended to provide financial support to low and moderate-income Vermonters to weatherize their homes. The Agency expended \$135,000 in WRAP funds in the year ended June 30, 2025. The undrawn WRAP grant balance at June 30, 2025 was \$2,358,000.

The Agency is a recipient of a State Rental Housing Revolving Loan Program (RHRLP) grant which was awarded on January 1, 2024 in the amount of \$10,000,000. The program is intended to provide loans to developers and builders to create rental housing for middle-income households. The Agency expended \$1,196,000 in RHRLP funds in the year ended June 30, 2025. The RHRLP undrawn grant balance at June 30, 2025 was \$8,799,000.

The Agency is a subrecipient of a Federal Solar For All (SFA) grant which was awarded on May 5, 2025 in the amount of \$22,339,618. The program is intended to plan, design, and implement the Managed Affordable Solar Housing (MASH) program as part of the Vermont Public Service Department's Solar For All initiative. The initiative was funded by the U.S. Environmental Protection Agency and is now on hold. The Agency expended \$0 in SFA funds in the year ended June 30, 2025 and no amount has been drawn down as of June 2025.

(15) Commitments and Contingencies

At June 30, 2025, the Agency had outstanding commitments in the amount of \$35,280,000 to purchase mortgage loans or mortgage backed securities pursuant to its normal funding from bond proceeds. In addition, there were commitments of \$151,470,000 for multi-family loans and \$420,000 for down payment assistance loans.

(16) Risk Management

The Agency is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; employees' health; and natural disasters. The Agency manages these risks through a combination of participating in State insurance programs and purchasing commercial insurance packages in the name of the Agency. The Agency has not experienced settled claims resulting from these risks which have exceeded its insurance coverage. In addition, the Agency's bylaws provide for the indemnification of Agency commissioners and officers by the Agency. This indemnification requirement is supported by various statutes related to claims against employees and entities of the State and the Agency's authorizing legislation which includes the benefit of sovereign immunity.

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(17) Conduit Debt Obligations

On December 27, 2018, the Agency issued tax-exempt bonds on a conduit basis. The proceeds of the bonds were used for the purpose of (a) financing capital expenditures of a multi-family residential housing facility, (b) refunding the principal amount of Series 2010 bonds (c) repaying a 2010 Taxable Loan and (d) financing certain costs of issuance. The bonds were sold on a private placement basis. As of June 30, 2025, \$11,121,928 of the bonds were outstanding.

On December 7, 2022, the Agency issued tax-exempt bonds on a conduit basis. The proceeds of the bonds were used for the purpose of financing a portion of the costs for the acquisition, construction, rehabilitation, equipment and completion of a building to be used for general occupancy residential rental housing. The bonds were sold on a private placement basis. As of June 30, 2025, \$3,725,646 of the bonds were outstanding.

On June 28, 2023, the Agency issued tax-exempt bonds on a conduit basis. The proceeds of the bonds were used for the purpose of financing the costs of the acquisition, rehabilitation and equipping of scattered-site multifamily residential rental housing projects. The bonds were sold on a private placement basis. As of June 30, 2025, \$9,590,000 of the bonds were outstanding.

On May 21, 2025, the Agency issued tax-exempt bonds on a conduit basis. The proceeds of the bonds were used for the purpose of financing a portion of the cost of acquiring, constructing, rehabilitating and equipping for low- and moderate-income persons multifamily rental housing facility. The Series A bonds proceeds were used to facilitate the delivery of a Fannie Mae mortgage backed security. The bonds were sold on a private placement basis. As of June 30, 2025, \$7,250,000 of the bonds were outstanding.

The Agency is not obligated in any manner for repayment of these conduit bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

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(18) Subsequent Events

The events that occur after the date of the Statement of Net Position but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the date of the Statement of Net Position are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the date of the Statement of Net Position require disclosure in the accompanying notes. Management evaluated the activity of the Agency through September 30, 2025 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the Financial Statements and the following subsequent event requires disclosure in the Notes to the Financial Statements.

On July 9, 2025, the Agency issued \$27,500,000 of 2025 Series C (Non-AMT), \$22,500,000 of 2025 Series D (Federally Taxable), and \$5,735,000 of 2025 Series E (Non-AMT) bonds.

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June 30, 2025

Combining Statement of Net Position by Program
(in thousands)

Assets	Operating Fund	Single Family Mortgage Program Fund	Multiple Purpose Bond Fund	Multi- Family Mortgage Program Fund	State Bond Fund	Total
Current assets:						
Cash and cash equivalents:						
Unrestricted	\$ 14,216	—	—	—	—	14,216
Restricted	19,246	9,117	35,253	6,038	3,808	73,462
Accrued interest receivable:						
Investments	45	31	136	29	10	251
Mortgage loans	1,460	2	377	613	24	2,476
Mortgage backed securities	—	—	1,296	—	—	1,296
Investments maturing within one year	100	151	496	977	—	1,724
Current portion of mortgage loans receivable	5,930	33	24,976	49,973	77	80,989
Current portion of mortgage backed securities	—	11	7,772	—	—	7,783
Other receivables and prepaid expenses	354	—	152	12	48	566
Due from (to) other funds	(1,370)	—	(13)	673	710	—
Total current assets	<u>39,981</u>	<u>9,345</u>	<u>70,445</u>	<u>58,315</u>	<u>4,677</u>	<u>182,763</u>
Noncurrent assets:						
Investments	—	—	1,090	1,118	—	2,208
Mortgage loans receivable, net	66,238	351	50,031	64,857	6,729	188,206
Mortgage backed securities, net	—	101	305,820	—	—	305,921
Capital assets, net	499	—	—	—	—	499
Fair value of derivative instrument - interest rate swaps, net	—	—	267	—	—	267
Total noncurrent assets	<u>66,737</u>	<u>452</u>	<u>357,208</u>	<u>65,975</u>	<u>6,729</u>	<u>497,101</u>
Total assets	<u>106,718</u>	<u>9,797</u>	<u>427,653</u>	<u>124,290</u>	<u>11,406</u>	<u>679,864</u>
Deferred Outflows of Resources						
VHCB related deferred outflows	—	—	—	—	25,535	25,535
Accumulated decrease in fair value of hedging derivatives -						
Interest rate swaps	—	—	—	—	—	—
Total deferred outflows of resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>25,535</u>	<u>25,535</u>
Total assets and deferred outflows of resources	<u>106,718</u>	<u>9,797</u>	<u>427,653</u>	<u>124,290</u>	<u>36,941</u>	<u>705,399</u>

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June 30, 2025

Combining Statement of Net Position by Program
(in thousands)

Liabilities	Operating Fund	Single Family Mortgage Program Fund	Multiple Purpose Program Fund	Multi- Family Mortgage Program Fund	State Bond Fund	Total
Current liabilities:						
Current portion of notes payable	1,485	—	—	40,742	240	42,467
Current portion of bonds payable, net	—	—	9,691	1,500	1,590	12,781
Accrued interest payable	97	—	2,940	400	165	3,602
Other payables	1,086	—	42	150	—	1,278
Funds held on behalf of others	9,496	—	—	—	—	9,496
Arbitrage rebate payable	—	—	291	—	—	291
Funds held for federal programs	10,198	—	—	—	—	10,198
Total current liabilities	<u>22,362</u>	<u>—</u>	<u>12,964</u>	<u>42,792</u>	<u>1,995</u>	<u>80,113</u>
Noncurrent liabilities:						
Notes payable, net	52,403	—	—	10,109	9,175	71,687
Bonds payable, net	—	—	355,364	48,575	24,155	428,094
Other liabilities	—	—	—	—	1,594	1,594
Total noncurrent liabilities	<u>52,403</u>	<u>—</u>	<u>355,364</u>	<u>58,684</u>	<u>34,924</u>	<u>501,375</u>
Total liabilities	<u>74,765</u>	<u>—</u>	<u>368,328</u>	<u>101,476</u>	<u>36,919</u>	<u>581,488</u>
Deferred Inflows of Resources						
Accumulated increase in fair value of hedging derivatives	—	—	267	—	—	267
Total liabilities and deferred inflows of resources	<u>74,765</u>	<u>—</u>	<u>368,595</u>	<u>101,476</u>	<u>36,919</u>	<u>581,755</u>
Net Position						
Net Investment in capital assets	499	—	—	—	—	499
Restricted for bond resolutions	—	9,797	59,059	22,812	23	91,691
Restricted for special purpose loans	15,219	—	—	—	—	15,219
Unrestricted	16,235	—	—	—	—	16,235
Total net position	<u>\$ 31,953</u>	<u>9,797</u>	<u>59,059</u>	<u>22,812</u>	<u>23</u>	<u>123,644</u>

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Year Ended June 30, 2025

Combining Statement of Revenues, Expenses and Changes in Net Position by Program
(in thousands)

	Operating Fund	Single Family Mortgage Program Fund	Multiple Purpose Program Fund	Multi-Family Mortgage Program Fund	State Bond Fund	Total
Operating revenues:						
Interest income:						
Investments	\$ 650	433	2,675	288	60	4,106
Mortgage loans	2,731	21	3,617	5,737	24	12,130
Mortgage backed securities	—	6	13,404	—	—	13,410
Fee income	2,317	—	—	—	—	2,317
Grant administration revenue	143	—	—	—	—	143
Revenue from sales of state tax credits	1,125	—	—	—	—	1,125
State reimbursements	—	—	—	—	923	923
Grants	802	—	—	—	1,331	2,133
TBA program revenue	—	—	—	—	7	7
Gain on bond redemptions	—	—	744	—	—	744
Other revenue	187	—	—	—	—	187
Total operating revenues	7,955	460	20,440	6,025	2,345	37,225
Operating expenses:						
Financing costs, including interest expense	1,684	—	15,478	3,685	963	21,810
Salaries and benefits	5,548	—	—	—	—	5,548
Operating expenses	1,290	1	118	3	19	1,431
Professional fees	157	—	73	43	2	275
State program expenses and administration costs	—	—	—	—	1,332	1,332
Provision for losses on loans and real estate owned	1,269	—	218	(1,287)	2	202
Total operating expenses	9,948	1	15,887	2,444	2,318	30,598
Operating income (loss)	(1,993)	459	4,553	3,581	27	6,627
Nonoperating revenues (expenses):						
Net increase in fair value of investments and MBS	—	4	4,786	35	—	4,825
State and federal grants:						
Grant revenue	3,177	—	—	—	—	3,177
Grant expenses	(2,987)	—	—	—	—	(2,987)
Administration costs	(190)	—	—	—	—	(190)
Total nonoperating revenues (expenses)	—	4	4,786	35	—	4,825
Income (loss) before transfers	(1,993)	463	9,339	3,616	27	11,452
Net transfers (from) to other funds	3,385	—	(2,000)	(1,380)	(5)	—
Increase (decrease) in net position	1,392	463	7,339	2,236	22	11,452
Net position:						
Net position at beginning of year	30,561	9,334	51,720	20,576	1	112,192
Net position at end of year	\$ 31,953	9,797	59,059	22,812	23	123,644

VERMONT HOUSING FINANCE AGENCY
(A Component Unit of the State of Vermont)

Supplementary Information

Year Ended June 30, 2025

Combining Statement of Cash Flows by Program
(in thousands)

	Operating Fund	Single Family Mortgage Program Fund	Multiple Purpose Program Fund	Multi-Family Mortgage Program Fund	State Bond Fund	
Cash flows from operating activities:						
Mortgage loans interest receipts	\$ 2,680	21	3,524	5,553	—	\$ 11,778
MBS interest receipts	—	6	13,037	—	—	13,043
Mortgage loans principal collections	2,315	32	6,376	27,365	—	36,088
MBS sales and paydowns	—	11	18,167	—	—	18,178
Mortgage loan originations	(4,400)	—	(22,204)	(43,619)	(6,809)	(77,032)
MBS purchases, net	—	—	(92,359)	—	—	(92,359)
Fee income and other receipts	5,832	—	(68)	—	1,903	7,667
State tax credit sales	1,125	—	—	—	—	1,125
Salaries and benefits payments	(5,305)	—	—	—	—	(5,305)
Operating expense payments	(967)	(1)	(506)	91	(1,355)	(2,738)
PTT receipts from State of Vermont	—	—	—	—	2,500	2,500
State and Federal program receipts	3,177	—	—	—	—	3,177
State and Federal program expenditures	(3,177)	—	—	—	—	(3,177)
Net cash provided by (used in) operating activities	1,280	69	(74,033)	(10,610)	(3,761)	(87,055)
Cash flows from investing activities:						
Investment sales	—	6,993	1,166	1,565	—	9,724
Investment purchases	—	(696)	(52)	(733)	—	(1,481)
Investment interest receipts	653	448	2,752	301	51	4,205
Net increase in funds held on behalf of others	2,036	—	—	—	—	2,036
Sales of distressed properties	—	—	—	—	—	—
Distressed property expenditures	—	—	(86)	59	—	(27)
Rebate excess earnings received payable to IRS	—	—	291	—	—	291
Net cash provided by (used in) investing activities	2,689	6,745	4,071	1,192	51	14,748
Cash flows from noncapital financing activities:						
Bond and note interest payments	(1,686)	—	(13,701)	(3,807)	(961)	(20,155)
Bond principal payments	—	—	(22,513)	(8,370)	(1,577)	(32,460)
Repayment of notes	(14,638)	—	—	(40,204)	—	(54,842)
Bond issue proceeds	—	—	98,753	3,295	42	102,090
Increase in notes payable	13,687	—	—	57,907	9,415	81,009
Financing costs other than interest	—	—	(1,074)	—	—	(1,074)
Noncapital financing transfers (from) to other funds	4,497	1	(1,988)	(1,661)	(849)	—
Net cash provided by noncapital financing activities	1,860	1	59,477	7,160	6,070	74,568
Cash flows from capital and related financing activities:						
Capital asset purchases	(96)	—	—	—	—	(96)
Net cash provided by (used in) capital and related financing activities	(96)	—	—	—	—	(96)
Net increase (decrease) in cash and cash equivalents	5,733	6,815	(10,485)	(2,258)	2,360	2,165
Cash and cash equivalents at beginning of year	27,729	2,302	45,739	8,296	1,447	85,513
Cash and cash equivalents at end of year	\$ 33,462	9,117	35,253	6,038	3,808	\$ 87,678

VERMONT HOUSING FINANCE AGENCY
(A Component Unit of the State of Vermont)

Supplementary Information

Year Ended June 30, 2025

Combining Statement of Cash Flows by Program
(in thousands)

	Operating Fund	Single Family Mortgage Program Fund	Multiple Purpose Program Fund	Multi-Family Mortgage Program Fund	State Bond Fund	Total
Reconciliation of cash flows from operating activities:						
Net operating income (loss)	\$ (1,993)	459	4,553	3,581	27	6,627
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	70	—	—	—	—	70
Financing costs other than interest	—	—	613	22	—	635
Investment interest income	(650)	(433)	(2,675)	(288)	(60)	(4,106)
Distressed property expenditures	(15)	—	98	(59)	—	24
Bond and note interest expense	1,685	—	14,659	3,662	962	20,968
Gain on bond redemptions	—	—	(744)	—	—	(744)
Net increase in fair value of investments and MBS	—	3	5,522	—	—	5,525
Changes in assets and liabilities:						
Decrease (increase) in accrued interest receivable	(51)	—	(460)	(185)	(24)	(720)
(Increase) decrease in mortgage loans receivable	(511)	32	(15,708)	(17,478)	(6,807)	(40,472)
Decrease (increase) in mortgage backed securities	—	8	(79,716)	—	—	(79,708)
Decrease (increase) in other receivables and prepaids	10	—	2	(2)	(1)	9
Decrease (increase) in VHCB related deferred outflows	—	—	—	—	1,577	1,577
Increase (decrease) in other liabilities	2,382	—	(68)	—	565	2,879
Increase (decrease) in other payables	353	—	(109)	137	—	381
Net cash provided by (used in) operating activities	<u>\$ 1,280</u>	<u>69</u>	<u>(74,033)</u>	<u>(10,610)</u>	<u>(3,761)</u>	<u>(87,055)</u>

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Commissioners
Vermont Housing Finance Agency

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"), the financial statements of the Vermont Housing Finance Agency (the "Agency"), a component unit of the State of Vermont, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated September 30, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

Charlotte, North Carolina
September 30, 2025