

Vermont Housing & Conservation Board
Single-Family Housing
Default and Foreclosure Guidelines

In foreclosure actions on single family homes in which VHCB's interests will be extinguished, the nonprofit sponsor (grantee) which provided the homeownership assistance does not have a legal obligation to VHCB to pay back the subsidy lost or to provide another housing unit. Such losses will be addressed in the following manner:

1. VHCB will work with regular applicants for VHCB homeownership funds to develop homeownership programs that lessen the likelihood of homeowner default. VHCB should provide sufficient levels of financial assistance; implement responsible underwriting standards; place emphasis on homeowner education; and encourage minimum stewardship measures.
2. VHCB will monitor each organization receiving funds for homeownership to insure that the grantee has systems in place to operate successful programs and to provide early warning in the event of a default.
3. In the event that a default has occurred, the grantee shall take steps to assist the homeowner to cure the default. Such steps might include providing assistance to obtain budget counseling, a rehab loan, or refinancing. It might also include temporarily waiving lease fee payments.
4. If, despite the efforts as described above, the default situation continues, grantee shall evaluate the feasibility of purchasing the property for resale or assisting another eligible buyer to purchase the property. The grantee shall also make a reasonable effort to help the homeowner understand the consequences of a foreclosure action and various options that might be available as an alternative to foreclosure.
5. If purchase or resale of the property is not feasible and foreclosure occurs, the grantee shall make a reasonable effort to explore with the lender and VHCB the feasibility of reuse of the property as affordable housing.
6. The rate of foreclosure for each grantee's homeownership portfolio shall be tracked and evaluated overtime relative to private real estate standards. Poor performance relative to these standards shall be addressed through grantee monitoring and the organizational grant process.

In foreclosure actions in which VHCB's interests (covenant, mortgage deed, or SFAP loan) have not been extinguished and the grantee requests removing the covenant, VHCB will evaluate such requests on a case-by-case basis.

It should be noted that the mortgages which secure our interests are non-recourse mortgages. This means that VHCB agrees that it shall look solely to the property for satisfaction of any and all claims which it has against the Grantee, and VHCB shall not seek any deficiency or other

judgment against the Grantee in the event that the Property shall be insufficient to remedy such default as a foreclosure. Therefore, per the terms of our mortgages and Grant Agreements, the grantee has no legal obligation to repay our awards in the event of a foreclosure and VHCB does not have the legally have the right to require such repayment.