

# MAINE STATE LEGISLATURE

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The mission of the Maine State Housing Authority

**FIRST-TIME HOMEBUYERS**

is to assist Maine people to obtain and maintain

**LOW-INCOME HOMEOWNERS**

decent, safe, affordable housing and services suitable

to their unique housing needs. In carrying out this

**LOW-INCOME RENTERS**

mission, MSHA will provide leadership, maximize

**PERSONS WITH SPECIAL NEEDS**

resources, and promote partnerships to develop and

**PERSONS WHO ARE HOMELESS**

implement sound housing policy.

**Maine State Housing Authority 1997 Annual Report**

## Introduction:

From the troubled homeless people in Maine's largest cities to the poor living in substandard trailers in rural areas, the housing needs of Maine people are many and varied. The Maine State Housing Authority has developed programs, many in the past few years, that address these varied needs.

This report outlines steps the Housing Authority took in 1997 to meet the needs of five groups of people: first-time homebuyers; low-income homeowners; low-income renters; persons with special housing needs; and persons who are homeless.

The Housing Authority helped thousands of Maine families gain better housing in 1997. However, many thousands more Maine families are in need of decent housing and significantly more state and federal money will be needed to help them.

## MSHA Vision:

"Our vision is for Maine to be a state where all people have the opportunity to enjoy decent, safe, affordable housing.

To help Maine's low and moderate income people realize this vision, we will:

recognize and respond quickly and thoroughly to the state's urgent housing needs;

seek and make the most effective and efficient use of all resources;

promote, provide and oversee housing, assistance and services meeting individual needs and preferences;

promote understanding of housing issues;

provide information and advocacy for our customers;

develop and manage well-designed, quality programs;

maintain financial soundness and safeguard the integrity of all programs and operations;

establish and maintain an environment open to creative ideas and innovative thinking;

value the contributions of all employees, and of our partners and others with whom we work;

and encourage teamwork and participation by all."





This annual report profiles Maine people who were helped by the Maine State Housing Authority in 1997 under our five areas of focus: first-time homebuyers; low-income homeowners; low-income renters; persons with special housing needs; and persons who are homeless. Their stories illustrate the successes of MSHA and point to the continued need for the Housing Authority's programs.

## Message to the people of Maine:



The Maine State Housing Authority had another exceptional year in 1997. Its programs helped more than 2,200 families buy their first homes. The agency financed development of affordable apartments for more than 600 low-income families or people with special needs. It financed repairs to homes of more than 1,100 very low-income homeowners. Emergency shelters supported by the Housing Authority provided 140,000 nights of housing for our most needy citizens, the homeless people of the state.

These achievements are in addition to the thousands of Maine seniors and families who already reside in MSHA-financed low-income apartments. More than 30,000 Maine families received heating assistance from the agency.

As a Governor trying to put Maine's financial house in order, I am especially pleased that the Housing Authority accomplished its mission with little money from state government. Most of the financing the Housing Authority provides comes from the sale of its own tax-exempt housing bonds. It delivers many other programs through federal funds. Most of all, I am proud that the Maine State Housing Authority reached the second highest level (Level II) in the Maine State Quality Awards Program.

Only a few other businesses in Maine, and no other state government agencies, reached this level of achievement this year. In fact, no other state government agency has achieved even the first level.

The award demonstrates that the Housing Authority's efforts to run in a more business-like fashion, including setting and meeting production goals, created an efficient, effective operation that gets the most from each dollar. As the panel of judges noted, the Housing Authority "is developing clear plans, building sound processes, and achieving measurable results" in improving the quality of its programs and services.

The award is symbolic of the agency's effectiveness, but the reward is to the people of Maine. It comes in the form of well-run programs that provided decent, affordable housing to thousands of low-income families and seniors during 1997.

**Angus S. King, Jr.**

Governor of the State of Maine



## Message to the Governor:



The Maine State Housing Authority brought the benefits of decent, safe, affordable housing to thousands of Maine citizens in 1997 – thanks to the hard work and dedication of our staff, and the exceptional relationships we have forged with our housing partners.

Our programs won recognition and awards at the national, regional, and state levels. The awards are gratifying, but pale in significance when compared with a single letter from someone we helped move from a poor housing situation to housing that is safe and affordable.

For example, we received the following note from one of the 2,200 families we helped buy their first home: "You helped make our dream possible."

Another note from a first-time homebuyer said: "We were very pleased and excited to think that we – a young couple just starting out – could afford a home."

We also ran a pilot program to repair homes for seniors at no cost to them, provided the repairs would enable them to remain in their homes. One recipient said: "You're doing a good job. It is a wonderful idea. It keeps us home so we don't have to move out."

Comments like these, and the many more we received throughout the year, make our hard work worthwhile. Throughout this annual report you will see pictures and comments from a few of those we have helped.

As with any annual report, there will be plenty of numbers and statistics to detail our financial situation. But housing is much more than just numbers.

Housing is about the hopes, the dreams and the aspirations of the people of Maine.

We look forward to making the hopes and dreams of hundreds more Maine people come true in 1998.



**David Lakari**

Director and Chairman,  
Maine State Housing Authority

M

aine families are serious about owning their homes. During National Homeownership Week in June the federal

Department of Housing and Urban Development presented Gov. Angus S. King with a plaque honoring Maine for having the highest homeownership rate in the nation. An astounding 76.3% of all Maine families are homeowners, compared with 66.5% in all of New England and 65.4% nationwide.

The Housing Authority's active first-time homebuyer program is partially responsible for the high rate. It finances about one of every five home sales in Maine.

In 1997 the Housing Authority provided \$148 million in low cost mortgages and helped a record 2,257 Maine families become homeowners for the first time. Over the past four years nearly 7,500 families achieved their dream of owning a home because of the Housing Authority's first-time homebuyer program.

Close to 20% of all borrowers in 1997 used the agency's Down Home option, which reduces out-of-pocket

expenses to \$750 or \$1,000, depending on the price of the home purchased. Many other borrowers used other options, such as closing cost assistance, to reduce out-of-pocket cash needs and make buying a home possible.

The success of the first-time homebuyer program is also due to the cooperation of Maine's lending and real estate industries. Forty lenders in Maine participate in the first-time homebuyer program. This ensures that the loans are available throughout the state.

Maine real estate professionals are also enthusiastic supporters of the program. More than 1,000 real estate professionals in 1997 took special training courses to become more knowledgeable about the Housing Authority's program. They became designated MSHA/first agents. Most first-time homebuyers learn about the MSHA program from their real estate professional or lender.

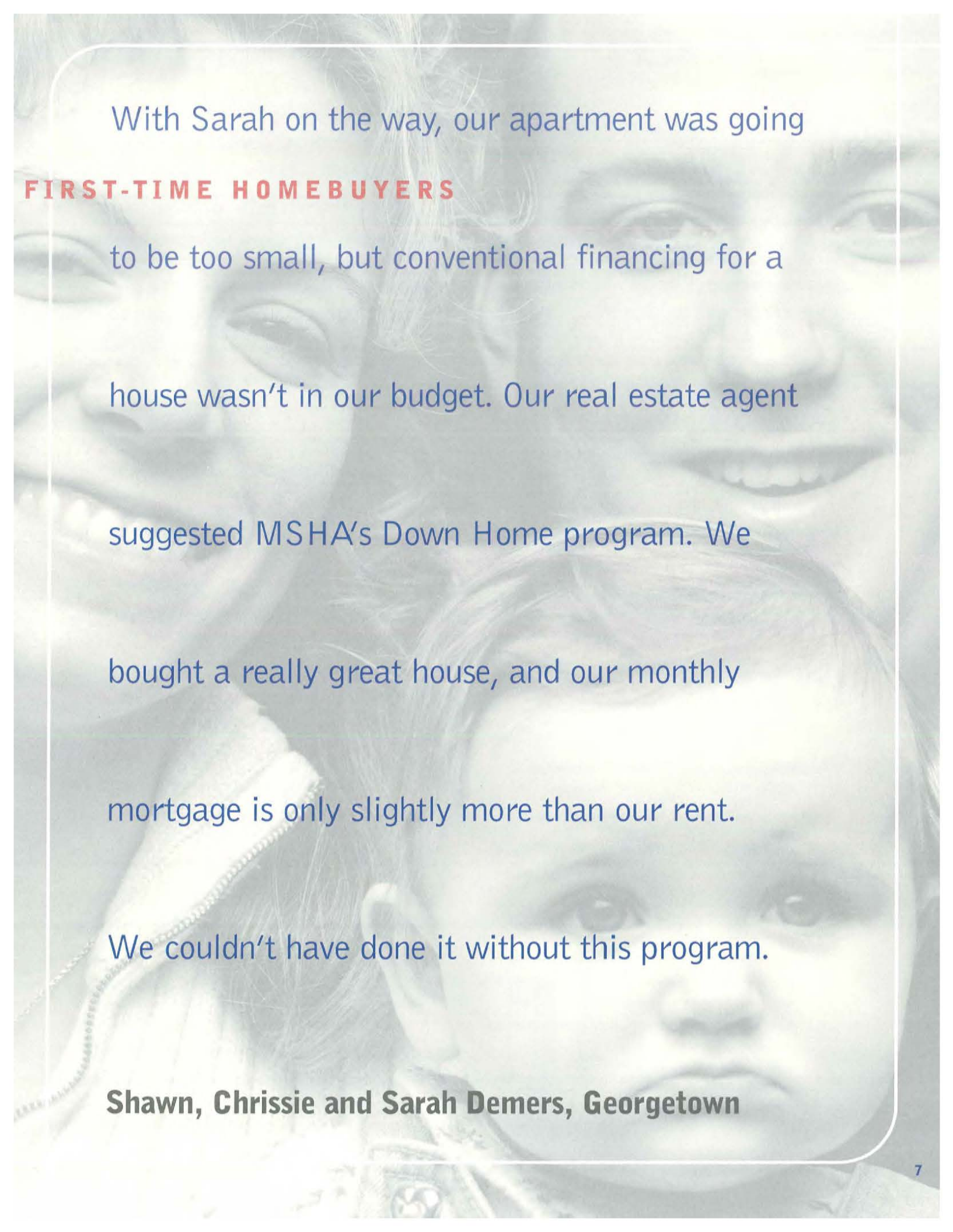
The Housing Authority uses tax-exempt revenue bonds, plus funds from the state housing trust fund it administers, to provide first-time homebuyer loans at reduced interest rates to eligible borrowers. The rates in 1997 remained below 7% all year. A shortage of tax-exempt bonding authority caused the agency to use taxable bonds for the first time in this program in 1997.

Despite the program's success, the benefit to Maine people, and the economic benefit to the state, the Housing Authority will be forced to scale back the program in 1998. A combination of federal limits on the amount of tax-exempt revenue bonds allowed Maine, and a shortage of subsidy money, will restrict the number of people who can use the program.

MSHA first time homebuyer loans







With Sarah on the way, our apartment was going

**FIRST-TIME HOMEBUYERS**

to be too small, but conventional financing for a

house wasn't in our budget. Our real estate agent

suggested MSHA's Down Home program. We

bought a really great house, and our monthly

mortgage is only slightly more than our rent.

We couldn't have done it without this program.

**Shawn, Chrissie and Sarah Demers, Georgetown**



A combination of several factors make it inevitable that many homeowners in Maine have problems maintaining their homes.

These factors include low incomes, and housing that is old. For many low-income homeowners any disruption in their lives, such as an injury or temporary loss of work, can destroy their precarious finances.

Until recently there was no effective state or federal home repair program to help. Grant programs were too costly to taxpayers and helped too few people; loan programs were too expensive for low-income homeowners.

In mid-1995 the Housing Authority developed the FIX ME program. It provides loans of up to \$15,000 at very low interest rates, with up to 15 years to repay. Over the past 2½ years the program helped nearly 3,000 families finance needed repairs, including nearly 1,200 in 1997.

The average income of those families has been \$15,615, or 48% of the median income. The typical loan is about \$9,950 and is repaid over 10 years. Generally loans are used to pay for health and safety improvements.

A key to the program is the state's 11 Community Action Program (CAP) agencies, who underwrite and

originate the loans. Their outreach efforts have been very successful because of their mission to work with low-income people. The CAPs also play a key delivery role in two other Housing Authority programs that help low-income homeowners – delivering weatherization programs and heating assistance.

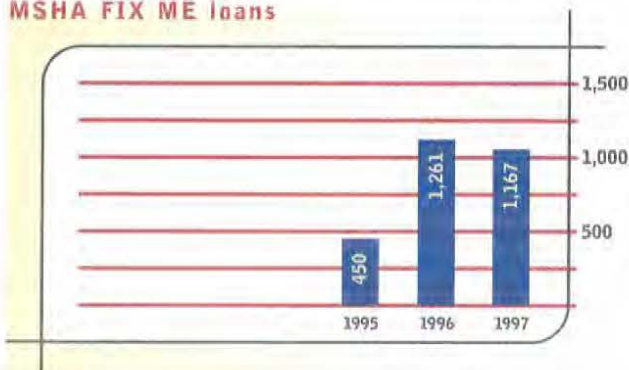
The weatherization programs are federal grants. They finance repairs that improve the energy efficiency in homes of low-income Maine people, including repairs or replacement of central heating systems. In 1997 the weatherization programs improved the energy efficiency in 1,754 homes, including repairing or replacing central heating systems in 517 homes.

MSHA encourages the CAP agencies to combine FIX ME and weatherization funding to make substantial home repairs. The Federal Department of Energy gave its highest achievement award to MSHA in 1997 in recognition of this effort.

The Housing Authority received about \$13 million from the federal government for heating assistance in 1996-97. The CAPs distributed these funds, helping about 35,000 low-income households with winter heating bills.

The Housing Authority estimates there are more than 50,000 low-income homeowners in the state, many of them seniors, who cannot afford necessary home repairs. The outlook for additional assistance is grim. Weatherization funding has been slashed 25% in the past few years, and low-income heating assistance is far less than it once was. The use of FIX ME funds to help upgrade homes will be limited by a shortage of state and federal subsidy funds.

**MSHA FIX ME loans**





I didn't know what to do – the roof leaked and the house looked just awful. I was embarrassed. My

**LOW-INCOME HOMEOWNERS**

neighbors didn't even talk to me. Then a friend told me about the FIX ME program at the York County CAP. The loan was the only way I could afford to do this. It looks so nice now, you couldn't have done anything better for me. It makes me feel so good.

**Carol Ojea, Sanford**



In December another of the Housing Authority's regional agents for the Section 8 rental subsidy program stopped accepting applications for its waiting list. Many other agents had already closed waiting lists. There is little reason to accept new applicants when those already on the list must wait two, three, or more years to get an apartment they can afford.

This incident illustrates the shortage of affordable rental housing and the dilemma faced by low-income tenants. The Housing Authority estimates there are nearly 50,000 Maine renters who pay a disproportionate share of their income for housing, and the number is growing rapidly. Between 1990-1996 the number of cost burdened renter households increased by 37%, to 47,000. These households typically pay such a large percentage of their income for rent that they have little left for food, clothing, and other necessities.

The Housing Authority is increasing the supply of affordable rental housing primarily through its New Lease and Rental Loan programs, and use of the federal Low Income Housing Tax Credit.



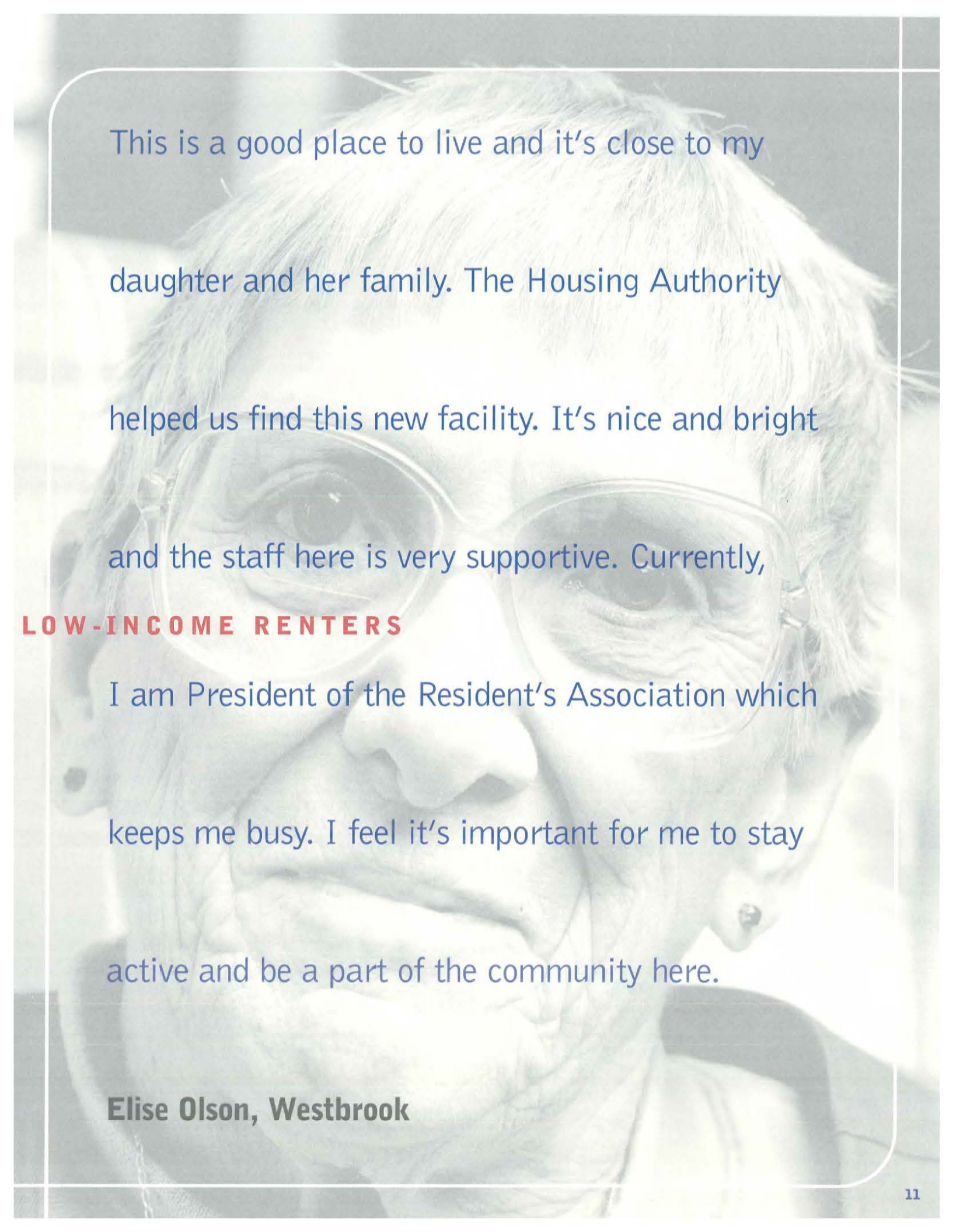
New Lease offers loans at 4% interest rate to purchase and upgrade apartments of 19 or fewer units. A large percentage of the units must be rented to low-income tenants. This includes some tenants with incomes as low as 30% of the area median income.

The Rental Loan Program offers attractive interest rates and long term financing for the acquisition and rehab of larger properties (20 or more units). Developers often offer a mix of low-income and market rate units.

Developers were active in using both programs in 1997, including the largest single development in the agency's history. MSHA provided a \$24 million loan for 486 units in Portland acquired by Princeton Properties. The development involved units in several locations and created 120 affordable units in highly desirable apartment communities.

Together the two programs financed nearly 700 affordable units for low-income renters in 1997, and more than 1,200 units overall.

MSHA allocated Housing Tax Credits to help finance 313 units in the state; most of them are projects also financed through the Rental Loan Program. The Housing Credits, worth about \$20 million over their 10-year life, are sold to investors. The money realized from the sale is used to help finance affordable rental housing. The Maine Housing Investment Fund, which MSHA created, helped market the tax credits in 1997. This made the credits more valuable, and therefore raised more money to invest.



This is a good place to live and it's close to my daughter and her family. The Housing Authority helped us find this new facility. It's nice and bright and the staff here is very supportive. Currently,

#### **LOW-INCOME RENTERS**

I am President of the Resident's Association which keeps me busy. I feel it's important for me to stay active and be a part of the community here.

**Elise Olson, Westbrook**



One of the quiet revolutions in housing has been the significant increase in housing for people with special needs. Not long ago seniors with daily living needs were moved to nursing homes, while people with mental illness or mental retardation were sent to institutions.

Today there is much more attention paid to those with special needs, including housing that helps them live more independently in the community of their choice.

The Maine State Housing Authority has been a leader in developing programs that help people in Maine with special housing requirements. The agency's mission statement says it will "assist Maine people to obtain and maintain decent, safe, affordable housing and services suitable to their unique housing needs."

Among other things, MSHA helped lead the drive to gain voter approval of bond issues in two separate referendums to finance housing for people with mental illness.

It also pioneered programs to develop housing for seniors who need help with daily living needs. The agency financed two projects completed in 1997 that provide assisted living for seniors. The capital costs were funded largely with Housing Authority resources, while operating and service costs will be paid for by the Department of Human Services under a state funded demonstration.

The Housing Authority also offered, on a pilot basis, a Keeping Seniors Home program that offered no-cost repairs to seniors if the renovations enabled them to remain in their homes. That program helped about 25 senior households.

During 1997 the Housing Authority assisted 176 households with special requirements find suitable housing. Many were people with mental illness or mental retardation assisted through the agency's Supportive Housing Program.

The Housing Authority also has secured about \$4.5 million in federal grants to provide transitional housing to people who are homeless. The money is for the acquisition and rehab of property. MSHA developed the first of the transitional housing units in 1997. It also obtained federal funding to continue the effort in 1998.



I have my own room with my own TV. I watch the

Red Sox. They are my favorite team, but sometimes

I like the Yankees too. There are lots of things to do

here. We can go shopping and to the library on

Wednesdays. Every day I come down to the kitchen

### **PERSONS WITH SPECIAL NEEDS**

to make coffee for everyone and write the schedule

on the blackboard. I like it here.

**Jim Ward, Abbot**



**H**ousing Authority programs have made significant progress in meeting the needs of first time homebuyers, cost burdened homeowners and renters, and those with special housing needs. Despite new efforts – such as the federal grant for transitional housing for homeless people – the problem of homelessness continues. During 1997 the state's homeless shelter network provided 140,000 bednights of housing, helping approximately 14,000 homeless people during the year.

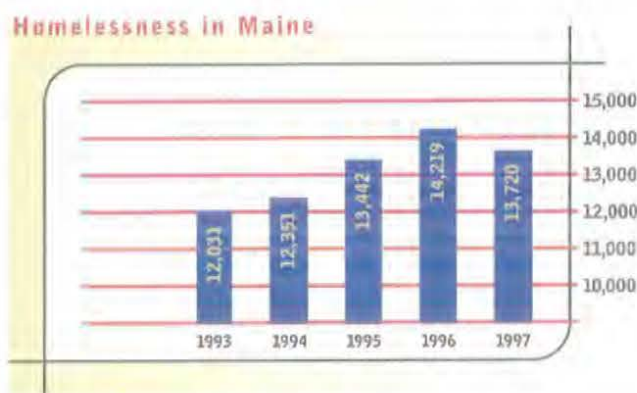
A major 1997 study of homelessness by the state's Interagency Task Force on Homelessness and Housing Opportunities found that homelessness increased 33% between 1993 and 1996. This included an 18% increase in the number of people served and a 12% increase in the average length of stay at emergency shelters.

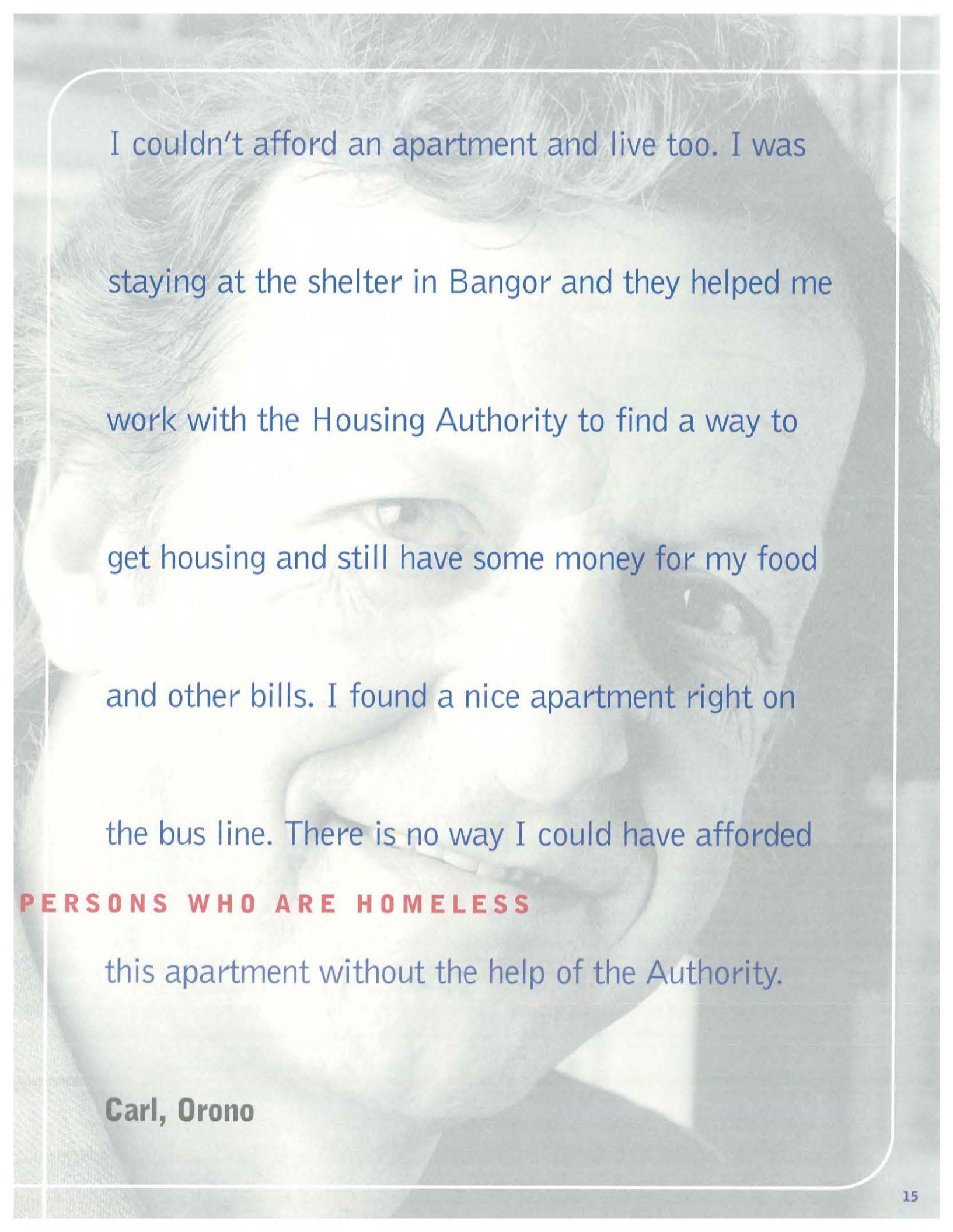
The study attributed much of the increase to more people using shelters who had mental illness or substance abuse problems, or both. It found that by 1997 this troubled population accounted for more than half of all admissions even though the State and the Housing Authority have created many new programs and living options for these groups in recent years.

While homelessness increased significantly, the Task Force reported no similar increase in funding. It found that funding for emergency shelters from both state and federal sources has remained relatively flat since the late 1980s. State funding, for example, amounted to only about 8% of the actual cost of housing a homeless person.

The study recommended a significant increase in state support of shelters. It also recommended better training for shelter workers and improving coordination between the shelters and agencies that provide services to homeless people.

Up to 100 homeless families may be assisted through a federal grant MSHA received in 1997. The grant, of about \$3 million, provides rental certificates (subsidies). The grant is most helpful to families where homelessness has split a family, or where impending homelessness will separate a family. MSHA is working with the state Department of Human Services to locate and assist families in these situations.





I couldn't afford an apartment and live too. I was staying at the shelter in Bangor and they helped me work with the Housing Authority to find a way to get housing and still have some money for my food and other bills. I found a nice apartment right on the bus line. There is no way I could have afforded

**PERSONS WHO ARE HOMELESS**

this apartment without the help of the Authority.

**Carl, Orono**



## A look back... and a look ahead:

Over the past few years the Maine State Housing Authority made progress in meeting the housing needs of Maine's five primary housing needs groups: first-time homebuyers, low-income homeowners, low-income renters, persons with special needs, and persons who are homeless.

The number of first-time homebuyers assisted on an annual basis rose from 1,422 in 1994 to 2,257 in 1997. Over this four-year period the Housing Authority helped 7,400 families buy their first homes.

The number of home repairs for low income people increased even more dramatically, from only a few loans in 1994 to 1,167 in 1997. Overall, 2,878 low income homeowners have been assisted with the agency's new home repair program. If weatherization improvements are included, that number more than doubles.

The number of affordable rental units produced, including those for people with special needs, increased from 396 units in 1994 to 697 units in 1997.

Overall, the Housing Authority financed the development of 1,755 units targeted to low income renters or people with special needs.

The number of homeless people assisted in emergency shelters also grew by 33% between 1993 and 1996. Perhaps more significant, the Housing Authority has managed to win several federal grants that will make long-term progress in combating homelessness. This includes \$4.5 million for transitional housing and \$3 million to unify families separated due to homelessness.

Many housing problems still face Maine, however. An estimated 50,000 low income homeowners cannot afford to make home repairs, for example. We need an estimated 50,000 apartments to serve low income renters who currently cannot find affordable rental housing. As many as 90,000 renter families could become homeowners with down payment help and low interest rate mortgages. And 14,000 people were homeless sometime in 1997, and likely will be homeless again unless a more permanent solution can be found.

Can the progress the Maine State Housing Authority made in the past four years be continued?

The Housing Authority has the proven ability and programs to successfully continue. The problem is the lack of state and federal funding to continue affordable housing efforts at current levels. This funding has either been reduced, or eroded by inflation. Some examples:

- **MSHA's Home Fund allocation has decreased from about \$7,000,000 in 1988 to about \$2,400,000 in 1998.**
- **State funding for emergency homeless shelters has remained static since the late 1980s while the number of guests has increased dramatically.**
- **The federal ceiling on the amount of tax-exempt Mortgage Revenue Bonds states may issue has remained constant since 1986. These bonds are the primary source of funding for first time homebuyers.**
- **The federal limit on Low Income Housing Tax Credits also has remained level since 1986.**

Legislation is proposed or pending at both the state and federal level to correct these deficiencies. Only if these bills are approved can the Housing Authority serve more people who are in need of decent, affordable housing.

## 1997 MSHA Commissioners:

**David Lakari** has been Director of the Maine State Housing Authority and Chair of the agency's Board of Commissioners since 1994. Prior to becoming Director, he was President of the Richmond Corporation, a real estate development and consulting firm. An attorney, he is a graduate of Goddard College and the University of Maine School of Law.

**Dale McCormick**, elected State Treasurer in December 1996, is a former State Senator and founder of Women Unlimited, a program that trains women on welfare for jobs in trades and technical occupations. She also started and operated two businesses. She was the first woman in the country to complete a carpentry apprenticeship with the carpenter's union. She was a carpenter and contractor for 24 years.

**Dennis P. King** has been President of Acadia Hospital since 1990. The facility is a 100-bed non-profit hospital in Bangor that provides acute psychiatric and chemical dependency care. Before that he was President of Eastern Maine Healthcare in Bangor, and the Jackson Brook Institute in South Portland. He holds a Master's degree in Public Administration from the University of Maine at Orono. King was nominated and confirmed to the Board in early 1997.

**Elsie Morris** is retired and formerly worked as a teacher's aide in special education. She was born in London, England but came to the United States to live more than 30 years ago and currently lives in Bath. She was initially named to the Board in 1993 and was renamed to another four-year term in 1997.

**Donald Plourde** is owner of the Mark Stimson Network/Plourde Real Estate Agency in Waterville. He is a licensed Real Estate Broker, a Certified Residential Specialist, and a member of both the Maine Association of Realtors and the National Association of Realtors.

**Jane Roundy\*** is Senior Vice-President in charge of Corporate Lending for Key Bank of Maine. She is a graduate of Bowdoin College. She serves on the board of the Maine Department of Economic and Community Development Revolving Loan Fund and is a member of the Maine Investment Exchange, as well as a trustee for Kennebec Health Systems.

**Nathan Smith** is a partner in the Portland law firm of Bernstein, Shur, Sawyer and Nelson. He has specialized in commercial real estate and environmental land use law. He also has been active in housing organizations, serving as Director of the Cumberland County Affordable Housing Venture. He is a graduate of the University of North Carolina at Chapel Hill and the Washington and Lee University School of Law.

\* Jane Roundy's term has expired. She was replaced on the Board by William Randall, President of Skowhegan Savings Bank, in 1998.

## MSHA Business Partners:

Independent Auditors: Baker Newman & Noyes

Underwriters: Goldman, Sachs & Co.; PaineWebber Inc.

Bond Counsel: Hawkins, Delafield & Wood

Trustee: State Street Bank and Trust Co.

Marketing Consultant: Hauptman & Partners Communications, Inc.



## 1997 MSHA Staff:

Joyce Achramowicz FINANCIAL ANALYST II  
 Donna Baker PROGRAM OFFICER  
 Margaret Bean DIRECTOR OF MANAGEMENT DIVISION  
 Pamela Belanger PROGRAM OFFICER  
 Patricia Berube INVESTMENT OFFICER  
 Henry Bickford INSPECTOR  
 Wendy Bonsant ACCOUNTANT  
 Arlene Brackett PROGRAM ASSISTANT  
 Joanna Bragdon PROGRAM OFFICER  
 Daniel Brennan INTERNAL AUDITOR  
 Darren Brown CONTROLLER  
 Maureen Brown SENIOR PROGRAM OFFICER  
 William Burney SENIOR PLANNER  
 Gloria Campbellton INSPECTOR  
 Judy Carroll SECRETARY  
 Thomas Cary TREASURER  
 Jo-Ann Choate PROGRAM OFFICER  
 Cynthia Clark PROGRAM ASSISTANT  
 Robert Conroy SENIOR PROGRAM OFFICER  
 Susan Crawford INFORMATION & REFERRAL SPECIALIST  
 Ann Crocker MANAGER OF SPECIAL ASSETS  
 Alyson Cummings COUNSEL  
 Warren Cunningham SENIOR PROGRAM OFFICER  
 Diane Davala PROGRAM ASSISTANT  
 Michael DeVos DIRECTOR OF DEVELOPMENT DIVISION  
 Karen Doiron PROGRAM ASSISTANT  
 Carol Dudley SENIOR PROGRAM OFFICER  
 Victoria Dute PROGRAM OFFICER  
 Paula Ecker INVESTMENT OFFICER  
 Mathew Eddy RESEARCH AND PLANNING MANAGER  
 Donna Ferenc ACCOUNTANT  
 Stephanie Flanary PROGRAM OFFICER  
 Shirley Foster ADMINISTRATIVE ASSISTANT  
 John Gallagher MANAGER OF DEVELOPMENT PROGRAMS  
 Anthony Gill SENIOR PROGRAM OFFICER  
 Priscilla Glover PROGRAM ASSISTANT  
 William Glover SENIOR PROGRAM OFFICER  
 John Guimond PROGRAM OFFICER  
 Kimberly Hall ACCOUNTANT  
 Maria Hassen PROGRAM ASSISTANT  
 Joseph Hood ADMINISTRATIVE ASSISTANT  
 Susan Hurst HUMAN RESOURCES MANAGER  
 Rita Jones ASSISTANT CONTROLLER  
 Debra King-Johnson DIRECTOR OF HOMEOWNERSHIP DIVISION

Kathleen Kozma ACCOUNTANT  
 Alvar Laiho FINANCIAL ANALYST II  
 David Lakari DIRECTOR  
 Lisa Lavigne PROGRAM OFFICER  
 Roberta Letourneau ADMINISTRATIVE ASSISTANT  
 Kim Leupold ADMINISTRATIVE ASSISTANT  
 Joel LeVasseur PROGRAM ASSISTANT  
 Lisa Levesque PROGRAM OFFICER  
 Thomas MacDonald PROGRAM OFFICER  
 Elizabeth Mansir PROGRAM ASSISTANT  
 Edward Marsh, Jr. INSPECTOR  
 Robert McAtee, Jr. DIRECTOR OF INFORMATION SERVICES  
 Lori McPherson SECRETARY  
 Peter Merrill DIRECTOR OF PLANNING & GOVERNMENTAL AFFAIRS  
 Rosemary Moeykens MANAGER OF HOUSING PRESERVATION  
 Laurie Murray SENIOR PROGRAM OFFICER  
 Cynthia Namer FINANCIAL ANALYST I  
 Kara Ohlund PROGRAM ASSISTANT  
 William Olsen SENIOR PROGRAM OFFICER  
 Michael Osborne SENIOR ACCOUNTANT  
 Anne Paquet OFFICE MANAGER  
 Denise Paradis PROGRAM OFFICER  
 Cheryl Parkman FINANCIAL ANALYST II  
 Tina Partridge PROGRAM OFFICER  
 Eloise Peaslee ADMINISTRATIVE ASSISTANT  
 Linda Poland PROGRAM OFFICER  
 Randall Poulton CONSTRUCTION SERVICES MANAGER  
 Jane Pronovost PROGRAM OFFICER  
 David Ranslow SENIOR PROGRAM OFFICER  
 Linnea Rogers WORD PROCESSING TECHNICIAN  
 Jody Rollins OFFICE ADMINISTRATOR  
 Linda Sears CHIEF COUNSEL  
 Linda Shapleigh PROGRAM OFFICER  
 Daniel Simpson DIRECTOR OF PUBLIC INFORMATION  
 Barbara Stanley FINANCIAL ANALYST I  
 Lisa Stover PROGRAM ASSISTANT  
 Jodie Sullivan COUNSEL  
 Beatrice Tondreau SECRETARY  
 Dana Totman DEPUTY DIRECTOR  
 Daniel Towle, Jr. PROGRAM OFFICER  
 Sarah Tracy SENIOR PROGRAM OFFICER  
 Brenda Verrill PROGRAM ASSISTANT  
 Mary Wade INFORMATION SERVICES SPECIALIST  
 Paula Weber RESEARCH ANALYST  
 Eric Winne NETWORK SPECIALIST  
 Peter Wintle DIRECTOR OF E&HS DIVISION

# FINANCIAL SUMMARY

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996  
(IN THOUSANDS OF DOLLARS)

## BALANCE SHEET

	<u>1997</u>	<u>1996</u>
<b>Assets:</b>		
Cash and Investments	\$319,702	\$279,147
Mortgage and Other Notes Receivable, Net	1,078,447	956,237
All Other Assets	<u>23,617</u>	<u>21,826</u>
<b>Total Assets</b>	<u><u>\$1,421,766</u></u>	<u><u>\$1,257,210</u></u>
<b>Liabilities and Fund Balances:</b>		
Mortgage Bonds Payable, Net	\$1,197,338	\$1,057,879
All Other Liabilities	<u>65,236</u>	<u>55,449</u>
<b>Total Liabilities</b>	1,262,574	1,113,328
Fund Balances	<u>159,192</u>	<u>143,882</u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$1,421,766</u></u>	<u><u>\$1,257,210</u></u>

## STATEMENT OF REVENUES AND EXPENSES

<b>Revenues:</b>		
Interest on Mortgages	\$74,955	\$67,630
Income from Investments	18,603	17,304
Grant and State Income	82,447	82,934
All Other Revenue	<u>5,642</u>	<u>4,124</u>
<b>Total Revenues</b>	<u>181,647</u>	<u>171,992</u>
<b>Expenses:</b>		
Operating Expenses	9,165	8,688
Interest Expense	73,801	67,487
Grant Expense	77,776	78,135
All Other Expenses	<u>5,595</u>	<u>4,081</u>
<b>Total Expenses</b>	<u>166,337</u>	<u>158,391</u>
<b>Excess of Revenues over Expenses</b>	<u><u>\$15,310</u></u>	<u><u>\$13,601</u></u>

Note: This page is for illustrative purposes and is not intended to present a complete financial picture of MSHA.  
For more information, please refer to the audited financial statements.







Part Two of the MSHA Annual Report provides

**AUDITED FINANCIAL STATEMENTS**

complete Audited Financial Statements for the year

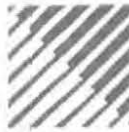
ended December 31, 1997, with an Independent

Auditors' Report from Baker Newman & Noyes,

Certified Public Accountants of Portland, Maine.

**Maine State Housing Authority 1997 Annual Report**





# BAKER NEWMAN & NOYES

LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

The Board of Commissioners  
Maine State Housing Authority

We have audited the accompanying balance sheets of Maine State Housing Authority as of December 31, 1997 and the related statements of revenues, expenses and changes in fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Maine State Housing Authority at December 31, 1997 and its revenues, expenses and changes in fund balances and cash flows for the year then ended in conformity with generally accepted accounting principles.

*Baker Newman & Noyes*

Limited Liability Company

March 6, 1998

MAINE STATE HOUSING AUTHORITY  
BALANCE SHEETS  
DECEMBER 31, 1997  
(IN THOUSANDS OF DOLLARS)

	Memorandum Only Combined Totals		Mortgage Purchase Fund Group	Mortgage Acquisition Fund Group	Housing Finance Revenue Fund Group	Bondholder Reserve Fund	General Fund	Home Fund	Federal Programs Fund	Other Funds
	1996	1997								
<b>ASSETS:</b>										
Cash, principally time deposits (note 2)	\$ 8,398	\$7,090	\$ 65	\$ 0	\$ 0	\$ 3	\$ 0	\$ 4	\$ 6,999	\$ 19
Investments (notes 2, 4, 6, and 8)	270,749	312,612	257,051	10,798	18,476	4,376	7,776	7,961	484	5,690
Accounts receivable - Federal	2,490	1,967	0	0	0	0	0	0	1,967	0
Accrued interest and other assets	14,675	15,821	8,845	215	206	55	57	485	5,958	0
Mortgage notes receivable, net (notes 3 and 4)	955,482	1,077,696	1,021,443	15,308	24,398	708	0	2,811	8,773	4,255
Other notes receivable, net (note 3)	755	751	0	0	101	0	0	457	0	193
Land, equipment and improvements, net	933	829	22	0	0	0	721	0	86	0
Other real estate owned	677	1,849	1,744	21	0	0	0	0	84	0
Unamortized debt issuance expense	3,051	3,151	2,870	69	212	0	0	0	0	0
Total Assets	<u>1,257,210</u>	<u>1,421,766</u>	<u>1,292,040</u>	<u>26,411</u>	<u>43,393</u>	<u>5,142</u>	<u>8,554</u>	<u>11,718</u>	<u>24,351</u>	<u>10,157</u>
<b>LIABILITIES AND FUND BALANCES:</b>										
Accrued interest payable	8,794	9,698	9,232	179	287	0	0	0	0	0
Excess arbitrage to be rebated (note 9)	304	304	304	0	0	0	0	0	0	0
Accounts payable - Federal	5,273	3,939	0	0	0	0	0	0	3,939	0
Accounts payable & accrued liabilities	18,800	20,652	536	0	22	62	3,103	0	9,871	7,058
Deferred income	22,278	30,643	11,705	76	7,736	0	0	1,267	6,640	3,219
Interfund	0	0	(2,143)	28	(515)	(88)	(315)	63	3,432	(462)
Mortgage bonds payable, net (notes 4, 9, 11 and 13)	1,057,879	1,197,338	1,149,105	15,190	33,043	0	0	0	0	0
Total Liabilities	1,113,328	1,262,574	1,168,739	15,473	40,573	(26)	2,788	1,330	23,882	9,815
Commitments (notes 7 and 13)										
Fund Balances	143,882	159,192	123,301	10,938	2,820	5,168	5,766	10,388	469	342
Total Liabilities and Fund Balances	<u>\$1,257,210</u>	<u>\$1,421,766</u>	<u>\$1,292,040</u>	<u>\$26,411</u>	<u>\$43,393</u>	<u>\$5,142</u>	<u>\$8,554</u>	<u>\$11,718</u>	<u>\$24,351</u>	<u>\$10,157</u>

See accompanying notes to the financial statements



MAINE STATE HOUSING AUTHORITY  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 1997  
(IN THOUSANDS OF DOLLARS)

	Memorandum Only Combined Totals		Mortgage Purchase Fund Group	Mortgage Acquisition Fund Group	Housing Finance Revenue Fund Group	Bondholder Reserve Fund	General Fund	Home Fund	Federal Programs Fund	Other Funds
	1996	1997								
<b>REVENUES:</b>										
Interest from mortgages and notes	\$67,630	\$74,955	\$71,816	\$1,722	\$1,391	\$1	\$0	\$20	\$0	\$5
Income from investments	17,304	18,603	15,577	672	1,311	259	365	406	0	13
Gain on investment sale	0	584	95	486	3	0	0	0	0	0
Fee income	3,681	3,870	386	0	0	0	88	0	3,396	0
Other revenue (note 12)	443	1,188	228	63	0	0	884	0	0	13
Grant income	27,480	26,339	0	0	0	0	0	245	23,616	2,478
Income from State	2,539	3,159	0	0	0	0	0	3,159	0	0
Federal rent subsidy income	52,915	52,949	0	0	0	0	0	0	52,949	0
<b>Total Revenues</b>	<b>171,992</b>	<b>181,647</b>	<b>88,102</b>	<b>2,943</b>	<b>2,705</b>	<b>260</b>	<b>1,337</b>	<b>3,830</b>	<b>79,961</b>	<b>2,509</b>
<b>EXPENSES:</b>										
Operating expenses:										
Salaries and related benefits (note 5)	3,840	4,222	0	0	0	0	4,222	0	0	0
Other operating expenses	4,848	4,943	1,011	60	51	0	1,725	237	1,841	18
Mortgage servicing fees	2,439	2,856	2,668	63	125	0	0	0	0	0
Provision for losses on loans (note 3)	653	1,539	1,039	0	500	0	0	0	0	0
Losses on foreclosed real estate	274	688	650	38	0	0	0	0	0	0
Interest expense	67,487	73,801	70,777	1,215	1,809	0	0	0	0	0
Grant expense	25,220	24,827	0	0	0	0	0	778	22,798	1,251
Federal rent subsidy expense	52,915	52,949	0	0	0	0	0	0	52,949	0
Allocated operating costs	0	0	3,537	166	166	83	(5,628)	0	1,676	0
<b>Total Expenses</b>	<b>157,676</b>	<b>165,825</b>	<b>79,682</b>	<b>1,542</b>	<b>2,651</b>	<b>83</b>	<b>319</b>	<b>1,015</b>	<b>79,264</b>	<b>1,269</b>
Excess of revenues before extraordinary item	14,316	15,822	8,420	1,401	54	177	1,018	2,815	697	1,240
Extraordinary item - loss on bond redemption (note 11)	715	512	441	71	0	0	0	0	0	0
Excess of revenues after extraordinary item	13,601	15,310	7,979	1,330	54	177	1,018	2,815	697	1,240
Fund balances at beginning of year	130,281	143,882	111,898	9,608	2,766	4,991	4,639	9,062	502	416
Transfers between funds, net (note 10)	0	0	3,424	0	0	0	109	(1,489)	(730)	(1,314)
Fund balances at end of year	<u>\$143,882</u>	<u>\$159,192</u>	<u>\$123,301</u>	<u>\$10,938</u>	<u>\$2,820</u>	<u>\$5,168</u>	<u>\$5,766</u>	<u>\$10,388</u>	<u>\$469</u>	<u>\$342</u>

See accompanying notes to the financial statements

MAINE STATE HOUSING AUTHORITY  
STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 1997  
(IN THOUSANDS OF DOLLARS)

	Memorandum Only Combined Totals		Mortgage Purchase Fund Group	Mortgage Acquisition Fund Group	Housing Finance Revenue Fund Group	Bondholder Reserve Fund	General Fund	Home Fund	Federal Programs Fund	Other Funds
	1996	1997								
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>										
Excess of revenues	\$13,601	\$15,310	\$7,979	\$1,330	\$54	\$177	\$1,018	\$2,815	\$697	\$1,240
Adjustments to reconcile excess of revenues to net cash provided by operating activities:										
Depreciation and amortization	2,173	1,940	1,496	90	36	0	270	0	48	0
Accretion on capital appreciation bonds	1,601	1,446	1,351	0	95	0	0	0	0	0
Interest on bonds	64,834	71,245	68,371	1,196	1,678	0	0	0	0	0
Gain on investment sale	0	(584)	(95)	(486)	(3)	0	0	0	0	0
Provision for losses on loans	653	1,539	1,039	0	500	0	0	0	0	0
Losses on foreclosed real estate	274	688	650	38	0	0	0	0	0	0
Interest income on investments	(17,304)	(18,603)	(15,577)	(672)	(1,311)	(259)	(365)	(406)	0	(13)
Interest income on mortgages and notes	(67,630)	(74,955)	(71,816)	(1,722)	(1,391)	(1)	0	(20)	0	(5)
Decrease (increase) in:										
Other assets	1,614	(639)	716	84	0	2	833	57	(2,369)	38
Accounts receivable/payable-Federal	759	487	0	0	0	0	0	0	487	0
Increase (decrease) in:										
Accounts payable and accrued liabilities	(2,838)	1,852	536	0	22	56	327	(313)	1,741	(517)
Deferred income and other liabilities	70	8,366	1,241	(20)	4,103	0	0	84	2,371	587
Interfund advances and transfers	0	0	3,383	5	75	(13)	801	(1,127)	(977)	(2,147)
Investment in mortgage and other notes	(155,099)	(180,278)	(164,568)	0	(12,051)	(688)	0	(409)	(1,887)	(675)
Mortgage & other note principal repayments:										
Scheduled	15,918	18,252	16,221	548	1,348	2	0	85	1	47
Prepayments	32,838	34,479	31,260	2,151	968	0	0	6	46	48
Interest received on mortgages	67,688	74,235	71,082	1,759	1,369	1	0	20	0	4
Receipt of federal rent subsidies	55,430	53,673	0	0	0	0	0	0	53,673	0
Payment of federal rent subsidies	(54,613)	(54,970)	0	0	0	0	0	0	(54,970)	0
Net cash provided by (used for) operating activities	(40,031)	(46,517)	(46,731)	4,301	(4,508)	(723)	2,884	792	(1,139)	(1,393)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>										
Payment of bond issuance costs	(513)	(627)	(541)	0	(86)	0	0	0	0	0
Proceeds from sale of bonds	143,270	214,777	214,868	0	(91)	0	0	0	0	0
Principal payments on bonds	(63,869)	(77,858)	(74,528)	(2,530)	(800)	0	0	0	0	0
Interest payments on bonds	(64,239)	(70,341)	(67,390)	(1,226)	(1,725)	0	0	0	0	0
Net cash provided by (used for) non-capital financing activities	14,649	65,951	72,409	(3,756)	(2,702)	0	0	0	0	0
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>										
Proceeds from disposition of foreclosed real estate	3,868	1,938	1,777	161	0	0	0	0	0	0
(Purchase) maturity of short-term investments, net	(17,609)	(43,311)	(40,267)	(4,000)	3,452	466	(3,243)	(1,187)	92	1,376
Purchase of long-term investments	(25,500)	(24,500)	(17,000)	(1,500)	(6,000)	0	0	0	0	0
Sale of long-term investments	0	14,084	9,595	3,986	503	0	0	0	0	0
Maturity of long-term investments	49,069	12,448	4,500	48	7,900	0	0	0	0	0
Interest received on investments	16,706	18,599	15,534	760	1,277	257	359	399	0	13
Net cash provided by (used for) investing activities	26,534	(20,742)	(25,861)	(545)	7,132	723	(2,884)	(788)	92	1,389
Net increase (decrease) in cash	1,152	(1,308)	(183)	0	(78)	0	0	4	(1,047)	(4)
Cash at beginning of year	7,246	8,398	248	0	78	3	0	0	8,046	23
Cash at end of year	\$8,398	\$7,090	\$65	\$0	\$0	\$3	\$0	\$4	\$6,999	\$19
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION:</b>										
Real estate acquired through foreclosure	\$2,064	\$3,798	\$3,601	\$172	\$0	\$0	\$0	\$0	\$25	\$0
Loans from restructured foreclosed real estate	\$837	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

See accompanying notes to the financial statements



**MAINE STATE HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 1997**  
*(IN THOUSANDS OF DOLLARS)*

**(1.) ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**AUTHORIZING LEGISLATION**

The Authority was created by the Maine Housing Authorities Act, Title 30-A, Chapter 201, of the Maine Revised Statutes, as amended, as a public body corporate and politic and an instrumentality of the State of Maine.

The Authority is authorized to issue bonds for the purchase of notes and mortgages on single-family and multi-family residential units for the purpose of providing housing for persons and families of low income in the State of Maine.

In addition, the Authority presently acts as agent for the State of Maine in administering Federal weatherization, energy conservation, fuel assistance and homeless grant programs and collects and disburses Federal rent subsidies for low-income housing.

For financial reporting purposes, the Authority is considered a component unit of the State of Maine. As such, the financial condition and results of operations of the Authority are included in the State's general purpose financial statements.

**ESTABLISHMENT OF FUNDS AND FUND GROUPS**

To account for the various programs which it is empowered to administer, the Authority has established the funds and groups of funds as presented in these financial statements. The Mortgage Purchase Program, Mortgage Acquisition Program, and Housing Finance Revenue Program Fund Groups represent a consolidation of funds established by the respective bond resolutions governing those programs. A brief description of the funds and fund groups follows:

**MORTGAGE PURCHASE FUND GROUP**

This fund group consists of the funds and accounts established by the General Mortgage Purchase Bond Resolution. Pursuant to the Mortgage Purchase Program, the Authority is authorized to purchase or originate first lien mortgages on single-family and multi-family residential properties.

**MORTGAGE ACQUISITION FUND GROUP**

This fund group consists of the funds and accounts established by the General Single-Family Mortgage Acquisition Bond Resolution. Pursuant to the Mortgage Acquisition Program, the Authority is authorized to purchase mortgages on single-family residential properties.

**HOUSING FINANCE REVENUE FUND GROUP**

This fund group consists of the funds and accounts established by the General Housing Finance Revenue Bond Resolution. Pursuant to the Housing Finance Revenue Program, the Authority is authorized to purchase mortgages or notes in connection with single-family and multi-family residential properties.

**BONDHOLDER RESERVE FUND**

This fund, which has been established by the General Authority Bondholder Reserve Fund Resolution, is pledged to replenish any deficiency in the debt service reserve fund of any of the Authority's bond resolutions.

**GENERAL FUND**

The purpose of this fund is to record the receipt of revenues not directly pledged or attributable to a particular bond resolution or program and for the payment of expenses for the administration and operation of the Authority, and the receipt of cash transferred from time to time from other funds to the extent that such transfers are permitted by the applicable resolution or controlling legislation of those funds.

**HOME FUND**

The State Legislature authorized the creation of the Housing Opportunities for Maine ("Home") Program to promote and create affordable housing. The program has been funded by a portion of the Real Estate Transfer Tax levied by the State of Maine and by appropriations. These funds may be used in conjunction with the Authority's other housing resources. To the extent that it is economically and socially reasonable the Authority may return to the Home Fund, amounts which have been previously advanced to other funds once the bonds secured by the subsidized mortgage loans have been paid off. The Authority also administers in this fund several other programs funded by or in conjunction with the State of Maine.

**FEDERAL PROGRAMS FUND**

This Fund is the consolidation of several federal program funds which have been established in accordance with applicable Federal regulations governing programs administered by the Authority. The purpose of the Fund is to record the activity of various programs funded by the following:

**U.S. Department of Housing and Urban Development**

Section 8

Emergency Shelter Grant Program

Home Investment Partnership Program

Permanent Housing for the Handicapped

Homeless Program

Shelter Plus Care Program

Supportive Housing Programs

Training and Technical Assistance

Grant Programs

**U.S. Department of Energy**

Weatherization

**U.S. Department of Health and Human Services**

Low Income Home Energy Assistance Program

**OTHER FUNDS**

The Authority administers various housing related and similar programs funded by or in conjunction with the State of Maine and one private foundation. During 1997 these programs consisted of:

## **State of Maine**

Indian Housing Mortgage Insurance Program  
Development Disabilities Revolving Fund  
Natural Disaster Housing Assistance Fund  
Underground Oil Tank Grant  
Municipal Land Acquisition Revolving Fund  
Mental Health Facilities Program  
Housing Opportunities Zones Fund  
Maine Affordable Housing Land Trust Fund  
Temporary Housing Assistance Program  
Consumer Residential Opportunities Program  
Land Acquisition Program

## **Private**

Robert Wood Johnson Foundation

## **ACCOUNTING METHOD**

The Authority follows the accrual basis of accounting and accordingly recognizes revenues as earned and expenses as incurred.

As permitted by Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the Authority has elected not to comply with the Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989.

## **DEPRECIATION**

The Authority records land, equipment and improvements at cost and provides for depreciation on the straight line method over the respective estimated useful lives of the assets.

## **DISCOUNT AND ISSUANCE EXPENSE ON BONDS**

Bond discount and debt issuance expense are amortized by the effective interest method over the lives of the bonds. Also, gains and losses on debt refundings are deferred and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

## **INVESTMENTS**

Investments are recorded at amortized cost. Accretion of discounts and amortization of premiums are recognized in income over the life of the related investment. Also, gains and losses on the sale of investments are recognized using the specific identification method.

## **MORTGAGE NOTES RECEIVABLE**

Mortgages are carried at their original par less principal collections and are reflected on the balance sheets net of the allowance for losses on loans. The recording of interest income on problem loans ceases when collectibility within a reasonable period of time becomes doubtful.

## **ALLOWANCES FOR LOSSES ON LOANS**

The Authority has established allowances for losses on mortgages and other notes receivable. The allowances are established through provisions for losses on loans charged to operations. Losses are charged against the allowances when the Authority believes that collection of the loan principal is unlikely.

The allowances are amounts that the Authority believes will be adequate to absorb losses based on evaluations of

collectibility and prior loss experience. The evaluation takes into consideration such factors as the nature and volume of the portfolio, extent of available mortgage insurance, collateral, delinquencies and current and anticipated economic conditions that may affect the borrowers' ability to pay.

Funds received, including interest, for revolving loan programs are recorded as a liability in "accounts payable and accrued liabilities" on the balance sheet. Losses on loans in these programs are recognized by charging the amounts held under the revolving loan program liability accounts when the loans are forgiven or charged off.

## **LOAN ORIGATION FEES AND COSTS**

The Authority receives a fee at the time it purchases single-family mortgage loans which is recognized in income on an accelerated basis approximating the interest method over the life of the mortgages.

The Authority may charge a fee at the time that a commitment is made to acquire a mortgage on a multi-family project. Such a fee is payable at the time of the closing of the construction financing. The net of fees received less the costs of origination is deferred and recognized in income over the life of the mortgage on an accelerated basis approximating the interest method. The deferred fees are included in deferred income on the balance sheets.

## **OTHER REAL ESTATE OWNED**

Other real estate owned consists of single-family and multi-family residential properties acquired through foreclosure, or acceptance of a deed in lieu of foreclosure.

Other real estate owned is carried at the lower of cost or fair value less estimated costs to sell. Losses arising from the acquisition of other real estate owned are charged to the allowance for loan losses. Operating expenses, subsequent provisions to reduce the carrying value, and any gain or loss on disposition of the property are reflected in the statement of revenues, expenses and changes in fund balance in the year incurred or realized.

## **GRANTS**

Unrestricted grants are recorded as revenues over their terms. If no terms are specified, then they are recorded when received. Restricted grants are recorded as revenues upon compliance with the restrictions. Amounts due from the Federal government are accrued when due. Unearned grant income is included in deferred income.

## **STATEMENTS OF CASH FLOWS**

The Authority considers cash to include cash on hand and held by banks in demand deposit and savings accounts.

## **RECLASSIFICATIONS**

Certain reclassifications have been made to conform prior years information to the current years presentation.

## **MEMORANDUM ONLY**

The "Memorandum Only" columns contain the totals of the similar accounts of the various Funds. Since the assets of the Funds are restricted, the combination of the accounts, including assets therein, is for convenience only and does not indicate that the combined assets are available in any manner other than that provided for in the separate Funds.



## (2.) CASH AND INVESTMENTS

### Cash Deposits

At December 31, 1997, the carrying amount of the Authority's deposits was \$7,090 and the bank balance was \$7,677. The difference between the carrying amount and the bank balance represents outstanding checks. Of the bank balance, \$462 was covered by federal depository insurance and \$357 was collateralized, while \$6,858 was uninsured and uncollateralized.

### Investments

	Category			Carrying Amount	Market Value
	1	2	3		
Mortgage Purchase Program					
U.S. Treasury and Government					
Agency Securities	\$100,500	\$0	\$0	\$100,500	\$104,231
Repurchase Agreements	144,223	12,328	0	156,551	156,551
Total - Mortgage Purchase Program	244,723	12,328	0	257,051	260,782
Mortgage Acquisition Program					
U.S. Treasury and Government					
Agency Securities	2,671	0	0	2,671	3,017
Repurchase Agreements	6,822	0	1,305	8,127	8,127
Total - Mortgage Acquisition Program	9,493	0	1,305	10,798	11,144
Housing Finance Revenue Program					
U.S. Treasury and Government					
Agency Securities	7,900	0	0	7,900	8,128
Repurchase Agreements	10,350	0	226	10,576	10,576
Total - Housing Finance Revenue Program	18,250	0	226	18,476	18,704
Bondholder Reserve Fund					
Repurchase Agreements	4,376	0	0	4,376	4,376
General Fund					
Repurchase Agreements	4,233	3,543	0	7,776	7,776
Home Fund					
Repurchase Agreements	7,961	0	0	7,961	7,961
Federal Programs Fund					
Repurchase Agreements	484	0	0	484	484
Other Funds					
Repurchase Agreements	5,690	0	0	5,690	5,690
Total -- All Funds	295,210	15,871	1,531	312,612	316,917

The Mortgage Purchase Program, Mortgage Acquisition Program and Housing Finance Revenue Program bond resolutions permit the Authority to invest in direct obligations of or obligations guaranteed by the United States of America, certain Federal agencies and the State of Maine (permissible investments). The resolutions also permit the Authority to invest in certificates of deposit and repurchase agreements providing that such investments are continuously and fully secured by permissible investments. It is the Authority's policy to require that collateral be in the possession of a trustee. The Authority follows a similar policy for the investments of all funds.

The Authority's investments are categorized to give an indication of the level of risk assumed by the Authority at December 31, 1997. Category 1 includes permissible investments and repurchase agreements for which the securities are held by the Authority's agent in the Authority's name. Category 2 includes repurchase agreements for which the securities are held by the broker, dealer or bank's trust department in the Authority's name. Category 3 includes repurchase agreements for which the securities are held by the broker, dealer or bank's trust department or agent not in the Authority's name.

**(3.) MORTGAGE AND OTHER NOTES RECEIVABLE:**

A summary of mortgage notes receivable at December 31, 1997, is as follows:

	Number of Notes	Principal Balance	Percent of Portfolio
<b>SINGLE-FAMILY - MORTGAGE PURCHASE PROGRAM:</b>			
VA guaranteed	2,086	\$110,689	14.3%
FHA insured	3,715	211,837	27.3%
RD guaranteed	1,662	102,499	13.2%
Privately insured	5,030	262,541	33.9%
Non-insured	2,335	87,374	11.3%
Total single-family Mortgage Purchase Program	14,828	774,940	100.0%
<b>MULTI-FAMILY - MORTGAGE PURCHASE PROGRAM:</b>			
Federally assisted:			
Section 236	2	437	.2%
Section 8	190	149,528	58.5%
Non-insured	274	105,424	41.3%
Total multi-family Mortgage Purchase Program	466	255,389	100.0%
Less: Allowance for losses on loans		(8,886)	
Total Mortgage Purchase Program	15,294	1,021,443	
<b>SINGLE-FAMILY - MORTGAGE ACQUISITION PROGRAM:</b>			
VA guaranteed	62	1,500	9.8%
FHA insured	9	249	1.6%
Privately insured	462	13,559	88.6%
Total single-family Mortgage Acquisition Program	533	15,308	100.0%
<b>HOME IMPROVEMENT LOANS - HOUSING FINANCE REVENUE PROGRAM:</b>			
Non-insured	3,496	25,212	100.0%
Less: Allowance for losses on loans		(814)	
Total Housing Finance Revenue Program	3,496	24,398	
<b>SINGLE-FAMILY - BONDHOLDER RESERVE FUND:</b>			
FHA insured	1	4	20.0%
Non-insured	1	16	80.0%
Total single-family Bondholder Reserve Fund	2	20	100.0%
<b>MULTI-FAMILY - BONDHOLDER RESERVE FUND:</b>			
Non-insured	1	688	100.0%
Total Bondholder Reserve Fund	3	708	
<b>MULTI-FAMILY - HOME FUND:</b>			
Non-insured	37	3,704	100.0%
Less: Allowance for losses on loans		(893)	
Total Home Fund	37	2,811	
<b>SINGLE-FAMILY - FEDERAL PROGRAMS FUND:</b>			
Non-insured - revolving loans	48	403	4.6%
<b>MULTI-FAMILY - FEDERAL PROGRAMS FUND:</b>			
Non-insured - revolving loans	114	8,370	95.4%
Total Federal Programs Fund	162	8,773	100.0%



	Number of Notes	Principal Balance	Percent of Portfolio
MULTI-FAMILY - OTHER FUNDS:			
Non-insured - revolving loans	36	4,255	100.0%
Total mortgage notes receivable	19,561	\$1,077,696	

A summary of other notes receivable at December 31, 1997, is as follows:

HOUSING FINANCE REVENUE PROGRAM			
Non-insured	10	\$126	100%
Less: Allowance for losses on loans		(25)	
Total Housing Finance Revenue Program	10	101	
HOME FUND:			
Non-insured	51	495	100%
Less: Allowance for losses on loans		(38)	
Total Home Funds	51	457	
OTHER FUNDS:			
Non-insured	23	308	
Non-insured - revolving notes	3	82	
	26	390	100.0%
Less: Allowance for losses on loans		(197)	
Total Other Funds	26	193	
Total other notes receivable	87	\$751	

A summary of the activity in the allowance for losses on loans is as follows:

	Mortgage Purchase Program	Housing Finance Revenue Program	Home Fund	Other Funds
Balance - December 31, 1996	\$7,922	\$420	\$933	\$220
Provision	1,039	500	0	0
Loans charged off	(125)	(110)	(2)	(25)
Recoveries	50	29	0	2
Balance - December 31, 1997	\$8,886	\$839	\$931	\$197

**(4.) MORTGAGE BONDS PAYABLE**

The Mortgage Bonds Payable outstanding at December 31, 1997 are as follows:

	Original Amount Issued	Amount Outstanding December 31, 1997	Annual Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Annual Requirements on Bonds Outstanding		
<b>MORTGAGE PURCHASE PROGRAM</b>							
<b>1986 SERIES A BONDS:</b>							
Serial Bonds	\$10,500	\$ 0	7.70%-7.80%				
Capital Appreciation							
Serial Bonds	1,200	0	8.50%				
Term Bonds	3,975	0	8.38%				
Term Bonds	12,000	0	7.65%				
Limited Interest							
Municipal Obligations	8,364	11,914	9.25%	2007-2017	365	-	2,305
	<u>36,039</u>	<u>11,914</u>					
<b>1987 SERIES A BONDS:</b>							
<b>1987 Series A-1</b>							
Serial Bonds	4,205	0	6.85%-7.20%				
Term Bonds	5,880	0	8.10%				
Term Bonds	7,560	0	8.20%				
Term Bonds	5,355	0	8.20%				
<b>1987 Series A-2</b>							
Term Bonds	1,130	0	5.70%				
Term Bonds	1,080	0	6.30%				
Term Bonds	1,345	0	6.90%				
Term Bonds	3,120	0	7.65%				
Term Bonds	4,815	0	8.10%				
Term Bonds	11,510	0	7.65%				
<b>1987 Series A-3</b>							
Term Bonds	1,130	0	6.25%				
Term Bonds	1,080	0	6.63%				
Term Bonds	1,345	350	6.90%	1998		350	
Term Bonds	3,120	0	7.50%				
Term Bonds	4,815	0	7.70%				
Term Bonds	11,510	0	7.80%				
	<u>69,000</u>	<u>350</u>					
<b>1988 SERIES A BONDS:</b>							
Serial Bonds	3,750	1,285	6.90%-7.25%	1998-2000	400	-	455
Term Bonds	5,250	5,250	8.10%	2001-2008	495	-	845
Term Bonds	11,000	3,815	7.65%	2009-2011	1,225	-	1,345
	<u>20,000</u>	<u>10,350</u>					
<b>1988 SERIES B BONDS:</b>							
Serial Bonds	3,905	1,365	7.20%-7.40%	1998-2000	425	-	490
Term Bonds	3,815	3,815	7.90%	2001-2006	520	-	760
Term Bonds	10,280	3,510	8.00%	2007-2010	825	-	960
	<u>18,000</u>	<u>8,690</u>					
<b>1988 SERIES C BONDS:</b>							
Term Bonds	2,050	2,050	8.20%	1999-2008	65	-	345
Term Bonds	6,550	1,695	8.30%	2009-2013	160	-	435
	<u>8,600</u>	<u>3,745</u>					



	Original Amount Issued	Amount Outstanding December 31, 1997	Annual Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Annual Requirements on Bonds Outstanding		
1988 SERIES D BONDS:							
1988 Series D-1							
Serial Bonds	2,630	925	7.50%-7.70%	1998-2000	285	-	330
Term Bonds	3,815	0	8.20%				
Term Bonds	16,555	0	8.30%				
Term Bonds	7,000	50	8.30%	2023		50	
1988 Series D-2							
Term Bonds	1,360	0	7.40%				
Term Bonds	2,410	1,725	7.75%	1998-2001	385	-	480
Term Bonds	7,560	7,560	8.00%	2002-2011	515	-	1,050
Term Bonds	11,965	11,965	8.10%	2012-2019	1,135	-	1,910
Term Bonds	6,705	6,705	8.10%	2020-2022	2,060	-	2,415
1988 Series D-3							
Term Bonds	1,360	0	7.10%				
Term Bonds	2,410	1,725	7.60%	1998-2001	385	-	480
Term Bonds	7,560	7,560	8.15%	2002-2011	515	-	1,050
Term Bonds	11,965	0	8.20%				
Term Bonds	6,705	3,115	8.20%	2020-2021	1,055	-	2,060
1988 Series D-4							
Term Bonds	760	0	6.30%				
Term Bonds	1,630	1,165	6.90%	1998-2001	260	-	325
Term Bonds	5,070	5,070	7.45%	2002-2011	345	-	705
Term Bonds	8,040	8,040	7.55%	2012-2019	765	-	1,285
Term Bonds	4,500	4,500	7.55%	2020-2022	1,385	-	1,620
1988 Series D-5							
Term Bonds	380	0	6.30%				
Term Bonds	810	580	6.90%	1998-2001	130	-	160
Term Bonds	2,540	2,540	7.45%	2002-2011	175	-	350
Term Bonds	4,020	4,020	7.55%	2012-2019	380	-	640
Term Bonds	2,250	2,250	7.55%	2020-2022	690	-	810
1988 Series D-6							
Term Bonds	1,140	0	5.55%				
Term Bonds	2,440	1,745	6.50%	1998-2001	390	-	485
Term Bonds	7,615	7,615	7.15%	2002-2011	520	-	1,060
Term Bonds	12,050	12,050	7.25%	2012-2019	1,145	-	1,925
Term Bonds	6,755	6,755	7.25%	2020-2022	2,075	-	2,435
	150,000	97,660					
1989 SERIES A BONDS:							
1989 Series A-1							
Series Bonds	7,740	3,775	7.05%-7.30%	1998-2002	655	-	865
Term Bonds	16,760	7,045	7.63%	2017-2020	1,600	-	1,875
1989 Series A-2							
Term Bonds	20,000	16,720	7.15%	2003-2013	1,110	-	2,065
Term Bonds	5,000	5,000	7.30%	2015-2016	2,410	-	2,590
	49,500	32,540					
1989 SERIES B BONDS:							
1989 Series B-1							
Serial Bonds	2,075	1,215	7.10%-7.45%	1998-2002	210	-	280
Term Bonds	6,425	4,720	7.85%	2003-2013	300	-	590
1989 Series B-2							
Term Bonds	7,000	1,410	7.60%	2016-2017	655	-	755
	15,500	7,345					

	Original Amount Issued	Amount Outstanding December 31, 1997	Annual Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Annual Requirements on Bonds Outstanding		
1989 SERIES C BONDS:							
Serial Bonds	1,280	510	6.80%-7.00%	1998-2000	160	-	180
Term Bonds	10,440	10,440	7.70%	2001-2022	195	-	930
	<u>11,720</u>	<u>10,950</u>					
1990 SERIES A BONDS:							
1990 Series A-1							
Term Bonds	13,090	0	7.50%				
Term Bonds	5,820	0	7.80%				
1990 Series A-2							
Serial Bonds	5,025	0	6.40%-7.25%				
Term Bonds	10,000	10	8.13%	2023		10	
Term Bonds	4,385	0	8.00%				
Term Bonds	21,680	0	8.10%				
1990 Series A-4							
Serial Bonds	10,405	6,545	5.00%-5.60%	1998-2002	1,135	-	1,500
Term Bonds	11,695	6,455	6.38%	2003-2009	555	-	1,185
Term Bonds	15,825	14,340	6.40%	2019-2023	2,175	-	3,395
Term Bonds	24,175	0	6.40%				
Term Bonds	37,900	37,900	6.40%	2013-2024	1,755	-	8,180
1990 Series A-5							
Term Bonds	8,090	8,090	6.20%	2011-2016	1,110	-	1,610
1990 Series A-6							
Serial Bonds	5,710	0	2.75%-5.10%				
Term Bonds	6,090	1,505	6.25%	2001-2004	140	-	490
Term Bonds	30,110	4,500	6.35%	2011-2015	405	-	1,150
	<u>210,000</u>	<u>79,345</u>					
1991 SERIES A BONDS:							
Serial Bonds	5,730	2,525	6.25%-6.55%	1998-2001	575	-	690
Term Bonds	10,395	10,395	7.45%	2002-2011	735	-	1,405
Term Bonds	24,495	24,495	7.50%	2012-2022	1,510	-	3,115
	<u>40,620</u>	<u>37,415</u>					
1991 SERIES B BONDS:							
Serial Bonds	8,565	4,870	5.80%-6.20%	1998-2002	865	-	1,090
Capital Appreciation							
Serial Bonds	2,497	2,066	6.60%-6.75%	2003-2005		1,090	
Term Bonds	11,940	11,940	7.10%	2009-2016	1,160	-	1,875
	<u>23,002</u>	<u>18,876</u>					
1992 SERIES A BONDS:							
Serial Bonds	2,470	1,540	5.75%-6.40%	1998-2003	220	-	300
Term Bonds	2,940	2,940	6.85%	2004-2010	315	-	525
Term Bonds	1,160	1,160	6.90%	2011-2012	560	-	600
Term Bonds	9,930	9,815	7.00%	2013-2023	635	-	1,155
	<u>16,500</u>	<u>15,455</u>					
1992 SERIES B BONDS:							
1992 Series B-4							
Term Bonds	7,000	7,000	6.90%	2017-2026	510	-	925
1992 SERIES C BONDS:							
Serial Bonds	9,835	5,200	5.20%-6.00%	1998-2002	540	-	1,265
Term Bonds	10,425	10,425	6.55%	2008-2012	1,830	-	2,360
Term Bonds	4,200	4,200	6.65%	2013-2024	235	-	490
	<u>24,460</u>	<u>19,825</u>					
1992 SERIES D BONDS:							
Term Bonds	7,020	7,020	6.45%	2002-2007	800	-	1,410

	Original Amount Issued	Amount Outstanding December 31, 1997	Annual Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Annual Requirements on Bonds Outstanding		
1993 SERIES A BONDS:							
1993 Series A-1							
Serial Bonds	14,020	10,655	4.05%-5.15%	1998-2007	885	-	1,280
Term Bonds	10,000	7,705	4.50%	2008-2017	65	-	1,105
Term Bonds	15,980	15,980	5.55%	2008-2018	1,095	-	1,870
1993 Series A-2							
Term Bonds	10,000	10,000	5.10%	2019-2024	1,455	-	1,890
	<u>50,000</u>	<u>44,340</u>					
1993 SERIES B BONDS:							
1993 Series B-1							
Term Bonds	4,145	4,145	5.70%	2008-2013	600	-	790
Term Bonds	4,680	4,680	5.75%	2014-2018	835	-	1,045
Term Bonds	7,660	7,660	5.80%	2019-2024	1,105	-	1,465
1993 Series B-2							
Term Bonds	1,415	1,415	5.60%	2005-2007	445	-	500
	<u>17,900</u>	<u>17,900</u>					
1994 SERIES A BONDS:							
Serial Bonds	15,540	15,540	4.35%-5.20%	2000-2008	750	-	3,600
Term Bonds	23,650	23,650	5.55%	2009-2014	2,485	-	4,700
Term Bonds	36,615	36,615	5.65%	2014-2020	2,480	-	6,530
Term Bonds	32,250	32,250	5.70%	2020-2026	2,100	-	7,290
Term Bonds	2,000	2,000	5.75%	2027-2033	240	-	335
	<u>110,055</u>	<u>110,055</u>					
1994 SERIES B BONDS:							
1994 Series B-1							
Serial Bonds	6,775	6,775	4.65%-5.15%	2003-2008	1,000	-	1,275
Term Bonds	9,270	9,270	5.55%	2009-2014	1,340	-	1,765
Term Bonds	3,955	3,025	4.38%	2015-2016	1,170	-	1,855
1994 Series B-2							
Serial Bonds	3,290	2,180	4.00%-4.60%	1998-2002	400	-	475
Term Bonds	24,710	24,710	5.80%	2017-2024	2,530	-	3,610
Term Bonds	2,000	2,000	5.85%	2034		2,000	
	<u>50,000</u>	<u>47,960</u>					
1994 SERIES C BONDS:							
1994 Serial C-1							
Serial Bonds	22,715	22,715	5.40%-6.20%	1999-2007	2,095	-	3,030
Term Bonds	13,535	13,535	6.50%	2008-2011	3,130	-	3,645
Term Bonds	17,000	11,260	5.90%	2012-2015	3,465	-	4,270
1994 Series C-2							
Term Bonds	43,000	43,000	6.87%	2016-2023	4,060	-	7,025
Term Bonds	3,000	1,695	7.00%	2032		1,695	
	<u>99,250</u>	<u>92,205</u>					
1994 SERIES D BONDS:							
Term Bonds	6,320	6,320	6.70%	2006-2015	520	-	765
Term Bonds	6,180	6,180	6.80%	2016-2025	400	-	875
	<u>12,500</u>	<u>12,500</u>					
1994 SERIES E BONDS:							
Term Bonds	3,515	3,515	6.30%	1999-2002	795	-	965
Term Bonds	3,280	3,280	6.60%	2003-2005	1,025	-	1,165
	<u>6,795</u>	<u>6,795</u>					



	Original Amount Issued	Amount Outstanding December 31, 1997	Annual Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Annual Requirements on Bonds Outstanding		
1995 SERIES A BONDS:							
1995 Series A-1							
Term Bonds	2,725	2,725	6.30%	2009-2011	855	-	965
Term Bonds	3,275	3,275	6.38%	2012-2014	1,025	-	1,160
1995 Series A-2							
Serial Bonds	12,200	10,820	5.20%-6.20%	1998-2008	740	-	1,285
Term Bonds	30,800	30,800	6.65%	2015-2025	1,985	-	3,790
Term Bonds	1,000	130	6.75%	2026-2027	60	-	70
	50,000	47,750					
1995 SERIES B BONDS:							
1995 SERIES B-1							
Term Bonds	2,940	2,940	5.10%	2002 - 2005	70	-	1,005
Term Bonds	7,060	7,060	6.05%	2012 - 2016	480	-	1,790
1995 SERIES B-2							
Serial Bonds	6,500	6,500	4.55%-5.80%	1999 - 2008	750	-	1,175
Term Bonds	4,980	4,980	6.13%	2009 - 2012	1,015	-	1,405
Term Bonds	5,685	5,685	6.25%	2017 - 2024	10	-	2,290
Term Bonds	6,835	6,835	5.70%	2016 - 2025	105	-	2,590
Term Bonds	15,000	15,000	6.30%	2017 - 2026	15	-	3,500
Term Bonds	1,000	1,000	6.35%	2027 - 2035	85	-	140
	50,000	50,000					
1995 SERIES C BONDS:							
1995 Series C-1							
Term Bonds	4,575	4,575	6.05%	2017 - 2026	225	-	605
1995 Series C-2							
Serial Bonds	940	940	4.80%-5.30%	2000 - 2005	140	-	175
Term Bonds	2,935	2,935	6.15%	2006 - 2017	130	-	335
	8,450	8,450					
1995 SERIES D BONDS:							
Term Bonds	4,000	4,000	6.72%	2001 - 2005	700	-	910
Term Bonds	5,000	5,000	7.02%	2006 - 2010	870	-	1,140
	9,000	9,000					
1996 Series A BONDS:							
1996 Series A-1							
Serial Bonds	5,195	5,195	4.40%-6.05%	1998-2009	320	-	575
Term Bonds	3,475	3,475	6.40%	2010-2014	610	-	785
Term Bonds	14,455	14,455	6.50%	2015-2026	830	-	1,665
Term Bonds	1,775	1,775	6.50%	2027		1,775	
Term Bonds	100	100	6.55%	2035		100	
1996 Series A-2							
Adjustable Rate Term Bonds	5,000	5,000	4.40%	1998		5,000	
1996 Series A-3							
Adjustable Rate Term Bonds	10,000	10,000	4.50%	1998		10,000	
	40,000	40,000					
1996 Series B BONDS:							
1996 Series B-1							
Serial Bonds	3,900	3,900	5.50%-5.60%	2007-2008	1,915	-	1,985
Term Bonds	17,790	17,790	6.10%	2009-2015	2,105	-	3,000
Term Bonds	4,760	4,760	6.13%	2016-2017	2,070	-	2,690
1996 Series B-2							
Serial Bonds	5,660	5,660	4.75%-5.55%	2000-2006	585	-	1,035
Term Bonds	5,930	5,930	5.80%	2017-2019	670	-	3,595
Term Bonds	18,860	18,860	6.45%	2019-2026	1,405	-	2,980
Term Bonds	8,000	8,000	6.45%	2026-2028	1,570	-	3,265
Term Bonds	100	100	6.45%	2035		100	
	65,000	65,000					

	Original Amount Issued	Amount Outstanding December 31, 1997	Annual Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Annual Requirements on Bonds Outstanding		
1996 SERIES C BONDS:							
1996 Series C							
Serial Bonds	4,245	4,245	4.35%-5.50%	1999-2008	340	-	525
Term Bonds	5,505	5,505	6.10%	2009-2016	555	-	840
Term Bonds	15,150	15,150	6.15%	2017-2028	890	-	1,715
Term Bonds	100	100	6.25%	2037		100	
	<u>25,000</u>	<u>25,000</u>					
1997 SERIES A BONDS:							
1997 Series A-1							
Term Bonds	2,200	2,200	5.70%	2009-2013	390	-	490
1997 Series A-2							
Serial Bonds	4,685	4,685	4.55%-5.50%	2000-2008	425	-	630
Term Bonds	5,450	5,450	5.38%	2014-2019	795	-	1,030
Term Bonds	1,145	1,145	6.15%	2020-2026	140	-	195
Term Bonds	5,000	5,000	6.15%	2020-2027	480	-	935
Term Bonds	16,420	16,420	6.10%	2020-2028	1,420	-	2,285
Term Bonds	100	100	6.20%	2037		100	
	<u>35,000</u>	<u>35,000</u>					
1997 SERIES B BONDS:							
Term Bonds	25,000	25,000	6.10%	2007-2029	490	-	1,970
1997 SERIES C BONDS:							
1997 Series C-1							
Serial Bonds	900	900	5.15%-5.25%	2007-2008	440	-	460
Term Bonds	4,100	4,100	5.70%	2009-2015	485	-	710
1997 Series C-2							
Serial Bonds	1,860	1,860	4.90%-5.20%	2002-2006	340	-	395
Term Bonds	4,000	4,000	5.30%	2016-2021	575	-	765
Term Bonds	2,010	2,010	5.95%	2016-2022	10	-	385
Term Bonds	12,420	12,420	6.05%	2022-2028	1,465	-	2,105
Term Bonds	4,610	4,610	6.05%	2029-2030	2,235	-	2,375
Term Bonds	100	100	6.05%	2037		100	
	<u>30,000</u>	<u>30,000</u>					
1997 SERIES D BONDS:							
1997 Series D-1							
Serial Bonds	13,780	13,780	4.65%-5.15%	2004-2010	520	-	2,700
Term Bonds	17,815	17,815	5.05%	2010-2016	2,095	-	3,020
1997 Series D-2							
Term Bonds	17,635	17,635	5.80%	2010-2016	1,750	-	3,520
Term Bonds	1,195	1,195	5.90%	2024-2025	595	-	600
Term Bonds	9,475	9,475	5.90%	2025-2029	700	-	2,385
Term Bonds	100	100	5.90%	2036-2037		50	
	<u>60,000</u>	<u>60,000</u>					
1997 SERIES E BONDS:							
1997 Series E							
Term Bonds	9,125	9,125	6.44%	2003-2007	1,595	-	2,070
Term Bonds	12,765	12,765	6.71%	2008-2012	2,215	-	2,915
Term Bonds	18,110	18,110	6.81%	2013-2017	3,125	-	4,160
	<u>40,000</u>	<u>40,000</u>					
1997 SERIES F BONDS:							
1997 Series F-1							
Term Bonds	8,580	8,580	5.50%	2018-2029	510	-	965
1997 Series F-2							
Term Bonds	3,825	3,825	5.50%	2008-2017	285	-	490
	<u>12,405</u>	<u>12,405</u>					

	Original Amount Issued	Amount Outstanding December 31, 1997	Annual Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Annual Requirement	Range of Requirement Outstanding	on Bonds
<b>1997 SERIES G BONDS:</b>							
<b>1997 Series G</b>							
Term Bonds	2,000	2,000	6.71%	2002-2006	345	-	455
Term Bonds	7,000	7,000	6.71%	2002-2007	980	-	1,365
Term Bonds	6,000	6,000	7.26%	2020-2027	575	-	950
	<u>15,000</u>	<u>15,000</u>					
		1,162,840					
Less: Unamortized Bond Discount		(13,735)					
Total Mortgage Purchase							
Program Bonds Payable	<u>1,518,316</u>	<u>1,149,105</u>					

**MORTGAGE ACQUISITION  
PROGRAM**

<b>1991 SERIES 1 BONDS:</b>							
Serial Bonds	2,055	1,760	6.10%-6.50%	1998-2002	310	-	395
Term Bonds	2,415	2,415	6.90%	2003-2007	420	-	550
Term Bonds	2,620	2,620	7.10%	2008-2011	590	-	725
Term Bonds	10,775	8,550	7.15%	2012-2021	615	-	1,135
	<u>17,865</u>	<u>15,345</u>					
		15,345					
Less: Unamortized Bond Discount		(155)					
Total Mortgage Acquisition							
Program Bonds Payable	<u>17,865</u>	<u>15,190</u>					

**HOUSING FINANCE REVENUE  
PROGRAM**

<b>1992 SERIES 1 BONDS:</b>							
Serial Bonds	7,480	3,255	5.85%-6.30%	1998-2001	745	-	860
Term Bonds	2,520	0	6.80%				
	<u>10,000</u>	<u>3,255</u>					
<b>1995 SERIES I BONDS:</b>							
<b>1995 Series I-1</b>							
Serial Bonds	2,235	2,235	4.65%-5.00%	2005 - 2008	520	-	600
Term Bonds	2,765	2,765	5.38%	2009 - 2012	635	-	750
<b>1995 Series I-2</b>							
Serial Bonds	2,000	2,000	3.95%-4.80%	1998 - 2004	125	-	490
<b>1995 Series I-4</b>							
Serial Bonds	1,350	1,350	4.00%-5.10%	1998 - 2008	95	-	155
Term Bonds	2,120	2,120	5.70%	2009 - 2018	165	-	265
Term Bonds	4,530	4,530	5.75%	2019 - 2030	280	-	495
	<u>15,000</u>	<u>15,000</u>					
<b>1996 SERIES I BONDS:</b>							
<b>1996 Series I</b>							
Serial Bonds	7,455	7,455	4.50%-5.70%	1999 - 2008	595	-	930
Term Bonds	5,540	5,540	6.15%	2013 - 2018	475	-	1,250
Capital Appreciation							
Serial Bonds	2,005	2,125	6.00%-6.30%	2009 - 2014	510	-	985
	<u>15,000</u>	<u>15,120</u>					
	40,000	33,375					
Less: Unamortized Bond Discount		(332)					
Total Housing Finance Revenue							
Bonds Payable	<u>40,000</u>	<u>33,043</u>					
Total Bonds Payable	<u>\$ 1,576,181</u>	<u>\$ 1,197,338</u>					



Interest is payable semi-annually. Scheduled principal payments on bonds are due November 15 for the Mortgage Purchase Program and November 1 for the Mortgage Acquisition Program and the Housing Finance Revenue Program.

The debt service principal payments for the five years subsequent to December 31, 1997, are as follows:

YEAR	MORTGAGE PURCHASE PROGRAM	MORTGAGE ACQUISITION PROGRAM	HOUSING FINANCE REVENUE PROGRAM
1998	\$10,760	\$310	\$1,070
1999	\$14,990	\$330	\$1,580
2000	\$17,790	\$350	\$1,680
2001	\$19,705	\$375	\$1,795
2002	\$22,610	\$395	\$1,240

The reserve funds of the Mortgage Purchase Program and Housing Finance Revenue Program are secured by a non-binding appropriation by the State to replenish any deficiency in such reserve funds. The Authority was authorized to have bonds outstanding for these programs in an aggregate amount not to exceed \$1,650,000 as of December 31, 1997. Of that amount, \$1,196,215 was outstanding at December 31, 1997. In addition, at December 31, 1997 the Authority was authorized to have up to \$300,000 in bonds outstanding that were secured by a reserve fund not subject to a non-binding state appropriation for replenishment of any deficiency in such fund. Under this authorization, the Authority had Mortgage Acquisition Program bonds of \$15,345 outstanding at December 31, 1997 and \$24,000 of conduit debt (see footnote 12).

The bonds are a special obligation of the Authority and shall not be deemed to constitute a debt or liability of the State of Maine. The bonds are secured in accordance with the various resolutions. Security generally includes the mortgage loans made or purchased under the Resolution and all monies and investments in the funds and accounts pledged under the resolutions. Bonds may be redeemed in excess of the annual maturities in accordance with the terms of the various resolutions.

#### (5.) EMPLOYEE BENEFIT PLANS

The Authority has established a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Authority employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees or their designated beneficiaries until termination, retirement, death, or unforeseeable emergency. Since the assets and income of the plan are now held in trust for the exclusive benefit of the plan participants and their beneficiaries, the Authority no longer reflects an asset and a liability for the plan in the General Fund. The Authority's contribution to, and expense for, the Section 457 plan was \$68 for the year ended December 31, 1997.

The Authority also has a defined contribution plan created under the provisions of the Internal Revenue Code Section 401(a). Substantially all employees of the Authority are eligible to participate in this plan, which is administered by the Authority. The Authority's contribution to, and expense for, the 401(a) plan was \$110 for the year ended December 31, 1997.

#### (6.) AVAILABLE BOND PROCEEDS

##### MORTGAGE PURCHASE FUND GROUP

The following amounts are invested in the various bond proceed sub-accounts of the Bond Proceeds Fund of the Mortgage Purchase Program:

1996 Series A-2	\$ 5,490
1996 Series A-3	10,962
1997 Series D-1	4,903
1997 Series D-2	2,813
1997 Series E	27,890
1997 Series F-1	969
	<u>\$53,027</u>

Original bond proceeds for the purchase of multi-family and single-family mortgages amounted to \$924 and \$50,320, respectively, at December 31, 1997, of which \$36,244 and \$15,000 represented the proceeds of fixed rate bonds and adjustable rate bonds, respectively. The Authority expects to make the proceeds of the adjustable rate bonds available for the purchase of single-family and multi-family loans when such bonds are converted to fixed rate bonds. Amounts in the Bond Proceeds Fund attributable to income from investments totaled \$1,783 at December 31, 1997, all of which is available to pay debt service when necessary.

##### HOUSING FINANCE REVENUE FUND GROUP

Original bond proceeds for the purchase of Home Improvement loans amounted to \$2,439 of fixed rate bonds from Series 1995 I.

**(7.) COMMITMENTS**

Mortgage commitments are agreements to lend provided there is no violation of any term or condition established in the agreement. Generally, once exercised, the loans made under the terms of such commitments are secured by a lien on the related property and other collateral as the Authority deems necessary.

**MORTGAGE PURCHASE PROGRAM**

At December 31, 1997, the Authority had outstanding commitments to purchase multi-family mortgage loans of approximately \$1,595.

**FEDERAL PROGRAMS FUND**

The Authority had committed in the Federal Programs Fund approximately \$442 to purchase or originate multi-family loans.

**GENERAL FUND**

The Authority is committed to a lease expiring July 31, 1998, on approximately 27,000 square feet of office space. The lease contains an annual renewal option through July 31, 2006. Rental expense under this lease for the year ended December 31, 1997 was approximately \$305.

**(8.) RESERVE FUNDS**

**MORTGAGE PURCHASE PROGRAM - HOUSING RESERVE FUND**

On or before December 1 of each year, the Authority is required to value the Housing Reserve Fund and verify to the Governor of the State of Maine that the sum of money in the fund is adequate to meet the Housing Reserve Fund Minimum Requirement. The Housing Reserve Fund Minimum Requirement equals or exceeds the amount of principal and interest maturing and coming due in the next succeeding calendar year on bonds outstanding. The Housing Reserve Fund Minimum Requirement as of December 31, 1997 is \$83,010.

When issuing bonds the Authority must also meet the Housing Reserve Fund Maximum Requirement. The Housing Reserve Fund Maximum Requirement equals the maximum debt service required in any subsequent year. The Housing Reserve Fund Maximum Requirement as of December 31, 1997 is \$98,425.

At December 31, 1997, valuation of the investments in the Housing Reserve Fund, computed at the lower of par or cost in accordance with the General Mortgage Purchase Program Bond Resolution was \$100,846.

**MORTGAGE ACQUISITION PROGRAM - CAPITAL RESERVE FUND**

The Capital Reserve Requirement equals the greatest amount of Principal installments and interest maturing and becoming due in the current or any succeeding bond year on bonds outstanding. At December 31, 1997, the valuation of the investments in the Capital Reserve Fund computed at amortized value, in accordance with the General Single-Family Mortgage Acquisition Bond Resolution, was \$2,617. The Capital Reserve Requirement as of December 31, 1997, was \$1,389.

**HOUSING FINANCE REVENUE PROGRAM - CAPITAL RESERVE FUND**

On or before December 1 of each year, the Authority is required to value the Capital Reserve Fund and verify to the Governor of the State of Maine that the sum of money in the fund is adequate to meet the Capital Reserve Fund Minimum Requirement. The Capital Reserve Fund Minimum Requirement equals or exceeds the amount of principal and interest maturing and coming due in the next succeeding calendar year on bonds outstanding. The Capital Reserve Fund Minimum Requirement as of December 31, 1997 is \$2,789.

When issuing bonds the Authority must also meet the Capital Reserve Fund Maximum Requirement. The Capital Reserve Fund Maximum Requirement equals the maximum debt service required in any subsequent year. The Capital Reserve Fund Maximum Requirement as of December 31, 1997 was \$3,286.

At December 31, 1997, valuation of the investments in the Capital Reserve Fund computed at amortized value in accordance with the General Housing Finance Revenue Bond Resolution was \$3,725.

**(9.) EXCESS ARBITRAGE TO BE REBATED**

The bonds issued by the Authority after 1980 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 must be rebated either annually, or every five years, depending on the date and type of bond issue.

At December 31, 1997, the estimated present value of future arbitrage rebates in the Mortgage Purchase Fund Group was \$304. There are no other arbitrage liabilities to be rebated in the other fund groups at December 31, 1997.

**(10.) FUND TRANSFERS**

During the year ended December 31, 1997, monies were transferred between Funds. The following is a summary of transfers in (out):

	Mortgage Purchase Fund Group	General Fund	Home Fund	Federal Programs Fund	Other Funds
Interest Subsidies	\$1,719	\$ 0	\$ (989)	\$(730)	\$ 0
Loan Subsidies	1,384	109	(175)	0	(1,318)
Grant Funds	285	0	(285)	0	0
Other	36	0	(40)	0	4
Net Transfers	<u>\$3,424</u>	<u>\$109</u>	<u>\$(1,489)</u>	<u>\$ (730)</u>	<u>\$(1,314)</u>

**(11.) REDEMPTION OF BONDS**

The Authority redeemed \$63,748 and \$2,235, of its Mortgage Purchase Program Bonds and Mortgage Acquisition Program bonds, respectively, from reserve funds, mortgage prepayments and surplus revenues. Mortgage Purchase Program and Mortgage Acquisition Program losses of \$441 and \$71 were attributable to recognition of the redemption premium, bond discount and debt issuance expense associated with the redeemed bonds.

The following is a summary of bonds redeemed:

	Interest Rate(s)	Maturity/ Maturities	Amount Redeemed	Redemption Price
<b>Mortgage Purchase Program</b>				
1986 Series A Limo Bonds	9.25%	2017	\$1,700	100%
1987 Series A-1 Serial Bonds	7.00-7.20%	1998-1999	635	100%
1987 Series A-1 Serial Bonds	7.20%	1999	360	102%
1987 Series A-2 Term Bonds	6.90%-8.10%	1998-2015	3,515	100%
1987 Series A-2 Term Bonds	7.65%-8.10%	2003-2015	6,785	102%
1987 Series A-3 Term Bonds	6.90%	1998	135	100%
1987 Series A-3 Term Bonds	7.50%-7.80%	2003-2015	19,445	102%
1987 Series B Serial Bonds	7.40%	1998	220	100%
1987 Series B Term Bonds	8.40%	2007	650	100%
1987 Series B Serial Bonds	7.40%-7.60%	1998-1999	755	102%
1987 Series B Term Bonds	8.00%-8.40%	2007-2016	7,440	102%
1988 Series A Term Bonds	7.65%	2015	905	100%
1988 Series B Term Bonds	8.00%	2015	890	100%
1988 Series D-1 Term Bonds	8.30%	2028	425	100%
1988 Series D-3 Term Bonds	8.20%	2019-2022	8,555	100%
1989 Series A-1 Term Bonds	7.63%	2024	2,050	100%
1989 Series A-2 Term Bonds	7.15%	2014	855	100%
1990 Series A-4 Term Bonds	6.40%	2023	1,485	100%
1991 Series B CAB's	6.80%-6.85%	2006-2008	1,673	100%
1993 Series A-1 Term Bonds	4.50%	2017	960	100%
1994 Series B-1 Term Bonds	4.38%	2016	585	100%
1994 Series C-1 Term Bonds	5.90%	2015	1,550	100%
1994 Series C-2 Term Bonds	7.00%	2032	1,305	100%
1995 Series A-2 Term Bonds	6.75%	2035	870	100%
			<u>\$63,748</u>	
<b>Mortgage Acquisition Program</b>				
1980 Series 1 Term Bonds	9.50%	2011	\$10	100%
1991 Series 1 Term Bonds	7.15%	2021	2,225	100%
			<u>\$2,235</u>	



(12.) CONDUIT DEBT

The Authority has issued revenue bonds to make a loan to a developer to finance the acquisition and rehabilitation of a multi-family rental housing project and to pay costs of issuance of the bonds. An irrevocable direct-pay letter of credit held by the Trustee will pay the principal and interest due on the bonds. The provider of this letter of credit will be reimbursed solely from the revenues of the project and other assets of the mortgagee. Therefore, these bonds do not constitute a debt or liability of the Authority. Accordingly, the bonds and any related assets are not reported as liabilities or assets in the accompanying financial statements.

In 1997, the Authority received a placement fee of \$840 which was recognized as Other Revenue in the General Fund. All costs of originating the bonds, including underwriters discount, have been paid with the proceeds of bonds. At December 31, 1997, one series in the amount of \$24,000 was outstanding.

(13.) SUBSEQUENT EVENTS

On March 4, 1998, the Authority issued \$55,000 in 1998 Series A and B bonds as follows:

Mortgage Purchase Program	Interest Rate	Maturity/Maturities	Amount
1998 Series A-1 Serial Bonds	4.25%-4.85%	2003-2010	\$ 7,970
1998 Series A-1 Term Bonds	5.15%	2015	6,835
1998 Series A-2 Term Bonds	4.70%-5.40%	2018-2038	30,195
1998 Series B Term Bonds	6.94%	2027	10,000
			<u>\$ 55,000</u>

The Authority has also elected to redeem on April 15, 1998 and May 1, 1998, respectively, at par, \$22,806 of its Mortgage Purchase Program Bonds and \$2,685 of its Mortgage Acquisition Program Bonds as follows:

Mortgage Purchase Program	Interest Rate	Maturity/Maturities	Amount	Redemption Price
1986 Series A LIMO Bonds	9.25%	2017	\$ 646	100%
1987 Series A-3 Term Bonds	6.90%	1998	350	100%
1988 Series A Term Bonds	7.65%-8.10%	2008-2015	830	100%
1988 Series B Term Bonds	8.00%	2015	775	100%
1988 Series D-3 Term Bonds	8.15%-8.20%	2011-2022	8,540	100%
1989 Series A-1 Term Bonds	7.63%	2020	2,470	100%
1989 Series A-2 Term Bonds	7.15%	2013	1,160	100%
1990 Series A-4 Term Bonds	6.40%	2023	2,845	100%
1994 Series C-2 Term Bonds	6.87%	2023	4,915	100%
1995 Series A-2 Term Bonds	6.65%	2025	275	100%
			<u>\$22,806</u>	
Mortgage Acquisition Program				
1991 Series 1 Term Bonds	7.15%	2021	<u>\$2,685</u>	100%