

MAINE STATE LEGISLATURE

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Maine State
Housing Authority



Program
Evaluation Report



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November 1999

November 1, 1999

The Honorable Carol A. Kontos
The Honorable Gary L. O'Neal
Joint Standing Committee of Business and Economic Development
One Hundred and Nineteenth Maine Legislature
115 State House Station
Augusta, Maine 04333

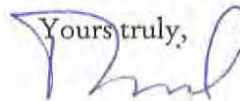
Dear Senator Kontos and Representative O'Neal:

Attached is the Program Evaluation Report required by the Government Evaluation Act. MSHA is scheduled for review this session.

We have tried to present the material in a useful and understandable way. For instance, rather than simply photocopy the state laws governing us, which are readily available to you in the Committee room, we have provided a description of what each section of the law does. We have used graphs to help show our financial data and our success or failure in meeting our performance goals. For the identification of emerging issues, our Board of Commissioners and senior staff spent time engaging in big picture, retreat style thinking and consideration of the challenges and changes that will face both MSHA and the housing industry.

This submission is one of my last official acts as Director. I have very much enjoyed working with everyone on the Committee. I appreciate your courtesies and your counsel and I thank you for them. Dana Totman, Deputy Director, has been appointed to serve as MSHA's Acting Director.

This has been a fruitful and interesting exercise for us so far. We welcome this review and look forward to working with the Committee during the session. Please let us know what we can do to help you make this worthwhile.

Yours truly,


David Lakari
Director

TABLE OF CONTENTS

Overview.....	Tab 1
Enabling Laws and Mandates.....	Tab 2
Program Descriptions	Tab 3
Organizational Charts and Job Descriptions	Tab 4
Compliance With Health and Safety Laws	Tab 5
Financial Summary.....	Tab 6
Regulatory Agenda and Summary of Rules Adopted	Tab 7
Coordination With Other Agencies	Tab 8
Identify Constituents Served.....	Tab 9
Summary of Use of Alternative Delivery Systems Including Privatization	Tab 10
Emerging Issues in the Coming Years	Tab 11

Appendices:

Annual Report
Strategic Plan

OVERVIEW

The Maine State Housing Authority was created by the legislature in 1969 to address the problems of unsafe, unsuitable, overcrowded, and unaffordable housing. Over the years we have been asked to handle additional responsibilities on behalf of the state. Today we are a \$1.5 billion financial institution with 96 staff members.

MSHA is an independent authority. We are governed by a 7 member Board of Commissioners appointed by the governor and confirmed by the Senate upon the recommendation of the Business and Economic Development Committee. MSHA's Director is also appointed by the governor and confirmed by the Senate upon the recommendation of the Business and Economic Development Committee. The Director and the State Treasurer are *ex-officio* members of the Board. MSHA is both Maine's housing finance agency and a public housing authority for those parts of the state without one.

Whom Do We Serve?

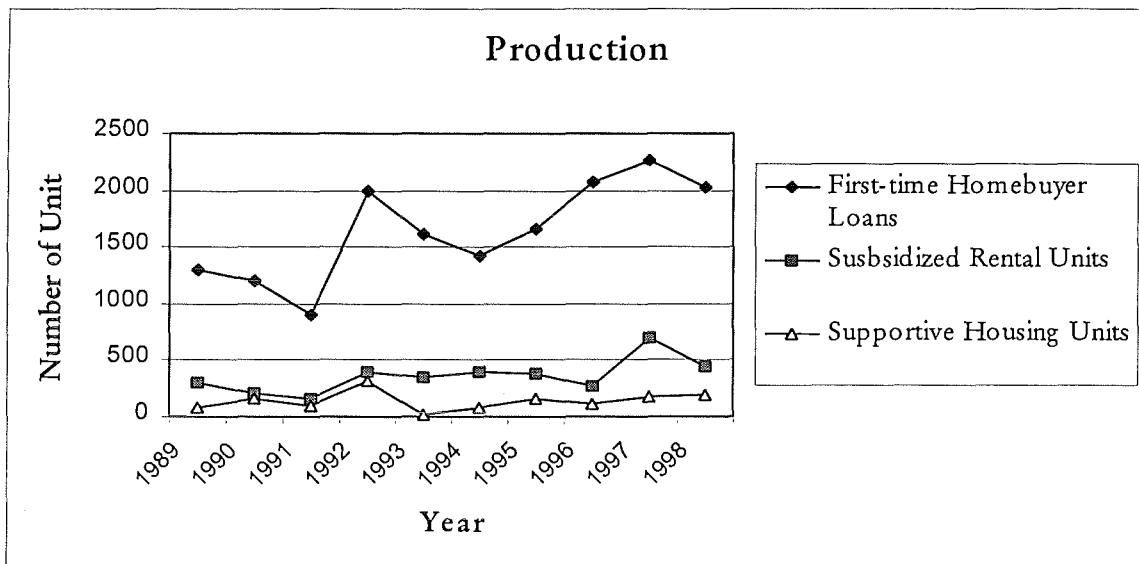
In our long term planning, we have identified five groups of needy Maine citizens whom we serve:

- First Time Homebuyers,
- Owners of Substandard Housing,
- Renters Needing Assistance,
- Persons With Special Needs, and
- People Who Are Homeless.

We design our programs to meet the needs of the people we serve rather than deriving them from the requirements of the funding sources. Each year we start our budget process by examining the needs of each of these groups. We then analyze the resources we have available and the restrictions they come with. Then we allocate funds to programs in a way that attempts to get the maximum use out of each.

The numbers of first-time homebuyers, renters needing assistance, and people with special needs that received help from our programs from 1989 to 1998 are shown in Figure 1.

Figure 1



What Is The Need?

To put our work in context, here are some of the housing needs we are trying to address:

- 15,000 people used Maine's homeless shelters last year. That is about 450 on any given night. We estimate that about an equal number of people are homeless who do not use homeless shelters.
- Those with special needs who could benefit from our help include 18,500 elderly who can't afford their rent or need assisted living, 24,000 people with mental illness who may need housing, and 8,000 persons with developmental disabilities who need housing.
- There are 27,600 renters needing assistance. These are renters who earn 50% of the median income or less and are spending more than 30% of their income on rent.
- Every year Maine ranks in the top 2 or 3 states in the rate of homeownership. Maine's housing is the 7th oldest in the country, and we rank 37th in income. This means that there are a lot of very poor homeowners. We estimate that there are 27,000 who could use our FIX ME home improvement program.
- 75,000 renters could afford to buy their very own home for the first time with our programs. *The Wall Street Journal* reported recently that Maine ranked in the top 10 states for the increase in home prices last year.

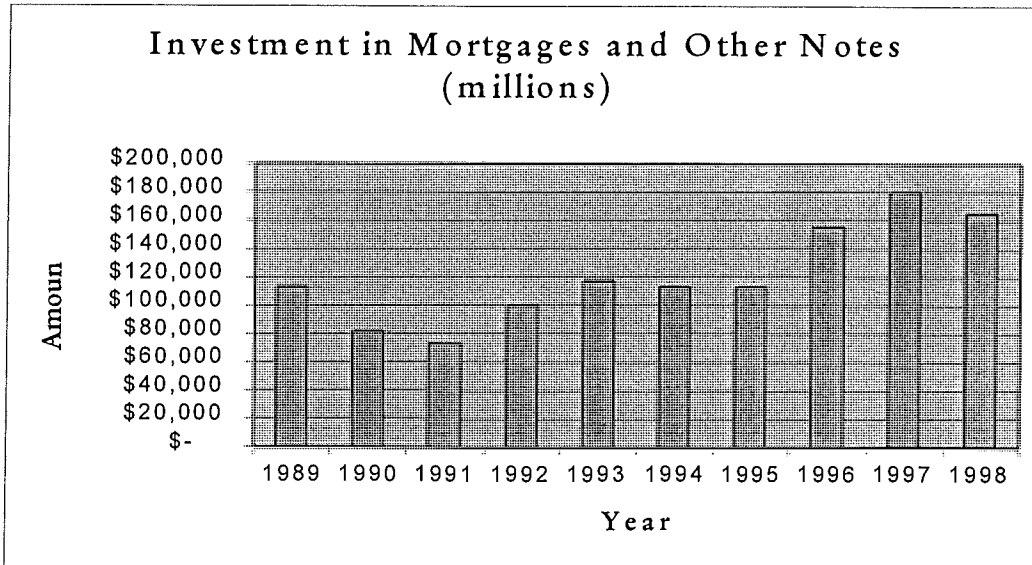
Assets, Bonds, and Moral Obligation

The bulk of our assets are in mortgages, primarily from first time homebuyers. We are authorized to issue tax-exempt bonds. Most of the bonds carry the moral obligation of the state. We use the proceeds from the bonds to purchase single family and multi-family residential mortgages. In 1998 we sold \$202,500,000 in bonds and purchased \$165,000,000 in mortgages (the difference was used to pay off older bonds). We currently have \$1,400,000,000 in bonds outstanding. Approximately \$1,100,000,000 has been used for single family mortgages and \$300,000,000 for multi-family. This year we will make approximately \$100,000,000 in bond payments.

The moral obligation is, quite literally, the idea that the state has a moral obligation to back bonds issued by an agency if it cannot make interest payments due to unforeseen contingencies. The state is not legally obligated to do so. Moral obligation is specifically authorized in statute. The Maine State Housing Authority is required to maintain reserve funds to cover annual debts to the bond holders. If the account falls below the required level, MSHA must tell the Governor how much that we need to restore these accounts. Maine law states that, "...the sum or sums so certified shall be appropriated and paid to the Maine State Housing Authority during the then current fiscal year." MSHA's bond counsel describes the state's pledge as, "...a non-binding obligation of the state to appropriate funds..."

The investments in mortgages and other notes from 1989 to 1998 are shown in Figure 2.

Figure 2



Federal Resources

Most of the subsidy resources we have come from the federal government. We are authorized to act as the agent for the state in administering the federal weatherization, energy conservation, and fuel assistance programs. We collect and disburse federal rental subsidies. We allocate the federal low income housing tax credit. We administer the federal HOME housing block grant. We distribute the federal block grant for homeless shelters. We also seek and, when successful, administer competitive federal grants, such as the Continuum of Care grant and the Lead Paint Abatement grant. In 1998 we received \$249,180,000 in federal resources.

State Resources

We receive three appropriations and allocations from the state. They are:

- The Housing Opportunities for Maine Fund (the HOME fund), which is funded from a dedicated revenue stream provided by a portion of the real estate transfer tax,
- The Shelter Operating Subsidy program which provides grants to homeless shelters, and
- The Temporary Housing Assistance Program, which is designed to prevent people from becoming homeless.

In 1998 we received \$5,037,000 from the state. None of these funds are used to pay for our staff or to operate the authority.

The Big Three

Obviously all of the resources we use are critical and important. If we had to pick the most important ones, they are:

- **Tax-Exempt Bond Allocation.** The federal government allows Maine to issue up to \$150 million of tax-exempt bonds each year. The Governor and Legislature allocate that \$150 million among MSHA, FAME, the Maine Municipal Bond Bank, and MELA/MELMAC. This is the core of our operation and provides most of our operating capital.
- **Moral Obligation.** The credit enhancement of the state's moral obligation allows us to sell our bonds for lower interest rates. This savings is passed on to our borrowers.
- **The HOME Fund.** This dedicated source of funds is a critical source of funding for MSHA. It comes with few strings other than addressing our mission. It is used to meet federal match requirements and it is subsidy that can be used when nothing else fits. Its flexibility is its greatest benefit.

Sunset

We welcome the sunset process. It has provided us with another opportunity to review our operations and to examine our successes and our shortcomings. We want this report to provide you with a clear and concise review of MSHA. We want you to understand everything there is to know about us: what we do, how we do it, who we help, and, most importantly, how successful we are. Our Board of Commissioners has taken an active role in this process and we look forward to working with the Committee as you proceed.

MSHA STATUTES SUMMARY

MAINE HOUSING AUTHORITIES ACT, Title 30-A, Chapter 201

As originally enacted in 1949, the Maine Housing Authorities Act (the “Act”) established only the local housing authorities. In 1969 the Act was amended to create the Maine State Housing Authority (“MSHA”). Provisions regarding MSHA were weaved into the existing Act and are the focus of this summary.

Subchapter I. General Provisions

Confidentiality. The Act deems confidential tenant application information; individual financial statements; and applicant information pertaining to weatherization, energy conservation, homeless assistance or fuel assistance programs.

Declaration of Necessity. The Act was declared necessary because of unsafe and overcrowded housing; a shortage of suitable affordable housing; the benefit to the economy of housing construction; and the Federal government’s cutback of housing programs in the early 80’s.

Area of Operation. MSHA’s area of operation is the entire State. The area of operation of a municipal housing authority is within the municipality and in the case of some cities, within 10 miles outside of the city limits. To provide Federal financial assistance for a new construction or substantial rehabilitation project within the territory of a municipality housing authority, MSHA must obtain the prior consent of the municipality.

State Policy. It is the policy of the State to help residents have the opportunity for: housing which is decent, safe, meets their needs, and affordable; a wide range of private housing; public housing as necessary; additional resources for home construction, mortgages, and notes from financial institutions with assistance provided by MSHA; and housing education and demonstration housing programs.

Subchapter II. Establishment and Organization

MSHA’s Power and Duties. In addition to the powers listed in Subchapter III and other powers described in the Act, MSHA has the power and duty to:

- gather information and statistics on housing;
- develop and finance research and demonstration housing programs;
- provide or coordinate technical assistance and consultation about housing;
- encourage and coordinate the effective use of resources for housing;
- accept Federal funds and other housing assistance for the State;
- carry out renewal projects under Chapter 203, the Urban Renewal Law;
- issue revenue bonds;
- purchase, sell, service, pledge, and invest in mortgage-related securities;
- adopt by-laws;
- do what’s necessary to carry out its powers and duties;
- make loans and grants and contract with financial institutions to make mortgage loans;
- propose affirmative action plans;
- issue taxable bonds;
- issue certificates evidencing interests in mortgage loan pools;
- authorize its power and duties to be carried out by one or more non-profit corporations;
- approve municipal bonds for housing;
- consult with the Interagency Task Force on Homelessness and Housing Opportunities;
- administer energy conservation programs;

- operate energy conservation and fuel assistance programs; and
- advise the Governor and other State officials on energy conservation.

Limitations on MSHA's Powers. MSHA may not finance or assist in housing assisted by a college or university, student-housing, or any nursing home or related institutions.

Commissioners. MSHA has 7 commissioners, 5 appointed by the Governor, subject to legislative review and confirmation. The other commissioners are the Treasurer of the State and the director of the Maine State Housing Authority. The 5 gubernatorial appointments serve four year terms and include banking and low-income or elderly representatives.

Commissioners' Duties. The commissioners establish MSHA policy relating to:

- standards of issuing, servicing, and redeeming bonds;
- purchase and sale of mortgages or notes;
- initiating project construction and accepting properly completed facilities;
- setting standards for the purchase of notes;
- establishing procedures for servicing of loans;
- establishing procedures for the collection of money;
- establishing procedures for the disposition of foreclosed property; and
- establishing reserves in addition to the reserves required by statute.

The Commissioners also approve the operating budget pursuant to Subchapter IX.

Director. The Governor appoints a director of MSHA subject to legislative review and confirmation. The powers and duties of the Maine State Housing Authority other than the commissioners' duties outlined above are vested solely in the director of MSHA. The director serves a 4-year term and is a full time employee.

Conflict of Interest. MSHA employees and commissioners may not participate in decisions in which they have an interest. While at MSHA and for the following 2 years, they may not acquire an interest in any contract or project they worked on as a MSHA employee or commissioner.

Subchapter III. Powers and Duties of Housing Authorities

General Powers. All housing authorities have the following powers:

- to sue and be sued, to enter into contracts, to make rules and regulations to carry out the purposes and powers of the authority;
- to acquire, manage, own, lease, operate, construct, and improve housing projects;
- to research and analyze housing needs and disseminate such information;
- to contract for services in connection with a housing project;
- to exercise eminent domain;
- to invest funds and to redeem or purchase its bonds;
- to determine where slums exist and to work with localities to alleviate slum areas;
- to conduct examinations and investigations and to hear testimony;
- to exercise all or any part or combination of the powers granted; and
- to establish procedures by which a municipality may review proposed projects and plans for financing proposed projects.

MSHA Powers. In addition to the powers listed in Subchapter II, the above powers of all housing authorities, and other powers described in the Act, MSHA has the following powers:

- to acquire mortgage loans from financial institutions;
- to make payments to reduce interest costs on market rate mortgages;
- to allocate tax-exempt bonds established pursuant to the Internal Revenue Code and allocated to MSHA under Title 10, Section 363;
- to allocate low-income housing tax credits;
- to act as the weatherization, energy conservation, and fuel assistance agency for the State;
- to represent the State in carrying out the HOME Investment Partnerships Program created by the Cranston-Gonzalez National Affordable Housing Act; and
- to act as the State designee for dealing with homeless persons.

Subchapter III-A. Affordable Housing Program. The Affordable Housing Program, which along with the Affordable Housing Partnership Act, Chapter 202, grew out of the 1988 Governor's Task Force on Affordable Housing, was intended to get MSHA, municipal housing authorities, municipalities, and the Department of Economic and Community Development to work together in connection with housing.

Housing Component of Comprehensive Plans. The program requires municipalities' comprehensive plans to include the development of affordable housing and requires housing authorities to provide technical assistance to municipalities.

Matching Resources. The program allows MSHA to match resources provided by municipalities.

Housing Assessment. MSHA is required to assess the State's housing and report its findings and recommendations on the adequacy of data collection to the Governor and the Legislature biennially.

MSHA's Right of First Refusal. State agencies are required to offer MSHA the opportunity to purchase surplus land before selling it to other parties.

Subchapter III-B. Temporary Housing Assistance Program. MSHA may use the Temporary Housing Assistance Fund to provide loans or grants to low-income persons for rent and security deposits. Preference must be given to those who can repay a loan.

Subchapter IV. Funds. Housing authorities are granted the power to do anything required to obtain the financial aid or cooperation of the Federal government in the exercise of their powers granted under the Act.

Moderate Rehabilitation with Federal Assistance. MSHA must give written notice to a municipality of its intention to solicit proposals from owners of units in the municipality for federal assistance for moderately rehabilitated units.

Subchapter V. Loans to Financial Institutions. MSHA may make loans to financial institutions to finance mortgage loans which benefit low income persons.

Subchapter VI. Construction Loans. MSHA may participate with financial institutions in the making of construction loans for housing for low-income persons. A financial institution must participate in the loan at least to the extent of acting as an escrow agent unless the loan is to a public instrumentality or a private nonprofit corporation. The Authority may issue construction loan bonds with a total outstanding balance of \$25,000,000.

Subchapter VII. Housing Opportunities for Maine Program. The Act creates the Housing Opportunities for Maine Fund (the "State HOME Fund"). The State HOME Fund is funded with real estate transfer tax proceeds pursuant to 36 M.R.S.A. § 4641-B.

State HOME Fund Uses. MSHA may use the State HOME Fund to:

- reduce the interest rate on or principal amount of mortgage loans;
- reduce low-income persons' rental payments;
- make mortgage loans or grants;
- fund reserves for, pay interest on, pay costs of issuance of, or otherwise secure and facilitate the sale of MSHA's bonds;
- pay the administrative costs of public instrumentalities and nonprofit corporations directly associated with housing projects; and
- otherwise make housing affordable to low income persons.

Up to 3% of the fund plus earnings and repayments may be used for administrative costs.

Repayment Terms. MSHA establishes interest rates and may defer repayments. MSHA may not recover State HOME Funds from other than mortgaged property.

Transfer to Shelter Operating Subsidy Program. MSHA is required to transfer \$1,000,000 in fiscal year 1999-2000 and an additional \$1,000,000 in fiscal year 2000-2001 from the State HOME Fund to the Shelter Operating Subsidy Program pursuant the 1999 First Regular Session, Chapter 48, Private and Special Laws.

Subchapter VIII. Bonds. Housing authorities may issue bonds. Authorities may secure the payment of the bonds however they choose. Remedies of bondholders include injunctive relief, taking possession of a property, appointment of a receiver, and requiring an accounting.

Subchapter IX. Mortgage Credit

Low Income Requirement. Authorities may sell revenue bonds to purchase mortgage loans as long as a reasonable number low income persons occupy the mortgaged property. The authority must make sure the intended use of the property continues as long as economically and socially reasonable.

Reserves Securing Bonds. The Act requires MSHA to establish reserve funds to secure the bonds it issues. MSHA may not issue bonds under a resolution unless the reserve funds securing the bonds issued or to be issued under the resolution are at least equal to the principal and interest payments becoming due under the resolution in the next calendar year. The Housing Reserve Fund required by the Act secures bonds issued under MSHA's General Mortgage Purchase Bond Resolution. The Capital Reserve Fund permitted by the Act secures bonds issued under MSHA's General Housing Finance Revenue Bond Resolution.

Moral Obligation. If there is a deficiency in the reserves securing the bonds, the director may certify to the Governor the amount needed and the State will provide that amount to MSHA. The director has never certified to a deficiency in the reserves. MSHA may not have at any time more than \$1,650,000,000 of outstanding mortgage purchase bonds to which this provision applies. Such mortgage purchase bonds must be rated A or better by a nationally recognized rating agency.

Financial Reports and Budgets. MSHA submits annual audited financial reports to the Governor and the bank superintendent and MSHA submits an annual budget of expenses of operation and administration of mortgage purchase programs to the Bureau of the Budget.

Subchapter IX-A. Natural Disaster Home Assistance Program. MSHA may use the Natural Disaster Home Assistance Fund to provide loans and grants to homeowners who are victims of natural disasters.

Subchapter IX-B. Overboard Discharge Assistance Program. MSHA was authorized to issue bonds in an amount up to \$10,000,000 for a program to provide assistance to homeowners to fix water treatment systems discharging pollution into Maine surface waters. The program was never implemented.

Subchapter X. Housing Mortgage Insurance Law. The State Constitution authorizes the Legislature to insure mortgage loans on homes on Indian reservations in an aggregate amount up to \$1,000,000. This law creates a housing mortgage insurance fund under MSHA's jurisdiction for mortgage insurance in an aggregate amount up to \$25,000,000 on housing not located on Indian reservations and authorizes MSHA to request the State Treasurer to issue up to \$1,000,000 in general obligation bonds to pay costs arising from insuring mortgages for housing on Indian reservations.

Subchapter X-A. Elderly Homeowner Equity Loan Program. MSHA may use the Elderly Homeowner Equity Loan Guarantee Fund to give low-income elderly homeowners reverse mortgage loans and home equity loans so they can afford to stay in their homes. MSHA no longer runs this program.

Subchapter XI. State-owned Land for Housing. Surplus State land and buildings which are useable or needed for affordable housing may not be sold or used for other purposes without the approval of the director of MSHA and the commissioner of Administration. The Act required MSHA and the Department of Administration to develop a procedure to implement this provision. MSHA reports on this provision regularly to the joint standing committee of the Legislature having jurisdiction over housing matters.

Subchapter XII. Preservation of Moderate-income and Low-income Housing Constructed With Federal Assistance. This law was intended to discourage the conversion of Federally assisted moderate-income and low-income rental housing units to market units.

Right of First Refusal. Anyone with a controlling interest in low-income housing who might take any action which would result in the termination of financial assistance for affordability must give a 90-day prior notice to the tenants, MSHA, and the municipal housing authority, if any. MSHA has the right of first refusal to purchase the property at its current appraised value unless a qualified buyer agrees to maintain the property as low-income housing.

Six Month Transition. In addition, any owner or purchaser of low-income rental housing who takes any action which would result in the termination of financial assistance for affordability must allow the current tenants to remain in the units for 6 months at the same rents or relocate the tenants to comparable units with comparable rent.

Subchapter XIII. Fuel Assistance

Local Operators. MSHA may select local program operators to run a federally funded fuel assistance program for eligible homeowners and tenants. Fuel assistance is paid to fuel vendors or the beneficiaries.

Reserve Fund. MSHA may use funds appropriated to the Fuel Assistance Reserve Fund to cover anticipated fuel assistance payments and program costs before MSHA receives the Federal fuel assistance money. MSHA must return the money within the fiscal year.

AFFORDABLE HOUSING PARTNERSHIP ACT OF 1989, Title 30-A, Chapter 202

The Affordable Housing Partnership Act of 1989, like the Affordable Housing Program, Chapter 201, Subchapter III-A, grew out of the 1988 Governor's Task Force on Affordable Housing.

Subchapter I. Administration and Implementation

Findings. The Legislature found increased land costs, reduced federal housing assistance, and an increased working poor population caused a lack of affordable housing which threatened the health, safety, and welfare of Maine citizens.

Purpose. The Act was an attempt to find housing solutions through concerted action among state agencies, municipalities, nonprofit housing developers, and homestead land trusts.

Subchapter II. Assistance to Municipalities. This subchapter established a fund for MSHA to award grants and loans to municipalities to develop affordable housing and required MSHA to identify resources and needs for Maine's homeless, provide technical assistance to municipalities, coordinate housing activities with comprehensive land use planning, require matching resources from municipalities, and work toward mixed income neighborhoods.

Subchapter III. Nonprofit Housing Corporations and Affordable Housing. This subchapter required MSHA to establish the Office of Nonprofit Housing within MSHA to monitor and assist nonprofit housing corporations in providing affordable housing, transitional housing for homeless persons and persons with special needs, homeless shelters, and homestead land trusts for lower income households.

Subchapter IV. Land Acquisition Program. This subchapter created two funds and provided specific criteria for MSHA to use in awarding grants and loans.

Nonprofit Corporation Loans and Grants. The Maine Affordable Housing Land Trust Fund funds grants and loans to nonprofit corporations to purchase land including predevelopment costs and to finance minor capital improvements.

Municipal Loans. The Municipal Land Acquisition Revolving Fund provided low-interest loans to municipalities for the acquisition or development of land for affordable housing.

Subchapter V. Interagency Task Force on Homelessness and Housing Opportunities

Membership. The Interagency Task Force on Homelessness and Housing Opportunities is an advisory committee to the Governor and consists of the following 12 people: representatives from the Department of Human Services, the Department of Labor, the Department of Corrections, the Department of Mental Health, Mental Retardation and Substance Abuse Services, and the Maine State Housing Authority; 3 persons appointed by the Senate President and the Speaker of the House who represent respectively a community action agency, a nonprofit agency providing shelter to the homeless, and municipalities; and 4 persons appointed by the Governor, at least 3 of them are chosen from a list of nominations from statewide coalition for the homeless.

Duties. The task force coordinates information and communication among state agencies and other sectors regarding homelessness, identifies resources and gaps in homeless funding, and makes recommendations on homeless programs and policies. The task force reviews plans submitted by the Department of Mental Health, Mental Retardation and Substance Abuse Services pursuant to Title 34-B, Section 1221 and reports to the Legislature on the implementation of such plans and reports.

Subchapter VI. Housing Opportunity Zones

Urban Revitalization Demonstration Program. This subchapter authorized MSHA in consultation with the Interagency Task Force on Homelessness and Housing Opportunities to establish four demonstration housing opportunity zones for housing revitalization in deteriorating urban neighborhoods. MSHA was charged with working with the task force and the commissioner of Public Safety to coordinate State resources to be applied to the zones including job training, educational and vocational training, child care, and crime prevention.

Reports to Legislature. MSHA and the task force were required to review and evaluate the plans and programs applied to the demonstration zones and report preliminary findings and recommendations to the Governor and the joint standing committee having jurisdiction over housing matters in years 1992 through 1994.

sunset review\chapter 201 MSHA statutes summary

STATE REPORTING REQUIREMENTS

<u>Name of Report</u>	<u>Reference</u>	<u>Deadline</u>	<u>Where Filed</u>	<u>Summary</u>
Annual Report	30-A MRSA §4910	Annual	Governor and Superintendent of Banking	Audited Financial Report
Homeless Task Force	30-A MRSA §5044(6)	January 1	Health and Human Services Committee	Coordination of provision of DMHMRSAS services to shelter guests
Surplus State Land Report	30-A MRSA §4952(4)	3 rd Wednesday of January; 1 st Session	Business & Economic Development Comm.	Implementation of surplus land law
Housing Stock Assessment	30-A MRSA §4753(2)	March 1 st , odd years	Governor and Legislature	Analysis of the adequacy of housing stock data available and recommendations.
HOME Fund Report	30-A MRSA §4641-N	April 1 st , odd years	Taxation Committee	Revenues and expenditures of the HOME Fund
LIHEAP Report	30-A MRSA §4722	Annual by June 30 th	Appropriations Comm	Revenues and expenditures, number of people served, services provided
Rulemaking Agenda	5 MRSA §8060	100 days after session	Legislature & Secretary of State	Anticipated rule changes or adoptions
Moral Obligation Report	30-A MRSA §4906(A)	December 1 st	Governor	Certify that bond reserve funds are adequately funded
Moral Obligation Report	30-A MRSA §4934-A	December 1 st	Governor	Certify that insurance reserve funds are adequately funded (not used)
Title 5 Board Report	5 MRSA §12005-A	December 15 th	Secretary of State	Board activity
Annual Budget	30-A MRSA §4911(2)	December 31 st	Bureau of the Budget	Operations and administration expenses mortgage purchase program

FEDERAL MANDATES

1. Section 8 of the United States Housing Act of 1937, 42 U.S.C. §1437 *et seq.*, and applicable regulations govern MSHA's tenant based certificate and voucher programs, MSHA's mod-rehab program, and MSHA's Section 8 multifamily portfolio.
2. Section 42 of the Internal Revenue Code of 1986, 26 U.S.C. § 42, and applicable regulations govern MSHA's low income housing tax credits program.
3. Section 142 of the Internal Revenue Code of 1986, 26 U.S.C. § 142, and applicable regulations govern MSHA's issuance of bonds for qualified residential rental projects.
4. Section 143 of the Internal Revenue Code of 1986, 26 U.S.C. § 143, and applicable regulations govern MSHA's issuance of bonds for the First Time Homebuyer Program.
5. Section 145 of the Internal Revenue Code of 1986, 26 U.S.C. § 145, and applicable regulations govern MSHA's issuance of qualified 501 (c)(3) bonds.
6. Pub. L. 97-35, Title XXVI and applicable regulations govern MSHA's low income home energy assistance program.
7. Part A of the Energy Conservation in Existing Buildings Act of 1976, 42 U.S.C. § 6861 *et seq.*, and applicable regulations govern MSHA's weatherization programs.
8. The Stewart B. McKinney Homeless Assistance Act, 42 U.S.C. § 11301 *et seq.*, and applicable regulations govern some MSHA funds for homeless programs, transitional housing and shelter plus care.
9. The HOME Investment Partnerships Act , Title II of the Cranston-Gonzales National Affordable Housing Act, as amended, 42 U.S.C. 12701 *et seq.*, and applicable regulations govern MSHA's grants to Community Housing Development Organizations (CHDOs) and some MSHA funds for single family repairs (the Fix Me Program) and for multifamily development.
10. Lead-Based Paint Poisoning Prevention Act, 42 U.S.C. 4821 *et seq.*, and applicable regulations govern MSHA's lead-based paint abatement program.

STATE MANDATES

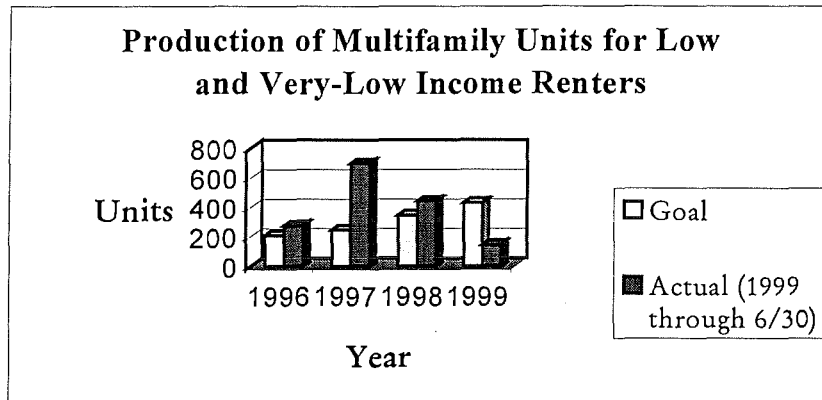
1. The Maine Housing Authorities Act, 30-A M.R.S.A. § 4701 *et seq.*, which is our enabling legislation.
2. The Affordable Housing Partnership Act of 1989, 30-A M.R.S.A. § 5001 *et seq.*, which established programs for land acquisition and assistance to municipalities and nonprofit housing corporations administered by MSHA.
3. 10 M.R.S.A. § 1061-A which gives MSHA the responsibility to approve or disapprove housing projects that require an allocation of State tax-exempt bond cap under the Municipal Securities Approval Program.

MAINE STATE HOUSING AUTHORITY PROGRAMS

1. Programs for creating new units for renters needing assistance

Priority	Creating affordable rental housing by offering long term mortgage financing at attractive rates to developers of affordable rental housing projects.
Target Population	Low and very low income renters.
Eligibility	Private and nonprofit housing developers of affordable rental housing projects are eligible. 20% to 40% of the units must be rented to very low-income tenants.
Programs	<p>The <u>New Lease</u> program offers 4%, 30 year mortgages for the acquisition or refinancing and rehabilitation of 4 to 19 units.</p> <p>The <u>Rental Loan Program (RLP)</u> provides low interest rate mortgages often coupled with State HOME subsidy and the federal Low Income Housing Tax Credits to finance the acquisition and rehabilitation or new construction of large scale apartment buildings of at least 10 units.</p>
Budget (1999)	<p>\$2.15 million in State HOME funds</p> <p>\$400,000 in FedHOME funds</p> <p>\$16.4 million in tax-exempt bonds</p> <p>\$1.4 million in federal low income housing tax credits per year for 10 years</p>

Goals



- Multifamily production goals have been met for the past 3 years.
- The multifamily delinquency rate of .15% is well below the goal of less than 2%.
- RLP process was streamlined; program requirements and applications are the same for debt, subsidy, and low income housing tax credit requests.
- A New Lease goal of obtaining loan approval within 30 days of application deadline has been met for the past 2 years.

2. Programs for maintaining units for renters needing assistance

Priority	Maintaining the financial and physical viability of subsidized housing in order to continue providing affordable housing to low income families and elderly.
Target Population	Extremely low, very low, and low-income elderly, disabled people, and families.
Eligibility	Units must be rented to very low and low-income tenants. The demand for subsidized housing far outstrips the supply of assisted units. Most housing projects have waiting lists, and in some cases the waiting lists are lengthy.
Programs	<p>The federal <u>Section 8 New Construction/Substantial Rehabilitation</u> program ended in 1982 but the 5,000 housing units and the subsidies still remain. The federal subsidy pays the difference between the tenant's payment (30% of tenant's income) and the actual rent. Property owners/managers determine eligibility of the tenants.</p> <p>The <u>Moderate Rehabilitation</u> program is similar, but the level of housing rehab is less and the federal subsidy is guaranteed for fewer years. MSHA or a local housing authority determines eligibility of tenants. There are 400 units financed through this program.</p> <p><u>MSHA financed programs</u> have created almost 600 units of affordable rental housing. MSHA oversees the management of these projects and the delivery of low-income benefits to the tenants who live in them.</p> <p><u>Tenant Assistance</u> is available for extremely low and low-income people. MSHA uses federal rent subsidies that provide a voucher for tenants who may use it in any private apartment in which the landlord agrees to participate in the program. About 3,500 tenants obtain affordable housing with this program.</p> <p>The <u>Preservation Demonstration Program</u> provides refinancing and restructuring to properties with HUD rental contracts that will expire soon. These subsidized projects run the risk of being converted to market rate apartments.</p>
Budget (1999)	\$56 million in federal rental assistance \$16 million in tax-exempt bonds
Goals	<ul style="list-style-type: none">• Increase the number of assisted housing units.• Ensure program requirements are followed.• Inspect the physical condition of the properties to make sure they meet housing quality standards.

3. Programs for people with special needs

Priority Creating affordable housing for people with special needs by offering reduced interest rate mortgage financing and subsidy funding to eligible nonprofit sponsors.

Target Population Low-income tenants who need supportive housing and services.

Eligibility Nonprofit housing developers and service providers. Eligible activities include transitional housing, group homes, emergency shelters, supported or independent apartments, single room occupancy residences, or other group living environments with residential programs.

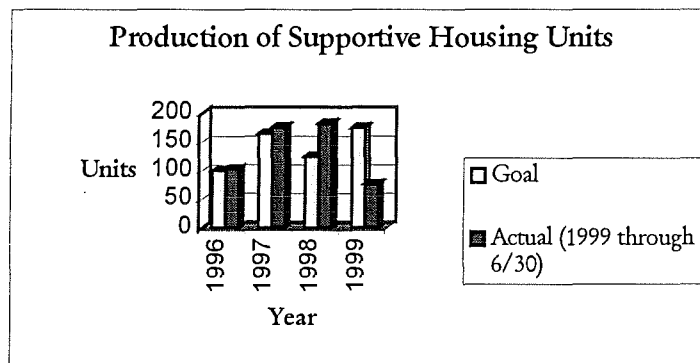
Programs Proceeds from a 1995 mental health general obligation (state) bond issue are available under the SHP C program for creating appropriate housing for people with mental health service needs. Fixed rate debt financing and interest-free subsidies are available.

The SHP Debt program provides low interest rate mortgages on a walk-in basis for funding to provide housing with a service component to people with a need for both services and affordable housing.

SHP Requests for Proposals (RFP) provides subsidy and debt to develop housing and services for specific target populations (such as frail elderly, victims of domestic violence, and homeless children and families).

Budget (1999) \$860,000 in State HOME funds
\$940,000 in state GO bonds
\$7 million in tax-exempt bonds

Goals

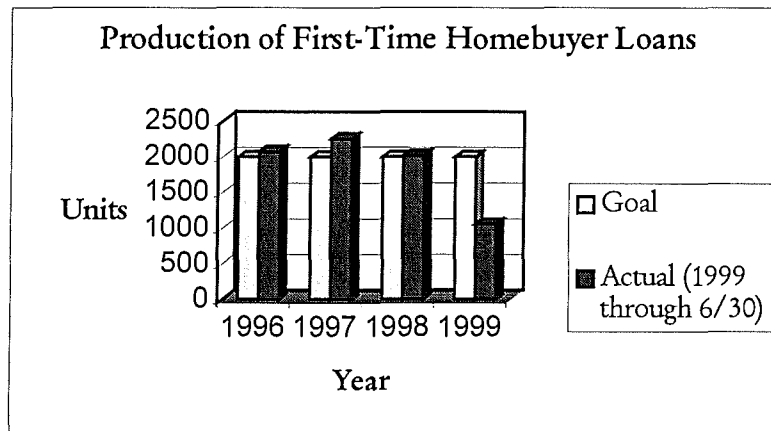


- Supportive housing production goals have been met for the past 3 years.
- The supportive housing delinquency rate of .9% is below the goal of less than 2%.
- The number of nonprofit housing developers and service providers that participate in the program has expanded from 19 in 1998 to 30 in 1999.
- SHP Debt has met and often exceeded the goal of issuing a loan commitment within 30 days of application.

4. Programs for first time homebuyers

Priority	Helping Maine families achieve their dream of homeownership by offering low interest rate home mortgages and other benefits to first time homebuyers.
Target Population	Low and moderate income first time homebuyers.
Eligibility	The program has maximum income limits for borrowers and prices for eligible homes. It can be used to finance single-family homes; mobile homes; 2 to 4 unit owner-occupied homes; and condominiums.
Programs	<p>The <u>First Time Homebuyer</u> program offers lower interest rate mortgages, generally 1 to 2 points below conventional interest rates to low and moderate income Maine people for the purchase of their first homes. Over 40 participating banks provide loan originations.</p> <p>Eligible applicants may borrow 2% of the mortgage amount to pay for <u>Closing Cost Assistance</u>.</p> <p>For a limited number of lower income borrowers (those at 90% or less of the median income which is \$32,000 to \$42,000 for a family of 4, depending on where you live), MSHA offers its <u>Down Home</u> loans that permit a family to buy a home with as little as \$750 in total out-of-pocket expenses for the down payment and closing costs.</p> <p>The <u>Purchase Plus Improvement</u> option allows applicants to borrow more than the purchase price in order to make immediate repairs or improvements to the home.</p> <p>The <u>New Neighbors</u> program provides special incentives, including higher income and home price limits, to encourage homeownership in inner-city low-income neighborhoods in Portland, Lewiston, and Bangor.</p> <p><u>Maine HoMEworks</u> is a cooperative nonprofit homebuyers education effort of mortgage related organizations staffed by a Homebuyer Education Coordinator. The goal of the program is to build a statewide network of consistent, high quality homebuyer education.</p> <p><u>Great Rate</u> offers loans at 1% below MSHA's First-Time Homebuyer Program and is limited to families with incomes at or below 65% of the area median income.</p>
Budget (1999)	\$4.1 million in State HOME funds \$130 million in tax-exempt bonds \$225,000 HUD Housing Counseling grant

Goals

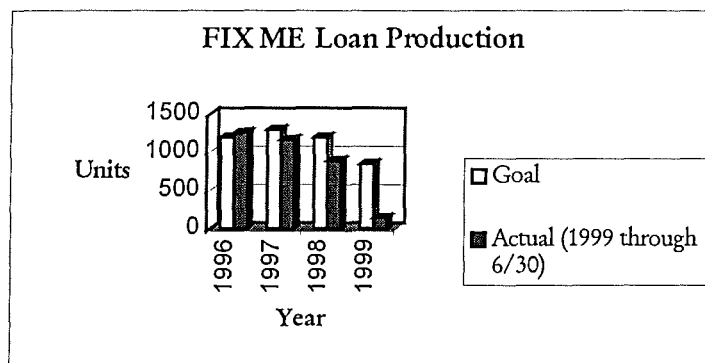


- First time homebuyer production goals have been met for the past 3 years.
- The single family delinquency rate of 4.7% is slightly higher than the 1999 goal of 4.2%.
- MSHA's 1999 biennial customer satisfaction survey revealed a 100% satisfaction rating, higher than the 1996 rating of 96% and both surpassing the goal of 90% satisfaction.
- MSHA streamlined the application and loan purchasing process by reducing loan processing paperwork by 50%.

5. Programs for owners of sub-standard homes

Priority	Helping low and very low income owners of substandard homes afford basic home repairs by offering very low interest loans and grants.
Target Population	Low income home owners in substandard housing
Eligibility	Each program has maximum income limits for borrowers.
Programs	<p>The <u>FIX ME</u> program allows eligible applicants to borrow up to \$15,000 for up to 15 years at either 1% or 4% depending on the type and scope of the repairs needed. Home repairs are targeted toward basic improvements such as repairs to home systems (electrical, plumbing, heating), repairs to roofs, energy conservation, septic systems, and accessibility improvements. Community Action Agencies originate FIX ME loans.</p> <p>The <u>Lead Safe</u> program targets households with children under age 6 with an elevated lead level. This new program provides for blood screening, lead testing of dwelling units, public education, and up to \$10,000 in grants or loans for lead paint control measures.</p> <p>The <u>Weatherization/Central Heating Improvement (CHIP)</u> grant program finances improvements that increase the energy efficiency of homes, such as insulation and weather-stripping and pays for repairs or replacement of central heating equipment. Weatherization grants vary from \$1,100 to \$1,500. CHIP grants average \$1,750.</p> <p>The <u>Low Income Home Energy Assistance Program (LIHEAP)</u> provides money to assist in paying heating costs. Funds are distributed through Community Action Programs, usually directly to fuel vendors. The average benefit is about \$280. Approximately 36,000 households are served by the program.</p> <p>The <u>Residential Energy Assistance Challenge (REACH)</u> is a new energy education program designed to help low income households reduce their energy costs. The program provides education, energy audits, appliance replacement or repairs, and heating system conversions.</p>
Budget (1999)	\$380,250 in State HOME funds \$3,502,952 in FedHOME funds \$9.75 million in tax-exempt bonds \$2.75 million HUD Lead grants \$20.5 million in federal Departments of Energy/Health and Human Services funds

Goals

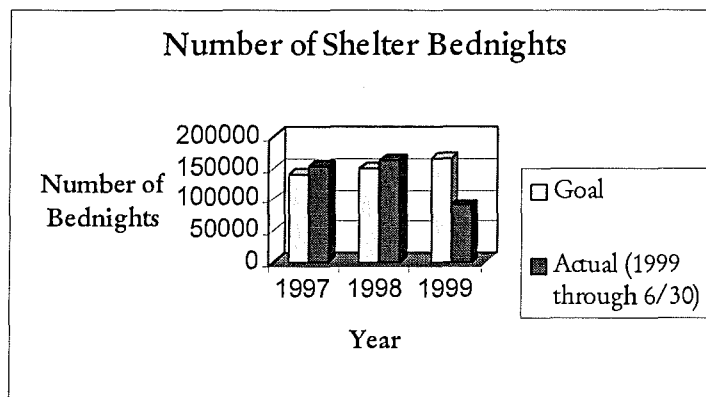


- Production goals for home repair loans have not been met since 1996. The decrease in production reflects a leveling off of pent-up demand for the program. MSHA is addressing this issue by adjusting of goals to reflect realistic market expectations and with more aggressive marketing of and education about the program.
- The FIX ME delinquency rate of 8.9% is slightly below the goal of no more than 9%.
- A biennial survey revealed a 98% satisfaction rating, well above the goal of 85% satisfaction or above.
- The Weatherization program finances repairs for 1,000 households each year; the CHIP program finances repairs for 500 households.
- REACH's goals are to reduce customer electric utility usage an average of 25%; increase customer's health and safety; and assist customers understanding of electric restructuring.
- The Lead Safe program goals are to fund lead paint control measures in 230 homes; to inspect 655 homes; and to provide general information about lead paint hazards.

6. Programs for people who are homeless

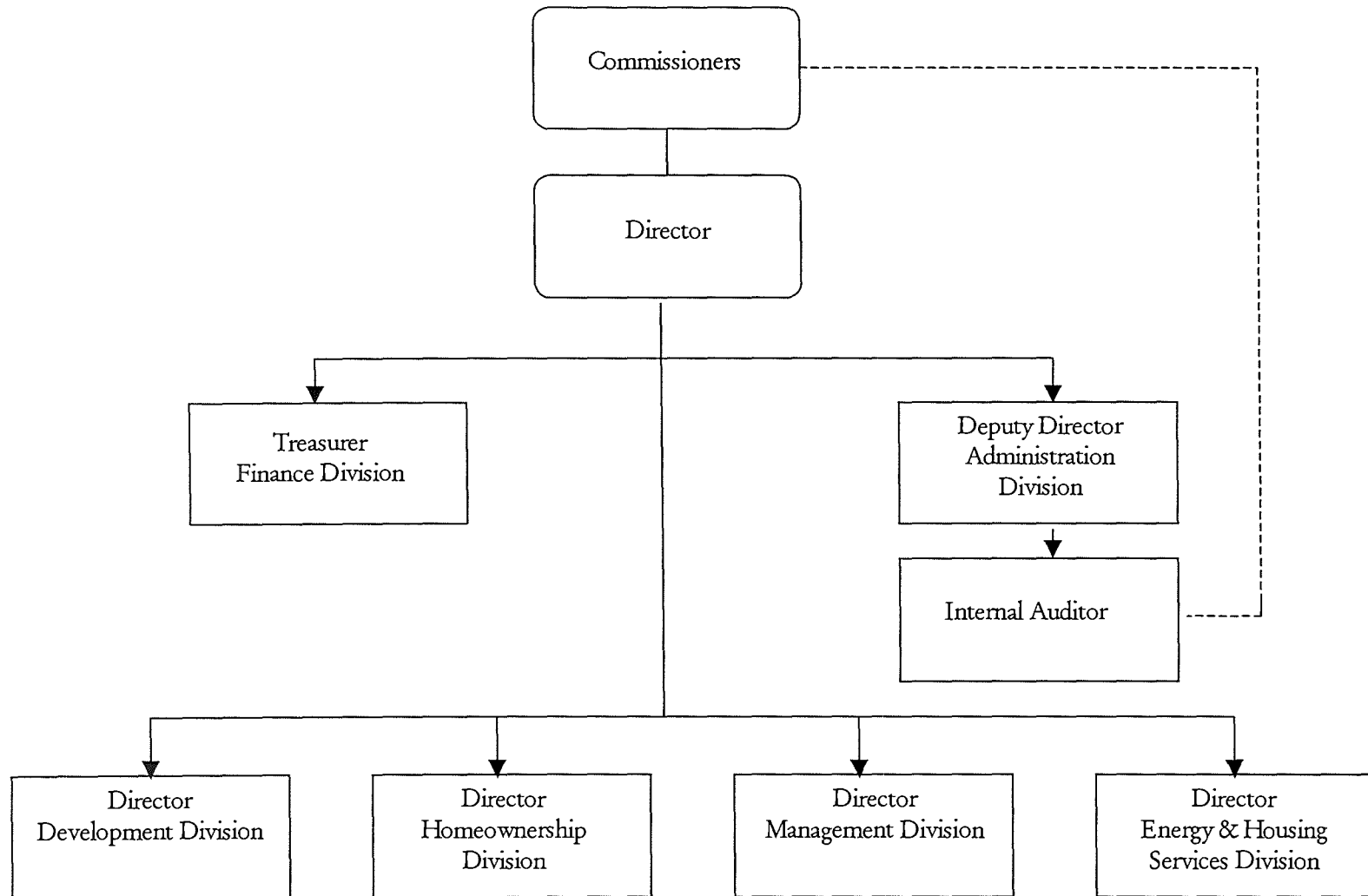
Priority	Helping emergency shelters fund their operations and preventing people from become homeless.
Target Population	Homeless individuals or families, or people in jeopardy of becoming homeless.
Eligibility	Emergency shelters serving the homeless are eligible to apply for operating funds. People at risk of homelessness are eligible for funds to prevent eviction or to establish a person in a residential rental unit.
Programs	<p><u>Homeless Programs</u> provide money to existing shelters to help pay operating expenses and improve the facilities. Shelters receive funds based upon a formula that generally reflects each shelter's share of homeless guests.</p> <p>The state <u>Temporary Housing Assistance Program (THAP)</u> prevents homelessness by providing some loans, but mostly grants, to pay security deposits and back rents. Community Action Agencies distribute THAP funds.</p>
Budget (1999)	\$1.1 million in state Shelter Operating Subsidy (General Fund) \$692,000 in federal HUD funds \$600,000 in MSHA State HOME funds \$250,000 in state THAP funds

Goals

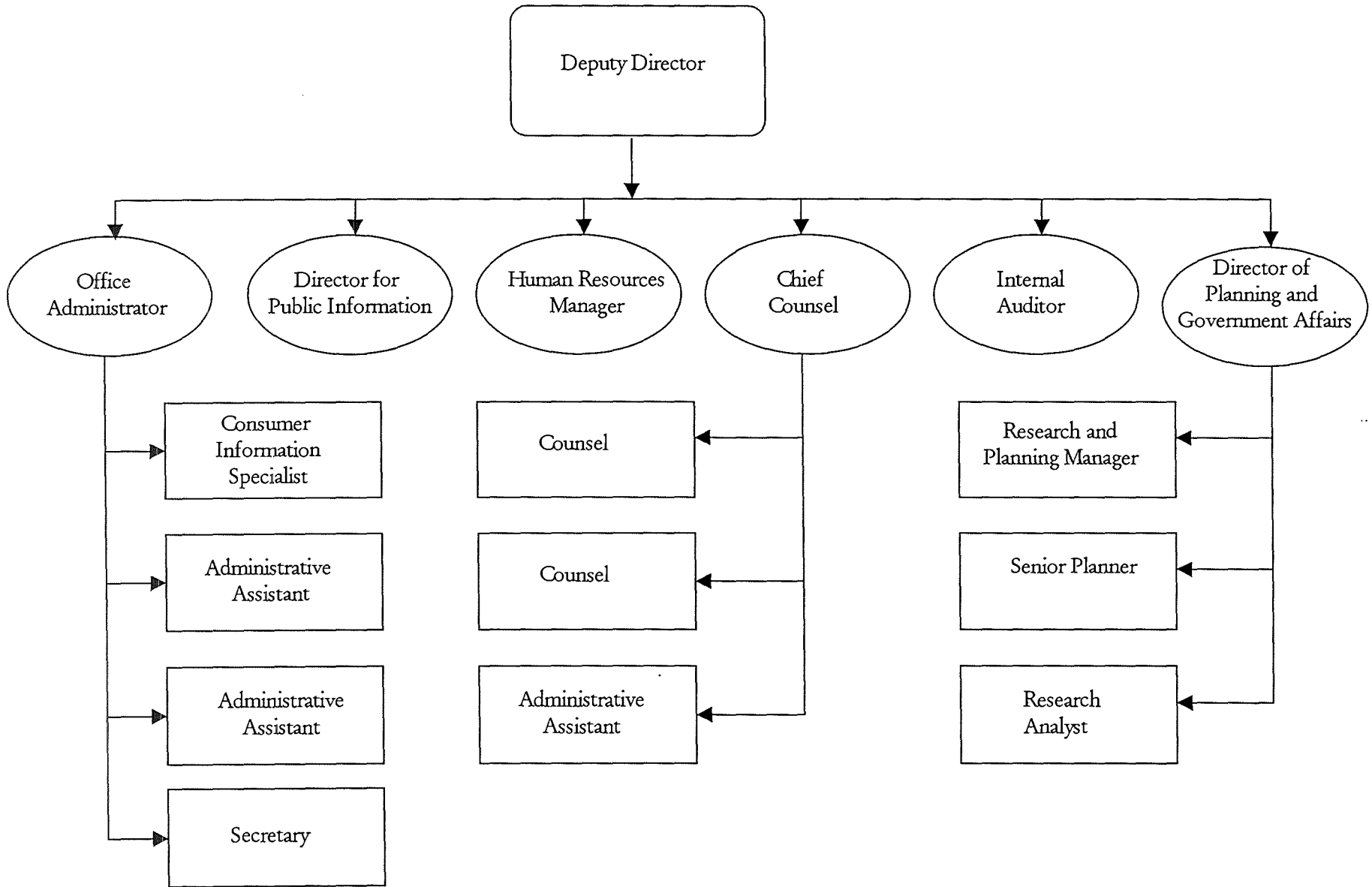


- “Bednights” are the number of customers served times the number of nights the customers stayed in a shelter. Homeless shelters provided their guests with shelter for a total of 162,544 bednights in 1998, greater than the expected rate of 149,000 bednights. Exceeding the goals means that shelters are being used more efficiently but homelessness is on the rise.
- Shelters have maintained a goal of less than 40% of shelter guests making multiple visits to shelters.
- MSHA developed a Homeless Programs procedures manual.

Maine State Housing Authority



Administration Division



Development Division

Director of
Development Division

Construction
Services Manager

Manager of
Development
Programs

Inspector

Inspector

Inspector

Housing Preservation
Manager

Senior
Program Officer

Senior
Program Officer

Program
Officer

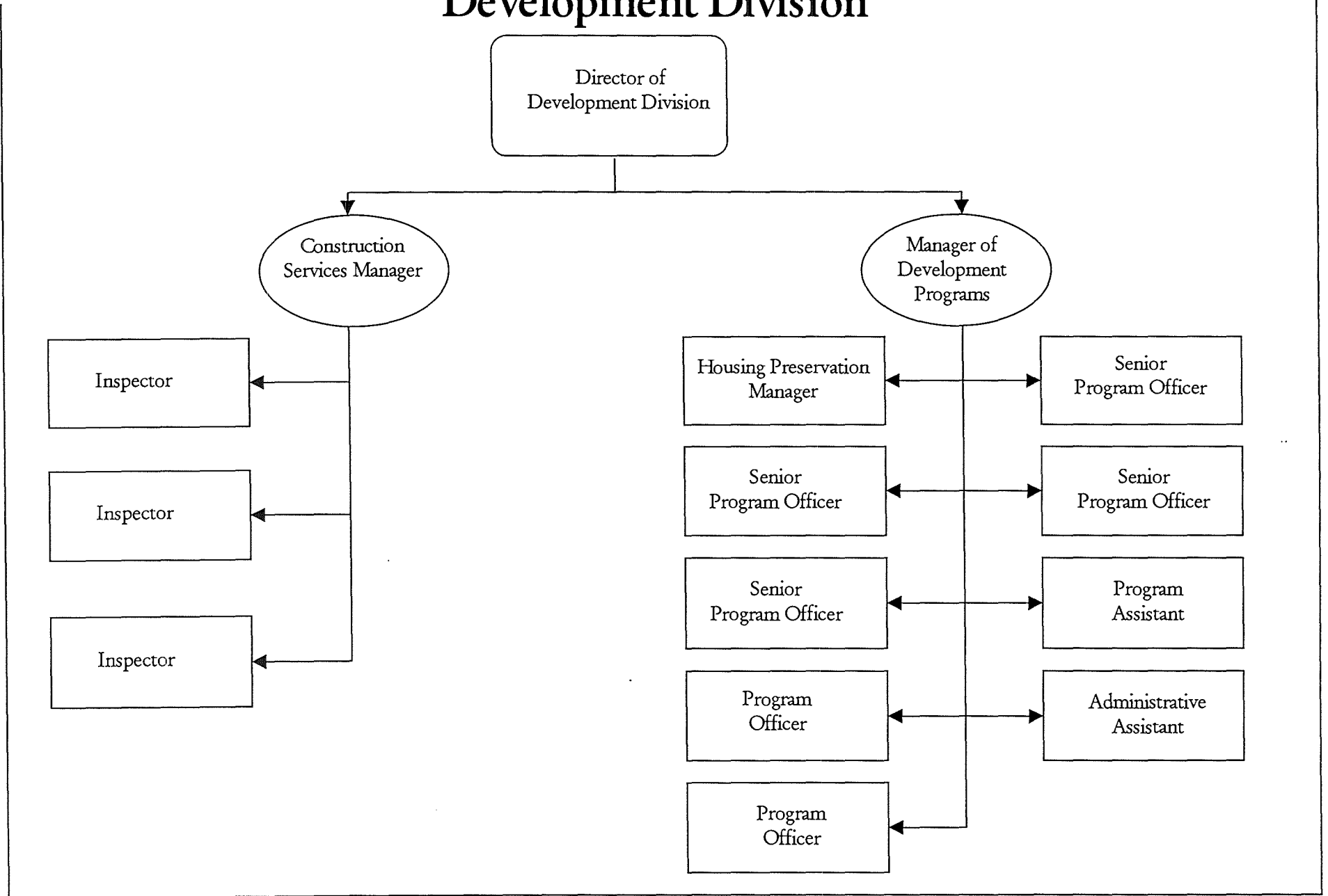
Program
Officer

Senior
Program Officer

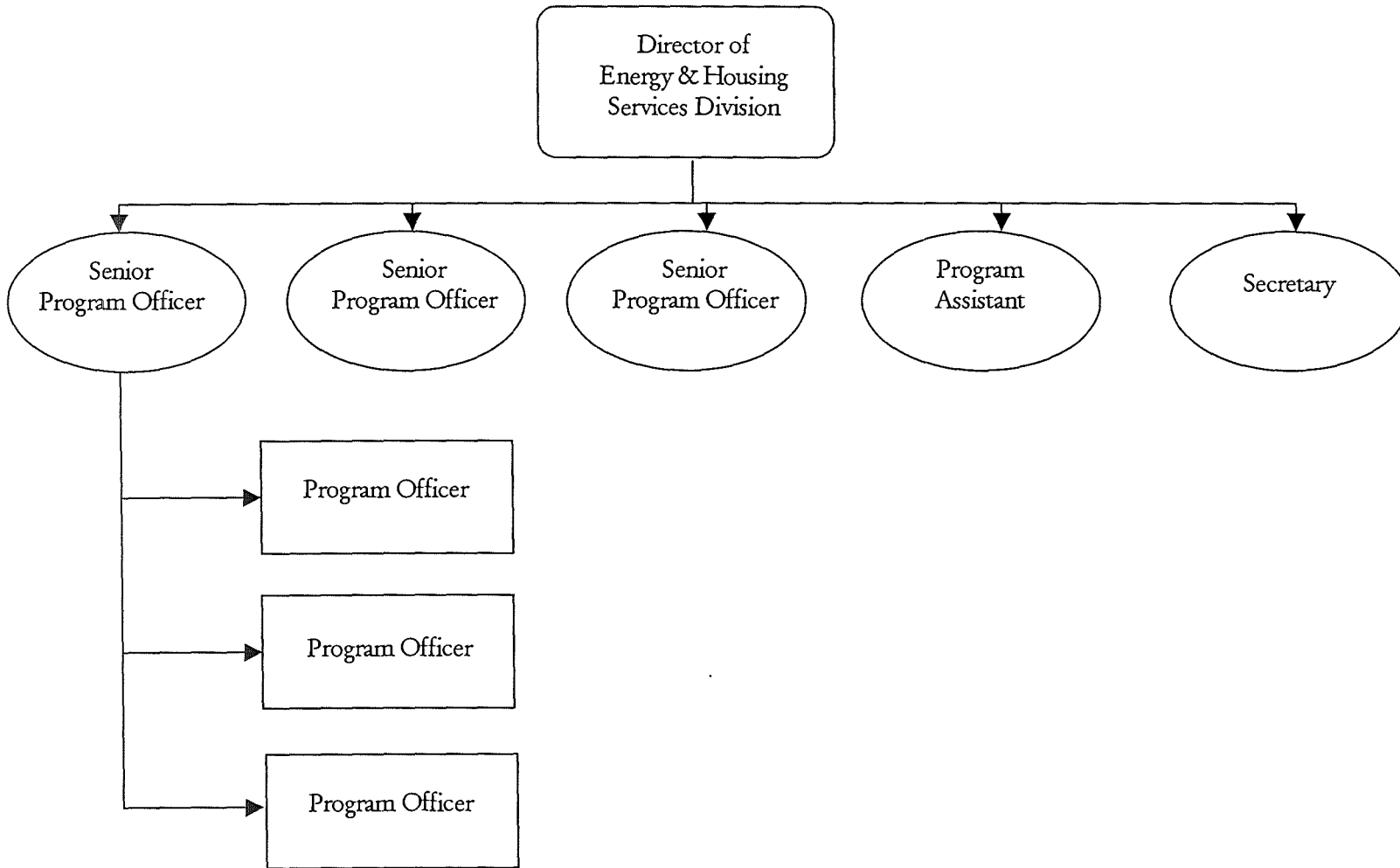
Senior
Program Officer

Program
Assistant

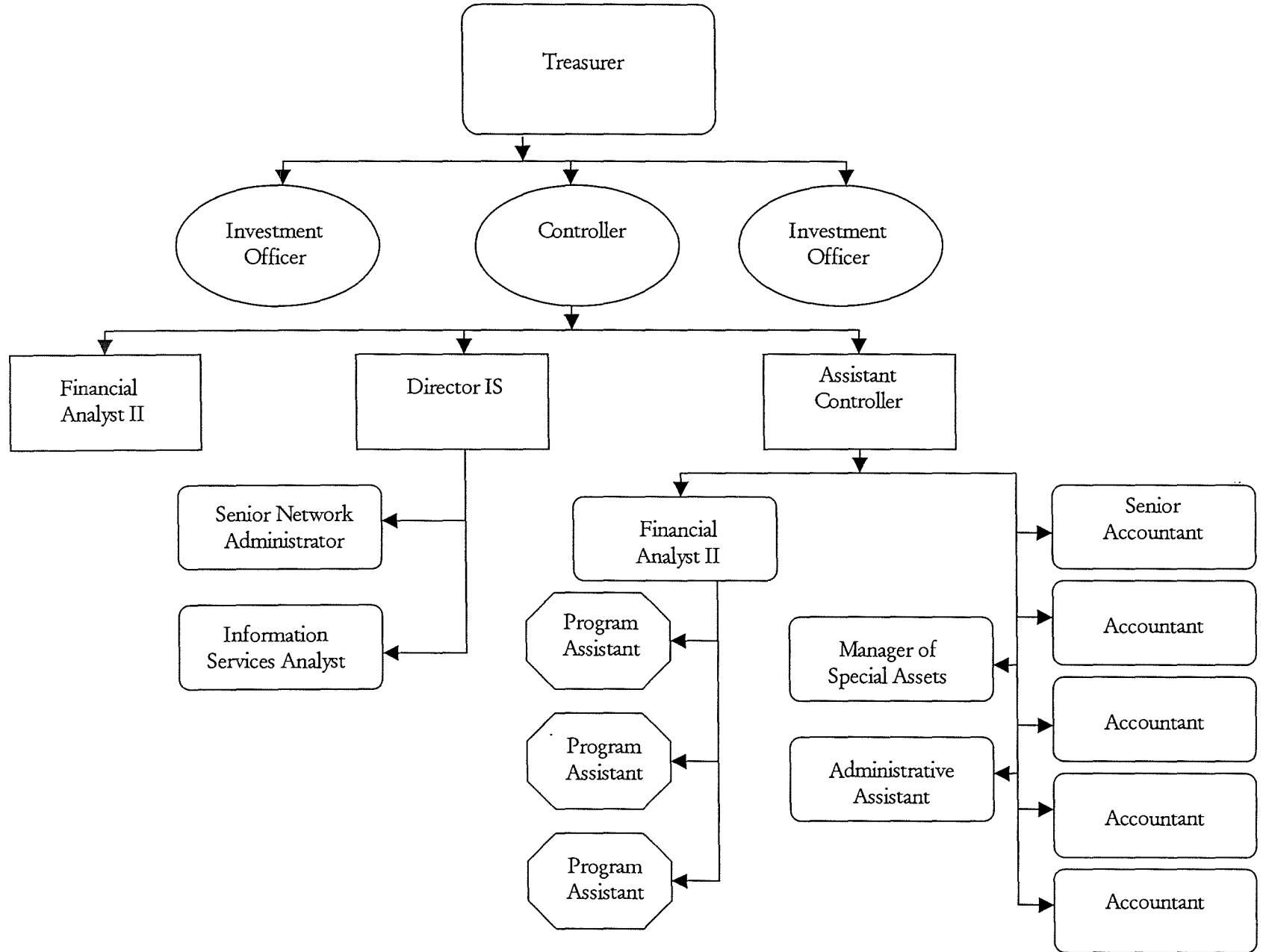
Administrative
Assistant



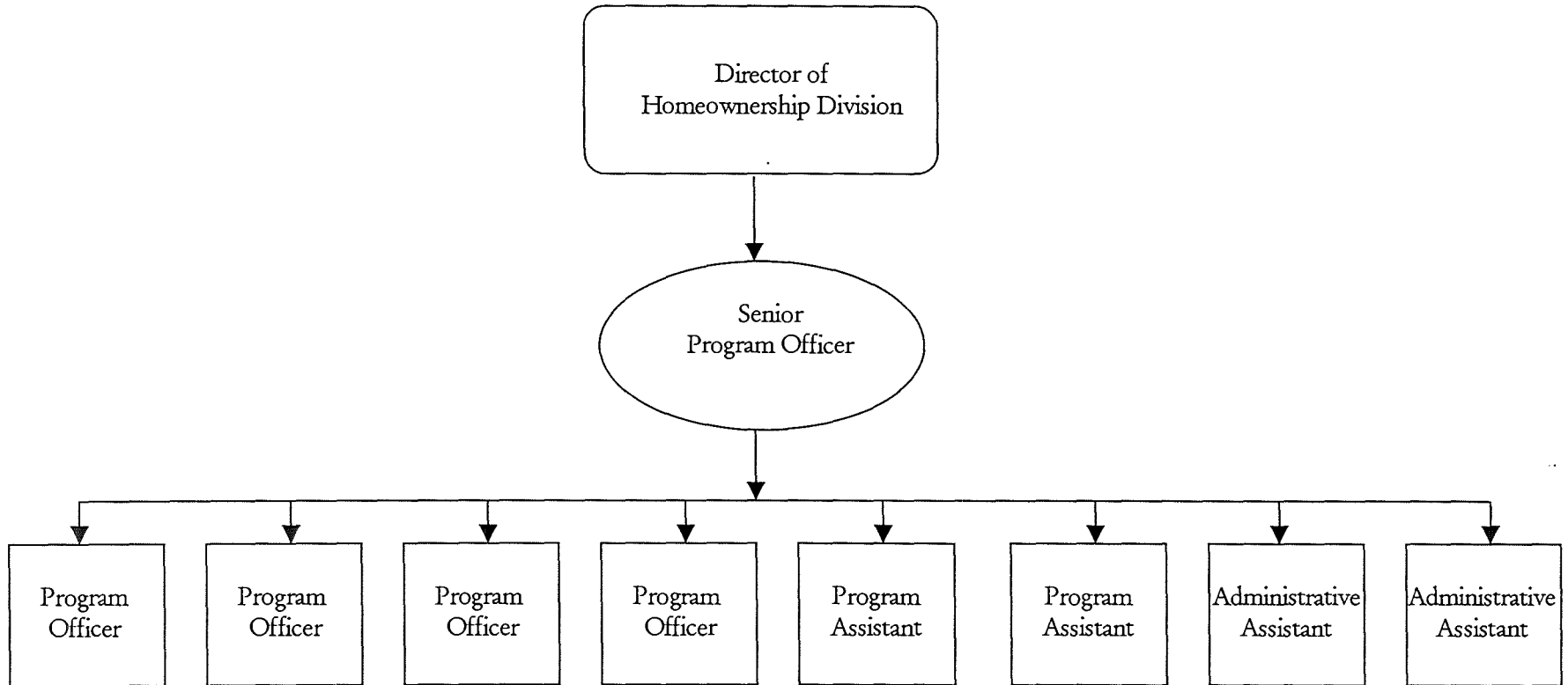
Energy & Housing Services Division



Finance Division



Homeownership Division



Management Division

Director of
Management Division

Portfolio
Manager

Portfolio
Manager

Senior
Program Officer

Senior
Program
Officer

Program
Officer

Program
Officer

Program
Officer

Financial
Analyst II

Program
Assistant

Program
Assistant

Administrative
Assistant

Information
Technician

Senior
Program
Officer

Program
Officer

Program
Officer

Program
Assistant

Program
Assistant

Program
Officer

Program
Officer

Program
Officer

MAINE STATE HOUSING AUTHORITY
 Titles by Pay Range
 9/10/99

	Titles (Classifications)	Number of Positions	Headcount
Pay Range 1	Secretary	2	2
Pay Range 2	Administrative Assistant	6	6
	Information Technician	1	1
	Program Assistant	12	11
Pay Range 3	Financial Analyst I	1	1
	Program Analyst	2	2
Pay Range 4	Accountant	4	4
	Consumer Information Specialist	1	1
	Financial Analyst II	3	3
	Information Services Analyst	1	0
	Inspector	4	4
	Investment Officer	2	2
	Office Administrator	1	1
	Program Officer	16	14
	Research Analyst	1	1
Pay Range 5	Homeownership Education Coordinator	1	1
	Senior Accountant	1	1
	Senior Network Administrator	1	1
	Senior Planner	1	1
	Senior Program Officer	9	9
Pay Range 6	Assistant Controller	1	1
	Construction Services Manager	1	1
	Counsel	2	2
	Director of Information Services	1	1
	Director of Public Information	1	1
	Human Resources Manager	1	1
	Internal Auditor	1	1
	Loan Servicing Manager	1	1
	Manager of Special Assets	1	1
	Manager of Homeownership Programs	1	0
	Manager of Housing Preservation	1	1
	Manager of Development Programs	1	1
	Portfolio Manager	2	2
Research and Planning Manager	1	1	
Pay Range 7	Chief Counsel	1	1
	Controller	1	1
	Director of Development Division	1	1
	Director of Planning and Governmental Affairs	1	1
	Director of Energy and Housing Services Division	1	1
	Director of Homeownership Division	1	1
	Director of Management Division	1	1
Pay Range 8	Deputy Director	1	1
	Treasurer	1	1
Established by Governor	Director	1	1
	Total	96	91

COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT OF 1990 AND SECTION 504 OF THE REHABILITATION ACT OF 1973

The Maine State Housing Authority ("MSHA") does not discriminate against persons with disabilities with respect to employment and access to its programs and services in accordance with the Americans with Disabilities Act of 1990 (the "ADA") and Section 504 of the Rehabilitation Act of 1973 ("Section 504"). Upon enactment of the ADA, MSHA conducted a self-evaluation of MSHA's employment practices and accessibility to MSHA's programs, services and activities by persons with disabilities, and made changes necessary to comply with the ADA. MSHA adopted policies of nondiscrimination, implemented processes to enforce the policies of nondiscrimination, and designated certain employees as responsible for compliance with the ADA and Section 504 and the policies as described below.

Employment

- MSHA adopted a policy of nondiscrimination - *"MSHA is committed to provide equal opportunity to all qualified individuals in all aspects of employment, including but not limited to: recruitment, selection, work assignment, compensation, benefits, training, disciplinary action, lay-off, and termination. Employment decisions will be based on bona fide occupational qualifications, program and work needs, legal mandates and other job-related criteria. Employment decisions or personnel actions based on race, age, sex, color, mental or physical disability, ancestry, color, creed, political affiliation or belief, religion, marital status or veteran status are prohibited."*
- MSHA's nondiscrimination policy is set forth in MSHA's Personnel Manual which is provided to all employees when hired and periodically, when updated.
- The ADA Title II notice of rights and protections is posted on a bulletin board in every division at MSHA.
- All vacancy notices, advertising of employment opportunities, and employment applications and associated information packets state that MSHA is an equal opportunity employer and provide that persons with disabilities may request a reasonable accommodation in the search and hiring process.
- MSHA designated certain MSHA personnel (an employee's division director, the human resources manager, the MSHA equal opportunity officer or the director of MSHA) to oversee and coordinate compliance with the ADA.
- MSHA established a procedure to process requests for reasonable accommodations and a grievance procedure to handle complaints by any person who believes that he or she has been discriminated against or harassed as a result of the person's disability in violation of the ADA and Section 504.

Programs, Activities and Services

- MSHA adopted a Nondiscrimination Policy Statement - *"The Maine State Housing Authority does not discriminate on the basis of race, color, religion, sex, national origin, ancestry, age or physical or mental disability in the admission or access to, or treatment or employment in, its programs, activities, functions or services made available to the public."*

- MSHA designated an employee as responsible for coordinating compliance with the ADA and Section 504.
- MSHA developed the Maine State Housing Authority 504/ADA Handbook as a training tool and resource material for MSHA employees in the administration of MSHA's programs in compliance with the ADA and Section 504. The Handbook is updated periodically to reflect changes in the law and MSHA's procedures.
- MSHA contracted with a consultant to evaluate the physical accessibility of MSHA's office at 353 Water Street, Augusta pursuant to the ADA, Section 504 and the Maine Human Rights Act. The accessibility survey issued by the consultant in February, 1993 identified several architectural barriers and made recommendations for bringing the office into compliance with the ADA. MSHA made the necessary modifications, including, without limitation making parking, entrances, interior public spaces and routes, conference rooms, signage, restrooms, employee spaces and water fountains accessible. MSHA inspects the office annually for compliance with the ADA, Section 504 and the Maine Human Rights Act.
- MSHA installed a TTY device to accommodate persons with hearing impairments. Other communication auxiliary aids and services, e.g. braille or large print materials and qualified interpreters, are available upon request at no cost to the person requesting same.
- MSHA holds all public hearings and meetings in locations which are accessible to persons with disabilities, either at MSHA's office or at a location designated by the State of Maine 504/ADA Coordinator as a Certified Handicapped Accessible Facility/Certified Accessible Conference & Meeting Place.
- All written materials about MSHA and MSHA's programs that are made available to the public, including, without limitation, annual reports, program brochures, program guides, program application forms and requests for proposals contain MSHA's Nondiscrimination Policy Statement, identify the MSHA employee responsible for coordinating compliance with the ADA and provide that the written materials are available to alternate forms, such as large print or audiocassette, to persons with visual or hearing impairments upon sufficient notice.
- All public hearing notices and meeting notices state that the hearing or meeting room is accessible to persons with disabilities and, upon sufficient notice, appropriate communication auxiliary aids and services will be provided to persons with disabilities. Any written materials provided in connection with the public hearing or meeting include the information set forth in the above paragraph.
- MSHA established a grievance procedure to process complaints by any person who believes that he or she has been discriminated against or harassed as a result of the person's disability in violation of the ADA and Section 504. This procedure is set forth in the Maine State Housing Authority 504/ADA Handbook.
- MSHA ensures that our agents, contractors, participating lenders, community action agencies, subgrantees and other persons that deliver MSHA programs and services to the public comply with the ADA and Section 504 through written contractual agreements.

- MSHA requires that all projects financed under MSHA's programs be constructed in accordance with the ADA, Section 504 and Maine Human Rights Act physical accessibility standards. Developers and their design professionals must provide written certification that a project is constructed or rehabilitated in accordance with these standards and operated in accordance with the ADA, Section 504 and the Maine Human Rights Act. Further, MSHA requires a barrier-free permit for a project the project from the Department of Public Safety which oversees compliance with the Maine Human Rights Act, which has been certified as ADA compatible and equivalent.

Recommendations:

- The program guides for each of MSHA's programs should be revised to reflect that MSHA's Nondiscrimination Policy Statement applies to all of programs and projects financed by MSHA, not only those federally-assisted programs and projects, as part of the annual update of the program guides.
- The 504/ADA handbook should be updated to reflect recent changes in applicable State and federal law and MSHA's procedures.
- The most recent self-evaluation of MSHA's programs occurred in 1993. A new self-evaluation of all of MSHA's existing programs should be performed and a self-evaluation of each new MSHA program should be performed when the program is created.

COMPLIANCE WITH THE FEDERAL OCCUPATIONAL SAFETY AND HEALTH ACT

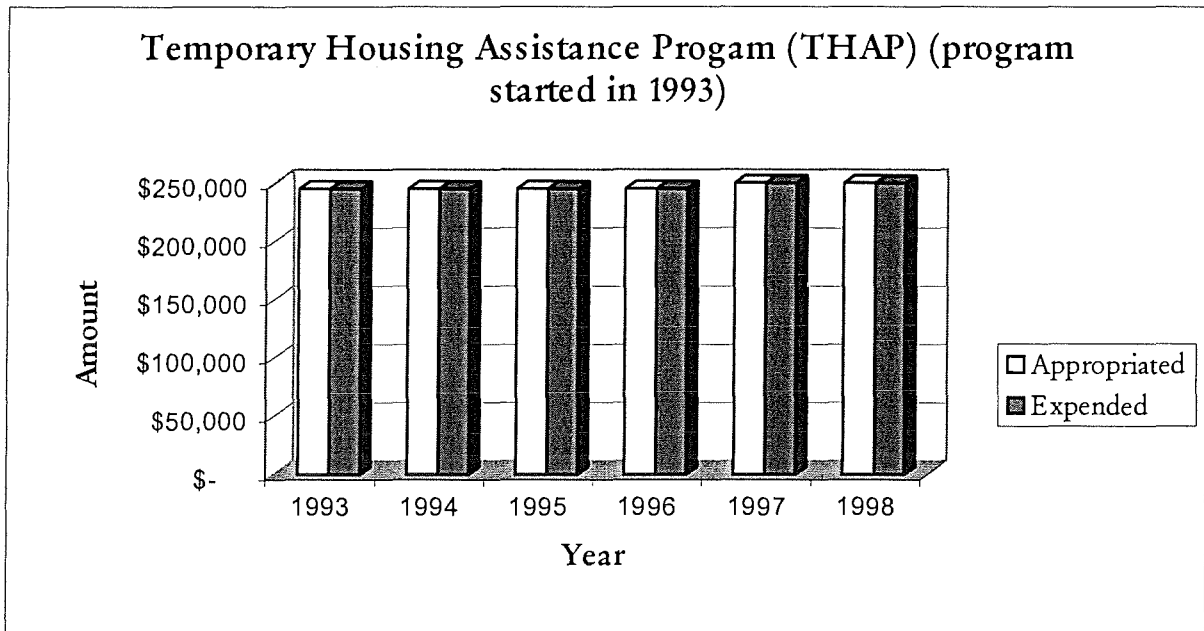
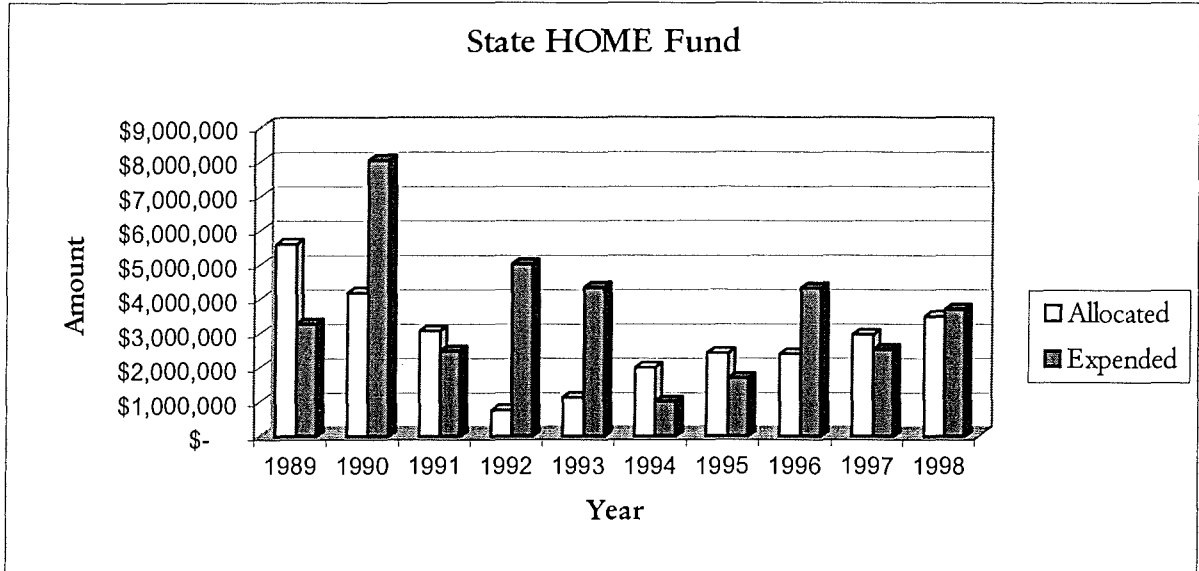
MSHA's Director of Human Resources reviewed our operation for compliance with the OSHA Act and found three shortcomings:

- 1) Fire extinguishers had not been serviced on schedule.
- 2) MSHA does not have the required material safety data sheets for hazardous materials. MSHA employees may be exposed to computer printer toner and photocopier toner.
- 3) Supervisors are required to provide safety training for employees.

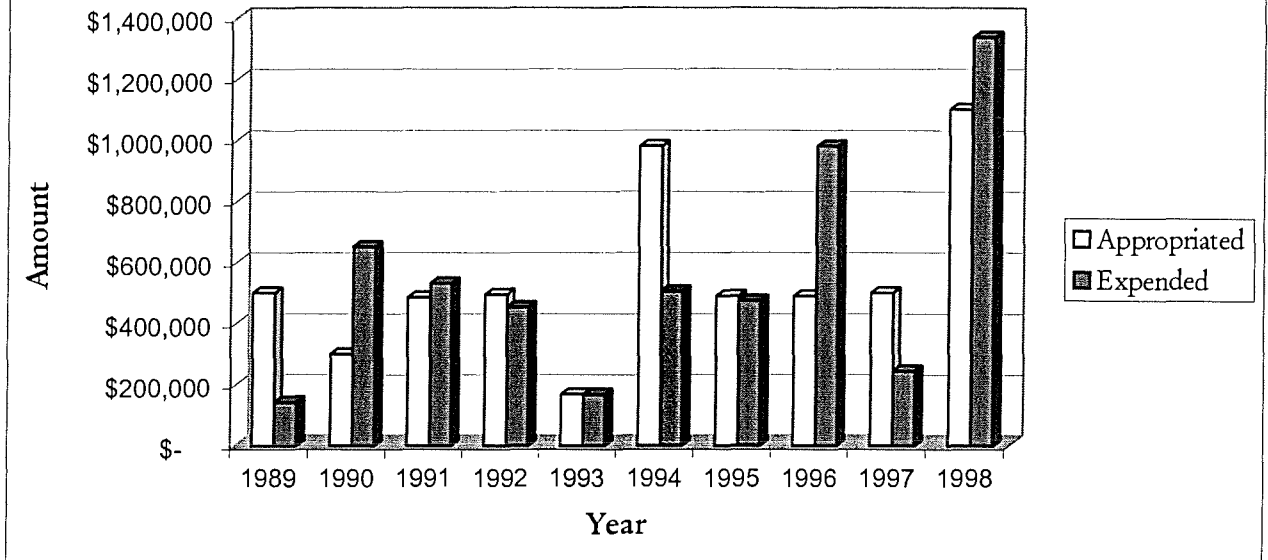
We have taken the appropriate steps to correct these problems.

FINANCIAL SUMMARY

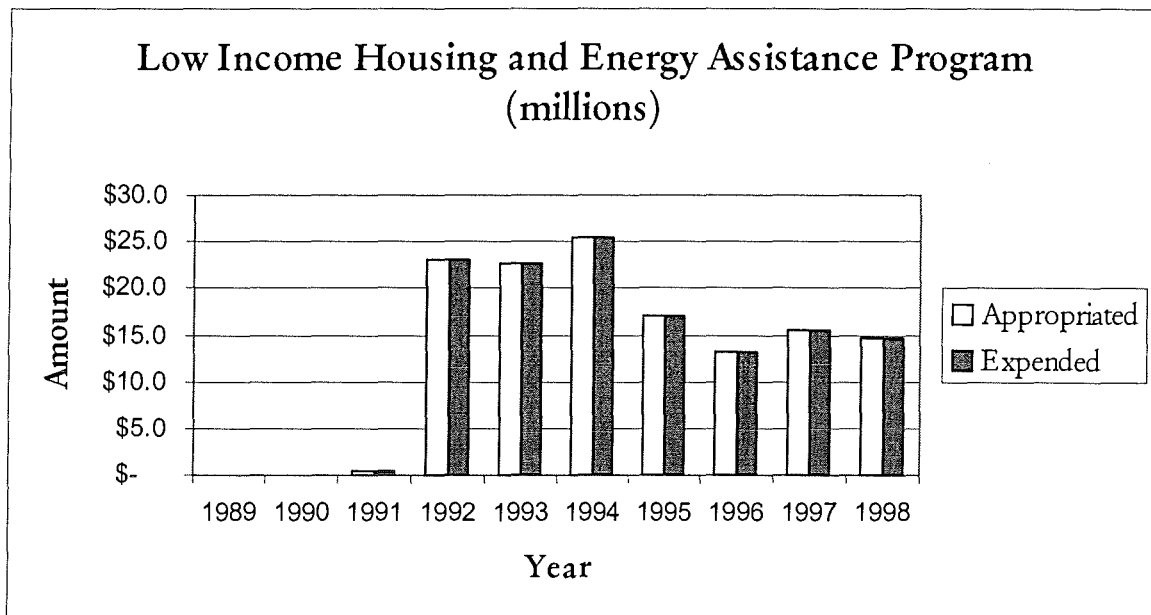
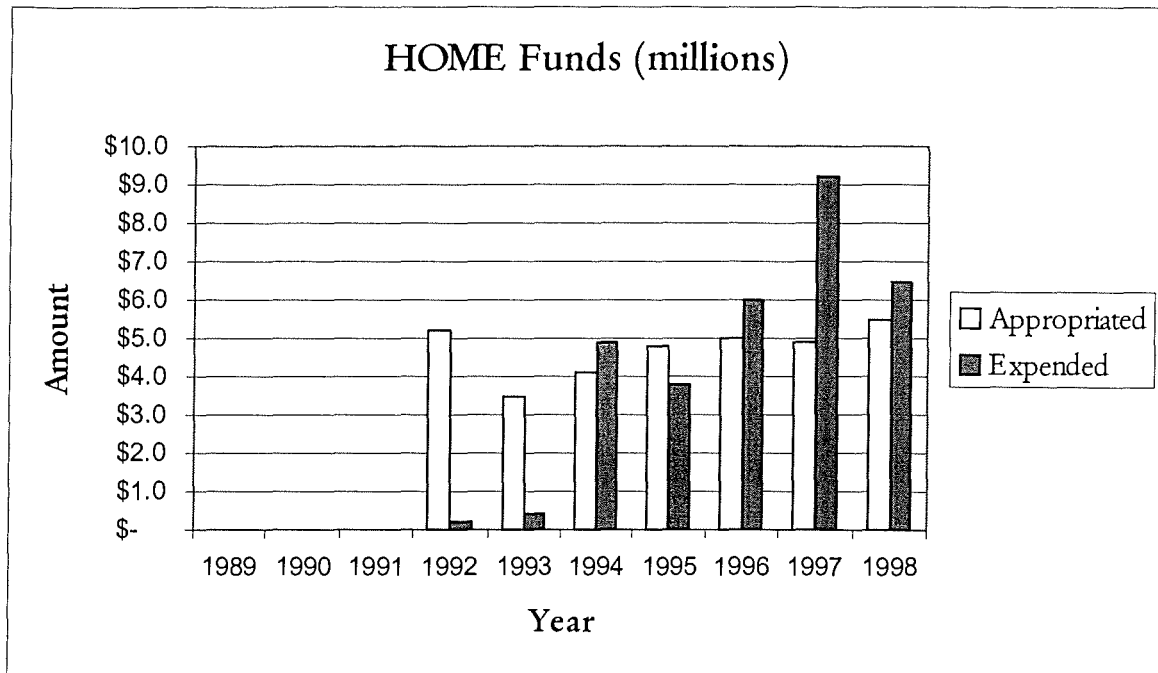
1. State Sources of Funding

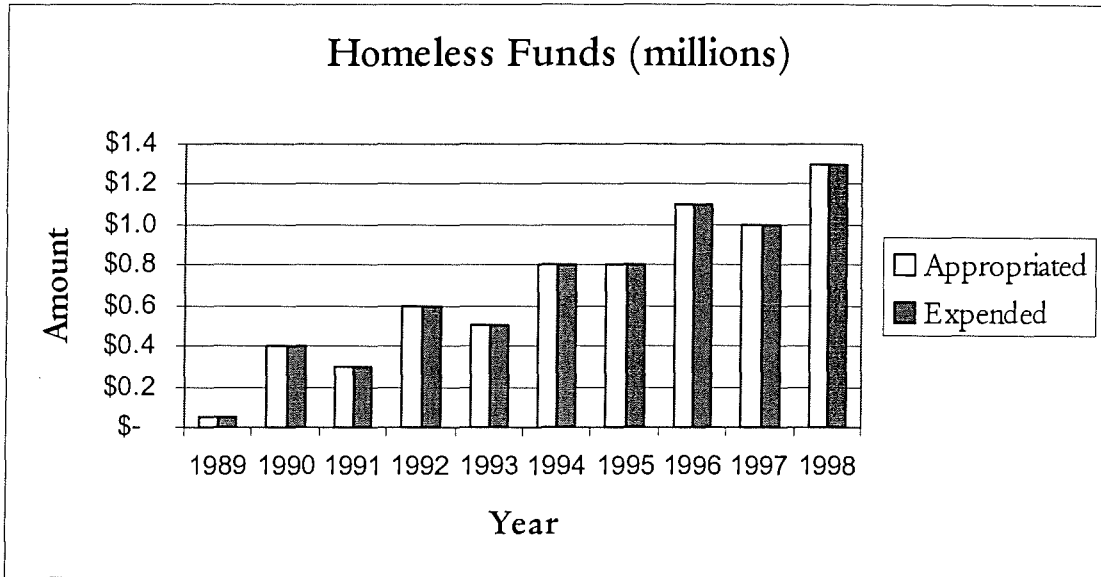
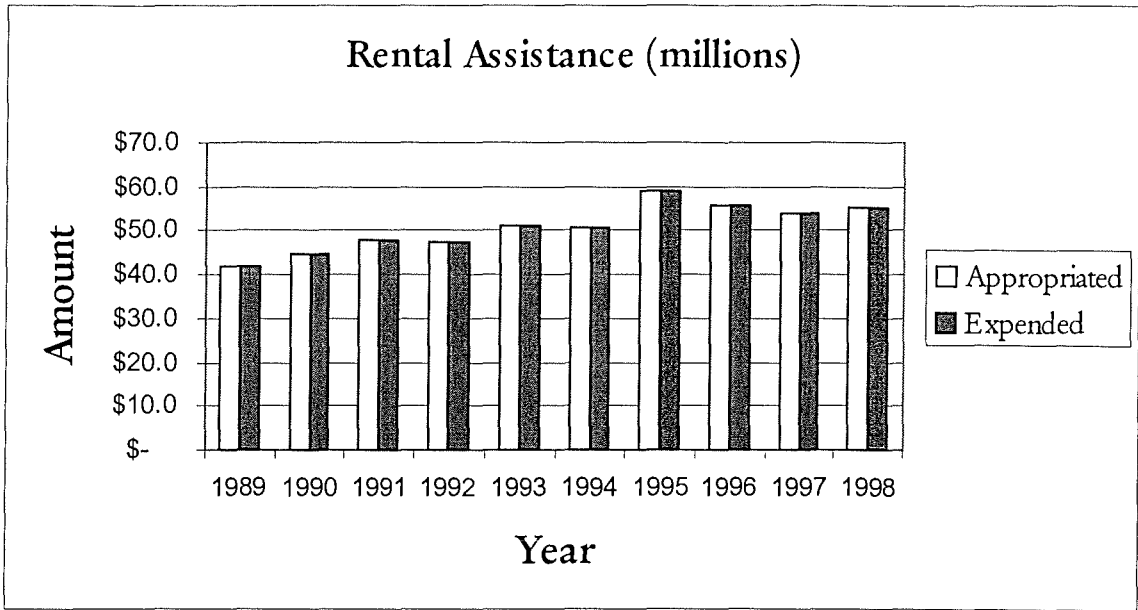


Shelter Operating Subsidy (SOS)

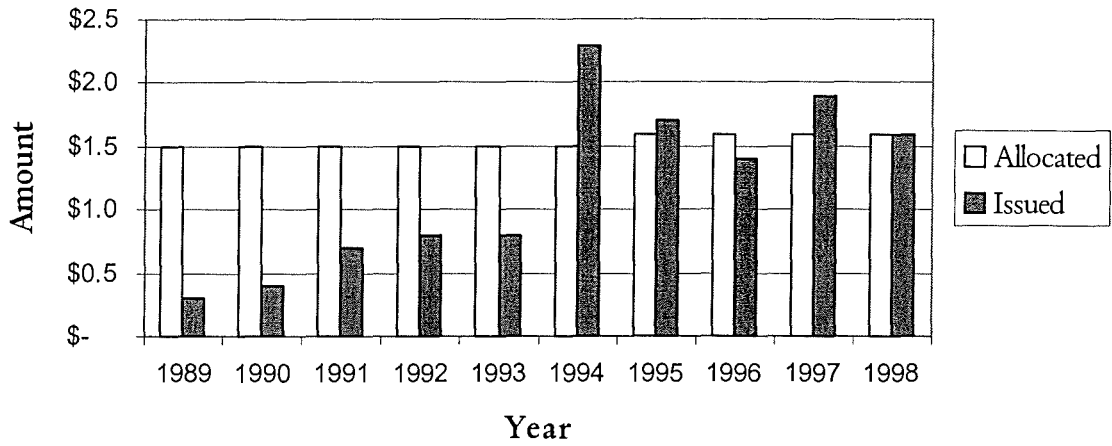


2. Federal Sources of Funding





Low Income Housing Tax Credits (millions)



MAINE STATE HOUSING AUTHORITY RULES SUMMARY

CHAPTER 1 - HOME MORTGAGE PROGRAM RULE

The Maine State Housing Authority is authorized to use revenues from the sale of tax-exempt bonds and other housing monies to reduce interest rates and other costs associated with the purchase of a home by low and moderate income households. This rule sets forth the basic criteria for determining eligible borrowers and the terms governing the Maine State Housing Authority's purchase and servicing of loans to eligible borrowers generated by participating lenders.

CHAPTER 2 - COOPERATION WITH LOCAL GOVERNMENTS

The Maine Housing Authorities Act, 30 M.R.S.A. § 4551 et seq., requires that the Maine State Housing Authority cooperate with local governments and obtain certain local consents before performing certain operations in localities. This rule sets forth the procedures for such cooperation, and establishes the Maine State Housing Authority's preference for local consent resolutions following generally the statutory form.

CHAPTER 3 - HOME IMPROVEMENT/ENERGY CONSERVATION LOAN PROGRAM

The Maine State Housing Authority provides a limited amount of Home Improvement/Energy Conservation Loan funds for eligible persons primarily through the issuance of its revenue bonds, interest on which is exempt from Maine and Federal income taxation. This Rule establishes the basic criteria for defining the pool of persons eligible to apply for such funds from the Authority through participating financial institutions. The basic criteria include an income test, and eligible and ineligible home improvements and energy conservation projects for which such loans may be made. The Rule establishes ways in which loans may be made and serviced. Such Home Improvement or Energy Loan funds must be used to finance eligible home improvements or energy conservation activities on eligible residences.

CHAPTER 4 - EVICTION PROCEDURES

This rule sets forth the procedures to be followed and the standards to be applied in connection with an Owner's representation to the Authority for termination of tenancy and with the Authority's issuance of an eviction notice to Tenants of §8 Existing and §23/8 Conversion Housing who occupy their units under leases entered into prior to October 1, 1981. **Anticipate repeal in October of 1999; the rule is obsolete.**

CHAPTER 5 - ENERGY COST AND UTILITY ALLOWANCE DETERMINATIONS

This rule outlines the procedures which the Maine State Housing Authority will utilize to determine energy costs and utility allowances for tenants of multi-unit housing projects whose rents are subsidized under Section 8 of the U. S. Housing Act of 1937.

CHAPTER 6 - INSURANCE SPECIFICATIONS AND ADMINISTRATIVE PROCEDURES FOR MASTER INSURANCE PROGRAM FOR MSHA FINANCED MULTI-FAMILY DEVELOPMENTS

The rule sets forth the specific minimum insurance coverages to be provided by a licensed insurance agent or broker for all multi-family developments financed by the Maine State Housing Authority, and the administrative procedures to be employed by the Authority to monitor insurance policies for compliance with such specifications and to insure that the cost of such coverage to the development is reasonable. **Anticipate repeal and replace with Multifamily and Supportive Housing Loans and Grants Rule in December of 1999 as part of a rule consolidation.**

CHAPTER 7 - INDIAN HOUSING MORTGAGE INSURANCE

This rule sets forth standards governing the administration of the Indian Housing Mortgage Insurance Program. The purpose of the Program is to make mortgage loans available to Indians living on reservations on the same terms as they are available to persons not living on reservations. Due to the restrictions on the use and ownership of land which are peculiar to some of the tribal reservations, financial institutions have

been historically reluctant to provide loans to Indians living on reservations. Mortgage insurance provided under the Program offers greater assurance to lenders by removing some of the marketability risks to collateral posed by these restrictions. The Rule sets forth eligibility standards and application, closing, default, and insurance claim procedures.

CHAPTER 8 - RENTAL REHAB / CONVERSION LOAN PROGRAM

The Maine State Housing Authority (MSHA) Rental Rehabilitation/Conversion Loan Program is a three party plan involving MSHA rehabilitation grants or interest free loans, local community rehabilitation grants or low interest rate loans, and additional financing from private sources. MSHA rehabilitation funds may be used to rehabilitate residential rental structures or to convert existing single-family structures into multi-unit rental structures. In addition to providing rehabilitation subsidies, MSHA may also provide rental assistance subsidies for low income tenants in units being rehabilitated or converted. **Anticipate repeal in October of 1999; the rule is obsolete.**

CHAPTER 9 - RENTAL HOUSING LOAN PROGRAM RULE

The Maine State Housing Authority provides a limited amount of mortgage funds to finance the development of rental housing through the issuance of its revenue bonds, interest on which may be exempt from Maine and Federal income taxation. This Rule establishes the basic criteria for defining the type of rental housing eligible for loans. The basic criteria include borrower and property eligibility, 20% rental to low-income requirement, and continuous rental holding period requirement and management requirements. The Rule also covers loan application, processing and terms. Mortgage funds must be used to acquire, acquire and improve, construct, or rehabilitate residential rental housing meeting the terms of this Rule. **Anticipate repeal and replace with Multifamily and Supportive Housing Loans and Grants Rule in December of 1999 as part of a rule consolidation.**

CHAPTER 10 - FUEL OIL CONSERVATION LOAN PROGRAM RULE

Under the program governed by this Rule the Maine State Housing Authority in conjunction with the Maine Office of Energy Resources provides a limited amount of funds to subsidize Fuel Oil Conservation Loans. The funds were appropriated by the Federal Government to the State of Maine from a settlement of civil litigation alleging fuel oil overcharges by major oil companies and will be used to reduce the interest rate to be paid by the person borrowing the loan money. This Rule establishes the basic criteria for defining the pool of persons eligible to apply for such subsidized loans through participating financial institutions. The basic criteria include a fuel oil consumption test and eligible and ineligible energy conservation projects for which such loans may be made. The Rule establishes ways in which loans may be made. Loan funds must be used to finance eligible energy conservation activities on single-family and multi-family residential properties. **Anticipate repeal in October of 1999; the rule is obsolete.**

CHAPTER 11 - DIRECT LENDING RULE

This rule sets forth the criteria the Maine State Housing Authority will apply in order to exercise its statutory authority to make direct loans. **Anticipate repeal and replace with Multifamily and Supportive Housing Loans and Grants Rule in December of 1999 as part of a rule consolidation.**

CHAPTER 12 - RESIDENTIAL PROPERTY MUNICIPAL SECURITIES APPROVAL RULE

This rule sets forth standards pursuant to which the Authority may issue certificates of approval under the Municipal Securities Approval Program for issuances of revenue obligation securities to provide financing for projects consisting of multi-family or single family residential property.

CHAPTER 13 - ALLOCATION OF STATE CEILING FOR HOUSING RELATED BOND RULE

This rule revises the Federal formula for allocating that portion of the state ceiling allocated to the Authority pursuant to applicable law or Executive Order for housing-related bonds and establishes policies and procedures with respect to allocation and carryforward designations.

CHAPTER 14 - SINGLE FAMILY HOUSING PRESERVATION PROGRAM RULE

The Maine State Housing Authority Single-Family Housing Preservation Loan Program is designed to provide grants and loans to very low-income homeowners to rehabilitate their homes.

CHAPTER 15 - NEW HOUSING INITIATIVES PROGRAM

The New Housing Initiatives Program is being established by the Maine State Housing Authority (the Authority) to help provide the financial resources, including loans, grants, revolving funds, or administrative fees, necessary to get public and private parties involved in developing non-traditional single-family and rental housing initiatives and to otherwise stimulate creative solutions to the problem of making housing more affordable to persons of low income. This rule sets forth the criteria the Authority will use in deciding whether or not to fund particular initiatives. **Anticipate repeal and replace with Multifamily and Supportive Housing Loans and Grants Rule in December of 1999 as part of a rule consolidation.**

CHAPTER 16 - ALLOCATION OF STATE CEILING FOR LOW INCOME HOUSING TAX CREDIT

The Tax Reform Act of 1986 created the low-income housing tax credit for use by qualifying developers of housing projects which satisfy applicable tenant income and rental targeting requirements. The Maine State Housing Authority has been designated as the housing credit agency for the State responsible for allocation of the annual credit ceiling. This rule establishes the policies and procedures for the allocation process.

CHAPTER 17 - NATURAL DISASTER HOME ASSISTANCE PROGRAM

The Natural Disaster Home Assistance Program is established to provide assistance to homeowners and landlords who are victims of natural disasters.

CHAPTER 18 - UNDERGROUND OIL STORAGE TANK REMOVAL PROGRAM

The Underground Oil Storage Tank Removal Program is established to provide assistance for removal and disposal of underground oil storage tanks identified by DEP as leaking or posing an environmental threat or as having been abandoned. **Anticipate repeal in October of 1999; the rule is obsolete.**

CHAPTER 19 - HOMELESS PROGRAMS RULE

The Maine State Housing Authority uses funds from certain federal and state resources to give grants to shelters for homeless persons. This rule sets forth the basic criteria for determining eligible recipients and the terms governing the grants.

CHAPTER 20 - HOME EQUITY CONVERSION MORTGAGE PROGRAM

The Maine State Housing Authority has been selected by the United States Department of Housing and Urban Development to receive Certificates of Insurance under HUD's Home Equity Conversion Mortgage Program. The HECM Program will provide a mechanism, in the form of HUD-insured reverse annuity mortgage loans, for persons over 62 years of age to convert the equity in their home into income using one of several payment options. **Anticipate repeal in October of 1999; the rule is obsolete.**

CHAPTER 21 - LAND ACQUISITION/IMPROVEMENT AND HOUSING OPPORTUNITY ZONES PROGRAMS

The Affordable Housing Partnership Act of 1989 establishes programs for land acquisition and assistance to municipalities and nonprofit housing corporations to be administered by the Maine State Housing Authority. This rule establishes the procedures and selection criteria for the use of funds to finance the acquisition and improvement of land to be used in the development of affordable housing and the designation of housing opportunity zones.

CHAPTER 22 - MENTAL HEALTH FACILITY FINANCING PROGRAM

This rule establishes the Mental Health Consumer Residential Opportunities Fund the proceeds of which shall be used to provide financing for the acquisition, construction or rehabilitation of residential projects for

persons with mental illness in the State of Maine. The rule establishes the eligibility guidelines, procedures and selection criteria for the use of the proceeds of the Fund. **Anticipate repeal and replace with Multifamily and Supportive Housing Loans and Grants Rule in December of 1999 as part of a rule consolidation.**

CHAPTER 23 - PRESERVATION FINANCING PROGRAM

The Preservation Financing Program provides financing for the acquisition of Eligible Projects by developers who will commit to maintain their low-income benefits for the Remaining Useful Life of the Project. This rule establishes the eligibility guidelines and procedures for obtaining financing under the Program.

Anticipate repeal and replace with Multifamily and Supportive Housing Loans and Grants Rule in December of 1999 as part of a rule consolidation.

CHAPTER 24 - HOME ENERGY ASSISTANCE PROGRAM RULE

The Rule establishes the Home Energy Assistance Program (HEAP) for the State of Maine as administered by the Maine State Housing Authority. HEAP provides fuel assistance to low-income Households and assistance to those Households affected by energy-related crises through the Energy Crisis Intervention Program (ECIP). The Rule also incorporates standards for the Weatherization component of HEAP and the Central Heating Improvement Program (CHIP).

CHAPTER 25 - WEATHERIZATION RULE

The Rule establishes the Weatherization Program for the State of Maine as administered by the Maine State Housing Authority. The Weatherization Program provides weatherization assistance to low-income households.

CHAPTER 26 - SUPPORTIVE HOUSING INITIATIVES PROGRAM RULE

This rule establishes the Supportive Housing Initiatives Program which shall provide financing for the acquisition, construction or rehabilitation of residential projects for low-income persons with supportive service needs in the State of Maine. The rule establishes the eligibility guidelines, procedures and selection criteria for participation in the Program. **Anticipate repeal and replace with Multifamily and Supportive Housing Loans and Grants Rule in December of 1999 as part of a rule consolidation.**

CHAPTER 27 - OWNERSHIP TRANSFERS RULE

This rule provides guidelines for the transfer of ownership of certain multi-family and supportive housing developments for which the Maine State Housing Authority is a mortgagee, and where the current owner and prospective new owner would like the Authority's financing to be retained after the ownership transfer. This rule does not include lending criteria for financing in excess of the outstanding mortgage loan balance on the original loan. Requests for additional financing must be made under an applicable, currently-offered Maine State Housing Authority lending program.

CHAPTER 28 – TEMPORARY HOUSING ASSISTANCE PROGRAM RULE

The Temporary Housing Assistance Program provides emergency assistance in obtaining housing to persons who are homeless or who are in danger of becoming homeless. This rule sets forth the basic criteria for determining eligible sub-grantees and the terms governing the provision of assistance under the Temporary Housing Assistance Program.

MAINE STATE HOUSING AUTHORITY
MAINE ADMINISTRATIVE PROCEDURES ACT
1999-2000 REGULATORY AGENDA

99-346
Maine State Housing Authority
Roberta J. Letourneau, Rules Contact Person
343 Water Street
Augusta, Maine 04330-4633

EMERGENCY RULES ADOPTED SINCE THE LAST REGULATORY AGENDA:

NONE

RULES MAY PROPOSE BEFORE JULY, 2000:

CHAPTER 1: Home Mortgage Program Rule

STATUTORY AUTHORITY: 30-A MRSA §4741(1)

PURPOSE: This rule sets forth the basic criteria for determining eligible borrowers and the terms governing the Maine State Housing Authority's purchase and servicing of loans to eligible borrowers generated by participating lenders.

ANTICIPATED SCHEDULE: Prior to July, 2000, as necessary.

AFFECTED PARTIES: Lenders and homebuyers.

PLAN TO USE CONSENSUS-BASED RULE DEVELOPMENT: No.

CHAPTER 2: Cooperation with Local Governments

STATUTORY AUTHORITY: 30-A MRSA §§4741(1)

PURPOSE: This rule sets forth the procedures for cooperation with local governments, and establishes the Maine State Housing Authority's preference for local consent resolutions following generally the statutory form.

ANTICIPATED SCHEDULE: Prior to July, 2000, as necessary.

AFFECTED PARTIES: Local governments and housing authorities

PLAN TO USE CONSENSUS-BASED RULE DEVELOPMENT: No.

CHAPTER 3: Home Improvement/Energy Conservation Loan Program Rule

STATUTORY AUTHORITY: 30-A MRSA §4741(1)

PURPOSE: This rule establishes the basic criteria for defining the pool of persons eligible to apply for funds from the Authority through participating financial institutions.

ANTICIPATED SCHEDULE: Prior to July, 2000, as necessary.

AFFECTED PARTIES: Homeowners and lenders.

PLAN TO USE CONSENSUS-BASED RULE DEVELOPMENT: No.

CHAPTER 4: Eviction Procedures under the Section 8 Existing Housing Program and the Section 23/Section 8 Conversion Housing Program

STATUTORY AUTHORITY: 30-A MRSA §4741(1)

PURPOSE: This rule sets forth the procedures to be followed and the standards to be applied in connection with an Owner's representation to the Authority for termination of tenancy and with the Authority's issuance of an eviction notice to Tenants of §8 Existing and §23/8 Conversion Housing who occupy their units under leases entered into prior to October 1, 1981.

ANTICIPATED SCHEDULE: Prior to July, 1998, as necessary.

AFFECTED PARTIES: Tenants and landlords.

PLAN TO USE CONSENSUS-BASED RULE DEVELOPMENT: No.

CHAPTER 5: Energy Cost and Utility Allowance Determinations

STATUTORY AUTHORITY: 30-A MRSA §4741(1)

PURPOSE: This rule outlines the procedures which the Maine State Housing Authority will utilize to determine energy costs and utility allowances for tenants of multi-unit housing projects whose rents are subsidized under Section 8 of the U. S. Housing Act of 1937.

ANTICIPATED SCHEDULE: Prior to July, 2000, as necessary.

AFFECTED PARTIES: Tenants and landlords.

PLAN TO USE CONSENSUS-BASED RULE DEVELOPMENT: No.

CHAPTER 6: Insurance Specifications and Administrative Procedures for Master Insurance Program for MSHA Financed Multi-family Developments

STATUTORY AUTHORITY: 30-A MRSA §4741(1)

PURPOSE: The rule sets forth the specific minimum insurance coverages to be provided by a licensed insurance agent or broker for all multi-family developments financed by the Maine State Housing Authority, and the administrative procedures to be employed by the Authority to monitor

insurance policies for compliance with such specifications and to insure that the cost of such coverage to the development is reasonable.

ANTICIPATED SCHEDULE: Prior to July, 2000, as necessary.

AFFECTED PARTIES: Developers.

PLAN TO USE CONSENSUS-BASED RULE DEVELOPMENT: No.

CHAPTER 7: Indian Housing Mortgage Insurance Program Rule

STATUTORY AUTHORITY: 30-A MRS §4741(1), 4936

PURPOSE: The Rule sets forth eligibility standards and application, closing, default, and insurance claim procedures.

ANTICIPATED SCHEDULE: Prior to July, 2000, as necessary.

AFFECTED PARTIES: Indians residing on reservations and lenders.

PLAN TO USE CONSENSUS-BASED RULE DEVELOPMENT: No.

CHAPTER 8: Rental Rehabilitation/Conversion Loan Program

STATUTORY AUTHORITY: 30-A MRS §4741(1)

PURPOSE: This rule established the terms of MSHA's Rental Rehabilitation/Conversion Loan Program, a three party plan involving MSHA rehabilitation grants or interest free loans, local community rehabilitation grants or low interest rate loans, and additional financing from private sources.

ANTICIPATED SCHEDULE: Prior to July, 1998, as necessary.

AFFECTED PARTIES: Tenants, landlords, local housing authorities and municipal community development offices.

PLAN TO USE CONSENSUS-BASED RULE DEVELOPMENT: No.

CHAPTER 9: Rental Housing Loan Program Rule

STATUTORY AUTHORITY: 30-A MRS §4741(1)

PURPOSE: This rule established the basic criteria including borrower and property eligibility, 20% rental to low-income requirement, and continuous rental holding period requirement and management requirements.

ANTICIPATED SCHEDULE: Prior to July, 2000, as necessary.

AFFECTED PARTIES: Developers, architects, contractors and lenders.

PLAN TO USE CONSENSUS-BASED RULE DEVELOPMENT: No.

CHAPTER 10: Fuel Oil Conservation Loan Program Rule

STATUTORY AUTHORITY: 30-A MRSA §4741(1)

PURPOSE: This rule established the basic criteria for defining the pool of persons eligible to apply for such subsidized loans through participating financial institutions.

ANTICIPATED SCHEDULE: Prior to July, 1998, as necessary.

AFFECTED PARTIES: Homeowners and landlords

PLAN TO USE CONSENSUS-BASED RULE DEVELOPMENT: No.

CHAPTER 11: Direct Lending Rule

STATUTORY AUTHORITY: 30-A MRSA §§4741(1), 4722(1)(L)

PURPOSE: This rule sets forth the criteria the Maine State Housing Authority may apply in order to exercise its statutory authority to make direct loans.

ANTICIPATED SCHEDULE: Prior to July, 2000, as necessary.

AFFECTED PARTIES: Lenders.

PLAN TO USE CONSENSUS-BASED RULE DEVELOPMENT: No.

CHAPTER 12: Residential Property Municipal Securities Approval Rule

STATUTORY AUTHORITY: 30-A MRSA §§4741(1), 4722(1)(T)

PURPOSE: This rule sets forth standards pursuant to which the Authority may issue certificates of approval under the Municipal Securities Approval Program for issuances of revenue obligation securities to provide financing for projects consisting of multi-family or single family residential property.

ANTICIPATED SCHEDULE: Prior to July, 2000, as necessary.

AFFECTED PARTIES: Developers and municipalities.

PLAN TO USE CONSENSUS-BASED RULE DEVELOPMENT: No.

CHAPTER 13: Allocation of State Ceiling for Housing Related Bonds

STATUTORY AUTHORITY: 30-A MRSA §§4741(1), (13)

PURPOSE: This rule revises the Federal formula for allocating that portion of the state ceiling allocated to the Authority pursuant to applicable law or Executive Order for housing-related bonds and establishes policies and procedures with respect to allocation and carryforward designations.

ANTICIPATED SCHEDULE: Prior to July, 2000, as necessary.

AFFECTED PARTIES: Developers, homebuyers and other issuers.

PLAN TO USE CONSENSUS-BASED RULE DEVELOPMENT: No.

CHAPTER 14: Single Family Housing Preservation Loan Program

STATUTORY AUTHORITY: 30-A MRSA §4741(1)

PURPOSE: This rule established criteria for the Maine State Housing Authority Single-Family Housing Preservation Loan Program is designed to provide grants and loans to very low-income homeowners to rehabilitate their homes.

ANTICIPATED SCHEDULE: Prior to July, 2000, as necessary.

AFFECTED PARTIES: Nonprofit housing corporations, Farmers Home District Office, Community Development Block Grant Office and community action program agencies.

PLAN TO USE CONSENSUS-BASED RULE DEVELOPMENT: No.

CHAPTER 15: New Housing Initiatives Program

STATUTORY AUTHORITY: 30-A MRSA §4741(1)

PURPOSE: This rule sets forth the criteria the Authority will use in deciding whether or not to fund particular initiatives.

ANTICIPATED SCHEDULE: Prior to July, 2000, as necessary.

AFFECTED PARTIES: Tenants, landlords, local housing authorities and municipal community development offices.

PLAN TO USE CONSENSUS-BASED RULE DEVELOPMENT: No.

CHAPTER 16: Allocation of State Ceiling for Low-income Housing Tax Credit

STATUTORY AUTHORITY: 30-A MRSA §§4741(1), (14); Internal Revenue Code §42

PURPOSE: This rule establishes the policies and procedures for the allocation of low income housing tax credits.

ANTICIPATED SCHEDULE: Prior to July, 2000, as necessary.

AFFECTED PARTIES: Developers and accountants.

PLAN TO USE CONSENSUS-BASED RULE DEVELOPMENT: No.

CHAPTER 17: Natural Disaster Home Assistance Program

STATUTORY AUTHORITY: 30-A MRS §4741(1), 4922(5)

PURPOSE: This rule established terms of the Natural Disaster Home Assistance Program for the provision of assistance to homeowners and landlords who are victims of natural disasters.

ANTICIPATED SCHEDULE: Prior to July, 2000, as necessary.

AFFECTED PARTIES: Homeowners and landlords.

PLAN TO USE CONSENSUS-BASED RULE DEVELOPMENT: No.

CHAPTER 18: Underground Oil Storage Tank Removal Program

STATUTORY AUTHORITY: 30-A MRS §4741(1)

PURPOSE: This rule established terms of the Underground Oil Storage Tank Removal Program for the provision of assistance for removal and disposal of underground oil storage tanks identified by DEP as leaking or posing an environmental threat or as having been abandoned.

ANTICIPATED SCHEDULE: Prior to July, 2000, as necessary.

AFFECTED PARTIES: Homeowners and landlords.

PLAN TO USE CONSENSUS-BASED RULE DEVELOPMENT: No.

CHAPTER 19: Homeless Programs Rule

STATUTORY AUTHORITY: 30-A MRS §4741(1)

PURPOSE: This rule sets forth the basic criteria for determining eligible recipients and the terms governing the grants.

ANTICIPATED SCHEDULE: Prior to July, 2000, as necessary.

AFFECTED PARTIES: Persons who are homeless and shelter operators.

PLAN TO USE CONSENSUS-BASED RULE DEVELOPMENT: No.

CHAPTER 20: Home Equity Conversion Mortgage Program Rule

STATUTORY AUTHORITY: 30-A MRS §4741(1), 4944

PURPOSE: This rule established the terms of United States Department of Housing and Urban Development Home Equity Conversion Mortgage Program.

ANTICIPATED SCHEDULE: Prior to July, 1998, as necessary.

AFFECTED PARTIES: Homeowners who are elderly.

PLAN TO USE CONSENSUS-BASED RULE DEVELOPMENT: No.

CHAPTER 21: Land Acquisition/Improvement and Housing Opportunity Zones Program

STATUTORY AUTHORITY: 30-A MRSA §§4741(1), 5013, 5024, 5052

PURPOSE: This rule establishes the procedures and selection criteria for the use of funds to finance the acquisition and improvement of land to be used in the development of affordable housing and the designation of housing opportunity zones.

ANTICIPATED SCHEDULE: Prior to July, 2000, as necessary.

AFFECTED PARTIES: Potential homeowners, municipalities and nonprofit housing corporations.

PLAN TO USE CONSENSUS-BASED RULE DEVELOPMENT: No.

CHAPTER 22: Mental Health Consumer Residential Opportunities Program

STATUTORY AUTHORITY: 30-A MRSA §4741(1)

PURPOSE: The rule establishes the eligibility guidelines, procedures and selection criteria.

ANTICIPATED SCHEDULE: Prior to July, 2000, as necessary.

AFFECTED PARTIES: Persons with mental illness, developers, Department of Mental Health and Mental Retardation and mental health service providers.

PLAN TO USE CONSENSUS-BASED RULE DEVELOPMENT: No.

CHAPTER 23: Preservation Financing Program

STATUTORY AUTHORITY: 30-A MRSA §§4741(1), 4977

PURPOSE: This rule establishes the eligibility guidelines and procedures for obtaining financing under the program.

ANTICIPATED SCHEDULE: Prior to July, 2000, as necessary.

AFFECTED PARTIES: Owners of federally-assisted rental housing projects, local housing authorities, low-income tenants and lenders.

PLAN TO USE CONSENSUS-BASED RULE DEVELOPMENT: No.

CHAPTER 24: Home Energy Assistance Program Rule

STATUTORY AUTHORITY: 30-A MRSA §§4741(1) and (15), 4722(1)(W), 4992

PURPOSE: The rule establishes the Home Energy Assistance Program (HEAP) for the State of Maine as administered by the Maine State Housing Authority. The rule also incorporates standards for the Weatherization component of HEAP and the Central Heating Improvement Program (CHIP).

ANTICIPATED SCHEDULE: Prior to July, 2000, as necessary.

AFFECTED PARTIES: Community action program agencies, tenants, homebuyers, oil dealers and public utility companies.

PLAN TO USE CONSENSUS-BASED RULE DEVELOPMENT: No.

CHAPTER 25: Weatherization Program Rule

STATUTORY AUTHORITY: 30-A MRSA §4741(1) and (15), 4722(1)(W)

PURPOSE: The rule establishes the Weatherization Program for the State of Maine as administered by the Maine State Housing Authority. The Weatherization Program provides weatherization assistance to low-income households.

ANTICIPATED SCHEDULE: Prior to July, 2000, as necessary.

AFFECTED PARTIES: Community action program agencies, technical colleges, homeowners and tenants.

PLAN TO USE CONSENSUS-BASED RULE DEVELOPMENT: No.

CHAPTER 26: Supportive Housing Initiatives Program Rule

STATUTORY AUTHORITY: 30-A MRSA §4741(1)

PURPOSE: The rule establishes the eligibility guidelines, procedures and selection criteria for participation in the program.

ANTICIPATED SCHEDULE: Prior to July, 2000, as necessary.

AFFECTED PARTIES: Developers, nonprofit housing corporations and supportive service providers, including state agencies.

PLAN TO USE CONSENSUS-BASED RULE DEVELOPMENT: No.

CHAPTER 27: Ownership Transfers

STATUTORY AUTHORITY: 30-A MRSA § 4741(1)

PURPOSE: This rule provides guidelines for the transfer of ownership of certain multi-family and supportive housing developments for which the Maine State Housing Authority is a mortgagee, and where the current owner and prospective new owner would like the Authority's financing to be retained after the ownership transfer.

ANTICIPATED SCHEDULE: Prior to July, 2000, as necessary.

AFFECTED PARTIES: Developers, nonprofit housing corporations and social service providers, including state agencies.

PLAN TO USE CONSENSUS-BASED RULE DEVELOPMENT: No.

CHAPTER 28: Temporary Housing Assistance Program Rule

STATUTORY AUTHORITY: 30-A MRSA §4762

PURPOSE: This rule sets forth the basic criteria for determining eligible sub-grantees and the terms governing the provision of assistance under the Temporary Housing Assistance Program.

ANTICIPATED SCHEDULE: Prior to July, 2000.

AFFECTED PARTIES: Community action program agencies, homeless shelter operators, social service providers and advocates such as Maine Equal Justice and Pine Tree Legal Assistance.

PLAN TO USE CONSENSUS-BASED RULE DEVELOPMENT: No.

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COORDINATION WITH OTHER AGENCIES

Many of the Maine State Housing Authority's programs are closely coordinated with other state agencies. For example, the Maine State Housing Authority has developed a variety of housing options for persons with mental illness. Our leadership meets with the Department of Mental Health, Mental Retardation, and Substance Abuse Services' (DMHMRSAS) leadership quarterly to refine the respective agencies' efforts to help clients. Our program staff members are in regular communication with the DMHMRSAS program staff. In essence, the Department identifies where their clients and consumers need housing and what type of housing is needed. We then work together with local developers to create that housing.

Similar efforts occur with the Department of Human Services (DHS). Again, our leadership meets with the DHS Commissioner and senior staff quarterly to assure that each agency's efforts are well coordinated. DHS identifies needed housing options for senior citizens or foster children or for other individuals who they assist. The Maine State Housing Authority then works closely with local developers to provide the housing that is needed.

On some occasions Maine State Housing Authority has created housing that is specifically reserved for clients in other state agencies. In the past few years Maine State Housing Authority has received rental vouchers from HUD that have been specifically earmarked for persons who have disabilities or have been separated from their children. All of our homeless efforts are carefully coordinated with other agencies. While the Maine State Housing Authority actually provides funds to 37 local homeless shelters, we also work closely with the Departments of Human Services, Mental Health, and Corrections to assure that their state services reach persons who reside in the shelters. These services are fundamental to helping the shelter guest find more stable housing. The Maine State Housing Authority provides staff support to the Interagency Task Force on Homelessness, the coordinating body that brings together the various agencies who serve homeless persons. The Maine State Housing Authority's Deputy Director chairs the Interagency Task Force.

The Maine State Housing Authority has financed all of the state's affordable assisted living housing developments. These developments have been financed by a unique arrangement whereby the Maine State Housing Authority and the Department of Human Services solicit applications for developmental financing and assisted services at the same time.

MSHA also works closely with the Department of Economic and Community Development (DECD). These two agencies prepare one Consolidated Housing and Community Development Plan that is submitted to HUD each year. MSHA staff and DECD staff jointly tour the state and hold public hearings to gather input on what issues are important in the community and what elements should be included in the Consolidated Plan. This close coordination with DECD has led to instances where Community Development Block Grant and MSHA funds have been combined to assist housing communities develop or redevelop certain neighborhoods.

Most all of the Maine State Housing Authority's housing programs, which collectively serve over 100,000 households each year, target low-income households. Maine State Housing Authority customers include elderly persons, disabled persons, persons with mental illness or mental retardation, persons with substance abuse problems, victims of domestic violence, and foster children, among others. Because these target groups are so significantly served by other state departments, MSHA has enhanced and expanded its efforts to coordinate with the other state departments over the past five years.

CONSTITUENTS SERVED BY MAINE STATE HOUSING AUTHORITY

In 1995 MSHA formally identified 5 major constituent groups served by its programs. MSHA's needs assessment, resource allocation process, and goal setting process focuses on serving these 5 population groups. Performance is measured in terms of meeting the needs of the people we serve.

The constituent groups are:

- First time homebuyers;
- Owners of sub-standard homes;
- Renters needing assistance;
- People with special needs; and
- People who are homeless.

First time homebuyers

Maine enjoys one of the highest homeownership rates in the nation - 3 out of 4 Maine households own a home. For 3 years in a row MSHA helped more than 2,000 families annually buy their first home. However, there remain an estimated 70,000 lower income households in the state who could become homeowners, with some assistance. MSHA's First-Time Homebuyer program, along with Down Home, Purchase Plus Improvement, New Neighbors, and Closing Cost Assistance programs assist this constituent group.

Owners of sub-standard homes

Maine ranks 7th in the nation in terms of having the oldest housing stock and 37th in terms of per capita incomes. Consequently, many low-income families own old homes in need of repair, but lack the income to afford improvements using conventional loan sources. It is estimated that over 20,000 households have difficulty maintaining their homes due to limited income and substandard conditions. Nearly 1,000 Maine families benefit from the FIX ME program each year. An additional 1,600 homes per year are made energy efficient with Weatherization grants.

Renters needing assistance

There are an estimated 25,000 households who are not receiving any state or federal rental subsidy and are paying more than they can afford for rent. In addition, just under 4,000 units subsidized by HUD are at risk of being converted to market based apartments before 2005. Last year MSHA's multifamily programs created almost 400 new units while the Preservation program preserved 250 HUD units. MSHA also provides about 3,200 federal rental vouchers or certificates to very low-income families throughout Maine.

People with special needs

When a person has a special need, such as mental illness or mental retardation, we must look beyond nursing homes, hospitals, and institutions for appropriate housing options. MSHA's Supportive Housing Program is designed to provide housing linked with appropriate services. There are an estimated 4,000 persons with mental disabilities needing housing, 27,000 persons with physical disabilities needing housing assistance or modifications, and 1,200 children with special needs needing housing. Last year MSHA created almost 200 units of special needs housing.

People who are homeless

There are an estimated 1,100 people who are homeless on any given night in Maine. About 450 stay in Maine shelters. The rest are living in vacant buildings, in cars, in tents, and on the streets. As many as 55% of Maine's homeless suffer from disabilities. Last year MSHA provided more than \$2 million in annual funding to emergency shelters to help pay for operating costs and staff. Recently MSHA focused efforts on developing long term solutions to the plight of homeless people by securing funding for transitional housing and rental housing with services for homeless people.

SUMMARY OF USE OF ALTERNATIVE DELIVERY SYSTEMS INCLUDING PRIVATIZATION

The Maine State Housing Authority has developed an effective Strategic Plan that clearly identifies the roles of many stakeholders involved in housing. In short, the Maine State Housing Authority has identified the two groups with whom we work.

The first is a group that we refer to as partners. Generally the Maine State Housing Authority does not provide direct client services or direct assistance to Maine citizens. Instead MSHA relies on a large network of intermediaries to provide services to needy Maine citizens. These partner entities receive funds and contracts from MSHA and in turn serve customers.

Customers are the other major group identified in our Strategic Plan. Customers are the end users. A customer is a person who may be homeless or in need of an apartment, a family who wants to buy their first home or a person who owns a home that needs to be repaired. A customer has a housing problem. While we do not serve our customers directly, we do solicit input, feedback, and comments from them to ensure that our programs effectively meet their needs. We employ a variety of delivery systems that involve many different partner groups. In our efforts to help first-time homebuyers we work most closely with lending institutions and real estate professionals. We enter into contracts with the lending institutions that originate our loans on behalf of lower-income first-time homebuyers. MSHA works closely with real estate professionals to ensure that they refer the homebuyers to lending institutions that have our first-time homebuyer product available. These lending institutions include banks and private mortgage originators.

In MSHA's efforts to serve homeless persons, we employ the existing network of homeless shelters. These 37 shelters provide a bed, roof, and warm meal to our state's neediest and most vulnerable citizens. Each of these shelters is different. However, collectively they provide a system of emergency shelters. Some shelters only serve youth, some only serve persons with mental illness, some only serve victims of domestic violence, some only serve persons with substance abuse problems, and some serve the general public. Some serve homeless persons for very short stays while others serve them for longer stays. These 37 shelters are located around the state and provide an effective delivery system to reach Maine's homeless population.

The primary partners that deliver MSHA's programs to owners of sub-standard single-family homes are the state's 11 Community Action Agencies. These agencies have been providing weatherization, fuel assistance, and various other community services to the state's low-income citizens for many years. We discovered that with their excellent knowledge of low-income persons, their ability to reach low-income persons, and their ability to employ housing contractors and oversee construction work, they are the best entities to deliver the FIX ME Program. These Community Action Agencies are all licensed lending institutions and use our resources to provide loans or grants or assistance to improve low-income homeowners' homes.

Our delivery system to help persons with special needs is quite complex. Persons with special needs are those households that need a service in addition to housing. For instance, some frail elderly persons need to have on-site services provided in addition to the housing. Some persons with mental illness and substance abuse problems need to have mental health services or support on site to enable them to successfully live in the housing provided. The primary deliverers of MSHA's special needs efforts are non-profit housing developers. In some cases these developers have a mission that is limited to developing housing and in some cases they are multi-purpose agencies such as regional mental health agencies that provide both housing and services. The Department of Mental Health and the Department of Human Services both employ hundreds of non-profit service providers. Many of these providers develop housing using MSHA's resources. MSHA has provided financing to develop housing for persons with special needs with entities that include the Area Agencies on Aging, Community Action Agencies, Mental Health Agencies, various youth agencies, as well as local public housing authorities.

The last and most complex delivery system employed by MSHA is the system by which apartments and rental assistance are made available to the state's low-income renters. This system is very complex because HUD, in many cases, goes directly to large private developers and provides financing to these developers that in turn set aside low-income units for needy citizens. HUD has worked with hundreds of private developers across the State of Maine over the years, some of whom have left the program or transferred their ownership to other entities. HUD has then asked the Maine State Housing Authority to assume various oversight responsibilities or payment responsibilities with this variety of housing developers, primarily developers who have used the federal government's Section 8 Program. Another way of providing rental assistance is to give vouchers or certificates to low-income persons who in turn go to the housing market to find a unit of their choice. HUD has asked MSHA to deliver this Section 8 Housing Voucher Program to those areas of the state that do not have a local housing authority. So while HUD directly contracts with 17 municipal public housing authorities, they have also contracted with the Maine State Housing Authority to serve the balance of state area. MSHA contracts out the delivery of the Section 8 Voucher Program to a variety of non-profit and for profit entities. MSHA puts this program out to bid and contracts with the entities that are most efficient and effective in delivering the rental voucher program.

IDENTIFICATION OF EMERGING ISSUES

The following list explores some of the emerging issues facing MSHA and facing our programs. They are listed in general order of importance, and you will see that we do not have the answers to everything.

The Housing and Service Needs of the Elderly

As the Baby Boom generation continues to age, we can foresee some of the housing needs of the future. Many continuing care communities are being developed to serve the upper end of the market. Often these provide a campus that offers a continuum of care in different sections to address the different needs people will have as they age. For the low and moderate income, MSHA has worked with the Department of Human Services to create assisted living projects. These require funding for services from DHS and a commitment of Low Income Housing Tax Credits from MSHA. So far, we have funded 14 projects (579 units). Assisted living is expensive. DHS spends approximately \$10,000 per year per person living in our assisted living developments.

Assisted Living will be a major burden for the middle class as they age. It is possible that the middle class will deplete their savings paying for assisted living and then turn to the state for assistance. Most elderly would prefer to age in place and preferably that place is their own home. MSHA ran a pilot program called "Keeping Seniors Home" that provided grants of up to \$10,000 to make changes to homes that would allow the elderly to stay. Eventually they will likely need to move into a nursing home, but the cost has been postponed.

Seniors living in apartments also would like to age in place. Is it practical to add services at a development as they are needed? Will it be less expensive to cluster the elderly according to the level of assistance they need? If so, should we try to create the type of campus continuum for low and moderate income seniors as the private market is creating for the wealthy? Efforts to create residential care homes based loosely on the Oregon model have had limited success.

The Use of Bond Cap for Education vs. Housing

The increasing competition for the use of private activity bonds is a major problem for MSHA. The focus during the past Legislative session was on the delivery of funds for education. An additional \$10,000,000 was set aside for use by the private banks. Regardless of the merits of that decision, that was \$10,000,000 that in all likelihood would have been used for housing. MSHA is now forced to mix tax-exempt bonds with taxable bonds, which reduces their effectiveness. We believe that housing is an appropriate use for these bonds and should be the Committee's first preference.

Assuming that each issuer is using their allotment wisely, a debate among the issuers over who is most deserving can quickly become a circular argument because each cause is worthy. You need decent housing to provide a stable and educated workforce, you need advanced education to get a good job, you need good jobs to afford housing and education, and you need civic infrastructure to support good jobs. There are five reasons why allocating private activity bonds to housing provides the most effective and efficient use of this very limited resource:

- 1) Housing Bonds Only Serve Those With Low and Moderate Incomes
- 2) Homeownership Promotes Stronger Communities
- 3) Housing Bonds Have A Major Economic Impact

- 4) There Are No Alternatives To The Use Of Bonds For Housing
- 5) There Is A Large Unmet Need For Housing Assistance

Homeless Shelters and the Mentally Ill

Approximately one-half of the people using homeless shelters are mentally ill, suffer from drug or alcohol addiction, or both. Some are people who have never been served by the mental health system, some are people who have been de-institutionalized, and some have been in and out of the mental health system. More and more the homeless shelters are becoming a delivery vehicle for mental health services.

Recent law changes have required the shelters and the Department of Mental Health, Mental Retardation, and Substance Abuse Services to coordinate their services because the existing systems are not as successful as they could be. As shelters seek to assist this half of their population and as DMHMRSAS tries to take its services to the people who need them, the shelters of the future may become much more sophisticated and clinical than they used to be.

Smart Growth/Sprawl

Do MSHA's programs contribute to sprawl? Is Smart Growth compatible with serving the poor? If the Legislature limits the areas where we can offer loans for new housing, will we foster the segregation of the rich and the poor? A small portion of MSHA's first time homebuyer loans each year go for homes that are newly constructed (98 out of 2,018). The State Planning Office estimates that about half of them are in areas where their construction contributes to sprawl. We also purchased 183 loans for mobile homes. 34 of them were newly constructed. They are often located in areas where their siting contributes to sprawl.

LD 1080, An Act to Direct State Capital Investments to Locally Designated Growth Areas, would limit MSHA's financing of single or multi-family projects to areas that are locally designated growth areas pursuant to Maine's growth management program or areas that are served by a public sewer system. The SPO has offered an amendment to expand the areas where construction would be allowed.

We are sensitive to the concerns about sprawl and at the same time are worried about the impact Smart Growth solutions may have on the affordability of housing for the people we serve. We are also mindful that it is important to lead by example; any changes we might make in our own office location must not only meet the best interests of those we serve but consider the concerns about sprawl and service center communities.

Southern Maine Housing Crisis

The housing market in southern Maine, especially in the Greater Portland area, is extremely tight. This is improving the condition of the stock and increasing the rents beyond the reach of our poorest citizens. Economic cycles occur and MSHA does not expect to change that. During real estate boom times the real estate transfer tax provides increased revenues to the HOME Fund which helps us off set some of the impacts of the boom. One side effect of increasing rents is to force renters to consider homeownership. As the price of an apartment gets closer to the price of an inexpensive home, the more likely someone is to consider making that change.

Notwithstanding the silver lining, many poor people are finding it more and more difficult to afford to live in southern Maine. Some people will come to southern Maine for the jobs only to find that they can't afford to live there. We expect to see an increase in demand for all of our resources in southern Maine as this economic cycle plays out.

Preservation and HUD

HUD provides two basic types of Section 8 rental assistance: project based and tenant based. In the former, the HUD assistance is tied to the project; in the latter, it is tied to the tenant. Those developments with project based assistance have 15 to 20 year contracts with HUD. Most of those contracts are expiring now or will over the next fifteen years. At that time, the owners will have the opportunity to withdraw from the program or to continue with year to year contracts.

Maine has a total of 168 MSHA financed, Section 8 projects (5,262 units) that could convert to regular market rentals. We believe that some are more likely to convert than others. Some, for example, may be able to get higher rents than HUD is willing to pay. Others cannot and like the steady, reliable income that Section 8 assistance provides. We have developed a program to encourage those most at risk of converting to remain with the program. We are offering the owners the opportunity to withdraw most of the equity they have built up and to refinance the project in return for a minimum of an additional 30-year affordability commitment. To date, we have preserved 17 projects with 336 units.

Alternative Building Structures

There are many new building materials and methods being developed to conserve energy and reduce costs. These include stressed skin insulating core panels and roofs, one piece insulated structural panels, and foam core panels. Some of these materials and methods seem promising. Many of them face a challenge in gaining market acceptance. Is there an appropriate role for MSHA in promoting these new materials and methods?

Role of the Internet

MSHA currently uses a web site to offer our services and to recruit employees. Are there more ways to use this tool? The Internet is bringing changes to the way everyone operates and the mortgage and real estate industries are no exception. We need to stay on top of the changes in technology and the ways it is used, especially in banking and real estate.

The Balkanization of the HOME Fund

This past session the Appropriations Committee specifically instructed the housing authority to spend part of the HOME Fund allocation on homeless shelters. The cornerstone of the HOME Fund has been its flexibility. Each year we review the resources we have available and the needs we see across the state and then allocate our funds in the most efficient manner. For a number of years now we have been providing additional funding to the homeless shelters above and beyond the state's General Fund appropriation. But we have never before been instructed in the budget to use a portion of the funds for a specific purpose. Ironically, MSHA fought for the increased funding for the shelters along with the other shelter supporters. We also saw this with the General Fund

appropriation to the homeless shelters: a portion of the funds were set aside to serve one specific group of homeless person.

We hope that these were one-time events that will not be repeated but given the nature of the Legislative process and the budget process, we are not sanguine.

The Future Look of Maine's Housing Stock

What will Maine's housing stock will look like in the future? Part of that will depend upon the demands of the aging Baby Boom population. Another part of the answer will depend upon the demand of the pending Millennium population, comprised of not only the Echo generation (children of Boomers) but of minorities and immigrants who are showing an increased interest in homeownership.

Maine's coast is becoming an increasingly popular retirement destination. On the other hand, our children continue to leave the northern and inland counties for work in southern Maine. Finally, there is the age of Maine's housing stock. While MSHA prefers to rehabilitate existing stock, some of it is beyond repair. And not all of it is where it is needed. For instance, Lewiston's mayor has a vision of replacing many of the empty triple deckers downtown with single-family homes while Portland is planning to issue an RFP for new apartments.

Contract Administration for HUD

There are 98 housing projects (3,000 units) in Maine with which HUD has mortgages and provides rental assistance. HUD has not been able to manage these as successfully as they might wish. They are in the process of transferring the administration of those contracts to entities like MSHA or private companies. MSHA has responded to HUD's Request for Proposals and sought qualifications from private firms who could help us do the job.

We are confident in our ability to do a better job than HUD has done. However, a lot of these HUD projects are tired and many will need capital improvements. These are not projects for which we hold mortgages, although our oversight would be more noticeable than HUD's. Finally, HUD can be difficult to work with. On the other hand, it is an opportunity to improve the quality of our housing stock and to serve the people we are in business to help. We have decided to explore this possibility. If our proposal is accepted, we expect to face a final decision this fall or early next year.

Rural Access to the First Time Homebuyer Program

Currently MSHA delivers its first time homebuyer program through 42 banks and mortgage lenders spread across the state. Some of the smaller banks only make a few MSHA loans per year. MSHA needs to maintain the right balance between the requirements we set for a lender to participate and our desire to have the program widely available, especially in rural areas.

Quantity and Balance of Affordable Rental Housing

How much subsidized housing is enough? There needs to be a balance to ensure viable and vital communities. This is a particular concern for service center communities, which have a higher proportion of subsidized housing. A related issue is the impact of economic cycles. When the

economy does well, rents increase, housing stock is improved, and the availability of affordable apartments drops. In a poor economy there are far more affordable housing units available and their condition deteriorates.

Another paradox of a good economy is that it often seems to create many jobs with salaries that are not high enough to afford local housing prices. This can force people to move out of town, contributing to sprawl, and can reduce the available work force.

A DAY

This report highlights snapshots

IN THE

of the people and places that



LIFE OF

MSHA touches in one day.

MSHA

Maine State Housing Authority 1998 Annual Report

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.

Photographers

Governor Angus King

Bob Chadwick

Senator Phil Harriman

Bill Simpson

Ed Marsh and Susan Hurst,
Maine State Housing Authority

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Rick Churchill,
Coastal Economic Development Corp.

Dennis Lajoie,
Community Concepts, Inc.

Nancie White, *The Housing Foundation*

Joy Mase, *Skowhegan Savings Bank*

Cindy Bunis,
Mid Maine Homeless Shelter

Introduction

EVERY day in Maine, someone's housing situation improves. They buy their first home, improve their old home, or find an affordable rental more appropriate for them. Also every day, someone slips from having housing that is barely adequate or appropriate to having inadequate housing, or worse yet, no housing at all. Across the state, the Maine State Housing Authority (MSHA) works with a network of partners to try to ensure safe, decent, affordable housing for everyone in Maine.

It is a tall order for a state as economically and geographically diverse as Maine. From the troubled homeless people in Maine's largest cities to the rural poor living in substandard trailers, the housing needs of Maine people are many and varied. MSHA strives to develop programs that effectively address these varied challenges.

By looking closely at the work that happened on one day last year, this report outlines the ways in which MSHA worked to meet the very distinct needs of five groups of Maine residents: first-time homebuyers; owners of sub-standard homes; renters needing assistance; people with special needs; and people who are homeless.

Good housing is absolutely fundamental to health and well-being. In 1998 MSHA helped more than 60,000 Maine families gain better housing. In 1999, we will continue to improve our programs, helping move Maine's most needy individuals and families into homes that feel safe and affordable.



**Wanting a snapshot of
the many ways MSHA
helps to improve the
lives of Maine people
in one day, we sent
disposable cameras to
people across the state.
All of the photos were
taken on a single,
typical day —
September 25, 1998.**

Message to the people of Maine

THE Maine State Housing Authority will touch the lives of hundreds of Maine residents today. During the course of a year, more than 125,000 Maine people — about 10% of our population — will benefit directly from one of MSHA's programs.

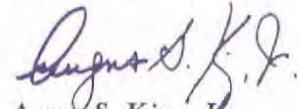
Often the benefit is dramatic. It may be a low-interest rate mortgage enabling a working family to buy their first home. It could be a low cost loan helping a low-income family repair their home. It could be rental assistance, or money to help pay for heating costs. It could be helping to find a home with services, enabling a friend or relative with mental illness to secure a decent, affordable apartment. It could be providing shelter to someone who is homeless, or a safe haven for a victim of domestic abuse.

In 1998 MSHA helped more than 60,000 Maine families. This annual report focuses on just one day during the year. It documents just some of the housing activity around the state on September 25, 1998. While it is, by no means, inclusive of all housing activity in the state, or even all the activity at MSHA, it gives a snapshot of Maine housing from several different perspectives.

In reading this report it is easy to be sidetracked by the numbers, which are impressive. You will see statistics about the number of people helped, the dollars spent and leveraged, the types of housing needs addressed, and the housing need in Maine. The audited financial statement underscores the agency's remarkable financial strength.

Try to look beyond the numbers, to the people themselves, for they are what matter — not the statistics. Behind the solid, well-run agency are people from around the state helping thousands of others in Maine find safe, decent and affordable housing.

For MSHA, it is a typical day. For many of those helped, it will be one of the most important days of their lives.



Angus S. King, Jr.

Governor of the State of Maine



THIS past year was one of the Maine State Housing Authority's most effective ever. MSHA programs won national recognition. We met or exceeded most of the housing goals we established at the start of the year. We improved the lives of more than 60,000 Maine families. Financially, the highlights include obtaining the lowest interest rate ever for Maine people purchasing their first homes, and selling \$200 million in bonds for affordable housing.

Looking at the year in review is always gratifying. But the most important work at MSHA is done day-to-day. Sometimes, amidst piles of paperwork and sawdust, it is easy to forget the importance of a single closing on a home, a long awaited renovation, one more night off the streets, or the added warmth of new insulation in an older person's home. The most critical housing situations pose daily risks, and MSHA has worked hard, on a daily basis, to bring people into homes that are safer, more comfortable and more appropriate.

Our 1998 Annual Report highlights the work MSHA did on just one day in 1998. It shows the hard work done by MSHA staff and our partners to help people in five distinct areas of need: first-time homebuyers; owners of sub-standard homes; renters needing assistance; people with special needs; and people who are homeless.

Although it is a snapshot, the report reflects the way MSHA helps Maine people move along the continuum of housing (one step at a time, generally) until they are in

housing that satisfies their unique needs.

For many, the ultimate goal means owning their own home. But for others, moving up the continuum may mean finding affordable home repair loans to repair a house they already own, or finding a decent apartment in which they can live without spending most of their income on rent. It may mean finding housing that is linked with services they need, whether that need is for mental health services or homemaker services. It may even mean finding emergency shelter to prevent living on the streets.

As you'll see from these pages, MSHA doesn't work alone. We have a lot of help in bringing more than \$250 million in housing assistance to the people of Maine annually. Our partners include the Maine Legislature and our representatives in Washington, lenders, real estate professionals, non-profit organizations, private developers, apartment housing owners and managers, other state and local government agencies, federal agencies, and many more. All of these partners make it possible for us to serve those who need our help in order to secure decent, affordable housing.

A special thanks this year to our volunteer photographers around the state, including you, Governor King, for taking time out from busy schedules to capture a moment in housing time.



David Lakari
Director and Chairman,
Maine State Housing Authority



First-Time Homebuyers

FOR the third year in a row, MSHA helped more than 2,000 Maine families in 1998 achieve their dream of homeownership. It did so by providing home mortgage loans at interest rates below 6% (some of its lowest rates ever), and by offering program options that enabled working families to buy their first homes without large out-of-pocket expenses for downpayment and closing costs.

In 1998 MSHA made 2,018 loans totalling \$137,000,000 to first-time homebuyers — at interest rates as low as 5.75%. Programs such as Down Home, targeted to buyers with incomes at or below 90% of the median income, allowed working families to become homeowners with as little as \$750 in out-of-pocket expenses for their downpayment and closing costs.

Several other options made MSHA's program one of the most popular financing tools in the state. Purchase Plus Improvement enables buyers to borrow an additional amount, up to \$15,000, as part of the mortgage for home repairs. An urban homestead program, New Neighbors, proved very popular in Portland, Maine's largest city. It enabled buyers to borrow up to 100% of the home cost for 2-4 unit homes located in inner-city neighborhoods. MSHA made 72 New Neighbor loans in 1998, helping families achieve homeownership and revitalizing urban neighborhoods.

MSHA's First-Time Homebuyer program finances about one in every six home sales in the state, and helped Maine achieve the highest rate of homeownership in the country (1997). Much of the program's success is due to the network of lenders and real estate professionals who work with MSHA in bringing the program to Maine people. During 1998, more than 40 lenders participated in the program. Additionally, more than 1,000 real estate professionals have taken specific courses in MSHA program financing and are designated MSHA*first!* agents.

The program's success notwithstanding, there remain an estimated 70,000 lower income households in the state who could become homeowners, with some assistance. MSHA's goal for 1999 is to help another 2,000 achieve their dream.

MSHA's First-Time

Homebuyer program

6 finances about one in

every six home sales

in the state.

A D A

ROLLERSON REALTY AND CENTRAL MAINE TITLE CO. CLOSE ON A HOME WITH FIRST-TIME HOMEBUYERS



HAPPY NEW HOMEOWNERS CLOSE THE DEAL

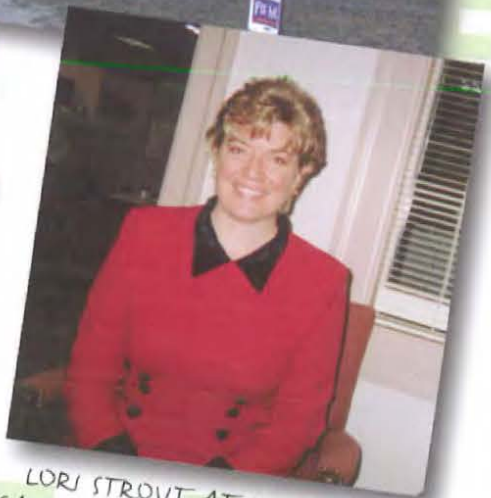
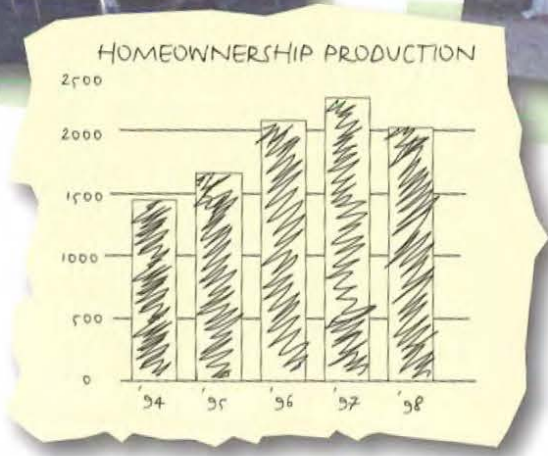
HOUSE BUILT BY WHCA HOUSING DEPARTMENT IN MACHIAS, PURCHASED THROUGH FIRST-TIME HOMEBUYER



BUILT BY WHCA CAP FOR FIRST-TIME HOMEBUYER IN MACHIAS



ANN BEVER AT CHR REALTY IN BATH



LORI STROUT AT SKOWHEGAN SAVINGS BANK, ONE OF MSHA'S PARTICIPATING LENDERS

M S H A

In September, MSHA made 236 First-Time Homebuyer loans.

Owners of Sub-Standard Homes

EVERY year the prestigious Innovations in American Government program, sponsored by the Ford Foundation and Harvard University's John F. Kennedy School of Government, selects the top government programs in the country from among hundreds of entries. In 1998, MSHA's FIX ME program was selected from among 1,500 initial entries as one of 25 finalists for this award.

FIX ME responds to a significant housing need in Maine. It helps low-income homeowners afford desperately needed home repairs. While Maine enjoys one of the highest homeownership rates in the nation, it also has one of the oldest housing stocks — and among the lowest per capita income. Consequently, many low-income families own old homes in need of repair, but lack the income to afford improvements using conventional loan sources.

FIX ME is the first effective government home repair program offered in Maine. Operating through the network of regional Community Action Agencies in the state, the program provides loans of up to \$15,000 at interest rates of 1% or 4% for basic home repairs.

Nearly 1,000 Maine families are benefiting from the program every year. In 1998 MSHA's FIX ME program provided \$8 million in loans to help 893 families. MSHA provides other assistance to low-income homeowners as well. During 1998 it provided \$1.7 million in Weatherization grants to help make 1,600 homes more energy efficient, thus reducing the owners' monthly utility bills. Weatherization grants can sometimes be linked with FIX ME loans so that more extensive repairs can be made to the home.

MSHA also distributes money to help pay heating bills for many low-income homeowners, and a small number of renters, through the federal low-income heating assistance program (LIHEAP). During the winter of '97-'98 MSHA distributed \$13.1 million to aid about 36,000 low-income households.

With one of the highest

homeownership rates

8 in the country, Maine

also has one of the

oldest housing stocks.

STEPHEN MOEDERS,
DIRECTOR OF
HOUSING SERVICES
AT PENQUIS CAP
IN BANGOR



ON THE JOB AT AN ARDOSTOOK
COUNTY WEATHERIZATION PROPERTY



FIX ME LOAN WILL MAKE A
NEW KITCHEN AND BATH
POSSIBLE IN BANGOR



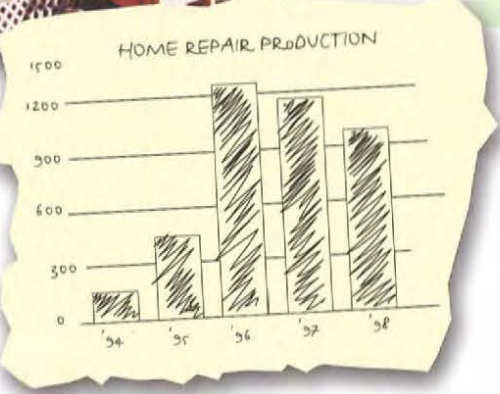
A MSHA FIX ME LOAN
PROVIDES FUNDS NEEDED
TO REPAIR THE PORCH
ON THIS BANGOR HOME



CONSTRUCTION WORKERS ON
A FIX ME JOB IN BANGOR



9



TWO FIX ME
PROPERTIES IN
ARDOSTOOK
COUNTY

MSHA

In September, FIX ME loans financed the repair of 131 Maine homes.

Renters Needing Assistance

EVERY year the National Council of State Housing Agencies (NCSHA) holds a national competition to select the best housing programs in the country. In 1998, NCSHA selected MSHA's New Lease program as the nation's most outstanding program for developing affordable rental housing.

New Lease provides developers with 4% interest rate loans to purchase and rehab rental properties with less than 20 units. To qualify for the low interest rate, developers must reserve most of the apartments for low and very low-income tenants. During 1998, entrepreneurs used New Lease to purchase and rehab 11 properties with 132 units, using \$2.8 million in MSHA loan funds.

New Lease is only one program to encourage development of new low-income rental housing. MSHA also provides the Rental Loan Program (RLP) to stimulate development of affordable rental units. RLP is used for larger properties, 20 or more units, and is similar to New Lease.

The RLP offers below market rate housing loans, and it requires developers to reserve a percentage of the apartments for low-income tenants. In 1998 MSHA loaned \$7.2 million through RLP to finance development of 259 units.

MSHA also distributes the federal housing tax credits in Maine, which developers use to raise equity for affordable rental housing. The tax credits often are combined with RLP loans to provide a deeper subsidy and lower rents for low-income tenants. In 1998 MSHA distributed \$14 million in housing tax credits.

Financing development of additional low-income units is only half of MSHA's job in the rental housing area. MSHA also helps manage and maintain the affordable rental housing it already has financed through RLP, New Lease, and the many federal programs that MSHA used to create affordable housing in the 1970s and 1980s.

Overall, MSHA oversees 341 properties with 9,860 units. In order to maintain the low-income benefits on federally subsidized units where the subsidy is expiring, MSHA is refinancing and restructuring some loans. During 1998 MSHA used this Preservation program to refinance the debt on 11 properties with 246 low-income units, extending the low-income benefit in each by at least 15 years.

In addition to the properties, MSHA provides about 3,200 federal rental housing vouchers or certificates to very low-income families throughout Maine. MSHA recently secured an additional 100 units of rental assistance to help keep families together, and another 200 units for persons with mental illness.

In 1998, NCSHA

selected MSHA's New

Lease program as the

10 nation's most out-

standing program for

developing affordable

rental housing.

REP. TOM BULL AND BETH EDMUNDS WITH SENATOR PHIL HARRIMAN AT THE KAPLAN HOUSE IN FREEPORT



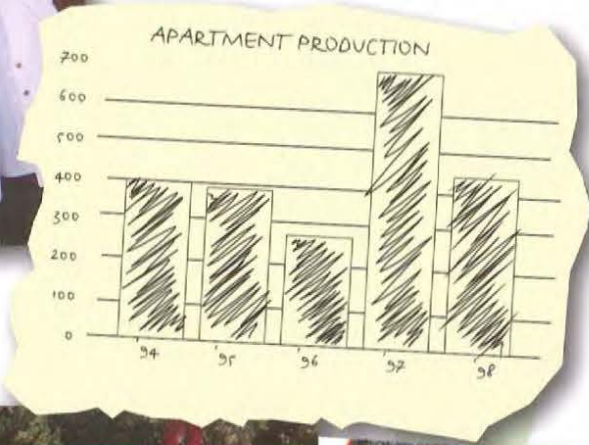
STEEPLE SQUARE APARTMENTS IN WESTBROOK. A COMPLETE "GUT-REHAB" OF 73 UNITS



ST. ANDRES, HOUSING FOR SENIOR CITIZENS, IN BIDDEFORD



VOLUNTEERS, JANE LVIN, VIRGINIA DAVIS, RUTH COTE, AND GRACE JAKACKY AT THE PARKER DINING ROOM IN ORONO



MARY DYER ENJOYS HER YARD AT HASBROUCK COURT



ONE OF FOUR FOUNDATIONS FOR A 12 UNIT RENTAL PROPERTY IN SOUTH PARIS



NANCY BABCOCK AND DIANE DYMENT AT THE HOUSING FOUNDATION IN ORONO

On September 25th, 30,000 people lived in MSHA-assisted rental housing.

People With Special Needs

MSHA developed pilot programs to create more housing for 12 senior citizens, one of the fastest growing segments of the Maine population.

WHEN a person has a special need, such as mental illness or mental retardation, we must look beyond nursing homes, hospitals and institutions for appropriate housing options. As a society, our goal is to help people with special needs live a life as independent and enjoyable as possible. MSHA helps fulfill this goal, and its own mission of satisfying unique housing needs, through a series of programs designed to provide housing linked with appropriate services.

Much of this housing is financed under MSHA's Supportive Housing Program, which provides grants and below market rate loans for the development of special needs housing. The depth of the subsidy depends on the type of housing being financed.

MSHA has been a leader in bringing affordable housing to those with special needs. It helped persuade voters to approve two separate bond issues to subsidize housing for persons with mental illness, most recently in 1995. In 1998 MSHA used some of this money, in combination with its own bonds, to finance affordable housing for mental health consumers.

MSHA also developed pilot programs to create more housing for senior citizens, one of the fastest growing segments of the Maine population. Its Keeping Seniors Home demonstration program provided grants to repair the homes of senior residents — repairs that allowed the seniors to remain living in their home.

In 1998 MSHA financed a total of 183 units of special needs housing with nearly \$4 million in loans. In addition to financing special needs housing, MSHA secured long-term federal rental assistance in 1998 for people with mental illness, enabling them to obtain a decent apartment at a cost they can afford.

DAY



DONNA BAKER OF MSHA'S MANAGEMENT DIVISION



HENRY BICKFORD AND RANDY POULTON, OF THE MSHA STAFF, REVIEW HOUSING PLANS



MSHA'S ED MARSH REVIEWS PLANS FOR A SPECIAL NEEDS PROJECT WITH DICK CURTIS AND BEN WALTER OF CURTIS WALTER STEWART ARCHITECTS



124 HOWE STREET, LEWISTON, A SPECIAL NEEDS FACILITY



INTERIOR OF HOWE STREET PROPERTY IN LEWISTON

MSHA

On September 25th, MSHA supported special needs housing for 1750 people.

People Who Are Homeless

JUST how fragile the situation is for Maine's homeless people was demonstrated in late December, 1998, when the federal Department of Housing and Urban Development unexpectedly denied more than \$3 million in new funding for various housing programs helping homeless people in the state.

The loss of the money, representing a large part of the federal funding for the homeless in Maine, focused considerable public attention and concern on the plight of homeless Maine people. While HUD eventually restored much of the money, the situation demonstrated just how fine the line homeless people walk between shelter and living on the streets.

MSHA has led the effort to provide suitable housing for homeless persons in Maine. It helped finance many of the state's network of emergency shelters in the late 1980s, when homelessness first came to public attention. It has conducted or led several studies of Maine's homeless citizens, and conducts annual surveys of Maine's homeless population.

In 1998 MSHA provided more than \$2 million in annual funding to emergency shelters through state and federal programs. A 1998 study that recommended additional funding for emergency shelters convinced the Maine Legislature to more than double the state SOS funding amount, from \$500,000 to \$1,100,000.

The funds are used primarily to maintain existing emergency shelters by helping pay for operating costs and staff.

More recently MSHA focused efforts on developing long term solutions to the plight of homeless people. This includes securing funding for such things as transitional housing and rental housing with services. Such housing provides stability to the formerly homeless family or individual and enables them to secure services, such as job training or education, that will help them move up the housing continuum. In 1998, for example, MSHA secured funds to provide 200 units of rental assistance specifically for persons with mental illness.

Overall in 1998 MSHA distributed about \$1.9 million in funds to homeless shelters, as well as \$250,000 in emergency funds to prevent homelessness, and used state and federal funds for transitional or other long term housing for homeless individuals or families. It also led and staffed a task force study of youth homelessness in Maine. That report will be presented to the Maine Legislature in 1999 with recommendations on ways Maine can better serve the homeless youth in the state.

In 1998 MSHA

provided more than

\$2 million in annual

funding to emergency

shelters through state

and federal programs.

A DAY



TODD, A VOLUNTEER AT MID-MAINE HOMELESS SHELTER



KYLE, A VALUABLE PINT SIZE VOLUNTEER

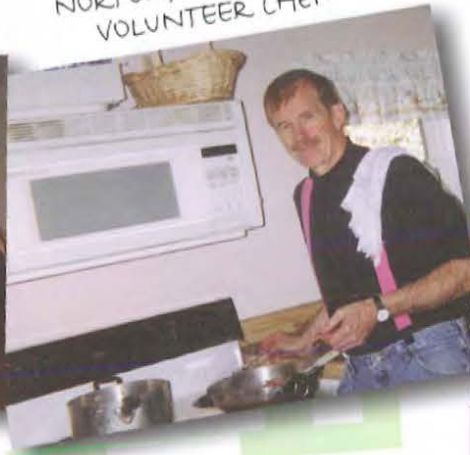


CRAIG, MANAGER AT THE MID-MAINE SHELTER

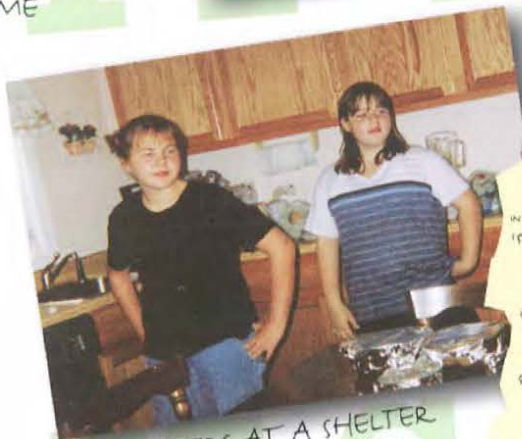
NORTON, A LONG TIME VOLUNTEER CHEF



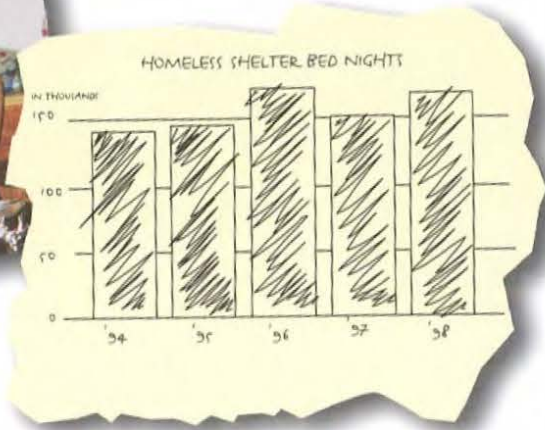
A GUEST AT A SHELTER ENJOYS A CARD GAME



JIM, A DEDICATED SHELTER VOLUNTEER, BEST KNOWN FOR MAKING GUESTS FEEL COMFORTABLE



TEENAGERS AT A SHELTER SURVEY THE KITCHEN



On any given day, there are 500 homeless people in Maine.

1998 MSHA Commissioners

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.

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. A carpenter and contractor for 24 years, Dale was the first woman in the country to complete a carpentry apprenticeship with the carpenter's union.

DENNIS P KING is President and CEO of Spring Harbor Hospital, formerly known as Jackson Brook Institute. Spring Harbor is a subsidiary of Maine Medical Center. Prior to that, he was President of Acadia Hospital, and Eastern Maine Healthcare in Bangor. 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 FLOURDE 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. (Term ended February 1999)

WILLIAM RANDALL is President and CEO of Skowhegan Savings Bank. Prior to becoming President, he held several other positions at the bank, including Senior Vice-President and Treasurer. He is a graduate of the University of Maine and has completed a program at the Graduate School of Banking.

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. Nathan is a graduate of the University of North Carolina at Chapel Hill and the Washington and Lee University School of Law.

DEVELOPMENT

Henry Bickford
Gloria Campbellton
Michael DeVos
Carol Dudley
John Gallagher
Bill Glover
Valerie Iverson
Kim Leupold
Edward Marsh
Rosemary Moeykens
Bill Olsen
Randy Poulton
Linda Shapleigh
Susan Spinell

HOMEOWNERSHIP

Georgia Baillargeon
Pam Belanger
Cyndy Clark
Cilla Glover
Joe Hood
Debbie King-Johnson
Lisa Lavigne
Lisa Levesque
Laurie Murray
Tina Partidge

ENERGY & HOUSING SERVICES

JoAnn Choate
Warren Cunningham
Stephanie Flanary
Tony Gill
John Guimond
Betsy Mansir
Lori McPherson
David Ranslow
Peter Wintle

FINANCE

Pat Berube
Wendy Bonsant
Darren Brown
Tom Cary
Ann Crocker
Paula Ecker
Donna Ferenc
Kim Hall
Rita Jones

Kathy Kozma
Al Laiho
Joel LeVasseur
Bob McAtee
Mike Osborne
Cheryl Parkman
Barbara Stanley
Brenda Verrill
Mary Wade

MANAGEMENT

Joyce Achramowicz
Donna Baker
Margaret Bean
Jennifer Beaulieu
Arlene Brackett
Joanna Bragdon
Maureen Brown
Judy Carroll
Bob Conroy
Diane Davala
Vicky Dute
Maria Hassen
Cynthia Namer
Denise Paradis
Linda Poland
Jane Pronovost
Linnea Rogers
Marilyn Soper
Danny Towle
Sarah Tracy

ADMINISTRATIVE

Dan Brennan
Mathew Eddy
Shirley Foster
Jo Hersom
Susan Hurst
David Lakari
Roberta Letourneau
Peter Merrill
Eloise Peaslee
Erin Rodriguez
Jody Rollins
Linda Sears
Dan Simpson
Jodie Sullivan
Dana Totman
Bea Tondreau
Paula Weber



Financial Summary

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997
(IN THOUSANDS OF DOLLARS)

BALANCE SHEET

	1998	1997
Assets:		
Cash and Investments	\$365,865	\$324,007
Mortgage and Other Notes Receivable, Net	1,155,147	1,078,447
All Other Assets	27,975	23,617
Total Assets	<u>\$1,548,987</u>	<u>\$1,426,071</u>
Liabilities and Fund Balances:		
Mortgage Bonds Payable, Net	\$1,298,493	\$1,197,338
All Other Liabilities	73,389	65,236
Total Liabilities	1,371,882	1,262,574
Fund Balances	177,105	163,497
Total Liabilities and Fund Balances	<u>\$1,548,987</u>	<u>\$1,426,071</u>

18

STATEMENT OF REVENUES AND EXPENSES

Revenues:		
Interest on Mortgages	\$80,999	\$74,955
Income from Investments	21,075	18,603
Grant and State Income	80,282	82,447
All Other Revenue	5,066	6,019
Total Revenues	187,422	182,024
Expenses:		
Operating Expenses	9,249	9,165
Interest Expense	79,842	73,801
Grant Expense	77,754	77,776
All Other Expenses	6,969	5,595
Total Expenses	173,814	166,337
Excess of Revenues over Expenses	<u>\$13,608</u>	<u>\$15,687</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.

MSHA

AUDITED

FINANCIAL

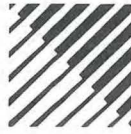
STATEMENTS

Year ended December 31, 1998

with Independent Auditors' Report of

Baker Newman & Noyes

Maine State Housing Authority 1998 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, 1998 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, 1998 and its revenues, expenses and changes in fund balances and cash flows for the year then ended in conformity with generally accepted accounting principles.

As discussed in note 13, on January 1, 1998 the Authority adopted Statement No. 31 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and changed its method of accounting for investments.

Baker Newman & Noyes

Limited Liability Company

March 5, 1999

MAINE STATE HOUSING AUTHORITY
BALANCE SHEETS
DECEMBER 31, 1998
(IN THOUSANDS OF DOLLARS)

	<u>Memorandum Only Combined Totals</u>		<u>Mortgage Purchase Fund Group</u>	<u>Mortgage Acquisition Fund Group</u>	<u>Housing Finance Revenue Fund Group</u>	<u>Bondholder Reserve Fund</u>	<u>General Fund</u>	<u>HOME Fund</u>	<u>Federal Programs Fund</u>	<u>Other Funds</u>
	<u>1997</u>	<u>1998</u>								
ASSETS:										
Cash, principally time deposits (note 2)	\$ 7,090	\$8,180	\$ 68	\$ 0	\$ 0	\$ 8	\$ 0	\$ 0	\$ 8,083	\$ 21
Investments (notes 2, 4, 6, 8, and 13)	316,917	357,685	301,813	5,724	25,472	4,853	9,593	6,198	240	3,792
Accounts receivable - Federal	1,967	1,903	0	0	0	0	0	0	1,903	0
Accrued interest and other assets	15,821	20,286	12,144	225	250	68	24	946	6,623	6
Mortgage notes receivable, net (notes 3 and 4)	1,077,696	1,154,554	1,095,531	11,653	28,982	684	0	3,350	10,173	4,181
Other notes receivable, net (note 3)	751	593	0	0	87	0	0	56	0	450
Land, equipment and improvements, net	829	737	22	0	0	0	664	0	51	0
Other real estate owned	1,849	1,859	1,790	5	0	0	0	0	64	0
Unamortized debt issuance expense	3,151	3,190	2,878	22	290	0	0	0	0	0
Total Assets	1,426,071	1,548,987	1,414,246	17,629	55,081	5,613	10,281	10,550	27,137	8,450
LIABILITIES AND FUND BALANCES:										
Accrued interest payable	9,698	10,295	9,876	61	358	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	3,939	5,687	0	0	0	0	0	0	5,687	0
Accounts payable & accrued liabilities	20,652	23,181	224	0	1,023	14	4,672	64	10,858	6,326
Deferred income	30,643	32,456	13,758	56	8,969	0	0	560	6,841	2,272
Advance annual contributions	0	1,466	0	0	0	0	0	0	1,466	0
Interfund	0	0	(1,244)	76	(355)	(35)	(460)	695	1,791	(468)
Mortgage bonds payable, net (notes 4, 9, 11, and 12)	1,197,338	1,298,493	1,251,590	5,289	41,614	0	0	0	0	0
Total Liabilities	1,262,574	1,371,882	1,274,508	5,482	51,609	(21)	4,212	1,319	26,643	8,130
Commitments (note 7)										
Fund Balances	163,497	177,105	139,738	12,147	3,472	5,634	6,069	9,231	494	320
Total Liabilities and Fund Balances	\$1,426,071	\$1,548,987	\$1,414,246	\$17,629	\$55,081	\$5,613	\$10,281	\$10,550	\$27,137	\$8,450

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, 1998
(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
	1997	1998								
REVENUES:										
Interest from mortgages and notes	\$74,955	\$80,999	\$77,184	\$1,409	\$2,071	\$304	\$0	\$22	\$0	\$9
Income from investments	18,603	21,075	17,737	672	1,555	252	427	417	0	15
Net increase (decrease) in the fair value of investments (note 13)	961	882	621	106	155	0	0	0	0	0
Fee income	3,870	3,615	34	0	0	0	112	0	3,469	0
Other revenue	1,188	569	407	15	0	3	134	0	8	2
Grant income	26,339	24,971	0	0	0	0	0	844	21,782	2,345
Income from State	3,159	3,687	0	0	0	0	0	3,687	0	0
Federal rent subsidy income	52,949	51,624	0	0	0	0	0	0	51,624	0
Total Revenues	182,024	187,422	95,983	2,202	3,781	559	673	4,970	76,883	2,371
EXPENSES:										
Operating expenses:										
Salaries and related benefits (note 5)	4,222	4,338	0	0	0	0	4,338	0	0	0
Other operating expenses	4,943	4,911	987	34	115	0	1,925	203	1,647	0
Mortgage servicing fees	2,856	3,028	2,851	51	126	0	0	0	0	0
Provision for losses on loans (note 3)	1,539	1,925	1,100	0	625	0	0	150	0	50
Losses on foreclosed real estate	688	583	580	3	0	0	0	0	0	0
Interest expense	73,801	79,842	76,621	929	2,292	0	0	0	0	0
Grant expense	24,827	26,130	0	0	0	0	92	2,816	20,879	2,343
Federal rent subsidy expense	52,949	51,624	0	0	0	0	0	0	51,624	0
Allocated operating costs	0	0	3,932	185	185	93	(5,974)	0	1,579	0
Total Expenses	165,825	172,381	86,071	1,202	3,343	93	381	3,169	75,729	2,393
Excess (deficiency) of revenues before extraordinary item	16,199	15,041	9,912	1,000	438	466	292	1,801	1,154	(22)
Extraordinary item - loss on bond redemption (note 11)	512	1,433	1,282	137	14	0	0	0	0	0
Excess (deficiency) of revenues after extraordinary item	15,687	13,608	8,630	863	424	466	292	1,801	1,154	(22)
Fund balances at beginning of year, as restated (note 13)	147,810	163,497	127,032	11,284	3,048	5,168	5,766	10,388	469	342
Transfers between funds, net (note 10)	0	0	4,076	0	0	0	11	(2,958)	(1,129)	0
Fund balances at end of year	\$163,497	\$177,105	\$139,738	\$12,147	\$3,472	\$5,634	\$6,069	\$9,231	\$494	\$320

See accompanying notes to the financial statements

MAINE STATE HOUSING AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1998
(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
	1997	1998								
CASH FLOWS FROM OPERATING ACTIVITIES:										
Excess (deficiency) of revenues	\$15,687	\$13,608	\$8,630	\$863	\$424	\$466	\$292	\$1,801	\$1,154	(\$22)
Adjustments to reconcile excess (deficiency) of revenues to net cash provided by operating activities:										
Depreciation and amortization	1,940	2,792	2,205	151	70	0	331	0	35	0
Accretion on capital appreciation bonds	1,446	1,347	1,215	0	132	0	0	0	0	0
Interest on bonds	71,245	77,266	74,238	920	2,108	0	0	0	0	0
Provision for losses on loans	1,539	1,925	1,100	0	625	0	0	150	0	50
Losses on foreclosed real estate	688	583	580	3	0	0	0	0	0	0
Interest income on investments	(18,603)	(21,075)	(17,737)	(672)	(1,555)	(252)	(427)	(417)	0	(15)
Net (increase) decrease in fair value of investments	(961)	(882)	(621)	(106)	(155)	0	0	0	0	0
Interest income on mortgages and notes	(74,955)	(80,999)	(77,184)	(1,409)	(2,071)	(304)	0	(22)	0	(9)
Decrease (increase) in:										
Other assets	(639)	(3,935)	(2,519)	(61)	0	19	(243)	(465)	(665)	(1)
Accounts receivable/payable-Federal	487	36	0	0	0	0	0	0	36	0
Increase (decrease) in:										
Accounts payable and accrued liabilities	1,852	2,591	(312)	0	1,001	(153)	1,569	64	1,154	(732)
Deferred income and other liabilities	8,366	1,813	2,053	(20)	1,233	0	0	(707)	201	(947)
Advance annual contributions	0	1,466	0	0	0	0	0	0	1,466	0
Interfund advances and transfers	0	0	4,975	48	160	53	(134)	(2,326)	(2,770)	(6)
Investment in mortgage and other notes	(180,278)	(165,213)	(153,420)	0	(8,381)	0	0	(1,307)	(1,548)	(557)
Mortgage & other note principal repayments:										
Scheduled	18,252	22,291	18,756	512	1,812	111	0	1,019	1	80
Prepayments	34,479	60,536	55,809	3,091	1,374	18	0	0	0	244
Interest received on mortgages	74,235	80,509	76,694	1,428	2,089	272	0	22	0	4
Receipt of federal rent subsidies	53,673	55,326	0	0	0	0	0	0	55,326	0
Payment of federal rent subsidies	(54,970)	(53,550)	0	0	0	0	0	0	(53,550)	0
Net cash provided by (used for) operating activities	(46,517)	(3,565)	(5,538)	4,748	(1,134)	230	1,388	(2,188)	840	(1,911)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:										
Payment of bond issuance costs	(627)	(578)	(471)	0	(107)	0	0	0	0	0
Proceeds from sale of bonds	214,777	200,820	188,947	0	11,873	0	0	0	0	0
Principal payments on bonds	(77,858)	(102,899)	(89,419)	(10,005)	(3,475)	0	0	0	0	0
Interest payments on bonds	(70,341)	(76,669)	(73,594)	(1,038)	(2,037)	0	0	0	0	0
Net cash provided by (used for) non-capital financing activities	65,951	20,674	25,463	(11,043)	6,254	0	0	0	0	0
CASH FLOWS FROM INVESTING ACTIVITIES:										
Proceeds from disposition of foreclosed real estate	1,938	3,106	3,041	65	0	0	0	0	0	0
(Purchase) maturity of short-term investments, net	(43,311)	(21,161)	(22,723)	4,474	(4,523)	(477)	(1,817)	1,763	244	1,898
Purchase of long-term investments	(24,500)	(56,750)	(51,750)	0	(5,000)	0	0	0	0	0
Sale of long-term investments	14,084	22,084	19,063	1,011	2,010	0	0	0	0	0
Maturity of long-term investments	12,448	15,941	15,000	41	900	0	0	0	0	0
Interest received on investments	18,599	20,761	17,447	704	1,493	252	429	421	0	15
Net cash provided by (used for) investing activities	(20,742)	(16,019)	(19,922)	6,295	(5,120)	(225)	(1,388)	2,184	244	1,913
Net increase (decrease) in cash	(1,308)	1,090	3	0	0	5	0	(4)	1,084	2
Cash at beginning of year	8,398	7,090	65	0	0	3	0	4	6,999	19
Cash at end of year	\$7,090	\$8,180	\$68	\$0	\$0	\$8	\$0	\$0	\$8,083	\$21
SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION:										
Real estate acquired through foreclosure	\$3,798	\$3,799	\$3,667	\$52	\$0	\$0	\$0	\$0	\$80	\$0

See accompanying notes to the financial statements

**MAINE STATE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 1998
(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. During 1998 these programs consisted of:

- Indian Housing Mortgage Insurance Program
- Development Disabilities Revolving Fund
- Natural Disaster Housing Assistance Fund
- Municipal Land Acquisition Revolving Fund
- Mental Health Facilities Program
- Housing Opportunities Zones Fund
- Maine Affordable Housing Land Trust Fund
- Land Acquisition Program

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 carried at fair value based on quoted market prices. Unrealized gains and losses due to fluctuations in market values and gains and losses realized upon sale are reported as net increase (decrease) in the fair value of investments.

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 ORIGINATION FEES AND COSTS

The Authority receives a fee at the time it purchases single-family mortgage loans. The fees received less the costs of origination are deferred and recognized as interest income using a method that results in a constant yield over the life of the mortgages.

The Authority may charge a fee at the time that a commitment is made to originate a mortgage on a multi-family project. These fees are recognized as interest 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.

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, 1998, the carrying amount of the Authority's deposits was \$8,180 and the bank balance was \$9,301. The difference between the carrying amount and the bank balance represents outstanding checks. Of the bank balance, \$390 was covered by federal depository insurance, \$1,005 was collateralized by repurchase agreements for which the securities are held by the bank's trustee in the Authority's name, and \$7,906 was uninsured and uncollateralized.

Investments

	Category			Carrying
	1	2	3	Amount
Mortgage Purchase Program				
U.S. Treasury and Government				
Agency Securities	\$122,750	\$0	\$0	\$122,750
Repurchase Agreements	163,972	15,091	0	179,063
Total - Mortgage Purchase Program	<u>286,722</u>	<u>15,091</u>	<u>0</u>	<u>301,813</u>
Mortgage Acquisition Program				
U.S. Treasury and Government				
Agency Securities	2,026	0	0	2,026
Repurchase Agreements	2,563	0	1,135	3,698
Total - Mortgage Acquisition Program	<u>4,589</u>	<u>0</u>	<u>1,135</u>	<u>5,724</u>
Housing Finance Revenue Program				
U.S. Treasury and Government				
Agency Securities	10,353	0	0	10,353
Repurchase Agreements	14,958	0	161	15,119
Total - Housing Finance Revenue Program	<u>25,311</u>	<u>0</u>	<u>161</u>	<u>25,472</u>
Bondholder Reserve Fund				
Repurchase Agreements	<u>4,853</u>	<u>0</u>	<u>0</u>	<u>4,853</u>
General Fund				
Repurchase Agreements	<u>3,569</u>	<u>6,024</u>	<u>0</u>	<u>9,593</u>
HOME Fund				
Repurchase Agreements	<u>6,198</u>	<u>0</u>	<u>0</u>	<u>6,198</u>
Federal Programs Fund				
Repurchase Agreements	<u>240</u>	<u>0</u>	<u>0</u>	<u>240</u>
Other Funds				
Repurchase Agreements	<u>3,792</u>	<u>0</u>	<u>0</u>	<u>3,792</u>
Total -- All Funds	<u>\$335,274</u>	<u>\$21,115</u>	<u>\$1,296</u>	<u>\$357,685</u>

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, 1998. Category 1 includes permissible investments and repurchase agreements for which the securities are held by the Authority's trustees in the Authority's name. Category 2 includes repurchase agreements for which the securities are held by the broker, dealer or bank's trustee in the Authority's name. Category 3 includes repurchase agreements for which the securities are held by the broker, dealer or bank's trustee or agent not in the Authority's name.

(3.) MORTGAGE AND OTHER NOTES RECEIVABLE:

A summary of mortgage notes receivable at December 31, 1998, is as follows:

	Number of Notes	Principal Balance	Percent of Portfolio
MORTGAGE PURCHASE PROGRAM - SINGLE-FAMILY:			
VA guaranteed	2,012	\$109,340	13.0%
FHA insured	4,199	245,956	29.3%
RD guaranteed	2,090	128,746	15.4%
Privately insured	4,885	257,998	30.8%
Non-insured	2,931	96,528	11.5%
Total Mortgage Purchase Program single-family	<u>16,117</u>	<u>838,568</u>	<u>100.0%</u>
MORTGAGE PURCHASE PROGRAM - MULTI-FAMILY:			
Federally assisted:			
Section 8 - FHA insured	3	6,853	2.6%
Section 8	194	138,659	52.0%
Section 236	3	709	0.3%
Non-insured	328	120,289	45.1%
Total Mortgage Purchase Program multi-family	<u>528</u>	<u>266,510</u>	<u>100.0%</u>
Less: Allowance for losses on loans		(9,547)	
Total Mortgage Purchase Program	<u>16,645</u>	<u>1,095,531</u>	
MORTGAGE ACQUISITION PROGRAM - SINGLE-FAMILY:			
VA guaranteed	48	1,172	10.1%
FHA insured	7	170	1.4%
Privately insured	369	10,311	88.5%
Total Mortgage Acquisition Program single-family	<u>424</u>	<u>11,653</u>	<u>100.0%</u>
HOUSING FINANCE REVENUE PROGRAM - HOME IMPROVEMENT LOANS:			
Non-insured	3,568	30,271	<u>100.0%</u>
Less: Allowance for losses on loans		(1,289)	
Total Housing Finance Revenue Program	<u>3,568</u>	<u>28,982</u>	
BONDHOLDER RESERVE FUND - MULTI-FAMILY:			
Non-insured	1	684	<u>100.0%</u>
Total Bondholder Reserve Fund	<u>1</u>	<u>684</u>	
HOME FUND MULTI-FAMILY:			
Non-insured	41	3,998	<u>100.0%</u>
Less: Allowance for losses on loans		(648)	
Total HOME Fund	<u>41</u>	<u>3,350</u>	
FEDERAL PROGRAMS FUND - SINGLE-FAMILY:			
Non-insured - revolving loans	44	391	3.8%
FEDERAL PROGRAMS FUND - MULTI-FAMILY:			
Non-insured - revolving loans	122	9,782	96.2%
Total Federal Programs Fund	<u>166</u>	<u>10,173</u>	<u>100.0%</u>

	<u>Number of Notes</u>	<u>Principal Balance</u>	<u>Percent of Portfolio</u>
OTHER FUNDS - MULTI-FAMILY:			
Non-insured - revolving loans	33	4,271	<u>100.0%</u>
Less: Allowance for losses on loans		(90)	
Total Other Funds	<u>33</u>	<u>4,181</u>	
Total mortgage notes receivable	<u>20,878</u>	<u>1,154,554</u>	

A summary of other notes receivable at December 31, 1998, is as follows:

HOUSING FINANCE REVENUE PROGRAM			
Non-insured	9	\$112	<u>100%</u>
Less: Allowance for losses on loans		(25)	
Total Housing Finance Revenue Program	<u>9</u>	<u>87</u>	
HOME FUND:			
Non-insured	47	490	<u>100%</u>
Less: Allowance for losses on loans		(434)	
Total HOME Fund	<u>47</u>	<u>56</u>	
OTHER FUNDS:			
Non-insured	23	289	47.6%
Non-insured - revolving notes	9	318	52.4%
	<u>32</u>	<u>607</u>	<u>100.0%</u>
Less: Allowance for losses on loans		(157)	
Total Other Funds	<u>32</u>	<u>450</u>	
Total other notes receivable	<u>88</u>	<u>\$593</u>	

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

	<u>Mortgage Purchase Program</u>	<u>Housing Finance Revenue Program</u>	<u>HOME Fund</u>	<u>Other Funds</u>
Balance - December 31, 1997	\$8,886	\$839	\$931	\$197
Provision	1,100	625	150	50
Loans charged off	(490)	(164)	0	0
Recoveries	51	14	1	0
Balance - December 31, 1998	<u>\$9,547</u>	<u>\$1,314</u>	<u>\$1,082</u>	<u>\$247</u>

(4.) MORTGAGE BONDS PAYABLE

The Single-Family (S/F), Multi-Family (M/F), and Home Improvement (HI) Mortgage Bonds Payable outstanding at December 31, 1998 are as follows:

	Original Amount Issued	Amount Outstanding December 31, 1998	Annual Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Annual Requirements on Bonds Outstanding		
MORTGAGE PURCHASE PROGRAM							
1986 SERIES A BONDS (S/F):							
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	10,574	9.25%	2007-2017	305	-	1,865
	<u>36,039</u>	<u>10,574</u>					
1988 SERIES C BONDS (M/F):							
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>					
1988 SERIES D BONDS (S/F):							
1988 Series D-1							
Serial Bonds	2,630	640	7.60%-7.70%	1999-2000	310	-	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	1,340	7.75%	1999-2001	415	-	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	0	7.60%				
Term Bonds	7,560	0	8.15%				
Term Bonds	11,965	0	8.20%				
Term Bonds	6,705	0	8.20%				
1988 Series D-4							
Term Bonds	760	0	6.30%				
Term Bonds	1,630	905	6.90%	1999-2001	280	-	325
Term Bonds	5,070	5,070	7.45%	2002-2011	345	-	705
Term Bonds	8,040	315	7.55%	2012		315	
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	450	6.90%	1999-2001	140	-	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

	Original Amount Issued	Amount Outstanding December 31, 1998	Annual Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Annual Requirements on Bonds Outstanding		
1988 Series D-6							
Term Bonds	1,140	0	5.55%				
Term Bonds	2,440	1,355	6.50%	1999-2001	420	-	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
	<u>150,000</u>	<u>76,085</u>					
1989 SERIES A BONDS (S/F):							
1989 Series A-1							
Serial Bonds	7,740	3,120	7.15%-7.30%	1999-2002	700	-	865
Term Bonds	16,760	1,680	7.63%	2017-2018	80	-	1,600
1989 Series A-2							
Term Bonds	20,000	14,725	7.15%	2003-2012	1,110	-	1,925
Term Bonds	5,000	5,000	7.30%	2015-2016	2,410	-	2,590
	<u>49,500</u>	<u>24,525</u>					
1989 SERIES B BONDS (M/F):							
1989 Series B-1							
Serial Bonds	2,075	1,005	7.20%-7.45%	1999-2002	225	-	280
Term Bonds	6,425	4,720	7.85%	2003-2013	300	-	590
1989 Series B-2							
Term Bonds	7,000	1,270	7.60%	2016-2017	515	-	755
	<u>15,500</u>	<u>6,995</u>					
1989 SERIES C BONDS (M/F):							
Serial Bonds	1,280	350	6.90%-7.00%	1999-2000	170	-	180
Term Bonds	10,440	10,440	7.70%	2001-2022	195	-	930
	<u>11,720</u>	<u>10,790</u>					
1990 SERIES A BONDS (S/F):							
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	5,410	5.20%-5.60%	1999-2002	1,215	-	1,500
Term Bonds	11,695	6,455	6.38%	2003-2009	555	-	1,185
Term Bonds	15,825	8,665	6.40%	2019-2021	2,705	-	3,040
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>72,535</u>					
1991 SERIES A BONDS (M/F):							
Serial Bonds	5,730	1,950	6.35%-6.55%	1999-2001	610	-	690
Term Bonds	10,395	10,395	7.45%	2002-2011	735	-	1,405
Term Bonds	24,495	23,665	7.50%	2012-2022	1,510	-	2,900
	<u>40,620</u>	<u>36,010</u>					

	Original Amount Issued	Amount Outstanding December 31, 1998	Annual Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Annual Requirements on Bonds Outstanding		
1991 SERIES B BONDS (S/F):							
Serial Bonds	8,565	4,005	5.90%-6.20%	1999-2002	915	-	1,090
Capital Appreciation							
Serial Bonds	2,497	2,207	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>18,152</u>					
1992 SERIES A BONDS (M/F):							
Serial Bonds	2,470	1,320	5.95%-6.40%	1999-2003	230	-	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>15,235</u>					
1992 SERIES B BONDS (S/F):							
1992 Series B-4							
Term Bonds	7,000	6,630	6.90%	2017-2026	510	-	865
1992 SERIES C BONDS (M/F):							
Serial Bonds	9,835	4,130	5.60%-6.00%	1999-2002	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>18,755</u>					
1992 SERIES D BONDS (M/F):							
Term Bonds	7,020	7,020	6.45%	2002-2007	800	-	1,410
1993 SERIES A BONDS (S/F):							
1993 Series A-1							
Serial Bonds	14,020	9,770	4.25%-5.15%	1999-2007	920	-	1,280
Term Bonds	10,000	5,705	4.50%	2008-2014	230	-	1,015
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>41,455</u>					
1993 SERIES B BONDS (M/F):							
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	7,430	5.80%	2019-2024	1,105	-	1,385
1993 Series B-2							
Term Bonds	1,415	1,415	5.60%	2005-2007	445	-	500
	<u>17,900</u>	<u>17,670</u>					
1994 SERIES A BONDS (S/F-M/F):							
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 (S/F):							
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	1,780	4.20%-4.60%	1999-2002	415	-	475
Term Bonds	24,710	23,995	5.80%	2017-2024	2,530	-	3,545
Term Bonds	2,000	0	5.85%				
	<u>50,000</u>	<u>44,845</u>					

	Original Amount Issued	Amount Outstanding December 31, 1998	Annual Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Annual Requirements on Bonds Outstanding		
1994 SERIES C BONDS (S/F):							
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	7,335	5.90%	2012-2013	3,465	-	3,870
1994 Series C-2							
Term Bonds	43,000	38,085	6.87%	2016-2023	2,110	-	6,555
Term Bonds	3,000	215	7.00%	2032		215	
	<u>99,250</u>	<u>81,885</u>					
1994 SERIES D BONDS (M/F):							
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 (M/F):							
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>					
1995 SERIES A BONDS (S/F):							
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	10,080	5.30%-6.20%	1999-2008	780	-	1,285
Term Bonds	30,800	30,525	6.65%	2015-2025	1,985	-	3,555
Term Bonds	1,000	130	6.75%	2026-2027	60	-	70
	<u>50,000</u>	<u>46,735</u>					
1995 SERIES B BONDS (S/F):							
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	6,210	5.70%	2016 - 2025	105	-	1,965
Term Bonds	15,000	14,625	6.30%	2017 - 2026	15	-	3,125
Term Bonds	1,000	540	6.35%	2027 - 2032	60	-	110
	<u>50,000</u>	<u>48,540</u>					
1995 SERIES C BONDS (M/F):							
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
	<u>8,450</u>	<u>8,450</u>					
1995 SERIES D BONDS (M/F):							
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
	<u>9,000</u>	<u>9,000</u>					
1996 Series A BONDS (S/F):							
1996 Series A-1							
Serial Bonds	5,195	4,875	4.70%-6.05%	1999-2009	335	-	575
Term Bonds	3,475	3,475	6.40%	2010-2014	610	-	785
Term Bonds	14,455	14,055	6.50%	2015-2026	830	-	1,560
Term Bonds	1,775	1,775	6.50%	2027		1,775	
Term Bonds	100	100	6.55%	2035		100	

	Original Amount Issued	Amount Outstanding December 31, 1998	Annual Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Annual Requirements on Bonds Outstanding		
1996 Series A-2							
Adjustable Rate Term Bonds	5,000	5,000	3.80%	1999	5,000		
1996 Series A-3							
Adjustable Rate Term Bonds	10,000	10,000	3.85%	1999	10,000		
	<u>40,000</u>	<u>39,280</u>					
1996 Series B BONDS (S/F):							
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	4,140	5.80%	2017-2018	1,665	-	2,475
Term Bonds	18,860	16,405	6.45%	2019-2025	1,750	-	2,980
Term Bonds	8,000	8,000	6.45%	2026-2028	1,570	-	3,265
Term Bonds	100	100	6.45%	2035		100	
	<u>65,000</u>	<u>60,755</u>					
1996 SERIES C BONDS (S/F):							
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	14,590	6.15%	2017-2028	890	-	1,615
Term Bonds	100	100	6.25%	2037		100	
	<u>25,000</u>	<u>24,440</u>					
1997 SERIES A BONDS (S/F):							
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	4,950	5.38%	2014-2019	530	-	980
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>34,500</u>					
1997 SERIES B BONDS (S/F):							
Term Bonds	25,000	25,000	6.10%	2007-2029	490	-	1,970
1997 SERIES C BONDS (S/F):							
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 (S/F):							
1997 Series D-1							
Serial Bonds	13,780	13,780	4.65%-5.15%	2004-2010	520	-	2,700
Term Bonds	17,815	16,090	5.05%	2010-2016	745	-	3,020

	Original Amount Issued	Amount Outstanding December 31, 1998	Annual Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Annual Requirements on Bonds Outstanding		
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>58,275</u>					
1997 SERIES E BONDS (S/F):							
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 (M/F):							
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>					
1997 SERIES G BONDS (M/F):							
1997 Series G							
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>					
1998 SERIES A BONDS (S/F):							
1998 Series A-1							
Serial Bonds	7,970	7,970	4.25%-4.85%	2003-2010	850	-	1,170
Term Bonds	6,835	6,835	5.15%	2011-2015	1,230	-	1,510
1998 Series A-2							
Term Bonds	6,540	6,540	5.30%	2016-2018	2,070	-	2,290
Term Bonds	7,000	7,000	4.70%	2016-2020	1,265	-	1,540
Term Bonds	5,470	5,470	5.35%	2019-2021	500	-	2,550
Term Bonds	11,085	11,085	5.33%	2027-2032	1,350	-	2,110
Term Bonds	100	100	5.40%	2038		100	
	<u>45,000</u>	<u>45,000</u>					
1998 SERIES B BONDS (S/F):							
1998 Series B							
Term Bonds	10,000	10,000	6.94%	2021-2027	340	-	1,855
1998 SERIES C BONDS (S/F):							
1998 Series C-1							
Term Bonds	9,000	9,000	5.15%	2010-2015	1,315	-	1,700
1998 Series C-2							
Serial Bonds	6,000	6,000	4.35%-4.90%	2003-2009	750	-	980
Term Bonds	8,600	8,600	4.75%	2016-2019	1,280	-	2,555
Term Bonds	605	605	5.38%	2016-2029	30	-	60
Term Bonds	13,220	13,220	5.25%	2016-2030	600	-	1,235
Term Bonds	12,575	12,575	5.38%	2016-2031	455	-	2,365
	<u>50,000</u>	<u>50,000</u>					
1998 SERIES D BONDS (S/F):							
1998 Series D							
Term Bonds	10,000	10,000	6.35%	2003-2013	710	-	1,095
1998 SERIES E BONDS (M/F):							
1998 Series E							
Term Bonds	12,675	12,675	6.04%	2003-2012	960	-	1,625
Term Bonds	12,325	12,325	6.43%	2013-2018	1,750	-	2,385
	<u>25,000</u>	<u>25,000</u>					

	Original Amount Issued	Amount Outstanding December 31, 1998	Annual Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Annual Requirements on Bonds Outstanding		
1998 SERIES F BONDS (S/F):							
1998 Series F-1							
Term Bonds	8,000	8,000	5.13%	2008-2015	830	-	1,190
1998 Series F-2							
Serial Bonds	1,790	1,790	4.25%-4.50%	2005-2007	370	-	725
Term Bonds	5,425	5,425	4.65%	2016-2020	350	-	1,355
Term Bonds	10,000	10,000	5.25%	2020-2027	800	-	1,530
Term Bonds	195	195	5.35%	2031		195	
Term Bonds	15,090	15,090	5.35%	2020-2032	270	-	2,385
	<u>40,500</u>	<u>40,500</u>					
1998 SERIES G BONDS (S/F):							
1998 Series G							
Term Bonds	10,000	10,000	5.96%	2000-2008	865	-	1,390
		1,265,136					
Less: Unamortized Bond Discount		(13,546)					
Total Mortgage Purchase Program Bonds Payable	<u>1,601,816</u>	<u>1,251,590</u>					
MORTGAGE ACQUISITION PROGRAM							
1991 SERIES 1 BONDS (S/F):							
Serial Bonds	2,055	1,450	6.20%-6.50%	1999-2002	330	-	395
Term Bonds	2,415	2,415	6.90%	2003-2007	420	-	550
Term Bonds	2,620	1,475	7.10%	2008-2011	330	-	410
Term Bonds	10,775	0	7.15%				
	<u>17,865</u>	<u>5,340</u>					
		5,340					
Less: Unamortized Bond Discount		(51)					
Total Mortgage Acquisition Program Bonds Payable	<u>17,865</u>	<u>5,289</u>					
HOUSING FINANCE REVENUE PROGRAM							
1995 SERIES I BONDS (HI):							
1995 Series I-1							
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
1995 Series I-2							
Serial Bonds	2,000	1,875	3.95%-4.80%	1999 - 2004	140	-	490
1995 Series I-4							
Serial Bonds	1,350	1,255	4.00%-5.10%	1999 - 2008	100	-	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>14,780</u>					
1996 SERIES I BONDS (HI):							
1996 Series I							
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	2,257	6.00%-6.30%	2009 - 2014	510	-	985
	<u>15,000</u>	<u>15,252</u>					
1998 SERIES I BONDS (HI):							
1998 Series I							
Serial Bonds	2,690	2,690	4.40%-5.00%	2004-2010	290	-	575
Term Bonds	2,435	2,435	5.30%	2011-2013	760	-	865

	Original Amount Issued	Amount Outstanding December 31, 1998	Annual Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Annual Requirements on Bonds Outstanding
Term Bonds	6,680	6,680	5.45%	2014-2017	1,545 - 1,795
Term Bonds	195	195	5.45%	2018	195
	12,000	12,000			
	42,000	42,032			
Less: Unamortized Bond Discount		(418)			
Total Housing Finance Revenue Bonds Payable	42,000	41,614			
Total Bonds Payable	\$ 1,661,681	\$ 1,298,493			

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, 1998, are as follows:

YEAR	Mortgage Purchase Program	Mortgage Acquisition Program	Housing Finance Revenue Program
1999	\$14,210	\$330	\$ 835
2000	\$17,265	\$350	\$ 880
2001	\$19,135	\$375	\$ 935
2002	\$21,980	\$395	\$1,240
2003	\$27,725	\$420	\$1,305

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, 1998. Of that amount, \$1,307,168 was outstanding at December 31, 1998. In addition, at December 31, 1998 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 \$5,340 outstanding at December 31, 1998 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. The assets and income of the plan are held in trust for the exclusive benefit of the plan participants and their beneficiaries. The Authority's contribution to, and expense for, the Section 457 plan was \$77 for the year ended December 31, 1998.

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 \$124 for the year ended December 31, 1998.

(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	\$ 5,794
1996 Series A-3	11,616
1998 Series C-1	3,713
1998 Series C-2	912
1998 Series D	6,072

1998 Series F-1	5,315
1998 Series F-2	30,124
1998 Series G	8,908
	<u>\$72,454</u>

Original bond proceeds for the purchase of single-family mortgages amounted to \$69,545 at December 31, 1998, of which \$54,545 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 loans when such bonds are converted to fixed rate bonds. Amounts in the Bond Proceeds Fund attributable to income from investments totaled \$2,909 at December 31, 1998, 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 \$4,492 of fixed rate bonds from Series 1998I.

(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, 1998, the Authority had outstanding commitments to purchase multi-family mortgage loans of approximately \$8,907.

GENERAL FUND

The Authority is committed to a lease expiring July 31, 1999, 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, 1998 was approximately \$315.

(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 equals or exceeds the Housing Reserve Fund Minimum Requirement. The Housing Reserve Fund Minimum Requirement equals 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, 1998 is \$90,786.

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, 1998 is \$106,028.

At December 31, 1998, 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 \$110,922.

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, 1998, 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 \$1,625. The Capital Reserve Requirement as of December 31, 1998, was \$696.

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 equals or exceeds the Capital Reserve Fund Minimum Requirement. The Capital Reserve Fund Minimum Requirement equals 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, 1998 is \$2,981.

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, 1998 was \$3,936.

At December 31, 1998, valuation of the investments in the Capital Reserve Fund computed at amortized value in accordance with the General Housing Finance Revenue Bond Resolution was \$5,027.

(9.) EXCESS ARBITRAGE TO BE REBATED

Bonds issued by the Authority 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, 1998, 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, 1998.

10.) FUND TRANSFERS

During the year ended December 31, 1998, 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
Interest Subsidies	\$2,016	\$ 0	\$(1,387)	\$ (629)
Loan Subsidies	2,060	0	(1,560)	(500)
Other	0	11	(11)	0
Net Transfers	\$4,076	\$11	\$(2,958)	\$(1,129)

(11.) REDEMPTION OF BONDS

The Authority redeemed \$79,523, \$9,695 and \$2,405, of its Mortgage Purchase Program bonds, Mortgage Acquisition Program bonds and Housing Finance Revenue Fund Group bonds, respectively, from reserve funds, mortgage prepayments and surplus revenues. Mortgage Purchase Program, Mortgage Acquisition Program and Housing Finance Revenue Fund Group losses of \$1,282, \$137 and \$14 were attributable to recognition of the redemption premium, bond discount and debt issuance expenses associated with the redeemed bonds.

The following is a summary of bonds redeemed:

	Interest Rate(s)	Maturity/ Maturities	Amount Redeemed	Redemption Price
Mortgage Purchase Program				
1986 Series A LIMO Bonds	9.25%	2017	\$2,413	100%
1987 Series A-3 Term Bonds	6.90%	1998	350	100%
1988 Series A Serial Bonds	7.10%	1999	260	100%
1988 Series A Serial Bonds	7.10%-7.25%	1999-2000	625	102%
1988 Series A Term Bonds	7.65%-8.10%	2008-2015	830	100%
1988 Series A Term Bonds	7.65%-8.10%	2008-2015	8,235	102%
1988 Series B Serial Bonds	7.30%	1999	170	100%
1988 Series B Serial Bonds	7.30%-7.40%	1999-2000	770	102%
1988 Series B Term Bonds	8.00%	2015	2,440	100%
1988 Series B Term Bonds	7.90%-8.00%	2006-2015	4,885	102%
1988 Series D-3 Term Bonds	7.60%-8.20%	2001-2022	12,015	100%
1988 Series D-4 Term Bonds	7.55%	2019	7,725	100%
1989 Series A-1 Term Bonds	7.63%	2024	5,365	100%
1989 Series A-2 Term Bonds	7.15%	2014	1,995	100%
1989 Series B-2 Term Bonds	7.60%	2022	140	100%
1990 Series A-4 Term Bonds	6.40%	2023	5,675	100%
1991 Series A Term Bonds	7.50%	2022	830	100%
1992 Series B-4 Term Bonds	6.90%	2026	370	100%
1993 Series A-1 Term Bonds	4.50%	2017	2,000	100%
1993 Series B-1 Term Bonds	5.80%	2024	230	100%
1994 Series B-2 Term Bonds	5.80%-5.85%	2024-2034	2,715	100%
1994 Series C-1 Term Bonds	5.90%	2015	3,925	100%
1994 Series C-2 Term Bonds	6.88%-7.00%	2023-2032	6,395	100%
1995 Series A-2 Term Bonds	6.65%	2025	275	100%
1995 Series B-2 Term Bonds	5.70%-6.35%	2025-2035	1,460	100%
1996 Series A-1 Term Bonds	6.50%	2026	400	100%

	Interest Rate(s)	Maturity/ Maturities	Amount Redeemed	Redemption Price
1996 Series B-2 Term Bonds	5.80%-6.45%	2019-2026	4,245	100%
1996 Series C Term Bonds	6.15%	2028	560	100%
1997 Series A-2 Term Bonds	5.38%	2019	500	100%
1997 Series D-1 Term Bonds	5.05%	2016	1,725	100%
			<u>\$79,523</u>	
Mortgage Acquisition Program				
1991 Series 1 Term Bonds	7.10%-7.15%	2011-2021	<u>\$9,695</u>	100%
Housing Finance Revenue Fund Group				
1992 Series I Serial Bonds	6.00%-6.30%	1999-2001	<u>\$2,405</u>	100%

(12.) CONDUIT DEBT

In 1997, the Authority 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.

At December 31, 1998, one series in the amount of \$24,000 was outstanding.

(13.) ADOPTION OF NEW ACCOUNTING STANDARD

Effective January 1, 1998, the Authority adopted Statement No. 31 of the Governmental Accounting Standards Board (GASB 31), *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. GASB 31 requires investments held by governmental entities to be reported on the balance sheet at fair value, with changes in fair value being recognized in the statement of revenues, expenses and changes in fund balances.

In 1997, investments were recorded at amortized cost. As a result of the adoption of GASB 31, the financial statements as of and for the year ended December 31, 1997, have been restated as follows:

Balance Sheets as of December 31, 1997:	As Previously Reported	Effect of Restatement	As Restated
Mortgage Purchase Program:			
Investments	\$257,051	\$3,731	\$260,782
Fund Balance	\$123,301	\$3,731	\$127,032
Mortgage Acquisition Program:			
Investments	\$10,798	\$346	\$11,144
Fund Balance	\$10,938	\$346	\$11,284
Housing Finance Revenue Program:			
Investments	\$18,476	\$228	\$18,704
Fund Balance	\$2,820	\$228	\$3,048

Statements of Revenues, Expenses, and Changes in Fund Balances for the year ended December 31, 1997:	As Previously Reported	Effect of Restatement	As Restated
Mortgage Purchase Program:			
Excess of revenues before extraordinary item	\$7,979	\$1,524	\$9,503
Mortgage Acquisition Program:			
Excess of revenues before extraordinary item	\$1,330	\$(1,352)	\$(22)
Housing Finance Revenue Program:			
Excess of revenues before extraordinary item	\$54	\$205	\$259

(14.) SUBSEQUENT EVENTS

On February 23, 1999, the Authority has issued \$14,955 in 1999 Series A-1 and A-2 bonds as follows:

Mortgage Purchase Program	Interest Rate	Maturity/Maturities	Amount
1999 Series A-1 Term Bonds	5.05%-5.12%	2018-2025	\$ 7,255
1999 Series A-2 Serial Bonds	4.05%-4.70%	2005-2012	2,595
1999 Series A-2 Term Bonds	5.25%	2032	5,105
			<u>\$14,955</u>

The Authority has also sold, and on March 24, 1999 expects to issue, \$80,000 of its 1999 Series B-1 and B-2 bonds as follows:

Mortgage Purchase Program	Interest Rate	Maturity/Maturities	Amount
1999 Series B-1 Term Bonds	5.00%	2012-2014	\$ 7,000
1999 Series B-2 Serial Bonds	4.15%-4.80%	2004-2010	14,430
1999 Series B-2 Term Bonds	4.70%-5.30%	2014-2032	58,570
			<u>\$80,000</u>

Finally, the Authority will also redeem on March 31, 1999, at a premium, \$3,745 of its Mortgage Purchase Program Bonds as follows:

Mortgage Purchase Program	Interest Rate	Maturity/Maturities	Amount	Redemption Price
1988 Series C Term Bonds	8.20%-8.30%	2008-2020	\$3,745	102%

(15.) YEAR 2000 ISSUE (Unaudited)

The Authority is currently addressing the Year 2000 (Y2K) issue. The Y2K issue arises because some computer systems were originally programmed using two digits rather than four digits to identify the applicable year. Unless corrected, in the year 2000 such computer systems could interpret the year as 1900 rather than 2000. Y2K affects both computer hardware and software and could impact upon both the ability to enter data into computer systems and the ability of such systems to correctly process data. Y2K affects computer applications of the Authority and those of the Authority's vendors, servicers, mortgagors, issuers, investment providers and bond trustees.

The Authority has developed a comprehensive plan to address the Y2K issue. This plan consists of three phases which are briefly described below.

Awareness Phase - Involves defining the Y2K issue and developing an overall strategy, and the necessary resources, to perform compliance work. This phase has been completed.

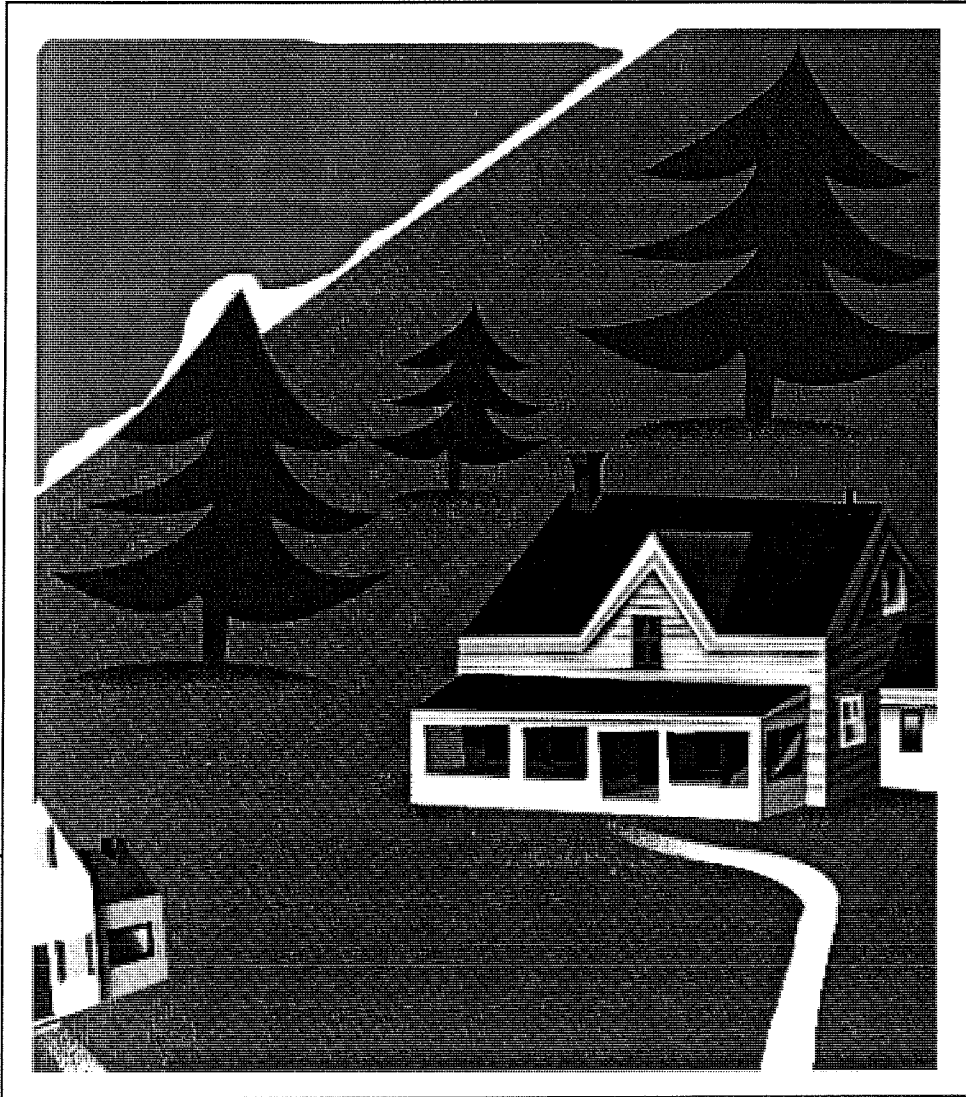
Assessment Phase - Consists of assessing the size and complexity of the problems and detailing the magnitude of the efforts necessary to address the Y2K issue. The Authority has prepared an inventory of all its significant hardware and software and an assessment has been made to determine the potential Y2K impact on each system. This phase has been completed.

Validation and Remediation Phase - Involves testing all significant systems (financial and communications) and modifying or replacing all necessary hardware and software to be Y2K compliant. This phase is approximately 85% complete at December 31, 1998.

The Authority has relationships with vendors, servicers, customers and other third parties who rely on computer hardware and software. The Authority has solicited information regarding the status of Y2K assessment and the testing and remediation of computer systems of certain third parties whose Y2K compliance could affect the Authority. With respect to such third parties, Y2K compliance matters will not be within the Authority's direct control. There can be no such assurance that Y2K compliance failures by such third parties will not have a material adverse affect on the Authority's operations or financial condition.








The Authority is not presently aware of any costs to achieve Y2K compliance that will have a material negative impact on the Authority's operations or financial condition. However, because of the unprecedented nature of the Y2K issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Authority is or will be Y2K ready or that the Authority's remediation efforts will be successful in whole or in part.

STRATEGIC PLAN 1997



MSHA
MAINE STATE HOUSING AUTHORITY

1997 MSHA Board of Commissioners:

-  David Lakari, Director of MSHA, Chairman
-  Elsie Morris, retired
-  Donald Plourde, owner of Mark Stimson Network/Plourde Real Estate Agency, Waterville
-  Nathan Smith, partner in the law firm of Bernstein, Shur, Sawyer and Nelson, Portland
-  Jane Roundy, Senior Vice-President, Corporate Lending, Key Bank of Maine
-  Dale McCormick, Treasurer, State of Maine
-  Dennis King, President, Acadia Hospital, Bangor

Members 1997 MSHA Strategic Planning Committee:

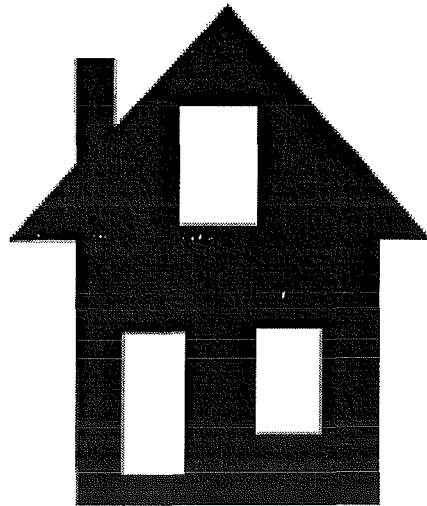
MSHA would like to extend a special thanks to the following committee members, whose hard work and diligence made this Strategic Plan possible:



- Dana Totman, Deputy Director, Maine State Housing Authority
- Maureen Brown, Rental Assistance Manager, Maine State Housing Authority
- Robert Cameron, Representative, Maine State House of Representatives
- Thomas Cary, Treasurer, Maine State Housing Authority
- Richard Davies, President, Public Policy Associates
- Carol Dudley, Senior Program Officer, Maine State Housing Authority
- Fenwick Fowler, Executive Director, Western Maine Community Action Program
- David Gleason, Coldwell Banker Gleason Real Estate
- Carol Kontos, Assistant Majority Leader, Maine State House of Representatives
- Arthur Markos, President, Gardiner Savings Bank
- Elsie Morris, Commissioner, Maine State Housing Authority
- Laurie Murray, Senior Program Officer, Maine State Housing Authority

Table of Contents

MISSION STATEMENT	1
EXECUTIVE SUMMARY	2
INTRODUCTION	4
OBJECTIVES FOR THE STRATEGIC PLAN UPDATE: 1997	7
THE PAST 25 YEARS: AN HISTORICAL SUMMARY	9
STRATEGIC PLAN ACCOMPLISHMENTS: 1995-1997	12
GOALS, OBJECTIVES, AND STRATEGIES	15
CONCLUSION	30
APPENDIX I	31
APPENDIX II	36



MISSION STATEMENT

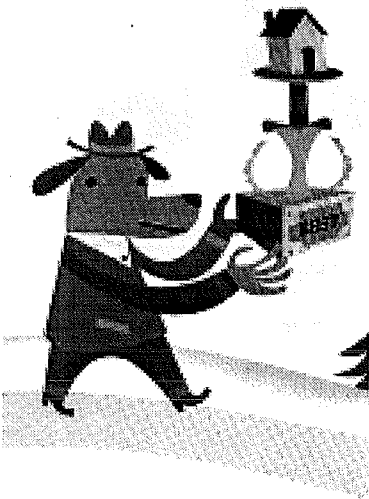
The mission of the Maine State Housing Authority is to assist Maine people to obtain and maintain decent, safe, affordable housing and services suitable to their unique housing needs.

In carrying out this mission, MSHA will provide leadership, maximize resources, and promote partnerships to develop and implement sound housing policy.



EXECUTIVE SUMMARY

In its role as a primary state housing provider, MSHA will present its programs as a "continuum of housing options."



Goal 1 - A Continuum of Housing: MSHA will provide a continuum of housing that links our customers to a variety of options, as they move to higher levels of self sufficiency and independence. In its role as a primary state housing provider, MSHA will present its programs as a "continuum of housing options." Customers entering our programs will be made aware of housing options along this entire continuum. MSHA will work with our external partners to ensure that services needed to assist customers towards self sufficiency will be linked to housing, when appropriate. Internally, MSHA will work to ensure that the continuum is linked across divisions.

Goal 2 - Decision Making Processes and Systems: MSHA will improve its effectiveness and efficiency by dedicating significant energy and resources to improving internal systems and processes. The 1995 Strategic Plan stressed improved management efficiencies. Through its recommendations, quality management, technology improvements, a formal allocation and needs assessment process and program and personnel evaluations were put in place. Our short term success in implementing these changes requires that we continue to improve the quality of management in the long term. With greater improvements, MSHA now knows that it can stretch limited resources further. This will be critical in the face of declining resources. The benchmarks to be used for this goal will be our partners' and staff's evaluation of how we are doing as an agency.

Goal 3 - Program Design: MSHA will improve the design and delivery of programs and services. Program design requires a predictable structure ensuring the use of needs data and the input of our staff, partners and customers. The objectives and strategies describe how that process will work and establish a series of guidelines to be followed when examining new or old programs. Program design depends greatly on evaluation, which ensures that the program will do what it set out to accomplish. Hence, design must clearly identify the needs of the customer and role of the partner to make the most efficient use of scarce resources. In the use of scarce resources, program design will use the 1997 Strategic Plan, the Consolidated Plan and appropriate needs assessments to guide the allocation process.

Goal 4 - MSHA Program Focus: MSHA will ensure that programs remain appropriately linked to its mission and strategic plan. Program focus will link programs to this plan and the five priority population groups: first time homebuyer, cost burdened homeowner, cost burdened renter, special needs populations and the homeless. In contrast to program design, program focus describes population groups in terms of need and relates need to the market.

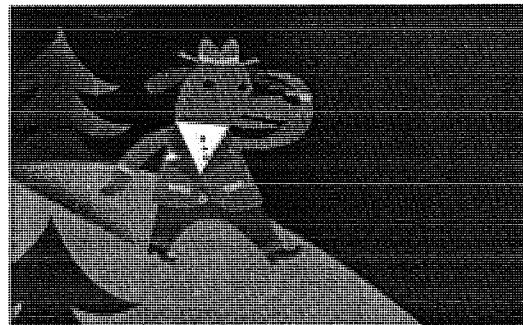
Program focus describes who the program is intended to serve. Utilizing this philosophy, the Board of Commissioners will be charged with an annual allocation process to serve the most needy citizens of Maine with appropriate housing programs.

This goal also identifies the most important housing priorities for MSHA, including homeownership options and rehabilitation. As a direct result of Maine's older housing stock and a five year projection of slow growth, it is also recommended that we continue to focus on the rehabilitation of all forms of housing that serve low income citizens.

Goal 5 - The Maine State Housing Authority will serve as the primary state entity to address the housing needs of low income citizens. MSHA believes its role should be to act as the primary housing finance provider in the State of Maine. Given MSHA's expertise in housing development and access to financial resources, MSHA will work to meet the housing needs of all five priority population groups while coordinating with other state agencies to provide appropriate services. While facilitating service provision, MSHA will also work to expand private and non-profit development capacity to assist us to make the best use of limited resources.

Goal 6 - Maintain and develop new subsidy resources to replace those being lost through state or federal budget reductions. We work today in an era of shrinking resources. MSHA will advocate for the maintenance and expansion of existing financial resources. Shrinking resources put greater pressure on meeting present and expanding needs. MSHA shall make use of the tools it has available to maintain its subsidy resource base. Specifically, it will focus on expiring Section 8 project based rental assistance, the State Real Estate Transfer Tax and the expansion of our bond capacity. Our success in this endeavor will be measured in the maintenance of and increase in our subsidy resource base.

***M**SHA believes its role should be to act as the primary housing finance provider in the State of Maine.*



INTRODUCTION



Two years have passed since the Housing Authority adopted its most recent Strategic Plan. During that time, quality management was introduced and implemented. Constraints in resources became more pronounced, with a number of programs eliminated or streamlined to stretch our resources. The focus on MSHA customers and partners has improved dramatically.

During this period, MSHA identified five “Priority Populations.” They are cost burdened renters, cost burdened homeowners, first time homebuyers, individuals with special needs and homeless people. Needs analysis became an integral part of an annual financial allocation process to analyze the five groups and target the greatest need. The implementation of the allocation process was in turn measured through a new production system.

In the future, MSHA must balance the need for a broad housing policy serving multiple population groups with ever increasing pressure on scarce financial resources. Within this balance lies the need to shift programs with changes in Maine’s regional economy.

This Strategic Plan is also an effort to describe how we, the primary housing arm of State government, provide housing to low and moderate income citizens of Maine. The plan will show how we will continue to improve the quality of program design and delivery. As an update, this plan will also reiterate themes expressed in the 1995 plan.

The plan is broken down into six primary components. An update of the historical section includes goals and needs identified in 1997. In a change from the last plan, our accomplishments are presented. This is followed by the goals and objectives set out in this update. The plan concludes with a summary of partner survey findings.

A Shift in Culture: The Quality Cycle and MSHA’s Partners and Customers. The 1995 Strategic Plan was an important catalyst to a shift in culture at the Maine State Housing Authority. With it came a new focus on customer and partner identification and satisfaction. At the same time, staff worked to improve upon its quality management system. Both efforts were focused on relating system and process to the people we serve: the low and moderate income residents of Maine.

MSHA provides a broad range of housing programs and coordination for services to thousands of Maine people. For purposes of definition, those low and moderate income people who are the ultimate beneficiaries of MSHA programs are described throughout this report as customers. Several of our customer groups, including

In the future, MSHA must balance the need for a broad housing policy serving multiple population groups with ever increasing pressure on scarce financial resources.

tenant based rental assistance recipients, homeless and first time homebuyers were surveyed in advance of or for this process.

MSHA depends upon a network of hundreds of individuals, firms and agencies in the public and private sectors of the State's economy to deliver its programs and services. **Those in the network are described throughout this report as partners.** They include Community Action Program (CAP) agencies, real estate professionals, multi-family housing owners and managers, public housing authorities, lenders, for and non-profit developers, and agencies serving people with special needs.

MSHA's partners and customers were significantly represented in the strategic planning process. They were represented on the Committee, participated in informal and formal discussions held by MSHA over two years, and were once again surveyed for this update. Dozens of lenders, developers, legislators and Realtors responded to surveys, with all comments presented to the Committee. The survey report for these groups is found at the end of this Plan.

*M*SHA's partners and customers were significantly represented in the strategic planning process.

Throughout the year, MSHA's partners and customers are involved through what the Quality Guidance Committee has called the "Quality Cycle." The cycle evolved from the need to adapt a quality management philosophy that fits the needs and personality of MSHA. The cycle is a process and philosophy designed to relate this plan with the day to day planning and management of agency programs.

Financial Resources. The term *subsidy resource* is used throughout this plan. Subsidy resources are those dollars that MSHA receives through state and federal sources that are relatively flexible to use in the delivery of housing programs. Typically, the availability of these resources is volatile and dependent upon the political process. Subsidy resources, however, are critical to MSHA's program in that they leverage other resources, combining with bond resources to lower the cost of housing development. The lower costs are passed on to low income citizens. Examples of subsidy resources include the State HOME funds derived from the Maine Real Estate Transfer Tax, the Federal Home block grant, and the Federal Low Income Tax Credit.

MSHA's other financial resources include Mortgage Revenue Bonds, 501(c)(3) tax-exempt Bonds, and Taxable Bonds. Bonds are sold to raise revenue for MSHA. MSHA combines the bond revenue with subsidy resources to lower the interest rate that can then be offered to low income citizens.

Subsidy resources are grants which, unlike bonds, do not need to be paid back. While there are no restrictions in the State HOME funds, the federal sources tend to have various income and performance restrictions.



MSHA works to obtain the greatest benefit per household for each subsidy resource dollar at the least amount of cost. This approach allows us to extend our resources further to serve a greater variety of low income citizens.

*M*SHA works to obtain the greatest benefit per household for each subsidy resource dollar at the least amount of cost.



OBJECTIVES FOR THE STRATEGIC PLAN UPDATE: 1997

Objectives of the Strategic Plan Process: 1995. In commissioning the strategic planning process of 1995, MSHA Director David Lakari established the following objectives:

- Identify the major housing issues on which MSHA should concentrate.
- Create a process to ensure that MSHA continues to respond to the housing needs in Maine. The plan must be able to sustain itself through almost certain frequent changes in leadership of the Authority.
- Ensure an agency culture at MSHA that fosters and encourages teamwork, collaborative decision making, and contribution to the agency's goals by all members of the staff and Commissioners.
- Develop a true partnership relationship with those institutions, individuals and enterprises upon whom the Authority depends to deliver many of its programs and services.

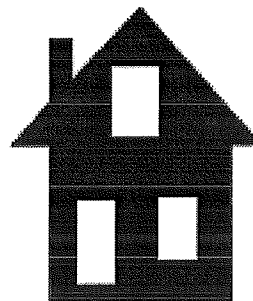
Objectives of the Strategic Plan Update: 1997. The following additional objectives were identified by the director for the Committee to focus on in 1997:

- Address the requirements of the State Strategic Plan process including Performance Budget requirements.
- Describe our resource allocation process in greater detail.
- Link the Strategic Plan to the HUD required Consolidated Plan and MSHA's annual allocation process.
- Address our need to coordinate activities with other State Departments as we work to tie housing to other state services and activity.
- Address the reaction of our partners and customers to the changes occurring since the 1995 Plan.

The Process for the 1997 Update. To achieve these objectives, the Committee chose to meet three times, over a three month period. The three meetings looked at the following components:

1. The existing plan and its accomplishments. The Committee reviewed the existing plan and then developed a summary of MSHA's performance in contrast to the existing plan. Partners and customers were once again surveyed for input. This assessment was followed by a closer look

***E**nsure an agency culture at MSHA that fosters and encourages teamwork, collaborative decision making, and contribution to the agency's goals by all members of the staff and Commissioners.*



The Strategic Plan will be shared with MSHA staff, partners and customers.

- at the priority population group, the annual needs assessment, and the allocation process.
2. Division and Program Review: an identification of issues. The Committee met with MSHA Division Directors, reviewing programs and needs. Focus turned to immediate issues to be addressed in this update.
 3. Review, Comment and Approve: The Strategic Plan Update. Using comments developed from prior meetings, a draft Strategic Plan update was reviewed, analyzed, modified, and approved by the Committee.
 4. Sharing. The Strategic Plan will be shared with MSHA staff, partners and customers. The final plan will be reviewed and approved by MSHA's senior staff and Board of Commissioners.



THE PAST 25 YEARS: AN HISTORICAL SUMMARY

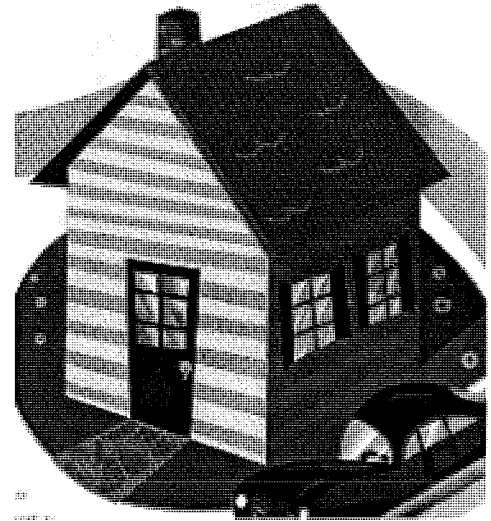
The Maine State Housing Authority (MSHA) was created in 1969 by the Maine Legislature to confront a wide range of housing challenges. The legislative objectives include:

- That the residents of the State of Maine be able to reside in or purchase housing which is decent, safe, independently selected, designed and located with reference to their particular needs, and available at costs which they can afford;
- That the residents of the State of Maine be able to have available to them a wide range of privately planned, constructed and operated housing;
- That the residents of the State of Maine be able to have available to them such additional publicly planned, constructed and operated housing as is needed to achieve these purposes;
- That the residents of the State of Maine be able to have available from financial institutions, in addition to their usual resources for home construction, mortgages and notes, additional resources and assistance as may be provided by the Maine State Housing Authority; and
- That the residents of the State of Maine be able to obtain available information and education programs, as well as demonstrations of housing programs and development techniques.

The Legislature mandated that the Authority be governed by a board of seven commissioners, six of who are appointed by the Governor. The seventh commissioner is the Treasurer of State who serves *ex-officio*. The governor also appoints the Director of the Authority who also serves *ex-officio*, and is chairperson of the Commissioners.

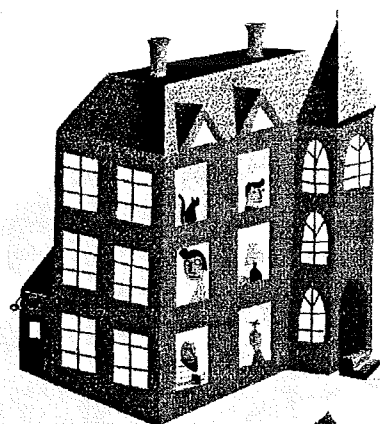
The five gubernatorial appointments must include representatives of bankers and of low-income or elderly people. One commissioner must be a resident of housing subsidized by programs of the United States Department of Housing and Urban Development or of the Maine State Housing Authority.

In its twenty-five year history MSHA has become the leading provider of housing assistance to the State's very low and moderate in-



In its twenty-five year history MSHA has become the leading provider of housing assistance to the State's very low and moderate income populations.

come populations. The Authority has been very successful in fulfilling the intent of the Legislature.



MSHA's total assets, represented largely by low rate mortgages and what we presently call scarce resources are focused on serving five priority population groups: first time homebuyer, cost burdened homeowner, cost burdened renter, special needs populations and the homeless.

Thousands of low and moderate income Mainers have realized homeownership through the opportunity to borrow moneys at rates made affordable through MSHA's first-time homebuyer program. Thousands each year are assisted in maintaining their homes through the use of rehabilitation and energy assistance funds. Thousands more Maine people are housed in safe, affordable rental housing available through the creative allocation of financial resources to developers who build and maintain their properties according to MSHA standards.

The 1995 Strategic Plan required that MSHA establish a needs assessment and allocation process that links funding decisions to the Mission Statement and the people we serve. The needs assessment assists the agency in linking resources to the population groups that are most needy. To measure the success in making those links, a goal setting process was put in place. MSHA can now describe the people we serve in terms of our performance to meet their needs. The goals for 1996 and 1997 are:

MSHA PRODUCTION GOALS: 1996-1997

	1996 Goal	1996 Actual	1997 Goal
HOMEBUYERS			
Mortgages Purchased (without Down Home)	1,900	1,981	1,525
Mortgages Purchased (with Down Home)	100	95	400
Very Low Income Mortgages Purchased			75
Total Mortgages Purchased	2,000	2,076	2,000
EXISTING HOMEOWNERS			
FIX ME Loans Purchased	1,136	1,261	1,300
Homes Weatherized	2,000	2,114	1,700
PERSONS WITH SPECIAL NEEDS			
Units/Beds Closed	100	103	165
HOMELESS SERVED - BEDNIGHTS	150,000	168,000	140,000
COST BURDENED RENTERS			
New </= 50% AMI Rental Units	110	148	100
New 51% - 60% AMI Rental Units	100	128	145

MSHA's total assets, represented largely by low rate mortgages and what we presently call scarce subsidy resources are focused on serving five priority population groups: first time homebuyer, cost burdened homeowner, cost burdened renter, special needs populations and the homeless. These resources, on an annual basis, fail to meet the

growing housing needs of Maine's low income citizens. The 1997 Annual Needs Assessment (Consolidated Plan) points to the following needs:

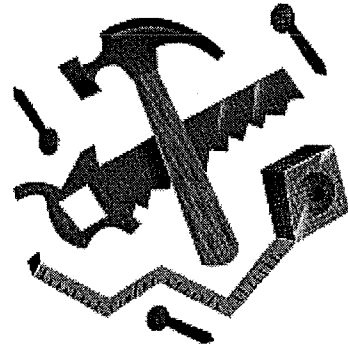
Cost Burdened Renters: There exist 47,610 cost burdened rental households, up from 34,702 in 1990. When contrasted with the total existing subsidized rental units in Maine, data suggests an affordable housing need of roughly 12,000 rental units in Maine. Half of the renter families are severely cost burdened.

Cost Burdened Homeowners: A total of 53,875 cost burdened owner households, representing 16% of the total owner stock and 11% of the total housing stock, have difficulty maintaining their homes due to limited income and substandard conditions. The total number of cost burdened homeowners increased by 7,619 households between 1990 and 1996 (16%), a rate much greater than our overall growth rate of 1.2%.

First Time Homebuyers: The total potential pool to draw new homeowners from is roughly 100,000. From MSHA's public purpose perspective and recognizing scarce resources, the primary pool from which to create new ownership is the pool of households between 51% and 100% of median income, or 44,070 households.

Homeless Population: Bednights (the number of total beds used during the year) increased from 118,000 to 142,000 during a one year period. In December of 1996, just over 51% of the shelter guests reported having substance abuse or mental illness issues.

Special Needs Populations: There exist over 3,200 mental health class members, with 1,400 needing housing. There are 4,000 persons with mental disabilities needing housing and 27,017 persons with physical disabilities needing housing assistance or modifications. There are 1,279 children with special needs needing housing and 67,538 households with someone 64 or older and making less than median income.



The total number of cost burdened homeowners increased by 7,619 households between 1990 and 1996 (16%), a rate much greater than our overall growth rate of 1.2%.



STRATEGIC PLAN

ACCOMPLISHMENTS: 1995-1997



Accomplishments: 1995-1997. The Committee first began an assessment of the past plan by comparing MSHA activities with the goals it set for itself in 1995. The purpose of this exercise was to clearly articulate achievements over the last two years, identify what additional work was needed and how that work might be implemented. The following demonstrates accomplishments by the five goals identified in the 1995 Strategic Plan.

Goal 1 - Decision Making Processes and Systems: MSHA will improve its effectiveness and efficiency by dedicating significant energy and resources to improving internal systems and processes.

The purpose of this exercise was to clearly articulate achievements over the last two years, identify what additional work was needed and how that work might be implemented.

- Three full day seminars for all MSHA staff occur each year.
- Established the role of Executive Committee as a leadership group serving to advise the Director and ensuring the evolution of quality management through the Quality Guidance Committee as the primary forum for management innovation and improvement.
- Regularly scheduled meetings for all divisions.
- The regular production of internal and external newsletters, as well as special reports and the Director's weekly report to the Governor, to keep staff, partners and customers well informed.
- Inter and intra-divisional study teams.
- MSHA's building is now decorated with illustrations highlighting the people we serve.
- Suggestion box and staff surveys were installed.
- A cultural shift lead to greater interaction in general, including use of technology to share minutes, agendas and other information.
- Implementation of technology.
- Eliminated red tape by working with our partners (Purchase PAT, shelter process, FIX ME process, FINCO processing improvements, consolidation of services).
- Expanded written policies including the processing guide, investment policies and the rule-making process changes.

Goal 2 - Program Design: MSHA will take action to improve the design and delivery of programs and services.

- MSHA used forums with partners (lenders, homeless providers, CAPs, developers, etc.) to gather input on program design and delivery.
- Adopted strategic planning at the division level to carry out division goals and objectives.
- MSHA used surveys of new homeowners, supportive housing, voucher recipients, and homeless to gather design and delivery information.
- MSHA worked to maintain program consistency through the allocation process and Executive Committee.
- Program design (and focus) became driven by low income customers and their needs.
- Increased partner involvement (e.g. first time homebuyer improvements, homeless grant, fuel assistance process, use of partners in scoring RFPs).
- Analyzed customer demand provided a scarce resource maximum benefit analysis, as the cost per unit or person of subsidy gained importance.
- Geographic assessments brought attention to regional disparities such as adjustments to fair market rents, median sales prices and income relationships and differences in housing stock.
- Eliminated red tape by working with our partners (purchase team, shelter process, FIX ME process) to identify work not needed to serve the customer.
- Developed a process to be used in conjunction with program evaluations to identify those who are most needy.



MSHA moved to fill gaps (e.g., homeless grant process, Keeping Seniors Home and allocation of resources) identified through the needs analysis and discussion with partners and customers.

Goal 3 - MSHA Program Focus: MSHA will take action to ensure that programs remain appropriately linked to its mission and strategic plan.

- Conducted biennial review of programs to assure that the program is delivered effectively and is meeting the needs of the customer.
- Eliminated programs that were not effective or were an inefficient use of dollars and simplification of remaining programs.
- Provided greater scrutiny over scarce resources—the allocation process, the needs of the five population groups and analysis of benefits.
- Conducted an annual needs assessment.
- Rehabilitated existing housing structures: FIX ME.
- MSHA moved to fill gaps (e.g., homeless grant process, Keeping Seniors Home and allocation of resources) identified through the needs analysis and discussion with partners and customers.

Goal 4 - Low Income Homeownership: MSHA will work to provide meaningful homeownership opportunities for low and very low income families in Maine.

- Introduced the Down Home Program.
- Surveyed buyers and marketing changes based on survey results.
- Provided lenders incentives.
- Changed the servicing program to increase efficiency.
- Increased training and meetings with lenders and Real estate professionals.
- Expanded use of marketing and public relations to assist us and our partners.

The Interagency Task Force on Homelessness and Housing Opportunities was re-constituted to focus on roles and service provision.

Goal 5 - Advocacy and Direct Service: Investigate and develop an appropriate role for MSHA in the provision of services for low income housing customers and advocating on their behalf.

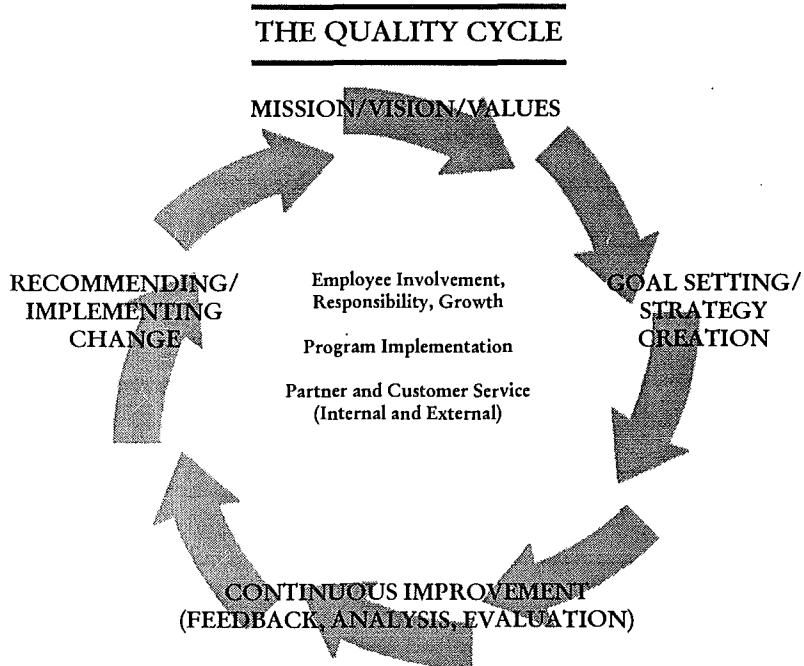
- The Interagency Task Force on Homelessness and Housing Opportunities was re-constituted to focus on roles and service provision.
- Held supportive housing focus groups and developed recommendations.
- Continued Consumer Hot Line.
- Outsourced the Family Self-Sufficiency program with further work planned for the evolution of tenant assistance in subsidized housing projects.



GOALS, OBJECTIVES, AND STRATEGIES

Committee Findings and Recommendations. In the 1995 Strategic Plan, the Committee focused on what the Authority does, the processes it employs in meeting its mission and in defining benchmarks or results from those activities. The 1997 Committee concluded that many of the goals, objectives, and benchmarks were achieved. The Committee found that some goals needed greater detail or greater flexibility to adjust to short term shifts in the economy. The Committee also noted that some goals and objectives be retained to *maintain* the direction established by MSHA management.

MSHA's strategic plan format must change to meet legislative requirements of state performance budgeting. This format change is easily addressed, given MSHA's move to implement quality management. MSHA's quality management program is described in terms of the Quality Cycle:



The 1997 Committee concluded that many of the goals, objectives, and benchmarks were achieved.





Goal 1



Ultimately, those moving to higher levels of self sufficiency will free their housing units for those who most need it, creating new supply.

The Mission Statement drives the direction of the agency. The goals and objectives of this strategic plan guide MSHA's program design and delivery process. Program evaluation and analysis are conducted to ensure that our benchmarks are being met. The evaluation material is used to recommend changes, many of which led to changes in this plan. The hierarchy of goals to benchmarks is defined below:

- **Goals:** Goals represent broad policy statements that are, by their nature, worthy of achievement. The goals of MSHA carry out our mission, vision and values statement.
- **Objectives:** Objectives are statements that can be described through measurable benchmarks. Objectives serve to provide direction in meeting the goals of the agency.
- **Strategies:** Strategies reflect the actions which MSHA believes must be taken to achieve goals and objectives.
- **Benchmarks:** Benchmarks are the measurement by which MSHA will evaluate our success. Benchmarks measure results in serving low income households.

Goal 1 - A Continuum of Housing: Provide a continuum of housing that links our customers to a variety of options, as they move to higher levels of self sufficiency and independence.

Summary. In its role as the primary state housing provider, MSHA describes its programs as a "continuum of housing options." Customers entering our programs will be aware of housing options along this entire continuum. MSHA will work with our external partners to ensure that services needed to assist customers towards self sufficiency will be linked to housing, when appropriate. Internally, MSHA will work to ensure that the continuum is linked across divisions. Ultimately, those moving to higher levels of self sufficiency will free their housing units for those who most need it, creating new supply.

Objective 1: Describe and communicate with our customers and external partners the continuum of housing programs provided by the Maine State Housing Authority.

Strategies:

- A. Provide a description of the continuum of housing available at MSHA and update that description as necessary.
- B. Ensure customer awareness of an array of housing options available at MSHA and what is required to move to each one.
- C. Through survey techniques, identify households in our Section 8 and transitional housing programs in-

terested in moving to increasingly independent housing.

- D. Working with partners, develop an understanding of the training and services needed to assist those as they move up and through our continuum of housing. Through MSHA's partners, provide training and services that can lead to housing self sufficiency and independence.
- E. Encourage partners to assist customers in moving through the continuum of housing provided by MSHA.

Objective 2: Create an internal system that ensures that divisions are aware of and can describe the array of housing options available at MSHA.

Strategies:

- A. Provide for cross training that familiarizes all levels of staff with the variety of housing programs available at MSHA.
- B. Develop information packets that can be distributed through staff contact to our partners and customers about the continuum.
- C. Ensure that MSHA media give attention to the continuum of housing program.
- D. Provide, during program design, that the customers' needs to obtain housing self sufficiency are addressed and implemented.

Goal 1 Benchmarks:

- All staff will be cross trained in the programs of all divisions.
- A description of the continuum of housing at MSHA will be developed and published.
- Develop an evaluation system that measures the level of success of individuals moving through the housing continuum.


Goal 1

|

Provide for cross training that familiarizes all levels of staff with the variety of housing programs available at MSHA.



Goal 2



Goal 2 - Decision Making Processes and Systems: MSHA will improve its effectiveness and efficiency by dedicating significant energy and resources to improving internal systems and processes.

Summary. The 1995 Strategic Plan stressed improved management efficiencies. Through its recommendations, quality management, technology improvements, a formal allocation and needs assessment process and program and personnel evaluations were put in place. We will continue to improve the quality of management in the long term. With greater improvements, MSHA can stretch limited resources further. This is critical in the face of declining resources. The benchmarks to be used for this goal will be our partners' and staff's evaluation of how we are doing as an agency.

Objective 1: Maintain an environment of collaborative decision making, fully implementing MSHA's quality management system.

Strategies:

- A. For all employees, communicate goals, decisions and rationale for decisions on a regular basis through technology, newsletters and team communications.
- B. Continue the system of staff meetings, team study groups and interdivision information sharing, including the general distribution of all agency minutes.
- C. Continue the use of two or three annual all-staff day meetings to permit open communication, create cordial working relationships, provide new training opportunities, identify key housing needs, and provide opportunities for review of each division's program.
- D. Utilize the quality management system to "smooth" the pressures often associated with changes in the Director.
- E. Utilize the Quality Guidance Committee to assist all levels of the agency in implementing MSHA quality management standards. Implement through continued research, critique, and training in effective management tools.
- F. Implement the quality cycle at all agency levels as a means of relating activity and activity results to mission.



With greater improvements, MSHA can stretch limited resources further. This is critical in the face of declining resources.

Objective 2: Formalize the leadership role of the Executive Committee in serving the Director as the primary advisory body in making decisions related to allocations, program approval and personnel policies.

Strategies:

- A. Continue to meet on a regular basis to provide a forum for reviewing critical policy areas and direction for MSHA.
- B. Charge the Executive Committee with the biannual review and allocation of scarce resources by population need and per capita benefit.
- C. Utilize the Executive Committee to report on divisional activities and reinforce interdivisional team work.

Objective 3: Recognize and nurture the personal responsibility and ability of the employee in meeting MSHA's goals and objectives.

Strategies:

- A. Encourage employee involvement at all levels of program design and delivery.
- B. Provide a clear and interactive employee evaluation process related to program policies and design.
- C. Provide a clear and interactive employee evaluation process related to employee performance, providing agency wide and personal direction for ways to improve.
- D. Facilitate and encourage opportunities for staff members to visit MSHA projects and experience the results of their efforts.
- E. Coordinate communication with employees through all possible media.
- F. Continue the program of facility illustrations to show ways in which MSHA has visibly helped the people of Maine.
- G. Provide consistent employee orientation programs that address benefits, the MSHA mission, how the agency works and the role of quality management.

Goal 2

|

*E*ncourage employee involvement at all levels of program design and delivery.



Goal 2

Program design depends greatly on evaluation, which ensures that the program will do what it set out to accomplish.

Objective 4: Reduce red tape.

Strategies:

- A. Continue to analyze program processes every other year to assess changes in the market or technologies, working to reduce amounts of processing time needed to process various applications.
- B. Ensure that data required in each application process is needed by the agency to provide resources in return.
- C. Improve information recording processes by reducing the number of duplicative data entries.

Goal 2 Benchmarks:

- Maintain the present satisfaction rating with employment at MSHA at 90% or greater.

Goal 3



Goal 3 - Program Design: MSHA will improve the design and delivery of programs and services.

Summary. Effective program design requires a predictable structure ensuring the use of needs data and the input of our staff, partners and customers. The objectives and strategies describe how that process will work and establish a series of guidelines to be followed when examining new or old programs. Program design depends greatly on evaluation, which ensures that the program will do what it set out to accomplish. Hence, design must identify the needs of the customer and role of the partner to make the most efficient use of scarce resources. In the use of scarce resources, program design will use the 1997 Strategic Plan, the Consolidated Plan and appropriate needs assessments to guide the allocation process.

Benchmarks will measure outcomes based on recent customer satisfaction. Benchmarks will assess change from present survey results.

Objective 1: Ensure broad organizational partner and customer involvement in the development of all new and existing programs and services.

Strategies:

- A. Any new program or service will be reviewed before it is approved and announced. The team shall include other divisions affected and, when practical, partners and customers for whom the program is being designed.

- B. Employ the same approach prior to continuing any existing program not reviewed for a period of two years.
- C. Organize and host a series of continuing discussion forums between staff, customers and partners to review existing programs and identify new needs.
- D. Make use of internal data bases and survey information in the program review process.
- E. Require that the design of the delivery vehicle be an integral part of program design. This will require an assessment of public and private sector options and identify why the selected vehicle is the most effective.
- F. Require that every new program have a built in evaluation mechanism to ensure that design and delivery meet desired goals and provide sound feedback for future modifications and new programs.
- G. Once identified, require that all programs identify the partner(s) and their respective role and responsibility in program delivery.
- H. Continue to research private sector financial products, searching for ways to improve our own and standardize our products with those of the market.

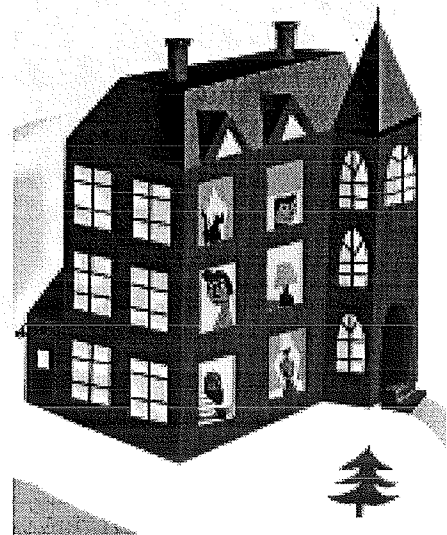
Goal 3

*M*oving across divisions, ensure that the notion of a housing continuum is part of program design.

Objective 2: Require that new and existing programs remain consistent with the mission, goals and strategies of the Agency.

Strategies:

- A. Moving across divisions, ensure that the notion of a housing continuum is part of program design. This will assist the customer, where appropriate, in moving along the housing continuum from their point of entry, transitioning from dependence to independence.
- B. Require that all programs are consistent with the mission statement.
- C. Require that all programs identify the customer and how the customer will benefit.
- D. Require that all programs identify the partner and partner responsibility.
- E. Require that programs are consistent with the annual needs assessment, as found in the Consolidated Plan.
- F. In the use of scarce resources, as defined by the Executive Committee, assure that the customer receives the maximum benefit. Concurrently, ensure that the minimum amount of scarce resource is used to effectively and efficiently meet program goals.
- G. Examine all existing programs to verify that there are sufficient beneficiaries to justify continuing a program as designed. Focus on underutilization in terms of as-



Goal 3

Consider the geographic diversity of Maine in program design and delivery, recognizing that flexibility will be needed to accommodate different housing needs and markets.



sessing the need and the delivery system to ensure that the design is meeting the need of the customer.

- H. Examine the number of programs being delivered at MSHA for the purpose of simplifying program design and reducing the number of programs to be managed.
- I. Ensure in program design, where there are limited subsidy resources, that the programs serve those in greatest need, as efficiently as possible.

Objective 3: Consider the geographic diversity of Maine in program design and delivery, recognizing that flexibility will be needed to accommodate different housing needs and markets.

Strategies:

- A. Maintain a data base that allows for the agency to assess different market conditions.
- B. Market effectively, in all areas of the state, each of the housing programs.
- C. Coordinate with other state agencies to clearly link the housing need with the local economy and service needs.
- D. Recognize in both allocations and final project approval the need to maintain a flexible resource mix to serve differing markets.

Goal 3 Benchmarks:

- All programs will be reviewed every other year.
- Maintain the customer satisfaction rating for the first time homebuyer at more than 90% as measured through surveys of buyers.
- Maintain a customer satisfaction rating for our agents' certificate/voucher program at 80% or above.
- Maintain a customer satisfaction rating of 85% or above for the FIX ME program.
- Increase the percentage of structures in our supportive housing program reporting good to excellent (through site inspections) to more than 30%.
- Maintain a delinquency rating for single family mortgages at less than 4%.
- Maintain a delinquency rating for home improvement loans of less than 8%.
- Provide balanced program expenditures based on need around the State.
- Reduce the processing time for our partners by 10%.
- Maintain a multi-family delinquency rate of less than 1%.

Goal 4 - MSHA Program Focus: MSHA will ensure that programs remain appropriately linked to its mission and strategic plan.

Summary. Program focus links this plan and the five priority population groups: first time homebuyer, cost burdened homeowner, cost burdened renter, special needs populations and the homeless. In contrast to program design, program focus describes population groups in terms of need and relates need to the market. Program focus describes who the program is intended to serve, how they are to be served and how state and federal categorical funding effect program delivery. MSHA has found that:

- ⇒ first time homebuyers need help financing their first home;
- ⇒ cost burdened homeowners need help financing home repairs;
- ⇒ cost burdened renters need assistance in paying or reducing their rent;
- ⇒ special needs populations generally need housing assistance combined with health and human services; and,
- ⇒ homeless persons need emergency shelter or transitional housing combined with services.

Utilizing this philosophy and approach, MSHA will use an an annual allocation process to assess the needs and provide low income citizens of Maine with appropriate housing programs.

This goal also identifies the most important housing priorities for MSHA. Important priorities for MSHA remain creating new homeownership options and owner occupied home repair. As a direct result of Maine's older housing stock and a five year projection of slow growth, it is recommended that we continue the rehabilitation of all forms of housing that serve low income citizens. Demographic assessments also require that we continue to address the needs of the special needs populations, including the elderly.

Measurements for Goal 4 will focus on the number of units we can create and the percentage of the market those units will serve.

Goal 4

As a direct result of Maine's older housing stock and a five year projection of slow growth, it is recommended that we continue the rehabilitation of all forms of housing that serve low income citizens.



Goal 4



Objective 1: Maintain program focus on five priority populations: first time homebuyer, cost burdened homeowner, cost burdened renter, special needs populations, and the homeless.

Strategies:

- A. Conduct an annual assessment of housing needs by population group as part of the State's Consolidated Planning process, completing such assessment on or before August 1st.
- B. Ensure that the need of each population group is defined for the purposes of program design and delivery and identify appropriate resources.
- C. Through the Consolidated Plan and other program plans, assure that the needs assessment looks to the future in five year increments.
- D. Expand MSHA's capacity to assess local markets.
- E. Ensure a balance of housing options across all groups in order that choice and opportunity are available to low income citizens.

Objective 2: Ensure that the resource allocation process is consistent with the mission and strategic plan, and focused on the most efficient and effective use of scarce resources.

Strategies:

- A. Review all available information prior to the annual allocation process and rank priority populations based on that analysis. Fund programs out of that ranking structure, including mid year re-allocations.
- B. Through quality management practices, ensure that staff input, as represented through their divisions and working groups, is part of the allocation planning process. One annual all-staff day meeting will include a discussion of annual priorities.
- C. Provide staff with all surveys, focus group summaries and similar informative reports prior to the allocation process.
- D. Continue to provide up-to-date expenditure rates of funds to ensure the most efficient allocation and expenditure of agency dollars.
- E. In the needs assessment and allocation process, identify the gaps that exist where no other agency is making a meaningful response.
- F. Where there exist competing, multiple needs, work to ensure that our subsidy resources serve the extremely low income and cost-burdened families of Maine.

Through quality management practices, ensure that staff input, as represented through their divisions and working groups, is part of the allocation planning process.

Objective 3: Continue the focus on homeownership as a high priority.

Strategies:

- A. Continue the aggressive marketing of the program, reaching out to both partners and customers.
- B. Continue to find resources to assist low income homeowners in making repairs to their homes.
- C. Expand the number of first time homebuyers at or below 50% of median income or considered part of a special needs population.
- D. Expand the development of programs which help elderly or disabled homeowners stay home and avoid moving to more costly alternatives.
- E. Expand *New Neighbors* to other areas of the State by developing new resources to support the program.

Objective 4: Give priority to the rehabilitation of existing housing in Maine.

Strategies:

- A. Review and improve the effectiveness and delivery of existing rehabilitation programs and expand as resources become available.
- B. Ensure that resources effect a quantifiable improvement in substandard housing while also serving low income citizens.
- C. Ensure that one of the products of rehabilitation is the strengthening of neighborhoods.
- D. Work to identify new funding sources to serve small landlord projects throughout the state.
- E. Continue to recognize the importance of rehabilitation to the economic well being of the State of Maine.
- F. Encourage programs that make use of the existing stock.
- G. Develop cost effective methods and financial resources to address lead based paint problems in Maine housing.

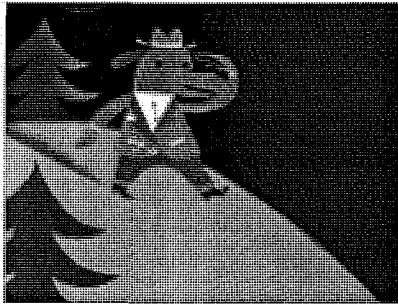
Goal 4



Continue the focus on homeownership as a high priority.

Goal 4

Addressing the Housing Needs of Low Income Citizens: The Maine State Housing Authority will serve as the primary state entity to address the housing needs of low income citizens.



Goal 5

Objective 5: Increase the number of special need housing units spread throughout the state, serving various populations.

Strategies:

- A. Continue to meet with our external partners to identify priority needs for special need populations, including those with mental illness, mental retardation, physical disabilities, substance abuse, victims of domestic violence, children and youth with special needs, and single parent families.
- B. Identify and link resources best suited to specific special need groups to more efficiently stretch our financial resources.
- C. In conjunction with our goal to increase resources, identify and obtain new resources that can serve special need groups.

Goal 4 Benchmarks:

Assuming 1997 financial resource levels, MSHA will annually serve the following population groups:

Cost Burdened Renters:	245 units or 2% of those in need
Homebuyers:	2000 units or 4% of the primary pool in need
Cost Burdened Homeowners:	1200 units or 2% of those in need
Homeless Population:	maintain rate of multiple visits by one individual to shelters to 40% or less
Special Needs Populations:	150 units or .5% of need

Goal 5 - Addressing the Housing Needs of Low Income Citizens: The Maine State Housing Authority will serve as the primary state entity to address the housing needs of low income citizens.

Summary. MSHA is the primary housing finance provider for low and moderate income persons in the State of Maine. Given MSHA's expertise in housing development and access to financial resources, MSHA will work to meet the housing needs of all five priority population groups while coordinating with other state agencies to provide appropriate services. While facilitating service provision, MSHA will also work to expand private and non-profit development capacity to assist us to make the best use of limited resources.

Objective 1: To reaffirm the original legislative intent which identified MSHA as the state agency charged with assisting and coordinating in the provision of a variety of statewide housing options.

Strategy:

- A. Encourage legislation which identifies MSHA as the state agency to lead affordable housing efforts.
- B. Be available to facilitate and coordinate interagency cooperation where the provision of housing is to be a key result of actions taken.
- C. Encourage other agencies to work through MSHA to meet identified housing needs, while they provide associated services.
- D. Continue to inform our customers and partners on what MSHA is doing to meet the needs of our priority population groups.
- E. Serve as a resource to those in the State examining housing issues.
- F. Respond to housing challenges identified by other State departments.
- G. Establish a housing day for the Legislature that includes a "State of Housing" presentation by the Director.

Objective 2: Work to expand the for profit and non-profit development capacity in the State of Maine.

Strategy:

- A. Work directly with developers to expand their resource and development capacity, focusing especially on the need to bring more financial resources to the State.
- B. Link developers with our state and federal partners in order for the developers to assure customers receive both housing and service assistance.
- C. Provide continued training and communication to improve the knowledge of our programs and housing issues.

Goal 5



Encourage other agencies to work through MSHA to meet identified housing needs, while they provide associated services.

Goal 5

Goal 5 Benchmarks:

- Produce at least 4 external newsletters per year.
- Hold the Governor's Affordable Housing conference and the legislative "State of Housing Days," as appropriate.
- Provide training for profit and non-profit developers on the available MSHA programs.

Goal 6

Goal 6 - Subsidy Resource Supply: Maintain and develop new subsidy resources to replace those being lost through state or federal budget reductions.

Summary. We work in an era of shrinking resources. MSHA should advocate for the maintenance and expansion of existing financial resources. Shrinking resources put greater pressure on meeting present, let alone expanding needs. MSHA shall make use of the tools it has available to maintain its subsidy resource base. Specifically, it will focus on expiring Section 8 project based rental assistance, the State Real Estate Transfer Tax and the expansion of our bond capacity. Our success in this endeavor will be measured in the maintenance and increase in our subsidy resource base.

Objective 1: Identify and publicize the gaps that exist between the annual and future needs assessments and available financial resources.

Strategy:

- A. Using the assessments conducted as part of our program focus strategy, identify the impact of those needs on existing and future known resources.
- B. Delineate for each resource its constraints, working to fit resource and need in the most efficient manner. Identify tools and techniques in financing that can extend subsidy resources. Identify alternative financial resources that match with defined needs.
- C. Track the future availability of resources, both known and speculative and work to secure additional funding.



MSHA should advocate for the maintenance and expansion of existing financial resources.

Objective 2: Communicate with our partners and customers on the status of available resources and the needs that can and can not be met.

Goal 6

Strategy:

- A. Enhance our marketing and media capacity to ensure that all partners and customers are aware of financial need by priority population group.
- B. Remain active on a state and federal political level to effect legislation and funding changes that further the mission of MSHA.
- C. In the short term, focus in particular on the need to:
 - Identify new sources of revenue to support the impending loss of expiring Section 8 project based rental assistance.
 - Restore the Real Estate Transfer Tax to its initial share (45% of the total collected).
 - Protect and improve our ability to use bond capacity on a state and federal level.
- D. Develop a constituency of partners and customers to increase public awareness of the need to fund housing initiatives.

Goal 6 Benchmarks:

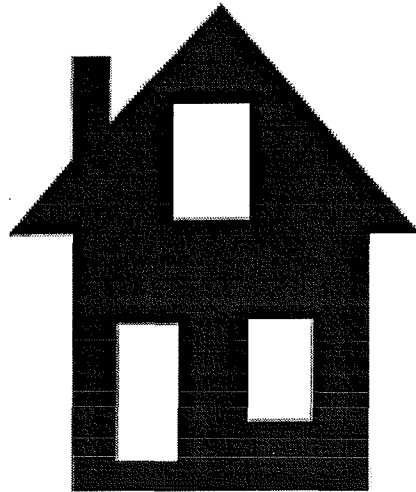
- Produce an annual housing gaps assessment, identifying needed resources.
- Maintain the present level of subsidy resource funding.
- Obtain the 45% share of funding through the Real Estate Transfer Tax.
- Develop models to address the expiring Section 8 project based rental assistance.
- Expand bond capacity to ensure that bond monies are not reduced to subsidy resources.

Communicate with our partners and customers on the status of available resources and the needs that can and can not be met.

CONCLUSION

The six primary goals of this plan will provide guidance to MSHA, its customers and its partners as we plan for the future. The goals and strategies reflect MSHA's commitment to continuously analyze and improve program design and delivery. While each goal stands on its own, it is clear that success is dependent on the integration of each goal into every level of the cultural fabric of MSHA. Equally important is communicating these goals with our partners and customers as we plan to meet the needs of low income housing in Maine.

The goals and strategies reflect MSHA's commitment to continuously analyze and improve program design and delivery.



APPENDIX I

Partner Surveys.

Introduction. In the following, we will provide a brief summary of the surveys conducted for both internal and external partners of MSHA. The summary is meant to draw some contrasts with a similar survey conducted two years ago in conjunction with the development of the 1995 Strategic Plan. The survey will also provide information to each division regarding its present program design and delivery system, providing information necessary to make improvements.

Real estate professionals:

We received surveys from over 108 real estate professionals, roughly a 25% response rate. Unsurprisingly, almost all ranked the first time homebuyers program as the most important program at MSHA. Of those responding, roughly 16% of their home sales were through MSHA. As opposed to the previous survey, more real estate professionals recognized their role as being critical to MSHA program delivery (about 75%).

In the previous survey, real estate professionals identified paperwork and processing as issues that needed attention. In this survey, the median response of "good" suggests that Realtors see some improvement in the approval process, but hope to continue to see more. In particular, they noted the improvement in income eligibility and increased flexibility for those qualifying as significant improvements since the last survey.

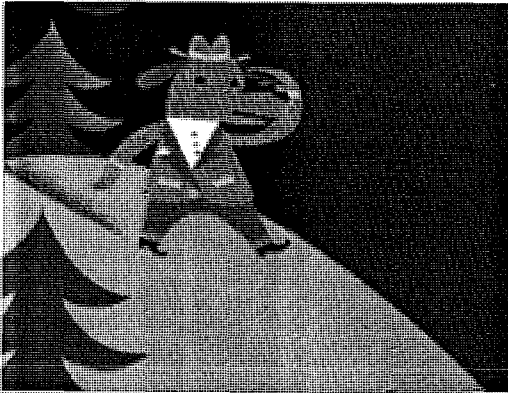
In the last survey, real estate professionals identified lenders as needing more information and participation in the program. In this survey, 75% felt that the lenders were enthusiastic about MSHA's first time homebuyer program. In contrast to the lender survey, where roughly 50% felt the MSHA program was not needed, 86% of the Real estate professionals believe that our targeted population group would not be able to purchase a home without MSHA.

The Real estate professionals ranked the Down Home and Closing Cost Assistance programs as very good, and the Purchase Plus Improvement program as good. Lack of government insurance was raised as a problem in for these programs.

Of note was the fact that 68% of those surveyed suggested that up to 40% of their business was in selling homes at or below median state selling price. Another 20% noted that between 41%-60% of their housing sales were at or below median price. The Closing Cost Assistance program, while ranked as very good by the respondents, was used by less than half of the real estate professionals.

86 % of the Real estate professionals believe that our targeted population group would not be able to purchase a home without MSHA.





Lenders:

Lenders responded at roughly the same levels as the previous survey. MSHA's vision, now described through the mission statement, is consistent with lenders' sense of MSHA's role in providing housing for low income citizens in Maine. Clearly, the first time homebuyer was the most important priority group to be served through MSHA programs (few comments were made about other MSHA programs).

In response to suggestions related to the buyer in the last survey, MSHA introduced the Down Home program and increased the income levels to be served (to 100% of median). Interpretations were clarified through revising the recapture provisions. From a delivery perspective, MSHA worked to make the process easier for the lenders through a streamlining program and reduction in servicers. MSHA also, in response to the survey concerning lender needs, increased the fee to the lender, reduced the document and paperwork movement and improved its information dissemination.

In this survey, the lenders generally felt that the reduction in servicers and streamlining process were positive and reduced individual workloads per loan, in some cases by up to an hour or more. They continue to be concerned with the 3 points rule (the seller must pay, noting that requirement was increasing the cost of the home). While there was some concern about the lack of government insurance programs related to our improvement package for buyers, most noted that it was a positive program that acknowledged Maine's older housing stock. Lower downpayment requirements were again mentioned as a need.

Those that responded positively noted that the staff's response has improved greatly, and that consistency among answers was better. The process was faster, the fee appreciated and the reductions in paper flow helpful. The few negative comments were focused on income limits being too low, a need for more consistent training programs and in the servicer reduction (for those who preferred not to lose such a role). Many noted that the Purchase Plus Improvement program would work better with a government insurance program attached to it.

Developers:

Once again, ten for profit and twenty-five non-profit developers responded to the survey. In the last survey, Developers focused on a cumbersome closing process, concerns over insufficient financial and human resource commitment and an overall sense that the MSHA application process is more cumbersome than need be.

In this survey, the lenders generally felt that the reduction in servicers and streamlining process were positive and reduced individual workloads per loan, in some cases by up to an hour or more.

The general sense of the survey was that our products do serve Maine low income families well. Most respondents emphasized a need to maintain a broad range of programs because of the diversity of low income housing needs. While comments were made regarding a cumbersome process and deep subsidy targeting, there was also recognition that the job being done was good, given declining resources.

Communication about our programs offered very contrasting responses. One group noted that communication was improving, the program design and public input process were getting better and that the developer focus groups were very good. Another contingent noted that the development program needs to speak with one voice, reduce confusion and do a better job listening and adapting to public input. An overall sense from survey response is that the process has improved but needs to continue to improve. There remain some that we have not reached out to in a consistent manner.

General comments by the developer group were extensive. Among common themes were greater attention given to small units and mixed income projects. Surveys called for more work with the homeless, senior citizens and youth with a focus on filling gaps that other agencies cannot meet. Some suggested that MSHA broker outside agency cooperation with the development community, mobilizing new and different resources. Both profit and non-profit developers were concerned with the lower income targeting, noting that lower income limits do not seem to match up to the reward for risk. Generally, several comments noted a need to better support small, existing landlords, believing that the future in housing should be in smaller, less dense, housing projects.

Legislature:

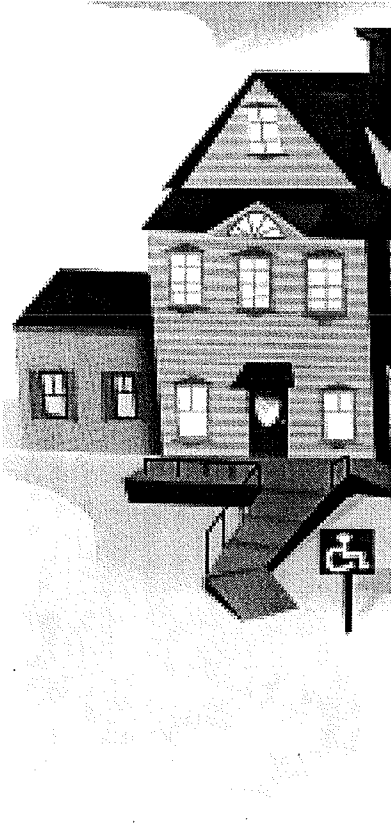
The response rate from the Legislature was down slightly from the previous survey, both surveys in the range of 25% response rates. While 25% of the legislators in the last survey identified housing as a high priority, over 30% ranked it as high or very high. The majority in this round, roughly 50%, ranked housing as a moderate priority, with several legislators noting that the issues of the economy and taxes were for the time being dominating their attention.

In the last survey, legislators identified rental assistance and homeownership programs as critical. Since that survey, the FIX ME program was introduced, with many senators and representatives identifying that as the most important program now available (with one exception). The new homebuyers program was also identified as critical to providing better environs for the family, with many noting that better Down Home assistance should be made available. The concern for senior citizens, not really identified in the last survey, clearly is on the mind of legislators this time.

The general sense of the survey was that our products do serve Maine low income families well.



The concern for senior citizens, not really identified in the last survey, clearly is on the mind of legislators this time.



The CAPs noted that the FIX ME program is an excellent one and that the staff has been outstanding in the process.

Several noted their concern for continued substandard housing, the need to help existing landlords and the need to focus on new concerns, such as lead based paint abatement. Homeless and homeless youth were identified by a few, noting the need to address those with the greatest crisis in housing first.

General comment included that MSHA has a good reputation and is recognized for doing a good job in the area of housing. Two notable exceptions need to be identified: one surveyor noted a concern for the FIX ME program, particularly with cost and quality of work. A second noted that our programs tended to cause market rates to escalate, creating a negative impact on affordable housing. Another desired better measures on how successful MSHA has been in meeting housing needs. That same person also noted that the newsletter and associated information have proven useful in better describing our achievements.

Community Action Programs:

This is a new survey directed specifically at the CAPs and the delivery of programs such as FIX ME, Weatherization and LIHEAP. All 11 CAPs responded to the survey, with the overall scores related to our program outstanding. Nine out of eleven identified the mission statement as excellent or very good.

The CAPs noted that the FIX ME program is an excellent one and that the staff has been outstanding in the process. Noting that this program is the best suited for Maine citizens, CAPs asked for more dollars, noting that in total, they felt they could do an additional 400 plus units per year. In terms of improvements to the program, higher loan amounts and relaxed underwriting criteria were most often noted.

Weatherization was generally ranked fairly high, as was LIHEAP. The use of a peer monitoring system was identified by a couple as a unique and interesting tool.

While some noted that the process at MSHA still remains too bureaucratic, they noted good improvement and a need to continue to reduce paperwork. More than one noted a need for better communication between departments, but also noted that EHS is one of the best divisions at MSHA.

Programmatically, they suggested expanding Keeping Seniors Home, increasing funds to FIX ME and greater very low income new homebuyer development.

Staff:

While the staff survey was not extensively reported in the last plan, one was conducted. The survey of staff for this update was focused on what staff feel about the changes that have occurred over the last two years since the last strategic plan. Most ranked the mission statement high and generally felt as they were involved in the planning process in MSHA. Negative comments were minimal (less than 10% of the 56 responding to the survey), with their concerns with inconsistency at the division level and misuse of personnel.

Interestingly, the largest response to program focus was that there is a need to do something about all the population groups and that MSHA must remain broad-based in its focus. A broad based focus was followed by homeless persons, senior citizens, first time homebuyers, cost burdened homeowners, and those with mental illness. This seemed consistent with programs that should be eliminated, the most common answer being none. Several noted that other agencies should better support our efforts to assist their customers, mental health consumers being most commonly mentioned.

Most workers at MSHA can be described as proud of their mission and role in working with low income households in Maine. Many find this line of work rewarding and find that the fast pace and diversity at MSHA make it an interesting place to work. Many staff members identify time pressure and related time constraints as the most difficult aspect of working at MSHA. Some, while noting improvement, felt that communication still needs to be improved, that cross training might be useful, with most noting that they feel that they are involved.

Conclusion. The general flavor of these survey responses is that our partners believe we are doing a good job. More importantly, as we look over time and compare this survey to the 1995 survey, we find that the satisfaction ratings have improved. Many of the actions we took to improve program design and delivery have clearly pleased those who we work with. We must now continue MSHA quality management practices and show further improvement as we move to the turn of the century.

Most workers at MSHA can be described as proud of their mission and role in working with low income households in Maine.



APPENDIX II

Description of Income Categories

Several terms relating to the income status of people who benefit from MSHA programs appear throughout this report. They include:

Extremely Low Income (ELI) = Household income of 0%-30% of State's Median Family Income (MFI)

Very Low Income (VLI) = Household income of 31%-50% of MFI

Low Income (LI) = Household income of 51%-80% of MFI

Moderate Income = Household of 81%-105% of MFI





Maine State Housing Authority

Memorandum

To: Governor Angus S. King, Jr.
From: Dana Totman
Date: December 17, 1999
Subject: Weekly Report

1. *Secretary Cuomo's homeless funding announcement* - This past Saturday HUD Secretary Cuomo came to Portland and announced the award of \$5,500,000 to Maine. Clearly the personal appearance was significant considering last year's rejections of Maine's applications. Often people are left confused or with wrong impressions following announcements like this. I will attempt to add some clarity. In the early and mid 90s HUD made numerous homeless funding awards to states and cities. Each year HUD would independently renew some grants and make some new awards. Some of the awards were for one year and others were for longer periods: up to five years. There were essentially two types of award being made in Maine during these early 90s. One type (supportive housing) was funds to pay for case workers, counselors, or various social service personnel at agencies located primarily in Portland and southern Maine. The other type of award (shelter plus care) was to pay for the actual rent to enable persons with mental illness to secure apartments. This type of award was going primarily to the Department of Mental Health and the awards created 5 year rental vouchers for the clients.

About 3 years ago HUD changed their procedures. The new procedure required renewal and new homeless initiatives to compete together rather than independently. The new process also essentially required that each geographical region produce only one application. The new process also assigned a basic funding level to each region and required the region to prioritize projects within that region. The basic funding level (referred to as fair share) was slightly modified to partially accommodate renewal demands.

Maine was very successful in the early 90s securing these grants. Unfortunately the renewal cost for these grants is now often far exceeding Maine's fair share. The challenge is especially big for Maine because much of our early awards were the Shelter Plus Care type of grant which HUD requires to be renewed for five year lengths of time which are very costly. Despite this huge renewal cost HUD decided this year to set aside \$250,000 in each region for new projects only. Generally applicants submit requests containing numerous projects prioritized from most desired to least desired. The renewal projects are generally very desired. Here's what happened.

The City of Portland submitted an application that included 16 projects. Portland asked for the \$250,000 new project and requested monies to renew 15 projects of which 6 were Shelter Plus Care and 9 were Supportive Housing. The total request was \$2,028,436. HUD approved the new project and agreed to renew 10 of the projects. The projects not renewed included a \$78,000 supportive housing project at Ingraham and 4 Shelter Plus Care projects which provided rental vouchers for 20 clients. We think 10 of the 20 can be served in the new grant.

The City of Bangor asked for the \$250,000 new projects and requested that 8 projects be renewed for a total request of \$2,231,754. Six of the renewal requests were for Shelter Plus Care vouchers and two were for Supportive Housing. HUD approved the new project and two Shelter Plus Care renewals. The projects not renewed for Bangor were two supportive housing projects at Bangor

Area Shelter totaling \$46,000 and four Shelter Plus Care projects which provided rental vouchers to about 36 clients. We think 10 of the 36 can be served in the new grant.

The State application (Maine without Bangor and Portland) asked for a \$250,000 new project and requested 3 Shelter Plus Care projects be renewed for a total request of \$4,076,340. HUD approved the new project and two of the three renewals for a total of \$3,143,580. The non-renewed project provided rental vouchers to about 34 clients about 10 of which can be served in the new grant.

Overall, Maine received about twice its fair share which is great news. Unfortunately despite this good news, three vital Supportive Housing projects and about 36 clients with rental vouchers are losing their funding support and must scramble for alternatives.



Maine State Housing Authority

Memorandum

To: Governor Angus S. King, Jr.

From: Dana Totman

Date: December 30, 1999

Subject: Weekly Report

Turning Point Farm – Yesterday, Secretary Cuomo announced his approval of letting MSHA spend a portion of its Federal Home Block Grant to help fund this project. This is good news but a little background and analysis on the situation identifies several intriguing and important policy discussions.

First, the background: Maine wants special needs children that are currently placed out of state to return to Maine for care and housing. DHS agreed to provide a Medicaid cost reimbursement grant to Turning Point Farm in order for 6 youth to be served. MSHA agreed to provide a loan and possibly a grant to Community Housing of Maine (CHOM) to buy a farm in New Gloucester for subsequent rent to Turning Point Farm. The possible MSHA grant to CHOM was a piece of the Federal Home Block Grant which MSHA receives from HUD. HUD had previously provided MSHA an e-mail indicating children in state custody could not be served with proceeds from the Federal Home Block Grant. MSHA indicated to CHOM that this grant's proceeds could not support children in state custody as proposed in this project unless HUD changed its position. Ultimately HUD changed its position so MSHA will provide a \$400,000 loan and a \$96,000 grant to CHOM for this project.

Now, the policy issues related to this project: (1) The Federal Home Block Grant was a block grant to "... strengthen the abilities of States . . . to design and implement strategies for achieving an adequate supply of decent, safe housing . . ." HUD appears to be prescribing certain procedures and limitations on how states operate their programs raising the policy question of *how limited is the state's authority?* (2) MSHA attempts to develop numerous special needs housing projects like this that have some financial implications. If MSHA did not provide the grant the developer would have had to borrow more money. This increased loan payment would increase the rent charged to Turning Point and DHS would need to increase its Medicaid reimbursement rates. MSHA prefers to partially pay for these projects with grants to minimize the debt/risk associated with the loan amount that exceeds the property's value. If MSHA does not have a source of capital like this block grant or the recently depleted \$5,000,000 general obligation bond fund, there would be higher risk and higher Medicaid reimbursement rates. The policy question is *whether to appropriate funds for a capital fund or to lend more funds which create slightly greater risk and higher Medicaid reimbursement rates?* (3) This project follows the model where the developer and owner of the building is one entity and the provider with which DHS contracts is a different entity. Some like this model because if the provider does an inadequate job, a different provider can be brought in without displacing the residents. Others feel this model places greater risk on MSHA because the entire 30 year mortgage is underwritten based on a two year lease which is dependent on DHS continuing the contract with the service provider. The policy question is: *should the owner and service provider be the same or separate entities?*

In summary, this is a wonderful project, however we will do everything possible to convene the appropriate parties including your staff to review the policy issues.