

**Report to the Governor, the Secretary of  
Commerce and Trade, the House  
Appropriations Committee, and the Senate  
Finance Committee**

**The Virginia Housing Trust Fund  
*and the*  
Financial Status of the Virginia Housing Partnership Revolving  
Fund**

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**Submitted by:  
The Department of Housing and Community Development  
December 2020**

# **The Virginia Housing Trust Fund and the Financial Status of the Virginia Housing Partnership Revolving Fund**

## **Introduction**

During its 2013 regular session, the General Assembly amended provisions of Chapter 9 of Title 36 of the Code of Virginia to provide statutory direction for the administration of the Virginia Housing Trust Fund (VHTF). Item 108 G of the 2012 Appropriations Act established the Trust Fund and provided an initial allocation of \$8 million to become available in FY 2014. The 2013 statutory changes modified certain reporting requirements that originally applied to the former Virginia Housing Partnership Revolving Fund. Effective July 1, 2013, § 36-150 of the Code of Virginia required the Department of Housing and Community Development (DHCD) to report annually on the Trust Fund and such other matters the Department may deem appropriate, including the status of the former Housing Partnership Revolving Fund. Designated recipients of the report include the Governor, Secretary of Commerce and Trade and the Chairs of the House Appropriations and the Senate Finance Committees.

In accordance with the requirement of § 36-150 of the Code of Virginia, DHCD presents the following document, which includes two sections.<sup>1</sup> Part I reviews recent activities associated with the operation of the Housing Trust Fund during the period since the close of FY 2019 as well as the impacts of funds allocated in 2018-2019. Part II updates information concerning the financial status of the Virginia Housing Partnership Revolving Fund, presently administered by the Virginia Housing Development Authority (VHDA). The latter section continues the format used during previous years in accordance with the former statute and incorporates materials provided by VHDA's independent auditor, KPMG, LLP.

## **Part I: The Virginia Housing Trust Fund**

### **Purpose and Background**

The Biennium Budget for 2020-2022 allocated \$55,000,000 in the first year and \$30,000,000 in the second year to fund activities through the Virginia Housing Trust Fund. This is an increase from the 2018-2020 Biennium Budget, which allocated \$11,000,000 in the first year and \$14,000,000 in the second year to support the activities of the VHTF.

At least 80 percent of the Fund is to be used for short, medium and long-term loans to reduce the cost of homeownership and rental housing. Up to 20 percent of the Fund may be used to provide grants for targeted efforts to reduce homelessness.

Pursuant to provisions included in the Biennium Budget related to the COVID 19 pandemic, certain prescribed budget allocation requirements are allowed to be temporarily adjusted to meet the needs of the pandemic. As such, the historic requirement that 80 percent of funds be

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<sup>1</sup> <https://law.lis.virginia.gov/vacode/title36/chapter9/section36-150/>

used for short, medium, and long-term loans to reduce the cost of homeownership and rental housing has been adjusted to 60 percent by the Board of Housing and Community Development. The remaining 40 percent of the VHTF may be used to provide grants for targeted efforts to reduce homelessness. This is an increase from 20 percent to address the needs of the most vulnerable during the pandemic.

The entities charged with administering the VHTF—the Department of Housing and Community Development (DHCD) and Virginia Housing (previously named Virginia Housing Development Authority)—have extensive experience in implementing the activities needed to carry out the provisions of the VHTF. Virginia Housing originates and services loans on a regular basis through its bond and revenue programs. It also services loans made with HOME funds administered by DHCD. Both agencies, which are overseen by boards subject to gubernatorial appointment, have more than two decades of experience in developing housing policy and structuring and implementing programmatic tools to operationalize those policies. DHCD and Virginia Housing worked collaboratively to implement the provisions of the Virginia Housing Partnership Revolving Fund, which was the predecessor to the VHTF. Both DHCD and Virginia Housing are skilled at packaging affordable housing projects that include a range of funding sources in order to leverage their resources. The budget language creating the VHTF identified leveraging as an important component of its operation.

**Input Into the Structure of the Housing Trust Fund**

Significant stakeholder input was gathered leading up to the development of the initial Virginia Housing Trust Fund (VHTF) framework. Building on this foundation DHCD has met with representatives of the Virginia Housing Alliance to discuss proposed changes for the VHTF and received input from the Alliance’s membership. Input sessions were held in January 2020 to gather feedback. Invitations were broadly extended to DHCD grantees, partners, and the public, as well as posted on the department’s website.

<b>Input Sessions</b>	
<i>Where</i>	<i>When</i>
Roanoke	January 6 , 2020
Wytheville	January 7, 2020
Richmond	January 8, 2020
Prince William	January 9, 2020
Hampton	January 10, 2020

In addition, Virginia Homeless Services input sessions were held in October 2019 where attendees were asked for feedback specific to the Virginia Homeless Reduction Grants (funded with Virginia Housing Trust Fund dollars).

<b>Virginia Homeless Services: Input Sessions</b>	
<i>Where</i>	<i>When</i>
Newport News	October 1, 2019
Richmond	October 3, 2019
Roanoke	October 7, 2019
Abingdon	October 8, 2019
Manassas	October 10, 2019

### **Parameters of the Housing Trust Fund**

The 2012 Budget Bill (Special Session I) included language establishing the basic parameters for the VHTF. These included guidance on the allocation of funds for grants and loans, a statement describing the types of activities eligible for grants or loans, and a list of the types of organizations eligible to receive program funds. The budget direction also stressed the importance of considering opportunities for leveraging and providing flexibility in loan products.

To implement the provisions of the Appropriations Act, DHCD and Virginia Housing proposed to continue to allocate funds through the broad categories shown on the following table.

<b>2020-21 Virginia Housing Trust Fund Allocation</b>	
<b>Loans</b>	
Competitive Loan Pool	\$16,680,000
<b>Grants</b>	
Rent and Mortgage Relief Program (RMRP)*	\$25,000,000
Homelessness Reduction Competitive Grant Pool (including Petersburg Pilot - Student Housing Stabilization)	\$10,620,000
Permanent Supportive Housing – Predevelopment Grants	\$500,000
<b>Administration</b>	\$2,200,000
<b>Total</b>	\$55,000,000

\*RMRP designated funds will revert to the loan pool if funds are not needed to continue RMRP.

At the time of this report (December 2020), applications for the 2020-2021 VHTF competitive loan pool and homeless reduction grants are being evaluated.

## **Affordable Housing Loan Program**

At least 80 percent (temporarily adjusted to 60 percent for addressing COVID impacts) of the funds allocated to the VHTF must be used to provide loans that reduce the costs of affordable rental housing and homeownership. Building on previous experience with the VHTF and the Virginia Housing Partnership Fund, the housing agencies have determined Virginia Housing will assist in providing the underwriting services needed to implement the key provisions of loans made through this program. DHCD, with the participation of Virginia Housing, will structure the design of the loan component with sufficient flexibility to maximize the long-term affordability and sustainability of the housing projects receiving assistance. They will also include provisions that encourage opportunities to include project participation from other public and private funding sources.

The loan program will have two distinct components. A majority of the loans will be offered through a competitive loan pool open to a variety of eligible projects accomplishing the VHTF's purposes.

### *Competitive Loan Pool*

While the competitive loan pool will accommodate a wide array of possible projects, it will acknowledge the direction of a number of gubernatorial and General Assembly initiatives as well as the limited availability of funds by giving priority to demonstration projects that address articulated state housing policies. Such policies include permanent supportive housing options for persons with disabilities (including housing for people with serious mental illness and funding that could aid the state response to the U.S. Department of Justice settlement) and expanding permanent housing opportunities for persons experiencing homelessness. DHCD uses a consolidated application process, which allows applicants to apply for four sources of funding with one application. The Affordable and Special Needs Housing Consolidated Application combines VHTF monies with Federal HOME and Federal Housing Trust Fund monies. DHCD conducted How-to-Apply workshops for the Consolidated Application in the fall of 2020 and set proposal due dates for December 4, 2020 and March 31, 2021.

Most of the funds in the Competitive Loan Pool will be used to provide low-interest loans that are structured to meet the financing needs of specific projects. DHCD and Virginia Housing anticipate that a majority of the loan pool will provide financial assistance for specific projects that address the affordable rental housing needs of very low-income (household income at or below 50 percent area median income or AMI) citizens, while giving priority to projects that address critical housing needs mentioned in the previous paragraph as well as other areas of need such as returning veterans. To assure the long-term viability of affordable rental projects, the agencies will give priority consideration to projects that have an identified strategy for financial sustainability, such as providing rental assistance to income-qualified tenants. In keeping with the direction that the loans provide flexible financing, the agencies will set repayment rates and terms for each individual loan from the VHTF. In addition, provisions of the loan program will encourage applicants to pursue leveraged funds from other sources such

as the Low Income Housing Tax Credit (LIHTC) program and other federal and local housing programs such as HOME and the Community Development Block Grant (CDBG) program.

DHCD will use a competitive process to select projects for funding. The maximum VHTF amount available to a single project is capped at \$700,000 for affordable housing projects and \$900,000 for projects providing permanent supportive housing units. The criteria used to evaluate projects for funding will include the following: (1) direct impact on one or more high priority state housing policies; (2) leveraging; (3) affordability; (4) financial sustainability; (5) impact on local housing needs; (6) feasibility, (7) readiness, (8) coordination of services and (9) the applicant's administrative capacity. DHCD will rank competitive project applications using a standardized review with a 100-point scale. No project will be funded that scores below sixty percent. DHCD will make funding offers to the highest scoring projects in descending order until available funds are exhausted or all projects scoring above sixty percent have been funded. Applicants may be asked to provide additional information to finalize funding offers. Property funded through a VHTF loan will be subject to a lien intended to ensure its continued use as targeted, affordable housing during a specified period. The outstanding balance on the loan will be due in the event the affordability period is not met.

#### **Homeless Reduction Grant Program**

Up to 20 percent (temporarily adjusted for COVID to 40 percent) of the funds allocated to the VHTF are permitted for the reduction of homelessness. The Homeless Reduction Grant funds may be used for temporary rental assistance, not to exceed one year, housing stabilization services in permanent supportive housing for the chronically homeless, and predevelopment assistance for permanent supportive housing for the chronically homeless. In accordance with budget language, priority consideration will be given to efforts to reduce the number of homeless youth and families. The restriction on the amount of the VHTF available for grants (and the one-year assistance limitation) suggests the VHTF could not serve as a significant, long-term source of rental assistance. However, it could be used to close temporary gaps for individuals, serving as a bridge for individuals transitioning into rental arrangements with documented commitments of future rental assistance from other federal, state or local sources.

DHCD will select projects based on need, approach, local coordination, and capacity. As with the loan program, projects will be selected for funding through a competitive application process. Applicants may apply for the amount needed to administer the project, DHCD does not anticipate entering into grant agreements for less than \$50,000. The application period occurs annually in the Fall and this year in December. As with the loan program, DHCD will rank competitive project applications using a standardized review. DHCD will make funding offers to the highest scoring projects in descending order until available funds are exhausted or all projects scoring above sixty percent have been funded. Applicants may be asked to provide additional information to finalize funding offers.

Approximately \$100,000 will be used to continue the Petersburg pilot project that was started in 2016. The Petersburg Pilot Project works with high school students who are designated as

homeless and chronically absent to provide housing assistance and stability services. The goal is to improve overall attendance and, as a result, educational outcomes.

### **Organizations Eligible for Virginia Housing Trust Fund Allocations**

Several types of organizations are specified in the Code and guidelines as being eligible to receive funding through the VHTF; local governments, local housing and redevelopment authorities, regional or statewide organizations providing affordable housing and homeless assistance/services to Virginia residents, and holding companies expressly created for owning and operating affordable housing are deemed eligible to apply for VHTF monies. This would not preclude eligible organizations from contracting with a variety of other parties to assist in providing the housing and other resources required to satisfy the conditions of the grant or loan product.

### **Virginia Housing Trust Fund Administration and Management**

Funding for the VHTF is included in DHCD's budget. DHCD is to work in collaboration with Virginia Housing to carry out the provisions of the VHTF. DHCD and Virginia Housing have a proven record of accomplishment in jointly administering statewide housing initiatives. In the late 1980s, the General Assembly passed legislation creating the Virginia Housing Partnership Fund. It was created to improve the quality and affordability of housing throughout the Commonwealth and was jointly administered by DHCD and Virginia Housing. DHCD set policy, provided technical assistance to its housing development partners in responding to funding opportunities, and selected projects for funding through a competitive application process. Virginia Housing provided underwriting services and originated and serviced loans.

Based on the model of the Partnership Fund, DHCD and Virginia Housing jointly determine the policy parameters of the Housing Trust Fund. Specific aspects of the VHTF implementation are handled by the individual agencies in accordance with their designated areas of expertise and responsibility.

With respect to the loan offerings, DHCD provides technical assistance during project development. Virginia Housing, drawing on its forty-year experience in mortgage lending as the state's housing finance agency, provides project underwriting for the Affordable Housing Loan Program and performs loan origination, servicing and monitoring for all program loans. DHCD, which has more than thirty years' experience in managing federal and state grant and loan programs for housing and community development, as well as extensive involvement in homeless programs, administers the process to solicit applications for both the Competitive Loan Program and the Homeless Reduction Grant Program. Overall responsibility for the ongoing administration and monitoring of grants made through the Homeless Reduction Grant Program falls to DHCD.

### Summary of Changes

The 2020-2021 Program Design has some features, which have evolved since the initial framework. Notably, the Competitive Loan Pool, beginning with the 2016–17 program year, is now a part of the previously described Affordable and Special Needs Housing Consolidated Application Process. This has streamlined the overall application process making four funding sources available through a single application. Additionally, as previously noted, overall allocation amounts between grants and loans has been temporarily adjusted to address the most urgent housing needs associated with the COVID 19 pandemic.

### Summary of 2019-20 Utilization

2019-2020 Virginia Housing Trust Fund Allocation	
<b>Loans</b>	
Competitive Loan Pool	\$11,200,000
<b>Grants</b>	
Homeless Reduction Grant Pool	\$2,520,000
Administration	\$280,000
<b>Total</b>	<b>\$14,000,000</b>

### 2019-2020 Demand Summary

- Approximately \$27,660,000 million requested for the \$11.2 million in the Competitive Loan Pool funds
  - o 37 applications
  - o 16 awarded
- Over \$3.1 million requested for \$2.34 million in Homeless Reduction Grants
  - o 37 applicants
  - o 28 awards offered
  - o \$180,000 used to continue the Petersburg pilot project (not included in the \$3.1 million requested)

### Summary Points for FY 2019-20

- More than \$11 million in VHTF resources invested in creating or preserving affordable housing
  - o Many projects serving very low and extremely low income populations that are very hard to serve, such as chronically homeless and persons with intellectual and developmental disabilities
- Creation and Preservation of Affordable Housing units (Competitive Loan pool)
  - o \$11.4 million invested to leverage \$297 million in other resources
  - o 1,308 affordable units will be created or preserved
  - o Eight projects with permanent supportive housing (PSH) units
  - o 140 PSH units



- 988 households were assisted through the homeless reduction and permanent supportive housing assistance
  - Rapid Re-Housing (RRH) – 417 households
  - PSH – 571 households

## Housing Trust Fund Snapshot 2020-2021 Allocation

Trust Fund Components & Features	Grants	Loan		Totals
	Homelessness Reduction	Rent and Mortgage Relief Program	Competitive Loan Pool	
<b>Purpose</b>	Provide competitive grants to local/regional partners providing temporary (<1 year) rental assistance; housing stabilization services in permanent supportive housing; and pre-development for long-term housing opportunities for the homeless. Require coordination with CoC.	The budget language mandates a set aside from the Housing Trust Fund of \$12.5 million for the Rent and Mortgage Relief Program (RMRP) to be used if needed to continue the program and for additional funds to be available if needed. Therefore, \$25 million in total of the current fiscal year allocation to the Housing Trust Fund is being reserved to continue the RMRP if needed with unused balanced to be reallocated to the loan pool.	Through a competitive process, provide local/regional partners with low-interest loans that will assist in financing housing projects that meet critical state housing policies. Project underwriting will tailor repayment rates and terms to specific project needs. The highest priority will go to those demonstrating financial sustain-ability and leveraging. <i>Prioritize projects serving special needs populations—ID/DD, Severe mental illness, Permanent Supportive Housing</i>	
<b>Funding Available</b>	\$11,120,000  (Includes Petersburg Pilot)	\$25,000,000	\$16,680,000	\$55,000,000  (\$2,200,000 Administration)
<b>Project Caps</b>	None – based on need  Predevelopment Grants \$100,000	NA	\$700,000 per affordable housing project/ \$900,000 for projects providing PSH	

## Part II: Financial Status of the Virginia Housing Partnership Revolving Fund

The 1988 General Assembly established the Virginia Housing Partnership Revolving Fund to expand the availability of affordable housing opportunities within the commonwealth. The Virginia Housing Development Authority (VHDA) administered and managed the partnership fund, subject to policies, procedures and programs established by the Department of Housing and Community Development (DHCD). In accordance with a Memorandum of Understanding between the two agencies, the Authority made underwriting recommendations and provided legal and loan servicing assistance for loan and grant applications identified by the department. Following 1989, the partnership fund provided grants and loans to a variety of housing providers and to persons and families of low and moderate-income. While in active operation, the partnership fund allocated over \$163 million to housing proposals financing 17,626 units.

In 2003, as part of a series of actions taken to close a serious budget gap, Item 111 G of the Appropriations Act directed the sale of the portfolio of outstanding loans and other assets of the Partnership Fund to VHDA.<sup>2</sup> A portion of the proceeds of the sale were paid to the General Fund, while another portion was directed to the Commonwealth Priority Housing Fund (CPHF), which in the near term provided a resource for addressing certain high priority housing needs. Ultimately, following the enactment of additional legislation during 2005, the remaining balance of the CPHF was transferred to a community development bank inaugurated by the commonwealth where it continued to provide a source of mortgage loan funding. A remnant of the Virginia Housing Partnership Revolving Fund remained on the books of VHDA where it was subject to annual financial reporting.

With the passage of legislation establishing the Virginia Housing Trust Fund (VHTF) during the 2013 Session of the Virginia General Assembly, VHDA assumed the role of administrator for VHTF, subject to program guidelines established by DHCD.<sup>3</sup> For the purposes of the program and VHDA's financial reporting, the VHTF received the investments previously held in the partnership fund. This effectively eliminated the partnership fund as a separate entry onto the books of the Authority, where the VHTF replaced it.

Thus, this portion of the report, in accordance with the provisions of § 36-150 of the Code of Virginia, addresses the 2019 financial status of the Virginia Housing Trust Fund and the former Virginia Housing Partnership Revolving Fund. The unaudited status of the Virginia Housing Trust Fund and the former Virginia Housing Partnership Revolving Fund is reflected as of August 31, 2020 (pages 13-15 attached below). This report addresses the net position, changes in net position, revenues and expenses associated with the Virginia Housing Trust Fund. VHDA, as administrator of a portion of the VHTF, provided the material included in this report. The financial status report on the VHTF was included in the VHDA financial statements for the year ended June 30, 2020. The public accounting firm KPMG audited these statements (pages 16-20 attached below). The Department of Housing and Community Development has received and

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<sup>2</sup> <https://leg1.state.va.us/cgi-bin/legp504.exe?031+bud+21-111>

<sup>3</sup> Chapter 754, 2013 Acts of Assembly: <https://lis.virginia.gov/cgi-bin/legp604.exe?131+ful+CHAP0754+pdf>

reviewed a copy of these financial statements and concluded that they accurately reflect the status of the VHTF.

**VIRGINIA HOUSING TRUST FUND**  
**Statement of Net Position**  
**As of August 31, 2020**  
**Unaudited**

**Assets:**

Cash	\$ 80.73
Investments - Net	2,229,800.00
Mortgage Loans Receivable	14,580,626.51
Interest Receivable - Investments	161.29
Interest Receivable - Mortgages	27,894.87
	<hr/>
<b>Total Assets</b>	<b><u><u>\$ 16,838,563.40</u></u></b>

**Liabilities and Net Position:**

VHTF P&I Liabilities	\$ 42,398.80
Due to DHCD	2,124,452.00
Yearly Management Fee Due to VHDA	-
	<hr/>
<b>Total Liabilities</b>	<b>2,166,850.80</b>
Net Position (previously held by VPRF)	11,230.00
Net Position (held by VHFT)	14,660,482.60
	<hr/>
<b>Total Net Position</b>	<b><u><u>14,671,712.60</u></u></b>
<b>Total Liabilities and Net Position</b>	<b><u><u>\$ 16,838,563.40</u></u></b>

**VIRGINIA HOUSING TRUST FUND**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Month Ended August 31, 2020 and Fiscal Year to Date**  
**Unaudited**

<u>Revenues:</u>	<u>Month</u>	<u>Year To Date</u>
<b>MF Home Interest</b>	\$ -	\$ -
Interest Income - Investments	196.60	435.98
Management Fee Contribution from VHDA	<u>58,398.00</u>	<u>58,398.00</u>
<b>Total Revenues</b>	<b><u>58,594.60</u></b>	<b><u>58,833.98</u></b>
 <u>Expenses</u>		
Fund Management Fee	<u>-</u>	<u>-</u>
<b>Total Expenses</b>	<b><u>-</u></b>	<b><u>-</u></b>
Excess of Revenues over Expenses	<b><u>\$ 58,594.60</u></b>	<b><u>\$ 58,833.98</u></b>
Beginning Net Position (previously held by VPRF)	-	11,230.00
Beginning Net Position	-	14,010,900.50
VHT Fund Decrease <sup>1</sup>	(4,627.88)	(9,251.88)
Fund Contribution (Distribution)	<u>-</u>	<u>600,000.00</u>
<b>Ending Net Position</b>		<b><u><u>\$ 14,671,712.60</u></u></b>

<sup>1</sup> Note: The decrease in fund is due to Principal collected on loans for August '20.

**VIRGINIA HOUSING TRUST FUND**  
**Change in Net Position**  
**For the Month Ended August 31, 2020 and Fiscal Year to Date**  
**Unaudited**

<u>Change in Net Position</u>	<u>Month</u>	<u>Year To Date</u>
<b>Beginning Balance</b>	\$ -	\$ 11,230.00
<b>Beginning Balance VHFT</b>		14,010,900.50
<b>Total Beginning Balance</b>		<b><u>14,022,130.50</u></b>
 <b>Fund Increases:</b>		
Interest Income - Investments	196.60	435.98
Fund Contributions from VHDA - Management Fee	58,398.00	58,398.00
Fund Contributions	-	600,000.00
	<u>-</u>	<u>600,000.00</u>
<b>Total Increase</b>	<b><u>58,594.60</u></b>	<b><u>658,833.98</u></b>
 <b>Fund Decreases:</b>		
VHT Fund Decrease	4,627.88	9,251.88
Fund Distributions	-	-
Fund Management Fee	-	-
	<u>-</u>	<u>-</u>
<b>Total Decreases:</b>	<b><u>4,627.88</u></b>	<b><u>9,251.88</u></b>
 <b>Net Change</b>	 <b><u>\$ 53,966.72</u></b>	 <b><u>649,582.10</u></b>
 <b>Ending Net Position</b>		 <b><u>\$ 14,671,712.60</u></b>

**VIRGINIA HOUSING DEVELOPMENT AUTHORITY**  
(A Component Unit of the Commonwealth of Virginia)

Notes to Basic Financial Statements

June 30, 2020 and 2019

**(u) Commonwealth Priority Housing Fund, Housing Trust Fund, & National Housing Trust Fund**

The Commonwealth Priority Housing Fund (Fund), established by the 1988 Session of the Virginia General Assembly, uses funds provided by the Commonwealth in that Session to make loans and grants for a wide variety of housing initiatives. The Virginia Department of Housing and Community Development (DHCD) develops the program guidelines and the Authority acts as administrator for the Fund. Due to the Authority's implementation of the GASB Statement No. 84, *Fiduciary Activities*, these funds are now accounted for as fiduciary activities and disclosed on the Authority's Statements of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.

The Housing Trust Fund (Trust Fund), established by the 2013 Session of the Virginia General Assembly, uses funds provided by the Commonwealth in that Session to make loans and grants for a wide variety of housing initiatives. DHCD develops the program guidelines and the Authority acts as administrator for the Trust Fund. Due to the Authority's implementation of the GASB Statement No. 84, *Fiduciary Activities*, these funds are now accounted for as fiduciary activities and disclosed on the Authority's Statements of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.

The National Housing Trust Fund (National Trust) is a federal fund established through the Housing and Economic Recovery Act of 2008, it exclusively targets to help build, preserve, rehabilitate, and operate housing that is affordable to people with the lowest incomes. DHCD administers the program through the Affordable and Special Needs Housing application process. Due to the Authority's implementation of the GASB Statement No. 84, *Fiduciary Activities*, these funds are now accounted for as fiduciary activities and disclosed on the Authority's Statements of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.

**(v) Cash Equivalents**

Cash equivalents consist of highly liquid short-term instruments with original maturities of three months or less from the date of purchase and are recorded at amortized cost. Cash equivalents include commercial paper, repurchase agreements, money-market securities, and other short-term instruments.

**(w) Rebatable Arbitrage**

Rebatable arbitrage involves the investment of proceeds from the sale of tax-exempt debt in a taxable investment that yields a higher rate than the rate of the debt. This results in investment income in excess of interest costs. Federal law requires such income be rebated to the U.S. government if the yield from these earnings exceeds the effective yield on the related tax-exempt debt issued. Arbitrage must be calculated, reported and paid every five years or at maturity of the debt, whichever is earlier. For financial reporting purposes the potential liability is calculated annually.

**(x) Statements of Net Position**

The assets presented in the Statements of Net Position represent the total of similar accounts of the Authority's various groups (see Note 2). Since the assets of certain of the groups are restricted by the related debt resolutions, the total does not indicate that the combined assets are available in any manner other than that provided for in the resolutions for the separate groups. When both restricted and unrestricted resources are available for use, the Authority's policy is to use restricted resources first and thereafter, unrestricted resources as needed.



**VIRGINIA HOUSING DEVELOPMENT AUTHORITY**  
 (A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Fiduciary Net Position  
 Fiduciary Funds – Custodial Funds

(unaudited)

June 30, 2020

	Escrow Funds (GNMA, FNMA, Habitat)	Commonwealth Priority Housing Fund	Virginia Housing Trust Fund	National Housing Trust Fund	Total Custodial Funds
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 141,673,339	5,798,364	2,129,466	1,184,669	150,785,838
Interest receivable - investments	-	274	100	45	419
Interest receivable - mortgage and other loans	-	1,046	25,958	1,334	28,338
Other assets	-	68,137	-	-	68,137
Total current assets	141,673,339	5,867,821	2,155,524	1,186,048	150,882,732
Noncurrent assets:					
Mortgage and other loans receivable	-	3,366,858	13,989,878	2,425,847	19,782,583
Total noncurrent assets	-	3,366,858	13,989,878	2,425,847	19,782,583
Total assets	141,673,339	9,234,679	16,145,402	3,611,895	170,665,315
<b>LIABILITIES</b>					
Other liabilities	-	2,559,774	2,123,272	1,195,987	5,879,033
Total liabilities	-	2,559,774	2,123,272	1,195,987	5,879,033
<b>NET POSITION</b>					
Restricted for:					
Funds held in escrow	141,673,339	-	-	-	141,673,339
Other governmental agency	-	6,674,905	14,022,130	2,415,908	23,112,943
Total Net Position	\$ 141,673,339	6,674,905	14,022,130	2,415,908	164,786,282

See accompanying independent auditors' report.

Schedule 6

**VIRGINIA HOUSING DEVELOPMENT AUTHORITY**  
 (A Component Unit of the Commonwealth of Virginia)  
 Combining Schedule of Changes in Fiduciary Net Position  
 Fiduciary Funds – Custodial Funds

(unaudited)  
 For the Year Ended June 30, 2020

	Escrow Funds (GNMA, FNMA, Habitat)	Commonwealth Priority Housing Fund	Virginia Housing Trust Fund	National Housing Trust Fund	Total Custodial Funds
<b>ADDITIONS</b>					
Contribution:					
Borrower payments	\$ 1,867,261,825	-	-	-	1,867,261,825
Employers	-	23,320	60,837	31,188	115,355
Other governmental agency	-	-	3,729,903	1,300,000	5,029,903
Total Contributions	1,867,261,825	23,320	3,790,740	1,331,188	1,872,407,083
Investment earnings:					
Interest, dividends, and other	-	97,689	31,823	3,525	133,047
Total investment earnings	-	97,689	31,823	3,525	133,047
Total additions	1,867,261,825	121,019	3,822,563	1,334,723	1,872,540,130
<b>DEDUCTIONS</b>					
Other governmental agency	-	30,000	55,189	-	85,189
Disbursement of escrow funds	1,787,292,494	-	-	-	1,787,292,494
Administrative expense	-	22,320	58,398	18,320	99,038
Total deductions	1,787,292,494	52,320	113,587	18,320	1,787,476,721
Net increase in fiduciary net position	79,969,331	68,699	3,708,976	1,316,403	85,063,409
Net position - beginning	61,704,008	6,606,206	10,313,154	1,098,505	79,722,873
Net position - ending	\$ 141,673,339	6,674,905	14,022,130	2,415,908	164,786,282

See accompanying independent auditors' report.

Schedule 9

**VIRGINIA HOUSING DEVELOPMENT AUTHORITY**  
(A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Fiduciary Net Position  
Fiduciary Funds – Custodial Funds  
(unaudited)  
June 30, 2019

	Escrow Funds (GNMA, FNMA, Habitat)	Commonwealth Priority Housing Fund	Virginia Housing Trust Fund	National Housing Trust Fund	Total Custodial Funds
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 61,704,008	6,035,383	2,366,313	504,760	70,610,464
Interest receivable - investments	-	8,032	3,190	680	11,902
Interest receivable - mortgage and other loans	-	1,045	15,977	583	17,605
Other assets	-	69,533	-	-	69,533
Total current assets	61,704,008	6,114,093	2,385,480	506,023	70,709,604
Noncurrent assets:					
Mortgage and other loans receivable	-	3,396,858	10,315,164	1,125,847	14,837,869
Total noncurrent assets	-	3,396,858	10,315,164	1,125,847	14,837,869
Total assets	61,704,008	9,510,951	12,700,644	1,631,870	85,547,473
<b>LIABILITIES</b>					
Third party investor funds held in trust	-	-	-	-	-
Other liabilities	-	2,904,745	2,387,490	532,365	5,824,600
Total liabilities	-	2,904,745	2,387,490	532,365	5,824,600
<b>NET POSITION</b>					
Restricted for:					
Funds held in escrow	61,704,008	-	-	-	61,704,008
Other governmental agency	-	6,606,206	10,313,154	1,099,505	18,018,865
Total Net Position	\$ 61,704,008	6,606,206	10,313,154	1,099,505	79,722,873

See accompanying independent auditors' report.

**VIRGINIA HOUSING DEVELOPMENT AUTHORITY**  
 (A Component Unit of the Commonwealth of Virginia)  
 Combining Schedule of Changes in Fiduciary Net Position  
 Fiduciary Funds – Custodial Funds  
 (unaudited)  
 For the Year Ended June 30, 2019

	Escrow Funds (GNMA, FNMA, Habitat)	Commonwealth Priority Housing Fund	Virginia Housing Trust Fund	National Housing Trust Fund	Total Custodial Funds
<b>ADDITIONS</b>					
Contribution:					
Borrower payments	\$ 1,072,721,615	-	-	-	1,072,721,615
Employers	-	23,320	48,798	-	72,118
Other governmental agency	-	-	2,054,126	1,125,847	3,179,973
Total Contributions	1,072,721,615	23,320	2,102,924	1,125,847	1,075,973,706
Investment earnings:					
Interest, dividends, and other	-	117,832	31,134	4,856	153,822
Total investment earnings	-	117,832	31,134	4,856	153,822
Total additions	1,072,721,615	141,152	2,134,058	1,130,703	1,076,127,528
<b>DEDUCTIONS</b>					
Other governmental agency	-	340,000	-	-	340,000
Disbursement of escrow funds	1,066,844,078	-	-	-	1,066,844,078
Administrative expense	-	23,320	60,837	31,198	115,355
Total deductions	1,066,844,078	363,320	60,837	31,198	1,067,299,433
Net (decrease)/increase in fiduciary net position	5,877,537	(222,168)	2,073,221	1,099,505	8,828,095
Net position - beginning	55,826,471	6,828,374	8,239,933	-	70,894,778
Net position - ending	\$ 61,704,008	6,606,206	10,313,154	1,099,505	79,722,873

See accompanying independent auditors' report.