



Board of Commissioners Meeting – April 16, 2019 9:00 A.M. – 12:00 P.M.

MaineHousing  
353 Water Street  
Augusta  
Board Room

*MEMBERS OF THE BOARD: Lincoln Merrill, Jr. (Chair), Donna Talarico (Secretary), Thomas Davis (Vice Chair), Daniel Brennan, Laurence Gross, Henry Beck, Sheryl Gregory, Kevin P. Joseph*

## AGENDA

ITEM	PRESENTER
9:00 Adopt Agenda (VOTE)	Lincoln Merrill
Approve minutes of March 19, 2019 meeting (VOTE)	All
Communications and Conflicts	All
Chair of the Board Updates	Lincoln Merrill
Director Updates	Dan Brennan
9:30 Commence HEAP Rulemaking and State Plan	Daniel Drost / Troy Fullmer
10:00 Commence QAP Rulemaking	Mark Wiesendanger
10:30 2018 Audit Report	Darren Brown / Tom Cary Carl Chatto (Baker, Newman & Noyes)
11:30 Executive Session	
<u>Department Reports:</u>	All
Asset Management	
Communications and Planning	
Energy and Housing Services	
Finance Monthly Report	
Financial & Budget Report	
Finance Delinquency Report & Charts	
Homeless Initiatives	
Homeownership	
Housing Choice Voucher	
Information Technology	
Adjourn (VOTE)	All
Building Committee Meeting to Follow	

*The next meeting of the Board is scheduled for MAY 21, 2019  
at MaineHousing, 353 Water Street, Augusta, Maine*



## Minutes of the Board of Commissioners Meeting March 19, 2019

### **MEETING CONVENED**

A regular meeting of the Board of Commissioners for MaineHousing convened on March 19, 2019 at the offices of MaineHousing, 353 Water Street, Augusta, Maine. A notice of the meeting was published on March 8, 2019 in Central Maine newspapers.

Chair Lincoln Merrill called the meeting to order at 9:00 a.m. The meeting convened with Commissioners Sheryl Gregory, Kevin P. Joseph, Laurence Gross, State Treasurer Henry Beck, and Director Dan Brennan present. Commissioner Donna Talarico attended by telephone because she was traveling out of state. There were no other persons at her location. Commissioner Thomas Davis also attended by telephone because he was travelling out of state. There were no other persons at his location. There was a quorum present.

### **PUBLIC ATTENDANCE**

Guests and staff present for all or part of the meeting include: Linda Uhl, Chief Counsel; Peter Merrill, Deputy Director; Denise Lord, Senior Director of Communications and Planning; Craig Reynolds, Director of Homeownership; Tom Cary, Treasurer; Mark Wiesendanger, Director of Development; Daniel Drost, Director of Energy and Housing Services; Troy Fullmer, Manager of HEAP and Weatherization Services; Kyme Ferenc, Manager of Housing Services; Karen Lawlor, Executive Administrator; Lisa McKenna, Partner Education and Outreach Officer; Tina Partridge, Mortgage Lending Manager; Debbie King-Johnson, Consumer Education and Outreach Officer; Matthew Drost, Consumer Education and Outreach Officer; Linda Grotton, Director of Audit and Compliance; Clyde Barr, Policy Analyst; Cara Courchesne, Public Information and Social Media Coordinator; Allison Gallagher, Director of Housing Choice Voucher; Sheila Nielsen, Director of Information Technology; Eric Porior, weatherization contractor; Brenda Sylvester, Community Housing of Maine, Inc.; Sarah Crowley, Dead River Company; Lynn Lugdon, Penquis Community Action Program; Bill Crandall, Western Maine Community Action; and Gerrylynn Ricker, Paralegal and Note taker.

### **ADOPT AGENDA**

*Commissioner Joseph made a motion seconded by Commissioner Gregory to adopt the March 19, 2019 agenda. The vote carried unanimously.*

### **APPROVE MINUTES OF FEBRUARY 19, 2019 MEETING**

*Commissioner Gregory made a motion seconded by Commissioner Joseph to accept the February 19, 2019 minutes as written. The vote carried unanimously.*

### **COMMUNICATIONS AND CONFLICTS**

Commissioner Joseph received a phone call from Fabian Oil who had to write a check for 0.59 cents to MaineHousing for reimbursement of a LIHEAP benefit. The check cost Fabian Oil \$50.00 to \$75.00 to write. Post-delivery payments were discussed and will be available with the new software the Energy and Housing Services department is implementing. Vendors will have a choice.

Chair Merrill reported that a contractor has been contacting him about the status of a bid they put in.

## **CHAIR OF THE BOARD UPDATES**

Chair Merrill has been going to legislative hearings on different bills. He reported his concern for one bill that focuses on workers compensation changes. The rate increases could impact the overall construction cost if contractors and manufacturers payroll costs go up. Mr. Merrill also mentioned there may be an impact on businesses taking on interns because of the rise in minimum wage.

## **DIRECTOR UPDATES**

Director Brennan introduced Debbie King-Johnson who is retiring from her position as Consumer Education and Outreach Officer. Debbie has been with MaineHousing for thirty-two years and has helped thousands of people become successful homeowners. Debbie was congratulated by the Board members on her retirement. Director Brennan introduced the following new employees: Sheila Nielsen, Director of Information Technologies; Cara Courchesne, Public Information and Social Media Coordinator; and Matthew Drost who will be replacing Debbie King-Johnson as Consumer Education and Outreach Officer. Mr. Brennan also congratulated Kyme Ferenc who has been promoted to Manager of Housing Services in the Energy and Housing Services department. Mr. Brennan told Board Members we have also hired Ruth Lawson-Stoppa as our new Director of Homeless Initiatives, however she was not present.

Director Brennan reported his activities and upcoming events as follows:

- Attended the Aging Caucus at the Legislature.
- Met with Bruce Wagner, Executive Director of the Finance Authority of Maine on disaster recovery.
- Met with Heather Johnson, Commissioner of the Department of Economic and Community Development. Broadband service requirements for the QAP was discussed.
- Met with Yellow Breen and Jan Kearce of the Maine Development Foundation. They are trying to help Maine's economy, businesses and workforce.
- Met with Hannah Pingree and Gordon Smith at the Governor's office.
- Celebrated MaineHousing's 50<sup>th</sup> anniversary at the Hall of Flags. It was a great event.
- Went to Washington, D.C. for the legislative conference. Four very productive visits with our congressional delegation.
- Met Maine Affordable Housing Coalition in Lewiston.
- Will be attending the Maine Municipal Association meeting.
- About to drop the First Time Home Buyers interest rate.
- Governor Mills' budget has come out and it shows \$2.5 million from the State HOME fund that should be coming to us is going over to the Department of Economic and Community Development for broadband capacity. Deputy Director Peter Merrill spoke before the DECD Committee and our housing Committee that we think broadband is great, but the funds should not come from the State HOME fund.
- Been in contact with Hannah Pingree of the Governor's office and Michael Stoddard of Efficiency Maine regarding Governor Mills' heat pump initiative.
- Dan gave an update on the new building. We have a signed contract; it came in on budget. Demolition will start March 20<sup>th</sup>.

## **INTRODUCTION OF HEAP RULEMAKING AND STATE PLAN REVIEW PROCESS**

Director of Energy and Housing Services Daniel Drost said the HEAP working group and stakeholder input meeting held at the Bangor Savings Bank on February 19<sup>th</sup> provided a venue for stakeholders to share their ideas and concerns and was very successful. Participants felt they were heard. Mr. Drost thanked Commissioner Gross and State Treasurer Henry Beck for participating in the meeting. In addition, a Kaizen event was held March 4<sup>th</sup> through the 8<sup>th</sup> and attended by eight community action agency representatives and four MaineHousing staff. This was a four day intensive process on mapping the entire application process from beginning to end. He expects a written report by April 1. Mr. Drost went over the schedule for the implementation of the Hancock Software and HEAP Cloud. Mr. Drost told the Commissioners that he intends to ask the Commissioners to authorize commencement of rulemaking at the April 16<sup>th</sup> meeting, followed by the public hearing at the May 21<sup>st</sup> meeting, and adoption of the HEAP rule at the June 18<sup>th</sup> meeting.

## **AGING IN PLACE GRANTS**

Senior Director of Communications and Planning Denise Lord introduced Clyde Barr, our Policy Analyst who administers our Community Aging in Place Grant program. This is a pilot program modeled after Bath Housing's Comfortable Home program. The Community Aging in Place Grant Program offers no-cost home safety checks, minor maintenance repairs, and accessibility modifications to eligible low-income elderly and disabled homeowners. These services enable recipients to continue living safely and comfortably at home. Clyde Barr reviewed the program statistics. Director Brennan told the Commissioners that both Senator Susan Collins and Senator Angus King are very interested in this program.

## **QUALIFIED ALLOCATION PLAN DISCUSSION**

Director of Development Mark Wiesendanger enlightened the Commissioners on what has taken place this far with regard to the drafting of the 2020 Qualified Allocation Plan (QAP). He has held two meetings with development partners, the first to hear concerns and the second to present likely QAP changes. Mr. Wiesendanger walked through the proposed changes with the Board members. Removing the TDC scoring and penalty for past rounds, while maintaining TDC indexing and caps, was discussed as well as removing the limit on number of applications per developer. Mark advised the Board members that it is his intent to present a proposed draft to the Commissioners at the April 16<sup>th</sup> meeting to get their authorization to commence rulemaking.

## **DEPARTMENT REPORTS**

Commissioner Gross talked about the Homeownership Department report and the fact that the average purchase price seems to be going down. Commissioner Davis had a follow-up question to last month's Bond team presentation. Treasurer Tom Cary will be available at the next meeting to discuss cfX and the services they provide. Commissioner Joseph mentioned the delinquencies listed on Director of Finance Darren Brown's report.

## **ADJOURN**

*Commissioner Joseph made a motion seconded by Commissioner Gross to adjourn the meeting. The meeting was adjourned at 10:57a.m. by a unanimous vote of the Board.*

Respectfully submitted,

Donna Talarico, Secretary



## Legal Department Memorandum

**To:** MaineHousing Board of Commissioners

**From:** Daniel Drost, Director of Energy and Housing Services  
Linda Uhl, Chief Counsel

**Date:** April 10, 2019

**Subject:** Request to Commence Rulemaking –Home Energy Assistance Program

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On April 16, 2019, we will ask you to authorize MaineHousing to commence rulemaking to repeal and replace the *Home Energy Assistance Program Rule*, Chapter 24 of MaineHousing’s rules.

Enclosed are:

- a memo from Director of Energy and Housing Services Daniel Drost which describes our partner input process and the proposed changes to the HEAP Rule;
- the proposed amended HEAP Rule with changes in redline; and
- our response to HEAP Working Group Comments and Recommendations for HEAP Program Year 2020.

In accordance with a new Executive Order from Governor Mills, we will submit a copy of the proposed rule to the Office of the Attorney General for a legal preview. We will publish a notice of public hearings on the proposed rule and the FY 2020 HEAP State Plan. The public hearings will be held at the next meeting of the Board on May 21, 2019. We will keep the public comment period open for a period of 10 days following the public hearings. If there are no significant changes to the proposed rule after the hearings and comment period, we will ask the Board to adopt the proposed rule at the June 18 Board meeting.

### **PROPOSED MOTION:**

*To authorize MaineHousing to commence the rulemaking process to repeal and replace Chapter 24 of MaineHousing’s rules in the form provided to the Commissioners in the Board packet and described in the memorandum from Energy and Housing Services Director Dan Drost to the Commissioners dated April 10, 2019.*



## Energy & Housing Services Department Memorandum

**To:** MaineHousing Board of Commissioners

**From:** Daniel Drost, Director of Energy and Housing Services  
Troy Fullmer, Manager of HEAP and Weatherization

**Date:** April 16, 2019

**Subject:** Proposed Changes to Home Energy Assistance Program Rule (Chapter 24) for PY2020

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The following highlights the major changes being proposed for the PY2020 Home Energy Assistance Program. The proposed changes are a result of the collaborative efforts of MaineHousing, the Maine Community Action Agencies and the HEAP Working Group.

### **Section 1: Definitions**

**Item R.** “Credit Notification Report” has been amended to clarify the use of the Credit Notification Report. Throughout the Rule, references to Credit Notifications have been updated and clarified to accommodate the option of certain Vendors being paid on a pre-delivery model or a post-delivery model.

**Item X.** “Discount Off Retail” has been deleted. This definition refers to Section 14. E. which MaineHousing is recommending being removed. It is recommended that oil and kerosene Vendors not be required to provide a \$.07 Discount Off the Retail Cash Price for all Home Energy Deliveries.

**Item HHH.** “Priority Applicant” definition has been amended from including household members twenty-four (24) months or less to 72 months (6 years) or younger. This amendment will align HEAP prioritization definitions with those of DOE Weatherization.

### **Section 2: Application**

**Section C.4.** MaineHousing is proposing to add language that allows Subgrantees to use additional forms during the application process, provided that the forms are annually reviewed and approved by MaineHousing.

**Section C.7.** MaineHousing is proposing to clarify when a Subgrantee should make reasonable accommodations for an applicant with a disability. The language originally stated “At Applicant’s request”. Reasonable accommodations should be considered for all

applicants if the presence of a disability or other condition is observed by the Subgrantee that may impede the applicant's ability to complete an application or provide supporting documentation.

#### **Section 5: Payment of Benefits**

**Sections A.1., A.2.** MaineHousing is proposing language to allow for both pre-delivery payment and post-delivery payment for fuel by Vendors. Depending on the elected option for payment, the Vendor will either receive pre-payment for HEAP Benefits within ten (10) days of an applicant's certification or be notified by Credit Notification of an applicant's HEAP Benefit for post-delivery payment billing.

#### **Section 9: Central Heating Improvement Program (CHIP)**

**Section A.1.** MaineHousing is proposing that eligibility for CHIP services be contingent upon eligibility for HEAP Weatherization. Currently, if an applicant household is over income for HEAP fuel benefits, they are still eligible for HEAP Weatherization benefits as long as the applicant is under 200% of Federal Poverty Limit (FPL). In the instance of CHIP, if the applicant is over the HEAP fuel assistance income limit, they are not eligible to CHIP services. MaineHousing believes that CHIP guidelines for eligibility should mirror those for HEAP Weatherization.

**Sections M.1., M.2., M.6.b.** MaineHousing is proposing to amend the procurement threshold from \$3,000 to \$10,000. This recommended change is pursuant to the Office of Management and Budget (OMB) guidance effective December 12, 2017 which increased thresholds under the Uniform Guidance, 2 CFR Part 200. MaineHousing issued a waiver on November 19, 2018 which allowed the increase in the procurement threshold for CHIP procurement requirements.

#### **Section 10: HEAP Weatherization**

**Section F.1.** MaineHousing is proposing to change the period in which a dwelling unit is eligible to be re-weatherized from the DOE requirement of prior to September 30, 1994 to within ten (10) years of the new application. This change will only affect HEAP Weatherization funding and not measures funded using DOE Weatherization allocations.

#### **Section 14: Vendors**

**Section E.** MaineHousing is proposing the \$.07 Discount Off Retail be deleted. It is recommended that oil and kerosene Vendors not be required to provide a Discount Off the Retail Cash Price for all Home Energy Deliveries.

**Section F.2.** MaineHousing is proposing that a Vendor may aggregate any remaining Benefits with a balance less than \$25 and return the balances to MaineHousing when the Annual Consumption Report is submitted. All related recordkeeping must clearly show all remaining benefit balances. This change addresses concerns raised by some Vendors regarding the time and financial investment involved in reviewing accounts and returning De Minimus account balances throughout the program year.

Summary: The Rule establishes standards for the Home Energy Assistance Program for the State of Maine as administered by the Maine State Housing Authority. The Home Energy Assistance Program provides Fuel Assistance and Energy Crisis Intervention Programs to low-income Eligible Households. The Rule also establishes standards for the HEAP Weatherization, Central Heating Improvement Programs, and Supplemental Benefits funded by TANF funds.

1. Definitions.

- A. “Act” means the Maine Housing Authorities Act, [30-A M.R.S.A. § 4701](#) et seq., as it may be amended from time to time.
- B. “Annual Consumption Report” means the annual report Vendors must submit to MaineHousing to report their HEAP customers’ Home Energy deliveries from May 1st through April 30th.
- C. “Apartment” means a Dwelling Unit within a multi-unit building.
- D. “Applicant” means a person listed as a Household member on a Primary Applicant’s Application.
- E. “Applicant Household” means the Household members listed on the Application whose Countable Assets will be considered when determining eligibility for CHIP services. A Household member will be considered to be part of the Applicant Household if they have a familial relationship with or a joint financial account with an occupying owner of the Dwelling Unit. Full time high school students would not be considered Applicant Household members unless they are Primary Applicants.
- F. “Application” means forms and documents completed, signed, and provided by Primary Applicant to determine eligibility for a Benefit and ECIP.
- G. “Arrearage Management Program (AMP)” means the program to assist eligible low-income residential customers who are in arrears on their electricity bills as defined by [35-A MRSA §3214, sub-§2-A](#), as may be amended from time to time.
- H. “Benefit” means the dollar amount of Fuel Assistance an Eligible Household receives.
- I. “Benefit Return” means a Benefit, partial or whole, returned to MaineHousing.
- J. “Boarder” means a Roomer who is provided meals and is not related by birth, marriage or adoption to the household.
- K. “BTU” means British Thermal Unit.
- L. “Camper” means a trailer, semitrailer, truck camper, or motor home primarily designed and originally constructed to provide temporary living quarters for recreational, camping, or travel use regardless of modification(s) or length.
- M. “CHIP” means the Central Heating Improvement Program component of HEAP.

- N. “Contractor” means a provider of materials or services to Eligible Households.
- O. “Countable Asset” means a resource that is available to meet the immediate and urgent needs of a Household, and includes: cash and funds on prepaid debit cards, money in a checking or savings account (health savings accounts, educational funds, and burial accounts are excluded), stocks or bonds, U.S. Treasury bills, money market funds, and retirement accounts provided there are no penalties or fees for withdrawals.
- P. “Close-out” means the reconciliation of receipts and use of all Fuel Assistance and ECIP funds by Vendor. It is Vendor’s responsibility to keep this information by Eligible Household and provide it to MaineHousing upon request.
- Q. “Consumption Based” means the method for determining an Eligible Household’s Home Energy consumption using actual energy deliveries as reported by the Vendor.
- R. “Credit Notification Report” means the document sent to the Vendor guaranteeing payment post-delivery ~~for Eligible to Households, eligible for a Benefit~~ Supplemental Benefits funded by TANF. The Credit Notification Report lists each Primary Applicant’s name, address, ~~Supplemental Benefit amount, Home Energy type, and account information, and, as applicable, Benefit or TANF Supplemental Benefit.~~
- S. “CTE” means to clean, tune, and evaluate a Heating System to ensure safe and efficient operation.
- T. “Date of Application” means the date an Application is received by the Subgrantee.
- U. “Date of Discovery” means the date MaineHousing receives information relating to suspected fraud.
- V. “DHLC” means the design heat load calculation method for estimating Home Energy consumption.
- W. “Direct Energy Cost” means an Energy Cost that is directly paid by the Household.
- ~~X. “Discount Off Retail” means the seven cents (\$0.07) deducted from a Vendor’s Retail Cash Price for all Home Energy deliveries for the fuel type listed on the Vendor Voucher Report paid with Benefits. Discount Off Retail does not apply to the portion of a delivery paid by ECIP benefits or TANF Supplemental Benefits.~~
- ~~Y.X.~~ “Dwelling Unit” means an occupied residential housing structure with one or more rooms that is used customarily as a domicile for one or more persons, when permanently connected to the required utilities (including plumbing, electricity and Heating Systems) and contains bathroom and kitchen facilities specific to that unit. A Dwelling Unit has its own private entrance from the outside or off an enclosed hallway leading from the outside that does not pass through or offer an open access to any other unit within the structure. A Dwelling Unit does not include a Camper, boat, railroad car, bus, yurt or other structure designed and constructed to provide temporary living quarters.
- ~~Z.Y.~~ “ECIP” means the Energy Crisis Intervention Program component of HEAP.
- ZA.A. “Elderly Person” means a person who is 60 years old or older, or a member of an Indian Tribe who is 55 years old or older.
- AA. “Eligible Household” means a Household that satisfies all eligibility and income requirements of the HEAP Act and requirements of this Rule.

- BB. “Energy Cost” means cost of energy used for heating a Dwelling Unit, Apartment, or Rental Unit.
- CC. “Energy Crisis” shall have the same meaning as set forth in [42 U.S.C.A. §8622\(3\)](#), as same may be amended from time to time. The term "energy crisis" means weather-related and supply shortage emergencies and other household energy-related emergencies.
- DD. “Errors and Program Abuse” means the act of obtaining assistance to which one is not entitled by means of submitting false statements or withholding information pertinent to the determination of eligibility or benefits. Also applies to Vendors who retain Benefits that should be returned or use Benefits for something other than intended purpose.
- EE. “Fuel Assistance” means the component of HEAP that assists Eligible Households with their Home Energy costs.
- FF. “HEAP” means the Home Energy Assistance Program established pursuant to the HEAP Act and the Act.
- GG. “HEAP Act” means [42 U.S.C.A. §8621 et seq.](#), and the regulations promulgated there under, including [45 C.F.R. § 96.1](#) through 96.68 and [45 C.F.R. § 96.80 et seq.](#), all as may be amended from time to time.
- HH. “HEAP Handbook” means the handbook in effect for ~~the current~~ [a](#) Program Year that is used as a resource and guide for the administration of HEAP.
- II. “HEAP Weatherization” means the weatherization component of HEAP that provides Low-cost/no-cost Weatherization Activities and other cost-effective energy-related home repairs or installations.
- JJ. “Heating Season” means the period of time beginning October 1 and ending April 30.
- KK. “Heating Source” means any device used to provide heat to a Dwelling Unit.
- LL. “Heating System” means a permanently installed system that is used to heat the Dwelling Unit. A portable space heater is not considered to be a Heating System.
- MM. “Home Energy” means a source of heating or cooling in residential dwellings as set forth in [42 U.S.C.A. §8622\(6\)](#), as same may be amended from time to time.
- NN. “Household” means any individual or group of individuals who are living together as one economic unit for whom residential energy is customarily purchased in common or who make undesignated payments for energy in the form of rent as set forth in [42 U.S.C.A. §8622\(5\)](#), as same may be amended from time to time.
- OO. “Household Income” means the total income from all sources before taxes and deductions as further defined in this Rule.
- PP. “Incidental Costs” means costs of services billed to a Household by a Vendor related to the use or delivery of Home Energy including, but not limited to: surcharges, penalty charges, reconnection charges, clean and repair service charges, security deposits, delivery charges, and insurance.
- QQ. “Incidental Repairs” means those repairs necessary for the effective performance or preservation of weatherization materials.

- RR. “Indian Tribe” means the Penobscot Indian Nation, the Passamaquoddy Indian Tribe, and the Houlton Band of Maliseet Indians as defined in the Maine Indian Claims Settlement Act, [30 M.R.S.A. §6201 et seq.](#), and the Aroostook Band of Micmacs as defined in the Micmac Settlement Act, [30 M.R.S.A. §7201 et seq.](#)
- SS. “Indirect Determinable Energy Cost” means a cost for Home Energy used by the Household that is not directly paid for by the Household. For example, heat included as part of the rent for a Rental Unit.
- TT. “Invitation to Bid” or “Request for Proposals” means the process to solicit bids or proposals to satisfy the requirements of this Rule.
- UU. “Live-in Care Attendant” means a person, not considered part of the Household, who; (i) is not related by birth, marriage, or adoption to any member of the Household; (ii) does not contribute financially to the Household; and (iii) provides needed health/supportive services to a member of the Household as documented by a qualified professional. Live-in care attendants who do not meet all of these criteria are considered part of the Household.
- VV. “Life Threatening Crisis” means the household is currently without heat or utility service to operate a Heating Source or a Heating System.
- WW. “Low-cost/no-cost Weatherization Activities” means those activities authorized pursuant to [10 C.F.R. §440.20](#), as may be amended from time to time.
- XX. “MaineHousing” means the Maine State Housing Authority.
- YY. — “Manufactured/Mobile Home” means a residence that is constructed at a manufacturing facility on a permanent chassis (i.e. the wheel assembly necessary to transport the residence is removable, but the steel undercarriage remains intact as a necessary structural component) and is transportable in one or more sections, which in traveling mode is 12 body feet or more in width and as erected on site is 600 or more square feet.
- ZZ. “Modular” means a residence that is constructed at a manufacturing facility, but not constructed on a permanent chassis, and is transportable in one or more sections on an independent chassis such as a truck or train.
- AAA. — “Non-occupying Co-owner” means a person who shares a legal ownership interest in the Dwelling Unit occupied by the Applicant Household. The Non-occupying Co-owner does not reside in the Dwelling Unit being considered for CHIP services.
- BBB. “Notice of Termination of Subgrantee” means a written statement notifying the Subgrantee of the cause and effective date of its termination.
- CCC. “Open Enrollment” means period of time a vendor can request and/or file an application to participate as a contracted Vendor.
- DDD. “Overpayment” means any HEAP benefits paid to, or on behalf of, any Applicant or Household that exceeds the amount the Applicant or Household was eligible to receive.
- EEE. “Person with a Disability” means a person who (1) has a physical or mental impairment that substantially limits one or more of a person’s major life activities; (2) has a physical or mental impairment that significantly impairs physical or mental health, which means having an actual or expected duration of more than 6 months and impairing health to a significant extent as compared to what is ordinarily experienced in the general population; (3) has a physical or mental impairment that

requires special education, vocational rehabilitation or related services; (4) has without regard to severity unless otherwise indicated, absent, artificial or replacement limbs, hands, feet or vital organs; alcoholism; amyotrophic lateral sclerosis; autism, bipolar disorder; blindness or abnormal vision loss; cancer; cerebral palsy; chronic obstructive pulmonary disease; Crohn's disease; cystic fibrosis; deafness or abnormal hearing loss; diabetes; substantial disfigurement; drug addiction; emotional illness; epilepsy; heart disease; HIV or AIDS; kidney or renal diseases; lupus; major depressive disorder; mastectomy; mental retardation; multiple sclerosis; muscular dystrophy; paralysis; Parkinson's disease; pervasive development disorders; rheumatoid arthritis; schizophrenia; speech impairment, and acquired brain injury; (5) has a record of any of the physical or mental impairments described in the foregoing clauses (1) through (4); or (6) is regarded as having or is likely to develop any of the physical or mental impairments described in the foregoing clauses (1) through (4). The existence of a physical or mental disability is determined without regard to the ameliorative effects of mitigating measures such as medication, auxiliary aids or prosthetic devices.

A physical or mental disability or impairment does not include pedophilia, exhibitionism, voyeurism, sexual behavior disorders, compulsive gambling, kleptomania, pyromania, tobacco smoking, or any condition covered under [5 M.R.S.A. §4553, sub-§9-C](#). It does not include psychoactive substance use disorders resulting from current illegal use of drugs, although this may not be construed to exclude a person who has successfully completed a supervised drug rehabilitation program and is no longer engaging in the illegal use of drugs or has otherwise been rehabilitated successfully and is no longer engaging in such use; is participating in a supervised rehabilitation program and is no longer engaging in such use; is erroneously regarded as engaging in such use, but is not engaging in such use; or in the context of a reasonable accommodation in employment is seeking treatment or has successfully completed treatment.

FFF. "Price Protection Plan" means an agreement between Vendor and a customer to purchase Home Energy at an agreed upon price.

GGG. "Primary Applicant" means a person who signs the completed Application.

HHH. "Priority Applicant" means a Household with a Direct Energy Cost as well as a member in the Household who is (i) an Elderly Person, or (ii) susceptible to hypothermia as diagnosed by and documented by a statement from a physician, or (iii) ~~twenty four months (24) of age or under~~ 72 months (6 years) or younger.

III. "Programs" means Fuel Assistance, ECIP, CHIP, and HEAP Weatherization.

JJJ. "Program Year" means the period of time beginning October 1 and ending September 30.

KKK. "Rental Unit" means a Dwelling Unit that is rented.

LLL. "Reporting Vendor" means a Vendor who is contractually obligated to report the Home Energy deliveries the Vendor has made on behalf of an Eligible Household.

MMM. "Retail Cash Price" means the posted price a Vendor charges for Home Energy per gallon.

NNN. "Roomer" means a person who qualifies as a separate Household and pursuant to a rental agreement rents no more than two rooms in a Dwelling Unit occupied as separate living quarters and who may, depending upon the rental agreement, be granted privileges to use, but not reside in, other rooms located in the same Dwelling Unit. A Roomer cannot be related by birth, marriage or adoption to any member of the lessor's Household.

OOO. "Service Area" means the geographic area, as defined by MaineHousing, within which the Subgrantee

operates and administers the Programs.

PPP. “Social Security Benefits” means social security income benefits pursuant to Title II of the United States Social Security Act of 1935 and supplemental security income benefits pursuant Title XVI of the United States Social Security Act of 1935, as amended, [42 U.S.C. §1381 et seq.](#), and State supplemental income benefits provided pursuant to [22 M.R.S.A. §3201 et seq.](#), all as may be amended from time to time.

QQQ. “State” means the State of Maine.

RRR. “Subgrantee” means a public or private nonprofit agency, or municipality, selected by MaineHousing to administer the Programs.

SSS. “Subsidized Housing” means Households whose rent is based on their income or the subsidy pays for any portion of their mortgage. Housing in which a tax credit or federal/state loan is applied to reduce debt burden on the property is not considered Subsidized Housing. A resident of a residential housing facility including without limitation group homes, homeless shelters, and residential care facilities or a Tenant who pays below market rent or no rent due to the landlord receiving a federal or state subsidy for rent is living in Subsidized Housing.

TTT. “Supplemental Benefits” means the benefits that are funded with supplemental HEAP funds (beyond the original grant award).

UUU. “Supplemental Nutrition Assistance Program (SNAP)” means the nutrition assistance program administered by the United States Department of Agriculture. The goals of SNAP are to improve participants' food security and their access to a healthy diet.

VVV. “TANF” means payments under the Temporary Assistance for Needy Families program as defined in [22 M.R.S.A., Chapter 1053-B, § 3762 et seq.](#), as same be amended from time to time.

WWW. “TANF Supplemental Benefits” means the benefits that are funded with TANF funds pursuant to [22 M.R.S.A., Chapter 1053-B, § 3769-E.](#)

XXX. “Tenant” means an Applicant who resides in a Rental Unit or Apartment.

YYY. “Vendor” means an energy supplier that has entered into a Vendor Agreement with MaineHousing to provide Home Energy to Eligible Households.

ZZZ. “Vendor Agreement” means a signed agreement between MaineHousing and a Vendor that contains terms and conditions by which the Vendor will provide Home Energy to Eligible Households.

AAAA. “Vendor Voucher Report” means the document sent to the Vendor that lists Eligible Households’ Benefits, including each Primary Applicant’s name, address, phone number, Benefit amount, Home Energy type, account information, and Subgrantee.

BBBB. “Watch List” means the MaineHousing list of Vendors that will not receive payment in advance for Eligible Households’ Benefits. In the event MaineHousing determines, in its sole judgment, based on Vendor’s actions or omissions or other information obtained by MaineHousing directly or from any third party, that such actions, omissions or other information raise issues concerning Vendor’s continued ability to make Home Energy deliveries or otherwise comply with the terms of the Vendor Agreement, or that Vendor’s performance is out of compliance with the requirements of the Vendor Agreement, MaineHousing may, in its sole discretion, place Vendor on this list.

CCCC. “Weatherization Assistance Program (WAP)” means the program enabled and funded by the federal Energy Conservation in Existing Buildings Act of 1976, as same may be amended from time to time. Its purpose is to increase the energy efficiency of dwellings owned or occupied by low-income persons, reduce their total residential energy expenditures, and improve their health and safety.

DDDD. “Weatherization Materials” shall have the same meaning as set forth in Part A of the Energy Conservation in Existing Buildings Act of 1976, [42 U.S.C. §§6861, 6862\(9\)](#), as same may be amended from time to time.

## 2. Application.

- A. An Applicant may have only one certified eligible standard Application and/or one ECIP Application per Program Year.
- B. An Applicant may resubmit a new Application if the Household’s Application has either been denied or withdrawn any time prior to the issuance of a Benefit.
- C. The Application will be processed in accordance with the requirements of this Section:
  1. The Subgrantee will begin taking Applications as prescribed by MaineHousing each Program Year.
  2. A Subgrantee will continue taking Applications until July 15 (or the first business day following July 15 if it falls on a weekend) of the Program Year.
  3. The Subgrantee shall accept Applications during normal business hours, which shall consist of a minimum of thirty (30) hours during each week through April 30 and a minimum of eight (8) hours during each week May 1 through July 15 of the Program Year.
  4. The Subgrantee must use forms provided or approved by MaineHousing to administer the Programs. Additional forms may be used by the Subgrantee provided the forms have been reviewed and approved by MaineHousing. Forms will be submitted for review and approval annually prior to the commencement of taking applications each program year.
  5. The Subgrantee will make a reasonable and good-faith effort during the first ninety (90) days it takes Applications to interview, process, and serve Priority Applicants who have a Direct Energy Cost.
  6. The Subgrantee will make a reasonable and good-faith effort to conduct outreach activities and process applications for any Household that has wood as its primary Home Energy source within the first ninety (90) days of taking Applications for the Program Year.
  7. At Applicant’s request, and as otherwise appropriate, the Subgrantee must make reasonable accommodations for a Person with a Disability.
  8. Any Applicant may apply via telephone. The telephone Application process includes completing the Application over the telephone with the Subgrantee administering the Programs in the Service Area in which the Household resides; the Subgrantee mails the completed Application and other appropriate documents to the Primary Applicant for review, signature, and date.

9. Limited English Proficiency (LEP) can be a barrier to accessing important benefits or services, understanding and exercising important rights, complying with applicable responsibilities, or understanding other information provided by the HEAP program. In order to address this concern Subgrantees must comply with MaineHousing's Language Assistance Plan.
10. Application must be made with the Subgrantee administering the Programs in the Service Area in which the Household resides. In the event an Application is received by a Subgrantee for a Household residing in a Service Area other than the Subgrantee's designated Service Area, the Subgrantee shall notify the Primary Applicant of the error and forward the Application and supporting documentation to the applicable Subgrantee.
11. Primary Applicant is responsible for providing all information necessary to establish the eligibility of a Household. The Subgrantee must verify the income and identity of the Applicant(s) as prescribed by HEAP Handbook.

The Subgrantee shall verify Primary Applicant's identity by requesting a valid government-issued, photo identification card. One of the following is acceptable to establish the identity of the Primary Applicant:

- a. Driver's license;
  - b. State issued ID card;
  - c. Passport or passport card;
  - d. U.S. Military ID; or
  - e. SNAP electronic benefit transfer (EBT) card with photo.
12. All Applicant(s) two years of age or older must provide proof of their Social Security Number (SSN), unless the Applicant's SSN can be verified by using the electronic verification process established between MaineHousing and the Social Security Administration. One of the following documents is acceptable provided it contains all nine digits of the Applicant's SSN and the Applicant's full name:
    - a. Social Security Card issued by the Social Security Administration;
    - b. SSA-1099 tax form;
    - c. Non SSA-1099 tax form;
    - d. Medicare card with card number ending with the suffix "A";
    - e. Valid unexpired U.S. Military documents such as DD Form 214 Certificate of Release or Discharge from Active Duty issued by the U.S. Department of Defense;
    - f. Bank tax form; or
    - g. W-2 (wage and tax statement).

If the Household includes a child under the age of two who has not received a SSN, the Application is processed. However, the Primary Applicant must provide the child's SSN

for subsequent Program Year Applications.

If a Household member is not a U.S. citizen, Applicant must provide a Social Security card issued by the Social Security Administration or an unexpired foreign passport with a valid unexpired U.S. Visa affixed accompanied by the approved I-94 form documenting the Applicant's most recent admittance into the United States, and documentation of Applicant's status as a qualified alien pursuant to the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, [8 USC §1641](#), such as a legal permanent resident, a refugee, an asylee, an individual paroled into the U.S. for a period of at least one (1) year, an individual whose deportation has been withheld, or an individual granted conditional entry.

13. As part of the application process all Applicants 18 years of age or older must sign a release to grant permission to share their personal information, as follows:
  - a. Maine Department of Health and Human Services, the Maine Department of Labor, and the Social Security Administration to share information with the Subgrantee or MaineHousing regarding information relevant to the Application about the Applicant at each of those agencies, including the benefits received from each of those agencies.
  - b. Subgrantee and MaineHousing to provide information to and obtain information from the agencies listed above or others as needed to determine and confirm eligibility for MaineHousing programs and other programs administered by the Subgrantee.
  - c. Subgrantee and MaineHousing to disclose Applicant information for the determination of eligibility for programs administered by State, federal, and local agencies.
- D. The information on an Application may be considered conflicting if it is inconsistent with verbal information provided by an Applicant, with other information on the Application, with prior Program Year Applications, or with information received from a third party.
  1. No information received from a third party, other than a government agency, will be used to determine eligibility, unless it is verified by an independent, reliable source.
  2. In the case where an Applicant's eligibility is in question because of conflicting information received from a third party, the Subgrantee or MaineHousing shall allow the Primary Applicant an opportunity to amend the current Application or reaffirm the information on it. Primary Applicant may also withdraw Application at any time (prior to payment of Benefit). A new Application (rather than amended) would be required should an Applicant pursue assistance after withdrawal.
  3. If the Primary Applicant elects not to amend the Application, eligibility shall be based on information contained in the Application and documentation provided by the Primary Applicant, documentation provided by a government agency, or information verified by other sources.
  4. If verified information results in the Household being ineligible or determines the existence of Errors and Program Abuse or willful misrepresentation, the Application may be subject to denial or termination of Benefits.

E. The Subgrantee will certify or deny an Application within thirty (30) business days from the Date of Application.

1. Written notification of eligibility will be sent to the Primary Applicant within (10) ten calendar days of the decision or when funding is available, whichever is later. The benefit notification shall:
  - a. State the Benefit amount;
  - b. State the date the Benefit or a Credit Notification was sent to the Vendor;
  - c. State the approved Home Energy type;
  - d. State the manner by which the Primary Applicant can request an appeal, if applicable.
2. Written notification of denial must be sent to the Primary Applicant within (3) three business days whether funding is available or not. The denial notification shall:
3. Eligibility.
  - a. State the facts surrounding the decision;
  - b. State the reason(s) for the decision;
  - c. State the manner by which the Applicant can request an appeal.

A denial for missing information will be rescinded if the required information is received by the Subgrantee within (15) fifteen business days from the date of the denial notification.

- A. Except as may be expressly provided for elsewhere in this Rule, eligibility shall be determined on the basis of information submitted by the Primary Applicant as of the Date of Application. MaineHousing and Subgrantees reserve the right to ask for additional or clarifying information from Primary Applicant, Applicant(s), or third parties to determine eligibility.
- B. A Household may be eligible for Supplemental Benefits or TANF Supplemental Benefits if available.
- C. MaineHousing uses the federal Poverty Income Guidelines as reported annually by the United States Department of Health and Human Services. MaineHousing reserves the right to manage the Programs within those guidelines when determining benefits. MaineHousing will determine eligibility based on the availability of federal funding for the Programs during each Program Year.
- D. Dwelling Unit Eligibility.
  1. The Dwelling Unit must have a functioning Heating System. If the dwelling does not have a functioning Heating System, the Subgrantee may certify the Application for CHIP only provided the Application is complete and all applicable documentation has been provided.
  2. If the dwelling is not permanently connected to or serviced by the required utilities, the Subgrantee will obtain additional documentation to substantiate the Household occupies the dwelling as its primary residence on a full-time/year-round basis.

3. Applicants residing in Subsidized Housing with heat included in their rent may be eligible for Fuel Assistance if the Household pays a portion of their rent or utility costs. MaineHousing will issue a Benefit in an amount which complies with Maine law to maximize benefits under SNAP.
4. An Applicant who is self-employed and uses part of their Dwelling Unit for business may apply for the Programs. Benefits will be determined based on the rooms occupied and used by the Applicants as a residence; that part of the Dwelling Unit designated for business use will not be included.
5. Applicants who reside in hotels and motels may be eligible for Fuel Assistance if the Household provides documentation that the hotel/motel has been their permanent residence for at least sixty (60) days prior to the Date of Application.
6. If a Household's Application has been certified eligible, but all Applicants move to Subsidized Housing with heat included or an ineligible Dwelling Unit prior to the Benefit being paid, Household may not be eligible for the entire Benefit depending on Date of Application and Home Energy use during current Program Year.
7. A Household is not eligible for Programs when the Household resides in a Camper, regardless of any and all modification(s) or length, boat, railroad car, bus, yurt or other structure designed and constructed to provide temporary living quarters.

E. Household Eligibility.

1. A Household is eligible for a Benefit if, on the Date of Application:
  - a. it is a full-time resident of the State and resides in the Dwelling full-time for at least four (4) months during the Heating Season and;
  - b. it intends to reside in the State through April 30 and;
  - c. it has a Direct Energy Cost or Indirect Determinable Energy Cost.

If the Date of Application is on or after February 1, the Household may be eligible for a Benefit if the Household provides documentation that it has been a full-time resident of the State for at least 60 days.

2. Pursuant to definition of Household, Eligible Household Members may also include:
  - a. aliens who have obtained the status of an alien lawfully admitted for temporary residence under Section 210 of the Immigration and Nationality Act by approval of an application and are categorized as Special Agricultural Workers (SAW) who perform seasonal agricultural work during a specified period of time;
  - b. an alien who has obtained the status of an alien lawfully admitted for temporary residence under Section 245A of the Immigration and Nationality Act by approval of an application and who is aged, blind and/or disabled as defined in Section 1605 of the Social Security Act ([Public Law 74-271](#)) or Cuban or Haitian aliens as defined in [Public Law 96-422](#), Section 501 (e). Applicants are considered eligible if they have a Social Security card issued by the Social Security Administration, Green Card or show permanent Residents

(I-551 Alien Registration Card, Passport, I-688B Employment authorization card, I-766 Employment Authorization Document, I-94 with R-1 or R-2 status designation). I-94 documents with no status designated only show permission to enter the U.S. but do not establish residency;

- c. Eligible minor children residing with ineligible non-citizens;
  - d. a member of the Household who is away from the home part of the time is included as a Household member and their income must be included on the Application;
  - e. a live-in care attendant will be considered part of the Household if the live-in care attendant does not meet the definition of a Live-in Care Attendant in Section 1 of this Rule.
- 3. A full-time college student, up to age 23, who is a dependent of the Household and resides in the Dwelling Unit on the Date of Application, may be excluded from the Household if the Primary Applicant chooses as long as the college student is not the Primary Applicant. If excluded from the Household, his or her income would not be counted. The Applicant must provide proof of student status and enrollment at a university, vocational college, business college, or other accredited institution for twelve (12) credit hours or more per semester.
  - 4. If otherwise eligible, Roomers and Boarders are eligible for a Benefit to the extent such Applicants prove that the rental arrangement giving rise to their Roomer or Boarder status was in existence for at least sixty (60) days prior to the Date of Application. At a minimum, such proof shall include verification that a reasonable market rate rent amount was paid by the Roomer or Boarder pursuant to the terms and conditions of the rental agreement for the entire sixty (60) day period. Roomers and Boarders cannot commingle funds or share expenses with lessor's Household.
- F. Eligibility is based on Household Income. Household Income is determined and verified in accordance with the information provided on the Application and verified as part of eligibility determination process.
- 1. Household Income received during the three (3) calendar months or twelve (12) calendar months preceding the Date of Application. Primary Applicants must provide pay stubs, or a statement from all current or former employer(s), documenting Household Income received during the three (3) calendar months or twelve (12) calendar months income period prior to the Date of Application.
  - 2. Household Income includes, but is not limited to, the following:
    - a. Wages, salaries, and bonuses before any taxes or deductions;
    - b. Self-employment income. Households with self-employment income must use a current year's tax return if filed. If the Household has not filed a current year's tax return then the tax return for the previous year may be used. When supported by a tax return, self-employment income is defined as the total of net income (including net rental income) plus the total net gain from sales of capital goods or equipment plus depreciation. If the Applicant has not filed a tax return for the current or previous year, the Applicant may complete a self-employed income statement/worksheet accounting for the last 365 days of income. Supporting documentation must be provided to substantiate the information on the

statement/worksheet. Deductions or expenses related to self-employment income shall not be factored in to the amounts counted as income unless the Applicant provided the complete tax return from the current or prior year. If the Household is using the three (3) month income verification period, self-employed income for the last 365 days, or annual income from tax return, will be prorated to three (3) months;

- c. Social Security Retirement (SS), Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI) Benefits. Benefits and Applicant identity may be verified by using the electronic verification process established between MaineHousing and the Social Security Administration. Errors documented by this process will be researched by the Subgrantee and corrected as applicable. In situations where Social Security benefits or Supplemental Security Income cannot be verified via the electronic verification process, the Subgrantee will assist the Primary Applicant in understanding the documentation requirements;
- d. Unemployment and worker's compensation and/or strike benefits from union funds;
- e. Spousal support or alimony received by an Applicant, or mortgage/rent payments in lieu of or in addition to payments;
- f. Court ordered or voluntary child support payments received by an Applicant, or mortgage/rent payments in lieu of or in addition to support payments;
- g. Military allotments (pay);
- h. Veteran's Benefits;
- i. Other support from an absent family member or someone not living in the Household excluding loans;
- j. Income of person living in the Household who is a non-qualified alien and 18 years of age or older;
- k. Government employee pensions, private pensions, and regular annuity payments;
- l. Income from dividends, rents, royalties, estates, trusts, and interest. Interest income under \$200.00 must be included as income, but does not need to be supported by documentation;
- m. Net rental income, including funds received from Roomers and Boarders;
- n. Winnings from any source of gambling or gaming is considered income including, but not limited to private gambling, lottery, horse racing, bingo etc.
- o. Work study;
- p. TANF including Gap, Pass-Through, and ASPIRE, or any other regular support from a government or private agency;
- q. Jury duty fees;

### 3. Exemptions from Household Income include:

- a. Assets drawn down from financial institutions;
- b. Foster care payments;
- c. Adoption assistance;
- d. In-kind payments to an Applicant in lieu of payment for work, including the imputed value of rent received in lieu of wages or items received in barter for rent;
- e. Capital gains;
- f. Income from the sale of a primary residence or personal car;
- g. Tax refunds;
- h. One-time insurance payments;
- i. One-time compensation for injury;
- j. Non-cash income such as General Assistance voucher payments, the bonus value of food and fuel produced and consumed on farms, and the imputed value of rent from owner-occupied farm housing;
- k. Bank loans, reverse mortgages, and home equity loans;
- l. Reimbursement for expenses incurred in connection with employment;
- m. Reimbursement for medical expenses;
- n. Any funds received for education from grants, loans and scholarships, not to include work study received as earned income;
- o. Retroactive payments and overpayment adjustments from an entitlement program for a time period outside of the period being considered for HEAP eligibility (i.e. worker's comp, Social Security Benefits, etc.);
- p. Income earned by an Applicant who is a full time high school student;
- q. Income earned by a full-time college student who is not counted as a Household member pursuant to Section E.3 of this Rule;
- r. Combat zone pay to the military;
- s. Credit card loans/advances;
- t. All income used to fulfill a Social Security Administration Program to Achieve Self-Sufficiency (PASS);
- u. Federal payments or benefits excluded by law as set forth below:
  - 1. [Payments received under Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 \(84 Stat. 1902, 42 U.S.C. 4636\)](#).

2. Payments of land settlement judgments distributed to or held in trust for members of certain Indian Tribes under Public Laws [92-254](#), [93-134](#), [93-531](#), [94-114](#); [94-540](#), [97-458](#), [98-64](#), [98-123](#) and [98-124](#).
3. Funds available or distributed pursuant to [Public Law 96-420](#), the Maine Indian Claims Settlement Act of 1980 ([25 U.S.C. 1721 et. seq.](#)) to members of the Passamaquoddy Tribe, the Penobscot Nation and the Houlton Band of Maliseet Indians.
4. The value of the allotment provided a household under the Supplemental Nutrition Assistance Program ([7 U.S.C.A. 51](#)).
5. The value of assistance to children as excluded under the National School Lunch Act ([42 U.S.C. 1760\(c\)](#)) and under the Child Nutrition Act of 1966 ([42 U.S.C. 1780\(b\)](#)).
6. The value of commodities distributed under the Temporary Emergency Food Assistance Act of 1983 ([Public Law. 98-8](#), [7 U.S.C. 612c](#)).
7. Allowances, earnings and payments to individuals participating in programs under the Job Training Partnership Act ([Public Law 97-300](#), [29 U.S.C.A. 1552\(b\)](#)).
8. Program benefits received under the Older Americans Act of 1965 ([42 U.S.C. sub-section 3020\(a\)\(b\)](#)) as wages under the Senior Community Service Employment Program (SCSEP). Organizations involved in SCSEP include: The American Association of Retired Persons; Green Thumb Inc.; University of Maine, Cooperative Extension; U.S. Forest Service; and subgrantees of the Bureau of Maine's Elderly, including Aroostook Area Agency on Aging, Central Maine Area Agency on Aging, Coastal Economic Development Corporation, Diocesan Human Relations Services, Eastern Area Agency on Aging, Mid-Coast Human Resources Council, Southern Maine Area Agency on Aging, Western Area Agency on Aging.
9. Payments to volunteers under the Domestic Volunteer Service Act of 1973 ([Public Law 93-113](#), [42 U.S.C. 5044](#)).
10. The value of any assistance paid with respect to a dwelling unit under the United States Housing Act of 1937, the National Housing Act, Section 101 of the Housing and Urban Development Act of 1965, or Title V of the Housing Act of 1949.
11. The tax-exempt portions of payments made pursuant to the provisions of the Alaska Native Claims Settlement Act ([Public Law 92-203](#), [43 U.S.C. 1620\(a\)](#)).
12. Payments for supportive services or reimbursement of out-of-pocket expenses made to individual volunteers serving as foster grandparents, senior health aides, or senior companions, and to persons serving in the Service Corps of Retired Executives (SCORE) and Active Corps of Executives (ACE) and any other programs under Titles II and III,

pursuant to Section 418 of [Public Law 93-113](#).

13. Any wages, allowances or reimbursement for transportation and attendant care costs, unless accepted on a case-by-case basis, when received by an eligible handicapped individual employed in a project under Title VI of the Rehabilitation Act of 1973 as amended by Title II of [Public Law No. 95-602](#).
14. All student financial assistance including the following programs funded under Title IV of the Higher Education Act as amended:
  - a. Pell Grants;
  - b. Supplemental Educational Opportunity Grants;
  - c. Grants to States for State Student Incentives;
  - d. Special Programs for Students from Disadvantaged Backgrounds;
  - e. Special Programs for Students Whose Families are Engaged in Migrant and Seasonal Farm work;
  - f. Robert C. Byrd Honors Scholarship Program;
  - g. Assistance to Institutions of Higher Education;
  - h. Veterans Education Outreach Program;
  - i. Special Child Care Services for Disadvantaged College Students.
  - j. Payments to veterans for Aid and Attendance benefits.
4. For any Applicant who pays court ordered child support, the Subgrantee will deduct paid and documented child support payments made during the income period from the Applicant's gross income.
- G. For any Household found ineligible due to being over income, the Subgrantee will deduct paid and documented medical expenses not reimbursed for the income period from the gross income in an amount only enough to make Household eligible. Medical expenses may include medical and dental insurance premiums and transportation to medical appointments. Subgrantees will use Internal Revenue Service Publication 502, as same may be amended from time to time, to identify eligible medical and dental expenses.
- H. Primary Applicants may be required to refund any Overpayment. A Household's Eligibility to receive benefits from Programs is contingent on the resolution of any Overpayment.
  1. MaineHousing will recoup all outstanding Overpayments from any current or future Benefits until the Overpayment is paid in full.
  2. The Household will be eligible for ECIP if they have entered into and are in compliance with the terms of a repayment agreement with MaineHousing to resolve the Overpayment or the Overpayment has been paid in full.
  3. The Household will not be eligible to receive benefits under the Weatherization

Assistance Program or CHIP until the Overpayment is paid in full.

4. Benefit Determination.

- A. Benefits are determined to ensure that Eligible Households with the lowest income and the highest Energy Cost in relation to income, taking into account family size, will receive a higher Benefit.
- B. Tenants residing in Subsidized Housing with heat included in their rent, who pay a portion of their rent or utility costs, are only eligible to receive a Benefit in an amount that complies with Maine law to maximize benefits under SNAP.
- C. MaineHousing, or the Subgrantee as allowed by MaineHousing, will assign a number of points to an Eligible Household that correlates to their Energy Costs. The number of points will be adjusted by an assigned percentage that correlates to the Eligible Household's poverty level. The adjusted number of points will then be multiplied by a dollar value based on the amount of the federal HEAP grant received and the number of Eligible Households served in the previous Program Year, the average Energy Cost for an Eligible Household in the previous Program Year, any anticipated increase or decrease in the federal HEAP grant to be received in the current Program Year, and any anticipated increase or decrease in average Benefits or the number of Eligible Households.

MaineHousing will announce the actual dollar value of Consumption Based and DHLC points no later than the fifteen (15) calendar days following receipt of the federal HEAP grant award.

1. The number of points assigned to an Eligible Household will be determined pursuant to the following:

Calculated or Reported Energy Cost	Points
\$0-\$400	5
\$401-\$800	10
\$801-\$1200	15
\$1201-\$1600	20
\$1601-\$2000	25
\$2001-\$2500	30
\$2501 and over	35
Calculated or Reported Energy Cost falling between brackets will be rounded to the next higher or lower dollar amount, as appropriate. For example: \$400.01-\$400.49 will be rounded to \$400; \$400.50-\$400.99 will be rounded to \$401.	

Poverty Level as Calculated under the Federal Poverty Income Guidelines	Percentage of Points
0%-25%	130%
26%-50%	120%
51%-75%	110%
76%-100%	100%
101%-125%	90%
126%-150%	80%
151%-170%	70%
Calculated poverty level amounts falling between brackets will be rounded to the next higher amount. For example: income at 75.1% will be rounded to 76%.	

All final point results that are fractional will be rounded up to the nearest whole number.

2. Calculating Energy Costs. Energy Costs are calculated by the Consumption Based or DHLC method.
  - a. Consumption Based. Energy Costs will be based on the Eligible Household's actual Home Energy deliveries, as reported on the Annual Consumption Report, for the primary Heating System as declared on the Eligible Household's Application.
    1. If the primary Heating System is electric, Energy Costs will be calculated by deducting \$600 from the annual electricity cost as reported by the Vendor on the Annual Consumption Report. The \$600 deduction eliminates the non-heating usage of electricity.
    2. If an Eligible Household resides in Subsidized Housing and has a Direct Energy Cost, any annual utility allowance for heating will be deducted from the Eligible Household's Energy Cost reported by the Vendor on the Annual Consumption Report.
    3. Energy Cost will be calculated using the Consumption Based method provided the Eligible Household meets the following requirements:
      - a. The Eligible Household has a Direct Energy Cost and;
      - b. An Applicant occupied the residence for the entire previous Heating Season and;
      - c. An Applicant had an eligible Application in the prior Program Year and;
      - d. The Eligible Household purchased all of their Home Energy for their primary Heating System from a Reporting Vendor(s) for the previous Heating Season and;
      - e. Reporting Vendor(s) submitted an Annual Consumption Report to MaineHousing that provided the Eligible Household's Home Energy delivery information and;
      - f. The Eligible Household's Energy Costs, as reported by Vendor(s) to MaineHousing, is for their residence only and;
      - g. The Eligible Household's primary Heating System does not use wood, wood pellets, corn, coal, or bio-bricks.
  - b. Design Heat Load Calculation. DHLC shall be used to estimate the Energy Costs for Eligible Households that do not meet the requirements of the Consumption Based method. Under the DHLC, the number of rooms occupied by the Eligible Household shall be multiplied by the number of BTUs needed to heat an average sized room in a Dwelling Unit. That product will then be multiplied by the number of square feet of an average sized room in a Dwelling Unit. Next, that second product will be multiplied by the number of heating degree days of the Service Area in which the Eligible Household's Dwelling Unit is located. That

third product is then divided by one million BTUs. The quotient is then multiplied by the cost of the Eligible Household's primary Home Energy type per one million BTUs. That fourth product is then divided by the efficiency rate of the primary Home Energy type to arrive at the Eligible Household's amount of energy consumption. The cost per one million BTUs and efficiency rate of the Applicant's Home Energy type will be periodically established by MaineHousing. The DHLC is based on the following factors:

1. The total number of rooms in the Dwelling Unit as listed on the Application. Hallways, bathrooms, and closets are not counted in the total number of rooms;
2. An assumed standard room size for the Dwelling Unit type. Standard room sizes and BTUs required to heat a Dwelling Unit vary by Dwelling Unit type because average room size and surface area exposure to the elements vary by Dwelling Unit type. The standard room sizes and BTUs used for each Dwelling Unit type are as follows:

Dwelling Unit Type	Standard Room Size	BTUs
Stick-built/Modular	144 square feet	14.3
Manufactured Home/mobile home	100 square feet	13
Apartment	120 square feet	8.3

3. The heating degree days for the Service Area. Heating degree days are determined by the National Weather Station in Gray, Maine.

Subgrantee	Service Area - counties	Heating Degree Days
Aroostook County Action Program	Aroostook	9543
Community Concepts, Inc.	Androscoggin, Oxford	7373
Downeast Community Partners	Washington, Hancock	7771
Kennebec Valley Community Action Program	Kennebec, Somerset	7680
Kennebec Valley Community Action Program	Lincoln, Sagadahoc	7420
Penquis Community Action Program	Penobscot, Piscataquis	8245
Penquis Community Action Program	Knox	7359
The Opportunity Alliance	Cumberland	7426
Waldo Community Action Partners	Waldo	7297
Western Maine Community Action	Franklin	8866
York County Community Action Corporation	York	7012

4. The estimated BTUs required to heat the Dwelling Unit;
5. Average cost per one million BTU. MaineHousing determines the average costs per one million BTU annually. Oil, kerosene, and propane costs are obtained by averaging the costs reported by the Governor's Energy Office (GEO). Average costs for all other fuel types are based on a representative survey of Vendors' pricing.

6. The efficiency rate for the primary Home Energy type listed on the Application. The Energy Cost per one million BTU and efficiency rate are based on the primary Home Energy type specified on the Eligible Household's Application.

Home Energy Type	Efficiency Rate
Oil	65%
Kerosene	65%
Propane	65%
Natural Gas	65%
Electric	100%
Firewood	50%
Corn	60%
Wood Pellets	80%
Bio-bricks	80%

7. For Tenants in Subsidized Housing with a Direct Energy Cost, the annual utility allowance for heating, as provided by property manager on the Subsidized Housing form, must be deducted from the estimated Energy Cost in order to determine the Eligible Household's heat burden.

## 5. Payment of Benefits.

- A. A Primary Applicant shall select a Vendor that will deliver Home Energy to the Eligible Household. Payment of Benefits will be made directly to the Vendor. Except as set forth below, Vendors may choose to receive HEAP Benefits prior to delivery or post-delivery.

1. For payment prior to delivery, Except in the case of wood Vendors, MaineHousing, or a Subgrantee as allowed by MaineHousing, will pay a Benefit to the Vendor or ~~the Primary Applicant~~ within ten (10) business days of the date the Application is certified eligible or when HEAP grant funds are available, whichever is later.
2. For payment post-delivery, MaineHousing, or a Subgrantee as allowed by MaineHousing, will provide a Credit Notification Report within ten (10) business days of the date the Application is certified eligible or when HEAP grant funds are available, whichever is later. MaineHousing will make payment for HEAP Benefits after the Vendor makes delivery as authorized by MaineHousing.
- 4.3. In the case of wood Vendors, MaineHousing, or a Subgrantee as allowed by MaineHousing, will make payment for a Benefit after the Vendor makes delivery as authorized by MaineHousing and/or the Subgrantee. The Vendor must return a completed purchase order, including Applicant and Vendor signatures, to MaineHousing, or a Subgrantee as allowed by MaineHousing, within thirty (30) calendar days of the date of purchase order issuance. Receipt of the purchase order must be entered into the MaineHousing database. Contingent on database entry, MaineHousing, or the Subgrantee as allowed by MaineHousing, will make payment within ten (10) business days of the signed purchase order receipt date. If the purchase order is not returned within thirty (30) calendar days of the date of issuance it may be considered void. Extensions may be granted by the MaineHousing on a case-by-case basis.

- B. If there is no Vendor that serves the area in which the Eligible Household resides then MaineHousing, or the Subgrantee as allowed by MaineHousing, may pay Benefits directly to the Primary Applicant.
  - C. Payment of Benefits may be made directly to Tenants with an Indirect Determinable Energy Cost.
6. TANF Supplemental Benefits.
- A. Except as may be expressly provided for elsewhere in this Rule, the use and administration of TANF Supplemental Benefits is subject to the standards for HEAP Benefits set forth in this Rule.
  - B. Eligibility. A Household may be eligible for a TANF Supplemental Benefit if its Application for HEAP has been certified eligible in the current Program Year and if on the Date of Application:
    - 1. it included at least one member who was under the age of eighteen (18); and
    - 2. it did not reside in Subsidized Housing with heat included.
  - C. Benefit Determination. The TANF Supplemental Benefit per Eligible Household per Program Year shall be determined each Program Year by MaineHousing based on the projected number of Households eligible for TANF Supplemental Benefits and available funding.
  - D. Payment of Benefits. Except in the case of utility Vendors, MaineHousing will make payment for a TANF Supplemental Benefit after the Vendor makes delivery as authorized by MaineHousing. The Vendor must submit a delivery ticket or invoice to MaineHousing together with a detailed account history showing delivery activity and payment activity from the previous May 1 through the date of the delivery being invoiced. MaineHousing will make payment within ten (10) business days of MaineHousing's receipt and approval of the required documentation.
7. Benefit Returns and Transfer:
- A. Program benefits may not be sold, released or otherwise conveyed, with or without consideration, by the Eligible Household or the Vendor without written authorization from MaineHousing. MaineHousing will only authorize such conveyances when circumstances arise that prevent the Eligible Household from using the Benefit and MaineHousing determines such conveyance is in the best interest of the Eligible Household and is consistent with the intent of the HEAP Act.
  - B. Program benefits may be available for reissue or transfer during the Program Year of issue and up until April 30<sup>th</sup> of the Program Year immediately following when:
    - 1. All Applicant(s) move in State but continue with same Vendor.
    - 2. All Applicant(s) move in State and change Home Energy vendors.
    - 3. Household changes Vendor.
    - 4. All Applicant(s) move in State from a Dwelling Unit with Direct Energy Cost to a Dwelling Unit with heat included in their rent (not including Subsidized Housing).
    - 5. All Applicant(s) move in State to Subsidized Housing with Direct Energy Cost.
    - 6. Household changes Home Energy type.

7. Primary Applicant has deceased and there are surviving Applicants remaining in the Household (unless surviving Applicant moves in State to a Household that has received a Benefit in the current Program Year).
- C. Household may be required to provide in writing the following in order to receive a Benefit reissue or transfer:
1. Primary Applicant's name.
  2. Previous address.
  3. Current address.
  4. Current phone number.
  5. Current rental agreement or current property tax bill, whichever is relevant.
  6. Current electric/utility company name and account number.
  7. Name on the electric/utility company account.
  8. Primary Heating System and Home Energy type.
  9. Fuel tank location.
  10. Current Home Energy Vendor name, address, and account number.
  11. Primary Applicant's signature and date submitted.

If for any reason the requested documentation is not provided, the reissuance or transfer of Benefits may be delayed and/or Benefits may be forfeited.

- D. Benefits may not be eligible for reissue or transfer when:
1. It is determined that Primary Applicant committed Errors and Program Abuse when completing the Application.
  2. It is determined that there was an Overpayment.
  3. Primary Applicant's permanent residence changes to a nursing home or long term care facility and there are no surviving Applicants remaining in the Household.
  4. All Applicant(s) move to Subsidized Housing with heat included.
  5. Primary Applicant moves in State into a Household that has been determined eligible for a Benefit in the current Program Year.
  6. The Benefit was issued before the previous or current Program Year.
  7. The Benefit was issued the previous Program Year and was not used on or before April 30<sup>th</sup> of the Program Year immediately following.
  8. All Applicant(s) move to an ineligible Dwelling Unit.

9. Primary Applicant has deceased and there are no surviving Applicants remaining in the Household.
10. All Applicants move out of State.

If the Household subsequently moves to an eligible Dwelling Unit, the Benefit may be eligible for reissue provided the Benefit was for the previous or current Program Year.

- E. In the event Vendor receives a Benefit return form requesting the return of Benefits paid to Vendor on behalf of Eligible Households, Vendor shall return such Benefits to MaineHousing within fifteen (15) calendar days of date of Benefit return form. Once the funds are received, MaineHousing will process the reissue or transfer as appropriate within fifteen (15) calendar days.

#### 8. Energy Crisis Intervention Program (ECIP).

- A. A Household may be eligible for ECIP if a Household member's health and safety is threatened by an Energy Crisis situation and the Household does not have the financial means to avert the Energy Crisis. The Subgrantee will determine whether the Household is experiencing an Energy Crisis on the Date of Application.

1. An Eligible Household is income eligible for ECIP. If a Household has not been certified eligible for a Benefit, the Household's income eligibility for ECIP will be based on one of the following timeframes, whichever allows eligibility:

- a. The twelve (12) calendar months immediately preceding the Date of Application for ECIP;
- b. The three (3) calendar months immediately preceding the Date of Application for ECIP;
- c. The calendar month immediately preceding the Date of Application for ECIP; or
- d. The thirty (30) days immediately preceding the Date of Application for ECIP.

2. To determine if Household is in Energy Crisis:

- a. Reading of 1/8 tank or less on a standard 275 gallon heating oil tank;
- b. Reading of 25% or less on a propane tank;
- c. 3-day or less supply for other delivered Home Energy types.

3. To determine an Energy Crisis with respect to utility terminations:

- a. Household has received a disconnection notice; and
- b. Household has exhausted its ability to negotiate and pay the terms of a reasonable payment arrangement.

- B. Allowable expenditures must be related to averting an Energy Crisis and may include:

1. Home Energy deliveries provided the Eligible Household has exhausted any remaining Benefits previously issued to a Vendor on behalf of the Eligible

Household;

2. Surcharges, reconnection charges, or penalties related to a final utility disconnect notice. Utility costs must be directly related to the operation of the Heating System;
3. Heating System repair;
4. Purchase of space heaters;
5. Temporary relocation provided the Eligible Household is experiencing a Life Threatening Crisis that cannot be averted within 18 hours by one of the above measures;
6. Rental payment assistance provided the Eligible Household is a Tenant whose rent includes heat and is facing eviction due to nonpayment of rent.

C. Unallowable Expenditures:

1. ECIP funds cannot be used to pay solely for a delivery charge.
2. ECIP funds cannot be used if the Household has any other Heating System that is safe, operable and is capable of heating the dwelling adequately during severe cold weather, and has a supply of product for that Heating System
3. ECIP funds cannot be used to pay for surcharges, reconnection charges, or penalties related to a final utility disconnect when that utility is not required for the operation of the primary Heating System.
4. ECIP funds cannot be used to pay for Home Energy deliveries or Heating System repairs if the Applicant resides in Subsidized Housing with heat included or a Rental Unit with heat included.
5. An Applicant with an Overpayment balance is not eligible for ECIP benefits unless they have entered into and are in compliance with the terms of a repayment agreement with MaineHousing to resolve the Overpayment.

D. The maximum ECIP benefit per Eligible Household per Program Year shall be determined each Program Year by MaineHousing based on Home Energy costs, economic conditions, and available funding.

E. ECIP will be administered pursuant to HEAP:

1. ECIP timeframe is November 1 through the following April 30;
2. Conditioned on the availability of ECIP funds, some form of assistance that will resolve the Energy Crisis, if Household is eligible to receive such benefits, will be provided within 48 hours after Household has been certified eligible for ECIP;
3. Conditioned on the availability of ECIP funds, some form of assistance that will resolve the Energy Crisis, if Household is eligible to receive such benefits and is in a Life Threatening Crisis situation, will be provided within 18 hours after a Household has been certified eligible for ECIP.

F. The Subgrantee will provide the Primary Applicant written notice of ECIP denial within three

(3) business days.

G. If a Household receives ECIP and it is subsequently determined that the Household was not eligible, MaineHousing or the Subgrantee may require the Household to repay the amount of ECIP. MaineHousing will recoup all outstanding Overpayments from any current or future Benefits until the Overpayment is paid in full.

H. ECIP Payment to Vendors.

1. Except in the case of wood Vendors, MaineHousing, or a Subgrantee as allowed by MaineHousing, will make payment for ECIP after the Vendor makes delivery as authorized by MaineHousing/Subgrantee. The Vendor must return a completed purchase order and a delivery ticket to MaineHousing/Subgrantee. The Vendor must also submit an invoice if the total amount on the delivery ticket is greater than the ECIP purchase order amount or the delivery ticket does not account for all the charges that were approved on the purchase order. Receipt of the purchase order must be entered into the MaineHousing database. Contingent on database entry, MaineHousing will make payment within ten (10) business days of the receipt of the completed purchase order, a delivery ticket, and invoice (if applicable).
2. In the case of wood Vendors, MaineHousing, or a Subgrantee as allowed by MaineHousing, will make payment for ECIP after the Vendor makes delivery as authorized by MaineHousing/Subgrantee. The Vendor must return a completed purchase order, including Applicant and Vendor signatures, to MaineHousing/Subgrantee. Receipt of the purchase order must be entered into the MaineHousing database. Contingent on database entry, MaineHousing/Subgrantee will make payment within ten (10) business days of the signed purchase order receipt date.

9. Central Heating Improvement Program (CHIP).

A. Eligibility. A Household may be eligible for CHIP if the Household:

1. is eligible for ~~HEAP Weatherization Benefits pursuant to this Rule;~~
2. has an eligible Application that was certified within the preceding twelve (12) months; and
3. does not have a more recent Application that has been certified-denied.

B. Subgrantees shall provide CHIP services based on the following priority order:

1. Eligible Households experiencing an Energy Crisis caused by Heating System malfunction or failure.
2. Non-wood Heating Systems that cannot achieve a minimum steady state efficiency of 70% (as determined by a CTE).
3. Preventative CTE and minor repairs on a non-emergency basis (owner-occupied dwelling units only). Date of the last CTE by a licensed technician must be more than twelve (12) months prior to the initiation of services date.

Eligible Households shall be served on a first-come, first-served basis with respect to each

level of priority except when the Subgrantee is providing weatherization services to a Dwelling Unit. In this case, CHIP activities to Eligible Households that enable the Subgrantee to leverage funds may be served first.

C. Subgrantees shall administer and operate CHIP in their Service Areas unless otherwise determined by MaineHousing.

D. Heating System Replacement. Household may be eligible for assistance to replace a Heating System if the Household is eligible for Benefits pursuant to this Rule. The amount of assistance shall take into account the Applicant Household's and Non-occupying Co-owner's Countable Assets.

1. The Applicant Household will be required to contribute toward the cost of replacing the Heating System if the Applicant Household has Countable Assets in excess of \$5,000 or \$50,000 if a member of the Applicant Household is an Elderly Person. The same guidelines apply to Non-occupying Co-owner's Countable Assets.

The overall purpose of these asset limitations is to encourage a Household's contribution to meeting their needs, when possible, and at the same time recognize that household assets represent needed income and insurance against financial calamities, and that it is prudent to retain these assets to some extent.

2. An Applicant Household's contribution shall be determined by subtracting \$5,000 or \$50,000 (whichever is applicable) from its total Countable Assets. That difference will then be multiplied by the Applicant Household's percentage of ownership. A Non-occupying Co-owner's contribution shall be similarly calculated. The maximum CHIP benefit amount shall be determined by subtracting the sum of the Applicant Household's and Non-occupying Co-owner's contributions from the total replacement costs.

E. Rental Units Occupied By An Eligible Household: A life-time maximum benefit of \$400 for an Eligible Household. The maximum allowed in a non-owner occupied multi-family building is the lesser of \$400 times the number of Heating Systems that provide heat to Eligible Households or \$1,600.

F. Life Estates and Life Leases: If an Eligible Household member holds a life estate or life lease interest in and occupies the Dwelling Unit, the Dwelling Unit may be eligible if:

1. the document conferring the Applicant's rights of the life estate or life lease states that the Eligible Household member is responsible for maintaining the Dwelling Unit, or is silent as to who is responsible for maintenance; or
2. the Dwelling Unit is owned by an Eligible Household.

G. Proof of Ownership. The Subgrantee shall verify ownership of all Dwelling Units and Rental Units prior to performing any work. Proof of ownership may include current property tax bill, statement from the local tax assessor, town clerk or similar municipal official, or documentation from electronic registry.

Life estates and life leases require a copy of the document conferring the Applicant's rights.

The Subgrantee must obtain the written permission of the owner of the Rental Unit prior to performing any work on the Heating System unless the Tenant has exercised his or her right under

14 M.R.S.A. Section 6026 to make certain repairs.

H. A Dwelling Unit will not be eligible under CHIP if:

1. Dwelling Unit is a Rental Unit that has received prior CHIP services to the life-time maximum benefit;
2. Dwelling Unit has been designated for acquisition or clearance by a federal, state, or local program or order;
3. Dwelling Unit has been designated for foreclosure;
4. Dwelling Unit is for sale;
5. Dwelling Unit is vacant;
6. Dwelling Unit is uninhabitable;
7. Dwelling Unit is in poor structural condition making the installation of CHIP services impractical, impossible, or ineffective;
8. Dwelling Unit is in such poor structural condition that the proposed CHIP services would have a longer life expectancy than the Dwelling Unit;
9. Dwelling Unit has been damaged by fire, flood or an act of God and repair of the damage is covered by insurance;
10. There are obvious discrepancies found between the information supplied on the Application and observed conditions during the CHIP process. The Subgrantee must resolve any discrepancies before work can continue;
11. Dwelling Unit has any other Heating System that is safe, operable, and is capable of heating the dwelling adequately during severe cold weather.
12. Subgrantee determines the Applicant failed to properly maintain a Heating System that was previously repaired or replaced under CHIP.
13. Eligible Households who apply for CHIP services for more than one Dwelling Unit will be subject to additional review to ensure the requested services are consistent with the intent of the program.

I. CHIP Allowable Uses:

1. Cleaning, tuning, and evaluating oil or gas systems;
2. Cleaning, evaluating, and servicing solid fuel systems;
3. Replacing oil or gas burners;
4. Replacing cracked heat exchangers;
5. Replacing oil, gas, electric or solid fuel Heating Systems;

6. Sealing and insulating Heating System pipes or ducts in unconditioned spaces;
7. Installing electrical or mechanical Heating System ignition systems;
8. Replacing or relocating thermostats and anticipator adjustment;
9. Baffling of the combustion chamber;
10. Optimizing the firing rate;
11. Cleaning of the chimney;
12. Smoke Alarms;
13. Fire extinguishers;
14. Carbon Monoxide detectors;
15. Oil tanks;
16. Other measures necessary to bring Heating Systems into compliance with applicable State and local codes and Maine Fuel Board requirements; and
17. Other measures necessary to correct any Heating System problems that pose an immediate threat to the health and safety of the Eligible Household.

J. CHIP Unallowable Uses:

1. Reimbursement or payment for purchases made by or costs incurred by an Applicant.
2. Replacement of a Heating System if the Dwelling Unit received a prior Heating System replacement funded by CHIP unless the Heating System is near the end of or beyond its estimated useful life as defined by [https://www.hud.gov/sites/documents/EUL\\_FOR\\_CNA\\_E\\_TOOL.PDF](https://www.hud.gov/sites/documents/EUL_FOR_CNA_E_TOOL.PDF)

K. Fuel Switching. As a general guideline, the practice of fuel switching is not allowed. However, if the Subgrantee determines that the switching of a fuel source is warranted, then a written waiver request should be submitted to Maine Housing for review and consideration (on a case-by-case basis) prior to the installation.

L. Subgrantee must perform a final inspection on all CHIP services in excess of \$1,000. Inspections will include an evaluation to determine:

1. Compliance with applicable codes;
2. That all work performed was authorized by the Subgrantee; and
3. The combustion efficiency level of the Heating System where technically feasible.

M. Specific Procurement Requirements. Prior to the performance of CHIP services, the Subgrantee shall follow the procedures below:

1. Procurement less than or equal to ~~\$3,000~~ \$10,000. Procurement of services, including

materials, equipment and services from specialized trades, such as electricians, plumbers, masons and oil burner repair people shall be performed in accordance with the following procedures.

- a. Solicit by phone, email, vendor website, catalog, or price list, or similar means one price quote for the required materials, equipment and services.
  - b. Determine if the quoted price is reasonable based on one or more factors identified by Subgrantee, such as recent purchases of, or research on, goods or services of the same kind or related knowledge or expertise; otherwise, solicit two price quotes by similar means.
  - c. Copies of all procurement records, including basis for the contractor selection and factors used to determine if the quoted price is reasonable, must be retained in the Subgrantee files.
2. Procurement over ~~\$3,000~~10,000. Procurement of services, including materials, equipment and services from specialized trades, such as electricians, plumbers, masons and oil burner repair people shall be performed in accordance with the following procedures.
  - a. Perform a price survey for the required materials, equipment and services.
  - b. Make every reasonable attempt to receive price quotations or bids from at least three (3) reputable Contractors and fully document the bid process and all bids received on a survey sheet.
  - c. Purchase the materials, equipment or services from the Contractor whose bid or proposal is the lowest, taking into consideration the Contractor's performance record and other relevant factors. Fully document the selection process.
  - d. Copies of all procurement records, including basis for contractor selection must be retained in the Subgrantee files.
3. The Subgrantee must prepare an Invitation to Bid or a Request for Proposal, which:
  - a. Identifies all requirements which prospective bidders must fulfill, including the due dates for bids; and
  - b. Identifies all factors which the Subgrantees will consider in evaluating and awarding bids.
4. The Invitation to Bid or Request for Proposal must be mailed, faxed or emailed to no less than three (3) prospective contractors who may reasonably be expected to submit a bid.
5. All bids must be received by the Subgrantee contact person via mail, fax or e-mail prior to a specified time for a bid opening at a specified time and location. All bids received must be kept in a secure location prior to all bids being received and tabulated. In addition, all correspondence relating to the procurement action must be retained in the bid files.
6. Sole Source Procurement. Subgrantee may solicit a proposal from only one source for one of the following reasons.
  - a. Sole source procurement may be used in the following instances:

1. Emergency or Urgent Need. An emergency situation or other urgent need exists and only one known source can provide the required goods or services within the time needed. Emergency or urgent situations include, but are not limited to, natural disasters or a Life Threatening Crisis.
  2. Uniqueness. The item or service is available from only one source, based on a reasonable, good faith review of the market for the type of item or service needed.
  3. Inadequate Competitive Proposals. After evaluation of all proposals submitted in a competitive procurement, all proposals are determined to be inadequate.
- b. Subgrantee shall submit a written statement justifying the use and approval of all sole source procurements, in excess of ~~\$3,000~~, 10,000 to MaineHousing for its consideration prior to the installation of services.
  - c. Subgrantee will retain a copy of the solicitation and the proposal received in response, a record of the approval by MaineHousing in Subgrantee's records.

#### 10. HEAP Weatherization.

- A. The purpose of HEAP Weatherization is to reduce Eligible Households' need for Fuel Assistance, particularly those with the lowest Household Incomes that pay a high proportion of Household Income for Home Energy and those that include Priority Applicants.
- B. Using HEAP Weatherization in conjunction with U.S Department of Energy (DOE) funds: If the requirements in this Rule conflict with those required by [10 CFR Part 440](#), DOE requirements shall have precedence. HEAP Weatherization funds may only be used to weatherize Dwelling Units occupied by Eligible Households.
- C. Weatherization measures must be installed in accordance with the Maine Weatherization Standards, as may be amended from time to time.
- D. Eligibility. A Household may be eligible for HEAP Weatherization if the Household:
  1. is eligible for Benefits pursuant to this Rule;
  2. has an Application certified-eligible within the twelve (12) months preceding the date of the Subgrantee's energy audit of the Dwelling Unit; and
  3. does not have a more recent Application that has been certified-denied.

Apart from the eligibility criteria identified in D.1-3., a Household may qualify for HEAP Weatherization if the:

- i. Household's Application was denied solely based on the Household Income exceeding the income limits for Benefits; and
  - ii. Household Income does not exceed the DOE income threshold.
- E. Proof of Ownership. The Subgrantee shall verify ownership of all Dwelling Units and Rental Units prior to performing any work. Proof of ownership may include current property tax bill, statement from the local tax assessor, town clerk or similar municipal official, or documentation from electronic registry.

Life estates and leases require a copy of the document conferring the Applicant's rights.

The Subgrantee must obtain the written permission of the owner of the Rental Unit prior to performing any work.

F. A Dwelling Unit will not be eligible under HEAP Weatherization if:

1. Dwelling Unit received weatherization services under HEAP Weatherization or another Maine Housing program ~~after September 30, 1994~~ within ten (10) years of the date of Application.
2. Dwelling Unit has been designated for acquisition or clearance by a federal, state, or local program or order;
3. Dwelling Unit has been designated for foreclosure;
4. Dwelling Unit is for sale;
5. Dwelling Unit is vacant;
6. Dwelling Unit is uninhabitable;
7. Dwelling Unit is in poor structural condition making the installation of HEAP Weatherization services impractical, impossible, or ineffective;
8. Dwelling Unit is in such poor structural condition that the proposed HEAP Weatherization services would have a longer life expectancy than the Dwelling Unit;
9. Dwelling Unit has been damaged by fire, flood or an act of God and repair of the damage is covered by insurance;
10. There are obvious discrepancies found between the information supplied on the Application and observed conditions during the HEAP Weatherization process. The Subgrantee must resolve any discrepancies before work can continue.

G. Allowable Uses:

1. Weatherization needs assessments/audits;
2. Air sealing and insulation;
3. Storm windows;
4. Heating System modifications/repairs;
5. Heating System replacements;
6. Heating System cleaning, tuning, and evaluating;
7. Compact fluorescent light bulbs;
8. Energy related roof repairs;

9. Major appliance repairs/replacements, including water heaters, provided total cost of the appliances does not exceed 20% of the labor and material costs associated with the installation of energy conservation measure or one appliance if the 20% will not cover the repair/replacement cost of one appliance;
  10. Incidental Repairs – per unit average not to exceed 20%;
  11. Health and safety measures – per unit average not to exceed \$1,200;
  12. Replacement windows and doors are allowable only under exceptional circumstances and only after all other reasonable repair options have been considered and rejected.
- H. Fuel Switching: As a general guideline, the practice of fuel switching when replacing Heating Systems is not allowed. However, if the Subgrantee determines that the switching of a fuel source is warranted, then a written waiver request should be submitted to MaineHousing for review and consideration (on a case-by-case basis) prior to the installation.
- I. Work on an eligible Dwelling Unit previously weatherized under a MaineHousing program may be reopened if:
1. the reopening occurs within six (6) months of completion of the original weatherization service; and
  2. The reopening is required because the previous service is the proximate cause of an immediate threat to the health and safety of the occupants; or
  3. The quality of weatherization material or its installation is deemed deficient by MaineHousing.
- J. Subgrantees shall administer and operate HEAP Weatherization in their Service Areas, unless otherwise authorized by MaineHousing.
- K. For the purposes of HEAP Weatherization, Subgrantees must conduct a public bid process at least annually as prescribed by MaineHousing.

#### 11. Administration of the Program.

- A. MaineHousing will prepare and submit to the Secretary of the United States Department of Health and Human Services an annual State Plan for HEAP in conformity with the provisions of the HEAP Act. MaineHousing will notice a public hearing for the purpose of taking comments on the State Plan and will also prepare a transcript of such comments.
- B. HEAP Handbook. The HEAP Handbook is an operations manual for the administration of the Programs. This Rule shall control in the event of any inconsistency between the HEAP Handbook and this Rule.
- C. General. To the extent practicable, MaineHousing will contract with Subgrantees for the purpose of administering the Programs and may require the Subgrantee to provide benefits in connection therewith, including Supplemental Benefits if such benefits become available during the Program Year, to Eligible Households. MaineHousing may, in its discretion, provide benefits in connection with the Programs and make prepayments, installment payments and advances with or without interest in connection therewith, including without limitation, payment of direct benefits to Eligible

Households or Vendors, or may contract with other entities, such as municipalities, to administer the Programs and provide benefits.

D. **Conflict of Interest.** No employee, officer, board member, agent, consultant or other representative of Subgrantee, Vendor, or Contractor who exercises or has exercised any function or responsibility with respect to Programs' activities or who is in a position to participate in a decision-making process or gain inside information with regard to these activities, may obtain a financial interest or benefit from Programs' activities or have an interest in any contract, subcontract or agreement regarding the Programs' activities, or the proceeds there under, which benefits him or her or any person with whom he or she has business or family ties. Subgrantees, Vendors, and Contractors shall notify MaineHousing of any potential conflict of interest.

E. **Confidentiality.** Subgrantees, Vendors, Contractors, and their employees and agents shall keep confidential:

Applicant or beneficiary information obtained in the administration of the Programs, including without limitation, an individual's name, address and phone number, household income, assets or other financial information, and benefits received ("Confidential Information").

Subgrantees, Vendors, Contractors, and their employees and agents shall safeguard and protect from disclosure at all times Confidential Information including, without limitation, taking the following steps:

1. Put measures in place to prevent the loss, theft, misappropriation or inadvertent disclosure of Confidential Information.
2. Encrypt all Confidential Information contained on computers, laptops, and other electronic devices and media used in whole or in part, in the operation or administration of the Programs.
3. Send e-mail or e-mail attachments containing Confidential Information only if encrypted or only through a secure e-mail server.
4. Make their employees, officers, agents, contractors, sub-contractors and other representatives who operate or administer any of the Programs or otherwise provide services under the Programs aware that the responsibility to safeguard and protect Confidential Information applies at all times, whether or not they are at a work location during normal business hours.
5. Limit disclosure to persons with a direct need to know.

F. MaineHousing will conduct program and fiscal monitoring of Subgrantees and Vendors to ensure compliance with Federal, State, and MaineHousing rules and regulations in a manner consistent with applicable State law, as may be amended from time to time, and the HEAP Act.

## 12. Subgrantees.

A. **Service Areas.** MaineHousing will select at least one Subgrantee to administer the Programs in each Service Area.

B. **Selection of Subgrantees.** Subgrantees will be selected annually based on the following criteria:

1. Experience with providing Fuel Assistance or similar programs to low-income persons;

2. Current capacity to administer a timely and effective Fuel Assistance program for the intended Service Area;
3. Demonstrated capacity to adequately serve low-income persons residing in their Service Areas;
4. The availability of other qualified entities to service a particular area;
5. The geographic area customarily serviced by the potential Subgrantee;
6. Cost efficiency in administering a Fuel Assistance program;
7. The ability to enhance accessibility to other low-income programs administered by the Subgrantee;
8. Acceptable schedule for taking Applications; and
9. The ability to perform outreach activities and serve homebound recipients.

Subgrantees shall make annual, written applications to MaineHousing that address each of the criteria listed above. Subgrantee applications must be received no later than June 1 of each year.

- C. Allocation to Each Subgrantee. MaineHousing will determine the annual allocation of HEAP funds to each Subgrantee, the amount of which annual allocation shall not include any amount of HEAP funds allocated to MaineHousing to pay Benefits in the event MaineHousing elects to provide Benefits directly. MaineHousing may base any allocation determination on the number of Applications certified eligible in the Service Areas in the previous Program Year.
- D. Subgrantee Administrative and Program Expenses. Subgrantees shall be permitted administrative and program expenses necessary to carry out their responsibilities under this Rule and the Programs. Such expenses will be allowed in a manner consistent with the provisions of the HEAP Act and must be reasonable in amount as determined by MaineHousing following its review of the Subgrantee work plans and budgets. Allowable administrative and program expenses for each of the Programs are listed below. Other expenses may be allowed if authorized by MaineHousing before the expenses are incurred.

<b>Fuel Assistance and ECIP</b>	<b>Expense Category</b>
Salary and fringe benefit costs for the actual time an individual performs intake, processing, or eligibility determination functions associated with an active Application	Program
Salary and fringe benefit costs for the actual time an individual participates in administering Fuel Assistance or ECIP and is not performing functions associated with an active Application	Administrative

Space costs/rent, telephone, copier/printing, office supplies, postage, transportation/travel, data processing/computer costs, equipment repairs and maintenance, equipment purchase/lease, and consultants/professional services	Administrative
Indirect costs	Administrative
<b>HEAP Weatherization and CHIP</b>	<b>Expense Category</b>
Material/labor costs for Heating system repairs/replacements and measures installed as part of weatherization	Program
Salary and fringe benefit costs for the actual time staff participates in administering HEAP Weatherization or CHIP.	Program
Space costs/rent, telephone, copier/printing, office supplies, postage, transportation/travel, equipment purchase/lease, liability insurance, pollution occurrence insurance, and consultants/professional services.	Program
Indirect costs	Administrative
<b>Assurance 16 Services</b>	<b>Expense Category</b>
Salary and fringe benefit costs for staff providing direct services and the direct administrative costs associated with providing the services, such as the costs for supplies, equipment, travel, postage, utilities, rental and maintenance of office space	Program

- E. Assurance 16 Activities. Subgrantees may submit annual proposals, for MaineHousing's consideration, describing their planned activities and expenses associated with providing services to Applicants pursuant to Assurance 16 of the HEAP Act.
- F. Subgrantee's Responsibilities. The responsibilities of the Subgrantee include, but are not limited to, the following and as further defined in the annual Subgrant Agreement:
1. To conduct client outreach in a manner consistent with the HEAP Act and as prescribed in this Rule.
  2. To accept and verify Applications from Primary Applicants in a manner consistent with provisions of the HEAP Act and as prescribed in this Rule.
  3. To determine Household eligibility in a manner consistent with provisions of the HEAP Act and as prescribed in this Rule.
  4. To pay benefits, if required by MaineHousing, to or on behalf of Eligible Households in a manner consistent with provisions of the HEAP Act and as prescribed in this Rule.
  5. To provide documentation and assistance as needed for MaineHousing to conduct informal reviews and fair hearings.

6. To pay Supplemental Benefits, if required by MaineHousing, if such benefits become available during the Program Year.
7. To use MaineHousing database software and equipment.
8. To address no-heat emergencies.
9. To cost effectively administer and operate the Programs.
10. To prioritize Eligible Households for HEAP Weatherization services in accordance with the HEAT Enterprise software.
11. To coordinate services between Programs.
12. To submit to MaineHousing production schedules for the Programs.
13. To submit to MaineHousing work plans and budgets, monthly status reports and any other such reports or information required in connection with the Programs.
14. To submit to MaineHousing billing information, including zero billings, for open contracts by 20th of each month.
15. To use forms provided or approved by MaineHousing to administer the Programs.
16. To protect personally identifiable information.
17. At Applicant's request, to make reasonable accommodations for a Person with a Disability.
18. To ensure that procurement of materials and services is conducted in a manner to provide open and free competition and to avoid any appearance of impropriety, the Subgrantee shall be bound by general federal procurement principles at [45 CFR §§ 75.327](#) to 75.335 and property management principles at [45 CFR §§ 75.316](#) to 75.323..

G. Recordkeeping, Reporting and Accounting. Subgrantee shall comply with the following requirements:

1. Subgrantee shall maintain comprehensive and accurate documentation, payroll reports, financial statements, and other records in connection with its administration of the Programs, including at a minimum, the amount and disposition of the Programs' funds received by the Subgrantee and the total cost necessary to administer the Programs. Subgrantee shall keep such records separate and identifiable from the records of Subgrantee's other business and activities. MaineHousing and its representatives shall have the right to examine such records at reasonable times upon reasonable notice by MaineHousing. Subgrantee shall furnish copies of any such records requested by MaineHousing. All records must be retained by the Subgrantee for a minimum of three (3) years from the end of relevant contract period. In cases of litigation, other claims, audits, or other disputes the Subgrantee will retain all relevant records for at least one (1) year after the final disposition thereof.
2. Subgrantee shall comply with all reporting requirements of MaineHousing. Subgrantee shall submit to MaineHousing an annual budget prior to each Program Year. Within ninety (90) calendar days after the close of the Subgrantee's fiscal year, Subgrantee shall furnish to MaineHousing an annual financial statement of Subgrantee, prepared by an

independent certified public accountant in accordance with audit requirements at 45 CFR Part 75, Subpart F.

H. Funds for administrative expenses for the Program Year and supplemental funding received, if any, may be spent only between October 1 and the following September 30 of the applicable Program Year, unless otherwise authorized by MaineHousing.

I. Noncompliance.

1. MaineHousing shall have the right to terminate the Subgrantee Agreement in its sole discretion if it determines the Subgrantee has failed to perform one or more of its obligations to include malfeasance or misappropriation of funds. A written Notice of Termination of Subgrantee will set forth the specific violation.
2. For non-compliance other than those which MaineHousing determines are subject to immediate termination, a deficiency notice will be sent to the Subgrantee in the event it fails to comply with any provision of this Rule, the Subgrantee Agreement, the Program Handbook, and the provisions of other applicable law. The Notice will set forth the specific violation and allow a reasonable time period for response by the Subgrantee. Upon review and consideration of any responses, MaineHousing will notify the Subgrantee in writing of any action to be taken and may establish a reasonable time period within which remedial action must be taken. Failure of Subgrantee to comply will result in a Notice of Termination of Subgrantee stating the cause and effective date of its termination.
3. MaineHousing shall have the right to suspend in whole or in part the Subgrantee's performance of one or more services provided under the Agreement whenever MaineHousing determines such suspension is in MaineHousing's best interest.
4. MaineHousing may bar a Subgrantee's participation in programs administered by MaineHousing for its malfeasance or misfeasance with respect to the administration or operation of any of the Programs.

13. Indian Tribes.

- A. Direct Allocation to Indian Tribes. Indian Tribes may receive a direct allocation of HEAP funds from the Secretary of the United States Department of Health and Human Services pursuant to the HEAP Act. The amount of the direct allocation is determined by MaineHousing. In its determination MaineHousing will consider the number of Eligible Households during the previous Program Year that include an Applicant who is a member of the Indian Tribe, when that information is available.
- B. Agreements with Indian Tribes. When an Indian Tribe receives a direct allocation of Fuel Assistance and ECIP, MaineHousing will enter into an agreement with the Indian Tribe that, at a minimum, provides for the coordination of services and administration of the Fuel Assistance and ECIP by Indian Tribe and Subgrantees to prevent duplication of services.

14. Vendors.

- A. Vendor Eligibility. A vendor interested in becoming a Vendor must demonstrate the capacity and stability of its business to MaineHousing's satisfaction. The vendor must supply a credit report and a business plan. The vendor must be in business for one year prior to becoming a Vendor.

MaineHousing reserves the right to exclude a vendor for the following, not limited to:

1. Any bankruptcies or judgments;
2. Owners and/or officers of vendor were previously owner/officer of terminated Vendor;
3. Failure to comply with Close-Out requirements.

B. Enrollment.

1. Open Enrollment for new vendors: vendors may enter into a Vendor Agreement during the time period as prescribed by MaineHousing. If the vendor does not submit accurate and complete documentation the vendor may not be allowed to participate in the current Program Year.
2. Re-Enrollment for Vendors: Vendors who have a current Program Year contract may enroll as prescribed by MaineHousing. Continued participation is contingent upon performance and compliance with terms of Vendor Agreement.

C. MaineHousing, at its discretion, may terminate any Vendor:

1. That does not comply with the terms and conditions of the Vendor Agreement;
2. That fails to provide documentation and cooperate with any audit/investigation and/or the return of unused Benefits as determined by any audit/investigation. In addition, MaineHousing may undertake any of the following:
  - a. Bar the Vendor from future participation;
  - b. Refer the case to State or federal officials for criminal prosecution or civil action; and
  - c. Pursue other remedies as determined by MaineHousing.

D. Vendors must comply with State law concerning consumer home heating rights, which is described in Office of the Maine Attorney General Consumer Law Guide Chapter 19.

~~E. Oil and kerosene Vendors must provide a Discount Off Retail. Discount Off Retail does not apply to the portion of a delivery paid by ECIIP benefits or TANF Supplemental Benefits.~~

~~F.E.~~ Vendor may not consider an Eligible Household's outstanding indebtedness to Vendor in calculating the Retail Cash Price applicable to a delivery of Home Energy to that Eligible Household.

~~G.F.~~ Return of Payments.

1. In the event Vendor receives a Benefit Return form requesting the return of Benefits paid to Vendor on behalf of Eligible Households, Vendor shall return such Benefits to MaineHousing, or Subgrantee as allowed by MaineHousing, within fifteen (15) calendar days of date of Benefit Return form.
2. In the event Vendor becomes aware of any of the ~~following~~ events listed below affecting an Eligible Household, Vendor shall within fifteen (15) calendar days of the date that Vendor becomes aware of any such event, submit to MaineHousing a completed Benefit Return form and return any remaining Benefits paid to Vendor on

behalf of the affected Eligible Household, ~~unless the remaining Benefits are less than \$25. If situations arise that warrant a Vendor to closeout a HEAP client's account and the account has a balance less than \$25.~~

~~2.—Vendors may aggregate any remaining Benefits with a balance less than \$25 and return the balance to MaineHousing wait when until the Annual Consumption Report is submitted.ing and Sweeping Accounts process to return any remaining benefit balances to MaineHousing. All related recordkeeping must clearly show all remaining benefit balances. However, de minimus benefit balances less than \$25 do not need to be individually returned to MaineHousing throughout the year.~~

- a. The death of an individual who was the sole member of an Eligible Household;
  - b. The institutionalization of an individual who was the sole member of an Eligible Household;
  - c. Vendor's receipt of a written notice from an Eligible Household that it no longer desires to receive Home Energy deliveries from Vendor;
  - d. An Eligible Household has not received deliveries of Home Energy for twelve (12) consecutive months;
  - e. An Eligible Household has moved out of Vendor's Service Area;
  - f. An Eligible Household has moved out of State;
  - g. Vendor has been paid an excessive Benefit on behalf of the Eligible Household.
3. Vendor shall return to MaineHousing all unused Benefits in its possession or custody, whether directly or indirectly, within fifteen (15) calendar days of the termination of the Vendor Agreement.
  4. With respect to each return of Benefits, the Vendor agrees to provide in writing: the name and address of the Vendor; the name and address of the Eligible Household; the Eligible Household's account number; the Benefit amount being returned; and a concise explanation for the return of funds. In addition Vendor must include a detailed account history showing delivery activity and payment activity from twelve (12) months prior to the date the Benefit was received by Vendor to the current date. Vendor must also provide any other information required by MaineHousing related thereto.
  5. Vendors may refund credit balances to Eligible Households only to the extent that such credit balances can be documented and demonstrated to be the Eligible Household's funds and not Fuel Assistance funds.

~~H.G.~~ As part of the Annual Consumption Report process, Vendors must review Eligible Household accounts and identify any remaining Benefits that were issued in or prior to the preceding Program Year. All such unused Benefits must be returned to MaineHousing no later than June 30.

~~H.H.~~ Use of Benefits.

1. Program benefits may not be sold, released or otherwise conveyed, with or without consideration, by the Eligible Household or the Vendor without written authorization from MaineHousing. MaineHousing will only authorize such conveyances when circumstances arise that prevent the Eligible Household from using the benefit and

MaineHousing determines such conveyance is in the best interest of the Eligible Household and is consistent with the intent of the HEAP Act.

2. Benefits cannot be used to pay Incidental Costs.
3. Unless otherwise authorized by MaineHousing, the Vendor may only deliver the product stated on the Vendor Voucher Report ~~for Fuel Assistance~~, the Credit Notification-Report ~~for TANF Supplemental Benefits~~, or the and purchase order for wood or ECIP.
4. Vendor may deliver the entire Benefit if the Household has placed an order (for partial Benefit) or if the Household is on automatic delivery unless:
  - a. The Household advises the Vendor all Applicants are moving;
  - b. The Household advises the Vendor that Household's Heating System has mechanical difficulties;
  - c. The Household's Home Energy storage tanks are either being replaced or do not meet code.

~~J.I.~~ If Vendor has delivered Home Energy to an Eligible Household on or after October 1st of the current Program Year and the Eligible Household or a private individual (such as a relative or a friend) has paid Vendor for the delivery or there is an outstanding balance for the delivery, Vendor may apply HEAP Benefit funds received for the account of the Eligible Household to that Home Energy delivery. After an amount of HEAP Benefit funds equal to the cost of the Home Energy delivery has been applied, the amount previously paid by the Eligible Household or the private individual must be credited to the Eligible Household's account with Vendor. The funds credited to the Eligible Household's account become the Eligible Household's funds and are not HEAP Benefits. The use of these funds/credit balances is subject to the terms and conditions in place between the Vendor and its customer.

Any deliveries paid by an organization, including but not limited to Citizen's Energy, Keep ME Warm, churches, general assistance programs, and municipalities are not subject to this clause and cannot be covered with HEAP Benefits.

~~K.I.~~ In the case of electricity and natural gas Vendors, the Vendor may apply HEAP Benefit funds received for the account of the Eligible Household to past due charges for Home Energy deliveries to the Eligible Household, with the oldest charges being paid first. HEAP Benefits cannot be applied to Incidental Costs.

~~L.K.~~ Vendor Watch List. In the event MaineHousing determines, in its sole judgment based on Vendor's actions or omissions or other information obtained by MaineHousing directly or from any third party, that such actions, omissions or other information raise issues concerning Vendor's continued ability to make Home Energy deliveries or otherwise comply with the terms of the Vendor Agreement, or that Vendor's performance is out of compliance with the requirements of the Vendor Agreement, MaineHousing may place, in its sole discretion, Vendor on a Watch List.

~~M.L.~~ Prohibited Discrimination. The Vendor is prohibited from discriminating against any Eligible Household regarding the extension of credit to purchase Home Energy or other services, the price of Home Energy or other services, or the terms or conditions of the delivery of Home Energy or other services solely on the basis of its being an Eligible Household.

## 15. Errors and Program Abuse.

A. Reports of Errors and Program Abuse:

1. Subgrantees must report in writing to MaineHousing suspected Errors and Program Abuse related to Programs.
2. Any individual may report to MaineHousing suspected Errors and Program Abuse related to Programs:
  - a. By telephone at 1-800-452-4668 or (207) 626-4600
  - b. In writing to MaineHousing, ATTN: LIHEAP Errors and Program Abuse, 353 Water Street, Augusta, Maine 04333
  - c. By e-mail to [LIHEAPcompliance@mainehousing.org](mailto:LIHEAPcompliance@mainehousing.org);
  - d. Or via MaineHousing's website at <http://mainehousing.org/contact/info-request-form>

The report must include the name of the person being reported, their county of residence, and details of the suspected Errors and Program Abuse.

- B. MaineHousing will investigate all reported Errors and Program Abuse. If there is documented information to indicate Errors and Program Abuse, MaineHousing may notify the Applicant and provide them an opportunity to respond. Based on the response, MaineHousing will determine what, if any, appropriate action should be taken.
- C. Once Errors and Program Abuse is confirmed or if an Applicant fails to respond to inquiries regarding suspected Errors and Program Abuse, an Overpayment will be calculated and communicated to the Applicant. In addition to the Overpayment, the communication will include: 1) the facts surrounding the decision, 2) the reason for the decision, and 3) the manner by which the Applicant can request an appeal. MaineHousing will investigate the previous three (3) Program Years from the Date of Discovery. The Overpayment may include any or all of those three (3) years.
- D. When calculating an Overpayment MaineHousing will use the HEAP Handbook in effect for the applicable years the Overpayment occurred.
- E. An Applicant may request a fair hearing to dispute an Overpayment. The Applicant must submit to MaineHousing a written request for a fair hearing no later than thirty (30) calendar days from the postmark date of the first notification from MaineHousing of suspected Errors and Program Abuse. All requests for fair hearing shall follow the Rule as set forth in Section 15.
- F. MaineHousing will pursue recouping of Overpayments by any and all of the following:
  1. Applicant may pay MaineHousing the full amount an Overpayment.
  2. Applicant may enter into a payment arrangement. Minimum monthly payment allowed will be set at \$20.00 a month.
  3. Despite the existence of a repayment agreement, MaineHousing will recoup any current and future Benefits to offset against an Overpayment balance.
  4. MaineHousing will recoup Benefits on account with the Applicant's Vendor to

offset against an Overpayment balance.

G. When Applicant fails to repay Overpayment, the case may be referred to other parties for additional action.

H. MaineHousing may close an Overpayment for any of the following reasons:

1. Overpayment has been paid in full.
2. The overpayment is determined to be invalid based on a fair hearing decision or a court decision.
3. All adult persons(s) responsible for Overpayment are deceased.

## 16. Appeal.

A. The benefit notification shall:

1. State the Benefit amount;
2. State the date the Benefit was sent to the Vendor;
3. State the approved Home Energy type;
4. State the manner by which the Applicant can request an informal review, if applicable;
5. State the manner by which the Applicant can request an appeal, if applicable.

B. The denial notification shall:

1. State the facts surrounding the decision;
2. State the reason(s) for the decision;
3. State the manner by which the Applicant can request an appeal, if applicable.

C. The Applicant must submit a written appeal request for an informal review no later than:

1. Thirty (30) calendar days from the postmarked date of the denial notification;
2. Thirty (30) calendar days from the postmarked date of the benefit notification;
3. Ninety (90) calendar days from the Date of Application, if the Application has not been approved or denied; or
4. Ninety (90) calendar days from the postmarked date of the request for refund of an Overpayment.

D. Written requests for appeal may be mailed to MaineHousing, 353 Water Street, Augusta, Maine 04330; or emailed to [LIHEAPcompliance@mainehousing.org](mailto:LIHEAPcompliance@mainehousing.org).

E. Informal Review. Informal reviews are intended to provide a minimum hearing requirement and need not be as elaborate as the fair hearing. An Applicant may request, in writing, an informal review for any dispute other than a dispute regarding TANF Supplemental Benefits

The informal review will be conducted by a person other than the one who made or approved the decision under review or a subordinate of this person. MaineHousing will review the file, conduct necessary research, and give the Applicant an opportunity to present written or oral objections to the decision under review. In rendering a decision MaineHousing will evaluate the accuracy of the calculations, the level of documentation provided by the Applicant, and the accuracy of the decision. MaineHousing will communicate the results of the research/review to the Applicant.

F. Fair Hearing.

Pursuant to the HEAP Act, [42 USC §8624\(b\)\(13\)](#), MaineHousing will provide an Applicant an opportunity for a fair administrative hearing if the Applicant's claim for assistance has been denied or not acted upon with reasonable promptness. MaineHousing will also provide an Applicant an opportunity for a fair administrative hearing if the Applicant is required to refund an Overpayment.

1. Fair hearings shall be conducted in accordance with the Maine Administrative Procedures Act, Title 5, Chapter 375 by the Director of MaineHousing (or his/her designee) or such other contractor selected by MaineHousing. The parties may receive a transcript of the hearing upon payment of the reasonable cost for the production thereof.
2. Within thirty (30) calendar days of the hearing's conclusion the hearing officer will prepare a recommended hearing decision. Copies of the recommended decision will be provided to the appellant.
3. A final decision and order will be made by the Director of MaineHousing in writing within sixty (60) calendar days of receipt of the hearing officer's recommendation. In the event the Director of MaineHousing presides over a hearing, she/he shall render his/her decision and order within sixty (60) calendar days of the hearing's conclusion or sixty (60) calendar days of the recommended decision. The Director's decision and order shall include findings of fact sufficient to apprise the parties of its basis. A copy of the decision and order will be provided promptly to each party to the proceeding or his representative of record. Written notice of the party's right to appeal the decision and other relevant information will be provided to the parties at the time of the decision and order. The decision and order will be implemented by the Subgrantee no later than ten (10) calendar days after receipt if it is in the Appellant's favor and otherwise forty-five (45) calendar days unless stayed on appeal.

G. TANF Supplemental Benefits are not subject to appeal.

17. Additional Provisions.

- A. Other Laws. If this Rule conflicts with any provision of applicable federal or State law, including without limitation the Act and the HEAP Act, such federal or State law shall control.
- B. Additional Requirements. This Rule does not preclude such additional or alternative requirements as may be necessary to comply with the Act and the HEAP Act.
- C. Pool of Eligible Households. This Rule establishes a pool of eligible applicants but does not preclude additional reasonable criteria and does not confer any automatic right or entitlement on any person or entity eligible hereunder.

- D. Availability of Funds. Assistance provided pursuant to this Rule is conditioned on the availability of HEAP funds.
- E. Waivers. Upon determination for good cause, the Director of MaineHousing, or the Director's designee, may, subject to statutory limitations, waive any provision of this Rule. Each waiver shall be in writing and shall be supported by documentation of the pertinent facts and grounds for the waiver.
- F. Final Action. The Director of MaineHousing, individually or by exercise of the delegation powers contained in the Act, shall make all decisions and take all action necessary to implement this Rule. Such action of the Director shall constitute final agency action.

BASIS STATEMENT: This replacement rule repeals and replaces in its entirety the current Home Energy Assistance Program Rule. The Rule establishes standards for administering fuel assistance, emergency fuel assistance, TANF Supplemental Benefits, weatherization, and heating system repair and replacement funds to low-income households in the State of Maine. The replacement rule: (i) removes the "Discount Off Retail" \$0.07 reduction a Vendor's Retail Cash Price for all Home Energy deliveries for the fuel type listed on the Vendor Voucher Report or the Credit Notification; (ii) amends the definition of "priority applicant" to include children 72 months (6 years) or younger; (iii) amends language throughout the Rule to accommodate pre-delivery payment and post-delivery payment for fuel; and (iv) allows Vendors to return remaining balances for Clients with balances less than \$25 at the time of the Annual Consumption Reporting rather than throughout the year.



## Energy & Housing Services Department Memorandum

**To:** Maine Community Action Agency Association, Maine Equal Justice Partners, Public Advocate's Office, Maine Energy Marketers Association, HEAP Heating Vendors and Other HEAP Working Group Participants

**From:** Daniel Drost, Director of Energy and Housing Services

**Date:** April 4, 2019

**Subject:** Response to HEAP Working Group Comments and Recommendations for HEAP Program Year 2020

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The Home Energy Assistance Program (HEAP) Working Group was convened on February 19, 2019 in Augusta and via conference call to discuss recommended changes or updates to the HEAP Rule and 2020 HEAP State Plan. In total, the participation in the event numbered approximately 50 stakeholders and interested parties. The participants included MaineHousing HEAP staff, representatives from the Community Action Agencies fuel oil vendors, wood vendors, members of the MaineHousing Board of Commissioners, Maine Energy Marketers Association, Efficiency Maine Trust, the Public Advocates Office, and Maine Equal Justice Partners. MaineHousing greatly appreciates the participation and assistance provided by the participants and has seriously and thoughtfully considered each of the comments and recommendations made.

The discussion and sharing of ideas was robust, engaging and resulted in a number of comments, recommendations and concerns. The Community Action Agencies shared their ideas in advance of the Working Group meeting in writing, but were given an additional opportunity to discuss them in the open forum. Oil vendors and wood vendors provided feedback about possible payment changes (post-delivery), the heating season and reporting requirements. Maine Equal Justice Partners also provided written comments following the meeting that are taken into consideration. All of the feedback was documented and has been compiled and sorted by topic. Below are condensed and redacted comments resulting from the meeting and written submissions.

For each set of comments below, MaineHousing has provided a response. These responses will be shared with the MaineHousing Board of Commissioners and, where appropriate, will be incorporated into EHS' recommendations for changes to the HEAP Rule and HEAP State Plan. . Others comment and recommendations are specific to standard operating procedures that may warrant changes to the HEAP standard operating procedures (e.g. HEAP Handbook and HEAP Vendor Handbook).

Interested parties and stakeholders are still welcome and encouraged to provide additional written and oral testimony during the Public Hearing process and during the comment period. On April 16, 2019, MaineHousing will review preliminary recommended changes with the Board of Commissioners. MaineHousing will also be seeking approval by the Board to commence the rule making process. The Public Hearing for the HEAP Rule and State Plan will be held on May 21, 2019 during the regularly scheduled meeting of the Board of Commissioners. The Comment Period for the HEAP Rule and State Plan will end on June 4, 2019. EHS will prepare responses to all comments and recommendations and submit the final drafts of the HEAP Rule and HEAP State Plan on June 18, 2019 to the Board of Commissions, at which time EHS will seek final approval for both documents.

Once the HEAP Rule and State Plan are adopted, MaineHousing will finalize edits to the HEAP Handbook and HEAP Vendor Handbook and schedule training sessions for late summer 2019 for Community Action Agencies and in early autumn 2019 for fuel vendors. In addition, with the anticipated implementation of new software on or before August 1, 2019, training sessions will be scheduled to specifically address the use of the new software application. Questions regarding any of the aforementioned meetings and training opportunities may be forwarded to Daniel Drost, Director of Energy and Housing Services at [ddrost@mainehousing.org](mailto:ddrost@mainehousing.org) or to Troy Fullmer, Manager of HEAP and Weatherization Services at [tfullmer@mainehousing.org](mailto:tfullmer@mainehousing.org).

**Maine Community Action Agency Association (MCAA) Recommendation:**

Maine's current HEAP income eligibility limit is the *lesser* of 150% of the federal poverty level (FPL) or 60% state median income (SMI), with households at risk of hypothermia climbing to the lesser of 170% FPL or 60% AMI. Federal rules allow the state to adopt income limits at the *lesser* or the *greater* of 150% Federal Poverty Level (FPL) and 60% State Median Income (SMI). MCAA strongly recommends that Maine use the **greater** of those two measures for all households. This will expand the number of eligible households and allow Maine to more broadly distribute LIHEAP funds. This is especially important given the decline in applications in recent years.

MCAA made this request last year and understand that the limits of MERAC made it difficult to implement. MCAA would like to see this change made as the new HEAP program is brought online.

**MaineHousing Response:**

The implementation of the HEAP Cloud software will accommodate this requested modification to the program. Analysis shows that this change could potentially increase the number of eligible HEAP households.

MaineHousing recommends that the income eligibility limit be changed to the *greater* of 150% of the federal poverty level (FPL) or 60% state median income (SMI) commencing with PY2020.

**Maine Community Action Agency Association Recommendation:**

Currently, HEAP rules allow space and other allocated costs to be considered allowable costs for weatherization work done using HEAP funds. However, allocated costs have not been considered by Maine Housing as allowable costs for energy (fuel assistance) services. MCCA would request that space and other allocated costs be considered allowable costs for all HEAP work. *(Please see the following references: LIHEAP IM 200012 Costs for Planning and Administration Updated Information Special Topics Published: March 15, 2000; LIHEAP Clearinghouse Issue Brief - LIHEAP Administrative Cost Savings Published: June 2014)*

**MaineHousing Response:**

Although the Federal guidance for HEAP allows for additional support costs for the program to be allocated from HEAP program dollars, MaineHousing recommends only direct staffing costs from program dollars at this time. These costs include salary and fringe benefit expenditures related to application intake, processing and certification. CAAs are provided an opportunity to submit budgets and work plans that support these staffing costs that are paid from program allocations. All other costs to administer the program may be taken from administration fees allocated to each CAA.

**Maine Community Action Agency Association Recommendation:**

**SSI Income Only Households** - MCAA considered using categorical eligibility for HEAP, where eligibility for programs such as TANF, SNAP or SSI would make one automatically eligible for HEAP. After some discussion, MCAA realizes that this would make it impossible to apply parts of the program, such as providing assistance based on a household's energy burden.

MCAA does believe there is one class of households where this makes sense. That is SSI income only households. In other words, those residents, primarily seniors, whose only income is SSI. The first year they apply they should have to go through the full process. However, the second year and thereafter, the CAA could simplify the process such that all they have to do is state SSI remains their only household income. CAAs can easily determine SSI from one year to the next because SSI increases are publicly available.

This change would make it easier for us to get senior households to reapply while reducing the workload for both CAPs and MSHA.

**MaineHousing Response:**

MaineHousing concurs that categorical eligibility would expedite the HEAP application process and reduce the burden of supplying certain documentation by applicants. As stated in the MCAA recommendation, the challenge to using categorical eligibility goes beyond determining eligibility for the program and determining the exact income of the household which is used in the benefit calculation.

MaineHousing engaged the services of a LEAN consultant to conduct a review of the HEAP application process to look for efficiencies. This process involved MaineHousing staff and CAA representation. As a result of this activity, MaineHousing is looking for ways

to reduce the documentation requirements for SS/SSI/SSDI applicants. The MCAA recommendations are being considered and if possible, will be incorporated into application process for PY2020. In a majority of instances, SS income does not change from year to year. However, a method of ensuring that when changes do occur to the benefits, or if circumstances around the household composition and household income beyond the SS benefit occur, these changes are documented and a correct HEAP benefit is calculated. These potential changes will not impact either the HEAP Rule or HEAP State Plan, but would be defined in the HEAP Handbook. Further discussion with MCAA is warranted and a decision will be made prior to the beginning of the PY2020 application process.

**Maine Community Action Agency Association Recommendation:**

**Minimum Income Worksheet** - MCAA members do not believe the Minimum Income Worksheet serves a practical purpose and knows it angers and frustrates many applicants. Applicants resent the form since they feel it as an implication they are lying about their income levels. Every agency has stories about very frustrated responses to the worksheet. We do not believe the worksheet is serving its stated purpose of identifying fraud. It is discouraging households from applying and should be eliminated.

**MaineHousing Response:**

As stated above, as part of the LEAN consultants' work MaineHousing and MCAA reviewed the HEAP application process to find efficiencies. The Minimum Income Worksheet was discussed and changes are being considered by MaineHousing. These potential changes will not impact either the HEAP Rule or HEAP State Plan, but would be defined in the HEAP Handbook. Further discussion with MCAA is warranted and a decision will be made prior to the initiation of the PY2020 application process.

**Maine Community Action Agency Association Recommendation:**

**Questionnaire & Valid ID Requirement** - Currently, the HEAP process requires that a paper questionnaire be filled out for each application, even though it is largely duplicative of information entered into MERAC. The questionnaire is redundant and should be dropped. In addition, one question on the questionnaire asks if the applicant has a valid ID. If they answer yes, they must produce the ID before the application can proceed. If they say no, the application proceeds without the ID. This creates significant unnecessary delays. If the ID isn't going to be mandatory, why not ask for it, if available, but allow the application to proceed without it. These two changes would quicken and streamline the application process.

**MaineHousing Response:**

As stated above, as part of the LEAN consultants work MaineHousing and MCAA reviewed the HEAP application process to find efficiencies. It is agreed that the current identification requirements are inconsistent and changes are being considered. With the implementation of new HEAP Cloud software, the need for a HEAP questionnaire in its current form is being reviewed and more efficient methods of confirming information from the applicant household are being considered. These potential changes will not impact either the HEAP Rule or HEAP State Plan, but would be defined in the HEAP Handbook. Further

discussion with MCAA is warranted and a decision will be made prior to the initiation of the PY2020 application process.

**Maine Community Action Agency Association Recommendation:**

**Social Security Cardm** - Requiring a Social Security card be produced is a cause of significant delay in many applications. For most other purposes, one need only recite their social security number. That's the case with SNAP and TANF applications. The social security number is going to be used for income verification, so if an applicant lies about it, it will be caught at that point in the process. CAP agencies recommend producing an actual social security card not be required.

We are not sure what purpose is served by requiring the actual card for a HEAP applicant who has applied before and has produced a card in the past. If the card requirement can't be eliminated entirely, it should be eliminated for repeat applicants.

**MaineHousing Response:**

As a point of clarification, current program provisions do not require a Social Security card, but some form of documentation of the SSNs (a list is provided in the HEAP Handbook) for the applicant household members. There may be ways in which SSNs can be verified other than through documentation from the applicant. MaineHousing is exploring how this may be done efficiently with the ultimate result being the same: confirmation of SSNs for all household members. Through the new HEAP Cloud software solution, along with using existing validation methods available through information sharing agreements, this requirement may be able to be modified to accommodate the MCAA concerns.

These potential changes will not impact either the HEAP Rule or HEAP State Plan, but would be defined in the HEAP Handbook. Further discussion with MCAA is warranted and a decision will be made prior to the initiation of the PY2020 application process.

**Maine Community Action Agency Association Recommendation:**

**Definition of Children** - The HEAP plan prioritizes households with extremely young children, currently 24 months or younger. MCAA recommends that the standard be changed to children under 72 months (6 years). This standard has been or is expected to be recommended at the federal level.

**Priorities for Service Delivery:** We recommend that the priorities for weatherization should be amended to include children up to 6, as stated above, and to add individuals with disabilities. Those with disabilities are an allowable priority under federal standards.

**MaineHousing Response:**

MaineHousing will recommend both changes to the HEAP Rule and HEAP State Plan. These changes have already been incorporated into the DOE/HEAP Weatherization Rule (Chapter 25).

**Maine Community Action Agency Association Recommendation:**

**Clean, Tune & Evaluation (CTE)** - Currently, CAP agencies must perform a CTE on a household furnace before the home can be weatherized. The purpose of CTEs is to make sure that a furnace is functioning properly and not generating carbon monoxide (CO) and placing the home's inhabitants at risk.

The danger of ambient CO is currently addressed by Energy Auditors testing and monitoring for CO in the home. By establishing best practices and safety standards that include regular checks for CO, the CAAs can safely perform weatherization installations without requiring CTEs for every household heating system.

**MaineHousing Response:**

MaineHousing and MCAA Building and Technical Committee (BTC) have been in dialogue in recent months regarding this matter. MaineHousing will be releasing guidance in the near future which will allow weatherization measures to be pursued in most instances without the requirement of a CTE being conducted within the prior 12 months. This will require modifications to both the HEAP Rule, HEAP State Plan and the HEAP/DOE Weatherization Rules and State Plans.

Although the requirement for CTEs to be conducted prior to weatherization measures may be changed, MaineHousing firmly believes that CTEs are extremely important and should be encouraged for all HEAP households. CTEs not only assess the safety of a heating system, but through regular maintenance and repairs, heating systems are more efficient and in turn reduce the consumption of fuel and increase heating system performance. CTEs also identify heating systems that may have reached the end of their useful lives and new systems could be installed using Central Heating Improvement Program (CHIP) funding. MaineHousing will be working with the CAAs in PY2020 to increase awareness of the need for regular CTEs and help clients coordinate these services.

**Maine Community Action Agency Association Recommendation:**

**Program Application Period** - Add – A Subgrantee will continue taking Applications from July 1 through June 30 each year.

CAA's would like to move to a year round HEAP program. Take applications July 1 through June 30 each year. Allowing applications to be taken year round would provide a number of benefits to HEAP clients and CAAs.

1. For clients, there are two major benefits:
  - a. Spreading out the time applications are taken will give clients increased flexibility regarding when to apply and shorter wait times for an appointment.
  - b. Increase access to benefits tied to HEAP eligibility including SNAP under the heat and eat program, the Low Income Assistance Program (LIAP), and the Arrearage Management Program (AMP).

2. Easier staffing for CAAs. We will still have to add additional staff during the winter, but a year round application process will more evenly spread out the workload. This will provide several benefits to our agencies:
  - a. Greater ability to hire, train, and retain quality HEAP intake workers, and fewer temporary personnel will lower costs in other areas, including training, unemployment, and administration.

**MaineHousing Response:**

The application year for HEAP was recently extended through July 15 of each year to increase opportunities for clients to complete applications, particularly those with subsidized rent with heat included (\$21 benefit) in order to be eligible for additional SNAP benefits. PY2020 will officially commence on October 1, 2019 and applications for that year will begin to be taken in early September, 2019.

Each year, EHS reviews the HEAP Rule, HEAP State Plan and HEAP standard operating procedures for the coming program year. Time is needed to conclude one year and prepare for the next. Preparations include reviewing the application process, editing related forms as needed, updating policies and procedures based on stakeholder input and modifications to the HEAP Rule and HEAP State Plan, and establishing the dollar-per-point values for the next program year. Additional time is required to develop and conduct training for any changes to the program and in the case of PY2020, changes to the many software applications.

CAAs are free to retain staff year-round for HEAP and may ask for financial support through budgeting of program dollars and work plans. During the short period when applications are not being actively taken, CAA staff could be scheduling appointments for the coming year and conducting other HEAP related activities that will benefit the program and the delivery of HEAP services. MaineHousing recommends that the HEAP program year and the period for accepting applications will remain the same for PY2020.

**Maine Community Action Agency Association Recommendation:**

**Dwelling Unit Eligibility** - It is recommended to add to the definition Manufactured Sheds/Habitable Space with a functioning Heating System and permanently connected to or serviced by the required utilities is considered a Dwelling Unit.

Example: Town of Etna adopted in the 2006 Residential Building Code and uses this code to insure proper building requirements are adhered to. The definition for a habitable space in our Ordinance states that a building or structure that has a space in a building for living, eating, sleeping, or cooking. So in regards to a 12 x 40 Lofted Barn sold as a storage building is a recognized habitable space under our Ordinance and the definition set forth therein.

**MaineHousing Response:**

The current definition of “dwelling unit” does not preclude manufactured sheds or habitable spaces provided the dwelling unit meets the key provisions of the existing definition. The current definition found in the HEAP Rule is deemed adequate and MaineHousing does not recommend any changes at this time.

**Maine Community Action Agency Association Recommendation:**

CAAs take their obligation to operate efficient and effective programs very seriously. CAAs understand the need for MSHA monitoring visits and are committed to fixing any problems. In the past, monitoring visits were done in October and November and reports provided in December. That provided agencies with an opportunity to correct problems. In recent years, monitoring reports have not been provided in some cases until May or later, when the program year is nearly over.

**MaineHousing Response:**

MaineHousing has carefully reviewed its monitoring protocols and schedules, and agrees that meaningful outcomes should be reported to the CAAs in a timely manner. The proposed schedule for PY2019 and PY2020 should address this concern. With recent changes to the MaineHousing’s monitoring protocols, reporting and close-out meetings are conducted within two weeks of the conclusion of the monitoring visit. MaineHousing does not recommend changes to the HEAP Rule or HEAP State Plan at this time.

**Maine Equal Justice Partners (MEJP) Recommendation:**

MEJP strongly encourage you to immediately evaluate the feasibility and benefit of connecting to Maine’s Health and Human Services (DHHS) Automatic Client Eligibility System (ACES). MEJP envisions that with MaineHousing’s new technology it would be possible to create an information sharing system with DHHS whereby a person could apply for HEAP on ACES, their application could be partially prepopulated with previously verified data, and then sent to either MaineHousing or the CAP agencies to complete the process.

A similar recommendation was proposed by a MaineHousing Working Groups staffed by Lynn Kinney in 2009. Around that same time, MEJP surveyed a sample of its clients at Maine Equal Justice and found that approximately 90% of those receiving HEAP also qualified for MaineCare, SNAP or TANF. MEJP recalls that MaineHousing did a similar analysis at the same time producing a similar result. Currently DHHS serves 167,600 individuals in the SNAP, 256,500 individuals through MaineCare and nearly 4,000 families in TANF. ACES holds verified information for all these individuals including family composition, income, rent and housing costs including whether heat is included in their rent, and multiple other data that would be helpful, even if not determinative, in establishing HEAP eligibility. Here is a link to the combined SNAP, MaineCare and TANF application so that you can review the data collected and verified by DHHS for these programs: <https://www.maine.gov/dhhs/ofi/public-assistance/pdf/GeneralApp-080117.pdf>

This approach would allow the overwhelming majority of HEAP participants to easily use a system that they are already familiar with and frequently use to apply for assistance. With ACES, DHHS offers the opportunity for on-line application for those that want to use it and continue to provide paper applications and application assistance over the phone. Of course, MEJP also recommends that the opportunity remain for those that want to continue to apply in person at a CAP agency.

Finally, in the past issues of confidentiality have been raised regarding this approach. MEJP is deeply committed to protecting client confidentiality in all forums. This issue, however, can be addressed by allowing applicants to affirmatively permit their data in ACES to be provided to MaineHousing only as necessary to determine their eligibility for HEAP by actions as simple as checking a box providing that authorization.

**MaineHousing Response:**

MaineHousing concurs with MEJP's desire to make the application process for HEAP to be as easy for clients as possible. With the advent of the new HEAP Cloud software it is hoped that the process will become more "user friendly" and accessible to as many potential clients as possible. MaineHousing is exploring an online application process. In addition, the CAAs have begun using the Empower software application to facilitate a single-entry portal for clients who seek other types of services provided by the CAAs.

MaineHousing will engage with MEJP and DHHS in the coming year to discuss the feasibility of incorporating the ACES system into the application process. Considerations such as confidentiality, data gathering and sharing requirements, documentation and other areas of possible collaboration will be discussed. In the past, data sharing with other governmental agencies has been problematic due to concerns raised by the Social Security Administration (SSA) and the types of data and eligibility requirements for the various programs. MaineHousing is working closely with SSA to ensure compliance with their regulations.

MaineHousing does not recommend any changes to the HEAP Rule or HEAP State Plan regarding this issue at this time.

**Maine Equal Justice Partners Recommendation:**

MEJP agrees that categorical eligibility offers an important piece of the solution to the problem of under-enrollment in HEAP. MEJP has long supported this strategy, used in a flexible manner, to simplify eligibility and increase enrollment. As MaineHousing considers this option, MEJP makes the following recommendations:

- a) While MEJP also recommend using SSI to establish categorical eligibility we note that, contrary to the CAP recommendations, those receiving SSI in Maine are overwhelmingly in the disability category, with only 5% in the aged category. We see that the CAP recommendations regarding Categorical Eligibility at (1) indicates that this method should be utilized to determine the income eligibility of a household receiving SS or SSI. Our reading of the federal law at 42 USC §8624 is that it does not permit the use of Categorical Eligibility for non-SSI Social Security

recipients. Does this recommendation mean that an SSI household that includes another member receiving Social Security would be considered categorical eligibility? If this is the case, MEJP supports that proposal, and believe it would likely increase the number of older persons gaining income-based categorical eligibility for HEAP.

- b) Given Maine's weak performance in covering families with young children as noted above, MEJP also urges MaineHousing to include TANF cash assistance families as categorically eligible. While we understand that MaineHousing uses 200% FPL as the TANF eligibility standard (as required by Maine law), that is not the eligibility level for families receiving TANF cash assistance. Eligibility for TANF cash assistance families is well below 100% of the poverty line. Determining eligibility for this group using categorical eligibility would increase the percentage of households with young children reached by HEAP. It would be particularly helpful if MaineHousing arranged with DHHS to actively promote HEAP to TANF cash assistance families.
- c) MEJP also encourages MaineHousing to use categorical eligibility for households in which *all* members are receiving SNAP, called Food Supplement benefits in Maine. We understand that income is counted differently in SNAP than in HEAP, and thus using this approach would mean that a family could qualify for HEAP with income somewhat in excess of 150% FPL. However, income eligibility is such in SNAP that households would not qualify at 60 % SMI as is proposed. Moreover, should Categorical Eligibility be used only for purposes of income eligibility, it is likely that any perceived inequity in this approach could be addressed in the determination of the benefit amount.
- d) It is essential that this strategy be used in combination with MEJP's recommendation above related to ACES for two reasons. First, those who do not receive one of these other benefits either through choice or the operation of certain other eligibility factors, would still greatly benefit from the efficiency of streamlining eligibility determinations through ACES. Second, should MaineHousing bifurcate the eligibility determination as proposed using categorical eligibility only for income purposes, ACES will still have great value in making these determinations. For example, proof of residence can be established through ACES.

MEJP object to the proposal that Categorical Eligibility begin in year two, as the efficiencies gained would be immediately beneficial to applicants and program administrators.

**MaineHousing Response:**

As noted earlier, MaineHousing appreciates MEJP's recommendations to bring more efficiency and accessibility to the HEAP application process. MaineHousing will engage with MEJP, the CAAs and other agencies in discussions regarding ways categorical eligibility in some form may be implemented.

MaineHousing does not recommend any changes to the HEAP Rule or HEAP State Plan regarding categorical eligibility at this time.

**Maine Equal Justice Partners Recommendation:**

MEJP strongly supports the recommendation that HEAP applications and eligibility determinations be made year-round. This would be beneficial for several reasons. First it would give greater flexibility to applicants to receive assistance based on their own individual needs, also permitting them to take advantage of lower off-season pricing gaining greater value from their HEAP benefits. Secondly it would largely resolve the heat and eat problem by giving applicants the opportunity to coordinate their SNAP recertification (or application) with their HEAP eligibility determination ensuring that they do not lose needed food assistance. Finally, it would help to speed up the application process so the length of time waiting for appointments will be reduced addressing one of the chronic frustrations experienced by HEAP applicants.

**MaineHousing Response:**

As noted above, the application year for HEAP was recently extended through July 15 of each year to increase opportunities for clients to complete applications, particularly those with subsidized rent with heat included (\$21 benefit) in order to be eligible for additional SNAP benefits. PY2020 will officially commence on October 1, 2019 and applications for that year will begin to be taken in early September, 2019.

Each year, EHS reviews the HEAP Rule, HEAP State Plan and HEAP standard operating procedures for the coming program year. Time is needed to conclude one year and prepare for the next. Preparations include reviewing the application process, editing related forms as needed, updating policies and procedures based on stakeholder input and modifications to the HEAP Rule and HEAP State Plan, and establishing the dollar-per-point values for the next program year. Additional time is required to develop and conduct training for any changes to the program and in the case of PY2020, changes to the many software applications.

MaineHousing recommends that the HEAP program year and the period for accepting applications will remain the same for PY2020.

**Maine Equal Justice Partners Recommendation:**

With regard to the recommendation to increase eligibility to 60% SMI for all applicants, MEJP regretfully opposes this at this time. While MEJP does understand the difficulties that individuals in this income group face making ends meet, and of course would like to see them be able to access assistance, MEJP does not think it prudent to do so as long as only 23% of those with lower incomes are being served. The exception to this is our proposal above to use categorical eligibility for households in which all members receive SNAP, which would have the effect in some cases of providing HEAP to some in excess of current income eligibility standards.

Instead, MEJP urges MaineHousing to first adopt the measures described above including streamlining eligibility through ACES and categorical eligibility as strategies to boost enrollment among those already eligible but not enrolled. By our very rough estimate, and assuming that persons between 150% and 200% FPL would participate at the same rate as those below 150% FPL, we believe that the cost of increasing the eligibility level to 60% SMI would cost approximately

\$10M. Even considering carry-over funds, and those diverted to weatherization, additional expenditure in this amount would leave little or no room to make a significant improvement in enrollment of those below the current 150%/170%. If increasing income eligibility in combination with other enrollment enhancement strategies results in a level of additional enrollment that causes a drop in the benefit amount, that would be particularly harmful to lower income participants and not a result we would like to see. We recommend making an aggressive effort to enroll those already eligible using the strategies described above in the upcoming program year and then reevaluate the decision to increase the eligibility level in the following year.

**MaineHousing Response:**

MaineHousing agrees that additional efforts are needed to engage with and support households that may be currently HEAP eligible in accessing a streamlined enrollment process to receive HEAP benefits. These efforts include what is mentioned in the responses above regarding discussing the feasibility of incorporating the ACES system into the application process and discussing ways categorical eligibility in some form may be implemented. In addition to these efforts to support enrolling households that may be eligible within current income guidelines, MaineHousing recommends that the income eligibility limit be changed to the greater of 150% FPL or 60% SMI commencing in PY2020. It is envisioned that by increasing the income eligibility criteria in tandem with looking at ways to streamline the application process will support a wider pool of HEAP eligible households.

**Maine Equal Justice Partners Recommendation:**

MEJP has some concerns with regards to whether and how the AMP program is uniformly promoted to HEAP applicants. MEJP has heard from several clients who receive HEAP that they were not told about the program when they went in for the application interview, even though they have high overdue electric bills. This is a program that can really help families in need, but it's not very well known. It is believed that more people who need it could take advantage of it if it's offered to every participant. I also heard from one client who had applied for AMP that their application was not sent in for a couple of months after they were approved for HEAP. They had to call their local CAP agency and leave messages multiple times before the application was submitted. It would be worthwhile for the CAP agencies to reexamine the procedures both around offering the program to participants and ensuring that applications are submitted in a timely manner.

**MaineHousing Response:**

MaineHousing believes that the Arrearage Management Program (AMP) is a very important program for CMP clients with high electricity consumption or that have challenges in meeting the costs of their energy needs. CAAs have been asked to share information about this program during the application intake process.

MaineHousing does provide a list of HEAP applicants who have an electricity account to CMP and they have the other information available to determine if the application is eligible for AMP. The utility company can easily identify and reach out to these clients.

Eligibility for AMP includes:

- Being or having applied to be a Maine residential electricity customer;
- Being eligible for HEAP within the State of Maine;
- Having a past-due balance of \$500 or more in at least 90 days past due; and
- Having not previously participated in, withdrawn from, or failed to comply with the program terms of AMP.

MaineHousing recommends no changes to the HEAP Rule or HEAP State Plan at this time relating to AMP.

### **Vendor Comments, Concerns and Recommendations:**

During the small group breakout sessions during the HEAP Working Group Meeting on February 19th, a large number of comments, concerns and recommendations were raised by the vendor community present and on the telephone. Because of the number of comments and the redundancy from group to group, MaineHousing has consolidated the information shared into themed groupings and has provided responses to the general elements of the themes. Below, each comment or statement that was made is not reflected verbatim, but it is hoped the full intent of the comments have been captured.

### **Post-Delivery Payment Process:**

MaineHousing indicated that it was considering moving to a post-delivery payment model for fuel oil dealers. This change in procedure would mean that oil dealers would receive payment for fuel deliveries upon receipt by MaineHousing of evidence of delivery of correct products to eligible customers. Currently, oil dealers receive the full benefit for each client to hold on account. The following comments and concerns were raised at the meeting:

- Will MaineHousing have the capacity/staffing to process payments after delivery in a timely manner?
- The amount of additional work to prepare and submit delivery documentation/invoices will be too much of a burden for some vendors.
- Vendors have concerns about the time from delivery to invoicing and to payment. Vendors need to pay their distributors within 7-10 days and not having funds in advance will pose a financial burden on vendors.
- Not enough information was provided by MaineHousing as to how the recommended changes for post-delivery payment would be managed.
- Not enough information was provided by MaineHousing regarding a “vendor portal” supported by the new software system.
- There are existing challenges because of inconsistency between programs – e.g. regular fuel assistance on a pre-delivery payment system, TANF, ECIP, and households receiving wood products are on a post-delivery payment system.
- If MaineHousing is slow or late in making payments for eligible deliveries, will they pay a late fee to the vendor?
- What documentation will be required by MaineHousing in order to process a payment for the delivery of product? How will it be submitted? Mail, fax, scanned document via email? Will email communications have to be encrypted?

- Who will cover incorrect product deliveries after the fact, especially if the vendor is provided with incorrect or incomplete information about the client/location/product type?
- Vendors have differing software systems and capacity to accommodate a post-delivery payment system. Some software has been customized to manage HEAP using a pre-delivery payment model.

**MaineHousing Response:**

MaineHousing greatly appreciates the time and energy committed by vendors to participate in the HEAP Working Group meeting. The concerns, comments and recommendations raised at the meeting are extremely helpful to MaineHousing as it and its partners move forward with a new software system that can accommodate both a pre-delivery and post-delivery payment model.

The current software system used by MaineHousing does not easily allow for the option of a post-delivery payment model. The new software application that will be in place for PY2020 accommodates both methods. The initial intent to pursue a post-delivery payment model was based on a number of factors that were believed to pose challenges for both MaineHousing and its vendor partners. Examples of these challenges include: Small balances on account that pose problems with split billings or which have to be returned to MaineHousing; and

- The amount of staff time to reconcile accounts for benefit returns, close-outs and “account sweeps” at the end of a program year.
- Some benefits of a post-delivery payment model include:
- Easier and more timely access to clients’ benefits in instances of relocation or product change;
- Less recording keeping on the part of the vendor, especially when multiple funding sources are applied to a delivery (e.g. HEAP and TANF benefits for the same delivery);
- Upon receipt of the benefit notification for a client, the vendor could immediately bill for outstanding eligible deliveries or client paid deliveries back to October 1.
- Some vendors indicated that they would prefer a post-delivery payment model.

Based on the information shared by vendors, MaineHousing believes further consideration of the change to a post-delivery payment model is warranted. Fuel vendors of various sizes and locations should be engaged in dialogue to better understand the impact the change would create, both positive and negative. Since MaineHousing is still in the gap-analysis and testing stages for the new software, more information will be available at a later date as to the specific functionality of the system and how vendors may be able to use a vendor portal and what options are available for post-delivery billing. Furthermore, it was suggested by one participant that changing to a new software system and to a post-delivery payment system at the same time may be challenge for all parties involved.

Considering all of the factors identified above, MaineHousing will not move to a mandatory post-delivery payment model for PY2020 which commences on October 1, 2019. MaineHousing, in collaboration with the vendor community, will further explore this option

at a later date. Some vendors have offered to pilot a post-delivery payment system. More information and opportunities for dialogue will be forth coming.

**Discount Off Retail (\$0.07):**

Vendors raised concerns regarding the Discount Off Retail requirement for HEAP benefits. The following comments were shared:

- HEAP clients should be treated the same as all other clients and not receive the discounted rate;
- The discount is inconsistently applied to different elements of the same program (e.g. discount for HEAP, but no discount of ECIP or TANF benefits);
- The discount feels like “extortion”;
- Vendors provide clients a range of discounts already – active military, veterans, senior citizens.

**MaineHousing Response:**

Prior to the HEAP Rule Making and State Plan process, Department of Energy and Housing Services staff will share with MaineHousing’s Board of Commissioners the concerns, comments and recommendations made by the vendor community regarding the Discount Off Retail issue. All interested parties and stakeholders may advocate for changes to the current discount policy through written or oral testimony at the HEAP Rule and State Plan public hearing on May 21, 2019 and written comments are welcome through June 4, 2019.

**Annual Consumption Reporting (ACR):**

If MaineHousing were to implement a post-delivery payment system for oil vendors, would Annual Consumption Reporting still need to be completed by the vendors?

**MaineHousing Response:**

Annual Consumption Reporting (ACR) is necessary to gather fuel consumption data for HEAP eligible households. The information from the ACR is used in the calculation of a returning client’s HEAP benefit. For new HEAP eligible clients, a Designed Heat Load calculation is used to determine the amount of benefit. The consumption data is for all fuel used, not just the fuel paid for using HEAP funds. Regardless of the payment model, vendors would still be required to provide ACR.

With the implementation of the new HEAP software, the exact method for ACR has not been finalized. MaineHousing will make all efforts for the process to be more efficient and user-friendly for its vendor partners. More information will be provide as it becomes available.

**Product Type:**

Currently, if a client receives a HEAP benefit for home heating oil and the tank for the product is outside or in an unheated space, the only type of eligible product for reimbursement by MaineHousing is for kerosene, even if the household uses #2 heating oil for all other product payments. Can this be changed to allow the client to elect the fuel type?

**MaineHousing Response:**

Currently, the HEAP Rule states that “unless otherwise authorized by MaineHousing, the Vendor may only deliver the product stated on the vendor Voucher Report for Fuel Assistance, Credit Notification Report for TANF Supplemental Benefits, and purchase order for ECIP.” MaineHousing recommends that this provision within the Rule remain as stated and only an approved fuel type is eligible for reimbursement to the vendor.

However, MaineHousing has the discretion to consider allowing the client to elect their preferred fuel type provided the client clearly understands the implications and is willing to undertake the responsibility if #2 fuel oil is used and the product “jells” because of extremely cold weather. MaineHousing will consider this change and how it might implement a waiver process for such instances.

**Small Balances on Account:**

In some instances, a client may have a very small available balance of HEAP funds on account (e.g. \$2.50). De minimis balances can be time consuming and costly to the vendor, either by split billing and applying the balance to a cash payment or returning the small amount to MaineHousing at the time of the ACR account sweep. Can these small balance be absorbed or written off by the vendor and what is the threshold amount?

**MaineHousing Response:**

MaineHousing is aware that de minimis balances can be an accounting challenge for vendors. As indicated above, one way to address de minimis balances is to implement a post-delivery payment model. Small balances in the aggregate could be billed by the vendor.

MaineHousing has discussed the matter internal and will be releasing guidance in the near future regarding de minimis balances, the threshold amount and options for addressing these small balances. Once the policy for managing small balances has been established, MaineHousing will make recommended changes to the HEAP Rule and State Plan as needed to document this policy.

**Firewood Vendor Concerns and Comments:**

Firewood vendors shared concerns and recommendations regarding the current process that included:

- It would be helpful to deliver firewood earlier in the year (usually get a large number of POs in November which is problematic);
- Earlier wood delivery (e.g. in the summer) would allow for wood vendors to deliver green wood that would be seasoned in time for use in the winter;

- Earlier delivery would eliminate the issue of trying to deliver to difficult to reach homes in the winter months;
- It takes 10 gallons of diesel fuel per cord of wood “stump to stove” – if per cord contracted prices get locked in, there is no ability to adjust prices to address increased fuel/delivery costs;
- Not all clients have ample storage for a single delivery of wood. Vendors would like more flexibility in the amount of each delivery and break larger wood benefits into smaller deliveries as appropriate;
- Partial cords of wood (e.g. 3.45 cords) can be difficult to accurately measure. Could cords be rounded up or down to make delivery volume easier?
- Educate clients about differences between green and seasoned wood and wood sizes.

**MaineHousing Response:**

MaineHousing appreciates the participation of wood vendors in the HEAP Working Group meeting since they bring a unique perspective to the conversation. The comments and recommendations can be addressed through modifications to MaineHousing’s standard operating procedures, MaineHousing has no recommendations for the HEAP Rule or HEAT State Plan pertaining to wood vendors. MaineHousing will consider the comments and recommendations presented by wood vendors and explore how these changes could be implemented either in PY2020 or subsequent years.

**General Comments and Recommendations:**

**Remaining Prior Year Benefits:**

- Vendors believe that some applicant households receive more benefits than they actually use each year;
- Vendors believe that some applicant households do not receive enough benefits to meet their consumption needs;
- Can benefits be awarded earlier in the year?;
- Can remaining benefits from a program year be deducted from the next program year?;
- Can MaineHousing use the Annual Consumption Reporting to determine the appropriate amount of benefits an applicant household receives?;
- Does MaineHousing look into an applicant households assets to determine the amount of benefits?;
- Benefits should be used in the program year that they are issued. Benefit years overlap for six months which poses difficulties for vendors to know which funds to use first and when certain benefits expire.

**MaineHousing Response:**

Benefit calculations are based on either an applicant household's previous year's consumption data if it is available or by using a Designed Heat Load Calculation (DHLC). DHLC factors include the number of occupied rooms, BTUs based on standard room size square footage, the heating degree days for the geographic area and the efficiency rate of the home energy type. The amount of benefit is also determined by the household's income. Ideally, the amount of benefit for each applicant household is adequate to provide the household with a portion of their seasonal heating costs. HEAP is not intended to pay for all heating expenses for a household.

In instances where an applicant household does not have sufficient benefits to meet their home heating needs, the household may be eligible for additional fuel assistance through ECIP or another funding source available to the CAA. In an instance where the entire benefit is not used by the household, the funds expire on the following April 30th after the end of the program year and are returned to HEAP.

Benefits cannot be awarded until MaineHousing is notified by DHHS of the amount of funding available for the program year. Once the amount of funding for fuel assistance has been determined, MaineHousing can then establish the dollar per point to calculate the benefit. Once the benefit matrix is established, funds may be released to vendors and eligible households for deliveries or services back to October 1 of the program year.

HEAP fuel assistance is an income based program and household assets are not factors in determining the household's income, which in turn determines the household's energy burden.

MaineHousing does not recommend any changes at this time to the HEAP Rule or State Plan regarding income calculation methodology and components, the annual consumption of DHLC factors or the period for which the benefits can be used.

**General Comments and Recommendations:****Vendor Contracts:**

- Extend vendor agreements (contracts) to 2 or 3 years;
- Align all rules to be the same for all funding programs (HEAP, ECIP and TANF);
- Restrict rule changes to vendor agreement cycle, not annually;
- Conduct HEAP Working group sessions during the year rather than during peak heating season – this is a challenging time for fuel vendors to participate.

**MaineHousing Response:**

The current provisions of the HEAP Rule for vendor eligibility and enrollment does not specifically address the terms of vendor agreements. MaineHousing recommends that vendor agreements executed between MaineHousing and a vendor be in effective for three years provided:

- The vendor adheres to the existing eligibility requirements set forth in the rule in Section 14;
- The vendor executes an annual extension to the original contract confirming no changes have been made to the ownership of the company; confirming correct banking information; executing a new IRS Form W9 reflecting any changes; attesting that none of the eligibility provisions of Section 14 of the Rule have been violated; and agreeing to any HEAP Rule amendments affecting the original contract.

For purposes of consistency and efficiency, MaineHousing will seek continual improvement of HEAP and, where possible, have the various components of the Program be aligned.

The HEAP Rule and HEAP State Plan are subject to review, public hearing process and potential changes each year. Throughout the Program Year, MaineHousing may make adjustments to the standard operating procedures for the Program that are not in conflict with the HEAP Rule, HEAP State Plan, federal HEAP regulations or state law. Such adjustments will be communicated with all affected parties and contracts will be amended as deemed necessary.

HEAP Working Group and Stakeholder meetings have traditionally be conducted just prior to the HEAP Rulemaking process in order to solicit feedback and recommendations from vendors and interested parties. MaineHousing will explore ways to include vendors and other interested at different times throughout the year that will not be impeded by the constraints of the heating season.

MaineHousing is not recommending any changes to Section 14 of the HEAP Rule at this time.

### **General Comments and Recommendations:**

#### **Applications for Heating Assistance:**

- Consider additional outreach to potential elderly clients to encourage applications to the Program;
- Pre-schedule application appointments;
- Encourage prospective households to apply earlier in the season.

#### **MaineHousing Response:**

MaineHousing has dedicated resources and collaborates with the CAAs to increase outreach and marketing activities to encourage participation in HEAP. MaineHousing will also work closely with the CAAs to strategize improvements to the application process and the scheduling of appointments.

MaineHousing is not recommending any specific changes to the HEAP Rule or State Plan pertaining to outreach and marketing.



## Legal Department Memorandum

**To:** MaineHousing Board of Commissioners

**From:** Mark Wiesendanger, Director of Development  
Linda Uhl, Chief Counsel

**Date:** April 10, 2019

**Subject:** Request to Commence Rulemaking –2020 Qualified Allocation Plan

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On April 16, 2019, we will ask you to authorize MaineHousing to commence rulemaking to repeal and replace the *Low Income Housing Tax Credit Rule*, Chapter 16 of MaineHousing’s rules. Chapter 16, as amended, is MaineHousing’s proposed qualified allocation plan (QAP) for allocating the 2020 State ceiling of low income housing tax credits pursuant to Section 42 of the Internal Revenue Code of 1986, as amended.

Enclosed are:

- a memo from Director of Development Mark Wiesendanger which describes our partner input process and the proposed changes to the QAP, and
- the proposed 2020 QAP.

In accordance with a new Executive Order from Governor Mills, we will submit a copy of the proposed rule to the Office of the Attorney General for a legal preview. We will also forward a copy to the Governor’s office because the QAP requires the Governor’s approval once it has been adopted. We will publish a notice of public hearing to repeal and replace the current rule with the proposed rule. The public hearing will be held at the next meeting of the Board on May 21, 2019. We will keep the public comment period open for a period of 10 days following the public hearing. If there are no significant changes to the proposed rule after the hearing and comment period, we will ask the Board to adopt the proposed rule at the June 18 Board meeting.

### **PROPOSED MOTION:**

*To authorize MaineHousing to commence the rulemaking process to repeal and replace Chapter 16 of MaineHousing’s rules in the form provided to the Commissioners in the Board packet and described in the memorandum from Development Director Mark Wiesendanger to the Commissioners dated April 16, 2019.*



## Development Department Memorandum

**To:** MaineHousing Board of Commissioners

**From:** Mark C. Wiesendanger, Director of Development

**Date:** April 16, 2019

**Subject:** 2020 QAP Update

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### 2020 Qualified Allocation Plan (9% LIHTC)

Included in this month's Board packet is the draft 2020 Qualified Allocation Plan (QAP). This draft is the result of input from MaineHousing staff, the Board, developers, and other interested parties received since the 2019 QAP was published, and from previously held QAP discussions. There could potentially be additional changes that arise from conversations over the coming weeks, although we anticipate nothing substantive. We have shared a copy of the QAP in draft form, as a courtesy "heads up" to developers, and received their feedback in three meetings. We continue to focus on limiting costs and procuring additional outside funding, while allowing for clearer and smoother processing for our developer partners.

Proposed changes for the 2020 QAP:

#### Throughout

- Updated deadlines.
- Removed unnecessary and redundant language.
- Repaired grammatical errors (e.g. capitalization, punctuation, wrong tense, awkward wording, passive voice, etc.)
- Improved definitions.
- Replaced "senior" with "older adults" to better reflect current usage.

Cover Page Updated with new design and photos of recently completed projects.

Section 4.B. Removed the limit on the number of applications per developer.

Section 5.A. Removed the ability to request that MaineHousing present a qualified contract.

- Section 5.K. Replaced telemedicine plan requirement with minimal broadband infrastructure requirements based on FCC standards.
- Section 6.E. Increased points awarded to family projects with 70% 2+ bedroom units.
- Section 6.H. Total Development Cost scoring criterion and future round penalties removed.
- Section 6.I. Now 6.H. Below Market Capital. Removed reference to Benchmark TDC
- Section 6.J. Developer Fee Contribution scoring criterion removed.
- Section 6.M. Now 6.K. Property Tax Relief. Removed “from Project Completion” so that projects will not be penalized for timing issues when TIF durations meet the intent of the scoring criterion.
- Section 6.N. Now 6.L. Housing Need. Point values increased from 1, 3, and 5 to 4, 6, and 8 respectively.
- Section 6.O. Now 6.M. Tax Credit/Market Differential. Changed percentage range language to be consistent with other sections of the QAP.
- Section 6.Q. Now 6.O. Smart Growth. Increased total points available from 10 to 15. Gave Demand Response Transportation more weight. Added points for healthcare services within walking distance.
- Section 6.S. Certified Business Friendly Community. Removed the 1 point available for this category. The program has been stalled for 3 years and new towns can no longer achieve this designation.
- Section 6.V. Now 6.R. Owner Performance. Changed all scoring from penalties for poor performance to rewards (up to 4 points) for good performance. Removed the scoring for missed Notice to Proceed deadlines and TDC rescoring.
- Section 6.W. Now 6.S. Management Experience. Changed all scoring from penalties for poor performance to rewards (up to 3 points) for good performance.
- Section 6.X. Now 6.T. Management Performance. Changed all scoring from penalties for poor performance to rewards (up to 3 points) for good performance.
- Section 7.B. Simplified Net Developer Fee to a \$750,000 limit. Additional Developer Fee (above \$750,000) is allowed for increasing tax credit basis but must be deferred.
- Section 10.B. Recordkeeping and Retention. Clarified Income Certification, third-party documentation, and self-certification language.
- Section 10.D and E. Reduced prior written notice for inspections to 15 days.
- Section 10.F. Language added to explain the filing of a Form 8823 with the IRS.



# Low Income Housing Tax Credit 2020 Qualified Allocation Plan



## **Our Mission:**

To assist Maine people in obtaining and maintaining quality affordable housing and services suitable to their housing needs.

## **Our Vision of Success:**

All Maine people have the opportunity to live in quality affordable housing.

*Updated April 10, 2019*



## CHAPTER 16 LOW-INCOME HOUSING TAX CREDIT RULE

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## 99-346 MAINE STATE HOUSING AUTHORITY

### Chapter 16: LOW-INCOME HOUSING TAX CREDIT RULE

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#### SECTION 1: INTRODUCTION

The federal Low-Income Housing Tax Credit (LIHTC) was created by the Tax Reform Act of 1986 to encourage private capital investment in the development of affordable rental housing. It is governed by [Section 42](#) of the Internal Revenue Code of 1986, as amended, and associated regulations. As the designated housing credit agency for the State of Maine, MaineHousing is required by [Section 42](#) of the Code and [30-A MRSA §§4741\(1\) and \(14\)](#) to adopt a Qualified Allocation Plan (QAP) for allocating and administering LIHTC; this rule is the State's QAP.

This rule repeals and replaces in its entirety the prior Chapter 16, *Low Income Housing Tax Credit Rule*, except that the allocation provisions continue to apply to projects that were awarded LIHTC under a prior rule, or a program subject to a prior rule.

Capitalized terms used in this rule are defined in **Appendix A**, unless the context otherwise indicates, or if not defined therein, have the same meaning as set forth in [Section 42](#) of the Code.

#### SECTION 2: HOUSING NEEDS AND PRIORITIES

MaineHousing and the Department of Economic and Community Development annually complete a statewide needs assessment as part of the Consolidated Housing and Community Development Plan. *Maine Consolidated Plan (2015-2019)* establishes the following housing priorities:

1. efficient use of the Credit and other MaineHousing resources to maximize the development of affordable rental housing;
2. provide affordable rental housing for households with the lowest income to the extent possible with available resources;
3. provide affordable rental housing in areas with the highest need and access to services, employment, education, health care, public transportation and other opportunities important to the tenants;
4. provide housing that offers services, amenities and other assistance appropriate for the needs of the tenants to increase housing quality and stability; and
5. preservation of existing affordable rental housing that is at risk of being lost due to deterioration or market conditions.

### SECTION 3: SET-ASIDES AND MAXIMUM CREDIT AMOUNT

- A. Nonprofit Set-Aside. MaineHousing will set aside ten percent (10%) of the annual State Ceiling for Projects in which a Qualified Nonprofit Organization owns an interest and materially participates in the development and operation throughout the Compliance Period in accordance with [Section 42\(h\)\(5\)\(B\)](#) of the Code. An Applicant will qualify if it is owned by either a Qualified Nonprofit Organization, or a business corporation which is 100% owned by one or more Qualified Nonprofit Organization(s), and (in accordance with [Section 42\(h\)\(5\)\(C\)](#) of the Code) it is the general partner or manager/managing member and controls the Project's development and day-to-day operation.
- B. Preservation Set-Aside. MaineHousing will set aside up to \$300,000 of the annual State Ceiling for the preservation and rehabilitation of one existing multifamily rental housing project if the scope of rehabilitation meets the minimum requirements set forth in Section 5.D.2. and one of the following:
1. at least 25% of its units, or those in a Related Development, are assisted under a Rural Development program; or
  2. at least 25% of its units will be converted to Section 8 under HUD's Rental Assistance Demonstration (RAD) Program.

Demolition and reconstruction on an existing housing site will be treated as new construction and is not eligible for this set-aside.

- C. Maximum Credit Amount. The maximum amount of Credit that will be allocated for each Project is the least of (i) \$20,000 per Credit Unit, (ii) 25% of the 2020 State Ceiling, and (iii) the amount MaineHousing determines is necessary to ensure the Project's financial feasibility and long-term viability.

### SECTION 4: ALLOCATION PROCESS

- A. Pre-Application Submission. Each Project must undergo a mandatory Pre-Application review by MaineHousing to assess its feasibility, suitability for housing, and eligibility for Credit. Applicants must submit the information and documents set forth in **Appendix B** with the pre-application fee specified in Section 4.C. to MaineHousing by Friday, July 11, 2019. MaineHousing will discuss Projects with Applicants by Tuesday, August 13, 2019. An Applicant will not be eligible for Credit if
1. it fails to provide a complete Pre-Application submission in accordance with this subsection, or
  2. there is any material change in the Project between the Pre-Application submission and the Application unless required by MaineHousing.

B. Application. Applications are subject to the following limitations, conditions and requirements.

1. Existing Housing.

- a) Acquisition and Rehabilitation Projects. Projects that involve the acquisition and rehabilitation of Affordable Housing must include the addition of at least 20 new units, or meet the requirements of the Preservation Set-Aside in Section 3.B.
  - b) Demolition of Existing Housing. Demolition of existing housing that has not been condemned or declared blight by a municipality is not eligible unless approved by MaineHousing.
2. Deadline. The deadline for submitting Applications for the 2020 State Ceiling is 5:00 PM on Thursday, September 26, 2019.
3. Format. The Application must be completed and submitted electronically in the form and manner prescribed by MaineHousing. MaineHousing may require the Applicant to submit additional information.

C. Fees. Applicants must pay the following fees when due. All fees are non-refundable.

Type of Fee	Amount	Due Date
Pre-application Fee	\$2,000	By Pre-application deadline in Section 4.A.
Application Fee	\$2,500	Postmarked for delivery by Application deadline in Section 4.B.2
Allocation Fee	7.5% of Credit	Earlier of Carryover Allocation (Section 8.B.) or Final Allocation (Section 8.A.)
Monitoring Fee*	\$1,000 per Credit Unit	Final Allocation (Section 8.A.)

\*MaineHousing may charge an additional monitoring fee to cover any increased costs due to income averaging or other extraordinary monitoring requirements during the Compliance Period.

D. Ineligible Applicants. An Application will be deemed ineligible if one or more of the following has occurred:

1. The Applicant, any Principal thereof, or Affiliates of either
  - a) has an uncorrected IRS Form 8823 in connection with any LIHTC Project to the extent it is correctable unless previously waived by MaineHousing;

- b) has been declared in default or has been 60 days or more delinquent on any loan with MaineHousing, unless the default or delinquency has been cured or there is an approved payment or workout plan in good standing prior to the Application deadline;
  - c) has ever been the owner of any project in which MaineHousing has foreclosed a mortgage interest or received a deed-in-lieu of foreclosure of a mortgage interest unless previously waived by MaineHousing;
  - d) is presently debarred, suspended, proposed for debarment, or excluded from participation in any federal or state programs;
  - e) has in the last 10 years either commenced or had commenced against it any proceeding in or for bankruptcy, receivership, reorganization or any other arrangement for relief from creditors commenced against it that affected a MaineHousing-funded project that was not dismissed within 90 days;
  - f) has an ownership interest, development consulting contract, or other material role in more than four (4) LIHTC Projects that were awarded Credit under any State Ceiling and have not yet been completed. Complete means the issuance of an unconditional Certificate(s) of Occupancy or equivalent approval of the governing municipal authority, sign-off by MaineHousing's Construction Services Department, and the closing and full funding of all permanent financing sources for the Project; or
2. The tax credit syndicator, investor, or Affiliates of either
- a) transferred its interest in any LIHTC Project after March 25, 2014 in violation of the Ownership Transfer Rule; or
  - b) failed to make any required capital contributions with respect to any LIHTC Project, and has not corrected such actions prior to the Application deadline.

MaineHousing may reject the Application if it determines the deficiencies are not addressed. MaineHousing may also require financial statements from the Applicant, Principal thereof, or Affiliates of either.

- E. Notice to Local Jurisdiction. Upon receipt of an Application, MaineHousing will notify the Chief Executive Officer of the municipality with jurisdiction over the location of the proposed Project. The notice will provide for a 15-day comment period. MaineHousing will consider any comments received.
- F. Selection Process. Applications for the State Ceiling with the highest scores will be awarded Credit until the applicable State Ceiling is fully awarded.

1. The preservation set-aside is limited to one Project. If the set-aside is not sufficient to complete the Project proposed in the highest scoring eligible Application, MaineHousing may allocate additional Credit, allocate the Credit under the set-aside to the next highest-scoring eligible Application that does not need more than the set aside, or not allocate any Credit under the preservation set-aside. All Applications that participate in the preservation set-aside and do not win will be placed on a waiting list.
  2. The highest scoring Qualified Nonprofit Organization will be the winner of the nonprofit set-aside regardless of its ranking among other Applicants. If the set-aside is not fully awarded to the highest scoring eligible Applicant, MaineHousing may allocate additional Credit to the next highest scoring eligible Applicant for the set-aside, not fully allocate Credit under the set-aside, or require an Applicant that has not indicated that it is participating in the set-aside to participate in the set-aside. MaineHousing may, if necessary, require the Applicant to change its ownership structure. All Applications that participate in the nonprofit set-aside and do not win will be scored with the other Applications.
  3. Except as set forth above, MaineHousing will make awards in score order to select threshold-eligible Applications. If the last Application selected for an award of Credit needs more Credit than remains under the applicable State Ceiling, MaineHousing may elect to either (a) not award the remaining Credit to any Application, or (b) award additional Credit under the next annual State Ceiling to the Application. All threshold-eligible Applications that are not selected will be placed on a waiting list. Any Credit that is returned or is otherwise unused will be made available to waiting list Applications using this process.
- G. Notice to Proceed. MaineHousing will meet with each Applicant selected for a Credit award. If the Applicant accepts the Credit award conditions, MaineHousing will issue a Notice to Proceed. Applicants must execute and return the Notice within the time period specified.
- H. Credit Allocation. Upon receipt of the fully executed Notice to Proceed, MaineHousing will evaluate the Application pursuant to Section 7 to determine the amount of Credit, if any, to be allocated.
- I. Termination of Application or Notice to Proceed. MaineHousing will deem an Application withdrawn and any Notice to Proceed cancelled if one or more of the following occur without MaineHousing's written approval after the Application is submitted:
1. The Application or the Notice to Proceed is assigned or the Applicant or any Principal thereof changes;
  2. The location of the Project changes from the location identified in the Application;
  3. There is any change which would result in a net reduction in the Application's score except as provided in Section 6.H;

4. There is a change in the Project's design or financing from what was in the Application which MaineHousing determines would result in a substantial increase in the amount of Credit or other MaineHousing funding;
5. The Project's TDC Index exceeds the TDC Index Cap, or any other failure to meet the threshold requirements in Section 5;
6. There is any other material or substantive amendment or change to the Application;
7. Any event in Section 4.D. occurs and is not cured within any applicable cure period; or

## SECTION 5: THRESHOLD REQUIREMENTS

Applications must meet the following threshold requirements to be eligible for Credit:

- A. **Affordability.** An Applicant must agree that the Project will comply with [Section 42](#) of the Code and this QAP for a minimum period of 45 years to maintain the Project as residential rental housing, keep at least 40% of the total Credit Units in a Project occupied by persons with 50% area median income and keep the Credit Units in the Project rent-restricted in accordance with [Section 42](#) of the Code. The applicant waives the right to request MaineHousing to present a qualified contract under [Section 42\(h\)\(6\)](#) of the Code.
- B. **Section 811.** For Family Housing, the Applicant agrees to accept HUD Section 811 Project Rental Assistance (PRA) and comply with the program requirements, if made available by MaineHousing. This does not necessarily constitute a commitment of PRA funding.
- C. **Total Development Cost (TDC).** Cost reasonableness will be evaluated using an index, which is the weighted average of the TDC per unit and the TDC per bedroom. For mixed-use projects, the TDC for only the residential portion of the project, including common areas, will be used for this calculation. The weighted average will be calculated as follows:

$$[(2 \times \text{TDC/unit}) + (\text{TDC/bedroom})] \text{ divided by } 3.$$

The product of this calculation will be referred to throughout this document as the "TDC Index". An Application will be rejected if the TDC Index exceeds the TDC Index Cap below for a project of its type at any time prior to the later of the construction loan closing or carryover allocation.

Type of Project	TDC Index Cap
Adaptive Reuse	\$265,000 per unit
New construction	\$230,000 per unit
Acquisition and rehabilitation of existing housing	\$150,000 per unit

Demolition and reconstruction of all housing on the same site or another site will be treated as new construction. If a Project involves more than one project type, the TDC Index Cap for the Project is the average of the TDC Index Caps allocable to each type, weighted by the number of units of each type.

- D. Acquisition and Rehabilitation of Existing Housing. Projects that involve the acquisition and rehabilitation of existing multifamily housing are subject to the following:
1. Capital Needs Assessment. The Application must include a capital needs assessment satisfying the requirements set forth in **Appendix C**.
  2. Minimum Rehabilitation Requirements. The Rehabilitation Costs per unit of existing housing must be at least \$50,000.
  3. Relocation/Displacement. The Project must comply with MaineHousing's *Temporary Relocation and Permanent Displacement Policies* and, if the Project is federally-assisted, all applicable federal requirements, including the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended. The Applicant must take reasonable steps to minimize the displacement of existing tenants of the Project. The Application must identify any tenants who will be permanently displaced and the reason for the displacement. The Project's TDC must include all costs associated with permanent and temporary displacement or relocation. MaineHousing will not allocate Credit until it has approved a project's relocation plan.
- E. Development and Management Experience and Capacity. Applicant teams must have sufficient knowledge, experience and capacity to adequately design, develop, complete, maintain, manage, and operate LIHTC Projects and to provide related services, such as accounting, tax and legal advice, and resident service coordination. If MaineHousing determines the Applicant's team lacks sufficient qualifications, the team may be required to:
1. hire a qualified consultant,
  2. hire additional qualified staff, or
  3. replace a team member.
- F. Site Control. The Applicant must have site control of the Project throughout the Application process in the form of an option, a purchase and sale contract, ownership, or long-term lease. The Applicant, its agents, and MaineHousing must have access to the Project site, and if the Project is an existing occupied property, access to records and other information about the existing tenants, including current rent and income information.
- G. Growth Management Limitations. A Project that involves the new construction or acquisition of newly-constructed residential rental property or the conversion of existing buildings to

residential rental property must comply with the State's Growth Management Law, [30-A M.R.S.A. § 4349-A](#), as amended. Projects must meet one of the following two sets of criteria to be eligible for a Credit allocation:

1. If the municipality in which the Project is located has adopted a comprehensive plan or growth management plan that is consistent with applicable State law, then the Project must be in a designated growth area as identified in such plan; or
2. Otherwise the Project must be located in an area
  - a) served by a public sewer system with existing capacity for the Project,
  - b) identified as a census-designated place in the latest Federal Decennial Census, or
  - c) in an urban municipality and defined under [23 M.R.S.A. § 754](#) as compact.

The law exempts projects that exclusively serve certain populations, such as persons with disabilities, who are homeless, or are wards of the State.

H. Project Feasibility. The Applicant must have the financial ability to develop and complete the Project and to operate it throughout the Compliance Period.

1. Development Budget. The Applicant must identify
  - a) all sources of funding for development and completion, whether direct or indirect, including the amount, timing, terms, conditions, and status (e.g. "applied for" or "committed") as of the date of the Application and uses of the funding based on the projected costs of and schedule for developing and completing the Project; and
  - b) all sources and uses of funding for the Project, whether direct or indirect and whether they are included in the development budget for the Project.
2. Operating Budget. The Applicant must identify all
  - a) sources of income, including rent from the residential units, any income from commercial or non-residential space, and the amount, terms and conditions of rental or operating assistance; and
  - b) costs of operating the Project as projected over the Compliance Period. The Applicant also must identify all forms of property tax relief (such as a PILOT, tax abatement or exemption, or Tax Increment Financing) and other assistance that reduces operating costs.

2. **Related Development.** Any Related Development must be completed prior to or concurrently with the completion of the Project, and there must be sufficient funding to operate the Related Development.
  3. **Financial Re-Characterization.** MaineHousing may re-characterize any information about the sources and uses for a Project and any Related Development, such as information that is inconsistent with the requirements of a funding source or is unreasonable based on comparable LIHTC Projects, industry standards, or market conditions. The Applicant must address all development and operating deficits identified by MaineHousing.
- I. **Market Study.** The Application must include a comprehensive market study prepared by a qualified professional in accordance with the *National Council of Housing Market Analysts Model Standards for Market Studies for Rental Housing*. The market study must have an effective date within 120 days of the Application deadline.
- MaineHousing may require the Applicant to either correct any inadequacies it identifies or submit a new market study. MaineHousing also may elect to commission its own market study.
- J. **Project Design.** The design and construction or rehabilitation of the Project must comply with MaineHousing's Construction Standards and all applicable local, state and federal codes, regulations, statutes and ordinances.
- K. **Project Amenities.** The Project must have the following amenities and services:
1. **Community Room.** The Project must include an on-site community room with sufficient capacity to serve tenants' needs. For a scattered-site Project, only one community room is required and should be centrally located to the greatest extent possible to best serve all tenants;
  2. **Laundry Facilities.** The Project must include either a washer/dryer hook-up in each unit or a fully accessible, centrally located laundry facility with sufficient capacity to serve all tenants; and

**Telemedicine Capabilities.** The Project must include broadband infrastructure with capacity sufficient to support the provision of Telemonitoring and/or Telehealth services.

Broadband infrastructure includes cables, fiber optics, wiring, or other permanent (integral to the structure) infrastructure, including wireless infrastructure, as long as the installation results in broadband infrastructure in each dwelling unit meeting the Federal Communications Commission's (FCC's) definition in effect at the time the pre-construction estimates are generated. Currently, the FCC provides a speed benchmark of 25 Megabits per second (Mbps) download and 3 Mbps upload.

The providers and the tenants may not be charged for the use of the internet or wireless and telephone services provided for telemedicine services.

3. Shared Facilities. An amenity will meet the requirements if the Project
    - a) is fully accessible and located on an accessible path to the Project,
    - b) is within an existing multifamily housing project adjacent to the subject site,
    - c) has sufficient capacity to serve both the Project's tenants and the existing project,
    - d) will be available to the Project's tenants during the Compliance Period on the same terms as the residents of the existing multifamily project, and
    - e) will not charge the tenants to use the shared amenity other than a reasonable fee that does not exceed the amount charged to any others for the same use.
  4. Recreational Activities. An area(s) of recreational activity must be located on the Project site or within a Safe Walking Distance of ½ mile. The area(s) and activities must be free of charge to the tenants and not require membership. Projects with single-family detached style units satisfy this requirement if each unit has a private lawn with sufficient room for playground equipment, gardening or other activities acceptable to MaineHousing.
  5. Exceptions. The requirements of this subsection do not apply to existing multifamily housing projects if the Applicant cannot comply with the requirements because of the nature of the site, structural limitations, zoning restrictions or other land use limitations.
- L. Resident Service Coordination. The Applicant must make a resident service coordinator available to the tenants on-site a minimum of one (1) hour per week for every five (5) Credit Units over an appropriate number of days each week acceptable to MaineHousing. The coordinator shall meet with tenants in a private and confidential manner to evaluate individual needs and make appropriate referrals. The services provided must be free of charge to the tenants. The Applicant must maintain adequate funding throughout the Compliance Period.
- M. Smoke-free Housing. The Applicant must
1. implement a written occupancy policy prohibiting smoking in the units and common areas,
  2. include a non-smoking clause in the lease for every household, and
  3. make educational materials on tobacco treatment programs (including the phone number for the statewide Maine Tobacco HelpLine) available to all tenants through the resident service coordinator.

- N. Waiting List Preference. The Applicant must give an occupancy preference to eligible persons whose names are on a public housing or Section 8 waiting list, except for Projects financed by Rural Development or with Section 8 Project-Based Rental Assistance.

## **SECTION 6: SCORING CRITERIA**

The Applicant must complete all information and submit all documentation required to be eligible for points.

### **Project Characteristics**

- A. Rehabilitation or Reuse of Existing Housing, Structure or Site. **3 Points**

The Project site exhibits one or more of the following characteristics:

1. Rehabilitation of existing rental housing containing 5 or more units without permanently displacing any existing tenants or increasing their housing costs (including rent and all other charges paid by the tenant) by more than 10%;
2. Rehabilitation, remediation, or reuse of an existing building or structure that has a current use other than multifamily rental housing;
3. One or more buildings or structures used for purposes other than single family residential housing or agriculture purposes, have been or will be demolished or removed for purposes of redeveloping the site;
4. Left vacant or nearly vacant in the development of a downtown or other city or town center, such as a vacant lots or parking lots abutting commercial buildings and/or multifamily rental housing; or
5. Specifically designated by a municipality for redevelopment to renew a blighted area or remediate environmental risks to the occupants.

Undeveloped portions of existing sites, regardless of use, and vacant lots in single-family residential areas are not eligible for points under this subsection.

- B. Historic Rehabilitation. **3 points**

The Project includes the rehabilitation of a certified historic structure using capital contributions generated from federal and state historic rehabilitation tax credits.

- C. Populations with Special Needs. **3 points**

The Project gives an occupancy preference for at least 20%, but not less than 4 of the units, to persons who are homeless or displaced, have disabilities, are victims of domestic violence, or have other special housing needs.

The Applicant must commit to maintain a waiting list for the specific population(s) that qualify for the preference or the set-aside, and must make appropriate, voluntary services available through a qualified third-party provider other than the resident service coordinator required under Section 5.L.

D. National Housing Trust Fund. **1 point**

The Applicant agrees to accept and use any funding from MaineHousing's National Housing Trust Fund program for the Project. Any funding award will require a certain number of units in the Project to be affordable to and occupied by Extremely Low Income households. Awarding points is not a commitment of funding from the National Housing Trust Fund.

E. Family Housing. **Up to 6 points**

The Project is for families and a minimum percentage of the Credit Units are two and/or three or more bedroom units as follows:

<b>Project for Families with Minimum Percentage of Credit Units by Bedroom Size</b>	<b>Points</b>
At least 50% of the Credit Units are two or more bedroom units and at least 20% of the Credit Units are three or more bedroom units	<b>6 points</b>
At least 70% of the Credit Units are two or more bedroom units	<b>3 points</b>

F. Readiness. **6 points**

MaineHousing must approve both the design to be submitted to the municipality and the State and the final design, including all plans, details and specifications. The Project and any Related Developments must have all

1. municipal land use approvals (except building and other permits customarily issued during construction), and
2. State land use approvals (such as site plan, subdivision, storm water, or wetlands approvals) required to proceed with and complete construction. As of the Application date, the timeframe to appeal all such approvals must have expired with no appellate action being taken, or all appeals have been resolved.

G. Accessibility. **Up to 12 points**

One (1) point for each unit that

1. exceeds the minimum number of such units required by applicable federal and state accessibility laws, and
2. meets the requirements for a Type A unit under ANSI Standard A117.1-2009, up to the maximum points by project type below.

Type of Project	Maximum Points
Projects for Older Adults	12 points
Other Projects	6 points

### Financial Characteristics

H. Below Market Capital.

Up to 6 points

Points are based on Below Market Capital, relative to the Total Project Cost as follows.

Percentage of Below Market Capital to Total Project Cost	Points
\$100,000 (minimum amount) to 3%	1 point
>3% up to 6%	2 points
>6% up to 9%	3 points
>9% up to 12%	4 points
>12% up to 15%	5 points
>15%	6 points

If any Below Market Capital for which an Applicant was awarded points is reduced or terminated and the Project becomes infeasible, the Applicant must find alternative funding with similar terms within 90 days of notification from MaineHousing or MaineHousing will re-score the Application. Rescoring may result in loss of funding or developer penalties in future rounds.

I. Acquisition Cost.

Up to 4 points

Points are based on the percentage by which the acquisition costs are less than the average acquisition costs for a project of its type as follows:

Type of Project	Average Acquisition Cost
Acquisition and rehabilitation of existing housing	\$47,000 per unit
New construction	\$14,000 per unit

Adaptive Reuse	\$12,000 per unit
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For purposes of this subsection, acquisition costs include

1. the purchase price for all of the land and any existing building(s) even if donated or leased to the Applicant at below market value,
2. the cost of razing or demolishing any building(s) and structure(s), or any part thereof, on the Project site, and
3. the Capitalized Lease Value of all leases of land or land and building(s) that are part of the Project, with the exception of parking spaces.

The value of any project reserves transferred to the Project as part of the acquisition and included in the purchase price will not be included for purposes of this subsection.

<b>Percentage of Project's Acquisition Cost to Average Acquisition Cost</b>	<b>Points</b>
0% to 1% (nominal)	<b>4 points</b>
>1% to <25%	<b>3 points</b>
25% to 50%	<b>2 points</b>
>50% to 75%	<b>1 point</b>

J. New Project-Based Rental Assistance. **Up to 6 points**

Points are based on the number of assisted units with a commitment of new eligible project-based rental assistance relative to the number of Credit Units.

<b>Percentage of Assisted Units to Credit Units</b>	<b>Points</b>
15% to < 25% (but not less than 4 units)	<b>2 points</b>
25% to < 50%	<b>3 points</b>
50% to < 75%	<b>4 points</b>
75% to <100%	<b>5 points</b>
100%	<b>6 points</b>

The assistance must be from RD or HUD, have similar terms to RD or HUD, or provide a minimum amount of \$200 per month for each assisted unit. Section 8 Project-based Vouchers ([24 CFR Part 983](#)) are only eligible if the vouchers were awarded pursuant to a competitive process prior to the Application date. Assistance made available, either directly or indirectly, by MaineHousing is not eligible.

K. Property Tax Relief. **Up to 4 points**

Points are based on the percentage of the Project's annual incremental property tax revenue returned to the Applicant or foregone by the taxing authority as follows:

<b>Percentage and Duration of Tax Benefit or Relief</b>	<b>Points</b>
50% to <75% for at least 15 years	<b>1 point</b>
50% to <75% for at least 20 years	<b>2 points</b>
50% to <75% for at least 30 years	<b>3 points</b>
≥ 75% for at least 15 years	<b>2 points</b>
≥ 75% for at least 20 years	<b>3 points</b>
≥ 75% for at least 30 years	<b>4 points</b>

Only Tax Increment Financing, payment in lieu of taxes, abatement, or other property tax relief arrangement approved by the taxing authority and all other applicable governing entities is eligible. A Project that is either a) located in a jurisdiction that does not assess property taxes or b) is exempt from property taxes will be awarded one (1) point.

Funding made possible by an Affordable Housing TIF will not be eligible unless the Applicant submits a complete application for the TIF at least 45 calendar days before the applicable Application deadline.

## **Project Location**

L. Housing Need.

**Up to 8 points**

Points are based on the need for the type of housing in an area as follows:

1. Housing Projects for Older Adults located in the following Service Center Communities

<b>Housing Projects for Older Adults</b>			
<b>Service Center Community</b>			<b>Points</b>
Auburn	Falmouth	Saco	<b>8 points</b>
Augusta	Freeport	Sanford	
Bangor	Kittery	Scarborough	
Bath	Lewiston	South Portland	
Biddeford	Portland	Waterville	
Brunswick	Old Orchard Beach	Westbrook	
Brewer		Rumford	<b>6 points</b>
Bridgton	Kennebunk	Skowhegan	
Camden	Madawaska	Topsham	
Caribou	Presque Isle	Van Buren	
Ellsworth	Rockland	Windham	
Bar Harbor	Gardiner	Norway	<b>4 points</b>
Belfast	Hermon	Oxford	
Bethel	Houlton	Pittsfield	

Blue Hill	Lincoln	Rangeley	
Damariscotta	Mexico	Rockport	
Dexter	Millinocket	Wiscasset	
Farmington	Mount Desert		

2. Other Housing Projects in the following Service Center Communities

<b>Other Housing Projects (not specifically for Older Adults)</b>			
<b>Service Center Community</b>			<b>Points</b>
Auburn	Brunswick	Rumford	<b>8 points</b>
Augusta	Caribou	Sanford	
Bangor	Ellsworth	Skowhegan	
Bath	Lewiston	South Portland	
Biddeford	Old Orchard Beach	Waterville	
Brewer	Portland	Westbrook	
Bar Harbor	Houlton	Rockland	<b>6 points</b>
Belfast	Kittery	Saco	
Calais	Madawaska	Scarborough	
Falmouth	Mexico	Topsham	
Farmington	Orono	Windham	
Gardiner	Presque Isle		
Bridgton	Hermon	Rockport	<b>4 points</b>
Camden	Lincoln	Thomaston	
Dover-Foxcroft	Millinocket	Wiscasset	
Fort Kent	Newport		
Greenville	Norway		

3. Projects located on Native American tribal lands will be awarded **8 points**.

M. Tax Credit/Market Rent Differential. **Up to 3 points**

Points are based on the percentage by which the average market rent for comparable multifamily housing is greater than the maximum tax credit rent at or below 60% of area median income, as follows:

<b>Percentage that Average Market Rent Exceeds Average Maximum Tax Credit Rent</b>	<b>Points</b>
10% to <15%	<b>1 point</b>
15% to <20%	<b>2 points</b>
20% or higher	<b>3 points</b>

Comparable means located in the same geographical area and not subsidized under any state or federal housing program. MaineHousing will rely on information in the Application's market study to determine the average market rent. For housing with units of varying

bedroom size, the average will be weighted based on the number of units of each bedroom size.

N. Community Revitalization. **Up to 3 points**

**Two (2) points** if the Project is located within the boundaries of and contributes to the revitalization goals and efforts identified in a Community Revitalization Plan.

**One (1) extra point** if the Project also involves the preservation of existing Affordable Housing or is located in a QCT and at least 20% of the units are market rate.

O. Smart Growth. **Up to 15 points**

Smart Growth Feature	Points
<b>1. Access to Public Transportation.</b> The Project is located within Safe Walking Distance (½ mile or less) of a designated pick-up location for existing Fixed-route Public Transportation.	<b>5 points</b>
<b>2. Demand Response Transportation</b> Demand Response Transportation is available to all tenants with no eligibility criteria that would limit or deny service.	<b>5 points</b>
<b>3. Proximity to Activities Important to Daily Living</b> The Project is located within a Safe Walking Distance of not more than ½ mile of at least 3 Activities Important to Daily Living (3 pts.). Add an additional 2 pts. for including at least one commonly used health care service (i.e. pharmacy, urgent care, primary care, hospital, optometrist, etc.).	<b>3-5 points</b>

P. High Opportunity Areas. **3 points**

The Project is located in a city or town that meets MaineHousing’s standards for high opportunity. High Opportunity Areas are communities with above average access to health care, services, economic activity, and quality education.

<b>High Opportunity Areas</b>			
Acton	Eddington	Limerick	Rockland
Alfred	Eliot	Limington	Rockport
Auburn	Ellsworth	Lisbon	Sabattus
Augusta	Falmouth	Lyman	Saco
Bangor	Farmingdale	Machias	Sanford
Bar Harbor	Farmington	Madawaska	Scarborough
Bath	Freeport	Manchester	Searsport
Belfast	Fryeburg	Minot	Shapleigh
Bethel	Gardiner	Naples	Sidney
Biddeford	Glenburn	New Gloucester	South Portland
Blue Hill	Gorham	North Berwick	South Thomaston
Boothbay	Gray	Norway	Standish
Bowdoin	Greene	Oakland	Topsham
Bowdoinham	Hallowell	Old Orchard Beach	Turner
Brewer	Hampden	Old Town	Union
Bridgton	Harpswell	Orono	Vassalboro
Bristol	Harrison	Orrington	Washington
Brunswick	Hermon	Otisfield	Waterville
Buxton	Holden	Phippsburg	Wells
Calais	Houlton	Pittsfield	West Bath
Camden	Kennebunk	Poland	West Gardiner
Cape Elizabeth	Kennebunkport	Portland	Westbrook
Caribou	Kittery	Presque Isle	Windham
Cumberland	Lebanon	Raymond	Yarmouth
Dover-Foxcroft	Lewiston	Richmond	York
Durham			

### Sponsor Characteristics

Q. Developer Capacity. Up to 4 points

Points are based on the development experience of the Applicant, any Principal thereof, or Affiliates of either as follows:

1. Completed at least one multifamily rental housing project with MaineHousing funding or completed at least one LIHTC Project in another state(s).	<b>4 points</b>
2. Experience developing and operating multifamily rental housing or experience managing Affordable Housing, <i>and</i> the Applicant has a contract with a qualified LIHTC consultant to develop the Project.	<b>3 points</b>
3. Experience developing and operating multifamily rental housing.	<b>2 points</b>

R. Owner Performance.

**Up to 4 Points**

Points are based on the recent performance of the Applicant. MaineHousing may reject the Application if it determines outstanding deficiencies are not addressed, or require financial statements from the Applicant, Principals thereof, or Affiliates.

1. Has not been 60 days or more delinquent in the payment of any MaineHousing loan since September 22, 2014 (except delinquencies resulting from the delay or loss of Section 8 housing assistance payments), declared in default by MaineHousing, nor had a municipal tax lien placed on any housing funded by MaineHousing.	<b>2 points</b>
2. No LIHTC Projects still in their Compliance Period had a year-end operating deficit, in the last full Fiscal Year, unless the operating deficit was fully funded by the Application deadline.	<b>1 point</b>
3. Was not (a) issued an IRS Form 8823 for any reason other than a violation of UPCS or local inspection standards (box 11c) that was subsequently reported as “noncompliance corrected” within the correction period, nor (b) had an IRS audit finding resulting in a recapture event, since September 22, 2016.	<b>1 point</b>

S. Management Experience.

**Up to 3 points**

The company that will manage the Project has at least

1. one (1) staff person with a minimum of three (3) years of experience successfully managing at least one (1) LIHTC Project	2 points
2. one (1) staff person with LIHTC training for every 150 units in LIHTC Project(s) the company plans to manage.	1 points

T. Management Performance.

**Up to 3 points**

Management Companies who have proven exceptional performance in their management of LIHTC Projects still in their Compliance Period are eligible for points as follows.

1. The physical plant inspections preceding the Application deadline all resulted in scores of above average or better	1 point
2. There were no Project Reports submitted after the applicable deadline in the last reporting period.	1 point

3. The Management and Occupancy Reviews preceding the Application deadline all resulted in scores of above average or better.	1 point

U. Tie Breaker.

If more than one Application has the same score, the Application for the least amount of Credit and 0% deferred debt from MaineHousing per unit will have priority. If the Applications request the same amount of these resources, the Application with the most acceptable plan to convert the Project to affordable homeownership for the residents after the Extended Use Period will have priority. The plan must describe the process for transferring ownership to the residents, the purchase price or process for determining it, any financial assistance available for residents (including any reserves), how the affordability will be maintained, and must provide for homebuyer counseling and professional representation of the residents at the time of the conversion.

## SECTION 7: PROJECT EVALUATION

A. Amount of Credit. The amount of Credit allocated will be determined as follows:

1. The Applicable Percentage for the month in which the calculation is made will be used to determine the amount of Credit;
2. The calculation of the amount of Credit will be based on 130% of Eligible Basis. MaineHousing has designated the entire State as a DDA under [Section 42\(d\)\(5\)\(B\)\(v\)](#) of the Code because of the high cost of developing housing, the low median income, and the high annual operating costs for housing relative to other states;
3. To determine the amount of Credit, MaineHousing will use the lesser of (a) the market rent, based on the Application market study as approved by MaineHousing, and (b) the maximum Credit rent. For three or more bedroom units MaineHousing will use the maximum Credit rent for two-bedroom units plus \$50.00;
4. The amount of Credit allocated for a Project will not exceed the least of
  - a) the amount the Project is eligible to receive under [Section 42](#) of the Code,
  - b) the amount MaineHousing determines is necessary for financial feasibility and viability throughout the Credit Period, and
  - c) the Maximum Credit Amount;
5. The Applicant must submit financial and all other required information. MaineHousing will evaluate the need for Credit based on

- a) all sources of financing, including the terms and conditions,
  - b) equity expected to be generated by reason of tax benefits, and
  - c) the uses of funds, including the reasonableness of development costs and operating expenditures; and
- 6. In order to determine the amount of Credit, MaineHousing must identify a gap between development sources and uses absent a Credit allocation. MaineHousing may limit recognition of Intermediary Costs, re-characterize Project sources and uses and make reasonable assumptions with respect to projected revenues and expenses. MaineHousing will also take into consideration any federal limitations when combining the Credit with other federal assistance (i.e. “subsidy layering” guidelines).
- B. Developer Fee. Developer Fee will be determined as follows:
  - 1. Maximum Developer Fee. The total Developer Fee may not exceed the sum of 15% of the Housing Development Costs, plus 10% of the costs of acquisition of land, existing buildings and equipment, determined without regard to the Developer Fee.
  - 2. Net Developer Fee. The amount of Developer Fee not deferred may not exceed \$750,000 plus any unused construction contingency returned to the Applicant after completion.
  - 3. Additional Developer Fee. An Applicant is eligible for Developer Fee in excess of the Net Developer Fee calculated above only if it is deferred and used to increase the tax credit basis.
- C. General Contractor Intermediary Costs. The general contractor’s Intermediary Costs must be
  - 1. separated from other construction and rehabilitation costs,
  - 2. with general conditions and overhead and profit parsed out, and
  - 3. no more than 14% of the Total Construction Cost, within the following ranges
    - a) General conditions up to 6% of Total Construction Cost, and
    - b) Overhead and profit up to 8% of Total Construction Cost
- D. Time of Credit Determination. MaineHousing will determine the amount of Credit at the time of
  - 1. Application, which will be evidenced by the Notice to Proceed;

2. the allocation of Credit, including any carryover allocation;
3. the date each Qualified Building is Placed in Service; and
4. if a Qualified Building is allocated Credit pursuant to Section 9, the date of issuance of the tax-exempt bonds.

Prior to each determination, the Applicant must certify the full amounts of all funding sources and provide any other information required by MaineHousing.

- E. Binding Agreement; Rate Lock. The Applicable Percentage for each Qualified Building will be based on the Placed in Service month unless the Applicant elects an earlier option.
- F. Construction Cost Increases. MaineHousing may allocate additional Credit to a Project if its construction costs increase after the Application date and the increase is the result of market conditions or other circumstances beyond the Applicant's control. Any additional Credit will not exceed an amount necessary to generate equity equal to 5% of the Total Construction Cost based on construction bids.

## **SECTION 8: ALLOCATION OF CREDIT**

- A. Allocation. MaineHousing will issue one or more IRS Form(s) 8609 after receipt of the following:
  1. A complete request for allocation of Credit in a form prescribed by MaineHousing.
  2. An audit report on the schedule of project costs prepared by an independent, third party certified public accountant including all associated costs (such as commissions, due diligence, legal, accounting, reserves, and other similar items).
  3. Certification of the Project's sources, including all federal, state and local subsidies in any stage of commitment. This certification must include income, operating and development cost projections and methods for satisfying any deficits.
  4. The allocation fee and monitoring fee less the amount of any allocation fee paid in connection with the issuance of a carryover allocation.
- B. Carryover Allocation.
  1. The Applicant must submit the following to receive a carryover allocation:
    - a) A complete request for carryover allocation in the form prescribed by MaineHousing no later than the first day of December of the year in which the carryover allocation is made.

- b) Certification of the Project's sources, including all federal, state and local funding. This certification must include income, operating and development cost projections and methods for satisfying any deficits.
    - c) Development progress report, including completion likelihood.
  - 2. The applicant must execute a carryover allocation and return it to MaineHousing, together with the allocation fee, no later than December 31 of the year in which the carryover allocation is made.
  - 3. A carryover allocation will be subject to the following conditions:
    - a) satisfactory evidence that more than 10% of the Project's reasonably expected basis is incurred within 12 months of the carryover allocation, including an audit report prepared by an independent, certified public accountant; and
    - b) any performance conditions MaineHousing may require.

Failure to comply with these conditions may result in termination of the carryover allocation.
- C. Tax Credit Compliance Experience. Prior to an allocation the Applicant must demonstrate that the entity managing the Project has sufficient Credit compliance experience and training. The entity must complete a Credit compliance training or receive a certification from a MaineHousing-approved trainer.
- D. Extended Use Agreement. Prior to an allocation of Credit, the Owner must enter into an Extended Use Agreement with MaineHousing obligating the Owner to comply with [Section 42](#) of the Code, the threshold requirements in Section 5, and commitments for which the Application was awarded points. The Extended Use Agreement must be recorded in the appropriate registry of deeds prior to all mortgage liens and encumbrances on the Project and before MaineHousing issues any IRS Form 8609 for the Project.
- E. Converting a Carryover Allocation. MaineHousing may convert a carryover allocation to the year in which it is terminated or the following year if there are extenuating circumstances beyond the Applicant's control. The carryover allocation must be rescinded by the mutual consent of MaineHousing and the Applicant. There can be no change in the design or financing that would render the Application withdrawn under Section 4.I. The Project will be subject to the QAP in effect at the time of the original allocation.
- F. Forward Allocation of Credit. MaineHousing may issue a binding commitment to allocate State Ceiling available in the subsequent year upon determining that the amount of Credit in the current year's State Ceiling is insufficient.

## SECTION 9: TAX-EXEMPT BOND FINANCED PROJECTS

Projects financed with tax-exempt bond proceeds must satisfy all QAP requirements except

- a. the Maximum Credit Amount limitation in Section 3.C.,
- b. the application limits in Section 4.B.1.,
- c. the application deadline in Section 4.B.2.,
- d. the selection process described in Sections 4.F.,
- e. the affordability threshold requirement set forth in Section 5.A.,
- f. the requirement of a minimum \$50,000 per unit of Rehabilitation Costs for Projects involving the acquisition and rehabilitation of existing housing in Section 5.D.2.,
- g. the scoring criteria in Section 6, and
- h. the Developer Fee limits if the Applicant applies for interest-bearing debt financing and Credit only.

## SECTION 10: MONITORING

- A. Compliance with Applicable Laws. Owners must comply with all local, state and federal laws and regulations, including without limitation
  1. [Section 42](#) of the Code and associated regulations and guidance,
  2. UPCS and all other local, state and federal health, safety and building codes applicable to the Project;
  3. the [Federal Fair Housing Act, Title VIII of the Civil Rights Act of 1968](#), as amended by the Fair Housing Amendments Act of 1988 ([42 U.S.C. § 3601 et seq.](#)), Title II of the Americans with Disabilities Act of 1990 ([42 U.S.C. § 12101 et seq.](#)), and the Maine Human Rights Act ([5 M.R.S.A., Chapter 337, Subchapter IV](#)) and all other applicable federal, state and local fair housing and accessibility requirements, and the regulations, guidance and standards associated with all of the foregoing; and
  4. Title VI of the Violence Against Women Reauthorization Act of 2013, [42 USC Chapter 136, Subchapter III, Part M](#), and all associated regulations and guidance, as may be amended, (VAWA).

B. Recordkeeping and Record Retention. Each Owner must keep on file and available to MaineHousing upon request, the following records for each Qualified Building in its LIHTC Project(s) for each year in the Extended Use Period:

1. The total number of residential rental units including the number of bedrooms and the square footage of each;
2. The number of low-income units;
3. The rent charged for each unit including any utility allowances;
4. The number of occupants in each low-income unit;
5. The number of low-income unit vacancies and information showing when, and to whom, the next available units were rented;
6. Income certification and third-party documentation verifying the income of each household occupying a Credit Unit at the time of initial occupancy and for each new person added to the household after initial occupancy;
7. Annual income certifications and third-party documentation verifying the income of each household occupying a Credit Unit in a LIHTC Project are required if
  - a) not all of the units in the LIHTC Project are Credit Units, or
  - b) the LIHTC Project is financed or assisted under a state or federal program that requires annual certifications.

For a LIHTC Project with 100% Credit Units that are subject to more than one income limit, annual income certifications are only required for the households occupying the Credit Units subject to the lower income limits. The annual certification may be a self-certification, except that third-party documentation verifying the income of the household is required every 6 years from the date the LIHTC Project is Placed in Service and otherwise upon request by MaineHousing. The self-certification must be

- a) in writing,
- b) include the size of the household and annual household income,
- c) state that the information is complete and accurate,
- d) indicate that third-party source documentation will be provided if requested by the Owner or MaineHousing, and
- e) witnessed.

Annual income certifications are not required for a LIHTC Project with 100% Credit Units subject to the same income limit.

8. The Eligible Basis and Qualified Basis of each Qualified Building at the end of the first year of the Credit Period;
9. The character and use of the nonresidential portion of a Qualified Building included in its Eligible Basis;
10. A determination of the student status of the resident household;
11. The tenant occupancy policies and procedures and lease. The lease form and content must be acceptable to MaineHousing and comply with all applicable federal, state and local laws (including VAWA); and
12. All other disclosures to tenants, certifications and other records required by applicable local, state and federal laws.

Owners must maintain these records throughout the Extended Use Period for at least 6 years after the due date (with extensions) for filing the federal income tax return for that year, except that the records for the Credit Period's first year must be retained at least 6 years beyond the due date (with extensions) for filing the federal income tax return for the last year of the Compliance Period.

C. Annual Reports. Each Owner must submit the following to MaineHousing by March 1<sup>st</sup> of each year throughout the Extended Use Period:

1. Certification for the prior calendar year that the Owner's LIHTC Project(s) comply with IRS Treasury Regulation § 1.42-5(c)(1) and *MaineHousing's Low Income Housing Tax Credit Program Owner's Certificate of Continuing Program Compliance* attached hereto as **Appendix D**. A completed and executed IRS Form 8609 for each Qualified Building must be submitted with the first certification; and
2. Certain information and data about the tenants in Credit Units for the prior calendar year, including household income; monthly rental payments; family composition; use of Section 8 rental assistance and other similar assistance; the race, ethnicity, age and disability status of the members of the households; and all other occupancy information required by MaineHousing.

- D. Review. For new LIHTC Projects, MaineHousing will complete a review of tenant records within two (2) years following the year the last Qualified Building is Placed in Service. MaineHousing will give owners reasonable prior written notice of a review, generally no more than 15 days.
- E. Inspections. Every one to three years after a Project is Placed in Service, MaineHousing will inspect LIHTC Projects in accordance with [IRS Treasury Regulation § 1.42-5\(c\)\(1\)](#). For new LIHTC Projects, MaineHousing will inspect Credit Units by the end of the second calendar year following the year the last Qualified Building is Placed in Service. MaineHousing will give reasonable prior written notice, generally no more than 15 days.
- F. Notification of Noncompliance. MaineHousing will notify an Owner in writing of any failure to
  - 1. submit any complete certifications or information required by MaineHousing when due,
  - 2. allow MaineHousing to perform any review or inspection required under this Section, or
  - 3. comply with [Section 42](#) of the Code or any others requirements under this QAP.

The Owner will have a reasonable period of time to correct the noncompliance identified in the notice. MaineHousing will file a Form 8823, “Low-Income Housing Credit Agencies Report of Noncompliance” with the Internal Revenue Service within 45 days of the end of the correction period.

## **SECTION 11: GENERAL**

- A. Conflicts. If this rule conflicts with [Section 42](#) of the Code or any other provision of federal or State law, the federal or State law shall control.
- B. Full Discretion. MaineHousing is entitled to the full discretion allowed by law in making all decisions and interpretations under this rule.
- C. Not an Entitlement. This rule establishes a pool of eligible Applicants but does not preclude additional reasonable criteria and does not confer any automatic right or entitlement to Credit on any person or entity eligible hereunder. MaineHousing may reject any and all Applications and may refuse to award any or all of the Credit.
- D. Final Agency Action. The director of MaineHousing, individually or by exercise of the delegation of powers contained in the Act, shall make all decisions and take all action necessary to implement this rule. Such action of the director shall constitute final agency action.
- E. Waiver. Upon a determination of good cause, the director of MaineHousing or the director’s designee may, subject to statutory limitations, waive any provision of this rule. The waiver

must be in writing and must be supported by documentation of the pertinent facts and grounds.

- F. Freedom of Access Act. MaineHousing is subject to the Freedom of Access Act, [1 M.R.S.A. §401 et seq.](#), which requires the disclosure of all information provided to MaineHousing that is not specifically excluded, such as confidential information under the Act. MaineHousing shall not be liable for the disclosure of any information that it determines must be disclosed under the Freedom of Access Act.
- G. Liability. Compliance with [Section 42](#) of the Code is the responsibility of the Owner. MaineHousing is in no way responsible for an Owner's compliance or liable for an Owner's noncompliance. Any allocation, review or inspection by MaineHousing and any determination made by MaineHousing pursuant to this QAP is for the sole benefit of MaineHousing. No liability or responsibility for Owner compliance with [Section 42](#) of the Code or other applicable requirements and no representation or warranty of a Project's feasibility or viability, eligibility for Credit, or compliance shall be implied or construed from any such actions and determinations by MaineHousing.
- H. Headings/Context. The headings in this rule are for convenience only and do not define or limit the scope of the provisions of this rule. The use of Section, Subsection or Appendix without a reference to another document or source refers to a section, subsection and Appendix of this rule.

**STATUTORY AUTHORITY:** [30-A MRSA §§4741\(1\) and 4741\(14\)](#), [Section 42](#) of the Internal Revenue Code of 1986, as amended

**BASIS STATEMENT:** This rule is the qualified allocation plan for allocating and administering federal low income housing tax credits ("LIHTC") in the State of Maine, which MaineHousing, as the State's designated housing credit agency, is required to adopt pursuant to [Section 42](#) of the Internal Revenue Code and the above-referenced sections of the Maine Housing Authorities Act.

This rule replaces the prior rule and includes the following changes:

- Overhaul and reformatting to make the rule more concise, clearer, and easier to use.
- Remove TDC scoring (keep Index and Caps) and penalty for past rounds
- Remove maximum number of applications per developer limit
- Points adjusted to accommodate removal or addition of criteria and slightly greater/lessor focus in specific areas.
- Service center communities list updated.
- Removing Certified Business Friendly Community point.
- Developer Fee Contribution points eliminated.
- Owner Performance – positive points instead of negative. Remove Notice to Proceed deadline penalty. Remove TDC rescoring penalty.

- Management Performance – positive points instead of negative.
- Smart Growth points increased and rebalanced.
- Service Center Needs points increased.
- Remove telemedicine plan requirement. Instead require broadband capacity using FCC standards at owners' expense.
- Property Tax Relief years better indicated so that those that meet the intent are not penalized for missing timeframes.
- Maximum Developer Fee and Net Developer Fee simplified.
- Community Revitalization better defined
- Below Market Capital points no longer attached to TDC scoring criterion

#### **Process**

To be added upon completion.

#### **Comments and responses**

To be added upon completion.

**FISCAL IMPACT OF THE RULE:** The 2020 State of Maine ceiling of federal low-income housing tax credits is projected to raise approximately \$35,250,000 of private investor capital. The private investor capital generated by the federal low-income housing tax credits will be used to develop affordable housing for low-income persons. Additionally, it is estimated that 1,400 jobs will be created with this investment. The rule will not impose any costs on municipalities or counties for implementation or compliance.

#### **EFFECTIVE DATE:**

TBD.

## APPENDIX A

### Definitions

“Act” means the Maine Housing Authorities Act, [30-A M.R.S.A. §4701 et seq.](#), as may be amended from time to time.

“Activities Important to Daily Living” means activities or destinations that are important to course of daily living of the population served by the Project, which include a grocery store, a public school only if the Project is housing for families, a daycare only if the Project is housing for families, a senior center only if the Project is Older Adult Housing, a pharmacy, a bank or credit union, a post office, a retail store, a general health care practitioner’s office, a public library, a hospital and other activities or destinations approved by MaineHousing. Convenience stores, gas stations, restaurants and other food service establishments are not eligible destinations for purposes of this subsection. If there is more than one activity or destination important to the course of daily living within a single establishment, each activity or destination will be counted separately (e.g. a retail store that also includes a pharmacy and a bank branch will be treated as 3 destinations important to the course of daily living).

“Adaptive Reuse” means the conversion of an existing non-housing building or structure to multi-family residential rental housing or the reconstruction of existing housing that has become functionally obsolete, as determined by MaineHousing.

“Affiliates” means any person or entity directly or indirectly controlling, controlled by, or under common control with another person or entity.

“Affordable Housing” means multi-family rental housing that has five or more units and is assisted under a HUD or Rural Development program or is subject to a restrictive covenant requiring units in the housing to be restricted to households with income at or below 60% of area median income, as determined by HUD.

“Affordable Housing TIF” means an affordable housing development district and development program approved by MaineHousing pursuant to MaineHousing’s Affordable Housing Tax Increment Financing Program, [30-A M.R.S.A., Chapter 206, Subchapter 3](#) and the Act, as may be amended.

“Applicant” means the entity applying for Credit, its successors and assigns, which must be the entity that will be the owner of the Project for tax purposes; must be duly organized and validly existing under the laws of the state in which it is formed, and if not formed in this State, must be duly authorized to conduct business in this State; and must be in good standing under the laws of this State and its state of formation, if not this State.

“Application” means an application to MaineHousing for an allocation of Credit.

“Below Market Capital” means the face value of a grant and the net present value of the savings produced by other funding with an effective rate that is less than the market rate. For this calculation, the market rate is the 10-year Treasury note rate 60 calendar days before the Application deadline plus 300 basis points. Such grants and funding must be committed to the Applicant for the Project no later than the Application deadline and do not include construction-period financing, donations or

below market purchases of land and buildings, investor capital from tax credits, funding made possible by Tax Increment Financing, any Developer Fee that is loaned, deferred or foregone for the benefit of the Project, service funding, operating funds, rental assistance and any resources made available, either directly or indirectly, by MaineHousing.

“Benchmark TDC” means the benchmark TDC by housing type established by MaineHousing based on reasonable costs of completing the respective types of housing, which is \$225,000 for Adaptive Reuse, \$195,000 for new construction and \$110,000 for the acquisition and rehabilitation of existing housing.

“Capitalized Lease Value” means the net present value of all lease payments under a lease calculated over the term of the lease using the 10-year Treasury note rate 60 calendar days before the Application deadline plus 300 basis points.

“Code” means the Internal Revenue Code, Title 26 of the United States Code, and applicable regulations promulgated pursuant thereto, as may be amended.

“Community Revitalization Plan” means (1) a community that has been designated by HUD or RD as an Empowerment Zone, a Renewal Community or Enterprise Community, or a Neighborhood Revitalization Strategy Area; or (2) a written plan that was formally adopted by the governing body of a municipality no more than seven (7) years prior to the Application deadline following a concerted planning process and public input, specifically targets a neighborhood or area in the community (not a single building or site or the entire municipality) for redevelopment or revitalization, and includes (a) an assessment of the existing physical structures and infrastructure of the area, (b) detailed policy goals with respect to economic redevelopment, the rehabilitation or development of housing (including multi-family rental housing) and the improvement or expansion of infrastructure, and (c) proposed activities and a timetable for implementing the policy goals. Plans for a single development and plans formulated by or on behalf of the Applicant are not Community Revitalization Plans. A comprehensive plan that meets all of the requirements in (2) may qualify.

“Credit” or “LIHTC” means the low-income housing tax credit established pursuant to [Section 42](#) of the Code and allocated pursuant to this rule.

“Credit Units” means units in a Project that are eligible for Credit.

“Demand Response Transportation” means on-call transportation services that operate at least 3 days per week and provide service throughout the day.

“Developer Fee” means the total compensation for the work, costs and risks associated with developing a Project, including without limitation, creating the Project concept, identifying and acquiring the Project site, obtaining construction and permanent financing, obtaining necessary subsidies, negotiating the syndication of investment interests in the Project, obtaining all necessary regulatory approvals, constructing and/or rehabilitating the Project and marketing, and includes all amounts paid to consultants to perform this work, except fees for professional services such as environmental assessments, rental market studies, soil tests, and water tests, and includes all reserves, in the form of cash, expected to be paid to the tax credit developer from the Project.

“DDA” means an area of the State that is designated by HUD as a difficult development area pursuant

to [Section 42\(d\)\(5\)\(B\)\(iii\)](#) of the Code or an area of the State that is designated by MaineHousing as a difficult-to-develop area in Section 7.A.3 pursuant to [Section 42\(d\)\(5\)\(B\)\(v\)](#) of the Code.

“Extended Use Agreement” means an agreement that satisfies the requirements of [Section 42\(h\)\(6\)\(B\)](#) of the Code.

“Extended Use Period” means the period of time specified by MaineHousing in the Extended Use Agreement executed in connection with a Project pursuant to [Section 42\(h\)\(6\)\(D\)](#) of the Code, which is the period set forth in Section 5.A. for Projects allocated Credit under the State Ceiling.

Extremely Low Income” means income that is at or below 30% of the area median income as determined pursuant to the regulations and guidance governing the National Housing Trust Fund.

“Family Housing” means housing for families that qualifies for points under the Family Housing scoring criteria set forth in Section 6.E.

“Fiscal Year” means the fiscal year for a LIHTC Project as defined in the Owner’s organizational documents.

“Fixed-route Public Transportation” means year-round, regularly scheduled public transportation that operates at least 5 days per week and provides regular service throughout the day.

“High Opportunity Areas” mean those communities in the State designated by MaineHousing as areas of opportunity for low-income persons based primarily on population and access to employment, education and healthcare. Specific factors considered include population, proximity to major employers, proximity to colleges and universities, proximity to hospitals, availability of public transportation and geographic diversity.

“Housing Development Costs” means the total of all direct and indirect costs incurred in financing, creating, purchasing or rehabilitating a LIHTC Project except the costs attributable to the acquisition of the land and any existing buildings as determined by MaineHousing.

“Housing for Older Adults” means a Project that is designated as elderly or senior housing and receives funding and project-based rental assistance under a RD or HUD multi-family elderly housing program (such as [RD’s Section 515 Rural Rental Housing Program](#) and [HUD’s Section 202 Supportive Housing for the Elderly Program](#)) or that meets the definition of “housing for older persons” under the federal [Fair Housing Act, 42 U.S.C. § 3607\(b\)\(2\)](#) and the Maine Human Rights Act, [5 M.R.S.A. §4581 et seq.](#) and all associated regulations, as may be amended.

“HUD” means the United States of America acting through the United States Department of Housing and Urban Development.

“Intermediary Costs” means all Housing Development Costs except the actual construction costs or eligible rehabilitation costs under [Section 42\(e\)](#) of the Code attributable to the development of the units.

“IRS” means the United States Department of Treasury, Bureau of Internal Revenue Service.

“LIHTC Project” means a qualified low-income housing project as defined in and governed by [Section 42\(g\)](#) of the Code.

“MaineHousing” means Maine State Housing Authority.

“MaineHousing’s Construction Standards” means MaineHousing’s *Quality Standards and Procedures Manual* in effect 60 days prior to the applicable deadline for an Application for Credit which include without limitation certain energy efficiency standards and UPCS.

“Maximum Credit Amount” means the maximum amount of Credit a Project is eligible to receive pursuant to Section 3.C.

“National Housing Trust Fund” means the Housing Trust Fund established under Title I of the Housing and Economic Recovery Act of 2008, [12 U.S.C. §4568](#), together with associated regulations and guidance now or hereafter promulgated pursuant thereto.

“Net Developer Fee” means the Developer Fee with respect to a Project that does not exceed the applicable limit set forth in Section 7.B.2., including any portion thereof that is deferred or loaned to pay for costs associated with the Project (and does not include any additional Developer Fee allowed under Section 7.B.3).

“Notice to Proceed” means the notice that a Project has been selected for further evaluation to determine the Project’s eligibility for Credit and the amount of Credit to be allocated for the Project. The Notice to Proceed will require the submission of all information necessary for MaineHousing to determine the amount of Credit, if any, to be allocated to the Project, obligate the Applicant to fulfill all commitments made in the Application, and require the Applicant to promptly and diligently develop and complete the Project according to the deadlines specified in the notice.

“Owner” means the legal owner of a LIHTC Project or Qualified Building for which an Application has been submitted to MaineHousing or which has received an allocation of Credit from MaineHousing pursuant to this Qualified Allocation Plan or a prior Qualified Allocation Plan for the State.

“Ownership Transfer Rule” means Chapter 27 of MaineHousing’s rules, *Transfers of Ownership Interests*, and the policies and procedures related thereto, all as may be amended.

“Placed in Service” means the date on which a Qualified Building is suitable and available for occupancy as determined in accordance with [Section 42](#) of the Code.

“Principal” means any person or entity with a controlling interest in another entity, including without limitation, a person or entity with an ownership interest in an Applicant that controls the development and day-to-day operation of a Project, such as the general partner(s) of a limited partnership or the manager(s) or member(s) invested with the management authority of a limited liability company, and all persons and entities with an ownership interest in or control of said entity.

“Project” means the property described in the Application, which must be a qualified low-income housing project as defined in and governed by [Section 42\(g\)](#) of the Code.

“Project Reports” means the annual certification and tenant data required under Section 10.C., and if required for the LIHTC Project, the audited financial report (AFR) and the annual project budget.

“QCT” means an area of the State designated by HUD as a qualified census tract pursuant to [Section 42\(d\)\(5\)\(B\)\(ii\)](#) of the Code.

“Qualified Allocation Plan” or “Plan” means the plan for allocating and administering the Credit adopted by the housing credit agency pursuant [Section 42\(m\)\(1\)\(B\)](#) of the Code.

“Qualified Building” means a qualified low-income building as defined in and governed by [Section 42\(c\)\(2\)](#) of the Code.

“Rehabilitation Costs” means with respect to a Project (1) the site costs, (2) the costs of complying with the construction requirements of other funding sources except those required by the Applicant, any Principal thereof or Affiliates of either, (3) contractor profit, overhead and general conditions, and (4) certain costs identified in the capital needs assessment required under Section 5.D.1. of the QAP, including (a) the cost of correcting all violations of applicable federal, state and local health, safety and building codes and correcting deferred maintenance, (b) the rehabilitation or replacement of all structures, systems, facilities and components that have reached or exceed their useful life or will reach their useful life within 5 years, (c) the cost of complying with MaineHousing’s Construction Standards, (d) the cost of complying with the most current accessibility requirements for new construction projects under applicable federal, state and local accessibility laws, regulations, standards and guidance, and (e) the remediation and disposal of any environmental or other hazards identified in environmental reports. Rehabilitation Costs do not include construction contingency, relocation costs, or other soft costs.

“Related Development” means any development of which the Project is a part or is related and the Project cannot be completed, either structurally or financially, without the completion of the development.

“RD” or “Rural Development” means the United States of America acting through the United States Department of Agriculture, Rural Housing Services.

“Safe Walking Distance” means a pedestrian route appropriate to the area, as determined by MaineHousing, with sidewalks, crosswalks and traffic signals at busy roads or intersections and year-round walkability, which includes being plowed during the winter.

“Section 8” means Section 8 of the United States Housing Act of 1937, [42 U.S.C. § 1437f](#), as may be amended.

“Service Center Community” means an entire municipality that provides jobs and retail to surrounding areas and is a center for education, health care, cultural, recreational and social services, designated pursuant to the Municipal Planning Assistance Program of the State’s Department of Agriculture, Conservation and Forestry as a Regional Service Center as of January 2013.

“State” means the State of Maine.

“State Ceiling” means the State’s housing credit ceiling established pursuant to [Section 42\(h\)\(3\)\(C\)](#) of the Code.

“Tax Increment Financing” means any type of tax increment financing, including without limitation an Affordable Housing TIF, a development district and development program approved by a municipality or a tax increment financing district approved by the State’s Department of Economic and Community Development pursuant to [30-A M.R.S.A., Chapter 206](#), as may be amended.

“TDC Index” means the calculation described in Section 5.C.

“TDC Index Cap” means the limit on Total Development Cost set forth in Section 5.C.

"Telehealth" means the use of interactive real-time visual and audio or other electronic media for the purpose of consultation and education concerning and diagnosis, treatment, care management, and self-management of a patient's physical and mental health and includes real-time interaction between the patient and the telehealth provider, synchronous encounters, asynchronous encounters, store and forward transfers and remote patient monitoring. Telehealth includes telephonic services when interactive telehealth services are unavailable or when a telephonic service is medically appropriate for the underlying covered service.

"Telemonitoring," means the use of information technology to remotely monitor a patient's health status via electronic means through the use of clinical data while the patient remains in a residential setting, allowing the provider to track the patient's health data over time. Telemonitoring may or may not take place in real time.

“Total Construction Cost” means the sum of site costs, costs of constructing or rehabilitating structures, systems, facilities, units and components, general requirements, bond premiums, and contractor overhead and profit as determined by MaineHousing.

“Total Development Cost” or “TDC” means Total Project Cost less (1) the fees required by MaineHousing in connection with the Credit, (2) the Project’s operating deficit account to the extent required by MaineHousing and (3) the costs associated with any commercial space developed in connection with the Project.

“Total Project Cost” means the sum of all costs associated with the development, construction and rehabilitation of a Project, as determined by MaineHousing. Total Project Cost includes, without limitation, acquisition costs, the Capitalized Lease Value of all leases of land and building(s), demolition costs, Total Construction Cost, construction contingency, costs associated with community service facilities included in the Eligible Basis of the Project, soft costs (such as permits, design and engineering fees, environmental reports, appraisals, market studies and legal fees), syndication costs, Net Developer Fee, financing costs and project reserves. Community service facilities are not considered commercial space for purposes of Total Project Cost.

“UPCS” means the Uniform Physical Conditions Standards established by HUD pursuant to [24 CFR § 5.703](#), as may be amended.

## APPENDIX B

### Pre-Application Submission Requirements

Applicants must submit a request for pre-application review and the following information to MaineHousing **at least 60 calendar days before the applicable Application deadline.**

1. A narrative description of the Project and any Related Development, including, the location, type of housing, total number of units by bedroom size, breakdown of required and/or pledged accessible units by type and location, total number of income-restricted units by bedroom size, proposed affordability, any existing affordability restrictions, any existing or proposed use restrictions, common areas and amenities at the Project, any community service facilities, any commercial space and other unique features of the Project.
2. Conceptual, Diagrammatic Site Plan and Conceptual Floor Plans and Conceptual Building Elevations in accordance with the requirements set forth in MaineHousing's *Quality Standards and Procedures Manual*.
3. The status of applicable federal, State and local land use approvals for the Project and any Related Development, and any site, subdivision and other plans for the Project and any Related Development that have been prepared for submission or have been submitted to applicable municipal, state and federal governmental entities.
4. Details about the parking for the Project, including the number, type and location of all on-site parking and off-site parking and the terms and conditions thereof.
5. An explanation and all supporting documentation for any exceptions from the requirement to provide a community room, laundry facilities, telemedicine facilities or area activities in accordance with Section 5.K of the QAP.
6. All available information about any known or suspected environmental conditions on the Project site and any Related Development or adjacent sites that may impact the Project site or any Related Development, including any environmental reports. To the extent feasible, identify any and all visible (both on and off-site) fuel oil and propane tanks and include them on the site plan.
7. A capital needs assessment for any existing housing that meets the requirements in Section 5.D. and Appendix C.
8. A conceptual construction estimate(s) prepared by a qualified general contractor or third-party estimator for the Project and any Related Development, including trade breakdowns in the form of a schedule of values and a reasonable estimating contingency, if applicable, with sufficient detail to demonstrate expected construction-related costs. All exclusions and qualifications, if any, must be clearly stated in the estimate. The estimate is to be the basis of the hard cost line items contained in the project underwriting without exception.
9. A projected development and operating budget(s) for the Project and any Related Development which must be submitted electronically in the format prescribed by MaineHousing.

## **APPENDIX C**

### **Capital Needs Assessment Requirements**

1. The assessment must include a site visit, an interview with the on-site property manager and maintenance personnel concerning prior and pending repairs and improvements and existing or chronic physical deficiencies, and a physical inspection of the interior and exterior of at least 20% of the units and all other structures, facilities, systems and components that will be part of the Project, including the following.

- a) Site, including without limitation topography, drainage, pavement, curbing, walkways, sidewalks, parking, accessible parking, accessible routes, landscaping, amenities, water, sewer, storm drainage, and all utility lines;
- b) Structural systems and components, both substructure and superstructure, including without limitation foundations, exterior walls, balconies, porches, and stairways, exterior doors and windows, chimneys and roofing;
- c) Interiors, including without limitation unit and common area finishes and substrata (e.g. flooring, underlayment, carpeting, plaster or drywall, wall coverings and paint condition), and unit and common area kitchen finishes, cabinets, countertops and appliances, and unit and common area bathroom finishes, fixtures and accessories, laundry facilities, and common area lobbies and corridors; and
- d) Building systems, including without limitation plumbing supplies and drainage, domestic hot water production, heating, ventilating and air-conditioning production and distributions systems, fuel storage and delivery systems, electrical power distribution and metering systems, lighting controls and fixtures, smoke, fire and any other alarm systems, fire protection systems, security systems, and elevators.

The capital needs assessment must specifically identify all structures, systems, facilities, units and components that were inspected and must include a concise overview of the physical and operational condition of the existing housing and a detailed assessment of the expected useful life and the remaining useful life of each structure, system, facility, unit and component inspected. The assessment must also consider the presence of environmental and other hazards, including without limitation, asbestos, lead paint, mold, water damage and insect infestations.

2. The capital needs assessment must include a recommended scope of work and a cost estimate to complete the scope of work that addresses the following capital needs of the Project, without consideration of financial feasibility:

- a) Correction of all violations of applicable federal, state and local building, health and life safety codes and correction of all deferred maintenance;
- b) Rehabilitation or replacement of all structures, systems, facilities, units and components that have reached or exceeded their useful lives or will reach their useful lives within 5 years;

- c) Rehabilitation of all units and common areas and facilities to bring them into compliance with MaineHousing's Construction Standards to the maximum extent feasible;
- d) Rehabilitation of the minimum number of units and all common areas and facilities that are necessary to comply with the most current requirements for new construction projects under applicable federal, state and local accessibility laws, regulations, standards and guidance (which include without limitation, [Section 504 of the Rehabilitation Act of 1973](#), HUD's housing regulations at [24 C.F.R. Part 8](#) and any accessibility standard designated by HUD; Title II and Title III of the Americans with Disabilities Act of 1990 and the 2010 Standards of Accessible Design; and if the Project involves substantial rehabilitation, the Maine Human Rights Act, the Maine Human Rights Commission's Chapter 8, Housing Regulations, and ANSI Standard A117.1-2009); and
- e) Remediation and disposal of any environmental or other hazards identified in the assessment.

3. The capital needs assessment must also identify any structures, systems, facilities, units and components with a remaining useful life of less than 30 years. The Application must include a plan for future rehabilitation or replacement of any identified structure, system, facility, unit and component with a useful life of less than 30 years that is not included in the scope of work for the Project, including possible funding sources, which will be considered in establishing the appropriate funding amounts for the Project's reserve accounts.

**APPENDIX D**  
**LOW INCOME HOUSING TAX CREDIT PROGRAM**  
**OWNER'S CERTIFICATE OF CONTINUING PROGRAM**  
**COMPLIANCE**

To: *MaineHousing*  
*353 Water Street*  
*Augusta, ME 04330-4633*

<b>Certification Dates:</b>	<b>From:</b> January 1, 20_____	<b>To:</b> December 31, 20_____	
<b>Project Name:</b>			<b>Project No:</b>
<b>Project Address:</b>		<b>City:</b>	<b>County:</b>
<b>Tax ID # of Ownership Entity:</b>			
<b>Building Identification Number(s):</b>	(1)	(2)	(3)
	(4)	(5)	(6)
	(7)	(8)	(9)
	(10)	(11)	(12)

- ☐ No buildings have been Placed in Service

☐ At least one building has been placed in Service but owner elects to begin credit period in the following year. If either of the above applies, please check the appropriate box, and proceed to page 2 to sign and date this form.

The undersigned\_\_\_\_\_on behalf of  
\_\_\_\_\_(the "Owner"), hereby certifies that:

1. The project meets the minimum requirements of: (check one)
 

☐ 20 - 50 test under [Section 42\(g\)\(1\)\(A\)](#) of the Code  
☐ 40 - 60 test under [Section 42\(g\)\(1\)\(B\)](#) of the Code  
☐ 15 - 40 test for "deep rent-skewed" projects under [Section 42\(g\)\(4\)](#) and [142\(d\)\(4\)\(B\)](#) of the Code
2. There has been **no change in the applicable fraction** (as defined in [Section 42\(c\)\(1\)\(B\)](#) of the Code) for any building in the project:
 

☐ **NO CHANGE**      ☐ **CHANGE**

If **"Change"**, list the applicable fraction to be reported to the IRS for each building in the project for the certification year on page 3:
3. The owner has received an annual Tenant Income Certification from each low-income resident and documentation to support that certification, or the owner has a re-certification waiver letter from the IRS in good standing, has received an annual Tenant Income Certification from each low-income resident, and documentation to support the certification at their initial occupancy.
 

☐ **YES**                      ☐ **NO**
4. Each low-income unit in the project has been rent-restricted under [Section 42\(g\)\(2\)](#) of the Code:
 

☐ **YES**                      ☐ **NO**
5. All low-income units in the project are and have been for use by the general public and used on a non-transient basis (except for transitional housing for the homeless provided under [Section 42 \(j\)\(3\)\(B\)\(iii\)](#) of the Code):
 

☐ **YES**                      ☐ **NO**                      ☐ **HOMELESS**
6. No finding of discrimination under the Fair Housing Act, [42 U.S.C 3601-3619](#), has occurred for this project. A finding of discrimination includes an adverse final decision by the Secretary of Housing and Urban Development (HUD), [24 CFR 180.680](#), an adverse final decision by a substantially equivalent state or local fair housing agency, [42 U.S.C 3616a\(a\)\(1\)](#), or an adverse judgment from a federal court:
 

☐ **NO FINDING**      ☐ **FINDING**

7. Each building in the project is and has been suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards), and the state or local government unit responsible for making building code inspections did not issue a report of a violation for any building or low income unit in the project:  
☐ YES ☐ NO  
 If "No", state nature of violation on page 3 and attach a copy of the violation report as required by [26 CFR 1.42-5](#) and any documentation of correction.
8. Each building and all FedHome (HOME) assisted units are suitable for occupancy, taking into account State and local health, safety, and other applicable codes, ordinances, and requirements, and the ongoing property standards established by the participating jurisdiction (MaineHousing) to meet the requirements of [24 CFR, Part 92, HOME Investment Partnership Program, Section 92.251](#).  
☐ YES ☐ NO ☐ N/A
9. There has been **no change in the eligible basis** (as defined in [Section 42\(d\)](#) of the Code) of any building in the project since last certification submission:  
☐ NO CHANGE ☐ CHANGE  
 If "Change", state nature of change (e.g., a common area has become commercial space, a fee is now charged for a tenant facility formerly provided without charge, or the project owner has received federal subsidies with respect to the project which had not been disclosed to the allocating authority in writing) on page 3:
10. All tenant facilities included in the eligible basis under Section 42(d) of the Code of any building in the project, such as swimming pools, other recreational facilities, parking areas, washer/dryer hookups, and appliances were provided on a comparable basis without charge to all tenants in the buildings:  
☐ YES ☐ NO
11. If a low-income unit in the project has been vacant during the year, reasonable attempts were or are being made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualifying income before any units were or will be rented to tenants not having a qualifying income:  
☐ YES ☐ NO
12. If the income of tenants of a low-income unit in any building increased above the limit allowed in [Section 42\(g\)\(2\)\(D\)\(ii\)](#) of the Code, the next available unit of comparable or smaller size in that building was or will be rented to residents having a qualifying income:  
☐ YES ☐ NO
13. Project complies with an extended low-income housing commitment as described in [Section 42\(h\)\(6\)](#) (not applicable to buildings with tax credits from years 1987-1989):  
☐ YES ☐ NO ☐ N/A
14. In the prior 12 month period the owner has not:  
 a) evicted a tenant in a low income unit for other than good cause,  
 b) terminated the tenancy of a tenant in a low income unit, including without limitation, non-renewal of the lease of an existing tenant in a low income unit, for other than good cause, or  
 c) increased the gross rent of a tenant with respect to a low income unit not otherwise permitted under [Section 42](#) of the Code  
☐ YES ☐ NO ☐ N/A
15. ☐ The project complies with the requirements of all applicable Federal and State Housing Programs included in the development (e.g., Rural Housing Services, HOME, HUD Section 8, or Tax-Exempt Bonds).
16. ☐ The project has not received notice of any violation of applicable building codes.
17. The owner received its credit allocation from the portion of the state ceiling set-aside for a project involving "qualified non-profit organizations" under [Section 42\(h\)\(5\)](#) of the Code and its non-profit entity materially participated in the operation of the development within the meaning of [Section 469\(h\) of the Code](#).  
☐ YES ☐ NO ☐ N/A
18. There has been no change in the ownership or management of the project:  
☐ NO CHANGE ☐ CHANGE  
 If "Change", complete page 3 detailing the changes in ownership or management of the project.

**Note: Failure to complete this form in its entirety will result in noncompliance with program requirements. In addition, any individual other than an owner or general partner of the project is not permitted to sign this form, unless permitted by the state agency.**

The project is otherwise in compliance with the Code, including any Treasury Regulations, the applicable State Allocation Plan, and all other applicable laws, rules and regulations. This Certification and any attachments are made UNDER PENALTY OF PERJURY.

\_\_\_\_\_  
(Ownership Entity)

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**PLEASE EXPLAIN ANY ITEMS THAT WERE ANSWERED  
"NO", "CHANGE" OR "FINDING"  
ON QUESTIONS 1-18.**

Question #	Explanation

**CHANGE IN MANAGEMENT CONTACT**

Date of Change:	
Management Co. Name:	
Management Address:	
Management city, state, zip:	
Management Contact:	
Management Contact phone:	
Management Contact Fax:	
Management Contact Email:	

**CHANGES IN OWNERSHIP OR MANAGEMENT**  
(to be completed **ONLY** if "CHANGE" marked for question 18 above)

**TRANSFER OF OWNERSHIP**

Date of Change:	
Taxpayer ID Number:	
Legal Owner Name:	
Address:	
Phone:	
General Partnership:	
Status of Partnership (LLC, etc):	

**CHANGE IN OWNER CONTACT**

Date of Change:	
Owner Contact:	
Owner Contact Phone:	
Owner Contact Fax:	
Owner Contact Email:	



## Finance Department Memorandum

To: Board of Commissioners

From: Darren R. Brown

Date: April 9, 2019

Subject: 2018 Financial Results and Audit Review

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At the April meeting we will review MaineHousing's 2018 financial results. Information presented in the 2018 audited financial statements will be presented and reviewed. We will also review the final budget results for the year ended December 31, 2018.

Carl Chatto, Principal, and Jason Emery, Managing Director, from Baker Newman & Noyes will be present at the meeting to review their audit work and to answer any questions. For your review, please find enclosed the following information:

- 2018 Budget Report - This report presents the budget results for the year and provides an overview of each budget attachment. It also summarizes the major variances between budget and actual amounts.
- December 31, 2018 Audited Financial Statements - The Independent Auditors' Report, **pages 1 – 2**, that accompanies the financial statements contains an unmodified/unqualified opinion. This is also referred to as a "clean opinion" and means that the financial statements were properly prepared and are presented in accordance with Generally Accepted Accounting Principles.

The Management's Discussion and Analysis (MD&A) section of the financial statements, **pages 3 – 11**, provides an overview of the structure and presentation of the financial statements. The MD&A also summarizes the financial highlights and provides an analysis of the financial activities for the year.

The Auditors' Report on Internal Controls and Compliance is presented on **pages 48 – 49**. This report states that the audit did not identify any significant deficiencies or material weaknesses with MaineHousing's internal controls or disclose any instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

- The Auditor's Communication with those charged with Governance report – The auditors are required to communicate certain matters to the Board. This report summarizes the auditor's responsibilities regarding the audit as well as certain observations arising from the audit.
- Audit Management Letter – This reports certain audit observations and recommendations for internal control improvements. The letter includes two recommendations for enhancing security in the area of information technology. MaineHousing's responses to each recommendation are included in the letter.

We look forward to discussing MaineHousing's 2018 financial performance and audit results at our next meeting.



## Finance Department Memorandum

To: Board of Commissioners

From: Darren R. Brown

Date: April 9, 2019

Subject: Budget Report – December 31, 2018

---

Attached are the budget results for the year ended December 31, 2018. The following is a summary of each attachment:

### CONSOLIDATED OPERATING REVENUES AND EXPENSES BUDGET

MaineHousing has two primary business segments, which consist of mortgage lending activities and the administration of federal and other programs. All operating and program administrative costs are paid by either the net interest income from mortgage lending activities or the fee income received for the administration of federal and other programs. **Attachment A** presents the revenues available to pay operational and administrative costs as well as all related expenses.

#### Revenues

Total operating revenues were budgeted at \$74.5 million. Total actual revenues amounted to \$76.1 million and were above budget by \$1.6 million or 2%. The additional revenues are due primarily to higher interest income from mortgage and non-mortgage investments.

Interest income from mortgages was \$0.9 million above budget mainly because single-family loan production exceeded budget projections. Interest income from non-mortgage investments exceeded the budget by \$2 million due to higher than projected short-term interest rates over the course of the year. Fee income was under budget by \$1.3 million due primarily to lower fees from multifamily loan and low income housing tax credits originations.

#### Expenses

Total operating and program administrative expenses were budgeted at \$66 million. Total actual expenses amounted to \$67.4 million and were over budget by \$1.4 million or 2%. The overage is attributed to higher interest expense, which was over budget by \$2 million. The amount of bonds issued during the year were in excess of projections due to the higher than projected single-family loan production activity.

Operating and program administrative expenses were below budget by a combined amount of approximately \$0.6 million. An itemized listing of these expenses are presented on **Attachment B** and explanations for the larger variances are provided on the next page.

#### Excess Revenues Over Expenses

Operating revenues exceeded expenses for the year by \$8.7 million, which was \$0.2 million or 2% higher than the budget amount.

## OPERATING & OTHER PROGRAM ADMINISTRATIVE EXPENSES BUDGET

### Operating Expenses

Operating expenses were budgeted at approximately \$17.9 million for 2018. Total actual operating expenses amounted to \$17.2 million and were under budget by \$0.7 million or 4%. Operating expenses were under budget due primarily to the following:

- Salaries and benefits (lines 1 - 5) were below budget by a combined amount of approximately \$391,000. There were a number of positions that turned over during the year and some were vacant for an extended period. Position turnovers increased from approximately 11% in 2017 and 2016 to 18% in 2018. There were also a number of internal promotions that created additional vacancies during the year. The tight job market also increased the period of time it took to fill vacant positions. As a result, total full-time equivalents were under budget by approximately four positions.
- Staff education and trainings (lines 11 and 12) were under budget by approximately \$172,000. Staff education and training was also impacted by position turnovers and vacancies and staff did not acquire trainings, attend conferences or take college courses to the level planned and budgeted.
- Computer maintenance (line 23) was over budget by approximately \$49,000. The maintenance and technical support contract for the new Hancock LIHEAP system acquired in 2018 exceeded the budget estimate by approximately \$50,000.
- Depreciation (line 24) was under budget by approximately \$112,000. Depreciation is based on capital expenditures and when capital items are acquired and placed into service. There were several capital projects budgeted for 2018 that were either not acquired, were acquired later than initially planned or were acquired and not placed into service in 2018 (refer to Capital Budget section below).
- Insurance (line 28) was under budget by approximately \$24,000 and is attributed primarily to the following: Premiums for worker compensation totaled \$33,000 for the year, which was \$13,000 below the budget amount. Also, MaineHousing directly pays unemployment insurance claims and total payments were below budget by approximately \$11,000.
- Property expenses – new office building (line 32) were under budget by approximately \$22,000. Actual expenses for fuel, electricity and insurance were below budget estimates.

### Other Program Administrative Expenses

Other Program Administrative expenses were budgeted at \$8.5 million and actual expenses amounted to approximately \$8.6 million. Expenses were over budget by \$128,000 due primarily to the following:

- Loan foreclosure, REO and provisions for losses on loans and REO's (lines 1-2 and 4) were under budget by a combined amount of \$124,000 due to a continuing improvement with the performance of the single-family loan portfolio and a decrease in delinquent loans and foreclosure activity in 2018.
- Loan origination expenses (line 5) were over budget by \$700,000. Origination fees are paid on a sliding scale based on delivery time and whether or not servicing rights are released. Both the average fees paid and the volume of single-family loans originated in 2018 were higher than projected.
- Variable rate bond remarketing/liquidity facilities (line 10) was under budget by \$155,000. Certain Standby Purchase Agreements were restructured during the year at lower rates, which reduced ongoing cost.

- Section 8 security deposits/landlord incentives (line 14) were under budget \$180,000. The budget included approximately \$170,000 to fund several initiatives associated with the Section 8 HCV program. However, certain grant revenues were used instead and related expenditures were recorded as grant expenses.

## **CAPITAL BUDGET**

The Capital Budget, **Attachment C**, presents items that provide an economic benefit to MaineHousing over a period of time. Items are recorded as assets and depreciated over an estimated useful life. The total authorized capital budget for 2018 was approximately \$8.2 million and actual expenditures were \$2.9 million.

The acquisition of property and development costs associated with the new office building was budgeted at \$7.6 million and represented 93% of the capital budget for 2018. Renovation work on the building did not occur in accordance with the initial preliminary timeline. Actual expenditures amounted to \$2.6 million and were \$5.1 million under budget. Most of the building renovation work and related expenditures will occur in 2019 and have been included in the 2019 Capital Budget.

The budget also included \$50,000 for an EHS program tracking database and \$130,000 for replacing the agency's phone system. It was determined that the program tracking database was not needed as planned and replacement of the phone system was deferred to 2019.

**MAINE STATE HOUSING AUTHORITY  
CONSOLIDATED OPERATING REVENUES AND EXPENSES BUDGET  
FOR THE YEAR ENDED DECEMBER 31, 2018**

*(IN THOUSANDS OF DOLLARS)*

	<b>Total Budget</b>	<b>Total Actual</b>	<b>\$ Variance Under(Over)</b>	<b>% Variance Under(Over)</b>
<b>REVENUES:</b>				
Interest from mortgages and notes	58,855	59,709	(854)	(1%)
Income from investments	5,437	7,383	(1,946)	(36%)
Fee income	10,002	8,660	1,342	13%
Other revenue	208	340	(132)	(63%)
Total Revenues	74,502	76,092	(1,590)	(2%)
<b>EXPENSES:</b>				
Operating expenses	17,948	17,199	749	4%
Other program administrative expenses	8,475	8,604	(129)	(2%)
Interest expense	39,600	41,621	(2,021)	(5%)
Total Expenses	66,023	67,424	(1,401)	(2%)
<b>Excess Revenues Over Expenses</b>	<b>8,479</b>	<b>8,668</b>	<b>(189)</b>	<b>(2%)</b>

**MAINE STATE HOUSING AUTHORITY  
OPERATING AND OTHER PROGRAM ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

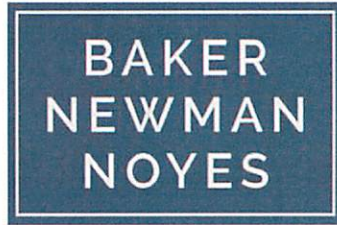
**ATTACHMENT B**

	<b>Total Budget</b>	<b>Total Actual</b>	<b>\$ Variance Under(Over)</b>	<b>% Variance Under(Over)</b>
<b>Operating Expenses</b>				
1. Salaries	9,644,410	9,478,584	165,826	2%
2. Payroll Taxes	701,536	694,718	6,818	1%
3. Medical and Life Insurance	2,808,850	2,636,773	172,077	6%
4. Retirement	935,800	894,302	41,498	4%
5. Other Fringe Benefits	16,000	11,416	4,584	29%
6. Office Supplies	58,130	53,706	4,424	8%
7. Printing	82,450	81,405	1,045	1%
8. Membership and Dues	56,001	49,672	6,329	11%
9. Subscriptions	19,907	16,165	3,742	19%
10. Sponsorships	10,500	11,000	(500)	(5%)
11. Staff Educ/Train/Conf	253,623	126,587	127,036	50%
12. Travel/Meals - Staff Educ/Train/Conf	141,713	96,676	45,037	32%
13. Partner/Client Train/Meetings	36,100	47,263	(11,163)	(31%)
14. Travel/Meals - Partner/Client Training	91,335	94,907	(3,572)	(4%)
15. Staff Events	16,800	10,812	5,988	36%
16. Meals - Staff Events	22,450	18,969	3,481	16%
17. Leased Vehicles	121,907	123,788	(1,881)	(2%)
18. Computer Supplies	77,000	67,039	9,961	13%
19. Computer License SAAS	97,757	107,875	(10,118)	(10%)
20. Building Rent & Utilities	824,655	812,579	12,076	1%
21. Rent-Other	34,530	25,305	9,225	27%
22. Repairs and Maintenance	53,470	50,697	2,773	5%
23. Computer Maintenance	575,135	623,824	(48,689)	(8%)
24. Depreciation	370,000	258,378	111,622	30%
25. Telephone	78,700	63,531	15,169	19%
26. Employment Advertising	3,700	3,634	66	2%
27. Postage and Shipping	89,860	82,121	7,740	9%
28. Insurance	102,493	78,740	23,753	23%
29. Recording Fees	500	516	(16)	(3%)
30. Payroll Services	25,921	23,490	2,431	9%
31. Audit Services	151,340	146,400	4,940	3%
32. Property Expenses - New Office Building	63,400	40,990	22,410	35%
33. Professional Services	382,138	367,564	14,574	4%
<b>Total Operating Expenses</b>	<b>17,948,111</b>	<b>17,199,423</b>	<b>748,688</b>	<b>4%</b>
<b>Other Program Administrative Expenses</b>				
1. Loan foreclosure expenses	500,000	477,183	22,817	5%
2. REO expenses	105,000	42,683	62,317	59%
3. Provision for losses on loans & REOs	300,000	260,824	39,176	13%
4. Mortgage Servicing fees	1,625,000	1,604,191	20,809	1%
5. Loan Origination expenses	2,050,000	2,749,602	(699,602)	(34%)
6. Bond Issuance Costs	780,000	721,069	58,931	8%
7. Trustee/Bank fees	162,000	160,989	1,011	1%
8. Program advertising/printing	159,660	125,416	34,244	21%
9. Bond and mortgagee insurance	13,000	17,299	(4,299)	(33%)
10. Variable rate bond remarket/liquidity facilities	1,410,000	1,255,600	154,400	11%
11. Cash flow/arbitrage/swap consultants/legal	481,000	539,374	(58,374)	(12%)
12. Homebuyer education	95,000	89,850	5,150	5%
13. Program administrator fees	535,192	480,746	54,446	10%
14. Section 8 security deposits/landlord incentives	259,400	78,854	180,546	70%
<b>Total Other Program Administration Expenses</b>	<b>8,475,252</b>	<b>8,603,680</b>	<b>(128,428)</b>	<b>(2%)</b>

**MAINE STATE HOUSING AUTHORITY  
CAPITAL BUDGET  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**ATTACHMENT C**

<b>Description</b>	<b>Total Budget</b>	<b>Total Actual</b>	<b>\$ Variance Under(Over)</b>	<b>% Variance Under(Over)</b>
<b>Computer Hardware:</b>				
DMZ (demilitarized zone) server replacements (2)	15,000	9,986	5,014	
KVM (keyboard, video, monitor) switch replacements (2)	3,000	0	3,000	
Backup server replacement (1)	10,000	8,942	1,058	
Network UPS (uninterruptible power supply) replacements (3)	15,000	13,629	1,371	
Phone system replacement - hardware	30,000	0	30,000	
Web security gateway replacement	5,000	0	5,000	
Printer replacements (2)	3,000	0	3,000	
Total computer hardware	<u>81,000</u>	<u>32,557</u>	<u>48,443</u>	<u>40%</u>
<b>Computer Software:</b>				
SIEM - network log management software	15,000	5,975	9,025	
Phone system replacement - software/licensing	100,000	0	100,000	
Faxing software	5,000	0	5,000	
Single Family loan servicing system modifications	10,000	0	10,000	
Emphasys (AOD) QuickReports	78,750	50,920	27,830	
Section 8 HCV Elite system modifications	10,000	0	10,000	
Section 8 HCV Elite system- HSQ Touch inspection software	4,000	3,240	760	
Section 8 HCV Elite Waiting List software	0	13,000	(13,000)	
Section 8 HCV Elite Rent Reasonableness	0	3,960	(3,960)	
MERAC replacement - LIHEAP	200,000	244,500	(44,500)	
EHS program tracking database	50,000	0	50,000	
HMIS System (Sitefinity License)	0	9,999	(9,999)	
International Code Council - Construction Reference Material	0	3,156	(3,156)	
Total computer software	<u>472,750</u>	<u>334,750</u>	<u>138,000</u>	<u>71%</u>
<b>Office Equipment:</b>				
MFD (multi-function device) replacement	11,000	9,950	1,050	
Desktop scanners (5)	7,500	2,357	5,143	
Video camera and microphone	3,000	2,354	646	
Thermal Imaging Camera-Weatherization	0	6,092	(6,092)	
Total office equipment	<u>21,500</u>	<u>20,754</u>	<u>746</u>	<u>97%</u>
<b>Director's Vehicle:</b>	<u>0</u>	<u>28,615</u>	<u>(28,615)</u>	<u>n/a</u>
<b>Office Building &amp; Land: - Acquisition/Rehab</b>	<u>7,593,000</u>	<u>2,523,719</u>	<u>5,069,281</u>	<u>33%</u>
<b>Total</b>	<u><u>8,168,250</u></u>	<u><u>2,940,395</u></u>	<u><u>5,227,855</u></u>	<u><u>36%</u></u>



## **Maine State Housing Authority**

Basic Financial Statements,  
Management's Discussion and Analysis  
and Required Supplementary Information

Year Ended December 31, 2018

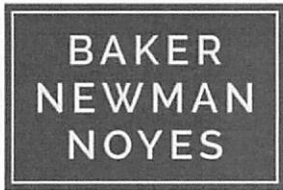
# **MAINE STATE HOUSING AUTHORITY**

## **FINANCIAL STATEMENTS**

For the Year Ended December 31, 2018

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## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Maine State Housing Authority

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Maine State Housing Authority (MaineHousing), a component unit of the State of Maine, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise MaineHousing's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of MaineHousing, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matter – Required Supplementary Information***

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2019 on our consideration of MaineHousing's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MaineHousing's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MaineHousing's internal control over financial reporting and compliance.

*Baker Newman & Noyes LLC*  
Portland, Maine  
March 25, 2019

**Maine State Housing Authority  
Management's Discussion and Analysis  
December 31, 2018**

Management's discussion and analysis provides an overview of the Maine State Housing Authority's (MaineHousing) financial activities for the year ended December 31, 2018. It should be read in conjunction with the audited financial statements and accompanying notes.

**FINANCIAL HIGHLIGHTS**

- MaineHousing's net position increased by \$12.9 million to \$343 million as a result of program operations and financing activities. The net position of the proprietary funds, which present MaineHousing's business-type activities, increased \$7.4 million while the net position of governmental activities increased \$5.5 million.
- Mortgage receivables increased by \$93 million or 7.2% to \$1.39 billion primarily due to higher single-family mortgage loan purchases and a reduction in mortgage loan prepayments. Single-family mortgage loan purchases amounted to an all-time high volume of \$160 million for the year and increased by \$21.2 million or 15.3% compared to 2017. Prepayments decreased by \$27.4 million or 29.3%.
- Single-family mortgage loan delinquency rates and foreclosures decreased in 2018 for the third consecutive year. The rate for loans 60 days or more delinquent decreased from 3.72% to 3.07%. This rate was 8.18% at the start of 2016 and has decreased by 62.5% over the past three years. The volume of foreclosed loans decreased by \$3.6 million or 42.9%; from \$8.4 million to \$4.8 million.
- Total revenues from federal programs increased by \$10.1 million or 7% to \$153.4 million due principally to higher income from the U.S. Department of Health and Human Services for the Low Income Home Energy Assistance Program (LIHEAP). Total revenues for the LIHEAP program increased by \$9 million or 26.5% to \$42.8 million.

**OVERVIEW OF MAINEHOUSING**

MaineHousing was created in 1969 by an Act of the Maine State Legislature and is a public corporation and government instrumentality of the State of Maine. MaineHousing was established to assist in the financing, development, and rehabilitation of housing in Maine for persons and families of low and moderate income. In this capacity, MaineHousing is authorized to issue bonds for the purchase or origination of notes and mortgages on single-family and multi-family residential properties.

MaineHousing also acts as an agent for the State of Maine in administering various federal housing and energy related programs. These programs are funded through grants and program agreements with the federal government's departments of Housing and Urban Development, Energy, and Health and Human Services, as well as capital and operating subsidies from MaineHousing's own funds.

MaineHousing is a component unit of the State of Maine and receives certain appropriations from the Maine State Legislature, all of which are used in connection with specified housing and energy related programs.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

MaineHousing's financial statements consist of three parts – this management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include agency-wide financial statements, fund financial statements, and notes to the financial statements.

- Agency-wide financial statements provide information about MaineHousing's overall financial position and operations. These statements, which are presented using the accrual basis of accounting, consist of the Statement of Net Position and the Statement of Activities.
- Fund financial statements of MaineHousing include its major proprietary funds, which operate similarly to private-sector businesses, and governmental funds, which consist of activities that are funded from federal grants and state appropriations.

**Maine State Housing Authority  
Management's Discussion and Analysis  
December 31, 2018**

- The basic financial statements include notes to financial statements that provide additional information and explain some of the information in the agency-wide and fund financial statements.
- The required supplementary information presents historical pension information.

The remainder of this overview section of the management's discussion and analysis explains the structure and contents of each of these statements.

**Agency-wide Statements**

Agency-wide statements report information about MaineHousing as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position presents MaineHousing's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The Statement of Activities presents current year revenues and expenses.

The two agency-wide statements report MaineHousing's net position and results of operations. Net position is one measure of MaineHousing's financial health and position. Agency-wide financial statements are divided into two categories:

- *Business-type activities* – MaineHousing's business-type activities consist of providing mortgage financing on single-family and multi-family residential properties. These activities are funded primarily through the issuance of bonds.
- *Governmental activities* – MaineHousing administers various state and federal housing and energy related programs. These activities are financed by grant and program agreements with the federal government and appropriations from the Maine State Legislature.

**Fund Financial Statements**

The fund financial statements provide more detailed information about MaineHousing's most significant funds and not MaineHousing as a whole. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. MaineHousing has two kinds of funds:

- *Proprietary funds* – MaineHousing's business-type activities are in its proprietary funds and they are accounted for in a manner similar to businesses operating in the private sector. Funding is primarily through the issuance of bonds, the proceeds of which are mainly used to make various types of loans to finance low and moderate-income housing. The net positions of these funds represent accumulated earnings since their inception and interest rate subsidy amounts contributed from governmental funds. Amounts in the funds are generally restricted for program purposes.
- *Governmental funds* – MaineHousing has four major and several other governmental funds. MaineHousing is the administrator of these funds, the revenues of which are appropriated to MaineHousing for making housing and energy related grants and loans. These fund statements focus on how cash and other financial assets flowing into the funds have been used. A substantial portion of the fund balances for these funds consist of investments reserved for grants or making mortgage loans.

**Maine State Housing Authority  
Management's Discussion and Analysis  
December 31, 2018**

**AN OVERVIEW OF MAINEHOUSING'S FINANCIAL POSITION AND OPERATIONS**

MaineHousing's financial position and operations are summarized on the following pages for the years ended December 31, 2018 and 2017 based on the information included in the financial statements.

Statement of Net Position  
(in millions of dollars)

	<b>Business-type Activities</b>		<b>Governmental Activities</b>		<b>Total</b>		<b>Total Percentage Change</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	
Cash and investments	\$367.6	\$402.2	\$33.1	\$35.1	\$400.7	\$437.3	(8.4%)
Mortgage and other notes receivable	1,358.2	1,266.3	30.2	29.1	1,388.4	1,295.4	7.2%
Other assets	13.7	11.6	9.9	7.4	23.6	19.0	24.2%
<b>Total Assets</b>	<b>1,739.5</b>	<b>1,680.1</b>	<b>73.2</b>	<b>71.6</b>	<b>1,812.7</b>	<b>1,751.7</b>	<b>3.5%</b>
<b>Total Deferred Outflows of Resources</b>	<b>9.4</b>	<b>13.2</b>	<b>0.2</b>	<b>0.2</b>	<b>9.6</b>	<b>13.4</b>	<b>(28.4%)</b>
Bonds and notes payable	1,425.5	1,371.7	29.4	32.6	1,454.9	1,404.3	3.6%
Other Liabilities	15.2	20.0	8.1	8.3	23.3	28.3	(17.7%)
<b>Total Liabilities</b>	<b>1,440.7</b>	<b>1,391.7</b>	<b>37.5</b>	<b>40.9</b>	<b>1,478.2</b>	<b>1,432.6</b>	<b>3.2%</b>
<b>Total Deferred Inflows of Resources</b>	<b>0.8</b>	<b>1.6</b>	<b>0.3</b>	<b>0.8</b>	<b>1.1</b>	<b>2.4</b>	<b>(54.2%)</b>
Investment in capital assets	3.2	0.6	0.0	0.0	3.2	0.6	433.3%
Restricted	272.5	265.9	35.6	30.1	308.1	296.0	4.1%
Unrestricted	31.7	33.5	0.0	0.0	31.7	33.5	(5.4%)
<b>Total Net Position</b>	<b>\$307.4</b>	<b>\$300.0</b>	<b>\$35.6</b>	<b>\$30.1</b>	<b>\$343.0</b>	<b>\$330.1</b>	<b>3.9%</b>

Total assets at December 31, 2018 were \$1.81 billion, an increase of \$61 million or 3.5% from December 31, 2017. The change in assets consisted primarily of a \$93 million net increase to mortgage notes receivables. Other assets increased by \$4.6 million or 24.2% mainly due to the acquisition and development of property for an office building for MaineHousing and several multi-family residential properties being held for sale.

Total deferred outflows of resources, which consist of the accumulated decrease in the fair value of interest rate swaps and deferred amounts associated with debt refundings and pension expenses, decreased \$3.8 million or 28.4%. The decrease is attributed to improvements in fair values for interest rate swap contracts and reductions in deferred debt refunding and pension amounts.

Total liabilities at December 31, 2018 were \$1.48 billion, an increase of \$45.6 million or 3.2% from December 31, 2017. The increase in liabilities is due principally to higher outstanding bonds and notes payable, which increased by \$50.6 million to \$1.45 billion at December 31, 2018. Other liabilities decreased \$5 million or 17.7% due to the increase in the fair value of interest rate swaps contracts, which reduced the related liability, a reduction in pension liability and payables for undisbursed loan proceeds.

Total deferred inflows of resources, which represent deferred amounts associated with grant income and pension credits decreased \$1.3 million or 54.2% due to a reduction in outstanding pension credits.

**Maine State Housing Authority  
Management's Discussion and Analysis  
December 31, 2018**

***Cash and Investments***

Total cash and investments decreased by \$36.6 million or 8.4%. Certain investments were used to retire outstanding debt during the year and there was also a reduction in the amount of undisbursed bonds proceeds that were invested at December 31, 2018. MaineHousing's investment portfolio is comprised of securities of the U.S. Government, certain Federal agencies, the State of Maine, certificates of deposit, or repurchase agreements and money market funds that are secured by such securities. Investments are carried at fair value and unrealized gains and losses due to fluctuations in market values are recognized in revenues. In 2018, the fair value of investments decreased and MaineHousing recognized \$2.7 million of unrealized losses compared with \$0.3 million of unrealized gains in 2017.

***Mortgage and Other Notes Receivable***

Total net mortgages and other notes receivable increased \$93 million or 7.2% in 2018. MaineHousing's mortgage purchases and originations in its bond programs of \$197.1 million in 2018 were lower by \$17.6 million or 8.2% compared with 2017. Single-family loan purchases increased by \$21.2 million and multi-family loan origination decreased by \$38.8 million in 2018.

The receipt of \$34.1 million in scheduled mortgage loan repayments decreased from the previous year's level of \$41.7 million. The decrease in scheduled payments is due to fewer receipts from multifamily loans with short terms. Mortgage loan prepayments significantly decreased in 2018 by \$27.4 million or 29.3% to a total of \$66.1 million.

Foreclosures totaled \$4.8 million in 2018, which is a decrease of \$3.6 million or 42.9% from 2017. Improvement with the economy and lower unemployment rates have contributed to the reduction in foreclosures. The development and implementation of programmatic and outreach initiatives with borrowers in recent years has also helped to lower foreclosures. MaineHousing's allowance for loan losses at December 31, 2018 amounted to \$8.9 million, which is nearly unchanged from 2017.

***Bonds and Notes Payable***

Bonds and notes payable increased \$50.6 million or 3.6% in 2018. MaineHousing issues bonds or notes as capital is needed for program purposes and as opportunities for economic refunding occur. For additional details, see the Debt Activity section of the Management's Discussion and Analysis.

**Maine State Housing Authority  
Management's Discussion and Analysis  
December 31, 2018**

***Net Position***

MaineHousing's net position increased by \$12.9 million or 3.9% to \$343 million at December 31, 2018. The net position of the proprietary funds, which present MaineHousing's business-type activities, increased \$7.4 million to \$307.4 million and the net position for governmental activities increased by \$5.5 million to \$35.6 million.

MaineHousing's business activities are in the proprietary funds and are dissimilar to the activities in the governmental funds. The results of operations for both MaineHousing's proprietary and governmental funds are presented on the following table for the years ended December 31, 2018 and 2017:

Agency-wide Changes in Net Position  
(in millions of dollars)

	<b>2018</b>	<b>2017</b>	<b>Increase/(Decrease)</b>	
			<b>Amount</b>	<b>Percentage</b>
<b>Revenues:</b>				
Interest from mortgages and notes	\$59.8	\$57.6	\$2.2	3.8%
Income from investments	7.8	5.1	2.7	52.9%
Net increase (decrease) in fair value of investments	(2.7)	0.3	(3.0)	n/a
Grants and subsidies	167.2	162.1	5.1	3.1%
Other	9.3	9.3	0.0	0.0%
Total revenues	<u>241.4</u>	<u>234.4</u>	<u>7.0</u>	3.0%
<b>Expenses:</b>				
Operating and other program expenses	24.3	26.1	(1.8)	(6.9%)
Provision for losses on loans and foreclosed real estate	0.3	(0.9)	1.2	n/a
Interest expense	42.7	40.1	2.6	6.5%
Grants and subsidies	161.2	149.9	11.3	7.5%
Total expenses	<u>228.5</u>	<u>215.2</u>	<u>13.3</u>	6.2%
Increase in net position	12.9	19.2	(6.3)	(32.8%)
Net position at beginning of year	<u>330.1</u>	<u>310.9</u>	<u>19.2</u>	6.2%
Net position at end of year	<u>\$343.0</u>	<u>\$330.1</u>	<u>\$12.9</u>	3.9%

Changes in business-type and governmental activities are explained in the following Results of Operations sections.

**Maine State Housing Authority  
Management's Discussion and Analysis  
December 31, 2018**

**RESULTS OF OPERATIONS**

*Proprietary Funds Results*

The net position of MaineHousing's proprietary funds amounted to \$307.4 million at December 31, 2018 and increased by \$7.4 million. The following table summarizes the Statement of Revenues, Expenses and Changes in Net Position of MaineHousing's proprietary funds for the years ended December 31, 2018 and December 31, 2017:

Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position (in millions of dollars)				
	<u>2018</u>	<u>2017</u>	<u>Increase/(Decrease)</u> <u>Amount</u>	<u>Percentage</u>
<b>Operating revenues:</b>				
Interest from mortgages and notes	\$59.7	\$57.5	\$2.2	3.8%
Income from investments	7.3	4.9	2.4	49.0%
Net increase (decrease) in fair value of investments	(2.7)	0.3	(3.0)	n/a
Fee income	1.2	2.1	(0.9)	(42.9%)
Other revenue	0.3	0.3	0.0	0.0%
Total revenues	<u>65.8</u>	<u>65.1</u>	<u>0.7</u>	1.1%
<b>Operating expenses:</b>				
Operating expenses	9.6	10.2	(0.6)	(5.9%)
Other program administrative expenses	6.2	6.6	(0.4)	(6.1%)
Mortgage servicing fees	1.6	1.5	0.1	6.7%
Provision for losses on loans	0.1	(0.9)	1.0	n/a
Losses on foreclosed real estate	0.2	0.0	0.2	n/a
Interest expense	41.6	38.9	2.7	6.9%
Excess arbitrage	0.0	0.9	(0.9)	n/a
Total expenses	<u>59.3</u>	<u>57.2</u>	<u>2.1</u>	3.7%
<b>Net Operating income</b>	6.5	7.9	(1.4)	(17.7%)
Transfers in	0.9	1.6	(0.7)	(43.8%)
Change in net position	7.4	9.5	(2.1)	(22.1%)
Net position at beginning of year	<u>300.0</u>	<u>290.5</u>	<u>9.5</u>	3.3%
Net position at end of year	<u>\$307.4</u>	<u>\$300.0</u>	<u>\$7.4</u>	2.5%

Operating revenues of MaineHousing's business-type activities are generated principally from earnings on mortgages and investments. Total revenues from interest earned from mortgages, notes and non-mortgage investments amounted to \$67 million in 2018. Operating expenses of MaineHousing's business-type activities consist primarily of interest expense on debt incurred to fund its various lending programs. The expenses for business-type activities totaled \$59.3 million, of which \$41.6 million or 70.2% was interest expense.

The 2018 financial results and net position of MaineHousing's proprietary funds were significantly affected by the following:

- Interest earned on mortgages and notes increased by \$2.2 million or 3.8% due to higher average outstanding mortgage receivable balances.

**Maine State Housing Authority  
Management's Discussion and Analysis  
December 31, 2018**

- Income from investments increased \$2.4 million or 49% due primarily to higher short-term interest rates.
- Interest rate changes during the year generated an unrealized loss on investments of \$2.7 million. This represents a decrease of \$3 million compared with the unrealized gain of \$0.3 million that was recognized in 2017.
- Operating expenses decreased by \$0.6 million or 5.9% due to the recognition of a pension credit and other program administrative expenses decreased by \$0.4 million or 6.1% due mainly to lower expenses for foreclosures and real estate owned properties.
- The provision for losses on loans and losses on foreclosed real estate increased by a combined total of \$1.2 million. In 2017, the allowance for loan losses was reduced by \$1 million. A similar reduction was not necessary for 2018.
- Interest expense increased by \$2.7 million or 6.9% as a result of higher average outstanding debt balances during the year.

*Governmental Fund Results*

The net position of MaineHousing's governmental funds increased \$5.5 million or 18.3% to \$35.6 million at December 31, 2018. The following table summarizes the Statement of Revenues, Expenditures and Changes in Fund Balances of MaineHousing's governmental funds for the years ended December 31, 2018 and December 31, 2017:

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances (in millions of dollars)				
	<u>2018</u>	<u>2017</u>	<u>Increase/(Decrease) Amount</u>	<u>Percentage</u>
<b>Revenues:</b>				
Income from mortgages and notes	\$0.1	\$0.1	\$0.0	0.0%
Income from investments	0.5	0.2	0.3	150.0%
Fee income	7.5	6.9	0.6	8.7%
Grant income	52.1	46.5	5.6	12.0%
Income from the State	17.0	17.8	(0.8)	(4.5%)
Federal rent subsidy income	98.1	97.8	0.3	0.3%
Other revenue	0.3	0.0	0.3	n/a
Total revenues	<u>175.6</u>	<u>169.3</u>	<u>6.3</u>	<u>3.7%</u>
<b>Expenditures:</b>				
Program administrative expenditures	6.9	6.9	0.0	0.0%
Interest expenditures	1.1	1.2	(0.1)	(8.3%)
Grant expenditures	63.3	51.9	11.4	22.0%
Federal rent subsidy expenditures	97.9	98.0	(0.1)	(0.1%)
Total expenditures	<u>169.2</u>	<u>158.0</u>	<u>11.2</u>	<u>7.1%</u>
<b>Revenues in excess of expenditures</b>	6.4	11.3	(4.9)	(43.4%)
Transfers out	<u>(0.9)</u>	<u>(1.6)</u>	<u>0.7</u>	<u>43.8%</u>
Change in fund balances	5.5	9.7	(4.2)	(43.3%)
Fund balances at beginning of year	30.1	20.4	9.7	47.5%
Fund balances at end of year	<u><u>\$35.6</u></u>	<u><u>\$30.1</u></u>	<u><u>\$5.5</u></u>	<u><u>18.3%</u></u>

**Maine State Housing Authority  
Management's Discussion and Analysis  
December 31, 2018**

MaineHousing's total revenues from governmental activities are generated primarily from federal grants and rent subsidy income. MaineHousing also receives program revenues from the State of Maine. Revenues from governmental activities total \$175.6 million in 2018, which is an increase of \$6.3 million or 3.7%.

MaineHousing's governmental activities expenditures consist primarily of federal grants and rent subsidies payments. Total expenditures increased \$11.2 million or 7.1% to \$169.2 million for 2018.

MaineHousing earns fees for administering federal programs. Typically fees earned provide MaineHousing with a revenue source adequate to recover direct and indirect costs of delivering related services.

The 2018 financial results and net position of MaineHousing's governmental funds were significantly affected by the following:

- Grant income increased \$5.6 million or 12% due primarily to higher income from the U.S. Department of Health and Human Services for the Low Income Home Energy Assistance Program (LIHEAP). Grant income for the LIHEAP program increased by \$9 million or 26.5% to \$42.8 million. In 2017, \$4.1 million associated with certain General Obligation bonds was recognized as grant income due to a statutory change. There was no comparable recognition of grant income in 2018.
- Administrative fee income increased by \$0.6 million or 8.7% mainly as a result of higher funding and activity associated with the LIHEAP program.
- Grant expenditures increased \$11.4 million or 22% in 2018. The increase is attributed to an increase in LIHEAP activities, which had higher available program income.

**DEBT ACTIVITY**

MaineHousing had \$1.45 billion in bonds and notes outstanding at December 31, 2018, which is an increase of \$50.6 million or 3.6% from 2017.

MaineHousing is authorized to issue housing revenue bonds to purchase or originate mortgages or notes on single-family and multi-family residential properties. In 2018, total bonds outstanding increased by \$35.1 million or 2.5% to \$1.43 billion.

Bond issuances in 2018 totaled \$277.1 million, while principal payments on bonds totaled \$192 million. MaineHousing redeemed prior to maturity \$151.7 million of its outstanding bonds in 2018 from reserve funds, mortgage prepayments, surplus revenues, and the proceeds from refunding bonds. Scheduled principal payments on bonds totaled \$40.3 million in 2018.

MaineHousing issues some variable rate demand obligations and enters into interest rate swaps agreements to provide synthetically fixed interest rates on a portion of the variable rate bonds. At December 31, 2018, the total amount of variable rate debt outstanding was \$289.7 million and represented 20.2% of the \$1.43 billion total bond portfolio. Twelve interest rate swap agreements have been executed with five counterparties in connection with \$179.7 million of the variable rate bonds to, in effect, convert them to synthetic fixed rate bonds.

Bonds in MaineHousing's General Mortgage Purchase Bond Resolution were rated Aa1 and AA+ by Moody's Investor Service and Standard & Poor's, respectively, in 2018.

MaineHousing may enter into loan agreements for program and capital funding purposes. At December 31, 2018, MaineHousing had \$20.2 million of outstanding notes payable in its General Administrative Fund. Of this total, \$4.2 million provided funding for affordable housing initiatives through a Federal Home Loan Bank program and \$16 million provided capital funding for the development of an office facility for MaineHousing.

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For additional information about MaineHousing's mortgage bonds and notes payables, see Notes 5, 6, 8, 13, and 15 to the financial statements.

**ADDITIONAL INFORMATION**

The purpose of this financial report is to provide information needed to understand MaineHousing's financial position and results of operations for the year ended December 31, 2018. Inquiries for additional information may be directed to the Director of Finance at Maine State Housing Authority, 353 Water Street, Augusta, Maine 04330, at (207) 626-4600 or at [www.mainehousing.org](http://www.mainehousing.org).

**MAINE STATE HOUSING AUTHORITY**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2018**  
*(IN THOUSANDS OF DOLLARS)*

	<b>Business-type Activities</b>	<b>Governmental Activities</b>	<b>Total</b>
<b>ASSETS:</b>			
Current Assets:			
Cash, principally time deposits (note 3)	\$160	\$1,220	\$1,380
Investments (notes 3, 8, and 10)	248,582	31,895	280,477
Accounts receivable - Federal	0	5,552	5,552
Mortgage notes receivable, net (note 4)	33,597	19	33,616
Other notes receivable, net (note 4)	36	0	36
Assets held for sale	0	3,659	3,659
Other assets (note 11)	7,917	2,763	10,680
Internal balances	2,166	(2,166)	0
Total Current Assets	<u>292,458</u>	<u>42,942</u>	<u>335,400</u>
Noncurrent Assets:			
Investments (notes 3, 8, and 10)	118,829	0	118,829
Mortgage notes receivable, net (note 4)	1,324,340	30,202	1,354,542
Other notes receivable, net (note 4)	242	10	252
Land, equipment and leasehold improvements, net	3,222	0	3,222
Other real estate owned	421	0	421
Total Noncurrent Assets	<u>1,447,054</u>	<u>30,212</u>	<u>1,477,266</u>
Total Assets	<u>1,739,512</u>	<u>73,154</u>	<u>1,812,666</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Accumulated decrease in fair value of hedging derivatives (note 6)	4,619	0	4,619
Deferred pension expense (note 7)	413	203	616
Deferred amount on debt refundings	4,394	0	4,394
Total Deferred Outflows of Resources	<u>9,426</u>	<u>203</u>	<u>9,629</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accrued interest payable	5,479	48	5,527
Accounts payable - Federal	0	451	451
Accounts payable and accrued liabilities	3,620	2,865	6,485
Unearned income	0	3,989	3,989
Bonds and notes payable (notes 5, 8, 13, and 15)	36,945	3,245	40,190
Total Current Liabilities	<u>46,044</u>	<u>10,598</u>	<u>56,642</u>
Noncurrent Liabilities:			
Pension liability (note 7)	1,548	735	2,283
Derivative instrument - interest rate swaps (note 6)	4,619	0	4,619
Bonds and notes payable (notes 5, 8, 13, and 15)	1,388,574	26,146	1,414,720
Total Noncurrent Liabilities	<u>1,394,741</u>	<u>26,881</u>	<u>1,421,622</u>
Total Liabilities	<u>1,440,785</u>	<u>37,479</u>	<u>1,478,264</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred loan origination points	32	0	32
Deferred pension credit (note 7)	735	281	1,016
Total Deferred Inflows of Resources	<u>767</u>	<u>281</u>	<u>1,048</u>
<b>NET POSITION:</b>			
Net investment in capital assets	3,222	0	3,222
Restricted for bond resolutions	272,489	0	272,489
Restricted for grants and programs	0	35,597	35,597
Unrestricted	31,675	0	31,675
Total Net Position	<u>\$307,386</u>	<u>\$35,597</u>	<u>\$342,983</u>

See accompanying notes to the financial statements

**MAINE STATE HOUSING AUTHORITY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
*(IN THOUSANDS OF DOLLARS)*

Functions/Programs	Program Revenues				Net Revenue (Expense) and Changes in Net Position		
	Expenses	Charges for Services	Investment Income	Grants and Contributions	Business-type Activities	Governmental Activities	Total
Business-type activities:							
Mortgage Purchase Fund	\$57,798	\$59,966	\$4,306	\$0	\$6,474	\$0	\$6,474
Bondholder Reserve Fund	48	0	135	0	87	0	87
General Administrative Fund	1,430	1,239	0	0	(191)	0	(191)
Total business-type activities	59,276	61,205	4,441	0	6,370	0	6,370
Governmental activities:							
HOME Fund	13,451	336	361	15,191	0	2,437	2,437
Section 8 Housing Programs	101,842	4,446	1	98,117	0	722	722
Low Income Home Energy Assistance Program	33,110	1,040	1	32,215	0	146	146
Maine Energy, Housing and Economic Recovery Program	1,723	38	89	4,316	0	2,720	2,720
Other Federal and State Programs	19,033	2,018	44	17,339	0	368	368
Total governmental activities	169,159	7,878	496	167,178	0	6,393	6,393
Total Agency-wide	\$228,435	\$69,083	\$4,937	\$167,178	6,370	6,393	12,763
General Revenues:							
Unrestricted investment income					187	0	187
Transfers					856	(856)	0
Total general revenues and transfers					1,043	(856)	187
Change in Net Position					7,413	5,537	12,950
Net Position at beginning of year					299,973	30,060	330,033
Net Position at end of year					\$307,386	\$35,597	\$342,983

*See accompanying notes to the financial statements*

**MAINE STATE HOUSING AUTHORITY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2018**  
*(IN THOUSANDS OF DOLLARS)*

	<b>Mortgage Purchase Fund</b>	<b>Bondholder Reserve Fund</b>	<b>General Administrative Fund</b>	<b>Total</b>
<b>ASSETS:</b>				
Current Assets:				
Cash, principally time deposits (note 3)	\$ 0	\$ 1	\$ 159	\$ 160
Investments (notes 3, 8, and 10)	213,171	7,962	27,449	248,582
Mortgage notes receivable, net (note 4)	33,245	0	352	33,597
Other notes receivable, net (note 4)	0	0	36	36
Other assets (note 11)	7,799	7	111	7,917
Interfund (note 12)	237	0	5,097	5,334
Total Current Assets	254,452	7,970	33,204	295,626
Noncurrent Assets:				
Investments (notes 3, 8, and 10)	113,897	0	4,932	118,829
Mortgage notes receivable, net (note 4)	1,307,338	0	17,002	1,324,340
Other notes receivable, net (note 4)	0	0	242	242
Land, equipment and leasehold improvements, net	22	0	3,200	3,222
Other real estate owned	359	0	62	421
Total Noncurrent Assets	1,421,616	0	25,438	1,447,054
Total Assets	1,676,068	7,970	58,642	1,742,680
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Accumulated decrease in fair value of hedging derivatives (note 6)	4,619	0	0	4,619
Deferred pension expense (note 7)	351	2	60	413
Deferred amount on debt refundings	4,394	0	0	4,394
Total Deferred Outflows of Resources	9,364	2	60	9,426
<b>LIABILITIES:</b>				
Current Liabilities:				
Accrued interest payable	5,479	0	0	5,479
Accounts payable and accrued liabilities	487	2	3,131	3,620
Interfund (note 12)	3,006	12	150	3,168
Bonds and notes payable (notes 5, 8, 13, and 15)	36,945	0	0	36,945
Total Current Liabilities	45,917	14	3,281	49,212
Noncurrent Liabilities:				
Pension liability (note 7)	1,297	8	243	1,548
Derivative instrument - interest rate swaps (note 6)	4,619	0	0	4,619
Bonds and notes payable (notes 5, 8, 13, and 15)	1,368,374	0	20,200	1,388,574
Total Noncurrent Liabilities	1,374,290	8	20,443	1,394,741
Total Liabilities	1,420,207	22	23,724	1,443,953
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Deferred loan origination points	32	0	0	32
Deferred pension credit (note 7)	628	4	103	735
Total Deferred Inflows of Resources	660	4	103	767
<b>NET POSITION:</b>				
Net investment in capital assets	22	0	3,200	3,222
Restricted for bond resolutions	264,543	7,946	0	272,489
Unrestricted	0	0	31,675	31,675
Total Net Position	\$264,565	\$7,946	\$34,875	\$307,386

*See accompanying notes to the financial statements*

**MAINE STATE HOUSING AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
*(IN THOUSANDS OF DOLLARS)*

	<b>Mortgage Purchase Fund</b>	<b>Bondholder Reserve Fund</b>	<b>General Administrative Fund</b>	<b>Total</b>
<b>OPERATING REVENUES:</b>				
Interest from mortgages and notes	\$59,174	\$0	\$535	\$59,709
Income from investments	6,964	135	238	7,337
Net decrease in the fair value of investments	(2,658)	0	(51)	(2,709)
Fee income	490	0	696	1,186
Other revenue	124	0	8	132
Gain on bond redemption (note 13)	178	0	0	178
<b>Total Revenues</b>	<b>64,272</b>	<b>135</b>	<b>1,426</b>	<b>65,833</b>
<b>OPERATING EXPENSES:</b>				
Operating expenses	8,255	48	1,314	9,617
Other program administrative expenses	6,147	0	26	6,173
Mortgage servicing fees	1,575	0	29	1,604
Provision for losses on loans (note 4)	0	0	61	61
Losses on foreclosed real estate	200	0	0	200
Interest expense	41,621	0	0	41,621
<b>Total Expenses</b>	<b>57,798</b>	<b>48</b>	<b>1,430</b>	<b>59,276</b>
Operating Income (Loss)	6,474	87	(4)	6,557
Transfers between funds, net (note 12)	0	0	856	856
Change in Net Position	6,474	87	852	7,413
Net Position at beginning of year	258,091	7,859	34,023	299,973
Net Position at end of year	<u>\$264,565</u>	<u>\$7,946</u>	<u>\$34,875</u>	<u>\$307,386</u>

*See accompanying notes to the financial statements*

**MAINE STATE HOUSING AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
*(IN THOUSANDS OF DOLLARS)*

	<b>Mortgage Purchase Fund</b>	<b>Bondholder Reserve Fund</b>	<b>General Administrative Fund</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Interest receipts from borrowers	\$59,102	\$0	\$518	\$59,620
Principal receipts on mortgages and notes - scheduled	33,774	0	323	34,097
Principal receipts on mortgages and notes - prepayments	65,665	0	428	66,093
Payments for operating expenses	(9,258)	(9)	(383)	(9,650)
Payments for personnel expenses	(7,248)	(42)	(1,021)	(8,311)
Investment in mortgages and other notes	(189,451)	0	(7,656)	(197,107)
Other	2,303	(6)	(1,364)	933
Net cash used for operating activities	<u>(45,113)</u>	<u>(57)</u>	<u>(9,155)</u>	<u>(54,325)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from loans	0	0	16,000	16,000
Acquisition and development of capital assets	0	0	(2,963)	(2,963)
Proceeds from the disposal of capital assets	0	0	6	6
Net cash provided by capital and related financing activities	<u>0</u>	<u>0</u>	<u>13,043</u>	<u>13,043</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>				
Proceeds from sale of bonds and notes	226,871	0	0	226,871
Principal payments on bonds	(188,830)	0	0	(188,830)
Interest payments on bonds	(40,797)	0	0	(40,797)
Payments (to) from other funds	(62)	4	(588)	(646)
Net cash provided by (used for) non-capital financing activities	<u>(2,818)</u>	<u>4</u>	<u>(588)</u>	<u>(3,402)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Proceeds from disposition of foreclosed real estate	5,580	0	28	5,608
Purchase of investments	(796,907)	(80)	(3,527)	(800,514)
Sales and maturity of investments	834,450	0	0	834,450
Interest received on investments	4,808	133	236	5,177
Net cash provided by (used for) investing activities	<u>47,931</u>	<u>53</u>	<u>(3,263)</u>	<u>44,721</u>
Net increase in cash	0	0	37	37
Cash at beginning of year	0	1	122	123
Cash at end of year	<u>\$0</u>	<u>\$1</u>	<u>\$159</u>	<u>\$160</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH USED FOR OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$6,474	\$87	(\$4)	\$6,557
Adjustments to reconcile operating income (loss) to net cash used for operating activities:				
Depreciation and amortization	542	0	264	806
Gain on disposal of capital assets	0	0	(6)	(6)
Interest on bonds	41,079	0	0	41,079
Provision for losses on loans	0	0	61	61
Losses on foreclosed real estate	200	0	0	200
Gain on bond redemption	(178)	0	0	(178)
Pension credit	(530)	(3)	(90)	(623)
Interest income on investments	(6,964)	(135)	(238)	(7,337)
Net decrease in fair value of investments	2,658	0	51	2,709
Changes in operating assets and liabilities:				
Other assets	1,456	0	10	1,466
Pension contributions	(394)	0	(69)	(463)
Mortgage note interest receivable	(72)	0	(17)	(89)
Accounts payable and accrued liabilities	631	(6)	(2,212)	(1,587)
Unearned income	(3)	0	0	(3)
Investment in mortgage and other notes	(189,451)	0	(7,656)	(197,107)
Mortgage & other note principal repayments	99,439	0	751	100,190
Net cash used for operating activities	<u>(\$45,113)</u>	<u>(\$57)</u>	<u>(\$9,155)</u>	<u>(\$54,325)</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION:</b>				
Transfer from mortgage notes receivable to other assets and other real estate owned	\$4,746	\$0	\$69	\$4,815

See accompanying notes to the financial statements

**MAINE STATE HOUSING AUTHORITY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2018  
(IN THOUSANDS OF DOLLARS)**

	<b>HOME Fund</b>	<b>Section 8 Housing Programs</b>	<b>Low Income Home Energy Assistance Program</b>	<b>Maine Energy, Housing &amp; Economic Recovery Fund</b>	<b>Other Federal and State Programs</b>	<b>Total</b>
<b>ASSETS:</b>						
Current Assets:						
Cash, principally time deposits (note 3)	\$13	\$77	\$0	\$0	\$1,130	\$1,220
Investments (notes 3, 8, and 10)	19,364	4,398	787	5,650	1,696	31,895
Accounts receivable - Federal	0	217	981	0	4,354	5,552
Mortgage notes receivable, net (note 4)	19	0	0	0	0	19
Assets held for sale	3,659	0	0	0	0	3,659
Other assets	2,317	135	0	38	273	2,763
Interfund (note 12)	150	0	0	0	0	150
Total Current Assets	25,522	4,827	1,768	5,688	7,453	45,258
Noncurrent Assets:						
Mortgage notes receivable, net (note 4)	21,722	0	0	8,480	0	30,202
Other notes receivable, net (note 4)	0	0	0	0	10	10
Total Noncurrent Assets	21,722	0	0	8,480	10	30,212
Total Assets	\$47,244	\$4,827	\$1,768	\$14,168	\$7,463	\$75,470
<b>LIABILITIES:</b>						
Current Liabilities:						
Accrued interest payable	\$0	\$0	\$0	\$48	\$0	\$48
Accounts payable - Federal	0	451	0	0	0	451
Accounts payable and accrued liabilities	628	52	299	0	1,886	2,865
Unearned income	0	0	780	0	3,209	3,989
Interfund (note 12)	0	534	585	2	597	1,718
Bonds payable, net (note 5 and 8)	0	0	0	3,245	0	3,245
Total Current Liabilities	628	1,037	1,664	3,295	5,692	12,316
Noncurrent Liabilities:						
Bonds payable, net (note 5 and 8)	0	0	0	26,146	0	26,146
Total Noncurrent Liabilities	0	0	0	26,146	0	26,146
Total Liabilities	628	1,037	1,664	29,441	5,692	38,462
<b>FUND BALANCES:</b>						
Restricted by program requirements	46,616	3,790	104	0	1,771	52,281
Nonspendable	0	0	0	8,480	0	8,480
Unassigned	0	0	0	(23,753)	0	(23,753)
Total Fund Balances	46,616	3,790	104	(15,273)	1,771	37,008
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$47,244	\$4,827	\$1,768	\$14,168	\$7,463	\$75,470

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION**

Total fund balances in governmental funds \$37,008

Amounts reported for governmental activities in the Statement of Net Position are different because:

Pension expense deferrals reported as deferred outflows of resources in governmental activities are not financial resources and therefore are not reported in the governmental funds. 203

Pension liabilities reported in governmental activities are not due and payable in the current period and therefore not reported in the governmental funds. (735)

Pension credit deferrals reported as deferred inflows of resources in governmental activities are not available to pay for current period expenditures and therefore are not reported in the governmental funds. (281)

Interfund balances related to the allocation of pension liabilities and deferrals of resources reported in governmental activities are not due and payable in the current period and therefore not reported in the governmental funds. (598)

Net Position of governmental activities \$35,597

See accompanying notes to the financial statements

**MAINE STATE HOUSING AUTHORITY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
*(IN THOUSANDS OF DOLLARS)*

	<b>HOME Fund</b>	<b>Section 8 Housing Programs</b>	<b>Low Income Home Energy Assistance Program</b>	<b>Maine Energy, Housing &amp; Economic Recovery Fund</b>	<b>Other Federal and State Programs</b>	<b>Total</b>
<b>REVENUES:</b>						
Interest from mortgages and notes	\$59	\$0	\$0	\$38	\$0	\$97
Income from investments	361	1	1	89	44	496
Fee income	0	4,446	1,040	0	1,988	7,474
Other revenue	277	0	0	0	30	307
Grant income	2,552	0	32,215	0	17,339	52,106
Income from State	12,639	0	0	4,316	0	16,955
Federal rent subsidy income	0	98,117	0	0	0	98,117
<b>Total Revenues</b>	<b>15,888</b>	<b>102,564</b>	<b>33,256</b>	<b>4,443</b>	<b>19,401</b>	<b>175,552</b>
<b>EXPENDITURES:</b>						
Operating expenditures	0	3,836	929	0	1,738	6,503
Other program administrative expenditures	96	329	3	0	234	662
Provision for losses on loans (note 4)	6	0	0	0	0	6
Grant expenditures	13,349	0	32,214	657	17,141	63,361
Federal rent subsidy	0	97,868	0	0	0	97,868
Interest	0	0	0	1,066	0	1,066
<b>Total Expenditures</b>	<b>13,451</b>	<b>102,033</b>	<b>33,146</b>	<b>1,723</b>	<b>19,113</b>	<b>169,466</b>
Revenues in Excess of Expenditures	2,437	531	110	2,720	288	6,086
Transfers between funds, net (note 12)	0	(708)	(109)	0	(39)	(856)
Change in Fund Balances	2,437	(177)	1	2,720	249	5,230
Fund Balances at beginning of year	44,179	3,967	103	(17,993)	1,522	31,778
Fund Balances at end of year	<u>\$46,616</u>	<u>\$3,790</u>	<u>\$104</u>	<u>(\$15,273)</u>	<u>\$1,771</u>	<u>\$37,008</u>

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Change in Fund Balances - total governmental funds	\$5,230
Amounts reported for governmental activities in the Statement of Activities are different because:	
Expenses reported in the Statement of Activities include a pension credit, which does not effect the use of current financial resources and therefore is not reported as an expenditure in the governmental funds.	<u>307</u>
Change in Net Position of governmental activities	<u>\$5,537</u>

*See accompanying notes to the financial statements*

**Maine State Housing Authority**  
**Notes to Financial Statements – December 31, 2018**  
(IN THOUSANDS OF DOLLARS)

**(1.) ORGANIZATION AND NATURE OF OPERATIONS**

The Maine State Housing Authority (MaineHousing) is a public corporation and an instrumentality of the State of Maine established under the provisions of the *Maine Housing Authorities Act*, Title 30-A, Chapter 201, of the Maine Revised Statutes, as amended. MaineHousing is authorized to issue bonds for the purchase or origination of notes and mortgages on single-family and multi-family residential properties for the purpose of providing housing for persons and families of low income in the State of Maine. MaineHousing also administers various housing and energy related state and federal programs and collects and disburses federal rent subsidies for low-income housing.

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

**(2.) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

MaineHousing's financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) statements and are comprised of three components: 1) Agency-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The financial statements include all the organization's activities and functions for which MaineHousing is financially accountable. Determination of financial accountability includes among other factors, appointment of a voting majority of the component's governing body and (1) ability to impose its will over the component unit or (2) the possibility that the component unit will provide a financial benefit to, or impose a financial burden on, MaineHousing. Based on the preceding criteria, the accompanying financial statements do not include the financial activities of any entity other than MaineHousing.

The Agency-wide financial statements are comprised of a Statement of Net Position and Statement of Activities, which are prepared using the economic resources measurement focus and the accrual basis of accounting. These statements reflect all of the assets, liabilities, revenues, expenses, deferred inflows, deferred outflows, gains and losses of business-type and governmental activities. Interfund balances entirely within the proprietary funds and governmental funds are eliminated from the Statement of Net Position; remaining amounts are shown as Internal Balances.

The business-type activities, which include single-family and multi-family loan programs, are classified as proprietary funds. Proprietary funds are reported using the accrual basis of accounting and revenues are recorded when earned and expenses when incurred. The governmental activities reflect the administration of the various programs for the State of Maine and the federal government. Governmental funds are reported using the modified accrual basis and revenues are recorded when they become available and measurable and expenses when incurred. Revenues from grants and programs are generally considered "available" if eligibility and time restrictions have been satisfied and if received within three months of the balance sheet date. Grants received in advance of the period in which they can be used are reported as deferred inflows of resources.

Separate fund financial statements are provided for proprietary and governmental funds. The fund financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental entities, which provides that accounting systems be organized by funds to account for specific activities consistent with legal and operating requirements. Major individual governmental funds and all proprietary funds and fund groups are reported as separate columns in the fund financial statements. Certain insignificant indirect costs are allocated to the funds.

**Maine State Housing Authority**  
**Notes to Financial Statements – December 31, 2018**  
(IN THOUSANDS OF DOLLARS)

**Fund Structure**

***PROPRIETARY FUNDS***

Financial activities operated similarly to private business enterprises and financed through fees and charges assessed primarily to users of loans and other lender services are presented as proprietary funds. MaineHousing's proprietary funds are as follows, all of which are considered major funds:

***Mortgage Purchase Fund***

This fund consists of accounts established by the General Mortgage Purchase Bond Resolution. Pursuant to the Mortgage Purchase Program, MaineHousing is authorized to purchase or originate first lien mortgages on single-family and multi-family residential properties. Proceeds from the sale of mortgage revenue bonds, the debt service requirements of the bond indebtedness, and mortgage loans made from bond proceeds are recorded in this fund.

***Bondholder Reserve Fund***

This fund consists of accounts established by the General Authority Bondholder Reserve Fund Resolution and is pledged to replenish any deficiency in the debt service reserve fund of the General Mortgage Purchase Bond Resolution.

***General Administrative Fund***

This fund consists of account balances that are not directly pledged to or restricted by a particular bond resolution or program and generates fee and interest income. Revenues not specifically pledged for the repayment of bonds or notes are recorded in this fund.

***GOVERNMENTAL FUNDS***

Activities financed by grant and program agreements with the federal government and appropriations from the State of Maine Legislature are presented as governmental funds. None of the governmental funds are legally required to adopt a formal budget. MaineHousing's governmental funds are as follows, all of which are considered major funds except the Other Federal and State Programs Fund:

***Home Fund***

The Maine State Legislature authorized the creation of the Housing Opportunities for Maine (HOME) Program to promote and create affordable housing. The program is 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 MaineHousing's other housing resources. Activities associated with the Shelter Operating Subsidy Program, which is funded by the State of Maine and provides funding for emergency shelters that serve Maine's homeless citizens, are also recorded in this fund.

***Section 8 Housing Programs***

This fund group consists of activity related to MaineHousing's administration of various Department of Housing and Urban Development (HUD) Section 8 programs. These are federal programs that provide rental subsidies to landlords to preserve low-income rental units and also provide funding to tenants to assist with rent payments. The program funding levels are established by the federal government annually. MaineHousing receives annual fees from HUD for the administration of these programs. These programs consist of the following:

- Moderate Rehabilitation
- New Construction and Substantial Rehabilitation
- Section 811 Project Rental Assistance
- Housing Choice Voucher
- Performance Based Contract Administration

**Maine State Housing Authority**  
**Notes to Financial Statements – December 31, 2018**  
(IN THOUSANDS OF DOLLARS)

*Low Income Home Energy Assistance Program*

MaineHousing is the designated administrator of the Low Income Home Energy Assistance Program for the State of Maine. This program is federally funded through the Department of Health and Human Services. Under this program, funds are provided to low income homeowners and renters to assist with the payment of heating costs. The funding level is established annually by the federal government and MaineHousing receives annual fees for the administration of the program.

*Maine Energy, Housing and Economic Recovery Fund*

The purpose of the Maine Energy, Housing and Economic Recovery Fund (MEHER) is to create capital funding sources to provide affordable housing and to improve energy efficiency of residential housing in the State of Maine. The fund consists of accounts established by the MEHER General Indenture. The revenue anticipation bonds issued under the MEHER General Indenture are liabilities of the fund and the debt service for these bonds is paid by a source of revenue from the State of Maine.

The deficit in this fund is due to timing differences between the expending of funds from bond proceeds on program activities and the receipt of revenues from the State of Maine, which is based on debt service schedules. The deficit will be eliminated over time as capital funds available for programs are depleted and annual revenues received from the State of Maine exceed expenditures.

*Other Federal and State Programs*

MaineHousing administers various other federal and state housing and energy related programs and grants. This fund group records the activity and reflects the consolidation of these programs and grants. Program administration is governed by the appropriate federal regulations or state laws. The annual program and grant funding levels are set by the appropriate federal or state government. MaineHousing receives annual fees for the program administration for most of the federal programs and grants. Federal and state programs consist of the following, which are considered non-major funds:

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

- Emergency Solutions Grant Program
- HOME Investment Partnerships Program
- National Housing Trust Fund
- Lead-Based Paint Hazard Control Program
- Homeless Management Information System
- Housing Counseling Assistance Program
- Family Self-Sufficiency Program
- Continuum of Care - Planning Grant
- Continuum of Care - Rental Assistance Program

**U.S. Department of Energy**

- Weatherization Assistance Program
- Weatherization Assistance Program - Training Centers and Programs

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

- Weatherization / Central Heating Improvement Program
- Temporary Assistance for Needy Families (State of Maine)

**State of Maine**

- Home Modification Program
- Arsenic Remediation Program
- Natural Disaster Housing Assistance Fund
- Consumer Residential Opportunities Program
- Indian Housing Mortgage Insurance Program
- Lead Abatement Program

**Private**

- Low Income Assistance Plan
- Verified Emission Reduction Program

**Maine State Housing Authority**  
**Notes to Financial Statements – December 31, 2018**  
(IN THOUSANDS OF DOLLARS)

**Net Position**

In the agency-wide and proprietary fund financial statements, net position is displayed in three components as follows:

*Net investment in capital assets* – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that have proceeds disbursed for the acquisition, construction, or improvement of those assets.

*Restricted* – This consists of activities that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. For business-type activities, the net position is restricted by bond resolutions for the acquisition of loans, payment of debt service and payment of operating costs. For governmental activities, the net position is restricted by state statutes or federal regulations and program agreements for specific program purposes.

*Unrestricted* – This consists of activities that do not meet the definition of “restricted” or “net investment in capital assets”.

**Fund Balances**

In the governmental funds financial statements, fund balances are reported as either restricted for housing and energy related programs, nonspendable in current form due to the long term nature of certain assets, or unassigned for any residual deficit fund balances. Generally, if unrestricted fund balances are available they are used after assigned or restricted amounts.

**Cash and Cash Equivalents**

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and held by banks in demand deposits and savings accounts.

**Investments**

Money market funds, repurchase agreements and certificates of deposit that have a remaining maturity at time of purchase of one year or less are reported at amortized cost. Investments not reported at amortized cost are reported at fair value. Unrealized gains and losses due to fluctuations in market values and gains and losses realized upon sale are reported as net increases or decreases in the fair value of investments. Interest received that is required by federal programs to be spent on program activities is deferred and recorded as a payable to the federal government.

**Mortgage Notes Receivable**

Mortgage notes receivable are carried at their uncollected principal balance less allowances for loan losses. The recording of interest income on problem loans ceases when collectability within a reasonable period of time becomes doubtful. Program income received for revolving loan programs are recorded as unearned income. MaineHousing reclassifies its liability for amounts due under revolving loan programs relating to forgivable loans and loans with no payments due until sale of the collateral or maturity of the loan (usually 30 years from origination) to reduce the associated loan balances. MaineHousing believes this presentation better reflects the underlying economics of the loan.

**Allowances For Losses On Loans**

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

The allowances are amounts that MaineHousing believes will be adequate to absorb losses based on evaluations of collectability 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 economic conditions that may affect the borrowers' ability to pay.

**Maine State Housing Authority**  
**Notes to Financial Statements – December 31, 2018**  
(IN THOUSANDS OF DOLLARS)

**Assets Held for Sale**

Multi-family residential properties acquired for the purpose of preserving affordable rental housing and intended for sale are carried at the lower of cost or estimated fair value. Properties are typically held for short durations. Adjustments to carrying values and gains or losses on the disposition of properties are reflected in the Statements of Revenues, Expenses and Changes in Net Position in the year realized.

**Capital Assets**

Capital assets consisting of building, land, equipment and leasehold improvements are stated at cost less accumulated depreciation and are reported in the agency-wide and proprietary funds financial statements. MaineHousing capitalizes assets with an initial cost of one thousand dollars or more. Depreciation is computed using the straight line method over the estimated useful lives of the assets, which range from three to forty years. Land and assets that are being developed are not depreciated.

MaineHousing capitalizes the difference between interest income and interest expense associated with tax-exempt borrowings used for the acquisition and development of capital assets. Interest is capitalized until development is completed and the assets are ready for their intended use. At December 31, 2018, net interest expense of \$8 has been capitalized.

**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 and are 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 Net Position in the year incurred or realized.

**Bond Discount, Premium, Issuance Costs and Deferred Amounts on Refunding**

Bond discounts and premiums are reflected as a component of bonds payable and are deferred and amortized over the lives of the bonds using a method that approximates the effective interest method. Gains and losses on debt refundings are 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 and reflected as a deferred outflow of resources. Bond issuance costs are expensed in the year issued.

**Loan Origination Fees and Costs**

MaineHousing pays origination costs at the time it purchases single-family mortgage loans. These and other program costs, including closing cost assistance to borrowers, paid in connection with acquiring certain single-family loans, are expensed in the year of origination.

MaineHousing may receive points in connection with the origination of certain mortgage loans, which are essentially yield adjustments on the loans. Points received for single-family loans are reflected as a deferred inflow of resources and amortized as a component of interest income using the effective interest method over the life of the mortgages. When a loan is paid off prior to maturity, all unamortized deferred points are recognized immediately as interest income. MaineHousing may charge a fee at the time that a commitment is made to originate a mortgage on a multi-family loan. These fees are recognized as income in the year the commitment is made.

**Revenues, Expenses and Expenditures**

Program revenues in the agency-wide Statement of Activities are reported in three categories including (1) charges for services, (2) investment income and (3) grants and contributions. Charges for services include all revenues from mortgage loans and program administration fees. Investment income consists of earnings from non-mortgage investment assets. Grants and contributions include revenues from other governments and organizations that are restricted for use in a particular program. All revenues are recorded as income when earned and the associated expenses are recorded as incurred.

**Maine State Housing Authority**  
**Notes to Financial Statements – December 31, 2018**  
(IN THOUSANDS OF DOLLARS)

The proprietary funds' primary sources of operating revenues are income from mortgage loans and other permitted investments. Operating expenses in the proprietary funds consist of expenses incurred for originating and servicing loans, bond interest and program administration.

Revenues in the governmental funds are derived from grant and program agreements with the federal government, appropriations from the Maine State Legislature, and other organizations. MaineHousing also receives fee income for program administration. Expenditures in the governmental funds are all current operating expenditures and consist primarily of program disbursements and administration charges.

**Derivatives and Hedging Instruments**

MaineHousing enters into various interest rate swap agreements in order to manage risks associated with interest on its variable rate bond portfolio. MaineHousing recognizes the fair value of swap agreements as either an asset or liability on its Statement of Net Position with the offsetting gains or losses as either deferred inflows or outflows of resources, if deemed an effective hedge. If swap agreements are not effective hedges, interest expense is increased or decreased by the change in the fair value. MaineHousing measures the effectiveness of its interest rate swap agreements in total whereby all the swaps are used to hedge interest expense on a portion of the total variable rate bonds equal to the notional amount of the swaps. Hedge effectiveness is determined by using the regression analysis and synthetic instrument methods. MaineHousing's swap agreements constitute an effective hedge for the hedged portion of the variable rate bond portfolio at December 31, 2018.

**Fair Value Methodology**

Generally accepted accounting principles establishes standards for determining fair value measurements for accounting and financial reporting purposes and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements and also establishes a three-tier hierarchy that prioritizes the inputs used to measure fair value as follows:

- **Level 1 inputs** are observable, quoted prices in active markets for identical assets or liabilities;
- **Level 2 inputs** are directly or indirectly observable, but not on level 1; and
- **Level 3 inputs** are all inputs that are unobservable.

MaineHousing's assets and liabilities carried at fair value are interest rate swaps and investments.

**Defined Benefit Pension Plan**

MaineHousing is a participating local district (PLD) member of the Maine Public Employees Retirement System (MainePERS) PLD Consolidated Retirement Plan and employees may participate in a defined benefit plan offered by MainePERS. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of MainePERS' PLD Consolidated Plan have been determined on the same basis as they are reported by MainePERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments at MainePERS are reported at fair value.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the statements and the reported amounts of revenues, expenses and expenditures during the reporting year. Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for losses on loans and fair value of interest rate swaps. Actual results could differ from estimates.

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**New Accounting Standards**

The following GASB Statements were effective for the year ending December 31, 2018:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement establishes new accounting and financial reporting requirements for governmental entities whose employees are provided with other postemployment benefits (OPEB).
- GASB Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurements and application, and postemployment benefits.
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt.

The adoption of these Statements did not have a significant impact on MaineHousing's financial position or results of operations.

The following GASB Statements that have been issued are under evaluation by MaineHousing:

GASB Statement No. 83, *Certain Asset Retirement Obligations*; GASB Statement No. 84, *Fiduciary Activities*; GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*; and GASB Statement No. 90, *Majority Equity Interest – an amendment of GASB Statements No. 14 and No. 61* are effective for the year ending December 31, 2019. GASB Statement No. 87, *Leases*; and GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* are effective for the year ending December 31, 2020.

MaineHousing has not adopted these standards and is evaluating the impact they may have on its financial statements.

**(3.) CASH AND INVESTMENTS**

At December 31, 2018, the carrying amount of MaineHousing's bank deposits was \$1,380 and the bank balance was \$1,707. The difference between the carrying amount and the bank balance is a result of transactions in transit. Of the bank balance, \$387 was covered by federal depository insurance and \$1,320 was collateralized by money market funds for which the securities are held in the bank's name at the Federal Reserve Bank.

The General Mortgage Purchase Bond Resolution permits MaineHousing to invest in direct obligations of, or obligations guaranteed by, the United States of America, certain government-sponsored enterprises and the State of Maine "permitted investments". The resolution also permits MaineHousing to invest in certificates of deposit, repurchase agreements and other similar banking arrangements that are collateralized by permitted investments.

MaineHousing has a formal Investment Policy that outlines its investment practices and policies. The primary purpose of the policy is to ensure safety of principal while managing liquidity to pay MaineHousing's financial obligations. MaineHousing's deposit policy is to have its deposits covered by insurance, collateralized or deposited in well capitalized institutions.

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MaineHousing's investment balances and stated maturities as of December 31, 2018 are presented in the following table. Actual maturities may differ due to investments being called by the issuer.

Investment Type	Carrying Amount	Investment Maturities in Years			
		Less than 1	1-5	6-10	More than 10
<b>PROPRIETARY FUNDS</b>					
<b>MORTGAGE PURCHASE FUND</b>					
Repurchase Agreements	\$81,890	\$81,890	\$0	\$0	\$0
Money Market Funds	16,547	16,547	0	0	0
U.S. Government-sponsored enterprises (Rated AAA/Aaa)	228,631	114,734	0	72,132	41,765
Total - Mortgage Purchase Fund	327,068	213,171	0	72,132	41,765
<b>BONDHOLDERS RESERVE FUND</b>					
Repurchase Agreements	7,962	7,962	0	0	0
<b>GENERAL ADMINISTRATIVE FUND</b>					
Repurchase Agreements	3,194	3,194	0	0	0
Money Market Funds	8,255	8,255	0	0	0
Certificates of Deposit	16,000	16,000			
U.S. Government-sponsored enterprises (Rated AAA/Aaa)	4,932	0	4,932	0	0
Total - General Administrative Fund	32,381	27,449	4,932	0	0
Total - Proprietary Funds	\$367,411	\$248,582	\$4,932	\$72,132	\$41,765
<b>GOVERNMENTAL FUNDS</b>					
<b>HOME FUND</b>					
Repurchase Agreements	\$19,364	\$19,364	\$0	\$0	\$0
<b>SECTION 8 HOUSING PROGRAMS</b>					
Money Market Funds	4,398	4,398	0	0	0
<b>LOW INCOME HOME ENERGY ASSISTANCE PROGRAM</b>					
Money Market Funds	787	787	0	0	0
<b>MAINE ENERGY, HOUSING &amp; ECONOMIC RECOVERY FUND</b>					
Repurchase Agreements	5,650	5,650	0	0	0
<b>OTHER FEDERAL AND STATE PROGRAMS</b>					
Repurchase Agreements	1,696	1,696	0	0	0
Total - Governmental Funds	\$31,895	\$31,895	\$0	\$0	\$0

Repurchase agreements and money market funds are not credit rated and are continuously and fully secured by permitted investments. It is MaineHousing's policy to require that collateral be held by MaineHousing's trustee in MaineHousing's name, wherever practicable. MaineHousing generally invests in repurchase agreements and money market funds for short-term investments.

A market approach is used to determine fair value using Level 2 inputs for investments carried at fair value. Prices and other relevant information are generated by market transactions involving identical or comparable investments.

At December 31, 2018, \$264,477 was invested in short-term repurchase agreements, money market funds, and government sponsored enterprises having maturity dates of less than one year, bearing interest at rates up to 2.40%. Investments other than repurchase agreements and money market funds are registered in MaineHousing's name. Investments issued by Federal Home Loan Mortgage Corporation (FHLMC), Federal Farm Credit Bank (FFCB), Federal National Mortgage Association (FNMA), and Federal Home Loan Bank (FHLB) make up 0.5%, 17%, 8%, and 44% of total investments, respectively, in the Mortgage Purchase Fund. Investments issued by FFCB make up 15% of total investments in the General Administrative Fund.

At December 31, 2018, \$16,000 of proceeds from a loan agreement is invested in nine non-negotiable certificates of deposit. The certificates have interest rates that range from 2.35% to 2.54% and will mature at various dates in 2019 starting in April and ending in December. The certificates are not credit rated and are being held by its bank trustee in MaineHousing's name.

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

For financial statement presentation, the allowance for losses on loans has been netted against the noncurrent portion of mortgage notes receivable and other notes receivable. However, where there is no noncurrent portion for other notes receivable, the allowance is netted against the current amount. A summary of mortgage notes receivable at December 31, 2018 is as follows:

	<u>Number of Notes</u>	<u>Principal Balance</u>	<u>Percent of Portfolio</u>
<b>PROPRIETARY FUNDS</b>			
<b>MORTGAGE PURCHASE FUND - SINGLE-FAMILY:</b>			
VA guaranteed	483	\$45,925	5.0%
FHA insured	1,843	162,059	17.7%
USDA/RD guaranteed	5,051	514,565	56.3%
Privately insured	361	29,966	3.3%
Non-insured	2,857	161,784	17.7%
Total Mortgage Purchase Fund - single-family	<u>10,595</u>	<u>914,299</u>	<u>100.0%</u>
<b>MORTGAGE PURCHASE FUND - MULTI-FAMILY:</b>			
Section 8	189	176,158	40.6%
Conventional	249	236,432	54.5%
Supportive Housing	174	21,012	4.9%
Total Mortgage Purchase Fund - multi-family	612	433,602	<u>100.0%</u>
Less: Allowance for losses on loans		(7,318)	
Total Mortgage Purchase Fund	<u>11,207</u>	<u>1,340,583</u>	
<b>GENERAL ADMINISTRATIVE FUND - SINGLE-FAMILY:</b>			
Non-insured	75	2,249	97.4%
Privately insured	2	61	2.6%
Total General Administrative Fund-Single Family	77	2,310	<u>100.0%</u>
<b>GENERAL ADMINISTRATIVE FUND - MULTI-FAMILY:</b>			
Section 8	1	553	3.6%
Conventional	12	14,885	96.4%
Total General Administrative Fund - multi-family	13	15,438	<u>100.0%</u>
<b>GENERAL ADMINISTRATIVE FUND - HOME IMPROVEMENT LOANS:</b>			
Non-insured	89	301	100.0%
Less: Allowance for losses on loans		(695)	
Total General Administrative Fund	179	17,354	
Total Proprietary Funds	<u>11,386</u>	<u>\$1,357,937</u>	
<b>GOVERNMENTAL FUNDS</b>			
<b>HOME FUND - SINGLE-FAMILY:</b>			
Non-insured	334	\$3,394	<u>100.0%</u>
<b>HOME FUND - MULTI-FAMILY:</b>			
Non-insured	80	19,267	<u>100.0%</u>
Total HOME Fund	414	22,661	
Less: Allowance for losses on loans		(920)	
Total HOME Fund	414	21,741	
<b>MAINE ENERGY, HOUSING AND ECONOMIC RECOVERY FUND - MULTI-FAMILY</b>			
Non-insured	15	8,480	<u>100.0%</u>
Total Governmental Funds	<u>429</u>	<u>\$30,221</u>	

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A summary of other notes receivable at December 31, 2018 is as follows:

	<u>Number of Notes</u>	<u>Principal Balance</u>	<u>Percent of Portfolio</u>
<b>PROPRIETARY FUNDS</b>			
GENERAL ADMINISTRATIVE FUND			
Non-insured	4	\$278	<u>100.0%</u>
Total Proprietary Funds	<u>4</u>	<u>\$278</u>	
<b>GOVERNMENTAL FUNDS</b>			
OTHER FEDERAL AND STATE PROGRAMS:			
Non-insured	1	\$15	<u>100.0%</u>
Less: Allowance for losses on loans		(5)	
Total Governmental Funds	<u>1</u>	<u>\$10</u>	

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

	<u>PROPRIETARY FUNDS</u>		<u>GOVERNMENTAL FUNDS</u>	
	Mortgage Purchase Fund	General Administrative Fund	HOME Fund	Other Federal and State Programs
Balance – December 31, 2017	\$7,474	\$724	\$929	\$5
Provision	0	61	6	0
Loans charged off	(332)	(111)	(15)	0
Recoveries	176	21	0	0
Balance – December 31, 2018	<u>\$7,318</u>	<u>\$695</u>	<u>\$920</u>	<u>\$5</u>

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**(5.) BONDS AND NOTES PAYABLE**

MaineHousing issues bonds that pay interest that is subject to Alternative Minimum Tax (AMT), bonds that pay interest that is not subject to this tax (Non-AMT) and federally taxable bonds. Interest paid on AMT bonds is treated as a preference item in calculating the tax imposed on individuals and corporations under the Internal Revenue Service Code. MaineHousing's AMT, Non-AMT and federally taxable bonds are denoted for each series or sub-series below.

The interest rates presented in the table below for variable rate bonds represent the rate at December 31, 2018. The Single-Family (S/F) and Multi-Family (M/F) Mortgage Bonds Payable outstanding at December 31, 2018 are as follows:

	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
<b>PROPRIETARY FUNDS</b>							
<b>MORTGAGE PURCHASE FUND</b>							
<b>2005 SERIES B BONDS (M/F):</b>							
2005 Series B (Federally Taxable)							
Term Bonds	<u>\$15,000</u>	<u>\$6,205</u>	Variable - 2.80%	2019-2020	3,090	-	3,115
<b>2005 SERIES G BONDS (M/F):</b>							
2005 Series G (AMT)							
Term Bonds	<u>22,300</u>	<u>20,515</u>	Variable - 1.83%	2019-2037	200	-	4,385
<b>2011 SERIES C BONDS (M/F):</b>							
2011 Series C-1 (Non-AMT)							
Serial Bonds	27,320	0	2.70%				
2011 Series C-2 (Non-AMT)							
Serial Bonds	<u>6,000</u>	<u>2,000</u>	4.88%	2041		2,000	
	<u>33,320</u>	<u>2,000</u>					
<b>2011 SERIES D BONDS (S/F):</b>							
2011 Series D (Non-AMT)							
Serial Bonds	10,615	5,780	2.75% - 3.30%	2019-2022	1,155	-	1,895
Term Bonds	<u>7,385</u>	<u>0</u>	4.00%				
	<u>18,000</u>	<u>5,780</u>					
<b>2011 SERIES E BONDS (M/F):</b>							
2011 Series E (Non-AMT)							
Serial Bonds	10,440	0	1.70%				
Term Bonds	<u>2,810</u>	<u>705</u>	4.38%	2031		705	
	<u>13,250</u>	<u>705</u>					
<b>2012 SERIES A BONDS (S/F):</b>							
2012 Series A-1 (AMT)							
Serial Bonds	42,610	0	2.60%				
Term Bonds	21,885	0	4.00%				
Term Bonds	22,575	5,380	4.50%	2026-2027	1,935	-	3,445
2012 Series A-2 (Non-AMT)							
Term Bonds	11,800	9,450	3.60%	2025-2026	4,200	-	5,250
2012 Series A-3 (Non-AMT)							
Serial Bonds	5,000	4,000	2.25% - 2.85%	2019-2022		1,000	
Term Bonds	<u>20,000</u>	<u>13,065</u>	3.85%	2028-2029	5,900	-	7,165
	<u>123,870</u>	<u>31,895</u>					
<b>2012 SERIES B BONDS (M/F):</b>							
2012 Series B-1 (AMT)							
Serial Bonds	4,210	380	2.70%	2019		380	
Term Bonds	14,720	0	4.25%				
2012 Series B-2 (Non-AMT)							
Serial Bonds	1,735	1,465	2.15% - 2.95%	2019-2023	175	-	350
Term Bonds	1,220	870	3.50%	2025-2027	230	-	325
2012 Series B-3 (Non-AMT)							
Term Bonds	<u>3,000</u>	<u>3,000</u>	3.88%	2028-2031		750	
	<u>24,885</u>	<u>5,715</u>					
<b>2013 SERIES A BONDS (S/F):</b>							
2013 Series A (Federally Taxable)							
Serial Bonds	<u>9,000</u>	<u>2,755</u>	2.07% - 2.37%	2019-2020	1,140	-	1,615
	<u>9,000</u>	<u>2,755</u>					

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	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
2013 SERIES B BONDS (S/F):							
2013 Series B (Non-AMT)							
Serial Bonds	7,540	7,030	2.20% - 2.75%	2021-2024	1,685	-	1,835
Term Bonds	3,890	2,000	3.00%	2026-2027	985	-	1,015
Term Bonds	38,690	38,690	3.45%	2028-2032	7,215	-	8,280
Term Bonds	28,880	28,880	3.60%	2033-2036	2,230	-	9,205
Term Bonds	<u>27,000</u>	<u>8,230</u>	4.00%	2036-2037	3,605	-	4,625
	<u>106,000</u>	<u>84,830</u>					
2013 SERIES C BONDS (S/F-M/F):							
2013 Series C (Federally Taxable)							
Serial Bonds	61,900	43,650	2.01% - 3.09%	2019-2023	7,650	-	9,000
Term Bonds	24,910	17,295	3.84%	2025-2027		5,765	
Term Bonds	<u>8,560</u>	<u>5,700</u>	4.32%	2029-2030	2,840	-	2,860
	<u>95,370</u>	<u>66,645</u>					
2013 SERIES D BONDS (S/F):							
2013 Series D-1 (AMT)							
Serial Bonds	15,000	1,835	2.63%	2019		1,835	
2013 Series D-2 (Non-AMT)							
Term Bonds	12,990	0	4.00%				
Term Bonds	<u>12,010</u>	<u>5,110</u>	4.50%	2036-2037	2,500	-	2,610
	<u>40,000</u>	<u>6,945</u>					
2013 SERIES E BONDS (S/F):							
2013 Series E (Non-AMT)							
Serial Bonds	20,000	1,685	2.75%	2019		1,685	
Term Bonds	<u>10,000</u>	<u>0</u>	4.95%				
	<u>30,000</u>	<u>1,685</u>					
2014 SERIES A BONDS (S/F):							
2014 Series A-1 (AMT)							
Serial Bonds	5,595	1,880	2.40% - 2.85%	2019-2020	920	-	960
Term Bonds	4,445	0	4.45%				
Term Bonds	11,545	4,665	3.25%	2038-2042	160	-	1,250
2014 Series A-2 (Non-AMT)							
Serial Bonds	9,045	3,045	3.13%	2022		3,045	
Term Bonds	9,865	0	4.00%				
Term Bonds	<u>11,090</u>	<u>0</u>	4.50%				
	<u>51,585</u>	<u>9,590</u>					
2014 SERIES C BONDS (S/F):							
2014 Series C-1 (AMT)							
Serial Bonds	14,860	11,310	1.90% - 3.10%	2019-2024	725	-	3,105
Term Bonds	2,000	0	3.63%				
Term Bonds	7,620	7,620	4.00%	2030-2034	400	-	1,810
Term Bonds	17,465	8,570	3.50%	2034-2041	475	-	2,105
2014 Series C-2 (Non-AMT)							
Term Bonds	<u>29,000</u>	<u>29,000</u>	3.75%	2030-2034	3,485	-	8,065
	<u>70,945</u>	<u>56,500</u>					
2015 SERIES A BONDS (M/F)							
2015 Series A-1 (AMT)							
Serial Bonds	13,485	11,935	1.90% - 3.05%	2019-2025	1,585	-	1,855
2015 Series A-2 (Non-AMT)							
Term Bonds	6,555	6,280	3.25%	2026-2029	600	-	2,675
2015 Series A-3 (Non-AMT)							
Serial Bonds	8,050	0	1.20%				
Term Bonds	11,220	11,220	3.50%	2030-2034	2,085	-	2,410
Term Bonds	13,505	13,505	3.63%	2035-2039	2,505	-	2,905
Term Bonds	<u>16,225</u>	<u>16,225</u>	3.75%	2040-2044	2,995	-	3,500
	<u>69,040</u>	<u>59,165</u>					
2015 SERIES B BONDS (S/F)							
2015 Series B (Non-AMT)							
Serial Bonds	9,750	7,700	1.30% - 2.60%	2019-2025	1,040	-	1,175
Term Bonds	10,750	10,750	3.20%	2026-2030	2,015	-	2,285
Term Bonds	1,610	1,610	3.45%	2031-2034	380	-	425
Term Bonds	<u>9,890</u>	<u>6,335</u>	3.50%	2035-2040	930	-	1,160
	<u>32,000</u>	<u>26,395</u>					

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	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
2015 SERIES C BONDS (M/F)							
2015 Series C (Federally Taxable)							
Serial Bonds	9,480	9,090	1.89% - 3.04%	2019-2025	1,210	-	1,410
Term Bonds	18,000	18,000	3.59%	2026-2030	3,190	-	4,100
Term Bonds	12,520	12,520	3.95%	2036-2040	2,315	-	2,700
	40,000	39,610					
2015 SERIES D BONDS (S/F)							
2015 Series D (Non-AMT)							
Serial Bonds	7,105	7,105	1.65% - 3.30%	2019-2026	780	-	1,000
Term Bonds	3,340	3,340	3.75%	2027-2030	540	-	1,130
Term Bonds	4,890	4,890	4.00%	2031-2035	660	-	1,300
Term Bonds	7,585	7,585	4.25%	2036-2040	1,165	-	1,880
Term Bonds	7,080	4,715	4.00%	2041-2045	715	-	1,195
	30,000	27,635					
2015 SERIES E BONDS (S/F)							
2015 Series E-1 (AMT)							
Serial Bonds	30,115	19,620	2.00% - 3.60%	2019-2026	2,555	-	4,155
Term Bonds	26,690	9,575	4.00%	2030		9,575	
Term Bonds	26,325	15,785	3.50%	2031-2034	1,930	-	5,455
2015 Series E-2 (Non-AMT)							
Term Bonds	2,105	2,105	3.80%	2031-2033	650	-	755
Term Bonds	8,360	8,360	4.05%	2039-2040	4,085	-	4,275
Term Bonds	14,535	14,535	4.15%	2041-2045	2,515	-	3,285
2015 Series E-3 (AMT)							
Term Bonds	30,000	30,000	Variable - 1.75%	2035-2038	5,455	-	8,975
	138,130	99,980					
2015 SERIES F BONDS (M/F)							
2015 Series F-1 (AMT)							
Serial Bonds	8,800	6,600	1.63% - 2.20%	2019-2021		2,200	
2015 Series F-2 (Non-AMT)							
Serial Bonds	2,450	2,450	2.05% - 2.85%	2022-2026	450	-	500
2015 Series F-3 (Non-AMT)							
Serial Bonds	15,005	0	1.10%				
Term Bonds	6,340	6,270	3.40%	2027-2030	1,115	-	1,785
Term Bonds	9,565	9,565	3.85%	2031-2035	1,310	-	2,195
Term Bonds	11,840	11,840	3.95%	2036-2040	1,635	-	2,720
	54,000	36,725					
2015 SERIES G BONDS (S/F)							
2015 Series G (Non-AMT)							
Serial Bonds	8,185	8,185	2.00% - 3.00%	2021-2027	630	-	2,095
Term Bonds	1,730	1,730	3.35%	2028-2030	535	-	615
Term Bonds	2,125	2,125	3.65%	2031-2035	325	-	525
Term Bonds	12,060	12,060	3.85%	2036-2040	2,295	-	2,535
Term Bonds	5,900	4,350	3.50%	2041-2045	705	-	960
	30,000	28,450					
2016 SERIES A BONDS (S/F)							
2016 Series A (Non-AMT)							
Serial Bonds	6,065	6,065	1.13% - 2.45%	2019-2026	670	-	855
Term Bonds	6,520	6,520	2.90%	2027-2030	1,545	-	1,720
Term Bonds	4,630	4,630	3.30%	2031-2035	865	-	990
Term Bonds	10,900	10,900	3.55%	2036-2040	1,960	-	2,355
Term Bonds	6,885	5,540	4.00%	2041-2045	1,060	-	1,160
	35,000	33,655					
2016 SERIES B BONDS (S/F)							
2016 Series B-1 (Non-AMT)							
Serial Bonds	19,260	18,580	1.15% - 2.55%	2019-2027	1,755	-	2,410
Term Bonds	3,885	3,885	2.70%	2028-2029	1,675	-	2,210
Term Bonds	18,855	13,110	3.50%	2040-2046	810	-	2,165
2016 Series B-2 (AMT)							
Term Bonds	28,000	28,000	Variable - 1.75%	2029-2037	2,720	-	3,420
	70,000	63,575					

**Maine State Housing Authority**  
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	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
2016 SERIES C BONDS (S/F)							
2016 Series C (Non-AMT)							
Serial Bonds	13,620	13,620	1.10% - 2.50%	2020-2028	890	-	3,475
Term Bonds	5,670	5,670	2.75%	2029-2031	1,185	-	2,285
Term Bonds	8,975	8,975	3.00%	2032-2036	1,305	-	2,510
Term Bonds	3,355	3,355	3.15%	2037-2041	625	-	720
Term Bonds	8,380	7,430	3.50%	2042-2046	1,390	-	1,590
	<u>40,000</u>	<u>39,050</u>					
2016 SERIES D BONDS (M/F)							
2016 Series D (Federally Taxable)							
Serial Bonds	32,000	32,000	2.24% - 2.99%	2023-2029	825	-	8,185
Term Bonds	8,000	8,000	3.29%	2030-2031		4,000	
	<u>40,000</u>	<u>40,000</u>					
2016 SERIES E BONDS (S/F)							
2016 Series E (Non-AMT)							
Serial Bonds	6,250	6,250	1.45% - 3.15%	2019-2027	600	-	800
Term Bonds	3,050	3,050	3.63%	2028-2031	720	-	800
Term Bonds	10,385	10,385	3.90%	2032-2036	1,940	-	2,230
Term Bonds	8,315	7,630	4.00%	2037-2046	650	-	885
	<u>28,000</u>	<u>27,315</u>					
2017 SERIES A BONDS (S/F)							
2017 Series A (Non-AMT)							
Serial Bonds	5,920	5,920	1.55% - 3.15%	2020-2028	555	-	765
Term Bonds	3,360	3,360	3.65%	2029-2032	790	-	895
Term Bonds	6,315	6,315	4.00%	2033-2037	1,170	-	1,360
Term Bonds	7,625	7,625	4.05%	2038-2042	1,405	-	1,645
Term Bonds	6,780	6,395	4.00%	2043-2047	1,050	-	1,950
	<u>30,000</u>	<u>29,615</u>					
2017 SERIES B BONDS (S/F)							
2017 SERIES B (Non-AMT)							
Serial Bonds	8,680	8,680	1.25% - 3.00%	2020-2030	650	-	1,010
Term Bonds	4,215	4,215	3.25%	2031-2032	2,090	-	2,125
Term Bonds	6,170	6,170	3.65%	2033-2037	1,150	-	1,325
Term Bonds	8,745	8,745	3.75%	2038-2044	1,115	-	1,355
Term Bonds	7,190	6,960	4.00%	2045-2047	2,285	-	2,375
	<u>35,000</u>	<u>34,770</u>					
2017 SERIES D BONDS (M/F)							
2017 Series D-1 (Non-AMT)							
Serial Bonds	13,175	12,175	1.25% - 2.95%	2019-2029	1,000	-	2,000
Term Bonds	14,320	14,320	3.50%	2033-2037	2,250	-	3,980
Term Bonds	5,870	5,870	3.65%	2038-2042	1,090	-	1,265
Term Bonds	7,810	7,810	3.75%	2043-2047	1,445	-	1,680
2017 Series D-2 (AMT)							
Term Bonds	50,000	50,000	Variable - 2.37%	2042-2046		10,000	
	<u>91,175</u>	<u>90,175</u>					
2017 SERIES E BONDS (S/F)							
2017 Series E (Federally Taxable)							
Term Bonds	60,000	60,000	Variable - 2.45%	2042-2052	5,000	-	10,000
	<u>60,000</u>	<u>60,000</u>					
2017 SERIES F BONDS (S/F)							
2017 SERIES F (Non-AMT)							
Serial Bonds	13,180	13,180	1.00% - 3.00%	2019-2030	860	-	1,675
Term Bonds	2,055	2,055	3.15%	2031-2032	1,005	-	1,050
Term Bonds	5,920	5,920	3.50%	2033-2037	1,090	-	1,280
Term Bonds	7,000	7,000	3.65%	2038-2042	1,320	-	1,490
Term Bonds	11,845	11,580	3.50%	2043-2047	1,800	-	3,945
	<u>40,000</u>	<u>39,735</u>					

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	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
2017 SERIES G BONDS (S/F - MF)							
2017 Series G-1 (Federally Taxable)							
Term Bonds	55,000	55,000	Variable - 2.40%	2045-2050	8,290	-	10,090
2017 Series G-2 (Federally Taxable)							
Term Bonds	<u>3,520</u>	<u>3,520</u>	0.00%	2022	3,520		
	<u>58,520</u>	<u>58,520</u>					
2017 SERIES H BONDS (S/F)							
2017 SERIES H (Non-AMT)							
Serial Bonds	18,380	18,380	2.10% - 3.05%	2023-2030	1,105	-	4,510
Term Bonds	5,420	5,420	3.25%	2031-2033	1,750	-	1,865
Term Bonds	10,625	10,625	3.55%	2034-2037	2,515	-	2,795
Term Bonds	1,485	1,485	3.70%	2038-2042	275	-	320
Term Bonds	<u>2,590</u>	<u>2,590</u>	3.75%	2043-2047	480	-	555
	<u>38,500</u>	<u>38,500</u>					
2018 SERIES A BONDS (S/F)							
2018 SERIES A (NON-AMT)							
Serial Bonds	13,510	13,510	1.95% - 3.25%	2020-2030	1,130	-	1,525
Term Bonds	3,680	3,680	3.50%	2031-2033	1,215	-	1,245
Term Bonds	8,630	8,630	3.75%	2034-2038	1,685	-	1,765
Term Bonds	<u>9,180</u>	<u>9,180</u>	3.90%	2039-2043	1,790	-	1,885
	<u>35,000</u>	<u>35,000</u>					
2018 SERIES B BONDS (S/F)							
2018 SERIES B (NON-AMT)							
Serial Bonds	10,565	10,565	2.00% - 3.10%	2020-2028	1,060	-	1,230
Term Bonds	6,005	6,005	3.50%	2029-2033	1,175	-	1,230
Term Bonds	11,270	11,270	3.75%	2034-2038	2,195	-	2,320
Term Bonds	<u>12,160</u>	<u>12,160</u>	3.85%	2039-2043	2,355	-	2,515
	<u>40,000</u>	<u>40,000</u>					
2018 SERIES C BONDS (S/F)							
2018 SERIES C (Non-AMT)							
Serial Bonds	14,200	14,200	1.65% - 3.25%	2019-2030	485	-	1,955
Term Bonds	4,080	4,080	3.55%	2031-2033	1,345	-	1,375
Term Bonds	7,195	7,195	3.85%	2034-2038	1,395	-	1,485
Term Bonds	9,595	9,595	3.95%	2039-2043	1,750	-	2,415
Term Bonds	<u>9,930</u>	<u>9,930</u>	4.00%	2044-2048	340	-	4,530
	<u>45,000</u>	<u>45,000</u>					
2018 SERIES D BONDS (S/F - MF)							
2018 Series D-1 (Federally Taxable)							
Term Bonds	40,000	40,000	Variable - 2.89%	2043-2053	2,965	-	4,395
2018 Series D-2 (Federally Taxable)							
Term Bonds	<u>3,150</u>	<u>3,150</u>	0.00%	2023	3,150		
	<u>43,150</u>	<u>43,150</u>					
2018 SERIES E BONDS (M/F)							
2018 SERIES E (NON-AMT)							
Serial Bonds	11,000	11,000	2.20% - 2.55%	2020-2022	2,900	-	4,050
Term Bonds	9,000	9,000	4.15%	2036-2038	2,795	-	3,305
Term Bonds	<u>9,500</u>	<u>9,500</u>	4.25%	2039-2043	1,730	-	2,205
	<u>29,500</u>	<u>29,500</u>					
2018 SERIES F BONDS (S/F)							
2018 SERIES F (Non-AMT)							
Serial Bonds	7,710	7,710	1.95% - 3.70%	2019-2030	315	-	1,235
Term Bonds	4,080	3,745	3.85%	2031-2033	875	-	1,455
Term Bonds	7,195	6,450	4.13%	2034-2038	1,010	-	2,120
Term Bonds	9,595	6,225	4.20%	2039-2041	1,980	-	2,170
Term Bonds	<u>9,930</u>	<u>10,300</u>	4.25%	2044-2048	405	-	4,655
	<u>38,510</u>	<u>34,430</u>					
		1,401,715					
Plus: Net Unamortized Bond Premium		<u>3,604</u>					
Total Mortgage Purchase Fund	<u>1,844,050</u>	<u>1,405,319</u>					
Total Proprietary Funds	<u>\$1,844,050</u>	<u>\$1,405,319</u>					

**Maine State Housing Authority**  
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	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
<b>GOVERNMENTAL FUNDS</b>							
<b>MAINE ENERGY, HOUSING &amp; ECONOMIC RECOVERY FUND</b>							
2010 Series 1 (Non-AMT)							
Serial Bonds	<u>\$39,970</u>	<u>\$29,215</u>	2.75% - 5.00%	2019-2026	355	-	3,800
2010 Series 2 (Taxable)							
Serial Bonds	<u>9,630</u>	<u>0</u>	3.03%				
		29,215					
Plus: Net Unamortized Bond Premium		<u>176</u>					
Total Maine Energy, Housing & Recovery Fund Group	<u>49,600</u>	<u>29,391</u>					
Total Governmental Funds	<u>\$49,600</u>	<u>\$29,391</u>					

The following table summarizes the debt activity for the year ended December 31, 2018:

<b>Fund</b>	Outstanding at December 31, 2017	Issuance	Retirement	Outstanding at December 31, 2018
Mortgage Purchase Fund	\$1,363,465	\$227,080	(\$188,830)	\$1,401,715
Maine Energy, Housing & Economic Recovery Fund	32,375	0	(3,160)	29,215
Total	<u>\$1,395,840</u>	<u>\$227,080</u>	<u>(\$191,990)</u>	<u>\$1,430,930</u>

Interest on bonds is payable semi-annually for the Mortgage Purchase Fund and the Maine Energy, Housing & Economic Recovery Fund. Scheduled principal payments on bonds are due November 15 for the Mortgage Purchase Fund and June 15 for the Maine Energy, Housing & Economic Recovery Fund.

The interest calculations shown in the table below are based on the variable rate in effect at December 31, 2018 and may not be indicative of actual interest expense that will be incurred. As rates vary, variable rate bond interest payments and net swap payments will vary. The following table provides a summary of MaineHousing's bond debt service requirements and net interest rate swap payments through 2023 and in five-year increments thereafter to maturity:

Year(s)	Mortgage Purchase Fund					Maine Energy, Housing & Economic Recovery Fund	
	Fixed and Variable Unswapped		Variable Swapped		Swaps	Fixed	
	Principal	Interest	Principal	Interest	Net Interest	Principal	Interest
2019	\$33,630	\$39,615	\$3,315	\$3,829	\$269	\$3,245	\$1,024
2020	34,715	39,098	3,310	3,759	405	3,340	921
2021	41,305	38,378	230	3,662	674	3,450	810
2022	46,805	37,415	255	3,659	667	3,565	696
2023	43,435	36,292	285	3,654	522	3,680	579
2024-2028	217,695	164,290	1,615	18,195	1,935	11,935	763
2029-2033	238,910	126,046	17,190	17,518	1,679	0	0
2034-2038	208,120	85,214	58,520	14,492	736	0	0
2039-2043	183,875	47,844	16,000	11,212	0	0	0
2044-2048	128,175	17,861	59,210	6,528	0	0	0
2049-2053	45,330	3,546	19,790	717	0	0	0
Total	<u>\$1,221,995</u>	<u>\$635,599</u>	<u>\$179,720</u>	<u>\$87,225</u>	<u>\$6,887</u>	<u>\$29,215</u>	<u>\$4,793</u>

**Maine State Housing Authority**  
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MaineHousing's bonds are a special obligation of MaineHousing and do not constitute a debt or liability of the State of Maine. The bonds are secured in accordance with bond resolutions. Security for bonds in the Mortgage Purchase Fund includes the mortgage loans made or purchased under the resolution and all monies and investments in the fund and accounts pledged under the resolution. Bonds in the Mortgage Purchase Fund may be redeemed in excess of the annual maturities in accordance with the terms of the resolution. Bonds in the Maine Energy, Housing & Economic Recovery Fund are secured by a portion of the Real Estate Transfer Tax revenues collected by the State of Maine and the bonds may not be redeemed in excess of the annual maturities until June 15, 2020.

*Notes Payable*

Notes payable outstanding at December 31, 2018 are recorded in the General Administrative Fund and are as follows:

A \$4,200 note payable to the Federal Home Loan Bank (FHLB) at a fixed rate of 0%, maturing December 28, 2021. The note is collateralized with a \$4,932 Federal Farm Credit Bank debt security that is being held in trust in MaineHousing's name.

The proceeds from this note are to be used exclusively in accordance with FHLB's *Helping to House New England* program, which is designed to support affordable housing initiatives through the six New England Housing Finance Agencies.

In November 2018, a loan agreement in the amount of \$16,000 was entered into with TD Bank, N.A. The note matures on November 1, 2033 and has interest only payments until December 31, 2019 at an interest rate of 2.74%. From January 1, 2020 until maturity, the interest rate is fixed at 3.20% and principal and interest payments are due monthly based on a 20-year amortization.

The proceeds from this note are to be used for the acquisition and rehabilitation of an office building for MaineHousing. Loan proceeds are invested in non-negotiable certificates of deposit held with the lender and will be disbursed for intended use when needed and in accordance with a disbursement schedule set forth in the loan agreement. At December 31, 2018, no loan proceeds have been disbursed.

The following table provides a summary of note payment requirements through 2023 and in five-year increments thereafter to maturity:

Year(s)	Principal	Interest	Total
2019	\$0	\$444	\$444
2020	529	507	\$1,036
2021	4,796	493	\$5,289
2022	615	474	\$1,089
2023	635	453	\$1,088
2024-2028	3,503	1,941	\$5,444
2029-2033	10,122	1,323	\$11,445
Total	<u>\$20,200</u>	<u>\$5,635</u>	<u>\$25,835</u>

*Moral Obligation Debt*

The reserve funds of the Mortgage Purchase Fund are secured by a non-binding obligation (moral obligation) from the State of Maine to replenish by appropriation any deficiency in such reserve funds. MaineHousing is authorized to have an aggregate amount not to exceed \$2,150,000 of outstanding bonds secured by this obligation. Of that amount, \$1,401,715 was outstanding at December 31, 2018.

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*Other Debt*

MaineHousing uses its tax-exempt debt issuing authority to provide financial assistance to private sector developers for the acquisition and rehabilitation, or the construction of multi-family housing projects serving low-to-moderate income households. The debt, which is referred to as conduit debt, is collateralized by revenues generated by the properties financed and is repayable solely from payments received on the underlying mortgage loans and any specific third-party credit enhancement associated with the individual financings. MaineHousing has a total of \$29,379 outstanding at December 31, 2018. The debt does not constitute a liability or a pledge of faith and credit of MaineHousing and is not reported in the accompanying financial statements.

**(6.) INTEREST RATE SWAP AGREEMENTS**

MaineHousing has twelve interest rate swap agreements (swaps) with five counterparties as of December 31, 2018. The objective of the agreements is to attain a synthetic fixed interest rate on a portion of its variable rate bonds at a cost expected to be less than rates associated with fixed-rate debt. The swap agreement terms state MaineHousing is to make semi-annual fixed interest rate payments at a specified rate on a notional principal amount and in exchange receive semi-annual payments based upon either the thirty-day or ninety-day London InterBank Offered Rate (LIBOR) or the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA).

The swaps have an aggregate negative fair value of \$4,619 at December 31, 2018. During 2018, the fair value of the swaps improved by \$1,843. The fair value was estimated using a zero-coupon method and level 3 inputs. This method calculates the future net settlement payments required by the swaps, assuming that the current forward rates implied by the current yield curve correctly anticipate future spot interest rates. These payments are then discounted using spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. These amounts are adjusted for estimated unwinding costs.

The swaps have been determined to constitute an effective hedge of a portion of the variable rate bond portfolio equal to the notional amount of the swaps at December 31, 2018 by using the regression analysis and synthetic instrument methods. The aggregate fair value is classified as a derivative instrument liability and a deferred outflow of resources, which represents the accumulated decrease in fair value. Variable rate bonds outstanding at December 31, 2018 total \$289,720.

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The following table contains the terms, fair values, and credit ratings of the swaps as of December 31, 2018. Specific swaps are assigned to certain debt issuances for arbitrage purposes. The credit ratings were issued by Moody's Investor Services and Standard & Poor's, respectively.

Related Debt Issuance	Current Notional Amount	Effective Date of Swap	Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Termination Date	Counterparty Credit Rating
2005 Series B	\$6,205	11/17/2015	1.41%	100% of 90 day LIBOR	\$111	11/15/2020	Aa2/AA-
2005 Series G	20,515	2/1/2006	3.59%	65% of 30 day LIBOR plus .20%	(4,332)	11/15/2037	Aa2/A+
2015 Series E-3	20,000	11/15/2015	1.60%	67% of 30 day LIBOR	10	11/15/2025	A2/A
2015 Series E-3	5,000	3/14/2006	3.67%	65% of 90 day LIBOR plus .20%	(86)	11/15/2019	Aa2/AA-
2015 Series E-3	5,000	11/15/2016	1.15%	70% of 30 day LIBOR	184	11/15/2025	Aa2/AA-
2016 Series B-2	8,000	5/15/2017	1.61%	70% of 30 day LIBOR	323	11/15/2031 <sub>1</sub>	Aa2/AA-
2016 Series B-2	20,000	11/15/2017	1.66%	70% of 30 day LIBOR	731	11/15/2031 <sub>1</sub>	Aa2/AA-
2017 Series D-2	12,500	11/15/2018	2.57%	70% of 30 day LIBOR plus 0.45%	(352)	11/15/2028	A1/A+ <sub>2</sub>
2017 Series D-2	12,500	11/15/2018	2.59%	70% of 30 day LIBOR plus 0.45%	(427)	11/15/2033	A1/A+ <sub>2</sub>
2017 Series D-2	15,000	1/29/2008	3.71%	100% of SIFMA plus .06%	(1,265)	5/15/2023	Aa2/A+
2017 Series G-1	25,000	12/26/2014	1.94%	100% of 90 day LIBOR	175	11/15/2019	A2/A
2017 Series G-1	30,000	12/31/2014	2.05%	100% of 90 day LIBOR	309	11/15/2020	A2/A
Totals	<u>\$179,720</u>				<u>(\$4,619)</u>		

- 1 MaineHousing has the option of termination, with no Termination Payment on November 15, 2026 and on each May 15 and November 15 thereafter.
- 2 Moody's Investor Services credit rating was upgraded from A1 to Aa3 on February 21, 2019.

**Credit Risk** – The swaps contain varying collateral agreements with the counterparties in order to mitigate the potential for credit risk. The requirements of the collateral agreements are met as of December 31, 2018. MaineHousing is not exposed to credit risk for the swaps that have negative fair values. MaineHousing is exposed to credit risk on swaps that have a positive fair value. At December 31, 2018, there are seven swaps that have positive fair values totaling \$1,843. This amount represents MaineHousing's credit exposure to the related counterparties and the maximum loss that would be recognized at the reporting date if the counterparty failed to perform as contracted. Fair value is only a factor upon termination.

**Basis Risk** – The floating rate payments provided by the counterparties are based upon either the SIFMA index or the LIBOR index. The LIBOR rate will be adjusted on a monthly basis, except for 2005 Series B, 2015 Series E-3, and 2017 Series G-1, which are adjusted on a quarterly basis. MaineHousing's floating rate bonds will have rates adjusted weekly. MaineHousing's bonds are expected to track with the SIFMA Index, which differs from the LIBOR index. If the floating rate tax exempt bonds, which should correspond to the SIFMA index, trade at a value significantly different than their historical relationship to LIBOR, the net cost to MaineHousing could increase or decrease. As of December 31, 2018, the thirty day LIBOR rate and the ninety day LIBOR rate were 2.50% and 2.81%, respectively and the SIFMA rate was 1.71%.

**Termination Risk** – In addition to the optional terminations embedded in some of MaineHousing's swap agreements, agreements may be terminated in whole or in part prior to the respective maturities of the bonds under certain circumstances (including certain events of default with respect to MaineHousing or the swap providers). Following certain terminations of the swap agreements, either MaineHousing or the swap providers, as applicable, may owe a termination payment equal to the fair value of the swap to the other, depending upon market conditions and the events that caused such swap agreements to terminate. Under certain circumstances, this termination payment could be substantial. Such termination payment by MaineHousing would be payable on a basis subordinate to the payments on the bonds.

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Rollover Risk – MaineHousing is exposed to rollover risk on swaps that mature or may be terminated prior to the maturity of the associated debt.

**(7.) RETIREMENT BENEFITS**

MaineHousing has defined contribution and defined benefit pension plans that cover substantially all employees. Employees have the option to participate in either plan.

**Defined Contribution Plan**

The defined contribution plan consists of a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and a separate plan created under the provisions of the Internal Revenue Code Section 401(a).

Benefit terms, including contribution requirements, for the defined contribution plan are establishment by management. For each participant in the plan, MaineHousing contributes 3.0% of annual salary to the 401(a) plan. Additionally, if a participant makes voluntary contributions to the 457 plan, MaineHousing matches the contributions up to 7.5% of annual salary. The employer match contribution is made to the 401(a) plan.

For the year ended December 31, 2018, employee contributions totaled \$570 and MaineHousing recognized expense of \$404. Employees are immediately vested in their own contributions, MaineHousing contributions, and the earnings on those contributions.

**Defined Benefit Plan**

*Plan Description:* MaineHousing is a participating local district (PLD) member of the Maine Public Employees Retirement System's (MainePERS) PLD Consolidated Retirement Plan and employees may elect to participate in this multiple-employer cost sharing defined benefit plan. An advisory group established by Maine statute reviews the terms of the plan and periodically makes recommendations to the Legislature to amend them.

*Benefits Provided:* Retirement benefits are based on participants' average final compensation and service credit earned as of retirement. Vesting occurs upon the earning of five years of service credit. The normal retirement age is 60 or 65. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years (20 years for participants in the plan prior to July 1, 2014) of service credit is reduced by a statutorily prescribed factor for each year of age that a participant is below her/his normal retirement age at retirement.

Post-retirement cost-of-living adjustments (COLA) become available to participants after 24 months of retirement. The post-retirement COLA is capped at 2.5% annually. The plan also provides disability and death benefits, which are established by contract under applicable statutory provisions.

Upon termination, accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and rights. The annual rate of interest credited to participants' accounts is set by MainePERS Board of Trustees and is currently 2.4%.

*Contributions:* Retirement benefits are funded by contributions from participants and employers and by earnings from MainePERS investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. Participant and employer normal cost contributions are each a percentage of applicable participant compensation. Participant contribution rates are defined by the MainePERS Board of Trustees. Employers' contributions are determined by actuarial valuations. As of December 31, 2018, the established MainePERS employer and employee contribution rates are 10.0% and 8.0%, respectively. MaineHousing pays on behalf of its employees 0.50% of the MainePERS employee contribution rate. Total employer contributions were \$490 for the year ended December 31, 2018.

**Maine State Housing Authority**  
**Notes to Financial Statements – December 31, 2018**  
(IN THOUSANDS OF DOLLARS)

***Actuarial Methods and Assumptions***

The total pension liability was determined using the following methods and assumptions, applied to all periods included in the measurement:

*Cost Method* – The Entry Age Normal cost method is used to determine costs. Under this cost method, the total employer contribution rate consists of two elements, the normal cost rate and the unfunded actuarial liability rate.

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each member. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of his/her expected future salary. The normal cost for each member is the product of his/her pay and his/her normal cost rate. The normal cost for the group is the sum of the normal costs for all members. Experience gains and losses, i.e., decreases or increases in liabilities and/or in assets when actual experience differs from the actuarial assumptions, affect the unfunded actuarial accrued liability.

*Asset Valuation Method* – The actuarial valuation employs a technique for determining the actuarial value of assets which reduces the impact of short-term volatility in the market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actuarial assumption for investment return.

*Amortization* – The net pension liability is amortized on a level percentage of payroll using a method where a separate twenty-year closed period is established annually for the gains or losses for that year.

*Actuarial Assumptions:* The actuarial valuation as of June 30, 2018 and June 30, 2017 used the following actuarial assumptions:

*Investment Rate of Return* – 6.75% per annum, compounded annually at June 30, 2018; 6.875% at June 30, 2017.

*Inflation Rate* – 2.75%.

*Annual Salary Increases, including Inflation* – 2.75% to 9.00%.

*Cost of Living Benefit Increases* – 1.91% at June 30, 2018; 2.20% at June 30, 2017.

*Mortality Rates* – RP 2014 Total Dataset Healthy Annuitant Mortality Table for males and females.

The actuarial assumptions used in the June 30, 2018 and June 30, 2017 valuations were based on the results of an actuarial experience study for the period June 30, 2012 to June 30, 2015.

**Maine State Housing Authority**  
**Notes to Financial Statements – December 31, 2018**  
(IN THOUSANDS OF DOLLARS)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public equities	30.0%	6.0%
US Government	7.5%	2.3%
Private equity	15.0%	7.6%
Real estate	10.0%	5.2%
Infrastructure	10.0%	5.3%
Natural Resources	5.0%	5.0%
Traditional credit	7.5%	3.0%
Alternative credit	5.0%	4.2%
Diversifiers	10.0%	5.9%

*Discount Rate:* The discount rate used to measure the collective total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that participant contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Net Pension Liability:* At December 31, 2018, MaineHousing has a liability of \$2,283 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. MaineHousing's proportion of the net pension liability was based on MaineHousing's employer contributions received by MainePERS during the measurement period July 1, 2017 through June 30, 2018, relative to the total employer contributions received from all participating entities. At December 31, 2018, MaineHousing's proportion is 0.834117%. The proportion was 0.906494% at December 31, 2017.

*Sensitivity of MaineHousing's proportionate share of the net pension liability to changes in the discount rate:* The following represents MaineHousing's proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what MaineHousing's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

1% Decrease <u>@ 5.75%</u> \$5,380	Current Discount Rate <u>@ 6.75%</u> \$2,283	1% Increase <u>@ 7.75%</u> (\$612)
--	--	--

Changes in net pension liability are recognized in pension expense for the year ended December 31, 2018 with the following exceptions:

*Differences between expected and actual experience* – The difference between expected and actual experience with regard to economic or demographic factors was recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. For 2018 and 2017, respectively, this was three years and four years.

**Maine State Housing Authority**  
**Notes to Financial Statements – December 31, 2018**  
(IN THOUSANDS OF DOLLARS)

*Differences Between Projected and Actual Investment Earnings* – Differences between projected and actual investment earnings were recognized in pension expense using a straight-line amortization method over a closed five-year period. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

*Changes in Assumptions* – Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members. The actuarial assumptions for the June 30, 2018 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 through June 30, 2015. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

*Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions* – Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members. The first year is recognized as pension expense and the remaining years are shown either as deferred outflows of resources or deferred inflows of resources. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability.

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:* For the year ended December 31, 2018, MaineHousing recognized a pension credit of \$930 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$7	\$25
Employer contributions subsequent to the measurement date	227	0
Net difference between projected and actual earnings on pension plan investments	0	551
Changes in proportion and differences between employer contributions and proportionate share of contributions	18	440
Changes of assumptions	364	0
Total	<u>\$616</u>	<u>\$1,016</u>

Amounts reported as deferred outflows of resources related to pensions resulting from MaineHousing's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability for the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense through December 31, 2022 as follows:

Year ended December 31:	Pension Expense Amount
2019	(\$23)
2020	(\$87)
2021	(\$375)
2022	(\$142)

*Payables to the Pension Plan:* At December 31, 2018, MaineHousing's total payable to MainePERS for unremitted contributions is \$20.

*Pension plan fiduciary net position:* Detailed information about the plan's fiduciary net position is available in the separately issued MainePERS' Comprehensive Annual Financial Report at [www.maineopers.org](http://www.maineopers.org).

**Maine State Housing Authority**  
**Notes to Financial Statements – December 31, 2018**  
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**(8.) AVAILABLE BONDS PROCEEDS**

**MORTGAGE PURCHASE FUND**

The following bond proceed amounts are invested in the various bond proceed sub-accounts of the Bond Proceeds Fund of the Mortgage Purchase Fund and are available for the purchase of mortgages:

2016 Series B (S/F)	\$8,754
2017 Series D (M/F)	1,669
2017 Series G-2 (M/F)	1,686
2017 Series H (S/F)	4,221
2018 Series C (S/F)	8,166
2018 Series D-2 (M/F)	3,166
2018 Series E (M/F)	19,829
2018 Series F (S/F)	32,081
	<u>\$79,572</u>

**MAINE ENERGY, HOUSING AND ECONOMIC RECOVERY FUND**

The following bond proceeds are invested in accordance with the Maine Energy, Housing and Recovery General Indenture and are available for program activities:

2010 Series 1	\$670
2010 Series 2	1,133
	<u>\$1,803</u>

**(9.) COMMITMENTS**

**MORTGAGE COMMITMENTS**

Mortgage commitments are agreements to loan money 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 MaineHousing deems necessary. At December 31, 2018, MaineHousing had outstanding commitments in several funds to originate multi-family mortgage loans of approximately \$53,754. MaineHousing, under its single-family program, enters into purchase agreements with lenders to purchase mortgage loans. At December 31, 2018, single-family loans being processed by lenders for MaineHousing totaled approximately \$49,511.

**LEASE COMMITMENT**

MaineHousing has committed to a lease agreement for approximately 39,000 square feet of office space that expires on June 30, 2020. Annual rent under this lease agreement increases at a rate of 3% per year and expense amounted to \$757 for the year ended December 31, 2018. MaineHousing has acquired property in Augusta, Maine for development and to relocate its office at or near the expiration of the current lease. The total development for the new office building is estimated at approximately \$15,500.

**(10.) RESERVE FUNDS**

**MORTGAGE PURCHASE FUND – HOUSING RESERVE FUND**

On or before December 1 of each year, MaineHousing 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, 2018 was \$104,627. When issuing bonds MaineHousing must also meet the Housing Reserve Fund Maximum Requirement. The Housing Reserve Fund Maximum Requirement equals the maximum debt service required in any subsequent calendar year. The Housing Reserve Fund Maximum Requirement as of December 31, 2018 was \$115,688.

**Maine State Housing Authority**  
**Notes to Financial Statements – December 31, 2018**  
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In calculating the Housing Reserve Minimum and the Housing Reserve Maximum requirements, MaineHousing assumes a 12% rate for variable rate bonds, which is the maximum interest rate under the terms of the bonds. Swap payments and receipts are not included in the calculation. At December 31, 2018, 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 \$153,066.

**MAINE ENERGY, HOUSING & ECONOMIC RECOVERY FUND – CAPITAL RESERVE FUND**

MaineHousing is required to maintain a Capital Reserve Fund in an amount equal to the Capital Reserve Fund Requirement established under the General Indenture. The Capital Reserve Fund Requirement equals the greatest amount of principal and interest maturing and becoming due in the current or any succeeding bond year. The Capital Reserve Requirement as of December 31, 2018 was \$4,320. This requirement may be satisfied by the deposit of money or by the deposit of a Credit Facility or an insurance policy for the benefit of the bondholders.

Between July 1 and July 15 of each year, MaineHousing must certify to the Treasurer of the State the amount necessary and sufficient to meet MaineHousing's debt service obligation, including amounts necessary to replenish the Capital Reserve Fund to the Capital Reserve Requirement. At December 31, 2018, valuation of the Capital Reserve Fund insurance policy in the Capital Reserve Fund was \$4,320.

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

Tax-exempt bonds issued by MaineHousing are subject to Internal Revenue Service regulations that limit the amount of income that can be earned with non-mortgage investments to an amount not greater than the amount that would have been earned had the funds been invested at the yield on the bonds. Excess earnings must be rebated every five years. At December 31, 2018, there are no arbitrage liabilities to be rebated.

Prior rebate payments made by MaineHousing that are eligible for refund from the United States Treasury, based on estimated arbitrage rebate calculations, are recorded as a receivable in other assets. MaineHousing has recorded receivables in the amount of \$184 in the Mortgage Purchase Fund at December 31, 2018.

**(12.) FUND TRANSFERS AND INTERFUND BALANCES**

MaineHousing records transfers between funds for various purposes including program subsidies, fees and capital asset transfers. Transfers for the year ended December 31, 2018 consisted of the following:

	General Administrative Fund	Section 8 Housing Programs	Low Income Home Energy Assistance Program	Other Federal And State Programs
Capital Assets	\$168	(\$20)	(\$109)	(\$39)
Program Administrative Fees	688	(688)	0	0
	<u>\$856</u>	<u>(\$708)</u>	<u>(\$109)</u>	<u>(\$39)</u>

MaineHousing reports interfund balances among its funds. These balances generally consist of amounts for various revenues or expenses due to a fund, but received or paid to another and funds for loan closings. These amounts are generally paid or received within the subsequent year.

**Maine State Housing Authority**  
**Notes to Financial Statements – December 31, 2018**  
(IN THOUSANDS OF DOLLARS)

Interfund accounts receivable (payable) balances at December 31, 2018 consisted of the following, including interfund balances relating to the allocation of pension liabilities and deferrals of resources:

	Mortgage Purchase Fund	Bondholder Reserve Fund	General Administrative Fund	HOME Fund	Section 8 Housing Programs	Low Income Home Energy Assistance Program	Maine Energy, Housing & Economic Recovery Program	Other Federal And State Programs
Receivable due from:								
Mortgage Purchase Fund	\$0	\$0	\$3,006	\$0	\$0	\$0	\$0	\$0
General Administrative Fund	0	0	0	150	0	0	0	0
Other Federal And State Programs	237	0	2,077	0	0	0	0	0
Collectively, all other funds	0	0	14	0	0	0	0	0
	237	0	5,097	150	0	0	0	0
Payables	(3,006)	(12)	(150)	0	(905)	(657)	(2)	(752)
	<u>(\$2,769)</u>	<u>(\$12)</u>	<u>\$4,947</u>	<u>\$150</u>	<u>(\$905)</u>	<u>(\$657)</u>	<u>(\$2)</u>	<u>(\$752)</u>

The interfund accounts receivable of the General Administrative Fund consist primarily of operating expenses owed from the Mortgage Purchase Fund, Section 8 Housing Programs, Low Income Home Energy Assistance Program and Other Federal and State Programs.

**(13.) REDEMPTION OF BONDS**

For the year ended December 31, 2018, MaineHousing redeemed prior to maturity \$151,680 of its Mortgage Purchase Fund bonds from recoveries of principal, surplus revenues and the proceeds of refunding bonds. Gains of \$178 were attributed to the recognition of related bond premium. In general, where these redemptions were related to refundings, the overall interest rate was lower with the new bonds. The following is a summary of bonds redeemed:

	Interest Rate	Original Maturity	Amount	Redemption Price
2011 Series B-1 Serial Bonds	3.00%	11/15/2018	\$3,695	100%
2011 Series C-1 Serial Bonds	2.70%	11/15/2018	4,000	100%
2011 Series C-1 Serial Bonds	3.60%	11/15/2022	2,700	100%
2011 Series C-1 Serial Bonds	3.75%	11/15/2023	780	100%
2011 Series C-2 Serial Bonds	3.88%	11/15/2024	530	100%
2012 Series A-1 Serial Bonds	3.30%	11/15/2021	8,115	100%
2012 Series A-1 Serial Bonds	3.45%	11/15/2022	5,265	100%
2012 Series A-1 Term Bonds	4.50%	11/15/2028	1,080	100%
2012 Series A-1 Term Bonds	4.50%	11/15/2028	1,135	100%
2012 Series A-2 Term Bonds	3.60%	11/15/2026	2,350	100%
2012 Series A-3 Term Bonds	3.85%	11/15/2029	1,265	100%
2012 Series A-3 Term Bonds	3.85%	11/15/2029	5,670	100%

**Maine State Housing Authority**  
**Notes to Financial Statements – December 31, 2018**  
(IN THOUSANDS OF DOLLARS)

	<u>Interest Rate</u>	<u>Original Maturity</u>	<u>Amount</u>	<u>Redemption Price</u>
2012 Series B-1 Serial Bonds	3.25%	11/15/2021	625	100%
2012 Series B-1 Serial Bonds	3.38%	11/15/2022	660	100%
2012 Series B-1 Serial Bonds	3.50%	11/15/2023	675	100%
2012 Series B-1 Serial Bonds	3.75%	11/15/2024	720	100%
2012 Series B-2 Term Bonds	3.50%	11/15/2027	350	100%
2013 Series B Term Bonds	4.00%	11/15/2043	1,490	100%
2013 Series B Term Bonds	4.00%	11/15/2043	1,540	100%
2013 Series D-1 Serial Bonds	3.25%	11/15/2021	1,935	100%
2013 Series D-1 Serial Bonds	3.50%	11/15/2022	1,995	100%
2013 Series D-1 Serial Bonds	3.65%	11/15/2023	2,060	100%
2013 Series D-2 Term Bonds	4.00%	11/15/2028	7,800	100%
2013 Series D-2 Term Bonds	4.50%	11/15/2037	2,205	100%
2013 Series D-2 Term Bonds	4.50%	11/15/2037	4,695	100%
2013 Series E Serial Bonds	3.55%	11/15/2021	2,620	100%
2013 Series E Serial Bonds	3.85%	11/15/2022	2,590	100%
2014 Series A-1 Term Bonds	3.25%	11/15/2043	715	100%
2014 Series A-1 Term Bonds	3.25%	11/15/2043	780	100%
2014 Series A-2 Serial Bonds	3.40%	11/15/2023	3,080	100%
2014 Series A-2 Serial Bonds	3.55%	11/15/2024	1,120	100%
2014 Series A-2 Term Bonds	4.50%	11/15/2034	1,980	100%
2014 Series A-2 Term Bonds	4.50%	11/15/2034	5,865	100%
2014 Series C-1 Term Bonds	3.50%	11/15/2044	1,040	100%
2014 Series C-1 Term Bonds	3.50%	11/15/2044	1,075	100%
2014 Series C-1 Term Bonds	3.63%	11/15/2029	1,500	100%
2015 Series A-2 Term Bonds	3.25%	11/15/2029	80	100%
2015 Series B Term Bonds	3.50%	11/15/2040	455	100%
2015 Series B Term Bonds	3.50%	11/15/2040	2,360	100%
2015 Series D Term Bonds	4.00%	11/15/2045	200	100%
2015 Series D Term Bonds	4.00%	11/15/2045	505	100%
2015 Series D Term Bonds	4.00%	11/15/2045	1,045	100%
2015 Series E-1 Term Bonds	3.50%	11/15/2035	800	100%
2015 Series E-1 Term Bonds	3.50%	11/15/2035	1,725	100%
2015 Series E-1 Term Bonds	4.00%	11/15/2030	820	100%
2015 Series E-1 Term Bonds	4.00%	11/15/2030	2,400	100%
2015 Series E-1 Term Bonds	4.00%	11/15/2030	8,895	100%
2015 Series F-3 Term Bonds	3.40%	11/15/2030	70	100%
2015 Series G Term Bonds	3.50%	11/15/2045	200	100%
2015 Series G Term Bonds	3.50%	11/15/2045	450	100%
2016 Series A Term Bonds	4.00%	11/15/2045	200	100%
2016 Series A Term Bonds	4.00%	11/15/2045	465	100%
2016 Series B-1 Serial Bonds	0.90%	11/15/2018	680	100%
2016 Series B-1 Term Bonds	3.50%	11/15/2046	1,300	100%
2016 Series B-1 Term Bonds	3.50%	11/15/2046	1,490	100%
2016 Series C Term Bonds	3.50%	11/15/2046	765	100%
2016 Series E Term Bonds	4.00%	11/15/2046	230	100%
2016 Series E Term Bonds	4.00%	11/15/2046	380	100%
2017 Series A Term Bonds	4.00%	11/15/2047	385	100%
2017 Series B Term Bonds	4.00%	11/15/2047	230	100%
2017 Series C Term Bonds	Variable	11/15/2047	39,585	100%
2017 Series F Term Bonds	3.50%	11/15/2047	265	100%
			<u>\$151,680</u>	

**Maine State Housing Authority**  
**Notes to Financial Statements – December 31, 2018**  
(IN THOUSANDS OF DOLLARS)

**(14.) CONTINGENCIES**

MaineHousing is subject to various legal proceedings and claims that arise in the normal course of its business. MaineHousing also receives funding from federal government agencies. These funds are to be used for designated purposes only and are subject to financial and compliance audits and the resolution of identified questioned costs. The amount, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time. In the opinion of management, the ultimate resolution of these actions will not materially affect the accompanying financial statements.

**(15.) SUBSEQUENT EVENTS**

Subsequent to December 31, 2018, MaineHousing issued and redeemed bonds. The following is a summary of subsequent event transactions.

On February 21, 2019 MaineHousing issued, at par, \$39,465 of bonds in the General Mortgage Purchase Bond Resolution as follows:

	Interest Rate	Maturity	Amount	Issued Price
2019 Series A Serial Bonds	1.75%-3.05%	2020-2030	\$12,670	100%
2019 Series A Term Bonds	3.45%	2034	4,305	100%
2019 Series A Term Bonds	3.80%	2039	2,605	100%
2019 Series A Term Bonds	4.00%	2044	10,880	100%
2019 Series A Term Bonds	4.00%	2049	9,005	100%
			<u>\$39,465</u>	

On March 11, 2019 MaineHousing redeemed at par, \$29,535 of bonds in the General Mortgage Purchase Bond Resolution as follows:

	Interest Rate	Maturity	Amount	Redemption Price
2011 Series C-2 Term Bonds	4.88%	11/15/2041	\$2,000	100%
2011 Series D Serial Bonds	3.30%	11/15/2022	1,895	100%
2011 Series E Term Bonds	4.38%	11/15/2031	705	100%
2012 Series A-2 Term Bonds	3.60%	11/15/2026	9,450	100%
2012 Series A-3 Term Bonds	3.85%	11/15/2029	5,900	100%
2012 Series B-2 Term Bonds	3.50%	11/15/2027	870	100%
2012 Series B-3 Term Bonds	3.88%	11/15/2031	1,500	100%
2013 Series D-1 Serial Bonds	2.63%	11/15/2019	1,265	100%
2015 Series A-2 Term Bonds	3.25%	11/15/2029	75	100%
2015 Series B Term Bonds	3.50%	11/15/2040	770	100%
2015 Series D Term Bonds	3.75%	11/15/2030	2,210	100%
2015 Series D Term Bonds	4.00%	11/15/2045	350	100%
2015 Series E-1 Term Bonds	3.50%	11/15/2035	910	100%
2015 Series G Term Bonds	3.50%	11/15/2045	265	100%
2016 Series A Term Bonds	4.00%	11/15/2045	365	100%
2016 Series C Term Bonds	3.50%	11/15/2046	595	100%
2017 Series B Term Bonds	4.00%	11/15/2047	310	100%
2017 Series F Term Bonds	3.50%	11/15/2047	100	100%
			<u>\$29,535</u>	

**MAINE STATE HOUSING AUTHORITY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF SELECTED PENSION INFORMATION - UNAUDITED  
PRESENTED FOR YEARS INFORMATION IS AVAILABLE  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(IN THOUSANDS OF DOLLARS)**

**Schedule of MaineHousing's Proportionate Share of Net Pension Liability  
Last Ten Fiscal Years  
As of Measurement Date of June 30:**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Employer's Proportion of the Net Pension Liability	0.834117%	0.906494%	0.922203%	1.181151%	1.420739%
Employer's Proportionate Share of the Net Pension Liability	\$2,823	\$3,712	\$4,899	\$3,768	\$2,186
Employer's Covered-Employee Payroll	\$4,658	\$4,892	\$4,810	\$4,598	\$4,691
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	60.6%	75.9%	101.9%	81.9%	46.6%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	91.1%	86.4%	81.6%	88.3%	94.1%

**Schedule of MaineHousing's Pension Contributions  
Last Ten Fiscal Years  
As of Measurement Date of June 30:**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually Required Contribution	\$490	\$513	\$505	\$483	\$492
Contributions in Relation to Contractually Required Contribution	\$490	\$513	\$505	\$483	\$492
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0
Employer's Covered Employee Payroll	\$4,658	\$4,892	\$4,810	\$4,598	\$4,691
Contributions as a Percentage of Covered Employee Payroll	10.5%	10.5%	10.5%	10.5%	10.5%

The above schedules are intended to show information for 10 years. Retroactive information is not required to be presented. Information will be presented each year until 10 years of such information is available.

**Notes to Required Supplementary Information**

***Changes of Benefit Terms:***

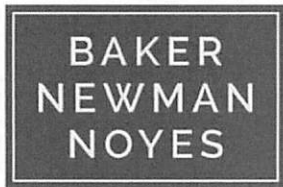
The following changes of benefit terms were enacted by legislation and reflected in the measurement period ended June 30, 2018:

- \* The Cost-Of-Living-Adjustment (COLA) was changed to a maximum of 2.5% of the Consumer Price Index for Urban Consumers with a 2-year waiting period from a maximum of 3% with a 1-year waiting period.
- \* The early retirement reduction factor was increased from 2.25% per year for age 60 plan members and 6% per year for age 65 plan members to approximately 6%-7% or less per year for all members based on the number of years a member retires before their normal retirement age.
- \* The eligibility for using accrued unused vacation and sick leave towards retirement benefits was changed from all members to members with 20 or more years of service at retirement.

***Changes of Assumptions:***

The following assumption changes were reflected in the measurement period ended June 30, 2018:

- \* The investment rate of return was decreased from 6.875% to 6.75%.
- \* The rate for cost of living benefit increases was reduced from 2.20% to 1.91%.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Commissioners  
Maine State Housing Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Maine State Housing Authority (MaineHousing), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise MaineHousing's basic financial statements, as listed in the table of contents, and have issued our report thereon dated March 25, 2019.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

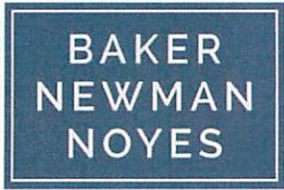
As part of obtaining reasonable assurance about whether MaineHousing's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

### **Purpose of this Report**

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

*Baker Newman & Noyes LLC*

Portland, Maine  
March 25, 2019



Baker Newman & Noyes LLC  
MAINE | MASSACHUSETTS | NEW HAMPSHIRE  
800.244.7444 | [www.bnn CPA.com](http://www.bnn CPA.com)

The Board of Commissioners  
Maine State Housing Authority

We are pleased to present this report related to our audit of the financial statements of the Maine State Housing Authority (MaineHousing) as of and for the year ended December 31, 2018. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for MaineHousing's financial reporting process.

This report is intended solely for the information and use of the Board of Commissioners and management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to MaineHousing.

*Baker Newman & Noyes LLC*  
Portland, Maine  
March 25, 2019

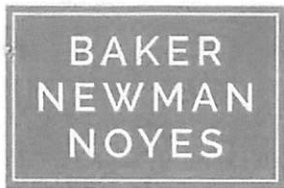
## Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged with Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
<b>Our Responsibilities With Regard to the Financial Statement Audit</b>	<p>Our responsibilities under auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i> issued by the Comptroller General of the United States have been described to you in our arrangement letter dated October 17, 2018. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.</p>
<b>Overview of the Planned Scope and Timing of the Financial Statement Audit</b>	<p>We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of, and planned audit response to, significant risks of material misstatement.</p>
<b>Accounting Policies and Practices</b>	<p><b>Preferability of Accounting Policies and Practices</b> Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practices, considering the need to balance the cost of providing information with the likely benefit to users of MaineHousing's financial statements.</p> <p><b>Adoption of, or Change in, Accounting Policies</b> Management has the ultimate responsibility for the appropriateness of the accounting policies used by MaineHousing. MaineHousing did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.</p> <p><b>Significant or Unusual Transactions</b> We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p><b>Management's Judgments and Accounting Estimates</b> Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates follows.</p> <p>Management provides for an allowance for loan losses at a level that management believes will be adequate to absorb probable loan losses based on evaluations of the collectibility of the loans and prior loss experience. The evaluation takes into consideration such factors as changes in the nature and volume of the portfolio, overall portfolio quality, specific problem loans, and current economic conditions that may affect the borrowers' ability to pay.</p>

## Required Communications (Continued)

Area	Comments
<b>Accounting Policies and Practices (Continued)</b>	<p>Management estimates the fair value of the interest rate swaps by engaging valuation specialists and by reviewing the methods and assumptions used in the valuation.</p> <p>We reviewed management's assumptions and concluded their estimates were reasonable in relation to the financial statements taken as a whole.</p>
<b>Audit Adjustments</b>	<p>There were no audit adjustments made to the original trial balance presented to us to begin our audit.</p>
<b>Uncorrected Misstatements</b>	<p>Uncorrected misstatements are summarized in the attached Representation Letter.</p>
<b>Disagreements With Management</b>	<p>We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.</p>
<b>Consultations With Other Accountants</b>	<p>We are not aware of any consultations management had with other accountants about accounting or auditing matters.</p>
<b>Significant Issues Discussed With Management</b>	<p>No significant issues arising from the audit were discussed or were the subject of correspondence with management.</p>
<b>Significant Difficulties Encountered in Performing the Audit</b>	<p>We did not encounter any significant difficulties in dealing with management during the audit.</p>
<b>Significant Written Communications Between Management and Our Firm</b>	<p>Copies of certain significant written communications between our firm and the management of MaineHousing are attached.</p>



October 17, 2018

The Audit Committee  
Maine State Housing Authority  
c/o Ms. Linda Grotton, Internal Auditor  
353 Water Street  
Augusta, Maine 04330

Dear Members of the Audit Committee:

### **The Objective and Scope of the Audit of the Financial Statements**

You have requested that we audit Maine State Housing Authority's (MaineHousing) governmental activities, business-type activities, each major fund and aggregate remaining fund information as of and for the year ending December 31, 2018, which collectively comprise the basic financial statements. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

Our audit will be conducted with the objective of our expressing an opinion on the financial statements.

We will also perform the audit of MaineHousing as of December 31, 2018 so as to satisfy the audit requirements imposed by the *Single Audit Act* and Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

### **The Responsibilities of the Auditor**

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); *Government Auditing Standards* issued by the Comptroller General of the United States (GAS); the provisions of the *Single Audit Act*; Subpart F of Title 2 U.S. CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and the U.S. Office of Management and Budget's (OMB) Compliance Supplement. Those standards, regulations, supplements or guides require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements. The determination of abuse is subjective; therefore, GAS does not expect us to provide reasonable assurance of detecting abuse.

In making our risk assessments, we consider internal control relevant to MaineHousing's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

We will also communicate to the Audit Committee (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements that becomes known to us during the audit, and (b) any instances of noncompliance with laws and regulations that we become aware of during the audit (unless they are clearly inconsequential).

You will provide us with a list of funds that you have told us are maintained by MaineHousing and that are to be included as part of our audit.

You will provide us with a list of federal financial assistance programs and awards that you participate in and that are to be included as part of the single audit.

Our reports on internal control will include any significant deficiencies and material weaknesses in controls of which we become aware as a result of obtaining an understanding of internal control and performing tests of internal control consistent with requirements of the standards and circulars identified above. Our reports on compliance matters will address material errors, fraud, abuse, violations of compliance obligations, and other responsibilities imposed by state and federal statutes and regulations or assumed by contracts; and any state or federal grant, entitlement or loan program questioned costs of which we become aware, consistent with requirements of the standards and circulars identified above.

### **The Responsibilities of Management and Identification of the Applicable Financial Reporting Framework**

Our audit will be conducted on the basis that management acknowledges and understands that it has responsibility:

- a. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
- b. To evaluate subsequent events through the date the financial statements are issued or available to be issued, and to disclose the date through which subsequent events were evaluated in the financial statements. Management also agrees that it will not evaluate subsequent events earlier than the date of the management representation letter referred to below;
- c. For the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- d. For establishing and maintaining effective internal control over financial reporting, and for informing us of all significant deficiencies and material weaknesses in the design or operation of such controls of which it has knowledge;
- e. For (a) making us aware of significant vendor relationships where the vendor is responsible for program compliance, (b) following up and taking corrective action on audit findings, including the preparation of a summary schedule of prior audit findings and a corrective action plan, and (c) report distribution, including submitting the reporting packages; and

- f. To provide us with:
- (1) Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;
  - (2) Additional information that we may request from management for the purpose of the audit;
  - (3) Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence;
  - (4) When applicable, a summary schedule of prior audit findings for inclusion in the single audit reporting package; and
  - (5) If applicable, responses to any findings reported on the schedule of findings and questioned costs.

As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audit, including among other items:

- a. That management has fulfilled its responsibilities as set out in the terms of this letter; and
- b. That it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for identifying and ensuring that MaineHousing complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud or abuse, and for informing us about all known or suspected fraud or abuse affecting the entity involving management, employees who have significant roles in internal control, and others where the fraud or abuse could have a material effect on the financial statements or compliance. Management is also responsible for informing us of its knowledge of any allegations of fraud or abuse, or suspected fraud or abuse, affecting the entity received in communications from employees, former employees, analysts, regulators or others.

Management is responsible for the preparation of the supplementary information in accordance with accounting principles generally accepted in the United States of America. Management agrees to include the auditor's report on the supplementary information in any document that contains the supplementary information and indicates that the auditor has reported on such supplementary information. Management also agrees to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.

Management is also responsible for the electronic submission of the annual financial statements and other required supplemental financial and compliance information submitted to HUD through the HUD's Real Estate Assessment Center (REAC) Financial Assessment Subsystem (FASS-PH) and for determining that it is complete, accurate and timely filed in accordance with the regulatory and contractual obligations with HUD.

The Audit Committee is responsible for informing us of its views about the risks of fraud or abuse within the entity, and its knowledge of any fraud or abuse or suspected fraud or abuse affecting the entity.

MaineHousing agrees that it will not associate us with any public or private securities offering without first obtaining our consent. Therefore, MaineHousing agrees to contact us before it includes our reports, or otherwise makes reference to us, in any public or private securities offering.

Our association with an official statement is a matter for which separate arrangements will be necessary. MaineHousing agrees to provide us with printer's proofs or masters of such offering documents for our review and approval before printing, and with a copy of the final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when MaineHousing seeks such consent, we will be under no obligation to grant such consent or approval.

If we agree that our association with any proposed offering is not necessary, MaineHousing agrees to clearly indicate that we are not associated with the contents of any such official statement or memorandum. MaineHousing agrees that the following disclosure will be prominently displayed in any such official statement or memorandum:

*Baker Newman & Noyes LLC (BNN), our independent auditor, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. BNN also has not performed any procedures relating to this official statement.*

Because BNN will rely on MaineHousing and its management and Audit Committee to discharge the foregoing responsibilities, MaineHousing holds harmless and releases BNN and its principals and employees from all claims, liabilities, losses and costs arising in circumstances where there has been a knowing misrepresentation by a member of MaineHousing's management that has caused, in any respect, BNN's breach of contract or negligence. This provision shall survive the termination of this arrangement for services.

#### **Records and Assistance**

If circumstances arise relating to the condition of MaineHousing's records, the availability of appropriate audit evidence or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting or misappropriation of assets which, in our professional judgment, prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement.

During the course of our engagement, we may accumulate records containing data that should be reflected in MaineHousing's books and records. MaineHousing will determine that all such data, if necessary, will be so reflected. Accordingly, MaineHousing will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by MaineHousing personnel, including the preparation of schedules and analyses of accounts, has been discussed and coordinated with Darren Brown, Director of Finance. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

In connection with our audit, you have requested us to perform certain non-audit services necessary for the preparation of the financial statements, including assistance with the final editing and reproduction of the financial statements and schedule of expenditures of federal awards, and the preparation of the data collection form. The GAS independence standards require that the auditor maintain independence so that opinions, findings, conclusions, judgments and recommendations will be impartial and viewed as impartial by reasonable and informed third parties. Before we agree to provide a non-audit service to MaineHousing, we determine whether providing such a service would create a significant threat to our independence for GAS audit purposes, either by itself or in aggregate with other non-audit services provided. A critical component of our determination is consideration of management's ability to effectively oversee the non-audit services to be performed. MaineHousing has agreed that Darren Brown, Director of Finance, possesses suitable skill, knowledge or experience and that he understands the services to be performed sufficiently to oversee them. Accordingly, the management of MaineHousing agrees to the following:

1. MaineHousing has designated Darren Brown, Director of Finance, a senior member of management, who possesses suitable skill, knowledge, and experience to oversee any of the services.
2. Darren Brown, Director of Finance, will assume all management responsibilities for subject matter and scope of any such services.
3. MaineHousing will evaluate the adequacy and results of the services performed.
4. MaineHousing will accept responsibility for the results and ultimate use of the services.

GAS further requires that we establish an understanding with MaineHousing's management and those charged with governance of the objectives of the non-audit services, the services to be performed, the entity's acceptance of its responsibilities, the auditor's responsibilities and any limitations of the non-audit services. We believe this letter documents that understanding.

#### **Other Relevant Information**

BNN may mention MaineHousing's name and provide a general description of the engagement in BNN's client lists and marketing materials.

In accordance with GAS, a copy of our most recent peer review report is enclosed for your information.

#### **Fees, Costs, and Access to Workpapers**

Our fees for the audit and accounting services described above are based upon the value of the services performed and the time required by the individuals assigned to the engagement, plus direct expenses. Our fee estimate and completion of our work are based upon the following criteria:

- a. Anticipated cooperation from MaineHousing personnel
- b. Timely responses to our inquiries
- c. Timely completion and delivery of client assistance requests
- d. Timely communication of all significant accounting and financial reporting matters
- e. The assumption that unexpected circumstances will not be encountered during the engagement

Interim billings will be submitted as work progresses and as expenses are incurred. Billings are due upon submission.

Page 6  
The Audit Committee  
Maine State Housing Authority  
c/o Ms. Linda Grotton, Internal Auditor  
October 17, 2018

We estimate our fee not to exceed for the services described in this letter will be \$93,500 for the financial statement audit, \$40,000 for the Uniform Guidance audit and \$7,500 for the REAC filing, including direct costs, unless the scope of the engagement is changed, the assistance which MaineHousing has agreed to furnish is not provided, or unexpected conditions are encountered, in which case we will discuss the situation with you before proceeding. All other provisions of this letter will survive any fee adjustment.

Our professional standards require that we perform certain additional procedures, on current and previous years' engagements, whenever a partner or professional employee leaves the firm and is subsequently employed by or associated with a client in a key position. Accordingly, MaineHousing agrees it will compensate BNN for any additional costs incurred as a result of MaineHousing's employment of a partner or professional employee of BNN.

In the event we are requested or authorized by MaineHousing or are required by government regulation, subpoena or other legal process to produce our documents or our personnel as witnesses with respect to our engagement for MaineHousing, MaineHousing will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

The documentation for this engagement is the property of BNN. However, you acknowledge and grant your assent that representatives of the cognizant or oversight agency or their designee, other government audit staffs, and the U.S. Government Accountability Office shall have access to the audit documentation upon their request and that we shall maintain the audit documentation for a period of at least three years after the date of the report, or for a longer period if we are requested to do so by the cognizant or oversight agency. Access to requested documentation will be provided under the supervision of BNN audit personnel and at a location designated by our firm.

#### **Claim Resolution**

MaineHousing and BNN agree that no claim arising out of services rendered pursuant to this agreement shall be filed more than two years after the date of the audit report issued by BNN or the date of this arrangement letter if no report has been issued.

You agree that any dispute (other than our efforts to collect an outstanding invoice) that may arise regarding the meaning, performance or enforcement of this engagement or any prior engagement that we have performed for you, will, prior to resorting to litigation, be submitted to mediation, and that the parties will engage in the mediation process in good faith once a written request to mediate has been given by any party to the engagement. The results of such mediation shall be binding only upon agreement of each party to be bound. The costs of any mediation proceeding shall be shared equally by the participating parties.

MaineHousing shall upon the receipt of written notice indemnify and hold BNN and its affiliates, and their principals, and personnel, harmless against all costs, fees, expenses, damages, and liabilities (including legal defense costs) associated with any third-party claim arising from or relating to any knowing misrepresentation to BNN by MaineHousing or the intentional withholding or concealment of information from BNN by MaineHousing. In addition, MaineHousing shall upon receipt of written notice indemnify and hold BNN and its affiliates, and their principals and personnel, harmless against all punitive damages associated with any third-party claim arising from or relating to: (i) any services, work product, or deliverables from BNN that MaineHousing or its management uses or discloses to others; or (ii) this engagement generally. The terms of this paragraph shall apply regardless of the nature of any claim asserted (including those arising from contract law, statutes, regulations, or any form of negligence of MaineHousing, whether arising out of tort, strict liability, or otherwise) and whether or not BNN was advised of the possibility of the damage or loss asserted. Such terms shall also continue to apply after any termination of this agreement by either party and during any dispute between the parties. To the extent finally determined that the conduct giving rise to such punitive damages arose out of BNN's gross negligence or willful misconduct, this paragraph shall not apply.

With respect to any services, work product, or other deliverables hereunder, or this engagement generally, BNN's liability to MaineHousing shall in no event exceed the fees that it receives for the portion of the work giving rise to liability, nor shall BNN's liability include any special, consequential, incidental, or exemplary damages or loss, including any lost profits, savings, or business opportunity.

If any term or provision of this agreement is determined to be invalid or unenforceable, such term or provision will be deemed stricken and all other terms and provisions will remain in full force and effect.

### Reporting

We will issue a written report upon completion of our audit of MaineHousing's financial statements. Our report will be addressed to the Board of Commissioners of MaineHousing. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

In addition to our report on MaineHousing's financial statements, we will also issue the following types of reports:

- A report on the fairness of the presentation of MaineHousing's schedule of expenditures of federal awards for the year ending December 31, 2018;
- Reports on internal control related to the financial statements and major programs. These reports will describe the scope of testing of internal control and the results of our tests of internal controls;
- Reports on compliance with laws, regulations, and the provision of contracts or grant agreements. We will report on any noncompliance that could have a material effect on the financial statements and any noncompliance that could have a material effect, as defined by Subpart F of Title 2 U.S. CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, on each major program;
- An accompanying schedule of findings and questioned costs; and
- A report on additional information that is referred to as the Financial Data Schedule as required by the U.S. Department of Housing and Urban Development. The responsibility we are to take for the material included in this report will be the same as that we assume for other supplementary information accompanying the financial statements.

### Electronic Signatures and Counterparts

Each party hereto agrees that any electronic signature of a party to this agreement or any electronic signature to a document contemplated hereby (including any representation letter) is intended to authenticate such writing and shall be as valid, and have the same force and effect, as a manual signature. Any such electronically signed document shall be deemed (i) to be "written" or "in writing," (ii) to have been signed and (iii) to constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. Each party hereto also agrees that electronic delivery of a signature to any such document (via email or otherwise) shall be as effective as manual delivery of a manual signature. For purposes hereof, "electronic signature" includes, but is not limited to, (i) a scanned copy (as a "pdf" (portable document format) or other replicating image) of a manual ink signature, (ii) an electronic copy of a traditional signature affixed to a document, (iii) a signature incorporated into a document utilizing touchscreen capabilities or (iv) a digital signature. This agreement may be executed in one or more counterparts, each of which shall be considered an original instrument, but all of which shall be considered one and the same agreement. Paper copies or "printouts," of such documents if introduced as evidence in any judicial, arbitral, mediation or administrative proceeding, will be admissible as between the parties to the same extent and under the same conditions as other original business records created and maintained in documentary form. Neither party shall contest the admissibility of true and accurate copies of electronically signed documents on the basis of the best evidence rule or as not satisfying the business records exception to the hearsay rule.

This letter constitutes the complete and exclusive statement of agreement between BNN and MaineHousing, superseding all proposals, oral or written, and all other communications with respect to the terms of the engagement between the parties.

Please sign and return a copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements, including our respective responsibilities.


Very truly yours,

BAKER NEWMAN & NOYES LLC



Carl Chatto  
Principal

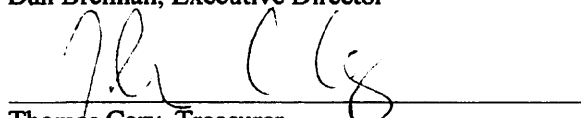
Confirmed by: Maine State Housing Authority

  
Thomas Davis, Chairman of the Audit Committee

12/12/18  
Date

  
Dan Brennan, Executive Director

12-12-18  
Date

  
Thomas Cary, Treasurer

12/12/18  
Date

March 25, 2019

Baker Newman & Noyes LLC  
280 Fore Street  
Portland, Maine 04112-0507

This representation letter is provided in connection with your audit of the basic financial statements (which consist of the financial statements of the governmental activities, the business-type activities, each major Fund, and the aggregate remaining Fund information) of Maine State Housing Authority (MaineHousing), a component unit of the State of Maine, as of and for the year ended December 31, 2018 for the purpose of expressing opinions on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of the date of this letter:

#### **Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated October 17, 2018, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
4. There are no other organizations that are a part of this reporting entity or with which we have a relationship, as these organizations are defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, which are:
  - a. Component units.
  - b. Other organizations for which the nature and significance of their relationship with MaineHousing are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.
  - c. Jointly governed organizations in which we participated.
5. We are a component unit of the State of Maine as this term is defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards.
6. We have identified for you all of our funds, governmental functions, and identifiable business-type activities.
7. We have properly classified all funds and activities.
8. We have properly determined and reported the major governmental and enterprise funds based on the required quantitative criteria.

9. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:
  - a. To reduce receivables to their estimated net collectable amounts.
  - b. To reduce investments, intangibles, and other assets which have permanently declined in value to their realizable values.
  - c. For risk retention, including uninsured losses or loss retentions (deductibles) attributable to events occurring through December 31, 2018 and/or for expected retroactive insurance premium adjustments applicable to periods through December 31, 2018.
  - d. For pension obligations, post-retirement benefits other than pensions and deferred compensation agreements attributable to employee services rendered through December 31, 2018.
  - e. For any material loss to be sustained in the fulfillment of, or from the inability to fulfill, any service commitments.
  - f. For any material loss to be sustained as a result of purchase commitments.
  - g. For environmental clean-up obligations.
10. The following have been properly recorded and/or disclosed in the financial statements, where applicable:
  - a. Related-party transactions, including those with the State of Maine, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
  - b. Guarantees, whether written or oral, under which MaineHousing is contingently liable.
  - c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
  - d. Line of credit or similar arrangements.
  - e. Agreements to repurchase assets previously sold.
  - f. Security agreements in effect under the Uniform Commercial Code.
  - g. Any other liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
  - h. The fair value of investments and interest rate swaps.
  - i. Amounts of contractual obligations for construction and purchase of real property or equipment not included in the liabilities or encumbrances recorded on the books.
  - j. Any liabilities which are subordinated in any way to any other actual or possible liabilities.
  - k. Debt issue repurchase options or agreements, or sinking fund debt repurchase ordinance requirements.
  - l. Debt issue provisions.
  - m. All leases and material amounts of rental obligations under long-term leases.
  - n. All significant estimates and material concentrations known to management which are required to be disclosed in accordance with the American Institute of Certified Public Accountants (AICPA)'s Statement of Position 94-6, *Disclosure of Certain Significant Risks and Uncertainties*. Significant estimates are estimates at the balance sheet date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year.
  - o. Authorized but unissued bonds and/or notes.
  - p. Risk financing activities.
  - q. Derivative financial instruments.
  - r. Special and extraordinary items.
  - s. Deposits and investment categories of risk.
  - t. Arbitrage rebate liabilities or receivables.
  - u. Net positions and fund balance classifications.

11. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP
12. We have no direct or indirect, legal or moral, obligation for any debt of any organization, public or private that is not disclosed in the financial statements.
13. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

#### Information Provided

14. We have provided you with:
  - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit;
  - c. Minutes of meetings of commissioners and committees of commissioners, or summaries of meetings for which minutes have not yet been prepared;
  - d. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence; and
  - e. All communications from grantors, lenders, other funding sources or regulatory agencies concerning noncompliance with:
    - (1) Statutory, regulatory or contractual provisions or requirements.
    - (2) Financial reporting practices that could have a material effect on the financial statements.
15. There are no:
  - a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.
  - b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a “potentially responsible party” by the Federal Environmental Protection Agency or any equivalent state agencies in connection with any environmental contamination.
  - c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by the *Contingencies Topic* of the FASB ASC.
16. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
17. We have no knowledge of allegations of fraud or suspected fraud affecting the entity involving:
  - a. Management.
  - b. Employees who have significant roles in the internal control.
  - c. Others where the fraud could have a material effect on the financial statements.
18. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity’s financial statements received in communications from employees, former employees, analysts, regulators, or others.
19. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing financial statements.
20. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.

21. We have disclosed to you the identity of the entity's related parties and all the related-party relationships and transactions of which we are aware.
22. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the entity's ability to record, process, summarize, and report financial data.
23. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
24. We have satisfactory title to all owned assets.
25. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
26. Net positions (net investment in capital assets; restricted for bond resolutions; restricted for grants and programs; and unrestricted) and fund balances are properly classified and, when applicable, approved.
27. Expenses or expenditures have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
28. Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
29. Capital assets, including infrastructure assets, are properly capitalized, reported, and depreciated.
30. We agree with the findings of specialists in evaluating the fair value of interest rate swaps and the amount of arbitrage due or receivable and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
31. The methods and significant assumptions used to estimate the fair values of investments are disclosed in the financial statements and have been consistently applied.
32. With respect to Management's Discussion and Analysis and supplementary pension information required to supplement the basic financial statements:
  - a. We acknowledge our responsibility for the presentation of such required supplementary information.
  - b. We believe such required supplementary information, including its required form and content, is fairly presented in accordance with U.S. GAAP.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
33. We are responsible for determining that significant events or transactions that have occurred since December 31, 2018 and through the date of this letter, have been recognized or disclosed in the financial statements. No events or transactions other than those disclosed in the financial statements have occurred subsequent to December 31, 2018 and through the date of this letter that would require recognition or disclosure in the financial statements. We further represent that as of the date of this letter, the financial statements were complete in a form and format that complied with U.S. GAAP, and all approvals necessary for issuance of the financial statements had been obtained.
34. We are satisfied that the financial statements contain all material disclosures required by generally accepted accounting principles.

35. During the course of your audit, you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.
36. There has been no activity through December 31, 2018 related to MaineHousing, Incorporated.
37. As of and for the year ended December 31, 2018, we believe that the effects of the uncorrected misstatements aggregated by you and summarized below are immaterial, both individually and in the aggregate to the basic financial statements. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Description					Effect – Increase (Decrease)			
	Assets	Liabilities	Inter fund	Deferred Outflows of Resources	Deferred Inflows of Resources	Fund Balance/ Net Position	Revenue	Expenditures
<u>General Administrative Fund</u>								
To allocate deferred outflows, deferred inflows and pension liability between funds	\$ -	\$(21,000)	\$(25,000)	\$ -	\$ (4,000)	\$ -	\$ -	\$ -
<u>Governmental Funds</u>								
To allocate deferred outflows, deferred inflows and pension liability between funds	-	19,000	73,000	-	54,000	-	-	-

### Compliance Considerations

In connection with your audit conducted in accordance with *Government Auditing Standards*, we confirm that management:

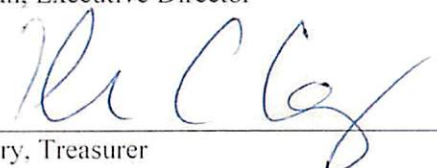
1. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
2. Is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the auditee.
3. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
4. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts.
5. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements.

6. Is responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
7. Acknowledges its responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.
8. Has taken timely and appropriate steps to remedy fraud; noncompliance with provisions of laws, regulations, contracts and grant agreements; or abuse that the auditor reports.
9. Has a process to track the status of audit findings and recommendations.
10. Has identified for the auditor previous audits, attestation engagements and other studies related to the audit objectives and whether related recommendations have been implemented.
11. Has provided views on the auditor's reported findings, conclusions and recommendations, as well as management's planned corrective actions, for the report.
12. Acknowledges its responsibilities as it relates to non-audit services performed by the auditor, including a statement that it assumes all management responsibilities; that it oversees the services by designating Darren Brown, Director of Finance, who possesses suitable skill, knowledge or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.

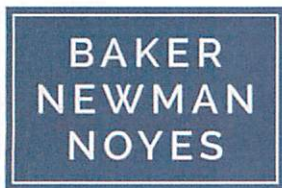
Very truly yours,

**Maine State Housing Authority**

  
\_\_\_\_\_  
Dan Brennan, Executive Director

  
\_\_\_\_\_  
Thomas Cary, Treasurer

  
\_\_\_\_\_  
Darren Brown, Director of Finance



The Board of Commissioners  
Maine State Housing Authority

In planning and performing our audit of the financial statements of the Maine State Housing Authority (MaineHousing) as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered MaineHousing's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MaineHousing's internal control. Accordingly, we do not express an opinion on the effectiveness of MaineHousing's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Following are descriptions of other identified deficiencies in internal control that we determined did not constitute significant deficiencies or material weaknesses:

#### **User Access Procedures (Open from Prior Year)**

We noted that MaineHousing has informal procedures for adding and removing user access to its information systems. In particular, MaineHousing does not have an Information Technology (IT) checklist for users leaving the organization. This could potentially leave enabled access to systems through inactive user accounts, including access through cloud-related services. We recommend that MaineHousing create written procedures for adding and removing user access to ensure all accounts for all information systems are addressed consistently, and that access and access removal is formally approved and documented. MaineHousing management indicated that it anticipated completion of formal written procedures in the first quarter of 2019.

#### **Management Response (2017)**

A team consisting of the MaineHousing Information Security Committee members and the Director of Human Resources has been formed to review remediation options. An initial process diagram was completed indicating the potential shortfalls, vulnerabilities and inefficiencies associated with user access. This team will develop new policies, procedures and/or documentation on user provisioning/deprovisioning by the end of the third quarter in 2018.

Management Response (2018)

A comprehensive process map has been developed for off-boarding employees and IT has developed an off-boarding checklist. The development of formal written policies and procedures did not occur as planned because the Director of Information Technology position was vacant for a period of time in 2018. Development of policies and procedures related to adding and removing user access to IT systems will be ongoing and completed within the next two years.

Vendor Management (Open from Prior Year)

We noted that MaineHousing has formally approved and adopted an Information Security Policy (ISP) including a section on Vendor Management. However, the ISP does not appear to address certain necessary risk management elements, commensurate to the level of criticality and risk, including:

- vendor classification;
- vetting and due diligence requirements;
- contractual and auditing obligations;
- contingency plans for terminating the relationship;
- ongoing monitoring activities; and
- ongoing MaineHousing oversight responsibilities.

We recommend that MaineHousing add the above elements to the ISP, and use the vendor management process to identify critical vendors or third-party relationships with access to protected information, such as personally identifiable information. Further, MaineHousing should create a formal document that conveys the minimum security controls, and requires critical vendors that store, process, or transmit personally identifiable information (PII) on behalf of MaineHousing to attest their compliance with the security requirements at least annually. When vendors are unable to meet the prescribed security requirements, a risk assessment should be performed by MaineHousing to determine if a temporary waiver should be granted until the issue is corrected, or if the vendor is required to correct the deficiency before continuing in a business relationship with MaineHousing.

Management Response (2017)

MaineHousing has been researching ways to improve the vetting, reporting and due diligence reviews for all external vendor relationships. In 2018, the MaineHousing ISP section devoted to vendor management will be updated to reflect the standards that external vendors will be expected to comply with, including the necessary risk management elements. These standards may include the review of SOC 1 or SOC 2 type 1 and 2 reports, adherence to ISO 27001 series standards and associated *Federal Information Security Management Act* reporting requirements.

Management Response (2018)

We agree vendor management is important. The development of policies and procedures in this area did not occur as planned because the Director of Information Technology position was vacant for a period of time in 2018. Development of policies and procedures related to managing information security in vendor purchased and supported IT applications will be ongoing and completed within the next two years.

\* \* \* \* \*

Page 3  
The Board of Commissioners  
Maine State Housing Authority

This communication is intended solely for the information and use of the Board of Commissioners, management and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Baker Newman & Noyes LLC*  
Portland, Maine  
March 25, 2019



## **Asset Management Department Memorandum**

**To:** MaineHousing Board of Commissioners

**From:** Robert Conroy - Director of Asset Management

**Date:** April 9, 2019

**Subject:** April Board Report - Asset Management

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### **New England Affordable Housing Management Association (NEAHMA) Tri – State Conference**

On Wednesday, April 9 several staff from Asset Management will be attending the NEAHMA Tri-State Conference in New Hampshire.

This one day conference brings together the northern New England States and HUD staff from the Boston Hub for training and discussion and is one of the few opportunities to meet with HUD in this type of forum. I will be providing MaineHousing updates to the attendees.

### **MaineHousing / Maine Real Estate Manager's Association Policy Workgroup**

After successfully completing the first workgroup agenda addressing audited financial reviews, we have begun working on our second agenda item, project escrows and escrow processing. This is a function of project operations that involves both the management agent and MaineHousing. We are looking at operational efficiencies and opportunities to LEAN out processes for the benefit of all. It is our hope that the outcomes rival the successes of our prior financial review workgroup sessions.

### **811 Project Rental Assistance (811 PRA) Update**

We are pleased to report that we now have 11 out of 60 Rental Assistance Contracts (RACs) executed for units participating in the 811PRA program.

5 of the contracts are for units in Lewiston and 6 will be located in Caribou. We are excited to see these units placed in service and able to help disabled applicants locate housing suitable to their needs.



## Communications & Planning Department Memorandum

**To:** Board of Commissioners

**From:** Denise Lord, Senior Director of Communications and Planning

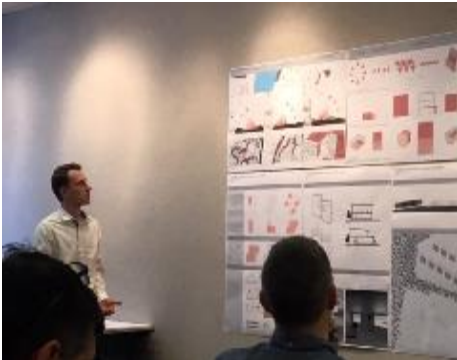
**Date:** April 9, 2019

**Subject:** April Monthly report

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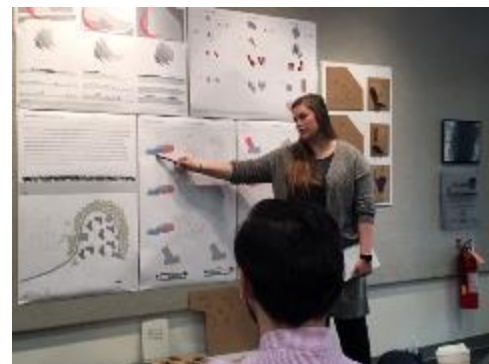
### 50<sup>th</sup> Anniversary Events

- **Student Architectural Project.** As part of our celebration of MaineHousing's 50<sup>th</sup> Anniversary we are partnering with the University of Maine at Augusta School of Architecture for their spring 2019 semester. Ten students are working on a concept and design of an "affordable house of the future." Augusta Housing is also an active participant in the project. The completion of this work will culminate in the presentation of a session at our Affordable Housing Conference on October 1, 2019.



At the March 11 joint MaineHousing/UMA meeting students

displayed their completed analysis of 3 sites (Gage, Willow, and Hodgkins – all of which have been or are in the process of being developed in Augusta). Each student made a 15 minute presentation explaining their work in progress which included a site plan, building plans & sections, perspectives, diagrams, and models.



- **Staff and Family BBQ.** Save the Date! We are finalizing plans for an all staff and Board of Commissioners BBQ to be held on August 15<sup>th</sup> at the Mill Park, just down the street from MaineHousing. More details are coming.
- **Maine Head Start "What Home Means to Me"** contest will begin on May 6<sup>th</sup>. Families enrolled in Head Start and Early Head Start programs are invited to participate in the event.

Submitted artwork will include the slogan, “What Home Means to Me” and show how important homes are to family life.



Plans are firming up for this year’s Affordable Housing Conference. We have a full day focusing on the following areas: Consumer and Community Challenges; the Path to Homeownership; and Innovations in Housing Development

### **Marketing and Communication**

This month we developed a communications plan for Community Aging in Place, our home modification program for older adult homeowners. Working with grant recipients, we will collect testimonials from homeowners benefitting from the program.

We have significantly increased, and improved, our presence on Facebook and other social media. If you are not following MaineHousing, please do! We participated in several events in March including MS Day at the State House, the Brain Injury Resource Fair and the Maine Association of Realtors. We will be recognizing Fair Housing Month and Financial Literacy Month in April.

### **Citizen Survey**

We awarded a contract to Portland Research Group to conduct a survey of citizens’ perceptions on housing. Portland Research Group met our expectations for both cost and timeline. The company has done survey research and focus groups for Efficiency Maine and the Maine State Library.

### **Community Aging in Place**

We are looking at other approaches to providing home modifications to older adults. A conference call with Habitat International regarding their CAPABLE and home repair programs was helpful in understanding that organization’s approach.

### **Partner Meetings**

- Maine Municipal Association hosted a meeting of rural town officials to discuss housing needs and challenges. Organized in concert with Avesta Housing, USDA Rural Development, and the Genesis Fund, we presented housing programs and listened to their comments and suggestions.
- As part of an initiative to partner more with communities, we were invited by Biddeford’s planning department to a community meeting to discuss their housing challenges and possible solutions.
- Coordinated by John Gallagher, we met with the Maine Real Estate Development Association and Maine Association of Public Housing Directors to discuss combining training efforts. We presented our new Learning Management System and its possibilities, shared our competency training, and discussed how we might join efforts. There is great enthusiasm for moving this forward. Offering MaineHousing’s competency trainings online and developing online training for property managers are two areas for further exploration.



## Energy & Housing Services Department Memorandum

**To:** MaineHousing Board of Commissioners  
**From:** Daniel Drost, Director of Energy and Housing Services  
**Date:** April 16, 2019  
**Subject:** EHS Monthly Report – April 2019

### HEAP PRODUCTION STATISTICS THROUGH APRIL 4, 2019

Number of Applications	PY 2019	PY 2018	% change
Applications Taken	46,128	45,469	+1.4%
Households Certified-Eligible for Benefits	34,305	32,040	+7.1%
Total Households Served	32,915	31,659	+4.0%
No. of Family Members	68,583	65,270	+5.0%
HEAP Benefits Paid	\$25,130,049	\$21,606,488	+16.3%
HEAP Households Served	27,850	25,822	+7.9%
ECIP Benefits Paid	\$1,080,488	\$730,352	+48%
ECIP Households Served	3,226	2,495	+29.3%
Subsidized Rent w/Heat Households	5,080	5,836	-13%
Subsidized Rent w/Heat Paid (\$21 benefit)	\$106,827	\$122,556	-13%
<b>TOTAL BENEFITS PAID</b>	<b>\$26,317,364</b>	<b>\$22,459,395</b>	<b>+17.2%</b>

### OTHER HEAP INFORMATION

State-Wide Current Program Year – Additional Information	PY2019	% of Total
Hypothermic/Disabled Households Served	25,369	77.1%
Hypothermic/Disabled Benefits Paid	\$19,567,495	77.9%
Avg. Household Income	\$13,801	
New Households Served	7,439	22.6%
Avg. Household HEAP Benefit Paid	\$904	
Avg. Household ECIP Benefit Paid	\$336	
Avg. Household HEAP Benefit Not Including Subsidized w/Heat Included	\$943	

### **HEAP Benefit Return Policy Change- De Minimis Balances**

MaineHousing requires that all unused HEAP Benefits must be returned to MaineHousing (HEAP Vendor Handbook PY 2019 (September 26, 2018), Section 10: Benefit Returns). In an effort to increase efficiencies and decrease unnecessary fiscal and administrative burden, MaineHousing is adopting a revised Benefit Return policy related to HEAP Benefit balances less than \$25.00.

If situations arise that warrant a Vendor to closeout a HEAP client's account and the account has a benefit balance less than \$25.00, Vendors may wait until the Annual Consumption Reporting and Sweeping of Accounts process to return any remaining benefit balances to MaineHousing. All related record-keeping must clearly show all remaining benefit balances; however, De Minimis benefit balances of less than \$25.00 do not need to be individually returned to MaineHousing throughout the year.

### **Home Accessibility and Repair Program (HARP)**

Energy and Housing Services received \$250,000 from the Senior Housing Bond Supplemental Weatherization funding. The funds have been earmarked to address home repair measures that need to be addressed in order for weatherization work to be completed on the homes.



## Finance Department Memorandum

To: Board of Commissioners

From: Darren R. Brown

Date: April 9, 2019

Subject: Monthly Report – Finance Department

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On March 21, 2019, the Finance Department officially began its file clean-up efforts in anticipation of moving to Edison Drive. We held a kick-off meeting where we established goals and associated timeframes. These goals include reducing our paper usage and overall file storage needs, providing for efficient and timely access to information, and incorporating improved workflow processes.

We officially began the process by evaluating types of documents stored; determining the frequency of access; deciding whether documents could be shredded, archived, or electronically stored; and evaluating our electronic storage options. By the end of the afternoon we had prepared 109 boxes of files for archiving, filled 4 bins of documents to be shredded, emptied 7 file cabinets, and scanned several manuals to be stored electronically. As you can see below, staff had fun with its clean-up efforts by incorporating a, “Wear Green to Go Green” theme!



### ACCOUNTING AND FINANCIAL REPORTING:

- The audited financial statements for the year ended December 31, 2018 were issued on March 25<sup>th</sup>. Our auditors, Baker Newman & Noyes (BNN), issued an unqualified (“clean”) opinion, which attests and certifies that the financial statements we’ve prepared were done in accordance with generally accepted accounting principles and are fairly and accurately presented in all material respects. The results of the 2018 financial statements audit were positive. In addition to receiving an unqualified

auditor's opinion, the auditors' report on internal controls and compliance stated that there were no internal control deficiencies or material weaknesses and there were no audit adjustments required. We will review the financial and audit results at this month's meeting.

BNN will be back on site on April 22<sup>nd</sup> to conduct the audit required under the Single Audit Act (Uniform Grant Guidance) for the federal financial assistance programs and awards. This audit is an annual audit of MaineHousing's federally funded programs to determine whether the programs have been administered in compliance with federal guidelines. Programs are audited on a revolving basis and the December 31, 2018 audit is focusing on the Section 8 Project Based Contract Administration (PBCA) and Temporary Assistance for Needy Families (TANF) programs. Staff are compiling and preparing information for this audit and will be working with the auditors over the next several weeks.

## **LOAN ADMINISTRATION:**

- On July 9, 2018, the Androscoggin Superior Court ruled on a foreclosure case stating that only the mortgagee (owner of a mortgage loan) could provide a Notice of the Right to Cure to a borrower. On March 22, 2019, the Maine Supreme Judicial Court overturned this ruling with the decision that there is nothing in a mortgage contract nor section 6111(1) of Maine Revised Statutes that prohibits the mortgagee from delegating to an agent loan servicer its duty to give a Notice of Right to Cure to a borrower. Typically loan servicing agents issue these notices on behalf of mortgagees.

Had the original ruling not been overturned, there would have been significant impact to Maine's mortgage lending and servicing industry. The original ruling had the potential to eliminate the ability of mortgagees of Maine loans to outsource loan servicing. It also conflicted with federal regulations that require servicers provide a single point of contact for borrowers who are delinquent with their payments.



## Finance Department Memorandum

**To:** Board of Commissioners  
**From:** Darren R. Brown  
**Date:** April 9, 2019  
**Subject:** Monthly Financial and Budget Report

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### FINANCIAL RESULTS

Attached are the Balance Sheets and Statements of Revenues, Expenses, and Changes in Net Assets for the period ended February 28, 2019.

MaineHousing's programs are accounted for in Fund Groups, based on funding sources. For financial reporting purposes, each Fund Group is a separate and standalone entity. There are seven Fund Groups and the individual Balance Sheets and Statements of Revenues, Expenses and Changes in Net Assets for each are presented in columns on the attachments (pages 1 and 2). The following is a summary of MaineHousing's total combined financial position and operating results for the current year and a brief explanation for the changes between the current and prior year net operating results.

Total combined assets are approximately \$1.87 billion and total combined liabilities approximate \$1.52 billion. Total net assets amount to approximately \$347 million. Total combined revenues approximate \$43.9 million and total expenses amount to approximately \$40.3 million, which results in a net operating income of \$3.6 million. For this two-month period in 2018, there was a total combined net operating loss of approximately \$50,000. Net operating income is \$3.6 million higher in 2019 due primarily to the activities and operating results of the Mortgage Purchase Fund (MPP), MaineHousing's largest fund group, and a decrease in the fair value of non-mortgage investments.

The MPP's current year net operating income is approximately \$2.2 million compared to a net operating loss of \$1.3 million in 2018. MPP's net operating income has increased by \$3.5 million due solely to the recognition of a paper gain associated with adjusting the carrying values of non-mortgage investments. A paper gain of \$0.8 million was recognized in 2019, which represents an increase of \$3.5 million compared with the paper loss of \$2.7 million recorded in 2018. The change associated with the recording of paper gains and losses is attributed to interest rate changes during the year.

The recording of paper gains and losses is required for accounting purposes. However, because MaineHousing does not actively buy and sell related investments, actual gains and losses will not occur and these amounts are ignored by the rating agencies, bond analysts and management when assessing profitability. Excluding the paper gain, MPP's generated net operating income of \$1.4 million, which is consistent with the adjusted net operating income at the end of February 2018.

## **BUDGET RESULTS**

Also attached are the budget variance results for the period ended February 28, 2019. These results are summarized and presented on the attachment described below:

### **OPERATING REVENUES AND EXPENSES BUDGET**

MaineHousing has two primary business segments, which consist of mortgage lending activities and the administration of federal and other programs. All operating and program administrative costs are paid by either the net interest income from mortgage lending activities, which is the difference between interest income earned from mortgage and non-mortgage investment assets and the interest paid on bonds, or fee income received for the administration of federal and other programs.

The Operating Revenues and Expenses Budget, **Attachment A**, presents the revenues available to pay operating and program administrative expenses. It also presents the aggregate operating and program administrative expenses. Total budgeted revenues for 2019 are \$82.2 million and total expenses are budgeted at \$72.2 million. Total actual revenues as of February 28, 2019 amount to \$13.1 million, while total expenses amount to \$11.6 million. For the two-month period ended February 28, 2019, revenues exceed expenses by \$1.5 million. Actual revenue and expense activities are consistent with that anticipated for the period and there are no significant variances at this time.

The operating and other program administration expenses (the first two expense lines) are detailed on **Attachment B** and summarized below:

### **OPERATING AND OTHER PROGRAM ADMINISTRATIVE EXPENSES**

MaineHousing's overhead and operational costs for the year as well as other program administrative expenses, which are costs that are specifically and exclusively related to a particular program, are itemized on **Attachment B**.

Total 2019 operating expenses are budgeted at approximately \$18.5 million. As of February 28, 2019, approximately \$2.9 million or 16% of the total operating budget has been used. Total other program administrative expenses are budgeted at \$8.9 million and actual expenses amount to \$1.3 million as of February 28, 2019. Overall, expenditures in these areas are consistent with that anticipated for the period and there are no significant variances at this time.

### **CAPITAL BUDGET**

The Capital Budget, **Attachment C**, presents items that provide an economic benefit to MaineHousing over a period of time. Items are recorded as assets and depreciated over an estimated useful life. The total authorized capital budget for 2019 is approximately \$14.1 million. Expenditures amounted to \$67,000 as of February 28, 2019 and were mainly for renovation work on the new office building.

### **MEMBERSHIPS, DUES AND SPONSORSHIPS**

In accordance with MaineHousing's Contributions Policy, all payments for memberships, dues and sponsorship are required to be reported to the Commissioners each month as part of the budget variance reports. **Attachment D** presents an itemized listing of the membership, dues and sponsorship expenses as of February 28, 2019.

**MAINE STATE HOUSING AUTHORITY**  
**BALANCE SHEETS**  
**FEBRUARY 28, 2019**  
*(IN THOUSANDS OF DOLLARS)*

	<b>Memorandum Only Combined Totals</b>		<b>Mortgage Purchase Fund Group</b>	<b>Bondholder Reserve Fund</b>	<b>General Fund</b>	<b>HOME Fund</b>	<b>Federal Programs Fund</b>	<b>Other Funds</b>	<b>Maine Energy Housing &amp; Economic Recovery Funds</b>
	<b>2018</b>	<b>2019</b>							
<b>ASSETS:</b>									
Cash, principally time deposits	\$2,234	\$1,283	\$ 0	\$ 0	\$ 162	\$ 13	\$ 1,108	\$ 0	\$ 0
Investments	426,975	437,623	363,708	7,979	31,116	20,673	6,017	2,514	5,616
Accounts receivable - Federal	3,223	3,936	0	0	0	0	3,936	0	0
Assets held for sale	0	3,663	0	0	0	3,663	0	0	0
Accrued interest and other assets	12,990	10,551	8,862	8	138	947	568	12	16
Mortgage notes receivable, net	1,309,630	1,400,342	1,352,399	0	17,596	21,785	0	0	8,562
Other notes receivable, net	319	283	0	0	273	0	0	10	0
Land, equipment and improvements, net	2,144	3,248	22	0	3,226	0	0	0	0
Other real estate owned	720	602	540	0	62	0	0	0	0
Accumulated decrease in fair value of hedging derivatives	6,462	4,619	4,619	0	0	0	0	0	0
Deferred pension expense	1,866	616	351	2	60	0	0	203	0
Deferred amount on debt refundings	4,900	4,283	4,283	0	0	0	0	0	0
<b>Total Assets</b>	<b>\$1,771,463</b>	<b>\$1,871,049</b>	<b>\$1,734,784</b>	<b>\$7,989</b>	<b>\$52,633</b>	<b>\$47,081</b>	<b>\$11,629</b>	<b>\$2,739</b>	<b>\$14,194</b>
<b>LIABILITIES AND NET ASSETS:</b>									
Accrued interest payable	12,254	13,028	12,802	0	0	0	0	0	226
Accounts payable - Federal	411	458	0	0	0	0	458	0	0
Accounts payable & accrued liabilities	6,448	3,977	340	2	1,980	0	1,655	0	0
Unearned income	5,509	4,459	0	0	0	625	757	3,077	0
Net pension liability	3,712	2,283	1,297	8	243	0	0	735	0
Deferred pension credit	2,223	1,016	628	4	103	0	0	281	0
Derivative instrument - interest rate swaps	6,462	4,619	4,619	0	0	0	0	0	0
Interfund	0	0	3,316	8	(4,672)	(1,613)	3,491	(530)	0
Mortgage bonds and notes payable, net	1,404,299	1,494,622	1,445,038	0	20,200	0	0	0	29,384
Deferred grant income	126	0	0	0	0	0	0	0	0
Deferred loan origination points	34	31	31	0	0	0	0	0	0
<b>Total Liabilities</b>	<b>1,441,478</b>	<b>1,524,493</b>	<b>1,468,071</b>	<b>22</b>	<b>17,854</b>	<b>(988)</b>	<b>6,361</b>	<b>3,563</b>	<b>29,610</b>
<b>NET ASSETS:</b>									
Restricted Net Assets	296,029	311,777	266,713	7,967	0	48,069	5,268	(824)	(15,416)
Unrestricted Net Assets	33,956	34,779	0	0	34,779	0	0	0	0
<b>Total Net Assets</b>	<b>329,985</b>	<b>346,556</b>	<b>266,713</b>	<b>7,967</b>	<b>34,779</b>	<b>48,069</b>	<b>5,268</b>	<b>(824)</b>	<b>(15,416)</b>
<b>Total Liabilities and Net Assets</b>	<b>\$1,771,463</b>	<b>\$1,871,049</b>	<b>\$1,734,784</b>	<b>\$7,989</b>	<b>\$52,633</b>	<b>\$47,081</b>	<b>\$11,629</b>	<b>\$2,739</b>	<b>\$14,194</b>

**MAINE STATE HOUSING AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE PERIOD ENDED FEBRUARY 28, 2019**  
*(IN THOUSANDS OF DOLLARS)*

	<b>Memorandum Only Combined Totals</b>		<b>Mortgage Purchase Fund Group</b>	<b>Bondholder Reserve Fund</b>	<b>General Fund</b>	<b>HOME Fund</b>	<b>Federal Programs Fund</b>	<b>Other Funds</b>	<b>Maine Energy Housing &amp; Economic Recovery Funds</b>
	<b>2018</b>	<b>2019</b>							
<b>REVENUES:</b>									
Interest from mortgages and notes	\$9,825	\$10,231	\$10,109	\$0	\$106	\$10	\$0	\$0	\$6
Income from investments	1,138	1,541	1,370	31	36	73	1	8	22
Net increase (decrease) in the fair value of investments	(2,755)	792	776	0	16	0	0	0	0
Fee income	1,325	1,389	109	0	54	0	1,198	28	0
Other revenue	53	6	1	0	5	0	0	0	0
Grant income	8,693	10,694	0	0	0	0	10,602	92	0
Income from State	2,708	2,555	0	0	0	2,555	0	0	0
Federal rent subsidy income	16,435	16,722	0	0	0	0	16,722	0	0
Gain on bond redemption	0	0	0	0	0	0	0	0	0
<b>Total Revenues</b>	<b>37,422</b>	<b>43,930</b>	<b>12,365</b>	<b>31</b>	<b>217</b>	<b>2,638</b>	<b>28,523</b>	<b>128</b>	<b>28</b>
<b>EXPENSES:</b>									
Operating expenses	2,828	2,937	0	0	2,937	0	0	0	0
Other program administrative expenses	885	1,001	934	0	12	0	43	12	0
Mortgage servicing fees	260	262	258	0	4	0	0	0	0
Provision for losses on loans	45	0	0	0	0	0	0	0	0
Losses on foreclosed real estate	0	0	0	0	0	0	0	0	0
Interest expense	7,088	7,577	7,406	0	0	0	0	0	171
Grant expense	10,098	11,963	0	0	0	1,185	10,686	92	0
Federal rent subsidy expense	16,266	16,617	0	0	0	0	16,617	0	0
Loss on bond redemption	0	0	0	0	0	0	0	0	0
Excess arbitrage	0	0	0	0	0	0	0	0	0
Allocated operating costs	0	0	1,619	10	(2,640)	0	995	16	0
<b>Total Expenses</b>	<b>37,470</b>	<b>40,357</b>	<b>10,217</b>	<b>10</b>	<b>313</b>	<b>1,185</b>	<b>28,341</b>	<b>120</b>	<b>171</b>
<b>Net Operating Income (Loss)</b>	<b>(48)</b>	<b>3,573</b>	<b>2,148</b>	<b>21</b>	<b>(96)</b>	<b>1,453</b>	<b>182</b>	<b>8</b>	<b>(143)</b>
<b>Transfers between funds, net</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Change in net assets</b>	<b>(48)</b>	<b>3,573</b>	<b>2,148</b>	<b>21</b>	<b>(96)</b>	<b>1,453</b>	<b>182</b>	<b>8</b>	<b>(143)</b>
<b>Net assets at beginning of year</b>	<b>330,033</b>	<b>342,983</b>	<b>264,565</b>	<b>7,946</b>	<b>34,875</b>	<b>46,616</b>	<b>5,086</b>	<b>(832)</b>	<b>(15,273)</b>
<b>Net assets at end of period</b>	<b>\$329,985</b>	<b>\$346,556</b>	<b>\$266,713</b>	<b>\$7,967</b>	<b>\$34,779</b>	<b>\$48,069</b>	<b>\$5,268</b>	<b>(\$824)</b>	<b>(\$15,416)</b>

**MAINE STATE HOUSING AUTHORITY  
OPERATING REVENUES AND EXPENSES BUDGET VARIANCE REPORT  
FOR THE PERIOD ENDED FEBRUARY 28, 2019**

*(IN THOUSANDS OF DOLLARS)*

	<b>Mortgage Lending Activities Actual</b>	<b>Federal &amp; Other Program Administration Actual</b>	<b>Total Combined Actual</b>	<b>Total Annual Budget</b>	<b>Total Under/(Over)</b>	<b>% Variance</b>
<b>REVENUES:</b>						
Interest from mortgages and notes	10,215	0	10,215	63,356	53,141	84%
Income from investments	1,437	9	1,446	8,807	7,361	84%
Fee income	163	1,226	1,389	9,818	8,429	86%
Other revenue	6	0	6	218	212	97%
<b>Total Revenues</b>	<b>11,821</b>	<b>1,235</b>	<b>13,056</b>	<b>82,199</b>	<b>69,143</b>	<b>84%</b>
<b>EXPENSES:</b>						
Operating expenses	1,926	1,011	2,937	18,449	15,512	84%
Other program administrative expenses	1,208	55	1,263	8,853	7,590	86%
Interest expense	7,406	0	7,406	44,900	37,494	84%
<b>Total Expenses</b>	<b>10,540</b>	<b>1,066</b>	<b>11,606</b>	<b>72,202</b>	<b>60,596</b>	<b>84%</b>
<b>Excess Revenues Over Expenses</b>	<b>1,281</b>	<b>169</b>	<b>1,450</b>	<b>9,997</b>	<b>8,547</b>	<b>85%</b>

**MAINE STATE HOUSING AUTHORITY**  
**OPERATING AND OTHER PROGRAM ADMINISTRATIVE EXPENSES**  
**FOR THE PERIOD ENDED FEBRUARY 28, 2019**

**ATTACHMENT B**

	<b>Total Annual Budget</b>	<b>Total Year to Date Actual</b>	<b>Budget Available</b>	<b>Percentage of Budget Available</b>
<b>Operating Expenses</b>				
Salaries	9,975,522	1,620,129	8,355,393	84%
Payroll Taxes	727,792	118,977	608,815	84%
Medical and Life Insurance	2,654,279	436,499	2,217,780	84%
Retirement	964,556	143,105	821,451	85%
Other Fringe Benefits	12,000	1,942	10,058	84%
Office Supplies	60,165	6,178	53,987	90%
Printing	87,300	15,135	72,165	83%
Membership and Dues	57,852	14,534	43,318	75%
Subscriptions	18,024	3,846	14,178	79%
Sponsorships	16,500	8,000	8,500	52%
Staff Educ/Train/Conf	203,692	23,490	180,202	88%
Travel/Meals - Staff Educ/Train/Conf	162,898	18,136	144,762	89%
Partner/Client Train/Meetings	144,480	19,406	125,074	87%
Travel/Meals - Partner/Client Training	116,285	6,137	110,148	95%
Staff Events	20,500	7,868	12,632	62%
Meals - Staff Events	23,730	112	23,618	100%
Leased Vehicles	131,000	20,525	110,475	84%
Computer Supplies	85,500	17,520	67,980	80%
Computer License SAAS	130,317	25,522	104,795	80%
Building Rent & Utilities	847,520	136,858	710,662	84%
Rent-Other	34,530	6,373	28,157	82%
Repairs and Maintenance	82,245	9,958	72,287	88%
Computer Maintenance	657,580	108,264	549,316	84%
Depreciation	320,000	41,203	278,797	87%
Telephone	68,800	10,493	58,307	85%
Employment Advertising	3,600	40	3,560	99%
Postage and Shipping	91,610	16,184	75,426	82%
Insurance	98,649	1,936	96,713	98%
Recording Fees	600	164	436	73%
Payroll Services	26,440	4,897	21,543	81%
Audit Services	142,800	65,000	77,800	54%
Property Expenses	82,600	3,158	79,442	96%
Professional Services	399,973	25,387	374,586	94%
<b>Total Operating Expenses</b>	<b>18,449,339</b>	<b>2,936,975</b>	<b>15,512,364</b>	<b>84%</b>
<b>Other Program Administrative Expenses</b>				
Loan foreclosure expenses	500,000	72,685	427,315	85%
REO expenses	60,000	3,626	56,374	94%
Mortgage Servicing fees	1,690,000	261,684	1,428,316	85%
Provision for losses on loans & REOs	250,000	0	250,000	100%
Loan Origination expenses	3,050,000	399,002	2,650,998	87%
Bond Issuance Costs	750,000	69,443	680,557	91%
Trustee/Bank fees	152,400	32,919	119,481	78%
Program advertising/printing	150,160	30,092	120,068	80%
Bond and mortgagee insurance	13,500	0	13,500	100%
Variable rate bond remarket/liquidity facilities	1,070,780	232,798	837,982	78%
Cash flow/arbitrage/swap consultants/legal	514,000	106,129	407,871	79%
Homebuyer education	95,000	2,400	92,600	97%
Program administrator fees	512,696	49,854	462,842	90%
Section 8 security deposits/landlord incentives	45,000	2,389	42,611	95%
<b>Total Other Program Administration Expenses</b>	<b>8,853,536</b>	<b>1,263,021</b>	<b>7,590,515</b>	<b>86%</b>

**MAINE STATE HOUSING AUTHORITY  
CAPITAL BUDGET  
FOR THE PERIOD ENDED FEBRUARY 28, 2019**

**ATTACHMENT C**

Description	2019 Budget	2019 Actual	Budget Available	% Expended
<b>Computer Hardware:</b>				
Network switch replacement (1)	1,500		1,500	
Phone system replacement - hardware	30,000		30,000	
Laptop replacements (32)	45,440	14,810	30,630	
Printer replacements (2)	3,000		3,000	
Total computer hardware	<u>79,940</u>	<u>14,810</u>	<u>65,130</u>	<u>19%</u>
<b>Computer Software:</b>				
Mobile device management software	5,000		5,000	
Phone system replacement - software/licensing	100,000		100,000	
Faxing software	5,000		5,000	
Single Family loan servicing system modifications	10,000		10,000	
Single Family lender & loan tracking systems modifications	10,000		10,000	
Section 8 HCV Elite system modifications	6,000		6,000	
Hancock/LIHEAP system implementation	50,000		50,000	
Hancock/LIHEAP system - payment software	5,000		5,000	
EHS program tracking database	50,000		50,000	
Total computer software	<u>241,000</u>	<u>0</u>	<u>241,000</u>	<u>0%</u>
<b>Office Equipment:</b>				
Desktop scanners (10)	11,000		11,000	
New Office Building - workstations & furniture	1,600,000		1,600,000	
New Office building - security & life safety equipment	97,000		97,000	
Total office equipment	<u>1,708,000</u>	<u>0</u>	<u>1,708,000</u>	<u>0%</u>
<b>Office Building &amp; Land - Acquisition/Rehab</b>	<u>12,053,902</u>	<u>52,031</u>	<u>12,001,871</u>	<u>0%</u>
<b>Total</b>	<u>14,082,842</u>	<u>66,841</u>	<u>14,016,001</u>	<u>0%</u>

**MAINE STATE HOUSING AUTHORITY  
MEMBERSHIPS, DUES, AND SPONSORSHIPS  
FOR THE PERIOD ENDED FEBRUARY 28, 2019**

Description	Amount
<b>Memberships and Dues</b>	
Kennebec Valley Human Resource Association - employee annual membership	150
Maine Real Estate & Development Association - annual membership	1,200
Maine Bankers Association - annual affiliate membership	950
Kennebec Valley Board of Realtors - annual affiliate membership	171
Maine Association of Mortgage Professionals - annual membership	375
National Leased Housing Association - annual membership	600
Maine Real Estate Management Association - annual membership	100
Information Systems Audit and Control Association - employee annual membership	210
National Association for State Community Services Programs - annual membership	1,302
National Energy Assistance Directors' Association - annual membership	6,341
National Affordable Housing Management Association - affiliate membership	1,075
Council of State Community Development Agencies - annual membership	1,500
International Code Council - annual membership	135
Construction Specifications Institute - employee annual membership	325
Maine State Treasurer - employee radiation control license renewal	100
Total	<u>\$ 14,534</u>
<b>Sponsorships</b>	
Northern New England Community Action - training conference sponsor	\$ 1,500
Maine Resident Service Coordinator Association - annual sponsor	3,500
New England Resident Service Coordinator - conference sponsor	3,000
Total	<u>\$ 8,000</u>

## Finance Department Memorandum

**To:** Board of Commissioners  
**From:** Darren Brown  
**Date:** April 4, 2019  
**Subject:** Monthly Delinquencies Report

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### MULTI-FAMILY DELINQUENCIES

The Multi-Family portfolio totals \$635 million with 1,088 loans as of March 31, 2019. There are seven loans that are 60 days or greater delinquent at a rate of 0.20%, as shown in *Exhibit 1*. The Multi-Family delinquency rate is benchmarked against MaineHousing historical rates, as shown in *Exhibit 2*.

### HOME IMPROVEMENT DELINQUENCIES

The Home Improvement portfolio has 88 loans totaling \$280,955 as of March 31, 2019. The over 60 day delinquency rate increased from 28.38% to 28.81% and represents 17 loans for \$80,934. There has been a significant decrease in the size of the portfolio; there have been no new loans added to this portfolio in recent years. Also, loans in this portfolio were given to very low income borrowers and payments can be sporadic. Sporadic payments and a decreasing portfolio balance are the main causes of the higher delinquency rate. The year-to-date rate of completed foreclosures is 0.00%. Delinquency rates for each participating lender are shown in *Exhibit 3*. Historical rates for the Home Improvement portfolio are shown in *Exhibit 4*.

### SINGLE-FAMILY DELINQUENCIES

The Single-Family portfolio totals \$926 million with 10,746 loans as of February 28, 2019. The over 60-day delinquencies decreased from 2.92% to 2.78% and the in-foreclosures increased from 1.27% to 1.32%. Our over 60-day delinquencies equal \$25.7 million, with \$12.3 million representing accounts in foreclosure. The over 60 day and in-foreclosure historic rates are shown in *Exhibit 6*. MaineHousing's overall delinquency rate by loan dollars is 2.78%, the overall delinquency rate by loan count is 3.21%. As reflected in *Exhibit 7*, the overall delinquency rate and the in-foreclosure rate by loan count are below the rates for all Maine loans.

**Servicer Delinquencies** – As of February 28, 2019, Bank of America, NA has the highest overall delinquency rate of 9.01%, with an in-foreclosure rate of 5.40%. Delinquencies for our largest servicer, Mortgage Servicing Solutions, decreased from 3.24% to 3.12%, while the in-foreclosure rate increased from 1.38% to 1.43%. Bangor Savings Bank has the lowest rate of delinquencies at 1.33%. Delinquency rates for each servicer are shown in *Exhibit 5*.

**Delinquencies by Insurance Type** – In February 2019, FHA insured loans held the highest delinquency rate by total insurance type of 3.99%, with in-foreclosures at 1.80%. When compared to the total loan portfolio, RD insured loans held the highest delinquency rate of 1.48%, with in-foreclosures at 0.74%. Delinquencies by insurance type and by portfolio type are shown in *Exhibit 8*. FHA insured loans comprise 18% of the Single-Family portfolio and 25% of delinquencies, while RD insured loans comprise 56% of the portfolio and represent 54% of all delinquent loans. The current composition of the Single-Family portfolio by insurance type, along with the percentage of delinquencies by insurance type, is shown in *Exhibit 9*.

**Foreclosure Prevention Activities** – *Exhibit 10* summarizes our foreclosure prevention activities, as well as the number of completed foreclosures. So far in February 2019, we have assisted 172 borrowers with various foreclosure prevention options. In 2018, we achieved the lowest number of completed foreclosures in the last decade.

# Multi-Family Delinquent Loans

## MAINE STATE HOUSING AUTHORITY MULTI-FAMILY DELINQUENCIES 3/31/2019

Section 8					ORIGINATION	DELINQUENT		
BORROWER	LEVEL PMT	PTD	LOCATION	PROJECT OWNER	DATE	1 MONTH	2 MONTHS	3+ MONTHS
GREENTREE APARTMENTS	5,491.90	02/01/19	AUGUSTA	GREENTREE ASSOCIATES II LP		844,908.00	0.00	0.00
GREENTREE APARTMENTS	6,474.46	02/01/19	AUGUSTA	GREENTREE ASSOCIATES II LP		1,148,973.00	0.00	0.00
GREENTREE APARTMENTS	1,614.64	02/01/19	AUGUSTA	GREENTREE ASSOCIATES II LP		298,088.00	0.00	0.00
GREENTREE APARTMENTS	5,803.03	02/01/19	AUGUSTA	GREENTREE ASSOCIATES II LP		1,085,626.00	0.00	0.00
DIXFIELD VILLAGE APARTMENTS	4,107.82	01/01/19	DIXFIELD	DIXFIELD VILLAGE ASSOC LP % PR		0.00	525,328.00	0.00
DIXFIELD VILLAGE APARTMENTS	454.68	01/01/19	DIXFIELD	DIXFIELD VILLAGE ASSOC LP % PR		0.00	58,147.00	0.00
DIXFIELD VILLAGE APARTMENTS	1,549.91	01/01/19	DIXFIELD	DIXFIELD VILLAGE ASSOC LP % PR		0.00	199,815.00	0.00
						<u>3,377,595.00</u>	<u>783,290.00</u>	<u>0.00</u>

Rental Housing					ORIGINATION	DELINQUENT		
BORROWER	LEVEL PMT	PTD	LOCATION	PROJECT OWNER	DATE	1 MONTH	2 MONTHS	3+ MONTHS
HIGH ST, 242	175,000.00	1/9/2019	FARMINGTON	YATES, MAX D II	02/09/94	175,000.00	0.00	0.00
BRIDE ST	87,500.00	12/10/2018	MILBRIDGE	LYONS, RAYMOND & SYLVIA	01/10/94	0.00	87,500.00	0.00
						<u>175,000.00</u>	<u>87,500.00</u>	<u>0.00</u>

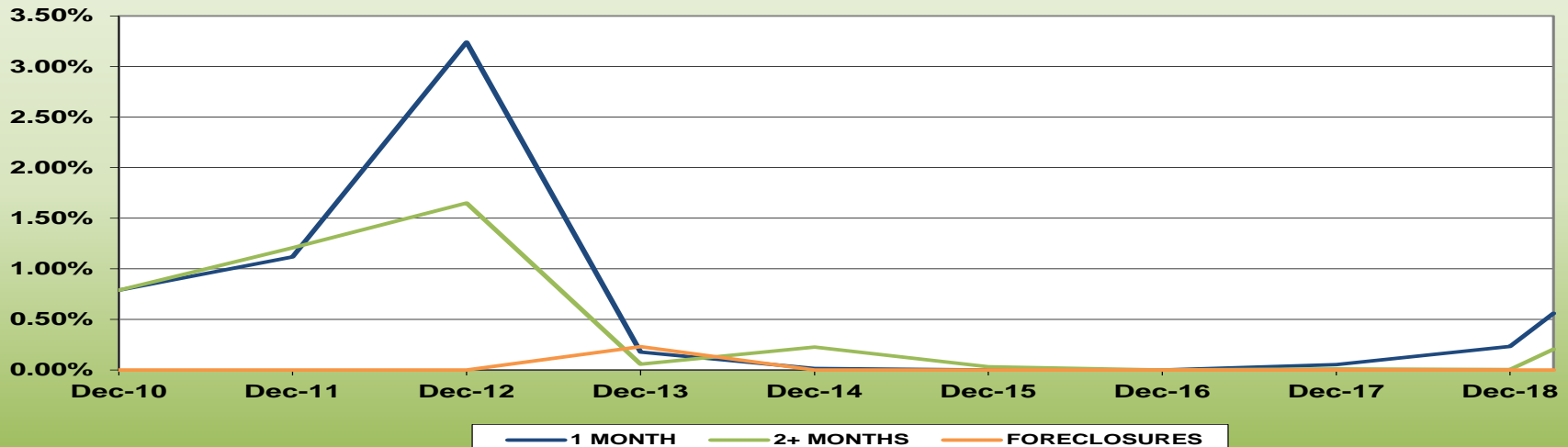
Supportive Housing & Other					ORIGINATION	DELINQUENT		
BORROWER	LEVEL PMT	PTD	LOCATION	PROJECT OWNER	DATE	1 MONTH	2 MONTHS	3+ MONTHS
CONY VILLAGE	150,000.00	12/01/18	AUGUSTA	CONY VILLAGE LLC % KVCAP	02/01/14	0.00	0.00	150,000.00
MARKET HILL HOMES	20,600.00	04/27/18	BIDDEFORD	SOUTHERN MAINE AFF HSG INC	05/27/16	0.00	0.00	20,600.00
MITCHELL RD, 64	2,504.96	12/01/18	SCARBOROUGH	THE OPPORTUNITY ALLIANCE	06/07/01	0.00	0.00	254,085.00
						<u>0.00</u>	<u>0.00</u>	<u>424,685.00</u>
						<u>3,552,595.00</u>	<u>870,790.00</u>	<u>424,685.00</u>

**Grand Total**  
**% of Portfolio Delq 60+ days** 0.20%  
**Total Number of Loans** 1,088



# Multi-Family Delinquency & Foreclosure Trends

**MULTI-FAMILY DELINQUENCY AND FORECLOSURE RATES**



	OUTSTANDING		1 MONTH		2+ MONTHS		FORECLOSURES	
	PRINCIPAL	DOLLARS	RATE	DOLLARS	RATE	DOLLARS	RATE	
Mar-19	\$ 634,665,387	\$ 3,552,595	0.56%	\$ 1,295,475	0.20%	\$ -	0.00%	
Dec-18	\$ 630,936,475	\$ 1,473,376	0.23%	\$ 20,600	0.00%	\$ -	0.00%	
Dec-17	\$ 608,939,257	\$ 319,836	0.05%	\$ 60,624	0.01%	\$ -	0.00%	
Dec-16	\$ 579,916,852	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%	
Dec-15	\$ 573,932,384	\$ -	0.00%	\$ 185,320	0.03%	\$ -	0.00%	
Dec-14	\$ 513,937,525	\$ 77,568	0.02%	\$ 1,169,620	0.23%	\$ -	0.00%	
Dec-13	\$ 506,871,177	\$ 896,386	0.18%	\$ 297,366	0.06%	\$ 1,166,866	0.23%	
Dec-12	\$ 487,638,082	\$ 15,815,491	3.24%	\$ 8,056,115	1.65%	\$ -	0.00%	
Dec-11	\$ 486,421,972	\$ 5,436,378	1.12%	\$ 5,875,983	1.21%	\$ -	0.00%	
Dec-10	\$ 469,245,963	\$ 3,701,050	0.79%	\$ 3,701,803	0.79%	\$ -	0.00%	



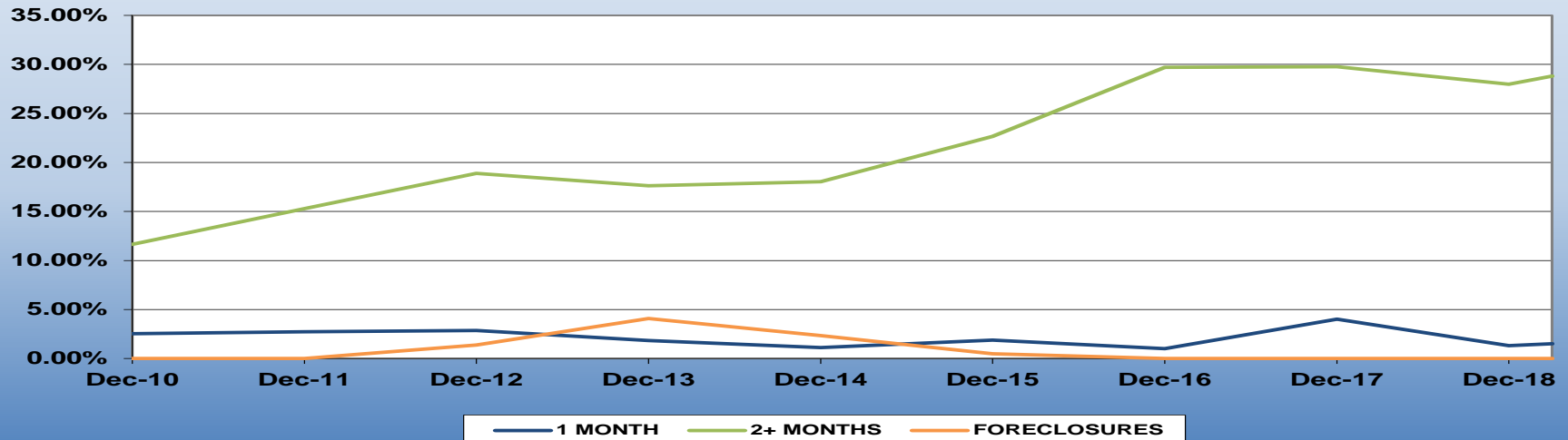
# Home Improvement Delinquent Loans

## Maine State Housing Authority Home Improvement Delinquencies by Lender 3/31/2019

LENDER	% of Portfolio Delq 60+ Days	OUTSTANDING PRINCIPAL	----- 1 MONTH	DELINQUENT 2 MONTHS	----- 3+ MONTHS
ACAP	58.35%	21,911.34	0.00	0.00	12,784.81
CCAP	100.00%	355.03	0.00	0.00	355.03
CCI	12.60%	35,316.93	0.00	0.00	4,449.79
CED	75.93%	6,083.97	0.00	0.00	4,619.81
KVCAP	20.32%	17,580.34	3,601.62	0.00	3,571.47
PCAP	53.37%	21,670.90	0.00	0.00	11,566.16
PROP	97.13%	6,595.83	0.00	0.00	6,406.49
RCAM	100.00%	8,452.38	0.00	0.00	8,452.38
WCCSA	64.58%	17,351.09	0.00	0.00	11,204.69
WHCAP	84.98%	10,353.67	0.00	0.00	8,798.29
YCCAC	0.00%	3,749.28	0.00	0.00	0.00
BATH SAVINGS	0.00%	40,725.03	648.09	0.00	0.00
CAMDEN NATIONAL	0.00%	22,276.24	0.00	0.00	0.00
KENNEBUNK SAVINGS	89.25%	9,776.37	0.00	0.00	8,725.35
NORTHEAST BANK	0.00%	16,821.31	0.00	0.00	0.00
NORWAY SAVINGS	0.00%	8,904.92	0.00	0.00	0.00
SKOWHEGAN SAVINGS	0.00%	26,806.14	0.00	0.00	0.00
THE FIRST	0.00%	6,224.58	0.00	0.00	0.00
<b>TOTAL</b>	<b>28.81%</b>	<b>280,955.35</b>	<b>4,249.71</b>	<b>0.00</b>	<b>80,934.27</b>
Total Number of Loans	88				

# Home Improvement Delinquency & Foreclosure Trends

**HOME IMPROVEMENT DELINQUENCY AND FORECLOSURE RATES**



	OUTSTANDING		<u>1 MONTH</u>		<u>2+ MONTHS</u>		<u>FORECLOSURES</u>	
	PRINCIPAL	DOLLARS	RATE	DOLLARS	RATE	DOLLARS	RATE	
Mar-19	\$ 280,955	\$ 4,250	1.51%	\$ 80,934	28.81%	\$ -	0.00%	
Dec-18	\$ 301,364	\$ 3,941	1.31%	\$ 84,317	27.98%	\$ -	0.00%	
Dec-17	\$ 515,603	\$ 20,749	4.02%	\$ 153,526	29.78%	\$ -	0.00%	
Dec-16	\$ 795,184	\$ 7,930	1.00%	\$ 236,299	29.72%	\$ -	0.00%	
Dec-15	\$ 1,062,015	\$ 20,041	1.89%	\$ 240,688	22.66%	\$ 5,160	0.49%	
Dec-14	\$ 1,412,221	\$ 15,722	1.11%	\$ 254,707	18.04%	\$ 32,897	2.33%	
Dec-13	\$ 2,066,062	\$ 38,101	1.84%	\$ 364,218	17.63%	\$ 84,283	4.08%	
Dec-12	\$ 2,803,309	\$ 79,925	2.85%	\$ 529,227	18.88%	\$ 38,727	1.38%	
Dec-11	\$ 3,766,637	\$ 102,824	2.73%	\$ 576,053	15.29%	\$ -	0.00%	
Dec-10	\$ 4,739,314	\$ 119,963	2.53%	\$ 552,474	11.66%	\$ -	0.00%	



# Single-Family Delinquent Loans

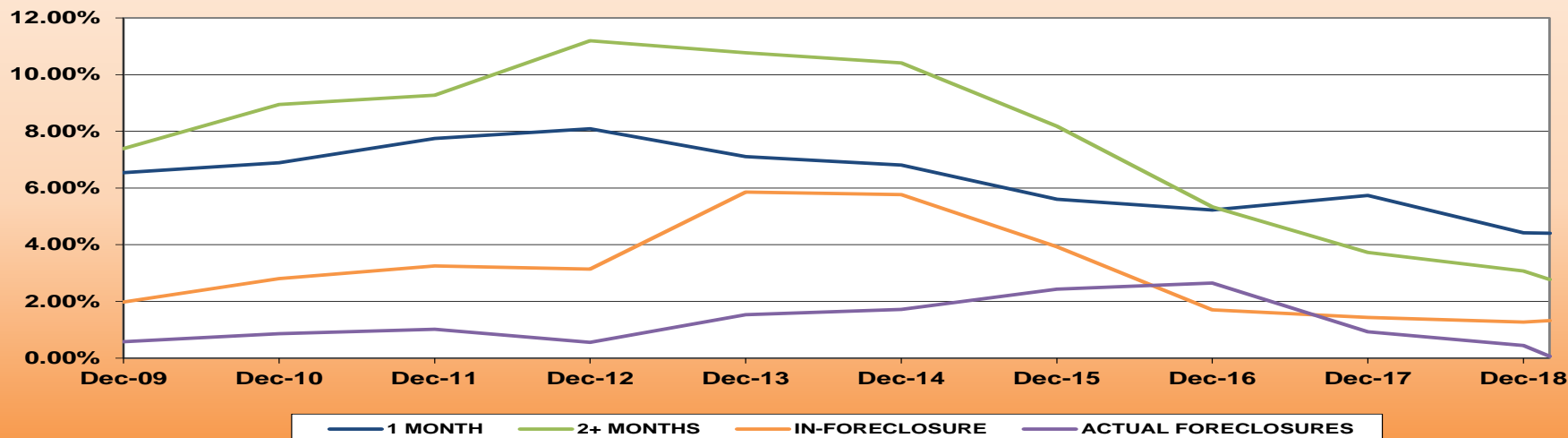
## Maine State Housing Authority Single-Family Delinquencies by Servicer 2/28/2019

SERVICER	% OF PORTFOLIO	% of Portfolio Delq 60 + days	OUTSTANDING PRINCIPAL	----- 1 MONTH	DELINQUENT 2 MONTHS	----- 3+ MONTHS	IN- FORECLOSURE
MORTGAGE SERVICING SOLUTIONS	67.55%	3.12%	625,489,854.43	29,695,661.57	6,968,654.41	3,574,561.51	8,953,021.53
BANGOR SAVINGS BANK	15.81%	1.33%	146,359,875.32	4,947,262.62	253,469.37	493,018.84	1,198,366.42
CAMDEN NATIONAL BANK UK	9.17%	1.46%	84,874,819.65	2,433,134.08	301,625.68	219,528.55	717,221.21
MACHIAS SAVINGS BANK	5.60%	2.99%	51,902,590.49	2,625,171.99	434,765.56	457,861.97	657,614.26
BANK OF AMERICA NA	1.37%	9.01%	12,727,208.78	723,573.53	252,477.76	206,014.38	687,901.72
JPMORGAN CHASE BANK NA	0.40%	7.59%	3,735,233.08	289,204.27	131,506.68	111,628.46	40,293.13
SALEM FIVE MORTGAGE CORP	0.10%	4.48%	921,308.29	75,300.36	16732.03	24508.30	0.00
TOTAL	100.00%	2.78%	926,010,890.04	40,789,308.42	8,359,231.49	5,087,122.01	12,254,418.27



# Single-Family Delinquency & Foreclosure Trends

**SINGLE-FAMILY DELINQUENCY AND FORECLOSURE RATES**

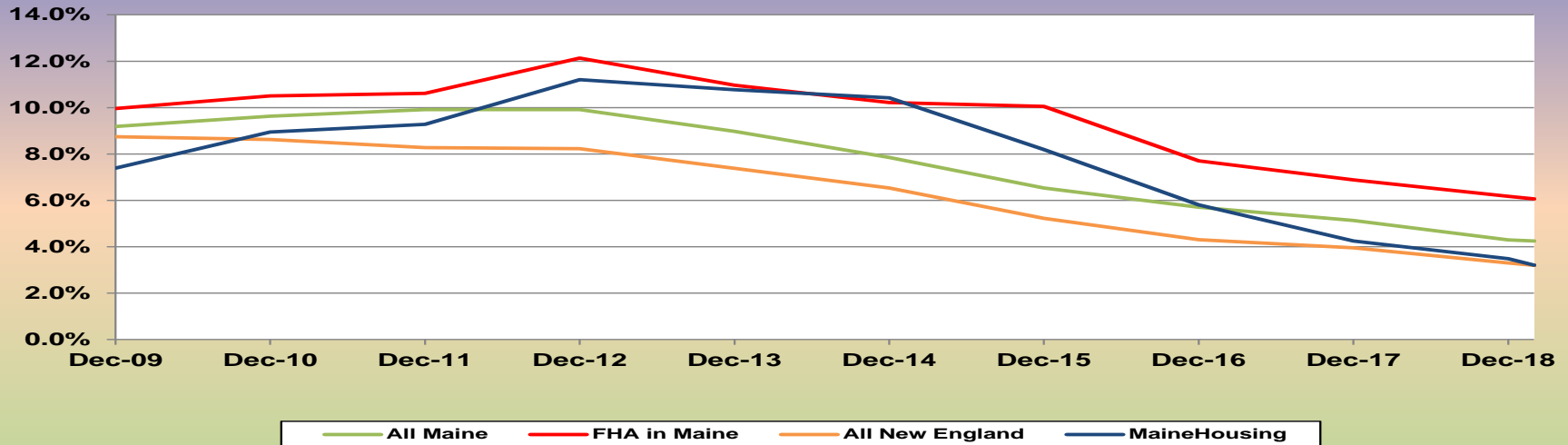


	OUTSTANDING PRINCIPAL			1 MONTH		2+ MONTHS		IN-FORECLOSURE		ACTUAL FORECLOSURES	
	DOLLARS	DOLLARS	RATE	DOLLARS	RATE	DOLLARS	RATE	DOLLARS	RATE	DOLLARS	RATE
Feb-19	\$ 926,010,890	\$ 40,789,308	4.40%	\$ 25,700,772	2.78%	\$ 12,254,418	1.32%	\$ 586,346	0.06%		
Dec-18	\$ 916,608,577	\$ 40,526,473	4.42%	\$ 28,155,105	3.07%	\$ 11,647,401	1.27%	\$ 4,056,247	0.44%		
Dec-17	\$ 844,497,676	\$ 48,457,930	5.74%	\$ 31,454,643	3.72%	\$ 12,099,518	1.43%	\$ 7,847,858	0.93%		
Dec-16	\$ 799,557,471	\$ 41,780,468	5.23%	\$ 42,682,410	5.34%	\$ 13,625,991	1.70%	\$ 21,142,137	2.64%		
Dec-15	\$ 790,409,905	\$ 44,303,365	5.61%	\$ 64,656,769	8.18%	\$ 31,066,182	3.93%	\$ 19,220,066	2.43%		
Dec-14	\$ 810,139,060	\$ 55,171,703	6.81%	\$ 84,385,397	10.42%	\$ 46,711,687	5.77%	\$ 13,904,155	1.72%		
Dec-13	\$ 849,385,825	\$ 60,378,599	7.11%	\$ 91,501,809	10.77%	\$ 49,783,071	5.86%	\$ 12,980,502	1.53%		
Dec-12	\$ 899,788,247	\$ 72,815,090	8.09%	\$ 100,738,963	11.20%	\$ 28,237,109	3.14%	\$ 4,987,749	0.55%		
Dec-11	\$ 980,359,797	\$ 75,979,115	7.75%	\$ 90,934,130	9.28%	\$ 31,846,771	3.25%	\$ 9,975,164	1.02%		
Dec-10	\$ 962,495,378	\$ 66,355,253	6.89%	\$ 86,097,209	8.95%	\$ 27,008,649	2.81%	\$ 8,252,719	0.86%		



# Single-Family Delinquency Comparison Trends

**MAINEHOUSING, FHA, ALL STATE & ALL NEW ENGLAND  
DELINQUENCY RATE COMPARISON**



**MAINEHOUSING LOAN COUNT COMPARISON**

	<u>Loan Count</u>	<u>2 Months</u>	<u>3+ Months</u>	<u>In-Foreclosure</u>	<u>Totals</u>
All State*	114,896	0.81%	1.29%	2.15%	4.25%
FHA for State*	17,694	1.50%	1.86%	2.70%	6.06%
All New England*	1,611,221	0.83%	1.11%	1.26%	3.20%
MaineHousing**	10,746	1.14%	0.60%	1.47%	3.21%

\*This information is obtained from MBA's National Delinquency Survey for the fourth quarter of 2018.

\*\*MaineHousing's overall delinquency rate based on loan dollars is 2.78%, whereas rates in this exhibit are based on loan count.



# Single-Family Delinquencies by Mortgage Insurer

As A Percent of Total Insurance Type

2/28/2019

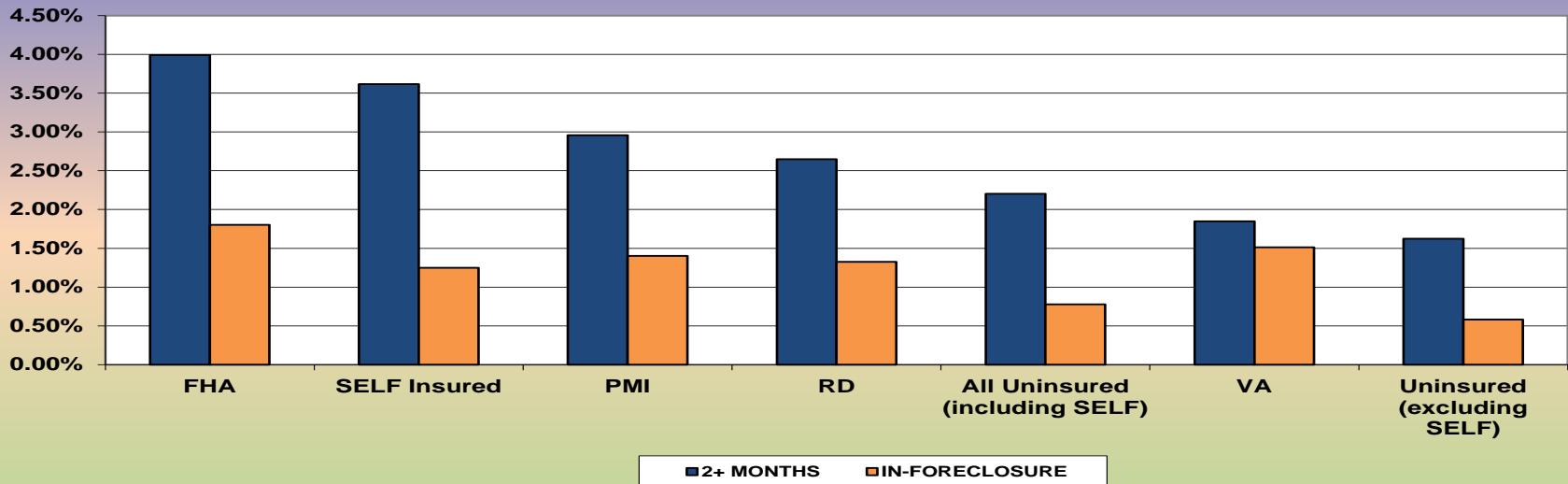
TYPE	2+ MONTHS	IN-FORECLOSURE
FHA	3.99%	1.80%
SELF Insured	3.62%	1.25%
PMI	2.96%	1.40%
RD	2.65%	1.33%
All Uninsured (including SELF)	2.20%	0.78%
VA	1.85%	1.51%
Uninsured (excluding SELF)	1.62%	0.58%

As A Percent of Total Loan Portfolio

2/28/2019

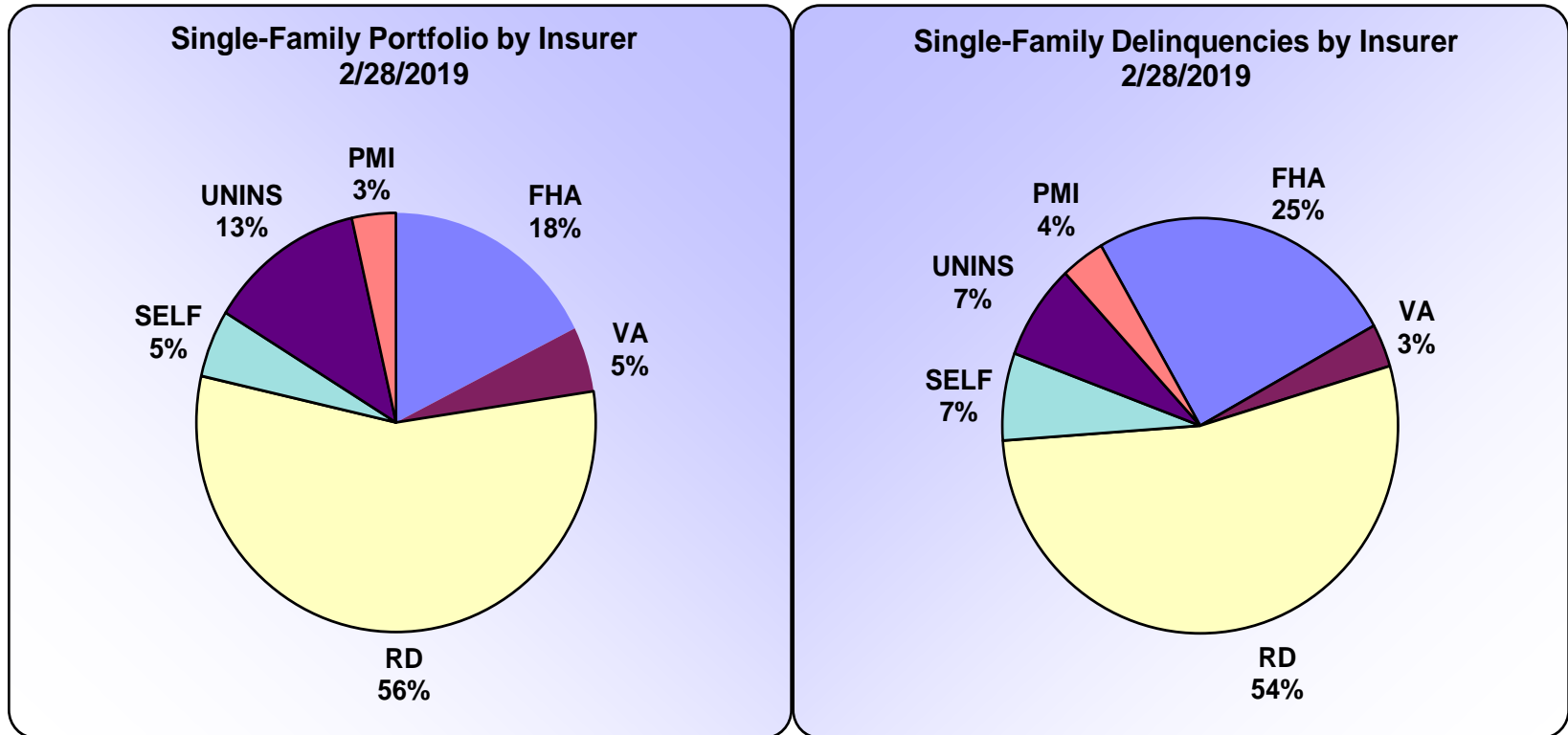
TYPE	2+ MONTHS	IN-FORECLOSURE
RD	1.48%	0.74%
FHA	0.70%	0.32%
All Uninsured (including SELF)	0.39%	0.14%
Uninsured (excluding SELF)	0.21%	0.07%
SELF Insured	0.19%	0.07%
PMI	0.10%	0.05%
VA	0.09%	0.08%

SINGLE-FAMILY DELINQUENCY RATES BY INSURER TYPE

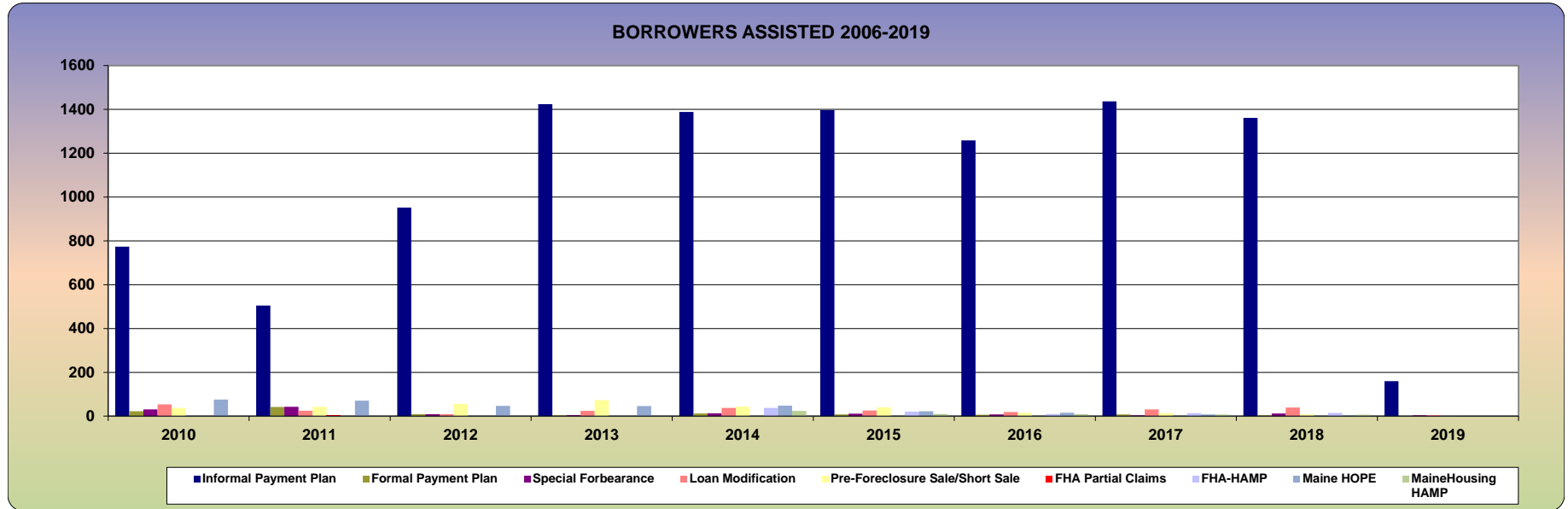


# Single-Family Delinquencies by Mortgage Insurer

The following charts show the composition of MaineHousing loans by mortgage insurer. Self insured loans are mainly mobile homes. Uninsured loans are those not needing mortgage insurance (i.e. for loans under 80% property value). The following charts are in dollar amounts.



# Single-Family Foreclosure Prevention Activities



Number of Borrowers Approved for Assistance

	Informal Payment Plan	Formal Payment Plan	Special Forbearance	Loan Modification	Pre-Foreclosure Sale/Short Sale	FHA Partial Claims	FHA-HAMP	Maine HOPE	MaineHousing HAMP	Total Workouts
Feb-19	160	0	4	5	1		0	2	0	172
Dec-18	1361	4	12	39	8		15	3	6	1448
Dec-17	1437	8	4	31	14		14	8	7	1523
Dec-16	1259	6	8	19	15		10	16	9	1342
Dec-15	1397	8	11	26	40		21	22	10	1535
Dec-14	1388	12	13	38	44		38	48	24	1605
Dec-13	1424	4	5	24	73			46		1576
Dec-12	952	9	9	9	56			47		1082
Dec-11	505	42	43	25	43	2		71		731
Dec-10	774	22	31	54	38	0		76		995

Actual Foreclosures

	Number of Foreclosures	Number of Loans in Portfolio	Percentage of Portfolio
Feb-18	7	10,746	0.07%
Dec-18	57	10,673	0.53%
Dec-17	97	10,332	0.94%
Dec-16	258	10,097	2.56%
Dec-15	233	10,258	2.27%
Dec-14	162	10,526	1.54%
Dec-13	146	10,952	1.33%
Dec-12	60	11,641	0.52%
Dec-11	115	12,311	0.93%
Dec-10	96	12,320	0.78%





## Homeless Initiatives Department Memorandum

**To:** Board of Commissioners

**From:** Ruth Lawson-Stopps

**Date:** April 10, 2019

**Subject:** April Report

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One month ago my work at MaineHousing as the Director of the Homeless Initiatives Department began. My initial plan, to become acquainted with the processes of this Department includes, becoming familiar with staff and their roles, MaineHousing, the State and Regional Homeless Councils, The Continuum of Care (CoC) and its work groups and the Shelter Directors Network is in process. I have met with most groups and am becoming familiar with the individuals, organizations and priorities.

### **Gaps and Needs Analysis**

HUD requires the CoC to perform a Gaps and Needs Analysis. We have hired Human Service Research Institute to perform the analysis which is underway. They are reviewing data, scheduling key informant interviews and focus groups and are preparing to distribute school systems throughout the state. A Final Report is due in September.

### **CoC Website**

In response to HUD requirement for CoC communication, a workgroup is forming to identify information to be shared and available to the public. This step will be followed by an RFP and the development of a CoC website.

### **Emergency Shelter and Housing Assistance Program (ESHAP) Funding Formula**

A group was formed and held its first meeting to examine the ESHAP funding formula and the Homeless Rule. First meeting was in March with the second on April 12<sup>th</sup>.

I look forward to developing a better understand the work of the Homeless Initiatives Department, MaineHousing and the work of our partners. In particular, I will focus on the Data Sharing Committee, the Coordinated Entry Project and collaborative service providers.



**To:** MaineHousing Board of Commissioners  
**From:** Craig Reynolds, Director of Homeownership  
**Date:** April 9, 2019  
**Subject:** Monthly Report – Homeownership Department

## PRODUCTION UPDATE

Purchases & New Originations Past/Current Comparison	Year to Date 2018 March		Year to Date 2019 March		
	#	\$ Volume	#	\$ Volume	% Change # (2019 vs. 2018)
Purchases	205	\$25.8M	221	\$27.6M	7.8%
New Originations	231	\$30.1M	189	\$24.8M	(18.2%)

New Originations by Program Option		
Loans Reserved in March	#	\$
2 points	0	\$0M
0 points	3	\$0.2M
0 points with Advantage	79	\$10.4M
<b>Totals</b>	<b>82</b>	<b>\$10.6M</b>

## PROGRAM HIGHLIGHTS

### Loan Activity & Market Status

Loan purchases for 2019 are modestly ahead of last year at this same time with the anticipated increase in activity of the traditional spring market about to begin. A solid pipeline of First Home Loans reserved by our lender network currently stands at a combined loan volume of approximately \$24.8M

The Maine Association of Realtors reported a slight decline in home sales in February when compared to last year, and only a small increase in the average purchase price which may represent a

shift away from several recent years of steadily increasing sales prices toward a more balanced or “normal” real estate market. The homes for sale inventory is still tight, but is anticipated to see some relief in the coming months.

Market interest rates have slowly drifted lower over the past month reaching levels not seen in more than a year. As the market average came very close to equaling the First Home Loan rate, the decision was made to adjust the First Home Loan rate downward to 3.95% in order to re-establish a below market rate margin. A below market rate, combined with the Advantage down payment and closing cost assistance option, form the foundation of our program’s continued success.

### **Realtor CEU Classes**

Partner Education & Outreach Officer, Lisa McKenna conducted MaineHousing’s Affordable Home Financing for ME for 24 licensed real estate professionals in Portland. The class was hosted by lender partner Mortgage Network, and Bay Area Title. The class has been approved for 3 credit hours toward license renewal by the Maine Real Estate Commission. Lisa reported that many of those in attendance posed some excellent questions and most were very enthusiastic to learn more about the First Home Loan program

Later in March, Lisa also held the same class in Scarborough at the office of lender partner Primary Residential Mortgage and hosted by loan officer Tom Drew. Tom has been in the mortgage lending business for many years and has always been a tremendous advocate for the First Home Loan program. Lisa reported 100% participation and a lively discussion among the 15 real estate licensees in attendance.

### **Farewell to Debbie King-Johnson**



*Debbie King-Johnson staff photo*

Consumer Education & Outreach Officer, Debbie King-Johnson retired in March after a 31 year career at MaineHousing. Serving for a time as the Director of Homeownership, she then followed her passion to develop a program designed to assist Maine people who were often overwhelmed or intimidated by the challenges of the home buying process, and to also help those who were encountering a personal hardship and/or financial difficulties after owning a home. Debbie has long been an outspoken advocate of the value of homebuyer education and she has played a major role on the board of the hoMEworks organization in Maine including serving as its Chair. For those thousands she has counseled and for those of us fortunate enough to have worked with Debbie, she will be always be admired for her tireless work ethic, her patience, kindness and willingness to always help anyone in need. Thank you Debbie, we wish you a happy and healthy retirement!



## Housing Choice Vouchers Department Memorandum

**To:** MaineHousing Board of Commissioners

**From:** Allison Gallagher - Director of HCV Programs

**Date:** April 16, 2019

**Subject:** Monthly Report – Housing Choice Voucher Program

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### Program Updates:

Brianna Martin started with HCV as the new FSS Specialist. She came to us from the Homeownership department and has been a great addition to our team.

Successfully completed a transfer of administration of a Moderate Rehab contract with Lewiston HA located at 130 Oxford Street in Lewiston, back to MaineHousing. This will streamline the communication between the Management Company and MaineHousing and will enable us to automate the waitlist process.

### Inspections Update: March 2019

Abatelements: 8

STEP abatelements: 1

24 hour fails: 0

No Shows: 27

Initials: 69 (35 passed the first time, 20 passed with comments, 13 failed) – 34 re-inspections for a total of 102 initial inspections. One inspection cancelled because the landlord did not want to make the repairs.

STEP inspections: 10 initials, 9 annuals, 11 re-inspections, 3 QA

Average number of days to schedule initials: 5

Average number of days to schedule homeless initials: 3

Annuals: 334 (80 passed the first time, 72 within the 30 day fail period and 23 were inspected three or more times before they passed); 159 failed

Mileage: 15,948

Landlord Repair Program spent: \$13,786.68

### Partner Relationships:

Allison was part of a group advocating for funds to continue the Money Follows the Person (MFP) initiative that funds the Homeward Bound program. We met with Paul Saucier, Director, Office of Aging and Disability Services and his staff.

Laurie participated in a LL outreach event with Family Futures Downeast in Machias to promote the FSS program.

Allison, Melissa, Barbara and Michelle met with Dean Petruzzi from Central Maine Properties. There is a potential buyer for 342 Waldo Street (Mod Rehab) and Dean wanted to meet to discuss vacancies and inspection concerns in that building. He also indicated there were opportunities emerging in the Augusta area that he will be managing and wanted to connect with regarding potential voucher holders for those units.

**Internal Communications:**

HCV managers completed 1<sup>st</sup> quarter coaching sessions with staff. We focused on goal setting, efficiencies and the HCV 5 year plan.

Jamie, agency LEAN coordinator, participated in two agency LEAN initiatives with Facilities to structure a KPI for the move to the new building and with EHS to kick off the Kaizen event.



## Information Technology Department Memorandum

**To:** Board of Commissioners

**From:** Sheila Nielsen, Director of IT

**Date:** April 9, 2019

**Subject:** Monthly Report

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The IT Department has been working on the following efforts throughout the last month:

- For Docuware, the new document management system, we continued our efforts to expand usage of the system by meeting with representatives from Homeownership, Finance, Legal, and CPD. Developed document storage guidelines to assist departments with decisions related to document archiving and electronic storage.
- Worked with Linda Grotton to provide responses to the Baker, Newman, Noyes audit draft report for IT findings.
- Engaged with Illumant to conduct annual security penetration test, which tests how easy it is to penetrate our computer firewalls. The report will be issued in the coming weeks.
- Hancock Cloud, the MERAC LIHEAP replacement system, project efforts are ongoing. Our MaineHousing team has completed report inventory, data validation rules inventory, and initial system review. The vendor will need to deliver final changes before the end of May to support system testing in June, end user training in July, and full implementation on August 5<sup>th</sup>.
- Edison Drive Building Initiatives:
  - Developed task list for all components of the building that are within IT scope and responsibility
  - Issued RFP for audio visual infrastructure
  - Completed contracting for selected building security and data center fire suppression vendors.
  - Using current printing volumes, identified opportunities for additional printer locations

## Board Calendar 2019

<b>JANUARY 15</b> <ul style="list-style-type: none"> <li>Legislative Preview (P. Merrill)</li> </ul> <p>NCSHA HFA Institute (Jan. 13 – 18) Washington, DC</p>	<b>FEBRUARY 19</b> <ul style="list-style-type: none"> <li>Introduce HEAP</li> <li>STEP program/Allison Gallagher</li> </ul>
<b>MARCH 19</b> <ul style="list-style-type: none"> <li>HEAP discussion (draft policy changes)</li> </ul> <p>NCSHA Legislative Conference (March 11-13) Washington, DC</p>	<b>APRIL 16</b> <ul style="list-style-type: none"> <li>Commence rulemaking HEAP</li> <li>2018 Year-end Financials</li> <li>Commence rulemaking QAP</li> </ul>
<b>MAY 21</b> <ul style="list-style-type: none"> <li>HEAP Public Hearing</li> <li>QAP public hearing</li> </ul>	<b>JUNE 18</b> <ul style="list-style-type: none"> <li>Adopt HEAP rule</li> <li>Introduce HCV Annual Plan</li> <li>Adopt QAP</li> </ul> <p>NCSHA Credit Connect (June 11-14) San Francisco</p>
<b>JULY 16</b> <ul style="list-style-type: none"> <li><b>BOARD MEETING IF NEEDED</b></li> </ul> <p>Statewide HUD Consolidated Plan Public Hearings</p> <p>NCSHA Executive Directors Workshop (location unknown at this time)</p>	<b>AUGUST 20</b> <ul style="list-style-type: none"> <li>HCV Annual Plan Public Hearing</li> </ul>
<b>SEPTEMBER 17</b> <ul style="list-style-type: none"> <li>Adopt HCV Annual Plan</li> </ul>	<b>OCTOBER 15</b> <ul style="list-style-type: none"> <li>NCSHA Annual Conference (Oct. 19-22)</li> <li>Boston, MA</li> <li>DOE Weatherization State Plan</li> </ul>
<b>NOVEMBER 19</b> <ul style="list-style-type: none"> <li>Review Preliminary 2020 Budget</li> <li>DOE Weatherization State Plan Public Hearing</li> </ul>	<b>DECEMBER 17</b> <ul style="list-style-type: none"> <li>Approve 2020 Budget</li> <li>Elect Officers</li> <li>DOE Weatherization Adopt State Plan</li> <li>MPP Series Resolution</li> </ul>