



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

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

June 30, 2025 and 2024

(With Independent Auditors' Reports Thereon)

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
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Management's Discussion and Analysis
(unaudited)
June 30, 2025 and 2024

Management of the Virginia Housing Development Authority (Authority) offers readers of its financial report this overview and analysis of the Authority's financial performance for the years ended June 30, 2025 and 2024. Readers are encouraged to consider this information in conjunction with the Authority's basic financial statements, accompanying notes, and supplementary information, which follow this section.

Organization Overview

The Authority is a political subdivision of the Commonwealth of Virginia (Commonwealth), created under the Virginia Housing Development Authority Act (Act) enacted by the General Assembly in 1972, as amended. The Act empowers the Authority to finance the acquisition, construction, rehabilitation, and ownership of affordable housing for homeownership or occupancy by low- or moderate-income Virginians. To raise funds for its mortgage loan operations, the Authority sells tax-exempt and taxable notes and bonds and mortgage-backed securities to investors. The notes, bonds, and other indebtedness of the Authority are not obligations of the Commonwealth, and the Commonwealth is not liable for repayments of such obligations. Furthermore, as a self-sustaining organization, the Authority does not receive operational funding from the Commonwealth. Authority revenues are generated primarily from interest on mortgage loans, mortgage servicing fees, gains from the sale of mortgage-backed securities, program administration fees, and investment income.

The Authority participates in the Government National Mortgage Association (GNMA) Mortgage-backed Securities (MBS) program. Through this MBS program, the Authority issues GNMA securities, which may be held by the Authority or sold to third parties and are backed by pools of mortgage loans. Once securitized, the mortgage loans are no longer assets of the Authority nor pledged to any bond resolution. Each GNMA security represents an undivided ownership interest in a pool of homeownership mortgage loans and carries the full faith and guaranty of the United States (U.S.) government. The GNMA guarantee ensures the owner of the security issued by the Authority receives timely payment of scheduled monthly principal and interest payments at the rate provided by the securities. All mortgage loans under the GNMA MBS program are insured or guaranteed by the Federal Housing Administration (FHA), the U.S. Department of Agriculture's Rural Development agency, or the Veterans Administration.

The Authority also participates in both the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC) Mortgage-backed Securities (MBS) programs. The Authority may sell homeownership mortgage loans to either FNMA or FHLMC under their whole loan programs or it may issue FNMA or FHLMC securities backed by homeownership mortgage loans. Such securities may be held by the Authority or sold to third parties. Once securitized, the mortgage loans are no longer assets of the Authority nor pledged to any bond resolution. The guaranty of FNMA and FHLMC ensures the owner of the securities issued by the Authority receives timely payment of scheduled monthly principal and interest payments at the rate provided by the securities.

In addition to its major mortgage loan programs, the Authority also administers, on a fee basis, various other programs related to its lending activities. Such programs include the Housing Choice Voucher (HCV) program, which provides rental subsidies from federal funds, and the federal Low Income Housing Tax Credit (LIHTC) program, which awards income tax credits for the purpose of constructing or acquiring and rehabilitating rental housing projects. The Authority is also the administrator of the Commonwealth's Virginia Housing Opportunity Tax Credit (HOTC) program, which awards state income tax credits to further support low-income housing developments that have received Federal Low Income Housing Tax Credits.

With internally generated funds, the Authority also provides funding for its Resources Enabling Affordable Community Housing (REACH) *Virginia* initiatives, in which grants are made or the interest rates on homeownership or rental housing mortgage loans are subsidized by the Authority, to provide assistance to the elderly, disabled, homeless, and other low to moderate income persons and increase affordable housing opportunities in the Commonwealth. The amount of change in net position each fiscal year used to provide such grants or reduced interest rates on mortgage loans or otherwise subsidize its programs is determined by the Authority's Board of

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Commissioners and only after a full financial analysis is made of the Authority's operating results. In fiscal year 2020, to address the growing demand for REACH, the Board of Commissioners approved an increase to REACH for fiscal year 2020 and beyond from 50% to 60%. However, in fiscal year 2023 the Board of Commissioners approved another increase beginning in fiscal year 2025 to increase the REACH from 60% to 75%. The amount of REACH the Authority commits is based on the average of the Authority's change in net position, as unadjusted for the effect of Governmental Accounting Standards Board (GASB) No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, for the preceding three fiscal years' then adding back the amount disbursed in REACH grants from the prior fiscal year, the result of which is then multiplied by the Board approved percentage. The amounts made available to the REACH initiative are subject to periodic review by the Authority of the impact on its financial position. The Authority finances some, but not all, of such subsidized mortgage loans, in whole or in part, with funds under its various bond resolutions or mortgage loan securitization programs.

Financial Statements

The basic financial statements consist of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, the Statements of Cash Flows, the Statements of Fiduciary Net Position, the Statements of Changes in Fiduciary Net Position, and the accompanying notes to the basic financial statements.

The *Statement of Net Position* reports all of the Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources, both financial and capital, presented in order of liquidity and using the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources is presented as net position and is displayed in three components: net investment in capital assets; restricted portion of net position; and unrestricted portion of net position. Net position is restricted when external constraints are placed upon their use, such as bond indentures, legal agreements or statutes. Over time, changes in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *Statement of Revenues, Expenses, and Changes in Net Position* identifies all the Authority's revenues and expenses for the reporting period, distinguishing between operating and non-operating activities. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all of its costs through mortgage loan income, investment income, externally funded programs and other revenue sources.

The *Statement of Cash Flows* provides information about the Authority's cash receipts and cash payments during the reporting period. This statement reports cash transactions, including receipts, payments, and net changes resulting from operations, noncapital financing, capital financing, and investing activities. This statement provides information regarding the sources and uses of cash and the change in cash during the reporting period.

The *Statement of Fiduciary Net Position* reports the assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position of pension (and other employee benefit) trust funds and custodial funds. The purpose of this statement is to report the financial position of activities the Authority has stewardship of that are not assets or liabilities of the Authority.

The *Statement of Changes in Fiduciary Net Position* reports the additions and deductions from pension (and other employee benefit) trust funds and custodial funds. The purpose of this statement is to report the financial activities, which include the receipts and disbursements of funds that the Authority has stewardship of but are not included in the Authority's financial activities.

The *Notes to Basic Financial Statements* provide additional information that is essential for understanding financial data that may not be displayed on the face of the financial statements and, as such, are an integral part of the Authority's financial statements.

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Financial Highlights

Overview

Fiscal year 2025 has been a stabilizing year, with housing prices, inflation, and interest rates experiencing limited fluctuations. Although housing prices have risen and interest rates are higher than in recent history, the stable economic environment has enabled the Authority to increase its loan production in fiscal year 2025. Homeownership and rental production both grew by 28% compared to fiscal year 2024. Additionally, the stable interest rates have resulted in fewer loans in the Authority's portfolio being paid off, allowing the mortgage portfolio to continue expanding. The Authority continues to fully leverage the mortgage revenue bonds, which enable it to offer more financing options for its homeownership programs. One example of these new options is the Authority's Expanded Limits Program initiative, which has extended access to Virginia Housing programs to repeat homebuyers and more moderate-income homebuyers across the Commonwealth. The initiative also removed the sales price limit overlay from non-bond mortgage programs, creating additional access to homes with sales prices up to the conforming loan limits. Additionally, the Authority continued to support the Commonwealth's housing policy priorities by increasing homeownership opportunities in underserved markets and fostering successful homeownership through homeownership education.

The Authority concluded the Virginia Mortgage Relief Program, funded by the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) from the U.S. Department of the Treasury. The program was designed to assist homeowners experiencing financial hardship caused by COVID-19 and to help prevent or ease mortgage delinquencies, defaults, foreclosures, and displacements. It assisted more than 12,000 homeowners, with approximately 90% of these households earning at or below the area median income. In its rental housing program, the Authority has continued to fund developments through the issuance of tax-exempt and taxable bonds, along with increased use of REACH funds to make projects financially feasible. The Authority also offers lending programs that utilize federal Low-Income Housing Tax Credits and Commonwealth Housing Opportunity Tax Credits to provide construction financing alongside permanent mortgage loans, allowing it to offer affordable rental housing within a broader range of income levels, including workforce housing. While the Authority continues to face challenges from uncertainty in the financial markets, its capital acquisition initiatives and loss mitigation practices have enabled it to respond with new lending opportunities and maintain a strong financial position. Additionally, the Authority continued to operate its programs effectively, with its financial position growing by 2.0% over the fiscal year to nearly \$3.9 billion in total net position. Both Standard & Poor's Ratings Services (Standard & Poor's) and Moody's Investors Services (Moody's) continue to rate the Authority with an AA+ issuer credit rating and Aa1 general obligation credit rating, respectively.

Year Ended June 30, 2025

Homeownership mortgage loan originations totaled 4,853 loans for nearly \$1.4 billion in fiscal year 2025 compared to 4,057 loans for nearly \$1.1 billion for fiscal year 2024, an increase of 19.6% in units and 28.1% in dollars of mortgage loans over the prior year's production levels. The increase in year-over-year production was attributed to stabilized and at times, lower interest rates provided by mortgage revenue bond issuances.

As of June 30, 2025, the Authority serviced for itself and for third parties a total of 84,096 first and second homeownership mortgage loans with outstanding balances totaling \$10.1 billion. For approximately 35,000 of the mortgage loans serviced for GNMA, FNMA, and FHLMC, the Authority receives an ongoing fee. The outstanding balances of loans serviced increased by \$576.8 million or 6.1% and the number of loans serviced increased by 1,780 loans or 2.2%, since June 30, 2024, primarily due to stable interest rates reducing the number of borrowers refinancing and paying off.

In fiscal year 2025, there were 151 homeownership mortgage foreclosures valued at \$25.4 million or 0.69% of the Authority's serviced homeownership mortgage loan portfolio, compared to a year ago with 151 foreclosures valued at \$22.9 million or 0.83% of the loan amounts. Recovery rates averaging 92.0% represent a decrease of 0.3% over the prior year. Total delinquency rates on the servicing portfolio based on loan count averaged 11.1% for the fiscal

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year, compared to 10.6% a year ago. Total delinquency rates on the servicing portfolio based on outstanding mortgage loan balances averaged 10.9% and 10.3% as of June 30, 2025, and 2024, respectively. Delinquencies consist of first mortgage loans over 30 days past due and foreclosures, and bankruptcies.

Financing commitments for 4,549 rental housing units were made during fiscal year 2025, totaling \$824.6 million, compared to 3,863 rental housing units totaling \$641.7 million for fiscal year 2024. The year-over-year increase in dollars was primarily the result of effective use of the REACH *Virginia* program and stabilizing interest rates and construction costs during the fiscal year.

As of June 30, 2025, the Authority serviced 1,269 rental housing mortgage loans with outstanding balances totaling \$5.8 billion. Compared to June 30, 2024, the number of loans in the portfolio increased by 62, while loan balances increased \$322.8 million or 5.9%. Delinquency rates based on rental housing portfolio loan count averaged 0.43% and 0.54% for the years ended June 30, 2025 and 2024, respectively. The average delinquency rates based on outstanding mortgage loan balances were 0.77% for fiscal year 2025 compared to 0.77% for fiscal year 2024.

Year Ended June 30, 2024

Homeownership mortgage loan originations totaled 4,057 loans for nearly \$1.1 billion in fiscal year 2024 compared to 3,809 loans for \$909 million for fiscal year 2023, an increase of 6.5% in units and 16.2% in dollars of mortgage loans over the prior year's production levels. The increase in year-over-year production was attributed to stabilized and at times, lower interest rates provided by mortgage revenue bond issuances.

As of June 30, 2024, the Authority serviced for itself and for third parties a total of 82,316 first and second homeownership mortgage loans with outstanding balances totaling nearly \$9.5 billion. For approximately 36,700 of the mortgage loans serviced for GNMA, FNMA, and FHLMC, the Authority receives an ongoing fee. The outstanding balances of loans serviced increased by \$391.8 million or 4.3% and the number of loans serviced increased by 1,284 loans or 1.6%, since June 30, 2023, primarily due to rising interest rates reducing the number of borrowers refinancing and paying off.

In fiscal year 2024, there were 151 homeownership mortgage foreclosures valued at \$22.9 million or 0.83% of the Authority's serviced homeownership mortgage loan portfolio, compared to a year ago with 204 foreclosures valued at \$27.4 million or 1.24% of the loan amounts. Recovery rates averaging 92.3% represent an increase of 4.7% over the prior year, caused by strong home values. Total delinquency rates on the servicing portfolio based on loan count averaged 10.6% for the fiscal year, compared to 10.2% a year ago. Total delinquency rates on the servicing portfolio based on outstanding mortgage loan balances averaged 10.3% and 9.7% as of June 30, 2024, and 2023, respectively. Delinquencies consist of first mortgage loans over 30 days past due and foreclosures and bankruptcies.

Financing commitments for 3,863 rental housing units were made during fiscal year 2024, totaling \$641.7 million, compared to 2,848 rental housing units totaling \$483.2 million for fiscal year 2023. The year-over-year increase in dollars was primarily the result of effective use of the REACH *Virginia* program and stabilizing interest rates and construction costs during the fiscal year.

As of June 30, 2024, the Authority serviced 1,207 rental housing mortgage loans with outstanding balances totaling \$5.5 billion. Compared to June 30, 2023, the number of loans in the portfolio increased by 49, while loan balances increased \$527.6 million or 10.6%. Delinquency rates based on rental housing portfolio loan count averaged 0.54% and 0.0% for the years ended June 30, 2024 and 2023, respectively. The average delinquency rates based on outstanding mortgage loan balances were 0.77% for fiscal year 2024 compared to 0.0% for fiscal year 2023.

Financial Analysis of the Authority

Cash is held by the trustees and banks in depository accounts and investments for a variety of purposes, including purchase of homeownership loans for MBS securitization and bond financing, disbursement into rental housing

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construction and permanent loans, payment of scheduled debt service, early redemption of bonds, advances required as a servicer GNMA, FNMA and FLHMC securities for forbearance and delinquencies, REACH grant disbursements and general operating expenses. Monies on deposit in banks located in Virginia are collateralized pursuant to the Virginia Security for Public Deposits Act of the Code of Virginia.

The Authority's Investment Policy emphasizes liquidity and preservation of capital. Precautions are taken to minimize the risk associated with investments, including monitoring creditworthiness of the investment, as determined by ratings provided by Standard & Poor's and Moody's, concentration risk, and maturity risk.

The Authority enters into forward sales transactions to hedge interest rate risk related to certain commitments to originate homeownership mortgage loans, particularly when such mortgage loans are expected to be pooled into securities guaranteed by GNMA, FNMA and FHLMC. The Authority does not enter into short sales, forward sales or futures transactions for which a bona fide hedging purpose has not been established.

Mortgage and other loan receivables represent the Authority's principal assets. Mortgage loans are financed through a combination of proceeds of notes and bonds, GNMA, FNMA and FHLMC guaranteed mortgage loan securitizations, HUD Risk-Share and Federal Financing Bank (FFB) financing programs, and net position accumulated since inception. Mortgage loan payments received from mortgagors are used to pay debt service due on outstanding bonds and MBS.

The largest component of the Authority's liabilities is outstanding bonds payable, the majority of which is fixed-rate to maturity dates that may extend into the future as much as forty-three years. The Authority continues to maintain strong long-term ratings of Aa1 from Moody's and AA+ from Standard & Poor's for its general credit rating as well as all bond resolutions other than the Commonwealth Mortgage Bonds resolution, which is rated Aaa and AAA, by Moody's and Standard & Poor's, respectively.

Net position is comprised of net investment in capital assets, restricted, and unrestricted portions of net position. *Net investment in capital assets* represents office buildings, land, furniture and equipment, and vehicles, less the outstanding applicable debt. *The restricted portion of net position* represents either the portion of net position held in trust accounts for the benefit of the respective bond owners, subject to the requirements of the various bond resolutions or a net Other Postemployment Benefit (OPEB) asset created by the OPEB plan net position being greater than the total OPEB liability. *Unrestricted portion of net position* represents a portion of net position that has been designated for a broad range of initiatives, such as administration of the HCV program, support for REACH initiatives, contributions to bond issues, working capital, future operating and capital expenditures, and general financial support to the Authority's loan programs.

Condensed Statements of Net Position

(In millions)

	June 30		
	2025	2024	2023
Cash and cash equivalents	\$ 1,711.9	1,564.1	1,423.0
Investments	1,259.4	1,194.4	819.3
Mortgage loans held for sale	79.6	52.3	178.4
Mortgage and other loans receivable, net	9,128.1	7,937.4	6,789.7
Other assets	171.1	161.3	144.2
Total assets	12,350.1	10,909.5	9,354.6
Deferred outflows of resources	6.0	7.6	11.3

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	June 30		
	2025	2024	2023
Notes and bonds payable, net	7,951.1	6,666.2	5,163.7
Other liabilities	362.2	318.7	350.7
Total liabilities	8,313.3	6,984.9	5,514.4
Deferred inflows of resources	79.7	72.8	66.4
Invested in capital assets, net of related debt	7.9	7.5	8.8
Restricted OPEB asset	19.7	12.6	0.5
Restricted by bond indentures	3,366.0	3,327.4	3,326.9
Unrestricted	569.5	511.9	448.9
Net position	\$ 3,963.1	3,859.4	3,785.1

June 30, 2025 Compared to June 30, 2024

Total assets increased \$1,440.6 million, or 13.2% from the prior year. Cash and cash equivalents and investments increased \$212.8 million, or 7.7% from the prior year, due to increased bond issuance and rental units under construction. Mortgage and other loans receivables, net, and mortgage loans held for sale increased by \$1,218.0 million, or 15.2%, primarily because of the return of mortgage revenue bond issuance, which means fewer loans were sold to GNMA, FNMA, and FHLMC to fund the homeownership loan program as well as growth in the rental loan production.

Total liabilities increased \$1,328.4 million, or 19.0% from the prior year. Notes and bonds payable increased \$1,284.9 million or 19.3%, due primarily to the return of the mortgage revenue bond program, which has led to increased bond issuance. For the year ended June 30, 2025, the Authority issued a total of \$1.1 billion of Commonwealth Mortgage bonds and \$638.9 million of Rental Housing bonds. Bond principal repayments and redemptions during the year totaled \$354.8 million of the Commonwealth Mortgage Bond Group, \$3.5 million of the Homeownership Mortgage Bond Group, and \$126.3 million of the Rental Housing Bond Group. Proceeds from bond issuance and from GNMA, FNMA, and FHLMC mortgage loan securitizations were the principal sources of funding for mortgage loan originations.

Net position has grown to \$3,963.1 million, representing an increase in net position of \$103.7 million, and a 2.7% return over the preceding fiscal year. As of June 30, 2025, net position invested in capital assets, net of related debt, was \$7.9 million. Net position restricted by OPEB totaled \$19.7 million, an increase of \$7.1 million from the prior year. Net position restricted by bond resolutions totaled \$3,366.0 million, an increase of \$38.6 million, or 1.2% from the prior year. Unrestricted net position totaled \$569.5 million, an increase of \$57.6 million, or 11.3%.

June 30, 2024 Compared to June 30, 2023

Total assets increased \$1,555.0 million, or 16.6% from the prior year. Cash and cash equivalents and investments increased \$516.2 million, or 23.0% from the prior year, due to increased bond issuance and rental units under construction. Mortgage and other loans receivables, net, and mortgage loans held for sale increased by \$1,021.7 million, or 14.7%, primarily because of the return of mortgage revenue bond issuance, which means fewer loans were sold to GNMA, FNMA, and FHLMC to fund the homeownership loan program as well as growth in the rental loan production.

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Total liabilities increased \$1,470.5 million, or 26.7% from the prior year. Notes and bonds payable increased \$1,502.5 million or 29.1%, due primarily to the return of the mortgage revenue bond program, which has led to increased bond issuance. For the year ended June 30, 2024, the Authority issued a total of \$1.2 billion of Commonwealth Mortgage bonds and \$617.7 million of Rental Housing bonds. Bond principal repayments and redemptions during the year totaled \$250.6 million of the Commonwealth Mortgage Bond Group, \$3.1 million of the Homeownership Mortgage Bond Group, and \$96.7 million of the Rental Housing Bond Group. Proceeds from bond issuance and from GNMA, FNMA, and FHLMC mortgage loan securitizations were the principal sources of funding for mortgage loan originations.

Net position has grown to \$3,859.5 million, representing an increase in net position of \$74.3 million, and a 2.0% return over the preceding fiscal year. As of June 30, 2024, net position invested in capital assets, net of related debt, was \$7.5 million. Net position restricted by OPEB totaled \$12.6 million, an increase of \$12.1 million from the prior year. Net position restricted by bond resolutions totaled \$3,327.4 million, an increase of \$0.5 million, or 0.02% from the prior year. Unrestricted net position totaled \$511.9 million, an increase of \$63.0 million, or 14.0%.

Condensed Statements of Revenues, Expenses and Changes in Net Position

(In millions)

	Year ended June 30		
	2025	2024	2023
Operating revenues:			
Interest on mortgage and other loans	\$ 422.2	340.2	305.1
Investment income	120.4	115.6	84.5
Gain/(Loss) on investments (realized and unrealized)	13.0	(7.3)	(66.3)
Housing Choice Voucher program income	10.3	10.5	9.3
Other operating revenues	75.4	83.0	65.5
Total operating revenues	<u>641.3</u>	<u>542.0</u>	<u>398.1</u>
Operating expenses:			
Interest on notes and bonds payable	285.4	211.1	166.0
Housing Choice Voucher program expense	7.3	9.9	10.7
Other operating expenses	170.7	166.4	148.9
Grant expenses	64.6	50.1	63.7
Provision for loan losses	9.6	30.2	(28.8)
Total operating expenses	<u>537.6</u>	<u>467.7</u>	<u>360.5</u>
Net operating (loss)/income	<u>103.7</u>	<u>74.3</u>	<u>37.6</u>
Non-operating revenues (expenses):			
Pass-through grant revenue	112.1	170.8	230.0
Pass-through grants disbursed	(112.1)	(170.8)	(230.0)
Total non-operating revenues (expenses)	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Change in net position	<u>\$ 103.7</u>	<u>74.3</u>	<u>37.6</u>

The principal determinants of the Authority's change in net position are operating revenues less operating expenses plus non-operating revenues (expenses), net.

Operating revenues consist primarily of interest earnings on mortgage loans, interest on investments, and realized and unrealized gains and losses from investments. Operating expenses consist predominantly of interest expense

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on notes and bonds payable and operating expenses of the Authority. Non-operating revenues and expenses primarily consist of grant funds received and disbursed.

Fiscal Year 2025

Operating revenues increased \$99.3 million or 18.3% from the prior year. The primary factors were the increase in interest on mortgage and other loans of \$82.0 million or 24.1% caused by an increasing portfolio of mortgage loans, and an increase in gains from investments of \$20.3 million, caused by an increase in unrealized gains due to a decrease in interest rates. Operating expenses for the year increased \$69.9 million or 14.9% from the prior year. The increase was primarily the result of increases in interest costs and grant expenses, which increased \$74.3 million and \$14.5 million, respectively, from the prior year, because of increased bond issuance and growth in the portfolio of mortgage loans. Non-operating activity decreased \$58.7 million or 34.4% as the Virginia Mortgage Relief Program ended in fiscal year 2024.

Fiscal Year 2024

Operating revenues increased \$143.9 million or 36.1% from the prior year. The primary factors were the increase in interest on mortgage and other loans of \$35.1 million or 11.5% caused by an increasing portfolio of mortgage loans, and the increase in investment income of \$31.1 million or 36.8% caused by increased interest rates and a larger investment portfolio. Operating expenses for the year increased \$107.2 million, or 29.7% from the prior year. The increase was primarily the result of increases in interest costs and the provision for loan losses, which increased \$45.1 million and \$59.0 million, respectively, from the prior year, because of increased bond issuance and growth in the portfolio of mortgage loans experiencing slightly increasing delinquency and vacancy rates. Non-operating activity decreased \$59.2 million or 25.7% as the Virginia Mortgage Relief Program ended during fiscal year 2024.

Other Economic Factors

The Authority's mortgage loan financing activities are sensitive to the general level of involvement of the federal government in the housing and capital markets, the general level of interest rates, the interest rates and other characteristics of the Authority's mortgage loans compared to mortgage loan products available in the mortgage loan market, and the supply of available affordable housing in the Commonwealth. The availability of long-term tax-exempt and taxable financing on favorable terms and the ability to securitize loans through GNMA, FNMA, and FHLMC are key elements in providing the funding necessary for the Authority to continue its mortgage loan financing activities.

The Authority's main sources of revenues include mortgage loan interest, gains on the sale of mortgage loans, and mortgage servicing fees. The Authority's non-mortgage loan investment portfolio generally consists of marketable securities bearing short-term maturities. The one-month Daily Treasury rates have decreased to 4.28% in June 2025 from 5.47% in June 2024.

Delinquency and foreclosure rates in the homeownership loan portfolio, and to a lesser extent, the rental housing loan portfolio, are influenced by unemployment and underemployment. Virginia's seasonally adjusted unemployment rate was 3.5% and 2.7% in June 2025 and 2024, respectively. Virginia underemployment rates, which include those no longer seeking employment and those employed only part-time who desire full-time work, were 7.2% and 5.6% in the fiscal year ended June 30, 2025 and 2024, respectively.

Additional Information

Questions about this report or additional information can be obtained by visiting the Authority's website, www.virginiahousing.com, or contacting the Capital Markets Division of the Authority.



INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Virginia Housing Development Authority
Richmond, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of the Virginia Housing Development Authority (the Authority), a component unit of the Commonwealth of Virginia, as of and for the years ended June 30, 2025 and 2024 (except for the Retiree Health Care Plan fiduciary fund, which is as of and for the years ended December 31, 2024 and 2023), and the related notes to the financial statements, which collectively comprise the Virginia Housing Development Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activities of the Virginia Housing Development Authority, as of June 30, 2025 and 2024 (except for the Retiree Health Care Plan fiduciary fund, which is as of and for the years ended December 31, 2024 and 2023), 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

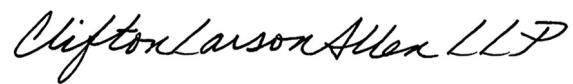
Accounting principles generally accepted in the United States of America require that the the Management's Discussion and Analysis, Retiree Healthcare Plan – Schedule of Changes in the Net OPEB (Asset) Liability and Related Ratios, and the Retiree Healthcare Plan – Schedule of Contributions (collectively, the Required Supplementary Information)] be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Combining Schedule of Net Position - June 30, 2025 and 2024, Combining Schedule of Revenues, Expenses, and Changes in Net Position – Year Ended June 30, 2025 and 2024, Combining Schedule of Fiduciary Net Position – Fiduciary Funds – Custodial Funds - June 30, 2025 and 2024, and the Combining Schedule of Changes in Fiduciary Net Position – Fiduciary Funds – Custodial Funds – Year ended June 30, 2025 and 2024 (collectively, the Supplementary Information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2025, on our consideration of the Authority'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 solely 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 the Authority'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 Authority's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Arlington, Virginia
September 9, 2025

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

Statements of Net Position

June 30, 2025 and 2024

	2025	2024
Assets		
Current assets:		
Cash and cash equivalents (note 5)	\$ 1,711,864,059	1,564,112,073
Investments (note 5)	619,373,000	488,266,750
Interest receivable – investments	26,671,229	28,127,241
Mortgage loans held for sale (note 1)	79,589,598	52,347,248
Mortgage and other loans receivable, net (note 4)	201,686,802	180,742,640
Interest receivable – mortgage and other loans	34,296,944	28,816,301
Other real estate owned (note 1)	6,291,656	4,022,024
Other assets	16,285,002	16,694,613
Total current assets	2,696,058,290	2,363,128,890
Noncurrent assets:		
Investments (note 5)	640,033,109	706,127,055
Mortgage and other loans receivable (note 4)	9,078,546,125	7,899,723,392
Less allowance for loan loss (note 1)	152,080,775	143,123,378
Mortgage and other loans receivable, net	8,926,465,350	7,756,600,014
Capital Assets, net of accumulated depreciation and amortization of \$69,246,751 and \$73,109,731 respectively (note 6)	32,952,251	27,489,803
Mortgage servicing rights, net (note 1)	17,466,412	26,601,200
Other assets	37,155,327	29,597,420
Total noncurrent assets	9,654,072,449	8,546,415,492
Total assets	12,350,130,739	10,909,544,382
Deferred outflows of resources		
Other postemployment benefits - change in assumptions (note 16)	1,374,522	1,627,852
Other postemployment benefits - difference between expected and actual experience (note 16)	4,655,454	5,393,161
Other postemployment benefits - difference between projected and actual earning (note 16)	-	585,200
Total deferred outflows of resources	6,029,976	7,606,213

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the Commonwealth of Virginia)

Statements of Net Position

June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Liabilities		
Current liabilities:		
Notes and bonds payable (note 9)	\$ 704,729,940	591,011,310
Accrued interest payable on notes and bonds	77,190,041	55,668,945
Escrows (note 11)	50,997,689	37,001,478
Federal grant awards held (note 1)	1,334,590	4,670,946
Derivative instruments (note 12)	575,152	104,711
Accounts payable and other liabilities	49,245,741	39,111,975
Total current liabilities	<u>884,073,153</u>	<u>727,569,365</u>
Noncurrent liabilities:		
Bonds payable, net (note 9)	7,246,362,212	6,075,149,726
Project reserves (notes 11 and 17)	127,712,700	131,865,677
Loan participation payable to Federal Financing Bank (note 10)	32,316,895	33,186,655
Other liabilities (notes 15 and 17)	22,862,578	17,095,765
Total noncurrent liabilities	<u>7,429,254,385</u>	<u>6,257,297,823</u>
Total liabilities	<u>8,313,327,538</u>	<u>6,984,867,188</u>
Deferred inflows of resources		
Deferred fees and points on multifamily loans (note 1)	66,611,196	64,341,678
Other postemployment benefits - change in assumptions (note 16)	430,519	508,695
Other postemployment benefits - difference between expected and actual experience (note 16)	9,812,467	7,961,316
Other postemployment benefits - difference between projected and actual earning (note 16)	2,873,277	-
Total deferred inflows of resources	<u>79,727,459</u>	<u>72,811,689</u>
Net position		
Net investment in capital assets (notes 1 and 14)	7,885,392	7,576,449
Restricted OPEB asset (note 16)	19,680,411	12,601,297
Restricted by bond indentures (notes 1 and 14)	3,366,000,473	3,327,419,188
Unrestricted (notes 1 and 14)	569,539,442	511,874,784
Total net position	\$ <u>3,963,105,718</u>	<u>3,859,471,718</u>

See accompanying notes to the financial statements.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)
Statements of Revenues, Expenses, and Changes in Net Position
June 30, 2025 and 2024

	2025	2024
Operating revenues:		
Interest on mortgage and other loans receivable	\$ 422,191,171	340,234,026
Investment earnings:		
Investment income (notes 1, 5 and 13)	120,386,722	115,652,210
Realized loss on investments	(3,003)	(29,686)
Unrealized gain (loss) on investments (notes 1 and 5)	13,021,683	(7,304,221)
Housing Choice Voucher program administrative income (note 1)	10,254,976	10,510,743
Gains and recoveries on sale of other real estate owned	782,412	1,350,468
Gains on sale of single family mortgage loans	9,542,314	8,959,056
Mortgage servicing fees net of guaranty fees	41,263,706	41,945,145
Tax credit program fees earned	12,034,028	11,393,590
Other	11,810,258	19,296,940
Total operating revenues	641,284,267	542,008,271
Operating expenses:		
Interest on notes and bonds payable	285,379,243	211,115,217
Salaries and related employee benefits (notes 15 and 16)	86,088,065	82,379,072
General operating expenses	38,050,034	40,959,718
Note and bond expenses	1,363,629	1,766,623
Bond issuance expenses	9,921,405	9,473,935
Grant expenses	64,661,005	50,056,555
Housing Choice Voucher program expenses (note 1)	7,287,445	9,898,309
Mortgage servicing rights amortization and other servicing costs	33,800,617	30,219,254
Losses on other real estate owned (note 1)	1,465,837	1,660,582
Provision for loan losses (note 1)	9,632,987	30,154,584
Total operating expenses	537,650,267	467,683,849
Operating income	103,634,000	74,324,422
Nonoperating revenues (expenses):		
Pass-through grant awards (note 1)	112,112,431	170,785,271
Pass-through grants expenses (note 1)	(112,112,431)	(170,785,271)
Total nonoperating revenues, net	-	-
Change in net position	103,634,000	74,324,422
Total net position, beginning of year	3,859,471,718	3,785,147,296
Total net position, end of year	\$ 3,963,105,718	3,859,471,718

See accompanying notes to basic financial statements.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the Commonwealth of Virginia)

Statements of Cash Flows

June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Cash payments for mortgage and other loans	\$ (1,967,523,684)	(1,899,212,391)
Principal repayments on mortgage and other loans	484,691,708	448,406,887
Sale of mortgage loans	243,171,356	389,520,612
Interest received on mortgage and other loans	414,897,781	334,700,718
Pass-through grant awards received	108,776,075	90,749,701
Pass-through grant awards disbursed	(110,975,512)	(165,488,903)
Grant administrative fees received	1,173,578	7,552,283
Housing Choice Voucher payments received	9,852,997	13,067,779
Housing Choice Voucher payments disbursed	(9,698,764)	(12,817,804)
Escrow and project reserve payments received	333,358,787	289,995,836
Escrow and project reserve payments disbursed	(323,515,551)	(265,545,494)
Other operating revenues	83,708,417	81,509,805
Cash received for loan origination fees and loan discounts	14,202,243	8,276,659
Cash paid for loan origination fees and loan premiums	(5,719,219)	(4,378,445)
Cash payments for salaries and related benefits	(86,578,430)	(83,847,808)
Cash payments on grants	(64,661,005)	(50,056,556)
Cash payments for general operating expenses	(23,661,008)	(33,827,407)
Cash payments for servicing release premiums and guaranty fees	(34,775,653)	(30,099,677)
Proceeds from sale of other real estate owned	10,480,961	11,507,171
Net cash used in operating activities	<u>(922,794,923)</u>	<u>(869,987,034)</u>
Cash flows from noncapital financing activities:		
Proceeds from issuance of notes and bonds	1,771,395,000	1,907,720,000
Principal payments on notes and bonds	(486,584,269)	(405,455,327)
Principal payments on loan participation - FFB	(869,760)	(835,423)
Interest payments on notes and bonds	(263,737,757)	(190,656,345)
Cash payments for bond issuance expenses	(9,921,405)	(9,473,935)
Net cash provided by noncapital financing activities	<u>1,010,281,809</u>	<u>1,301,298,970</u>
Cash flows from capital and related financing activities:		
Purchases of property, furniture, and equipment	(3,024,715)	(1,063,126)
Lease payments	(863,291)	(760,802)
Subscription-based information technology payments	(6,133,863)	(5,124,465)
Net cash used in capital and related financing activities	<u>(10,021,869)</u>	<u>(6,948,393)</u>
Cash flows from investing activities:		
Purchases of investments	(615,503,993)	(497,089,997)
Proceeds from sales or maturities of investments	563,947,821	115,168,423
Interest received on investments	121,843,141	98,676,227
Net cash provided by/(used in) investing activities	<u>70,286,969</u>	<u>(283,245,347)</u>
Net increase in cash and cash equivalents	147,751,986	141,118,196
Cash and cash equivalents, at beginning of year	1,564,112,073	1,422,993,877
Cash and cash equivalents, at end of year	\$ <u>1,711,864,059</u>	<u>1,564,112,073</u>

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the Commonwealth of Virginia)

Statements of Cash Flows

June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Reconciliation of operating income to net cash used in operating activities:		
Operating income	\$ 103,634,000	74,324,422
Adjustments to reconcile operating income to net cash provided by/(used in) operating activities:		
Depreciation of property, furniture, and equipment	2,169,950	3,293,629
Amortization of right to use asset	5,790,467	6,537,224
Bond issuance costs	9,921,405	9,473,935
Investment earnings	(133,405,402)	(108,318,303)
Interest on notes and bonds payable	285,379,243	211,115,217
(Increase)/decrease in mortgage loans held for sale	(27,242,350)	126,013,863
Increase in mortgage and other loans receivable	(1,199,766,895)	(1,177,188,186)
Increase in allowance for loan loss	8,957,397	29,565,810
Increase in interest receivable – mortgage and other loans	(5,480,643)	(4,272,038)
(Increase)/decrease in other real estate owned	(2,269,632)	1,037,084
Decrease in mortgage servicing rights	9,134,788	10,233,796
Increase in other assets	(7,148,296)	(15,644,333)
Decrease in deferred outflows of resources	1,576,237	3,651,925
Increase in deferred inflows of resources	6,915,770	6,383,764
Decrease in Federal funds held	(3,336,356)	(80,035,571)
Increase in accounts payable and other liabilities	12,499,578	10,038,330
Increase in escrows and project reserves	9,875,816	23,802,398
Net cash used in operating activities	\$ <u>(922,794,923)</u>	<u>(869,987,034)</u>
Supplemental disclosure of noncash activity:		
Increase in other real estate owned as a result of loan foreclosures	\$ 12,169,872	9,545,211

See accompanying notes to the financial statements.

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

Statements of Fiduciary Net Position
Fiduciary Funds
June 30, 2025 and 2024

	<u>2025</u>		<u>2024</u>	
	<u>Retiree Health Care Plan*</u>	<u>Custodial Funds</u>	<u>Retiree Health Care Plan*</u>	<u>Custodial Funds</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 4,204	91,723,613	3,185	77,724,674
Interest receivable - investments	-	151,685	-	171,224
Interest receivable - mortgage and other loans	-	195,150	-	164,804
Other assets	-	213	-	213
Total current assets	<u>4,204</u>	<u>92,070,661</u>	<u>3,185</u>	<u>78,060,915</u>
Noncurrent assets:				
Mortgage and other loans receivable	-	1,654,120	-	2,177,870
Investments	66,569,027	-	58,421,425	-
Total noncurrent assets	<u>66,569,027</u>	<u>1,654,120</u>	<u>58,421,425</u>	<u>2,177,870</u>
Total assets	<u>66,573,231</u>	<u>93,724,781</u>	<u>58,424,610</u>	<u>80,238,785</u>
LIABILITIES				
Accounts payable	1,031,407	-	970,733	-
Other liabilities	-	9,720,031	-	16,296,376
Total liabilities	<u>1,031,407</u>	<u>9,720,031</u>	<u>970,733</u>	<u>16,296,376</u>
NET POSITION				
Restricted for:				
Other postemployment benefit plan other than pension	65,541,824	-	57,453,877	-
Funds held in escrow	-	78,005,910	-	58,191,687
Other governmental agency	-	5,998,840	-	5,750,722
Total Net Position	<u>\$ 65,541,824</u>	<u>84,004,750</u>	<u>57,453,877</u>	<u>63,942,409</u>

*December 31, 2024 and 2023 year-end, see note 16
See accompanying notes to the financial statements.

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

Statements of Changes in Fiduciary Net Position
Fiduciary Funds
Years ended June 30, 2025 and 2024

	2025		2024	
	Retiree Health Care Plan*	Custodial Funds	Retiree Health Care Plan*	Custodial Funds
ADDITIONS				
Contribution:				
Borrower payments	\$ -	1,754,587,838	-	1,599,983,911
Employers	1,686,116	-	3,041,195	-
Total Contributions	1,686,116	1,754,587,838	3,041,195	1,599,983,911
Investment earnings:				
Net increase in fair value of investments	1,383,481	-	3,030,056	-
Interest, dividends, and other	1,719,457	2,733,191	1,537,423	2,310,866
Securities lending income gain on sales	4,516,416	-	1,825,238	-
Total investment earnings	7,619,354	2,733,191	6,392,717	2,310,866
Total additions	9,305,470	1,757,321,029	9,433,912	1,602,294,777
DEDUCTIONS				
Benefits paid to participants or beneficiaries	1,031,407	-	970,733	-
Other governmental agency	-	1,961,323	-	1,600,644
Disbursement of escrow funds	-	1,734,773,615	-	1,617,127,705
Disbursements to DHCD	-	500,000	-	525,000
Administrative expense	186,116	23,750	181,195	26,932
Total deductions	1,217,523	1,737,258,688	1,151,928	1,619,280,281
Net increase/(decrease) in fiduciary net position	8,087,947	20,062,341	8,281,984	(16,985,504)
Net position - beginning of year	57,453,877	63,942,409	49,171,893	80,927,913
Net position - end of year	\$ 65,541,824	84,004,750	57,453,877	63,942,409

*December 31, 2024 and 2023 year-end, see note 16
See accompanying notes to the financial statements.

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

Notes to Basic Financial Statements

June 30, 2025 and 2024

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

The Virginia Housing Development Authority (Authority) was created under the Virginia Housing Development Authority Act, as amended (Act), enacted by the 1972 Session of the Virginia General Assembly. The Act empowers the Authority, among other authorized activities, to finance the acquisition, construction, rehabilitation and ownership of housing intended for occupancy or ownership, or both, by families of low or moderate income. Mortgage loans are generally financed by the proceeds of notes, bonds, or other debt obligations of the Authority or by Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC) guaranteed mortgage-backed securities (see Note 1 (g)). The notes, bonds and other debt obligations do not constitute a debt or grant or line of credit of the Commonwealth of Virginia (Commonwealth), and the Commonwealth is not liable for the repayment of such obligations.

For financial reporting purposes, the Authority is a component unit of the Commonwealth. The accounts of the Authority, along with other component units, are combined to form the component units of the Commonwealth. The Authority reports all its activities as a single enterprise fund, in accordance with U.S. generally accepted accounting principles (GAAP) as established by the Governmental Accounting Standards Board (GASB). See Note 2 for further discussion.

(b) Measurement Focus and Basis of Accounting

The Authority utilizes the economic resources measurement focus and accrual basis of accounting in preparing its basic financial statements, where revenues are recognized when earned and expenses when incurred. The accounts are organized on the basis of funds and groups of funds, which are set up in accordance with the Act and the various note and bond resolutions.

(c) Use of Estimates

The preparation of basic financial statements, in conformity with GAAP, requires management to make estimates and judgments that affect reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and the disclosures of contingencies at the date of the basic financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

(d) Fair Value Hierarchy

Fair value measurements not valued at net asset value using the practical expedient are categorized into a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the asset. Classification of assets within the hierarchy considers the markets in which assets are traded and the reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available.

The levels of the hierarchy are defined as follows:

- Level 1 - Valuation is based on quoted prices (unadjusted) for identical assets in an active market.

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

Notes to Basic Financial Statements

June 30, 2025 and 2024

- Level 2 - Valuation is based upon quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, and assets valued based on observable market data and market-corroborated inputs for similar instruments.
- Level 3 - Valuation is based upon various techniques that use assumptions that are not observable in the market and are significant to the fair value measurement.

In determining which hierarchy level a financial instrument is classified, the Authority considers all available information, including observable market data and indications of market liquidity. Assets and liabilities that are valued at fair value on a recurring basis include investments and derivative instruments. Assets that are measured on a non-recurring basis include other real estate owned and mortgage loans held for sale, as these are carried at the lower of cost or fair value.

(e) Investments

Investments include various debt and asset-backed securities, which are reported at fair value in the Statements of Net Position, with changes in fair value recognized separately as unrealized gains or losses on investments in the Statements of Revenues, Expenses, and Changes in Net Position. The fair value of the debt securities and asset-backed securities is derived from management's review of third-party pricing services that use various models that are based on quoted market prices when available or on adjusted values in relation to observable prices on similar investments. If investments are sold, then the resulting realized gains or losses are reported separately in the Statements of Revenues, Expenses, and Changes in Net Position.

(f) Derivative Instruments

Forward sales securities commitments are utilized to hedge changes in fair value of mortgage loan inventory and commitments to originate mortgage loans. At June 30, 2025, the Authority had outstanding 38 forward sales transactions with a \$119.4 million book value with four counterparties with concentrations and ratings (Standard & Poor's, Moody's Investors Service) as shown in Note 12. At June 30, 2024, the Authority had outstanding 36 forward sales transactions with a \$101.2 million book value with five counterparties with concentrations and ratings (Standard & Poor's, Moody's Investors Service). The 2025 forward sales contracts will settle by August 20, 2025. These contracts are treated as investments in derivative instruments and the change in fair value is reported on the Statement of Revenues, Expenses, and Changes in Net Position as unrealized gain (loss) on investments.

(g) Mortgage Loans Held for Sale

The Authority is an authorized issuer of GNMA, FNMA, and FHLMC Mortgage-Backed Securities (MBS). Through the MBS programs, GNMA, FNMA, and FHLMC guarantee securities that are backed by pools of mortgage loans originated or purchased by the Authority. These mortgage loan securitizations are treated as sales for accounting and reporting purposes. Upon the sale, the Authority no longer recognizes the mortgage loans receivable in the Statements of Net Position.

Mortgage loans originated or acquired with the intent to sell through the MBS programs are carried at the lower of cost or fair value. The fair values of the loans are based on observable market prices for similar instruments traded on the secondary mortgage loan markets. The Authority's portfolio of mortgage loans held for sale is classified as Level 2 in the fair value hierarchy. Any gains or losses on loan sales are reported in the Statements of Revenues, Expenses, and Changes in Net Position.

(h) Mortgage and Other Loans Receivable

Mortgage and other loans receivable are stated at their unpaid principal balance, net of premiums and discounts and an allowance for loan losses. Pricing premiums and discounts are deferred and

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amortized, using the interest method, over the contractual life of the loans as an adjustment to yield. The interest method is computed on a loan-by-loan basis, and any unamortized premiums and discounts on loans fully repaid are recognized as income in the year in which such loans are repaid.

(i) Allowance for Loan Losses

The Authority provides for expected losses when a specific need for an allowance is identified. The provision for loan losses charged or credited to operating expense is the amount necessary, in management's judgment, to maintain the allowance at a level it believes sufficient to cover losses in the collection of its mortgage loans. Estimates of future losses involve the exercise of management's judgment and assumptions with respect to future conditions. The principal factors considered by management in determining the adequacy of the allowance are the composition of the loan portfolio, historical loss experience and delinquency statistics, the value and adequacy of collateral, and economic conditions.

The allowance for loan losses increased by \$8,957,397 for the year ended June 30, 2025 and increased by \$29,565,810 for the year ended June 30, 2024.

	Year ended June 30	
	2025	2024
Beginning balance, July 1	\$ 143,123,378	113,557,568
Provision:		
Homeownership	6,183,594	2,720,499
Rental Housing	3,449,393	27,434,085
Provision	9,632,987	30,154,584
Net (charge-offs)/recoveries:		
Homeownership	(675,590)	(588,774)
Rental Housing	-	-
Net charge-offs	(675,590)	(588,774)
Net change	8,957,397	29,565,810
Ending balance, June 30	\$ 152,080,775	143,123,378

(j) Mortgage servicing rights

The Authority pays mortgage servicing release premiums when purchasing homeownership mortgage loans from participating lenders. These premiums are capitalized at cost and amortized on a loan-by-loan basis over the estimated life of the related mortgage loans using the sum-of-years-digits method. Mortgage servicing rights are recorded when those mortgage loans are securitized through either GNMA, FNMA or FHLMC, and the Authority remains the servicer of the loans. The estimated life is determined to be 7 years.

(k) Other Real Estate Owned

Other real estate owned represents current investments in homeownership dwellings and rental housing developments, acquired primarily through foreclosure, and is stated at the lower of cost or fair value less estimated disposal costs. On a non-recurring basis, fair values of the real properties are

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assessed by comparing them to similar properties. The Authority's portfolio of real estate owned is classified as a Level 2 in the fair value hierarchy. Gains and losses from the disposition of other real estate owned are reported separately in the Statements of Revenues, Expenses, and Changes in Net Position.

(l) Capital Assets

Capital assets are capitalized at cost, and depreciation is provided on the straight-line basis over the estimated useful lives, which are 30 years for buildings, and from 3 to 10 years for furniture and equipment, and 5 years for vehicles. The capitalization threshold for property, furniture, and equipment is \$1,000.

(m) Leases and Subscription-Based Information Technology Arrangements

On July 1, 2018, the Authority entered into an agreement to lease an office building. In June of 2022, the Authority reassessed the lease terms and decided to exercise the option to extend the lease agreement, which resulted in an increase to the lease liability. On August 26, 2024, the Authority entered into a lease agreement for office space commencing on April 1st, 2025. This lease replaces the existing office space lease that is set to expire on September 8, 2025. The lease asset is reported as a capital asset, net of accumulated amortization, and as a current and non-current lease liability. Both the lease asset and lease liability are reported in the Statement of Net Position. Leasehold improvements are capitalized and amortized over the remaining life of the lease term. Further disclosure for the building lease is discussed in Note 8.

As of July 1, 2022, the Authority adopted GASB 96 – Subscription-Based Information Technology Arrangements (SBITA), which provides new accounting guidance for contracts that convey control of the right to use another party's information technology software, alone or in combination with tangible capital assets, for a specified period of time. The Authority reviewed all active contracts and subscription arrangements to verify those that meet the criteria for being a SBITA. During the evaluation, the Authority determined that a materiality threshold of \$15,000 was appropriate to use as a cutoff for arrangements that would create a financial impact. The contracts and arrangements identified as SBITA's for the Authority ranged from software-based systems used in the processing of mortgage loans, mortgage payments, internal learning applications, construction management, and human resources software. The liability was calculated using the present value of future payments using a discount rate based on the incremental borrowing rate of the debt.

The new guidance requires that these contracted arrangements be treated as a right to use asset with a corresponding subscription liability. The right to use asset is included with capital assets and may include implementation costs to be amortized over the term of the contract once placed into service. The liability is initially measured at the present value of the subscription payments expected to be made during the subscription term. The liability is included with Accounts Payable and other liabilities for the discounted payments expected to be made in the next year; the remainder is included with the other liabilities as a noncurrent liability. Further disclosures of the Authority's SBITA are available in Note 7.

(n) Bond Issuance Expense

Bond issuance costs are expensed in the period incurred.

(o) Notes and Bonds Payable

Notes and bonds payable are stated at their unpaid balance less any unamortized premiums or discounts. Bond premiums and discounts are amortized over the lives of the issues using the interest method. The Authority generally has the right to specially redeem bonds, without premium, upon the occurrence of certain specified events, such as the prepayment of a mortgage loan. The Authority also

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has the right to optionally redeem the various bonds. The optional redemptions generally cannot be exercised until the bonds have been outstanding for approximately ten years. All issues generally have term bonds, which are subject to partial redemption, without premium, from mandatory sinking fund installments.

(p) Retirement Plans and Other Postemployment Benefit Plans

The Authority has three defined contribution retirement savings plans covering substantially all employees. Retirement expense is fully funded as incurred. To the extent terminating employees are less than 100% vested in the Authority's contributions, the unvested portion is forfeited and redistributed to the remaining participating employees.

The Authority also provides postretirement healthcare benefits administered through a trust under a defined benefit plan to all employees who have met the years of service requirement and who retire from the Authority on or after attaining age 55 or become permanently disabled. Effective for the plan year ended December 31, 2017, the Plan adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and the Authority adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the fiscal year ended June 30, 2018. For purposes of measuring the net OPEB liability (asset), deferred outflows or inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Virginia Housing Development Authority Retiree Health Care Plan (the Plan) and additions to or deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognized benefit payments when due and payable in accordance with the benefit terms of the Plan. Investments are reported at fair value, except for money market investments that have a maturity at the time of purchase of one year or less, which are reported at cost, which approximates fair value.

(q) Compensated Absences

Authority employees are granted different types of leave pay in varying amounts as services are provided. Employees may accumulate, subject to certain limitations, unused vacation and sick pay earned and, upon retirement, termination, or death, may be compensated for certain amounts at their then-current rates of pay. In June 2022, GASB issued updated guidance on recognizing and measuring compensated absences, GASB #101 *Compensated Absences*, which is effective for periods beginning after December 15, 2023. The amount of leave pay recognized as an expense is the amount earned each year for the different types of leave that fall under GASB #101 guidance.

(r) Related Party Transactions

The Authority provides split-dollar life insurance as a form of compensation to retain talented key associates.

(s) Pass-Through Revenues and Expenses

U.S. Department of Housing and Urban Development – Tenant Based Section 8

The Authority serves as an administrator for the U.S. Department of Housing and Urban Development's (HUD) Section 8 Housing Choice Voucher program, consisting of the voucher program as well as other tenant-based assistance programs. The Authority requisitions Section 8 funds, makes disbursements of funds to eligible participants, and recognizes administrative fee income. Program income and program expenses that are recognized as pass-through grants based upon the amount of allowable Housing Assistance Payments (HAP) disbursements totaled \$109,963,261 and \$98,168,014 during the years ended June 30, 2025 and 2024, respectively.

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Excess HAP or administrative funds disbursed to the Authority were recorded as a liability in the Statements of Net Position. The cumulative excess of HAP funds totaled \$149,729 and \$138,231 as of June 30, 2025, and 2024, respectively. Cumulative excess administrative funds totaled \$5,011,222 and \$3,854,500 as of June 30, 2025, and 2024, respectively. HUD monitors the utilization of these excess funds and adjusts funding levels prospectively to ensure all funds are being used to serve families up to the maximum number of vouchers authorized for the program.

U.S. Department of Housing and Urban Development – Housing Counseling Assistance Program

The Authority serves as an administrator for HUD-approved Housing Counseling Agencies in the Commonwealth. The Housing Counseling Assistance Program provides counseling to consumers on seeking, financing, maintaining, renting, or owning a home. The Authority did receive pass-through grants of \$1,017,885 and \$835,889 during the years ended June 30, 2025 and 2024, respectively.

U.S. Department of the Treasury – Homeowner Assistance Fund

The Authority serves as the recipient of U.S. Department of the Treasury funds to support the Homeowner Assistance Fund. The program provided financial assistance to mitigate financial hardships associated with the coronavirus pandemic by providing funds to eligible entities for the purpose of preventing homeowner mortgage delinquencies, defaults, foreclosures, loss of utilities or home energy services, and displacements of homeowners experiencing financial hardship after January 21, 2020.

During the years ended June 30, 2025 and 2024, the Authority disbursed Homeowner Assistance Fund grants of \$1,131,285 and \$71,781,368, respectively. For its support of the program, the Authority earned \$1,173,578 and \$7,552,283 in administrative fees during the years ended June 30, 2025 and 2024, respectively. In August of 2025, the Authority concluded the Homeowner Assistance Fund.

(t) Commonwealth Priority Housing Fund, Housing Trust Fund, & National Housing Trust Fund

The Commonwealth Priority Housing Fund (Fund), established by the 1988 Session of the Virginia General Assembly, uses funds provided by the Commonwealth in that Session to make loans and grants for a wide variety of housing initiatives. The Virginia Department of Housing and Community Development (DHCD) develops the program guidelines, and the Authority acts as administrator for the Fund.

The Housing Trust Fund (Trust Fund), established by the 2013 Session of the Virginia General Assembly, uses funds provided by the Commonwealth in that Session to make loans and grants for a wide variety of housing initiatives. DHCD develops program guidelines, and the Authority acts as administrator for the Trust Fund.

The National Housing Trust Fund (National Trust) is a federal fund established through the Housing and Economic Recovery Act of 2008. It exclusively aims to help build, preserve, rehabilitate, and operate housing that is affordable to people with the lowest incomes. DHCD administers the program through the Affordable and Special Needs Housing application process.

In accordance with GASB Statement No. 84, *Fiduciary Activities*, the Commonwealth Priority Housing Fund, Housing Trust Fund and National Housing Trust Fund are accounted for as fiduciary activities and disclosed on the Authority's Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position.

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(u) Cash and Cash Equivalents

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

(v) Rebatable Arbitrage

Rebatable arbitrage involves the investment of proceeds from the sale of tax-exempt debt in a taxable investment that yields a higher rate than the rate of the debt. This results in investment income in excess of interest costs. Federal law requires such income to be rebated to the U.S. government if the yield from these earnings exceeds the effective yield on the related tax-exempt debt issued. Arbitrage must be calculated, reported, and paid every five years or at maturity of the debt, whichever is earlier. For financial reporting purposes, the potential liability is calculated annually, see Note 13.

(w) Statements of Net Position

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

(x) Operating and Nonoperating Revenues and Expenses

The Authority's Statements of Revenues, Expenses, and Changes in Net Position distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally arise from financing the acquisition, investments, construction, rehabilitation, and ownership of housing intended for occupancy and ownership by families of low or moderate income. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(y) Deferred Outflows of Resources and Deferred Inflows of Resources

The Authority reports deferred outflows of resources and deferred inflows of resources on its Statements of Net Position. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense) until the applicable period. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until a future period. See Note 16 for further discussion regarding deferred outflows of resources and deferred inflows of resources associated with the Authority's other postemployment benefits plan.

(z) Deferred Fees and Points on Multifamily Loans

During the rental housing origination process, fees are collected during the loan closing process. Origination type fees are reported as income in the current year collected; however, the fees related to loan pricing are treated as points and deferred over the life of the loan.

(aa) Federal Grant Awards Held

Since fiscal year 2021, the Authority has held federally awarded funds to support three specific programs: the Emergency Rental Assistance program, the Coronavirus Relief Fund program, and the Homeowner Assistance Fund program. As of June 30, 2025, the Emergency Rental Assistance and Coronavirus Relief Fund programs have ended and were fully disbursed. The remaining funds are from the Homeowner Assistance Fund and will be returned to the U.S. Treasury.

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(bb) REACH and Grant Expenses

The Authority developed the Resources Enabling Affordable Community Housing (REACH) *Virginia* program to use internally generated funds to provide grants and subsidize mortgage loans to assist the elderly, disabled, homeless, and other low-income persons and increase affordable housing opportunities in the Commonwealth. The amount of REACH *Virginia* the Authority commits is based on the average of the Authority's change in net position, as unadjusted for the effect of Governmental Accounting Standards Board (GASB) No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, for the preceding three fiscal years then the amount disbursed as grants is added back with the result then being multiplied by a Board approved percentage currently set a 75%. The amount made available to the REACH *Virginia* initiative is subject to periodic review by the Authority depending on the impact on its financial position. As of June 30, 2025, the Authority had outstanding REACH *Virginia* grant commitments of \$65.8 million.

The Authority provides several different types of grants, which are reflected on the financial statements as operating expenses and include but are not limited to, down payment assistance grants, accessibility grants, network capacity support grants, and community market support grants. Most of these grants are conditional and are only paid based on a loan closing or for reimbursement for a supportive housing expense incurred by a grantee. In fiscal year 2025, the Authority had grant expenses of \$64.7 million. In fiscal year 2024, the Authority had grant expenses of \$50.1 million.

(cc) Reclassifications

Certain reclassifications have been made to the other, net line of the nonoperating revenues (expenses) section of the Statements of Revenues, Expenses, and Changes in Net Position June 30, 2024, financial statements to conform to the June 30, 2025, presentation. Other net amounts have been moved to the other line under the operating revenues section on the Statements of Revenues, Expenses, and Changes in Net Position. This reclassification will also affect the June 30, 2024, Statements of Cash Flows in order to conform to the June 30, 2025, presentation.

Additionally, reclassifications were made to the Statement of Changes in Fiduciary Net Position for June 30, 2025, with the addition of the Disbursement to DHCD line under the deductions section. This change affects the June 30, 2024, Statement of Changes in Fiduciary Net Position to conform to the June 30, 2025, presentation.

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(2) Basis of Presentation

The accounts of the Authority are presented in a single enterprise fund set of basic financial statements consisting of various programs. The Authority's activities include the following programs:

(a) General Operating Accounts

The General Operating Accounts consist of a group of accounts used to record the receipt of income not directly pledged to the repayment of specific notes and bonds and the payment of expenses related to the Authority's administrative functions.

(b) Rental Housing Bond Group

The proceeds of the Rental Housing Bonds are used to finance construction and permanent mortgage loans on rental housing developments, as well as temporary financing for other rental housing real estate owned, and the financing of the Authority's office facilities.

(c) Commonwealth Mortgage Bond Group

The proceeds of Commonwealth Mortgage Bonds are used to purchase or make long-term mortgage loans to owner occupants of homeownership dwellings, as well as, temporary financing for other homeownership real estate owned.

(d) Homeownership Mortgage Bond Group

The Homeownership Mortgage Bond group was established to encompass the Authority's participation in the U.S. Department of the Treasury's New Issue Bond Program, which was created to assist state and local housing finance agencies in acquiring cost-effective mortgage loan capital. The proceeds of Homeownership Mortgage Bonds are used to purchase or make long-term mortgage loans to owner-occupants of homeownership dwellings.

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(3) Restricted Assets

Restricted assets are primarily assets held for the benefit of the respective bond owners and include mortgage loans and investments. Certain assets are held on behalf of federal programs or housing initiatives of the Commonwealth.

Restricted assets as of June 30, 2025 and 2024 were as follows:

	June 30	
	2025	2024
Restricted current assets:		
Cash and cash equivalents	\$ 1,566,266,695	1,418,752,270
Investments	573,036,451	446,526,786
Interest receivable – investments	22,483,454	22,150,149
Mortgage loans held for sale	79,589,598	52,347,248
Mortgage and other loans receivable	190,028,138	170,345,837
Interest receivable – mortgage and other loans	33,283,215	27,895,884
Other real estate owned	864,715	1,242,096
Other assets	1,800,795	1,229,702
Total restricted current assets	2,467,353,061	2,140,489,972
Restricted noncurrent assets:		
Investments	626,763,063	704,958,806
Mortgage and other loans receivable	8,630,707,413	7,525,280,498
Less allowance for loan loss	125,471,085	108,925,399
Mortgage and other loans receivable, net	8,505,236,328	7,416,355,099
Net OPEB asset	19,680,411	12,601,297
Capital assets, net accumulated depreciation and amortization of \$24,030,710 and \$23,444,794 respectively	5,529,720	6,226,154
Total restricted noncurrent assets	9,157,209,522	8,140,141,356
Total restricted assets	\$ 11,624,562,583	10,280,631,328

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(4) Mortgage and Other Loans Receivable

Substantially all mortgage and other loans receivable are secured by first liens on real property within the Commonwealth. The following are the interest rates and typical loan terms by loan program or bond group for the major loan programs:

<u>Loan program/bond group</u>	<u>Interest rates</u>	<u>Initial loan terms</u>
General Operating Accounts	0% to 6.75%	Thirty to forty years
Rental Housing Bond Group	0% to 11.11%	Thirty to forty years
Commonwealth Mortgage Bond Group	0% to 9.38%	Thirty years
Homeownership Mortgage Bond Group	2.00% to 5.63%	Thirty years

Commitments to fund new loans were as follows at June 30, 2025:

	<u>Committed</u>
Rental Housing Bond Group	\$ 1,061,132,576
Commonwealth Mortgage Bond Group	<u>357,703,668</u>
Total	<u>\$ 1,418,836,244</u>

(5) Cash, Cash Equivalents, and Investments

Cash includes cash on hand and amounts in checking accounts, which are insured by the Federal Depository Insurance Corporation or are collateralized under provisions of the Virginia Security for Public Deposits Act. At June 30, 2025 and 2024, the carrying amount of the Authority's deposits was \$78,886,066 and \$86,442,672, respectively. The associated bank balance of the Authority's deposits was \$73,464,606 and \$86,555,185 at June 30, 2025 and 2024, respectively. The difference between the carrying amount and the bank balance is due to outstanding checks, deposits in transit, and other reconciling items.

Cash equivalents include investments with original maturities of three months or less from the date of purchase. Investments consist of U.S. government and agency securities, repurchase agreements, asset-backed securities, agency-mortgage-backed securities, money market securities, and other interest-bearing securities held at the FHLB Atlanta. At June 30, 2025 and 2024, total cash equivalents were \$1,632,977,993 and \$1,477,669,401, respectively.

Investments made by the Authority are governed by the Virginia Housing Development Authority Act and the Investment of Public Funds Act of the Code of Virginia. Additionally, for assets or monies pledged to the bond resolutions, there are various investment provisions contained in the bond resolutions that affect invested bond proceeds. Within this permitted statutory and bond resolution framework, the Authority's investment policy is to fully invest all monies in a prudent manner that will maintain the Authority's liquidity and maximize return while preserving the capital to enable the Authority to fulfill its financial commitments. The types of investments approved within the statutes and resolutions include but are not limited to direct obligations of the U.S. government, direct obligations of any state or political subdivision of the U.S. government, obligations unconditionally guaranteed by the U.S. government or other political subdivisions, bonds, debentures, certificates of deposit, repurchase agreements, swap contracts, futures contracts, and forward contracts. No more than 3.0% of the Authority's total assets may be invested in any one entity, excluding obligations issued or guaranteed by the U.S. government and repurchase agreement transactions. However, repurchase agreements cannot be more than 10% of the Authority's total assets and must mature in less than one month. Such agreements must be collateralized with U.S. Treasury or Agency securities with a fair value at least equal to 102% of the principal amount of the agreement.

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As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy is to generally hold all investments to maturity and to limit the length of an investment at purchase, to coincide with the expected timing of its use.

(a) Interest Rate Risk

Interest rate risk is the risk that changes in market rates of interest will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates. As a means of communicating interest rate risk, the Authority has elected the segmented time distribution method of disclosure, which requires the grouping of investment cash flows into sequential time periods in tabular form.

As of June 30, 2025, the Authority had the following investments (including cash equivalents) and maturities:

<u>Investment type</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>6-10 years</u>	<u>Over 10 years</u>	<u>Total</u>
U.S. government and agency Repurchase agreements	\$ 2,099,869,471	-	-	-	2,099,869,471
Asset-backed securities	100,000,000	-	-	-	100,000,000
Collateralized mortgage obligations	-	-	45,709	1,056,222	1,101,931
Agency-mortgage backed securities	-	-	-	22,376,056	22,376,056
Money market securities	-	141,019	2,076,684	614,337,419	616,555,122
	<u>52,481,522</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,481,522</u>
Total investments \$	<u>2,252,350,993</u>	<u>141,019</u>	<u>2,122,393</u>	<u>637,769,697</u>	<u>2,892,384,102</u>

As of June 30, 2024, the Authority had the following investments (including cash equivalents but excludes equity investments) and maturities:

<u>Investment type</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>6-10 years</u>	<u>Over 10 years</u>	<u>Total</u>
U.S. government and agency Repurchase agreements	\$ 1,170,215,896	-	-	-	1,170,215,896
Asset-backed securities	698,468,264	-	-	-	698,468,264
Collateralized mortgage obligations	-	-	124,097	1,044,152	1,168,249
Agency-mortgage backed securities	-	-	-	23,941,280	23,941,280
Money market securities	-	589	1,699,234	679,317,703	681,017,526
	<u>97,251,991</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>97,251,991</u>
Total investments \$	<u>1,965,936,151</u>	<u>589</u>	<u>1,823,331</u>	<u>704,303,135</u>	<u>2,672,063,206</u>

On December 21, 2018, the Authority extended a pledge and security agreement with FNMA that requires the Authority to post collateral to secure its repurchase obligations with respect to the HFA Preferred Risk Sharing mortgage loans during the recourse period. As of March 31, 2025, the required collateral amount was \$1.8 million. To comply with the collateral requirement, the Authority elected to pledge agency-mortgage-backed securities valued at \$18.2 million held in trust by a custodian agent for FNMA.

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(b) Credit Risk

Credit risk is the risk that an issuer or other counterparties to an investment will not fulfill its obligations. The Authority places emphasis on securities of high credit quality and marketability. The following table presents investment (including cash equivalents) exposure to credit risk by investment type as of June 30, 2025:

	<u>Amount</u>	<u>S&P or Moody's rating</u>	<u>Percentage of total investments</u>
US Government & Agency	\$ 2,099,869,471	P-1/Aa1	72.60 %
Agency-Mortgage Backed Securities	616,555,122	Aaa	21.31
Repurchase Agreements	100,000,000	Baa2/BBB-	3.46
Money Market Securities	48,115,235	P-1	1.66
Collateralized Mortgage Obligation	22,376,056	Aaa	0.77
Money Market Securities	4,000,000	NR	0.14
Asset-Backed Securities	1,006,355	Caa1/Caa2/Ca	0.04
Money Market Securities	366,287	Aaa-mf	0.01
Asset-Backed Securities	95,576	WR	0.01
Total investments	<u>\$ 2,892,384,102</u>		<u>100.00 %</u>

The following table presents investment (including cash equivalents but excluding equity investments) exposure to credit risk by investment type as of June 30, 2024:

	<u>Amount</u>	<u>S&P or Moody's rating</u>	<u>Percentage of total investments</u>
US Government & Agency	\$ 1,618,684,160	P-1/Aaa	60.58 %
Agency-Mortgage Backed Securities	681,017,526	Aaa	25.48
Repurchase Agreements	250,000,000	BBB-	9.35
Money Market Securities	92,885,704	P-1	3.48
Collateralized Mortgage Obligation	23,941,280	Aaa	0.90
Money Market Securities	4,000,000	NR	0.15
Asset-Backed Securities	987,749	Ca	0.04
Money Market Securities	366,287	Aaa-mf	0.01
Asset-Backed Securities	180,500	WR	0.01
Total investments	<u>\$ 2,672,063,206</u>		<u>100.00 %</u>

(c) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to investments held by a single issuer. The Authority only makes large investments with issuers who are either insured by the government, have strong credit ratings or who post collateral. The Authority had the following issuers that represent 5% or more of the total investments as of June 30, 2025 and 2024:

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<u>Investment</u>	<u>S&P/Moody's rating</u>	<u>June 30, 2025</u>	
		<u>Amount</u>	<u>Percentage of total investments</u>
Agency-Mortgage Backed Securities			
GNMA	Aaa	\$ 522,017,977	18.0%
FNMA	Aaa	94,537,145	3.3%
Repurchase Agreements			
Cantor Fitzgerald	BBB-	50,000,000	1.7%
Jefferies	Baa2	50,000,000	1.7%
Money Market Securities			
US Bank Commercial Paper	P-1	<u>48,115,235</u>	<u>1.7%</u>
		<u>\$ 764,670,357</u>	<u>26.4%</u>

<u>Investment</u>	<u>S&P/Moody's rating</u>	<u>June 30, 2024</u>	
		<u>Amount</u>	<u>Percentage of total investments</u>
Agency-Mortgage Backed Securities			
GNMA	Aaa	\$ 580,263,464	21.7%
FNMA	Aaa	100,754,063	3.8%
Repurchase Agreements			
Cantor Fitzgerald	BBB-	125,000,000	4.7%
Jefferies	Baa2	125,000,000	4.7%
Money Market Securities			
US Bank Commercial Paper	P-1	<u>92,885,704</u>	<u>3.5%</u>
		<u>\$ 1,023,903,231</u>	<u>38.4%</u>

(d) Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a counterparty, the Authority will not be able to recover the value of its investment of collateral securities that are in the possession of an outside party. For deposits, custodial credit risk refers to the risk that, in the event of a failure of a depository financial institution, the Authority may not be able to recover its deposits. The Authority's deposits are insured by the federal depository insurance or collateralized under the provisions of the Virginia Security for Public Deposits Act. For investments, custodial risk is the risk that, in the event of a failure of a counterparty, the Authority will not be able to recover the value of its investments.

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The Authority's market value of securities that were uninsured and held by a counterparty at June 30, 2025 and 2024:

<u>Investment</u>	<u>Amount as of June 30, 2025</u>	<u>Amount as of June 30, 2024</u>
Asset Backed Securities - Held by US Bank	\$ 1,101,931	1,168,249
Money Market Securities - Held by Broker-Dealer	52,481,522	97,251,991
	<u>\$ 53,583,453</u>	<u>98,420,240</u>

(e) **Fair Value Hierarchy**

As of June 30, 2025, the Authority had the following investments, excluding cash equivalents valued at cost, measured at fair value on a recurring basis using the following fair value hierarchy categories:

<u>Investment type</u>	<u>June 30, 2025</u>	<u>Fair value measurement using</u>		
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Agency-mortgage backed securities	\$ 616,555,122	-	616,555,122	-
Asset-backed securities	1,101,931	-	1,101,931	-
Collateralized mortgage obligations	22,376,056	-	22,376,056	-
Total investments	<u>\$ 640,033,109</u>	<u>-</u>	<u>640,033,109</u>	<u>-</u>

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As of June 30, 2024, the Authority had the following investments (excluding cash equivalents but excluding equity investments) measured using the following fair value hierarchy categories:

Investment type	June 30, 2024	Fair value measurement using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Agency-mortgage backed securities	\$ 681,017,526	-	681,017,526	-
Asset-backed securities	1,168,249	-	1,168,249	-
Collateralized mortgage obligations	23,941,280	-	23,941,280	-
Total investments	<u>\$ 706,127,055</u>	<u>-</u>	<u>706,127,055</u>	<u>-</u>

(6) Capital Assets

Activity in the capital assets' accounts for the year ended June 30, 2025 was as follows:

	Balance June 30, 2024	Additions	Disposals	Transfers	Balance June 30, 2025
Land	\$ 2,935,815	-	-	-	2,935,815
Construction in process	7,796	2,990,023	-	(824,101)	2,173,718
Building	38,428,721	-	-	-	38,428,721
Leased Building	5,108,970	3,377,371	-	-	8,486,341
Right-to-Use assets	31,775,797	7,909,091	(8,618,147)	-	31,066,741
Furniture and equipment	21,512,881	-	(4,009,903)	824,101	18,327,079
Motor vehicles	829,554	34,692	(83,659)	-	780,587
	<u>\$ 100,599,534</u>	<u>14,311,177</u>	<u>(12,711,709)</u>	<u>-</u>	<u>102,199,002</u>

Activity in the related accumulated depreciation and amortization accounts during the year ended June 30, 2025 was as follows:

	Balance June 30, 2024	Additions	Disposals	Transfers	Balance June 30, 2025
Building	\$ (29,425,333)	(1,325,701)	-	-	(30,751,034)
Leased Building	(4,262,505)	(886,367)	-	-	(5,148,872)
Right-to-Use assets	(18,380,534)	(5,790,467)	8,616,774	-	(15,554,227)
Furniture and equipment	(20,387,352)	(753,657)	4,009,331	-	(17,131,678)
Motor vehicles	(654,007)	(90,592)	83,659	-	(660,940)
	<u>\$ (73,109,731)</u>	<u>(8,846,784)</u>	<u>12,709,764</u>	<u>-</u>	<u>(69,246,751)</u>

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Activity in the capital assets' accounts for the year ended June 30, 2024 was as follows:

	Balance June 30, 2023	Additions	Disposals	Transfers	Balance June 30, 2024
Land	\$ 2,935,815	-	-	-	2,935,815
Construction in process	9,920	945,225	-	(947,349)	7,796
Building	38,428,721	-	-	-	38,428,721
Leased Building	5,108,970	-	-	-	5,108,970
Right-to-Use assets	36,436,160	857,275	(5,517,638)	-	31,775,797
Furniture and equipment	20,984,131	-	(409,645)	938,395	21,512,881
Motor vehicles	743,487	117,901	(40,788)	8,954	829,554
	<u>\$ 104,647,204</u>	<u>1,920,401</u>	<u>(5,968,071)</u>	<u>-</u>	<u>100,599,534</u>

Activity in the related accumulated depreciation and amortization accounts during the year ended June 30, 2024 was as follows:

	Balance June 30, 2023	Additions	Disposals	Transfers	Balance June 30, 2024
Building	\$ (28,097,856)	(1,327,477)	-	-	(29,425,333)
Leased Building	(3,529,449)	(733,056)	-	-	(4,262,505)
Right-to-Use assets	(17,360,948)	(6,537,224)	5,517,638	-	(18,380,534)
Furniture and equipment	(19,642,522)	(1,154,359)	409,529	-	(20,387,352)
Motor vehicles	(616,058)	(78,737)	40,788	-	(654,007)
	<u>\$ (69,246,833)</u>	<u>(9,830,853)</u>	<u>5,967,955</u>	<u>-</u>	<u>(73,109,731)</u>

(7) Subscription-Based Information Technology Arrangements (SBITA)

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The standards require that these arrangements be treated as capital assets instead of expensed.

As of June 30, 2025, the Authority had right to use assets of \$31,066,741 with accumulated amortization of \$15,554,227. At June 30, 2024, the Authority had right to use assets of \$31,775,797 with accumulated amortization of \$18,380,534. The associated liabilities of the right to use assets were broken out into two categories: current and noncurrent. As of June 30, 2025, the current and noncurrent SBITA liability was \$4,145,881 and \$10,096,009, respectively. At June 30, 2024, the current and noncurrent SBITA liability was \$4,586,579 and \$7,782,385, respectively.

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The principal payments by division as of July 1, 2025 and thereafter is as follows:

<u>Division</u>		<u>6/30/2026</u>	<u>6/30/2027</u>	<u>6/30/2028</u>	<u>6/30/2029</u>	<u>6/30/2030</u>
Homeownership	\$	2,955,340	3,037,049	3,121,854	1,937,665	178,030
Operations		1,083,096	1,027,640	708,464	85,307	-
Rental Housing		107,445	-	-	-	-
Total	\$	<u>4,145,881</u>	<u>4,064,689</u>	<u>3,830,318</u>	<u>2,022,972</u>	<u>178,030</u>

The associated interest by division as of July 1, 2025 and thereafter is as follows:

<u>Division</u>		<u>6/30/2026</u>	<u>6/30/2027</u>	<u>6/30/2028</u>	<u>6/30/2029</u>	<u>6/30/2030</u>
Homeownership	\$	291,800	210,091	125,284	42,476	1,160
Operations		123,341	71,099	25,326	2,061	-
Rental Housing		955	-	-	-	-
Total	\$	<u>416,096</u>	<u>281,190</u>	<u>150,610</u>	<u>44,537</u>	<u>1,160</u>

The principal payments by division as of July 1, 2024 and thereafter is as follows:

<u>Division</u>		<u>6/30/2025</u>	<u>6/30/2026</u>	<u>6/30/2027</u>	<u>6/30/2028</u>	<u>6/30/2029</u>
Homeownership	\$	2,426,203	2,068,618	2,103,009	2,137,971	901,280
Operations		1,456,131	230,397	203,325	30,340	-
Rental Housing		704,245	107,445	-	-	-
Total	\$	<u>4,586,579</u>	<u>2,406,460</u>	<u>2,306,334</u>	<u>2,168,311</u>	<u>901,280</u>

The associated interest by division as of July 1, 2024 and thereafter is as follows:

<u>Division</u>		<u>6/30/2025</u>	<u>6/30/2026</u>	<u>6/30/2027</u>	<u>6/30/2028</u>	<u>6/30/2029</u>
Homeownership	\$	137,282	103,382	68,991	34,027	3,721
Operations		68,037	21,959	10,527	611	-
Rental Housing		12,484	955	-	-	-
Total	\$	<u>217,803</u>	<u>126,296</u>	<u>79,518</u>	<u>34,638</u>	<u>3,721</u>

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(8) Leases

On July 1, 2018, the Authority entered into an agreement to lease an office building. The lease term is 5 years, with two options to renew at one year each. In June of 2022, the Authority reassessed the terms of the lease, which resulted in an increase to the lease liability. In February of 2023, the Authority exercised its right to renew the lease for an additional year. In March of 2024, the Authority amended the lease agreement to extend the lease for an additional year, expiring on September 8, 2025.

On August 26, 2024, the Authority entered into a lease agreement for office space commencing on April 1st, 2025. This lease replaces the existing office space lease that expires on September 8, 2025. The new lease has a sixty-three-month term requiring monthly payments. The new space is located near the existing space in Henrico, Virginia.

The annual rent expense for the year ended June 30, 2025, is \$941,220. As of June 30, 2025, the net book value of the leased assets is \$3,337,469 net of accumulated amortization of \$4,998,548 and excludes the effects of leasehold improvements. There is no carrying amount of leasehold improvements as of June 30, 2025.

The principal payment obligations and associated interest related to the building lease commencing July 1, 2025 and thereafter are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 638,206	127,793	765,999
2027	630,949	103,162	734,111
2028	679,483	76,651	756,134
2029	730,691	48,121	778,812
2030	<u>784,836</u>	<u>17,457</u>	<u>802,293</u>
Total	<u>\$ 3,464,165</u>	<u>373,184</u>	<u>3,837,349</u>

(9) Notes and Bonds Payable

Notes and bonds payable at June 30, 2024 and June 30, 2025 and changes for the year ended June 30, 2025 were as follows:

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Description	Balance at June 30, 2024	Issued	Retired	Balance at June 30, 2025
(Amounts shown in thousands)				
General operating accounts:				
Revolving line of credit:				
Bank of America				
floating daily rate with a termination date of December 1, 2025	\$ —	1,000	1,000	—
Wells Fargo				
floating daily rate with a termination date of December 1, 2025	—	1,000	1,000	—
Federal Home Loan Bank				
varying fixed rate notes with 30 to 90-day maturities (average of 4.43% as of June 30, 2025 and 5.40% at June 30, 2024), maturities range from July 09, 2025 to September 16, 2025	400,000	—	—	400,000
Total general operating accounts	400,000	2,000	2,000	400,000
Rental housing bond group:				
2012 Series D dated October 30, 2012, 4.15% effective interest rate, final due date October 1, 2037	110,130	—	6,100	104,030
2012 Series E dated November 2, 2013, 3.16% effective interest rate, final due date November 1, 2042	8,000	—	310	7,690
2013 Series A/B dated April 11, 2013, 3.95% effective interest rate, final due date April 1, 2043	25,675	—	990	24,685
2013 Series C dated May 2, 2013, 3.82% effective interest rate, final due date February 1, 2043	122,250	—	4,810	117,440
2013 Series D dated May 30, 2013, 4.06% effective interest rate, final due date June 1, 2043	85,915	—	3,120	82,795
2013 Series E dated July 11, 2013, 4.15% effective interest rate, final due date July 1, 2043	16,290	—	580	15,710
2013 Series F dated October 10, 2013, 5.24% effective interest rate, final due date October 1, 2043	47,720	—	4,665	43,055
2013 Series G dated December 3, 2013, 4.39% effective interest rate, final due date December 1, 2043	8,410	—	270	8,140
2014 Series A dated August 19, 2014, 3.75% effective interest rate, final due date August 1, 2049	10,905	—	250	10,655

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Description	Balance at June 30, 2024	Issued	Retired	Balance at June 30, 2025
(Amounts shown in thousands)				
2014 Series B dated October 28, 2014, 3.30% effective interest rate, final due date October 1, 2044	\$ 7,230	—	245	6,985
2014 Series C dated November 20, 2014, 4.29% effective interest rate, final due date November 1, 2044	107,795	—	3,460	104,335
2015 Series A dated March 18, 2015, 3.50% effective interest rate, final due date March 1, 2045	31,820	—	1,065	30,755
2015 Series B dated May 12, 2015, 3.44% effective interest rate, final due date May 1, 2045	9,450	—	320	9,130
2015 Series C dated August 5, 2015, 3.68% effective interest rate, final due date August 1, 2045	18,880	—	610	18,270
2015 Series D dated November 10, 2015, 3.55% effective interest rate, final due date November 1, 2045	29,120	—	940	28,180
2015 Series E/F dated December 8, 2015, 3.94% effective interest rate, final due date December 1, 2045	69,555	—	2,075	67,480
2016 Series A dated March 8, 2016, 2.99% effective interest rate, final due date March 1, 2046	3,995	—	130	3,865
2016 Series B dated May 17, 2016, 3.35% effective interest rate, final due date May 1, 2046	58,360	—	3,010	55,350
2016 Series C dated July 19, 2016, 2.72% effective interest rate, final due date July 1, 2046	3,975	—	125	3,850
2016 Series D dated October 18, 2016, 2.89% effective interest rate, final due date October 1, 2046	6,735	—	220	6,515
2017 Series A dated March 14, 2017, 3.66% effective interest rate, final due date March 1, 2049	24,925	—	645	24,280
2017 Series B dated June 13, 2017, 3.35% effective interest rate, final due date June 1, 2047	6,020	—	180	5,840
2017 Series C dated September 13, 2017, 3.24% effective interest rate, final due date September 1, 2047	2,535	—	75	2,460
2017 Series D dated October 19, 2017, 3.21% effective interest rate, final due date October 1, 2047	4,960	—	145	4,815

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Description	Balance at June 30, 2024	Issued	Retired	Balance at June 30, 2025
		(Amounts shown in thousands)		
2017 Series E dated December 5, 2017, 3.28% effective interest rate, final due date December 1, 2050	\$ 43,720	—	1,105	42,615
2018 Series A dated March 27, 2018, 3.62% effective interest rate, final due date March 1, 2053	30,945	—	720	30,225
2018 Series B dated June 5, 2018, 3.76% effective interest rate, final due date June 1, 2053	25,210	—	545	24,665
2018 Series C dated August 28, 2018, 3.63% effective interest rate, final due date August 1, 2053	17,710	—	360	17,350
2018 Series D dated October 2, 2018, 3.79% effective interest rate, final due date October 1, 2053	68,430	—	1,385	67,045
2018 Series E dated December 4, 2018, 3.90% effective interest rate, final due date December 1, 2049	33,695	—	805	32,890
2019 Series A dated March 26, 2019, 3.70% effective interest rate, final due date March 1, 2054	59,015	—	1,275	57,740
2019 Series B dated May 22, 2019, 3.10% effective interest rate, final due date May 1, 2054	15,955	—	340	15,615
2019 Series C dated August 21, 2019 3.13% effective interest rate, final due date August 1, 2054	47,805	—	915	46,890
2019 Series D dated October 16, 2019 3.12% effective interest rate, final due date October 1, 2054	47,770	—	935	46,835
2019 Series E dated December 12, 2019 3.00% effective interest rate, final due date December 1, 2054	49,530	—	1,120	48,410
2020 Series A dated March 25, 2020 2.74% effective interest rate, final due date March 1, 2055	71,420	—	1,480	69,940
2020 Series B dated March 25, 2020 2.39% effective interest rate, final due date March 1, 2055	64,185	—	1,495	62,690
2020 Series C dated April 28, 2020 3.57% effective interest rate, final due date April 1, 2055	183,150	—	8,645	174,505
2020 Series D dated May 27, 2020 3.58% effective interest rate, final due date June 1, 2055	420,730	—	2,930	417,800

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Description	Balance at June 30, 2024	Issued	Retired	Balance at June 30, 2025
		(Amounts shown in thousands)		
2020 Series E dated July 28, 2020 2.53% effective interest rate, final due date July 1, 2055	\$ 35,855	—	795	35,060
2020 Series F dated July 21, 2020 3.09% effective interest rate, final due date July 1, 2055	195,935	—	4,100	191,835
2020 Series G dated October 14, 2020 2.29% effective interest rate, final due date September 1, 2055	21,160	—	2,370	18,790
2020 Series H dated October 7, 2020 2.94% effective interest rate, final due date September 1, 2055	171,450	—	3,580	167,870
2020 Series I dated December 9, 2020 2.33% effective interest rate, final due date November 1, 2053	43,865	—	1,110	42,755
2020 Series J dated December 2, 2020 3.04% effective interest rate, final due date November 1, 2055	48,935	—	1,085	47,850
2021 Series A dated March 2, 2021 2.68% effective interest rate, final due date February 1, 2056	79,630	—	1,970	77,660
2021 Series B dated March 30, 2021 2.23% effective interest rate, final due date March 1, 2056	45,680	—	15,025	30,655
2021 Series C dated April 22, 2021 2.85% effective interest rate, final due date April 1, 2056	97,840	—	2,420	95,420
2021 Series D dated June 3, 2021 2.17% effective interest rate, final due date May 1, 2056	31,575	—	835	30,740
2021 Series E dated June 24, 2021 2.71% effective interest rate, final due date June 1, 2056	76,190	—	1,915	74,275
2021 Series F dated July 27, 2021 2.17% effective interest rate, final due date July 1, 2056	50,000	—	655	49,345
2021 Series G dated July 27, 2021 2.56% effective interest rate, final due date August 1, 2056	30,000	—	645	29,355
2021 Series H dated September 2, 2021 2.58% effective interest rate, final due date September 1, 2056	30,000	—	335	29,665
2021 Series I dated October 12, 2021 2.23% effective interest rate, final due date October 1, 2056	5,925	—	70	5,855

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Description	Balance at June 30, 2024	Issued	Retired	Balance at June 30, 2025
		(Amounts shown in thousands)		
2021 Series J dated November 9, 2021 2.98% effective interest rate, final due date November 1, 2056	\$ 226,630	—	4,735	221,895
2021 Series K dated December 7, 2021 2.39% effective interest rate, final due date December 1, 2056	142,565	—	3,775	138,790
2022 Series A dated February 2, 2022 2.95% effective interest rate, final due date February 1, 2057	40,000	—	390	39,610
2022 Series B dated March 8, 2022 3.12% effective interest rate, final due date March 1, 2057	57,755	—	585	57,170
2022 Series C dated March 29, 2022 3.91% effective interest rate, final due date April 1, 2057	49,165	—	855	48,310
2022 Series D dated May 3, 2022 3.95% effective interest rate, final due date May 1, 2057	22,085	—	190	21,895
2022 Series E dated June 30, 2022 4.16% effective interest rate, final due date June 1, 2057	40,635	—	600	40,035
2022 Series F dated October 5, 2022 4.85% effective interest rate, final due date October 1, 2057	59,210	—	1,660	57,550
2022 Series G dated November 30, 2022 5.13% effective interest rate, final due date November 1, 2064	95,100	—	16,280	78,820
2023 Series A dated February 9, 2023 5.28% effective interest rate, final due date February 1, 2066	60,000	—	—	60,000
2023 Series B dated March 8, 2023 4.65% effective interest rate, final due date March 1, 2065	40,250	—	—	40,250
2023 Series C dated June 1, 2023 4.24% effective interest rate, final due date May 1, 2060	7,850	—	935	6,915
2023 Series D dated August 3, 2023 4.62% effective interest rate, final due date August 1, 2065	110,895	—	1,000	109,895
2023 Series E dated October 12, 2023 5.03% effective interest rate, final due date October 1, 2065	56,630	—	—	56,630
2023 Series F dated November 30, 2023 5.16% effective interest rate, final due date May 1, 2067	167,855	—	—	167,855

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Description	Balance at June 30, 2024	Issued	Retired	Balance at June 30, 2025
		(Amounts shown in thousands)		
2024 Series A dated March 7, 2024 4.53% effective interest rate, final due date September 1, 2065	\$ 177,070	—	—	177,070
2024 Series B dated May 2, 2024 5.84% effective interest rate, final due date May 1, 2066	25,000	—	—	25,000
2024 Series C dated June 18, 2024 4.69% effective interest rate, final due date June 1, 2066	80,270	—	—	80,270
2024 Series D dated August 1, 2024 4.41% effective interest rate, final due date August 1, 2060	—	50,900	—	50,900
2024 Series E dated October 10, 2024 4.07% effective interest rate, final due date April 1, 2066	—	89,820	—	89,820
2024 Series F dated October 31, 2024 5.84% effective interest rate, final due date October 1, 2066	—	106,000	—	106,000
2024 Series G dated November 7, 2024 4.11% effective interest rate, final due date November 1, 2066	—	34,300	—	34,300
2024 Series H dated December 5, 2024 4.57% effective interest rate, final due date December 1, 2066	—	164,175	—	164,175
2025 Series A dated March 20, 2025 4.59% effective interest rate, final due date March 1, 2068	—	172,520	—	172,520
2025 Series B dated June 17, 2025 5.01% effective interest rate, final due date June 1, 2067	—	21,200	—	21,200
	<u>4,422,925</u>	<u>638,915</u>	<u>126,310</u>	<u>4,935,530</u>
Unamortized premium	(741)	—	39	(702)
Total rental housing bonds	<u>\$ 4,422,184</u>			<u>4,934,828</u>
Commonwealth mortgage bonds group:				
2006 Series C, dated June 8, 2006, 6.50% effective interest rate, final due date June 25, 2034	3,890	—	708	3,182
2008 Series C, dated November 18, 2008, 6.63% effective interest rate, final due date June 25, 2038	3,098	—	3,098	—
2012 Series A, dated December 20, 2012, 2.10% effective interest rate, final due date July 1, 2026	20,400	—	8,000	12,400

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Description	Balance at June 30, 2024	Issued	Retired	Balance at June 30, 2025
		(Amounts shown in thousands)		
2012 Series B/C, dated December 20, 2012, 3.09% effective interest rate, final due date July 1, 2039.	\$ 186,870	—	19,200	167,670
2013 Series B, dated May 21, 2013, 2.75% effective interest rate, final due date April 25, 2042	14,563	—	1,405	13,158
2013 Series C, dated October 24, 2013, 4.25% effective interest rate, final due date October 25, 2043	16,838	—	1,795	15,043
2013 Series D, dated December 19, 2013, 4.30% effective interest rate, final due date December 25, 2043	15,706	—	1,109	14,597
2014 Series A, dated December 11, 2014, 3.50% effective interest rate, final due date October 25, 2037	24,198	—	3,298	20,900
2015 Series A, dated November 10, 2015, 3.25% effective interest rate, final due date June 25, 2042	39,291	—	5,004	34,287
2016 Series A, dated June 9, 2016, 3.10% effective interest rate, final due date June 25, 2041	38,511	—	3,959	34,552
2017 Series A, dated June 13, 2017, 3.13% effective interest rate, final due date November 25, 2039	45,178	—	5,276	39,902
2019 Series A, dated November 5, 2019, 2.95% effective interest rate, final due date October 25, 2049	42,338	—	4,014	38,324
2020 Series A, dated February 12, 2020, 2.85% effective interest rate, final due date December 25, 2049	55,479	—	4,909	50,570
2020 Series B, dated April 21, 2020, 2.75% effective interest rate, final due date October 25, 2046	67,596	—	7,841	59,755
2021 Series A, dated August 17, 2021, 2.13% effective interest rate, final due date July 25, 2051	124,371	—	10,285	114,086
2022 Series A, dated February 1, 2022, 2.88% effective interest rate, final due date February 25, 2052	36,356	—	3,100	33,256
2023 Series A, dated October 24, 2023, 5.07% effective interest rate, final due date November 1, 2053	100,000	—	2,365	97,635
2023 Series B, dated October 24, 2023, 6.39% effective interest rate, final due date November 1, 2053	150,000	—	2,845	147,155

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Description	Balance at June 30, 2024	Issued	Retired	Balance at June 30, 2025
		(Amounts shown in thousands)		
2023 Series C/E, dated December 14, 2023, 4.42% effective interest rate, final due date July 1, 2055	\$ 405,000	154,995	195,600	364,395
2023 Series D, dated December 14, 2023, 6.03% effective interest rate, final due date January 1, 2054	100,000	—	1,000	99,000
2024 A Series, dated March 28, 2024, 5.46% effective interest rate, final due date April 1, 2054	160,000	—	—	160,000
2024 B Series, dated May 29, 2024, 5.79% effective interest rate, final due date October 1, 2054	160,000	—	—	160,000
2024 C Series, dated September 17, 2024, 5.59% effective interest rate, final due date October 1, 2054	—	160,005	—	160,005
2024 D Series, dated November 21, 2024, 4.63% effective interest rate, final due date July 1, 2055	—	150,000	—	150,000
2024 F Series, dated November 21, 2024, 3.63% effective interest rate, final due date April 1, 2026	—	215,480	70,000	145,480
2024 E Series, dated November 21, 2024, 5.74% effective interest rate, final due date July 1, 2055	—	160,000	—	160,000
2025 A Series, dated February 19, 2025, 5.76% effective interest rate, final due date July 1, 2055	—	150,000	—	150,000
2025 B Series, dated May 20, 2025, 6.05% effective interest rate, final due date July 1, 2055	—	140,000	—	140,000
	<u>1,809,683</u>	<u>1,130,480</u>	<u>354,811</u>	<u>2,585,352</u>
Unamortized premium	(147)	—	81	(66)
Total commonwealth mortgage bonds group	<u>\$ 1,809,536</u>			<u>2,585,286</u>
Homeownership mortgage bonds group:				
2013 Series A, dated March 27, 2013, 3.25% effective interest rate, final due date August 25, 2042	\$ 34,441	—	3,463	30,978
Total homeownership mortgage bonds group	<u>34,441</u>			<u>30,978</u>
Total	<u>\$ 6,666,161</u>			<u>7,951,092</u>

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June 30, 2025 and 2024

Notes and bonds payable at June 30, 2024 and June 30, 2025 and changes for the year ended June 30, 2025 were summarized as follows (amounts in thousands):

Description	Balance at June 30, 2024	Increases	Decreases	Balance at June 30, 2025	Due within one year
Notes from direct borrowings	\$ 400,000	2,000	2,000	400,000	400,000
Rental housing bonds group	4,422,184	638,915	126,271	4,934,828	95,900
Commonwealth mortgage bonds group	1,809,536	1,130,480	354,730	2,585,286	207,346
Homeownership mortgage bonds group	34,441	-	3,463	30,978	1,484
Total	<u>\$ 6,666,161</u>	<u>1,771,395</u>	<u>486,464</u>	<u>7,951,092</u>	<u>704,730</u>

Notes and bonds payable at June 30, 2023 and June 30, 2024 and changes for the year ended June 30, 2024 were summarized as follows (amounts in thousands):

Description	Balance at June 30, 2023	Increases	Decreases	Balance at June 30, 2024	Due within one year
Notes from direct borrowings	\$ 400,000	55,000	55,000	400,000	400,000
Rental housing bonds group	3,901,120	617,720	96,656	4,422,184	103,070
Commonwealth mortgage bonds group	825,012	1,235,000	250,476	1,809,536	86,438
Homeownership mortgage bonds group	37,583	-	3,142	34,441	1,503
Total	<u>\$ 5,163,715</u>	<u>1,907,720</u>	<u>405,274</u>	<u>6,666,161</u>	<u>591,011</u>

Current and noncurrent amounts of notes and bonds payable at June 30, 2025 and 2024 were as follows:

	June 30	
	2025	2024
Notes and bonds payable - current	\$ 704,729,940	591,011,310
Bonds payable - noncurrent	<u>7,246,362,212</u>	<u>6,075,149,726</u>
Total	<u>\$ 7,951,092,152</u>	<u>6,666,161,036</u>

From time to time, the Authority has participated in refunding, in which new debt is issued and the proceeds are used to redeem, generally within ninety days, previously issued debt. Related discounts or premiums previously deferred are recognized in income or expense, respectively. There were no refundings during the years ended June 30, 2025 and 2024. The Authority had redemptions of \$296,890,000 and \$18,445,000 during the years ended June 30, 2025 and 2024, respectively.

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June 30, 2025 and 2024

The principal payment obligations and associated interest related to all note and bond indebtedness (excluding the effect of unamortized discounts and premiums) commencing July 1, 2025 and thereafter are as follows:

Year ending June 30	Bonds		Direct Placements & Direct Borrowings		Total debt service
	Outstanding principal	Current interest	Outstanding principal	Current interest	
2026	\$ 296,519,940	281,169,147	408,210,000	25,490,205	1,011,389,292
2027	152,315,000	276,351,882	8,490,000	7,445,935	444,602,817
2028	193,670,000	274,371,919	8,780,000	7,110,661	483,932,580
2029	325,095,000	265,173,026	9,085,000	6,763,702	606,116,728
2030	226,270,000	254,427,343	9,400,000	6,404,754	496,502,097
2031-2035	914,579,478	1,171,424,474	52,090,000	26,188,678	2,164,282,630
2036-2040	1,015,912,511	993,856,196	61,745,000	15,154,038	2,086,667,745
2041-2045	1,154,983,401	774,224,091	42,435,000	2,955,080	1,974,597,572
2046-2050	1,208,964,574	536,459,231	-	-	1,745,423,805
2051-2055	1,248,847,559	270,813,452	-	-	1,519,661,011
2056-2060	341,597,505	100,754,947	-	-	442,352,452
2061-2065	208,575,000	43,255,138	-	-	251,830,138
2066-2070	64,295,000	3,954,382	-	-	68,249,382
Total	\$ 7,351,624,968	5,246,235,228	600,235,000	97,513,053	13,295,608,249

The principal payment obligations related to all note and bond indebtedness (excluding the effect of unamortized discounts and premiums) commencing July 1, 2025 and thereafter are as follows:

Year ending June 30	General fund notes	Rental housing bonds	Rental housing bonds direct placement	Commonwealth mortgage bonds	Homeownership mortgage bonds	Total principal
2026	\$ 400,000,000	87,690,000	8,210,000	207,345,572	1,484,368	704,729,940
2027	-	91,930,000	8,490,000	60,385,000	-	160,805,000
2028	-	125,790,000	8,780,000	67,880,000	-	202,450,000
2029	-	253,795,000	9,085,000	71,300,000	-	334,180,000
2030	-	155,895,000	9,400,000	70,375,000	-	235,670,000
2031-2035	-	602,585,000	52,090,000	311,994,478	-	966,669,478
2036-2040	-	650,400,000	61,745,000	365,512,511	-	1,077,657,511
2041-2045	-	721,140,000	42,435,000	433,843,401	-	1,197,418,401
2046-2050	-	715,215,000	-	493,749,574	-	1,208,964,574
2051-2055	-	752,550,000	-	496,297,559	-	1,248,847,559
2056-2060	-	305,435,000	-	6,670,000	29,492,505	341,597,505
2061-2065	-	208,575,000	-	-	-	208,575,000
2066-2070	-	64,295,000	-	-	-	64,295,000
Total	\$ 400,000,000	4,735,295,000	200,235,000	2,585,353,095	30,976,873	7,951,859,968

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The associated interest related to all note and bond indebtedness commencing July 1, 2025 and thereafter are as follows:

Year ending June 30	General fund interest	Rental housing interest	Rental housing bonds direct placement	Commonwealth interest	Homeownership interest	Total interest
2026	\$ 17,720,000	166,917,586	7,770,205	113,744,301	507,260	306,659,352
2027	-	165,376,255	7,445,935	110,496,374	479,253	283,797,817
2028	-	165,764,824	7,110,661	108,127,842	479,253	281,482,580
2029	-	159,327,245	6,763,703	105,366,527	479,253	271,936,728
2030	-	151,472,476	6,404,754	102,475,614	479,253	260,832,097
2031-2035	-	699,064,280	26,188,678	469,963,928	2,396,266	1,197,613,152
2036-2040	-	596,486,940	15,154,037	394,972,991	2,396,266	1,009,010,234
2041-2045	-	476,455,356	2,955,081	295,372,468	2,396,266	777,179,171
2046-2050	-	346,727,179	-	187,335,786	2,396,266	536,459,231
2051-2055	-	211,136,868	-	57,280,318	2,396,266	270,813,452
2056-2060	-	98,911,127	-	182,409	1,661,411	100,754,947
2061-2065	-	43,255,138	-	-	-	43,255,138
2066-2070	-	3,954,382	-	-	-	3,954,382
Total	\$ 17,720,000	3,284,849,656	79,793,054	1,945,318,558	16,067,013	5,343,748,281

The Authority has bonds outstanding under three general bond resolutions. All are general obligation bonds backed by the full faith and credit of the Authority. Interest and principal payments are secured by a pledge of the assets and revenues pledged to the bond resolution under which the bonds are issued, to the extent provided for in such resolution. The direct placement bonds are general obligation bonds, which are secured on parity with other outstanding bonds from the same bond resolution, and there are no terms of the indentures that are unique to those placements.

The assets and revenues pledged to each bond resolution secure only the bonds issued under that resolution. For each resolution, assets and revenues in excess of the liability to bondholders is available to support the general obligations of the Authority. The Authority has the option to redeem various bonds pursuant the terms of each bond issue. The redemptions generally cannot be exercised without condition until the bonds have been outstanding for nine years or more, as fully described in various bond documents. Further discussion of the resolutions is in Note 2.

Direct borrowings include an uncollateralized revolving credit agreement with Bank of America and Wells Fargo and a credit agreement with the Federal Home Loan Bank (FHLB) of Atlanta.

The Authority had maintained a \$150.0 million line of credit with Bank of America; however, on December 1, 2024 the Authority made changes to the credit agreement with Bank of America, decreasing the line of credit to \$75.0 million. Additionally, the Authority opened a new line of credit with Wells Fargo Bank for \$75.0 million. This gave the Authority a total available borrowing amount of \$150.0 million, expiring on December 1, 2025. As of June 30, 2025, there was no outstanding balance on the line of credit for Bank of America or Wells Fargo Bank. The Authority is in compliance with all debt covenant requirements.

The Authority maintains a \$1.3 billion credit agreement with the FHLB of Atlanta, whereby FHLB of Atlanta may advance funds that are secured by cash, mortgage loans, and government agency securities held in FHLB of Atlanta as collateral. As of June 30, 2025, there was \$474.1 million in mortgage-backed securities pledged to FHLB Atlanta. As of June 30, 2024, there was \$478.5 million in mortgage-backed securities pledged to FHLB Atlanta. Interest on any advance can be charged either under a floating daily rate or a fixed rate with a stated maturity not to exceed either one year for the daily rate or twenty years for fixed-rate loans.

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As of June 30, 2025 there were two 30-day and two 90-day fixed rate borrowings: two for a total of \$100.0 million at 4.44%, one for a total of \$100.0 million at 4.45%, and one for a total of \$100.0 million at 4.39%. The Authority is in compliance with all debt covenant requirements. At June 30, 2025, and 2024, there was \$400.0 million outstanding.

(10) Loan Participation Payable to Federal Financing Bank

On March 23, 2015, the Authority was designated as a “qualified Housing Finance Agency” under the Risk-Sharing Act and entered into a Risk-Sharing Agreement with HUD. In conjunction with the Risk-Sharing Agreement, the Authority elected to participate in a program offered by the Federal Financing Bank (FFB) for the financing of rental housing mortgage loans. The FFB is a government corporation, under the general supervision and direction of the Secretary of the Treasury, created by Congress with statutory authority to purchase any obligation that is fully guaranteed by another federal agency. To the extent that FFB proceeds are utilized to finance certain mortgage loans, such mortgage loans would not be available to be financed under the Rental Housing Bond Group other than on a temporary basis prior to such FFB financing. In February 2016, the Authority executed the necessary agreements to allow the Authority to participate in such FFB financing.

Under the program established by the Risk-Sharing Act (the “Risk-Sharing Program”), the Authority retains underwriting, mortgage loan management, and property disposition functions and responsibility for defaulted loans. Following default under a mortgage loan subject to a HUD contract of mortgage insurance under the Risk-Sharing Program, HUD agrees to make an initial claim payment of 100% of the loan’s unpaid principal balance and accrued interest, subject to certain adjustments that pass through the Authority to FFB. After a period during which the Authority may work toward curing the default, foreclosing the mortgage, or reselling the related project, any losses are calculated and apportioned between the Authority and HUD according to a specified risk-sharing percentage determined at the time of its endorsement for insurance. At its issuance, the Authority may choose a risk percentage ranging from 50% to 90%, which in turn determines its reimbursement obligation to HUD. During the intervening period prior to the final loss settlement, the Authority is obligated to pay interest on the amount of the initial claim payment under a debenture required to be issued to HUD at the time of the initial claim payment.

For each rental housing mortgage loan to be financed by the FFB, the Authority will sell to the FFB a certificate representing a participation interest in the rental housing mortgage loan consisting of all principal payments due thereon and all interest payments due thereon, whereby the rate to FFB will be less than the mortgage loan interest rate. The participation proceeds from the FFB are recorded as a debt obligation payable to the FFB.

Under these agreements, the Authority will retain responsibility for originating, closing and servicing the rental housing mortgage loans underlying the certificates sold to the FFB. As servicer, the Authority will remit the balance of each mortgage payment to U.S. Bank, N.A. (“Custodian”). The Custodian will fund any required account and pay the amounts due to the FFB, deduct their fees, then remit any amount remaining to the Authority as servicing fees.

Under the terms of the agreements in the Risk-Sharing Program, the Authority has sold certificates representing the beneficial interest in the following mortgage loans to FFB:

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Activity in the related risk-sharing program with the FFB as of June 30, 2025.

Description	Balance at June 30, 2024	Issued	Retired	Balance at June 30, 2025
Participation Certificates Outstanding:				
Colonnade at Rocktown - Note rate of 4.68%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 3.45%				
Maturity date of May 1, 2047	\$ 2,622,550	—	65,430	2,557,120
Wilsondale II - Note rate of 4.47%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 3.12%				
Maturity date of July 1, 2047	6,797,692	—	172,234	6,625,458
Baker Woods - Note rate of 3.91%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 2.89%				
Maturity date of December 1, 2052	5,046,112	—	98,386	4,947,726
Twin Canal Village - Note rate of 3.82%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 3.18%				
Maturity date of April 1, 2043	6,065,404	—	224,372	5,841,032
Treesdale - Note rate of 4.22%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 3.30%				
Maturity date of November 1, 2048	3,354,920	—	80,291	3,274,629
Landing at Weyers Cove - Note rate of 4.22%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 3.30%				
Maturity date of November 1, 2048	2,206,367	—	52,803	2,153,564
Belle Hall - Note rate of 3.57%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 2.72%				
Maturity date of September 1, 2049	4,021,219	—	99,909	3,921,310
Campostella Commons - Note rate of 3.57%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 2.72%				
Maturity date of September 1, 2049	3,072,391	—	76,335	2,996,056
Total participation certificates payable	\$ 33,186,655	—	869,760	32,316,895

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Activity in the related risk-sharing program with the FFB as of June 30, 2024.

Description	Balance at June 30, 2023	Issued	Retired	Balance at June 30, 2024
Participation Certificates Outstanding:				
Colonnade at Rocktown - Note rate of 4.68%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 3.45%				
Maturity date of May 1, 2047	\$ 2,684,994	—	62,444	2,622,550
Wilsondale II - Note rate of 4.47%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 3.12%				
Maturity date of July 1, 2047	6,962,410	—	164,718	6,797,692
Baker Woods - Note rate of 3.91%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 2.89%				
Maturity date of December 1, 2052	5,140,732	—	94,620	5,046,112
Twin Canal Village - Note rate of 3.82%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 3.18%				
Maturity date of April 1, 2043	6,281,380	—	215,976	6,065,404
Treesdale - Note rate of 4.22%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 3.30%				
Maturity date of November 1, 2048	3,431,896	—	76,976	3,354,920
Landing at Weyers Cove - Note rate of 4.22%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 3.30%				
Maturity date of November 1, 2048	2,256,991	—	50,624	2,206,367
Belle Hall - Note rate of 3.57%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 2.72%				
Maturity date of September 1, 2049	4,117,625	—	96,406	4,021,219
Campostella Commons - Note rate of 3.57%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 2.72%				
Maturity date of September 1, 2049	3,146,050	—	73,659	3,072,391
Total participation certificates payable	\$ 34,022,078	—	835,423	33,186,655

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June 30, 2025 and 2024

(11) Escrows and Project Reserves

Escrows and project reserves represent amounts held by the Authority as escrows for insurance, real estate taxes, and completion assurance, and as reserves for replacement and operations (Note 17). The Authority invests these funds and, for project reserves, allows earnings to accrue to the benefit of the mortgagor.

At June 30, 2025 and 2024, these escrows and project reserves were presented in the Authority's Statements of Net Position as follows:

	June 30	
	2025	2024
Escrow - current	\$ 50,997,689	37,001,478
Project reserves - noncurrent	127,712,700	131,865,677
Total	\$ 178,710,389	168,867,155

(12) Derivative Instruments

The Authority enters into forward sales contracts for the delivery of GNMA, FNMA, and FHLMC securities in order to lock in the sales price for the securitization of certain homeownership mortgage loans. The contracts offset changes in interest rates between the time of the loan reservations and the securitization of such loans into GNMA, FNMA, and FHLMC securities. These contracts are considered investment derivative instruments, such that their change in fair value is reported as investment derivative gains or losses on the Statements of Revenues, Expenses, and Changes in Net Position. Fair values of the forwards are based on observable market prices for similar instruments traded on the secondary mortgage loan markets. The Authority's portfolio of investment derivatives is classified as Level 2 in the fair value hierarchy.

The outstanding forward contracts, summarized by counterparty rating as of June 30, 2025, were as follows:

Counterparty rating	Count	Par	Concentration	Book value	Fair value	Fair value asset (liability)
A-1/A+	12	\$ 36,700,000	31.3%	\$ 37,495,332	\$ 37,684,234	\$ (188,902)
A-1/A+	11	37,000,000	31.6%	37,658,672	37,815,000	(156,328)
A-1+/AA-	8	22,500,000	19.2%	22,861,641	23,000,625	(138,984)
A-1/A+	7	21,000,000	17.9%	21,420,234	21,511,172	(90,938)
	38	\$ 117,200,000	100.0%	\$ 119,435,879	\$ 120,011,031	\$ (575,152)

The outstanding forward contracts, summarized by counterparty rating as of June 30, 2024, were as follows:

Counterparty rating	Count	Par	Concentration	Book value	Fair value	Fair value asset (liability)
A-1/A+	12	\$ 37,100,000	37.2%	\$ 37,579,412	\$ 37,603,469	\$ (24,057)
A-1/A+	11	31,300,000	31.4%	31,800,746	31,859,125	(58,379)
A-1/A+	6	16,500,000	16.5%	16,789,355	16,789,375	(20)
A-1/A+	5	9,300,000	9.3%	9,417,355	9,425,938	(8,583)
A-1/A+	2	5,500,000	5.5%	5,570,000	5,583,672	(13,672)
	36	\$ 99,700,000	100.0%	\$ 101,156,868	\$ 101,261,579	\$ (104,711)

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(13) Investment Income and Arbitrage Liabilities

The amount of investment income the Authority may earn with respect to certain tax-exempt bond issues in the Commonwealth Mortgage Bond Group and Rental Housing Bond Group is limited by certain federal legislation. Earnings in excess of the allowable amount must be rebated to the U.S. Department of the Treasury. These excess earnings are recorded in other liabilities (noncurrent). As of June 30, 2025, rebate payments of \$172,492 were paid. As of June 30, 2024, no rebate payments have been paid. At June 30, 2025, and 2024, the Authority recorded a rebate liability of \$3,113,599 and \$2,412,298, respectively.

(14) Net Position

Net investment in capital assets represents property, furniture, equipment, and vehicles, less the current outstanding applicable debt. Restricted net position represents those portions of the total net position in trust accounts established by the various bond resolutions for the benefit of the respective bond owners. Restricted net position is generally mortgage loans and funds held for placement into mortgage loans, investments, funds held for scheduled debt service, and excess funds held in the OPEB plan. At the bond resolution level, assets can be released from restriction by bond indentures at any time, subject to the revenue test that requires the assets and future income stream generated by those restricted assets to be greater than the funds needed to cover scheduled debt service.

Unrestricted net position represents those portions of the total net position set aside for current utilization and tentative plans for future utilization of such net position. As of June 30, 2025 and 2024, such plans included funds to be available for other loans and loan commitments; over commitments and over allocations in the various bond issues; support funds and contributions to bond issues; support for REACH *Virginia* initiatives and tenant-based housing assistance payments; and working capital and future operating and capital expenditures. Additional unrestricted net position commitments include maintenance of the Authority's obligation with regard to the general obligation pledge on its bonds; contributions to future bond issues other than those scheduled during the next year; coverage on uninsured assets; unsubsidized rental housing conventional loan program; and any unanticipated losses in connection with the uninsured portions of the balance of the homeownership and rental housing loans; coverage on the liability exposure of commissioners and officers; the cost of holding foreclosed property prior to resale; costs incurred with the redemption of bonds; homeownership loan prepayment shortfalls; and other risks and contingencies.

(15) Employee Benefits Plans

The Authority incurs employment retirement savings expenses under two defined contribution plans equal to between 8% and 11% of full-time employees' compensation. Total retirement savings expense for the year ended June 30, 2025 and 2024 was \$6,529,012 and \$6,047,884, respectively.

The Authority sponsors a deferred compensation plan available to all employees created in accordance with Internal Revenue Section 457(b). The Plan permits participants to defer a portion of their salary or wages until future years. The deferred compensation is not available to employees until termination, retirement, or death. The assets of the Plan are in an irrevocable trust with an external trustee, and, accordingly, no assets or liabilities are reflected in the Authority's basic financial statements.

As of June 30, 2025, and 2024, an employee compensated absences accrual of \$7,180,128 and \$6,900,155, respectively, is included in other liabilities (Note 17). Additionally, a liability of \$1,123,642 was accrued to accounts payable and other liabilities on the Statement of Net Position due to the implementation of GASB 101.

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(16) Other Postemployment Benefits

(a) Retiree Healthcare Plan Description (the Plan)

Beginning with the year ended June 30, 2018, the Authority applied the provisions of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

The Plan is a single-employer defined benefit other postemployment benefit (OPEB) plan established January 1, 2006 to provide post-employment reimbursement of eligible medical, dental, and vision expenses to current and eligible future retirees and their spouses in accordance with the terms of the Plan.

The Authority serves as Plan Administrator for the Plan. Pursuant to a resolution of the Board of Commissioners of the Authority, the Executive Director of the Authority authorized and empowered the Retiree Health Care Plan Oversight Committee (Oversight Committee), a committee made up of five members of management, to carry out the duties and responsibilities as Plan Administrator for the Plan.

Plan assets are administered through the Virginia Housing Development Authority Retiree Health Care Plan Trust (the Trust), an irrevocable trust to be used solely for providing benefits to eligible participants in the Plan. Assets of the Trust are irrevocable, legally protected from creditors, and are dedicated to providing post-employment reimbursement of eligible medical, dental, and vision expenses to current and eligible future retirees and their spouses, in accordance with the terms of the Plan. The Oversight Committee oversees investment determinations based on the objective of moderate growth of capital, consistent with the principle of diversification, while maintaining liquidity. The trust may invest in stocks, bonds, mutual funds, or any other reasonable investment instrument so long as it maintains a diversified portfolio consistent with the Investment Policy as defined in the Trust.

At its sole discretion, the Authority retains the right to amend the Plan at any time and from time to time with respect to benefits, funding, contributions, and permanency. The Authority reserves the right to discontinue or terminate its funding of the Plan at any time without prejudice, provided that the decision to terminate funding of the Plan is effected by a written resolution adopted by a majority of the Board of Commissioners of the Authority. There is a standalone report that can be made available by contacting the Authority.

At January 1, 2025, participants in the Plan consisted of the following:

Active employees	499
Inactive plan members (retirees) receiving benefits	<u>157</u>
Total Participants	<u><u>656</u></u>

Effective January 1, 2006, eligible retirees must be at least 55 years of age with 15 years of service (or at least 55 years of age with 10 years of service if employed by the Authority prior to such date). Plan participants receive an annual benefit based on age and years of service at retirement and based on a matrix, updated annually for cost of living plus 2.0% not to exceed 150.0% of the annual premium for the preferred provider organization medical plan offered that year by the Authority if the participant is under age 65 or not to exceed 75.0% of the annual premium if the participant is age 65 or over. The annual benefit may be used to pay for health insurance purchased through the Authority's group plan or elsewhere and for other eligible medical, dental, and vision expenses. The Authority pays benefits as incurred throughout the year, and the Plan reimburses the Authority for the benefits paid annually.

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(b) Contributions

Plan documents note that all benefits under the Plan shall be funded by the Authority. No contributions may be made to the Plan by participants in the Plan. The Authority establishes contribution rates based on the actuarially determined contribution rate. The Authority supplements the actuarially determined rate by ensuring the Plan is additionally funded based on a percentage of budgeted payroll plus administrative fees incurred by the Plan. The Authority pays benefits and administrative fees on behalf of the Plan on an annual basis. For the year ended December 31, 2024, the Authority's contribution rate ranged between 2.5% to 3.5% of covered payroll. For the years ended December 31, 2024 and December 31, 2023, the Authority's contributions to the Plan were \$1,686,116 and \$3,041,195, respectively. At June 30, 2025 and June 30, 2024, the Authority reported no outstanding amount of contributions to the Plan required for the years ended December 31, 2024 and December 31, 2023.

(c) OPEB Liability, Expense, and Deferred Outflows and Deferred Inflows of Resources Related to the Retiree Healthcare Plan

For the years ended June 30, 2025 and June 30, 2024, the Authority recognized OPEB expense of \$829,491 and \$1,536,757, respectively. At June 30, 2025, the Authority reported deferred outflows and inflows of resources related to OPEB from the following sources:

Year ending June 30, 2025	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 4,655,454	9,812,467
Net difference between projected and actual earnings on OPEB Plan investments	-	2,873,277
Change in assumptions	1,374,522	430,519
Total	<u>\$ 6,029,976</u>	<u>13,116,263</u>

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At June 30, 2024, the Authority reported deferred outflows and inflows of resources related to OPEB from the following sources:

Year ending June 30, 2024	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 5,393,161	7,961,316
Net difference between projected and actual earnings on OPEB Plan investments	585,200	-
Change in assumptions	1,627,852	508,695
Total	<u>\$ 7,606,213</u>	<u>8,470,011</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2025 will be recognized in OPEB expense as follows:

Year ended June 30, 2025

2026	\$	(572,671)
2027		343,535
2028		(1,510,258)
2029		(1,029,730)
2030		(305,188)
Thereafter		<u>(4,011,975)</u>
	\$	<u><u>(7,086,287)</u></u>

As of June 30, 2024 the amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30, 2024

2025	\$	253,586
2026		528,893
2027		1,445,099
2028		(408,694)
2029		71,834
Thereafter		<u>(2,754,516)</u>
	\$	<u><u>(863,798)</u></u>

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(d) Actuarial Assumptions

The Authority's net OPEB liability (asset) was measured as of December 31, 2024 and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of January 1, 2025.

The total OPEB liability in the January 1, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified:

Valuation Date	January 1, 2025		
Actuarial Cost Method	Entry-Age Normal percentage of Salary		
Amortization Method	Level Percentage of Pay, Open		
Amortization Period	20 years		
Asset Valuation Method	Market Value		
Actuarial Assumptions			
Inflation Rate	2.6 percent, per annum		
Investment rate of return	5.5 percent, per annum		
Projected Salary Increases	3.5 percent, per annum		
Healthcare cost trend rates	7.5 percent in 2025, grading down to 6.60 percent over 3 years following the Getzen model thereafter to an ultimate rate of 4.04 percent in the year 2075. The Retiree Credit Matrix will increase at 5.00 percent per annum.		
Participation rate	95 percent of fully eligible pre-65 active employees are assumed to elect medical coverage upon retirement; 95 percent of fully eligible post-65 active employees are assumed to elect coverage upon retirement.		
Marital Status	Actual spouse participation and dates of birth were used for retirees; 65 percent of active employees are assumed to cover a spouse at retirement; active males are assumed to be 3 years older than their spouses.		
Medical Claims Cost	The claims cost is determined by disaggregating the premium based on plan, coverage tier, and age.		
		Age 65 Cost	Age 65 Cost
		Male	Female
	Retiree/Spouse:	\$22,567	\$20,558
Age Variance	Claims were age adjusted each year based on the Dale Yamamoto study released by the Society of Actuaries in June 2013.		

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The total OPEB liability in the January 1, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	January 1, 2024	
Actuarial Cost Method	Entry-Age Normal percentage of Salary	
Amortization Method	Level Percentage of Pay, Open	
Amortization Period	20 years	
Asset Valuation Method	Market Value	
Actuarial Assumptions		
Inflation Rate	2.6 percent, per annum	
Investment rate of return	5.5 percent, per annum	
Projected Salary Increases	3.5 percent, per annum	
Healthcare cost trend rates	7.00 percent in 2024 grading down to 5.60 percent over 3 years and following the Getzen model thereafter to an ultimate rate of 4.04 percent in the year 2075. The Retiree Credit Matrix will increase at 5.00 percent, per annum.	
Participation rate	95 percent of fully eligible pre-65 active employees are assumed to elect medical coverage upon retirement; 95 percent of fully eligible post-65 active employees are assumed to elect coverage upon retirement.	
Marital Status	Actual spouse participation and dates of birth were used for retirees; 65 percent of active employees are assumed to cover a spouse at retirement; active males are assumed to be 3 years older than their spouses.	
Medical Claims Cost	The claims cost is determined by disaggregating the premium based on plan, coverage tier, and age.	
		Age 65 Cost
		Male Female
	Retiree/Spouse:	\$22,342 \$20,354
Age Variance	Claims were age adjusted each year based on the Dale Yamamoto study released by the Society of Actuaries in June 2013.	

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The assumptions were updated in the January 1, 2025 valuation to reflect the following changes:

The medical trend was updated to 7.50% in 2025, grading down to 6.60% over 3 years and following the Getzen model thereafter to an ultimate trend of 4.04% in 2075.

(e) Net OPEB Liability (Asset) at June 30, 2025 and June 30, 2024

The net OPEB asset (NOA) represents the total OPEB liability determined in accordance with GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, less the associated fiduciary net position. The NOA is reported on the Authority's statements of net position as an other non-current asset.

As of June 30, 2025, the NOA amounts are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Asset
Balances at December 31, 2023	\$ 44,852,580	57,453,877	(12,601,297)
Changes for the year:			
Service cost	2,188,533	-	2,188,533
Interest	2,530,534	-	2,530,534
Differences between expected and actual experience	(2,764,644)	-	(2,764,644)
Change of assumptions	85,817	-	85,817
Contributions - employer	-	1,686,116	(1,686,116)
Net investment income	-	7,619,354	(7,619,354)
Benefit (payments)/refunds	(1,031,407)	(1,031,407)	-
Administrative expenses	-	(186,116)	186,116
Net Changes	1,008,833	8,087,947	(7,079,114)
Balances at December 31, 2024	\$ 45,861,413	65,541,824	(19,680,411)

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As of June 30, 2024, the NOA amounts are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Asset
Balances at December 31, 2022	\$ 48,668,590	49,171,893	(503,303)
Changes for the year:			
Service cost	2,074,439	-	2,074,439
Interest	2,737,476	-	2,737,476
Differences between expected and actual experience	(7,702,913)	-	(7,702,913)
Change of assumptions	45,721	-	45,721
Contributions - employer	-	3,041,195	(3,041,195)
Net investment income	-	6,392,717	(6,392,717)
Benefit (payments)/refunds	(970,733)	(970,733)	-
Administrative expenses	-	(181,195)	181,195
Net Changes	<u>(3,816,010)</u>	<u>8,281,984</u>	<u>(12,097,994)</u>
Balances at December 31, 2023	\$ <u>44,852,580</u>	<u>57,453,877</u>	<u>(12,601,297)</u>

(f) Trust Investments

The Trust has its own investments, which are reported at fair value and are based on published prices and quotations. At the end of the calendar year, December 31, 2024, the Trust's total assets were \$66.6 million, which consisted of money market and mutual funds.

Interest rate risk is the risk that changes in market rates of interest will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates.

As of December 31, 2024, the Plan had the following investments (including cash equivalents) and maturities:

Investment Type	Less than one year
Money Market Funds	\$ 4,204
Mutual Funds	66,569,027
Total	<u>66,573,231</u>

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Credit risk is the risk that an issuer or other counterparties to an investment will not fulfill its obligations. The Authority emphasizes securities of high credit quality and marketability. The following table presents investments (including cash equivalents) exposure to credit risk by investment type as of December 31, 2024:

<u>Investment Type</u>	<u>Amount</u>	<u>S&P/Moody's Rating</u>	<u>Percentage of Total Investments</u>
Money Market Funds	\$ 4,204	NR	0.0%
Mutual Funds	66,569,027	NR	100.0%
Total	<u>\$ 66,573,231</u>		<u>100.0%</u>

(g) Long-Term Expected Rate of Return

The long-term expected returns were determined using the arithmetic mean after investment expenses on best-estimate ranges of expected future rates of returns from various investment firms, historical market returns, and internal estimates. 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Allocation Target Range</u>	<u>Long-Term Expected Rate of Return</u>
U.S. Fixed Income (includes cash and cash equivalents)	25% to 60%	4.00%
U.S. Equity	30% to 75%	6.70%
Foreign Equity	0% to 25%	4.80%

(h) Discount Rate

The discount rate used to measure the total OPEB liability was 5.5% as of December 31, 2024 and 2023. The projections of cash flows used to determine the discount rate assumed that the Authority contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active retirees. Therefore, the long-term expected rate of return on the Plan's investments was applied to all future periods of projected benefit payments to determine the total OPEB liability.

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(i) Sensitivity of the Authority's Net OPEB Liability (Asset) to Changes in the Discount Rate

The following represents the net OPEB liability (asset) of the Authority as of June 30, 2025, calculated using the stated discount rate assumption, as well as what the Authority's net OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage-point lower (4.5%) or 1 percentage-point higher (6.5%) than the current discount rate:

Year ending December 31, 2024	1% Decrease	Current	1% Increase
	4.50%	5.50%	6.50%
Net OPEB liability (asset)	\$ (12,209,922)	(19,680,411)	(25,711,207)

As of June 30, 2023, the net OPEB liability (asset) of the Authority is as follows:

Year ending December 31, 2023	1% Decrease	Current	1% Increase
	4.50%	5.50%	6.50%
Net OPEB liability (asset)	\$ (5,031,563)	(12,601,297)	(18,493,991)

(j) Sensitivity of the Authority's Net OPEB Liability (Asset) to Changes in the Health Care Trend Rate

The following represents the June 30, 2025 net OPEB liability (asset) of the Authority, calculated using the stated health care cost trend assumption, as well as what the Authority's net OPEB liability (asset) would be if it were calculated using a health care cost trend that is 1 percentage-point lower or 1 percentage-point higher than the current health care cost trend rates:

Year ending December 31, 2024	1% Decrease	Current	1% Increase
	6.50% decreasing to 5.60% over 3 years	7.50% decreasing to 6.60% over 3 years	8.50% decreasing to 7.60% over 3 years
Net OPEB liability (asset)	\$ (26,208,727)	(19,680,411)	(11,459,155)

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As of June 30, 2024, the sensitivity of the Authority's Net OPEB liability (asset) to changes in healthcare trends is as follows:

Year ending December, 31 2023	1% Decrease	Current	1% Increase
	6.00% decreasing to 4.60% over 3 years	7.00% decreasing to 5.60% over 3 years	8.00% decreasing to 6.60% over 3 years
Net OPEB liability (asset)	\$ (18,986,900)	(12,601,297)	(4,554,910)

(17) Other Long-Term Liabilities

Activity in the Authority's noncurrent liability accounts, other than bonds payable, for the year ended June 30, 2025 was as follows:

	Balance at June 30, 2024	Additions	Decreases	Balance at June 30, 2025
Project reserves	\$ 131,865,677	47,204,094	51,357,071	127,712,700
Other liabilities	10,195,610	8,396,109	2,909,269	15,682,450
Compensated absences payable	6,900,155	6,111,989	5,832,016	7,180,128
	<u>\$ 148,961,442</u>	<u>61,712,192</u>	<u>60,098,356</u>	<u>150,575,278</u>

Activity in the Authority's noncurrent liability accounts, other than bonds payable, for the year ended June 30, 2024 was as follows:

	Balance at June 30, 2023	Additions	Decreases	Balance at June 30, 2024
Project reserves	\$ 113,844,901	53,610,349	35,589,573	131,865,677
Other liabilities	12,262,508	618,771	2,685,669	10,195,610
Compensated absences payable	6,665,265	5,873,457	5,638,567	6,900,155
	<u>\$ 132,772,674</u>	<u>60,102,577</u>	<u>43,913,809</u>	<u>148,961,442</u>

(18) Troubled Debt Restructuring

Restructuring a debt constitutes a troubled debt restructuring if the creditor, for economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider. The Authority makes every effort to work with borrowers and grants concessions to debtors if the probability of payment from the debtor increases. As of June 30, 2025 and 2024, the Authority has

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granted the following concessions to debtors, which are considered troubled debt restructurings. There are no commitments to lend additional resources to debtors who have had a troubled debt restructuring.

<u>Homeownership loans</u>	<u>Year ended June 30,</u>	
	<u>2025</u>	<u>2024</u>
Aggregated recorded balance	\$ 358,615,088	328,975,331
Number of loans	2,491	2,151
Gross interest revenue if loans had been current	13,287,253	10,468,890
Interest revenue included in changes in net position	12,351,521	9,335,206

<u>Rental housing loans</u>	<u>Year ended June 30,</u>	
	<u>2025</u>	<u>2024</u>
Aggregated recorded balance	\$ 9,249,957	9,893,639
Number of loans	8	10
Gross interest revenue if loans had been current	819,059	854,967
Interest revenue included in changes in net position	77,239	308,214

(19) Contingencies and Other Matters

Certain claims, suits, and complaints arising in the ordinary course of business have been filed and are pending against the Authority. In the opinion of management, all such matters are adequately covered by insurance or, if not so covered, are without merit or are of such kind or involve such amounts as would not have a material adverse effect on the basic financial statements of the Authority.

The Authority participates in several Federal financial assistance programs, the principal of which are the HUD loan guarantee programs. Although the Authority's administration of Federal grant programs has been audited in accordance with the provisions of the United States Office of Management and Budget Uniform Guidance, these programs are still subject to financial and compliance audits. The amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time, although the Authority does not expect such amounts, if any, to be material in relation to its basic financial statements.

The Authority is exposed to various risks of loss, such as theft of, damage to, and destruction of assets, injuries to employees, and natural disasters. The Authority carries commercial insurance for these risks. There have been no significant reductions in insurance coverage from coverage in the prior year, and settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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(20) Subsequent Events

Bond Issues and Redemptions:

In addition to scheduled issuances and redemptions, the Authority made issuances of notes and bonds payable after June 30, 2025, as follows:

	<u>Settlement date</u>	<u>Amount</u>
Issues:		
Commonwealth Mortgage Bond 2025 Series F-2 Non-AMT	7/16/2025	\$ 75,000,000
Commonwealth Mortgage Bond 2025 Series C Taxable	7/16/2025	\$ 150,000,000
Rental Housing Bond 2025 Series C Non-AMT	7/22/2025	\$ 36,675,000
Rental Housing Bond 2025 Series D Taxable	8/21/2025	\$ 57,315,000

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Required Supplementary Information

Retiree Healthcare Plan

Schedule of Changes in Net OPEB (Asset) Liability and
Related Ratios

(unaudited)

Last 8 Calendar Years

	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability								
Service Cost	\$ 2,188,533	2,074,439	1,868,469	1,617,167	1,554,370	1,045,841	984,232	675,928
Interest	2,530,534	2,737,476	2,567,248	2,324,671	2,160,751	1,753,636	1,608,746	1,419,341
Differences between expected and actual experience	(2,764,644)	(7,702,913)	(907,474)	974,668	5,059,834	1,262,503	1,320,653	(228,449)
Changes of assumptions	85,817	45,721	331,586	142,726	(237,815)	(641,942)	370,909	2,830,950
Benefit payments	(1,031,407)	(970,733)	(900,052)	(797,549)	(727,928)	(640,795)	(630,078)	(519,345)
Net change in Total OPEB Liability	1,008,833	(3,816,010)	2,959,777	4,261,683	7,809,212	2,779,243	3,654,462	4,178,425
Total OPEB Liability - beginning	44,852,580	48,668,590	45,708,813	41,447,130	33,637,918	30,858,675	27,204,213	23,025,788
Total OPEB Liability - ending	\$ 45,861,413	44,852,580	48,668,590	45,708,813	41,447,130	33,637,918	30,858,675	27,204,213
Plan Fiduciary Net Position								
Contributions - employer	\$ 1,686,116	3,041,195	2,958,503	2,279,584	2,168,014	2,111,960	1,952,210	1,758,037
Net investment income	7,619,354	6,392,717	(6,208,512)	7,153,202	3,649,755	6,362,793	(865,732)	3,717,204
Benefit payments	(1,031,407)	(970,733)	(900,052)	(797,549)	(727,928)	(640,795)	(630,078)	(519,345)
Administrative expenses	(186,116)	(181,195)	(178,198)	(97,663)	(127,067)	(172,177)	(186,925)	(117,278)
Net change in Plan Fiduciary Net Position	8,087,947	8,281,984	(4,328,259)	8,537,574	4,962,774	7,661,781	269,475	4,838,618
Plan Fiduciary Net Position - beginning	57,453,877	49,171,893	53,500,152	44,962,578	39,999,804	32,338,023	32,068,548	27,229,930
Plan Fiduciary Net Position - ending	\$ 65,541,824	57,453,877	49,171,893	53,500,152	44,962,578	39,999,804	32,338,023	32,068,548
Net OPEB Liability (Asset) - ending	(19,680,411)	(12,601,297)	(503,303)	(7,791,339)	(3,515,448)	(6,361,886)	(1,479,348)	(4,864,335)
Plan Fiduciary Net Position as a % of the Total OPEB Liability	142.9%	128.1%	101.0%	117.0%	108.5%	118.9%	104.8%	117.9%
Covered-employee payroll	\$ 60,673,455	58,646,317	52,161,378	46,693,627	42,735,350	41,987,414	37,467,939	33,966,194
Net OPEB Liability as a % of covered-employee payroll	-32.4%	-21.5%	-1.0%	-16.7%	-8.2%	-15.2%	-3.9%	-14.3%

See accompanying independent auditors' report.

- (1) This schedule should present 10 years of data; however, the information prior to 2017 is not readily available.
(2) There were no changes in benefit terms for years ended 2024 through 2017.
(3) Assumptions for year ended 2024 through 2017 were updated to reflect changes in the mortality rates, medical trends, and aging assumptions.

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

Required Supplementary Information
Retiree Healthcare Plan
Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios
(unaudited)
Last 8 Calendar Years

		2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	\$	-	-	1,415,861	-	1,310,144	555,921	890,416	297,975
Contributions in relation to the actuarially determined contribution		1,686,116	3,041,195	2,958,503	2,279,584	2,168,014	2,111,960	1,952,210	1,758,037
Contribution deficiency (excess)	\$	(1,686,116)	(3,041,195)	(1,542,642)	(2,279,584)	(857,870)	(1,556,039)	(1,061,794)	(1,460,062)
Covered-employee payroll	\$	60,673,455	58,646,317	52,161,378	46,693,627	42,735,350	41,987,414	37,467,939	33,966,194
Contributions as a % of covered-employee payroll		2.8%	5.2%	5.7%	4.9%	5.1%	5.0%	5.2%	5.2%

See accompanying independent auditors' report.

- (1) This schedule should present 10 years of data; however, the information prior to 2017 is not readily available.
- (2) Contributions made to the Plan in 2024 to 2017 were in excess of the actuarial annual required contributions.
- (3) The actuarial contribution rate is determined based on the same assumptions as the actuarial liability with a valuation date as of January 1, 2025 using the following actuarial assumptions as discussed in Note 15:

Valuation Date	January 1, 2025		
Actuarial Cost Method	Entry-Age Normal percentage of Salary		
Amortization Method	Level Percentage of Pay, Open		
Amortization Period	20 years		
Asset Valuation Method	Market Value		
Actuarial Assumptions			
Inflation Rate	2.6 percent, per annum		
Investment rate of return	5.5 percent, per annum		
Projected Salary Increases	3.5 percent, per annum		
Healthcare cost trend rates	7.5 percent in 2025, grading down to 6.60 percent over 3 years following the Getzen model thereafter to an ultimate rate of 4.04 percent in the year 2075. The Retiree Credit Matrix will increase at 5.00 percent per annum.		
Participation rate	95 percent of fully eligible pre-65 active employees are assumed to elect medical coverage upon retirement; 95 percent of fully eligible post-65 active employees are assumed to elect coverage upon retirement.		
Marital Status	Actual spouse participation and dates of birth were used for retirees; 65 percent of active employees are assumed to cover a spouse at retirement; active males are assumed to be 3 years older than their spouses.		
Medical Claims Cost	The claims cost is determined by disaggregating the premium based on plan, coverage tier, and age.		
		Age 65 Cost Male	Age 65 Cost Female
	Retiree/Spouse:	\$22,567	\$20,558
Age Variance	Claims were age adjusted each year based on the Dale Yamamoto study released by the Society of Actuaries in June 2013.		

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

Combining Schedule of Net Position
June 30, 2025

Assets	General Operating Accounts	Rental Housing Bond Group	Commonwealth Mortgage Bond Group	Home- ownership Bond Group	Total
Current assets:					
Cash and cash equivalents	\$ 173,685,570	901,405,982	628,475,419	8,297,088	1,711,864,059
Investments	46,336,549	339,918,285	230,020,732	3,097,434	619,373,000
Interest receivable – investments	3,413,277	13,470,936	9,625,067	161,949	26,671,229
Mortgage loans held for sale	-	-	79,589,598	-	79,589,598
Mortgage and other loans receivable, net	11,658,664	105,598,660	80,506,216	3,923,262	201,686,802
Interest receivable – mortgage and other loans	1,122,797	22,005,768	10,921,732	246,647	34,296,944
Other real estate owned	5,426,940	-	864,716	-	6,291,656
Other assets	16,285,002	-	-	-	16,285,002
Total current assets	<u>257,928,799</u>	<u>1,382,399,631</u>	<u>1,040,003,480</u>	<u>15,726,380</u>	<u>2,696,058,290</u>
Noncurrent assets:					
Investments	494,303,350	-	145,729,759	-	640,033,109
Mortgage and other loans receivable	480,155,604	5,452,125,690	3,061,924,328	84,340,503	9,078,546,125
Less allowance for loan loss	26,609,691	75,198,477	49,446,928	825,679	152,080,775
Mortgage and other loans receivable, net	<u>453,545,913</u>	<u>5,376,927,213</u>	<u>3,012,477,400</u>	<u>83,514,824</u>	<u>8,926,465,350</u>
Capital Assets, net of accumulated depreciation and amortization of \$69,246,751	27,422,531	5,529,720	-	-	32,952,251
Mortgage servicing rights, net	17,466,412	-	-	-	17,466,412
Other Assets	37,155,327	-	-	-	37,155,327
Total noncurrent assets	<u>1,029,893,533</u>	<u>5,382,456,933</u>	<u>3,158,207,159</u>	<u>83,514,824</u>	<u>9,654,072,449</u>
Total assets	<u>1,287,822,332</u>	<u>6,764,856,564</u>	<u>4,198,210,639</u>	<u>99,241,204</u>	<u>12,350,130,739</u>
Deferred outflows of resources					
Other postemployment benefits - change in assumptions	1,374,522	-	-	-	1,374,522
Other postemployment benefits - difference between expected and actual experience	4,655,454	-	-	-	4,655,454
Total Deferred outflows of resources	<u>6,029,976</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,029,976</u>

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

Combining Schedule of Net Position
June 30, 2025

	General Operating Accounts	Rental Housing Bond Group	Commonwealth Mortgage Bond Group	Home- ownership Bond Group	Total
Liabilities					
Current liabilities:					
Notes and bonds payable	400,000,000	95,900,000	207,345,572	1,484,368	704,729,940
Accrued interest payable on notes and bonds	996,361	42,548,986	33,560,798	83,896	77,190,041
Escrows	50,997,689	-	-	-	50,997,689
Federal grand awards held	1,334,590	-	-	-	1,334,590
Derivative instruments	-	-	575,152	-	575,152
Accounts payable and other liabilities	49,242,256	-	3,485	-	49,245,741
Total current liabilities	<u>502,570,896</u>	<u>138,448,986</u>	<u>241,485,007</u>	<u>1,568,264</u>	<u>884,073,153</u>
Noncurrent liabilities:					
Bonds payable, net	-	4,838,927,750	2,377,941,957	29,492,505	7,246,362,212
Project reserves	127,712,700	-	-	-	127,712,700
Loan participation payable to Federal Financing Bank	32,316,895	-	-	-	32,316,895
Other (assets) liabilities	19,748,979	3,047,300	66,299	-	22,862,578
Total noncurrent liabilities	<u>179,778,574</u>	<u>4,841,975,050</u>	<u>2,378,008,256</u>	<u>29,492,505</u>	<u>7,429,254,385</u>
Total liabilities	<u>682,349,470</u>	<u>4,980,424,036</u>	<u>2,619,493,263</u>	<u>31,060,769</u>	<u>8,313,327,538</u>
Deferred inflows of resources					
Deferred fees and points on multifamily loans	561,570	66,049,626	-	-	66,611,196
Other postemployment benefits - change in assumptions	430,519	-	-	-	430,519
Other postemployment benefits - difference between expected and actual experience	9,812,467	-	-	-	9,812,467
Other postemployment benefits - difference between projected and actual earning	2,873,277	-	-	-	2,873,277
Total deferred inflows of resources	<u>13,677,833</u>	<u>66,049,626</u>	<u>-</u>	<u>-</u>	<u>79,727,459</u>
Net position:					
Net investment in capital assets	8,605,152	(719,760)	-	-	7,885,392
Restricted OPEB asset	19,680,411	-	-	-	19,680,411
Restricted by bond indentures	-	1,719,102,662	1,578,717,376	68,180,435	3,366,000,473
Unrestricted	569,539,442	-	-	-	569,539,442
Total net position	<u>\$ 597,825,005</u>	<u>1,718,382,902</u>	<u>1,578,717,376</u>	<u>68,180,435</u>	<u>3,963,105,718</u>

See accompanying independent auditors' report.

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

Combining Schedule of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2025

	General Operating Accounts	Rental Housing Bond Group	Commonwealth Mortgage Bond Group	Home- ownership Bond Group	Total
Operating revenues:					
Interest on mortgage and other loans receivable	\$ 18,500,642	244,287,847	155,568,190	3,834,492	422,191,171
Investment earnings:					
Investment income	21,920,947	50,595,698	46,612,143	1,257,934	120,386,722
Realized loss on investments	(3,003)	-	-	-	(3,003)
Unrealized gain (loss) on investments	2,705,841	899,633	9,453,793	(37,584)	13,021,683
Housing Choice Voucher program administrative income	10,254,976	-	-	-	10,254,976
Gains and recoveries on sale of other real estate owned	595,248	-	187,164	-	782,412
Gains on sale of single family mortgage loans	-	-	9,542,314	-	9,542,314
Mortgage servicing fees net of guaranty fees	41,263,706	-	-	-	41,263,706
Tax credit program fees earned	12,034,028	-	-	-	12,034,028
Other	1,754,132	10,025,619	30,507	-	11,810,258
Total operating revenues	<u>109,026,517</u>	<u>305,808,797</u>	<u>221,394,111</u>	<u>5,054,842</u>	<u>641,284,267</u>
Operating expenses:					
Interest on notes and bonds payable	19,888,291	167,516,876	96,913,660	1,060,416	285,379,243
Salaries and related employee benefits	86,088,065	-	-	-	86,088,065
General operating expenses	38,047,842	-	2,192	-	38,050,034
Note and bond expenses	1,363,629	-	-	-	1,363,629
Bond issuance expenses	87,257	4,235,432	5,598,716	-	9,921,405
Grant expenses	64,661,005	-	-	-	64,661,005
Housing Choice Voucher program expenses	7,287,445	-	-	-	7,287,445
Mortgage servicing rights amortization and other servicing costs	16,962,482	-	16,838,135	-	33,800,617
Losses on other real estate owned	1,178,386	-	274,661	12,790	1,465,837
Provision for loan losses	(7,410,441)	3,598,985	13,455,487	(11,044)	9,632,987
Total operating expenses	<u>228,153,961</u>	<u>175,351,293</u>	<u>133,082,851</u>	<u>1,062,162</u>	<u>537,650,267</u>
Operating income (expense)	<u>(119,127,444)</u>	<u>130,457,504</u>	<u>88,311,260</u>	<u>3,992,680</u>	<u>103,634,000</u>
Nonoperating revenues (expenses):					
Pass-through grant awards	112,112,431	-	-	-	112,112,431
Pass-through grants expenses	(112,112,431)	-	-	-	(112,112,431)
Total nonoperating revenues, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income (loss) before transfers	<u>(119,127,444)</u>	<u>130,457,504</u>	<u>88,311,260</u>	<u>3,992,680</u>	<u>103,634,000</u>
Transfers between funds	184,562,446	(83,324,909)	(60,269,334)	(40,968,203)	-
Change in net position	<u>65,435,002</u>	<u>47,132,595</u>	<u>28,041,926</u>	<u>(36,975,523)</u>	<u>103,634,000</u>
Total net position, beginning of year	532,390,003	1,671,250,307	1,550,675,450	105,155,958	3,859,471,718
Total net position, end of year	<u>\$ 597,825,005</u>	<u>1,718,382,902</u>	<u>1,578,717,376</u>	<u>68,180,435</u>	<u>3,963,105,718</u>

See accompanying independent auditors' report.

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

Combining Schedule of Fiduciary Net Position
Fiduciary Funds – Custodial Funds
June 30, 2025

	Escrow Funds (GNMA, FNMA, FHLMC, Habitat)	Commonwealth Priority Housing Fund	Virginia Housing Trust Fund	National Housing Trust Fund	Total Custodial Funds
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 78,005,910	3,998,996	8,139,960	1,578,747	91,723,613
Interest receivable - investments	-	51,958	76,724	23,003	151,685
Interest receivable - mortgage and other loans	-	68,280	106,812	20,058	195,150
Other assets	-	213	-	-	213
Total current assets	<u>78,005,910</u>	<u>4,119,447</u>	<u>8,323,496</u>	<u>1,621,808</u>	<u>92,070,661</u>
Noncurrent assets:					
Mortgage and other loans receivable	-	1,654,120	-	-	1,654,120
Total noncurrent assets	<u>-</u>	<u>1,654,120</u>	<u>-</u>	<u>-</u>	<u>1,654,120</u>
Total assets	<u>78,005,910</u>	<u>5,773,567</u>	<u>8,323,496</u>	<u>1,621,808</u>	<u>93,724,781</u>
LIABILITIES					
Other liabilities	-	753,918	7,626,951	1,339,162	9,720,031
Total liabilities	<u>-</u>	<u>753,918</u>	<u>7,626,951</u>	<u>1,339,162</u>	<u>9,720,031</u>
NET POSITION					
Restricted for:					
Funds held in escrow	78,005,910	-	-	-	78,005,910
Other governmental agency	-	5,019,649	696,545	282,646	5,998,840
Total Net Position	<u>\$ 78,005,910</u>	<u>5,019,649</u>	<u>696,545</u>	<u>282,646</u>	<u>84,004,750</u>

See accompanying independent auditors' report.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)
Combining Schedule of Changes in Fiduciary Net Position
Fiduciary Funds – Custodial Funds
Year Ended June 30, 2025

	<u>Escrow Funds (GNMA, FNMA, FHLMC, Habitat)</u>	<u>Commonwealth Priority Housing Fund</u>	<u>Virginia Housing Trust Fund</u>	<u>National Housing Trust Fund</u>	<u>Total Custodial Funds</u>
ADDITIONS					
Contribution:					
Borrower payments	\$ 1,754,587,838	-	-	-	1,754,587,838
Total Contributions	<u>1,754,587,838</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,754,587,838</u>
Investment earnings:					
Interest, dividends, and other	-	1,109,950	1,251,605	371,636	2,733,191
Total investment earnings	<u>-</u>	<u>1,109,950</u>	<u>1,251,605</u>	<u>371,636</u>	<u>2,733,191</u>
Total additions	<u>1,754,587,838</u>	<u>1,109,950</u>	<u>1,251,605</u>	<u>371,636</u>	<u>1,757,321,029</u>
DEDUCTIONS					
Other governmental agency	-	838,456	857,694	265,173	1,961,323
Disbursement of escrow funds	1,734,773,615	-	-	-	1,734,773,615
Distributions to DHCD	-	500,000	-	-	500,000
Administrative expense	-	23,750	-	-	23,750
Total deductions	<u>1,734,773,615</u>	<u>1,362,206</u>	<u>857,694</u>	<u>265,173</u>	<u>1,737,258,688</u>
Net increase/(decrease) in fiduciary net position	19,814,223	(252,256)	393,911	106,463	20,062,341
Net position - beginning of year	58,191,687	5,271,905	302,634	176,183	63,942,409
Net position - end of year	<u>\$ 78,005,910</u>	<u>5,019,649</u>	<u>696,545</u>	<u>282,646</u>	<u>84,004,750</u>

See accompanying independent auditors' report.

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

Combining Schedule of Net Position

June 30, 2024

Assets	General Operating Accounts	Rental Housing Bond Group	Commonwealth Mortgage Bond Group	Home- ownership Bond Group	Total
Current assets:					
Cash and cash equivalents	\$ 170,273,704	710,408,291	650,544,525	32,885,553	1,564,112,073
Investments	41,739,964	229,696,458	206,143,927	10,686,401	488,266,750
Interest receivable – investments	3,775,844	12,251,445	11,552,608	547,344	28,127,241
Mortgage loans held for sale	-	-	52,347,248	-	52,347,248
Mortgage and other loans receivable, net	10,396,803	97,946,712	68,457,872	3,941,253	180,742,640
Interest receivable – mortgage and other loans	1,032,408	19,766,388	7,742,522	274,983	28,816,301
Other real estate owned	2,779,928	-	1,242,096	-	4,022,024
Other assets	16,690,492	-	4,121	-	16,694,613
Total current assets	<u>246,689,143</u>	<u>1,070,069,294</u>	<u>998,034,919</u>	<u>48,335,534</u>	<u>2,363,128,890</u>
Noncurrent assets:					
Investments	497,351,792	-	208,775,263	-	706,127,055
Mortgage and other loans receivable	407,629,548	5,191,708,320	2,208,197,203	92,188,321	7,899,723,392
Less allowance for loan loss	34,197,979	71,599,493	36,492,591	833,315	143,123,378
Mortgage and other loans receivable, net	<u>373,431,569</u>	<u>5,120,108,827</u>	<u>2,171,704,612</u>	<u>91,355,006</u>	<u>7,756,600,014</u>
Capital Assets, net of accumulated depreciation and amortization of \$73,109,731	21,263,649	6,226,154	-	-	27,489,803
Mortgage servicing rights, net	26,601,200	-	-	-	26,601,200
Other Assets	29,597,420	-	-	-	29,597,420
Total noncurrent assets	<u>948,245,630</u>	<u>5,126,334,981</u>	<u>2,380,479,875</u>	<u>91,355,006</u>	<u>8,546,415,492</u>
Total assets	<u><u>1,194,934,773</u></u>	<u><u>6,196,404,275</u></u>	<u><u>3,378,514,794</u></u>	<u><u>139,690,540</u></u>	<u><u>10,909,544,382</u></u>
Deferred outflows of resources					
Other postemployment benefits - change in assumptions	1,627,852	-	-	-	1,627,852
Other postemployment benefits - difference between expected and actual experience	5,393,161	-	-	-	5,393,161
Other postemployment benefits - difference between projected and actual earning	585,200	-	-	-	585,200
Total Deferred outflows of resources	<u>7,606,213</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,606,213</u>

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

Combining Schedule of Net Position
June 30, 2024

	General Operating Accounts	Rental Housing Bond Group	Commonwealth Mortgage Bond Group	Home- ownership Bond Group	Total
Liabilities					
Current liabilities:					
Notes and bonds payable	400,000,000	103,070,000	86,438,080	1,503,230	591,011,310
Accrued interest payable on notes and bonds	720,640	36,656,348	18,198,678	93,279	55,668,945
Escrows	37,001,478	-	-	-	37,001,478
Federal grand awards held	4,670,946	-	-	-	4,670,946
Derivative instruments	-	-	104,711	-	104,711
Accounts payable and other liabilities	39,111,975	-	-	-	39,111,975
Total current liabilities	<u>481,505,039</u>	<u>139,726,348</u>	<u>104,741,469</u>	<u>1,596,509</u>	<u>727,569,365</u>
Noncurrent liabilities:					
Bonds payable, net	-	4,319,113,778	1,723,097,875	32,938,073	6,075,149,726
Project reserves	131,865,677	-	-	-	131,865,677
Loan participation payable to Federal Financing Bank	33,186,655	-	-	-	33,186,655
Other (assets) liabilities	14,683,468	2,412,297	-	-	17,095,765
Total noncurrent liabilities	<u>179,735,800</u>	<u>4,321,526,075</u>	<u>1,723,097,875</u>	<u>32,938,073</u>	<u>6,257,297,823</u>
Total liabilities	<u>661,240,839</u>	<u>4,461,252,423</u>	<u>1,827,839,344</u>	<u>34,534,582</u>	<u>6,984,867,188</u>
Deferred inflows of resources					
Deferred fees and points on multifamily loans	440,133	63,901,545	-	-	64,341,678
Other postemployment benefits - change in assumptions	508,695	-	-	-	508,695
Other postemployment benefits - difference between expected and actual experience	7,961,316	-	-	-	7,961,316
Total deferred inflows of resources	<u>8,910,144</u>	<u>63,901,545</u>	<u>-</u>	<u>-</u>	<u>72,811,689</u>
Net position:					
Net investment in capital assets	7,913,922	(337,473)	-	-	7,576,449
Restricted OPEB asset	12,601,297	-	-	-	12,601,297
Restricted by bond indentures	-	1,671,587,780	1,550,675,450	105,155,958	3,327,419,188
Unrestricted	511,874,784	-	-	-	511,874,784
Total net position	<u>\$ 532,390,003</u>	<u>1,671,250,307</u>	<u>1,550,675,450</u>	<u>105,155,958</u>	<u>3,859,471,718</u>

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2024

	General Operating Accounts	Rental Housing Bond Group	Commonwealth Mortgage Bond Group	Home- ownership Bond Group	Total
Operating revenues:					
Interest on mortgage and other loans receivable	\$ 16,032,346	221,887,571	98,142,391	4,171,718	340,234,026
Investment earnings:					
Investment income	22,146,763	46,182,568	45,284,854	2,038,025	115,652,210
Realized loss on investments	(3,447)	-	(26,239)	-	(29,686)
Unrealized loss on investments	(16,931,732)	1,223,719	8,346,860	56,932	(7,304,221)
Housing Choice Voucher program administrative income	10,510,743	-	-	-	10,510,743
Gains and recoveries on sale of other real estate owned	444,961	322,929	491,678	90,900	1,350,468
Gains on sale of single family mortgage loans	-	-	8,959,056	-	8,959,056
Mortgage servicing fees net of guaranty fees	41,945,145	-	-	-	41,945,145
Tax credit program fees earned	11,393,590	-	-	-	11,393,590
Other	8,118,252	11,164,555	14,133	-	19,296,940
Total operating revenues	<u>93,656,621</u>	<u>280,781,342</u>	<u>161,212,733</u>	<u>6,357,575</u>	<u>542,008,271</u>
Operating expenses:					
Interest on notes and bonds payable	22,260,173	139,615,352	48,074,075	1,165,617	211,115,217
Salaries and related employee benefits	82,379,072	-	-	-	82,379,072
General operating expenses	40,956,203	-	3,515	-	40,959,718
Note and bond expenses	1,766,623	-	-	-	1,766,623
Bond issuance expenses	74,747	3,786,357	5,612,831	-	9,473,935
Grant expenses	50,056,555	-	-	-	50,056,555
Housing Choice Voucher program expenses	9,898,309	-	-	-	9,898,309
Mortgage servicing rights amortization and other servicing costs	19,989,121	-	10,230,133	-	30,219,254
Losses on other real estate owned	1,351,585	-	297,868	11,129	1,660,582
Provision for loan losses	(4,653,351)	27,341,763	7,454,390	11,782	30,154,584
Total operating expenses	<u>224,079,037</u>	<u>170,743,472</u>	<u>71,672,812</u>	<u>1,188,528</u>	<u>467,683,849</u>
Operating income (expense)	<u>(130,422,416)</u>	<u>110,037,870</u>	<u>89,539,921</u>	<u>5,169,047</u>	<u>74,324,422</u>
Nonoperating revenues (expenses):					
Pass-through grant awards	170,785,271	-	-	-	170,785,271
Pass-through grants expenses	(170,785,271)	-	-	-	(170,785,271)
Total nonoperating revenues, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income (loss) before transfers	(130,422,416)	110,037,870	89,539,921	5,169,047	74,324,422
Transfers between funds	204,662,190	(104,038,492)	(100,898,459)	274,761	-
Change in net position	<u>74,239,774</u>	<u>5,999,378</u>	<u>(11,358,538)</u>	<u>5,443,808</u>	<u>74,324,422</u>
Total net position, beginning of year	458,150,229	1,665,250,929	1,562,033,988	99,712,150	3,785,147,296
Total net position, end of year	\$ <u>532,390,003</u>	<u>1,671,250,307</u>	<u>1,550,675,450</u>	<u>105,155,958</u>	<u>3,859,471,718</u>

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

Combining Schedule of Fiduciary Net Position
Fiduciary Funds – Custodial Funds
June 30, 2024

	Escrow Funds (GNMA, FNMA, FHLMC, Habitat)	Commonwealth Priority Housing Fund	Virginia Housing Trust Fund	National Housing Trust Fund	Total Custodial Funds
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 58,191,687	7,846,806	8,628,900	3,057,281	77,724,674
Interest receivable - investments	-	83,313	56,468	31,443	171,224
Interest receivable - mortgage and other loans	-	63,768	87,520	13,516	164,804
Other assets	-	213	-	-	213
Total current assets	<u>58,191,687</u>	<u>7,994,100</u>	<u>8,772,888</u>	<u>3,102,240</u>	<u>78,060,915</u>
Noncurrent assets:					
Mortgage and other loans receivable	-	2,177,870	-	-	2,177,870
Total noncurrent assets	<u>-</u>	<u>2,177,870</u>	<u>-</u>	<u>-</u>	<u>2,177,870</u>
Total assets	<u>58,191,687</u>	<u>10,171,970</u>	<u>8,772,888</u>	<u>3,102,240</u>	<u>80,238,785</u>
LIABILITIES					
Other liabilities	-	4,900,065	8,470,254	2,926,057	16,296,376
Total liabilities	<u>-</u>	<u>4,900,065</u>	<u>8,470,254</u>	<u>2,926,057</u>	<u>16,296,376</u>
NET POSITION					
Restricted for:					
Funds held in escrow	58,191,687	-	-	-	58,191,687
Other governmental agency	-	5,271,905	302,634	176,183	5,750,722
Total Net Position	<u>\$ 58,191,687</u>	<u>5,271,905</u>	<u>302,634</u>	<u>176,183</u>	<u>63,942,409</u>

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

Combining Schedule of Changes in Fiduciary Net Position
Fiduciary Funds – Custodial Funds
Year Ended June 30, 2024

	Escrow Funds (GNMA, FNMA, FHLMC, Habitat)	Commonwealth Priority Housing Fund	Virginia Housing Trust Fund	National Housing Trust Fund	Total Custodial Funds
ADDITIONS					
Contribution:					
Borrower payments	\$ 1,599,983,911	-	-	-	1,599,983,911
Total Contributions	<u>1,599,983,911</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,599,983,911</u>
Investment earnings:					
Interest, dividends, and other	-	1,114,684	860,498	335,684	2,310,866
Total investment earnings	<u>-</u>	<u>1,114,684</u>	<u>860,498</u>	<u>335,684</u>	<u>2,310,866</u>
Total additions	<u>1,599,983,911</u>	<u>1,114,684</u>	<u>860,498</u>	<u>335,684</u>	<u>1,602,294,777</u>
DEDUCTIONS					
Other governmental agency	-	773,423	631,128	196,093	1,600,644
Disbursement of escrow funds	1,617,127,705	-	-	-	1,617,127,705
Distributions to DHCD	-	525,000	-	-	525,000
Administrative expense	-	26,932	-	-	26,932
Total deductions	<u>1,617,127,705</u>	<u>1,325,355</u>	<u>631,128</u>	<u>196,093</u>	<u>1,619,280,281</u>
Net (decrease)/increase in fiduciary net position	(17,143,794)	(210,671)	229,370	139,591	(16,985,504)
Net position - beginning of year	<u>75,335,481</u>	<u>5,482,576</u>	<u>73,264</u>	<u>36,592</u>	<u>80,927,913</u>
Net position - end of year	\$ <u>58,191,687</u>	<u>5,271,905</u>	<u>302,634</u>	<u>176,183</u>	<u>63,942,409</u>



**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
Virginia Housing Development Authority
Richmond, Virginia

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 business-type activities and the fiduciary activities of the Virginia Housing Development Authority (the Authority), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2025 (except for the Retiree Health Care Plan fiduciary fund, which is as of and for the year ended December 31, 2024), and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 9, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing 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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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.

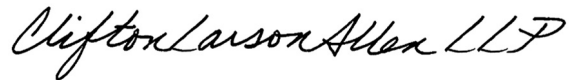
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority’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 financial statements. 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 the entity’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.



CliftonLarsonAllen LLP

Arlington, Virginia
September 9, 2025