

POLICY STATEMENT



Policy #:	Title:	Revised as of:
CHFA-2011-5	Program Eligibility Requirements: Delinquent or Non-Performing Applicants	4/26/18

POLICY STATEMENT

The Connecticut Housing Finance Authority (CHFA) is a major provider of affordable housing finance that:

- issues bonds, makes mortgage loans and administers assistance programs,
- relies on its borrowers to repay their loans according to contractual obligations and CHFA agreements with its bondholders,
- relies on borrowers and recipients of other development assistance to provide affordable rental homes in accordance with their contractual obligations and program requirements, and
- maintains standards and expectations for performance of all its borrowers and awardees in order that programs administered by CHFA achieve their public purposes.

Therefore, Applicants for mortgage loans and other financing, including Federal and State tax credits administered by CHFA, for the development and preservation of affordable rental homes must be able to demonstrate good standing with previous financial and programmatic obligations and shall:

- Be current in their required payments to CHFA, other State of Connecticut agencies, Federal agencies and housing finance agencies of other states;
- Not be an entity or an Affiliated Entity who is delinquent or noncompliant in its obligations to CHFA, other State agencies, or HUD;
- Be in compliance with CHFA program requirements as provided in applicable loan documents, agreements and contracts;
- Have a record of acceptable performance in developing and operating affordable housing as determined by CHFA; and
- Disclose any delinquencies, foreclosures, and/or charge-offs by any public or private lenders within the past five years.

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Generally, primary contact personnel for the Applicant and/or Affiliated Entity shall be able to demonstrate good standing to serve in this capacity. CHFA reserves the right to seek confirmation of good standing from other state housing finance authorities as may be required.

Applicant shall include all principals in the Applicant and co-sponsor entities, as well as any Affiliated Entities.

“Affiliated Entity” shall include, but not be limited to, a person that directly or indirectly is: (a) in control of another person; (b) is under the control of another person; or (c) is under common control with another person; (d) is a director or officer (or a member of the immediate family of a director or officer) of another person. For purposes of the foregoing, (a) “control” means possessing the power to directly or indirectly direct the management or policies of another person, whether through ownership of voting securities, by contract, or otherwise, including the power to elect a majority of the directors or trustees of a corporation or trust; and (b) “person” means any natural person, sole proprietorship, corporation, general partnership, limited partnership, limited liability company, limited liability partnership, limited liability limited partnership, joint venture, association, joint stock company or any other form of entity. The purpose of this policy is to ensure that Applicants do not benefit from CHFA financing if, in CHFA’s sole determination, they have failed to:

- repay CHFA or public funders of affordable housing development; or
- comply with any applicable affordable housing program requirements; or
- adequately perform on prior developments.

The criteria for determining satisfaction of these eligibility standards are provided in “Schedule A” attached to this Policy Statement.

GUIDELINES

CHFA will realize this policy through the establishment of the following:

1. Standards for Eligible Applicants:

In order to implement this policy CHFA will establish and implement eligibility criteria consistent

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with CHFA Procedures as articulated in Schedule A including but not limited to:

- current and recent payment performance on affordable housing obligations;
- compliance with CHFA program requirements;
- other related factors that will warrant ineligibility for funding.

2. Conditional Exceptions:

In implementing this policy, eligibility will not be denied if it has been determined by CHFA that conditions of default or inadequate performance have arisen due to circumstances beyond the control of the Applicant with regard to repayment, program compliance or other related factors that may warrant ineligibility.

CHFA may waive ineligibility if the Applicant has entered into, and is in substantial compliance with, a work-out or other agreement to resolve defaults and non-compliance. In making its determination, CHFA may consider whether the Applicant has during this period successfully undertaken comparable housing development activity not financed by CHFA.

3. Application:

The specific process and standards for implementing this policy will be established on a program by program basis as may be identified in CHFA Procedures (i.e. for each mortgage lending program, tax credit program, or state supported assistance program consistent with applicable law).

BACKGROUND AND STATEMENT OF NEED

CHFA desires to set an example and maintain standards of performance when determining those parties that will be eligible to use its funds to develop affordable rental homes.

As a mortgage lender and program administrator, CHFA must be able to rely on its borrowers and awardees to fulfill the terms of their agreements so that the public benefit of affordable housing lending and assistance programs will be realized. This maintains public trust and confidence in the use of CHFA's and public funds for the development of affordable housing. CHFA must also

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manage its lending risk and ensure the best use of its resources. Ensuring that resources are provided to Applicants that have a history of repayment and compliance helps meet these objectives.

IMPLEMENTATION & RESPONSIBLE DEPARTMENTS

CHFA will implement this policy through:

- Required disclosure by Applicants of payment default and other non-compliance by the Applicants, including that of any Affiliated Entities;
- Required disclosure of CHFA housing development portfolio operational performance by the Applicant or Affiliated Entity;
- Verifying disclosure of default or non-compliance with CHFA and State obligations; and
- Review and consideration of such default or non-compliance events as a part of the application process for each affordable housing finance program, including where applicable a determination by the Board.

Responsible Department(s): Multifamily Housing

Responsible Position: Managing Director – Multifamily Housing

RELATIONSHIP TO OTHER POLICIES AND GUIDELINES

- CHFA Procedures, including those governing Rental Housing
- Low-Income Housing Tax Credit Qualified Allocation Plan (QAP) and Procedures
- CHFA Multifamily Housing guidelines, standards and requirements

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DEFINITIONS

Affiliated with: means any person or entity having a contractual or other business relationship with a principal of a delinquent or noncompliant housing development as described in Schedule A.

Board Approval

Date of Board Approval:
Effective Date:
Date of Board Approved Revisions

May 26, 2011
May 26, 2011
April 30, 2015REV
April 26, 2018REV

Signed:
Karl F. Kilduff
CHFA Executive Director
April 26, 2018

Schedule A

Limitations on Eligibility for Financing through CHFA

The Connecticut Housing Finance Authority (CHFA) will not consider nor continue to process an application for a mortgage or other financing from an Applicant who:

1. Is affiliated with, owns or manages a housing development which is at the time of application or subsequently during such application processes delinquent on any Authority, State of Connecticut (the "State"), Federal agency or other state housing finance agency obligation for one hundred twenty (120) or more days.
2. Is affiliated with, owns or manages, or has been affiliated with any housing development which has failed to comply with the terms of its mortgage documents for CHFA mortgage financing or Extended Low Income Housing Commitment for the Federal Low Income Housing Tax Credits previously awarded by CHFA or any other State Low Income Housing Tax Credit allocating agency.
3. Is or has been affiliated with any housing development or program which has failed to comply with the terms of an award of tax credits under the State of Connecticut Housing Tax Credit Contribution Program.
4. Is or has been affiliated with a housing development whose mortgage was charged off by the Authority or whose mortgage or other agreements with the Authority, its subsidiaries, or other agency of the State or Federal Government are or were in default, foreclosure, or bankruptcy at any time in the past five (5) years.

The Board of CHFA may waive the prohibitions contained in 1, 2 and 3, and the President-Executive Director of the Authority, with the approval of the Chairman of the Board of Directors of the Authority, may waive the prohibition contained in 4 above, if the following two conditions are met:

1. The said Applicant has entered into a work-out or other agreement to resolve defaults and non-compliance; and
2. The terms and conditions of any such agreement have been and are substantially being met.

Other Conditions and Factors

CHFA may deny an application for a mortgage, or for other financing or compensation to any Applicant if it is determined by the Authority in its sole judgment that it is in the best interest of CHFA or the public to deny such application.

In making such a judgment the Authority may consider, but is not limited to, the following conditions or factors:

- a) Full or limited denial of participation, debarment, suspension or voluntary exclusion from participation in any State, Federal, or other Government program;
- b) The existence of current or previous chronic past due accounts, substantial liens or judgments,
- c) The existence of charge offs, defaults, foreclosures, or bankruptcies prior to the preceding five years;
- d) The actual or alleged commission of crimes or other violation of laws, procedures or regulations;
- e) The willful failure to perform or a history of failure to perform, or a record of unsatisfactory performance, in accordance with contractual specifications or time limits, particularly if such performance was within the control of the party;
- f) A history of failure to comply with CHFA regulatory agreements and covenants;
- g) The current or previous inability to place projects in service in their year of reservation or to meet the requirements to receive a carry-over allocation if they have received a reservation of Federal Low-Income Housing Tax Credits;
- h) A lack of creditworthiness because of information provided in credit reports or because of questions about management capabilities, character, or other capacities, and
- i) The falsification of or failure to disclose information requested by CHFA.

When presenting an application for mortgage or an allocation of tax credits to the Board of Directors, the staff will report on the issues and factors addressed in the policy as those become known during the application review process.