

CHFA Taxable Bond Financing for Use with the 2023 9% LIHTC Round



Process to Obtain a Letter of Financing Interest from CHFA

The Connecticut Housing Finance Authority (CHFA) has made available taxable bond financing for use with the upcoming 9% LIHTC applications. These products are limited to LIHTC developments that are awarded a 9% tax credit reservation. Construction-to-permanent, construction-only and permanent-only financing products are offered. See attached product descriptions for full details.

Applications for up to \$1 million from CHFA's Opportunity Fund will also be accepted. This financing must be paired with a CHFA senior loan. Please carefully review the requirements for these sources before including them in an application.

CHFA can provide letters of financing interest for use with a 9% LIHTC application. For the purposes of initial loan sizing at the application for a letter of financing interest, CHFA will assume the following interest rates:

Construction-Only Product: Fixed rate 5.63% (based on the October 5, 2022 1-month Secured Overnight Financing Rate of 3.13% plus 200 basis points, and a 50 basis point rate cushion)

Construction-to-Permanent Loan Product:

- **Construction Rate:** Fixed rate at 5.63% (based on the October 5, 2022 1-month Secured Overnight Financing Rate of 3.13% plus 200 basis points, and a 50 basis point rate cushion)
- **Permanent Rate:** Fixed rate at 6.75% (based on the October 5, 2022 10-year Treasury rate of 3.75% plus 250 basis points, and a 50 basis point rate cushion)

Permanent-Only Product:

- Fixed rate at 7.25% (based on the October 5, 2022 10-year Treasury rate of 3.75% plus 300 basis points, and a 50 basis point rate cushion)

Opportunity Fund and Affordable Housing Fund (if available):

- Interest rates to be determined by CHFA

At the time of rate lock, the final rate for the permanent loans will be based on the current index.

Required Documents

Applicants may apply for a letter of financing interest with reduced documentation. The following items found in the CHFA-DOH Consolidated Application (and applicable attachments) will be required:

- Exhibit B – Cover Sheet.
- Exhibit C – Summary Sheet.

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- Exhibit D – Application (must be fully completed).
- Exhibit 3.1a – Qualified Development Team Contact Information.
- Exhibit 4.9c – Exploded Trade Payment Breakdown.
- Exhibit 4.9e – Project Cost Summary.
- Exhibit 5.1a – Rental Income Calculation Sheet.
- Exhibit 5.2a – Detailed Income & Expense Form.
- Exhibit 5.2b – Line by Line Explanation of Expenses.
- Exhibit 5.2d – Real Estate Taxes.
- Exhibit 5.3 – Cash Flow Projection.
- Exhibit 6.3 – Development Budget.
- Exhibit 6.4 – LIHTC Calculation.
- Exhibit 6.5 – Sources of Funds.
- Exhibit 6.6 – Existing Debt.
- Exhibit 11.3 – Application Fee.

CHFA reserves the right to request additional documentation upon review.

Applications and required documentation must be sent to PreliminaryApplication@chfa.org no later than 4:00 PM on Friday November 18, 2022.

Applicants are encouraged to explore all financing options and multiple letters of financing interest will be accepted for review with the 9% LIHTC application. The use of CHFA financing will not affect the review or scoring of a 9% LIHTC application.

While the receipt of a letter of financing interest from CHFA is not guaranteed, letters of financing interest for successful applications are anticipated to be issued by December 30, 2022.

For more information, please contact Michelle Onofrio at michelle.onofrio@chfa.org or Joe Voccio at joe.voccio@chfa.org

CHFA 9% Low-Income Housing Tax Credit (LIHTC)

Construction-Only Loan Product Summary



Rate:	Fixed rate at One Month Secured Overnight Financing Rate (1M SOFR) plus 200 basis points, provided the project meets the closing date requirement.
Loan Term:	Not to exceed 24 months. Upon request and approval, a longer term may be permitted, subject to a rate premium.
Amortization:	Interest-only payments are due until maturity.
Early Prepayment:	Prepayment is available beginning in month 16, provided the construction loan proceeds have been disbursed in full.
Loan Origination Fee:	Based on the current Multifamily Financing Program Parameters and Fees guidelines.
Underwriting Standards:	CHFA Multifamily Underwriting Standards apply.
Closing Deadline:	November 30, 2023. If the closing takes place after this date, CHFA reserves the right to re-evaluate pricing.

CHFA 9% Low-Income Housing Tax Credit (LIHTC)

Construction-to-Permanent Product Summary



Structure:	Two-note structure.
Loan Rates:	<p><u>Construction Loan:</u> Fixed rate at One Month Secured Overnight Financing Rate (1M SOFR) plus 200 basis points, provided the project meets the closing date requirement.</p> <p><u>Permanent Loan:</u> Fixed rate based on the 10 Year Treasury Rate plus 250 basis points.</p> <p>CHFA's rate lock procedure will be followed. Closing with construction lender (CHFA or otherwise) must take place on or before November 30, 2023. If the closing takes place after this date, CHFA reserves the right to re-evaluate pricing. Accordingly, CHFA will determine the best execution for each project.</p>
Loan Term:	<p><u>Construction Loan:</u> Not to exceed 24 months. Upon request and approval, a longer term may be permitted, subject to a rate premium.</p> <p><u>Permanent Loan:</u> 37 years (assuming a 24-month construction term and 35-year amortization term).</p>
Amortization:	<p><u>Construction Loan:</u> Interest-only payments are due until maturity.</p> <p><u>Permanent Loan:</u> 35 years. Interest-only payments are due during the construction term, monthly amortized payments of principal and interest will commence on month 25 (assuming a 24 month construction term). Early amortization is not permitted.</p>
Disbursement:	Both the construction and permanent loan proceeds will be disbursed on a pari-passu basis during the construction term.

CHFA 9% Low-Income Housing Tax Credit (LIHTC)

Construction-to-Permanent Product Summary



Early Prepayment:	<p><u>Construction Loan:</u> Prepayment is available beginning in month 16, provided the construction loan proceeds have been disbursed in full.</p> <p><u>Permanent Loan:</u> May be repaid in full after 15 years of amortization, provided the loan is refinanced with CHFA at the then-offered terms and conditions and subject to availability of funding sources; all other applicable requirements, including covenants of continued affordability and payment of a fee equal to 1% of the outstanding principal balance .</p> <p>After 20 years of amortization, the loan may be repaid in full subject to satisfaction of applicable requirements, including covenants of continued affordability and payment of a fee equal to 1% of the outstanding principal balance. See the Preservation of Housing Affordability Policy Statement for full details.</p>
Loan Origination Fee:	Based on loan size in accordance with the current Multifamily Financing Program Parameters and Fees guidelines, due at construction loan closing.
Underwriting Standards:	CHFA Multifamily Underwriting Standards apply.
Closing Deadline:	November 30, 2023. If the closing takes place after this date, CHFA reserves the right to re-evaluate pricing.

CHFA 9% Low-Income Housing Tax Credit (LIHTC)

Permanent Loan Product Summary



Loan Rate:	<p>The fixed rate will be based on the 10-year Treasury rate plus 300 basis points. The rate will be locked at the approximate time the construction loan rate is locked, but no sooner than 30 days prior to the Construction Closing. If there is a closing delay beyond the 30 day rate lock period, or which results in repricing by the construction lender, CHFA reserves the right to re-evaluate pricing. This rate will be locked consistent with CHFA's rate lock procedure and will follow current CHFA Multifamily Financing Program Parameters and Fees guidelines.</p>
Loan Term:	<p>35 years.</p>
Amortization:	<p>35 years.</p>
Disbursement:	<p>No disbursement at Construction Closing. Full/One-time disbursement at Permanent Loan Closing.</p>
Permanent Loan Closing:	<p>24 months from the Construction Closing. May be extended for up to six additional calendar months upon payment of an extension fee of \$5,000 per calendar month.</p>
Requirements for Permanent Loan Closing:	<p>May include; but not be limited to:</p> <ul style="list-style-type: none"> • 100% qualified occupancy of LIHTC units • 100% retirement of the construction loan • Satisfaction of all investor conditions to allow necessary equity to be available • Updated underwriting to confirm income, expenses, debt service coverage, etc. at rent up • 1.15 debt service coverage for 90 days consecutively • All reserve requirements must be met • CHFA approval of any development team member changes, LPA changes, etc. • Satisfaction of all CHFA Final Closing items (including but not limited to CHFA Permission to Occupy, release of retainage, environmental close-outs, as-built survey, clear title, establishment of escrow accounts, etc.)
Early Prepayment:	<p>The permanent loan may be prepaid in full after 15 years of amortization, provided the loan is refinanced with CHFA at the then-offered terms and conditions; subject to availability of funding sources; and subject to all other applicable requirements, including covenants of continued affordability and payment of a fee equal to 1% of the outstanding principal balance.</p> <p>After 20 years of amortization, the permanent loan repaid in full after year 20 subject to satisfaction of applicable requirements, including covenants of continued affordability and payment of a fee equal to 1% of the outstanding principal balance. See the Preservation of Housing Affordability Policy Statement for full details.</p>

Loan to Value:	80% of the appraised prospective investment value or 80% of CHFA's estimated total lending cost.
Loan Sizing:	<ul style="list-style-type: none"> • Permanent Debt may be sized to the current year rents at Construction Closing and without trending the rents during construction. • No commercial income may be used to size the permanent debt.
Appraisal & Market Study:	Reports will be ordered by CHFA following payment by the applicant.
Loan Origination Fee:	This will be based on loan size in accordance with current Multifamily Multifamily Financing Program Parameters and Fees , due at Construction Closing. This fee is non-refundable.
Forward Standby Fee:	1% of loan amount, due at Construction Closing. This fee is nonrefundable.
Forward Good Faith Deposit:	1% of loan amount, due at Construction Closing. This fee is refundable at Conversion. It is payable to CHFA only if the project fails to convert or does not utilize the loan.
Third-Party Closing Costs:	Applicant is responsible for third-party closing costs.
Underwriting Standards:	CHFA Multifamily Underwriting Standards apply.
Closing Deadline:	November 30, 2023. If the closing takes place after this date, CHFA reserves the right to re-evaluate pricing.

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Opportunity Fund (OF) Program Guidelines



Eligible Uses	<ul style="list-style-type: none"> • Funding for multifamily rental developments in alignment with (1) CHFA’s statute and (2) CHFA’s strategic plan and priorities • Funding prioritized for developments utilizing CHFA financing.
Funding Uses	<ul style="list-style-type: none"> • Cash flow mortgage up to \$1 million • Deferred mortgage up to \$1 million • Other structures may be considered to make the transaction financially feasible as determined by CHFA
Interest Rate	Based on CHFA’s analysis and underwriting
Term and Amortization / Length of Affordability	Based on CHFA’s analysis, underwriting and determination with terms of 30 to 40 years with co-terminous periods of affordability
Security/Lien Position	<p>First Lien or cash flow mortgages</p> <p>CHFA must serve as the senior lien lender when there is a cash flow mortgage funded by CHFA</p>
Loan to Value / Loan Fees / Disbursements and Closing Costs	Per standard underwriting, see Multifamily Rental Housing Program Guideline
Other Requirements	The CEO-ED may waive or modify any of the requirements or conditions if it is deemed to be in the best interest of CHFA and its mission.

Applicants are invited to include Opportunity Funding as a source of funds in the DOH and CHFA Consolidated Application (ConApp) for a proposed development transaction if a gap exists that the applicant has been unable to fill despite best efforts and the proposed use of funds meets CHFA’s Strategic Plan goals and Mission. CHFA will prioritize unique and innovative proposals that expand high quality housing choices for low- and moderate-income households in both urban and non-urban areas as part of overall neighborhood revitalization efforts and as a means of reducing racial and economic segregation.