POLICY STATEMENT

Policy #:	Title:	Revised as of:
CHFA-2010-2	Debt Repayment Moratoriums	06/30/16

POLICY STATEMENT

The Connecticut Housing Finance Authority (CHFA) will consider the short-term suspension of multifamily housing mortgage payments (i.e., moratorium) in those instances where CHFA has determined:

(a) an interim period of time is necessary to evaluate debt restructuring alternatives,
(b) there is a strong likelihood that these alternatives will result in full repayment of any deferred amounts,
(c) the moratorium is likely to achieve these results, and
(d) other purposes as identified by the Board to support the long term sustainability of the property.

GUIDELINES

The guidelines for considering moratoriums are:

1. The mortgagor is working with CHFA in good faith in order to meet its financial obligations.

2. Debt restructuring alternatives exist which warrant evaluation.

3. Short-term debt deferral would provide a reasonable time period in which to evaluate the alternatives.

4. The mortgagor has executed a Pre-Workout Agreement as a first step toward processing under CHFA’s Troubled Debt Restructuring (TDR) Procedures.

5. In general, the moratorium period will be limited to 6 months. In exceptional cases, the moratorium period may be issued or extended beyond 6 months where the Board deems it to be in the best interests of the residents, property or CHFA.

6. Restructuring alternatives must provide for the repayment of any amounts suspended during the moratorium.

Implementation of a moratorium does not create any obligation, liability or responsibility on the part of CHFA to refinance, restructure or otherwise provide or permit future mortgage relief of any kind, and nothing in any moratorium agreement shall be construed as a waiver of any rights by CHFA and the mortgagor shall so stipulate in any moratorium or workout agreement. Moratoriums proposed pursuant to this policy must be authorized by the Board. CHFA will consider program moratorium proposals consistent with its purposes to preserve affordable housing, generate program income to reinvest in additional affordable housing, maintain quality homes for residents and honor its financial obligations to bondholders and investors.

BACKGROUND AND STATEMENT OF NEED

The value of prudently granting debt moratoriums has been demonstrated previously.

In its purchase of housing finance assets from the State in 2003, CHFA acquired several notes and funding agreements that were “non-performing”, that is, payment had not been received by the State for an extended period of time because the properties in question no longer generated sufficient operating income to service their debt. In several instances, a moratorium period allowed CHFA to work with property owners to develop a plan to re-establish payment and minimize hardship on the residents. Moratoriums also have been implemented to facilitate the development of long-term redevelopment plans for some sites.

Moratoriums have been used on a very limited basis in the CHFA-financed portfolio. They have proven to be useful in supporting the resolution of outstanding issues where there was some benefit to be obtained by suspending payments, and proceeding with foreclosure could have had more negative consequences for the residents, the property and CHFA .

Experience indicates that the use of debt repayment moratoriums has been appropriate and beneficial. In the exceptional circumstances of the state portfolio properties, they have allowed for improved performance, restructuring of outstanding obligations and long-term redevelopment planning to be developed. Moratoriums on CHFA financed properties have facilitated orderly consideration of alternatives which are of direct benefit to residents by restoring positive cash flow.

Therefore, it is appropriate to adopt a policy statement clarifying CHFA’s approach to and its purposes in providing any debt repayment moratoriums.

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IMPLEMENTATION & RESPONSIBLE DEPARTMENTS

The Asset Management, Legal and Finance Departments will consider the use of debt moratoriums within the implementation of CHFA's TDR Procedures.
Responsible Department: Asset Management Department
Responsible Positions: Managing Director - Multifamily Housing

RELATIONSHIP TO OTHER POLICIES AND GUIDELINES

Debt repayment moratoriums are utilized within the CHFA's TDR Procedures.

DEFINITIONS

"Debt Repayment Moratorium" is a formal agreement between CHFA and a mortgagor to temporarily suspend payments due to CHFA, apply such amounts to agreed upon uses and defer the exercise of CHFA's default rights as a mortgagee during the temporary period.

"Troubled Debt Restructuring Process" is CHFA's defined process under Section C-3 of its Procedures for evaluating the financial distress of a mortgagor's assets and, if appropriate, consider temporary or permanent mortgage restructuring.

"Pre-Workout Agreement" is a formal agreement between the mortgagor of a financially distressed development and CHFA that establishes the terms and conditions for consideration under the TDR process.

"Financially Distressed Property" means a property which, for reasons beyond the control of the owner, does not generate revenues that are sufficient to pay amounts due under the mortgage and required operating expenses.

"Good Faith dealing" requires that the party seeking the moratorium under CHFA's TDR Procedures and their representatives are dealing with CHFA in a fair and equitable manner without intent to deceive, coerce, intimidate or threaten.

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Board Approval

Date of Board Approval:	**March 25, 2010**
Effective Date:	**March 25, 2010,**
Date of Board Approved Revisions:	**May 24, 2010REV, May 30, 2013REV, June 30, 2016REV**

Signed:
Karl F. Kilduff
CHFA Executive Director
July 6, 2016