

POLICY STATEMENT



Policy #:	Title:	Revised as of:
CHFA-2021-1	Investment Trust and Opportunity Fund Accounts	1/28/21

The Connecticut Housing Finance Authority (CHFA) will deploy its available resources in a manner that advances its mission to alleviate the shortage of affordable housing for low and moderate income families and individuals. To this end, it will maximize the prudent use of such resources to the greatest extent possible by creating a new Opportunity Fund that will be used as an additional source of funding for affordable housing. This new fund will serve as a supplemental resource to accompany programs or initiatives receiving CHFA financing or CHFA bond proceeds. In creating this fund, the Authority recognizes that it can maintain financial sustainability while at the same time creating flexibility and additional opportunities for CHFA to expand the preservation and creation of affordable housing in our state.

GUIDELINES

In furtherance of this policy, CHFA will establish an Opportunity Fund Account (OFA) to supplement the Investment Trust Account (ITA). Like the ITA, the OFA will be funded out of the Housing Mortgage Finance Program Bond Resolution on an annual basis in conjunction with CHFA Annual Budget and Plan of Operations. The Accounts will be deployed in accordance with the guidelines below.

Investment Trust Account provides financing for the following:

- 1st mortgage loan or Mortgage Backed Security with CHFA in first lien position
- 2nd mortgage loan, provided that CHFA is in first lien position
- All Loans shall be secured by a mortgage lien

In each instance in which funds from ITA are used, the interest rate shall be commensurate with the risk, term of the loan and market conditions at the time of financing. Financing using ITA funds must comply with CHFA statute, procedures and program guidelines.

The new **Opportunity Fund Account** is generally designed to provide gap financing, principal loss remediation or interest rate subsidies for developments receiving CHFA financing products or CHFA bond proceeds. Financing using OFA funds must comply with CHFA statute, procedures and program guidelines.

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From time to time, the ITA and OFA may be used by CHFA to fund CHFA bond loans or investments temporarily prior to the issuance of bonds. The accounts shall be reimbursed after the issuance of the bonds. In addition, CHFA may utilize funds in both accounts to pay for any obligations and expenses incurred by CHFA. Other transaction structures may be considered to make the transaction financially feasible as determined by CHFA, including combining the ITA and OFA within the same transaction.

BACKGROUND AND STATEMENT OF NEED

With an ever increasing shortage of affordable housing in Connecticut and limited state and federal funds to address the issue, it is incumbent upon CHFA to look for new ways to meet its mission. In 2020, CHFA engaged an outside firm to conduct a capital needs analysis. The purpose of the analysis was to identify resources that would support CHFA's strategic plan, giving a clearer picture of how funds are currently being used and recommending new sources of funding that would assist CHFA in meeting its mission. Out of the study came the recommendation of creating a separate account, using a portion of CHFA's excess revenues from its bond program to support programs and initiatives that are in need of additional financing in order to move forward. The concept of an Opportunity Fund has been tested by a number of state HFAs and has enabled them to preserve or support the creation of additional affordable housing in their respective states.

IMPLEMENTATION & RESPONSIBLE DEPARTMENTS

CHFA will implement this policy under the guidance of the following department and position:

Responsible Department: Finance Department

Responsible Position: Chief Financial Officer

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RELATIONSHIP TO OTHER POLICIES AND GUIDELINES

This policy works in conjunction with CHFA’s Procedures and Program Guidelines. It has been developed to support the policies and priorities of CHFA’s Strategic Plan.

BOARD APPROVAL

Date of Board Approval: January 28, 2021
Effective Date: January 28, 2021
Dates of Board Approved Revisions:
Date of Current Board Approved Revision:

Signed:
Nandini Natarajan
CHFA CEO-Executive Director
Date: January 28, 2021