

POLICY STATEMENT



Policy #:	Title:	Revised as of:
CHFA-2010-1	Preservation of Housing Affordability	3/25/2021

The Connecticut Housing Finance Authority (CHFA) will preserve the long term affordability of multifamily rental housing financed and developed with federal, state, CHFA and private resources to advance its mission and to maximize the use of available CHFA resources to the greatest extent possible. This policy will prevent the loss of affordable housing units by ensuring long term preservation and sustainability of affordable housing through terms that include to the extent possible:

- Extension of low-income unit affordability;
- Maintenance of properties in decent, safe and sanitary conditions, including compliance with regulatory restrictions over the long term;
- Sufficient financial incentive for owners to maintain existing housing as affordable throughout the term of any new financing; while,
- Ensuring that funds continue to be available for additional affordable housing by maintaining current interest income to CHFA.

PREPAYMENT GUIDELINES

In accordance with its mission and goals, CHFA has extended mortgage loans to finance certain multifamily rental housing developments that may not be prepaid in advance of their maturity dates without the consent of the Authority. In furtherance of this policy, CHFA will establish a Preservation of Housing Affordability Program (the "Preservation Program") to detail the framework in which certain existing affordable multifamily rental housing loans ("MF Loan") will be permitted to prepay. The Preservation Program will describe the Prepayment Guidelines outlined below in further detail.

1. No MF Loan can prepay prior to the 15th year following the date of commencement of amortization of such MF Loan.
2. The permanent loan may be prepaid:
 - a. in full after 15 years of the MF Loan term by virtue of refinance with a mortgage loan from CHFA and subject to the satisfaction of all applicable CHFA requirements, including the payment of a fee equal to 1% of the outstanding principal balance, or
 - b. in full after 20 years of the MF Loan term and subject to the satisfaction of all applicable

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CHFA requirements, including the payment of a fee equal to 1% of the outstanding principal balance.

3. Conditions:

- CHFA will require the payment of all related fees and costs of the prepayment, estimated to be 1% of the unpaid principal balance, plus the cost to terminate any existing hedge agreements entered into by CHFA in connection with the financing, as applicable.
- New and refinanced loans require the approval of CHFA’s Board of Directors and must abide by the requirements of the State of Connecticut’s Low-Income Housing Tax Credit Qualified Allocation Plan (QAP), CHFA’s multifamily housing underwriting standards, and CHFA policies and Procedures, as applicable.
- Long term affordability must be maintained as required by CHFA and Section 42 of the Internal Revenue Code, 24 CFR Part 982 - Section 8 of the United States Code governing the U.S. Department of Housing and Urban Development (HUD), State of Connecticut applicable governing law and/or other relevant statutes/programs, each as applicable.
- CHFA will require the maintenance of affordability for a minimum of 15 years following the prepayment under a modified extended low-income housing commitment, or other regulatory agreement, to ensure that multifamily housing, particularly in high cost areas, remains affordable.
- Regulatory and programmatic oversight of the multifamily property will continue through the expiration of CHFA’s current or extended affordability period, whichever is applicable.
- Consent from other funders, including HUD and/or the State of Connecticut Department of Housing, is to be obtained, as applicable, prior to CHFA’s approval of any prepayment of a MF Loan.

4. CHFA reserves the right to review and approve prepayment requests that meet the Prepayment Guidelines, including examining factors related to the subject transaction such as:

- Proposed buyer and/or management agent;
- Current capital needs assessment and scope of work;
- Physical and financial condition of property, including reserves and escrows;
- Appraisal and sale price;
- Project-based assistance contracts; and
- Any other factors that contribute to the stability and feasibility of the proposed transaction in CHFA’s sole discretion.

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5. To the extent possible, affordability restrictions that are not required by federal or state program funding sources will be designed to provide opportunities for household wealth formation by re-evaluating the requirements such as the annual income recertification as a condition of continued occupancy.
6. The CEO-Executive Director is authorized to approve prepayment requests meeting the conditions of the Preservation Policy, and will report to the Board when such action is taken. Board approval remains a requirement:
 - for new and refinance transactions;
 - in instances where the CEO-Executive Director does not exercise the authority to approve a prepayment request; and
 - in situations where the facts deviate from the conditions specified in the Preservation Policy but warrant consideration in support of CHFA’s mission.

IMPLEMENTATION AND RESPONSIBLE DEPARTMENTS

This policy will be implemented as follows:

- **Multifamily Asset Management** will develop and implement a Preservation Program, which will include, at a minimum: (a) development of a mortgage finance and restructuring program for owners of properties financed by CHFA; (b) identification of properties that are likely candidates for preservation and financing through CHFA; (c) communication and outreach to eligible owners with incentives to induce participation; and (d) tracking progress of preserving affordable housing pursuant to CHFA’s strategic plan and other goals and objectives, as applicable.
- **Multifamily Housing Development** will collaborate with Multifamily Asset Management in the implementation of the Preservation Program and will actively solicit interest, and promote the use of, appropriate available resources for the acquisition and rehabilitation of HUD assisted housing not in the CHFA portfolio, consistent with this policy.
- **Asset Management, Finance, Multifamily Housing Development and Legal Departments** will develop a CHFA process to implement the restructuring of mortgages and the provision of additional debt consistent with this policy statement.

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Responsible Department: Multifamily Department

Responsible Position: Managing Director – Multifamily Housing

RELATIONSHIP TO OTHER POLICIES AND GUIDELINES

Preserving affordability within the assisted housing portfolio is consistent with state housing policy to extend the useful life of previously developed assets already serving low-income households within communities across Connecticut. Additionally, investment in the preservation of housing affordability as described in this policy statement supports other state housing policies as this investment:

- mitigates homelessness by providing for the continued availability of housing for extremely low income households;
- provides continued affordable housing for low-income elderly supporting their ability to age in-place;
- enables new capital investment in energy saving and environmentally sound property improvements that conserve natural resources; and
- continues to provide low-income families with the affordable housing that can serve as the basis for a stable family life and the realization of other educational and employment opportunities.

This policy does not address the substantial redevelopment of various assisted housing assets or the typical funding and financing of routine capital maintenance, which are available through other ongoing housing development finance programs and processes. This policy also does not preclude CHFA from allowing prepayment of other mortgage loans in furtherance of CHFA’s mission and upon Board approval.

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Other relevant CHFA standards and requirements are found in the State of Connecticut’s QAP, CHFA’s Procedures and ancillary documents, which incorporate CHFA’s:

- Multifamily mortgage underwriting and construction standards;
- Multifamily asset management requirements;
- LIHTC requirements; and
- Compliance Monitoring.

BOARD APPROVAL

Date of Board Approval:	January 28, 2010
Effective Date:	January 28, 2010
Dates of Board Approved Revisions:	May 24, 2010, May 30, 2013, October 17, 2017
Date of Current Board Approved Revision:	March 25, 2021

Signed:
Nandini Natarajan, Chief Executive Officer and Executive Director
March 25, 2021