CHFA Multifamily Financing
Tax -Exempt Take Out Program (TETOP) Summary

To facilitate the production of affordable housing and leverage scarce public resources in Tax Exempt bond financed transactions, CHFA offers a fixed-rate, take out product to retire and replace construction debt provided by private lenders. This CHFA tax-exempt bond financing sourced from new private activity cap activates the availability of 4% Low Income Housing Tax Credits (LIHTCs) in the transaction.

This product is available to borrowers who can demonstrate that partnering with a private construction lender and an affiliated tax credit investor will generate greater equity than if simply executing a standard CHFA construction-to-permanent tax-exempt bond transaction. This increased tax credit pricing offsets the need for additional scarce resources from the State to construct or rehabilitate affordable housing.

With this product, CHFA will conduct parallel underwriting alongside the construction lender and both loans will close simultaneously. The construction lender will provide the resources to construct or rehabilitate the property to completion (99% complete) and prior to the placed in service date, at which time CHFA's loan principal will be advanced and will retire the private construction loan. This CHFA loan will remain outstanding for a minimum period of 6 months, but in no event more than 10 months, before a required principal reduction paydown at the permanent loan conversion closing to an amortizing permanent loan amount with the use of LIHTC equity and other sources in the transaction. The maximum loan amounts and "not-to-exceed" interest rate will be committed to in an approved Board resolution.

The summary below outlines additional provisions and loan terms associated with the product.

Structure:	One Note: Construction to Permanent Promissory Note.

Maximum Loan Amount:	The maximum loan amount will be determined by CHFA's Underwriting Guidelines which include but are not limited to loan-to-value, debt service coverage, and State statute requirements.
Loan Rates:	Due to the forward-nature of the product, CHFA will provide an underwriting rate unrelated to the published rates of the CHFA website.
Rate Lock:	CHFA's standard rate lock process will be utilized prior to the initial construction loan closing.
Construction Period:	Commencing at the time of the initial construction loan closing and ending no later than 18 months. The product will not be offered to projects with construction periods greater than 18 months.
Bond Loan Advance:	Upon construction completion and meeting the Bond Loan Advance Benchmarks, CHFA will make a single loan advance to retire and replace the construction lender's loan.
Bond Loan Advance Interest-Only Period:	Maximum of 10 months Minimum of 6 months Interest-only payments are due on the Bond Loan from the time the advance is scheduled to be made through the CHFA permanent loan conversion closing.
Loan Term:	The CHFA loan shall be reduced to the permanent loan amount by the end of the Bond Loan Advance Interest-Only period, but in no event later than 28 months from the initial construction loan closing. See examples below.
Mortgage Lien Priority	During the Construction Period, the CHFA mortgage lien must be in second lien priority position. Coincident with the CHFA Bond Loan Advance, the CHFA mortgage lien must convert to first lien priority position.
Loan Term Extensions:	Loan-term extensions are not available.

Amortization:	Amortization commences upon the completion of the permanent loan conversion closing. Amortization terms cannot exceed 40 years.
Aggregate Basis Test:	The amount of tax-exempt volume cap utilized in each transaction will be limited to 28% of the project's aggregate basis. The balance of the bond loan in excess of this amount will be provided by taxable bond proceeds or recycled bond proceeds, if available.
Loan Application Fee	$2,500 per Project
Loan Commitment Fee	50% of Loan Origination Fee, Due upon Commitment Letter Acceptance and Credited Against Loan Origination Fee at Closing
Loan Origination Fee	1.125% of the total loan amount payable at initial construction loan closing.
Bond Cost of Issuance	1.25% of the loan amount payable at initial construction loan closing.
Non-Utilization	In the event the CHFA Bond Loan is not advanced at the commencement of the Bond Loan Advance Interest-Only Period, a non-utilization fee will be due & payable monthly on an amount equal to the interest which would have otherwise accrued on the Bond Loan had the borrower obtained the funds as scheduled.
Appraisal & Market Study	Required. If reliance is provided and CHFA requirements are met, CHFA, in its sole discretion, may utilize the construction lender's reports.
Bond Loan Advance Benchmarks	• Draft Cost Certification • Cert of Substantial Completion • Required Lien Waivers • Temporary Certificates of Occupancy • VLIE Compliance • Mortgagee Title Policy Endorsement • Completion of Investor's benchmark for conversion equity contribution

Product Underwriting Assumptions:	Income and expenses will not be trended. 10 months of CHFA-loan interest is required in the development budget.

Example #1: The Construction Period for Project A is 12 months. As the Bond Loan Advance Interest Only Period is 10 months, the maximum term for this transaction is 22 months. The Bond Loan Advance will be scheduled to replace the Construction Lender in month 12. Assuming the Bond Loan Advance is made as scheduled (project is 99% complete and Bond Loan Advance Benchmarks have been achieved) it will remain outstanding for at least six full months. Provided there are no other delays which would require the developer to use the four-month cushion, the Loan Advance converts to an amortizing permanent loan at the beginning of the 19th month. However, should there be any timing delays, there is up to a four-month cushion before reaching the end of the 22nd month.

Example #2: The Construction Period for Project A is 18 months. As the Bond Loan Advance Interest Only Period is 10 months, the maximum term for this transaction is 28 months. The Bond Loan Advance will be scheduled to replace the Construction Lender in month 18. Assuming the Bond Loan Advance is made as scheduled (project is 99% complete and Bond Loan Advance Benchmarks achieved) it will remain outstanding for at least six months. Provided there are no other delays which would require the developer to use the two-month cushion, the Loan Advance converts to an amortizing permanent loan at the beginning of the 25th month. However, should there be any timing delays there is a four-month cushion before reaching the end of the 28th month.