colorado housing and finance authority

2010 community report

the new normal

I started my career at CHFA over twenty years ago and in February 2010, I was honored to be named the new Executive Director. I entered this new leadership position during an interesting and challenging time.

I've watched CHFA's business environment change dramatically over the last few years. When the bond market stalled, we had to find new ways to raise capital to effectively meet our mission. Our concern was not simply for ourselves and the challenges we faced, but for the thousands of Coloradans that we help every year. Our staff exemplified innovation and perseverance, breaking down operational silos to form high-performing teams that identified new programs and partnerships, enabling us to meet our mission in previously unexplored ways.

Through this experience, we found our "new normal." It involves stepping outside of CHFA's traditional financing models, using progressive thinking, implementing operational transparency, and forming new relationships while continuing to exemplify our core qualities – sustainability, responsibility, and integrity. In 2010, this "new normal" allowed us to succeed despite challenges in the market, as shown on the back panel of this report.

On the following pages, we will show you how our focus on customers, finance, internal operations, and our staff demonstrated our core qualities and allowed us to continue to offer Coloradans the opportunities to pursue their dreams.

Cris A. White

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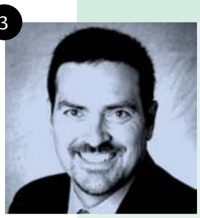
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chfa board of directors

1
Sam Betters
CHFA Board Chair
Executive Director
Housing Authority of the City of Loveland

2
Kevin Marchman
CHFA Board Chair Pro Tem
Board Chairman
National Organization of African Americans in Housing (NOAAH)

3
Mark O'Connor
CHFA Board Secretary/ Treasurer
Senior Vice President
FirstBank Holding Company

4
John Blumberg
Co-founder & Principal
Black Creek Capital

5
Senator Betty Boyd
President Pro-Tem
Colorado State Senate

6
Jim Hahn
JMH Consulting

7
Roxanne (Roxy) Huber
Executive Director
Colorado Department of Revenue

8
David Myler
Myler Law Firm

9
Anita Padilla-Fitzgerald
Founder
Megastar Financial

10
Joel S. Rosenstein
Partner
Senn Visciano, P.C.

11
Sally Symanski, CPA, CGFM
Colorado State Auditor

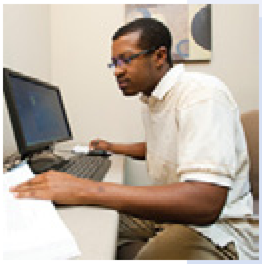
opportunity

For many people, CHFA represents opportunity. It was created to provide safe, secure mortgage, business, and multifamily loans to Coloradans to give them fixed payments with peace of mind.

arra/tcap & tcep

As the Low Income Housing Tax Credit (LIHTC) allocating agency in Colorado, CHFA participated in the Tax Credit Assistance Program (TCAP) and Tax Credit Exchange Program (TCEP). These programs were created under the American Recovery and Reinvestment Act to sustain LIHTC affordable housing developments by providing gap financing to those projects that were stalled due to the downturn of the LIHTC equity market. We deployed $58 million in gap financing to 23 projects across the state, giving over 1,500 Coloradans a place to call home and leveraging $272 million in project costs across the state.

ginnie mae partnership/chfa mcc



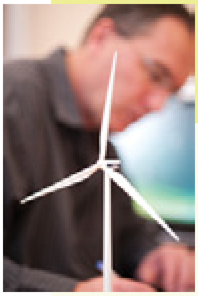
Historically, CHFA has funded the majority of its single family production through the sale of bonds. However, with the economic downturn, the bond market was functioning very inefficiently. As a result, an innovative loan partnership with Ginnie Mae was developed: CHFA purchases loans made by lender partners and sells the asset as a Ginnie Mae security while retaining the servicing of the loan.

With the Ginnie Mae partnership keeping single family mortgage production going strong, CHFA launched the statewide Mortgage Credit Certificate (MCC) program using the previously unused bond capacity. With a CHFA MCC, a homebuyer can claim 20 percent of the mortgage interest paid annually, dollar-for-dollar, against their federal tax obligation. The remaining 80 percent of the mortgage interest paid can continue to be used as an itemized deduction. Because borrowers don't pay as much toward taxes, they have more money left in their paychecks to put toward their mortgage payment. In 2010, 253 homebuyers used the CHFA MCC to become homeowners.

colorado credit reserve (ccr)

In July 2009, CHFA and the Governor's office re-launched the CCR program to create greater access to capital for small businesses by providing Colorado banks an incentive to stimulate lending. A program-funded loan loss reserve account held at the bank offsets possible losses incurred by registered loans and grows over time with each new loan registered in the program. Loans of up to $500,000 can be made to nonprofit, for-profit, agricultural, and manufacturing businesses, with women- and minority-owned businesses and those located in Enterprise Zones receiving additional incentives. CHFA's role as administrator is to connect borrowers with CCR lenders, manage the program for the state, and educate and help lenders use the program. In the past 18 months, 220 small businesses benefitted (57 percent of which were women- or minority-owned), 1,404 jobs were impacted, and CHFA leveraged over $7.7 million in private sector bank loans, strengthening our partnerships across the state.

sustainability

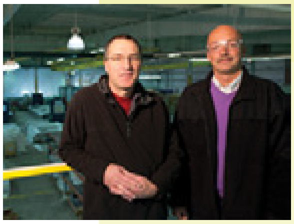


CHFA took great strides in 2010 to become a more sustainable operation. While the staff made adjustments to reduce the organization's carbon footprint, they also identified external requirements and new green programs that will continue to benefit the entire state for years to come.

an "a" from global green usa

CHFA's annual Qualified Allocation Plan (QAP) educates developers on requirements for LIHTC allocation applications. In 2010, CHFA required applicants to utilize green building strategies, which earned an "A" from Global Green USA. Global Green ranks QAPs across the nation, measuring their inclusion of green building strategies in four categories – smart growth, energy efficiency, resource conservation, and health protection. Colorado's 2010 QAP scored 46 points out of a possible 55, placing it fifth in the nation. However, the true reward goes to the tenants, who will benefit from more energy-efficient developments with lower operating costs.

tods breaking ground

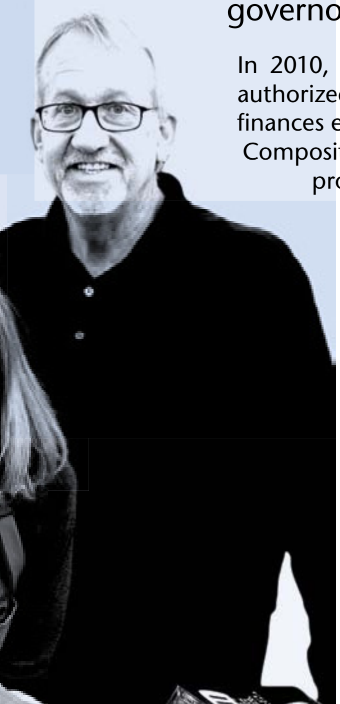


Transit-oriented developments (TODs) are multifamily housing communities built near public transportation. This year, two of Denver's first LIHTC-financed TODs began construction, using green building standards for mixed use developments featuring senior housing.

Yale Station, adjacent to the Yale and I-25 light rail station, will provide 50 independent living units for households earning 60 percent AMI or below ($31,900 for a one-person household). The project will incorporate sustainable green building elements that will reduce the development's lifetime operating expenses and exceed Enterprise Green Communities Standards. CHFA awarded the project nearly $1.2 million in TCEP funds and $920,827 in LIHTC, the sale of which is estimated to generate $6.3 million in equity.

Denver Housing Authority's (DHA) 1099 Osage development is already seen as a national model for TOD, exemplifying a new approach to urban infill development within the city of Denver. The 100-unit community will deliver environmental efficiency and energy performance while emphasizing higher densities, diverse housing choices, and outdoor environments that encourage healthy lifestyles. President Obama has named 1099 Osage among the top 100 Recovery Act projects that are changing the nation. CHFA awarded the project $1.25 million in LIHTC, the sale of which is estimated to generate $9 million in equity.

governor's energy office (geo) partnership



In 2010, CHFA contracted with GEO to administer approximately $13 million of Colorado's ARRA-authorized State Energy Program (SEP) award. SEP supports the GEO Revolving Loan Program, which finances energy efficiency and renewable energy projects. CHFA closed the program's first loan to Bach Composite of Colorado for $3.26 million. Bach will use the loan for a new manufacturing facility to produce wind turbine parts for Vestas who has two production plants in Colorado. The facility will bring 150 new jobs to Fort Lupton.

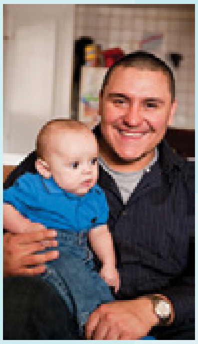
responsibility

Established thinking would have you believe that responsible business choices are those that mitigate risk to the company and investors. However, CHFA staff believe that to operate with true responsibility, we must also alleviate risk to our customers and partners. In 2010, CHFA staff made several changes to our operations to help our current and future customers in the new economy.

chfa risk information score card (risc)

By the summer and fall of 2009, CHFA was one of the few investors still accepting single family mortgage applicants with credit scores below 620, allowing a minimum of 580. The staff felt an obligation to serve this subsection of Coloradans because of CHFA's mission; CHFA was created to help low and moderate income borrowers have access to affordable financing.

Rather than eliminating all loans for applicants with credit scores below 620 or loans that were manually underwritten, staff developed a scoring system to help participating lenders determine which applicants were ready for homeownership in spite of a lower credit score. Using basic underwriting techniques, we developed the CHFA RISC, assigning risk factors with a positive or negative point value. The CHFA RISC is intended as a place to start a conversation between applicants and lenders to create a plan for how an applicant needs to work to improve their total score, helping the applicant understand more of the homebuying process. CHFA has received praise from many local and national experts for this creative and responsible approach.



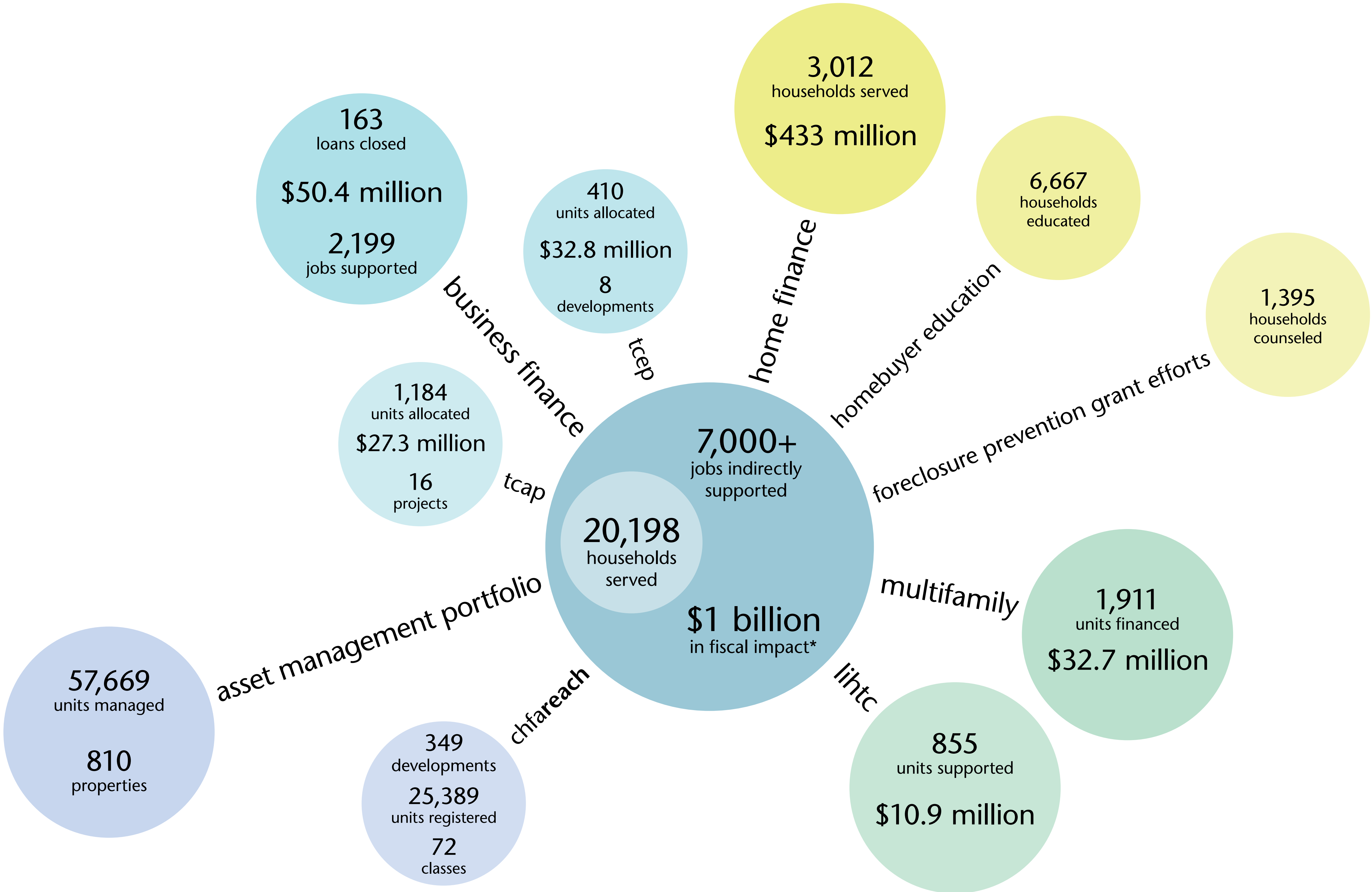
helping customers facing difficulties

Even though CHFA has always offered safe and secure home finance programs, its borrowers have been equally hit by the economic difficulties. In 2010, the single family loan servicing staff shared our expertise with Coloradans at three foreclosure-prevention outreach programs, one in Denver and two in Grand Junction. In addition, staff offered extended hours and worked weekends to contact borrowers and be available when it is most convenient for the borrower. Approximately 1500 customers had successful conclusions to workout programs or were placed into prevention programs. In addition, CHFA partnered with the Colorado Foreclosure Hotline as one of the NeighborWorks America grantees. CHFA used the grant money to advertise the hotline, hold community events, and support the hotline's initiatives.

CHFA's Commercial Loan Workout team handled requests from over 40 distressed multifamily and small business borrowers for help in 2010. In most cases, borrowers need a short payment deferral period and then they are able to resume their full loan commitment. In other cases, forbearance is granted to provide the borrower with time to market and sell their property to repay their loan. When foreclosure is the only viable option, CHFA's workout team continues to work with the borrower on a variety of fronts. In all cases, CHFA's Commercial Loan Workout team is dedicated to strengthening the state's economy by providing financial assistance to businesses and maintaining the availability of affordable, decent, and accessible housing for lower income Coloradans.

integrity

CHFA's "new normal" has been defined by making innovative and progressive operating decisions that allow us to offer stability and security to our customers and partners. By broadening our definitions of sustainability and responsibility and operating with integrity, we opened many new opportunities for our customers.



* Fiscal impact is the direct financial contribution of CHFA's lending programs and the indirect financial effects of our lending programs as the funds circulate in Colorado's economy. Indirect impacts are calculated using BEA multipliers which estimate the degree of circulation expected by industry financed.

CHFA is an independent, self-sustaining financial entity. It is not a state agency, and utilizes no direct tax dollars to administer its programs. As an Authority created and empowered by the state of Colorado, CHFA sells bonds in the capital markets and uses the proceeds to fund and administer its programs.

This report was written and designed by the CHFA Marketing and Strategic Development team, and was printed without the use of state general fund dollars.

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EQUAL HOUSING OPPORTUNITY

We are pledged to the letter and spirit of U.S. policy for the achievement of equal housing opportunity throughout the Nation. We encourage and support an affirmative advertising and marketing program in which there are no barriers to obtaining housing because of race, color, religion, sex, handicap, familial status, or national origin.

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Photo subjects

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Terry's Ace Hardware and Pagosa Mountain Home Company - Pagosa Springs, Colorado

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Bach Composites - Fort Lupton, Colorado
Ground breaking ceremony for Denver Housing Authority 1099 Osage Project - Denver, Colorado

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Resident of Cornerstone Residences - Denver, Colorado

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The Hunt Family - Commerce City, Colorado
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Residents of Villas at the Bluff - Delta, Colorado

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