capable program

Construction and Permanent Affordable Bond Loan



CAPABLE combines construction and permanent financing to provide over $6 million for 4% LIHTC projects, using a streamlined process only available to housing finance agencies. It offers some of the lowest interest rates due to index pricing associated with Private Activity Bonds, and one of the lowest mortgage insurance premiums in the industry.

Mission-driven.
Community-focused.
Trusted partner.

Eligible Projects	4% LIHTC: New construction and acquisition/rehab projects
Program Benefits	Lower interest rates due to Private Activity Bonds Streamlined construction-to-perm financing structure • Typically, 120 to 180 days from receipt of complete application to closing • Delegated underwriting authority with Risk Share: Streamlined FHA approval (typically 10 business days for firm approval) One of the lowest FHA mortgage insurance premiums: 0.125%
CHFA-specific Benefits	Expert execution: over $600 million in Risk Share loans closed (YE 2020) Solution-oriented underwriting team In-house Construction Services team: • Conducts monthly inspections • Coordinates environmental review • Expert draw process administration Gap financing available—pair with one of CHFA's flexible programs
Loan Limits	Lesser of 90 percent LTV or development costs Debt Service Coverage: 1.15 minimum Amount supportable by the project's stabilized net operating income
Loan Terms	Construction: Up to 30 months interest-only Permanent: Up to 40 years Fully amortizing or balloon options
Interest Rates and Fees	Construction: Fixed rate (based on municipal bond index) Permanent: Based on municipal bond index** Rate Lock: At bond sale Origination Fee: 1% Lock Fee: n/a LOI/Application Fee: $2,000 Additional Fees: Costs of issuance, third-party costs, and legal fees
Conditions Include	Approval of HUD Risk Share insurance Subject to HUD Environmental Risk Assessment Must conform with CHFA Credit Policy, including operating and replacement reserve requirements

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Construction and Permanent Affordable Bond Loan FAQs

What is the HFA/HUD 542(c) Risk Sharing program?

The HFA/HUD 542(c) Risk Sharing program is an FHA mortgage insurance tool used by CHFA and other housing finance agencies to provide credit enhancement to mortgages of multifamily affordable housing projects. CHFA originates, underwrites, processes, and services the loans to projects that include new construction, substantial rehabilitation, and refinance. CHFA and HUD share 50/50 in the risk of loss of the mortgage in the event of an insurance claim. The Risk Share credit enhancement provides full FHA mortgage insurance to enhance CHFA's bonds and allows CHFA to borrow at more favorable rates in the capital markets.

What is the difference between 542(c) Risk Sharing and HUD Multifamily Accelerated Processing (MAP) programs?

Under the Risk Sharing program, CHFA serves as the originator, underwriter, processor, and servicer of the Risk Share loan. Because CHFA is the underwriter in lieu of HUD, the process and time to obtain a HUD firm approval for the FHA insurance is significantly streamlined. HUD still requires a NEPA environmental review, completion of the 2530 process, and the Affirmative Fair Housing Marketing Plan, and CHFA reviews the loan due diligence items to underwrite the loan. Typically, a CAPABLE loan takes 120 to 180 days from receipt of a complete loan application to construction loan closing.

Does Risk Share insurance require the project to pay prevailing/Davis Bacon wages?

This is true only if Risk Share mortgage insurance is utilized during the construction phase. The CAPABLE Program can either provide uninsured construction financing* or a Risk Share insured construction loan. The uninsured structure would not require Davis Bacon wages to be paid; a Risk-Share insured construction loan does require Davis Bacon wages. Risk Share insurance used for only the permanent loan would not require Davis Bacon.

*On a limited basis

Will the project incur negative arbitrage on the private activity bonds during construction?

CHFA typically manages any negative arbitrage that occurs during construction through the pricing of the permanent loan. The project only pays interest on the construction loan using a draw-down structure.

Does CHFA have reserve requirements?

CHFA requires an operating reserve sized to six months of underwritten operating expenses and debt service. Replacement Reserve deposits and tax/insurance escrows are required once the project converts to the permanent period. For new construction projects, the minimum Replacement Reserve deposit is $300 per unit per year for senior properties, $350 per unit per year for family properties, and $400 per unit per year for permanent supportive housing properties. For acquisition/rehab properties, the corresponding reserves minimums would be increased by $50 per unit per year.

This document is intended only to highlight certain CHFA program requirements. Loans are subject to other requirements including the CHFA Credit Policy and applicable operating and replacement reserve requirements.

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