

pairable program

Partnership-to-Perm Affordable Bond Loan



PAIRABLE provides loans of over \$6 million in permanent insured financing for 4% LIHTC projects, featuring some of the lowest interest rates due to index pricing associated with Private Activity Bonds. Pair this with your preferred construction financing partner to help get the deal done on time.

Mission-driven.
Community-focused.
Trusted partner.

Eligible Projects	4 Percent LIHTC: New construction and acquisition/rehab projects
Program Benefits	Lower permanent interest rate based on tax-exempt bond index Up to 40-year term Delegated underwriting authority with Risk Share: Streamlined FHA approval (typically 10 business days for firm approval) Lowest FHA mortgage insurance premium: 0.125%
CHFA-specific Benefits	Expert execution: over \$600 million of Risk Share loans closed (YE 2020) Solution-oriented underwriting team In-house Construction Services team: Coordinates environmental review Gap financing available! Pair with one of CHFA's flexible programs
Loan Limits	Lesser of 90% LTV or development costs Debt Service Coverage: 1.15 minimum Amount supportable by the project's stabilized net operating income
Loan Terms	Up to 40 years Fully amortizing or balloon options Prepayment lockout: 10 years
Interest Rates and Fees	Based on municipal bond index** Rate Lock: At bond sale Loan 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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FAQs

What is PAIRABLE?

The PAIRABLE Program provides a forward commitment for a CHFA Risk Share permanent loan at the time of construction loan closing. CHFA issues the Private Activity Bonds needed by the project and a bank partner of the sponsor's choosing provides a construction loan to collateralize the bonds during construction.

How does this structure work?

With each construction draw, the construction lender administers the draw and funds the draw amount into a collateral account. At the same time, an identical amount of funds from the bond trust account is provided to the project to pay the draw. At the end of construction and at the time of conversion, the funds in the collateral account pay back the construction loan and the CHFA Risk Share perm loan begins amortizing.

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 PAIRABLE loan takes 120 to 180 days from receipt of a complete loan application to construction loan closing.

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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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. Under the PAIRABLE Program, no Davis Bacon is required because the bank providing the construction loan to cash collateralize the bonds is administering the construction loan and Risk Share insurance is not in place until the permanent phase. Other financing in the project may require Davis Bacon wages; however, please check the requirements of your other funding sources carefully.

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

Yes, the interest on the bonds is due during the construction phase in addition to the construction loan interest. However, a portion of the bond interest provides additional tax credit basis to the project, which will provide more tax credit equity to the transaction. Consult with your Legal and accounting professionals for more information.

Does CHFA have reserve requirements?

CHFA requires an operating reserve sized to 6 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 \$250 per unit per year for senior properties, \$300 per unit per year for family properties, and \$350 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.



*financing the places where
people live and work*