# small-scale housing permanent loan

The Small-scale Housing Permanent Loan program provides up to $2.5 million of uninsured permanent financing for five- to 19-unit multifamily rental properties.

This innovative program provides critical long-term financing to smaller properties from a trusted partner.

Mission-driven.
Customer-focused.
Trusted partner.

### Eligible Projects

New construction, acquisition/rehab, and refinances of rental housing properties with between 5 and 19 units.

### Program Benefits

- Non-recourse mortgage debt for up to 20 years
- Rate lock: Standard 12 to 24 months during construction (extension available)
- 60-90 days from receipt of complete application to loan commitment

### CHFA-specific Benefits

- Solutions-oriented underwriting team
- In-house Construction Services team: Conducts due diligence reviews and inspections
- Flexible terms available

### Limits

- Up to $2.5 million
- Lesser of 85% LTV or 90% of development costs
- Debt Service Coverage: 1.20
- Amount supportable by the project's stabilized net operating income

### Terms

- 10- or 20-year terms
- 20- to 30-year amortizations
- Prepayment Lockout: 5 years

### Interest Rates and Fees

- Low fixed rates
  (see website for more information)
- Loan Origination Fee: 1%, minimum $5,000
- Lock Fee: 1% for 12 months; 2% for 24 months
- LOI/Application Fee: $1,000
- Additional Fees: Construction Services inspection fee and third-party costs

### Conditions Include

- A total of 75% of the project units must be available and affordable to residents earning up to 120% Area Median Income (AMI).
- In addition, 20% of the total units must be restricted to residents earning 80% AMI or less.
- Market Study or Housing Needs Assessment must demonstrate demand for the proposed project.
- CHFA's Program Compliance Department will monitor compliance with the regulatory agreement throughout the loan term.

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## FAQs

### Why was this program created?

The need for small-scale multifamily rental housing, particularly in non-metro areas, has been a consistent challenge. As the state housing finance agency with a mission to finance affordable housing, CHFA created this loan program to help smaller property developers access traditionally limited financing for projects with fewer than 20 units.

### How does this program differ from CHFA's multifamily loan programs for larger properties?

The Small-scale Housing Permanent Loan product addresses the challenges of underwriting small multifamily projects that are riskier from an operations standpoint, such as considerations for vacancies, turnover, rent growth, and operating expenses. CHFA funds the program through its Housing Opportunity Fund (HOF) set-aside from general operations, and the process of due diligence and loan approval is similar to CHFA's other multifamily loan programs.

### Does CHFA have environmental requirements?

A Phase I environmental assessment, at a minimum, is required for all projects. If the project involves an existing building constructed before 1978 that has no documentation of previous abatement, a lead-based paint and asbestos-containing materials report must be submitted along with a plan for abatement during rehab and/or an Operations and Maintenance Manual for managing the hazards in place. Radon testing is required after the project is complete and appropriate mitigation provided if radon levels are higher than the EPA-recommended threshold for abatement action.

### What are CHFA's market analysis requirements?

Market demand is a key factor that CHFA considers when making a loan. A project-specific market study prepared by an experienced market analyst or technical assistance provider, or a completed housing needs section of the appraisal is required and must provide information about the primary market area from which the proposed project is expected to draw its residents, other rental units in the market area (by type, net rents charged, and vacancy rates), estimate of the lease-up period needed to fill the project's units, and population trends in the market.

### When does the loan fund?

At the end of the construction or rehab period, the CHFA loan will fund after project has achieved stabilization. Stabilization is defined as 90 consecutive days of 93% occupancy with rents at the underwritten amounts.

### What are the reserve conditions?

- There is a six-month reserve for operating expenses and debt service.
- Replacement reserves are a minimum of $400/unit/year, increasing annually by 3%, along with an initial deposit as may be recommended by the physical needs assessment.

**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.**