smart program

Sizeable Multifamily Affordable Risk Share Tool

The SMART program provides $3 to $6 million in permanent insured financing, featuring up to 40-year fixed rates and the lowest FHA mortgage insurance premium in the industry. Whether you have a tax credit or non-tax credit project, CHFA delivers quickly with a flexible solution tailored to your needs.

Eligible Projects	Acquisition, new construction, and rehabilitation
Program Benefits	Non-recourse debt for up to 40 years Rate lock: Standard **24 months** during construction (extension available) 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: third largest volume in industry of Risk Share loans Solutions-oriented underwriting team In-house Construction Services team: • Conducts due diligence reviews and inspections • Coordinates environmental review Gap financing! 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	Competitive fixed rates (see website for more information) Rate Lock: Standard 24 months during construction (extension available) Loan Origination Fee: 1% Lock Fee: 2% for 24 months LOI/Application Fee: $2,000 Additional Fees: Construction Services inspection fee and third-party costs
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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Sizeable Multifamily Affordable Risk Share Tool FAQs

What is FHA Risk Share 542(c)?

The 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 allow CHFA to borrow at more favorable rates in the capital markets. The program requires a minimum income and rent restriction set-aside of 20 percent or more of units both rent-restricted and occupied by residents with incomes of 50 percent AMI, or a minimum of 40 percent or more of units restricted and occupied by residents with income of 60 percent or less of AMI. CHFA's minimum set-aside requirements also apply.

What is the difference between CHFA Risk Share Product process and HUD MAP Program process?

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 SMART loan takes 90 to 120 days from receipt of a complete loan application to construction loan closing.

Are Davis Bacon wages required

No. This is true only if Risk Share is used during the construction phase. Since SMART involves a Risk Share permanent loan, Davis Bacon is not required.

Why does Risk Share require an Environmental Risk Assessment, as required by National Environmental Policy Act (NEPA)?

Any HUD program participant or use of HUD grantee purchases and all properties intended to be developed with HUD assistance must have an environmental review to ensure the proposed project does not negatively impact the surrounding environment and the property site itself is safe for development. Therefore, every project must comply with the NEPA and other related federal and state environmental laws.

How long does this assessment/review take and who conducts the review?

The assessment can take anywhere from 90-180 days depending on comment requirements and other factors related to the assessment. The sponsor starts the process by engaging an environmental professional with experience in conducting NEPA assessments. Once the assessment is completed, CHFA serves as the responsible entity (lender) and reviews the environmental assessment for completeness as part of the underwriting process. CHFA then forwards the assessment to HUD for final clearance.

When will the loan fund?

The loan will fund after construction is complete and the project has achieved stabilization. Stabilization is defined as 90 consecutive days of 93% occupancy and rents at the underwritten amounts.

When is the 2% rate lock fee due?

The 2% rate lock fee (non-refundable) is due when the loan commitment is returned to CHFA and accepted.

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 $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.

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.