



notice deals not closed + risk share

important notice

Notice to Potential Borrowers with new tax-exempt bond transactions that cannot close before year-end who might be assisted through CHFA's 4% FHA Risk-Share Loan Program.

The U.S. House of Representatives released the Tax Cuts and Jobs Act (H.R.1), on Thursday, November 2, 2017. While the bill itself is not final and multiple efforts are being made to amend several of its provisions, and notwithstanding differences contained in the Senate's mark of the bill (see Joint Committee on Taxation, Description of the Chairman's Mark of the "Tax Cuts and Jobs Act" (JCX-51-17), November 9, 2017), as currently drafted, there remains a substantial risk that after December 31, 2017, no additional tax-exempt private activity bonds can be issued. (Note: In this case no 4% Low Income Housing Tax Credits would be available, since they depend on issuance of tax-exempt private activity bonds.)

CHFA recognizes that some borrowers may want to be able to proceed with the projects they are now working on but will not be able to close on bonds before the end of the year and might therefore be interested in using CHFA's FHA Risk-Share Program to finance their project.

Recognizing the urgency, CHFA may be able to complete a **multifamily bond issue by year-end that will allow 4% tax credit projects to utilize FHA risk-share for loans that close in 2018**. In essence, **if there is sufficient interest**, CHFA may be in a position to provide a mechanism under which it believes it can preserve the ability to still provide tax-exempt financing in connection with 4% tax credit projects for borrowers who want to utilize FHA risk-share.

convertible option bond program

CHFA is proposing to issue a fixed dollar amount of bonds for a group of projects initially in a short-term mode and then, when individual project loans close, a corresponding portion of these bonds would be remarketed at the long-term rates in effect at the loan closing date. CHFA can't set those long-terms rates now, but it **can** provide a reservation of funds that allows a borrower to still proceed with a 4% project despite the risks presented by the current proposed changes in tax law. The Borrower will be taking interest-rate risk with respect to those funds.

If enough borrowers with qualifying projects are interested, CHFA would plan to issue these bonds in the short-term mode in mid-December. Priority will be given to borrowers who realistically indicate that they can close a CHFA Risk-Share loan by July 1, 2018 and who submit a complete Risk-Share Application by November 17, 2017 including a cash deposit as set forth below.

fha risk-share

For information on CHFA Risk-Share lending, please see [CHFA's website](#). For questions please contact Terry Barnard (tbarnard@chfainfo.com; 303.297.4866) as soon as possible.

program conditions

1. **TEFRA**. Only projects for which CHFA has held a TEFRA hearing before it issues the bonds in the short-term mode can later be financed. **This is a fundamental IRS requirement.**

2. **50% Test.** Unless the tax bill changes, the only bonds that can be used to meet the 50% test would be those that CHFA is issuing in this program. A borrower must therefore either **use risk-share for both construction and permanent financing or provide a bank letter of credit to CHFA during the construction period when the loan will then convert to risk share.**
3. **By November 17, 2017: Risk-Share Option Bond Application.** The borrower must submit an application for this program on or before **November 17, 2017** which application includes the following:
 - a. A narrative description of the transaction and the proposed financing including whether risk-share financing will be used for construction and permanent debt or you will provide a bank letter of credit for construction. If a bank letter of credit will be used, indicate the expected bank and provide a letter of interest from the potential bank no later than December 1, 2017.
 - b. Your proposed realistic transaction schedule, including dates for selection of tax credit partner, obtaining any other sources of financing, selection of architect and general contractor, finalizing costs, finalizing plans and specs, building permits and closing.
 - c. The name of who you currently expect to use as a tax credit limited partner (for projects which will use 4% Low Income Housing Tax Credits), or if not yet known, indicate partners you have used on prior 4% tax credit projects and who you may be considering.
 - d. Evidence of site control acceptable to CHFA.
 - e. A narrative description as to the status of zoning, entitlements and timing of application for building permits.
 - f. Sources and uses for the project and the amount of tax-exempt private activity volume cap to be utilized (not to exceed 55% of eligible basis).
4. **By November 22, 2017: Reservation Deposit.** A deposit equal to 0.25% of the amount of bond funds requested, but not less than \$25,000. If CHFA does not issue the short-term bonds and/or your project is not included in the bond offering, this amount will be fully refunded. If CHFA does issue the short-term bonds, this amount will be non-refundable but will be credited towards the application fee that would be due for CHFA's risk share program. **This deposit should be paid by check payable to the Colorado Housing and Finance Authority and must be received by CHFA no later than November 22, 2017.**

Please note that acceptance of an application by CHFA in no way obligates CHFA to issue bonds. This program is being undertaken as an accommodation to eligible borrowers who are working on pending projects, to help them deal with the pending congressional action and may change at any time.

Convertible Option Bond Applications should be submitted via email to Terry Barnard at tbarnard@chfainfo.com on or before **November 17, 2017**.