

Board Action: Amendment of the CLIMBER Products Policies and Procedures with Respect to Borrower and Lender Fees for Credit Enhancement

Background:

The Board-adopted 'CLIMBER Products' includes policies and procedures for the financial products for the CLIMBER program. The Board is amending a part of the policy as it relates to the fees that lenders are allowed to charge borrowers under the credit enhancement program. This request also establishes fees paid to lenders from the CLIMBER Fund for credit enhancement loans.

Board Action:

The Board amends the fees that lenders can charge for CLIMBER compliant credit enhancement loans and fees that are paid to the lenders from CLIMBER as follows:

- 1) Lenders may charge an origination fee up to 2% of the principal balance of the loan
 - a) The fee is meant to offset the cost of originating the loan
 - b) The fee is not meant as "points" to offset the interest rate
 - c) This policy applies to all lenders
- 2) Lenders will receive a program-paid fee based on the principal balance of each loan originated.
 - a) Depository lenders (banks and credit unions) will receive a fee of 4%
 - b) Non-depository lenders (CDFI's and nonprofits) will receive a fee of 6%

The Board further authorizes CHFA to use up to \$1 million of the \$3 million authorized by the Board and transferred from Treasury for tranche one CLIMBER credit enhancement to pay the fees described in item 2) above.

Rationale:

In the course of implementation planning, it became challenging to define which fees would be allowed, and to account for the variety of lenders originating the loans. Some lenders may rely on outside services, while others may rely on in-house staff. This provides a consistent approach and allows lenders to offset the cost of origination.

Likewise, it was recognized that paying a fee to lenders for origination of the credit enhancement loans was necessary to offset the below market rates stipulated by the guidelines. In the current form of the credit enhancement product is less attractive than the current CCS program offered by OEDIT through CHFA. The combination of a borrower fee and CLIMBER fee creates a more consistent offering yet preserves a very attractive product to the borrower.

FINAL AND ADOPTED March 11, 2021

Conforming Amendments:

The Board instructs staff to make the conforming amendment to the 'CLIMBER Products' policy document.