



The Housing Conference
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Capital Fund Financing Program

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Capital Fund Financing Program

- Section One – Obtain a general understanding of the CFFP program
- Section Two – Obtain an understanding of the required journal entries and the proper reporting of items on the Financial Data Schedule

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Capital Fund Financing Program

Section One

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Capital Fund Financing Program

- The Capital Fund Financing Program (CFFP) is a financing method allowing PHAs to borrow from the private market by pledging future CFP funds to make debt service payments.

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- The debt, whether it is loans or bonds, is an obligation of the PHA and is to be reported on the individual project's financial statements.
- All CFFP transactions must be HUD approved!

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- Generally, HUD will permit up to 33% of the current annual Capital Fund Award to be used for debt service payment.
- The general term for payments is 20 years.

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- Let's take a look at an example:

Annual CFP award	\$ 480,000
Permitted debt service payment (33%)	\$ 160,000
Interest rate	5%
Number of annual payments	20
Maximum leveraged debt	\$ 1,993,954

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- An amortization table has been prepared to demonstrate the debt payments associated with the example financing.

Payment #	Debt Service Payment	Interest Payment	Principal Payment	Balance
1	\$ 160,000	\$ 99,698	\$ 60,302	\$ 1,933,654
2	\$ 160,000	\$ 96,683	\$ 63,317	\$ 1,870,334
3	\$ 160,000	\$ 93,517	\$ 66,483	\$ 1,803,851
4	\$ 160,000	\$ 90,193	\$ 69,807	\$ 1,734,043
5	\$ 160,000	\$ 86,702	\$ 73,298	\$ 1,660,745
6	\$ 160,000	\$ 83,037	\$ 76,963	\$ 1,583,783
7	\$ 160,000	\$ 79,189	\$ 80,811	\$ 1,503,972
8	\$ 160,000	\$ 75,149	\$ 84,851	\$ 1,421,120
9	\$ 160,000	\$ 70,906	\$ 89,094	\$ 1,328,026
10	\$ 160,000	\$ 66,451	\$ 93,549	\$ 1,225,478
11	\$ 160,000	\$ 61,774	\$ 98,226	\$ 1,113,252
12	\$ 160,000	\$ 56,863	\$ 103,137	\$ 1,004,114
13	\$ 160,000	\$ 51,706	\$ 108,294	\$ 925,820
14	\$ 160,000	\$ 46,291	\$ 113,709	\$ 812,111
15	\$ 160,000	\$ 40,606	\$ 119,394	\$ 692,716
16	\$ 160,000	\$ 34,636	\$ 125,364	\$ 567,352
17	\$ 160,000	\$ 28,368	\$ 131,632	\$ 435,720
18	\$ 160,000	\$ 21,798	\$ 138,204	\$ 297,506
19	\$ 160,000	\$ 14,875	\$ 145,125	\$ 152,381
20	\$ 160,000	\$ 7,619	\$ 152,381	\$ (0)

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- The following table provides an analysis of the total payments and the actual amount available to the PHA.

Total payments over the 20 years	\$ 3,200,000
Total interest expense incurred	\$ 1,206,046
Total principal payments	\$ 1,993,954

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- When evaluating the option of the CFFP Program, the amount of loan costs must be considered.
- Loan costs can consist of the following items:
 - Attorney fees (bond counsel)
 - Closing costs
 - Financial advisory fee
 - Management assessment fee
- Payments to the lender are paid from the CFP award directly by HUD.

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- Since January 2016, 13 CFFP transactions have been approved for a total financing of approximately \$70 million.
- Several PHAs have utilized the funding as part of a mixed financing package.

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Accounting & Reporting

Section Two

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Capital Fund Financing Program

- The activity associated with the CFFP will need to be reported at the project level on the Financial Data Schedule.
 - If multiple projects received a benefit from the debt proceeds, the debt will be reported on each project.

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Capital Fund Financing Program

- Typically, PHAs are only permitted to draw down proceeds of the loans upon the receipt of a payment request. The following example illustrates a draw for payment.

FDS Line #	FDS Line Item	Debit	Credit
167	Construction in Progress	\$40,000	
312	Accounts Payable		\$40,000

FDS Line #	FDS Line Item	Debit	Credit
112	Cash-restricted for modernization	\$40,000	
351-010	Long-term debt – CFFP		\$40,000

FDS Line #	FDS Line Item	Debit	Credit
312	Accounts Payable	\$40,000	
112	Cash-restricted for modernization		\$40,000

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- GASB Statement #65 *Items Previously Reported as Assets and Liabilities* changed the accounting method for reporting of debt issuance costs (Paragraph 75).
 - Debt issuance costs do not meet the definition of an asset.
 - Debt issuance costs should be reported on FDS line 96730 Amortization of Bond Issue Costs. (Include a memo on the FDS stating compliance with GASB Stmt. #65)

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- Upon the completion of the project, the current principal payment (next 12 months) will need to be reclassified from long-term debt to current portion (343 Current portion of long-term debt – capital projects).

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- Accounting for HUD's payment of the debt service payment

FDS Line #	FDS Line Item	Debit	Credit
96710	Interest on Mortgage (or bonds) Payable (CFP Column)	\$99,698	
343	Current portion of long-term debt – capital projects	\$60,302	
70600	HUD Operating Grants (CFP Column)		\$99,698
7610	Capital Grants (CFP Column)		\$60,302

Memo accounts to be reported on the FDS

FDS Line #	FDS Line Item	Debit	Credit
11020	Required Annual Debt Principal Payments	\$ 60,302	
13510	CFPP Debt Service Payments	\$160,000	

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- A management fee from the Capital Fund Financing Program is not permitted.
 - This is due to the fee being charged to the total of each CFP award that includes the debt service payment.

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Questions?

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