

## Removing Units from Inventory Post CFFP Approval

As part of the CFFP proposal process, PHAs are required to submit a portfolio schedule which projects all proposed increases and decreases to the PHAs portfolio during the term of the financing, including demolition, disposition and approved development/Mixed Finance proposals. Also included are any changes to the portfolio based on Voluntary Compliance Agreement (VCA), a Consent Decree, or Litigation and any plans to merge smaller units into larger units.

Certain older CFFP financing documents prohibited any reductions to the PHA portfolio without prepayment, defeasance, or redemption of outstanding debt. In recent years, OCI has instituted a change in policy which allows up to a 5% reduction in units from the stabilized unit count identified in the portfolio schedule without triggering the requirement for prepayment, defeasance, or redemption. Once a PHA exceeds this 5% threshold, HUD requirements would dictate a defeasance, redemption or prepayment such that the debt coverage ratio is not negatively impacted by the reduction in their public housing unit count. Because such action would reduce the automated debt service schedule in LOCCS, PHAs must submit certain documentation to HUD prior to undertaking any such defeasance, redemption or prepayment.

**Note:** Please allow HUD a minimum of **30 days** to process your request

While streamlined, submission requirements do include the following:

1. The cover letter should request that HUD delete the current debt service schedule in LOCCS and replace with the final revised debt service schedule when it is submitted post defeasance/prepayment/redemption. The letter should describe the details and timing of the different events of the defeasance/prepayment/redemption from the purchase order for the SLGS thru the eventual bond redemption or prepayment.
2. Final estimated d/s schedule in HUD format.
3. Sources and uses schedule
4. Portfolio schedule acceptable to HUD (if defeasance/prepayment/redemption is required due to demo)
5. Bond counsel opinion (prepayment/redemption)
6. Letter from trustee/lender acknowledging the defeasance and that the old debt service schedule will be deleted from LOCCS and the new revised debt service schedule will be loaded in it's place.
7. Letter from Issuer (defeasance/redemption)
8. Certification from the PHA

If you have any questions regarding post CFFP inventory reductions and defeasance, prepayment, or redemption please contact Tom Shelton, CFFP specialist at 202-402-4799