

Update: 25% Test Guidance for CHFA Rental Lending

Background

On July 4, 2025, federal legislation (H.R. 1) permanently lowered the “50% Test” threshold to 25% for 4% Low-Income Housing Tax Credit (LIHTC) properties placed in service after December 31, 2025. Properties qualify for the 25% Test when at least 5% of aggregate costs are financed by Private Activity Bonds issued on or after January 1, 2026. This change reduces the amount of tax-exempt bonds required for 4% LIHTC eligibility and affects transaction structuring. This bulletin is intended to provide advance notice to help sponsors prepare.

CHFA Policy, effective for bond closings after December 31, 2025

CHFA will allocate multifamily Private Activity Bonds to 4% LIHTC transactions in an amount equal to the greater of:

- 28% of the sum of the aggregate eligible basis and land; or,
- Supportable permanent debt as determined by CHFA underwriting.

Subject to underwriting, total debt in excess of the tax-exempt amount will be made available from taxable sources and will impact the final rate. Where available and at CHFA’s discretion, recycled bond authority may be used to finance portions that would otherwise be taxable.

Questions about this guidance may be directed to Joe Voccio of Multifamily Underwriting at joe.voccio@chfa.org.