

CHFA Social Finance Framework

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CHFA

Community Housing
Funding Agency

Contents

Purpose	1
About Community Finance	2
About Community Housing Funding Agency	2
Governance	3
Impact Reporting	3
About CHPs and Affordable Housing	3
Affordable Housing Continuum	4
CHFA's Lending in Support of Affordable Housing Outcomes	5
Social Finance Framework	5
Social Finance Instruments	6
Use of Proceeds	6
Process for project evaluation and selection	9
Management of Proceeds	9
Disclosure and Reporting	10
Verification	11
Disclaimer	11
Appendix	13

Purpose

The **Community Housing Funding Agency (CHFA)** was launched in 2024 by **Community Finance**.

Community Finance was established in 2019 to provide efficient finance at scale to Community Housing Providers (**CHPs**)¹ and other eligible organisations supporting social and affordable housing² in New Zealand (together, "**Eligible Borrower**").³

Community Finance and CHFA are social enterprises committed to addressing New Zealand's social housing crisis and driving positive social outcomes. They provide a range of options for investors to unlock both financial returns and positive social impact.

In 2024, in response to overwhelming need and significant growth in demand for finance from CHPs, and demand from fund managers for larger bonds, Community Finance committed to launching CHFA to meet that demand with the support of investors, banks, philanthropists and the affordable housing sector.

CHFA is designed to bring New Zealand in line with international peers by providing a bond aggregator to raise funds at scale and lower cost for the affordable housing sector. It is critical to support the long-term supply of much needed social and affordable housing at scale in New Zealand.

CHFA is New Zealand's specialist intermediary and bond aggregator for social and affordable housing. It is a "single issuer" of bonds into debt capital markets to aggregate the borrowing needs of the CHPs and other eligible borrowers supporting affordable housing.

To support its lending programme, CHFA sources funds from a diverse range of partners including debt capital markets, banks, philanthropic investors, and the Crown. By mobilising both public and private capital, CHFA acts as a conduit between investors and organisations supporting positive social outcomes in housing.

This Social Finance Framework (**Framework**) sets out the principles and structure under which CHFA will issue Social Bonds to further its mission, in alignment with the International Capital Market Association (**ICMA**) Social Bond Principles.

¹ Community Housing Provider or CHP means an entity registered as a 'community housing provider' and regulated by the Government (with the current regulator being the Community Housing Regulatory Authority or CHRA). CHPs receive various funding (by way of subsidies, grants, finance or otherwise) from the Government in relation to affordable housing options.

² The terms 'community housing', 'public housing', 'social housing', and 'affordable housing' are often used interchangeably in New Zealand. However, in certain circumstances they can have specific meanings. In particular, community housing (or social housing) can often refer to a particular form of affordable rental which is supported by long-term government funding to a registered CHP (namely, the Income Related Rent Subsidy). Public housing generally refers to the same form of housing but delivered through the Government's housing provider, Kāinga Ora. Affordable housing is generally used as a wider 'catch-all' category to cover most forms of housing options where there is some form of financial or structural support, that enable households to meet their shelter needs without being overly burdened by housing costs, thereby existing outside or in parallel to purely market-driven housing prices. Further details about these categories of housing are provided in this document.

³ An 'Eligible Borrower' of CHFA includes registered CHPs and other entities which supply social and affordable housing (including by way of leasing community housing to a registered CHP). It also includes other entities which are within common control or the same accounting group as such entities.

CHFA may also borrow Social Loans under the Framework, in alignment with the Asia Pacific Loan Market Association (**APLMA**)/Loan Market Association (**LMA**) and LTSA Social Loan Principles.

Social Finance Instruments under this Framework means Social Bond and/or Social Loan instruments.

About Community Finance

Community Finance was established in 2019 as a social enterprise to help address New Zealand's well documented affordable housing crisis.

With finance being critical for scaling affordable housing and lowering its cost, Community Finance committed to providing a more efficient way for supporting affordable housing, principally by providing scaled and cost-effective financing solutions for New Zealand's charitable CHPs.

At its inception, Community Finance recognised that its mission could be advanced in alignment with the growth of domestic funds under management, including the expansion of KiwiSaver. This presented an efficient and structured mechanism for directing investment toward the country's most pressing social housing needs.

Community Finance consciously operates as a social enterprise, with that benefiting both investors and borrowers. Its social purpose enables it to mobilise capital from a broad spectrum of philanthropists, socially conscious investors, and charitable organisations, facilitating efficient lending to support affordable housing, while also appealing to investors through debt capital markets.

Community Finance is also committed to supporting and partnering with the Government, to enable it to more efficiently fund CHPs and affordable housing outcomes, with greater efficiency and scale.

About Community Housing Funding Agency

CHFA was established by Community Finance and set up as an aggregator to address access to efficient finance to combat New Zealand's affordable housing deficit. CHFA is New Zealand's specialist intermediary and Social Finance aggregator for social and affordable housing. It is a "single issuer" of bonds into debt capital markets to aggregate the borrowing needs of the CHPs and other eligible borrowers.

Community Finance (as Manager of CHFA) ensures rigorous due diligence on all borrowers, adhering to strict internal policies and eligibility criteria.

For Community Finance and CHFA, their social purpose is focussed on supporting the large-scale delivery of affordable housing.

The social purposes are shown in these core activities:

Activity	Description
Support Eligible Borrowers that provide affordable housing, principally including registered charities that are CHPs in New Zealand.	Focus on supporting CHPs and affordable housing providers in New Zealand, improving efficiency and scale to help more people into affordable housing.
Operate on lower margins	Consciously operate on lower net interest margins than banks, to optimise returns for investors, encourage impact investment and lower cost of finance for entities providing much needed supply of affordable housing.
Advocate and educate	Invest time and resources, to support CHPs and the Government in this important area, while also raising awareness around domestic impact investing.

Governance

CHFA benefits from a Board and Senior Management team with a depth of experience, across relevant sectors. This includes financial, legal, governance, risk, and charities.

The Board set all policies for Senior Management to execute. This includes a requirement that all lending must be made in accordance with the relevant policies, unless authorised by the Board.

This Framework is approved by the Board and will be reviewed at least annually by the Board.

Impact Reporting

CHFA will publish annual Impact Reports to demonstrate how its lending activities contribute to improved affordable housing outcomes in New Zealand. These reports will draw on data provided by CHFA's Eligible Borrowers and will highlight key metrics, case studies, and outcomes achieved over the reporting period. The aim is to provide transparency to investors and stakeholders, and to evidence the positive social impact generated through CHFA's lending programme, which is supported through its bond programme.

The Impact Reports will be available on the CHFA website from 2026 onwards.

About CHPs and Affordable Housing

CHPs are the primary way the Government funds the new supply of affordable housing, outside of [Kāinga Ora](#), the Government agency responsible for delivering social housing. With CHPs receiving long-term Government funding or grants to enable homes to be affordable for lower income households, CHPs are the primary Eligible Borrowers of CHFA.

Government approval is required for an entity to become a registered CHP. The Government's Community Housing Regulatory Authority (**CHRA**) sits under the Ministry of Housing and Urban Development (**HUD**) and has its own employees. If registered, a CHP

becomes a “Class 1 Social Landlord” and is then eligible to apply for various forms of Government funding.

CHRA reviews applications and applies eligibility criteria.⁴

CHRA not only registers CHPs, but also monitors the entities annually under strict performance and guidelines.⁵ This requires all CHPs to maintain ongoing compliance with both (a) eligibility criteria and (b) the performance standards.

As at the date of this Framework, there are fewer than 100 registered CHPs in New Zealand, with over 19,000 properties under management housing people across the country who are selected from the Housing Register.⁶

Community housing (commonly also referred to as social or public housing) is a form of affordable housing, positioned alongside other housing accommodation types within the wider housing continuum. Community housing is a strategic focus of many CHPs that have been and will be supported through CHFA and Community Finance, as the affordable housing they provide is both sustainable and scalable, due to the Government funding and/or grants they receive.

Affordable Housing Continuum

Affordable housing includes a range of housing that is designed to be affordable for a household to rent or purchase, as shown in the diagram below. CHPs meet need through a range of affordable rental and home ownership options. They provide an alternative to the community housing (or ‘public housing’) provided by the Government (through Kāinga Ora – formerly Housing New Zealand) and local authority (**Council**) housing. Anyone seeking community housing (also known as “public housing”) through a CHP must be eligible and have applied for the Housing Register through the Ministry of Social Development (**MSD**).

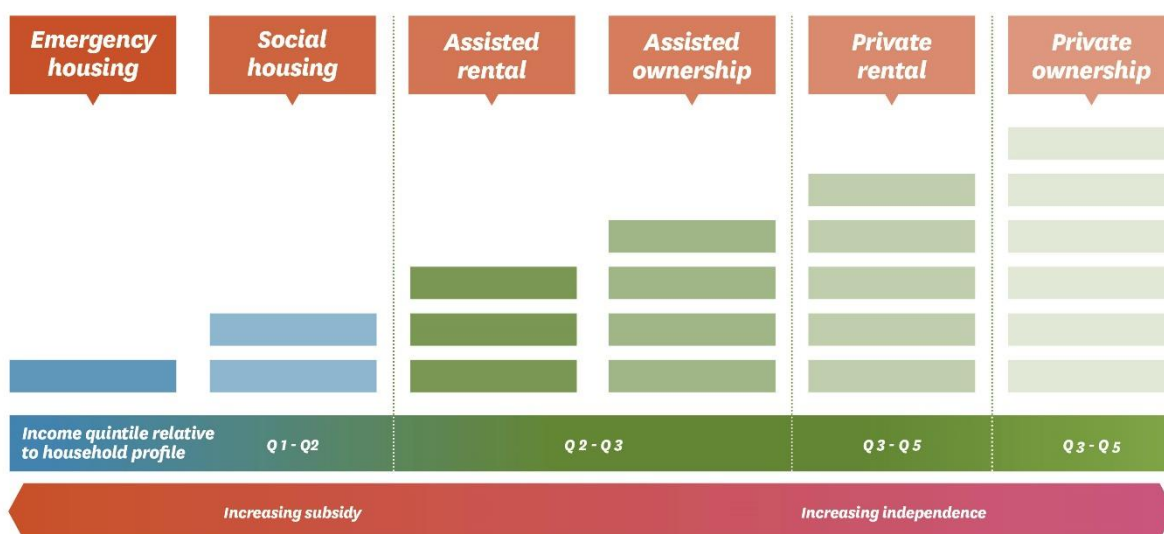
In New Zealand, *affordable housing* is generally defined as housing that costs less than 30% of a household’s gross (pre-tax) income. This benchmark is widely used as an indicator of housing affordability, so that a household has the ability to also meet other basic needs. The 30% measure is not a perfect rule, but it serves as a useful guide to identify when housing becomes unaffordable, particularly for low- to moderate-income households.

Affordable housing sits within a broader housing continuum, which ranges from emergency and transitional housing, to public and community housing, and through to affordable rental and progressive or assisted home ownership options. While the private market often caters to those on middle and high incomes, the affordable end of the continuum—particularly for those priced out of the open market—often relies on targeted interventions.

⁴ Community Housing Regulatory Authority, Eligibility criteria, <https://www.chra.hud.govt.nz/applying-for-registration/eligibility-criteria>

⁵ Community Housing Regulatory Authority, Performance standards and guidelines, <https://www.chra.hud.govt.nz/information-for-chps/performance-standards-and-guidelines>

⁶ Community Housing Regulatory Authority, as at 24 June 2025, <https://www.chra.hud.govt.nz/>



CHFA’s Lending in Support of Affordable Housing Outcomes

CHFA provides lending to a diverse range of Eligible Borrowers who are committed to delivering affordable housing outcomes across New Zealand. The housing solutions they deliver span a spectrum – from affordable social and assisted rentals, to shared or assisted ownership models, through to the development of more affordable market housing.

CHFA recognises that no single type of housing tenure can meet the scale of need in isolation. The current housing crisis requires a broad, integrated response that delivers homes for people across a wide range of incomes and needs. For this reason, CHFA supports lending that enables the combination of housing types, recognising that sustainable and inclusive communities are often those where a mix of tenures and price points are co-located. CHFA finances Eligible Borrowers that deliver social and/or affordable housing projects and programs that seek to redress housing market failure. This is increasingly reflected in development models where a single project may include social housing, assisted rentals and assisted ownership options, and market-rate homes.

Looking ahead, CHFA’s lending will play a critical role in enabling its borrowers to deliver these integrated developments and scale the operations of these borrowers to help them to deliver more homes. By providing fit-for-purpose, efficient finance, CHFA aims to support housing providers to not only to deliver more homes, but to build commercial resilience, grow balance sheets, and strengthen Eligible Borrower’s ability to contribute meaningfully to New Zealand’s housing supply over the long term.

Social Finance Framework

This Framework sets out how CHFA will issue, manage and report on its Social Finance Instruments on an ongoing basis, as outlined in the table below:

Social Finance Instrument	Use of Proceeds	Assets/Activities	Alignment with market Principles
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Social Bond	Net proceeds will be exclusively applied to finance or re-finance in part or in full new and/or existing eligible Social Projects, and which are aligned with the four core components of the SBP	Social Assets	Social Bond Principles 2025 (SBP)
Social Loan	Net proceeds or an equivalent amount shall be exclusively applied to finance, re-finance or guarantee, in whole or in part, new and/or existing eligible Social Projects, and which are aligned to the four core components of the SLP	Social Assets	Social Loan Principles 2025 (SLP)

This Framework aligns with the ICMA Social Bond Principles and the APLMA, LMA and LSTA Social Loan Principles as updated from time to time.

As the Principles and global sustainable finance markets continue to evolve, so too will CHFA’s approach to sustainable and social finance. To ensure alignment with market best practices and the latest developments in the Principles, CHFA may update this Framework from time to time.

Any subsequent updates to the Framework will be published on the CHFA website.

Social Finance Instruments

Each Social Finance Instrument will be consistent with the following four pillars of the ICMA Social Bond Principles and the APLMA, LMA and LSTA Social Loan Principles, as described in this section of this Framework:

- 1. Use of Proceeds**
- 2. Process for Project Evaluation and Selection**
- 3. Management of Proceeds**
- 4. Disclosure and Reporting**

Use of Proceeds

The net proceeds raised from a Social Bond or Social Loan will be exclusively applied to finance or refinance, in part or in full, new and/or existing assets or projects to support its Eligible Borrowers to provide positive social outcomes aligned to this Framework. These outcomes are affordable housing and socioeconomic advancement and empowerment for people who are underserved and marginalised by the housing market in New Zealand.

CHFA’s role is to provide fit-for-purpose lending that supports affordable housing and will typically not provide matched funding between individual Social Finance Instruments and individual borrowers or projects.

CHFA manages its lending programme on a pooled basis. This approach ensures flexibility in responding to borrower needs while maintaining alignment with the Social Bond and Loan Principles.

Many Eligible Borrowers are CHPs that also provide a range of other social services such as mental health and financial wellbeing support. These wrap-around services play an important role in helping people maintain their homes, achieve greater housing stability and socioeconomic advancement.

Furthermore, in some cases Eligible Borrowers are CHPs that may also deliver a limited number of market-rate homes to the general public (for rent or ownership) usually within mixed tenure developments. These are structured to improve the financial capacity of CHPs to deliver more affordable housing as well as more equitable and integrated communities.



The table below is an overview of the Social Projects, the social outcomes, and who will benefit (target populations). Overall, CHFA's core activities are aligned to at least two of the United Nations Sustainable Development Goals (**UN SDGs**) - Sustainable Cities and Communities (UNDG 11) and Reduced Inequities (SDG 10).

Proceeds will be exclusively applied to finance or re-finance in part or in full new and/or existing eligible Social Projects, through CHFA's lending to the Eligible Borrowers.

Eligible Assets or Eligible Loans refers to lending to an Eligible Borrower.

If an Eligible Asset no longer meets one of the Social Eligibility Criteria set out in this Framework, then it will no longer be deemed an Eligible Asset and the value of the Eligible Asset will be removed accordingly.

Social Project categories include, but are not limited to, providing and/or promoting:

ICMA or APLMA, LMA or LSTA Social Bond/Loan Eligible Category	Nature of Projects and Social Eligibility Criteria	Social Benefits arising from the Social Projects	Description of Target Population	Alignment with UN SDGs
Affordable housing	Refinancing and new lending to Eligible Borrowers to deliver affordable rentals and assisted home ownership models.	Increased housing affordability	Target Populations: People in serious housing need and on very low incomes who are registered on the NZ government's public housing waitlist.	
Socioeconomic advancement and empowerment (e.g. equitable access to and control over assets, services, resources, and opportunities; equitable participation and integration into the market and society, including reduction of income inequality)	Refinancing and new lending to Eligible Borrowers to deliver: <ul style="list-style-type: none"> • affordable rentals and assisted home ownership models; and/or • a range of other social services such as mental health and financial wellbeing support; and/or • a limited number of market-based homes to the general public. 	These social projects help enable: <ul style="list-style-type: none"> • equitable access to, and stability of, affordable, safe and quality housing; • improved financial wellbeing and intergenerational wealth; • more inclusive and equitable communities. 	People on low-to-moderate incomes who are supported by Eligible Borrowers. This includes Māori, Pacific, migrants, elderly and other populations who are marginalised and underserved by the housing market in New Zealand.	

Process for project evaluation and selection.

CHFA's Senior Management are tasked with selecting and working with Eligible Borrowers to ensure all lending is advanced in line with this Framework and CHFA's established governance arrangements. The onboarding process includes screening for perceived social and environmental risks associated with the relevant projects (as specified below).

When a prospective Eligible Borrower approaches CHFA, there is an onboarding process to review and screen the entity. This process is designed to ensure the entity and any upcoming project requiring finance, meets the following requirements:

1. The entity is approved as being within the definition of Eligible Borrowers in accordance with CHFA's lending policies.
2. The Eligible Borrower and its project meet the requirements of CHFA's lending policies (which includes, but is not limited to, the entity showing compliance with servicing and security requirements).
3. The lending to the Eligible Borrower for its project meets the requirements of this Framework.

Loans to Eligible Borrowers are screened for perceived social and environmental risks associated with the relevant projects. This screening is conducted by requiring all funded projects to comply with applicable New Zealand laws and regulations relating to social and environmental risks. This may include obtaining confirmation of building and resource consents for new construction projects (including via QS reporting), obtaining code compliance certificates for newly completed projects, and requiring borrower undertakings in loan agreements requiring material compliance with relevant laws (including environmental, tenancies and healthy homes requirements, where applicable). CHFA works with all its borrowers throughout the year. This includes quarterly financial reviews of all Eligible Borrowers, in addition to annual reviews, and strategic meetings as required.

Quarterly and annual reviews, include monitoring of the financial performance to budget and to ensure compliance with key covenants.

Management of Proceeds

CHFA will track the receipt of Social Finance Instrument proceeds via its internal information systems to ensure that all Social Finance Instruments and Social Assets under the Framework are appropriately identified and monitored. This applies to loans that take the form of one of more tranches.

This will allow CHFA to report annually on its lending programme to Eligible Borrowers in accordance with this Framework.

In addition, to ensure appropriate earmarking for the purpose of internal monitoring and external reporting of proceeds, CHFA will establish a register that contains:

- The number of active Eligible Borrowers benefiting from CHFA.

- All Social Assets and its book value for existing assets and project cost for assets not yet commissioned. CHFA will include confirmation of compliance of the Social Ratio⁷ being at least 1.0 times in its quarterly reporting to the Board. Although not anticipated, from time to time, CHFA may be in a position where surplus funds arise (e.g. where total Social Finance Instruments issued under the Framework exceed the total value of the Social Assets). This may occur, for example, when a prefunding transaction settles ahead of a Social Bond maturity. In such cases, if a surplus funds position arises, CHFA will invest the surplus funds in accordance with CHFA's Treasury Risk Management Policy. This includes holding unallocated funds in cash or cash equivalents, other investment grade instruments, such as New Zealand Government Bonds, Local Authority or LGFA securities, or green, social or sustainability bonds of other issuers; and/or temporarily reducing indebtedness of a revolving nature before redrawing for investment or disbursements to Eligible Assets.

CHFA intends to fully allocate proceeds of Social Finance Instruments within 24 months of being raised.

CHFA will report annually the balance of net proceeds from Social Finance Instruments allocated to Social Assets, adjusted periodically to match allocations to show allocations made during the period.

Disclosure and Reporting

CHFA recognises the importance investors place on transparency and disclosure relating to Social Finance Instruments. Accordingly, CHFA intends to make the information in the table below available on its website. CHFA also welcomes your feedback and are contactable via contact@communityfinance.co.nz.

Disclosure Item	Timing
Social Finance Framework	Upon establishment of the Framework and as amended from time to time.
External Review	Pre-Issuance on the Framework: Sought prior to the first issue of a Social Finance Instrument and following material updates to the Framework or as deemed necessary by CHFA. Annually on the alignment of the Use of Proceeds Report with Framework.
Use of Proceeds Reporting	Published annually and until full allocation of proceeds, and on a timely basis in the case of material developments, for all outstanding Social Finance Instruments.

⁷ The Social Ratio is calculated as the total Social Assets divided by the total Social Finance proceeds.

Impact Reporting

CHFA will annually (from 2026) and until full allocation of proceeds, and on a timely basis in the case of material developments, publish an Impact Report, covering its activities from the previous year and progress in supporting positive social outcomes since its inception. This will outline information about its lending programme and Eligible Borrowers in accordance with this Framework, subject to confidentiality requirements and the availability of information.

For clarity, the Use of Proceeds Reporting will cover the reporting required in accordance this Social Finance Framework. The Impact Reporting may also highlight additional, voluntary, information and updates that CHFA in its sole discretion deems helpful for investors, that will be outside this Social Finance Framework and any post-issuance reviews, which will be based on the Use of Proceeds Reporting.

Verification

CHFA acknowledges the importance of independent reviews in validating its approach to sustainable and social finance. All external review documents will be publicly available on CHFA's website.

Disclaimer

This document has been prepared for general information purposes only and outlines the Social Finance Framework under which Community Finance and CHFA operate. While every effort has been made to ensure the accuracy and completeness of the information contained herein, neither Community Finance, CHFA, nor any of their related entities, employees or directors make any representation or warranty (express or implied) as to the reliability, accuracy, or completeness of the information provided.

This document does not constitute legal, financial, tax, or investment advice, nor is it an offer or invitation to buy or sell any financial product or participate in any financing structure. Any financial products referenced under this Framework should be considered solely in conjunction with the relevant offer documents and professional advice.

CHFA operates within a complex and evolving housing ecosystem and supports a diverse range of borrowers delivering social and affordable housing options. References to outcomes or impacts are based on data provided by borrowers and other third parties, which may not have been independently verified. No representation is made that any specific social outcomes will be achieved.

Community Finance and CHFA reserve the right to amend or update this Framework at any time without notice.

Appendix

Example of Use of Proceeds Reporting Template

Metric	Value / Commentary
Total Outstanding Social Finance Instruments	[\$[Total amount], across all funding sources]
Total Social Finance Proceeds Allocated	[\$[Amount]]
Social Finance Ratio	[Total Social Finance Proceeds Allocated / Total Outstanding Social Finance Instruments >1]
% of Social Bond Proceeds Allocated	[e.g. 100% or in progress (e.g. 87% allocated)]
Total Number of Loans Supported	[e.g. 50 loans]
Total Value of Loans Disbursed	[\$[e.g. \$200 million]]
Number of Active Eligible Borrowers	[e.g. 20 borrowers]
Types of Housing Funded	e.g. Social rental, affordable rental, shared ownership, affordable market sale
Estimated Number of Homes Financed/Refinanced	[e.g. 500 homes]
Geographic Coverage	List or map of regions funded (e.g. Auckland, Christchurch, Tauranga)
Co-Financing Sources	e.g. Banks, Crown funding, Philanthropy
Remaining Balance of Unallocated Proceeds	[\$[if any]]
Borrower Overviews and Tenant Stories	Summary of Borrowers, overview of activities, work with CHFA and Tenant Stories
Monitoring & Reporting Practices	Summary of how CHFA tracks eligibility and compliance (e.g. internal systems, borrower reporting)