

**California Housing Finance Agency
Multifamily Programs**

**CalHFA's Risk Share/Preservation
"35/17 Loan Program"
- Agenda Item 5 -**

35/17 Loan Program – Description

- The **CalHFA 35/17 Preservation Loan Program** (“35/17 Loan”) provides acquisition/rehabilitation and permanent loan financing of multifamily housing developments, including existing CalHFA portfolio projects, that allows a minimum loan term of seventeen (17) years.
- The 35/17 Loan Program will be administered under CalHFA’s existing 50/50 FHA Risk Share Agreement with HUD.
- CalHFA has participated in the HUD Risk Share program as a 50/50 risk share lender since it was first established as a pilot program in FY1993/1994.
- The 35/17 Loan Program will provide much needed capital for rehabilitation and preservation of existing developments (both CalHFA project and new projects) and provide opportunities to upgrade projects with energy efficient appliances and materials.

35/17 Loan Program – Term/Conditions

- **Terms and conditions of the 35/17 Loan program:**
 - program sunsets on June 30, 2016 (same as regulatory waiver).
 - total amount of loan transactions allowed during this timeframe is capped at forty (40).
 - an affordable housing deed restriction no less than twenty (20) years.
 - HUD’s approval of CalHFA’s underwriting guidelines for this program.
 - all other HUD Risk Share regulations and requirements are applicable (e.g. Davis-Bacon, insured advances, etc.).

35/17 Loan Program – Criteria

- **Criteria and risk mitigation to include:**
 - Borrower's affordable multifamily housing experience and financial strength.
 - Borrower's exit strategy at the balloon term. Strategy to include:
 - projected outstanding principal loan
 - projected loan to value
 - projected debt service coverage ratio
 - interest rate stress test
 - marketability of project
 - These criteria and mitigation factors will be a component of CalHFA's underwriting guidelines submission to HUD.

35/17 Loan Program – Loan Sample

Proposed Financing:

\$10,000,000

Appraised Value

\$9,000,000

Maximum Loan (up to 90% loan to value)

35 years – amortization period

17 years – loan term (2 year rehab/15 year perm)

5.10% interest rate

1.15 debt service coverage ratio

Year 17:

\$6,900,000

Projected outstanding principal amount

69%

Projected Loan to Value (without appreciation)

1.55

Projected Debt Service Coverage Ratio

9.00%

Projected Interest Rate

above avg.

Condition of Property