PERMANENT TAKE-OUT LOAN PROGRAM

CalHFA
California Housing Finance Agency

The CalHFA Permanent Take-Out Loan Program ("Take-Out Financing Program") provides competitive long term financing by partnering with its construction lenders via its collaboration with HUD and the U.S. Treasury. Eligible affordable housing projects include new multifamily construction, acquisition/rehabilitation, and special needs housing.

The Take-Out Financing Program is intended for construction lenders with established experience in construction lending for affordable housing projects in California.

Qualifications	• Available to for-profit, non-profit, and public agency sponsors. • The Take-Out Financing Program may be used with or without low income housing tax credits. For 4% tax credit projects, CalHFA shall be used as the bond issuer (for more information, review the Conduit Issuer Program Term Sheet). • For Section 8 projects, final commitment is conditioned upon review and acceptance by CalHFA of the AHAP contract. • For existing CalHFA portfolio loans, the current owner is required to pay off all outstanding CalHFA debt. This includes subordinate loans, deferred payment loans, residual receipts loans, indirect loans provided by CalHFA to localities or other lending entities and made to a project, or any other financing provided directly or indirectly by CalHFA at loan origination or anytime thereafter. Visit www.calhfa.ca.gov for the CalHFA Portfolio Loan Prepayment Policy.
Loan Amount	• Minimum loan amount of $1,000,000 • Minimum 1.15x for debt service coverage ratio • Lesser of 90% of restricted value or 80% of development costs
Fees (subject to change)	• Application Fee: $5,000 non-refundable, due at time of CDLAC application submittal • Loan Fee: 1.00% of the loan amount due at construction loan closing • Credit Enhancement Fee: included in the interest rate • Monitoring Fee and Trustee Fee: included in the interest rate • Legal Fee: $10,000, due at loan closing For 4% tax credit projects: See Conduit Issuer Program Term Sheet for information on conduit issuance fees

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Rate & Terms (subject to change)	Permanent Loan (fully amortized): • Interest Rate - 10 year U.S. Treasury plus 2.10%-2.85%, forward rate commitment, fixed for the term of the loan • Loan Payment/Term – fully amortized, up to 40 years • Permanent Loan Reduction – up to 10% reduction allowed at no cost • Breakage Fee – applicable between construction loan close and permanent loan close. Calculated based on hedge termination cost Interest Rate is locked up to 30 days prior to construction loan close. The permanent loan rate can be locked for up to 3 years.
Conversion Requirements	• 90% stabilized occupancy for 90 days • 90% of tax credit investor equity shall have been paid into project • Property operations are sufficient to pay operating expense and the required debt service
Credit Enhancement	• The Take-Out Financing Program will be credit-enhanced through CalHFA's FHA Risk Sharing program.
Prepayment	The loan may be prepaid at par after 15 years of the permanent loan period. However, the loan may be prepaid after 10 years of the permanent loan period subject to a yield maintenance calculation of: • 5% of the principal balance after the end of year 10 • 4% of the principal balance after the end of year 11 • 3% of the principal balance after the end of year 12 • 2% of the principal balance after the end of year 13 • 1% of the principal balance after the end of year 14 All prepayments require a written 120-day notice to CalHFA.
Subordinate Financing	• Loans or grants are encouraged from local government and third parties to achieve project feasibility. All loans, leases, development and regulatory agreements must be coterminous and subordinate to the CalHFA financing. Any loans with amortized debt will be included in the minimum 1.15x debt service coverage ratio calculation.
Occupancy Requirements	• Must maintain the greater of (1) existing affordability restrictions, or (2) either (a) 20% of the unit types must be rent restricted and occupied by individuals whose incomes are 50% or less of the area (county) median gross income as determined by HUD ("AMI") with adjustments for household size ("20% @ 50% AMI"), or (b) 40% or more of the unit types must be both rent restricted and occupied by individuals whose income is 60% or less of the AMI, with adjustments for HUD for household size ("40% @ 60% AMI"): however in the latter case, a minimum of 10% of the unit types must be at 50% or less of AMI ("10% @ 50% AMI").

Due Diligence	All of the following due diligence items are required and shall be provided at the Owner/Borrower's expense: • Property appraisal (construction lender's appraisal may be acceptable) • Construction Costs Review for new construction loans (construction lender's review is acceptable) • Physical Needs Assessment (PNA) for rehabilitation projects with "Needs Over Time" analysis for the term of the loan (construction lender's PNA is acceptable). • Phase I Environmental Site Assessment report including but not limited to impact reviews that meet federal environmental requirements (such as historic preservation and noise remediation) • Market study • Inspection fees are estimated at $500 - $1,000 per month (can be shared with construction lender) • Termite/Dry Rot reports by licensed company • Seismic review and other studies may be required at CalHFA's discretion • Other studies/reports at CalHFA's discretion
Required Reserves	• Replacement Reserve: Initial cash deposit required, annual deposit required, varies by project type and PNA. • Operating Expense Reserve (may be required): 10% of annual gross income due at permanent loan closing (letter of credit or cash). • Impounds: One year's prepaid earthquake, hazard insurance premiums, and property tax assessments. • Earthquake Insurance Waiver: Available for projects which have met CalHFA earthquake waiver standards during construction. • Other reserves as required (at CalHFA's discretion).

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