CORE PROGRAM DETAILS

2026 MIXED-INCOME PROGRAM (MIP) QUICK RESOURCE GUIDE

This handout consolidates core program information and technical requirements that support the presentation deck. This is a detailed reference for developers and project teams.

CalHFA

LAST REVISED 08/20/2026

Table of Contents

1. Final Commitment Process & Timing **3**
Overview of the CalHFA Final Commitment Process 3
Timing 3
Rate Lock 4
Communication Roles and Tips 4
Document Delivery 4
2. Appraisal Requirements & Commercial Income Analysis **5**
Appraisals 5
Commercial Income Analysis 5
3. Underwriting Expectations & Financial Policies **5**
Loan Sizing/NOI 5
Underwriting Interest Rate 5
Rental Income 6
Additional Income 6
Vacancy Rates 6
Project-based Voucher ("PBV") Income 6
Contingency Calculation 7
Reserve Accounts 7
Land Use Regulatory Provisions 8
Ground Leases 8
4. HUD Risk Share Considerations **8**
NEPA 8
2530 Form 9
CTCAC Subsidy Layering Review ("SLR") 9
5. Tribal Engagement and Consultation **9**
CEQA and Section 106 Requirements and Differences 9
Consultation Reasons 10
Key Activities 10

1. Final Commitment Process & Timing

This section expands the high-level timeline and should be used to plan schedules and expectations.

Overview of the CalHFA Final Commitment Process

Developer and CalHFA Deal team must be in regular contact to ensure the final commitment process can be completed by closing deadlines.

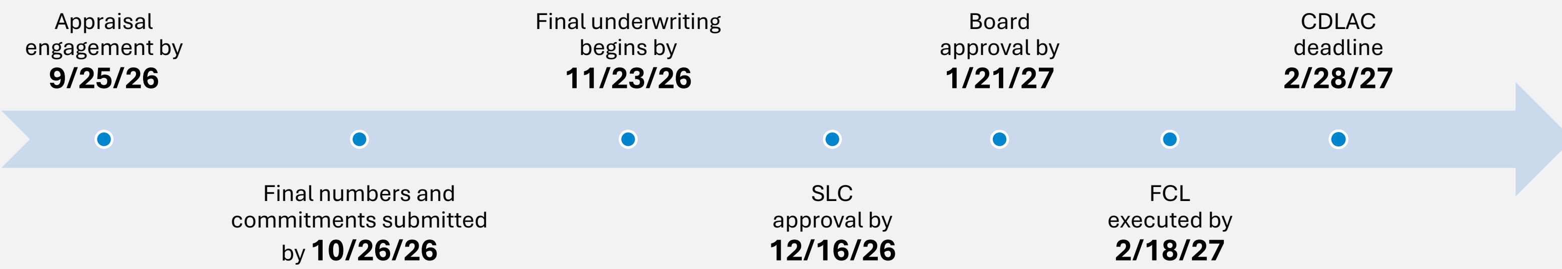
- Final numbers and commitments
- Due diligence
- Underwriting
- CalHFA staff approval
- CalHFA Board of Directors approval
- Final Commitment Letter

Timing

Typically, CalHFA will use the Bond Issuance Deadline as the starting point and work backward to determine loan closing timing. This timeline includes 2-4 week cushion for unexpected delays.

- **Underwriting & Review** – minimum of 6 weeks prior to target SLC meeting
- **Senior Loan Committee (SLC)** – must occur at least 2 weeks prior to target Board meeting
- **Board Meeting** – Final Commitment Letter issued approximately 1 month after Board approval
- **Final Commitment Letter (FCL)** – must be executed prior to rate lock and construction loan closing

SAMPLE DEAL TIMING: IF YOUR PROJECT HAS A BOND ISSUANCE DEADLINE OF FEBRUARY 28, 2027:



OTHER TIMING CONSIDERATIONS:

- **Appraisal** – could be 6-12 weeks turnaround time; must have appraisal review completed before staff report can be finalized.
- **NEPA** – Public notice must be posted for at least 30 days prior to HUD firm approval letter being executed.
- **Tribal Consultation** – can typically take 2-3 months to complete but can be longer.
- **CalHFA Rate Lock** – must be within 30 days of construction loan closing.

Rate Lock

Developers can elect to enter into an early rate lock agreement prior to the final approval underwriting process. A description of the two rate lock options is below.

RATE LOCK OPTIONS:

Standard Rate Lock Program:

- Ability to lock spread at Final Commitment Approval.
- Must be locked within 30 days of construction loan closing.
- Spread lock valid for earlier of 180 days or construction closing/CDLAC deadline.
- No rate lock deposit is required.
- Final Commitment Letter governs the terms and conditions of approval.
- CalHFA rate includes an underwriting cushion through final approval process. Permanent loan amount is limited to the final approved amount even though rate cushion is removed at lock.

Early Rate Lock Program (“ERL”):

- Developer must agree to ERL Terms and sign ERL Agreement.
- Ability to lock perm loan rates 6+ months in advance of construction closing.
- ERL Fee/Security Deposit – refundable if opting out prior to ERL Date.
- Deposit is equivalent to 1.5% of the CalHFA permanent loan amount that is refunded after construction closing.
- Expect to have timing and more information about the early rate lock option in Fall of 2026.
- CalHFA rate does not include underwriting cushion at final approval and permanent loan amount can be maximized.

Communication Roles and Tips

- Developer team to coordinate closing process, run meetings and disseminate documents/information.
- CalHFA contact list will be provided by the CalHFA Loan Administrator.
- Try to avoid “siloing” communications by including the whole CalHFA team when communicating with CalHFA.
- Include the project name in the subject line of emails, meeting invitations, etc.
- Communicate material project changes to your CalHFA team early. Re-approvals take additional time and could delay closing.

Document Delivery

- Cybersecurity requirements limit access to outside document coordination vendors like Box.com or Intralinks.
- Limited file size (~10mb) allowed for email attachments.
- CalHFA Loan Administrator will provide SecureSend link to transmit large and/or multiple files.
- SecureSend is a document delivery platform only with links that expire after 30 days of non-use.
- If emailing multiple or large files to CalHFA, follow up to ensure the email was received.

2. Appraisal Requirements & Commercial Income Analysis

UNDERWRITING FACTORS: CalHFA's underwriting must also comply with HUD Risk-Sharing and tax-exempt bond appraisal requirements.

Questions?
Read CalHFA program term sheets closely. Questions? Contact your CalHFA Loan Officer.

Appraisals

- CalHFA will engage lender appraisals.
- Developer team should provide:
  - Final Construction Lender Commitment Letter
  - Final Tax Credit Investor Letter of Interest
  - Updated CTCAC Attachment 40 workbook and pro forma reflecting 2026 rents and other adjustments for final underwriting.
- Ensure description of development and affordability restriction requirements by regulating agency is correct.
- Appraisal reports should be finalized approximately 6-8 weeks from engagement.
- Construction Lenders and investors will not have the option to co-engage with CalHFA appraisals this year.

Commercial Income Analysis

- Commercial income is not used for perm debt sizing.
- Appraisal must include commercial income analysis if commercial space is included in project (non-subdivided).
- Residual profit from non-subdivided commercial operations expected to be used to help repay subordinate debt.

3. Underwriting Expectations & Financial Policies

Loan Sizing/NOI

- Loan sizing must include the underwriting rate provided by CalHFA and comply with program term sheet and other CalHFA requirements.
- The underwriting NOI used for CalHFA approval should not exceed the appraiser's recommended NOI.

Underwriting Interest Rate

- Use underwriting rate provided by CalHFA.
- Includes 50bps underwriting cushion through approval process.

- Cushion removed at rate lock prior to construction closing.
- Permanent loan does not automatically increase.
- Opportunity to upsize permanent loan prior to permanent conversion based on increased NOI verified by an updated appraisal at that time.

Rental Income

- Underwriting Rents must not exceed 2026 CTCAC maximums.
- Restricted unit rents must be at least 10% below market rents as recommended in appraisal.

Additional Income

- Laundry income allowed in permanent loan sizing.
- NSF fees, cleaning deposits, etc., not included in permanent loan sizing.
- Other income sources may be considered on a case-by-case basis but may carry a higher vacancy rate.
- Approved additional income used in underwriting must be supported by appraisal.

Vacancy Rates

- Minimum vacancy rates:
- 5% – non-targeted, family, senior
- 7% – project-based voucher
- 10% – special needs
- 7% – non-restricted (market rate)
- Hybrid vacancy rate may be used.

Project-based Voucher ("PBV") Income

- PBV income can be included in CalHFA permanent loan sizing.
- Tenant-choice vouchers not included in loan sizing. Use maximum CTCAC rents.
- MIP tranche (10% restricted between 60% and 80% AMI) cannot include voucher income.
- Voucher approval and contracts must be for term of CalHFA permanent loan.

Contingency Calculation

Soft Cost Contingency (5% Min of combined below)	
CTCAC Cell	**Item (Included)**
B17	Site Work (rehabilitation)
B18	Structures (rehabilitation)
B29	Site Work (new construction)
B30	Structures (new construction)
B48	Bond Premium
B49	Cost of Issuance
B77	Total Reserves
B79	Soft Cost Contingency Amount
B80	Hard Cost Contingency Amount

Hard Cost Contingency (5% Min of combined below)	
CTCAC Cell	**Item (Included)**
B17	Site Work (rehabilitation)
B18	Structures (rehabilitation)
B29	Site Work (new construction)
B30	Structures (new construction)

Reserve Accounts

TRANSITION OPERATING RESERVE (TOR)

- Held by CalHFA.
- Required if PBV contract term and renewals do not exceed the CalHFA permanent loan term.
- Sized to match rental subsidy overhang after last year of contract.
- TOR can be waived if award letter and contracts include acceptable language showing extension exceeds CalHFA's loan term and is subject only to annual HUD appropriations and/or administrative approval.

REPLACEMENT RESERVE (RR)

- Held by CalHFA.
- Not capitalized on new construction projects. Monthly contributions collected with debt service payments.
- Sizing Requirements:
- $250 PUPA – non-targeted, family
- $300 PUPA – senior
- $500 PUPA – special needs
- Blended available

OPERATING EXPENSE RESERVE (OER)

- Held by CalHFA.
- Held for term of CalHFA permanent loan.
- Minimum of 4 months operating expenses + reserve deposits + debt service payments.
- Must be maintained at required level. If used, replenished within 12 months.

Land Use Regulatory Provisions

- CalHFA has first lien lender requirement. All CalHFA deeds of trust and affordability restrictions must be recorded ahead of all others.
- Locality agreements could require restrictions recorded in senior position but may require subordination or standstill agreements.
- Estoppels required at various stages, including construction loan closing.
- Start discussions between CalHFA and locality now!

Ground Leases

- Term of ground lease must exceed CalHFA loan term(s) by 10 years or more.
- Term of ground lease must also exceed term of CalHFA regulatory agreement(s) (typically 55 years).
- CalHFA requires loan security against fee and leasehold interest in the land and improvements.
- CalHFA will consider leasehold only security in land if several requirements are met:
    - No other lender's loan security interest is recorded against the fee;
    - The fee owner is a governmental entity (or, with CalHFA approval, a nonprofit public benefit corporation);
    - The ground lease rents are nominal (meaning inclusion of ground lease payments does not adversely affect debt service coverage ratio); and
    - The fee owner agrees to the terms of CalHFA's Leasehold Rider and any applicable HUD Risk-Share Program requirements.
- Leasehold only structures are subject to a CalHFA approval and applicability of a ground lease rider. Ask your CalHFA team for a template of the agreement and start these discussions now.

4. HUD Risk Share Considerations

NEPA

- National Environmental Policy Act (NEPA) processes for all 2026 MIP projects have been engaged.
- Ensure all necessary supporting documentation has been provided to CalHFA.
- NEPA co-engagements and adoptions with other localities are possible.
- Closely analyze supporting documentation to ensure you understand NEPA requirements and mitigants.
- Work closely with CalHFA to ensure NEPA requirements and mitigants are being met.
- Timing is critical as certain steps have response periods.
- NEPA process can take up to 6 months, or longer to complete.
- NEPA approval is required for construction loan closing.

2530 Form

- Instructions for registering entities and individuals on HUD's online "APPS" system have been provided.
- Developer team to complete registration process as soon as possible and confirm with CalHFA once registration process is complete.
- Do not connect APPS registration with CalHFA project at this time.
- Paper 2530s are acceptable but may require additional processing time and still require APPS registration.
- External third-party consultants may be engaged by the developer to assist with these processes.

CTCAC Subsidy Layering Review ("SLR")

- Developer will prepare SLR materials. CalHFA will submit SLR request to CTCAC.
- SLR is required for CalHFA's HUD Risk-Sharing approval.
- SLR submission must wait until after CalHFA loan committee approval and must be completed before construction closing.
- If your project has a Project-Based Voucher contract with other federal funding entities requiring SLR, the SLR certification processes should be coordinated between the entity and CalHFA and submitted to CTCAC for approval together.

5. Tribal Engagement and Consultation

Overview: Tribal Consultation is a formal process of government-to-government dialogue between federal agencies and Tribal Nations for any HUD-assisted project that may affect historic properties of religious or cultural significance to tribes.

- Required under Section 106 of the National Historic Preservation Act (NHPA) and the National Environmental Policy Act (NEPA)
- CalHFA acting as responsible entity on behalf of HUD
- In California, consultation includes both federally and non-federally recognized tribes who are listed on the CA Native American Heritage Commission.

CEQA and Section 106 Requirements and Differences

- CalHFA is the HUD Responsible Entity for Section 106 and NEPA compliance which is required for HUD Risk Sharing.
- CEQA compliance/exemption does not equal NEPA compliance/exemption.
- Section 106 Review Process is a federal requirement under NHPA and NEPA, is triggered when funding is from a federal source such as HUD.
- The California Environmental Quality Act (CEQA) is a state requirement in California, usually triggered when project funding is from the state, city or county and is required depending on the project composition and location where the agency has jurisdiction to exempt, approve, or deny CEQA.

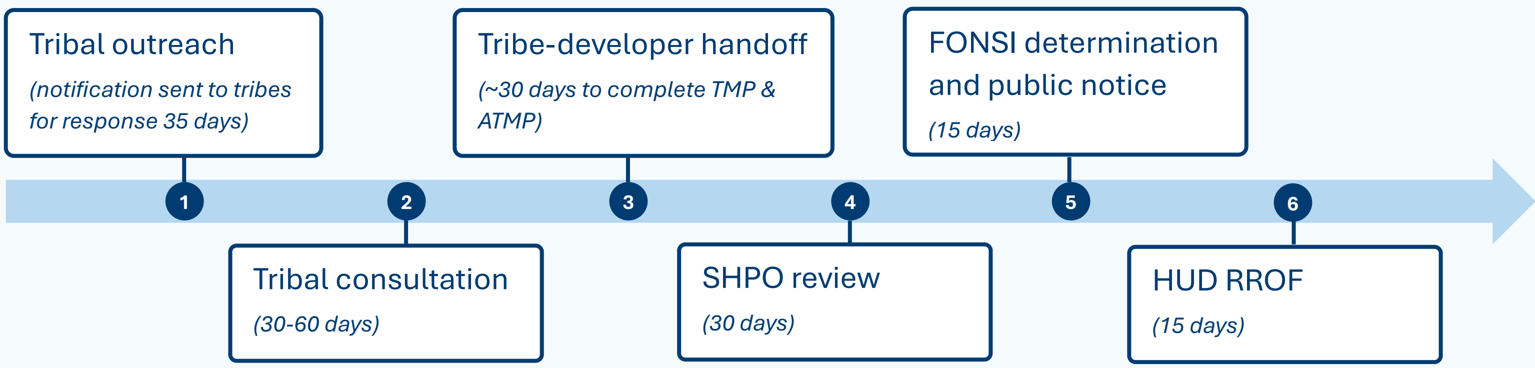
Consultation Reasons

Consultation is typically triggered if a HUD undertaking involves:

- Ground disturbance (digging, grading, utility work)
- New construction in undeveloped natural areas
- Incongruent visual, audible, or atmospheric changes to an area
- Work on or near a building, site, or landscape with significant tribal association (e.g., burial grounds, ceremonial areas, traditional cultural properties)

Key Activities

Average Timeline: 5.5 Months (165 days)



SHPO & FONSI

- Engagement with the **State Historic Preservation Office (SHPO)** follows after all Tribal consultations are completed. SHPO has 30 days to review and provide concurrence to the findings.
- A **Finding Of No Significant Impact (FONSI)** public notice will be issued after SHPO's concurrence is received; the public has 15 days to comment. All comments received will be responded to accordingly.

TRIBE-DEVELOPER HANDOFF

A Tribe-Developer handoff will be done and may require the development and execution of the following:

- Tribal Monitoring Requirement
- Archaeological Monitoring, Treatment and Mitigation Plan:
  - Coordinate closely with CalHFA to ensure documentation completeness and timing compliance.

Consultation ends when a mutual agreement between the Tribe and Responsible Entity (CalHFA) has been reached and all the key activities have been completed.