



California Housing Finance Agency

## SMALL PERMANENT LOAN PROGRAM

CalHFA's Small Permanent Loan Program ("Perm Loan") provides competitive taxable long-term financing for smaller affordable multifamily housing projects. Eligible projects include newly constructed or acquisition/rehabilitation developments that provide affordable housing opportunities for individuals, families, seniors, veterans, and special needs tenants.

<b>Qualifications</b>	<ul style="list-style-type: none"> <li>Available to for-profit, non-profit, and public agency sponsors.</li> <li>Perm Loan is funded with taxable financing only as tax-exempt bonds will not be issued for Projects.</li> <li>The Perm Loan may be used with or without 9% low income housing tax credits.</li> <li>For Section 8 projects, final commitment is conditioned upon review and acceptance by CalHFA of the HAP or AHAP contract.</li> <li>For existing CalHFA portfolio Loans, the current owner is required to pay off all outstanding CalHFA debt. Visit <a href="http://www.calhfa.ca.gov">www.calhfa.ca.gov</a> for the <a href="#">CalHFA Portfolio Loan Prepayment Policy</a>.</li> </ul>
<b>Loan Amount</b>	<ul style="list-style-type: none"> <li>Loan amounts range between \$1,000,000 up to \$2,500,000 (up to \$3,500,000 in CalHFA designated high-cost areas).</li> <li>Minimum 1.15x for debt service coverage ratio (includes all Project financing with amortized debt).</li> <li>Lesser of 90% of restricted value or 100% of development costs. For projects with equity being cashed out, the Perm Loan will be restricted to no more than 80% of restricted value.</li> </ul>
<b>Fees</b> (subject to change)	<ul style="list-style-type: none"> <li>Application Fee: \$5,000 non-refundable, due at time of application submittal.</li> <li>Perm Loan Fee: 1.00%, half due at final commitment, with balance due at Perm Loan closing.</li> <li>Inspection fees should be estimated at \$500 - \$1,000 per month (reports and fees can be shared with other construction lenders).</li> <li>Monitoring Fee: \$7,500 annually.</li> <li>Legal Fee: \$30,000 due at Perm Loan closing.</li> </ul> <p>Fees may be consolidated if combined with other CalHFA financing.</p>
<b>Rate &amp; Terms</b> (subject to change)	<ul style="list-style-type: none"> <li>Interest Rate: 10 year U.S. Treasury plus 2.50%-3.50%, forward rate commitment, fixed for the term of the Perm Loan. Rate is locked up to 30 days prior to construction loan closing. Rate lock is good for up to three years.</li> <li>Perm Loan Payment/Term: fully amortized, up to 40 years.</li> <li>Perm Loan Reduction: up to 10% reduction at Perm Loan closing permitted at no cost.</li> <li>Breakage Fee: applicable between construction loan closing and the Perm Loan closing and calculated based on hedge termination cost.</li> </ul>
<b>Subordinate Financing</b>	<p>Financing or grants are encouraged from local governments and third parties to achieve project feasibility. All financing, leases, development and regulatory agreements must be coterminous (or have a longer term than the combined terms of any CalHFA Acq/Rehab Loan and this Perm Loan) and be subordinate to the CalHFA financing.</p>

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<p><b>Prepayment</b></p>	<p>The loan may be prepaid at par after 15 years of the Perm Loan period. However, the Perm Loan may be prepaid after 10 years of the Perm Loan period subject to a yield maintenance calculation of:</p> <ul style="list-style-type: none"> <li>• 5% of the principal balance after the end of year 10</li> <li>• 4% of the principal balance after the end of year 11</li> <li>• 3% of the principal balance after the end of year 12</li> <li>• 2% of the principal balance after the end of year 13</li> <li>• 1% of the principal balance after the end of year 14</li> </ul> <p>All prepayments require a prior written 120-day notice to CalHFA.</p>
<p><b>Occupancy Requirements</b></p>	<p>Must maintain the greater of (A) existing affordability restrictions, or (B) either (i) 20% of the units 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 (ii) 40% or more of the units must be both rent restricted and occupied by individuals whose income is 60% or less of the AMI, with adjustments for household size ("40% @ 60% AMI"); however in the latter case, a minimum of 10% of the units must be at 50% or less of AMI ("10% @ 50% AMI"). <b>In either case, at least 51% of the Project's units must be restricted at 80% of AMI or less.</b></p> <p>CalHFA's regulated units must represent a pro-rata share of the available unit sizes (by bedroom count and square feet), and be disbursed throughout the Project.</p>
<p><b>Due Diligence</b></p>	<p>The following due diligence is required to be provided at the Borrower's expense:</p> <ul style="list-style-type: none"> <li>• Property appraisal (other construction lender's appraisal may be acceptable).</li> <li>• Physical Needs Assessment ("PNA") for rehabilitation projects with Replacement Reserve Needs Analysis ("RRNA") over time for the initial 20-year term. (A construction lender's PNA/RRNA may be acceptable).</li> <li>• Phase I Environmental Site Assessment including but not limited to impact reviews that meet federal environmental requirements (such as historic preservation and noise remediation).</li> <li>• Market Study satisfactory to CalHFA.</li> <li>• Termite/Dry Rot reports by licensed company.</li> <li>• Seismic review and other studies may be required at CalHFA's discretion.</li> </ul>
<p><b>Required Reserves and Impounds</b></p>	<ul style="list-style-type: none"> <li>• Replacement Reserve: Initial cash deposit required for existing Projects and annual deposits of between \$250 and \$500 per unit per year will be required depending on the Project type and PNA/RRNA findings.</li> <li>• Operating Expense Reserve: 3-6 months of operating expenses, reserves, debt service, and monitoring fees due at Perm Loan closing (letter of credit or cash) and held by CalHFA for the term of the Perm Loan.</li> <li>• Impounds held by CalHFA: One year's prepaid earthquake, hazard and liability insurance premiums, and property tax assessments are collected at Perm Loan closing. An earthquake insurance waiver is available for Projects which have met CalHFA earthquake waiver standards during rehabilitation or construction.</li> <li>• Transition Operating Reserve (TOR): required for Projects with rental subsidy contracts with contract terms that are less than 20 years.</li> <li>• Other reserves as required (at CalHFA's discretion).</li> </ul>

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The information provided in this program description is for guidance only. While we have taken care to provide accurate information, we cannot cover every circumstance nor program nuance. This program description is subject to change from time to time without prior notice. The California Housing Finance Agency does not discriminate on any prohibited basis in employment or in the admission and access to its programs or activities. Not printed at taxpayer expense.