CalHFA’s Taxable Permanent Loan Program (“Perm Loan”) provides competitive, long-term financing for affordable multifamily rental 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 (“Project”).

<table>
<thead>
<tr>
<th>Qualifications</th>
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</thead>
<tbody>
<tr>
<td>Available to for-profit, non-profit, and public agency sponsors.</td>
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<tr>
<td>The Perm Loan may be used with or without 9% low income housing tax credits.</td>
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<tr>
<td>For Section 8 Projects, final commitment is conditioned upon review and acceptance by CalHFA of the HAP or AHAP contract.</td>
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<tr>
<td>The Perm Loan will be credit-enhanced through CalHFA’s HUD/FHA Risk Sharing Program.</td>
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<tr>
<td>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 CalHFA Portfolio Loan Prepayment Policy.</td>
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<td>Minimum Perm Loan amount of $5,000,000.</td>
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<tr>
<td>Minimum 1.15x for initial debt service coverage ratio (include any financing with amortizing debt). If a Project includes CalHFA’s subsidy loan, the maximum DSCR at year 1 shall not exceed 1.20, unless CalHFA approves a higher DSCR at its own discretion. The year 1 DSCR underwritten at the time of final loan approval and final commitment must be maintained as a minimum DSCR through the term of the Perm Loan. CalHFA may require the initial DSCR to be higher than the minimum 1.15x, if deemed necessary to meet the Agency’s underwriting requirements.</td>
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<tr>
<td>Lesser of 90% of restricted value or 100% of development costs. For Projects with equity being cashed out, the Perm Loan amount will be restricted to no more than 80% of the restricted value.</td>
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<tr>
<th>Fees (subject to change)</th>
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<tbody>
<tr>
<td>Application Fee: $10,000 non-refundable, due at time of application submittal, and is credited toward the CalHFA Legal Fee at Perm Loan closing. The applicant may be subject to a new Application Fee if the CalHFA commitment expires prior to construction loan closing.</td>
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<tr>
<td>Perm Loan Fee: 1.00%, half due at final commitment, with balance due at Perm Loan closing.</td>
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<tr>
<td>Credit Enhancement Fee: included in the interest rate.</td>
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<tr>
<td>Annual Monitoring Fee: $7,500 annually.</td>
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<tr>
<td>Inspection fees should be estimated at $500 per month for the term of the construction (reports and fees can be shared with other construction lenders).</td>
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<tr>
<td>Legal Fee: $35,000, half due at final commitment, with balance due at Perm Loan closing.</td>
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<tr>
<td>Perm Loan Funding Fee: $110,000 at Perm Loan closing.</td>
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<tr>
<td>Administrative Fee: $1,000 due at Perm Loan closing.</td>
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<tr>
<td>Letter of Interest Fee: $5,000 at LOI request, and is credited toward the CalHFA Perm Loan Fee</td>
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</tbody>
</table>

Some fees may be consolidated if combined with other CalHFA financing.
# Rate & Terms

*Interest Rate:*
- 17-Year Balloon Loans: 10-Year Constant Maturing Treasury plus CalHFA spread
- 30-Year Balloon and Fully Amortizing Loans: 10-Year Constant Maturing Treasury plus CalHFA spread
- Estimated CalHFA Spread: 2.75% to 3.50%
- Rate may be locked up to 30 days prior to the construction loan closing. Rate may be locked for the term of the construction period, not to exceed 3 years.

*Amortization/Term:*
- Amortization: Up to 40 Year Amortization
- Term: Fully Amortizing, and 17- or 30-Year Balloons available
- Up to two, three-month extension(s) are permitted upon payment of a fee equal to 0.25% of the Perm Loan amount for each three-month extension.
- Perm Loan Reduction: up to 10% reduction at Perm Loan closing is permitted at no cost.
- Breakage Fee (if applicable): due between construction loan closing and Perm Loan closing and calculated based on hedge termination cost.

1. Balloon loans subject to agency approved exit strategy.

## Loan Closing Requirements

- 90% stabilized rental housing occupancy for 90 days as evidenced by rent rolls.
- 90% of tax credit investor equity shall have been paid into the Project.
- Project income is sufficient to pay operating expense and the required debt service and reserves.
- For mixed-use Projects, 100% non-residential occupancy as evidenced by executed leases or guarantees.
- Deposit Account Control Agreement between CalHFA, the Borrower and lending institution is in form and substance acceptable to all parties and ready to be executed at Perm Loan closing.

## Prepayment

The Perm 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:

- 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 prior written 120-day notice to CalHFA.

## Subordinate Financing

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 Perm Loan) and be subordinate to CalHFA financing. A Lien Priority/Position Estoppel in form and substance acceptable to CalHFA will be required prior to construction financing closing, if applicable.

## Occupancy Requirements

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 (i.e., 30% @ 60% AMI; 10% @ 50% AMI).
### Occupancy Requirements (continued)

Any units restricted by the Agency pursuant to this program, including those units restricted in addition to the minimum requirements set forth above, shall be rented at rents up to 30% of the applicable income restriction using the occupancy assumptions required in the Agency’s Regulatory Agreement. Rents for all restricted units must be at least 10% below market rents as evidenced by current market study or an appraisal.

CalHFA’s regulated units must represent a comparable share of the available unit sizes (by bedroom count and square feet) and be disbursed throughout the project.

### Due Diligence

The following due diligence is required to be provided at the Owner/Borrower’s expense (refer to the program’s document checklist for a full list):

- Appraisal* (a construction lender’s appraisal may be acceptable).
- HUD-2530 previous participation clearance.
- Construction costs review for new construction Projects (construction lender’s review may be acceptable).
- Physical Needs Assessment* (“PNA”) for rehabilitation projects with a Replacement Reserve Needs Analysis (“RRNA”) over time for the initial 20-year term (other lender’s PNA/RRNA may be acceptable). A RRNA for a longer time period may be required if the Perm Loan term is greater than 20 years.
- Phase I and Phase II (if applicable) Environmental Site Assessment* including, but not limited to, impact reviews that meet federal environmental requirements (such as historic preservation and noise remediation). The Purpose section of Phase I must state “a purpose of the Phase I is to document compliance with HUD policy pursuant to 24 CFR §58.5(i)(2) or §50.3(i)”.*
- Market Study* satisfactory to CalHFA.
- NEPA Review.
- Termite/Dry Rot reports* by licensed company.
- Seismic review* and other studies may be required at CalHFA’s discretion.

*Note: Third party reports shall be within 180 days prior to the CalHFA’s final commitment approval and may be subject to a new or updated report if the report(s) was completed more than 180 days prior to construction loan closing, in CalHFA’s sole discretion.

### Required Impounds and Reserves

- Replacement Reserve: Initial cash deposit required for existing Projects with annual minimum deposits between $250 and $500 per unit/per year are required depending on the Project type and PNA/RRNA findings.
- Operating Expense Reserve (“OER”): 3-6 months of operating expenses, reserves, debt service, and monitoring fees due at Perm Loan closing and held for the life of the CalHFA Perm Loan by CalHFA. In the event OER funds are drawn down during the term of CalHFA Perm Loan, it must be replenished over a period of 12 months to the original level.
- Impounds held by CalHFA: One year’s prepaid earthquake, hazard and liability insurance premiums, and property tax assessments are collected at loan closing. An earthquake insurance waiver is available for projects which have met CalHFA earthquake waiver standards during rehabilitation or construction.
- Transition Operating Reserve (TOR): required for Projects with state or locally administered rental subsidy contracts with contract terms that are less than 20 years or the CalHFA Perm Loan term.
- Other reserves as required (at CalHFA’s discretion).

Last revised: 5/2022

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.