

**Cal-Mortgage Loan Insurance Division**

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LOAN INSURANCE APPLICATION INSTRUCTIONS and APPROVAL PROCESS DESCRIPTION

This document describes the steps involved in the processing and approving of loan insurance applications from the Cal-Mortgage Loan Insurance Division of the Office of Statewide Health Planning and Development (**OSHDP**). The Pre-Application / Application form provides the information and “check list” of the documents that an Applicant needs to provide.

Applicants are encouraged to contact Cal-Mortgage staff early. The pre-application phase is set up to determine eligibility as soon as possible in the process to save the Applicant effort and funds. During the application submission phase, information and documents can be submitted in increments, allowing Cal-Mortgage staff time to review them, to identify any questions, and to resolve them with the Applicant. Depending upon the needs of the Applicant a staged application process can be arranged.

Additional information about the Cal-Mortgage Loan Insurance Program, including its programmatic priorities, appears in the Cal-Mortgage State Plan. A copy can be found online at the Cal-Mortgage web site: www.oshpd.ca.gov/calmort.

Please note that financial statements and other information submitted to Cal-Mortgage are not considered confidential information under the California Public Records Act and may be disclosed upon request.

The Cal-Mortgage Loan Insurance Program is regulated by Chapter 1, Part 6, Division 107, commencing with Section 129000 of the Health and Safety Code and other laws. Upon request, a paper copy or CD-ROM can be provided. The Insurance Law is available online at the following website: www.leginfo.ca.gov/calaw.html.

I. Pre-Application Review

In this first step, the borrower completes and submits a signed Pre-Application form and provides copies of the requested documents. Cal-Mortgage staff reviews the Pre-Application to determine Applicant eligibility.

To be eligible for loan insurance the Applicant must be a California non-profit public benefit corporation and a 501(c)(3) entity under the IRS Code organized to own and operate a health facility, or a political subdivision, a facility providing health services, and assure that its services will be available to all persons residing in the facility's service area. For additional detail on eligibility requirements, refer to Section 129010 (g) and Section 129050 of the Insurance Law.

The \$500 application fee need not be sent at this stage.

Upon the receipt and review of the Pre-Application information, Cal-Mortgage staff (Account Manager) will contact the Applicant and schedule a site visit to the existing campus of the Applicant and if applicable, the proposed project site. The Account Manager will review the approval process with the Applicant and answer any questions. The Account Manager will advise the Applicant of any eligibility, structural, or feasibility issues, and provide guidance on how the Applicant should proceed through the application process.

II. Application Submission and Review:

The next step is for the Applicant to complete the signed Application form and begin submitting information and copies of documents. The Applicant must submit a \$500 non-refundable application fee. Checks should be made payable to "Office of Statewide Health Planning and Development."

The Applicant submits two (2) copies of the required documents in separate binders (three ring or Acco fasteners on the left side). Documents may be submitted in stages or all at once. The binders should include tabbed dividers which are numbered and organized as listed in the Pre-Application / Application form. If a particular item is not applicable, the appropriately numbered item should be described as "Not Applicable."

After review of these application materials, and if the Account Manager believes the project to be financially feasible, a Project Summary and Feasibility Analysis (**PS&FA**) is prepared. The PS&FA includes a recommendation for the application and a proposed set of conditions. The Deputy Director of the Cal-Mortgage Loan Insurance Division determines whether or not to recommend approval of the loan, and if so, with what conditions.

If approval is recommended, Cal-Mortgage staff will schedule the application for a meeting of the Advisory Loan Insurance Committee. The Account Manager will notify the Applicant to submit fourteen (14) additional sets of the Application, with copies of sections A; B (1-3); C (7-8); D (1 – 3, & 8,11,12,14,19 & 22-24); E; and F (6).

If Cal-Mortgage staff does not recommend the application for approval, Cal-Mortgage staff will notify the Applicant in writing.

III. Review by the Advisory Loan Insurance Committee

The next step is consideration of the application and staff's recommendation by the Advisory Loan Insurance Committee (**Committee**) at a public meeting. The Committee, composed of health care industry experts, provides the Director with additional analysis and advice with respect to the application. After its deliberation regarding an application, the Committee decides whether to recommend the loan to the OSHPD Director for approval.

The decision to grant loan insurance upon an application of the borrower is within the discretion of the Director for the Office. Showing need for the project or meeting the eligibility requirements for loan insurance and establishing financial feasibility of the project or recommendation for approval from the committee does not create any entitlement to loan insurance.

IV. Issuance of Conditional Loan Insurance Commitment

If the OSHPD Director concurs with the recommendation of Cal-Mortgage staff and the Advisory Loan Insurance Committee to approve the application, OSHPD will issue a letter of commitment to insure the loan. This letter of commitment specifies conditions the Applicant must meet prior to the sale of the Bonds and the closing of the insured loan transaction. Such conditions typically include demonstration that required documents and actions have been completed as listed in the following two steps, and may also include conditions intended to improve the financial feasibility of the loan or reduce the risk to the Cal-Mortgage Loan Insurance Program. Commonly, the term of the commitment to insure the Applicant's loan normally ranges 6 months and may be extended.

V. Preparation for Marketing the Bonds

Prior to sale or pricing of the bonds, the following documents must be received and approved by Cal-Mortgage staff. If any information previously submitted to Cal-Mortgage has changed, the Applicant must provide that revised information.

- One copy of all draft closing documents, generally forwarded electronically to the Account Manager, Supervising Account Manager and Program Staff Counsel.
- Evidence that any conditions in the Letter of Commitment (LOC) from OSHPD have been satisfied, for example:

Copy of the preliminary Source and Use of funds

Copy of preliminary debt service schedule

An ALTA Lenders proforma title policy must be provided for all real property pledged as collateral for the bonds in a form acceptable to OSHPD, with OSHPD designated as a co-beneficiary in an amount equal to the bond par

amount for the loan, that may include all of the following endorsements in addition to others, as required by OSHPD:

- a. CLTA Form 100, or ALTA Endorsement 9.3-06;
- b. ALTA Endorsement 9.5-06 or 9.3;
- c. CLTA Form 103.4 or 103.7, or ALTA Endorsement 17-06 or 17.1-06;
- d. CLTA Form 116 or ALTA Endorsement 22.1-06; and
- e. CLTA Form 116.4, or ALTA Endorsement 19-06.

Current Phase I Environmental Site Assessment Review by California Department of Toxic Substance Control (DTSC), see Exhibit E.

Evidence of insurance coverage

If construction is part of the loan:

- a. A certification from the architect that (a) the final set of the architectural plans and (b) the construction materials outline specifications for the entire project are complete and available to Cal-Mortgage upon request.
- b. Copy of the draft construction contract to be executed, with a fixed limit of construction cost (not-to-exceed price) for the entire project.
- c. The name of the contractor who has been awarded the construction contract.
- d. Copies of all building permits and governmental agency approvals required for the project.

For the acquisition of residential units, a pest (including termites) inspection indicating there is not a pest problem.

VI. Closing the Insured Loan Transaction

Prior to the closing: The following shall be provided to OSHPD:

If any of the above information has changed, the Applicant shall provide that revised information.

Copy of the final Source and Use of funds breakdown and a debt service schedule prepared by the underwriter after the Bonds have been priced.

If construction is part of the loan:

- Copy of the executed construction contract, including all amendments or additions, and all correspondence between the contractor and the Applicant.
- Evidence of fire and extended coverage for all work performed under contract and other improvements on the site against loss or damage to the extent of replacement value covered by the standard extended coverage insurance endorsement. The policies shall include a standard mortgage clause making any loss payable to the mortgagee and OSHPD, as their interest may appear.
- Evidence of performance, payment, and materialman's bonds in the amount of the construction contract for all contractors and subcontractors.

At the Closing: The following shall be provided to OSHPD:

ALTA Lender's title policy, with OSHPD designed as a beneficiary in an amount equal to the Bonds with required endorsements.

Collateral: OSHPD must receive a security interest in the Corporation's properties secured through (generally) first deeds of trust, fixture filings, UCC-1's and a gross revenue pledge with Deposit Account Control Agreements.

Post-Closing: The following shall be provided to OSHPD:

Documents: Cal-Mortgage shall be provided, at no cost to Cal-Mortgage, three copies of the transcript (closing documents), with the first copy being loose-leaf in a notebook, the second copy being a bound copy, and the third copy being an electronic copy .