



Cal-Mortgage Loan Insurance Program

“Equitable Healthcare Accessibility for California”

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Who is OSHPD?

The Mission of the Office of Statewide Health Planning and Development (**OSHPD**) is to promote healthcare accessibility through leadership in analyzing California's healthcare infrastructure, promoting a diverse and competent healthcare workforce, providing information about healthcare outcomes, assuring the safety of buildings used in

providing healthcare, insuring loans to encourage the development of healthcare facilities, and facilitating development of sustained capacity for communities to address local healthcare issues.



Enlo Medical Center
 Insured since
 August 21, 2008
 Artist rendering

Who is Cal-Mortgage?

Cal-Mortgage is a Division of the Office of Statewide Health Planning and Development (**OSHPD**). Cal-Mortgage administers the California Health Facility Construction Loan Insurance Program (**Program**). The Program provides credit enhancement for eligible healthcare facilities when they borrow money for capital needs. OSHPD insured loans are guaranteed by the "full faith and credit" of the

State of California. This guarantee permits borrowers to obtain lower interest rates similar to the rates received by the State of California.

Modeled after federal home mortgage insurance programs, the Loan Insurance Program has made it possible for nonprofit health care facilities to develop or expand their services in communities throughout California. The Program

is designed to improve access to needed healthcare services without cost to taxpayers. The Cal-Mortgage State Plan, which is available on request, describes the Program's goals and objectives.

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Esther & Jacques Reutlinger
Community for Jewish Living
Insured since 1997

As a government agency, we are held accountable for our actions. In fact, this accountability is one of the prime factors that separates governmental from private sector organizations. At OSHPD we are accountable to the people of California, as well as to their representatives, including our Administration and members of the Legislature. We are also accountable to those who depend on our services, such as healthcare facilities and health professionals to name two examples. This accountability generates certain expectations for our actions.



Lodi Memorial Hospital
Insured since 1979

Who do we Insure?

Eligible Health Facilities must be owned and operated by private nonprofit public benefit corporations or political subdivisions such as cities, counties, health-care districts or joint powers authorities. Health facilities eligible for Cal-Mortgage Loan Insurance include:

- Hospitals, of any type
- Skilled nursing facilities
- Intermediate care facilities
- Public health centers
- Clinics and other outpatient facilities
- Multi-level facilities (which include a residential facility for the elderly operated in conjunction with an intermediate care facility, a skilled nursing facility, or a general acute care hospital)
- Laboratories
- Community mental health centers
- Facilities for the treatment of chemical dependency
- Child day care facilities in conjunction with a health facility
- Adult day health centers
- Group homes
- Facilities for the developmentally disabled or mentally disordered
- Offices and central service facilities operated in connection with a health facility

Loans may be insured to finance or refinance the construction of new facilities; to acquire existing buildings; to expand, modernize, or renovate existing buildings; and to finance fixed or moveable equipment needed to operate the facility.

Why use Cal-Mortgage Loan Insurance Program?

California's unique Loan Insurance Program can play an important role for eligible health facilities considering financing a capital project. The State loan insurance allows non-profit and public health facilities to borrow using the State's credit rating, thus potentially lowering the facility's overall borrowing costs. The Insurance provides a guarantee of payment of principal and interest should the health facility be unable to meet its debt payment obligations.

Unlike other public bond insurance companies, Cal-Mortgage will consider below investment grade borrowers for needed health facilities. Cal-Mortgage offers a reduced premium structure for rated borrowers based on their credit rating.

Cal-Mortgage staff have a wide range of skill and utilize a variety of consultants when necessary to assist insured borrowers in those cases where the continuation of needed health services is in jeopardy.

Unlike other credit enhancements that must be periodically renewed, Cal-Mortgage Loan Insurance is unconditional and irrevocable for the life of the loan.

As part of this continuing relationship, Cal-Mortgage maintains an interest in its insured borrower's operations and stands ready to assist them should the need arise.

Preliminary Project Review

Upon receipt of an inquiry for loan insurance, Cal-Mortgage staff will review the proposed project and financing to determine the eligibility of the Applicant, the community need for the facility, and the general feasibility of the project.

To be eligible for loan insurance the Applicant must be a non-profit public benefit corporation or a political subdivision, and assure that its services will be available to all persons residing in the facility's service area. For additional detail on eligibility requirements, please refer to Section 129010 and Section 129050 of the Health and Safety Code.

For this initial review, the Applicant submits the Pre-Application Information Sheet along with copies of financial and corporation information.

Upon receipt of the above items, a Project Officer will visit the Applicant to discuss any potential issues and to

provide guidance on the rest of the application process.

Formal Application Review

A \$500.00 application fee payable to the "Office of Statewide Health Planning and Development" is required when submitting a formal application.

After review of the application materials, Cal-Mortgage staff determines whether or not to recommend approval of the project, and under what conditions. If approval is recommended, the Applicant will be scheduled for a meeting with the Advisory Loan Insurance Committee (ALIC).

Review by the Advisory Loan Insurance Committee

Applications recommended by staff are reviewed by the ALIC at a public meeting. The ALIC is composed of health care industry and financial professionals who provide the Director of OSHPD with additional analysis and advice with respect to the application. After its delibera-

tion, the ALIC votes whether to recommend the project to the Director for approval.

Issuance of Conditional Loan Insurance Commitment

If the Director concurs with the recommendation of Staff and the ALIC to approve the application, OSHPD will issue a Conditional Letter of Commitment to insure the loan. This Letter specifies the final conditions the Applicant must meet prior to the sale of the bonds and the closing of the insured loan transaction. The term of the commitment is normally 6 months, but in no case will it exceed 12 months.

Preparation for Marketing the Bonds

In order to assure that the closing of the transaction will proceed as planned, the Applicant submits certain documentation as outlined in the Conditional Letter of Commitment.

In an attempt to achieve the lowest market interest rate available for insured

bonds, the California State Treasurer's Office acts as "pricing agent" for all insured loans. The Applicant is responsible for costs associated with this service.

Closing the Insured Loan

Prior to the closing of the insured loan, the Applicant must satisfy all conditions included in the Conditional Letter of Commitment.

Minimum collateral for insured loans includes:

- A. A first lien on the Applicant's interest in real property
- B. A pledge of all the Applicant's gross revenue



El Centro Regional Medical Center
Insured since 2001

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History

In 1972, OSHPD insured its first loan, with the full faith and credit of the State guaranteeing the loan.

Without cost to the State of California, the Program has operated since 1972, insuring over \$6.3 billion in loans to more than 525 health-care facilities, many of them in rural and underserved areas of the state.

The Program is entirely self-supporting from its insurance premiums

and related income.

OSHPD and the Cal-Mortgage staff are committed to the careful management of the Program in order to benefit communities throughout California, at no cost to the State taxpayers.

Program Highlights

- No limit on project loan amounts
- Small borrower \$500,000 Cost of Issuance grants available for loans up to \$5 Million

- 25 to 30 year fixed **and** variable loans
- Reduced premium for borrowers with a credit rating
- Flexible and customized covenants
- Up to 95% LTV (100% for political subdivisions)

We are recognized for the quality and consistency of the services that we provide. Maintaining and even improving upon this level of achievement is a demanding but achievable goal.



Odd Fellow Home of California - Saratoga Retirement Community

Insured since 1992

January 27th, 2010