

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF STATE FINANCIAL ASSISTANCE**

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DATE: March 17, 2026

MEMORANDUM FOR: Interested Parties

FROM: Jennifer Seeger, Deputy Director
Division of State Financial Assistance 

SUBJECT: Notice of Omnibus Program Guideline Amendments
**Disbursement of Permanent Financing Prior to
Permanent Conversion**

ADMINISTRATIVE NOTICE NO. 26-01

This Administrative Notice establishes a formal written notification of administrative guidelines and policies that affect the operation of the California Department of Housing and Community Development's financing programs. This format is used to identify, clarify, and record administrative guidelines and interpretations of public interest.

The Department of Housing and Community Development ("**Department**") hereby issues this Administrative Notice No. 26-01 ("**Notice**") to set forth and establish its policy to allow the disbursement of Department permanent financing prior to permanent conversion so long as specified conditions are met (the "**Early Disbursement Policy**").

This Early Disbursement Omnibus Guideline Amendment clarifies and amends the guidelines for the applicable programs for the purpose of providing interpretive guidance. Like those guidelines, the matters set forth in this Administrative Notice No. 26-01 are adopted as quasi-legislative regulations that have the dignity of statutes. (*Ramirez v. Yosemite Water Company, Inc.* ((1999) 20 Cal.4th 785, 799 [85 Cal.Rptr.2d 844].)

Background

Administrative Notice No. 26-01 is intended to make the delivery of affordable multifamily rental housing projects more cost-effective by allowing a Sponsor, under certain circumstances, to receive an early disbursement of a qualifying loan for the purpose of prepaying all or a portion of the outstanding principal balance of the construction loan for the relevant project. Such prepayment shall generate a cost reduction in the form of reduced aggregate interest payments paid on such construction loan. The Department retains the right in its sole discretion to reduce the relevant loan award by the amount of the savings in interest costs when the amount of the loan exceeds the final gap funding needed. Any reduced loan will continue to generate cost savings for the Sponsor/Borrower in the form of lower interest payments and lower annual prepayments.

Nothing in these omnibus guidelines is intended to replace or reduce requirements set forth under AB 1053 (Chapter 264, Statutes 2024) to provide funds for construction financing. Guidelines to implement the requirements of AB 1053 to authorize use of funds under any multifamily housing lending program for construction financing, permanent financing or a combination of construction and permanent financing are underway and, upon adoption, will be complementary to these early disbursement guidelines.

Applicability

This Early Disbursement Policy is applicable to all state multifamily rental finance programs that **(1)** disburse permanent take-out financing; and **(2)** the Department administers pursuant to statutorily authorized guidelines that are not subject to the requirements of Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code (the **“Applicable State Programs”**).

Applicable State Programs include, but may not be limited to, the following:

Program Name	Department’s Statutory Authority to Adopt Implementing Guidelines
Affordable Housing and Sustainable Communities program (AHSC) ¹	Public Resources Code section 75215, subdivision (h)
Joe Serna, Jr. Farmworker Housing Grant program (Serna)	Health and Safety Code section 50517.5, subdivision (g)
Multifamily Housing Program (MHP)	Health and Safety Code section 50675.1.1, subdivision (d)
No Place Like Home program (NPLH)	Welfare and Institutions Code section 5849.5
Transit-Oriented Development program (TOD)	Health and Safety Code section 53560, subdivision (b)
Veterans Housing and Homelessness Prevention program (VHHP)	Military and Veterans Code section 987.005, subdivision (c)

These omnibus guideline amendments are applicable only to any final guidelines in effect at the time of the release of this administrative notice. The intent, however, is to integrate these early disbursement options, as well as construction financing options required pursuant to AB 1053, through future Department and Housing Development Finance Committee (**“HDFC”**) guideline releases.

Effective Date

This Early Disbursement Policy clarifies and amends the guidelines for the Applicable State Programs (the **“Applicable Program Guidelines”**) effective immediately. Requests for Early Disbursement may be submitted to the Department beginning April 15, 2026.

¹ Any changes to AHSC guidelines remain ineffective until such time as the Strategic Growth Council ratifies or adopts the changes to the AHSC guidelines.

Description of Guidelines Change

The Applicable Program Guidelines, as amended, provide for the Department's early disbursement of permanent take-out financing to development sponsors **(i)** who are in good standing with both the Department and the State of California; **(ii)** who have no more than two (2) other outstanding projects that received early disbursements but that have not yet completed permanent conversion; and **(iii)** whose project meets specified eligibility criteria at the time of the early disbursement.

The Applicable Program Guidelines, as amended, further establish the terms and conditions of the Department's early disbursement, as well as the Department's remedies in the event that the development sponsor fails to meet those legally prescribed terms and conditions.

Attachment

**OMNIBUS AMENDMENT TO APPLICABLE PROGRAM GUIDELINES
DISBURSEMENT PRIOR TO PERMANENT CONVERSION**

WHEREAS, the Department is, with respect to certain state multifamily rental finance programs, authorized to adopt, promulgate, amend, repeal and administer standards, requirements, procedures or guidelines (collectively, the “**Applicable Program Guidelines**”);

WHEREAS, pursuant to statute, including the statutory authority identified and set forth above in the Notice of Omnibus Program Guideline Amendments, the Applicable Program Guidelines are not subject to the requirements of Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code;

THEREFORE, by the undersigned execution of the Department's Director, the Department hereby adopts the following omnibus amendments (the “**Omnibus Amendments**”) into the Applicable Program Guidelines that are in effect as of the date of such adoption, as if such provisions were originally set forth in each publication of the Applicable Program Guidelines:

Early Disbursement

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I. General.

- a. Intent.** These Omnibus Amendments are intended to make the delivery of affordable multifamily rental housing projects more cost-effective by allowing a Sponsor, under certain circumstances, to receive an early disbursement of a Qualifying HCD Loan for the purpose of prepaying all or a portion of the outstanding principal balance of the Construction Loan for the relevant Project. Such prepayment shall generate a cost reduction in the form of reduced aggregate interest payments paid on such Construction Loan. The Department retains the right in its sole discretion to reduce the relevant loan award by the amount of the savings in interest costs when the amount of the loan exceeds the final gap funding needed. Any reduced loan will continue to generate cost savings for the Sponsor/Borrower in the form of lower interest payments and lower annual prepayments.

b. General Considerations.

- i. The Early Disbursement Funds may be disbursed upon the Department's approval of a complete Early Disbursement Request and Sponsor's satisfaction of all early disbursement criteria.
- ii. At the time the Sponsor submits an Early Disbursement Request to the Department, the conditions precedent set forth at **Section VI** must be met.
- iii. The amount of the Early Disbursement Funds shall be calculated in accordance with **Section VII.b.iii.** of these Omnibus Amendments.
- iv. The Department's decision to approve an Early Disbursement Request shall at all times be in its sole and absolute discretion.
- v. Prior to any early disbursement, Sponsor must show satisfaction of the items listed directly below (together, the "**Occupancy Standards**"), as well as the requirements identified in **Section VIII** of these Omnibus Amendments:
 1. the Project has been issued a Temporary Certificate of Occupancy, as defined herein;
 2. lease-up of the Project is active and underway;
 3. at least 50 percent of the Restricted Units have been leased to Eligible Households; and
 4. such units are in decent, safe, sanitary, and habitable condition at the time of their occupancy.
- vi. The Early Disbursement Funds shall be applied solely and exclusively to the eligible uses specified at Section V of these Omnibus Amendments.
 1. During Permanent Conversion Escrow reconciliation, the Department retains the right, in its sole discretion, to reduce the award of the Qualifying HCD Loan up to the amount of savings in interest costs to the Sponsor/Borrower under the Construction Loan when the amount of the Qualifying HCD Loan exceeds the final gap funding needed as represented in the final cost certification.
- vii. The remaining balance of the Qualifying HCD Loan will be held by the Department and released through escrow at permanent loan conversion upon satisfaction of all escrow conditions.

- viii. The Department will verify compliance with its underwriting standards, including the Uniform Multifamily Regulations, at permanent loan conversion.

c. Purpose, Construction.

- i. The purpose of these Omnibus Amendments is to amend the existing Applicable Program Guidelines to allow for early disbursement of the Qualifying HCD Loan and the corresponding Construction Loan prepayment, and to provide the conditions and requirements thereto.
- ii. If the mechanics of the Department’s Early Disbursement Policy (e.g., phased loan disbursement, reduction of the Qualifying HCD Loan award) cause any inconsistencies between these Omnibus Amendments and any specific provision(s) of the Applicable Program Guidelines, the UMRs, or any of the administrative notices cited below, then these Omnibus Amendments shall control. In all other respects, the Applicable Program Guidelines, the UMRs, and the cited administrative notices shall remain in full force and effect.

d. Uniform Multifamily Regulations (UMRs) and Other Authorities Incorporated by Reference.

- i. The Uniform Multifamily Regulations (“**UMRs**”) (Cal. Code Regs., tit. 25, § 8300 et seq.), effective November 15, 2017, and as subsequently amended, are hereby incorporated herein by reference and shall be deemed to have the same force and effect as if set forth in full herein, with the exception, as noted *supra*, of any UMR provision that would be inconsistent with these Omnibus Amendments.
- ii. The following administrative notices, policies, and guidance are hereby incorporated herein by reference and shall be deemed to have the same force and effect as if set forth in full herein:
 - 1. The Department’s “Negative Points Policy” (Administrative Notice No. 2022-01), dated March 31, 2022, as amended on November 9, 2022 and April 3, 2023, and as may be subsequently amended.
 - 2. The Department’s “Pooled Transition Reserve Policy” (Administrative Notice No. 23-01) dated January 3, 2023, and as may be subsequently amended.

II. Defined Terms.

All capitalized terms not defined below shall have the meaning ascribed to them in the relevant Applicable Program Guidelines.

- a. “**Applicable Program Guidelines**” means the statutorily authorized guidelines governing the Applicable State Programs that are amended by the Omnibus Amendments to allow for early disbursement of the Qualifying HCD Loan.

- b. **“Applicable State Programs”** means those state multifamily rental finance programs that (i) disburse permanent take-out financing; and (ii) the Department administers pursuant to statutorily authorized guidelines that are not subject to the requirements of Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code.
- c. **“Approved Title Company”** means a reputable national title company licensed to operate and in good standing in the State of California selected by Sponsor/Borrower and reasonably acceptable to the Department.
- d. **“Co-Awardees”** means the persons or entities that jointly applied for the Qualifying HCD Loan with the Sponsor and that were jointly named on the corresponding award with the Sponsor.
- e. **“Construction Loan”** means the construction loan for the Project, which construction loan is eligible for pre-payment, in whole or in part, by the Department’s early disbursement of the Qualifying HCD Loan.
- f. **“Deed of Trust”** means the legal instrument securing the Qualifying HCD Loan for the benefit of the Department, which is executed and recorded at close of the Early Disbursement Escrow.
- g. **“Department”** means the California Department of Housing and Community Development.
- h. **“Early Disbursement Escrow”** means the escrow to be opened by Sponsor/Borrower with an Approved Title Company immediately upon the Department’s approval of the Early Disbursement Request for a given Qualifying HCD Loan. The Early Disbursement Funds shall be disbursed by the Department to Borrower through this escrow upon the satisfaction of all conditions to the close thereof set forth in these Omnibus Amendments. Only one (1) Early Disbursement Escrow is allowable per Project. See also “Permanent Conversion Escrow.”
- i. **“Early Disbursement Funds”** means the first tranche of the Qualifying HCD Loan that the Department disburses to Borrower through escrow, and upon satisfaction of all conditions precedent, at close of Early Disbursement Escrow. The amount of allowable Early Disbursement Funds is calculated in accordance with Section VII.b. of these Omnibus Amendments; such amount is further subject to the Department’s approval in its sole and absolute discretion.
- j. **“Early Disbursement Policy”** means the Department’s policy to allow the disbursement of specified Department permanent financing prior to permanent conversion so long as specific conditions are met.
- k. **“Early Disbursement Request”** means the complete request for early disbursement of the Qualifying HCD Loan that is submitted to the Department in writing and in accordance with Section VII of these Omnibus Amendments.

- i. “Eligible Households”** means those individuals and/or families that meet the income and/or status eligibility requirements set forth in the Applicable Program Guidelines that govern the Qualifying HCD Loan.
- m. “Extended Permanent Conversion Deadline”** means the maximum timeline of eleven (11) consecutive calendar months that are allowable, upon a Department-approved extension request, from the date of early disbursement to the date of permanent conversion. Only one (1) Extended Permanent Conversion Deadline is allowable per Project. See also “Permanent Conversion Deadline.”
- n. “Occupancy Standards”** means the benchmarks that must be satisfied before the Department will issue its Early Disbursement Funds. Those benchmarks are specified and described at Section I.b.v. of these Omnibus Amendments.
- o. “Omnibus Amendments”** means the provisions adopted into the Applicable Program Guidelines to identify and clarify the Department’s policy to allow the disbursement of Department permanent financing prior to permanent conversion.
- p. “Permanent Conversion Deadline”** means the nine (9) calendar months that are allowable from the date of early disbursement to the date of permanent conversion, unless the Sponsor exercises its one-time right per Project to request an extension. See also “Extended Permanent Conversion Deadline.”
- q. “Permanent Conversion Escrow”** means the subsequent escrow to be opened with the same Approved Title Company handling the relevant Early Disbursement Escrow. The balance of the Qualifying HCD Loan shall be disbursed by the Department to Borrower through this escrow upon the satisfaction of all conditions to close thereof set forth in these Omnibus Amendments (including any reconciliation and reduction of the Qualifying HCD Loan). See also “Early Disbursement Escrow.”
- r. “Pooled Transition Reserve”** means the fund specified and described in the Department’s “**Pooled Transition Reserve Policy**,” Administrative Notice No. 23-01, in effect and as amended.
- s. “Project”** means the affordable multifamily rental housing project that is the subject of the Early Disbursement Request for one or more Qualifying HCD Loan(s).
- t. “Promissory Note”** means the legally binding document that represents and evidences the Borrower’s promise to repay the Qualifying HCD Loan to the Department according to the terms and conditions specified therein.
- u. “Qualifying HCD Loan”** means the original loan award of permanent take-out financing, pursuant to one of the Department’s state multifamily rental finance programs, that is eligible for early disbursement under Section III of these Omnibus Amendments, and that may be reconciled and reduced, in the Department’s sole discretion, pursuant to escrow reconciliation at permanent

conversion, as specified at **Section X** of these Omnibus Amendments.

- v. **“Regulatory Agreement”** means the full written agreement between the Department and the Sponsor/Borrower in connection with the Qualifying HCD Loan, with all necessary exhibits set forth in comprehensive detail, that is recorded as a lien on the Project to control its use, occupancy, affordability, and operation. The Regulatory Agreement is recorded at Permanent Conversion Escrow.
- w. **“Roll-Over Amount”** means that portion of the Construction Loan principal, if any, that will convert to permanent financing as shown on the Transaction Summary.
- x. **“Senior Regulatory Agreement”** means the written agreement between the Department and the Sponsor/Borrower, in connection with the Qualifying HCD Loan, that only includes those provisions specified in Section 8310(f) of the UMRs and that is recorded as a lien on the Project at Early Disbursement Escrow.
- y. **“Temporary Certificate of Occupancy”** or **“TCO”** means the temporary certificate of occupancy, or equivalent document, which allows for early partial or complete occupancy of the building, and which is issued by the local agency having jurisdiction over such certificates.
- z. **“Title Policy”** means the ALTA Lender’s Title Policy of title insurance that meets the requirements specified and described at **Section VIII.c.** of these Omnibus Amendments.
- aa. **“Transaction Summary”** means the standard document prepared by the Department for full execution and circulation prior to Early Disbursement Escrow, which evidences and acknowledges the key terms of the Qualifying HCD Loan(s), parties, requirements, financing structure, and all other information necessary to draft the loan documents and to finalize the loan closing transaction. Without limiting the generality of the foregoing, the Transaction Summary shall reflect the amount(s) of the Qualifying HCD Loan(s); the amount of the Early Disbursement Funds; the amount of interest savings to the Sponsor under the Construction Loan; any reduction of the Qualifying HCD Loan(s) on account thereof; and the implications thereof on residual receipts and any other similar matter.
- bb. **“Uniform Multifamily Regulations”** or **“UMRs”** means the regulations set forth at California Code of Regulations, title 25, section 8300 et seq.

III. **Loans Eligible for Early Disbursement.**

A Project loan from the Department is eligible for early disbursement if it satisfies all of the following eligibility criteria (such loan being a **“Qualifying HCD Loan”**):

- a. The loan represents permanent take-out financing with respect to a multifamily rental housing project;
- b. The loan is being funded by an Applicable Program exclusively with state funds;
- c. An early disbursement of the loan is not prohibited by any federal funding of the Project or does not otherwise adversely impact the continued availability of that federal funding; and
- d. The loan will be funded directly by the Department, such that the Department is not acting as a pass-through entity or as any other type of indirect or conduit lender with respect thereto.

IV. Eligibility Criteria for the Construction Loan.

A Construction Loan is eligible for prepayment if it meets the following criteria, as shown by the relevant loan documentation and estoppel letters submitted to the Department pursuant to Section VII of these Omnibus Amendments.

- a. The Department's early disbursement, if approved, will not constitute an event of default under the loan documentation evidencing the Construction Loan or result in the acceleration of the Construction Loan.
- b. The Construction Loan does not include a revolving line of credit facility (i.e., revolver) or otherwise allow for the ongoing borrowing, repayment, and reborrowing of funds under the Construction Loan.

V. Eligible Uses of Early Disbursement Funds, Out-of-Pocket Costs for Sponsor/Borrower.

- a. The Early Disbursement Funds shall be deployed, through escrow, solely and exclusively towards these eligible uses in the following priority order:
 - i. First, the funding of all applicable reserves (to include, if applicable, the Department's fee for contribution to the Pooled Transition Reserve); and
 - ii. Second, the application of the entire remaining balance of the Early Disbursement Funds against the Construction Loan principal.
- b. The Sponsor/Borrower shall pay, from its own out-of-pocket funds, the following:
 - i. Any prepayment fee, yield maintenance premium, or other prepayment penalty under the Construction Loan (or, in the alternative, the costs of defeasance in connection therewith);
 - ii. All costs, fees, and expenses relating to the ALTA Lender's Title Policy premium and endorsement coverage specified in Section VIII; and
 - iii. All other costs, fees, and expenses relating to the Early Disbursement Escrow.

VI. Conditions Precedent to Request for Early Disbursement.

- a. The following requirements must be met at the time the Sponsor submits an Early Disbursement Request to the Department, and at all times during the Department's review of that request:
 - i. Sponsor, Borrower, each of their respective control persons, and the Sponsor's Co-Awardees, if any, must each be duly formed, validly existing, and in good standing in the State of California, or in the state of organization if a foreign entity.
 - ii. Neither Sponsor, Borrower, their respective control persons, nor any of the Sponsor's Co-Awardees, if any, has been deemed ineligible to apply for funding pursuant to Sections 103 and 105(b)-(e) of the [Negative Points Policy](#) (Administrative Notice No. 2022-01), in effect and as amended (the "**Negative Points Policy**").
 - iii. Sponsor, Borrower, their respective control persons, and the Sponsor's Co-Awardees, if any, are not in default under any Department documentation related to the Qualifying HCD Loan, including, without limitation, the relevant STD 213, Standard Agreement, and no event has occurred with respect thereto that with the giving of notice or the lapse of time, or both, would constitute such a default.
 - iv. Sponsor, Borrower, their respective control persons, and the Sponsor's Co-Awardees, if any, are not in default under any loan, grant, or other documentation related to any other Project financing, whether being provided by the Department or by third parties, and no event has occurred with respect thereto that with the giving of notice or the lapse of time, or both, would constitute such a default.
 1. Sponsor must demonstrate the above by submitting an estoppel letter from the construction lender with its Early Disbursement Request. The form and substance of such estoppel letter is set forth at [Section VII](#) of these Omnibus Amendments. Sponsor must also submit written acknowledgements of the Early Disbursement Request from any additional third-party lenders to the Project.
 - v. Sponsor, Borrower, their respective control persons, and the Sponsor's Co-Awardees, if any, are in compliance with their respective organizational documents.
 1. Sponsor must demonstrate the above by submitting a certification pursuant to [Section VII](#) of these Omnibus Amendments.

- vi. Sponsor, Borrower, their respective control persons, and the Sponsor's Co-Awardees, if any, are in full compliance with all laws, requirements, permits, entitlements, and agreements applicable to the Project and the Qualifying HCD Loan.
 - 1. Sponsor must demonstrate the above by submitting a certification pursuant to **Section VII** of these Omnibus Amendments.
- vii. Sponsor has no more than two (2) other outstanding Projects that received one or more early disbursements and that are still pending conversion to permanent financing.
- viii. Sponsor has not missed the 9-month Permanent Conversion Deadline (or, if granted, the total 11-month Extended Permanent Conversion Deadline) under a prior Early Disbursement Request.
- ix. No action, suit, tax claim, proceeding, dispute, or investigation, judicial, administrative or otherwise (including, without limitation, any reorganization, bankruptcy, insolvency, or similar proceeding), is currently pending or, to the best of Sponsor's knowledge, threatened against it, the Borrower, any of their control persons, or any of Sponsor's Co-Awardees, which, either in any one instance or in the aggregate, may have a material, adverse effect on its ability to perform its obligations with respect to the Qualifying HCD Loan.
 - 1. Sponsor must submit a signed certification of the foregoing.
- x. The Project has been issued a Temporary Certificate of Occupancy ("TCO"), as defined by these Omnibus Amendments.

VII. Request and Approval Process.

- a. Sponsor may request early disbursement of the Qualifying HCD Loan by submitting a complete request for early disbursement (the "**Early Disbursement Request**") to the Department on or after the date of TCO issuance, so long as all of the additional requirements set forth in **Section VI** are met.
 - i. After a complete Early Disbursement Request is approved, the Early Disbursement Funds may take approximately 4-6 weeks to be available in escrow.
- b. Sponsor shall submit the Early Disbursement Request in writing to the Department on a form provided by the Department. To be deemed complete, the request must include the following information and documentation:

- i. Name, street address, and Assessor Parcel Number of the Project.
- ii. Identification of the Qualifying HCD Loan(s) by the number(s) on the relevant STD 213, Standard Agreement(s).
- iii. Amount of Early Disbursement Funds requested.
 - 1. Where the Transaction Summary does not provide for any Roll-Over Amount feature and provides the Construction Loan will be paid off in full at the close of the Permanent Conversion Escrow, Sponsor shall request an amount not to exceed the lesser of (i) 90 percent of the principal of the Qualifying HCD Loan(s); or (ii) that amount necessary to fund the applicable reserves and to pay off the Construction Loan principal.
 - 2. Where the Transaction Summary provides for a Roll-Over Amount feature, Sponsor shall request an amount not to exceed the lesser of (i) 90 percent of the principal of the Qualifying HCD Loan(s); or (ii) that amount necessary to fund the applicable reserves and to pay down the Construction Loan principal to the Roll-Over Amount. In no event or circumstance shall anything in these Omnibus Amendments, including any of the disbursement provisions referenced herein, be deemed or interpreted as allowing or providing for the payment, prepayment, reduction, or other alteration of the Roll-Over Amount contemplated by the Transaction Summary.
 - 3. The final amount of the Early Disbursement Funds, as calculated pursuant to this **Section VII.b.iii.**, remains subject to the Department's approval in its sole and absolute discretion.
- iv. Name of Construction Loan lender.
- v. True and correct copies of the final and fully executed loan documents for the Construction Loan.
- vi. A written estoppel letter or certificate from the Construction Loan lender that includes all of the following representations and warranties:
 - 1. A specific description of the current Construction Loan documents, to include the maturity date of the Construction Loan; and a description of any amendments thereto or a statement that there have been no amendments thereof.
 - 2. A specific calculation of the then-outstanding principal amount of the Construction Loan.

3. There are no events of default by Sponsor or Borrower under the Construction Loan documents, and no event has occurred with respect thereto that with the giving of notice or the lapse of time, or both, would constitute such a default.
 4. No portion of the Construction Loan is a revolving line of credit or otherwise permits the borrowing, repayment, and subsequent reborrowing of funds.
- vii. Written acknowledgements of the Early Disbursement Request from any additional third-party lenders to the Project.
- viii. A proforma/budget that is certified by the Sponsor and the Borrower and that indicates all of the following:
1. The relative amounts of the Early Disbursement Funds that will be applied to fund all required reserves (to include, if applicable, the Department's fee for contribution to the Pooled Transition Reserve).
 2. The amount by which the Construction Loan will be pre-paid after netting out the amounts set forth in **subclause 1.** immediately preceding.
 3. The aggregate amount of interest savings resulting from such prepayment.
 4. The amount being funded by Borrower from its own funds to close the Early Disbursement Escrow, including, without limitation, the cost of the ALTA Lender's Title Policy and endorsements.
- ix. Sponsor certifications as required by **Section VI.a.v., a.vi., and a.ix.**
- x. A true and complete copy of a duly issued Temporary Certificate of Occupancy.
- c. Upon receipt of the Sponsor's Early Disbursement Request, the Department will review the request, and all supporting documentation, to determine whether the Department's eligibility criteria are comprehensively met.
- d. The Department has fifteen (15) working days, from the date of the Department's written acknowledgement of a complete Early Disbursement Request, to review that request. An Early Disbursement Request shall be deemed complete if the request is in writing; the request attaches all required supporting documentation as specified at **Section VII.b.** of these Omnibus Amendments; the request is correctly submitted to the Department as specified at **Section VII.b.**; and the Department has acknowledged, in writing, receipt of a complete request.

- e. The Department's written approval of a complete request is at its sole and absolute discretion and subject to these Omnibus Amendments; provided that, a complete request shall be deemed approved if the Department does not provide a written rejection to the Sponsor within the specified review period of fifteen (15) working days from the date of the Department's written acknowledgement of a complete Early Disbursement Request.
- f. If the Department rejects an Early Disbursement Request, it shall promptly notify the Sponsor, in writing, of the rejection and cite its specific reasons for rejecting the request.
- g. **Rejection of Early Disbursement Request, Appeal.** If the Department rejects an Early Disbursement Request, then the Sponsor/Borrower may submit an appeal, in writing, no later than five (5) business days from the date of the Department's rejection notice. The appeal must state all relevant arguments and supporting facts with specificity. The Department shall review such appeal in accordance with the Applicable Program Guidelines and these Omnibus Amendments and shall promptly communicate the disposition of the appeal in writing. All decisions rendered shall be made by the Deputy Director or their designee and shall be final, binding, and conclusive, and constitute the final action of the Department.

VIII. Early Disbursement Phase.

- a. Sponsor may proceed to Early Disbursement Escrow upon satisfaction of the Occupancy Standards and all other conditions precedent specified in this Section VIII. The Early Disbursement Funds, as calculated and approved pursuant to Section VII of these Omnibus Amendments, will be eligible for early disbursement through the Early Disbursement Escrow. The Department will then hold the remaining balance of the Qualifying HCD Loan and release that disbursement at Permanent Conversion Escrow upon the satisfaction of all conditions to the close thereof, subject to any applicable escrow reconciliation.
- b. Prior to Early Disbursement Escrow, Sponsor shall provide all of the following to the Department:
 - i. Rent rolls that show a 50 percent lease-up of the Project with Eligible Households. Such rent rolls shall be certified by the Sponsor, the Borrower, and the property manager.
 - ii. Evidence of title in a form acceptable to the Department (i.e., a proforma of the ALTA Lender's Title Policy acceptable to the Department).
 - iii. A written certification, signed by both the Sponsor and the Borrower, that (1) all of the conditions precedent to an Early Disbursement Request, as set forth in Section VI of these Omnibus Amendments, continue to be fully satisfied; (2) 50 percent of the Project's units are leased to and occupied by Eligible Households; (3) the occupied units are in decent, safe, sanitary, and habitable condition; and (4) lease-up of the Project is actively ongoing.

- iv. Such other documentation as the Department may reasonably request.
- c. Prior to close of Early Disbursement Escrow, the Approved Title Company shall be irrevocably committed to issue an ALTA Lender's Title Policy of title insurance, in the full principal amount of the Qualifying HCD Loan, which insures the validity, perfection, and priority of the Deed of Trust (the "**Title Policy**"). Such Title Policy shall (i) contain a future advances endorsement, which is acceptable to the Department in its sole and absolute discretion, insuring that the balance of the Qualifying HCD Loan, when subsequently disbursed, shall have the same lien and debt priority as the Early Disbursement Funds, after giving effect to any release and reconveyance of the deed of trust and other security instruments securing the Construction Loan (or any remaining portion thereof) at the close of the Permanent Conversion Escrow; (ii) contain a mechanics lien coverage endorsement; and (iii) be subject solely to such matters of record approved in writing by the Department in its sole and absolute discretion.
- d. At Early Disbursement Escrow, the following shall be deposited into the escrow account:
 - i. All of the Department's loan documents relating to each Qualifying HCD Loan, including, without limitation, the Promissory Note; the Deed of Trust; and the Senior Regulatory Agreement.
 - 1. The full amount of the Qualifying HCD Loan shall be referenced in such Promissory Note, Deed of Trust, and Senior Regulatory Agreement.
 - 2. The Deed of Trust shall secure the full amount of the Qualifying HCD Loan.
 - ii. A modified Construction Loan deed of trust, in recordable form, evidencing that the Construction Loan has been paid down by the Early Disbursement Funds in the amount approved by the Department, and identifying the reduced outstanding balance.
- e. At close of Early Disbursement Escrow, the escrow holder shall record the Deed of Trust and the Senior Regulatory Agreement with the same lien priority as contemplated by the Transaction Summary; except that, any security instrument securing that portion of the Construction Loan that is not paid off at Early Disbursement Escrow shall maintain senior lien priority over the Department's Deed of Trust and Senior Regulatory Agreement until Permanent Conversion Escrow.

IX. Permanent Conversion Timeline.

- a. Close of Permanent Conversion Escrow should occur within nine (9) calendar months of the date of early disbursement (the "**Permanent Conversion Deadline**"). Sponsor may, **on a one-time, per-Project basis only**, request to extend that deadline for up to two (2) additional calendar months, resulting in a maximum timeline of eleven (11) consecutive calendar months from the date of

early disbursement to the date of permanent conversion (the “**Extended Permanent Conversion Deadline**”).

- i. The one-time extension request shall be made by Sponsor, in writing, at least ten (10) business days before the expiration of the Permanent Conversion Deadline. The request shall be made on a form provided by the Department, it shall include a detailed description of the Sponsor’s reasons for needing the extension, and it shall be submitted to Department’s assigned Loan Closing Representative for ministerial review.

X. Permanent Conversion Phase.

- a. All conditions to the close of the Early Disbursement Escrow shall continue to be satisfied through the close of the Permanent Conversion Escrow, or the Department will not disburse the balance of the Qualifying HCD Loan. All other Applicable Program requirements at permanent conversion remain in full force and effect.
- b. Any necessary updates required by other parties as part of the permanent conversion must be completed at the time of closing.
- c. The Permanent Conversion Escrow shall be handled by the same Approved Title Company as handled the Early Disbursement Escrow.
- d. To the extent the Qualifying HCD Loan exceeds the final gap funding needed, as represented in the final cost certification, the Department retains the right to reduce the principal amount of the Qualifying HCD Loan up to the amount of the savings in interest costs to the Sponsor/Borrower under the Construction Loan generated by the Early Disbursement Funds. To the extent the Project has incurred eligible cost overruns as documented in the final cost certification, the cost savings generated from the Early Disbursement Funds may be applied to cover those costs pending approval from the Department in lieu of a reduction of the Qualifying HCD Loan.
- e. To the extent there is a reduction of the Qualifying HCD Loan pursuant to **clause d.** immediately preceding, the Department’s loan documents, which were executed and recorded, as applicable, at Early Disbursement Escrow, will need to be amended and restated to reflect such reduction. Such amended loan documents shall be executed and recorded, as applicable, through escrow at close of Permanent Conversion Escrow. Additionally, the Title Policy shall be amended and reissued through escrow as necessary to insure the validity and priority of the Deed of Trust, as modified, in a manner and form acceptable to the Department.
- f. Prior to Permanent Conversion Escrow, the Sponsor shall provide all of the following:
 - i. All subordination agreements from all other Project lenders and encumbrance holders that are necessary to establish that priority of

liens, debts, and encumbrances authorized by the relevant Applicable Program Guidelines and/or the UMRs and identified in the Transaction Summary.

- ii. A final certificate of occupancy (or an equivalent form of occupancy certification or approval) issued by the local agency having jurisdiction over such certificates.
 - iii. All other documents, funds, and other deposits required at Permanent Conversion Escrow pursuant to Department requirements, including, without limitation, the relevant STD 213, Standard Agreement(s); the Applicable Program Guidelines; and the UMRs.
- g. Where the Construction Loan is fully paid off at Permanent Conversion Escrow (i.e., there is no roll-over of the Construction Loan), the Borrower/Sponsor shall, at close of Permanent Conversion Escrow, cause the construction lender to deposit with the escrow holder a fully executed and acknowledged full release and reconveyance of the deed of trust and any other security instruments securing the Construction Loan (or the remaining portion thereof) sufficient to fully remove the same as encumbrances on title to the Project, and the escrow holder shall record the same through escrow at close. Borrower/Sponsor shall also cause the Approved Title Company to issue an amendment to the title policy deleting the Construction Loan, and the liens and encumbrances evidencing or securing the same, as an exception to title.
- h. At close of the Permanent Conversion Escrow, the Regulatory Agreement for each Qualifying HCD Loan shall be fully executed and acknowledged and deposited into escrow, and shall be recorded against the Project through escrow at close. Sponsor and Borrower shall cause to be deposited into escrow counterpart copies of all third-party subordination agreements in favor of the Department subordinating any and all liens and encumbrances that are to be subordinate to the Regulatory Agreement at close as contemplated by the Transaction Summary.
- i. The Department will disburse the balance of the Qualifying HCD Loan through escrow at close of Permanent Conversion Escrow upon the satisfaction of all conditions to the close thereof.
- j. If Permanent Conversion Escrow does not close by the Permanent Conversion Deadline (or, if extended, by the Extended Permanent Conversion Deadline) through no material fault of the Department, such failure shall constitute a material event of default under the Department's loan documentation related to the Qualifying HCD Loan(s), and the Department may exercise any and all rights and remedies under such loan documentation including, without limitation, accelerating all amounts previously funded and foreclosing on the Project. In addition, the Department may exercise any and all available rights and remedies under the relevant STD 213, Standard Agreement, including, without limitation, the recapture of the Early Disbursement Funds and the disencumbrance of any

amounts not yet funded under the Qualifying HCD Loan(s). Alternatively or in addition, the Department may make an adverse assessment against the Sponsor, the Borrower, each of their respective control persons, and the Sponsor's Co-Awardees, if any, pursuant to its Negative Points Policy.

XI. Post-Conversion Phase: Monitoring, Compliance, and Enforcement.

- a. After the close of Permanent Conversion Escrow, the Qualifying HCD Loan shall be monitored, and all of its requirements shall be enforced, pursuant to the Applicable Program Guidelines.
- b. Interest starts to accrue on the Early Disbursement Funds upon disbursement at Early Disbursement Escrow. Interest then starts to accrue on the balance of the Qualifying HCD Loan upon disbursement at Permanent Conversion Escrow. For the first operating year of the Project, interest will accrue on the Qualifying HCD Loan during the foregoing bifurcated accrual periods. After the initial operating year, interest will accrue on the unpaid principal balance of the Qualifying HCD Loan as specified by the Applicable Program Guidelines.

Approved by:



Gustavo Velasquez, Director

Date 3-17-2026