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

Early Disbursement Frequently Asked Questions

General

Q: SHOULD I APPLY?

A: Yes! If your project is currently in the lease-up phase and a TCO has been issued, we encourage you to apply. The sponsor will need to evaluate if the cost and time savings are beneficial based on an expected turnaround time of 4 months from Early Disbursement Request application to disbursement of funds.

If your project is already in the permanent conversion phase, with less than 4 months remaining until perm closing and has had or is about to have a handoff, you will need to determine if moving forward with an early disbursement is an actual ***cost*** and ***time*** savings for your project as the permanent conversion phase may be interrupted.

Q: DOES AN EARLY DISBURSEMENT REQUEST MEAN THAT THE PROJECT WILL GO THROUGH TWO CLOSINGS?

A: No! If the Early Disbursement request is approved, you will go through two phases of a closing. Phase 1 will entail collecting the required Early Disbursement checklist items, LAD Handoff, setting up Escrow, review and comment period of the loan documents, and in finality, the early disbursement from your HCD funding source. At permanent conversion HCD will be required to gather final closing checklist items from sponsor, circulate updated and/or new loan documents for review and comment, reconcile funds already disbursed and disburse remaining HCD funds.

Q: ARE THE DOCUMENTS POSTED ON THE HCD WEBSITE FOR EARLY DISBURSEMENT THE ONLY DOCUMENTS I'LL NEED TO APPLY?

A: Yes! The Early Disbursement Request and Certification (HCD Form 1.0), Third-Party Lender Acknowledgement (HCD Form 1.11), and the Construction Lender Estoppel (HCD Form 1.2) are the three core documents you will need to submit to your Loan Closing Representative for your Early Disbursement Request Application.

If your application is approved, your Loan Closing Representative will send you the Early Disbursement Checklist aiding you in providing required documentation per the programmatic requirements detailed in the Administrative Notice 26-01 Omnibus Program Guideline Amendments (see Section VII).

POLICY

Q: WHAT HCD PROGRAMS DOES THE EARLY DISBURSEMENT POLICY APPLY TO?

A: The Early Disbursement policy applies to HCD's major state-funded multifamily housing programs, such as MHP, AHSC, NPLH, TOD, Serna, MFSN,VHHP and Accelerator.

Q: A REQUIREMENT OF THE EARLY DISBURSEMENT POLICY IS TO VERIFY SPONSOR, BORROWER, THEIR RESPECTIVE CONTROL PERSONS AND SPONSORS' CO-AWARDEE, IF ANY, ARE IN GOOD STANDING WITH THE DEPARTMENT, NOT SUBJECT TO NEGATIVE POINTS, OR IN DEFAULT ON ANY OTHER DEPARTMENT FUNDING. DO I NEED TO EMAIL SOMEONE TO OBTAIN THIS INFORMATION?

A: No, your Loan Closing representative will obtain this information from the pertinent entities on your behalf. Additionally, your Loan Closing representative will verify the Sponsor has no more than two other outstanding Projects receiving early disbursement and pending permanent conversion financing along with no missed permanent conversion deadline under a prior request.

DOCUMENTATION

Q: DO WE NEED TO PROVIDE ALL ITEMS ON THE CLOSING CHECKLIST OR JUST FOCUS ON THE EARLY DISBURSEMENT TAB?

A: You will only need to provide the documentation that is required from the Sponsor/Borrower on the Early Disbursement tab. The "A" items on the checklist will have already been collected during your construction close. The "B" and "C" items will be collected at permanent financing conversion. If you would like to get a head start on providing the "B" and "C" items you may do so, however, it is not a requirement at the Early Disbursement phase of funding.

Q: DO WE NEED TO PROVIDE ALL THE CONSTRUCTION LOAN DOCUMENTS?

A: Yes! The Administrative Notice 26-01 Omnibus Program Guideline Amendments (see Section VII) does require the true and correct copies of the final and fully executed loan documents for the Construction Loan prior to the Early Disbursement funds being released.

Q: WHAT IS THE AMOUNT OF THE ALTA LENDER TITLE POLICY AND ENDORSEMNTS FOR THE EARLY DISBURSEMENT?

A: The amount of the ALTA Lender's Title Policy should be issued for the full loan amount. If the project ultimately does not use the remaining HCD funds at permanent conversion, it will be up to the borrower to make any necessary updates to the ALTA Lender's Title Policy.

Q: IS THERE A HCD TEMPLATE FOR THE REQUIRED PROFORMA/BUDGET?

A: NO! You may use your own proforma/budget. The Administrative Notice 26-01 Omnibus Program Guideline Amendments (see Section VII) requires the proforma/budget to be certified by the Sponsor and the Borrower. HCD does have a certification form that will be provided by the Loan Closing representative.

Q: IF I'VE ALREADY PROVIDED THE ORGANIZATION DOCUMENTS AS AN "A" ITEM ON THE LOAN CLOSING CHECKLIST, DO I NEED TO PROVIDE THEM AGAIN FOR THE EARLY DISBURSEMENT CHECKLIST?

A: NO! The Loan Closing representative will acknowledge on the Early Disbursement checklist the documents have already been collected. If there has been an organization structure change since the original "A" items were collected, you will need to provide the updated organization documentation for said change.

Q: FOR THE CONSTRUCTION LENDER ESTOPPEL LETTER, MUST THE HCD FORM 1.2 BE USED OR CAN THE CONSTRUCTION LENDER PROVIDE THEIR OWN ESTOPPEL LETTER?

A: NO! The Construction Lender may use their own form if it meets all the requirements outlined in the Administrative Notice 26-01 Omnibus Program Guideline Amendments (see Section VII).