

**OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT
CAL-MORTGAGE LOAN INSURANCE PROGRAM**

SAMPLE LETTER OF COMMITMENT

[The conditions outlined below are for illustrative purposes only, are subject to change, and may not conform to current requirements, or may be customized to the transaction.]

OSHPD hereby issues a conditional commitment to insure a loan to the Corporation in an amount not to exceed [\$_____]. Issuance of this commitment is subject to the following conditions:

- A. OSHPD shall receive a security interest in the Corporation's property located at [_____]. Such security shall be secured through first deeds of trust, fixture filings, UCC-1s, and a gross revenue pledge, perfected by a Depository Account Control Agreement and a Securities Account Control Agreement covering all the above listed property of the Corporation.
- B. OSHPD shall receive a security interest evidenced by deeds of trust in all real property acquired by the Corporation after the close of the loan insured by OSHPD.
- C. The proposed services to be provided as a part of the Project and the structure of the transaction shall not differ from those set forth in the Financial Feasibility Report, the Application for loan insurance, the program description and scope as agreed to by OSHPD, [and the program statement provided to the Department of Social Services (DSS)].
- D. The insured loan transaction shall have a term not to exceed the lesser of a 30-year principal amortization or 75 percent of the useful life of the property.
- E. The insured loan transaction shall have a term not to exceed [____] years from the date of the loan. The no-call period, if any, shall not extend beyond the first eight years of the loan, thereafter the redemption price for the following two years shall not exceed 102 percent for the first year and 101 percent for the second year, after which there shall be no prepayment penalty, unless otherwise agreed to by OSHPD.
- F. Within 90 days from the date of this letter, the Corporation shall obtain approval from a lender or issuer.
- G. The Regulatory Agreement shall contain provisions that the Corporation shall maintain the following:
 - 1. A current ratio of at least [_____] to 1, as determined by annual audited financial statements.
 - 2. A debt service coverage ratio of at least [_____] to 1, as determined by the annual audited financial statements.
 - 3. A non-restricted cash balance of at least [_____] days cash, as determined by the annual audited financial statements.

- H. The Debt Service Reserve Fund shall be established at loan closing in the amount equal to the lesser of: (a) at least 50 percent of the maximum annual debt service on the insured loan transaction, (b) 125 percent of average annual debt service on the insured loan transaction, (c) 10 percent of the outstanding principal amount of the insured loan transaction, or (d) other amount as determined by OSHPD.
- I. OSHPD shall receive a corporate resolution from the Corporation authorizing the transaction and the execution of the Regulatory Agreement, Contract of Insurance, and Deed of Trust.
- J. Prior to the sale or pricing of the insured loan transaction, OSHPD shall receive the following:
1. Confirmation that there has been no adverse material change in the financial condition of the Corporation or in any other market condition including, but not limited to, potential revenue sources and levels, salaries, expenses of operation, staffing levels, or any other condition or occurrence adversely affecting the Corporation's ability to pay debt service or comply with any of the terms and conditions of the Regulatory Agreement.
 2. Copies of the preliminary (a) Sources and Uses of Funds, including documentary evidence verifying owner's equity and (b) Debt Service Schedule, with all updates of both, each of which must be acceptable to OSHPD.
 3. Pro Forma title report for issuance of ALTA Lender's Title Policy (6-17-06 or other form acceptable to OSHPD) with exceptions to title acceptable to OSHPD, and with OSHPD designated as a beneficiary in an amount equal to the loan bond par amount for the Project, with the following CLTA Forms:
 - a. CLTA Form 100 or ALTA Endorsement 9-06
 - b. CLTA Form 103.4 or 103.7, or ALTA Endorsement 17-06 or 17.1-06
 - c. CLTA Form 116 or ALTA Endorsement 22.1-06
 - d. CLTA Form 116.4 or ALTA Endorsement 19-06
 - e. CLTA Form 123.1-06/123.2-06 or ALTA endorsement 3-06/3.1-06
 - f. ALTA Endorsement 33.06 and 32.2-06 (construction)

OSHPD may require additional endorsements.

4. A satisfactory Phase I assessment and Environmental Review Report completed by California Department of Toxic Substance Control (Exhibit E) for all real property.
5. For the acquisition of residential units, a clear pest inspection.
6. A Deposit Account Control Agreement ready for signatures, satisfactory to OSHPD.
7. A Securities Account Control Agreement ready for signatures, satisfactory to OSHPD.

8. Evidence that either the following insurance coverage is in effect for work in progress, work to be performed, or of a commitment to provide such insurance coverage before construction begins:
 - a. Statutory workers' compensation and employer's liability
 - b. Bodily injury and property damage liability
 - c. Such other insurance as is required in the Regulatory Agreement
 - d. Builders Risk
9. Updates, if any, to the Financial Feasibility Study or Market Study, which must be acceptable to OSHPD.
10. Documents indicating that any other conditions required by the Advisory Loan Insurance Committee and the Director of OSHPD have been satisfied.
11. As construction is part of this Project:
 - a. Certification from the architect that the final set of the architectural plans, and the construction materials outline specification for the entire Project are complete and available to OSHPD upon request.
 - b. Copies of all required building permits and governmental agency approvals required for the Project, or assurances from the governmental agency that permits will be issued. All such permits, approvals, and assurances must be acceptable to OSHPD.
 - c. Copies of the executed construction contracts, including all amendments or additions thereto, based upon final approved architectural plans, with a fixed limit of construction cost (not-to-exceed price or guaranteed maximum price) for the Project, and all correspondence between the contractor and the Corporation.
 - d. Provide a detailed breakdown of total project costs by subcontractors and suppliers. Identify services and suppliers that are subject to mechanic's liens
 - e. 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.
 - f. Evidence of payment, performance, and materialman's bonds in the amount of the construction contract for all contractors and subcontractors.
- K. The Regulatory Agreement, Contract of Insurance, and Deed of Trust used for this transaction shall be OSHPD's latest form of each with such changes as may be required by OSHPD.
- L. Prior to the closing of the insured loan transaction, OSHPD shall receive copies of the final (a) Sources and Uses of Funds and (b) Debt Service Schedule.
- M. At the loan closing, OSHPD shall receive an ALTA Loan Title Policy (6-17-06 or other form acceptable to OSHPD) with exceptions to title acceptable to OSHPD, and with OSHPD designated as a beneficiary in an amount equal to the bond par amount, with the endorsements described above.

In the event that additional facts, or changes in the law, or changes in the structure of the transaction come to the attention of OSHPD, OSHPD may require additional conditions. It is further understood that OSHPD maintains the right to adjust the amount to be insured commensurate with cost information at the time of the final execution of documents.

This commitment is issued in full consideration and knowledge of all parties to be preliminary in nature and shall not be final until there is full compliance with all applicable laws, including the provisions of Chapter 1, Part 6, Division 107 of the Health and Safety Code, cited in Section 129000 as the "California Health Facility Construction Loan Insurance Law" and the associated regulations and requirements, and all the conditions contained therein.

This commitment will expire **six months** from the date of this letter unless extended by OSHPD at the request of the Corporation. Lapse of this consent or commitment will void the application and require submission of a new application prior to further processing.