

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (Authority)

HELP II Loan Program

Strategic Analysis and Programmatic Changes Discussion

Information Item

May 27, 2021

Since 2015, the Authority has approved several resolutions which have shaped the HELP II Loan Program (Program). The resolutions set forth certain parameters that were either made permanent or set to expire after two years.

Expiring Loan Parameters:

- 2% interest rate for the purchase, construction, and renovation of real property and for the purchase of equipment and furnishings.
- Maximum loan amount of \$1.5 million for the purchase, construction, and renovation of real property and for the purchase of equipment and furnishings.
- Maximum loan term of 20 years for the purchase, construction, and renovation of real property.

The chart below shows a summary of the Program's current loan parameters, subsequent to the most recent approved resolution, Resolution No. 2019-02, approved in May 2019.

	Equipment & Furnishings	Refinance	Purchase, Construct, & Renovate Real Property
Interest Rate	2%	3%	2%
Loan Amount	\$25,000 - \$1,500,000	\$25,000 - \$1,000,000	\$25,000 - \$1,500,000
Loan Term	5 years	15 years	20 years

Permanent Loan Parameters:

- Resolution No. 2015-05 established a \$6 million minimum floor as a mechanism to safeguard the Program's fund balance. If the Program fund balance drops below the floor, staff may not consider loan applications which request funds in excess of a \$1,000,000 cumulative loan amount without Authority approval or staff will limit new loan volume to the amount of cash generated by loan portfolio repayments.
- Resolution No. 2017-05 requires all borrowers with new Program loans to enroll in the Electronic Payment System (EPS) unless the borrower elects to opt out. Borrowers enrolled in the EPS may choose from two payment date options with a ten-day grace period and may request a one-time late payment waiver. Borrowers who elect to opt out of EPS enrollment are restricted to one payment date option with no grace period and no late payment waivers.

In May 2019, the Authority also directed staff to analyze the Program and develop programmatic adjustments accordingly. With Resolution No. 2019-02 set to expire and certain loan parameters expiring, staff is currently working with the Authority's financial analyst, TAP International, Inc., to analyze the Program fund balance and evaluate the following items for the June 24, 2021 board meeting.

- 1) Review the interest rate, maximum loan amount, and loan terms for all loan types.
- 2) Review the maximum annual gross revenue eligibility requirement to qualify as a small health facility, which is currently set at \$30 million.
- 3) Review the \$6 million minimum fund balance floor.
- 4) Review the loan payment method and schedule for EPS and non-EPS users.

This analysis, in addition to staff research and the Authority's input at this meeting, will be used to determine which programmatic adjustments will be recommended to the Authority for approval at the June 24, 2021 board meeting.