

**Process for Sponsors to Apply for an HCD Loan Interest Rate Reduction  
Under AB 2562 (HSC Section 50406.7(a))**

HCD will accept applications for interest rate reductions after the TCAC tax credit reservation has been executed and prior to the execution of HCD's loan documents. The process to apply for a reduced HCD interest rate involves:

- Contacting your assigned HCD Single Point of Contact (SPOC) to notify them of your intention. In the absence of an assigned SPOC, contact your assigned HCD Loan Closing Branch representative and/or their manager.
- The submission of documentation in support of the interest rate reduction/loan modification request which will include, but not be limited to, the following items:
  - 1) A copy of the HCD loan award letter.
  - 2) The executed TCAC reservation letter.
  - 3) Complete sets of investor projections demonstrating both:
    - a. the HCD loan at 3% simple interest is ineligible to be treated as debt or results in an inability to syndicate due to a negative capital account, and
    - b. the HCD loan at a reduced rate to the nearest .125%, but not less than .42%, that meets the true debt test or enables syndication by reducing or eliminating a negative capital account.
  - 4) A financial analysis prepared and signed by the tax professional:
    - a. interpreting the projections in item 3 above
    - b. describing how a change in the interest rate will both materially increase the feasibility of the project and ensure long term affordability for the residents.
  - 5) The Application and Certification Statement signed by the borrower, limited partner, and tax professional.

Note: The "tax professional" can be either a California licensed CPA or tax attorney that is under contract to the Sponsor, and their California professional license number must be included in the signature block of the application.