

**CALIFORNIA HEALTH FACILITIES
FINANCING AUTHORITY (CHFFA)
&
CALIFORNIA DEPARTMENT OF HEALTH
CARE ACCESS AND INFORMATION (HCAI)**



**Distressed Hospital Loan Program
Loan Modification Application**

CHFFA or Authority
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Sacramento, California 95814
Phone: (916) 653-2799
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<http://www.treasurer.ca.gov/chffa/>

HCAI or Department
2020 W. El Camino Ave. #1231
Sacramento, California 95833
Phone: (916) 319-8800
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Application and Evaluation Process:

In order to be considered, an applicant:

- must be a borrower with an outstanding loan under the Distressed Hospital Loan Program (DHLP) from the Authority;
- must submit a complete application; and
- must provide justification that despite best efforts through its Turnaround Plan initiatives outlined in Exhibit E of the Loan and Security Agreement with the Authority, the borrower remains in financial distress.

Step 1 of the Loan Modification process is to apply for a 12-month extension of the payment deferral period and of the maturity date of the DHLP loan.

- This is the only option available to applicants in 2025.

If a 12-month extension in Step 1 has been approved and the applicant continues to experience financial distress, then Step 2 of the Loan Modification process is to submit an application for loan forgiveness for the next succeeding 12 months of debt service.

The applicant must reapply each year for additional loan forgiveness if experiencing continued financial distress. This one application is for both steps of a Loan Modification. If Loan Modification is not granted, then a borrower may reapply after 12 months.

When evaluating an application, a set of financial metrics will be utilized as a minimum threshold, referred to as “Stable Financial Ratios.”

The Stable Financial Ratios are as follows:

- Greater than 60 Days Cash on Hand, inclusive of all investments and liquid assets that can be used for operations;
- Greater than 1.5x Debt Service Coverage Ratio; and
- Greater than 2.0x Current Ratio.

Loan Modification Criteria:

Step 1 in the Loan Modification process requires an applicant to first apply for an extension of the payment deferral period and maturity date of the DHLP loan. This application, if approved, will provide a 12-month extension of the payment deferral period and of the maturity date. However, in no event will the maturity date of any DHLP loan be extended beyond 7/1/2031, given that the sunset date of the program is 12/31/2031.

An applicant not meeting at least one of the Stable Financial Ratios, based on the most recent internally prepared year-to-date financial statements, may qualify for Loan Modification depending on the implementation progress of the Turnaround Plan in Exhibit E of the borrower’s Loan and Security Agreement with the Authority.

Step 2 in the Loan Modification process is forgiveness of a portion of the principal amount of the DHLP loan and will only be considered after an extension applied for in Step 1 has been approved. Loan forgiveness, if approved, will be for the next succeeding 12 months of debt service.

Loan forgiveness in Step 2 will be considered if it is determined that all of the following has occurred:

- 1) a borrower's DHLP loan proceeds were utilized for Turnaround Plan initiatives;
- 2) financial performance has not improved to meet Stable Financial Ratios even after implementing Turnaround Plan initiatives, or has worsened due to economic or healthcare marketplace factors outside of the borrower's control; and
- 3) 24-month financial projection and historical and projected financial ratios demonstrate that applicant will be unable to reach the threshold of Stable Financial Ratios, inclusive of the required debt service payments on the DHLP loan.

The applicant must reapply each year for additional loan forgiveness if experiencing continued financial distress.

Submission Instructions:

An applicant must submit an application at least 90 days, but no more than 120 days, before a Loan Modification is needed.

- The applications shall be reviewed as they are received, and
- A Loan Modification shall be granted upon the approval by the Department, the Authority, and the Department of Finance.
- The applicant may be required to attend a public Authority board meeting as part of the approval process.
- The entire process to review and approve an application is expected to take approximately 90 days.
- Any application that is approved will require the applicant to sign documents to effectuate the Loan Modification.

An applicant must submit a complete application to the Authority by email in a Portable Document Format (PDF) attachment to chffa@treasurer.ca.gov. If additional pages are needed to respond to the requirements of the application, the pages must be included with the application at submission.

Please Note:

- The Authority is not responsible for email transmittal delays or failures of any kind.
- All information and documentation submitted as part of the Application package is subject to the Public Records Act.

The Department and the Authority reserve the right to request additional information.

**DISTRESSED HOSPITAL LOAN PROGRAM
LOAN MODIFICATION APPLICATION FORM**

SECTION ONE: SUMMARY INFORMATION

APPLICANT INFORMATION:		
Legal Name (Include DBA Name)		
Street Address	Federal Tax I.D. Number	
City, State & Zip	Contact Person / Title	
County	Telephone Number	Email Address

LOAN MODIFICATION INFORMATION:		
(Select One)	<input type="checkbox"/> Modification Step 1 (12-month extension of payment deferral period and maturity date)	<input type="checkbox"/> Modification Step 2* (forgiveness of next succeeding 12 months of debt service)
<p>*Please Note: To apply for loan forgiveness, the DHLP loan is required to have first received an extension, please provide the Modification Step 1 Approval Date:</p>		
<p>Turnaround Plan Initiative Updates (Please respond to these questions in a separate document and attach to application)</p> <ol style="list-style-type: none"> 1. Provide a written explanation of the actions and initiatives implemented to date to turnaround the applicant's financial performance as explained in Exhibit E of borrower's Loan and Security Agreement. 2. Provide a detailed list of how DHLP loan proceeds were utilized, and whether there are any unused DHLP loan proceeds that will be utilized in the future. 3. Discuss any variances between the Turnaround Plan and financial projections submitted with the original DHLP application (base case) and the actual actions and initiatives implemented to date. 4. Provide a written narrative describing any changes in ownership, management, bankruptcy filings or other extraordinary events. 5. Explain applicant's justification for a Loan Modification. 		

SECTION TWO: FINANCIAL STANDING

1. Provide any current, past due, or updated routine reporting requirements per the applicant's Loan and Security Agreement.
2. Provide most recent internally prepared year-to-date financial statements (no more than 45 days old).
3. Calculate the following financial ratios for the most recent internally prepared year-to-date financial statements provided under item two above, per the formulas in the applicant's Loan and Security Agreement:
 - a) Days Cash on Hand;
 - b) Current Ratio;
 - c) Operating Margin;
 - d) Net Cash Runway; and
 - e) Debt Service Coverage Ratio.
4. Describe any changes in the applicant's short and long-term debt since obtaining the DHLP loan, such as additional working capital or other short-term loans or additional long-term debt.
5. Discuss any revenue timing issues that the applicant may be experiencing (e.g. Intergovernmental Transfer Payments or Quality Assurance Fee Program payments).
6. Disclose if the applicant is in technical or payment default with any debt covenants? Please include whether the lender is implementing remedies of default actions.

SECTION THREE: REVISED FINANCIAL FORECAST

Step 1 Loan Modification Requirements:

1. Provide an updated Turnaround Plan describing actions being taken or to be taken by leadership to improve the applicant's financial situation, including whether to cut or eliminate any services.
2. Provide a 24-month cash-flow projection of the applicant's future financial situation, inclusive of full debt service payments on the DHLP loan. Projections must include the following:
 - a) Detailed list of all revenue and expense assumptions used in the forecast.
 - b) DHLP loan debt service payments must be shown as a separate line item on the projection.
 - c) Calculate the following financial ratios throughout the projection period: days cash on hand, debt service coverage ratio, and current ratio.

Step 2 Loan Modification Requirements:

1. Provide an updated Turnaround Plan describing actions being taken or to be taken by leadership to improve the applicant's financial situation, including whether to cut or eliminate any services. If prior Turnaround Plan initiatives did not result in an improved financial situation, then new initiatives must be presented.
2. Provide a 24-month financial projection, including a balance sheet, income statement, and cash-flow projections of the applicant's future financial situation, inclusive of debt service payments on the DHLP loan in an amount that will allow the borrower to reach stable financial ratios. Projections must include the following:
 - a) Detailed list of all revenue and expense assumptions used in the forecast.
 - b) Detailed list of revenue growth and expense reduction initiatives and their financial impact.
 - c) DHLP loan debt service payments must be shown as a separate line item on the projection.
 - d) Calculate the following financial ratios throughout the projection period: days cash on hand, debt service coverage ratio, and current ratio.

SECTION FOUR: APPLICATION CERTIFICATION

An individual with the authority to bind the applicant to an agreement with the California Health Facilities Financing Authority, if a Loan Modification under the Distressed Hospital Loan Program is approved for the applicant, must complete the following certification:

I certify that, to the best of my knowledge, the information contained in this application and the accompanying supplemental materials submitted by the applicant for Loan Modification under the Distressed Hospital Loan Program are true and accurate. I understand that if the applicant is approved for a Loan Modification under the Distressed Hospital Loan Program, the applicant will be required to execute loan documents with the California Health Facilities Financing Authority as well as provide any additional information or documentation that may be required. I further understand that misrepresentations made by the applicant or inaccurate information or documentation provided by the applicant may result in the cancellation of the Loan Modification, if approved, and that the California Health Facilities Financing Authority is authorized to take any additional actions as may be provided under the laws of the State of California.

Applicant Legal Name: _____

By (Print Name)

Signature

Title

Date