

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

December 3, 2008

Staff Report

2008 HOUSING ACT VOLUME CAP (HR 3221)

**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
SINGLE FAMILY HOUSING MORTGAGE REVENUE BOND (MRB) PROGRAM
(REFINANCE AND REAL ESTATE OWNED (REO) PROGRAMS)**

Prepared by Sarah Lester.

Applicant: California Housing Finance Agency (CalHFA or "Agency")

Contact Information:

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Allocation Amount Requested:

\$759,831,768 and all unused H.R. 3221 allocation as of Dec 3, 2008.

Applicant's Fair Share Amount:

\$759,831,768 and all unused H.R. 3221 allocation as of Dec 3, 2008.

Participating Jurisdictions: Statewide

Program Financing Information:

Proposed Issuance Date: Calendar Year 2009 or 2010
Bond Counsel: Hawkins, Delafield & Wood, LLP
Underwriter: To be determined
Credit Enhancement Provider: California Housing Finance Agency
Private Placement Purchaser: Not Applicable
TEFRA Hearing: September 3, 2008

Allocation Information:

Program Status: New programs
Program Type: Refinance Program and Real Estate Owned Program

Type of housing units to be assisted/average mortgage amount:

Existing resale units: 1,911 units (100%) with an average mortgage amount of \$239,619

Rehabilitated units: 0 units (0%) with an average mortgage amount of \$0

Total units: 1,911 units with an average mortgage amount of \$239,619

The above numbers of units are: estimates
 actual requirements imposed by the Issuer

Recommendation:

Staff recommends that the Committee approve the award of \$759,831,768 and all unused 2008 Housing Act Volume Cap to the California Housing Finance Agency on a carryforward basis.

DESCRIPTION OF PROPOSED PROGRAM:

REO Program (Community Stabilization Home Loan Program)

• ***Rationale for selection of program:***

According to the Applicant, they will be administering both an REO program (Community Stabilization Home Loan Program (CSHLP)) and a Refinance program (CalHFA HOPE NOW Refi Program).

• ***Contacts made to ensure the success of program (i.e. banks, lenders, realtors, etc):***

The Applicant states that only lenders authorized to conduct business with CalHFA, FannieMae and Countrywide will be permitted to originate loans. According to the Applicant, a special list of REO properties located in selected counties and zip codes will be eligible for this program. The Applicant states that the program participants have agreed to list the properties with a special sales price of at least a 12% reduction off the estimated property value. According to the Applicant, the properties must meet repair, inspection and health and safety code requirements as well as the Agency's program requirements. The Applicant further states that sales price of home cannot not exceed the Agency's published limit which is posted on their website.

• ***Interest rate offered:***

The Applicant states that the current interest rate on the first mortgage is set at 5.50%, subject to change.

• ***Down payment assistance offered:***

The Applicant states that the program will consist of a conventional first mortgage loan with below market, 30-year fixed interest rate, fully amortized, reserved for REO properties of participating financial institutions. It will have a maximum LTV limit of 100% and may be used with California Housing Finance Agency's "CHDAP" down payment assistance and Fannie Mae eligible Community Seconds program for a total CLTV of 103%.

There will be no down payment assistance offered for the CalHFA HOPE NOW Refi Program.

• ***Specific reservations of bond proceeds for purposes such as low-income targeting, etc.:***

The program will reserve 20% of the certificates for federally designated target areas.

• ***Definition of financial hardship (for refinance transactions only):***

According to the Applicant, the Agency does not define Financial Hardship for the program, however, the Board of Directors for the "Hope for Homeowners Program" provides specific eligibility requirements; and they are as follows:

- ❖ The borrower is not required to be delinquent on their mortgage at the time of application for the refinance
- ❖ The borrower is unable to make their payments and at risk of losing their home to foreclosure
- ❖ The borrower must have made at least six full payments on existing senior mortgage being refinanced.
- ❖ Property is primary residence and owner occupied
- ❖ The borrower's loan must have originated on or before January 1, 2008
- ❖ On March 1, 2008, borrower had a total monthly mortgage payment of more than 31 percent of the mortgagor's monthly gross income
- ❖ The borrower must not have ownership in any other residential property
- ❖ The borrower must not been convicted of fraud under federal or state law in the last 10 years
- ❖ The borrower must certify borrower has not intentionally defaulted on any mortgage or debt
- ❖ The borrower has not knowingly, willfully with actual knowledge-furnished material information know to be false for purpose of obtaining this program mortgage

- ❖ The new monthly mortgage payment cannot exceed 31 percent of the mortgagor's monthly gross income. The sum of all total monthly payments (mortgage and recurring) cannot exceed 43 percent of mortgagor's monthly income.
 - ❖ The borrower's total monthly payment on new mortgage must not exceed the aggregate total monthly mortgage payment under the mortgagor's existing mortgage and all existing subordinate mortgages.
- ***First-time homebuyer education requirement:***
According to the Applicant, there is no homebuyer education requirement by the FHA, however, the Applicant states that borrowers are strongly encouraged to contact and work with a housing counseling agency.
 - ***Describe use of HR 3221 – CDBG funds:***
According to the Applicant, Community Development Block Grant funds will be used by the localities (city, county) for the purchase and rehabilitation of REO properties that currently do not meet the Health and Safety Code requirements. These properties will then be marketed and sold.

PURCHASE PRICE INFORMATION:

The proposed maximum limits are: Maximum purchase prices will vary from county to county, and are based on the special survey conducted by CalHFA. Please see the attached table of Maximum Purchase Prices for the participating counties.

Expected average sales prices of the estimated units to be assisted:

Existing units	\$266,243
Rehabilitated units	\$0

MAXIMUM INCOME LIMITATIONS:

Maximum income limits will vary from County to County and are based on the higher of the 2008 Statewide median income or the County median income as published by HUD, and adjusted for family size by the California Department of Housing and Community Development. Maximum income limits will also vary according to the CalHFA loan program.

Area median income on which maximum program limits are based: The higher of the 2008 Statewide median income or the County median income as published by HUD, and adjusted for family size by the California Department of Housing and Community Development.

Applicable standard from below that defines the area median income:

- HUD statewide median
- HUD county MSA median
- Local median as determined by a special study

Percent of bond proceeds reserved for IRS-designated target areas in the jurisdiction(s): 20%