

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**March 21, 2007**  
**Executive Summary**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**SINGLE FAMILY HOUSING BOND PROGRAM**

*Prepared by Sarah Lester*

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**Applicant:** California Department of Veterans Affairs (CDVA)

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**Contact Information:**

**Name:** Eric Tiche  
**Address:** 1227 O Street  
Sacramento, CA 95814  
  
**Phone:** (916) 653-1900

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**Allocation Amount Requested:** \$300,000,000

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**Participating Jurisdictions:**

Single Jurisdiction (Statewide)

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**Program Financing Information:**

**Proposed Issuance Date:** Spring 2007  
**Bond Counsel:** Hawkins, Delafield & Wood  
**Underwriter:** Merrill Lynch & Company, Bear Stearns or Lehman Brothers  
**Credit Enhancement Provider:** To be determined (by State Treasurer's Office)  
**TEFRA Hearing:** July 20, 2006

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**Program Description:**

HR 6111 is a bill that amended the Internal Revenue Code, which includes a provision that waives the first time homebuyer eligibility requirement for California veterans. It was approved on December 8, 2006 and allows California Veterans for calendar year 2007 and prior to January 1, 2008 expanded eligibility. During this one year window, California Veterans are not required to be first time homebuyers and program eligibility is expanded to include all California Veterans with war time service. Prior to this eligibility expansion California Veteran eligibility was limited to Veterans that had war time service prior to 1977. Due to the increased Veteran program demand, staff is recommending \$140 million in allocation for the CALVet single family program.

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**Allocation Information:**

**Program Status:** New program

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

**New construction units:** 370 units (37%) with an average mortgage amount of \$320,000  
**Existing resale units:** 630 units (63%) with an average mortgage amount of \$285,000  
**Rehabilitated units:** 0 units (0%) with an average mortgage amount of \$0  
**Total units:** 1,000 units with an average mortgage amount of \$297,950

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**Recommendation:** Staff recommends that the Committee approve a reduced amount of \$140,000,000 in 2007 tax-exempt bond allocation to the California Department of Veterans Affairs.

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**March 21, 2007**  
**STAFF REPORT**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A SINGLE-  
FAMILY HOUSING BOND PROGRAM**

**APPLICANT:** California Department of Veterans Affairs (CDVA)

**Contact:** Eric Tiche  
**Address:** 1227 O Street  
Sacramento, CA 95814

**Phone:** (916) 653-1900

**ALLOCATION AMOUNT REQUESTED:** \$300,000,000

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<b>Rehabilitated units:</b>	0 units ( 0%) with an average mortgage amount of \$0
<b>Total units:</b>	<b>1,000</b> units with an average mortgage amount of \$297,950

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

**DESCRIPTION OF PROPOSED PROGRAM:**

- ***2007 Program is based on Federal Regulation HR 6111:***  
HR 6111 is a bill that amended the Internal Revenue Code, which includes a provision that waives the first time homebuyer eligibility requirement for California veterans. It was approved on December 8, 2006 and allows California Veterans for calendar year 2007 and prior to January 1, 2008 expanded eligibility. During this one year window, California Veterans are not required to be first time homebuyers and program eligibility is expanded to include all California Veterans with war time service. Prior to this eligibility expansion California Veteran eligibility was limited to Veterans that had war time service prior to 1977. Due to the increased Veteran program demand, staff is recommending \$140 million in allocation for the CALVet single family program.
- ***Population to be served by the proposed Program (family size, income levels, etc.):***  
CDVA's market for the CalVet Home Loans is California veterans. According to the Applicant, although they do not use income as a restriction on eligibility, a significant portion of the veteran population falls into the low and moderate income definition that applies to Qualified Mortgage Bond (QMB) funds. This would include veterans currently on active duty, retired military, and disabled veterans.
- ***Housing stock to be purchased (types, unit sizes, etc.):***  
The CalVet Home Loan program purchases single family residences including condominiums and manufactured housing permanently attached to a home site. They loan on both new and existing homes. CDVA also has a construction loan program, which allows the veteran to purchase a home site and have a home constructed. They also state that they have a rehabilitation program, which allows veterans to purchase a home and rehabilitate it. The rehabilitation program provides funds for needed repairs and renovations to bring the property up to contemporary living standards. The maximum loan is 125% of the Fannie Mae conforming loan limit. CDVA does not have a maximum purchase price other than those imposed by the QMB limits.
- ***Specific reservations of bond proceeds for purposes such as low-income targeting, new construction, etc.:***  
The Applicant states that 20% of the bond proceeds will be reserved for IRS-designated target areas. According to the Applicant, at a minimum, 40% of the program participants it expects to assist in 2007 will be households with incomes below 80% of the area median income. This satisfies the Minimum Requirement for Single-Family Housing Programs contained in the CDLAC Procedures.
- ***Expected duration bond proceeds will be available and anticipated monthly rate of loan originations:***  
According to the Applicant, based on the requested amount, CDVA anticipates originating an average of 83 loans per month over a 12-month period. However, the recommended amount will fund approximately 470 mortgages (174 new construction loans and 296 resale loans). Based on information provide in the application, the estimated average loan size is calculated to be \$297,950. This calculates to an anticipated rate of loan originations of approximately 50-60 loans per month.
- ***Program interest rates, downpayment requirements, and other fees:***  
According to the application, based upon current market conditions, it is expected that a 5.25% interest rate will be offered.
- ***Other homebuyers assistance programs offered by participating jurisdiction(s):***  
CalVet allows the use of most local homebuyer assistance programs.

- ***Any other features unique to the proposed Program:***  
According to the applicant:

- CalVet is a direct lender
- Low origination costs (origination fee is 1%)
- No underwriting, loan processing, credit report, document preparation, or wire transfer fees
- Low cost fire and hazard insurance that provides a guaranteed replacement cost coverage.
- Affordable disaster insurance program with low loss deductibles

**PURCHASE PRICE INFORMATION:**

**The proposed maximum limits are:** Maximum purchase price varies from county to county, and are based on the housing price survey conducted by CalHFA for its single family housing program. Please see the attached table of Maximum Purchase Prices for the participating counties.

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

New units	\$325,000
Existing units	\$290,000
Rehabilitated units	\$0

**MAXIMUM INCOME LIMITATIONS:**

Maximum income limits will vary from County to County and are based on the higher of the 2006 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. The Applicant intends to utilize the same maximum income limits used by CalHFA.

**Area median income on which maximum program limits are based:** The higher of the 2006 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%

**Proposed maximum income limits:** (See Attachment “K” attached)

**DESCRIPTION OF PUBLIC BENEFITS:**

**Past Program Performance:** New Program

**RECOMMENDATION:**

Staff recommends that the Committee approve a reduced amount of \$140,000,000 in tax-exempt bond allocation.

Prepared by Sarah Lester