

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**November 18, 2009**  
**Revised Staff Report**  
***REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A***  
***SINGLE FAMILY HOUSING BOND PROGRAM***

*Prepared by: Sarah Lester*

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**Applicant:** Southern California Home Finance Agency

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**Contact Information:**

**Name:** Jewel Warren-Reed  
**Address:** 2 Coral Circle Monterey Park  
Monterey Park, CA 91755  
**Phone:** (323) 838-7768

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**Allocation Amount Requested:** \$30,000,000

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**Participating Jurisdictions:**

Counties of Los Angeles and Orange

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**Program Financing Information:**

**Proposed Issuance Date:** December 15, 2009  
**Bond Counsel:** Kutak Rock LLP  
**Underwriter:** Morgan Keegan  
**Credit Enhancement Provider:** GNMA, FannieMae or FreddieMac (Mortgage Backed Securities)  
**TEFRA Hearing:** Feb. 16, 2009 (LA) and July 17, 2009 (Orange)

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**Allocation Information:**

**Program Status:** Existing Program

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

New construction units: 6 units (1%) with an average mortgage amount of \$350,000  
Existing resale units: 59 units (99%) with an average mortgage amount of \$337,500  
Rehabilitation units: 0 units (0%) with an average mortgage amount of \$000,000  
Total units: 65 units with an average mortgage amount of \$338,654

**The above numbers of units are:**  x  Estimates

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**Past Performance:**

The application indicates the applicant did not meet the 2008 minimum performance requirement that at least **40%** of the program participants are lower-income households. However, the penalty for not achieving the participation requirement Pursuant to Section 18.III.A. of the Committee's Procedures has been waived.

The application indicates the applicant expects to meet the 2009 minimum performance requirement that at least **40%** of program participants will be lower-income households.

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**Recommendation:**

Staff recommends that the Committee approve an amount of \$30,000,000 in 2009 tax-exempt bond allocation to the Southern California Home Finance Agency for the Single Family Housing Bond Program.

**DESCRIPTION OF PROPOSED PROGRAM:**

● ***Population to be served by the proposed Program (family size, income levels, etc.):***

According to the Applicant, the Authority expects to serve low-moderate income families of all sizes and ethnic backgrounds. The ethnic breakdown for Los Angeles County is as follows: Caucasian 22%, Hispanic 43%, African American 24%, Asian 9% and other 2%.

The ethnic breakdown for Orange County is as follows: Caucasian 85%, Hispanic 5%, Asian 8% and Other 2%.

● ***Housing stock to be purchased (types, unit sizes, etc):***

According to the Applicant, the housing stock to be purchased will consist of 60% for single-family homes and 40% for condominiums and townhomes. The average number of bedrooms is 3 for both counties and the average price is \$343,976 for Los Angeles and \$341,622 for Orange County.

● ***Specific reservations of bond proceeds such as low-income targeting, new construction, etc.***

The program will reserve 20% of the allocation for IRS-designated target areas. According to the Applicant, at a minimum, 40% of the program participants it expects to assist in 2009 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, the Authority will blend a portion of funds in their Draw Down facility with a portion of new money from this new allocation. They expect the allocation requested to be committed to mortgagors in 6-9 months at an issuance rate of 25 loans per month.

● ***Program interest rates, downpayment requirements, and other fees:***

According to the Applicant, the Authority traditionally offers a lower interest rate to homebuyers who are 80% of below the area median income (AMI) or purchasing a home in IRS targeted areas. The Applicant states that all homebuyers whose income is greater than 80% AMI receive an interest rate .25% higher. According to the Applicant, structuring issues of the proposed program will determine if a lower interest rate can still be offered.

The Applicant states that the Authority follows the downpayment requirements as FHA, VA, Fannie Mae and Freddie Mac. The lender may charge a loan processing fee not to exceed \$350 and a loan documentation fee not to exceed \$200. According to the Applicant, all other must be fees charged may not exceed the amounts customarily charged if it were not a bond loan. The Applicant states that all borrowers pay a 1% loan origination fee.

● ***Other homebuyers assistance programs offered by participating jurisdiction(s):***

Home Ownership Program (HOP)

This program is designed for homebuyers whose income does not exceed 80% of HUD adjusted by household size and is located in an unincorporated area or participating city. This is a silent second trust deed loan and provides up to \$70,000 in assistance.

City of Industry Funds (COIF)

This program is designed for homebuyers whose income does not exceed 120% of HUD Median Income adjusted by household size and are located within a 15-mile radius of the City of Industry in Los Angeles County. This is a silent second trust deed loan and provides up to \$50,000 in assistance for new construction only for county approved developments.

Housing Economic Recovery Ownership Program (HERO)

This program is designed for homebuyers who purchase a foreclosed or abandoned home located in designated census tracts. This is a silent second trust deed loan and provides up to \$75,000 in assistance for families with incomes up to 80% of the AMI and up to \$50,000 in assistance for families with incomes up to 120% of the AMI.

Additional down payment assistance of the lesser of 6% or \$10,000 of the purchase price will also be available with the HERO program.

Grants up to \$25,000 will be available to address housing code violations. Also, borrowers may use downpayment and closing cost assistance programs offered by local jurisdictions where the property is located.

• **Any other features unique to the proposed Program:**

According to the Applicant, the Authority hopes to offer a fixed interest rate loan with a forty (40)-year term and 4 points of downpayment assistance. The Applicant further states that the Authority is looking at private funding sources to provide soft second loans.

**PURCHASE PRICE INFORMATION:**

The proposed maximum limits are:

<u>Unit Type</u>	<u>Average Area Purchase Price*</u>	<u>Non-Target Area Max Purchase Price</u>	<u>Target Area Max Purchase Price</u>
New Units	\$ 708,495	\$ 637,646	\$ 779,345
Existing Units	\$ 708,495	\$ 637,646	\$ 779,345

\*This is established by (check one):

- IRS Safe Harbor limitations  
      As determined by special survey  
      Cal HFA Sales Price limits (High Cost Area only)

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

New units	\$350,000
Existing units	\$337,500
Rehabilitated units	Not Applicable

**MAXIMUM INCOME LIMITATIONS:**

**Area median income on which maximum program limits are based:**

Statewide median income or the County median income as published by HUD, and adjusted for family

**Applicable standard that defines the area median income:**

HUD statewide median (LA)       HUD county MSA median (Orange)  
 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:**

**LOS ANGELES COUNTY**

<u>Household Size</u>	<u>(New &amp; Existing) Non-Target Area</u>	<u>(New &amp; Existing) Target Area</u>
1-2 persons	\$ 70,400	\$ 84,480
3+ persons	\$ 80,960	\$ 98,560
Select one of the following:		
80% of area median		
90% of area median	\$ 63,360	\$ 63,360

**ORANGE COUNTY**

<u>Household Size</u>	<u>(New &amp; Existing) Non-Target Area</u>	<u>(New &amp; Existing) Target Area</u>
1-2 persons	\$ 86,100	\$ 103,320
3+ persons	\$ 99,015	\$ 120,540
Select one of the following:		
80% of area median		
90% of area median	\$ 77,490	\$ 77,490

**DESCRIPTION OF PUBLIC BENEFITS**

**Past Program Performance:**

<u>Year</u>	<u>Amount of Allocation Awarded</u>	<u>Amount of Allocation Used</u>	<u>Number of Loan Originated</u>	<u>Status of Outstanding</u>
2006	\$35,000,000	\$35,000,000	105	\$0
2007	\$35,119,712	\$34,703,841	111	\$415,871
2008	Did Not Apply	N/A	N/A	N/A

Pursuant to CDLAC Procedures Section 18.I.D.1.,2., the Applicant

1. Has demonstrated that all proceeds from a bond issuance in the calendar year three years prior to the current year (other than minor amounts not to exceed \$1 million) have been used to finance loans; and
2. Certifies that any remaining bond proceeds from an Allocation up to two years prior to the current year will be used either:
  - a. Before the use of new Allocation and/or;
  - b. In conjunction with new Allocation in satisfying federal requirements (32-year rule) for such

prior funds.