

CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

Estimate of Public Benefits Extra Credit Teacher Home Purchase Program Pool 2003 Summary

State and local governmental agencies and joint powers authorities can issue tax-exempt mortgage revenue bonds (MRB) or mortgage credit certificates (MCC) to assist teachers, principals and other credentialed school staff purchase homes. These agencies and authorities may issue MRBs, the proceeds of which back below market interest rate mortgages. As an alternative to issuing MRBs, state and local governmental agencies and joint powers authorities may issue MCCs. The value of the credit equals up to 20% of interest payments made annually on the program participants first mortgage. Homebuyers use the MCC to reduce their federal tax liability by applying the credit to their net tax due. Homebuyers may purchase single-family homes, either free-standing detached homes, condominiums or townhouses.

Participants must be employed at a low-performing school (a California K-12 public school that is ranked in the bottom 50% of all the schools based on the most recent Academic Performance Index (API), i.e. schools receiving an API Statewide Ranking of 1, 2, 3, 4 or 5) and be willing to make a commitment to stay at that school for at least three years. In addition, Program participants must meet program income limits and must purchase a home that falls within the program's purchase price limitations.

The teacher shortage has contributed to the already acute problem of attracting qualified teachers to low performing schools, which are often located in urban and poor school districts. The Extra Credit Teacher Home Purchase Program (Extra Credit Program) targets a scarce public resource to those schools struggling the most, and to those teachers and principals who are fully qualified to help those schools achieve success.

The California Debt Limit Allocation Committee is responsible for administering California's annual tax-exempt private activity bond program, known as "the annual State ceiling". For calendar year 2003, California's State ceiling is \$2.633 billion. Each year the Committee divides the annual State ceiling among several bond programs, known as "Program Pools", including the Extra Credit Program Pool. For calendar year 2003, the Committee reserved approximately 3.8%, or \$100 million of the State ceiling for the Extra Credit Program Pool.

The Committee awarded a total of \$100 million to the Extra Credit Home Purchase Pool in the Second and Third Allocation Rounds of 2003. Of this amount, \$87.5 million was allocated to the California Housing Finance Agency for a statewide Mortgage Revenue Bond Program and \$12.5 million was allocated to the Counties of Sacramento, San Francisco and Santa Clara for local Mortgage Credit Certificate Programs. These allocations will assist approximately 604 eligible credentialed school staff purchase homes, of which approximately 83 will purchase newly homes and approximately 521 will purchase existing homes.

Additional information on the Extra Credit Program can be found in the Annual Report to the California Legislature on the Extra Credit Teacher Home Purchase Program. The Annual Report can be found on our website at <http://www.treasurer.ca.gov/cdlac/extracredit/>.

SUMMARY OF ALLOCATIONS

Mortgage Revenue Bond Program

<u>AMOUNT ALLOCATED</u>	<u>ESTIMATED NUMBER & DESCRIPTION OF PUBLIC BENEFITS</u>
\$87,500,000	500 Total number of eligible credentialed school staff assisted 435 Total number of loans to homebuyers purchasing existing homes 65 Total number of loans to homebuyers purchasing newly constructed homes (13% of total)

Mortgage Credit Certificate Programs

<u>AMOUNT ALLOCATED</u>	<u>ESTIMATED NUMBER & DESCRIPTION OF PUBLIC BENEFITS</u>
\$12,500,000	104 Total number of eligible credentialed school staff assisted 86 Total number of MCCs to homebuyers purchasing existing homes 18 Total number of MCCs to homebuyers purchasing newly constructed homes (17% of total)

TOTAL EXTRA CREDIT HOME PURCHASE PROGRAM

<u>AMOUNT ALLOCATED</u>	<u>ESTIMATED NUMBER & DESCRIPTION OF PUBLIC BENEFITS</u>
<u>\$100,000,000</u>	604 Total number of eligible credentialed school staff assisted 521 Total number of loans and MCCs to homebuyers purchasing existing homes 83 Total number of loans and MCCs to homebuyers purchasing newly constructed homes (14% of total)