

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 15, 2015
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
MORTGAGE CREDIT CERTIFICATE PROGRAM

Prepared by: Sarah Lester

Applicant: California Housing Finance Agency

Contact Information:

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Allocation Amount Requested: \$200,000,000 **Converted MCC Authority:** \$50,000,000

Participating Jurisdictions:

Statewide

Allocation Information:

Date MCCs will be advertised: July 2015
Expected issue date of first MCC: October 2015
Program Status: Existing
Certificate tax credit rate: 20%

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

New construction units: 202 units (20%) with an average mortgage amount of \$270,000
Existing resale units: 798 units (80%) with an average mortgage amount of \$245,000
Rehabilitated units: 0 units (0%) with an average mortgage amount of \$000,000
Total units: 1000 units with an average mortgage amount of \$250,045

The above numbers of units are: Estimates
 Actual requirements imposed by the Issuer

Past Performance:

The application indicates the applicant met the 2014 minimum performance requirement that at least 40% of the program participants are lower-income households or located in a Qualified Census Tract.

The application indicates the applicant expects to meet the 2015 minimum performance requirement that at least **40%** of program participants will be lower-income households.

Recommendation:

Staff recommends that the Committee approve an amount of \$200,000,000 in 2015 tax-exempt bond allocation to the California Housing Finance Agency for a Mortgage Credit Certificate Program. This amount will be transferred from the balance of the 2013 allocation previously awarded for a Mortgage Revenue Bond Program.

DESCRIPTION OF PROPOSED PROGRAM:

- ***Population to be served by the proposed Program (family size, income levels, etc.):***
According to the Applicant, the proposed Program expects to serve all ethnic groups and family sizes with a minimum of 40% of the households at or below 80% of the median income adjusted by household size.
- ***Estimated number of first-time homebuyers to be assisted:*** 1000
- ***Housing stock to be purchased (types, unit sizes, etc.):***
According to the Applicant, the housing stock to be purchased will consist of newly constructed or existing single-family residences, which includes single-family detached homes and condominiums. The average size of the units will be 1,538 square feet and have an average of 3.23 bedrooms and 2.03 baths. The anticipated average sales price will be approximately \$250,000.
- ***Specific reservations of MCCs for purposes such as low-income targeting, new construction, etc.:***
According to the Applicant, the program will reserve at least 20% of the certificates for federally designated target areas and at least 40% of the MCCs for families with incomes at or below 80% of the area median income adjusted for family size.
- ***Expected duration MCCs will be available and anticipated monthly rate of issuance.:***
According to the Applicant, MCCs are expected to be available for 24 months on a first come first served basis.
- ***Other homebuyers assistance programs offered by participating jurisdiction(s):***
According to the Applicant, while the Agency has provided several subordinate loan programs in the past for first-time home buyers, their downpayment programs are subject to funding availability. Currently the Agency offers California Homebuyer's Downpayment Assistance Program (CHDAP), which is available for downpayment and/or closing costs in conjunction with their first mortgage loan program. This is a deferred-payment junior loan and the maximum amount can be up to the lesser of three percent (3%) of the purchase price or appraised value. The current interest rate is 3.25%. These funds may also be used behind another lenders first mortgage. The term of the CHDAP will be the same as the first mortgage. The School Facility Fee (SFF) provides qualified homebuyers with a partial or full rebate (conditional grant) of the SFF paid by the home builder for newly constructed homes located in eligible areas.

Also, CalHFA will provide a Zip Extra product for a slightly higher mortgage rate. The Extra is a subordinate loan in the amount of \$6,500 and may be used for down payment assistance. The Zip project is similar in structure to the CHDAP mortgage Project.

In addition, borrowers may choose from several CalHFA first mortgage products which provide a 3% DPA in exchange for a slightly higher mortgage rate.

- ***Additional features unique to the proposed Program:***
According to the Applicant, each MCC application will be using a web-based reservation system to reserve the MCC. CalHFA reviews each MCC application validating data input supplied by the lender and will perform program compliance and policy review of each MCC application loan for eligibility under tax code and other Agency requirements. The Applicant states that it is their intention to continue offering affordable loan products with the commitment to serve the low and moderate income level borrowers. The Applicant further states that they have expanded their Lender Training Division and Outreach Division to include numerous web-based training applications in order to assist the lenders in structuring the loans and streamlining the processes.

