

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 25, 2007
Executive Summary
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
SINGLE FAMILY HOUSING BOND PROGRAM

Prepared by Brady Hill.

Applicant: Southern California Home Finance Authority

Contact Information:

Name: Jewel Warren-Reed
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Monterey Park, CA 91755
Phone: (323) 838-7768

Allocation Amount Requested: \$23,589,408

Applicant's Fair Share Amount: \$23,589,408

Participating Jurisdictions:

All cities and all unincorporated areas in the County of Los Angeles except the City of Los Angeles.

Program Financing Information:

Proposed Issuance Date: September 1, 2007
Bond Counsel: Kutak Rock, LLP
Underwriter: Morgan Keegan & Company, Inc.
Credit Enhancement Provider: Mortgage-Backed Securities (GNMA, FNMA or Freddie Mac)
Private Placement Purchaser: Not Applicable
TEFRA Hearing: February 6, 2007

Allocation Information:

Program Status: Existing program

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

New construction units:	0 units (0%) with an average mortgage amount of \$0
Existing resale units:	170 units (100%) with an average mortgage amount of \$350,000
Rehabilitation units:	0 units (0%) with an average mortgage amount of \$0
Totals units:	170 units with an average mortgage amount of \$350,000

Past Performance:

The Applicant indicates that 80 MCCs were issued in 2006, of which 33 (41%) were issued to households with incomes at or below 80% of the area median income. This satisfies the 2006 minimum performance requirement that at least **40%** of the program participants are lower-income households.

The application indicates the applicant expects to meet the 2007 minimum performance requirement that at least **40%** of program participants will be lower-income households.

Recommendation:

Staff recommends that the Committee approve \$23,589,408 in tax-exempt bond allocation to the SCHFA for a single-family housing mortgage revenue bond program. This is the Applicant's 2007 fair share assigned to its MRB Program.

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 25, 2007
STAFF REPORT
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
SINGLE-FAMILY HOUSING MORTGAGE REVENUE BOND PROGRAM

APPLICANT: Southern California Home Finance Authority

Contact: Jewel Warren-Reed
Address: 801 12th Street, Suite 600
Sacramento, CA 95814

Phone: (323) 838-7768

ALLOCATION AMOUNT REQUESTED: \$23,589,408

PARTICIPATING JURISDICTIONS: All cities and all unincorporated areas in the County of Los Angeles except the City of Los Angeles.

PROGRAM FINANCING INFORMATION:

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ALLOCATION INFORMATION:

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

New construction units: 0 units (0%) with an average mortgage amount of \$0
Existing resale units: 170 units (100%) with an average mortgage amount of \$350,000
Rehabilitation units: 0 units (0 %) with an average mortgage amount of \$0
Totals units: 170 units with an average mortgage amount of \$350,000

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

DESCRIPTION OF PROPOSED PROGRAM:

- ***Population to be served by the proposed Program (family size, income levels, etc.):***
The application states that the Authority expects to serve low- and moderate-income families of all sizes and ethnic backgrounds.
- ***Housing stock to be purchased (types, unit sizes, etc.):***
The application states that 75% will be single-family homes and 25% will be condominiums and townhomes. The average number of bedrooms is 3 for both counties and the average purchase price is \$350,000.
- ***Specific reservations of bond proceeds for purposes such as low-income targeting, new construction, etc.:***
The application states that 40% of the allocation will be set aside for households at or below 80% of median income to achieve CDLAC's targeting goals. According to the application, 20% of the proceeds will be reserved for IRS designated target areas for a minimum of one year. No specific allocation has been set-aside for new construction.
- ***Expected duration bond proceeds will be available and anticipated monthly rate of loan originations:***
According to the Applicant, it is anticipated that approximately 30 MCCs will issued monthly during a 6-9 month period.
- ***Program interest rates, downpayment requirements, and other fees:***
The application states that the Authority traditionally offers a lower interest rate to homebuyers who are 80% or below the area median income or purchasing a home in IRS targeted areas. All homebuyers whose income is greater than 80% of the area median income receive an interest rate of .25% higher. Structuring issues of the proposed program will determine if a lower interest rate can still be offered.

According to the application, the Authority follows the down payment requirement 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. All others fees charged may not exceed the amount customarily charged if it were not a bond loan. All borrowers pay up to a 1% loan origination fee and a 1% discount 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 the HUD median income adjusted by household size and is located in an unincorporated area or participating city. This is a silent trust deed loan and provides up to \$60,000 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 is 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 and for county approved developments.

Other Programs

The 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 application, the Authority hopes to offer a fixed interest rate loan with a forty (40) year term and lower mortgage insurance premiums.

The Authority is looking at private funding sources to provide additional soft second loans. The Authority also waives the 1% discount fee for borrowers purchasing homes in IRS designated targeted area census tracts.

PURCHASE PRICE INFORMATION:

The proposed maximum limits are:

<u>Unit Type</u>	<u>Average Area Purchase Price*</u>	<u>Non-Target Area Maximum Purchase Price</u>	<u>Target Area Maximum Purchase price</u>
New Units	\$656,969	\$591,272	\$722,665
Existing Units	\$634,754	\$571,278	\$698,229

*This is established by (check one):
 IRS safe harbor limitations
 As determined by special survey
 (See application attachment "H" attached)

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

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

MAXIMUM INCOME LIMITATIONS:

Area median income on which maximum program limits are based: **\$88,800**

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

Proposed maximum income limits:

<u>Household Size</u>	<u>Non-Target Areas</u>		<u>Target Area</u>	
	<u>New Unit</u>	<u>Existing Unit</u>	<u>New Unit</u>	<u>Existing Unit</u>
1-2 persons	\$88,000	\$88,000	\$88,000	\$88,000
3+ persons	\$103,132	\$103,132	\$103,132	\$103,132
State-mandated limit on 50% of existing units (at 90% of area median)	\$66,600		\$66,600	

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

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 Bond Proceeds</u>
2004	N/A	N/A	N/A	N/A
2005	N/A	N/A	N/A	N/A
2006	\$18,334,727	\$18,337,727	105	\$0

Pursuant to CDLAC Procedures Section 18.I.E.1.,2., the Applicant has:

1. Demonstrated that no Mortgage Credit Certificate authority from the year two years prior to the current year has been unused (other than minor amounts not to exceed \$1 million); and
2. Certified that any Mortgage Credit Certificate authority remaining from the year prior to the current year will be used before the use of new Mortgage Credit Certificate Authority.

RECOMMENDATION:

Staff recommends that the Committee approve \$23,589,408 in tax-exempt bond allocation to the Southern California Home Finance Authority for an MRB Program. This is the Applicant's 2007 fair share assigned to its MRB Program.

Staff Report prepared by Brady Hill.