

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**September 26, 2007**  
**Executive Summary**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**SINGLE FAMILY HOUSING BOND PROGRAM**

*Prepared by Brady Hill.*

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**Applicant:** Southern California Home Finance Authority

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**Contact Information:**

**Name:** Richard Mendoza  
**Address:** County of Orange  
County Executive Office  
10 Civic Center Plaza, 3<sup>rd</sup> Floor  
Santa Ana, CA 92701-4062  
**Phone:** (714) 834-3014

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**Allocation Amount Requested:** \$11,530,304

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**Applicant's Fair Share Amount:** \$11,530,304

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**Participating Jurisdictions:** All cities and all incorporated areas in the County of Orange.

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**Program Financing Information:**

**Proposed Issuance Date:** November 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:** June 19, 2007

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**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:	31 units (100%) with an average mortgage amount of \$375,000
Rehabilitation units:	0 units (0 %) with an average mortgage amount of \$0
Totals units:	31 units with an average mortgage amount of \$375,000

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**Past Performance:**

The application indicates the applicant met 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.

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**Recommendation:**

Staff recommends that the Committee approve \$11,530,304 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 for Orange County.

**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:** Richard Mendoza  
**Address:** County of Orange  
County Executive Office  
10 Civic Center Plaza, 3<sup>rd</sup> Floor  
Santa Ana, CA 92701-4062

**Phone:** (714) 834-3014

**ALLOCATION AMOUNT REQUESTED:** \$11,530,304

**PARTICIPATING JURISDICTIONS:** All cities and all incorporated areas in the County of Orange.

**PROGRAM FINANCING INFORMATION:**

***Proposed Issuance Date:*** November 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:*** June 19, 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: 31 units (100%) with an average mortgage amount of \$375,000  
Rehabilitation units: 0 units (0 %) with an average mortgage amount of \$0  
Totals units: 31 units with an average mortgage amount of \$375,000

**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 \$375,000.
- ***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 application, the Authority will blend a portion of funds from their Draw Down facility with a portion of new money from this new allocation. They expect the allocation to be committed to mortgagors in about 4 to 6 weeks. According to the application, loans are anticipated to be originated at a rate of 30 per month.
- ***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):***  
The SCHFA Program provides 4 points of down payment assistance in the form of a gift to all borrowers. Additionally, the County of Orange offers a Mortgage Assistance Program (MAP) of up to \$40,000 in the form of a silent second loan to homebuyers in unincorporated communities within the County.
- ***Any other features unique to the proposed Program:***  
The SCHFA Program anticipates offering a fixed interest rate with a forty (40)-year term and 4 points of down payment assistance. The SCHFA is also exploring private funding sources to provide additional soft second loans. The SCHFA 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	\$375,000
Rehabilitated units	Not Applicable

**MAXIMUM INCOME LIMITATIONS:**

**Area median income on which maximum program limits are based:     \$103,920**

**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	\$103,920	\$103,920	\$103,920	\$103,920
3+ persons	\$121,240	\$121,240	\$121,240	\$121,240

**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 \$11,530,304 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 for Orange County.

Staff Report prepared by Brady Hill.