

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**December 5, 2007**  
**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:** CRHMFA Homebuyers Fund (CHF)

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**Contact Information:**

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**Allocation Amount Requested:** \$9,480,124

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**Applicant's Fair Share Amount:** \$9,480,124

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**Participating Jurisdictions:**

The Counties of San Bernardino and Stanislaus

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**Program Financing Information:**

**Proposed Issuance Date:** Before January 2008  
**Bond Counsel:** Kutak Rock, LLP  
**Underwriter:** George K. Baum & Company  
**Credit Enhancement Provider:** Mortgage-Backed Securities (GNMA, FNMA or Freddie Mac)  
**Private Placement Purchaser:** Not Applicable  
**TEFRA Hearing:** March 21, 2007 and March 27, 2007

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**Allocation Information:**

**Program Status:** Existing program

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

New construction units:	4 units (10%) with an average mortgage amount of \$297,607
Existing resale units:	35 units (90%) with an average mortgage amount of \$237,466
Rehabilitation units:	<u>0</u> units (0 %) with an average mortgage amount of \$0
Totals units:	39 units with an average mortgage amount of \$242,214

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

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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 \$9,480,124 in tax-exempt bond allocation to the CRHMFA Homebuyers Fund for a single-family housing mortgage revenue bond program. This is the Applicant's 2007 fair share of the Single-Family Housing Program Bonus Pool for San Bernardino and Stanislaus Counties.

**DESCRIPTION OF PROPOSED PROGRAM:**

- The Applicant is a local issuer of single-family housing bonds that provides a homebuyer assistance program in 40 rural counties.
- The Applicant's fair share is comprised of the fair share amounts of those counties in which there is no local issuer currently administering a single-family housing assistance program and those fair share amounts that have been specifically assigned by local issuers to the Applicant. Since the Applicant's September 26, 2007 CDLAC allocation, the Applicant has retained assignment letters from the Counties of San Bernardino and Stanislaus assigning its' fair share amounts to CHF. Based on the fair share amounts for these Counties, the Applicant's fair share for Riverside and Sonoma is **\$9,480,124**.
- ***Population to be served by the proposed Program (family size, income levels, etc.):***  
The application states that it is expected that the loans originated with the allocation will reflect a high percentage of loans made to minorities. According to the application, past performance (over the past three years) indicates loan percentages by ethnicity were as follows: 28% Hispanic, 61% Caucasian, 4% African American, 3% Asian American and 4% others.
- ***Housing stock to be purchased (types, unit sizes, etc.):***  
Single-family detached homes and condominiums will be the primary housing stock purchased under the program. Home sizes are expected to range from 1,000-2,200 square feet for 2-4 bedroom/1-2.5 bath units.
- ***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 or in a targeted census tract so as to achieve CDLAC's targeting goals. The balance of the allocation will be used for households up to IRS maximums for the respective counties (100% of median for 1 to 2 person households; 115% for 3+ person households; 120% for 1-2 person households and 140% for 3+ households in target areas). Of the allocation received, 20% of the proceeds will be reserved for up to 12 months for loans originated in designated census tracts as required.
- ***Expected duration bond proceeds will be available and anticipated monthly rate of loan originations:***  
According to the application, any new "unrestricted" bond allocation received from CDLAC, together with CHF's recycled bond allocation, will be combined to finance the issuance of bond subseries over the next 12 months. The application further states that the rate at which loans are originated and purchased will depend on the demand for the various loan options, which will be influenced by a number of factors: (1) the competitiveness of the offered loan rates relative to market rates, and (2) CHF marketing efforts to both lenders and homebuyers.
- ***Program interest rates, downpayment requirements, and other fees:***  
The application states that the CHF will be offering:
  - 30-Year Loan Program
    - 30-year First Loan
    - 30-Year First Loan with a 20-year Fully Amortizing Second Loan
    - 30-Year First Loan with a 3-4% Grant and Optional 20-Year Second Loan
  - 40-year Loan Programs
    - 40-year First Loan
    - 40-Year First Loan with a 20-year Fully Amortizing Second Loan
    - 40-Year First Loan with a 3-4% Grant and Optional 20-Year Second Loan

- 40-Year Loan Programs With a 10-Year Interest –Only Period
  - 40-Year First Loan With a 10-Year Interest-Only Period and the Remaining 30 Years Fully Amortized
  - 40-Year First Loan With a 10-Year Interest-Only Period and the Remaining 30 years Fully Amortized and a 20-Year Second Loan
  - 40-Year First Loan With a 10-Year Interest-Only Period and the Remaining 30 Years Fully Amortized and a 3-4% Grant and Optional 20-Year Second Loan
  - 40-Year First Loan With a 10-Year Interest-Only Period and the Remaining 30-Years Fully Amortized and a 10-Year Low Interest Rate Second Loan

The application further states that fees charged by CHF are limited to a 1.5% origination fee and closing costs that are considered “customary and reasonable”.

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

The Applicant states that CHF’s loans may be used in connection with the CHDAP Deferred Payment Subordinate Loan subject to the CHDAP income limits and eligibility criteria. Other local subordinate loan programs may also be eligible upon review by CHF’s Bond Counsel.

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

- **Payment Increase.** For the 10/40 loan option, CHF provides homebuyers with the option of 5 additional years of interest-only payments (10 Year Total) than other programs with the same 30-year fully amortizing period. Additionally, CHF offers the homebuyer the option of a 10 year 2<sup>nd</sup> mortgage, which further limits the net payment increase in the 11<sup>th</sup> year. The programs are fixed rate programs and are structured to minimize payment increase after principal increases begin
- **Mortgage Insurance.** CHF has negotiated Mortgage Insurance (MI) premiums with multiple MI providers to encourage competition and provide the most competitive MI rate and features possible. Up front MI premiums can be financed with the 2<sup>nd</sup> mortgage or with use of the available grant. If paid monthly, the cost of primary mortgage insurance would be \$187.50 monthly on a \$450,000 first mortgage loan.
- **Downpayment Assistance.** For those homebuyers who do not qualify for other subordinate financing, but whose incomes still fall within the program income limits, CHF will allow for a 3-4% grant or a 10% sized second loan to pay for closing costs and prepaids.

**PURCHASE PRICE INFORMATION:**

**The proposed maximum limits are:** Maximum purchase prices will vary from county to county and are determined by a special survey. Please see the attached table of Maximum Purchase Prices for the participating counties.

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

New units	\$393,904
Existing units	\$350,000
Rehabilitated units	Not Applicable

**MAXIMUM INCOME LIMITATIONS:**

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

**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

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

**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	\$	\$	\$	\$
3+ persons	\$	\$	\$	\$
State-mandated limit on 50% of existing units (at 90% of area median)		\$	\$	

**Note:** The Applicant will set aside 40% of the allocation for households at 80% or below of the applicable county median income adjusted by household size. The county median income varies from county to county.

**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	\$33,551,078	\$33,551,078	27	\$0
2005	\$11,867,000	\$11,867,000	33	\$0
2006	\$11,867,000	\$11,867,000	97	\$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.