

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 3, 2008
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
SINGLE FAMILY HOUSING BOND PROGRAM

Prepared by Sarah Lester

Applicant: CRHMFA Homebuyers Fund (CHF)

Contact Information:

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Allocation Amount Requested: \$22,199,484

Applicant's Fair Share Amount: \$21,009,298

Participating Jurisdictions:

The Counties of Alpine, Amador, Calaveras, Colusa, Del Norte, Glenn, Madera, Mariposa, Mono, Napa, San Benito, San Bernardino, Sierra, Stanislaus, Trinity and Tuolumne

Program Financing Information:

Proposed Issuance Date: November 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: June 20, 2007

Allocation Information:

Program Status: Existing program

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

New construction units:	8 units (10%) with an average mortgage amount of \$258,367
Existing resale units:	76 units (90%) with an average mortgage amount of \$247,412
Rehabilitation units:	0 units (0 %) with an average mortgage amount of \$0
Totals units:	84 units with an average mortgage amount of \$248,397

Past Performance:

The application indicates the applicant met the 2007 minimum performance requirement that at least **40%** of the program participants are lower-income households.

The application indicates the applicant expects to meet the 2008 minimum performance requirement that at least **40%** of program participants will be lower-income households.

Recommendation:

Staff recommends that the Committee approve a reduced amount of \$21,009,298 in tax-exempt bond allocation to the CRHMFA Homebuyers Fund for a single-family housing mortgage revenue bond program on a carryforward basis. This is the Applicant's 2008 fair share assigned to its MRB Program.

DESCRIPTION OF PROPOSED PROGRAM:

- The Applicant is a local issuer of single-family housing bonds that provides a homebuyer assistance program in 39 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. Based on the fair share amounts that have been assigned to CHF and the fair share amounts to which CHF is entitled for lack of a local issuer, the Applicant's fair share amount is **\$21,009,298**.
- ***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 such allocation will reflect a high percentage of loans made to minorities. According to the application, past performance indicates loan percentages by ethnicity were as follows: 21% Hispanic, 65% White, 4% African American, 4% Asian American and 6% 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 to achieve CDLAC's targeting goals. Each county's respective allocation (per capita share) is reserved for loans in that county for a three-month period. Thereafter, any allocation remaining goes into a general pool for all counties. According to the application, 20% of the proceeds will be reserved for IRS designated target areas for a period of 12 months. 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, 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 purchase will depend on: 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 2nd mortgage, which further limits the net payment increase in the 11th 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 2nd 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 based on the IRS safe-harbor limitations for single-family residences. 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	\$376,940
Existing units	\$355,926
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>
2005	\$11,867,000	\$11,867,000	33	\$0
2006	\$11,867,000	\$11,867,000	97	\$0
2007	\$61,984,647*	\$28,342,300	930	\$33,642,347*

* Includes 2007 assigned fairshare allocations and 2007 bonus pool allocations.

Pursuant to CDLAC Procedures Section 18.I.D.1.,2., the Applicant

1. Has demonstrated that all proceeds from a bond issuance in the calendar year three years prior to the current year (other than minor amounts not to exceed \$1 million) have been used to finance loans; and
2. Certifies that any remaining bond proceeds from an Allocation up to two years prior to the current year will be used either:
 - a. Before the use of new Allocation and/or;
 - b. In conjunction with new Allocation in satisfying federal requirements (32-year rule) for such prior funds.