

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

December 3, 2008

Staff Report

2008 HOUSING ACT VOLUME CAP (HR 3221)

**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
SINGLE FAMILY HOUSING MORTGAGE REVENUE BOND (MRB) PROGRAM
(REFINANCE AND REAL ESTATE OWNED (REO) PROGRAMS)**

Prepared by Sarah Lester.

Applicant: Independent Cities Finance Authority (ICFA or "Authority")

Contact Information:

Name: Debbie Smith
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Phone: (877) 906-0941

Allocation Amount Requested: \$24,652,535

Applicant's Fair Share Amount: \$24,652,535

Participating Jurisdictions: County of San Bernardino

Program Financing Information:

Proposed Issuance Date: Fall of 2009
Bond Counsel: Orrick, Herrington & Sutcliffe, LLP
Underwriter: Kinsell, Newcomb & DeDois
Credit Enhancement Provider: Mortgage-Backed Securities (GNMA, FNMA or
Freddie Mac)
TEFRA Hearing: October 28, 2008

Allocation Information:

Program Status: New programs
Program Type: Refinance Program and Real Estate Owned Program

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

Existing resale units: 99 units (100%) with an average mortgage amount of \$250,000
Rehabilitated units: 0 units (0%) with an average mortgage amount of \$0
Total units: 99 units with an average mortgage amount of \$250,000

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

Recommendation:

Staff recommends that the Committee approve \$24,652,535 in tax-exempt bond allocation, which is the Applicant's fair share amount of the 2008 Housing Act Volume Cap for single family housing programs on a carryforward basis.

DESCRIPTION OF PROPOSED PROGRAM:

REO Program (Community Stabilization Home Loan Program)

- ***Rationale for selection of program:***
According to the Applicant, they will be administering both an REO program and a Refinance program.
 - ***Contacts made to ensure the success of program (i.e. banks, lenders, realtors, etc):***
According to the Applicant, the Authority will be meeting with the County and cities during the fall of 2008 and early 2009 to include as much of ICFA bond funds into joint programs that can work for these jurisdictions, whether it be to assist first time homebuyers to purchase existing homes listed for sale as REO or to refinance homeowners facing foreclosure. The Applicant further states that the Authority will continue its dialogue to provide an inventory of refinance and REO properties with several nationwide services which to date has been Citimortgage, Bank of America/Countrywide, Impac Funding Corporation, Radian Guaranty, a mortgage insurance company, and the REOLynx Exchange.
 - ***Interest rate offered:***
The Applicant states that interest rate projections in this current market environment are unreliable and the interest rate will be unknown until ICFA actually sells the bonds.
 - ***Down payment assistance offered:***
According to the Applicant, downpayment assistance can be provided by the Neighborhood Stabilization Grants, other county or city grant programs or by way of 20 year fully amortizing second mortgage loans. The Applicant states that ICFA has secured a verbal commitment to provide an amortizing, 20 year term, second mortgage from Citi and that formalization of the Citi commitment would be included in ICFA master servicing agreement with Citi.
 - ***Specific reservations of MCCs for purposes such as low-income targeting, new construction, etc.:***
The program will reserve 20% of the certificates for federally designated target areas.
 - ***Definition of financial hardship (for refinance transactions only):***
The Applicant states that ICFA is of the opinion that when one looks at an application for Financial Hardship, one must verify that the borrower does not have the means to pay the mortgage due to one or more of the following events:
 - ❖ Unemployment
 - ❖ Reduced Income
 - ❖ Divorce
 - ❖ Disability
 - ❖ Illness
 - ❖ Death of the primary source in income family member
- The Applicant states that it is most comfortable using the above as its definition of Financial Hardship.
- ***First-time homebuyer education requirement:***
According to the Applicant, all loans will require homebuyer education per ICFA and FHA/HUD guidelines.
 - ***Describe use of HR 3221 – CDBG funds:***
According to the Applicant, the County of San Bernardino and select cities in the County will receive approximately \$60 million in Neighborhood Stabilization Grants which can be used to acquire foreclosed homes and or provide funds for downpayment and closing cost assistance.

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>
Existing Units	\$477,355	\$429,619	\$525,090

*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:

Existing units \$250,000

MAXIMUM INCOME LIMITATIONS:

Area median income on which maximum program limits are based: \$67,800

Applicable standard that defines the area median income:

HUD statewide median HUD county MSA median
 Local median as determined by a special study
 (See application attachment "I" attached)

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

Proposed maximum income limits:

<u>Household Size</u>	<u>Non-Target Area</u>	<u>Target Area</u>
1-2 persons	\$67,800	\$81,360
3+ persons	\$77,970	\$94,920
80% of area median:	\$54,240	\$54,240

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