

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 3, 2008

Staff Report

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

Prepared by Sarah Lester.

Applicant: California Housing Finance Agency (CalHFA or "Agency")

Contact Information:

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Allocation Amount Requested: \$200,000,000

Participating Jurisdictions: Statewide

Program Financing Information:

Proposed Issuance Date: Calendar Year 2009 or 2010
Bond Counsel: Hawkins, Delafield & Wood, LLP
Underwriter: To be determined
Credit Enhancement Provider: California Housing Finance Agency
Private Placement Purchaser: Not Applicable
TEFRA Hearing: September 3, 2008

Allocation Information:

Program Status: New program
Program Type: Real Estate Owned Program

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

Existing resale units: 1,001 units (100%) with an average mortgage amount of \$199,657
Rehabilitated units: 0 units (0%) with an average mortgage amount of \$0
Total units: 1,001 units with an average mortgage amount of \$199,657

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

Recommendation:

On March 26, 2008, the Committee approved the reservation of \$200 million in tax-exempt bond allocation for the CalHFA Single Family Housing REO program. Staff now recommends that the Committee approve the award of \$200,000,000 in tax-exempt bond allocation, on a carryforward basis, to the California Housing Finance Agency.

DESCRIPTION OF PROPOSED PROGRAM:

REO Program (Community Stabilization Home Loan Program)

- According to the Applicant, the Agency intends to use the funds to help stimulate and stabilize communities hit hard with real estate owned (REO) inventory and at the same time provide affordable housing for first-time homebuyers in California. According to the Applicant, all of the properties for this program will be based on the REO list of properties provided by the participants in the program.
- The Applicant states that the program will consist of a conventional first mortgage loan with below market, 30-year fixed interest rate, fully amortized, reserved for REO properties of participating financial institutions. It will have a maximum LTV limit of 100% and may be used with California Housing Finance Agency's "CHDAP" down payment assistance and Fannie Mae eligible Community Seconds program for a total CLTV of 103%. The Applicant further states that the current interest rate on the first mortgage is set at 5.50%, subject to change.
- According to the Applicant, a special list of REO properties located in selected counties and zip codes will be eligible for this program. The Applicant states that the program participants have agreed to list the properties with a special sales price of at least a 12% reduction off the estimated property value. According to the Applicant, the properties must meet repair, inspection and health and safety code requirements as well as the Agency's program requirements. The Applicant further states that sales price of home cannot not exceed the Agency's published limit which is posted on their website.
- The Applicant states that borrowers must meet the Agency's standard first time homebuyer requirements, income limits and must obtain homebuyers education counseling certificate of completion. The Applicant further states that borrowers are also required to meet FNMA MCM underwriting guidelines, plus additional requirements listed in the program description regarding FICO and LTV requirements.
- According to the Applicant, based on 2007 data, CalHFA expects to serve low-and moderate-income families of all sizes and ethnic backgrounds. The Agency projects that 26% of all loans will be to single-person households; 19% will be two person households; 22% will be three person households and 33% will be four or more person households. CalHFA also expects that 45% of the homebuyers will be white; 7% black; 10% Asian; 32% Hispanic; and the remaining 6% will be of other or unknown ethnic backgrounds. CalHFA anticipates 6% of all prospective homebuyers to have an income less than 50% of Applicable Median Income (AMI) (as defined by CDLAC); 35% with incomes between 51 and 80% of AMI; 27% with incomes between 81 to 100% of AMI; and 32% over 100% of AMI.
- The Applicant states that the Agency expects, based on the REO list, that 15% of all homes financed under the program will have a sales price under \$100,000; 54% will have prices between \$100,000 and \$199,999; 26% will have prices between \$200,000 and \$299,999; 5% will have prices between \$300,000 and \$399,999; and 1% will have prices over \$400,000. According to the Applicant, the average sales price will be \$199,657.
- The Applicant states that the Agency will operate this program through the (SL) Single Loan Reservation process. According to the Applicant, with limited funding for this program, the Agency will monitor reservations on a daily basis and announce in a program bulletin when funds are nearing completion and provide an effective date when new reservations will discontinue. The Applicant further states that only lenders authorized to conduct business with CalHFA, FannieMae and Countrywide will be permitted to originate CSHLP.

PURCHASE PRICE INFORMATION:

The proposed maximum limits are: Maximum purchase prices will vary from county to county, and are based on the special survey conducted by CalHFA. Please see the attached table of Maximum Purchase Prices for the participating counties.

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

Existing units	\$199,657
Rehabilitated units	\$0

MAXIMUM INCOME LIMITATIONS:

Maximum income limits will vary from County to County and are based on the higher of the 2008 Statewide median income or the County median income as published by HUD, and adjusted for family size by the California Department of Housing and Community Development. Maximum income limits will also vary according to the CalHFA loan program.

Area median income on which maximum program limits are based: The higher of the 2008 Statewide median income or the County median income as published by HUD, and adjusted for family size by the California Department of Housing and Community Development.

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%