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: California Housing Finance Agency (CalHFA or “Agency”)

Contact Information:

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Allocation Amount Requested: $250,000,000

Applicant’s Fair Share Amount: $250,000,000

Participating Jurisdictions: Single Jurisdiction (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: Existing program

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

New construction units:	135 units (13%) with an average mortgage amount of $244,456
Existing resale units:	898 units (87%) with an average mortgage amount of $241,849
Rehabilitated units:	0 units (0%) with an average mortgage amount of $0
Total units:	**1,032** units with an average mortgage amount of $242,187

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

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 $250,000,000 in tax-exempt bond allocation, on a carryfoward basis, to California Housing Finance Agency, which is the amount reserved for the Applicant in 2008.

DESCRIPTION OF PROPOSED PROGRAM:

- The Committee has reserved $250,000,000 of the 2008 State ceiling for CalHFA for its single-family housing bond program. Based on information contained in the application, this amount of allocation will fund approximately 1,032 mortgages (135 new construction loans and 898 resale loans).

- CalHFA expects to issue $75,000,000 - $100,000,000 in taxable bonds in conjunction with the tax-exempt bonds.

- ***Population to be served by the proposed Program (family size, income levels, etc.):***
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.

- ***Housing stock to be purchased (types, unit sizes, etc.):***
Eligible homes in the program may be either newly constructed or existing single family residences, including condominiums and attached planned unit developments as well as single family detached and manufactured housing that is permanently attached to the land. The average home is expected to have approximately 1,186 square feet; 2.5 bedrooms and 1.7 baths. According to the Applicant, based on 2007 loan data, 57% of the properties financed will be detached units and 43% in condominiums and attached PUD's. CalHFA establishes maximum sales prices on a county-by-county basis for both newly constructed and existing homes financed under the program within the federal safe harbor limits. The maximum sales price limits will not exceed 90% of the applicable average area purchase price, except for Targeted Areas, which will be established at or below 110% of the applicable area purchase price. CalHFA expects, based on the first half of 2008 loan data, that 7% of all homes financed under the program will have a sales price under $150,000; 21% will have prices between $150,000 and $199,999; 22% will have prices between $200,000 and $249,999; 18% will have prices between $250,000 to $299,999; and 12% will have prices between $300,000 and $349,999; 10% will have prices between $350,000 and $399,999; 10% will have prices of $400,000 and over. The anticipated average sales price will be approximately $266,243. Of the homes CalHFA anticipates to finance, 13% will be new construction and the remaining 87% will be existing resale.

- ***Specific reservations of bond proceeds for purposes such as low-income targeting, new construction, etc.:***
CalHFA has two loan commitment processes:
  1) The Single Loan (SL) Reservation process, which offers funds on a continuous basis, at stated interest rates, accepting (no fee) reservations on a first-come, first-served basis. Each CalHFA-approved lender is authorized to request a loan reservation with a 90-day delivery requirement from the date of the reservation.
  2) The Builder-Lock (BLOCK) Program for new construction offers developers the option of requesting a pool of funds for 6, 9, or 12 months forward, for a subsequent submission of loans at a fixed commitment term/fee. The commitment fees to secure the pool of funds range from .5% to 2% of the commitment value. Reduced fees are offered to nonprofit developers and to nonprofit corporations operating mutual self-help programs.

- ***Expected duration bond proceeds will be available and anticipated monthly rate of loan originations:*** Based on information in the application, CalHFA operates an over-the counter loan allocation system with loan funds accessible on a daily basis. Bonds are sold bi-monthly based on accumulated reservations in the pipeline and an anticipated rate of new reservations. Bond sizing and sales are coordinated to production activity, which is monitored daily against annual business plan goals. While the system is primarily a demand-driven allocation, reservation intake and consequently bond process take-down, can be regulated by CalHFA by making periodic adjustments to the interest rate schedule. Based on a proposed production goal of $1 billion for FY 2008-09, loan originations/purchases are projected at a rate of about $83.3 million per month.

- ***Program interest rates, downpayment requirements, and other fees:*** For its first-mortgage loans, CalHFA offers a two-tiered interest rate structure in which CalHFA-defined low-income borrowers receive a rate that is 50 basis points below moderate-income borrowers. The Agency offers tiered interest rates for Conventional Insured and Government Guaranty/Insured 30-year loans. Reduced rates also apply to low-income borrowers who obtain down payment assistance from local government entities, through CalHFA's Affordable Housing Partnership Program (AHPP). CalHFA tracks the Fannie Mae 60-day yield for 30-year fixed rate loans, and rates are periodically adjusted to meet market conditions.

- ***Other homebuyers assistance programs offered by participating jurisdiction(s):*** N/A

- ***Any other features unique to the proposed Program:*** CalHFA currently requires all loans with a loan-to-value exceeding 80% to be insured to provide coverage for loss by reason of borrower default. Such mortgage insurance is provided by either FHA, California Housing Insurance Fund (CalHFA MI), VA guaranty, or USDA Rural Guarantee. Loan-to-value, down payment requirements and credit underwriting policies are established by the applicable mortgage insurer. CalHFA reviews each loan to see that it was underwritten by the applicable insurance/guarantor (delegated) underwriter and performs program compliance and policy review of each loan for eligibility under tax code governing mortgage revenue bond loans and Agency loan requirements.

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:

New units	$297,359
Existing units	$261,605
Rehabilitated units	$0

<u>MAXIMUM INCOME LIMITATIONS</u>:

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:

_X__ 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: (See Attachment "K" attached)

<u>DESCRIPTION OF PUBLIC BENEFITS</u>:

Past Program Performance: (See Attachment "P" attached)

Year	Amount of Allocation Awarded	Amount of Allocation Used	Number of Loans Originated (1)	Outstanding Bond Proceeds (2)
2005	$1,015,521,544	$1,051,521,544	5,327	$0
2006	$653,625,729	$653,625,729	6,140	$0
2007	$468,257,154	$5,560,283	5,217	$462,696,871

(1) These loan totals are all first mortgages – new construction and resale for the calendar year. This includes loans originated with new allocation as well as loans originated with refunding bond proceeds and those loan prepayments directly recycled into new loans.

(2) The Applicant states that all of its outstanding bond proceeds are carryforward allocation from prior years. They have three years from the award date to use this allocation. According to the Applicant, the 2007 outstanding bond allocation of $462,696,871 will not expire until December 2010. The Applicant states that it has every intention of using the outstanding bond allocation balances prior to their respective expiration date.