

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

July 22, 2009

**CONSIDERATION AND ADOPTION OF A SINGLE FAMILY HOUSING PROGRAM
BONUS POOL APPORTIONMENT OF THE 2009 STATE CEILING**
(Agenda Item No. 8.)

ACTION:

Establish a Single Family Housing Program Bonus Pool for the 2009 program year (\$250 million)

BACKGROUND:

The Single Family Housing Program Bonus Pool is the reserve of Single-Family Housing Program Pool that may be established by the Committee to assist eligible Applicants that have Single Family Housing Program demands that exceed their available allocation (Section 4 of the Committee Procedures).

Pursuant to Section 18.II.B of the Committee's Procedures, qualified Single-Family Housing Issuers will be eligible for an Allocation from the Single-Family Housing Program Bonus Pool if certain program and point threshold requirements including but not limited to the following are met:

- 1) For Mortgage Revenue bond programs, the Applicant must:
 - Demonstrate that the bonds have been issued for the current year fair share Allocation;
 - Certify that the proceeds are being utilized to finance loans and;
 - Justify the need for additional Allocation.

- 2) Mortgage Credit Certificate programs, the Applicant must:
 - Demonstrate that the current year fairshare Allocation conversion election has taken place;
 - Certify that any Mortgage Credit Certificate authority remaining from the current year fair share Allocation is being used; and
 - Justify the need for additional Allocation.

Applicants will be awarded an Allocation of the Single-Family Housing Program Bonus Pool in the same proportion as their current year fair share Allocation.

DISCUSSION:

For 2009, the Single-Family Housing - Mortgage Credit Certificate (MCC) Program has experienced increased participant demand. As a result, many local program administrators have requested that additional 2009 allocation be provided to meet the needs of these active MCC programs. Concern has also been expressed regarding the possibility of exhausting current year allocation prior to 2010 when Single-Family Housing Applicants would typically be eligible for a subsequent fairshare award. Exhausting their 2009 allocation prior year end would force many programs to discontinue services and potentially jeopardize fragile relationships within the housing and financial community.

In January 2009, staff surveyed key issuers to determine their estimated demand for 2009 allocation. However, due to the instability in the financial markets, it was difficult to project allocation usage for 2009. As a result, staff reserved an estimated 21.5% or \$711 million of the 2009 allocation as “unassigned”. This reservation provided staff the flexibility to provide additional allocation to various program pools on an “as needed” basis. To meet the increased demand of the Single Family Housing MCC program, staff recommends the committee utilize \$250 million of the “unassigned” reserved allocation to support a Single Family Housing Bonus Pool. A balance of \$461 million will remain in the undesignated pool.

The Bonus Pool awards will be granted by the Committee based on Applicant demand and eligibility at a later date.

RECOMMENDATIONS:

Staff recommends the transfer of \$250 million from the unassigned reserve allocation to establish a Single-Family Housing Program Bonus Pool