THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 16, 2009
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

Contact Information:

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Allocation Amount Requested: $225,000,000

Participating Jurisdictions: Statewide

Program Financing Information:

Proposed Issuance Date:	2011-2012
Bond Counsel:	Hawkins, Delafield & Wood LLP
Underwriter:	To be determined (by State Treasurer's Office)
Credit Enhancement Provider:	California Housing Finance Agency
Private Placement Purchaser:	Not Applicable
TEFRA Hearing:	September 22, 2009

Allocation Information:

Program Status:

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

New construction units:	123	units (13%) with an average mortgage amount of $237,074
Existing resale units:	820	units (87%) with an average mortgage amount of $238,777
Rehabilitation units:	0	units (0%) with an average mortgage amount of $000,000
Total units:	943	units with and average mortgage amount of $238,555

The above numbers of units are:
x Estimates
___ Actual requirements imposed by the Issuer

Past Performance:

The application indicates the applicant met the 2008 minimum performance requirement that at least **40%** of the program participants are lower-income households.

The application indicates the applicant expects to meet the 2009 minimum performance requirement that at least **40%** of program participants will be lower-income households.

Recommendation:

Because there is sufficient allocation available to fund all December 16 allocation requests, staff recommends that the Committee waive the fairshare allocation cap.

Staff recomends that the Committee approve an amount of $225,000,000 in 2009 tax-exempt bond allocation to the California Housing Finance Agency for the Single Family Housing Bond Program on a carryforward basis.

DESCRIPTION OF PROPOSED PROGRAM:

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

According to the Applicant, based on 2008 data, CalHFA expects to serve low-and moderate-income families of all sizes and ethnic backgrounds. The Agency projects that 21% of all loans will be to single-person households; 18% will be two person households; 23% will be three person households and 38% will be four or more person households. CalHFA also expects that 43% of the homebuyers will be white; 8% black; 7% Asian; 36% Hispanic; and the remaining 6% will be of other or unknown ethnic backgrounds. CalHFA anticipates 7% of all prospective homebuyers to have an income less than 50% of Applicable Median Income (AMI) (as defined by CDLAC); 39% with incomes between 51 and 80% of AMI; 27% with incomes between 81 to 100% of AMI; and 27% over 100% of AMI.

● ***Housing stock to be purchased (types, unit sizes, etc):***

According to the Applicant, the housing stock to be purchased will consist of either newly constructed or existing single family residences, including condominiums and attached planned unit developments as well as single family detached. The average home is expected to have approximately 1,340 square feet; 2.9 bedrooms and 1.9 baths. The anticipated average sales price will be approximately $266,179 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 such as low-income targeting, new construction, etc.***

The program will reserve 20% of the allocation for IRS-designated target areas. According to the Applicant, at a minimum, 40% of the program participants it expects to assist in 2009 will be households with incomes below 80% of the area median income. This satisifies the Minimum Requirement for Singe-Family Housing Programs contained in the CDLAC Procedures.

● ***Program interest rates, downpayment requirements, and other fees:***

Interest Rates: The Agency continues to monitor market rates and track FannieMae 60-day yield for 30 year fixed rate loans on a daily basis. Interest rates for our new Cal 30 conventional loan program can change daily. Lenders have the option to lock the interest rate after the loan is conditionally approved by the Agency. According to the Applicant, this is a new process for the lenders where in the past, they allowed them to lock the rate at loan reservation. The rates are posted on the Homownership website.

Fees: Lenders are permitted to recover out-of-pocket expenses for billed expenses farom thirty party sources, provided it is customary to pass through these in the origination of a non-CalHFA loan. In addition to the allowed origination fee, Lenders are permitted to charge, the borrower or the seller, processing fees such as packaging or processing, document preparation and/or underwriting fees etc., to a maximum of $550 ($350 for processing, unerwriting and other miscellaneous fees, plus $200 for document preparation). In addition to the first mortgage fees, according to the Applicant, the lenders are permitted to charge $250 to process each subordinate mortgage.

Downpayment Requirements: If this program is used in conjunction with one of the Agency's AHPP partners, bringing the loan to value below 80%, there may be no downpayment requirement. However, if a borrower was to use the Agency's CHDAP for downpayment or closing costs, a 3% downpayment would be required with the borrower's own funds. If no subordinate loan programs are used, the borrower downpayment requirement would be 5%-10% (subject to mortgae insurer's guidelines).

● ***Other homebuyers assistance programs offered by participating jurisdiciton(s):***

None indicated.

● ***Any other features unique to the proposed Program:***

According to the Applicant, CalHFA has developed and implemented a new 30 year loan porgram (Cal30 Conventionsal) using a master servicer (Bank of America). This loan program is based on the Agency taking forward commitments and delivering funded and puchased loans to the Fannie Mae cash window. The Applicant states that overtime the Agency intends to move towards an MBS business model that will provide the Agency with more options including the purchase of MBS with mortgage revenue bond proceeds. In addition, the Agency intends to offer a FHA program under the same structure, guidelines and pricing, according to the Applicant.

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 price of the estimated units to be assisted:

New units	$303,082
Existing units	$260,498
Rehabilitated units	N/A

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 2009 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 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%

DESCRIPTION OF PUBLIC BENEFITS

Past Program Performance:

Year	Amount of Allocation Awarded	Amount of Allocation Used	Number of Loan Originated	Status of Outstanding Bond
2006	$653,625,729	$653,625,729	6140	$0
2007	$458,257,154	$3,560,283	5217	$454,696,871
2008	$1,328,361,228	$0	4070	$1,328,361,228

According to the Applicant, all outstanding bond proceeds are carryforward allocation from prior years. The Applicant has three years from the award date to use this allocation. The 2007 outstanding bond allocation balance of will not expire until 2010. The Applicant states that it has every intention of using the outstanding bond allocation balances prior to their respective expiration dates.

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.