

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: CRHMFA Homebuyers Fund

Contact Information:

Name: Mark A. Lowder
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Allocation Amount Requested: \$203,676,295

Participating Jurisdictions:

The Counties of Alpine, Amador, Butte, Calaveras, Colusa, Del Norte, El Dorado, Fresno, Glenn, Humboldt, Imperial, Inyo, Kern, Kings, Lake, Lassen, Madera, Mariposa, Merced, Modoc, Mono, Monterey, Napa, Nevada, Placer, Plumas, San Benito, San Bernardino, San Joaquin, San Luis Obispo, Shasta, Sierra, Siskiyou, Solano, Stanislaus, Sutter, Tehama, Trinity, Tuolumne, Yolo, Yuba and the Cities of Eureka, Hollister, Redding and Vacaville

Program Financing Information:

Proposed Issuance Date: July 1, 2010
Bond Counsel: Kutak Rock LLP
Underwriter: George K. Baum & Company
Credit Enhancement Provider: To be determined (by State Treasurer's Office)
TEFRA Hearing: June 20, 2007

Allocation Information:

Program Status:

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

New construction units:	79 units (9%) with an average mortgage amount of \$254,977
Existing resale units:	831 units (91%) with an average mortgage amount of \$220,533
Rehabilitation units:	0 units (0%) with an average mortgage amount of \$000,000
Total units:	910 units with and average mortgage amount of \$223,523

The above numbers of units are: 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 recommends that the Committee approve an amount of \$203,676,295 in 2009 tax-exempt bond allocation to the CRHMFA Homebuyers Fund for the Single Family Housing Bond Program on a carryforward basis.

DESCRIPTION OF PROPOSED PROGRAM:

- The Applicant is a local issuer of single-family housing bonds that provides a homebuyer assistance program in 39 rural program in 39 rural counties.
- ***Population to be served by the proposed Program (family size, income levels, etc.):***

The Applicant states that it expects that the loans originated will such allocation will reflect a high percentage of loans made to minorities. According to the Applicant, past performance indicates loan percentages to ethnicity were as follows: 66% Caucasian, 20% Hispanic, 4% African American, 4% Asian American and 6% others.
- ***Housing stock to be purchased (types, unit sizes, etc):***

According to the Applicant, the housing stock to be purchased will consist of single family detached homes and condominiums will be the primary stock purchased under the program. Home size is expected to range from 2-4 bedrooms and 1-2.5 baths with square footage ranging from 1,000-2,200 square feet.
- ***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 satisfies the Minimum Requirement for Single-Family Housing Programs contained in the CDLAC Procedures."
- ***Expected duration bond proceeds will be available and anticipated monthly rate of loan originations:***

According to the Applicant, each bond issue will provide for up to a 12-month period for loan reservations, with an additional 2 months for closing and ultimate purchase of such loans by the bond trustee. The rate at which loans are originated and purchased will depend on the demand for the various loan options, which will be influenced by a number of factors. The Applicant states that due in part to the new levels of affordability of California single family homes, however, they believe they will be able to originate loans using the entire allocation requested over the next 12-18 months. Based on this information, staff has determined that the monthly rate of loan originations will be between 51-76 loans per month.
- ***Program interest rates, downpayment requirements, and other fees:***

The application states that the CHF will be offering:

 - **30-Year Loan Programs**
 - 30-Year First Loan
 - 30-Year First Loan With a 20-Year Fully Amortizing Second Loan
 - 30-Year First Loan With a 3-4% Grant and Optional 20-Year Second Loan
 - **40-Year Loan Programs**
 - 40-Year First Loan
 - 40-Year First Loan With a 20-Year Fully Amortizing Second Loan
 - 40-Year First Loan With a 3-4% Grant and Optional 20-Year Second Loan
 - **40-Year Loan Programs With a 10-Year Interest-Only Period**
 - 40-Year First Loan With a 10-Year Interest-Only Period and Remaining 30 Years Fully Amortized
 - 40-Year First Loan With a 10-Year Interest-Only Period and Remaining 30 Years Fully Amortized With a 20-Year Second Loan
 - 40-Year First Loan With a 10-Year Interest-Only Period and Remaining 30 Years Fully Amortized and a 3-4% Grant and Optional 20-Year Second Loan
 - 40-Year First Loan With a 10-Year Interest-Only Period and Remaining 30 Years Fully Amortized and a 10-Year Low Interest Rate Second Rate Second Loan

Aslo, according to the Applicant, fees charged by the CHF are limited to a 1.5% origination fee and closing costs that are considered customary and reasonable.

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

The Applicant states that CHF loans may be used in connection with the CHDAP Deferred Payment Subordinate Loan subject to the CHDAP income limits and eligibility criteria. Other local subordinate loan programs may also be eligible. Homebuyers may be offered a second mortgage up to 10% of the purchase price bearing interest at a rate not to exceed 8% annum (subject to change). The second mortgage may a 20- or 30-year term. Homebuyers may also have the option of a 2-4% grant. Lastly, those using the 10/40 program may have the option of a 10-year fully amortizing 2nd mortgage at an interest rate of 5%. Other CHF homebuyers assistance programs are also under discussion, however, plans for these programs have not been finalized at this time.

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

According to the Applicant:

Payment Increase: For the 10/40 loan option, CHF provides homebuyers with the option of 5 additional years of interest-only payments (10 Year Total) than other programs with the same 30-year fully amortizing period. Additionally, CHF offers the homebuyers the option of a 10-year 2nd mortgage, which further limits the net payment increase in the 11th year. The programs are fixed rate programs and are structured to minimize payment increase after principal increases begin.

Mortgage Insurance: CHF has negotiated Mortgage Insurance (MI) premiums with multiple MI providers to encourage competition and provide the most competitive MI rate and features possible. Up front MI premiums can be financed with the 2nd mortgage or with use of the available grant. If paid monthly, the cost of primary mortgage insurance would be \$187.50 monthly on a \$450,000 first mortgage loan.

Downpayment Assistance: For those homebuyers who do not qualify for other subordinate financing, but whose incomes still fall within the program income limits, CHF will allow for a 3-4% grant of a 10%-sized second loan to pay for closing costs and prepaids.

PURCHASE PRICE INFORMATION:

The proposed maximum limits are: Maximum purchase prices will vary from county to county and are based on the IRS safe-harbor limitations for single-family residences. 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	\$258,985
Existing units	\$239,440
Rehabilitated units	N/A

MAXIMUM INCOME LIMITATIONS:

Area median income on which maximum program limits are based: Various

The Applicant states maximum program limits are 120% of HUD county MSA median limits (with high cost calculations, if appropriate). These limits vary by county.

Applicable standard 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%

Proposed maximum income limits:

Household Size	Non-Target Area		Target Area	
	New Unit	Existing Unit	New Unit	Existing Unit
1-2 persons				
3+ persons				

Note: The Applicant will set aside 40% of the allocation for households at 80% or below of the applicable county median income adjusted by household size. The county median income varies from county to county.

DESCRIPTION OF PUBLIC BENEFITS

Past Program Performance:

Year	Amount of Allocation Awarded		Amount of Allocation Used	Number of Loan Originated	Status of Outstanding Bond Proceeds	Number of
2006	\$11,867,000		\$11,867,000	97	\$0	
2007	\$20,921,412		\$20,921,412	930 *	\$0	
2007 BP	\$8,113,958		\$7,420,888	**	\$693,070	
2007	\$9,292,656	***	\$0	0	\$9,292,656	
2007	\$9,480,124	***	\$0	0	\$9,480,124	
2007 BP	\$14,176,497	***	\$0	0	\$14,176,497	
2008	\$31,106,072	***	\$0	0	\$31,106,072	
2008	\$21,009,200	***	\$0	0	\$21,009,200	

* The Applicant states, in May 2007 CHF received approximately \$20,921,412 in 2007 fairshare allocation from CDLAC. All \$20,920,000 of the new fairshare allocation was used to fund both \$75 million (2007D) and \$60 million (2007E) bond issues using recycled funds and "pumpkin bonds", which are tax-exempt bonds that become taxable at some point prior to their final maturity. According to the Applicant, loans made with the bond proceeds from CHF's 2007D bond amounted to approximately \$75 million, effectively exhausting all funds for this loan program within one week of the \$2007 D's program start. Additionally, loans made with the bond proceeds from CHF's 2007E bond amounted to approximately \$60 million, effectively exhausting all funds for this loan program within 3 days of the 2007E's program start.

** Number of loans originated is included in *.

*** According to the Applicant, it anticipates this money will be used prior to the end of 2010 in a bond issue that will generate loans.

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.