

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 16, 2009

Consideration and Approval of a Modification to Resolution 09-95 for the Southern California Home Financing Authority Single Family Housing Program
(Agenda Item No. 4)

ACTION:

Approve the modification to Resolution 09-95 for the Southern California Home Financing Authority (the "Authority") adopted by the Committee on November 18, 2009, authorizing the use of the allocation for the refinancing of Qualified Subprime Loans (mortgages).

BACKGROUND:

On July 30, 2008 the Housing Assistance Tax Act of 2008 (the "Act") was enacted. The Act temporarily modifies certain rules (the "Qualified Mortgage Bond Rules") in the Internal Revenue Code of 1986 (the "Code") that apply to tax-exempt qualified mortgage bonds and qualified veterans' mortgage bonds, issued to finance mortgage loans for single-family residences.

The Code generally prohibits the use of any proceeds of an issue to acquire or replace existing single family mortgage loans. The Act temporarily lifts this restriction for proceeds used to refinance a mortgage on a residence that was originally financed by the mortgagor through a Qualified Subprime Loan. A Qualified Subprime Loan is defined as "an adjustable-rate single family residential mortgage loan made after December 31, 2001, and before January 1, 2008, that the bond issuer determines would be reasonably likely to cause financial hardship to the borrower if not refinanced." This temporary authorization applies to all mortgage revenue bonds issued after the date of the enactment of the Act and prior to December 31, 2010.

DISCUSSION:

On November 18, 2009, the Authority received \$25 million in 2009 allocation for a Single Family Housing Mortgage Revenue Bond Program. In its original request, the Authority did not include the refinancing of Qualified Subprime Loans as a use of the allocation. The Authority is now requesting to include the utilization of the allocation as such. The refinancing of qualified loans will represent one component of the Authority's participation in the GSE/Treasury Single Family New Issue Bond Program that will, in addition, provide loans to qualified homebuyers of REO properties in conjunction with federal Neighborhood Stabilization Program funds, and downpayment assistance for the standard First-Time Homebuyer Program.

RECOMMENDATIONS:

Staff recommends the approval of a modification to Resolution No. 09-95 for the Southern California Home Financing Authority Single Family Housing Program to include the refinancing of Qualified Subprime Loans as allowed by the Housing and Economic Recovery Act of 2008.

Prepared by Sarah Lester