

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**December 14, 2011**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**MORTGAGE CREDIT CERTIFICATE PROGRAM**

*Prepared by: Sarah Lester*

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**Applicant:** California Housing Finance Agency

**Contact Information:**

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**Allocation Amount Requested:** \$270,000,000    **Converted MCC Authority:** \$67,500,000

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**Applicant's Fair Share Amount:** \$270,000,000    **Converted MCC Authority:** \$67,500,000

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**Participating Jurisdictions:**

Statewide

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**Allocation Information:**

**Date MCCs will be advertised:** January 2012  
**Expected issue date of first MCC:** April 2012  
**Program Status:** New  
**Certificate tax credit rate:** 20%

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

New construction units: 300 units (18%) with an average mortgage amount of \$227,079  
Existing resale units: 1392 units (82%) with an average mortgage amount of \$193,525  
Rehabilitated units: 0 units (0%) with an average mortgage amount of \$000,000  
Total units: 1692 units with an average mortgage amount of \$199,474

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

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**Past Performance:**

This will be a brand new MCC Program provided by the applicant, therefore, no past performance data is applicable.

The application indicates the applicant expects to meet the 2011 minimum performance requirement that at least **40%** of program participants will be lower-income households.

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**Recommendation:**

Staff recommends that the Committee approve an amount of \$270,000,000 in tax-exempt bond allocation to the California Housing Finance Agency for the Mortgage Credit Certificate Program.

**DESCRIPTION OF PROPOSED PROGRAM:**

- ***Population to be served by the proposed Program (family size, income levels, etc.):***  
According to the Applicant, based on 2010-2011 data, CalHFA expects to serve low-and moderate-income families of all sizes and ethnic backgrounds. The Agency projects that 20% of all loans will be to single-person households; 20% will be two person households; 22% will be three person households and 38% will be four or more person households. CalHFA also expects that 35% of the homebuyers will be white; 8% black; 5% Asian; 45% Hispanic; and the remaining 7% will be of other or unknown ethnic backgrounds. CalHFA anticipates 13% of all prospective homebuyers to have an income less than 50% of Applicable Median Income (AMI) (as defined by CDLAC); 43% with incomes between 51 and 80% of AMI; 28% with incomes between 81 to 100% of AMI; and 16% over 100% of AMI.
- ***Estimated number of first-time homebuyers to be assisted:*** 1692
- ***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 1,538 square feet; 3.23 bedrooms and 2.03 baths. The anticipated average sales price will be approximately \$204,500. Of the homes CalHFA anticipates to finance, 20% will be new construction and the remaining 80% will be existing resale.
- ***Specific reservations of MCCs for purposes such as low-income targeting, new construction, etc.:***  
According to the Applicant, the program will reserve at least 20% of the certificates for federally designated target areas and at least 40% of the MCCs for families with incomes at or below 80% of the area median income adjusted for family size.
- ***Expected duration MCCs will be available and anticipated monthly rate of issuance.:***  
According to the Applicant, MCCs are expected to be available for 12 months and the anticipated monthly rate of issuance is 141 MCCs per month.
- ***Other homebuyers assistance programs offered by participating jurisdiction(s):***  
According to the Applicant, while the Agency has provided several subordinate loan programs in the past for first time home buyers, their downpayment programs are subject to funding availability. Currently the Agency offers California Homebuyer's Downpayment Assistance Program (CHDAP) which is available for downpayment and/or closing costs in conjunction with our first mortgage loan program. This is a deferred-payment junior loan and the maximum amount can be up to the lesser of three percent (3%) of the purchase price or appraised value. The current interest rate is 3.25%. These funds may also be used behind another lender's first mortgage. The term of the CHDAP will be the same as the first mortgage. The School Facility Fee (SFF) provides qualified homebuyers with a partial or full rebate (conditional grant) of the SFF paid by the home builder for newly constructed homes located in eligible areas.  
  
Affordable Housing Partnership Program (AHPP) is a joint effort between the Agency and over 300 cities, counties redevelopment agencies, housing authorities and nonprofit housing organizations. This program allows borrowers to combine eligible mortgage programs with down payment and/or closing cost assistance from an AHPP.
- ***Additional features unique to the proposed Program:***  
According to the Applicant, each MCC application will be using a brand new web-based reservation system unique to the Lenders in order to reserve the MCC. CalHFA reviews each MCC application validating data input supplied by the lender and will perform program compliance and policy review of each MCC application loan for eligibility under tax code and other Agency requirements. The Applicant states that it is their intention to continue offering affordable loan products with the commitment to serve the low and moderate income level borrower. The Applicant further states that they have expanded their Lender Training Division and Outreach Division to include numerous web-based training applications in order to assist the lenders structure loans and streamline the processes.

**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.

**Expected average sales prices of the estimated units to be assisted:**

New Units	\$237,830
Existing Units	\$199,904
Rehabilitated Units	\$0

**MAXIMUM INCOME LIMITATIONS:**

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

**Applicable standard that defines the area median income:**

- HUD statewide median       HUD county MSA median  
 Local median as determined by a special study

According to the applicant, it will be using the 2011 median family income figures issued by the Department of Housing and Urban Development on May 31, 2011 and the Internal Revenue Service Procedure 2011-23 released on March 22, 2011, with Bond Counsel approval, and the Agency published 2011 income limits. For Cal30 loan programs, the Agency elected to use a blended limit which consists of the lower of: Fannie Mae MCM high cost areas, HCD moderate income limits or Tax law limits.

**Percent of MCCs reserved for IRS-designated target areas in the jurisdiction(s):** 20%

**Proposed maximum income limits:**

<u>Household Size</u>	<u>Non-Target Area</u>	<u>Target Area</u>
1-2 persons	Varies	Varies
3+ persons	Varies	Varies

**DESCRIPTION OF PUBLIC BENEFITS:**

**Past Program Performance:**

<u>Year</u>	<u>Amount of Allocation</u>	<u>Amount of Allocation Used</u>	<u>Number of MCCs Issued</u>	<u>Outstanding MCC Authority</u>
New Program	N/A	N/A	N/A	N/A