

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 11, 2013
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
MORTGAGE CREDIT CERTIFICATE PROGRAM

Prepared by: Sarah Lester

Applicant: California Housing Finance Agency

Contact Information:

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Allocation Amount Requested: \$180,000,000 **Converted MCC Authority:** \$45,000,000

Applicant's Fair Share Amount: \$180,000,000 **Converted MCC Authority:** \$45,000,000

Participating Jurisdictions:

Statewide

Allocation Information:

Date MCCs will be advertised: December 1, 2013
Expected issue date of first MCC: August 1, 2014
Program Status: Existing
Certificate tax credit rate: 20%

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

New construction units: 175 units (20%) with an average mortgage amount of \$300,000
Existing resale units: 713 units (80%) with an average mortgage amount of \$242,000
Rehabilitated units: 0 units (0%) with an average mortgage amount of \$000,000
Total units: 888 units with and average mortgage amount of \$253,421

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

Past Performance:

The application indicates the applicant did not meet the 2012 minimum performance requirement that at least **40%** of the program participants are lower-income households or located in a Qualified Census Tract due to adusted income limits based on figures provided by Housing and Urban Development (HUD), which increased income limits in many of the high cost counties.

The application indicates the applicant expects to meet the 2013 minimum performance requirement that at least **40%** of program participants will be lower-income households.

Recommendation:

Staff recommends that the Committee approve an amount of \$180,000,000 in 2010 tax-exempt bond allocation to the California Housing Finance Agency for a Mortgage Credit Certificate Program. This amount will be transferred from the balance of the 2010 allocation previously awarded for a Mortgage Revenue Bond Program.

DESCRIPTION OF PROPOSED PROGRAM:

- ***Population to be served by the proposed Program (family size, income levels, etc.):***
According to the Applicant, the proposed Program expects to serve all ethnic groups and family sizes with a minimum of 40% of the households at or below 80% of the median income adjusted by household size.
- ***Estimated number of first-time homebuyers to be assisted:*** 888
- ***Housing stock to be purchased (types, unit sizes, etc.):***
According to the Applicant, the housing stock to be purchased will consist of newly constructed or existing single-family residences, which includes single-family detached homes and condominiums. The average size of the units will be 1,538 square feet and have an average of 3.23 bedrooms and 2.03 baths. The anticipated average sales price will be approximately \$250,000.
- ***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 24 months on a first come first served basis.
- ***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 their 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 lenders 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, 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 borrowers. 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 in structuring the loans and streamlining 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.

*This is established by (check one): X IRS Safe Harbor limitations
 As determined by special survey

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

New Units	\$300,000
Existing Units	\$242,000
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 X HUD county MSA median
 Local median as determined by a special study

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	Various	Various
3+ persons	Various	Various

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>
2010	\$0	\$0	0	0
2011	\$270,000,000	\$114,630,349	561	\$38,842,413
2012	\$213,765,000	\$0	0	\$53,441,250

According to the Applicant:

The CalHFA MCC program was initially introduced on May 20, 2012. The Program was marketed and introduced to their approved lenders in counties that were not offering MCCs after the May 20th introduction. Each loan officer is required to take training prior to registering a MCC loan, which caused some delay in the program's introduction.

The MCC volume has increased steadily; currently approximately 100 reservations are made each month.

According to the Applicant: (Contd.)

In addition to their current area of operation, CalHFA has received requests from several counties for CalHFA to administer each local government's MCC program (e.g. San Mateo and Sonoma have expressed interest). CalHFA anticipates that this will increase the overall volume of their program.

The MCC authority expiring December 31, 2013 was originally MRB allocation granted in 2008. When the MRB allocation was due to expire in 2011, CalHFA's lending program still remained shut down due to the financial crisis. At that time, CalHFA decided they would use the remaining allocation for an MCC program. CDLAC authorized the conversion of the MRB allocation to MCC authority which extended the usage deadline to December 31, 2013.

CalHFA is actively using the 2008 allocation for MCC issuance purposes. However, a large amount of this allocation will expire unused on December 31, 2013. On January 1, 2014, CalHFA will begin using subsequently awarded 2009 MCC allocation. This allocation usage will expire on December 31, 2014.

Pursuant to Section 5269 of the CDLAC Regulations, the Applicant has:

Certified that any Mortgage Credit Certificate authority remaining from the year prior to the current year will be used before the use of new Mortgage Credit Certificate Authority.