

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
October 21, 2015
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
MORTGAGE CREDIT CERTIFICATE PROGRAM

Prepared by: *Brian Clark*

Applicant: California Housing Finance Agency

Contact Information:

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Allocation Amount Requested: \$150,000,000 **Converted MCC Authority:** \$37,500,000

Applicant's Fair Share Amount: \$150,000,000 **Converted MCC Authority:** \$37,500,000

Participating Jurisdictions:

Statewide

Allocation Information:

Date MCCs will be advertised: October 2015
Expected issue date of first MCC: January 2016
Program Status: Existing
Certificate tax credit rate: 20%

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

New construction units: 150 units (20%) with an average mortgage amount of \$270,000
Existing resale units: 600 units (80%) with an average mortgage amount of \$245,000
Rehabilitated units: 0 units (0%) with an average mortgage amount of \$000,000
Total units: 750 units with an average mortgage amount of \$249,993

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

Past Performance:

The application indicates the applicant met the 2014 minimum performance requirement that at least **40%** of the program participants are lower-income households or located in a Qualified Census Tract.

The application indicates the applicant expects to meet the 2015 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 \$150,000,000 in tax-exempt bond allocation to the California Housing Finance Agency for the Mortgage Credit Certificate Program. This is the Applicant's 2015 fair share amount.

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:** 750

- **Housing stock to be purchased (types, unit sizes, etc.):**
According to the Applicant, the housing stock to be purchased will consist of detached units and attached condominiums having an average of 3.23 bedrooms, 2.03 bathrooms and 1,538 square feet.

- **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 3 months and the anticipated monthly rate of issuance is 175 MCCs per month. However, based on the information provided in the application, MCCs are expected to be available for 4 months.

- **Other homebuyers assistance programs offered by participating jurisdiction(s):**
According to the Applicant, it currently offers assistance through the California Homebuyer’s Assistance Program ("CHDAP") via a deferred-payment junior loan in an amount equal to the lesser of 3% of the purchase price or appraised value. The Applicant also offers several first mortgage products that provide 3% down payment assistance in exchange for a slightly higher interest rate. In addition, the Applicant offers a Zip Extra subordinate loan that provides up to \$6,500 in down payment assistance. The Applicant additionally offers a full or partial rebate of the School Facility Fee to eligible buyers of newly constructed homes in qualified areas.

- **Additional features unique to the proposed Program:**
Lenders will use an MCC reservation system in order to reserve an MCC allocation. The Applicant reviews each loan to validate the data provided by the lender and also performs program compliance and policy review of each loan for eligibility under the tax code and other agency requirements. The Applicant has also expanded its Lender Training and Outreach Division to include numerous web-based training applications in order to assist lenders in the structuring of loans and to streamline the process.

PURCHASE PRICE INFORMATION:

The proposed maximum limits are:

Unit Type	Average Area Purchase Price*	Non-Target Area Max Purchase Price	Target Area Max Purchase Price
New Units	Various	Various	Various
Existing Units	Various	Various	Various

*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	\$270,000
Existing Units	\$245,000

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

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>
2011	\$270,000,000	\$155,900,160	774	\$28,524,960
2012	\$213,765,000	\$97,697,017	703	\$29,016,996
2013	\$180,000,000	\$163,670,712	763	\$4,082,322
2014	\$80,000,000	\$61,589,358	285	\$4,602,660

The outstanding MCC authority for 2013 and 2014 has been committed and is expected to be exhausted by October 2015.

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

- 1 Demonstrated that no Mortgage Credit Certificate authority from the year two years prior to the current year has been unused (other than minor amounts not to exceed \$1 million); and
- 2 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.