

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 20, 2016
Staff Report
***REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
SINGLE FAMILY HOUSING BOND PROGRAM***

Prepared by: Sarah Lester

Applicant: California Department of Veteran Affairs (CalVet)

Contact Information:

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Allocation Amount Requested: \$150,000,000

Participating Jurisdictions: Statewide

Program Financing Information:

Proposed Issuance Date: Fall 2016
Bond Counsel: Hawkins, Delafield & Wood LLP
Underwriter: To be determined (Appointed by STO)
Credit Enhancement Provider: To be determined (Appointed by STO)
Private Placement Purchaser: Not Applicable
TEFRA Hearing: August 19, 2014

Allocation Information:

Program Status: Existing Program

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

New construction units:	75 units (12%) with an average mortgage amount of \$240,000
Existing resale units:	570 units (88%) with an average mortgage amount of \$230,000
Rehabilitation units:	<u>0</u> units (0%) with an average mortgage amount of \$000,000
Total units:	645 units with an average mortgage amount of \$231,163

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

Past Performance:

Due to the many challenges faced by State and local finance agencies since the collapse of the subprime lending market, the Applicant states that as the housing market recovers, it has been there to assist veterans to establish roots by purchasing homes. The Application states that the market is now at a point, where they need the Committee's assistance for them to expand their assistance to veterans.

Recommendation:

Staff recommends that the Committee approve the requested amount of \$150,000,000 in 2016 tax-exempt bond allocation to the California Department of Veterans Affairs for the Single Family Housing Bond Program.

DESCRIPTION OF PROPOSED PROGRAM:

● ***Population to be served by the proposed Program (family size, income levels, etc.):***

According to the Applicant, the target market for CalVet Home Loans is Veterans. All veterans who desire to purchase a home in California who have served a minimum of 90 days of active duty and have received an honorable discharge or are currently serving honorably are eligible. Although income is not a restriction on eligibility, a significant portion of the veteran population falls into the low and moderate income definition that applies to QMB funds. That would include veterans currently on active duty, retired military, and disabled veterans.

● ***Housing stock to be purchased (types, unit sizes, etc):***

According to the Applicant, the The CalVet Home Loan program purchases single family residences including condominiums and manufactured housing permanently attached to a home site. They loan on both new and existing homes. CDVA also has a construction loan program, which allows the veteran to purchase a home site and have a home constructed. They also state that they have a rehabilitation program, which allows veterans to purchase a home and rehabilitate it. The rehabilitation program provides funds for needed repairs and renovations to bring the property up to contemporary living standards. The maximum loan is 125% of the Fannie Mae conforming loan limit. CDVA does not have a maximum purchase price other than those imposed by the QMB limits.

● ***Specific reservations of bond proceeds such as low-income targeting, new construction, etc.***

According to the Applicant, CalVet does not impose any specific reservations on bond proceeds of other funding sources for sub-groups of the veteran population. The Applicant further states that 20% of the bond proceeds will be reserved for IRS-designated target areas.

● ***Program interest rates, downpayment requirements, and other fees:***

Interest Rates: According to the application, based upon current market conditions, it is expected that a 4.00% interest rate will be offered.

Fees: None, statute prohibits them from earning a profit on the loans to veterans.

Downpayment Requirements: CalVet allows the use of most local homebuyer assistance programs. The CalVet Home Loan program has operated historically on 50bp over the cost of funds.

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

CalVet allows the use of most local homebuyer assistance programs.

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

According to the Applicant:

- CalVet is a direct lender
- No underwriting, loan processing, credit report, document preparation, or wire transfer fees
- Low cost fire and hazard insurance that provides a guaranteed replacement cost coverage.
- Affordable disaster insurance program with low loss deductibles

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 as published.

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

New units	\$240,000
Existing units	\$230,000
Rehabilitated units	\$0

MAXIMUM INCOME LIMITATIONS:

Maximum income limits will vary from County to County and are based on the higher of the 2016 Statewide median income or the County median income as published by HUD, and adjusted for family size by the California Department of Housing and Community Development.

Area median income on which maximum program limits are based:

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%