

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 14, 2016
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: \$863,780,087 **Converted MCC Authority:** \$215,945,022

Applicant's Fair Share Amount: \$400,000,000 **Converted MCC Authority:** \$100,000,000

Participating Jurisdictions:

Statewide

Allocation Information:

Date MCCs will be advertised: October 1, 2016
Expected issue date of first MCC: February/March 2017
Program Status: Existing
Certificate tax credit rate: 20%

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

New construction units:	721 units (20%) with an average mortgage amount of \$340,000
Existing resale units:	2878 units (80%) with an average mortgage amount of \$290,000
Rehabilitated units:	0 units (0%) with an average mortgage amount of \$000,000
Total units:	3599 units with and average mortgage amount of \$300,012

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

Past Performance:

The application indicates the applicant met the 2015 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 2016 minimum performance requirement that at least 40% of program participants will be lower-income households.

Recommendation:

Staff recommends that the Committee approve a reduced amount of \$863,780,087 in tax-exempt bond allocation to the California Housing Finance Agency for the Mortgage Credit Certificate Program on a carryforward basis.

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:** 3599
 - **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 \$300,000.
 - **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, of which CalHFA expects 10% to 12% of 40% issuance to be located in targeted areas.
 - **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 and the anticipated monthly rate of issuance is 300 MCCs per month. However, based on the information provided in the application, MCCs are expected to be available for 6-7 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.
- Also, CalHFA will provide a Zip product for a slightly higher mortgage rate sized at 3.0% to 4.0% of the first mortgage amount with conventional loans and 3.5% to 4.5% of the first mortgage amount with FHA Insured loans. The recently reinstated Extra Credit Teacher Program (ECTP) provides qualified homebuyers with a loan ranging from \$7,500 to \$15,000 depending on the purchase area and may only be used for down payment assistance.
- **Additional features unique to the proposed Program:**
According to the Applicant, each MCC application will be using a web-based reservation system 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: Various

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): IRS Safe Harbor limitations
 As determined by special survey

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

New Units	\$340,000
Existing Units	\$290,000
Rehabilitated Units	N/A

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:

Household Size	Non-Target Area	Target Area
1-2 persons	Various	Various
3+ persons	Various	Various

DESCRIPTION OF PUBLIC BENEFITS:

Past Program Performance:

Year	Amount of Allocation	Amount of Allocation Used	Number of MCCs Issued	Outstanding MCC Authority
2013	\$180,000,000	\$179,999,604	839	\$99
2014	\$80,000,000	\$79,998,842	651	\$290
2015	\$1,412,922,053	\$788,501,732	3149	\$156,105,080 *

* The \$216 million of 2015 authority is expected to be used prior to the expiration of the authority.

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.