

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**November 15, 2017**  
**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

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**Contact Information:**

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**Allocation Amount Requested:** \$200,000,000    **Converted MCC Authority:** \$50,000,000

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**Applicant's Fair Share Amount:** \$200,000,000    **Converted MCC Authority:** \$50,000,000

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**Participating Jurisdictions:**

Statewide

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**Allocation Information:**

**Date MCCs will be advertised:** September 1, 2017  
**Expected issue date of first MCC:** December/January 2018  
**Program Status:** Existing  
**Certificate tax credit rate:** 20%

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

New construction units:	22 units (3%) with an average mortgage amount of \$363,000
Existing resale units:	766 units (97%) with an average mortgage amount of \$316,000
Rehabilitated units:	<u>0</u> units (0%) with an average mortgage amount of \$000,000
Total units:	788 units with and average mortgage amount of \$317,294

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

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**Past Performance:**

The application indicates the applicant met the 2016 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 2017 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 \$200,000,000 in 2017 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 2015 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:** 788
- **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 anticipated average sales price will be approximately \$316,000.
- **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 and the anticipated monthly rate of issuance is 400 MCCs per month. However, based on the information provided in the application, MCCs are expected to be available for 2-3 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 several deferred payment loan products for down-payment and/or closing costs in conjunction with their first mortgage loan program.  
  
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; a MyHome Assistance Program sized at 3% of the sales price; and the resently 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, lenders use a MCC reservation system operated by eHousingPlus in order to reserve the MCC allocation. eHousingPlus reviews each MCC validating data input supplied by the lender and will perform program compliance and policy review of each loan for eligibility under tax code and other Agency requirements.

The Applicant states that it is the Agency's intention to continue offering affordable loan products with the commitment to serve the low and moderate income level borrower. According to the Applicant, their Lender Training Division and Outreach Division provides numerous web-based training applications in order to assist the lenders structure loans and streamline the processes. They further state that they are committed to educate their lenders and partners in order to help them understand their products and how to incorporate the MCC in structuring the loan.

**PURCHASE PRICE INFORMATION:**

The proposed maximum limits are:

<u>Unit Type</u>	<u>Average Area Purchase Price*</u>	<u>Non-Target Area Max Purchase Price</u>	<u>Target Area Max Purchase Price</u>
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	\$350,000
Existing Units	\$309,000
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:

<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>
2014	\$80,000,000	\$79,998,842	651	\$290
2015	\$1,412,922,053	\$1,412,919,276	5,777	\$694
2016	\$948,365,582	\$436,917,096	1,804	\$127,862,122

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.