

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
January 16, 2019
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 (CDVA)

Contact Information:

Name: Eric Tiche
Address: 1227 O Street
Sacramento, CA 95814
Phone: (916) 503-8004

Allocation Amount Requested: \$50,000,000

Participating Jurisdictions: Statewide

Program Financing Information:

Proposed Issuance Date: Spring 2019
Bond Counsel: Hawkins, Delafield & Wood LLP
Underwriter: To be determined (Appointed by STO)
Credit Enhancement Provider: To be determined (Appointed by STO)
Private Placement Provider: Not Applicable
TEFRA Hearing: March 13, 2017

Allocation Information:

Program Status: Existing

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

New construction units:	40 units (12%) with an average mortgage amount of \$250,000
Existing resale units:	295 units (88%) with an average mortgage amount of \$240,000
Rehabilitated units:	<u>0</u> units (0%) with an average mortgage amount of \$000,000
Total units:	335 units with an average mortgage amount of \$241,194

The above numbers of units are: 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 Applicant states that the market is now at a point where they need the Committee's assistance for them to expand their assistance to veterans.

The application indicates the applicant expects to meet the 2019 minimum performance requirement that at least **40%** of program participants will be lower-income households.

Recommendation:

Staff recommends that the Committee approve the requested amount of \$50,000,000 in 2019 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.

● ***Estimated number of first-time homebuyers to be assisted:*** 335

● ***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 lend 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 MCCs for purposes 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 4.75% 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.

● ***Additional 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	\$250,000
Existing units	\$240,000
Rehabilitated units	\$0

MAXIMUM INCOME LIMITATIONS:

Maximum income limits will vary from county to county and are based on the higher of the 2019 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: 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%

DESCRIPTION OF PUBLIC BENEFITS:

Past Program Performance:

<u>Year</u>	<u>Amount of Allocation</u>	<u>Amount of Allocation Used</u>	<u>Number of Loans Originated</u>	<u>Status of Outstanding Bond</u>
2016	\$150,000,000 **	\$119,134,320	528	\$583,931.87 *
2017	Did Not Apply	N/A	N/A	N/A
2018	Did Not Apply	N/A	N/A	N/A

* According to the Applicant, as of the November 21, 2018, the date of the CDLAC application, there were 14 construction loan contracts, which are funded in installments resulting in the outstanding bond proceeds of \$583,931.87. These construction loans will be completely funded using the outstanding bond proceeds by April 2019. The federal expiration date for expending these bond proceeds is December 31, 2019.

** The Applicant further states that in addition, the remaining \$30,865,397.70, of the 2016 Allocation has been carry forwarded and will be used in the CalVet bond sale in March 2019. CalVet will use the entire \$30,865,379.70 in bond proceeds from the March 2019 bond sale to fund single family warehoused loans when the bond sale closes in March 2019. The federal expiration date for expending these bond proceeds is December 31, 2019.

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

- 1 Demonstrated that all proceeds from a Bond Issuance in the calendar year three (3) years prior to the current year has been unused (other than minor amounts not to exceed \$1 million); and
- 2 Certified that any remaining Bond proceeds remaining from the year prior to the current year will be used before the use of new Allocation.