

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**May 20, 2020**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**SINGLE FAMILY HOUSING BOND PROGRAM**

*Prepared by: Sarah Lester*

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**Applicant:** California Department of Veteran Affairs (CDVA)

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**Contact Information:**

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

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**Allocation Amount Requested:** \$100,000,000

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**Participating Jurisdictions:** Statewide

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**Program Financing Information:**

**Proposed Issuance Date:** Fall 2020  
**Bond Counsel:** Hawkins, Delafield & Wood LLP  
**Underwriter:** To be determined  
**Credit Enhancement Provider:** To be determined  
**Private Placement Provider:** Not Applicable  
**TEFRA Hearing:** March 2, 2020

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**Allocation Information:**

**Program Status:** Existing

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

New construction units:	65 units (16%) with an average mortgage amount of \$310,000
Existing resale units:	300 units (76%) with an average mortgage amount of \$290,000
Rehabilitated units:	30 units (8%) with an average mortgage amount of \$290,000
Total units:	395 units with an average mortgage amount of \$293,291

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 2019 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 2020 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 the requested amount of \$100,000,000 in 2020 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:*** 395

● ***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 loans 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, the current rate at time of application was 3.875%.

**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	\$310,000
Existing units	\$290,000
Rehabilitated units	\$290,000

**MAXIMUM INCOME LIMITATIONS:**

Maximum income limits will vary from county to county and are based on the higher of the 2020 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:**

Year	Amount of Allocation	Amount of Allocation Used	Number of Loans Originated	Status of Outstanding Bond
2017	Did Not Apply	N/A	N/A	N/A
2018	Did Not Apply	N/A	N/A	N/A
2019	\$50,000,000	\$49,131,334	197	\$868,666

Pursuant to Section 5268 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 (other than minor amounts not to exceed \$1 million) has been used to finance loans, or; have been refunded on either a short or long term basis so as to be available to finance loans.
- 2 Certified that any remaining Bond proceeds or authority from an Allocation up to two (2) calendar years prior to the current year will be used either before the use of new Allocation or in conjunction with new Allocation in satisfying federal requirements for such prior funds.