

## **CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**

### **Estimated Public Benefits**

#### **Extra Credit Teacher Home Purchase Program Pool**

#### **2006 Summary**

State and local governmental agencies and joint powers authorities can issue tax-exempt mortgage revenue bonds (MRB) or mortgage credit certificates (MCC) to assist teachers, principals and other credentialed school staff purchase homes. These agencies and authorities may issue MRBs, the proceeds of which back below market interest rate mortgages. As an alternative to issuing MRBs, state and local governmental agencies and joint powers authorities may issue MCCs. The value of the credit equals up to 20% of interest payments made annually on the program participants first mortgage. Homebuyers use the MCC to reduce their federal tax liability by applying the credit to their net tax due. Homebuyers may purchase single-family homes, either free-standing detached homes, condominiums or townhouses.

Participants must be employed at a high priority school (a California K-12 public school that is ranked in the bottom 50% of all the schools based on the most recent Academic Performance Index (API), i.e. schools receiving an API Statewide Ranking of 1, 2, 3, 4 or 5) and be willing to make a commitment to stay at that school for at least three years. In addition, Program participants must meet program income limits and must purchase a home that falls within the program's purchase price limitations.

The teacher shortage has contributed to the already acute problem of attracting qualified teachers to high priority schools, which are often located in urban and poor school districts. The Extra Credit Teacher Home Purchase Program (Extra Credit Program) targets a scarce public resource to those schools struggling the most, and to those teachers and principals who are fully qualified to help those schools achieve success.

The California Debt Limit Allocation Committee is responsible for administering California's annual tax-exempt private activity bond program, known as "the annual State ceiling". For calendar year 2006, California's State ceiling is \$2.890 billion. Each year the Committee divides the annual State ceiling among several bond programs, known as "Program Pools", including the Extra Credit Program Pool. For calendar year 2006, the Committee reserved approximately \$110 million, or 3.8%, of the State ceiling for the Extra Credit Program Pool. The \$110 million of bond authority will be allocated throughout the 2006 calendar year.

The Committee received one allocation request for the Extra Credit Program this year from the California Housing Finance Agency (CalHFA), which administers a statewide program. On December 13, 2006, The Committee awarded a total of \$110,000,000 to CalHFA for the Extra Credit Program. This allocation will assist approximately 500 eligible credentialed school staff purchase homes, of which approximately 75 will purchase new homes and approximately 425 will purchase existing homes.

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## SUMMARY OF ALLOCATIONS

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### Mortgage Revenue Bond Program

<u>AMOUNT ALLOCATED</u>	<u>ESTIMATED NUMBER &amp; DESCRIPTION OF PUBLIC BENEFITS</u>
\$110,000,000	500 Total number of eligible credentialed school staff assisted 425 Total number of loans to homebuyers purchasing existing homes 75 Total number of loans to homebuyers purchasing newly constructed homes (15% of total)

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### Mortgage Credit Certificate Program

<u>AMOUNT ALLOCATED</u>	<u>ESTIMATED NUMBER &amp; DESCRIPTION OF PUBLIC BENEFITS</u>
\$0	0 Total number of eligible credentialed school staff assisted 0 Total number of MCCs to homebuyers purchasing existing homes 0 Total number of MCCs to homebuyers purchasing newly constructed homes (0 of total)

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### TOTAL EXTRA CREDIT HOME PURCHASE PROGRAM

<u>AMOUNT ALLOCATED</u>	<u>ESTIMATED NUMBER &amp; DESCRIPTION OF PUBLIC BENEFITS</u>
<u>\$110,000,000</u>	500 Total number of eligible credentialed school staff assisted 425 Total number of loans to homebuyers purchasing existing homes 75 Total number of loans to homebuyers purchasing newly constructed homes (15% of total)