

# MEMORANDUM

To: Clark Wallace, Chairman  
CHFA Board of Directors

Date: April 7, 1999

From: Bill Cranham  
CALIFORNIA HOUSING FINANCE AGENCY

Subject: FEDERAL LEGISLATION UPDATE

The Agency currently is engaged in heavy advocacy of two bills in the current session of Congress: **H.R. 864 to accelerate the increase in the Private Activity Bond cap**, and **H.R. 175 to increase the Low Income Housing Tax Credit**. In the last session of Congress, we were successful in obtaining **85%** of the California delegation as cosponsors of the bond cap increase bill (then H.R. 979/S. 1251). Our goal *this* year is to equal or improve on our efforts of last year, and if at all possible achieve 100% of the delegation, because we can make a stronger case this year of the need for both the bond cap increase and the housing credit increase. We have approximately seven weeks left to obtain the needed cosponsors. The following is an overview of where we are today in obtaining cosponsors *from* our **54** member Congressional delegation:

## H.R. 864/S. 459

### Cosponsors -- 15

Boxer (D)  
Becerra (D)  
Bilbray (R)  
Campbell (R)  
**Capps** (D)  
Dixon (D)  
Dooley (D)  
Filner (D)  
Kuykendall (R)  
Lantos (D)  
Lewis (R)  
Matsui (D)  
McKeon (R)  
Sherman (D)  
Waxman (D)

## H.R. 175/S. (TC bill not yet introduced)

### Cosponsors -- 23

Boxer (D)  
Becerra (D)  
Bilbray (R)  
Berman (D)  
Calvert (D)  
**Capps** (D)  
Condit (D)  
Dixon (D)  
Eshoo (D)  
Filner (D)  
Horn (R)  
Kuykendall (R)  
Lantos (D)  
**Lee** (D)  
Lewis (R)  
Lofgren (D)  
Matsui (D)  
McKeon (R)  
Miller (Gary) (R)  
Roybal-Allard (D)  
Thompson (D)  
Waxman (D)  
Woolsey (D)

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The following members through staff contacts have indicated they will be on as cosponsors of these bills after Congress returns next week from the Passover/Easter recess:

**H.R. 864/S. 459**

**13**

Bono (R)  
Calvert (R)  
Condit (D)  
Eshoo (D)  
Gallegly (R)  
Horn (R)  
Hunter (R)  
**Lee (D)**  
Lofgren (D)  
Millender-McDonald (D)  
Miller (Gary) (R)  
Roybal-Allard (D)  
Woolsey (D)

**H.R. 175/S. (TC bill not yet introduced)**

**3**

Bono (R)  
Gallegly (R)  
Millender-McDonald (D)

The following members have not indicated their intentions on these bills:

**H.R. 864/S. 459**

**26**

Feinstein (D)*	Packard (R)*
Berman (D)*	Pelosi (D)*
Brown (D)*	Pombo (R)
Cox (R)	Radanovich* (R)*
Cunningham (R)*	Rogan (R)*
Doolittle (R)	Rohrabacher (R)
Dreier (R)	Royce (R)
Farr (D)*	Sanchez (D)*
Herger (R)*	<b>Stark (D)</b>
Martinez (D)*	Tauscher (D)*
Miller (George) (D)*	Thomas (R)
Napolitano (D)	Thompson (D)
Ose (R)	Waters (D)*

**H.R. 175/S. (TC bill not yet introduced)**

**28**

Feinstein (D)*	Ose (R)
Brown (D)*	Packard (R)*
Campbell (R)*	Pelosi (D)*
Cox (R)	Pombo (R)
Cunningham (R)*	Radanovich (R)
Dooley (D)*	Rogan (R)*
Doolittle (R)	Rohrabacher (R)
Dreier (R)	Royce (R)
Farr (D)*	Sanchez (D)*
Herger (R)	Sherman (D)
Hunter (R)	<b>Stark (D)</b>
Martinez (D)*	Tauscher (D)
Miller (George) (D)*	Thomas (R)
Napolitano (D)	Waters (D)*

\* Supported the previous comparable bills in the last session of Congress -- H.R. 979/  
S. 1251 (Bond Cap Increase) and H.R. 2990/S 1252 (Low Income Housing Tax Credit).

# WHY HOMES

on both buyer and builder to keep on schedule.  
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## pent, lower insurance with Affordable Gold 100 program;

be aimed  
yments or  
percent  
ent at all

### First Lady of Finance By Michele Dillingham

Income can be up to 120 percent of the HUD median income limits.  
Fixed rate 30 year loan.  
Mortgage insurance lower than with a 97 percent loan.  
No minimum cash requirement from borrower.  
No housing ratio means that borrowers with little debt can qualify for a larger mortgage.  
Higher loan limits than with FHA.  
No automated underwriting.  
Only income from those on the mortgage note is used.  
Money for closing costs and prepaids can come from a grant from a non-profit organization, gift from a family member, silent seconds, rebate

financing, an unsecured loan, or up to 3 percent from the seller.  
Unlike many special programs for low and moderate income borrowers, the Affordable Gold 100 is not a first time homebuyer program. Borrowers can sell their current home and buy another one without worrying about the down payment. Getting enough money from the sale of a home for a down payment has been a problem for some sellers who bought their homes when the prices were over inflated during the early 1990s. They cannot own another home at the time of closing the Affordable Gold 100.  
Many programs have income limits set at 80 percent of the HUD median income. With limits of 120 percent of the median income, more moderate income borrowers qualify. Since this program features special underwriting guidelines and insurance, there is no special funding allotments that can be used up quickly like some programs. The 120 percent limit for Sacramento, El Dorado

and Placer counties is \$62,280; for Yolo county it is \$63,840; for Yuba county it is \$44,040; and for Nevada county it is \$55,920.  
Insuring loans with low down payments is critical in order to find lenders willing to take the chance with such high risk loans. Prior to mortgage insurance, banks would only lend on properties with 20 percent down.  
The rate for mortgage insurance depends on the LTV (loan to value). Loans with less than 20 percent down have the mortgage insurance but the ratio is lower when the LTV is 85 percent than when it is 96 percent. Loans with a 97 percent have a mortgage insurance rate of 1.04 percent per year due to the high risk. The Affordable Gold 100 has a rate of 1.02 percent per year - lower than the 97 percent rate - because it is insured by CaHLLIF.  
What that means to the borrower is that there is an additional monthly cost to the mortgage.

insurance that would mean an additional cost of \$85 per month. The first year's premium of \$1,020 (in this example) is paid upfront as a closing cost.  
Qualifying is based on only one ratio instead of the normal two ratios. Ratios are one of the key underwriting criteria because they give a guide as to how much the borrower qualifies for. The top ratio is the total housing payment (principal and interest, taxes, insurance, and mortgage insurance) divided by the total gross (before taxes) monthly income. The bottom ratio is the total housing payment plus the total minimum monthly debt divided by the total gross monthly income. Each program has different guidelines but usually with a 95 or 97 percent loan the ratio would be around 28/36.  
The Affordable Gold 100 has only a 97 ratio which is the conventional housing debt total divided by the total gross income. This is very good for borrowers with little or no debt. For

interest, a borrower with an income of \$5,100 per month with no debt could qualify for a loan of approximately \$200,000. With monthly debts of \$500 the same borrower would qualify for approximately \$180,000.

Efficient programs look at income differently. With this program only the income of those signing the mortgage note is used. A husband or wife could take the property as their "sole and separate" property and avoid using the income of the other spouse, thus qualifying for the income limits.

Underwriting is not automated but is on a FISK factor basis used by Freddie Mac. FICO scores (a method of scoring a borrower's credit based on payment history) are usually 660 or better however they may be lower on a case by case basis.

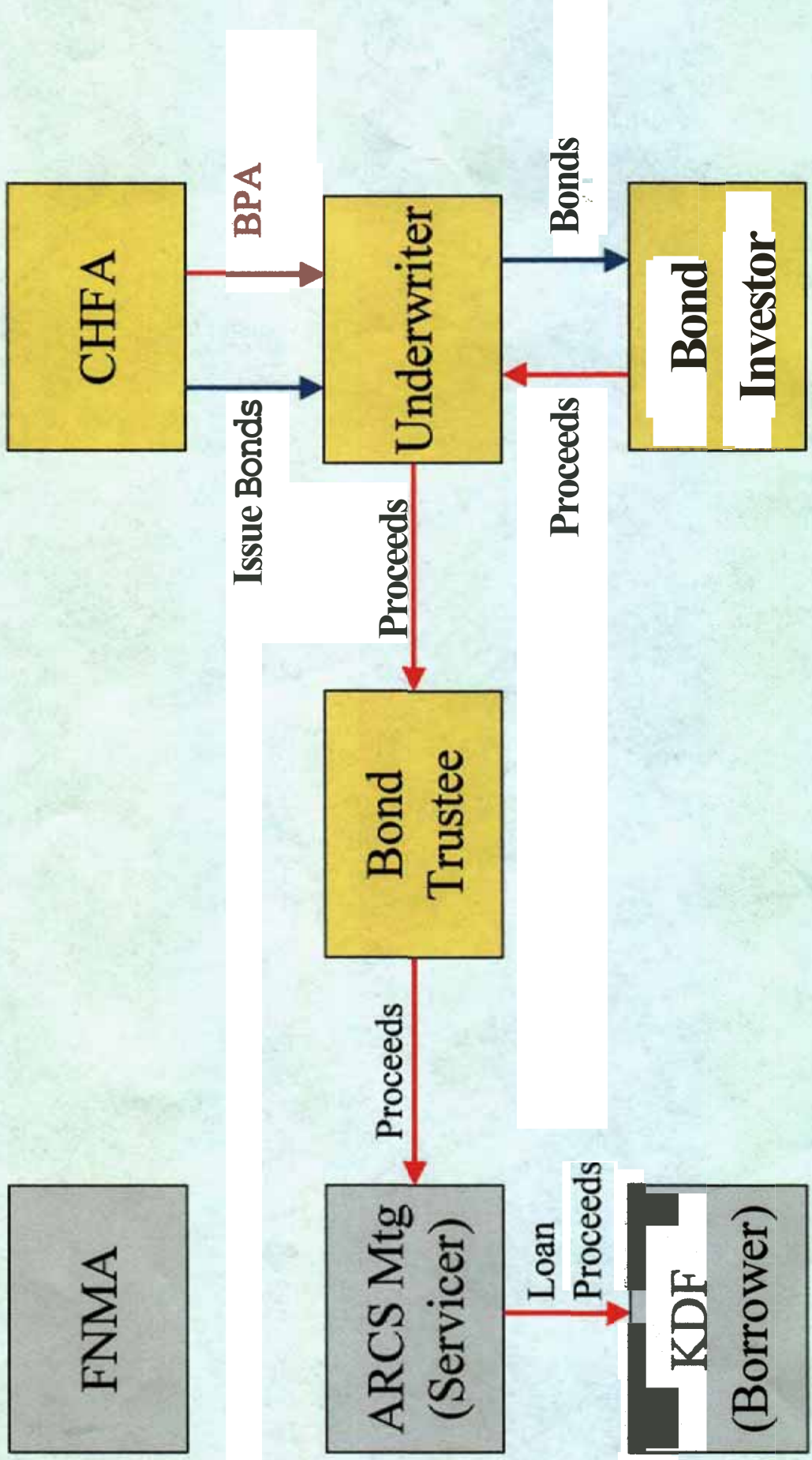
Money for the closing costs can come from a wide variety of sources including "silent seconds" from government organizations like the Sacramento Housing and Redevelopment Agency. If the Affordable Gold 100 program is used with another program that has restrictions like income or loan limits, the tighter regulations apply.

Up to 3 percent of the closing costs can come from the seller. The money can come from more than one source, like part gift, part seller contribution. With this program the borrower doesn't have to have any of their own money in the transaction. They will however need two months of reserves which is two months of the total monthly payment. The reserves can be in a retirement account or they too can come from a gift.

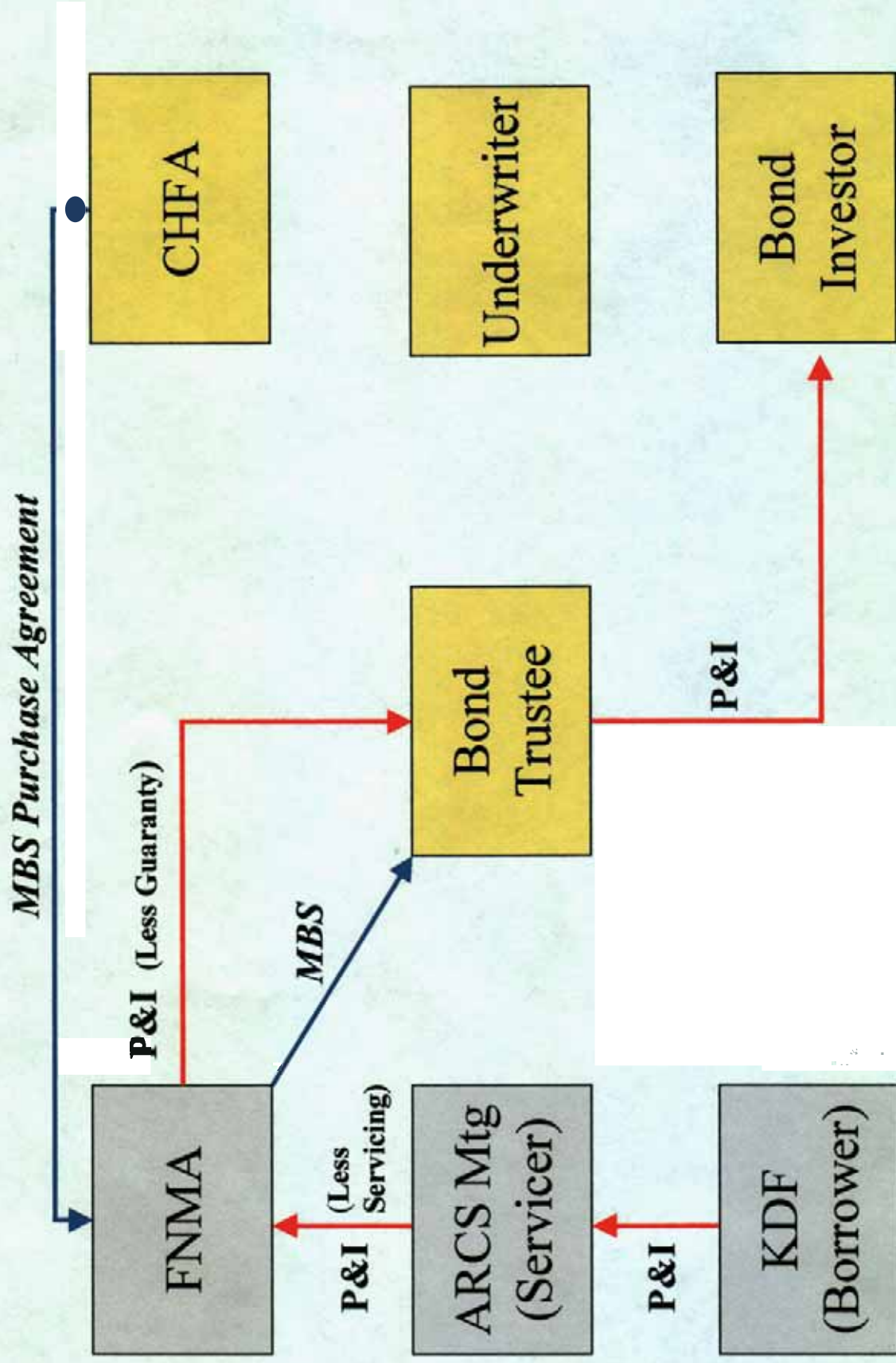
The Affordable Gold 100 program is yet another option for homebuyers. It is especially good for borrowers with little or no cash and good credit.

Michele Dillingham is a Senior Loan Consultant with Mission Hills Mortgage. Michele can be reached at 650-9484 to answer any questions regarding this column or lending. E-mail: ymcd@ms.net  
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# Conduit Financing - Loan Proceeds



# Conduit Financing - P & I / MBS





# Villa San Ramon

## Chronology and Partnerships

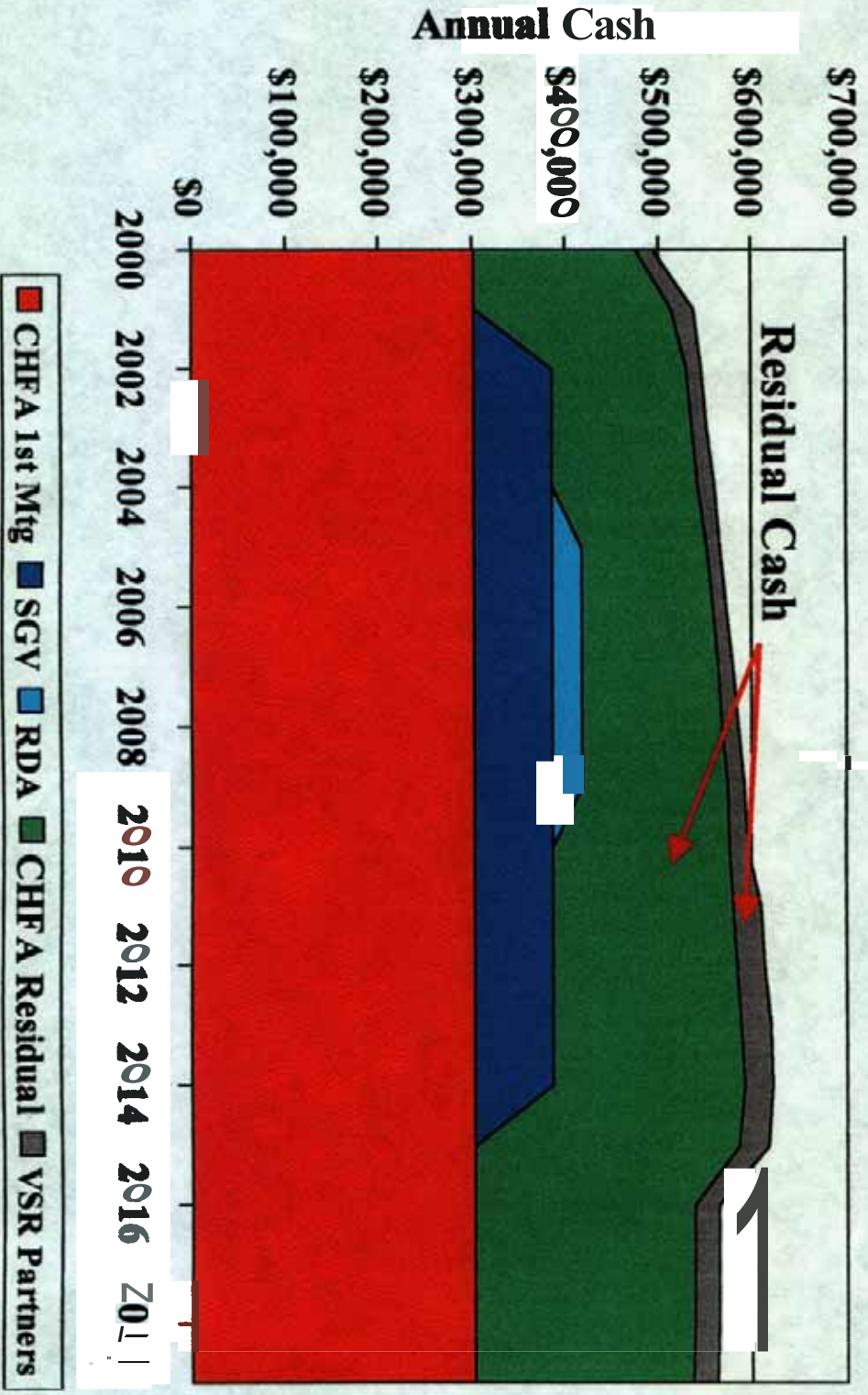
- 1984
  - Sunny Glen Villa, L.P. (SGV) Purchases Project Site
    - Shepson and Shelloe, GP's, 14 Limited Partners
- 1990
  - Villa San Ramon, L.P. (VSR) Purchases Phase I Site
    - Shepson and Shelloe, GP's, 13 Limited Partners
  - VSR Executes Contract of Sale with **SGV** for Phase II Parcel
  - Villa San Ramon, Participating Trust (VSRPT) is Syndicated, Funds \$1.6 Million for Phase I
    - Syndicated Trust, Approximately 30 Participants
- 1992
  - Villa San Ramon Opens
- 1994
  - CHFA Debt and Partnership Equity are Restructured
    - VSR Obtains a New LP
    - VSRPT Exchanges Equity Position for Debt
    - CHFA Loan is Restructured, Step Rate with Recapture Note





# Villa San Ramon, Phase II

## Use of Project Cash





# Villa San Ramon

## Recapture Note Payment Scenarios

