



Affordable Housing is our Business

# HOUSING MATTERS

CALIFORNIA HOUSING FINANCE AGENCY

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*Stay connected with CalHFA and receive product and program updates as they occur. To stay informed, please register your email address at our web site: [www.calhfa.ca.gov](http://www.calhfa.ca.gov) - it will be kept confidential.*

CalHFA Housing Matters is produced quarterly with the goal to provide stakeholders, customers, and clients with updates on affordable housing issues and highlights of CalHFA programs. Comments or suggestions can be directed to 800.789.2432, or email [marketing@calhfa.ca.gov](mailto:marketing@calhfa.ca.gov). Additional information on the full complement of CalHFA programs and newsletters is available at [www.calhfa.ca.gov](http://www.calhfa.ca.gov).

Theresa A. Parker, Executive Director  
Governor Arnold Schwarzenegger



*One of the things I enjoy most about the atmosphere at CalHFA is the constant stream of new ideas and programs that keep us at the forefront of the housing industry. We all know that the California housing market is growing by leaps and bounds; whether you call it a crisis, a challenge or an opportunity, it is clear that innovation is necessary to keep the dream of homeownership alive for Californians.*

*Due to our commitment to keeping that dream alive, CalHFA has spent the first half of 2005 bringing out a range of new programs. We have also made changes to existing programs to ensure that the greatest possible number of Californians continue to have access to the assistance we provide.*

*In April, CalHFA held seven launch events for our newest 100% financing option, interest only PLUS. Over 1,300 of our business partners attended these events, and with good reason: interest only PLUS is an exciting new way to qualify more borrowers and lower their monthly mortgage payments. You can read the details in "interest only PLUS Sparks More Than Passing Interest." (page 2)*

*One of the biggest fears facing potential homeowners is that of job loss and the subsequent consequences for their mortgage. To combat this fear and provide a safety net for our borrowers, CalHFA has partnered with GE Mortgage to offer HomeOpeners<sup>SM\*</sup>, a Mortgage Protection Program. Get the scoop in "HomeOpeners Opens the Door Even Wider for California Homebuyers." (page 3)*

*Finally, you can read about CalHFA's continuing commitment to the affordable rental market in the face of rising rates of condo conversions in "Lending a Hand to Build Affordable Housing." (page 3)*

*As the weather and the home buying season heat up, it is my promise to you that CalHFA will continue to offer innovative ways for Californians to purchase their first home with a mortgage they can afford.*

Theresa A Parker  
Executive Director

\*"HomeOpeners" is a service mark of GE Mortgage Holdings, LLC.

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*In an effort to educate and inform our business partners about our new programs, CalHFA hosted a series of seven morning meetings across the state to help get the word out. More than a 1,300 realtors, lenders, mortgage brokers and builders came out to these kick-off events.*

*Attendees were treated to presentations from representatives of Homeownership, Mortgage Insurance and Marketing. Reactions were overwhelmingly enthusiastic, and many stayed after the end of the formal event to ask questions and get more details on CalHFA's exciting new programs.*

## *interest only* PLUS Sparks More Than Passing Interest

### *interest only* PLUS

The housing market is like the Roman philosopher Heraclitus' description of a river: you can never step into the same one twice. California's housing market is especially volatile, and CalHFA has been doing its utmost to evolve with the times. The Agency's newest program, *interest only* PLUS, represents just the kind of innovative thinking that has kept CalHFA at the forefront of the affordable housing movement for 30 years.

Interest only loans are taking a larger and larger share of the marketplace—in California, interest only loans made up 61% of new loans in the first two months of 2005, according to a report prepared for the Wall Street Journal. After speaking with several focus groups of lenders and borrowers, it was clear that CalHFA needed to develop its own program to reach California's first-time homebuyers.

CalHFA's *interest only* PLUS program allows the borrower to pay interest only during the first five years of the loan, which can be up to 100% of the value of the home. Then, the principal amortizes over another thirty years, for a total term of 35 years. What really sets CalHFA's *interest only* PLUS program apart from others, however, is that the low interest rate remains fixed for the entire life of the loan. What this means is that from the moment the borrower initiates the loan, they know exactly what they are going to pay until the very end. No surprises and no effect on the payment due to general rises in interest rates.

After only two months, CalHFA had over 250 loans in the pipeline for *interest only* PLUS, showing the kind of results that innovative action can achieve. CalHFA intends to keep on creating new programs that will help more Californians stay afloat in the ever-changing housing market.

## HomeOpeners Opens the Door Even Wider for California Homebuyers

In March 2005, CalHFA announced two new mortgage insurance programs to assist California homebuyers in purchasing their first home: HomeOpeners<sup>SM\*</sup>, a Mortgage Protection Program, and lower mortgage insurance coverage rates.

### HomeOpeners, a Mortgage Protection Program

Purchasing a home is a process that can be very stressful for a first-time homebuyer. This stress is compounded by a common worry: What if I lose my job after I buy my house?

To help combat this fear and give potential homebuyers more peace of mind, CalHFA has introduced HomeOpeners. This exciting program helps out by making up to six monthly mortgage payments if the borrower becomes involuntarily unemployed. Borrowers can retain their home and maintain their credit standing, while lenders have an effective tool to avoid loan delinquency.

HomeOpeners is now included, at no additional cost to the buyer, on every CalHFA loan that uses CalHFA mortgage insurance. The program will cover up to \$2,500 per payment, and remains in effect for the first five years of the mortgage.

### Lower Mortgage Insurance Coverage

CalHFA Mortgage Insurance Services is also helping Californians save money on their monthly mortgage payments. Beginning in March, CalHFA reduced the amount charged to borrowers for mortgage insurance coverage on CalHFA conventional loans.

In most cases this change results in a smaller mortgage insurance premium for new CalHFA conventional loans that are insured by CalHFA Mortgage Insurance Services. The new premiums start with the first loan payment and there is no upfront fee collected.

\*"HomeOpeners" is a service mark of GE Mortgage Holdings, LLC.

## Lending a Hand to Build Affordable Housing

As home sales have soared, fueled by low interest rates, the availability of affordable rental housing stock has been declining. Affordable rental complexes are often sold and converted to market-rate apartments and townhomes or converted to for-sale condominiums. The increased competition shortchanges many working Californians, leaving them unable to find a decent and affordable place to live.

Investing in the preservation, acquisition, and construction of affordable housing is the goal of CalHFA's Multifamily Lending Programs. These programs offer low interest rate financing to assist developers and property owners in creating much-needed housing for financially stressed California families.

Following last year's record financing levels, the Multifamily lending programs are poised for an even better finish this year. Financing commitments will exceed last year's by more than 50% with an estimated total of \$370 million, representing 2,600 units in 29 projects.

Growth in CalHFA's Construction Loan Program continues to be a major contributor to the success of these programs. In its third year, the new Construction Loan Program will reach an estimated \$174 million in committed loans. By comparison, last year the Agency funded \$138.5 million in new construction projects.

Additionally, to better assist localities with their housing priorities, CalHFA's Housing Enabled by Local Partnership Program (HELP) marked its seventh year by allocating over \$20 million. The HELP program provides low interest rate financing to housing authorities and other government entities that sponsor local affordable housing initiatives. Since its inception, the HELP program has allocated \$130 million to 92 localities, representing CalHFA's participation in the creation of 17,000 affordable units.

"As long as there are people in California needing a safe, decent and affordable place to live, CalHFA will promote programs that create supportive partnerships to build more affordable housing," said Theresa Parker, CalHFA's Executive Director. "We understand that affordable quality housing is the first step in building a strong and safe community."