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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 - 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.

Additional information on the full complement of CalHFA programs and newsletters is available at www.calhfa.ca.gov.

Theresa A. Parker, Executive Director
Governor Arnold Schwarzenegger



It was the hottest July on record here in Sacramento, as temperatures sizzled and home prices scorched. When it comes to the climate, we make it through the summer with the knowledge that October will bring a change to the air. And so it has—the sweaters and coats have come out of storage and are beginning to be on display around the Capitol.

For homebuyers, however, there is no such promise of relief in the near future. Pundits have been prophesying a rise in interest rates for the past three years, but the market is still hovering around six percent. "Prices are sure to fall!" they exclaim, but California's affordability index stands at 16%, three full percentage points lower than last year at this time.

In this heated environment, the CalHFA's programs have been the equivalent of a refreshing run through the sprinklers. Our interest only PLUSSM program, introduced in late March of 2005, is already responsible for a quarter of our loan volume. HomeOpeners^{SM*}, a Mortgage Protection Program, has given over 800 new homebuyers a little more peace of mind while making the biggest investment of their lives. Get the latest in "The *interest only* PLUSSM Advantage."

CalHFA also continues to do its best to help out those who are in charge of our children, California's most important asset. The Extra Credit Teacher Program recently made its 1,000th loan to a worker in a high priority school. This momentous achievement is celebrated in "A Gold Star for Extra Credit Work."

I want to make sure our readers know that it is once again time for our semi-annual distribution of funds to local government agencies to help promote affordable housing. You can find out more on page four, "HELP is on the way!"

Whether California's housing market will cool off with the turning of the leaves is anyone's guess, but CalHFA continues to give a warm feeling to those who need it most: California's families.

Best wishes,

Theresa A. Parker
Executive Director

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

The *interest only* PLUSSM Advantage

The state continues to be acutely affected by the increase in median home prices—you may have seen that the California median home price was up 20% in August from the same time last year—and the Agency did not want to fall behind in its mission to create safe, decent and affordable housing. Safe and decent were doing well, but affordable was becoming harder and harder to find. The Agency introduced the combination of *interest only* PLUS and HomeOpeners in March 2005 to help ease some of the housing crunch that had been affecting residents. Within three months of its introduction, it was responsible for over 20% of the Agency's loan volume.

Two of the best features of popular loan programs are combined in *interest only* PLUS. In California (depending on which source you read), interest-only loans were responsible for anywhere from 30% to 60% of new mortgage loans in the past year. The Agency did extensive research into this type of product, but was leery of the other side of the equation: most interest-only loans carry a variable rate. With interest rates at historic lows, the Agency was worried that buyers would get burned if rates went up. As CalHFA's Executive Director says, "It's easy to get someone into a house—what's hard is making sure they can stay there."

The Agency's flagship product has always been a 30-year conventional fixed rate loan. Research indicated that it might be possible, however, to combine the interest-only aspect of the loan with a fixed interest rate. The Finance Division deter-

mined that the numbers would work, even if the amortization stretched over the 30 years after the initial five-year interest-only period. Thus, *interest only* PLUS was born: a 35-year fixed rate loan, pegged at slightly higher than our maximum conventional rate (see our website for current rates and Truth in Lending Disclosures) with five years of interest only payments (plus the usual taxes and insurance) followed by 30-year amortization of principal and interest.

The other discovery the Agency made during its research is that a large stumbling block for potential homebuyers is the fear of losing their job. They worry that if they make such a large investment and then get laid off, they will lose their house, ruin their credit and be much worse off than if they hadn't bought in the first place. To help ease that worry, the Agency has begun offering HomeOpeners, a Mortgage Protection Program, with all new loans insured with the Agency's mortgage insurance. Best of all, it comes at no additional cost to the borrower.

HomeOpeners pays up to \$2,500 of a borrower's mortgage in case of involuntary job loss, and does this for up to six months. Beneficiaries must register their unemployment with the state's Employment Development Department and provide evidence of unemployment, but this peace of mind is available to any borrower who has been current on their loan for six months.

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The amazing result is that *interest only* PLUS has taken off, even without the participation of four of our seven biggest lenders, who represent 40% of our total volume. The program launched with only six lenders able to process the loan, and counted on pressure from the loan officers to work its way up the various corporate ladders. It worked—lenders have written over 800 reservations for more than \$153 million in *interest only* PLUS loans since March. Over 475 loans have qualified for HomeOpeners; although our borrowers hope never to use it, they have a safety net to go with their lower mortgage payment. Homebuyers could always count on safe and decent housing—with *interest only* PLUS and HomeOpeners on their side, now they have an advantage that's hard to beat!

Rebuilding the American Dream

CalHFA employees donated over \$1,000 to the Red Cross for hurricane relief. Our thoughts go out to those who have been displaced, and to our sister HFAs in the southeast who are working tirelessly to help in this major housing crisis.

A Gold Star for Extra Credit Work

It's one thing for a teacher to get an apple on the first day of school from an appreciative student. It's quite another for 1,000 teachers to have received an affordable home loan from the appreciative citizens of the State of California.

Nonetheless, that milestone was reached this month, when the thousandth Extra Credit Teacher Program loan was made to a third grade teacher in the Long Beach Unified School District.

Amy Steck appreciates the many benefits of her new home, from the easier commute to the affinity she feels for her neighborhood: "As a new homeowner, I really feel connected to my community. My home is seven minutes away from my school and I can even walk to church!"

Designed to give an extra assist to teachers, administrators, classified employees, and other staff members who serve in California's high priority schools (API ranks 1-5), the Extra Credit Teacher Program helps draw qualified, experienced employees to the California schools that need them the most.

The statewide financial program combines deferred down payment assistance from \$7,500 to \$15,000, depending on the location of the home being purchased, with a 30 or 35-year first mortgage loan at a special reduced interest rate. Best of all, if the borrower remains employed by a high priority school for three years, the interest rate on the down payment loan goes to zero. In other words, the borrower pays no interest.

When great teachers like Amy link up with great programs like the Extra Credit Teacher Program, everyone wins: teachers, schools, and—most importantly—students. That deserves a Gold Star, without a doubt.

HELP is on the way



The City of Escondido used HELP funding to build or rehabilitate 87 affordable housing units in the Via Roble complex.

In every part of the state, local government agencies are flooded with requests to help out their citizens with affordable housing. These cities, counties, housing authorities, redevelopment agencies and community development commissions are continually looking for funds to aid in the constant battle against rising housing and rental costs. Once again, help is on the way!

Every year, CalHFA awards a total of \$20 million to local government agencies to assist in their ongoing quest to provide their residents with affordable housing. This money is provided through the Housing Enabled by Local Partnerships (HELP) program, and is available twice a year in spring and fall. The fall release of \$10 million has just commenced, and we want to make sure not a penny is wasted.

Via Roble Complex



HELP provided \$2 million to the City of Signal Hill to redevelop 92 units at Las Brisas Apartments.

These local government entities can use the funds—disbursed in the form of a ten-year, 3% loan—to assist with the acquisition, development, rehabilitation, or preservation of affordable rental or ownership housing. Since the HELP program's inception in 1999, local governments have received over \$140 million in financing for nearly 18,000 units.

Applications are available in the "Multifamily" section of the CalHFA web site under "Special Programs," or applicants can always call (916) 445-9313 for more information and an application packet. If your local government might be able to take advantage of these funds, visit our web site at www.calhfa.ca.gov, or give us a call!

Las Brisas Apartments

