



Affordable Housing is our Business

# HOUSING MATTERS

California Housing Finance Agency

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CalHFA Housing Matters is published periodically 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 916.322.0249, 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).

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The seasons are changing here in Sacramento, and the instability isn't confined to the weather. The fluctuating national housing situation continues to have effects on many sectors of the economy, and it's easy to get caught up in reports of bad news. Even the President has addressed the problems facing builders, lenders and consumers. Stack that on top of a recent late-summer run of 100+ degree days, and Sacramento can really be a hot spot, in more ways than one.

Fortunately, CalHFA has some good news to report. We closed out our 2006-2007 Fiscal Year with a record volume of first-time homebuyer loans, using more than \$1.7 billion dollars (that's right, with a "b") to help Californians achieve the dream of homeownership. We continue to offer a wide range of mortgage products and down payment assistance, as other sources of mortgage lending either tighten their belts or stop offering loans altogether.

We also maintain our good work through our Multifamily and Special Programs divisions, as Housing Enabled by Local Partnership (HELP), Residential Development Lending Program (RDLP), and the new Mental Health Services Act Housing Program provide rental and ownership housing for low-income constituencies.

Most importantly, we are committed to our focus on quality lending. We loan to well-documented, qualified buyers, use carefully scrutinized lending partners, and offer training across the state to hundreds of loan officers, loan processors, real estate agents, mortgage brokers and others. We also survey our business partners to find out what we can do to better help them assist us in our mission to provide affordable housing to low and moderate income Californians.

We're working hard to make sure folks can find a home in our beautiful state, and we work even harder to make sure they can stay in that home. Take a look at some of the stories inside to get a glimpse of the ways we're trying to make sure change affects Californians for the better.

Sincerely,

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## Helping Teachers



Kirstin Friant was worried. “I had been doing research, looking at a lot of lofts downtown. I realized I could probably get into a loan.” She was right, and entered escrow on a condo in Los Angeles. The mortgage, however, was going to stretch her finances pretty thin—already she had visions of vacations not taken and little luxuries

not purchased. A teacher in the Los Angeles Unified School District for five years, she had finally decided to buy instead of rent, and...well, she was worried.

Enter the Internet. Kirstin says, “The day I went into escrow, a teacher at school who’s really into real estate told me about the Extra Credit Teacher Program (ECTP). He told me, ‘You \*have\* to look it up!’” She hopped on the web, and did a little research. She taught third grade Special Education in a Culver City high-priority school, her income seemed to fall within the program limits, and the condo price was less than the maximum. A light went on.

Using CalHFA’s web site to find a lender near her, she called up Roberta Berthold with GEM Mortgage and explained her situation. Roberta sprang into action, and was able to re-do the financing to use the ECTP. “Roberta is really knowledgeable, really on top of it,” says Kirstin. “She worked really quickly, and I’ve recommended her to all my friends.” Kirstin isn’t kidding about Roberta’s knowledge and dedication; in addition to the down payment assistance and low interest rate of the ECTP, Roberta used \$12,500 from CalHFA’s Hi-CAP and \$50,000 from the city of Los Angeles assistance program to help lower the initial loan amount. “I would have been paying another \$300 a month in the other loan, and I’m now paying less than I would be in rent. I like the security of knowing I’m building equity.” Kirstin tells us. “I’m only ten minutes from work. I’m just happy—I’m so happy!”

Kirstin is looking forward to another great school year and her condo is treating her very well. As an appreciation for her fellow teacher who turned her on to the ECTP, she bought him a nice gift certificate to a local restaurant. Roberta was able to help another deserving Californian make the transition from renting to buying. And CalHFA and the Treasurer’s Office continue to help the California workers who have the most impact on our children.

Our teachers have better things to worry about than their living situation, and CalHFA is glad to help ease their worries.

## A Joe of All Trades

Joe Franco does not have much down time: “I backpack, SCUBA dive, shoot guns, and jump out of planes.” He is also the first California veteran to take advantage of an exciting CalHFA program that gives a special benefit to those who have served in the US



Armed Forces. Earlier this year, Congress passed a new law allowing veterans to take advantage of CalHFA’s low interest rates even if they are not first-time homebuyers.

I reached Joe in Kentucky, where he was busy teaching new soldiers. Originally from Merced, and now a Navy SEAL reservist, he still volunteers all over the country and the world. The Navy recently began allowing reservists to augment our forces in Iraq, so he recently returned from a tour in Ramadi, serving side by side with active duty troops.



Although Joe has a very busy life—in his spare time, he teaches for the State Prison System and rides horses—a combination of circumstance had left him with out a house to call his own. “Originally, I was going to go with a Veteran’s Administration loan because, quite frankly, I was

broke,” laughed Joe. “But a friend recommended CalHFA.” He hooked up with Nancy Overcash of GMAC Mortgage. “She did the paperwork, and I did the legwork. My mortgage is less than my rent was, and they were going to up the rent!”

“Getting this loan helped me get into this condo and my transition has been great. I have a plan that’s more affordable than renting an apartment,” says Joe. Even though his travels and wide range of interests take him far from home much of the time, Joe is happy with his new place. The CalHFA first-time homebuyer exemption is available to most veterans of the US Armed Forces; we won’t even make you jump out of a plane to get it!

## HIRAP, HIRAP, Hooray!

August 18, 2007 marked the end of yet another hugely successful CalHFA program. After helping more than 450 families with total assistance of more than \$7 million, the Homeownership in Revitalization Areas Program used the last of its allocated funding through Proposition 46.

Voters passed Proposition 46, also known as the Housing and Emergency Shelter Trust Fund Act of 2002, five years ago. This far-ranging piece of legislation authorized millions of dollars for various housing programs. One of the most innovative was HIRAP.

Throughout California, there are dozens of organizations that help first-time homebuyers with education, credit counseling, and a host of other services that can make the confusing process of buying a home a little less complicated. These nonprofits play an important role in the housing market, not only by providing knowledge and assistance, but by steering housing towards areas that are ripe for redevelopment. It was this duality on which HIRAP capitalized.

A first-time homebuyer who used HIRAP received many benefits, and consequently had a few more responsibilities than other first-time buyers. The buyer got together with one of several nonprofit agencies (NeighborWorks, ACORN, and others around the state) and underwent at least eight hours of homebuyer counseling. The counselor verified that the buyer met income limits for the program. Next, working with the counselor and a real estate agent, the buyer would find a potential house that met sales price limits and was located in a designated community revitalization area.

This is where CalHFA came in. CalHFA provided a very low interest rate first loan—a quarter point below the moderate-income interest rate—as well as a down payment or closing cost assistance loan of up to 6%. The program could also be used with a non-CalHFA first loan, ensuring that the maximum number of people were able to use HIRAP.

Like most CalHFA junior loans, HIRAP was silent: borrowers did not have to make any payments on the loan

until the first loan was settled. This enabled borrowers to focus on making the payments on their first loan, and putting their homebuyer education to prudent use.

CalHFA thanks the voters of California for having the vision to enable an important housing program like this. Although HIRAP's time is over for now, CalHFA looks forward to implementing new and exciting programs like it, and to helping low-income borrowers realize the dream of homeownership!

## Fight the Bite with CalHFA!

In early August, Governor Schwarzenegger declared a State of Emergency in three California counties. Instead of flood, fire or the other typical California excitement, this one was caused by a bug: West Nile virus.

West Nile virus, while showing no symptoms in the majority of infected people, can lead to severe illness, and in some cases, even death. The most effective way of preventing the spread of West Nile is by limiting the birth and growth of mosquitoes, the most common carriers and spreaders of West Nile among humans.

Mosquitoes breed best in standing water, and a common source of this breeding ground is unused or abandoned pools, especially as summer begins to wind down.

CalHFA requests that all business associates check on pools on properties for sale or rent, and ensure that they are either maintained if in use, or drained if not being used. We suggest the same to homeowners. A simple reminder is all it takes, and you could be saving a life. Thanks!



## Responsible Lending

Recent volatility in the mortgage market has led to many changes for first-time borrowers: tightening credit standards, more homes on the market, and a general air of unease as they try to figure out the best time to jump into the market. The good news is that this is a great time to use CalHFA to buy your first home!

In the last few years, we've seen that with some "creative" financing, it's actually fairly easy to get people their first home. What's difficult is enabling them to stay there, and that is the reason CalHFA has been so successful through these changing times: CalHFA focuses on quality lending and always has.

We have rigorous credit underwriting standards, insisting that our borrowers have at least a 620 credit score. Extraordinary circumstances may give a small amount of leeway, but those circumstances are few and far between.

All of our loans are fully documented: every borrower must show proof of income to ensure a consistent income stream into the future. This rigorous commitment to documentation allows us to continue offering 100% loans, one of the few lenders still willing to do so.

All of our interest rates are fixed, meaning that every buyer knows exactly what he is going to pay for every single payment. There are no surprises down the road when the market jumps, or the Fed makes one of its oracular pronouncements. Even our *interest only PLUS<sup>SM</sup>* loan has a fixed rate, making it perfect for those who are confident in a coming raise, or the elimination of other installment debt in the next five years.

We have even forged partnerships with private corporations to help homebuyers avoid some of the pitfalls of first-time homeownership. Most noteworthy of these is HomeOpeners®\*, a Mortgage Protection Program. This benefit costs the borrower nothing but makes up to six mortgage payments for CalHFA borrowers if they lose their job involuntarily, a big safety net that can make a big difference in tough times.

Our commitment to quality lending shows in several quantifiable measures. Our credit rating with Wall Street agencies continues to be very high: we are rated AA- by Standard and Poor's, and Aa3 by Moody's. Our delinquency and foreclosure rates set new record lows last year, and our portfolio continues to show strength through these challenging times. CalHFA will continue to lead the way in responsible lending, making sure that the quality citizens of California receive the quality financing they deserve.

\*HomeOpeners is a registered trademark of Genworth Mortgage Holdings, LLC.

## MHSA Kickoff



Workshop audience at St. Anne's L.A.

On August 23, 2007, the first Mental Health Services Act (MHSA) Housing Program session was held in Los Angeles. With the recent program application release, the session provided an opportunity for developers, county mental

health professionals, city and county housing representatives, mental health service providers and others to learn more about the program.

The MHSA Housing Program is funded by an initial \$400 million investment from county MHSA funds to develop permanent supportive housing for individuals with serious mental illness who are homeless or at risk of homelessness. The funds will be used for capital costs associated with development, acquisition, construction and/or rehabilitation of permanent supportive housing. A portion of the funds will be set aside for capitalized operating subsidies. Eight percent of the funding, currently estimated at \$9.2 million annually, will be set aside for small counties to ensure that the MHSA Housing Program addresses their unique needs.

CalHFA, Department of Mental Health (DMH), and the County Mental Health Directors Association are looking forward to establishing the MHSA Housing Program, which will continue to transform the mental health system, and offer consumers housing and supportive services that will enable them to live more independently and productively in our communities.

The program was made possible with the leadership and support of Governor Arnold Schwarzenegger and the Mental Health Services Oversight and Accountability Commission.

Additional information sessions will be announced in various locations throughout the state. Until then, more information on the MHSA Housing Program can be located on our web site [www.calhfa.ca.gov/multifamily/mhsa](http://www.calhfa.ca.gov/multifamily/mhsa).