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CalHFA Allocated \$700 Million from New Federal Program to Assist Homeowners

SACRAMENTO, June 23, 2010 – The California Housing Finance Agency (CalHFA) announced today that the U.S. Treasury Department has approved the Agency's plan to use nearly \$700 million in federal funding to help California families struggling to pay their mortgages.

The plan is focused on assisting moderate income families, as well as military personnel, stay in their homes when possible and leveraging additional contributions from lenders and mortgage servicers.

"California's twin problems of unemployment and declining real estate values have created a homeownership crisis for many of today's California families," said Steven Spears, Executive Director of CalHFA. "We will use these funds to help as many families as possible remain in their homes and, in so doing, stabilize neighborhoods that have been severely impacted by foreclosures.

Mr. Spears said that the plan includes three mortgage assistance programs as well as a separate program that will provide transition assistance to borrowers who simply cannot afford to stay in their homes after exhausting all other options.

With the Treasury Department's approval, CalHFA has already begun establishing the program criteria, processes and infrastructure needed to effectively administer and monitor these programs.

These programs are completely new within the State of California. Although CalHFA is working diligently with servicers and vendors to leverage existing systems whenever possible, there is still a considerable amount of work that needs to be completed to ensure that loans are properly and effectively utilized and tracked throughout the life of the program. The programs are expected to be fully implemented by the fall.

"We will move quickly to ensure these programs are implemented in an effective way to help the maximum number of homeowners," Mr. Spears said.

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CalHFA developed a set of programs after extensive consultation with community groups, counselors and others involved in helping struggling homeowners.

The following programs have a goal of dollar-for-dollar contributions from participating lenders:

- Mortgage assistance for unemployed homeowners who are in imminent danger of defaulting on their home loans.
- Funds to help borrowers become current on their delinquent mortgages, with lenders matching any federal assistance.
- Principal reductions for eligible borrowers with negative equity to prevent avoidable foreclosures and promote sustainable homeownership.

A fourth program offers transition assistance for families who decide that they are unable to financially afford a home and need assistance transitioning to other housing. This program would be used in conjunction with a short sale or deed-in-lieu of foreclosure.

Military personnel who have encountered a financial hardship due to their service may also be eligible even if their lender doesn't provide matching funds.

Eligibility criteria will include moderate income borrowers who have documented hardships, and have not taken a cash-out refinance.

An additional eligibility factor will include education and credit counseling for borrowers. The motivation for this requirement is to help ensure that a borrower's financial challenges are resolved and do not become a recurring problem.

The programs will be available only for owner-occupied housing. Homeowners who financed their mortgage through any lender may qualify.

The CalHFA-administered program is being funded by the federal government's Emergency Economic Stabilization Act of 2008. Earlier this year, the Obama administration announced that California and four other states, where average home prices had declined by 20 percent or more, would receive a total of \$1.5 billion in assistance. The program was soon thereafter amended to include five additional states and additional funding.

"We are very grateful that the Obama Administration recognizes that California and these other states can play an important role in stabilizing housing markets and neighborhoods," Mr. Spears added. "We appreciate the confidence that the President has shown in state housing finance agencies continuing to play an important role in these challenging times."

"This funding alone will not solve the significant problems in the housing market that California families face, but combined with other initiatives by state, local and federal governments, as well as added assistance from the private sector, this will contribute toward stabilizing California's housing market," he said.

CalHFA will provide regular updates on the status of this program through a special web site which was created for this purpose at www.keepyourhomecalifornia.com

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