MEMORANDUM

To: Clark Wallace, Chairman
    CHFA Board of Directors

From: Bill Cranham
    CALIFORNIA HOUSING FINANCE AGENCY

Date: April 7, 1999

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

**H.R. 175/S. (TC bill not yet introduced)**
28
- Feinstein (D)*
- Brown (D)*
- Campbell (R)*
- Cox (R)
- Cunningham (R)*
- Dooley (D)*
- Dreier (R)
- Farr (D)*
- Herger (R)
- Hunter (R)
- Martinez (D)*
- Miller (George) (D)*
- Napolitano (D)
- Ose (R)
- Packard (R)*
- Pelosi (D)*
- Pombo (R)
- Radanovich (R)
- Dooley (D)*
- Dreier (R)
- Royce (R)
- Sanchez (D)*
- Sherman (D)
- Stark (D)
- Tauscher (D)
- Thomas (R)
- 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).
Incomes can be up to 120 percent of the HUD median income to qualify. A lower 14 percent loan. Mortgage insurance only a 97 percent loan.

No minimum cash requirement from the seller.

No housing ratio means that borrowers with little debt can qualify for a larger mortgage.

Higher loan limits than FHAL.

No automated underwriting.

Only income from the mortgage note is used.

Money for closing costs and prepaids can come from a grant or mortgage programs that can be used quickly like Home programs.

The 129 percent limit for Sacramento, El Dorado, and Placer counties is $62,280; for Yolo county it is $65,840; for San Joaquin county it is $43,840; and for Nevada county it is $55,992.

Insurance loans with low down payments is critical in order to lend longer to take advantage of more flexible loan terms. 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 80 percent down have the mortgage insurance but the rate is lower when the LTV is 85 percent than when it is 96 percent. Loans with a 97 percent loan to mortgage insurance ratio of 104 percent per year due to high risk. The Affordable Gold 100 has a rate of 1.02 percent per year - lower than the 97 percent rate because it isn't insured by CAHLIF.

What that means is the loan is the additional monthly cost to the mortgage.

Insurance premium is $30,000.
Conduit Financing - Loan Proceeds

- **FNMA**
- **ARCS Mtg (Servicer)**
  - Loan Proceeds
- **KDF (Borrower)**
- **Bond Trustee**
- **Underwriter**
  - Issue Bonds
- **CHFA**
- **Bond Investor**
Conduit Financing - P & I / MBS

MBS Purchase Agreement

FNMA

P&I (Less Guaranty)

ARCS Mtg (Servicer)

P&I (Less Servicing)

MBS

Bond Trustee

Underwriter

KDF (Borrower)

Bond Investor

CHFA
Villa San Ramon
Chronology and Partnerships

• 1984
  - Sunny Glen Villa, L.P. (SGV) Purchases Project Site
    • Shepson and Shellooe, GP’s, 14 Limited Partners

• 1990
  - Villa San Ramon, L.P. (VSR) Purchases Phase I Site
    • Shepson and Shellooe, 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 I
Use of Project Cash
Use of Project Cash
Villa San Ramon Phase II
Villa San Ramon
Recapture Note Payment Scenarios

Note Balance

$4,500,000
$4,000,000
$3,500,000
$3,000,000
$2,500,000
$2,000,000
$1,500,000
$1,000,000
$500,000
$0


Phase I Cash
Phase I & II Cash
Cash & Reserves