

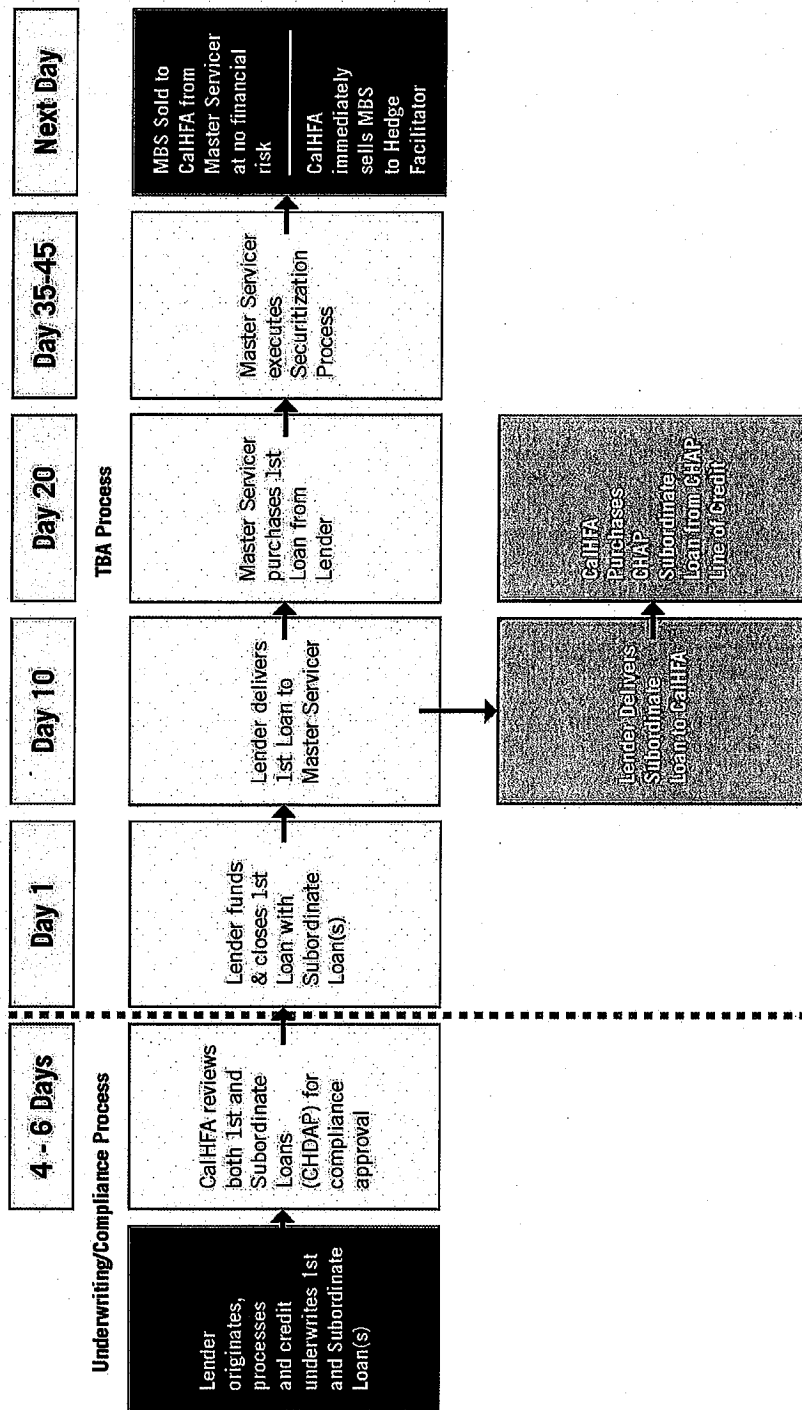
CalHFA™ California Housing Finance Agency

Single Family Lending May 2013



CalHFA TBA Model Overview

for Premium & Market Rate FHA Mortgages



Discussion Topics

- Who is the Current CalHFA Borrower?
- Proposed CalHFA First Mortgage Products
 - Phase I – Core Products
 - Phase II – Pilot Products
- Recommendations



CalHFA CHDAP Loan Statistics

- **FHA CHDAP Loans from 7/2012-3/2013**
 - **Demographics**
 - 3,141 CHDAPs purchased, 97.5% with FHA First Mortgages
 - 64 % made to these ethnic borrowers
 - 53% Hispanic, 7% Black, 4% Asian
 - 15% were single borrowers
 - **Financial (Statewide)**
 - Average Appraised Value: \$200,084
 - Average Purchase Price: \$198,382
 - Average FHA 1st Loan Amount: \$193,946
 - Average CHDAP Loan Amount: \$ 5,939



CalHFA CHDAP Loan Statistics

- Location

- 75% of FHA CHDAPs are in seven counties

Loan Counts:

Fresno (152)	Riverside (363)	San Joaquin (121)
Kern (223)	Sacramento (306)	
Los Angeles (658)	San Bernardino (460)	

- 65% of these were made to borrowers under 80% of median income
- C.A.R. Affordability Index By County*: Statewide 67

Fresno 82	Riverside 78	San Joaquin N.A.
Kern N.A.	Sacramento 84	
Los Angeles 61	San Bernardino 87	
Orange 57	San Diego 64	S.F. Bay Area 64

* C.A.R. Affordability Index based on median price of existing single family homes sold from C.A.R.'s monthly existing home sales survey.



CalHFA CHDAP Sample Loan Statistics

Detailed sampling of CHDAP loans (154 loans or 5%) in top 7 counties: (Los Angeles, San Bernardino, Riverside, Sacramento, Kern, Fresno, San Joaquin)

- Average Appraised Value: \$175,897
- Average Purchase Price: \$175,646
- Average FHA 1st Loan Amount: \$171,890
- Average CHDAP Loan Amount: \$ 5,235
- 65% were made to these ethnic borrowers
- 67% of loans were to borrowers under 80% of median income
- Average LTV = 96.3%; CLTV = 99.4%
- Average ratios = 34.0% / 45.3%
- Average FICO = 682
- Average P&I = \$777.41; PITI = \$1,208.48



It is currently more affordable to purchase a home than rent a similar home in many counties

Detailed sampling of CHDAP loans (154) in all 7 counties (cont.)

	Avg	Avg	Avg	Avg
	<u>Bdrm</u>	<u>Sqft</u>	<u>P&I</u>	<u>Rent*</u>
Los Angeles	2.79	1257	\$972	\$1447-\$1943 (2-3bd)
San Bernardino	3.24	1490	\$776	\$1617
Riverside	3.32	1681	\$742	\$1617
Sacramento	3.39	1644	\$837	\$1473
Kern	3.50	1499	\$645	\$1146
Fresno	3.29	1684	\$699	\$1206
San Joaquin	3.20	1656	\$793	\$1241

* Source: HUD FY2012 Fair Market Rent (FMR) county data for 3 bedrooms



CalHFA CHDAP Current Loan Statistics

FHA Insurance Market Share Comparison - CY-2012

	All Home Sales	# of FHA	# of CHDAPs	CalHFA % of Total of FHA
Los Angeles	57,561	16,125	1,308	8.0%
San Bernardino	17,553	7,413	852	11.5%
Riverside	25,056	9,858	775	8.0%
Sacramento	15,187	5,575	611	11.0%
Kern	7,572	3,595	402	11.0%
Fresno	7,146	3,198	209	6.5%
San Joaquin	6,307	2,165	179	7.0%
TOTAL	136,382	48,379	4,336	9.0%

CalHFA CHDAPs were linked to an estimated 9% of all FHA 1sts originated in California in 2012.

Source: Vernazza Wolf Assoc., Inc.

Objectives

- Enable low and moderate income first-time homebuyers:
 - With little or no cash to enter a market where it is cheaper to own a home rather than rent.
 - The opportunity to begin to build wealth through home equity rather than struggling to save money for down payment.
- Provide first-time homebuyer loan products for a public purpose (e.g. Extra Credit Teachers Program, FHA Energy Efficient Mortgage Program, etc.)
- Monitor the housing demands for the State of California and evaluate the effectiveness of the CalHFA loan products in meeting those housing needs.
- Provide for the housing needs of the ever changing diverse populations for the State of California.



Proposed Phase I CalHFA First-Mortgage Products

- Core FHA Products
 - CalHFA FHA Premium
 - First-mortgage combined with 3.5% CHAP down payment assistance (DPA)
 - Premium rate on first-mortgage allowing the first-mortgage to be sold above (104%) par. Premium price generates funding for CHAP.
 - Premium product can be combined with the existing CHDAP
 - CalHFA FHA
 - Market rate on first-mortgage
 - First-mortgage may be used with the CalHFA down payment assistance junior loans
 - CHDAP or the Extra Credit Teacher Program (ECTP*) for DPA only
 - CalHFA MCC product can be combined with any of these first-mortgage products

* ECTP DPA can be used with either the CalHFA FHA or FHA Advantage loan product. ECTP cannot be combined with CHDAP.

Proposed Phase II First-Mortgage Products

- Pilot Products
 - CalHFA FHA first-mortgage with Energy Efficient Mortgage (EEM) Grant
 - Premium rate on first-mortgage allowing the first-mortgage to be sold above par. Premium price generates funding for grant.
 - Expand the FHA EEM mortgage program with an additional CalHFA Grant to promote greater energy efficiency, improve home value, and assists in putting people back to work
 - Public/Private Loan Program with DPA
 - Benchmark \$9 million HPA loan funds to provide matching DPA funds with employer
 - Target companies that provide some type of “public service” and/or in growing employment markets (i.e. Healthcare, Disposal, Energy, Agriculture, etc.)



Proposed Phase II First-Mortgage Products (cont)

- Pilot Products
 - CalHFA FHA first-mortgage combined with Metro/Urban 4.5% CHAP (not to exceed 103% CLTV)*
 - Metro/Urban Transit areas to be defined by Agency by zip code
- All products can be combined with the CHDAP and CalHFA MCC Products

* Financing for the CHAP is based on premium pricing paid based on the first mortgage loan amount.



Compliance Underwriting Recommendations

- Address the borrower's "Ability to Repay"*

Proposed CalHFA Product Guidelines

Loan Type

- FHA – premium priced or market rate first-mortgage
- Minimum credit score – 640

Homebuyer Education

- Required on all CalHFA first-mortgage products. eHome Program or NeighborWorks

Maximum Combined Loan-to-Value

- 103% LTV

Total DTI Ratio

- Manual Underwriting N/A
- Automated Underwriting System (AUS) 43% (total DTI)

Borrower Minimum Cash Contribution

- Sliding scale based on credit score
 - 640 to 680 \$1,500 Cash Contribution
 - 681 or greater \$1,000 Cash Contribution

Optional Basic Home Protection Coverage

- To cover basic appliances and heating/air during the first two years of occupancy. CalHFA will cover 50% of year one and two payments.

Income and Sales Price Limits

- CalHFA will continue to utilize both Income and Sales Price Limits for Compliance Review

*Parameters suggested by the Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA)

Recommendation and Timeline

- Proceed with the development and infrastructure to launch the Phase I core CalHFA First-Mortgage Products
 - Requirements:
 - Board Approval: May 2013 Board Meeting
 - Master Servicer Contract Approval: May 2013
 - Issue Hedge Facilitator RFP: April 2013
 - Select Hedge Facilitator: May 2013
- Initiate work on Phase II Pilot Products
 - FHA EEM: May 2013
 - Begin discussion with L.A. Housing Transit Product as a Pilot Program: June 2013
 - Begin discussion with potential private partners on public/private program: June/July 2013