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January 12, 1979

Letter Report 838

The Honorable Speaker of the Assembly
The Honorable President pro Tempore
of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

This report is submitted in accordance with Section 51005 of the State Health and Safety Code which requires the Joint Legislative Audit Committee to report on the activities of the California Housing Finance Agency (CHFA) within 90 days following receipt of the Agency's annual report.

This report is based primarily upon examination and evaluation of the Agency's annual report. The financial statements of the CHFA were examined by an independent certified public accounting firm which expressed an unqualified opinion on the fairness of the statements.

Background

The California Housing Finance Agency was created by the Zenovich-Moscone-Chacon Housing and Home Finance Act of 1975 to meet the housing needs of persons of low or moderate income. To accomplish this, the Agency borrows money in the municipal bond market and operates a variety of programs of lending and insuring mortgages and loans to make them available at lower-than-market interest rates.

The Agency is able to borrow money at favorable interest rates because the interest paid on money borrowed is tax-exempt. The Agency was authorized to issue bonds in the aggregate amount of \$450 million.* Of this amount, \$150 million may be in taxable revenue bonds guaranteed by the State or Federal Government.

The Agency's annual budget is established by the Agency's Board of Directors. The Agency was started with loans and capital contributions made available by the Legislature; however, it is intended that the Agency will repay the loans and function without appropriation. The Agency is to use the difference between the cost at which it borrows money and the rate at which it lends money to finance its operations and to repay the start-up loans.

Agency Operations 1977-78

Fiscal year 1977-78 was the Agency's second full year. It was also the transition year from start-up to actual operations.

Multi-Unit Direct Loan Program

This program provides mortgage loans for the construction or rehabilitation of housing developments of five or more units. The Agency's stated goals and priorities are to establish projects in rural areas and to provide multi-unit housing at the ratio of 60 percent family to 40 percent elderly. Priority is also given to developments involving rehabilitation or those located in Neighborhood Preservation Areas. By the end of the fiscal year the Agency had 311 units available for occupancy and an additional 4,867 under construction or in process. The total loan amount was approximately \$148 million.

Home Ownership and Home Improvement Loan Programs

The active program under this heading is the Home Ownership and Home Improvement Loans in Neighborhood Preservation Areas (HOHI). This program succeeds the Mortgage Purchase Program.

* This authorization has been increased to \$750 million as of January 1, 1979.

Members of the Legislature
January 12, 1979
Page 3

The objectives of the HOHI program are: (1) individual housing rehabilitation; (2) neighborhood revitalization; (3) home ownership for those priced out of the housing market; and (4) new construction. The objectives are to be accomplished through loans made in certain areas designated as concentrated rehabilitation areas or mortgage assistance areas. Loans are made for purchase rehabilitation, a combination of the two or refinance with rehabilitation.

Loans totaling approximately \$69 million were reserved and delivered in the HOHI program for 1,403 units. The Mortgage Purchase Program, which was completed in early 1978, resulted in 2,860 loans totaling about \$91.5 million.

Respectfully submitted,

A handwritten signature in black ink that reads "Rich Robinson". The signature is written in a cursive, flowing style.

RICHARD ROBINSON
Assemblyman, 72nd District
Chairman, Joint Legislative
Audit Committee