

AMENDED IN ASSEMBLY MAY 27, 2009

AMENDED IN SENATE APRIL 21, 2009

**SENATE BILL**

**No. 224**

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**Introduced by Senator Correa**

February 23, 2009

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An act to amend Sections 50650.3 and ~~50650.4~~, 50650.4, and 51504 of the Health and Safety Code, relating to housing.

LEGISLATIVE COUNSEL'S DIGEST

SB 224, as amended, Correa. ~~CalHome Program: homeowner grants.~~  
*Housing assistance.*

(1) Existing law establishes the CalHome Program under the administration of the Department of Housing and Community Development and authorizes funds appropriated for purposes of the program to be used to enable low- and very low income households to become or remain homeowners. The program authorizes the use of grant funds for, among other things, home rehabilitation. Existing administrative regulations require installation of an ignition resistant construction system only when a manufactured home, mobilehome, multifamily manufactured home, or commercial modular is installed in designated areas.

This bill would provide that home rehabilitation includes the installation or retrofit of ignition resistant exterior components on existing manufactured homes ~~and mobilehomes~~, *mobilehomes*, and *accessory structures* required pursuant to specified administrative regulations. The bill would prohibit rehabilitation funding for these purposes under a specified circumstance.

(2) Under the CalHome Program, the department provides the program funds to local public agencies or nonprofit corporations as

either grants or loans to assist homeownership and requires them to meet prescribed criteria. In administering the program, the department is authorized to permit local public agencies and nonprofit corporations to apply their own guidelines with respect to the use of CalHome funds.

This bill would prohibit a local public agency and a nonprofit corporation from denying funding or applying different underwriting guidelines to a housing program or project solely on the basis that the home is a manufactured home or mobilehome or the home is located in a mobilehome park or a manufactured housing community.

*(3) Existing law requires the California Housing Finance Agency to administer the California Homebuyer’s Downpayment Assistance Program for the purpose of assisting first-time low- and moderate-income home buyers utilizing existing mortgage financing. Under the program, the amount of the downpayment assistance is due and payable at the end of the term or upon sale of or refinancing of the home.*

*This bill would authorize the agency, in its discretion, to permit the downpayment assistance loan to be subordinated to refinancing if it determines that certain criteria have been met. The bill would authorize the agency to permit subordination on those terms and conditions as it determines are reasonable.*

Vote: majority. Appropriation: no. Fiscal committee: yes.  
 State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 50650.3 of the Health and Safety Code
- 2 is amended to read:
- 3 50650.3. (a) Funds appropriated for purposes of this chapter
- 4 shall be used to enable low- and very low income households to
- 5 become or remain homeowners. Funds shall be provided by the
- 6 department to local public agencies or nonprofit corporations as
- 7 either of the following:
- 8 (1) Grants for programs that assist individual households.
- 9 (2) Loans that assist development projects involving multiple
- 10 homeownership units, including single-family subdivisions.
- 11 (b) (1) Grant funds may be used for first-time homebuyer
- 12 downpayment assistance, home rehabilitation, including the
- 13 installation or retrofit of ignition resistant exterior components on
- 14 existing manufactured homes ~~and mobilehomes~~, *mobilehomes*,

1 *and accessory structures* required pursuant to Article 2.3  
2 (commencing with Section 4200) of Subchapter 2 of Chapter 3 of  
3 Division 1 of Title 25 of the California Code of Regulations,  
4 homebuyer counseling, home acquisition and rehabilitation, or  
5 self-help mortgage assistance programs, or for technical assistance  
6 for self-help and shared housing homeownership.

7 (2) Home rehabilitation funding for the purpose of installing  
8 ignition resistant components on manufactured homes—~~or~~  
9 ~~mobilehomes~~, *mobilehomes*, or *accessory structures* pursuant to  
10 this subdivision shall not be conditioned upon the rehabilitation  
11 of additional or unrelated home components unless that  
12 rehabilitation is required pursuant to Article 2.3 (commencing with  
13 Section 4200) of Subchapter 2 of Chapter 3 of Division 1 of Title  
14 25 of the California Code of Regulations. In administering funding  
15 for this purpose, local public agencies and nonprofit corporations  
16 may consider the condition and age of the manufactured home or  
17 mobilehome, including whether the home was constructed on or  
18 after ~~January 1~~ *June 15, 1976*, in accordance with federal standards  
19 and whether the available funds could be more effectively used to  
20 replace the manufactured home or mobilehome.

21 (c) Loan funds may be used for purchase of real property, site  
22 development, predevelopment, and construction period expenses  
23 incurred on homeownership development projects, and permanent  
24 financing for mutual housing or cooperative developments. Upon  
25 completion of construction, the department may convert project  
26 loans into grants for programs of assistance to individual  
27 homeowners. Financial assistance provided to individual  
28 households shall be in the form of deferred payment loans,  
29 repayable upon sale or transfer of the homes, when they cease to  
30 be owner-occupied, or upon the loan maturity date. Financial  
31 assistance may be provided in the form of a secured forgivable  
32 loan to an individual household to rehabilitate, repair, or replace  
33 manufactured housing located in a mobilehome park and not  
34 permanently affixed to a foundation. The loan shall be due and  
35 payable in 20 years, with 10 percent of the original principle to be  
36 forgiven annually for each additional year beyond the 10th year  
37 that the home is owned and continuously occupied by the borrower.  
38 Not more than 10 percent of the funds available for the purposes  
39 of this chapter in a fiscal year shall be used for financial assistance  
40 in the form of secured forgivable loans.

1 (d) All loan repayments shall be used for activities allowed  
2 under this section, and shall be governed by a reuse plan approved  
3 by the department. Those reuse plans may provide for loan  
4 servicing by the grant recipient or a third-party local government  
5 agency or nonprofit corporation.

6 SEC. 2. Section 50650.4 of the Health and Safety Code is  
7 amended to read:

8 50650.4. (a) To be eligible to receive a grant or loan, local  
9 public agencies or nonprofit corporations shall demonstrate  
10 sufficient organizational stability and capacity to carry out the  
11 activity for which they are requesting funds, including, where  
12 applicable, the capacity to manage a portfolio of individual loans  
13 over an extended time period. Capacity may be demonstrated by  
14 substantial successful experience performing similar activities, or  
15 through other means acceptable to the department. In administering  
16 the CalHome program, the department may permit local agencies  
17 and nonprofit corporations to apply their own underwriting  
18 guidelines when evaluating CalHome rehabilitation loan  
19 applications, following prior review and approval of those  
20 guidelines by the department. The local agency or nonprofit  
21 corporation shall not subsequently alter its underwriting guidelines  
22 with respect to the use of CalHome funds without review and  
23 approval by the department. In allocating funds, the department  
24 shall utilize a competitive application process, using weighted  
25 evaluation criteria, including, but not limited to, the extent that the  
26 program or project utilizes volunteer or self-help labor, trains youth  
27 and young adults in construction skills, creates balanced  
28 communities, involves community participation, or whether the  
29 program or project contributes toward community revitalization.  
30 To the extent feasible, the application process shall ensure a  
31 reasonable geographic distribution of funds.

32 (b) In administering department funds received pursuant to  
33 subdivision (a), local public agencies and nonprofit corporations  
34 shall not deny the funding application of, or apply different  
35 underwriting guidelines to, a housing program or project solely  
36 on the basis of either of the following:

37 (1) The home is a manufactured home or mobilehome, as  
38 defined in Sections 18007 and 18008.

1 (2) The home is located in a mobilehome park or in a  
2 manufactured housing community, as defined in Sections 18210.7  
3 and 18214.

4 *SEC. 3 Section 51504 of the Health and Safety Code is amended*  
5 *to read:*

6 51504. (a) The agency shall administer a downpayment  
7 assistance program that includes, but is not limited to, all of the  
8 following:

9 (1) Downpayment assistance shall include, but not be limited  
10 to, a deferred-payment, low-interest, junior mortgage loan to reduce  
11 the principal and interest payments and make financing affordable  
12 to first-time low- and moderate-income home buyers.

13 (2) (A) Except as provided in subparagraph (B) or (C), the  
14 amount of downpayment assistance shall not exceed 3 percent of  
15 the home sale price.

16 (B) The amount of downpayment assistance for a new home  
17 within an infill opportunity zone, as defined in Section 65088.1  
18 of the Government Code, a transit village development district, as  
19 defined in Section 65460.4 of the Government Code, or a  
20 transit-oriented development specific plan area, as defined in  
21 paragraph (6), shall not exceed 5 percent of the purchase price or  
22 the appraised value, whichever amount is less, of the new home.  
23 The borrower of the downpayment assistance shall provide the  
24 lender originating the loan with a certification from the local  
25 government agency administering the infill opportunity zone, the  
26 transit village development district, or the transit-oriented  
27 development specific plan area that states that the property involved  
28 in the loan transaction is within the boundaries of either the infill  
29 opportunity zone, the transit village development district, or the  
30 transit-oriented development specific plan area.

31 (C) Notwithstanding paragraph (1), the agency may, but is not  
32 required to, provide downpayment assistance that does not exceed  
33 6 percent of the home sale price to first-time low-income home  
34 buyers who, as documented to the agency by a nonprofit  
35 organization that is certified and funded to provide home ownership  
36 counseling by a federally funded national nonprofit corporation,  
37 are purchasing a residence in a community revitalization area  
38 targeted by the nonprofit organization as a neighborhood in need  
39 of economic stimulation, renovation, and rehabilitation through  
40 efforts that include increased home ownership opportunities for

1 low-income families. The agency shall not use more than six  
2 million dollars (\$6,000,000) in funds made available pursuant to  
3 Section 53533 for the purposes of this paragraph.

4 (3) The amount of the downpayment assistance shall be secured  
5 by a deed of trust in a junior position to the primary financing  
6 provided. The term of the loan for the downpayment assistance  
7 shall not exceed the term of the primary loan.

8 (4) ~~The~~(A) *Except as provided in subparagraph (B), the amount*  
9 *of the downpayment assistance shall be due and payable at the end*  
10 *of the term or upon sale of or refinancing of the home. The*  
11 *borrower may refinance the mortgages on the home provided that*  
12 *the principal and accrued interest on the junior mortgage loan*  
13 *securing the downpayment assistance are repaid in full. All*  
14 *repayments shall be made to the agency to be reallocated for the*  
15 *purposes of this chapter.*

16 (B) *The agency may, in its discretion, permit the downpayment*  
17 *assistance loan to be subordinated to refinancing if it determines*  
18 *that the borrower has demonstrated hardship, subordination is*  
19 *required to avoid foreclosure, and the new loan meets the agency's*  
20 *underwriting requirements. The agency may permit subordination*  
21 *on those terms and conditions as it determines are reasonable.*

22 (5) The agency may use up to 5 percent of the funds appropriated  
23 by the Legislature for purposes of this chapter to administer this  
24 program.

25 (6) For the purposes of this section, “transit-oriented  
26 development specific plan area” means a specific plan that meets  
27 the criteria set forth in Section 65451 of the Government Code, is  
28 centered around a rail or light-rail station, ferry terminal, bus hub,  
29 or bus transfer station, and is intended to achieve a higher density  
30 use of land that facilitates use of the transit station.

31 (b) In addition to the downpayment assistance program  
32 authorized by subdivision (a), the agency may, at its discretion,  
33 use not more than seventy-five million dollars (\$75,000,000) of  
34 the funds available pursuant to this chapter to finance the  
35 acquisition of land and the construction and development of  
36 for-sale residential structures, through short-term loans pursuant  
37 to its authority pursuant to Section 51100. However, the agency  
38 shall make downpayment assistance provided pursuant to paragraph  
39 (1), subparagraphs (A) and (B) of paragraph (2), and paragraphs  
40 (3) to (5), inclusive, of subdivision (a) the priority use for these

1 funds. A loan made pursuant to this section is not subject to Article  
2 4 (commencing with Section 51175) of Chapter 5.

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