

AMENDED IN SENATE AUGUST 22, 2012

AMENDED IN SENATE JULY 5, 2012

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

ASSEMBLY BILL

No. 1551

Introduced by Assembly Member Torres
(Coauthor: Senator Pavley)
(Principal coauthor: Senator DeSaulnier)

January 26, 2012

An act to amend Sections ~~488.5, 557.5, and 791.12 of the Insurance Code, and to amend Section 16051 of the Vehicle Code, relating to insurance 50650.3, 51345, and 51505 of the Health and Safety Code, relating to housing, and declaring the urgency thereof, to take effect immediately.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 1551, as amended, Torres. ~~Insurance: public safety employees: accidents.~~ *Housing.*

Existing law establishes the CalHome Program, administered by the Department of Housing and Community Development, to enable low- and very low income households to become or remain homeowners. Existing law requires the department, under the program, to provide grant or loan funds to local public agencies or nonprofit corporations for specified purposes relating to the promotion of home ownership. Existing law requires that financial assistance provided to individual households be in the form of deferred payment loans, repayable upon sale or transfer of the homes, when they cease to be owner-occupied, or upon the loan maturity date.

This bill would, notwithstanding any other law, authorize the department to permit the downpayment assistance loan to be subordinated to refinancing if it determines that the borrower and the proposed subordination meet certain requirements.

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 homebuyers utilizing existing mortgage financing. Existing law authorizes a borrower to refinance a mortgage under specified circumstances. Existing law authorizes the agency, in its discretion, to permit a downpayment assistance loan to be subordinated to refinancing if it determines that certain criteria have been met. Existing law authorizes the agency to permit subordination on those terms and conditions as it determines are reasonable.

Existing law requires the California Housing Finance Agency to administer the Home Purchase Assistance Program for the purpose of assisting first-time homebuyers utilizing existing mortgage financing. Existing law also requires the agency to administer the Extra Credit Teacher Home Purchase Program, as specified, and any other school personnel home ownership assistance program that is set forth by the California Debt Limit Allocation Committee.

This bill would further extend the authority of the agency to permit a downpayment assistance loan made under any of those programs to be subordinated to refinancing, subject to certain criteria and under terms and conditions as the agency determines are reasonable, unless the borrower has sufficient equity to repay the loan.

This bill would declare that it is to take effect immediately as an urgency statute.

~~Existing law provides that no insurer shall, in issuing or renewing a private automobile insurance policy to a peace officer, member of the Department of the California Highway Patrol, or firefighter, with respect to his or her operation of a private motor vehicle, increase the premium on that policy for the reason that the insured or applicant for insurance has been involved in an accident while operating an authorized emergency vehicle, as defined, in the performance of his or her duty during the hours of his or her employment.~~

~~This bill would also provide that no insurer shall, in issuing or renewing a private automobile insurance policy to a peace officer, member of the Department of the California Highway Patrol, or firefighter, with respect to his or her operation of a private passenger~~

motor vehicle, increase the premium on that policy for the reason that the insured or applicant for insurance has been involved in an accident while operating his or her private passenger motor vehicle in the performance of his or her duty at the request or direction of the employer.

Existing law provides that a peace officer, member of the Department of the California Highway Patrol, or firefighter shall not be required to report any accident in which he or she is involved while operating any employer-leased or employer-rented vehicle, in the performance of his or her duty during the hours of his or her employment, to any person who has issued that peace officer, member of the Department of the California Highway Patrol, or firefighter a private automobile insurance policy.

This bill would provide that in the event of a loss or injury that occurs as the result of an accident during any time period when a private passenger motor vehicle is operated by an employee who is a peace officer, member of the Department of the California Highway Patrol, or firefighter and used by him or her at the request or direction of the employer in the performance of the employee's duty, the vehicle's owner shall have no liability, and the employer shall be considered the owner of the vehicle for the purpose of any liability and defense of the claim. The bill would require the peace officer, member of the Department of the California Highway Patrol, or firefighter to report and provide, within 10 days of the accident, to his or her private automobile insurer all documentation and information known to him or her related to the accident. The bill would impose a similar duty on both the employer and employee if it is subsequently discovered that the employer did not direct or request the employee to use the vehicle when the loss occurred. The bill would prohibit, only under specified circumstances, a good faith delay by an employee in reporting the accident to his or her private passenger motor vehicle liability insurer, under the circumstances described, from being used by the insurer as a basis to claim delayed reporting, noncooperation, prejudice, or the like as a means of avoiding the defense or indemnity obligations that would otherwise exist under the terms of the automobile liability insurance policy or applicable law in the absence of delayed reporting.

The bill would make conforming changes relating to proof of financial responsibility and adverse underwriting decisions, in the event of an accident involving a private passenger motor vehicle operated on behalf of a public agency, as specified.

Vote: ~~majority~~^{2/3}. 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 home ownership 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, mobilehomes, and accessory
15 structures required pursuant to Article 2.3 (commencing with
16 Section 4200) of Subchapter 2 of Chapter 3 of Division 1 of Title
17 25 of the California Code of Regulations, homebuyer counseling,
18 home acquisition and rehabilitation, or self-help mortgage
19 assistance programs, or for technical assistance for self-help and
20 shared housing home ownership.

21 (2) Home rehabilitation funding for the purpose of installing
22 ignition resistant components on manufactured homes,
23 mobilehomes, or accessory structures pursuant to this subdivision
24 shall not be conditioned upon the rehabilitation of additional or
25 unrelated home components unless that rehabilitation is required
26 pursuant to Article 2.3 (commencing with Section 4200) of
27 Subchapter 2 of Chapter 3 of Division 1 of Title 25 of the
28 California Code of Regulations. In administering funding for this
29 purpose, local public agencies and nonprofit corporations may
30 consider the condition and age of the manufactured home or
31 mobilehome, including whether the home was constructed on or
32 after June 15, 1976, in accordance with federal standards and
33 whether the available funds could be more effectively used to
34 replace the manufactured home or mobilehome.

1 (c) (1) Except as provided in subdivision (e), loan funds may
2 be used for purchase of real property, site development,
3 predevelopment, and construction period expenses incurred on
4 home ownership development projects, and permanent financing
5 for mutual housing or cooperative developments. Upon completion
6 of construction, the department may convert project loans into
7 grants for programs of assistance to individual homeowners.
8 ~~Financial~~ *Except as provided in paragraph (2), financial* assistance
9 provided to individual households shall be in the form of deferred
10 payment loans, repayable upon sale or transfer of the homes, when
11 they cease to be owner-occupied, or upon the loan maturity date.
12 Financial assistance may be provided in the form of a secured
13 forgivable loan to an individual household to rehabilitate, repair,
14 or replace manufactured housing located in a mobilehome park
15 and not permanently affixed to a foundation. The loan shall be due
16 and payable in 20 years, with 10 percent of the original principal
17 to be forgiven annually for each additional year beyond the 10th
18 year that the home is owned and continuously occupied by the
19 borrower. Not more than 10 percent of the funds available for the
20 purposes of this chapter in a fiscal year shall be used for financial
21 assistance in the form of secured forgivable loans.

22 (2) *Notwithstanding any other law, the department may, in its*
23 *discretion, permit the downpayment assistance loan to be*
24 *subordinated to refinancing if it determines that the borrower has*
25 *demonstrated hardship, subordination is required to avoid*
26 *foreclosure, and the new loan meets the department's underwriting*
27 *requirements. The department may permit subordination on those*
28 *terms and conditions as it determines are reasonable, however*
29 *subordination shall not be permitted if the borrower has sufficient*
30 *equity to repay the loan.*

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

36 (e) Notwithstanding subdivision (c), loans provided pursuant
37 to the CalHome Program Disaster Assistance for Imperial County
38 that have been made for the purpose of rehabilitation,
39 reconstruction, or replacement of lower income owner-occupied
40 manufactured homes shall be due and payable in 10 years, with

1 20 percent of the original principal to be forgiven annually for
2 each additional year beyond the fifth year that the manufactured
3 home is owned and continuously occupied by the borrower.

4 *SEC. 2. Section 51345 of the Health and Safety Code is*
5 *amended to read:*

6 51345. (a) The agency shall administer a home purchase
7 assistance program in accordance with this chapter. The purpose
8 of the home purchase assistance program is to assist first-time
9 homebuyers to utilize existing mortgage financing available
10 pursuant to this part or Division 4 (commencing with Section 800)
11 of the Military and Veterans Code with the additional financial
12 resources made available pursuant to Part 8 (commencing with
13 Section 53130).

14 (b) Home purchase assistance under this chapter shall include,
15 but not be limited to: (1) an interest rate subsidy to reduce the
16 interest rate, (2) a deferred-payment, low-interest, second-mortgage
17 loan to reduce the principal and interest payments, and (3)
18 downpayment assistance to make financing affordable to first-time
19 homebuyers.

20 (c) In no case shall the interest rate subsidy reduce the effective
21 interest rate to the borrower below 3 percent per annum, nor shall
22 the deferred-payment, low-interest, second mortgage loan exceed
23 49 percent of the total debt financing necessary to purchase the
24 home.

25 (d) The amount of home purchase assistance shall be a second
26 mortgage loan secured by a deed of trust of second priority to the
27 primary financing provided by the agency or the Department of
28 Veterans Affairs. The term of the home purchase assistance shall
29 not exceed the term of the primary loan.

30 (e) ~~The (1)~~ *Except as provided in paragraph (2), the amount*
31 *of home purchase assistance shall be due and payable at the end*
32 *of the term, upon the sale of the home, or upon refinancing. The*
33 *borrower may refinance the mortgages on the home if the principal*
34 *of and accrued interest on the second mortgage loan securing the*
35 *home purchase assistance are repaid in full. All repayments shall*
36 *be deposited in the fund.*

37 (2) *The agency may, in its discretion, permit the downpayment*
38 *assistance loan to be subordinated to refinancing if it determines*
39 *that the borrower has demonstrated hardship, subordination is*
40 *required to avoid foreclosure, and the new loan meets the agency's*

1 *underwriting requirements. The agency may permit subordination*
2 *on those terms and conditions as it determines are reasonable, but*
3 *subordination is not permitted if the borrower has sufficient equity*
4 *to repay the loan.*

5 *SEC. 3. Section 51505 of the Health and Safety Code is*
6 *amended to read:*

7 51505. (a) In addition to the downpayment assistance program
8 authorized by Section 51504, and notwithstanding any provision
9 of Section 51504 to the contrary, the agency shall provide
10 downpayment assistance from the funds set aside pursuant to
11 subparagraph (D) of paragraph (7) of subdivision (a) of Section
12 53533 for the purposes of the portion of the Extra Credit Teacher
13 Home Purchase Program provided for in subdivision (g) of Section
14 8869.84 of the Government Code and any other school personnel
15 home ownership assistance programs as set forth by the California
16 Debt Limit Allocation Committee, as operated by the agency.
17 Notwithstanding the foregoing, the agency may, but is not required
18 to, provide downpayment assistance pursuant to this section to any
19 local issuer participating in the Extra Credit Teacher Home
20 Purchase Program and any other school personnel home ownership
21 assistance programs as set forth by the California Debt Limit
22 Allocation Committee.

23 (b) (1) Downpayment assistance for purposes of this section
24 shall be subject to, and shall meet the requirements of, the Extra
25 Credit Teacher Home Purchase Program and any other school
26 personnel home ownership programs as set forth by the California
27 Debt Limit Allocation Committee, and shall include, but not be
28 limited to, deferred payment, low interest rate loans ~~where~~.

29 (2) *Except as provided in paragraph (3), payment of principal*
30 *and interest is deferred until the time that the home is sold or*
31 *refinanced. ~~This~~*

32 (3) *The agency may, in its discretion, permit the downpayment*
33 *assistance loan to be subordinated to refinancing if it determines*
34 *that the borrower has demonstrated hardship, subordination is*
35 *required to avoid foreclosure, and the new loan meets the agency's*
36 *underwriting requirements. The agency may permit subordination*
37 *on those terms and conditions as it determines are reasonable, but*
38 *subordination is not permitted if the borrower has sufficient equity*
39 *to repay the loan.*

1 (4) This downpayment assistance shall meet the requirements
2 of subdivisions (d) and (e) of Section 51504.

3 (c) Loans made pursuant to this section may include a provision
4 whereby interest, principal, or both, of the loan is forgiven upon
5 conditions to be established by the agency, or any other provision
6 designed to carry out the purposes of the Extra Credit Teacher
7 Home Purchase Program and any other school personnel home
8 ownership programs as set forth by the California Debt Limit
9 Allocation Committee.

10 (d) Downpayment assistance pursuant to this section shall not
11 exceed the greater of seven thousand five hundred dollars (\$7,500)
12 or 3 percent of the home sales price. However, the agency may,
13 with the concurrence of the California Debt Limit Allocation
14 Committee, establish higher assistance limits where necessary to
15 ensure sufficient assistance to allow program participation in high
16 cost areas.

17 *SEC. 4. This act is an urgency statute necessary for the*
18 *immediate preservation of the public peace, health, or safety within*
19 *the meaning of Article IV of the Constitution and shall go into*
20 *immediate effect. The facts constituting the necessity are:*

21 *In order for underwater homeowners to participate in the federal*
22 *Home Affordable Refinance Program (HARP) at the earliest*
23 *possible time, it is necessary that this act take effect immediately.*
24

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26 **All matter omitted in this version of the bill**
27 **appears in the bill as amended in the**
28 **Senate, July 5, 2012. (JR11)**
29