

AMENDED IN SENATE AUGUST 20, 2013

AMENDED IN ASSEMBLY APRIL 24, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

**ASSEMBLY BILL**

**No. 637**

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**Introduced by Assembly Member Atkins  
(Coauthor: Assembly Member Torres)**

February 20, 2013

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An act to amend Section 51504 of the Health and Safety Code, relating to housing.

LEGISLATIVE COUNSEL'S DIGEST

AB 637, as amended, Atkins. Housing assistance.

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. Existing law allows the agency to use not more than \$75,000,000 of the funds available pursuant to that provision to finance the acquisition of land and the construction and development of for-sale residential structures through short-term loans, as specified.

This bill would ~~instead allow~~ *additionally authorize* the agency to use not more than \$75,000,000 of the funds available pursuant to that provision to finance the construction and development of housing developments, ~~as defined in a specified statute and for-sale structures.~~ *defined.*

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

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

1     SECTION 1. Section 51504 of the Health and Safety Code, as  
2 amended by Chapter 82 of the Statutes of 2013, is amended to  
3 read:

4     51504. (a) The agency shall administer a downpayment  
5 assistance program that includes, but is not limited to, all of the  
6 following:

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

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

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

29     (C) Notwithstanding paragraph (1), the agency may, but is not  
30 required to, provide downpayment assistance that does not exceed  
31 6 percent of the home sale price to first-time low-income home  
32 buyers who, as documented to the agency by a nonprofit  
33 organization that is certified and funded to provide home ownership  
34 counseling by a federally funded national nonprofit corporation,  
35 are purchasing a residence in a community revitalization area  
36 targeted by the nonprofit organization as a neighborhood in need  
37 of economic stimulation, renovation, and rehabilitation through  
38 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) (A) Except as provided in subparagraphs (B) and (C), the  
9 amount of the downpayment assistance shall be due and payable  
10 at the end of the term or upon sale of or refinancing of the home.  
11 The borrower may refinance the mortgages on the home provided  
12 that 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 (C) The amount of the downpayment assistance shall not be  
23 due and payable upon sale of the home if the first mortgage loan  
24 is insured by the Federal Housing Administration (FHA) or if the  
25 first mortgage loan is, or has been, transferred to the FHA, or if  
26 the requirement is otherwise contrary to regulations of the United  
27 States Department of Housing and Urban Development governing  
28 FHA insured first mortgage loans.

29 (5) The agency may use up to 5 percent of the funds appropriated  
30 by the Legislature for purposes of this chapter to administer this  
31 program.

32 (6) For purposes of this section, "transit-oriented development  
33 specific plan area" means a specific plan that meets the criteria set  
34 forth in Section 65451 of the Government Code, is centered around  
35 a rail or light-rail station, ferry terminal, bus hub, or bus transfer  
36 station, and is intended to achieve a higher density use of land that  
37 facilitates use of the transit station.

38 (b) In addition to the downpayment assistance program  
39 authorized by subdivision (a), the agency may, at its discretion,  
40 use not more than seventy-five million dollars (\$75,000,000) of

1 the funds available pursuant to this chapter to finance the  
2 acquisition of land and the construction and development of  
3 ~~for-sale residential structures, housing developments, as defined~~  
4 ~~in Section 50073.5, and for-sale residential structures~~ through  
5 short-term loans pursuant to its authority pursuant to Section 51100.  
6 However, the agency shall make downpayment assistance provided  
7 pursuant to paragraph (1), subparagraphs (A) and (B) of paragraph  
8 (2), and paragraphs (3) to (5), inclusive, of subdivision (a) the  
9 priority use for these funds. A loan made pursuant to this section  
10 is not subject to Article 4 (commencing with Section 51175) of  
11 Chapter 5.

12 ~~SECTION 1. Section 51504 of the Health and Safety Code is~~  
13 ~~amended to read:~~

14 ~~51504. (a) The agency shall administer a downpayment~~  
15 ~~assistance program that includes, but is not limited to, all of the~~  
16 ~~following:~~

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

21 ~~(2) (A) Except as provided in subparagraph (B) or (C), the~~  
22 ~~amount of downpayment assistance shall not exceed 3 percent of~~  
23 ~~the home sale price.~~

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

39 ~~(C) Notwithstanding paragraph (1), the agency may, but is not~~  
40 ~~required to, provide downpayment assistance that does not exceed~~

1 6 percent of the home sale price to first-time low-income home  
2 buyers who, as documented to the agency by a nonprofit  
3 organization that is certified and funded to provide home ownership  
4 counseling by a federally funded national nonprofit corporation,  
5 are purchasing a residence in a community revitalization area  
6 targeted by the nonprofit organization as a neighborhood in need  
7 of economic stimulation, renovation, and rehabilitation through  
8 efforts that include increased home ownership opportunities for  
9 low-income families. The agency shall not use more than six  
10 million dollars (\$6,000,000) in funds made available pursuant to  
11 Section 53533 for the purposes of this paragraph.

12 (3) ~~The amount of the downpayment assistance shall be secured~~  
13 ~~by a deed of trust in a junior position to the primary financing~~  
14 ~~provided. The term of the loan for the downpayment assistance~~  
15 ~~shall not exceed the term of the primary loan.~~

16 (4) (A) ~~Except as provided in subparagraph (B), the amount of~~  
17 ~~the downpayment assistance shall be due and payable at the end~~  
18 ~~of the term or upon sale of or refinancing of the home. The~~  
19 ~~borrower may refinance the mortgages on the home provided that~~  
20 ~~the principal and accrued interest on the junior mortgage loan~~  
21 ~~securing the downpayment assistance are repaid in full. All~~  
22 ~~repayments shall be made to the agency to be reallocated for the~~  
23 ~~purposes of this chapter.~~

24 (B) ~~The agency may, in its discretion, permit the downpayment~~  
25 ~~assistance loan to be subordinated to refinancing if it determines~~  
26 ~~that the borrower has demonstrated hardship, subordination is~~  
27 ~~required to avoid foreclosure, and the new loan meets the agency's~~  
28 ~~underwriting requirements. The agency may permit subordination~~  
29 ~~on those terms and conditions as it determines are reasonable.~~

30 (5) ~~The agency may use up to 5 percent of the funds appropriated~~  
31 ~~by the Legislature for purposes of this chapter to administer this~~  
32 ~~program.~~

33 (6) ~~For purposes of this section, "transit-oriented development~~  
34 ~~specific plan area" means a specific plan that meets the criteria set~~  
35 ~~forth in Section 65451 of the Government Code, is centered around~~  
36 ~~a rail or light-rail station, ferry terminal, bus hub, or bus transfer~~  
37 ~~station, and is intended to achieve a higher density use of land that~~  
38 ~~facilitates use of the transit station.~~

39 (b) ~~In addition to the downpayment assistance program~~  
40 ~~authorized by subdivision (a), the agency may, at its discretion,~~

1 use not more than seventy-five million dollars (\$75,000,000) of  
2 the funds available pursuant to this chapter to finance the  
3 acquisition of land and the construction and development of  
4 housing developments, as defined in Section 50073.5, and for-sale  
5 residential structures through short-term loans pursuant to its  
6 authority pursuant to Section 51100. However, the agency shall  
7 make downpayment assistance provided pursuant to paragraph  
8 (1), subparagraphs (A) and (B) of paragraph (2), and paragraphs  
9 (3) to (5), inclusive, of subdivision (a) the priority use for these  
10 funds. A loan made pursuant to this section is not subject to Article  
11 4 (commencing with Section 51175) of Chapter 5.

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