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HEALTH AND SAFETY CODE - HSC

DIVISION 31. HOUSING AND HOME FINANCE [50000 - 54913] (*Division 31 repealed and added by Stats. 1977, Ch. 610.)*

PART 3. CALIFORNIA HOUSING FINANCE AGENCY [50900 - 51532] (*Heading of Part 3 amended (as amended by Stats. 1994, Ch. 94) by Stats. 2000, Ch. 471, Sec. 17.5.)*

CHAPTER 11. California Homebuyer's Downpayment Assistance Program [51500 - 51511] (*Chapter 11 added by Stats. 2000, Ch. 81, Sec. 1.)*

51500. This chapter shall be known and may be cited as the California Homebuyer's Downpayment Assistance Program.
(*Added by Stats. 2000, Ch. 81, Sec. 1. Effective July 5, 2000. Inoperative on July 1, 2016, as provided in Section 51511.*)

51501. The Legislature finds and declares all of the following:

- (a) There is a continuing and urgent need to provide affordable mortgage financing to meet the increasingly unfulfilled housing needs of citizens of this state.
- (b) The high cost of housing impedes the ability of California employers to compete in the national marketplace for employees.
- (c) Affordable housing enhances the quality of life for California residents and provides fuel for the state's economic engine.
- (d) Housing is a critical component of the California economy, both as an income producing sector and a principal factor in economic development.
- (e) California's housing crisis severely impacts families struggling to provide safe, stable homes for their children to grow and learn and the workers who are the backbone of many of the state's most important industries.
- (f) The percentage of Californians able to purchase their own homes continues to decline, even as that percentage climbs for the rest of the nation.
- (g) Therefore, this chapter is enacted to make existing financing for residential mortgages more affordable to California's homebuyers.

(*Added by Stats. 2000, Ch. 81, Sec. 1. Effective July 5, 2000. Inoperative on July 1, 2016, as provided in Section 51511.*)

51502. The purpose of the California Homebuyer's Downpayment Assistance Program is to assist first-time low- and moderate-income homebuyers utilizing existing mortgage financing.

(*Added by Stats. 2000, Ch. 81, Sec. 1. Effective July 5, 2000. Inoperative on July 1, 2016, as provided in Section 51511.*)

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

- (1) Downpayment assistance shall include, but not be limited to, a deferred-payment, low-interest, junior mortgage loan to reduce the principal and interest payments and make financing affordable to first-time low- and moderate-income home buyers.
- (2) (A) Except as provided in subparagraph (B) or (C), the amount of downpayment assistance shall not exceed 3 percent of the home sale price.

(B) The amount of downpayment assistance for a new home within an infill opportunity zone, as defined in Section 65088.1 of the Government Code, a transit village development district, as defined in Section 65460.4 of the Government Code, or a transit-oriented development specific plan area, as defined in paragraph (6), shall not exceed 5 percent of the purchase price or the appraised value, whichever amount is less, of the new home. The borrower of the downpayment assistance shall provide the lender originating the loan with a certification from the local government agency administering the infill opportunity zone, the transit village development district, or the transit-oriented development specific plan area that states that the property

involved in the loan transaction is within the boundaries of either the infill opportunity zone, the transit village development district, or the transit-oriented development specific plan area.

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

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

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

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

(C) The amount of the downpayment assistance shall not be due and payable upon sale of the home if the first mortgage loan is insured by the Federal Housing Administration (FHA) or if the first mortgage loan is, or has been, transferred to the FHA, or if the requirement is otherwise contrary to regulations of the United States Department of Housing and Urban Development governing FHA insured first mortgage loans.

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

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

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

(Amended (as amended by Stats. 2013, Ch. 82) by Stats. 2013, Ch. 770, Sec. 1. (AB 637) Effective January 1, 2014. Inoperative on July 1, 2016, as provided in Section 51511.)

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

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

(2) Except as provided in paragraphs (3) and (5), payment of principal and interest is deferred until the time that the home is sold or refinanced.

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

(4) This downpayment assistance shall meet the requirements of paragraph (3) of, and subparagraph (A) of paragraph (4) of, subdivision (a) of Section 51504.

(5) The amount of the downpayment assistance shall not be due and payable upon sale of the home if the first mortgage loan is insured by the Federal Housing Administration (FHA) or if the first mortgage loan is, or has been, transferred to the FHA, or if the requirement is otherwise contrary to regulations of the United States Department of Housing and Urban Development governing FHA insured first mortgage loans.

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

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

(Amended by Stats. 2015, Ch. 303, Sec. 327. (AB 731) Effective January 1, 2016. Inoperative on July 1, 2016, as provided in Section 51511.)

51506. The downpayment assistance provided by this program shall be limited to first-time homebuyers.

(Added by Stats. 2000, Ch. 81, Sec. 1. Effective July 5, 2000. Inoperative on July 1, 2016, as provided in Section 51511.)

51510. The agency shall have all the powers conferred upon it by this part (commencing with Section 50900) in administering this chapter.

(Added by Stats. 2000, Ch. 81, Sec. 1. Effective July 5, 2000. Inoperative on July 1, 2016, as provided in Section 51511.)

51511. (a) This chapter, except for this section, shall not be operative on and after July 1, 2016.

(b) On and after July 1, 2016, any unobligated amounts remaining in any fund established for the purposes of this chapter, including the repayment of disbursed moneys, or any interest earned from the investment of those moneys or any other moneys accruing to the fund from any source, shall be transferred to the Home Purchase Assistance Fund and are continuously appropriated to the agency for the purposes described in Section 51342.

(Added by Stats. 2016, Ch. 32, Sec. 82. (SB 837) Effective June 27, 2016. Note: Termination clause affects Chapter 11, commencing with Section 51500, except for this section.)