



# Dream for All Program Update

**Ellen Martin**

Director of Business Development and  
Stakeholder Relations



## Dream For All Loan Program Overview

### Dream For All Program

- A revolving, **shared appreciation loan program** that provides loans for a down payment to qualified homebuyers. Upon sale or transfer of the home, the homebuyer repays the original down payment loan, plus a share of the appreciation in the value of the home.
- Simple Example
  - Dream For All fund provides a loan for 20% of the home purchase price.
  - The homeowner pays back the original loan amount plus 20% of any appreciation in the value of the home.

### Typical Features of Shared Appreciation Loan

- Subordinate second mortgage
- Down payment and closing cost assistance
- Homebuyer does not make payments until they sell, refinance, or transfer the property
- Effective interest rate on loan is equal to the average annual appreciation in the home's value



## Dream For All Loan Program Overview

### **Dream For All Program Statutory Requirements**

- Includes shared appreciation loan feature
- Expand access to homeownership by helping low- and moderate-income homebuyers purchasing owner-occupied homes
- Ensure design of loan product is not an unreasonable impediment to wealth creation
- Explore selling subordinate second mortgages to investors
- Must be paired with a CalHFA first mortgage
- Adequate consumer protections and disclosures

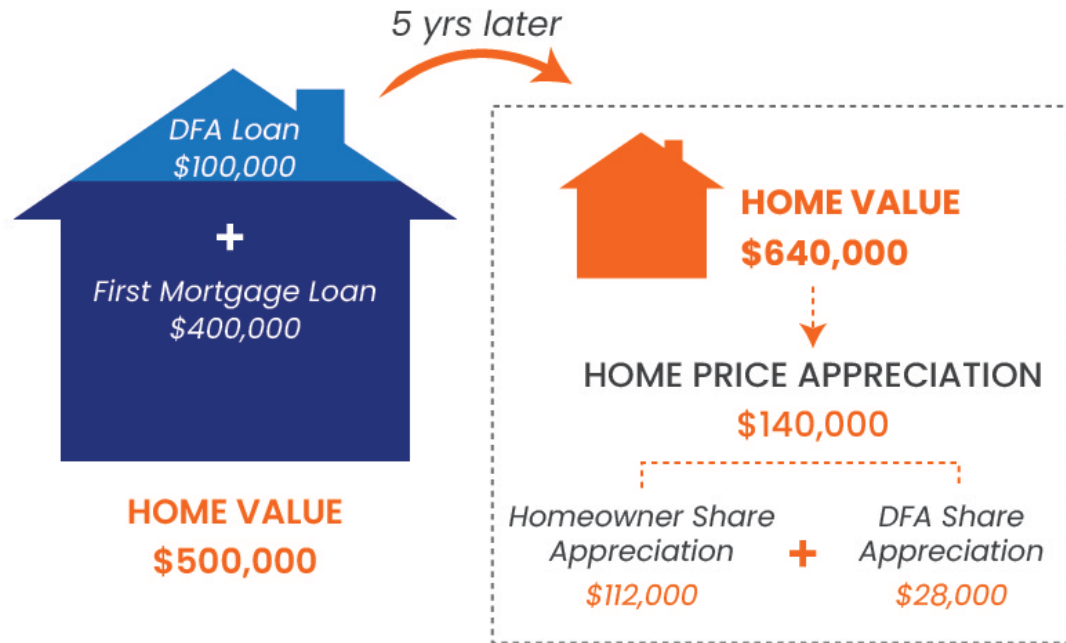


## Shared Appreciation Example



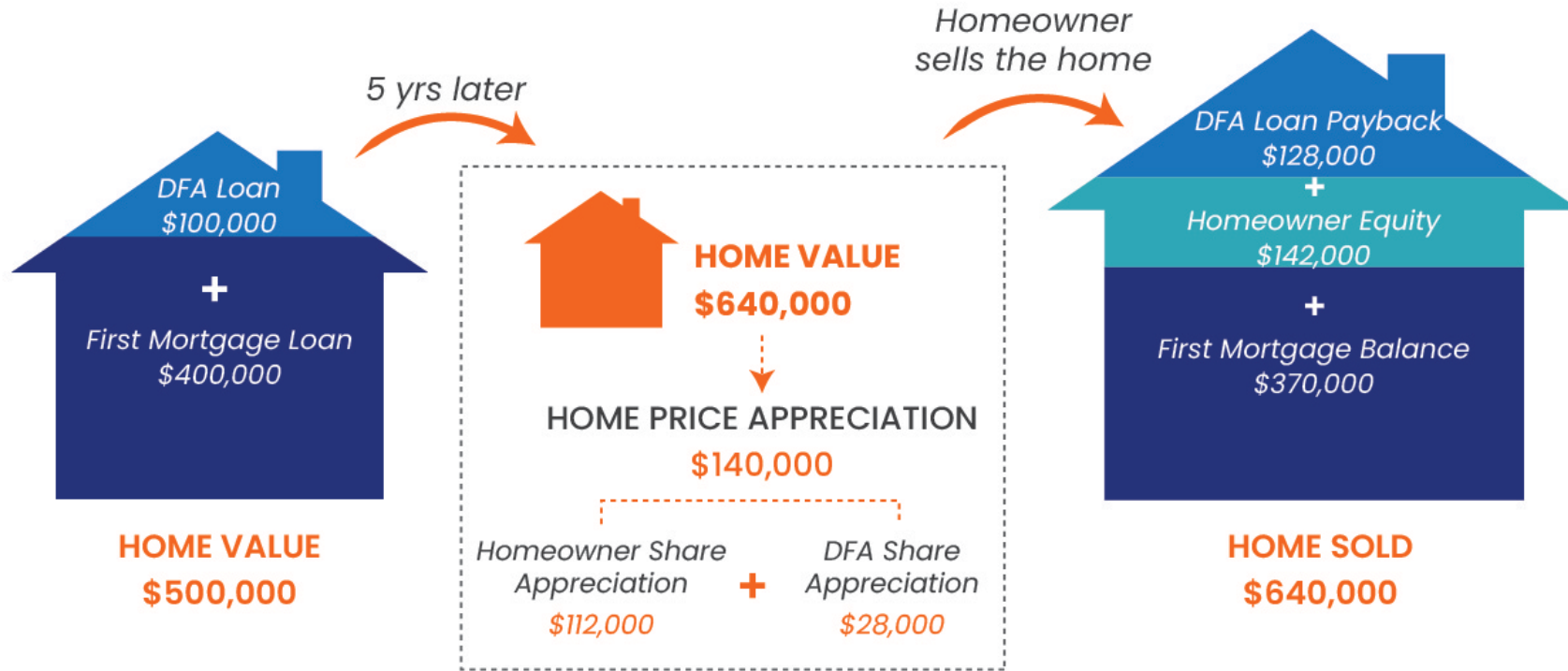


# Shared Appreciation Example

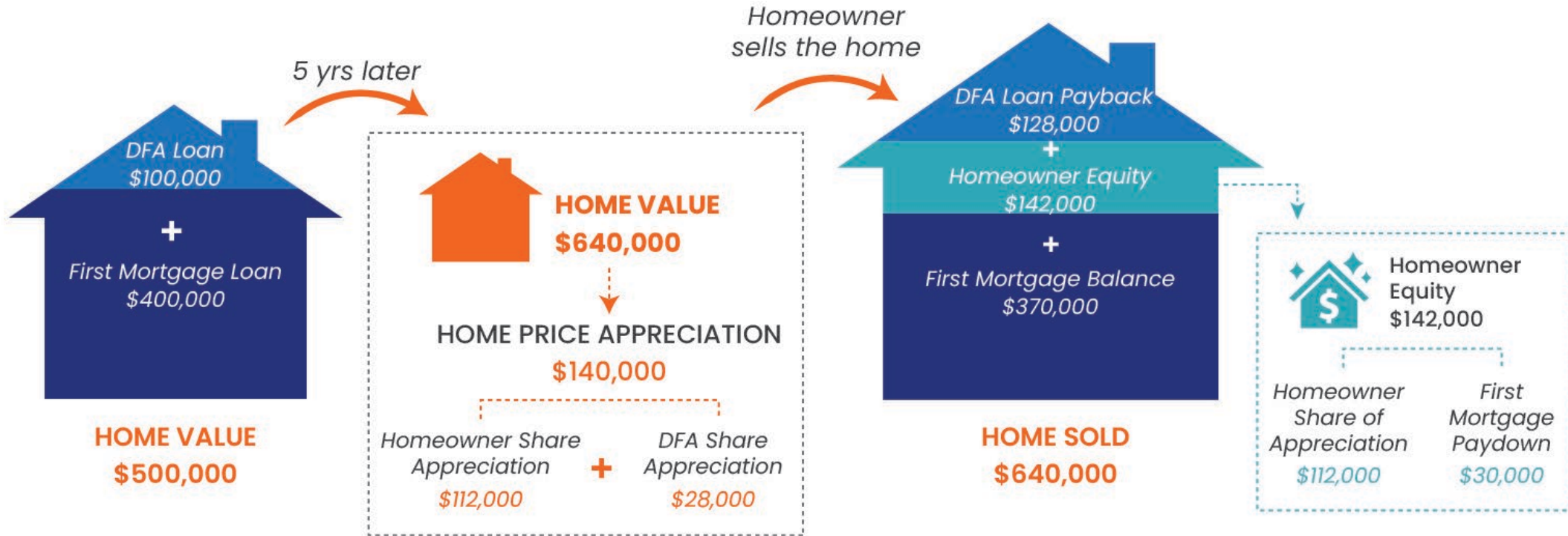




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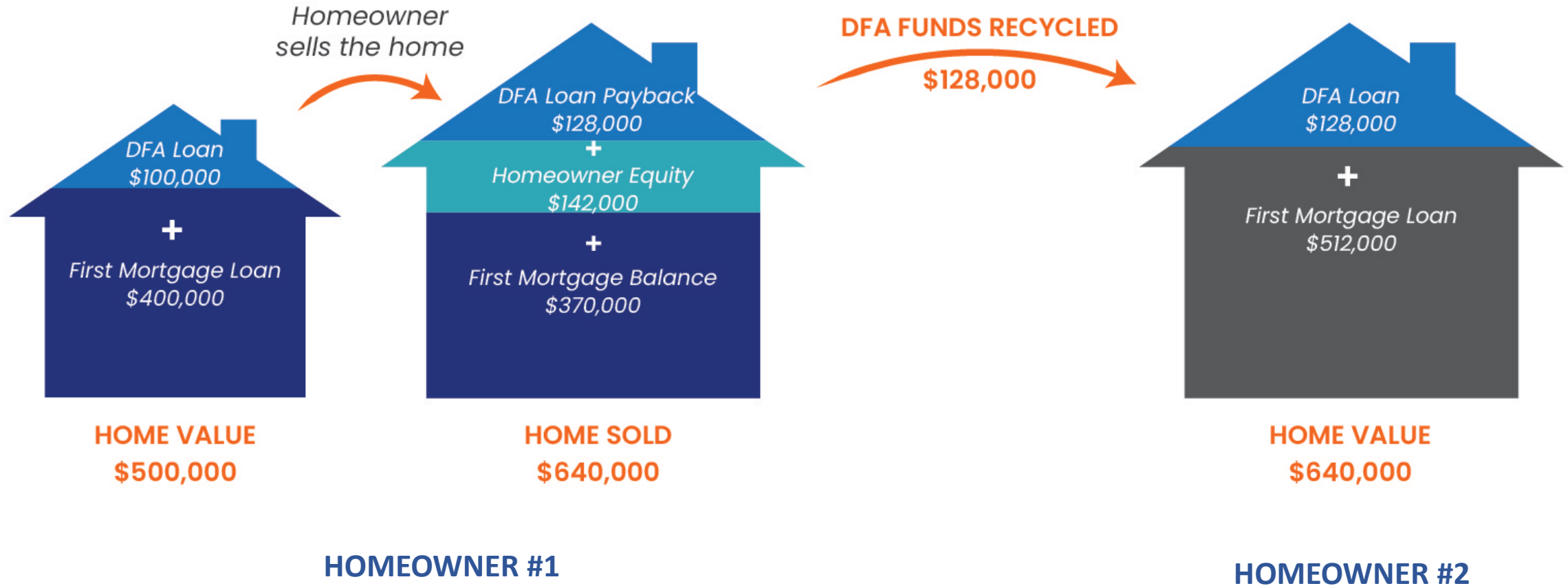


# Shared Appreciation Example





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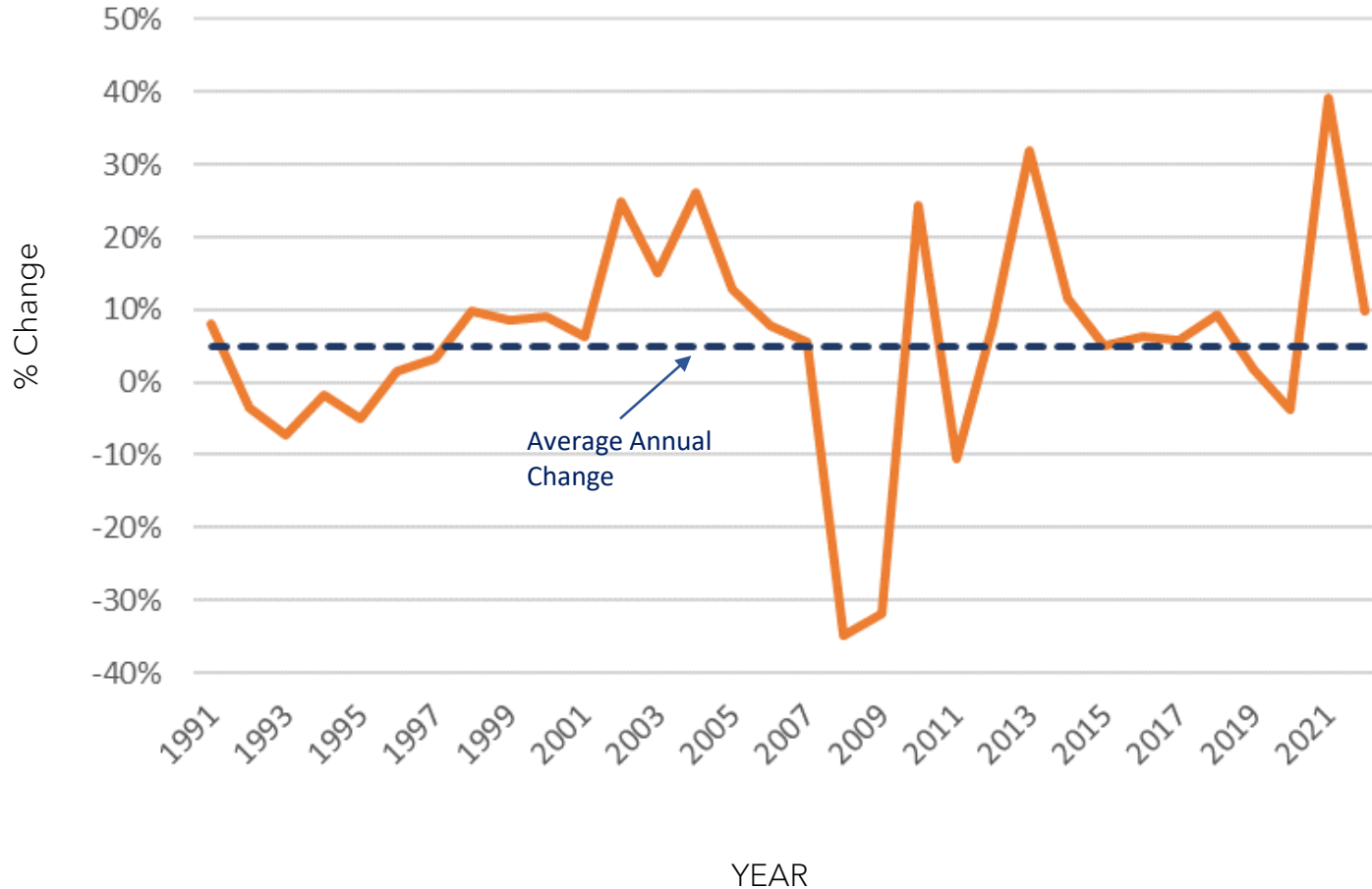






# Key Program Design Objectives

### ACTUAL YOY HOME PRICE APPRECIATION



Increase access to home ownership for low- and moderate-income Californians



Provide opportunities for wealth accumulation through home ownership



Minimize financial risk to the State, Agency and the consumer



Ensure recyclability of funds so that more Californians can receive assistance



Embed significant consumer education and outreach



Ensure long term operational and administrative viability



# Stakeholder Outreach



## Public & Stakeholder Listening Sessions

- 3 separate listening sessions conducted in early September
- Participants
  - Invitations sent to over 1,400 individuals
  - Nearly 200 sign ups
- Program Survey
  - Nearly 50 surveys returned
- Summary report and analysis
- [www.calhfa.ca.gov/dream](http://www.calhfa.ca.gov/dream)
- [feedback@calhfa.ca.gov](mailto:feedback@calhfa.ca.gov)





## Working Group

- Provides advice and input regarding key program design elements:
  - Balancing policy objectives and trade-offs
  - Evaluating how Dream For All fits into current mortgage infrastructure and ecosystem
  - Ensuring program operational sustainability and funding recyclability
  - Protecting homeowner interests
- **Representative cross section of 15-20 policy, advocacy and industry leaders.**
- **Series of meetings to be conducted throughout the program implementation process.**





## Lender Roundtable

- Targeted engagement with CalHFA lending community
- Workshop key program design elements and implementation considerations
- Ensure that program features can be operationalized via CalHFA lending infrastructure and delivery system
- Identify lender onboarding and training needs





Digital Marketing Campaign



Traditional Marketing & Earned Media/PR



Trade Organizations & Community Based Organizations



Local Government



Lender Network



# Initial Design Parameters



## Dream For All Shared Appreciation Loan

- Eligible Borrowers
  - First-Time Homebuyers at or below CalHFA income limits
  - Paired with CalHFA first mortgage
- DPA Level and Eligible Costs
  - Up to 20% of the home purchase price
  - Down payment assistance, nonrecurring closing costs, interest rate buy downs





## Dream For All Shared Appreciation Loan

- Loan Terms
  - Repayment upon resale, refinance, or transfer of the property
  - Appreciation split between homeowner and program on pro rata basis
  - Cap on total appreciation equal to 2.5x the original shared appreciation loan amount
    - Equivalent to total appreciation that would be paid over approximately 30 years at 5 percent annual appreciation
    - Offers more certainty for borrower and tempers effect of major market upswings



## Dream For All Shared Appreciation Loan

- Social Equity Features
  - Additional considerations for underserved communities
  - Income Eligibility
    - Initially defined as under 80% AMI
    - Capped at 10% of available program funds
    - Additional geographic or other considerations may be established with Working Group input
- Loan Terms
  - Program share of appreciation 75 percent of initial investment (e.g., if shared appreciation loan was 20 percent, Program share of appreciation would be 15 percent)
  - Additional considerations may be established with Working Group input



# Timeline

# Estimated Timeline



- Approve Resolution 22-21
  - Establish the Dream For All Program
  - Direct staff to develop the necessary guidelines, term sheets, documentation, and the technological capabilities to implement the Program
  - Report back to the Board
- Policy direction regarding the initial program design parameters



# Questions