

Keep Your Home California Program
Joint Oversight Hearing
Assembly Housing and Community Development Committee and
Assembly Banking and Finance Committee
March 14, 2011

Community Second Mortgage Principal Reduction Program (C2M PRP)
Gabe del Rio, Senior Vice President of Lending and Homeownership
Community Housing Works

Community Housing Works' application for Local Innovation Funds for the Community Second Mortgage Principal Reduction Program (C2M PRP) is in the final stages of approval by the US Treasury.

The C2M PRP is designed to provide principal reductions for California homeowners experiencing hardship, who have a purchase money second mortgage loan that is held by a non-profit lender; such as a credit union or community development financial institutions.

The goal of this program is to reduce foreclosures by reducing principal balances on qualified amortizing second mortgages. C2M PRP would help reduce the balance of qualified seconds to levels needed to prevent avoidable foreclosures, and promote sustainable homeownership. The C2M PRP thus provides an incentive for qualifying homeowners to remain in their homes during this period of steep declines in value, in situations when existing Making Home Affordable and Keep Your Home California programs are unable to do so. This program will also serve as an incentive for smaller community lenders to write-off 65% of the overall reduction on these second mortgages, in exchange for 35% of the total principal reduction – which can be reinvested back into their communities in the future.

Struggling homeowners under 120% of the median income will be required to fully document their finances to demonstrate hardship and inability to pay the full mortgage amount, have a combined loan to value ratio over 115%, be occupying the property, attempt a modification of their 1st mortgage as well, and be able to document enough income to sustain the home going forward. In addition, the home cannot be subject to a trustee sale, and the homeowner must not own any other real estate or owe more on the existing home than \$729,750. This program cannot be used in conjunction with any other HAMP second lien program or the KYHC programs offered by CalHFA.

Community Housing Works has requested \$10million to fund this program. The maximum assistance available per household will be \$50,000, with average assistance estimated to be \$25,000. The program is anticipated to assist 400 homeowners across the State, and include participation by hundreds of small credit unions and community lenders.