# APPENDIX S

## FACULTY/STAFF HOUSING ISSUES

## THE IMPACT OF CALIFORNIA'S REAL ESTATE PRICES

## (JUNE 2006)

**The California State University**
OFFICE OF THE CHANCELLOR

# Faculty/Staff Housing Issues

## The impact of California's real estate prices

The California State University
Office of the Chancellor
June 2006

www.calstate.edu

## Table of Contents

## Faculty/Staff Housing Issues – White Paper
## Executive Summary

**The Problem:**

California's average housing prices have risen a cumulative 117% since the year 2000. Home prices were already higher here than many areas of the country in 2000 and the rapid increases in relation to the rest of the U.S. have forced an even wider affordability gap. The California State University's (CSU) budget was significantly impacted by a downturn in the state budget during these same years, and general salary increases were constrained to a total of less than 8%.

The higher cost of housing in California is increasingly having an impact on CSU's success in attracting, hiring and retaining quality faculty and staff. Responses to employee and candidate surveys conducted from 2001 to 2005 confirm that housing costs were a consideration in whether candidates accepted an offer, or whether recent hires felt they could stay with CSU. While there are some areas of the state where housing is still considered "affordable" – at least in relation to other areas within California – more often than not, CSU campuses are located in high cost housing markets with the average price of a home well above the $535,000 state average.

**Options for Addressing the Problem:**

Because CSU campuses have differing growth projections, land options and community constraints, no one solution will work for the entire CSU. A multitude of options must be considered – all aiming toward mitigating the housing affordability dilemma for new or recent hires. The focus of the options presented in this paper is on assisting an employee in purchasing a home (condo, town home or single family detached dwelling) vs. renting – since homeownership is the most commonly stated goal by employees in survey results.

The bottom line for successful acquisition of a home is being able to qualify for financing. Simply put, a person's household income must be adequate to cover principal, interest, taxes and insurance plus any other long term commitments such as car loans, student loans and credit card debt and still have adequate funds for other household necessities. Financial institutions commonly utilize a range of 45-60% debt to gross income ratio when deciding whether to approve a mortgage loan. A 20% down, 80% loan-to-value 30 year conventional mortgage of $400,000 at 6.5% requires household income of $74,000 - $98,000 when some personal debt is factored into the calculation. (The range noted is based on the 45-60% debt level ratio range.) In contrast, the average starting salary at the Assistant Professor level in fall 2005 was $58,500. Non-management staff and lower level supervisors experience starting salaries in the $30,000 - $40,000 range in accordance with established pay scales.

How can CSU have an impact? Since qualifying is the critical factor, keeping the financed need as low as possible is one answer. This can be done by:

- Reducing the price of a property – using campus or acquired land to construct and sell homes on a ground leased basis, acquiring already built properties for resale on a ground lease basis. Channel Islands, Monterey Bay, Fullerton, San Luis Obispo, Pomona campuses are already well along this path, other campuses are beginning the process. Long lead times, higher materials and labor costs have added to the risk of this approach.
- Providing down-payment or closing cost assistance- via CSU existing invested funds or bond issue proceeds (these would likely be taxable bonds, because of the private use

nature of the proceeds), connection with public programs such CalHFA or local community loans, and agreements with lenders. CalHFA's standard programs and community loans tend to have income or eligibility constraints that may make this option less applicable to CSU employees – especially in the high cost areas. While employees may be eligible for the public programs based on lower household income, they may still not have adequate income to qualify for the size of loan necessary to buy their desired property.

- Offering favorable interest rates – utilizing CSU's invested funds or borrowing capacity to offer mortgages at reduced rates. A large amount of initial funding will be required to have an impact from this approach (e.g., 250 loans of $300,000 each would require $75 million).

Providing supplemental income is another answer. The CSU recognizes that a salary gap exists with its comparison institutions and has been working to close that gap. The high cost of housing may necessitate additional temporary income supplementation to attract and retain lead candidates. Some private higher education and private industry companies provide assistance in terms of large relocation "bonuses" or multi-year, declining amount stipends to bridge the differences between the hiring location and a candidate's home area. Initiating such programs requires bargaining with represented units unless there has been an acknowledged bonus or stipend practice in place at a campus.

An indirect way of supporting employees with their housing needs is taking a proactive role in providing new employees with local resource advice and information about available programs. This can include pre-negotiating favorable rates and/or closing costs with local mortgage lenders. Holding real estate education and financial planning sessions for potential employees and seminars for continuing employees, creating relationships with real estate offices for commission reductions, identifying mortgage broker services, and appraisal or escrow companies that will provide excellent service to CSU employees are all support mechanisms that are needed when relocating. Applying resources to this task is not yet a widespread practice at the CSU, however more campuses are beginning to examine the benefits of establishing the expertise to provide in-house advising and sourcing of services. While systemwide arrangements can be effective for some services, these types of needs are local in nature and require direct personal relationships.

**Conclusions:**

Any combination of options – providing new housing stock, down-payment assistance, favorable interest rates, homeowner advice will be helpful and likely viewed in a positive light for recruitments. Given the differences in campuses' growth projections, area real-estate markets and local community priorities, a variety of approaches need to be offered to address what is now not a "low-to-moderate" income dilemma, but a "workforce housing" dilemma. The CSU is certainly not the only public entity in California whose employees face the possibility of not being able to purchase a home near their workplace.

# Faculty Staff Housing Issues
# June 2006

## Background

The California State University's (CSU) ability to attract and retain faculty and staff to the campuses and headquarters office has been increasingly challenged by the escalating cost of housing in California. In early 2001, the university conducted a survey of 6,800 faculty and staff that had been with the CSU for four years or less. The purpose of the survey was to assess employees' satisfaction regarding their living situation and the impact of the cost of housing. Over 2,700 employees provided input to the survey – a 40% response rate.

The results of the survey confirmed the suspicions of CSU management – that housing availability and cost were of critical concern when deciding to accept a position or continuing to work for the CSU. Over 31% of the respondents had considered leaving employment with the CSU due to the cost of housing.

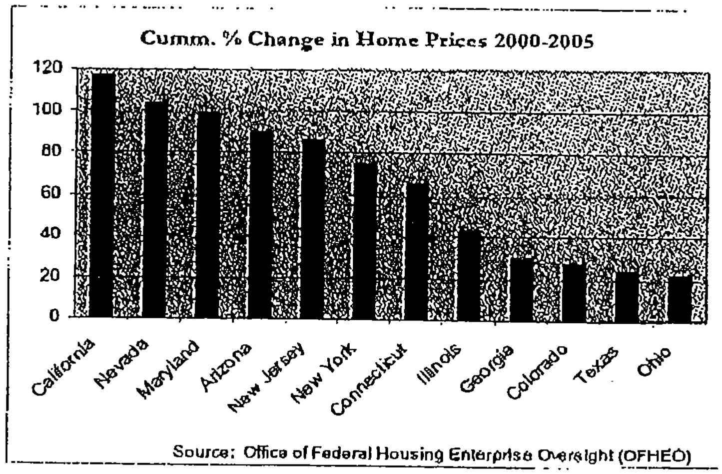
An in-depth follow-up study performed by Bay Area Economics in October 2001 noted that while many factors contributed to acceptance of an employment offer into California (family ties, great weather, and reputation of the university or program), the cost of housing had become an increasing deterrent to accepting a position in the higher cost areas of the state. Individual campus surveys since 2002 continue to confirm that the cost of housing is a significant concern and that any assistance provided by the University is held in a positive light.

The purpose of this paper is to document the current housing environment for CSU employees and discuss options that CSU can employ to mitigate this impediment to successful recruitment and retention. This report summarizes input from interviews with management at seven campuses that are actively engaged in housing development, discussions with a public financing agency and mortgage brokers, and data from lenders.

## The Current Marketplace

Over the last five years, housing affordability in California has become more limited. The California Association of Realtors notes that in December 2005, the housing affordability index (the number of households that can afford to purchase a home) was only 14%, down from 19% in December 2004. While mortgage interest rates have stayed relatively low since 2000, median housing prices have increased 117% on a cumulative basis. Rental rates have also generally gone up with the price of real estate. Unfortunately, the California State budget was weak during this same time frame and the CSU experienced significant general fund budget cuts. CSU faculty and staff received general salary increases of less than 8% over the five years.

The rest of the country has not experienced the same accelerated pricing increase seen in California. The chart below demonstrates the abnormal price growth in California compared to other states used in CSU's periodic salary and fee analyses:




Even if home prices had been relativly the same across the U.S. in 2000, a person who left California and purchased a home in another state would have had a difficult time buying back into the California market in subsequent years, due simply to the slower equity growth in the other state. Since homes in the West were already more highly priced than in most other regions, this rapid price escalation has forced an even wider affordability gap.

While median existing single family home prices in metropolitan areas of the northeast are in the $400,000-500,000 range, most areas of the Midwest and South have median prices approximating less than half of the California's first quarter 2006 median price of $535,000. The table below shows median single family home sales prices in some of the locations where CSU's comparison schools reside and the locations of several CSU campuses.

| **Metropolitan Area** | **Median Sales Price Existing Single Family Home - 1Q 2006** |
|---|---|
| Reno, NV | $357,000 |
| Baltimore, MD. | $266,000 |
| Phoenix, Ariz. | $268,000 |
| Newark, NJ | $405,000 |
| Albany, NY. | $190,000 |
| Bloomington, IL | $148,000 |
| Atlanta, GA. | $168,000 |
| Denver, CO. | $244,000 |
| Dallas-Arlington, TX. | $146,000 |
| Cleveland, OH. | $127,000 |
| *Sacramento, CA.* | *$376,000* |
| *San Diego, CA* | *$607,000* |
| *San Francisco-Oakland, CA.* | *$720,000* |
| *San Jose, CA.* | *$746,000* |
| *Los Angeles-Long Beach, CA.* | *$564,000* |
| *Anaheim – Santa Ana, CA.* | *$713,000* |

Source: National Association of Realtors

Recent small increases in mortgage interest rates appear to have had a "slowing" effect on the sales of homes – houses stay on the market longer and the pricing increases have also slowed. However, many opinions exist regarding the direction of the market and prices are still at historical highs with little softening. As long as demand remains high and home building starts remain low, prices are likely to remain strong.

## Impact on Employees and Recruitment

The CSU awarded 720 new tenure/tenure track faculty appointments for fall 2005. Prior year numbers have been as high as 950 appointments. With the projected growth in the number of students and anticipated retirements (half of CSU faculty is over 50 years of age); recruitment numbers are expected to be at 900 or above each year over the next 5 years.

How are the home prices impacting CSU's recruitment success? Follow-up interviews have been conducted with lead candidates who rejected tenure/tenure track offers from the CSU. The main reasons given for declining are: better offer elsewhere, inadequate salary, cost of housing and "other."

CSU successfully filled 76% of the recruitments for tenure track faculty positions in 2005. However, 58% of the faculty hired for fall 2005 were previously employed in California – either within higher education or in other industries. The local pool of candidates is understandable; they may already have property and family in California or have been conditioned to the higher cost of living in the state. However, this homogeneity of origin is beginning to cause concern among the university's academic leaders, since students will not have the opportunity to benefit from a broad diversity of experience and backgrounds in their professors.

How do the high home prices translate for the financial lives of new or recent hires? To qualify for a $400,000 conventional 30 year loan (purchase of a $500,000 home after putting $100,000 or 20% down) at 6.5%, a person with good credit history needs to have a household income of $84,000 to qualify for the purchase of a condo, town home or detached single-family dwelling.

For the median priced home in San Jose of $746,000, a household income of approximately $130,000 is required, after a down payment of almost $150,000 plus closing costs.

In contrast, the average starting salary of an Assistant Professor, the most common hiring level in fall 2005, was $58,500. Staff positions have pay-scales that generally start in the $30,000-$40,000 range. At the average starting Assistant Professor's salary, an employee with good credit would qualify at most for a loan of $275,000 assuming housing to income debt level ratio of 45%. If the ratio was allowed to go as high as 60% (including car and student loans totaling $550 per month), a $295,000 loan could be approved at the starting salary. For a staff member making $40,000 per year, the loan size would be limited to approximately $175,000 at the 60% debt to income level. Additional debt load would require a supplemental income source (e.g., spousal income or shared ownership) or other substantial down-payment assistance to qualify.

Many lenders are offering loans with 40-year terms – bringing the income requirement for a $400,000 loan down to approximately $79,000 at a 45% housing debt-to-income ratio. Adjustable rate mortgages, with low starting rates are also an option but add risk to the employee's financial situation as rates increase. 100% financing can be achieved with second mortgages.

## The Bottom Line – How can CSU help?

The critical factor in acquiring a home is qualifying for a mortgage loan. Having appropriate credit history and income to cover payments of principal, interest, taxes and insurance (along with any other personal debts such as car or student loans) are the key elements for a lender's approval.

So what options exist to help new hires qualify for a loan? Basic approaches:

- Minimizing the size of the mortgage debt by subsidizing the home cost or supplying additional down-payment funds;
- Reducing the payment impact by providing favorable interest rates; or
- Supplementing income.

The methods for accomplishing these end goals are many – some are already being utilized by CSU campuses. Each of these opportunities is discussed below with related pros and cons.

## Minimizing the Size of the Debt Load

**Providing down-payment funding:** Increasing the amount of money for down-payments or closing cost assistance is one way to reduce the employee's monthly mortgage payment. Options include utilizing CSU funds (not currently available), hiring/relocation bonuses, public agency offerings, and special arrangements with lenders. The following table includes more information on these options:

| Approach | Pros | Cons |
|---|---|---|
| ***Utilizing CSU funds:*** Issuance by CSU of second mortgages at favorable rates (e.g., IRS Applicable Federal Rate) or deferred interest with shared appreciation clause. Repayment clauses are recommended upon retirement or separation. Source of funds potentially could be donations, bond issuance (taxable), or use of invested short term assets. | - Helps homeowner avoid the cost of Private Mortgage Insurance (PMI) (applicable if 1st mortgage is greater than 80% of value). PMI can add $2,000 to $4,000 per year in payments.<br>- Provides homeowner flexibility in choice of location and home purchased.<br>- If loan rate is equal to CSU debt cost, there would be little or no cost to the CSU. | - If deferred or low interest rates offered, could have taxable impact for employee.<br>- Places CSU in employee's personal financial situation.<br>- Amount of funds needed could be substantial.<br>- Would need to arrange administrative structure to manage issuance and collection. |
| ***Hiring/Relocation Bonuses:*** Provide hiring or relocation "bonuses" that are adequate to help with down payments or closing costs. | - No conditions attached to use of funds, no repayment required. | - Most campuses do not have adequate compensation pools, or endowments that will enable such bonuses.<br>- Requires bargaining with represented units unless there has been an acknowledged bonus or stipend practice in place at a campus. |

| Approach | Pros | Cons |
|---|---|---|
| ***Public Agency Offerings:*** Some city redevelopment agencies have been willing to set up programs offering no interest loans for purchases within the city limits. (San Bernardino, San Jose) These have been more commonly created for K-12 teachers and other public employees but are now being extended to CSU faculty. | - Provides some down-payment assistance funding.<br>- Encourages reduction of commuting and resulting pollution by encouraging local buying. | - Programs tend to have many restrictions: median income indexed limits, minimum term lengths, requirements around first trust deed loans, limits on home prices.(see appendices for various program guidelines)<br>- The median income limits are frequently below the income levels required to qualify for the size of loan needed. |
| ***Arrangements with Lenders:*** CSU has a systemwide offer from CitiMortgage which awards grants up to $5,000 to low-moderate income buyers or employees purchasing in low-income tracts, and waives the application fee. (see appendices for program description)<br>CalHFA offers down-payment assistance through their lenders to first time homebuyers that meet income and price limit criteria. | - Available to all employees who meet qualifications.<br>- CSU is not drawn into employee's personal financial situation. | - The overall package (interest rates, closing costs, service) from a given lender with whom the CSU has an arrangement may not be the best deal for a specific employee's financial situation.<br>- The incentives for lenders are geared toward low-moderate income households. At those incomes, purchasing in California may not be an option in most areas. |

**Constructing Units or Acquiring Properties for sale:** Since campuses cannot control their general area's market pricing, some campuses (Channel Islands, Monterey Bay, Fullerton, SLO, and Pomona) have acquired or built housing intended for sale with the goal of reducing cost to the buyer by removing the full land value and developers profit from the purchase price. Construction is being undertaken in several ways:

| Approach | Pros | Cons |
|---|---|---|
| ***Constructing on campus land*** – sales of units with a ground lease; restrictions on price of resale and sellers' appreciation, and limited priority of potential buyers; exit provisions for retirement or separation from CSU. Ground lease rent and a maintenance or common area | - Supplies additional housing stock with no commute, especially where slow or no-growth local policies exist;<br>- Recruitment tool.<br>- Employees can purchase homes at 20-30% below area market. | - Prevailing wage requirements, recent significant increases in materials costs, and large infrastructure build-out costs have made it increasingly difficult to keep prices of the new units at an affordable level. |

| Approach | Pros | Cons |
|---|---|---|
| fee is collected from the owner. | - Develops a "campus community"<br>- Lenders have been willing to provide 100% financing with no mortgage insurance based on comparative appraisals.<br>- Campus retains control over property for future faculty or staff purchase | - Long development timeframe – usually 5 years for larger projects, though some smaller developments may be constructed in shorter timeframes.<br>- High financial risk if the homes do not sell quickly.<br>- Limited number of faculty/staff can be served in this manner.<br>- Becomes permanent use of campus land.<br>- Places the campus in the middle of an employee's financial affairs. Can impact future employment decisions. |
| ***Acquiring Land off campus and constructing units:*** For campuses without available on-campus space, residential land is acquired through public transfer or outright purchase. Source of funds could be campus-based or system-wide. Units are constructed and sold using similar model to the campus land developments. | - All the advantages cited above for on-campus developments.<br>- Removes prevailing wage requirement.<br>- Provides variety of locations for employees to live, since different families have differing needs and likes. | - Similar issues as cited above (except for the prevailing wage requirement).<br>- Any land costs incurred will add to the overall price of the unit.<br>- Availability of land in urban areas may be small and very difficult to acquire. |
| ***Partnering with developers:*** Working with local developers to share in residential developments, using campus' influence with local leaders to get projects approved. Developers appear to be willing to "set-aside" a segment of a development at lower prices to enable project to proceed. | - Campus influence may create more housing opportunities for the community.<br>- University employees generally thought of as desirable clientele, adding value to the neighborhood. | - Many options need to be on the table at the same time – probability of fruition of any one project may be low.<br>- Developers' and local city/county land use and zoning plans may conflict with campus goals and CSU authority for design and density.<br>- Campus may need to contribute funding up-front until units are sold and keep some investment in the land to maintain control. |

| Approach | Pros | Cons |
|---|---|---|
| ***Acquiring already built properties:*** Purchasing homes or multi-family buildings for resale or rental. Example: Cal Poly Pomona Foundation has acquired and renovated 11 single family dwellings in a neighborhood near the campus. The homes are resold with the campus retaining title to the land. Investment in the land is returned over time as the properties are resold and some appreciation is recognized. | -Avoids the overall development and construction process<br>- Begins building an enclave of employee housing. | - Long time frame to accumulate a critical mass of units.<br>- Needs of only a limited number of employees can be addressed.<br>- Campus/Foundation investment could be significant with funds committed for many years. |

## Favorable Interest Rates:

A reduction of 1% in the interest rate on a $400,000 30-year conventional mortgage would reduce annual payments by $3,100. The reduction in payments would also lower the required annual qualifying income level by approximately $7,000. The following options are suggested to engage potentially lower rates:

| Approach | Pros | Cons |
|---|---|---|
| ***Mortgage Issuance by CSU:*** Utilizing bond issuance (taxable) capacity, commercial paper (taxable) or currently invested funds, CSU may be able to initiate mortgage loans to employees at rates less than the commercial mortgage market. Examples: Univ. of California (UC) Mortgage Origination Program, Stanford University Housing Allowance Program.<br>Administration for such a program could be outsourced to an established public entity like CalHFA, or partner with the UC or another entity. | - Employee access to lower mortgage rates.<br>- Moderate risk investment for the CSU | - Potentially large amount of funds needed depending upon breadth of eligibility (e.g., 250 loans at $300,000 requires $75 million)<br>- Impact on debt capacity available for other projects.<br>- Requires bargaining with represented units.<br>- Places CSU in the middle of an employee's financial affairs. |
| ***Buy-down of rate:*** Use down-payment assistance to lower a commercially | - Can be initiated by any loan applicant with most lenders. | - As with other CSU supplied down-payment assistance options, requires bargaining |

| Approach | Pros | Cons |
|---|---|---|
| offered mortgage rate by paying "points". A 1% rate reduction can be accomplished by paying 2+ points up front, equating to at least $8,000 on a $400,000 loan. | - Available CSU capital can assist more employees than via the direct mortgage method. | with represented units. |
| ***Special programs with lenders:*** Develop offers with regional or statewide banks for interest rate reductions for employees. Example: Mid State Bank provides 1/8 % rate reduction to SLO employees purchasing homes in the new campus housing development. | - Provides another option for employees to reduce payments.<br>- As a vendor offering, could have broader geographic application and does not involve the CSU in the employee's personal financial matters. | - Mortgage rates can differ by 1/8 to 3/8 of a percentage point between competitive banks on a given day. The rate from the referred vendor may actually not be the best rate available. Paying ¼ point in higher rates can eliminate other benefits that might have been negotiated (waiving application fees, minimizing processing costs). |

## Income Supplementation

The importance of household income levels to successful approval for a mortgage has previously been discussed in this paper. During state budget downturns, CSU is not able to provide adequate salary increases to allow an employee's compensation to keep up with housing cost increases. A temporary income increase option might be considered.

| Approach | Pros | Cons |
|---|---|---|
| ***Multi-year declining housing assistance supplement:*** Development of a supplemental monthly payment or stipend to bridge the gap between the cost of living in the hiring location and the costs of the candidate's existing location. Amount of stipend would reduce each year since the employee's household income is expected to increase. Example: Nine-year assistance program. Cost of a home is $150,000 more in California city than in current location. Additional monthly costs would be approx. $1,100 for that difference. The first year a stipend of $1,100/mo. would | Keeps CSU out of employee's decisions of housing type, location, or financing method.<br>- Requires less upfront funding than large hiring or relocation "bonuses"<br>- Creates incentive for a longer term commitment to CSU by the employee. If employee separates from CSU, the supplement would be automatically discontinued and repayment criteria could be established. | - Implementation may require consultation with represented units.<br>- Would be taxable income to employee.<br>- Requires administrative set-up.<br>- Requires bargaining with represented units unless there has been an acknowledged stipend practice in place at a campus |

| Approach | Pros | Cons |
| --- | --- | --- |
| be provided, $978/mo. the following year, etc., declining by 1/9 each year. Repayment criteria could be required if an employee receiving this supplement voluntarily separates within a specific number of years. | | |

## Other Methods of Assistance:

An indirect but valuable option in assisting employees is to provide information and financial advising sources to new recruits and recent hires. If a recruit has no family or other contacts in the area, finding the "right" living location that includes an acceptable environment, the best schools for their children, and other needed services is a daunting experience. Interim rental options for the employee and/or their family can smooth the transition while finding a home to purchase.

Providing sources for real estate sales companies or mortgage brokers, and creating relationships with appraisal and escrow firms with preferred pricing arrangements can be a powerful recruitment service. Ensuring that a new employee understands any special financing programs that they might be eligible for – CalPERS, CalHFA, CitiMortgage, local redevelopment agency programs – may make the difference between an employee successfully acquiring a home - or not.

## Conclusion:

The CSU is not alone in this dilemma – most public sector and non-profit entities, forced by budget pressures to constrain salaries, are also experiencing this "affordability" squeeze. Until recently, local governmental entities have focused their support efforts on their own public employees – firefighters, police, K-12 teachers and, especially, on lower income households. As local governments begin to recognize the problem as "workforce" housing – not just low income housing – more opportunities may arise for CSU to expand partnerships with other agencies.

In the meantime, the CSU can explore or expand a variety of options to address the housing affordability issue for its own employees. Each option has its own risks and sets of hurdles and some may not be applicable for every campus. Further development of some of the approaches mentioned, however, either on a system-wide or per campus basis has merit in light of the recruitment and retention challenges that the CSU will continue to face.

**Appendix A - California Housing Finance Agency (CalHFA) Home Loan Program**

In order to qualify for a CalHFA loan, certain requirements must be met. They are:

- Be a first-time homebuyer. (CalHFA considers you a first-time homebuyer if you have not owned and occupied your own home during the last 3 years.). This requirement is not necessary if the property is located in a Federally designated " Targeted Area" (Census tracts in which 70% or more of the families have income which is 80% or less of the statewide median family income )
- Have an annual household/family income within CalHFA's income limits for the family size and county in which the home is located. (Examples provide below)
- Purchase a home that is within CalHFA's sales price limits (examples provided below) for the family size and county in which the home is located.
- Live in the home you are purchasing for the entire term of the loan, or until the home is sold or refinanced.
- Meet credit, income and loan requirements of the CalHFA lender and the mortgage insurer.
- Be a citizen or other national of the United States or a qualified alien.

CalHFA Moderate Income Limits by County (140% of HUD median income) - April 2006:
Interest rates for Moderate income households are set ¼ % higher than for Low Income households.

| | 1 or 2 persons | 3+Persons |
|---|---|---|
| Los Angeles | $83,160 | $97,020 |
| Fresno | $64,100 | $73,715 |
| Orange | $97,320 | $113.540 |
| San Diego | $82,800 | $96,600 |
| San Francisco | $135,720 | $156,319 |
| San Luis Obispo | $76,560 | $89.320 |
| Santa Clara | $127,320 | $148,540 |
| Ventura | $96,720 | $112,840 |

Sales Price Limits - Effective February 2006 (adj. every 6 months):

| | New Construction | | Resale | |
|---|---|---|---|---|
| County | Non-Targeted | Targeted | Non-Targeted | Targeted |
| Los Angeles | $573,957 | $701,503 | $535,192 | $654,124 |
| Fresno | $311,625 | $380,875 | $311,625 | $380,875 |
| Orange | $573,957 | $701,503 | $535,192 | $654,124 |
| San Diego | $519,584 | $635,047 | $535,446 | $654,434 |
| San Francisco | $629,006 | $768,785 | $619,381 | $757,021 |
| San Luis Obispo | $470,224 | $574,718 | $519,627 | $635,099 |
| Santa Clara | $630,435 | $770,531 | $627,591 | $767,055 |
| Ventura | $669,041 | $817,717 | $561,939 | $686,815 |

Note: The prices above are within a reasonable range of the median sales prices reported by the California Association of Realtors for single family detached homes in February 2006. CalHFA is currently writing a large portion of their mortgage loans for condos, since those units are generally priced lower than the single-family homes. CalHFA Down Payment assistance programs are also available at approximately 1 ¼ % higher rate than the first mortgage rate.

CalHFA's mortgage rates were approximately 1% lower than other commercial lenders when a same day comparison survey was taken in early May 2006, because tax-exempt bond funds are used. It is possible for CSU to develop a program with CalHFA that would not be subject to the income and home price limits, however funding would likely need to be accomplished with taxable bonds, removing most of the interest rate advantage.

CalHFA has a comprehensive website at: www.calhfa.ca.gov with descriptors of all programs offered.

## Appendix B – CalPERS Member Home Loan Program

The CalPERS home loan program is available to all CalPERS members with no minimum time requirement for membership. (Previously, a 6-month vesting time was required). CalPERS offers a large number of mortgage options at very competitive rates to members including no or low down-payment options and HFA financing (through CalHFA). The following information on their offerings is excerpted from the CalPERS website at: www.calpers.org

***Examples of CalPERS Programs:***

- Fixed Rate Mortgage Loans with 30-60-90-Day Rate Locks
  Your rate can't increase during this period.

- Adjustable Rate Mortgage Loans

- InterestFirst Mortgages
  With initial interest-only periods of 7- or 10-years, these fixed rate and adjustable rate mortgage loans are available for home purchases or refinancing.

- ACCESS Program Rates (100 Percent Financing Option)
  The ACCESS second mortgage loans are for down payment or closing cost assistance.

- CitiSecond Option (100 Percent Financing Option)
  The CitiSecond is a second mortgage loan that can help you secure funds for your down payment.

- Controlled Closing Costs

- MyCommunityMortgage™ Option
  Review this suite of low down payment products with flexible credit guidelines for low-to-moderate income borrowers with limited cash resources.

- Flexible Mortgages
  Our Flexible Mortgages are designed to help if you have limited cash resources for the down payment or closing costs. You can also use alternate sources of funds for closing costs.

- Fannie 97 Mortgage Option
  These mortgages are also designed to help those with limited funds for down payment and closing costs.

## Appendix C – CitiMortgage Agreement

The initial agreement between CSU and Citigroup was established in 2002. Several amendments to enhance the agreement have been made since inception, with grant allowances growing with each amendment. CitiMortgage has written 80 loans to date utilizing the terms of this agreement, funding a total of $15 million or an average loan amount of $188,000. Over half of these loans were issued within two of the CSU constructed housing developments – University Glen at CSU Channel Islands and CSU Fullerton's University Gables – essentially because of CitiMortgage's marketing focus on these two areas.

Because of the limits on the grants to 100% of Area Median Income or low-to-moderate census tracts, the CitiMortgage agreement has had more limited applicability for high cost areas in recent years. Only four loans have been accredited to this agreement since January 2005.

***The terms below are effective through October 2008 for all CSU Employees:***

- Waiver of application fee upon closing

- CSU employees purchasing or refinancing their homes will be provided assistance of:

  1) up to 3% of the loan amount for closing costs and prepaid expenses if the borrower's household income is less than 50% of Area Median Income (AMI), up to 2% if the borrower's household income is greater than or equal to 50% and less than 80% of AMI, and 1% if the borrower's household income is greater than 80% and less than 100% of AMI, up to a maximum of $5,000, or

  2) up to 2% of the mortgage loan amount for closing costs and prepaid expenses if the property securing the loan is located in a low-to-moderate census tract (LMICT), regardless of borrower household income, up to a maximum of $5,000.

- Access to an array of MyCommunity mortgage offerings

For CSU Leasehold Properties: Above PLUS

- No PMI if appraisal value is 80% or less of fee comparable properties – even if loan is for 100% of the leasehold property cost.

- No PMI option can be offered to other recognized public entities' employees who purchase in the leasehold development.

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Examples of HUD Area Median Income - Effective March 2006:

| | |
|---|---|
| Los Angeles/Long Beach/Santa Ana | $61,300 |
| Orange | $61,300 |
| San Francisco/Oakland/Fremont | $86,300 |
| San Jose/Santa Clara | $97,100 |
| Ventura | $79,500 |

## Appendix D: Website URLs for CSU Housing Projects and other Higher Ed Housing Programs

CSU Projects:

- CSU Channel Islands: University Glen www.universityglenhomes.com
- CSU Fullerton: University Gables and University Heights www.csufhomes.org
- CSU Monterey Bay: Schoonover Park www.csumb.org/cehi
- Cal Poly San Luis Obispo: Bella Montana www.bellamontanahomes.com

Other Higher Education Housing Programs mentioned in this report:

- Stanford University: http://fsh.stanford.edu
- University of California: http://www.ucop.edu/facil/olp/annualreport/reports/annualreport04-05b.pdf