

In The Media – News Release / Statements

Representative Edward Royce Announces \$25 Million Private Sector Solution to Affordable Housing Crisis With Freddie Mac, California Neighborworks, California Bank & Trust, IMPACT Community Capital, California Housing Loan Insurance Fund

May 31, 2001

Unique Housing Finance Partnership Helps Low- and Moderate-income Families

McLean, VA. Rep. Edward Royce (R-CA) and Freddie Mac today announced a landmark \$25 million private-sector initiative that will significantly help more California families overcome income, credit, and savings barriers to affordable homeownership without public subsidies.

The new statewide effort combines an affordable 30-year fixed-rate first mortgage with a very low market rate second loan that families can use to finance their downpayment or closing costs. The pilot program also combines low-cost mortgage insurance, flexible underwriting, and minimal borrower contributions with a statewide grassroots marketing and counseling effort spearheaded by the California NeighborWorks Organizations.

"Strong home price appreciation in Orange County has priced many low and moderate income borrowers out of the housing market," Congressman Royce stated. "This creative initiative will expand homeownership opportunities for hard-working families by dramatically reducing the cash required to buy a home. I applaud the determination and commitment of all the partners involved in driving a solution to the affordable housing problems in my district."

The unique private sector pilot is the result of a far-reaching new collaboration between Freddie Mac, California Bank & Trust, Impact Community Capital, the California Housing Loan Insurance Fund, and the California NeighborWorks Organizations. The California NeighborWorks organizations are members of the Neighborhood Reinvestment Corporation's national NeighborWorks® network. Rep. Royce, Freddie Mac Launch \$25 Million Affordable Homeownership Effort

"This announcement means a family with just \$2000 in their checking account could buy a \$200,000 house today," said Craig Nickerson, Freddie Mac's vice president of community development lending. "I want to congratulate California Bank & Trust, the NeighborWorks Organizations, CaHLIF, and Impact for coming together to pool their creativity and resources to help more families across the state become homeowners."

Under the pilot, California families can finance the minimum 3 percent downpayment with a below-market second mortgage from CaHLIF that isn't repaid until the house is sold. Families earning up to 80 percent of their area's median income can also receive as much as \$2,500 towards closing through a grant from California Bank & Trust. Borrowers need to contribute one percent of the purchase price from their own personal funds towards either the downpayment or closing costs.

"This is an up-to-date program that truly addresses the affordability problem in Orange County. It will be especially helpful to the hard-working families who are struggling to cover the downpayments and closing costs on a house priced between \$235,000 and \$285,000," says Pablo Velasquez, President of Neighborhood Housing Services of Orange County and a local real estate broker. Other key benefits of the new Freddie Mac pilot include flexible treatment of past credit issues and expanded debt-to-income ratios – so more low and moderate-income families can qualify for an affordable market rate, conventional mortgage. The program is open to all qualified families earning up to 140 percent of the area median income.

Buyers to Receive Counseling and Low-Interest Loans

California's statewide network of NeighborWorks Organizations will market the new pilot program, and recruit and counsel potential borrowers. Orange County Neighborhood Housing Services is one of the first community-based housing organizations to offer this new affordable homeownership initiative.

California Bank & Trust will originate the mortgages and sell them to Freddie Mac. By purchasing the mortgages, Freddie Mac replenishes the program so that the Bank can help more California families afford homeownership. The California Housing Loan Insurance Fund (CaHLIF) will insure the first mortgage.

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"We are proud to be a part of this important program," said Mike Mantle, senior vice president of the Community Development Department of California Bank & Trust. "It's our mission to be a highly respected statewide financial services company and develop advantageous relationships that benefit residents of our communities. This initiative will help ensure that housing opportunities are within the reach of more Californians."

To help low and moderate-income borrowers pay the required downpayment and closing costs, Impact will invest \$500,000 in a revolving loan pool that will be used to finance the below-market rate second mortgages that borrowers can use to finance downpayments as well as some closing costs. The interest rate on the 30-year second mortgage is 3 percent.

"This is a unique partnership and Impact is proud to be a participant in this very special outreach program," said Daniel F. Sheehy, president and chief executive officer of Impact. "Impact is committed to making sound and meaningful investments in California communities, and this initiative scores very high on both

counts. After all, hundreds of low- and moderate-income families would otherwise not be able to realize their dreams of owning homes of their own. The Impact companies are eager to provide the essential risk capital to make these mortgage loans available.”

Interested borrowers can learn more about the California NeighborWorks pilot with Freddie Mac by visiting www.calneighbor.com.

Impact was formed in 1998 to invest in underserved communities on behalf of the insurance companies that own it. Currently, Impact is owned by Allstate Insurance Company, Farmers Insurance Companies, Nationwide Mutual Insurance Company, Pacific Life Insurance Company, PMI Mortgage Insurance Company, SAFECO Insurance, State Farm Insurance Companies, Teachers Insurance and Annuity Association and 21st Century Insurance Company.

California Bank & Trust is a subsidiary of Utah-based Zions Bancorporation, whose stock is listed on the NASDAQ National Market® (ZION). The Bank is a member of the STAR System, MasterCard, Visa/PLUSTM, AMEX and Discover ATM networks, giving customers access to more than 200,000 ATM's worldwide, 24 hours a day, 7 days a week. Additional information can be accessed at www.calbanktrust.com.

The Neighborhood Reinvestment Corporation is a public, nonprofit established by Act of Congress in 1978 to develop strong partnerships that revitalize America's urban, suburban and Rep. Royce, Freddie Mac Launch \$25 Million Affordable Homeownership Effort rural communities and make housing affordable. The Corporation accomplishes this goal through providing training, technical assistance, program risk monitoring, and strategic funding to expand and maintain the strength of the NeighborWorks® network. In 1999 alone, the network generated more than \$1 billion in local reinvestment.

Freddie Mac is a stockholder-owned corporation established by Congress in 1970 to create a continuous flow of funds to mortgage lenders in support of homeownership and rental housing. Freddie Mac purchases mortgages from lenders and packages them into securities that are sold to investors. Over the years, Freddie Mac has opened doors for one in six homebuyers in America.

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