

Introduced by Senator Soto

March 16, 2000

An act to add Section 50199.19 to the Health and Safety Code, relating to housing.

LEGISLATIVE COUNSEL'S DIGEST

SB 2198, as introduced, Soto. Tax credits: second mortgages.

Existing law designates the California Tax Credit Allocation Committee as the state's housing credit agency for purposes of allocating federal housing tax credits.

This bill would authorize the committee to distribute housing tax credits to lenders that make qualified 2nd mortgage loans to qualified low-income homebuyers.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 50199.19 is added to the Health
2 and Safety Code, to read:
3 50199.19. (a) The Legislature finds and declares all of
4 the following:
5 (1) It is paramount to sustain a robust economy in
6 California and to ensure strong communities and schools
7 to promote broader homeownership across economic
8 groups.
9 (2) While more Americans (67 percent) own their
10 homes today than in any time in American history,



1 homeownership in California lags well behind the rest of
2 the states, at 57 percent, with only Hawaii at a lower
3 percentage.

4 (3) California used to parallel the rest of the nation on
5 housing costs and affordability, yet today the state has
6 seven of the nation's 10 least affordable communities. The
7 median new home price in this state exceeds the national
8 median price by 37.5 percent.

9 (4) To increase California's homeownership rate to
10 the national average, the state needs one million new
11 homeowners.

12 (5) Home prices are so high in California that the
13 average newly formed household would have to nearly
14 double its income to qualify to buy the median-priced
15 home.

16 (6) Homeownership among lower income families
17 lags significantly behind the general population.
18 Low-income homeownership rates are 45 percent while
19 higher-income rates are at 86 percent.

20 (7) These homeownership rates matter because home
21 ownership is the primary path to the middle class for
22 many families. Homeownership has been shown to
23 reduce crime, while increasing school retention and
24 graduation, civic engagement, children's future earning
25 potential, and overall life satisfaction.

26 (8) Home equity represents two-thirds of all
27 low-income family wealth. The median wealth of
28 nonelderly low-income homeowners is 12 times greater
29 than the median wealth of similar renters with the same
30 income.

31 (9) A tax credit program that encourages lenders to
32 make second mortgage loans would significantly increase
33 homeownership rates among low- and moderate-income
34 households. A second mortgage can reduce the amount
35 necessary for the first mortgage loan and thus reduce the
36 amount of the downpayment. The second mortgage can
37 therefore also reduce the monthly loan payments on the
38 first mortgage.



1 (b) The committee may distribute housing tax credits
2 pursuant to this chapter to lenders that make qualified
3 second mortgage loans to low-income home buyers.

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