



California Dream for All Annual Report

Pursuant to Health and Safety Code Section 51526, the **California Housing Finance Agency** is pleased to submit this report to the Legislature providing an update on the implementation of the **California Dream for All Program**.

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Secretary, Business, Consumer Services and Housing Agency

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Executive Director, California Housing Finance Agency

A copy of this report may be downloaded from the [CalHFA website](#).

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Summary

The 2022–23 State Budget established the **California Dream for All Program** (Dream for All or Program), a revolving shared appreciation loan program. The 2022–23 State Budget and associated authorizing statutes appropriated \$500 million for the Program, established broad program parameters, and designated the California Housing Finance Agency (CalHFA) as the administrator of the Program.

Since the 2022–23 California State Budget was approved, CalHFA staff have been working to implement the California Dream for All Program, developing detailed program design parameters in concert with input from stakeholders and establishing the necessary legal, technological, and programmatic infrastructure to deliver a shared appreciation loan product to the marketplace.

CalHFA's annual report of the progress of this program provides an overview of the anticipated program parameters and the implementation status.

Introduction and Overview

The 2021-2022 State Budget (Assembly Bill 140 of 2021) provided for the State Treasurer to create a report outlining a proposed design framework for a new shared appreciation homebuyer assistance program called California Dream for All. The State Treasurer commissioned California Forward to prepare this report, which was submitted to the Legislature in June 2022.

The 2022–23 State Budget (Assembly Bill 197) established the **California Dream for All Program** (*Dream for All or Program*), a revolving, shared appreciation loan program designed to increase access to home ownership for low- and moderate- income Californians. These shared appreciation loans provide funding to assist with down payments and closing costs for homebuyers.

In addition to establishing the Dream for All Program, the 2022–23 State Budget allocated \$500 million to the Program, and designated CalHFA as the administrator of the Program. The authorizing statute sets broad parameters for the Dream for All Program, offering the following specific requirements:

- The Dream for All Program must include a shared appreciation loan feature.
- The Program's objective is to expand access to homeownership by helping low- and moderate-income homebuyers purchasing owner-occupied homes.
- The design of the loan product should not unreasonably impede wealth creation through homeownership for participating homebuyers.
- The Program should maximize the number of households assisted over time, ensuring that funds used to help one homeowner are then recycled upon repayment to help future homeowners. As part of that, CalHFA will explore selling the shared appreciation loans on the secondary market.
- The shared appreciation loan must be paired with a CalHFA first mortgage.
- Because shared appreciation loans are a complex financial product, the Program design must include adequate consumer protections and disclosures to ensure that the consumer understands their loan.

Overview of Shared Appreciation Loans

A shared appreciation loan is a loan that is repayable via a share in the increased value of the home over time. For example, if the Program offered down payment assistance amounting to 20% of the home sale price, upon repayment, the borrower would pay back the original loan amount plus 20% of the increase in home value at the point of sale. In this example, we assume that the appreciation is shared on a pro rata (1:1) basis the fund provides 20% down payment and shares in 20% of the home price appreciation.

Note: the share of appreciation is dependent on the loan terms and that amount could be greater or less than the original share of the purchase price.

A shared appreciation loan is typically structured as a second mortgage, subordinate to the first mortgage lien—the same as CalHFA's existing down payment assistance programs. The homebuyer does not make any payments on the loan until they sell, refinance, or transfer the property, at which time they would owe the original loan amount plus the designated share of appreciation. In a shared appreciation loan with a pro rata (1:1) appreciation share (i.e., the appreciation share is equal to percentage of the original investment relative to the original purchase price), the effective interest rate on the loan is equal to the average annual appreciation in the home's value. Over the long term, the average annual home price appreciation in California has approximated 5% but varies widely on a year-to-year basis. For example, in 2008, real estate values plunged by 35%. Conversely, real estate values spiked nearly 40% between 2020 and 2021.

Implementation Status

Since the 2022–23 California State Budget was approved, CalHFA staff have been working to implement the California Dream for All Program in accordance with the statutory framework outlined above.

As authorized by our Board of Directors, CalHFA staff have established initial program parameters with consideration to the statutory requirements and CalHFA lender infrastructure and capacity to deliver shared appreciation loans. Since the program has not yet been launched, the features below are subject to change.

Key Program design features established to date:

Homebuyer Eligibility

Prospective first-time homeowners earning up to the CalHFA income limits (~150% Area Median Income [AMI]) will be eligible to receive a Dream for All shared appreciation loan. A separate eligibility track conferring additional benefits for communities that have historically been underserved by the mortgage market will be established as part of the Program—[see Social Equity Feature section](#) below.

Eligible Costs

Dream for All shared appreciation loans may be used to fund down payments and closing costs, including interest rate buydowns.

Level of Assistance

The Program will provide shared appreciation loans of up to 20% of the home sale price. Home price appreciation would be distributed between the homeowner and the Program on a pro rata (1:1) basis, subject to the caps on the Program's share of appreciation described below. In other words, if the Dream for All Program funds a shared appreciation loan of 20%, when the homeowner sells, refinances, or transfers the home, they will owe the original amount borrowed plus 20% of the increase in the home's value.

Cap on Program Share of Appreciation

The Program's share of appreciation will be capped at a multiple of 2.5 times the original loan amount. This is roughly equivalent to how much appreciation the Program would earn over the course of a 30-year loan with home values appreciating an average of 5% annually.

Social Equity Feature

The Dream for All Program will include a feature designed to confer additional benefits to communities that have historically been underserved by the mortgage market and have lower rates of homeownership. Buyers earning up to 80% AMI would receive a larger share of appreciation relative to the Program's investment. The Program's share would be set at 75% of the Program's investment in the original purchase price of the home. For example, if the Program provides a 20% shared appreciation loan, the homeowner will owe the original amount of the loan plus 15% of the home price appreciation.

Initially, 10% of program funds will be reserved for this enhanced benefit. After this reservation is exhausted, eligible homebuyers under 80% AMI would receive the regular benefit (1:1 pro-rata shared appreciation).

This preliminary social equity layer will be calibrated after Program launch based on performance as well as input from the advisory Working Group regarding how best to balance the policy objective of providing additional aid to disadvantaged groups and the Program goal of ensuring that Program revenues are sufficient to help future homebuyers.

Stakeholder Engagement

CalHFA has solicited input from industry experts, policy professionals, government partners, consumers, advocates and other stakeholders regarding the Dream for All Program design and implementation process to ensure that Program implementation is grounded in a full understanding of key issues and concerns. CalHFA implemented a two-pronged approach to stakeholder engagement:

Stakeholder Listening Sessions

These offered an opportunity for public comment on any Dream for All-related issue from a wide variety of stakeholders. CalHFA convened a series of three virtual Dream for All listening sessions in September 2022 to facilitate public engagement and receive early feedback from the stakeholder community. Invitations were posted publicly on our website and issued to over 1,500 stakeholders, who could elect to attend and speak at the listening session and/or respond via an online survey and email submissions.

Advisory Working Group

CalHFA invited a group of industry experts and professionals to participate in an advisory Working Group. The Working Group comprises a representative cross section of policy, advocacy, and industry leaders representing important perspectives throughout the ecosystem, including representatives from the following groups:

- Bankers
- Loan Officers
- Homebuilders
- Real Estate Professionals
- Advocates, Foundations, and Community-Based Organizations
- Loan Servicing
- Secondary Markets
- Housing Policy
- Local Government

CalHFA, during two meetings, sought Working Group input on key program design elements, namely homebuyer education, consumer disclosures, marketing and outreach, and the social equity features of the program. Additional Working Group meetings may be held to solicit feedback regarding Program implementation and any Program parameters that may need to be refined or calibrated based on post-launch performance.

Ongoing Monitoring and Reporting

Upon program launch, CalHFA is planning to maintain borrower statistics and demographic data in compliance with applicable consumer data privacy laws. Pursuant to Section 51526 of the California Health and Safety Code, the number of loans, and key characteristics of borrowers will be included in future updates to the Legislature on the status of Dream for All implementation.

Thank you for the opportunity to provide this update on this important program.

If you have questions or would like any further information, please contact Francesc R. Martí, Director of Policy, Strategy and Legislation at CalHFA.