California Dream For All Annual Report Fiscal Year 2024-2025

Pursuant to Health and Safety Code Section 51526, the **California Housing Finance Agency** submits this report to the Legislature providing an update on the implementation of the **California Dream For All Shared Appreciation Loan Program.**

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A copy of this report may be downloaded from the CalHFA website.

Please call (916) 326-8000 to request a hard copy of the report.

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Summary

The 2022-23 State Budget established the California Dream For All Shared Appreciation Loan Program, a revolving shared appreciation loan program to increase access to homeownership for low- and moderate- income Californians.

Pursuant to Section 51526 of the California Health and Safety Code, the California Housing Finance Agency's annual report of the progress of this program provides an overview of the program, including number of loans and key characteristics of the borrowers for Fiscal Year 2024-25.

Introduction and Overview

State Budget Trailer Bill AB 197 of 2022 established the California Dream For All Program as a revolving, shared appreciation loan program designed to increase access to homeownership for low- and moderate- income Californians. The shared appreciation loans provide funding to assist with down payments and closing costs for prospective homebuyers.

The 2022-23 State Budget (AB 178 of 2022) originally allocated $500 million for the program, $300 million of which was deployed in March of 2023 in Phase 1 of the Program. The authorizing statute designates CalHFA as the administrator of the Program and established programmatic parameters for the Dream For All Program, providing 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.[1]

The 2023-24 State Budget (SB 104 of 2023) provided $20 million in addition to the $200 million remaining from the 2022-23 State Budget to support a Phase 2 of the Dream For All program. Associated trailer bill language (SB 143 of 2023) establishes specific guidelines for Phase 2 of the Dream For All program.

Senate Bill 143 of 2023 established parameters for Phase 2 of the Dream For All program, which requires CalHFA to establish program guidelines to accomplish the following:

1. Define first-generation homebuyers and target funds to aid first-generation homebuyers.
2. Support an equitable distribution of program funds in different regions of the state.

[1] Dream For All Program disclosure and other documents available here: https://www.calhfa.ca.gov/homeownership/forms/

3. Prioritize participation by homebuyers in the lower tiers of the income eligibility structure.

This report provides updated data for the Dream For All loans securitized in FY 2024-25.

Overview of Shared Appreciation Loans

A shared appreciation loan is repayable via a share in the increased value of the home over time. For example, if the Program offered down payment assistance of 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.

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 https://www.calhfa.ca.gov/homebuyer/programs/myhome.htm. The homebuyer does not make any payments on the loan until they sell, refinance under certain circumstances, or transfer the property, at which time they would owe the original loan amount plus the designated share of appreciation in the home's value.

In a shared appreciation loan with a pro rata (1:1) appreciation share (i.e., the appreciation share is equal to a 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 been approximately 4.5%, although home value changes in any given year can vary greatly.[2]

[2] California State Treasurer's Office, "CA Dream For All: A Proposed Shared Appreciation Loan Investment Fund for the State of California," June 2022 [https://cafwd.org/resources/california-dream-for-all/]

Phase 1 Lessons Learned

Demand in the initial launch of DFA Phase 1 in March 2023 significantly exceeded projections. CalHFA's internal systems and loan delivery infrastructure accommodated the unprecedented level of loan activity with limited delays related to homebuyer education and counseling capacity. However, the speed and volume of loan reservations disrupted CalHFA's planned implementation program, eliminating the agency's ability to monitor the program deployment and adjust the program over time. The rapid reservation of funds resulted in a first-come, first-served deployment of funds that advantaged borrowers already in the purchase process.

This led to mixed demographic and geographic outcomes and highlighted the opportunity to narrow eligibility parameters to serve those homebuyers that most need assistance. In response and to comply with statutory requirements, CalHFA made key changes to loan eligibility, including reducing income limits, introducing first-generation borrower eligibility requirements, and limiting the amount of down payment a borrower can make using other sources. In addition, CalHFA made major changes to the loan delivery process, which facilitated the implementation of geographic set-asides to ensure program funds are distributed equitably throughout the state.

These changes and other key DFA parameters are detailed below.

Dream For All Program Parameters Fiscal Year 2024-25

CalHFA established these eligibility and other program parameters that apply to all Dream For All loans originated and securitized in Fiscal Year 2024-25:

1. **Homebuyer Eligibility.** Prospective first-time homebuyers[3] earning up to the CalHFA Dream For All income limits (~120% Area Median Income [AMI]) were eligible to apply for a Dream For All Shared Appreciation Loan. CalHFA has reviewed the estimated housing affordability at these income levels and finds that these lower income limits may present some challenges in high-cost areas, but median home prices are largely within affordable ranges for most of the State.

   Consistent with requirements for all CalHFA down payment assistance programs, all Dream For All borrowers are required to be first-time homebuyers. In addition, one of the borrowers on the loan is required to be a "First-Generation" homebuyer meeting the following general criteria:

   - The borrower has not had an ownership interest in a home in the United States in the last seven years; and
   - To the best of the borrower's knowledge, the borrower's parents do not, or did not at the time of their death, have any present ownership interest in a residence in the United States; or the borrower grew up in foster care.

   First-Generation Homebuyer eligibility was established based on an attestation under penalty of perjury. Eligible applicants were also subject to a quality assurance investigation to verify the parental relationship and homeownership status of the prospective First-Generation borrower's parents.

2. **Eligible Costs.** Permissible uses of Dream For All Shared Appreciation Loans included funding down payments and closing costs, including interest rate buydowns.

3. **Level of Assistance.** A borrower may take out a Dream For All Shared Appreciation Loan for up to 20% of the home sale price or $150,000, whichever is lower. Home price appreciation is 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 funded 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.

4. **Geographic Set-asides.** To support an equitable distribution of program funds in different regions of the state, the DFA funding was awarded proportionate to each region's composition of California households. See Figure 1.

[3] A first-time homebuyer is defined as someone who has not owned and occupied their home in the last three years, and who has not lived in a home owned by a spouse in the past three years.

Conditional awards were then based on the borrower's current address, estimated average and actual loan amounts per region, and total funding assigned to each region.

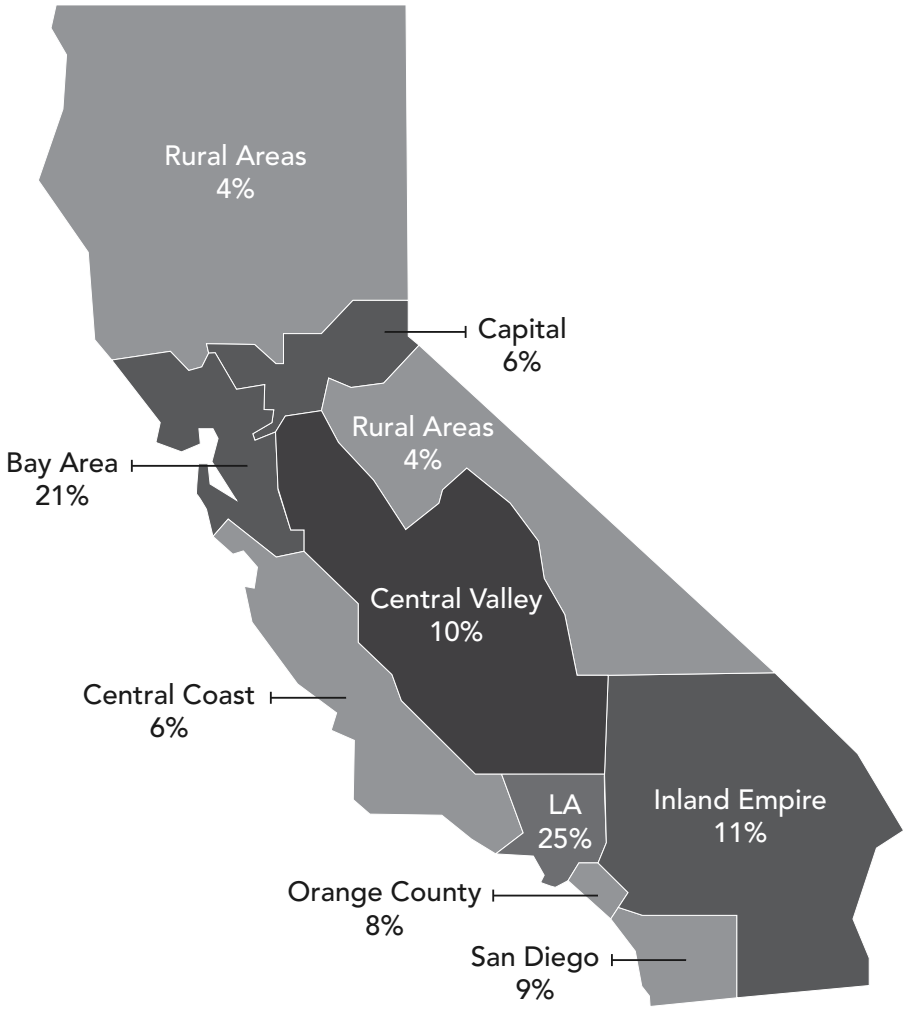


Figure 1: Distribution of California Households by Region

5. **Limits on Borrower-Funded Down Payments.** Borrowers must have a minimum cumulative loan-to-value ratio of 95%, which means that the total amount borrowed to purchase a home must be at least 95% of the actual purchase price. This parameter thus limits borrower-funded down payments to 5% of the purchase price, thereby ensuring that the assistance is reserved for those borrowers without the means to fund a large down payment.
6. **Cap on Program Share of Appreciation.** The Program's share of appreciation is capped at 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. In other words, if a borrower took out a Shared Appreciation Loan for $100,000, the most they would be required to pay in shared appreciation is $250,000. That amount is added to the original loan amount for a total maximum repayment of $350,000.

To demonstrate the application of the cap on shared appreciation, consider the following example involving a moderate-income borrower. The borrower purchases a home for $500,000 with a DFA Principal Loan of $100,000. At the time of a maturity event – which includes full repayment of the mortgage, whether at or before the end of the 30-year term, – the property value has increased to $1,800,000 resulting in an appreciation of $1,300,000. At that point, the borrower may satisfy the DFA loan obligation through repayment or refinancing options available under program guidelines.

The Shared Appreciation amount is calculated as 20% of the total appreciation, which equals $260,000 ($1,300,000 * 0.20). However, because shared appreciation is capped at 2.5 times the DFA Principal, the maximum payment is $250,000 ($100,000 * 2.5).

When combined with the original DFA Principal Loan of $100,000, the borrower's total repayment obligation is $350,000 ($100,000 + $250,000). The borrower retains the remaining appreciation of $1,050,000.

7. **Social Equity Feature.** The Dream For All Program includes a feature designed to confer additional benefits to communities that have historically been underserved by the mortgage market and have lower rates of homeownership. Prospective homebuyers earning up to 80% AMI receive a larger share of appreciation relative to the Program's investment. In order to improve generational wealth building, these lower-income borrowers keep a greater share of the appreciation; those who received a 20% Shared Appreciation Loan will ultimately pay back the original amount of the loan plus 15% (instead of 20%) of the home price appreciation.

Pre-registration System

For Phase 2, CalHFA established a pre-registration system for the Dream For All Program that allows borrowers to secure a Dream For All loan conditional commitment (i.e., a "conditional award" for a DFA loan) before entering a contract to purchase a home.

The pre-registration system is programmed to award funding in accordance with the geographic set asides and regions established above. Prospective Dream For All borrowers have a specified period of time to submit a complete application and preliminary DFA loan eligibility information via the pre-registration system. After a preliminary eligibility screen, a subset of applicants are selected to receive a conditional Dream For All program award via a randomized selection process for each region. Every eligible applicant in a given region has the same chance of receiving a conditional award.

Conditional awards are finalized and announced after an additional quality assurance investigation confirming the first-generation homebuyer status of a random selection of awardees. Those conditional award holders then have a specified period of time to shop for a home, enter a purchase contract, and reserve their loan in CalHFA's system. Those borrowers may use their Dream For All award to purchase a home in any county where they are income qualified. Note that receipt of a conditional award does not guarantee that a borrower will qualify for a Dream For All loan – they must still work with their CalHFA approved lender to confirm they meet all eligibility and underwriting criteria.

Via the randomized selection process, CalHFA also establishes a prioritized waitlist for each region. As loans come in below the maximum loan amount and as fallout funds are available from program applicants who do not use their award, additional awards are issued to waitlisted borrowers in the same geographic region.

By providing prospective Dream For All borrowers more time to access the program, the pre-registration system promotes equitable access to the program for historically underrepresented communities and ensures the program is serving buyers not already on the cusp of purchasing a home.

Marketing and Outreach Program

CalHFA conducted significant outreach, focusing on underrepresented communities' awareness of and education regarding the program. Marketing and outreach efforts covered multiple languages, including Spanish, Korean, Vietnamese, Tagalog, and Chinese. A total of 19 million impressions were recorded, with direct engagement from more than 830,000 potential homebuyers.

Digital and traditional marketing campaigns reached 8.7 million people and saw engagement from more than 70,000 individuals. Strategies included geotargeted display advertising, text campaigns and out-of-home advertising in retail locations and laundromats, as well as print and radio advertisements. Additionally, the early release of homebuying education materials was a pivotal component of our strategy.

CalHFA collaborated with over 80 community-based organizations, housing advocates and lending partners to increase the distribution of key messages through their networks. Earned media efforts resulted in a circulation of more than 9.4 million, including feature stories and interviews on prominent and trusted TV and radio news programs, with particular engagement from Spanish networks from the outset. Furthermore, presentations and engagements with potential homebuyers occurred at more than 50 homebuyer fairs and community events. Partner education and outreach activities targeted lenders, brokers, real estate agents, and housing counseling agencies with direct relationships with potential borrowers. Lender diversification and recruitment efforts have remained a priority, with nearly 30 lenders added to the network between April 2023 and April 2024.

Dream For All Fiscal Year 2024-2025 Outcomes

Loan and Borrower Characteristics

From July 1, 2024 through June 30, 2025, the Dream For All program helped 1,732 new homeowners purchase a home. This corresponds to $200 million in down payment assistance, leveraging nearly $1 billion in first mortgage secondary market capital.

Average Dream For All Loan and Home Values

The average Dream For All loan amount was $116,000 with an average sales price of approximately $602,000. The average Dream For All home purchase price was lower than the area median home value in all regions except for the Central Valley and Rural Areas – see Figure 2, below. Regional variation reflects differences in affordability. The Central Valley and Rural Areas exhibit lower median home values yielding purchases closer to or above local medians.

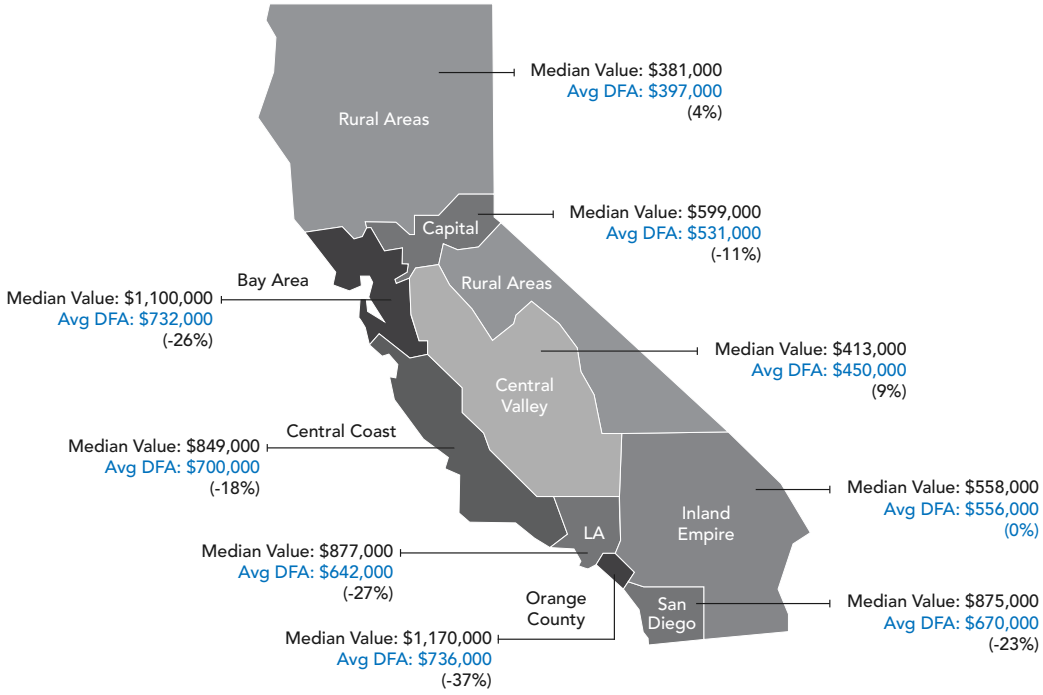


Figure 2: Regional Average DFA Home Sales Price

Borrower Demographics

Ethnicity

A significant amount of Dream For All borrowers self-identified as either Hispanic or Latino.

- 40% identified as Hispanic or Latino.
- 57% identified as Non-Hispanic or Latino.
- 3% did not report their ethnicity.

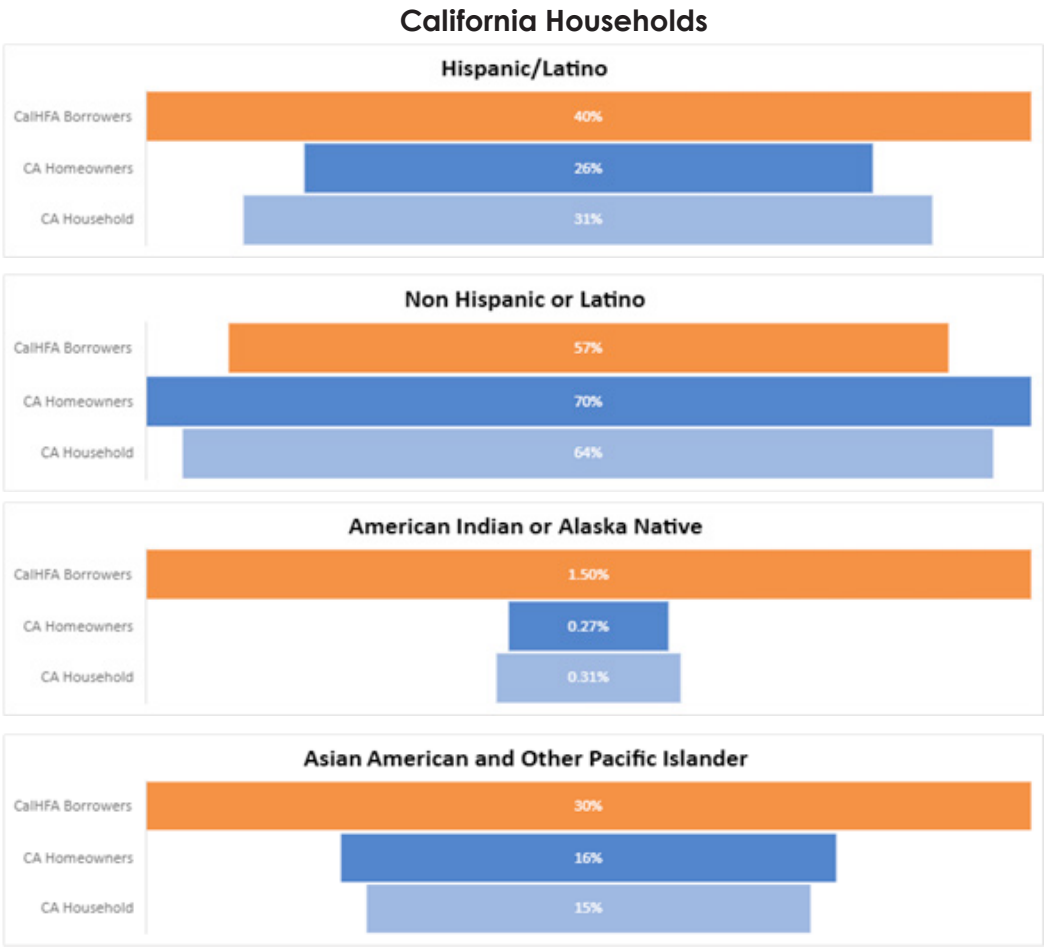
Race

Dream For All borrowers represent a robust cross-section of communities of color.

- 2% identified as American Indian or Alaska Native
- 31% identified as Asian American or Pacific Islander
- 7% identified as Black or African American
- 30% identified as White (Not Hispanic/Latino)

Comparison to California Households and Homeowners

The proportion of Dream For All borrowers self-identifying as Hispanic/ Latino, American Indian or Alaskan Native, Asian American or Other Pacific Islander, and Black or African American borrowers exceeds both the overall percentage of these groups among all California households and their share of all homeowners. See Figure 3 for comparative distribution across DFA borrowers, California homeowners, and all California households.



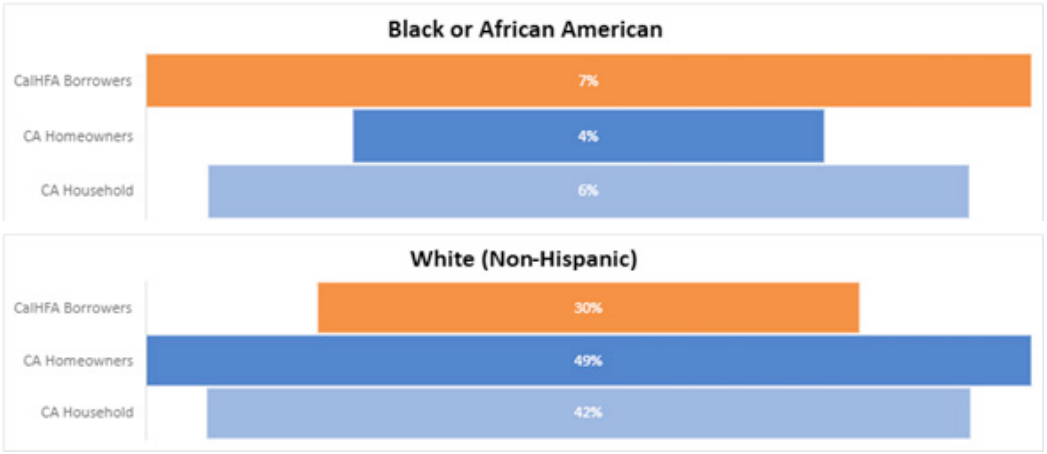


Figure 3: Ethnicity and Race Comparison: DFA Borrower, CA Homeowners, and CA Household Composition

Geography

To support an equitable distribution of program funds in different regions of the state, CalHFA used the pre-registration system to allocate funding throughout the state. **Figure 4** shows Dream For All funding is allocated proportionate to each region's composition of California households (consistent with **Figure 1** on page 7).

As of June 30, 2025, CalHFA had approximately $265 million in funds available to issue conditional DFA awards. Approximately $222 million (84%) had been used by awardees to reserve a Dream For All loan in CalHFA's system. The remaining $43 million had been committed via approximately 400 conditional awards, but those awardees had not yet used their conditional award to purchase a home. CalHFA continues to manage the waitlist and allocation of funds to ensure that funding is used according to the established geographic set asides. If borrowers within a region do not use all funds allocated to that region, those funds will be rolled forward and allocated to borrowers from that region in a future round.

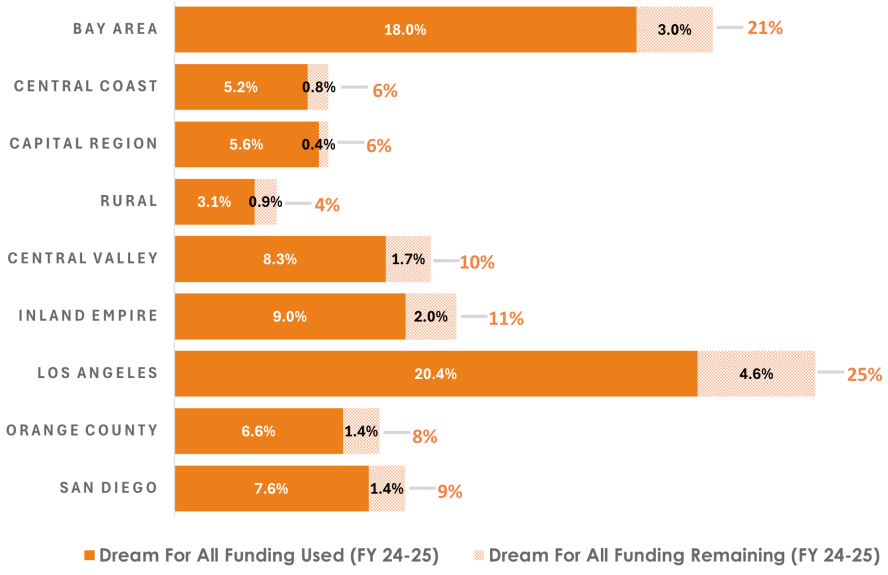


Figure 4: Fiscal Year 2024-25 Dream for All Funding Allocations by Region

Income

Elevated home prices in California present significant challenges to accessing home ownership, particularly for low- and moderate- income homebuyers. According to data from the California Association of Realtors, for Q2 2025, median home prices for existing single-family homes in California exceeded $900,000, which requires a minimum qualifying income of over $232,000.[4] Median priced condominiums and townhouses are estimated to require a minimum qualifying income of $172,000. By contrast, the median household income in California is approximately $100,149.[5]

The California Association of Realtors estimates that only 15 percent of Californians can afford to purchase a median priced single-family home and only 25 percent of Californians can afford to buy a medium-priced condominium or townhouse. With assistance from the Dream For All program, lower-income borrowers were able to buy their first home:

- Nearly 30% earned less than $100,000.
- Nearly 60% earned less than $125,000.
- Over 80% earned less than $150,000.

[4] Housing Affordability Index - Traditional published by the California Association of Realtors.

[5] A American Community Survey Briefs: Household Income in States and Metropolitan Areas: 2024

Current Status

As of June 30, 2025, CalHFA had approximately $43 million remaining in Phase 2 DFA funds. These funds were committed to prospective borrowers who received a conditional DFA award but had not yet utilized their award to secure a DFA loan. The 2025–26 State Budget allocated an additional $300 million to continue implementation. The Agency continues to issue and process conditional awards based on the available funding.