Date of Hearing: August 20, 2025

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
SB 750 (Cortese) – As Amended July 17, 2025

Policy Committee:	Housing and Community Development	Vote:	8 - 0
	Judiciary		11 - 0

Urgency: No State Mandated Local Program: No Reimbursable: No

SUMMARY:

This bill, subject to voter approval of a constitutional amendment, establishes the California Housing Finance and Credit Program (Program), a state-backed credit enhancement program for affordable housing construction loans administered by the California Housing Finance Agency (CalHFA).

Beginning January 1, 2027, and contingent upon voter approval of a corresponding constitutional amendment not yet introduced, this bill, among other provisions:

1) Creates a state-backed construction loan program administered by CalHFA for purposes of constructing housing, as specified, and creates the California Housing Finance and Credit Fund (Fund) to fund the Program.

2) Requires CalHFA to administer and implement the Program by, among other things, insuring construction loans or permanent loans and offering credit enhancements for construction loans and permanent loans for affordable housing developments.

3) Authorizes the CalHFA Executive Director to enter into contracts, decline to insure risk, reinsure any risk, make rules for the settlement of claims, conduct all business and affairs necessary to implement the program, and charge an annual fee, as specified.

4) Requires CalHFA to submit an annual report to specified legislative committees that includes an evaluation of the Program effectiveness in relation to cost and recommendations for improvement of the Program.

5) Requires the Legislative Analyst's Office (LAO) to report every other year to the Legislature regarding the effectiveness of the Program, with recommendations for adjustments to the Program.

6) Requires the Governor to, each year, include in the budget a limit to authorization for CalHFA to insure housing construction and expansion loans for the year, as specified.

7) Requires CalHFA to establish minimum qualifications for a proponent of a housing development to qualify for construction loan insurance and permanent loan insurance available under the Program, and establishes minimum requirements for loans that are insured or subject to a credit enhancement.

8) Provides that nothing prohibits CalHFA, in the event of defaults, from taking any action authorized to protect the financial interest of the state.

9) Requires a housing project developer to pay all workers employed on the development no less than the general prevailing rate of per diem wages for work of a similar character in the locality in which the development is located, and not less than the general prevailing rate of per diem wages for holiday and overtime work.

FISCAL EFFECT:

This following impacts are contingent upon voter approval of a corresponding constitutional amendment not yet introduced:

1) CalHFA estimates significant General Fund (GF) costs, likely in the millions of dollars for program start up and annual on-going costs to administer the program. Staff would be required to coordinate with stakeholders and interested parties, develop and adopt guidelines and regulations, partner with private lenders and program applicants, underwrite agreements, perform IT systems upgrades, and conduct ongoing monitoring of affordable housing developments financed through the program. CalHFA notes this bill creates a new program unlike programs currently administered by the agency and requires new expertise, staff, and resources.

2) Unknown, but potentially significant future GF costs to cover construction loan defaults, to the extent the Fund is not sufficiently capitalized to cover these costs.

3) The LAO indicates the required report on the effectiveness of the Program will likely take 25% to 50% of an LAO analyst's time over the course of a year to complete, with additional staff time needed to review and publish the report. The LAO's budget is contained within the Legislature's fixed expenditure cap and historically it does not receive additional funding for new statutorily-required reports. For this reason, the new reporting requirement will not directly increase state spending, but instead, will reduce the LAO's capacity to serve the Legislature in other ways, such as responding to other legislative requests and completing other LAO reports.

   Of note, there are multiple bills moving through the Legislative process requiring the LAO to analyze and report on various issues. Taken in totality, the requirements in these bills could, over time, diminish the time and capacity of LAO staff to not only respond to other legislative needs and priorities but also complete other core office responsibilities.

COMMENTS:

1) **Purpose.** According to the author:

> Given the state's current budget climate, we are in desperate need of a mechanism to unlock affordable housing with minimal cost to our General Fund. [This bill] would help solve this crisis by creating a program that guarantees loans and wraps bonds for housing. The program would accomplish this by unlocking private financing at favorable interest rates with no cost to the state General Fund, as

administrative expenses would be covered by fees charged at origination. The Cal Mortgage Program at the Department of Healthcare Access and Information provides a clear precedent for using the state's credit to attract private capital to projects the state desperately needs.

2) **Background.** ***CalHFA.*** CalHFA is an independent entity established in 1975 as the state's affordable housing lender. The agency is governed by its own board of directors, and is financially self-supporting, with its own credit rating. CalHFA borrows money from the private financial market at below-market interest rates by issuing tax-exempt revenue bonds. CalHFA passes these interest rate savings on to low- and moderate-income first-time homebuyers and affordable rental housing developers by offering below market-rate mortgages. These bonds are backed only by CalHFA revenues and not by the state General Fund. Fees for specific services cover its lending costs and risks. While the annual Budget Act may appropriate funds for specific purposes, CalHFA's operations are not funded through the state budget.

Cal-Mortgage Program. Although the federal government provides loan insurance through a number of programs, California has generally not provided mortgage insurance, with the exception of the Cal-Mortgage Program created in 1968 by Proposition 5 and enabling legislation a year later.

Under the administration of the Department of Healthcare Access and Information (HCAI), the Cal-Mortgage Program insures loans to nonprofit and public healthcare facilities for health facility construction projects. HCAI utilizes the credit of the state to guarantee and insure loans, which allows health care facilities to obtain lower interest rates and more financing, thus making such projects financially feasible. Many of the Cal-Mortgage Program's provisions mirror those of federal mortgage insurance programs.

The Cal-Mortgage Program's enabling legislation established the Health Facility Construction Loan Insurance Fund, a depository of fees and insurance premiums used only to pay administrative costs of the program and payment shortfalls resulting from defaults by insured borrowers. If there are not sufficient funds in the insurance fund to cover defaulted loan amounts, the state General Fund must cover any remaining amount, with future repayment from the insurance fund. The Cal-Mortgage program is limited to charging premiums of up to three percent, and may not insure more than $3 billion in loans.

As of 2023, the Cal-Mortgage Program has insured 584 loans since its inception for a total insured amount of $8.8 billion to healthcare facilities. While 20 borrowers have defaulted on their insured loans since the program began, the Cal-Mortgage program has been self-supporting and has operated without cost to the state.

The program proposed in this bill is modeled after the Cal-Mortgage Program.

Because the California Constitution limits the state's ability to create debt (Article XVI, Section 1), the program created by this bill would become operative only if the Legislature enacts, by two-thirds vote, and the voters approve, a constitutional amendment authorizing an exception. The author has not yet introduced a bill to place a constitutional amendment before the voters.

Analysis Prepared by: Jennifer Swenson / APPR. / (916) 319-2081