SENATE THIRD READING
SB 750 (Cortese)
As Amended August 20, 2026
Majority vote

SUMMARY

Requires the California Housing Finance Agency (CalHFA) to conduct a comprehensive assessment of potential credit enhancement mechanisms designed to reduce borrowing costs for housing projects receiving state financial assistance.

Major Provisions

1) Requires the comprehensive assessment to evaluate a variety of potential credit enhancement mechanism designed to reduce borrowing costs for housing projects that receive state financial assistance.

2) Requires CalHFA to submit the comprehensive report to the Legislature and Department of Finance, as specified, by January 1, 2028.

COMMENTS

CalHFA is the state's affordable housing lender. In addition to multi-family loan and grant programs, CalHFA runs several programs to support first-time homebuyers, including a 30-year fixed interest mortgage and down payment assistance. The fixed interest first mortgage is an FHA-insured loan that is secured on a property. CalHFA does not lend money directly to consumers. CalHFA-approved lenders qualify consumers and make all mortgage loans. CalHFA purchases closed loans that meet their requirements.

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. CalHFA also operates multifamily housing programs, including their Permanent Loan Programs and their Conduit Issuer program. The Permanent Loan programs provide competitive long-term financing for affordable multifamily rental housing projects. Eligible projects include newly constructed or acquisition/rehabilitation developments that provide affordable housing opportunities for individuals, families, seniors, veterans, and special needs tenants. The CalHFA Conduit Issuer Program is designed to facilitate access to tax-exempt and taxable bonds by developers that seek financing for eligible projects that provide affordable multifamily rental housing for individuals, families, seniors, veterans or special needs tenants. The conduit bonds may be used to finance the acquisition, rehabilitation, and/or development of an existing project, or they can be used for the construction of a new project.

Existing Federally-Backed Construction Loan Programs: The federal Department of Housing and Urban Development (HUD) operates several Federal Housing Administration (FHA) Mortgage Insurance programs for the new construction or substantial rehabilitation of multifamily rental or cooperative housing for moderate-income families, elderly, and persons with disabilities. These programs insure lenders against loss on mortgage defaults and assist the private industry in the construction or rehabilitation of rental and cooperative housing for moderate-income and displaced families by making capital more readily available. The program allows for long-term mortgages (up to 40 years) that can be financed with Government National Mortgage Association (GNMA) Mortgage Backed Securities.

Background of the Cal-Mortgage Program (an existing state-backed loan program): The Cal-Mortgage Program was authorized in 1968 by an initiative vote (Proposition 5), which added the following section to the State Constitution (Article 16, Section 4):

"The Legislature shall have the power to insure or guarantee loans made by private or public lenders to nonprofit corporations and public agencies, the proceeds of which are to be used for the construction, expansion, enlargement, improvement, renovation or repair of any public or nonprofit hospital, health facility, or extended care facility, facility for the treatment of mental illness, or all of them, including any outpatient facility and any other facility useful and convenient in the operation of the hospital and any original equipment for any such hospital or facility, or both."

Legislation enabling the Cal-Mortgage Program was enacted in 1969. The Cal-Mortgage Program has assisted nonprofit healthcare facilities in obtaining private financing to develop or expand health facilities and services in communities throughout California at no cost to taxpayers. Without such a guarantee, many of these facilities could not arrange the financing required to serve their communities. 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 construction projects that improve access to needed healthcare. HCAI can insure loans to nonprofit public benefit corporations or public entities (i.e., cities, counties, and municipalities including healthcare districts and joint powers authorities) in which the State of California guarantees the payments of principal and interest on the loans. The loan insurance allows the borrower to access lower interest rates, similar to the tax-exempt bond rates available to the state.

The California Health Facility Construction Loan Insurance Law (Insurance Law) established the Health Facility Construction Loan Insurance Fund (Insurance Fund). The Insurance Fund is used as a depository of fees and insurance premiums and may only be used to pay administrative costs of the Cal-Mortgage Program and payment shortfalls resulting from defaults by insured borrowers. As a trust fund, the Insurance Fund and the interest (or other earnings) generated may not be used for non-program purposes.

The Cal-Mortgage Program provides reports to the HCAI Director, the California Health and Human Services Agency (CalHHS), and the State Legislature. The Cal-Mortgage Program prepares monthly and annual reports detailing Cal-Mortgage Program activity, the cash balance of the Insurance Fund, and, in conjunction with the HCAI accounting staff, the assets and liabilities of the Cal-Mortgage Program. In even-numbered years, HCAI contracts for an actuarial study of the Cal-Mortgage Program. Since the fiscal year ending June 30, 2000, the Cal-Mortgage Program has annually prepared two reports for the Legislature: (1) Financial Status of the California Health Facility Construction Loan Insurance Program and Insured Portfolio, and (2) Borrowers' Compliance with their Community Service Obligations.

According to the most recent Cal-Mortgage Consolidated State Plan, HCAI underwrote 44 loans between 2015-2020, including loans serving medically underserved populations, seismic retrofits for a hospital, community-based treatment centers, development of healthcare networks in rural communities, and technology improvements to improve quality of care for specialized populations.

According to the Author
"California's affordable housing pipeline includes projects that could provide rental housing for up to 559,944 low to moderate-income households. 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. SB 750 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. For over 50 years, that program has insured loans totaling $9 billion without an ongoing cost to the General Fund. It's time to do the same for housing. This bill is contingent on the accompanying Senate Constitutional Amendment passing the legislative process and being approved by the voters."

Arguments in Support
According to one of the bill's sponsors, Good River Partners, "this bill would allow the State to guarantee part or all of the financing for housing projects, with no cost to the State General Fund, as administrative expenses would be covered by fees charged at origination. As these fees accumulate, the program would be able to cover default payments as well. The success of the Cal Mortgage Program at the Department of Healthcare Access and Information shows that the state can guarantee financing without seriously impacting the general fund. Despite recent budget surpluses, the State has not yet found a way to effectively address the ongoing housing crisis. Punctuated by thousands of homes lost in the Los Angeles wildfires, and with projections of budget challenges in the near future, now is the time for policymakers to embrace innovative solutions."

Arguments in Opposition
None on file.

FISCAL COMMENTS

According to the Assembly Committee on Appropriations:

General Fund costs to CalHFA as follows:

1) One-time costs of an unknown but likely absorbable amount in fiscal years 2026-27 and 2027-28, to conduct a comprehensive assessment of potential credit enhancement mechanisms and submit an interim and a final report to the Legislature.

2) Ongoing costs of an unknown amount, but likely in the low millions of dollars annually beginning within six months of an appropriation by the Legislature for this purpose to establish a pilot credit enhancement product and program to run concurrently with the assessment.

The author is pursuing funding in the 2026-27 budget to fund the pilot program.

VOTES

SENATE FLOOR: 38-0-2

YES: Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Hurtado, Jones, Laird, McGuire, McNerney, Menjivar, Niello, Ochoa Bogh, Padilla, Pérez, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener
ABS, ABST OR NV: Limón, Reyes

ASM HOUSING AND COMMUNITY DEVELOPMENT: 8-0-4
YES: Haney, Patterson, Ávila Farías, Ward, Garcia, Kalra, Ta, Wilson
ABS, ABST OR NV: Lee, Quirk-Silva, Tangipa, Wicks

ASM JUDICIARY: 11-0-1
YES: Kalra, Dixon, Bauer-Kahan, Bryan, Connolly, Harabedian, Macedo, Pacheco, Papan, Stefani, Zbur
ABS, ABST OR NV: Sanchez

ASM APPROPRIATIONS: 11-0-4
YES: Wicks, Arambula, Calderon, Caloza, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache
ABS, ABST OR NV: Hoover, Dixon, Ta, Tangipa

UPDATED

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