

Association of Bay Area Governments

Executive Board

May 15, 2025

Agenda Item 8.c.

Senate Bill 750 (Cortese): California Residential Mortgage Insurance Program

Subject:

Creates a multifamily housing loan insurance and credit enhancement program backed by the state's AA-credit rating.

Background:

Senate Bill (SB) 750 would create the California Residential Mortgage Insurance Program under which the California Housing Finance Agency would offer insurance and credit enhancements for construction and permanent loans for new multifamily development. By using the state's credit rating to guarantee private loans, this approach would reduce lenders' risk and provide affordable housing developers access to lower interest rates. It is modeled after California's Health Facility Construction Loan Insurance Program, which has insured \$9 billion in loans since its inception in 1969.

To take effect, SB 750 would require passage of a companion Senate Constitutional Amendment (SCA) by the Legislature and then voters. Senator Cortese plans to introduce the SCA in the coming months.

The Federal Department of Housing and Urban Development operates several mortgage insurance programs for the new construction or substantial rehabilitation of multifamily rental or cooperative housing for moderate-income families, the elderly, and persons with disabilities. These programs insure lenders against loss on mortgage defaults to make capital more readily available. Under SB 750, California would offer this service to a more-expansive range of multifamily developments, e.g., those serving low-income families, and would add credit enhancement.

Recommended Action:

Support / ABAG Executive Board Approval

Discussion:

State loan insurance and credit enhancements provided under SB 750 have the potential to reduce borrowing costs for the Bay Area Housing Finance Authority (BAHFA), allowing it to offer lower-cost loans to housing developers. As outlined in its February 2024 Business Plan, BAHFA aims to increase the region's supply of affordable homes by becoming a large-scale mission-driven public lender; once sufficiently capitalized, it will make loans to affordable housing developers, then reinvest income earned on those loans back into housing development and programs throughout the region. Currently, this lending activity is conducted by private banks and other financial institutions, which capture and distribute profits to their shareholders. BAHFA seeks to instead retain this revenue and redeploy it for public purposes in the Bay Area. SB

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750's new program could bolster this effort. For this reason, staff recommends a support position.

Known Positions:

Support

- Good River Partners (Sponsor)
- Ethos Real Estate (Sponsor)
- Thropo Capital (Sponsor)
- United Way LA (Sponsor)
- California Apartment Association
- The Core Companies
- Housing Action Coalition
- Los Angeles County Affordable Housing Solutions Agency (LACAHS)
- YIMBY Action

Opposition

- None known

Attachments:

None

Reviewed:



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