



2024 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 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 Program, a revolving shared appreciation loan program to increase access to home ownership for low- and moderate- income Californians.

Pursuant to Section 51526 of the California Health and Safety Code, the California Housing Finance Agency's (CalHFA) annual report of the progress of this program provides an overview of the program and an update regarding implementation of Phase 2 of the program.

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.

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, as discussed further below.

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.

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, such as [MyHome](#). 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 established 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 last 40 years, the average annual home price appreciation in California has approximated 4.5%, although home value changes in any given year can vary greatly.¹

¹ 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/>]

Dream For All Phase 1 Program Parameters

CalHFA established these eligibility and other program parameters for Dream For All Phase 1:

- 1. Homebuyer Eligibility.** Prospective first-time homebuyers² earning up to the CalHFA income limits (~150% Area Median Income [AMI]) were eligible to receive a Dream For All Shared Appreciation Loan in Phase 1. A separate eligibility track conferred additional benefits for communities that have historically been underserved by the mortgage market— see Social Equity Features discussion below.
- 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.** Phase 1 provided Shared Appreciation Loans of up to 20% of the home sale price. Home price appreciation was 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. 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.
- 5. 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 received 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.

² 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.

CalHFA had \$300 million available to launch Phase 1 of the Dream For All Program in March 2023. Outcomes related to Phase 1 can be found in the [California Dream For All Legislative Report for 2023](#).

Dream For All Phase 2

The 2023-24 State Budget provided \$20 million in addition to the remaining \$200 million from the 2022-23 state budget to support Phase 2 of the Dream For All program. CalHFA also has approximately \$40 million in fallout funds from cancelled loans from Phase 1, for roughly \$260 million in available funding for Phase 2. Additional funds generated by interest earnings will also be deployed in Phase 2.

CalHFA is currently implementing Phase 2 of the Dream For All program in accordance with the statutory requirements and program calibrations described below.

Phase 2 Statutory Requirements

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

Program Calibrations

Based on the outcomes of Phase 1, discussions with external stakeholders and the statutory requirements outlined above, CalHFA established several program calibrations to implement the requirements of SB 143.

Calibration 1: Upgraded Delivery System

CalHFA's down payment assistance programs are typically distributed via a system whereby a loan reservation is secured after the borrower enters a contract to purchase a home. However, because the demand for Dream For All Phase 1 loans was higher than available funding could meet, CalHFA established a preregistration system for Phase 2 of the Program that allowed borrowers to secure a Dream For All loan conditional commitment (i.e., a "voucher" for a DFA loan) before entering into a contract to purchase a home.

Prospective Phase 2 Dream For All borrowers had an established period of one month to submit their application and preliminary eligibility information via the preregistration system. After a preliminary eligibility screen, a subset of applicants were selected via a randomized selection process to receive a Dream For All program voucher. Every eligible applicant in a given geographic area had the same chance of receiving a voucher. Those voucher 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.

Initial vouchers were awarded based on the maximum Dream For All loan amount described below. The preregistration system also established a waitlist of prospective Dream For All borrowers who may be awarded a voucher as additional funds are available through Program fallout or as loans come in below the maximum loan amount.

By providing prospective Dream For All borrowers more time to access the program, this calibration is intended to promote equitable access to the program for historically underrepresented communities and ensure the program is serving buyers not already on the cusp of purchasing a home. The preregistration system is also integral to achieving the remaining Phase 2 objectives as described in the sections to follow.

Calibration 2: First Generation Eligibility Criteria

As with Dream For All Phase 1 and consistent with requirements for all CalHFA down payment assistance programs, all Dream For All Phase 2 borrowers are required to be first-time homebuyers. In addition, Phase 2 of the Dream For All program further narrowed eligibility by requiring at least one of the borrowers on the loan 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.

Calibration 3: Geographic Set Asides

To support an equitable distribution of program funds in different regions of the state, the preregistration system discussed in Calibration 1 was programmed to award DFA funding proportionate to each region's composition of California households. See **Figure 1**. Preregistration vouchers were then awarded based on the total funding assigned to each region.

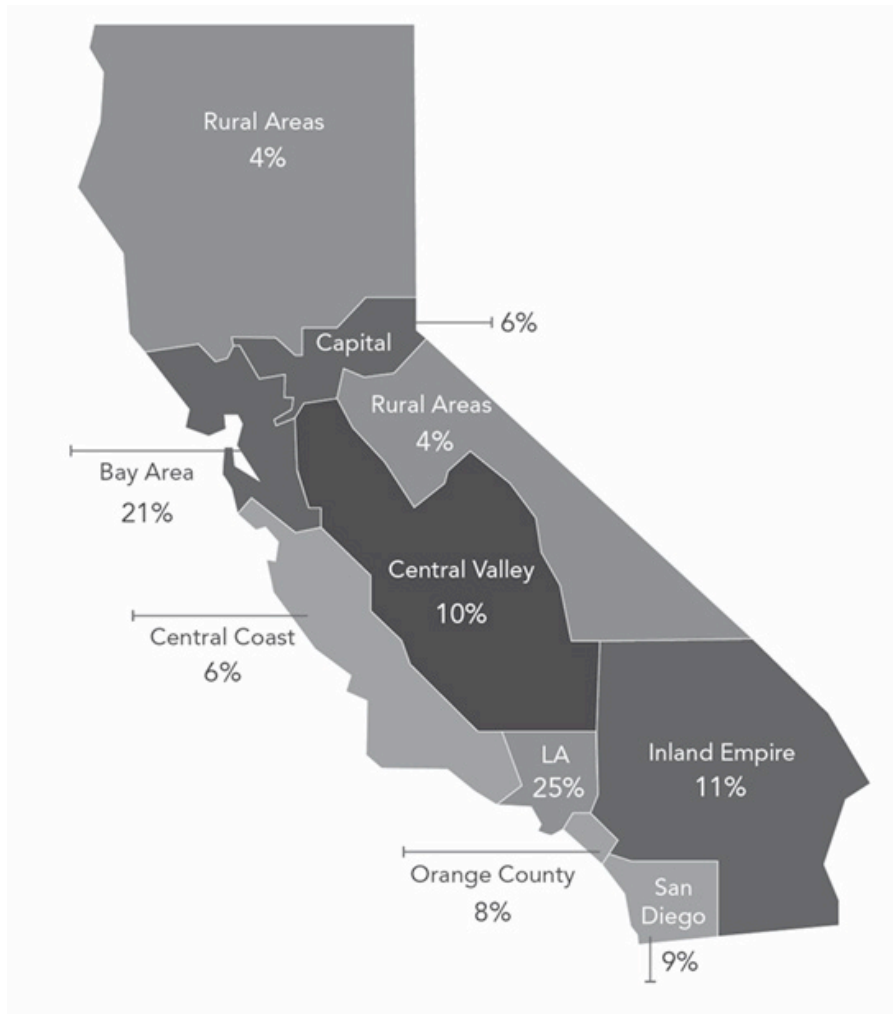


Figure 1: Distribution of California Households by Region

Funding was assigned and preregistration vouchers awarded based on the current address of prospective borrowers. Those borrowers are able to purchase a home in any county where they are income qualified. Via the randomized selection process, CalHFA also established a prioritized waitlist for each region. As loans come in below the maximum loan amount (described in the following section) and as fallout funds are available from program applicants who do not use their voucher, additional vouchers are issued to

waitlisted borrowers in the same geographic region.

Calibration 4: Revised Loan Parameters to Serve Lower-Income Borrowers

CalHFA implemented several revisions to the Dream For All Shared Appreciation Loan parameters designed to prioritize participation by homebuyers in the lower tiers of the income eligibility structure.

- **Reduced Income Limits.** For Dream For All Phase 2, income eligibility was reduced from income limits based on 150% Area Median Income (AMI) to limits based on 120% AMI. 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.
- **Limits on Borrower Funded Down Payments.** Updated loan parameters included 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.
- **Cap on Shared Appreciation Loan Amount.** In Dream For All Phase 1, borrowers were allowed to take a shared appreciation loan of up to 20% of the home sales price. The shared appreciation loan amount For Dream For All Phase 2 was capped at the lesser of 20% or \$150,000.

Calibration 5: Targeted Marketing and Outreach to Historically Underrepresented Communities

CalHFA developed a comprehensive marketing and outreach plan to increase the share of Dream For All loans to diverse and underserved households and regions. Outreach was targeted to first-generation homebuyers, with a particular focus on potential homebuyers from historically underrepresented communities who are not currently in the process of buying a home but may qualify and be ready to begin the homebuying process. Outreach and marketing included social media and text campaigns; radio and print advertising; display advertising in supermarkets; and collaboration with community-based and grassroots organizations. Early marketing provided prospective first-generation homebuyers with more lead time to have documents and finances ready for the Phase 2 preregistration opening.

Taken together, these calibrations prioritized borrowers at the lower end of the income tier and allowed sufficient flexibility to respond to market conditions in individual regions.

Current Status

On April 3, 2024, CalHFA made the Dream For All Preregistration Portal available for prospective Dream For All borrowers to preregister for the opportunity to take out a Dream For All loan. Borrowers provided basic identifying and demographic information, a prequalification letter from a CalHFA approved lender, and attest to their eligibility under various program criteria, including income and First-Generation homebuyer status.

First Generation registrants were also asked to provide identifying information regarding their parents to support a quality assurance verification of their declared parental relationships and the homeownership status of said parents.

As part of the preregistration process, DFA registrants were also advised that a DFA voucher only offers the opportunity to take out a DFA loan – all borrowers are still required to meet all program and underwriting requirements (e.g., income, credit score, debt to income ratios, property requirements, etc.) at the time of loan reservation. CalHFA approved lenders are responsible for confirming borrower eligibility before reserving the DFA loan in CalHFA's system.

CalHFA closed the DFA preregistration portal on April 29, 2024. Over 18,000 registrants submitted complete applications and were eligible for the randomized selection process. CalHFA then conducted the randomized selection process and quality assurance review of First Generation borrowers' declared parental relationships and parents' homeownership status.

On June 28, 2024, CalHFA notified 1,700 registrants that they were awarded a Dream For All loan voucher, which offers them an opportunity to take out a Dream For All loan, provided they meet all underwriting and program requirements at the time of loan reservation. CalHFA has continued to issue Dream For All loan vouchers as additional funds become available due to cancelled and expired vouchers as well as loan amounts that come in lower than the maximum loan amount.

As of December 5, 2024, CalHFA is tracking a total of 2,058 active vouchers. Of those active vouchers, 1,349 voucher recipients (66 percent) have used their voucher to reserve their DFA loan with CalHFA. The remaining voucher holders are still in the process of finding a home. Current housing market conditions (i.e., high prices and low inventory) may make finding a suitable home difficult for some of these borrowers.

It is important to note that after loan reservation, borrowers must complete the escrow process and close their loan, and the loan package will be subject to several additional rounds of review. CalHFA will also continue to issue vouchers until all available funds are committed and used. All figures are therefore subject to change until CalHFA purchases the loans from the CalHFA approved lender

and the associated first mortgages are securitized into a mortgage-backed security.

CalHFA estimates that over 1,100 borrowers have closed their loans and are currently enjoying the benefits of first-time and first-generation homeownership. At this time, however less than half of the total anticipated DFA Phase 2 loans have been securitized. CalHFA will provide additional data and updates regarding the final number of Phase 2 DFA loans and the characteristics of the borrowers once all loans are closed and securitized and final data is available.