



Clearinghouse CDFI

Single Family Lending
Program

Clearinghouse CDFI History

- Grew out of Non-Profit lender consortia (Affordable Housing Clearinghouse) started in 1990
- CDFI incorporated in 1995 as a direct lender

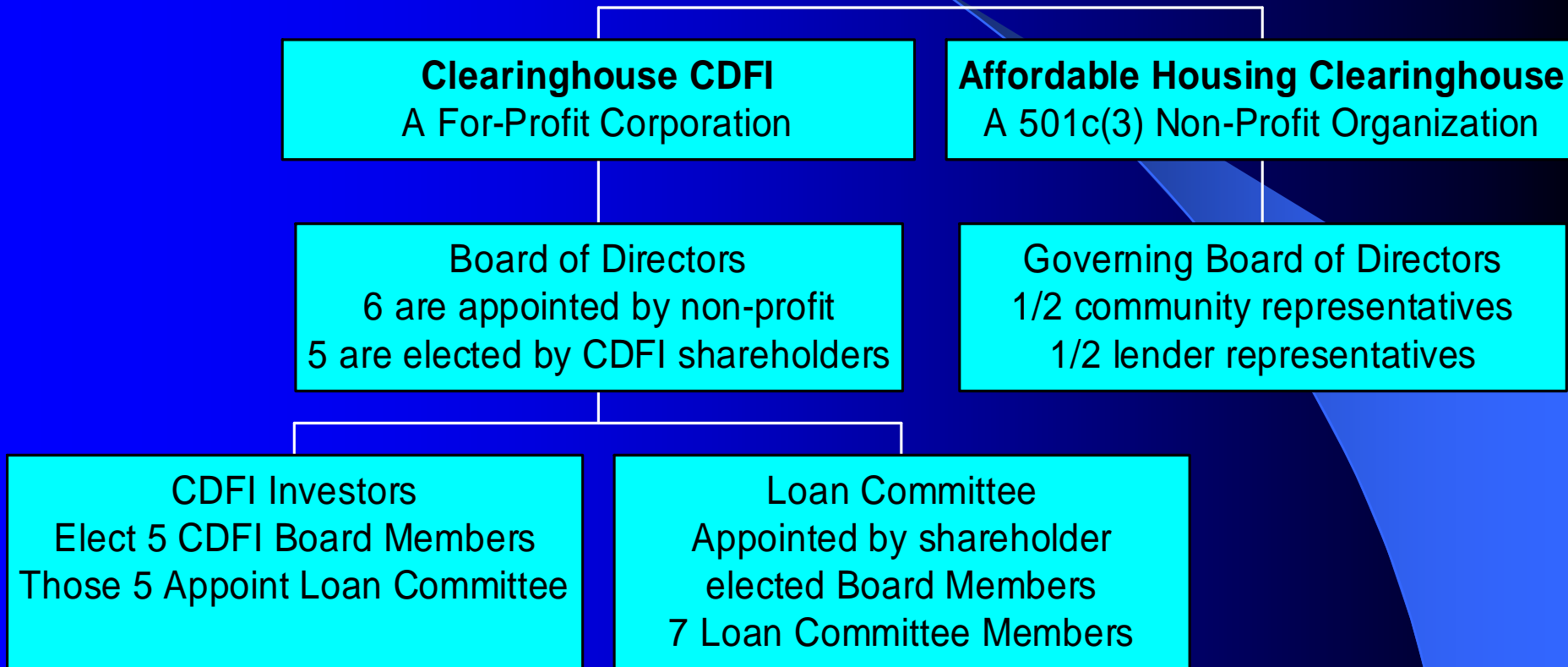


Corporate Structure



- For - profit corporation
- Owned by our shareholders which are all regulated financial institutions
- Non-profit community partner appoints majority of our board of directors

Organizational Chart



Our Mission Statement

- The Clearinghouse CDFI is a for-profit corporation that is addressing unmet credit needs in Southern California. The CDFI provides direct loans for affordable housing, community development projects, small business and other qualified CRA activities. CDFI loan funds are leveraged with conventional lenders whenever possible. A safe and secure management plan provides a return to the corporate investor.

Core Business

- Direct Loans for:
 - Affordable Housing
 - Community Development
 - Business or other unmet credit needs

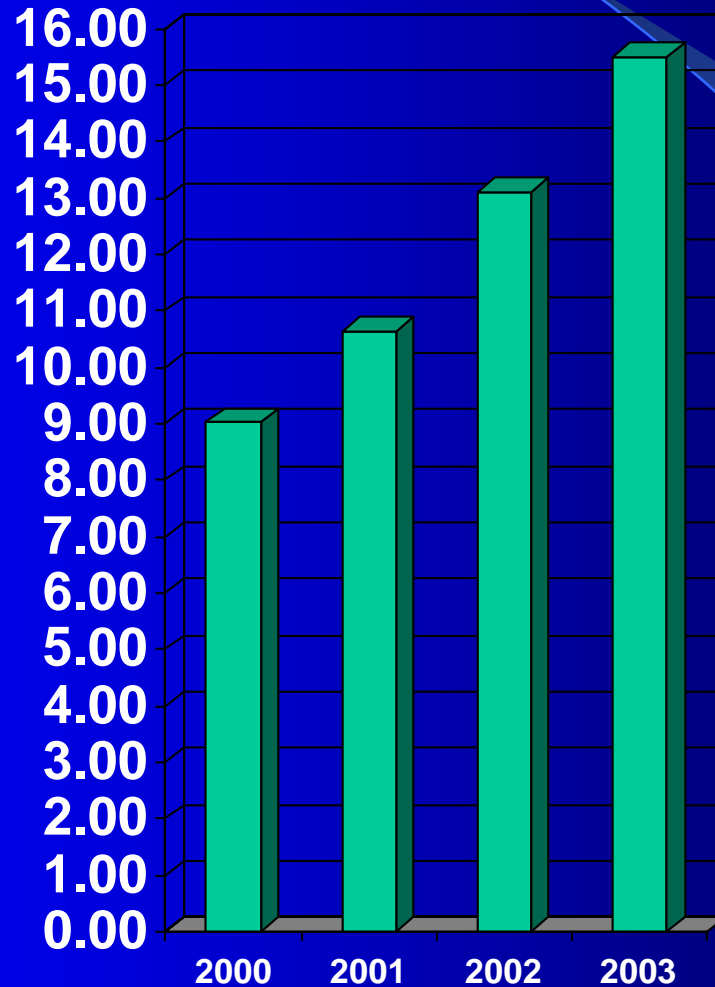


CDFI Financial Track Record

- Over \$80 million in assets
- Profitable for the last 4 years
- Overall Loan loss ratio of less than 1%

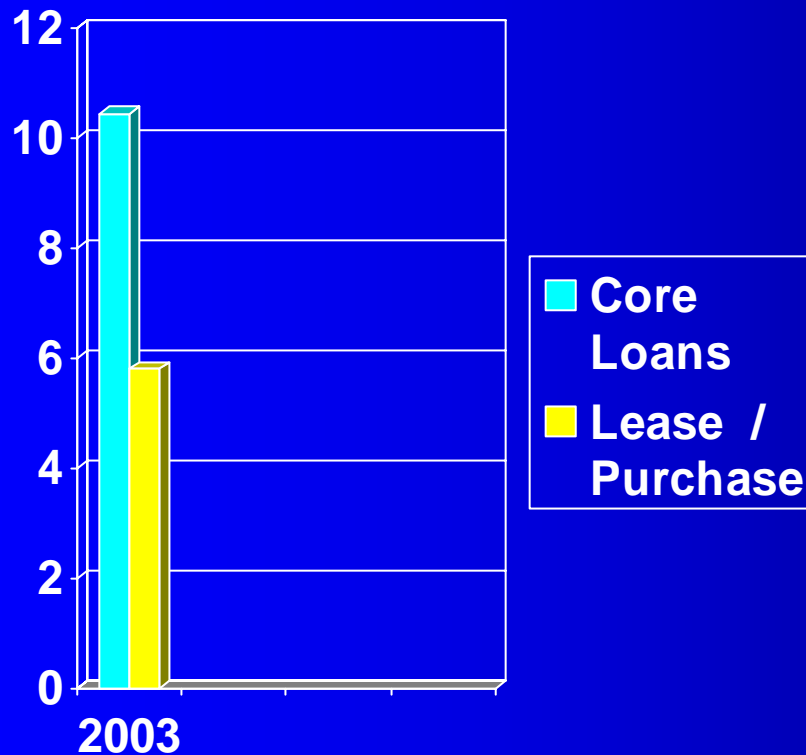
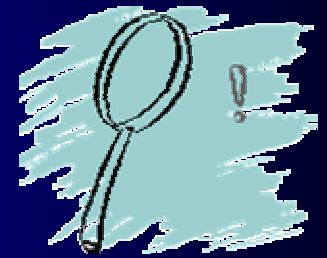


CDFI Loan Production



In Millions

2003 Loan Breakdown



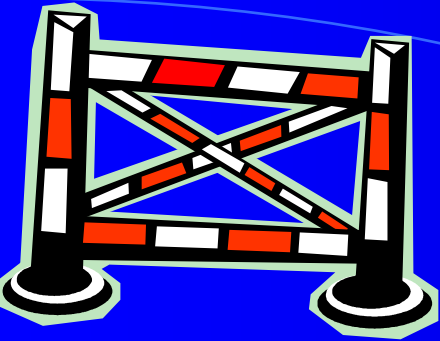
■ *In millions*

- Core loans- \$10.45
- Lease purchase- \$5.8
(6 month total)

Unmet Credit Need

- California Home Source – Association of Bay Area Govt. (ABAG) was seeking a lender for their new bond lease purchase program.
- The program's uniqueness and special underwriting requirements make program difficult and time consuming for conventional lenders





Lease Purchase Homeownership Program

- **Addresses Main Obstacles to home ownership:**
 - 1.) Insufficient savings for down-payment and closing costs
 - 2.) Personal credit impaired or insufficient
 - 3.) Income too low to afford housing payment
 - 4.) Lack of understanding about the home buying process

Lease Purchase Homeownership Program



- The Response:
 - Program provides the down payment and pays all closing costs.
 - Very flexible credit guidelines; no minimum credit score and expanded qualifying ratios.
 - Direct assistance with all aspects of home buying process.

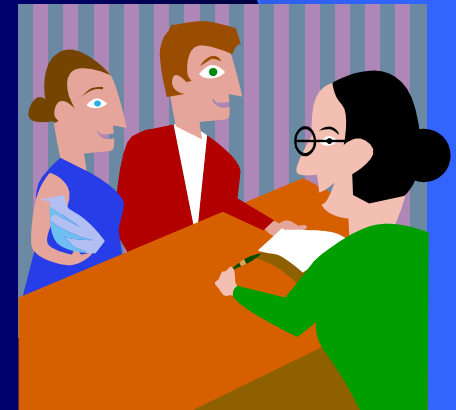
How it Works – Getting Started



- Family /Borrower goes shopping for home in price range they are pre-approved for, with approved realtor.
- Upon selection of home, Cal Home Source purchases the home – pays closing costs, and obtains mortgage from the CDFI.
- Cal Home Source then leases home to family for period of 39 months, at this point the family assumes the mortgage.

Family's Obligations

- Pay 1% administrative fee at time of move-in to participate in program.
- Make lease payment to Cal Home Source on time. (equal to mortgage payment)
- Maintain property
- Resolve any past credit problems.



Loan Assumption

- Upon successful completion of 39 month lease, family assumes existing loan.
- No additional down payment or closing costs are required.



Summary of Benefits



- Lock in the purchase price and affordable housing payment
- Take advantage of today's low mortgage interest rates.
- Little cash to get started, no down payment or closing costs.
- Family gets access to equity that builds during lease period.
- Families with damaged credit can now repair their credit and purchase a home at the same time.

Eligible Homes



- Detached Single family
- Condominiums / Town homes
- Manufactured homes on permanent foundation with land ownership
- Maximum home purchase price \$600,000
- Condo community must have 60% home-occupancy rate
- Bay Area, Inland Empire, parts of LA County, and Central California

Family Eligibility

- Income must not exceed 140% of county median income
- Must agree to occupy home as primary residence.
- Must have source of stable and durable income
 - No minimum on-job requirement
 - Self employment OK with two years tax returns

Family Eligibility



- Total debt to income (back end) ratio can not exceed 45%
- No housing (front end) ratio
- Collection accounts, charge-offs or liens must be resolved before 39 month lease ends. - Debt management plan required

Credit Criteria

- Minimum FICO of 580 or better are presumed to qualify
- Lower credit scores are eligible with verifiable 12 month on-time rent history
- Non-traditional credit OK 12 month verification
- Bankruptcy /foreclosure due to financial mismanagement must have 12 month re-established credit



Other Issues in Lease Purchase Program



- Family cannot take mortgage interest deduction on Federal income tax during the lease period
- Late lease payments (non-performance) result in eviction from home
- Property appreciation over 10% of purchase price during the lease term is required to be recognized in a forgivable loan that is reduced $\frac{1}{3}$ per year.

Clearinghouse CDFI Role



- Pre-approve all applicants based on program guidelines
- Originate loan to California Home Source
- Sell loan to CitiMortgage
- Loans are ultimately sold in bulk to Freddie Mac / sold as security on Wall Street

Program Challenges

- Difficult inventory of borrowers
- Non-traditional underwriting requirements, all originations must be manually underwritten
- Housing supply shortage in California and misunderstanding among home sellers.
- Sellers must contribute a 1% fee to the transaction

Success of Program



- Mortgage Brokers throughout the state are eager to participate, leading to a substantial number of submissions and a huge marketing effort
- Since the program's inception in June of 2003, we have put 37 families into homes who otherwise would not be able to enjoy homeownership

For More information:

- Melissa Brown, Clearinghouse CDFI:
(949) 859-3600
- Matt Callahan, California Home Source
(877) 570-8370



Thank You

Clearinghouse Community Development Financial Institution
23861 El Toro Road, Suite 401
Lake Forest, CA 92630
(949) 859-3600