

**SENATE JUDICIARY COMMITTEE**  
**Senator Thomas Umberg, Chair**  
**2025-2026 Regular Session**

SB 750 (Cortese)

Version: February 21, 2025

Hearing Date: April 29, 2025

Fiscal: Yes

Urgency: No

ID

**SUBJECT**

California Residential Mortgage Insurance Act

**DIGEST**

This bill creates the California Residential Mortgage Insurance Act to provide mortgage insurance and credit enhancements for the construction of multifamily housing developments.

**EXECUTIVE SUMMARY**

California is experiencing a serious affordable housing crisis. For California renters, rents have increased dramatically in the past decade. As a result of these high rents, significant numbers of California renters pay a disproportionate amount of their income toward rent, and struggle to make ends meet. A significant contributor to the state's high rents is a lack of housing supply. While California has increased its production of housing in recent months, the state is still producing fewer housing units each year than it needs. In order to help encourage more housing construction, SB 750 proposes to create the California Residential Mortgage Insurance Program in which the state utilizes its credit to insure and provide credit enhancements for construction loans for multifamily housing developments. SB 750 would allow the program to charge a premium, not to exceed three percent of the loan, for the insurance, and would provide an array of powers for the program in the event that a borrower defaults. It would provide for the creation of a fund to hold premium payments and application fees to cover the administrative costs of the program, and to pay loans in default in certain circumstances. SB 750 would only go into effect on January 1, 2027 if the voters pass a constitutional amendment permitting the program. SB 750 is sponsored by Good River Partners and Ethos Real Estate, and is supported by YIMBY Action, the California Apartment Association, and a variety of nonprofits, housing entities, and the South Bay Labor Council AFL-CIO. The Committee has received no timely letters of opposition. SB 750 previously passed out of the Senate Housing Committee by a vote of 11 to 0.

## PROPOSED CHANGES TO THE LAW

Existing law:

- 1) Prohibits the Legislature from creating any debts or liabilities that on their own or in the aggregate exceed \$300,000, except in the case of war or to suppress insurrection, unless the debt or liability is authorized by law for a single object or work, upon the vote of two-thirds' of the Legislature and a majority of the voters, as specified. (Cal. Const. Art. XVI, Sec. 1.)
- 2) Provides the Legislature with the authority to insure or guarantee loans made by private or public lenders to nonprofit corporations and public agencies for the construction, expansion, enlargement, improvement, or renovation or repair of any public or nonprofit hospital or other health care facility. Specifies that no provision of the Constitution, including Section 1 of Article 16 and Section 14 of Article 11 shall be construed to limit this section. (Cal. Const. Art. XVI, Sec. 4.)
- 3) Establishes the California Housing Finance Agency, administered by a board of directors, to support the needs of low- and moderate-income renters and homebuyers through financing and various other programs. (Health & Saf. Code §§ 50900 et seq.)
- 4) Establishes the Health Facility Construction Loan Insurance Law, which provides for a mortgage insurance program for health facility construction, improvement, and expansion projects in order to stimulate the flow of private capital into health facilities construction, improvement, and expansion, and to help meet the need for new, expanded and modernized public and nonprofit health facilities. (Health & Saf. Code § 129000.)

This bill:

- 1) Makes various findings and declarations regarding the state's production of housing and need for housing.
- 2) Establishes the California Residential Mortgage Insurance Act (Cal REMIA) to provide, without cost to the state, an insurance program for multifamily housing construction loans in order to stimulate the flow of private capital into multifamily housing construction.
- 3) Defines, for the purposes of its provisions, the following terms:
  - a) "construction loan" to mean a short-term loan made for financing the construction or rehabilitation of a multifamily housing development.
  - b) "credit enhancement" to mean a method of reducing risk for a lender through letters of credit and bond and loan insurance.

- c) "debenture" to mean any form of written evidence of indebtedness issued by the State Treasurer pursuant to these provisions.
  - d) "multifamily housing development" to mean a housing development with five or more residential units.
  - e) "permanent loan" to mean a long-term loan secured by a deed of trust.
- 4) Requires the California Housing Finance Agency (Cal HFA) to administer and implement Cal REMIA, and permits the agency to insure construction loans or permanent loans for multifamily housing developments, and offer credit enhancements for construction loans and permanent loans for multifamily housing developments.
  - 5) Permits Cal HFA to review, adopt, amend, and repeal guidelines to implement uniform standards or criteria for the Cal REMIA program and these provisions.
  - 6) Permits Cal HFA to enter into contracts of insurance, decline to insure any risk in which the minimum requirements of the insurance fund are not complied with, or which is beyond the safe carrying of the fund; reinsure any risk or portion thereof; make rules for the settlement of claims against the fund and determine how payments are made; enter into any contracts or obligations relating to the fund; and conduct all business and affairs and perform all acts relating to the fund whether or not specifically designated.
  - 7) Permits Cal HFA to commence an action to protect or enforce any right it has, any mortgage, contract of insurance, or any other agreement, and permits Cal HFA to bid for and purchase property sold in satisfaction of any loan at a foreclosure or other sale, and to acquire or take possession of such property.
  - 8) Authorizes Cal HFA to insure or issue commitments to insure loans upon the certification of an approved financial institution that the borrower is qualified for loan insurance. Permits Cal HFA to insure any loan that is eligible for insurance and to make commitments for the insuring of the loans prior to their date of execution or disbursement thereon. Specifies that nothing prohibits Cal HFA, in the event of defaults, from taking any action authorized under this chapter to protect the financial interest of the state.
  - 9) Permits Cal HFA to establish a premium for any loan insurance, to be deposited into the Cal REMIA's fund, and permits the premium rate to be based upon the assessed level of relative financial risk, but to be no more than two percent of the loan.
  - 10) Permits Cal HFA to charge an annual premium advance at the time of issuing or extending the commitment up until the date that the loan is insured or the commitment expires, with this advance premium not to exceed six dollars per year

per each \$1,000 of principal of the proposed loan, which shall be non-reimbursable and credited against the total premium.

- 11) Requires Cal HFA to prepare an annual report on the condition of the program and its effectiveness in relation to cost, with recommendations and suggested legislation for the improvement of the program, as specified.
- 12) Requires Cal HFA to establish the minimum qualifications for a proponent of a multifamily housing development to qualify for construction loan insurance, permanent loan insurance, or credit enhancements, including the maximum duration, maximum amount, loan security requirements, and loan-to-value limitations.
- 13) Specifies that Cal HFA may not regulate, or impose requirements upon, or require approval by the agency, of any professional or their fee that assists applicants with an initial application for loan insurance.
- 14) Requires nothing less than the general prevailing rate of per diem wages for work of a similar character in the locality of the development, and not less than the general prevailing rate of per diem wages for holiday and overtime work, may be paid to workers employed on a development that obtains assistance under the program.
- 15) Specifies that, if a lender of an insured loan forecloses on the borrower's property and takes possession of it, the lender is entitled to receive the benefit of the insurance after conveying the title to Cal HFA and assigning all claims against the borrower or others. Requires Cal HFA to notify the Treasurer and that the Treasurer then issue debentures to the lender to cover the outstanding value of the loan.
- 16) Specifies that, if an insured loan not secured by a first mortgage defaults, Cal HFA may acquire the insured loan and any security for it upon paying to the lender the unpaid principal balance, accrued interest, and other costs.
- 17) Permits Cal HFA, upon determination that the lender and borrower have exhausted all reasonable means of curing a default, to cure the default by making a payment of any unpaid obligations to the lender from the program's fund, secured by an assignment to Cal HFA of a pro rata share of the security agreements made between the lender and borrower, for which the borrower would become liable for repayment.
- 18) Specifies that Cal HFA has the power to deal with, operate, complete, lease, rent, renovate, modernize, insure, or sell, in its discretion, any properties conveyed to it in exchange for debentures, and empowers Cal HFA to pursue a final collection. Specifies that all income from such operation or leasing of property must be deposited into the program's fund.

- 19) Specifies that an obligation to pay any subsequent premium charge will cease, and all rights of the lender and borrower will terminate, if the lender forecloses on the mortgaged property but does not convey the property to Cal HFA, or when the borrower pays the obligation in full prior to its maturity, as specified.
- 20) Authorizes Cal HFA to terminate any insurance contract upon joint request by the borrower and lender and the payment of a termination charge, as specified.
- 21) Creates the California Residential Mortgage Insurance Fund, the moneys of which are to be continuously appropriated and may be invested or deposited into interest-bearing accounts. Permits the payment of an obligation on a defaulted loan to the lender from the fund, and specifies that, if insufficient funds exist to cover the defaulted amount, the remaining amount must be paid by the state's General Fund, to be reimbursed by the fund.
- 22) Provides that its provisions will only become operative if a corresponding constitutional amendment is approved by the voters, and in that event, shall become operative on January 1, 2027.

### COMMENTS

#### 1. Author's statement

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.

## 2. California is in a housing crisis

California is experiencing a serious affordable housing crisis. About 44% of all individuals in the state, or 17 million Californians, rent their apartments or homes.<sup>1</sup> For these Californians, rents have increased dramatically in the past decade. In 2022, the median gross rent in the state was \$1,870, which represented about an eight percent increase per year from the median gross rent in 2019.<sup>2</sup> As a result of these high rents, significant numbers of California renters pay a disproportionate amount of their income toward rent and struggle to make ends meet. In 2019, 51.8 percent of California renters were cost-burdened, in which their rent costs exceeded 30 percent of their household income, and 27.3 percent were severely cost-burdened, in which their rent costs exceeded 50 percent of their household income.<sup>3</sup> Moreover, 78 percent of extremely low-income households are severely cost burdened, meaning that they spend more than half of their income on housing costs, and 52 percent of low-income households are severely cost burdened.<sup>4</sup> Data and multiple studies also have demonstrated a strong link between homelessness and the cost of housing, suggesting that California's increases in residential rental rates contributes directly to the state's growing population of individuals experiencing homelessness.<sup>5</sup> The state's high rents significantly affect people of color, who disproportionately account for the state's renters.<sup>6</sup>

A contributor to these high rents is the state's lack of affordable housing, as the state is experiencing a record shortfall of available housing. It is estimated that the state is experiencing a shortfall of 1,283,734 affordable homes.<sup>7</sup> At the same time, the state is currently losing affordable housing every year. Between 1997 and 2022, California lost 22,078 affordable homes due to expiring regulatory restrictions on government-assisted

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<sup>1</sup> Monica Davalos et al, California's 17 Million Renters Face Housing Instability and Inequity Before and After COVID-19, California Budget & Policy Center (Jan. 2021), available at <https://calbudgetcenter.org/resources/renters-face-housing-instability-and-inequity-before-and-after-covid-19/>.

<sup>2</sup> U.S. Census Bureau, Table: Median Gross Rent by Bedroom, American Community Survey (multiple years) (accessed May 29, 2024), available at <https://data.census.gov/>.

<sup>3</sup> Davalos *supra* note 1, p. 3.

<sup>4</sup> California Housing Partnership, "Housing Needs Dashboard," Mar. 2024, available at <https://chpc.net/housingneeds/>.

<sup>5</sup> Margot Kushel et al, "California Statewide Study of People Experiencing Homelessness, UCSF Benioff Homelessness and Housing Initiative (Jun. 2023), available at <https://homelessness.ucsf.edu/our-impact/studies/california-statewide-study-people-experiencing-homelessness>; Alex Horowitz et al, "How housing costs drive levels of homelessness: data from metro areas highlights strong connection," The APew Charitable Trusts (ug. 22, 2023), available at <https://www.pewtrusts.org/en/research-and-analysis/articles/2023/08/22/how-housing-costs-drive-levels-of-homelessness>.

<sup>6</sup> Davalos *supra* note 1, p. 6.

<sup>7</sup> California Housing Partnership, "Housing Needs Dashboard," Mar. 2024, available at <https://chpc.net/housingneeds/>.

multifamily developments.<sup>8</sup> It is estimated that 31,309 affordable homes are at risk of losing their affordability restrictions in the next 10 years.<sup>9</sup> Although the state built more homes in the last few years than it has in many years, production is still below what the state estimates is needed to be produced every year in order to meet the state's needs.<sup>10</sup> Given these numbers, it is essential that the state build more housing, and do so quickly.

### 3. Federal and the state Cal-Mortgage program provide insurance for certain construction loans

One strategy to increase the production of housing is by making housing construction more financially feasible, and by making financing more available. One way to do this is through having the federal government utilize its credit to insure loans and mortgages for the construction of housing, as this backing helps ensure lenders that they will be paid back, and thus helps lenders make loans they may otherwise not and to make those loans at lower interest rates. The federal government provides such loan insurance through a number of programs, such as its FHA/HUD 221(d)4 new construction and sub-rehabilitation loan program, and has done so through a variety of programs dating back to 1934.

California has not generally provided mortgage insurance, except for through the Cal-Mortgage program that provides for mortgage insurance for the construction or improvement of health care facilities. The Cal-Mortgage program was created in 1968 by Proposition 5 and enabling legislation a year later. Proposition 5 added section 21.5 to Article 13 of the California Constitution, which stated:

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. (Former Cal. Const. Art. XIII, Sec. 21.5.)<sup>11</sup>

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<sup>8</sup> Danielle Mazzella et al, *Report 2023: Affordable Homes At Risk*, California Housing Partnership (Apr. 2023), available at <https://chpc.net/resources/2023-subsidized-affordable-housing-at-risk-report/>.

<sup>9</sup> *Id.*

<sup>10</sup> Ben Christopher, "California is losing population and building new houses. When will home prices come down?" CalMatters (May 16, 2023), <https://calmatters.org/housing/2023/05/california-exodus-housing-cost/>.

<sup>11</sup> While Proposition 5 added Section 21.5 to Article XII of the California Constitution, this section was moved by Proposition 8 in 1974 to become Section 4 of Article XVI, where it is currently located.

The Cal-Mortgage program required this constitutional amendment first because of the limitation in section one of Article 16 of the California Constitution, which prohibits the Legislature from creating any debts or liabilities that exceed \$300,000, except in case of war or insurrection, or a bond law for a single object or work that is passed by two-thirds of the Legislature and approved by the voters. (Cal. Const. Art. XVI, Sec. 1.)

Proposition 5 added Section 21.5 to Article 13 of the Constitution to address the concern that the Legislature was otherwise prevented from creating any debt or liability against the credit of the state by Section 1 of Article 16. Proposition 5 overcame the bar to creating indebtedness under Article 16 by specifically providing that:

No provision of this Constitution, including but not limited to, Section 1 of Article XVI and Section 14 of Article XI, shall be construed as a limitation upon the authority granted by the Legislature by this section. (Cal. Const. Art. XVI, Sec. 4.)

The Constitutionality of Proposition 5 and the Cal-Mortgage statutory provisions, and particularly the statutory provisions allowing for the issuance of debentures (unsecured bonds backed by the state's credit) to pay back the debt of a defaulted on by a borrower, were upheld in 1971. (*Methodist Hospital of Sacramento v. Saylor* (1971) 5 Cal. 3d 685.)

The Cal-Mortgage Program was designed to assist non-profit or public healthcare facilities in obtaining private financing to develop or expand health facilities at no cost to taxpayers. It did so by utilizing the credit of the state to guarantee and insure loans for health facility construction projects. These guarantees benefited the healthcare facilities who were granted them by allowing them to obtain lower interest rates and more financing, thus making such projects financially feasible and resulting in the construction of more health facilities in the state. Many of the Cal-Mortgage's provisions mirrored those of federal mortgage insurance programs. They require the program to develop a plan and allocate loan insurance based on its findings, and require an advisory committee to review and make recommendations on loan insurance applications. The enacting laws also created the Health Facility Construction Loan Insurance Fund (Insurance Fund) to be used as a depository of fees and insurance premiums, as well as to pay the administrative costs of the program and any shortfalls resulting from defaults by insured borrowers.

The Cal-Mortgage program permits the program to require premiums and to take various steps in the case of a borrower's default. It allows the government to take title to a project that defaults and issue debentures to pay back the loan, as well as to assume direct managerial control of the borrower in default. For any loans in default, the Insurance Fund is to cover the amount of the loan, but if there are not enough funds in the fund to do so, then any remaining amount must be covered by the General Fund, with repayment from the Insurance Fund. (Health & Saf. Code § 129160.) The Cal-Mortgage program is limited from charging premiums of any more than three percent,

and may not insure more than \$3 billion in loans. (Health & Saf. Code §§ 129040; 129210.)

The Cal-Mortgage program insured its first loan in 1972. In 1993, the Triad Healthcare Corporation defaulted on an insured loan of \$167 million.<sup>12</sup> As a result, a moratorium on the program was put into place for new applications of insurance. However, after review and the conclusion that the program could continue without cost to the state, the moratorium was lifted the next year. As of 2020, the Cal-Mortgage program was still making payments out of the Insurance Fund for two defaulted loans.<sup>13</sup> As of 2023, Cal-Mortgage has insured since its inception a total of 584 loans 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.

4. SB 750 proposes to create a state program to insure and wrap loans and mortgages for affordable multi-family housing

SB 750 creates a program, the California Residential Mortgage Insurance Act (Cal REMIA), commencing January 1, 2027, through which the state would provide loan insurance and credit enhancements for loans for the construction of multi-family housing. Multi-family housing developments that would qualify for the program are those with five or more residential units. To qualify for loan insurance or a credit enhancement, the development also must provide no less than the general prevailing rate of per diem wages, including for holiday and overtime work, of the locality in which the development is located.

Cal REMIA would be implemented and administered by the California Housing Finance Agency (Cal HFA), which would be required to establish minimum requirements for loans to qualify for insurance or credit enhancements. Cal HFA also would be required to establish a premium charge for the insurance of loans, to be paid at the time that the loan is insured, though the premium charge would not be permitted to be more than two percent of the loan. SB 750 allows Cal HFA to charge a portion of the premium in advance until the loan is insured or the commitment expires, but at no greater than six dollars per year for each \$1,000 of principal of the proposed loan. This amount would be non-refundable, but creditable against the premium, so that Cal HFA can offset the costs and expenses related to preliminary work, underwriting the loan commitment, and monitoring construction.

SB 750 would create the California Residential Mortgage Insurance Fund within the state Treasury for the purposes of the Cal REMIA program. The proceeds from the

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<sup>12</sup> Cal. Health Facility Construction Loan Insurance Program, “2017, 2019, 2021 Consolidated State Plan, Dept. of Health Care Access and Information (Mar. 2023), <https://hcai.ca.gov/facilities/health-facility-financing/construction-financing/#state-plan>.

<sup>13</sup> *Id.*, p. 13.

premiums charged on insured loans would be deposited into the fund, along with any application fees charged to apply. Cal HFA would be permitted to invest the moneys within this fund, or otherwise deposit the moneys of the fund into an interest-bearing account. The fund would be used otherwise to cover any obligations on insured loans that default, and to cover the administrative expenses of the Cal REMIA program. If insufficient funds exist in the fund to cover an obligation, the remaining amount of the loan must be paid by funds from the General Fund appropriated by the State Treasurer. The fund would then be liable for the repayment of those funds to the General Fund.

SB 750 also includes a number of provisions that address loan defaults. These provisions specify that if a lender forecloses upon or takes possession of the property under mortgage, the lender is entitled to receive the benefit of the insurance. In such a case, SB 750 requires the State Treasurer to issue debentures to cover the outstanding amount of the loan. Cal HFA would also be permitted to acquire the insured loan and any security of a loan in default that is not secured by a first mortgage, and issue debentures to the lender to cover the remaining loan amount. SB 750 additionally permits Cal HFA to, upon exhaustion of all other means of curing the default between the parties, cure the default by making a payment to the lender from the program's fund. This payment would be secured by an assignment to Cal HFA of a pro rata share of the security agreements for the loan, with the borrower liable to Cal HFA for repayment. If Cal HFA obtains any properties through a default in exchange for debentures, SB 750 permits Cal HFA to operate, complete, lease, rent, renovate, modernize, insure, or sell the property. Any incomes from such operations must be deposited into the program's fund.

Additionally, SB 750 would require Cal HFA to prepare an annual report for the Legislature and Governor regarding the program. Like with the Cal Mortgage program, the Cal REMIA program would commence only if a Senate Constitutional Amendment is approved by voters to permit the program's creation. That proposed constitutional amendment has not yet been introduced; however, when it is, it should explicitly specify that its provisions are not limited by Section 4 of Article 16 of the California Constitution, and should describe the program with sufficient specificity to include the issuance of debentures and all other authorities provided by this bill.

## 5. Amendments

A number of amendments to SB 750 were agreed to in the Senate Housing Committee prior to the bill passing that committee and coming before this Committee. Those amendments will be taken in this Committee due to timing between the two committees' hearings. Those amendments specify that the Cal REMIA program would be available only to developments of affordable housing, to include a mix of lower- and moderate-income households, as defined. The amendments also would require that the Legislative Analysts' Office submit a biannual report on the program to the Legislature, regarding the effectiveness of the program with recommendations for the program. This

report would include the percentage of debt capacity used by the program, the number of credit enhancement beneficiaries, and the number of affordable units planned for each income level.

The author has agreed to additional, technical amendments that correct references in Health and Safety Code sections 51716 and 51720 of the bill that referred to the incorrect section of this bill. A full mock-up of the amendments are attached at the end of this analysis.

## 6. Arguments in support

According to Good River Partners, which is the sponsor of SB 750:

[SB 750] 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.

### SUPPORT

Ethos Real Estate (sponsor)  
Good River Partners (sponsor)  
Abundant Housing LA  
All Home, a Project of Tides Center  
Asian Law Alliance  
Bill Wilson Center  
California Apartment Association  
California Community Builders  
California Housing Partnership  
California Yimby  
Core Affordable Housing  
East Bay Yimby  
Fieldstead and Company, Inc.  
Grow the Richmond  
Habitat for Humanity California  
Homefirst Services of Santa Clara County

Mountain View Yimby  
Napa-solano for Everyone  
Northern Neighbors Sf  
Peninsula for Everyone  
San Francisco Yimby  
Santa Cruz Yimby  
Santa Rosa Yimby  
South Bay AFL-CIO Labor Council  
South Bay Yimby  
SPUR  
The School of Arts and Culture  
The Two Hundred  
Ventura County Yimby  
Yimby Action  
Yimby LA  
Yimby SLO

### **OPPOSITION**

None received

### **RELATED LEGISLATION**

#### **Pending Legislation:**

SB 417 (Cabaldon, 2025) enacts the Affordable Housing Bond Act of 2026, which would authorize the issuance of bonds in the amount of \$10,000,000,000 pursuant to the State General Obligation Bond Law, for the financing of programs to fund affordable rental housing and home ownership programs. SB 417 places the bond act before the voters on the statewide primary elections on June 2, 2026. SB 417 is currently pending before the Senate Rules Committee.

AB 736 (Wicks, 2025) enacts the Affordable Housing Bond Act of 2026, which would authorize the issuance of bonds in the amount of \$10,000,000,000 for the financing of programs to fund affordable rental housing and home ownership programs. AB 736 is currently pending before the Assembly Committee on Housing and Community Development.

AB 595 (Carrillo, 2025) requires, on or before January 1, 2027 and upon appropriation, that the Treasurer, in consultation with Cal HFA, the Department of Housing and Community Development, and other stakeholders, to develop a Building Home Ownership for All Program to, among other things, expand access to home ownership. AB 595 is currently pending before the Assembly Committee on Housing and Community Development.

AB 590 (Lee, 2025) enacts the Social Housing Bond Act of 2026 which, if approved by the voters, would authorize the issuance of bonds in the amount of \$950,000,000 pursuant to the State General Obligation Bond Law, to fund social housing programs. Authorizes the issuance of bonds to build more low, very low, and extremely low income housing. Also creates the Social Housing Revolving Loan Fund to be used, upon appropriation of the Legislature, to provide zero-interest loans for the purpose of constructing housing to accommodate a mix of household incomes. AB 590 is currently pending before the Assembly Committee on Housing and Community Development.

Prior Legislation: None known.

**PRIOR VOTES:**

Senate Housing Committee (Ayes 11, Noes 0)

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**MOCK-UP AMENDMENTS FOR 2025-2026 SB 750 (Cortese (S))**  
*(Amendments may be subject to technical changes by Legislative Counsel)*

**THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:**

**SECTION 1.** The Legislature finds and declares all of the following:

- (a) In the fifth housing element cycle, which ends in March 2025, only 20 percent of the units required to house the state's very low income population were permitted. In other words, 277,523 units were needed and only 57,392 were permitted.
- (b) The numbers are only slightly better for the state's low-income population, where only 30 percent of the units have been permitted. Of the 184,921 units needed, only 57,135 were permitted.
- (c) In the San Francisco Bay area alone, 395 projects are currently in predevelopment waiting for funding. Enterprise Community Partners estimate that over seven billion dollars (\$7,000,000,000) is needed to get these projects out of the pipeline and into the construction phase.
- (d) The New York City Residential Mortgage Insurance Corporation was created to insure mortgages for the production and rehabilitation of affordable housing throughout the City of New York through the issuance of mortgage insurance. In its 49 years of existence, the corporation has only had 16 claims for insured loans totaling six hundred fifty thousand six hundred forty-eight dollars (\$650,648).

SEC. 2. Part 4.1 (commencing with Section 51700) is added to Division 31 of the Health and Safety Code, to read:

**PART 4.1. INSURANCE ACT CALIFORNIA RESIDENTIAL MORTGAGE**  
**Chapter 1. General Provisions**

51700. This part shall be known, and may be cited, as the California Residential Mortgage Insurance Act.

**51701.** The purpose of this part is to provide, without cost to the state, an insurance program for affordable multifamily housing construction loans in order to stimulate the flow of private capital into affordable multifamily housing construction and in order to rationally meet the need for new, expanded, and modernized affordable multifamily housing necessary to house all the people of this state. The provisions of this part are to be liberally construed to achieve this purpose.

**51702.** For purposes of this part:

**(a) "Affordable" means affordable to a mix of lower income and moderate-income households. For purposes of this subdivision, "lower income households" has the same meaning as the term is defined in Section 50079.5 of the Health and Safety Code, and**

*“moderate-income households” has the same meaning as the term “persons and families of moderate income” is defined in Section 50093 of the Health and Safety Code.*

~~(a)~~

~~(b)~~ “Agency” means the California Housing Finance Agency.

~~(b)~~

~~(c)~~ “Construction loan” means a short-term loan made for financing the construction or rehabilitation of a *an affordable* multifamily housing development.

~~(c)~~

~~(d)~~ “Credit enhancement” means a method of reducing risk for a lender through letters of credit and bond and loan insurance.

~~(d)~~

~~(e)~~ “Debenture” means any form of written evidence of indebtedness issued by the State Treasurer pursuant to this chapter, as authorized by Section 1.6 of Article XVI of the California Constitution.

~~(e)~~

~~(f)~~ “Executive director” means the Executive Director of the California Housing Finance Agency.

~~(f)~~

~~(g)~~ “Fund” means the California Residential Mortgage Insurance Fund, created pursuant to Section 51725.

~~(g)~~

~~(h)~~ “Multifamily housing development” means a housing development with five or more residential units.

~~(h)~~

~~(i)~~ “Permanent loan” means a long-term loan that is secured by a deed of trust.

~~(i)~~

~~(j)~~ “Program” means the California Residential Mortgage Insurance Program established pursuant to this part.

**51703.** (a) The agency shall administer and implement the program. The agency may do both of the following in the administration of the program:

(1) Insure construction loans or permanent loans for *affordable* multifamily housing developments pursuant to this part.

(2) Offer credit enhancements for construction loans and permanent loans for *affordable* multifamily housing developments pursuant to this part.

(b) The agency may review, adopt, amend, and repeal guidelines to implement uniform standards or criteria that supplement or clarify the terms, references, or standards set forth in this part.

**51704.** In conducting the business and affairs of this part, the executive director may do any of the following:

(a) Enter into contracts of insurance.

(b) Decline to insure any risk in which the minimum requirements of the insurance fund are not complied with, or which is beyond the safe carrying of the fund.

(c) Reinsure any risk or any part thereof.

- (d) Make rules for the settlement of claims against the fund and determine to whom and through whom the payments are to be made.
- (e) Enter into any contracts or obligations relating to the fund.
- (f) Conduct all business and affairs and perform all acts relating to the fund whether or not specifically designated in this part.

**51705.** The agency may commence any action to protect or enforce any right conferred upon it by any law, mortgage, contract of insurance, or any other agreement. The agency may bid for and purchase property sold in satisfaction thereof at any foreclosure or other sale or may otherwise acquire and take possession of that property.

**51706.** (a) The agency shall establish a premium charge for the insurance of loans under this part, and this charge shall be deposited in the fund. A one-time nonrefundable premium charge shall be paid at the time the loan is insured. The premium rate may vary based upon the assessed level of relative financial risk determined by the agency, but shall in no event be greater than 2 percent. The amount of premium shall be computed on the basis of the application of the rate to the total amount of principal and interest payable over the term of the loan.

(b) The agency may annually charge a portion of the premium in advance commencing at the time of issuing or extending the commitment until the date the loan is insured or the commitment expires. The amount of the advance premium shall not exceed six dollars (\$6) per year for each one thousand dollars (\$1,000) of principal of the proposed loan. The total dollar amount of the premium advanced shall be nonrefundable and shall be credited against the amount of the premium charged pursuant to this section, or if the commitment expires and the loan is not insured, the advance shall be retained by the department to offset costs and expenses of the department related to preliminary work, underwriting the loan commitment, and monitoring construction.

**51707.** (a) The agency shall prepare an annual report on the condition of the program that shall include an evaluation of program effectiveness in relation to cost and shall include recommendations and suggested legislation for the improvement of the program, if any.

(b) The agency shall obtain an annual agreed-upon procedures engagement of the fund's books and accounts with respect to its activities under this part to be made at least once for each calendar year by an independent certified public accountant.

(c) **(1)** A copy of the annual agreed-upon procedures engagement and annual report shall be transmitted to the Governor, to the chairperson and vice chairperson of the Senate and Assembly housing policy committees, the Senate and Assembly budget committees, and the Joint Legislative Budget Committee, and made available for review by interested parties no later than November 1 of each year for the annual agreed-upon procedures engagement and the program evaluation report.

**(2) The agency shall submit each report required by this section to the Legislature in compliance with Section 9795 of the Government Code.**

(d) For purposes of this section, the agreed-upon procedures engagement shall be conducted in accordance with the most recent Statements on Standards for Attestation Engagements, as issued by the American Institute of Certified Public Accountants.

51707.1. (a) The Legislative Analyst's Office shall submit a report to the Legislature, on or before January 1 of every other year thereafter, regarding the effectiveness of the program established pursuant to this part, with recommendations to the Legislature for adjustments to the program to increase the distribution of credit enhancements. The report shall include, but not be limited to:

(1) The percentage of debt capacity used by the program.

(2) The number of credit enhancement beneficiaries.

(3) The number of affordable housing units planned for each income level, including lower income, as that term is defined in subdivision (l) of Section 65582 of the Government Code.

(b) The office shall submit each report required by this section to the Legislature in compliance with Section 9795 of the Government Code.

## Chapter 2. Qualifications and Requirements for Insurance Loans

**51708.** (a) The agency shall establish minimum qualifications for a proponent of a an affordable multifamily housing development to qualify for construction loan insurance, permanent loan insurance, or credit enhancements available under this part.

(b) The agency shall establish minimum requirements for loans that are insured or subject to a credit enhancement pursuant to this part that shall include, but not be limited to, all of the following:

(1) Maximum duration.

(2) Maximum amount.

(3) Loan security requirements.

(4) Loan-to-value limitations.

(c) For the purpose of increasing the efficiency and minimizing the cost of the loan insurance and credit enhancement program, the agency may insure or issue commitments to insure loans upon the certification of an approved financial institution that the borrower is qualified for loan insurance according to eligibility requirements specified by the agency pursuant to this section.

**51709.** A pledge by or to the agency of, or the grant to the agency of a security interest in, revenues, moneys, accounts, accounts receivable, contract rights, general intangibles, documents, instruments, chattel paper, and other rights to payment of whatever kind made by or to the agency pursuant to the authority granted in this part shall be valid and binding from the time the pledge is made for the benefit of pledgees and successors thereto. The revenues, moneys, accounts, accounts receivable, contract rights, general intangibles, documents, instruments, chattel paper, and other rights to payment of whatever kind pledged by or to the agency or its assignees shall immediately be subject to the lien of the pledge without physical delivery or further act. The lien of that pledge shall be valid and binding against all parties, irrespective of whether the parties have

notice of the lien. The indenture, trust agreement, resolution, or another instrument by which that pledge is created need not be recorded or the security interest otherwise perfected.

**51710.** The agency may upon application of the borrower insure any loan that is eligible for insurance under this part, and upon the terms prescribed by the agency, may make commitments for the insuring of the loans prior to their date of execution or disbursement thereon. The decision to grant loan insurance upon an application of the borrower is within the discretion of the executive director. Showing need for the project or meeting the eligibility requirements for loan insurance and establishing financial feasibility of the project or recommendation for approval from the committee does not create any entitlement to loan insurance.

**51711.** (a) The agency shall not regulate, impose requirements on, or require approval by the agency of a professional, or a fee charged by a professional, used by applicants for the initial application for loan insurance. The choice of any professional and the funding source used shall be left entirely to the participants.

(b) For purposes of this section, "professional" includes, but is not limited to, an underwriter, bond counsel, or consultant.

(c) Nothing in this section shall prohibit the agency, in the event of defaults, from taking any action authorized under this chapter to protect the financial interest of the state.

**51712.** (a) Not 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 fixed as provided in this chapter, shall be paid to all workers employed on a development under this part.

(b) Notwithstanding subdivision (a), the Legislature may amend this section to prescribe applicable wage standards.

### **Chapter 3. Defaults**

**51713.** (a) (1) In any case when the lender under a loan insured under this part shall have foreclosed and taken possession of the property under a mortgage in accordance with regulations of, and within a period to be determined by the agency, or shall, with the consent of the agency, have otherwise acquired the property from the borrower after default, the lender shall be entitled to receive the benefit of the insurance as provided in this part, upon (A) the prompt conveyance to the office of title to the property that meets the requirements of the regulations of the agency in force at the time the loan was insured, and that is evidenced in the manner prescribed by the regulations, and (B) the assignment to the agency of all claims of the lender against the borrower or others arising out of the loan transaction or foreclosure proceedings except claims that may have been released with the consent of the agency. Upon the conveyance and assignment, the agency shall notify the Treasurer, who shall issue to

the lender debentures having a total face value equal to the outstanding value of the loan.

(2) For the purposes of this section, the outstanding value of the loan shall be determined, in accordance with the regulations prescribed by the agency, by (A) adding to the amounts of the original principal obligation of the loan and interest that are accrued and unpaid the amount of all payments that have been made by the lender for the following: taxes and assessments, ground rents, water rates, and other liens that are prior to the mortgage; charges for the administration, operation, maintenance and repair of the health facility property; insurance on the project property, loan insurance premiums, and any tax imposed by a city or county upon any deed or other instrument by which the property was acquired by the lender and transferred or conveyed to the agency; and the costs of foreclosure or of acquiring the property by other means actually paid by the lender and approved by the agency; and by (B) deducting from the total amount any amounts received by the lender after the borrower's default on account of the loans or as rent or other income from the property.

(b) In the event of a default on an insured loan not secured by a first mortgage, the agency may, in lieu of proceeding under subdivision (a), acquire the insured loan and any security therefor upon payment to the approved financial institution of an amount equal to the unpaid principal balance of the loan, accrued interest, and other costs that the agency finds are fair, reasonable, and authorized.

**51714.** In any case when a political subdivision defaults on the payment of interest or principal accrued and due on bonds or other evidences of indebtedness insured under this part, debentures in an amount equal to the outstanding original principal obligation and interest on the bonds that were accrued and unpaid on the date of default and bearing interest at a rate equal to and payment schedule identical with those of the bonds shall be issued by the Treasurer upon notification thereof by the agency to the bondholders upon the surrender of the bonds to the agency.

**51715.** Notwithstanding any requirement contained in this part relating to acquisition of title and possession of the project property by the lender and its subsequent conveyance and transfer to the agency, and for the purpose of avoiding unnecessary conveyance expenses in connection with payment of insurance benefits under the provisions of this part, the agency may, subject to regulations that it may prescribe, permit the lender to tender to the agency a satisfactory conveyance of title and transfer of possession direct from the borrower or other appropriate grantor and to pay to the lender the insurance benefits to which it would otherwise be entitled if the conveyance had been made to the lender and from the lender to the agency.

**51716.** (a) Upon receiving notice of the default of any loan insured under this part, the agency, in its discretion and for the purpose of avoiding foreclosure under ~~Section 51712~~ Section 51713 and notwithstanding the fact that it has previously approved a request of the lender for extensions of the time for curing the default and of the time for commencing foreclosure proceedings or for otherwise acquiring title to the project

property, or has approved a modification of the loan for the purpose of changing the amortization provisions by recasting the unpaid balance, may acquire the loan and security agreements securing the loans upon the issuance to the lender of debentures in an amount equal to the unpaid principal balance of the loan plus any accrued unpaid loan interest plus reimbursement for attorney's fees and costs of the lender enumerated in ~~Section 51712~~ Section 51713.

(b) After the acquisition of the loan and security interests therefor by the department, the lender shall have no further rights, liabilities, or obligations with respect thereto. The provisions of Section 51712 relating to the issuance of debentures incident to the acquisition of foreclosed properties shall apply with respect to debentures issued under this section, and the provisions of this part relating to the rights, liabilities, and obligations of a lender shall apply with respect to the department when it has acquired an insured loan under this section, in accordance with and subject to any regulations prescribed by the department modifying the provisions to the extent necessary to render their application for these purposes appropriate and effective.

**51717.** Notwithstanding any other provision of this chapter, after the agency determines that the lender and borrower have exhausted all reasonable means of curing any default, the agency within its discretion may, when it is in the best interests of the state, the borrower, and the lender, cure the default of the borrower by making payment from the fund directly to the lender of any amounts of the original principal obligation and interest of the loan that are accrued and unpaid. The payment shall be secured by an assignment to the agency of a pro rata share of the security agreements made to the lender and, upon the payment, the borrower shall become liable for repayment of the amount thereof to the agency over a period and at a rate of interest as shall be determined by the agency.

**51718.** The agency may at any time, under the terms and conditions that it may prescribe, consent to the lender's release of the borrower from its liability under the loan or the security agreement securing the loan, or consent to the release of parts of the project property from the lien of any security agreement.

**51719.** Debentures issued under this part shall be in the form and denomination, subject to the terms and conditions, and shall include provisions for redemption, if any, as may be prescribed by the agency and may be in coupon or registered form.

**51720.** (a) (1) All debentures issued under this part to any lender or bondholder shall be executed in the name of the fund as obligor, shall be signed by the Treasurer, and shall be negotiable. Pursuant to ~~Sections 51712 and 51713~~ Sections 51713 and 51714, all debentures shall be dated as of the date of the institution of foreclosure proceedings or as of the date of the acquisition of the property after default by other than foreclosure, or as of another date as the agency, in its discretion, may establish.

(2) The debentures shall bear interest from that date at a rate equal to the insured loan or bonds, and shall be payable on a payment schedule identical with payments on the insured loan or bonds. The Treasurer shall take appropriate steps to the extent feasible to provide that interest on the debentures is exempt from federal income taxation under Section 103 of the Internal Revenue Code to the extent interest on the insured loan or bonds is exempt from federal income taxation under Section 103 of the Internal Revenue Code on the date the insured loan or bonds is exchanged for debentures. All debentures shall be exempt, both as to principal and interest, from all taxation now or hereafter imposed by the state or local taxing agencies, shall be paid out of the fund, which shall be primarily liable therefor, and shall be, pursuant to Section 1.6 of Article XVI of the California Constitution, fully and unconditionally guaranteed as to principal and interest by the State of California, which guaranty shall be expressed on the face of the debentures.

(3) If the fund fails to pay upon demand, when due, the principal of, or interest on, any debentures issued under this part, the Treasurer shall pay to the holders the amount thereof, which amount, notwithstanding Section 13340 of the Government Code, is hereby continuously appropriated from the General Fund, without regard to fiscal years, and thereupon, to the extent of the amount so paid, the Treasurer shall succeed to all the rights of the holders of the debentures. The fund shall be liable for repayment to the General Fund of any moneys paid from the General Fund pursuant to this section in accordance with procedures jointly established by the Treasurer and the agency.

(b) Any debenture issued under this chapter shall be paid on a par with general obligation bonds issued by the state.

**51721.** (a) Notwithstanding any other law relating to the acquisition, management, or disposal of real property by the state, the agency shall have power to deal with, operate, complete, lease, rent, renovate, modernize, insure, or sell for cash or credit, in its discretion, any properties conveyed to it in exchange for debentures as provided in this part. Notwithstanding any other law, the agency shall also have power to pursue to final collection by way of compromise or otherwise all claims against borrowers assigned by lenders to the agency as provided in this part. All income from the operation, rental, or lease of the property and all proceeds from the sale thereof shall be deposited in the fund and all costs incurred by the agency in its exercise of powers granted in this section shall be met by the fund.

(b) The power to convey and to execute in the name of the agency deeds of conveyance, deeds of release, assignments and satisfactions of loans and mortgages, and any other written instrument relating to real or personal property or any interest therein acquired by the department pursuant to the provisions of this part may be exercised by the agency or by any officer of the agency appointed by it.

**51722.** A lender or borrower shall not have any right or interest in any property conveyed to the agency or in any claim assigned to it, and the agency shall not owe any duty to any lender or borrower with respect to the management or disposal of this property.

**51723.** Notwithstanding any other law, if, prior to foreclosing on any collateral provided by a borrower, the agency institutes a judicial proceeding or takes any action against a borrower to enforce compliance with the obligations set out in the regulatory agreement, the contract of insurance, or any other contractual loan closing document or law, that remedy or action shall not constitute an action within the meaning of subdivision (a) of Section 726 of the Code of Civil Procedure, or in any way constitute a violation of the intent or purposes of Section 726 of the Code of Civil Procedure, or constitute a money judgment or a deficiency judgment within the meaning of Sections 580a, 580b, 580d, or subdivision (b) of Section 726 of the Code of Civil Procedure. However, these provisions of the Code of Civil Procedure shall apply to any judicial proceeding instituted, or nonjudicial foreclosure action taken, by the department to collect the principal and interest due on the loan with the borrower.

#### **CHAPTER 4. Termination of Insurance**

**51724.** The obligation to pay any subsequent premium charge for insurance shall cease, and all rights of the lender and the borrower under this part shall terminate as of the date of the notice, as herein provided, in the event that (a) any lender under a loan forecloses on the mortgaged property, or has otherwise acquired the project property from the borrower after default, but does not convey the property to the department in accordance with this part, and the department is given written notice thereof, or (b) the borrower pays the obligation under the loan in full prior to the maturity thereof, and the department is given written notice thereof.

**51725.** The agency is authorized to terminate any insurance contract upon joint request by the borrower and the lender and upon payment of a termination charge that the agency determines to be equitable, taking into consideration the necessity of protecting the fund. Upon the termination, borrowers and lenders shall be entitled to the rights, if any, that they would be entitled to under this part if the insurance contract were terminated by payment in full of the insured loan.

#### **CHAPTER 5. California Residential Mortgage Insurance Fund**

**51726.** (a) The California Residential Mortgage Insurance Fund is hereby created in the State Treasury.

(b) Notwithstanding Section 13340 of the Government Code, or any other provision of law, moneys in the fund are continuously appropriated, without regard to fiscal year, to the agency for the purpose of insuring construction loans and permanent loans and

providing credit enhancements pursuant to this part and for the purpose of defraying administrative expenses incurred by the agency in operating and implementing this part.

(c) Notwithstanding Chapter 2 (commencing with Section 12850) of Part 2.5 of Division 3 of Title 2 of the Government Code, Article 2 (commencing with Section 13320) of Chapter 3 of Part 3 of Division 3 of Title 2 of the Government Code, or any other provision of law, expenditures of the fund shall not be subject to the supervision or approval of any other officer or division of state government.

**51727.** The agency shall, from time to time, direct the Treasurer to invest moneys in the fund that are not required for its current needs in eligible securities designated by the agency from among those specified in Section 16430 of the Government Code or as otherwise permitted by law. The agency may direct the Treasurer to deposit moneys in the fund in interest-bearing accounts in state or national banks or other financial institutions having principal offices in this state. To the extent permitted by law, the agency may invest moneys in the fund in obligations of financial institutions. The agency may also require the transfer of moneys in the fund to the Surplus Money Investment Fund for investment pursuant to Article 4 (commencing with Section 16470) of Chapter 3 of Part 2 of Division 4 of Title 2 of the Government Code.

**51728.** The agency may, with the approval of the Treasurer, purchase the debentures issued under this part. Debentures so purchased shall be canceled and not reissued.

**SEC. 3.** This act shall not be subject to the requirements of Part 3 (commencing with Section 16650) of Division 4 of Title 2 of the Government Code.

**SEC. 4.** The provisions of this measure are severable. If any provision of this measure or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.

**SEC. 5.** This act shall become operative only if Senate Constitutional Amendment \_\_\_\_ of the 2025-26 Regular Session is approved by the voters, and in that event, shall become operative on January 1, 2027, or the effective date of that measure, whichever is later.