

SECTION 1. Title.

This measure shall be known as the “California Middle-Class Homeownership and Family Home Construction Act of 2026.”

SEC. 2. Chapter 11.5 (commencing with Section 51515) is added to Part 3 of Division 31 of the Health and Safety Code, to read.

CHAPTER 11.5. California Middle-Class Homeownership and Family Home Construction Act of 2026

51515.

(a) The California Housing Finance Agency shall administer and implement the Middle-Class Homeownership Loan Program and Family Home Construction Act of 2026 in order to:

(1) Establish middle-class homeownership loans to make home financing more affordable for the purchase of a newly constructed single-family home, with no cost to taxpayers.

(2) Expedite and encourage new single-family home construction to create homeownership opportunities for middle-class families and address California’s shortage of single-family housing.

(3) Protect consumers from unfair lending practices.

(4) Provide opportunities for social investment by promoting the purchase of low-interest bonds to support middle-class home loans with below-market interest rates to advance the goal of California home ownership.

(b) For purposes of this chapter:

(1) “Act” means the California Middle-Class Homeownership and Family Home Construction Act of 2026.

(2) “Agency” means the California Housing Finance Agency.

(3) “Applicant” means any person or persons applying to receive a middle-class homeownership loan.

(4) “Bonds” means revenue bonds, notes (including bond anticipation notes and construction loan notes), debentures, interim or other certificates, or other evidence of financial indebtedness issued by the agency pursuant to Section 51515.06.

(5) “Borrower” means an applicant who satisfies the requirements established in subdivision (a) of Section 51515.01, and any other eligibility requirements established by the agency, and who has received a middle-class homeownership loan.

(6) “Builder” means a housing developer that participates in the qualified builder option established in Section 51515.02.

(7) “Lender” means a bank, credit union, trust company, savings bank, national banking association, savings and loan association, building and loan association, mortgage banker, or other financial institution or governmental agency that customarily provides service or otherwise aids in the financing of home mortgages, or any holding company for any of the foregoing, that meets the requirements established in Section 51515.03 and with which the agency has contracted to originate or service middle-class homeownership loans authorized by this chapter.

(8) “Middle-class homeownership loan” means a loan originated pursuant to this chapter.

(9) “Mortgage” means a mortgage, deed of trust, or other security instrument on a qualified new home that secures a middle-class homeownership loan.

(10) “Option” means the qualified builder option to encourage new single-family home construction established in Section 51515.02.

(11) “Program” means the Middle-Class Homeownership Loan Program.

(12) “Qualified new home” means a single-family home that satisfies the requirements established in subdivision (b) of Section 51515.01, including but not limited to, homes built under the qualified builder option established in Section 51515.02.

(13) “Single-family home” means a stand-alone home, townhome, or row house, including the land on which it is located, or a condominium, manufactured home or other residential unit, intended for occupancy by one household.

51515.01. Borrower and Qualified New Home Eligibility.

(a) Middle-Class Homebuyer Borrower Eligibility.

(1) An applicant shall meet all of the following eligibility requirements to qualify for a middle-class homeownership loan under the program:

(A) California Resident Requirement. The applicant shall be a resident of the State of California for at least 1 year prior to the time of application.

(B) Owner-occupied primary residence. The applicant shall agree to occupy the qualified new home as the applicant’s primary residence within 60 days of closing.

(C) Income requirements. The agency shall prioritize making loans to applicants who have a family income between 80 percent and 120 percent, but any applicant with a family income that does not exceed 200 percent of the area median income for a family of the same size in the county or metropolitan statistical area where the qualified new home is located, adjusted for family size by the agency, shall be eligible.

(D) Downpayment requirement. The applicant shall agree to pay no less than 3 percent of the purchase price of the qualified new home from a source other than a grant or borrowed money.

(2) An applicant shall provide the agency with any information, in the form prescribed by the agency, that will enable the agency to determine the applicant's eligibility under this chapter.

(b) Qualified New Home Eligibility.

(1) A qualified new home is either of the following:

(A) A newly constructed home, townhome, row-house, condominium, or manufactured home where the borrower is the first purchaser; or

(B) A condominium or other residential unit in a building that was a nonresidential structure and was retrofitted or repurposed for residential use where the borrower is the first purchaser.

(2) The maximum sales price for a qualified new home shall not exceed 125 percent of the conforming loan limit for a one-unit property in the county in which the qualified new home is located, as set forth in the annual conforming loan limit report published by the Federal Housing Finance Agency, or a successor agency, pursuant to 12 U.S.C. § 4542.

(3) Nothing in this section shall be construed to restrict the sale of qualified new homes to homebuyers who are not participating in the program.

(4) A qualified new home shall not be considered a "public works" for purposes of Chapter 1 (commencing with Section 1720) of Part 7 of Division 2 of the Labor Code.

51515.02. The Qualified Builder Option.

(a) A housing developer may voluntarily opt into the option by certifying to the agency that the construction of a new home or homes will satisfy the requirements established in subdivision (b) of Section 51515.01.

(b) Participating builders shall:

(1) Be subject to the following labor and enforcement provisions of subdivision (d) of Section 21080.66 of the Public Resources Code: paragraph (2); paragraph (3), if the project and construction craft conditions specified in that paragraph are met; and paragraphs (4) and (5).

(2) Be liable for all violations of paragraph (1) of subdivision (c) of this section that are committed by contractors and subcontractors to the builder. A joint labor-management cooperation committee established pursuant to the federal Labor Management Cooperation Act of 1978 (29 U.S.C. § 175a) may bring an action in a court of competent jurisdiction for a violation of this paragraph.

(c) A joint labor-management cooperation committee established pursuant to the federal Labor Management Cooperation Act of 1978 (29 U.S.C. § 175a) may bring an action in a court of

competent jurisdiction against a contractor or subcontractor to the builder at any tier on behalf of construction workers employed by a contractor or subcontractor to enforce:

(1) An employer's obligations under Division 1 and Division 6 of the Unemployment Insurance Code.

(2) The failure to secure the payment of workers' compensation insurance as required by Chapter 4 of Part 1 of Division 4 of the Labor Code.

(3) The failure to maintain a valid state contractor's license as required by Chapter 9 (commencing with Section 7000) of Division 3 of the Business and Professions Code.

(d) Remedies and penalties for labor law violations under this section shall be assessed and distributed in accordance subdivision (m) of Section 2699 of the Labor Code.

(e) Nothing in this section shall be construed to restrict the purchase of a qualified new home that was built under the option by homebuyers who are not participating in the program.

(f) If a builder sells a new qualified home built pursuant to this section for more than 25 percent over the maximum sales price established in paragraph (2) of subdivision (b) of this section 51515.01, subparagraph (B) of paragraph (1) and paragraph (2) of subdivision (e) of Section 51515.04 shall not apply to the home.

51515.03. Lender Eligibility.

(a) The agency may contract with one or more lenders to originate or service the middle-class homeownership loans authorized by this chapter.

(b) The agency shall evaluate whether the program, consistent with its purposes, may be implemented in a manner that meets the criteria for activities qualifying for consideration for lenders subject to the federal Community Reinvestment Act set forth in 12 U.S.C. § 2901 et. seq, and if so, implement the program in such manner.

51515.04. Consumer Protections, Accountability, and Transparency Standards.

(a) Consumer protection. The agency shall establish consumer protection requirements applicable to lenders the agency contracts with to originate the middle-class homeownership loans, including but not be limited to:

(1) Limits on lenders fees associated with the origination of middle-class homeownership loans;

(2) A prohibition on early payment penalties; and

(3) A requirement that middle-class homeownership loans be fixed-rate mortgage loans.

(b) Additional credit verification. If for any reason an applicant's credit score does not qualify the applicant for credit or the most favorable terms available under this program, the lender shall allow the applicant to voluntarily submit financial records, including: bank statements, paystubs,

verifiable personal assets, and rental payment history, and utilize and evaluate such records using cash flow underwriting in an effort to qualify the applicant for credit or more favorable terms under the program. By voluntarily submitting financial records, the applicant consents to such records being used for cash flow underwriting for purposes of the program.

(c) Home buyer representation and protections. The applicant shall retain a licensed California real estate agent or broker, as defined in Section 10018.06 of the Business and Professions Code, selected by the applicant, to ensure that the home buyer receives adequate representation and consumer protection throughout the homebuying process.

(d) Hardship deferral. A borrower may request a temporary hardship deferral of monthly interest payments on its middle-class homeownership loan pursuant to the criteria and terms established by the agency.

(e) Construction accountability standards.

(1) To protect consumers and expedite resolution of disputes for homeowners:

(A) Title 7 (commencing with Section 895) of Part 2 of Division 2 of the Civil Code shall apply to qualified new homes, except as modified in subparagraph (B) for qualified new homes built by a builder pursuant to Section 51515.02.

(B) Qualified new homes built by a builder pursuant to Section 51515.02 shall be subject to the following right-to-repair procedures:

(i) Notice requirements: If any claimant, whether it is a homeowner, group of homeowners or an association, initiates the prelitigation procedures in subdivision (a) of Section 910 of the Civil Code, in addition to complying with all of the requirements in that subdivision, the written notice required shall identify each homeowner by address or other description sufficient to apprise the builder of the location of each residence, shall identify the nature and location of each alleged violation in each residence, and shall be signed by each homeowner alleging a violation.

(ii) Allows open communication and transparency: Notwithstanding section 913 of the Civil Code, a builder may communicate directly with the homeowner or claimant during any stage of the prelitigation procedures described in Chapter 4 (commencing with Section 910) of Title 7 of Part 2 of Division 2 of the Civil Code. However, nothing in this provision is intended to modify the California Rules of Professional Conduct, including Rule 4.2, which prohibits attorneys from directly or indirectly communicating with a person they know is represented by another lawyer in the matter.

(iii) Allows homeowner to accept offers to repair: Notwithstanding Section 926 of the Civil Code, a builder may obtain a release or waiver from the homeowner for the repair work mandated by Chapter 4 (commencing with Section 910) of Title 7 of Part 2 of Division 2 of the Civil Code, provided the builder has completed the repairs with the utmost diligence, and the homeowner is satisfied with those repairs. The homeowner may voluntarily execute a release of claims related solely to the repaired deficiencies. Any such release shall be in writing, executed knowingly and voluntarily, and shall not extend to any defects or claims not addressed by the repairs.

(iv) Incentivizing prompt resolution of litigation: If a court grants a motion to stay pursuant to subdivision (b) of Section 930 of the Civil Code and, 120 days thereafter, the claimant has not taken affirmative action within the claimant's control to comply with the requirements of Chapter 4 (commencing with Section 910) of Title 7 of Part 2 of Division 2 of the Civil Code, the builder may bring a motion to dismiss the action. The court, in its discretion, may award the prevailing party on such a motion its attorney's fees and costs in bringing or opposing the motion.

(v) Disclosure to homebuyer: The builder of the qualified new home shall disclose in writing, in a form approved by the agency, to each homebuyer, prior to the close of escrow, that the qualified new home is subject to this subparagraph.

(C) Subparagraph (B) shall not apply to qualified new homes covered by subdivision (f) of Section 51515.02.

(2) Notwithstanding any other provision of law, in any action brought by a homeowner or group of homeowners asserting claims subject to the procedures set forth in Chapter 4 (commencing with Section 910) and Chapter 5 (commencing with Section 941) of Title 7 of Part 2 of Division 2 of the Civil Code or the procedures set forth in subparagraph (B) of paragraph (1) of subdivision (e) of this section related to a qualified new home, the maximum allowable attorney contingency fee shall not exceed 30 percent of the total recovery obtained through settlement, mediation, arbitration, judicial reference or judgment, unless a court approves a higher award considering the results obtained, the risk undertaken by the attorney, any agreement between the attorney and the client, the complexity of the action, and the skill demonstrated by the attorney. The attorney contingency fee shall be paid solely out of the amount of the settlement, arbitration, mediation, judicial reference or judgment.

(f) A lender originating a middle-class home ownership loan may charge an origination fee of no more than 0.5 percent or \$290, whichever is greater. The agency may adjust the \$290 amount no more than once every two years. No other loan fees may be charged by lenders unless authorized by the agency.

(g) Section 2924.13 of the Civil Code shall not apply to any middle-class homeownership loans made under this chapter.

51515.05. Program Requirements.

(a) The agency shall implement the program no later than one year after the effective date of this Act. The agency shall have all the powers conferred upon it by this part to implement and administer the program in accordance with this chapter. In implementing this chapter, the agency shall adopt rules and regulations approved by the board of directors of the agency and consistent with this chapter. Policies, rules, and regulations adopted pursuant to this part shall not be subject to Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code.

(b) Each middle-class homeownership loan shall be secured by a mortgage and shall be used solely to finance a portion of the purchase price of a qualified new home and shall finance no more than 17 percent of the purchase price of a qualified new home that is ordinarily covered by

the homeowner's downpayment, where the applicant contributes no less than 3 percent of the purchase price of a qualified new home. The agency shall adopt rules regarding closing costs, including but not limited to authorizing a borrower to use a middle-class homeownership loan to pay the closing costs associated with the full purchase of a qualified new home, provided that the agency determines that such a rule balances the interests of borrowers and bond investors.

(c) The agency shall set residency duration requirements for borrowers and the interest rates, amortization schedules, principal repayments, prepayment provisions and other payment terms on middle-class homeownership loans on terms the agency determines practical and favorable to applicant and at levels necessary, to the greatest extent possible to pay the principal, interest and other amounts due with respect to the bonds issued pursuant to this chapter, including amounts necessary to defray all costs of administration incurred by the agency pursuant to this chapter.

(d) The agency shall establish a homeowner education requirement for borrowers whom the agency determines would benefit from homeowner education, including first-time homebuyers, and shall do so in the most cost-effective manner practicable provided that the requirement can be satisfied within the timeline for closing.

(e) The agency shall establish underwriting criteria for the middle-class homeownership loans and may adjust the terms and eligibility of middle-class homeownership loans including, but not limited to, loan limits, minimum credit scores or the additional credit verification permitted by subdivision (b) of section 51515.04, and debt-to-income ratios, to satisfy federal standards and requirements established by Fannie Mae, Freddie Mac, or the Federal Housing Administration, provided that such criteria are consistent with the terms and purposes of this chapter.

(f) The agency shall provide for an independent annual audit of the program to ensure that bond proceeds are used in a manner consistent with the requirements of this chapter and any other applicable laws.

51515.06. Revenue Bonds.

(a) Subject only to the limitations of this chapter, the agency may, in addition to any other power conferred by this part (including Chapter 7 (commencing with Section 51350)):

(1) Issue and sell its bonds in the principal amount that the agency determines necessary for the purpose of funding or acquiring middle-class homeownership loans under the program and for the payment of interest on these bonds, the establishment of reserves to secure the bonds, and the payment of other expenditures of the agency incident to, and necessary or convenient to, issuance of the bonds, including credit or liquidity enhancement costs; provided that the principal amount of any bonds issued and sold pursuant to this chapter may not exceed twenty-five billion dollars (\$25,000,000,000), not including the amount of any refunding bonds issued pursuant to paragraph (2).

(2) Issue and sell its bonds to redeem, refund, retire, restructure, or purchase bonds previously issued pursuant to this chapter pursuant to Part 3 (commencing with Section 50900).

(3) Enter into any resolutions, indentures, or other documents governing the bonds with trustees.

- (4) Enter into any agreements for credit enhancement or liquidity support.
 - (5) Pledge, grant a lien on and security interest in, collateral, including but not limited to the middle-class homeownership loans and the agency's rights thereunder, to secure the obligations of the agency under any (A) resolutions, indentures, or other documents governing the bonds and (B) agreements for credit enhancement or liquidity support. This pledge, lien and security interest shall be governed by Chapter 5.5 (commencing with Section 5450) of Division 6 of Title 1 of the Government Code.
 - (6) Make or acquire middle-class homeownership loans.
 - (7) Collect, or cause to be collected, loan payments and other amounts when due from borrowers under a middle-class homeownership loan.
 - (8) Enforce, or cause to be enforced, the terms of middle-class homeownership loans and mortgages against borrowers.
 - (9) Accept any grants or donations for the benefit of the program.
 - (10) Make and execute contracts and other instruments and do any and all things necessary, convenient or desirable in connection with the bonds, the middle-class homeownership loans, the mortgages or to carry out the provisions of this chapter.
- (b) In addition to the statement required by Section 51374, all bonds issued pursuant to this section shall contain on the face the following statement: This bond shall not be deemed to constitute a debt or liability or a pledge of the faith and credit of the State of California, other than the agency, but shall be payable solely from the funds provided therefor.

SEC. 3. Amendments.

This Act shall be broadly construed to accomplish its purposes. The statutory provisions of the Act may be amended so long as such amendments are consistent with and further the purposes of building more middle-class housing in California, protecting home borrowers under this program, and expanding home ownership opportunities for middle-class Californians by a statute that is passed by over a sixty percent vote of the members of each house of the Legislature and signed by the Governor.

SEC. 4. Severability.

The provisions of this Act are severable. If any portion, section, subdivision, paragraph, clause, sentence, phrase, word, or application of this Act is for any reason held to be invalid by a decision of any court of competent jurisdiction, that decision shall not affect the validity of the remaining portions of this Act. The People of the State of California hereby declare that they would have adopted this Act and each and every portion, section, subdivision, paragraph, clause, sentence, phrase, word, and application not declared invalid or unconstitutional without regard to whether any portion of this Act or application thereof would be subsequently declared invalid.

SEC. 5. Liberal Construction.

This initiative shall be liberally construed to effectuate its purposes.

SEC. 6. Conflicting Ballot Measures.

(a) In the event that this measure and another measure authorizing revenue bonds to fund middle class housing loans shall appear on the same statewide election ballot, the provisions of the other measure shall be deemed to be in conflict with this measure. If this measure receives a greater number of affirmative votes than a measure deemed to be in conflict with it, the provisions of this measure shall prevail in their entirety, and the provisions of the other measure shall be null and void.

(b) If this measure is approved by the voters but superseded in whole or in part by a conflicting measure approved by the voters at the same election, and the conflicting measure is later held to be invalid, this measure shall be self-executing and given full force and effect.