

CALIFORNIA PROP 37

Creates Loan Program for Middle-Income Buyers of Qualified New Homes

Purpose

Proposition 37 is citizen initiated measure that would create a second-mortgage program for middle-class homebuyers purchasing newly built homes with the goals of making home financing more affordable and encouraging more single-family home construction in the state.¹

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Background

California has a housing affordability crisis. According to the U.S. Census Bureau, the state has the nation's second lowest rate of home-ownership.² The California Legislative Analyst's Office (LAO) found that as of December 2024, the median household income in California was roughly \$135,000 less than the income needed for a mid-tier home mortgage.³

In 1975, the California Legislature established the California Housing Finance Agency (CalHFA) in 1975 to assist low and middle income Californians in renting and purchasing homes through several programs, including first-time home buyer loan programs, United States Department of Veterans Affairs loan programs, United States Department of Agriculture loan programs, and housing counseling programs.⁴ Currently, CalHFA operates the California Dream For All Shared Appreciation Loan, which helps with down payments or closing costs for eligible first-generation or first-time homebuyers; however, this program does not specifically encourage the construction of newly built homes, as Prop. 37 does.⁵

Proposal

Prop. 37 would create a second-mortgage homebuyer program for middle-class homebuyers purchasing a new home. An applicant must be a California resident for at least one year before applying, agree to occupy the new home as a primary residence within 60 days of closing, and have an income that does not exceed 200% of the median income for the area of the new residence. The program, to be administered by the CalHFA, allows eligible homebuyers, paying no less than 3% (from non-borrowed money) of the new home's sales price, to receive a loan of up to 17% of the home's sales price. The loan would assist these households with the down payment on the home.⁶ The new home must be a newly constructed building or a renovated building that was previously non-residential. New home prices cannot exceed 125% of the conforming loan limit for a one-unit property in the county of the purchase. Builders developing new homes can opt into the "qualified builder option," which gives them more flexible construction rules while requiring higher labor and liability enforcement standards.⁷ To fund the loans, Prop. 37 authorizes up to \$25 billion in revenue bonds, issued by CalHFA, to finance the loans. (Revenue bonds finance income-producing projects that generate sufficient income to pay back the cost of the bond.)

Fiscal Impact

According to the LAO, Prop. 37 would have no "direct state or local costs" because it is funded with revenue bonds. The loans authorized by the initiative would be funded by up to \$25 billion in revenue bonds issued by CalHFA. The administrative costs of running the program would be covered by homeowners' payments on their second mortgages. Unknown factors such as demand for revenue bonds, loan interest rates, and the program's effect on the building and purchasing of homes may affect costs.⁸

SUPPORT FOR PROPOSITION 37

Supporters of Proposition 37 Include:⁹

- Former California Assembly Speaker and Senate Majority Leader Robert Hertzberg (D)
- Gubernatorial Candidate Xavier Becerra (D)
- California State Treasurer Fiona Ma (D)
- California Democratic Party
- United Brotherhood of Carpenters and Joiners of America
- California Association of Realtors
- California Chamber of Commerce

The proponents' official website is <https://voteyeson37.com/>.

As of September 19, supporters of Proposition 37 had contributed \$56,514,359.¹⁰

Arguments for Proposition 37¹¹

Supporters argue Proposition 37 would:

- Encourage homeownership among the middle class by providing financial support for home buyers.
- Incentivize the construction of new homes and thereby increase the supply of housing for Californians.
- Help alleviate California's housing crisis.

OPPOSITION TO PROPOSITION 37

Opponents of Proposition 37 Include:¹²

- Reform California
- League of Women Voters of California

As of September 19, there are no recorded contributions in opposition to Proposition 37.¹³

Arguments Against Proposition 37

Opponents argue Proposition 37 would:

- Give developers subsidies without changing the costly mandates that make housing so expensive in California.¹⁴
- Help a family buy a home without making it affordable to keep.¹⁵
- "Make[] the State of California one of the biggest mortgage lenders in America overnight – and taxpayers [would be] left holding the bag for any losses."¹⁶

A YES VOTE ON PROPOSITION 37

A YES vote for Prop. 37 would authorize the sale of up to \$25 billion in revenue bonds for the California Housing Finance Agency to operate a second mortgage program for middle-class Californians purchasing newly constructed homes.

A NO VOTE ON PROPOSITION 37

A NO vote for Prop. 37 would not approve up to \$25 billion in revenue bonds to fund the California Housing Finance Agency to operate a second mortgage program for middle-class Californians purchasing new homes.

Endnotes

- 1 The text of this proposition is at California Secretary of State, *Official Voter Information Guide, General Election, November 3, 2026*, pp 118-123, <https://vig.cdn.sos.ca.gov/2026/general/pdf/complete-vig.pdf>.
- 2 United States Census Bureau, "Table 3," Homeownership Rates by State: 2005-present, 2026, <https://www.census.gov/housing/hvs/data/rates.html>.
- 3 Alex Bentz, "California Housing Affordability Tracker (1st Quarter 2026)," California Legislative Analyst's Office (LAO), April 20, 2026, <https://lao.ca.gov/LAOEconTax/Article/Detail/793>.
- 4 State of California, "Housing Finance Agency (CalHFA)," December 19, 2025, <https://www.ca.gov/departments/152/>; State of California, "First-Time Homebuyer Programs," June 25, 2026, <https://www.ca.gov/departments/152/services/1233/>; California Housing Finance Agency, "CalHFA USDA Program," <https://www.calhfa.ca.gov/homebuyer/programs/usda.htm>.
- 5 California Housing Finance Agency, "California Dream for All Shared Appreciation Loan," <https://www.calhfa.ca.gov/dream/>.
- 6 Consumer Financial Protection Bureau, "What Is a Second Mortgage Loan or 'Junior-Lien'?" September 11, 2024, <https://www.consumerfinance.gov/ask-cfpb/what-is-a-second-mortgage-loan-or-junior-lien-en-105/>.
- 7 Legislative Analyst's Office (LAO), "Home Building and Downpayment Assistance," A.G. File No. 2025-013, Amendment 1. October 6, 2025, <https://lao.ca.gov/BallotAnalysis/Initiative/2025-013>.
- 8 LAO, "Home Building."
- 9 Yes on Prop 37 (California Homeownership Committee), "Supporters," <https://cahomescoalition.com/#supporters>; Ballotpedia, "California Proposition 37, Second Mortgage Homebuyer Program and Revenue Bond Initiative (2026)," accessed August 12, 2026, [https://ballotpedia.org/California_Proposition_37_Second_Mortgage_Homebuyer_Program_and_Revenue_Bond_Initiative_\(2026\)#Support](https://ballotpedia.org/California_Proposition_37_Second_Mortgage_Homebuyer_Program_and_Revenue_Bond_Initiative_(2026)#Support).
- 10 Ballotpedia, "Proposition 37."
- 11 CA Secretary of State, *Official Voter Information Guide*, p. 42,
- 12 Ballotpedia, "Proposition 37."
- 13 Ballotpedia, "Proposition 37."
- 14 Ballotpedia, "Proposition 37" "Opposition Arguments," Reform California.
- 15 Ballotpedia, "Proposition 37," "Opposition Arguments," League of Women Voters of California.
- 16 Ballotpedia, "Proposition 37" "Opposition Arguments," Reform California.

