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11. Report of the Chair of the Audit Committee. (Peter Carey)

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   A. Report of Bond Sale Variable Rate Demand Limited Obligation, Multifamily Housing Revenue Bonds (Mission Gardens Apartments Project) 2009 Issue A and (Montecito Village Apartments Project) 2009 Issue B  
   B. Report of Private Placement of Bonds Housing Mortgage Bonds 2009 Series A  
   C. Homeownership Loan Portfolio Update  
   D. Update on Variable Rate Bonds and Interest Rate Swaps  
   E. Legislative Report  
   F. Financial Summary Report

13. Discussion of other Board matters.

14. Public testimony: Discussion only of other matters to be brought to the Board’s attention.

**NOTES**

**HOTEL PARKING:** Day Guest Parking Rate: Cash @ $14.00 per car, per entry, pay at gate with no in and out privileges.

**FUTURE MEETING DATE:** Next CalHFA Board of Directors Meeting will be July 9, 2009, at the Hyatt Regency Sacramento, Sacramento, California.
STATE OF CALIFORNIA
CALIFORNIA HOUSING FINANCE AGENCY

BOARD OF DIRECTORS
PUBLIC MEETING

Hyatt Regency Sacramento
1209 L Street
Sacramento, California

Thursday, March 26, 2009
9:43 a.m. to 3:26 p.m.

Reported by: DANIEL P. FELDHAUS, CSR #6949, RDR, CRR

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A P P E A R A N C E S

Board of Directors Present

PETER N. CAREY
(Acting Board Chair)
President/CEO
Self-Help Enterprises

KATIE CARROLL
for BILL LOCKYER
State Treasurer
State of California

LYNN L. JACOBS
Director
Department of Housing and Community Development
State of California

CARLA I. JAVITS
President
REDF
(formerly Roberts Enterprise Development Fund)

HEATHER PETERS
for DALE E. BONNER, Secretary
Business, Transportation, and Housing Agency
State of California

TOM SHEEHY
for MICHAEL C. GENEST, Director
Department of Finance
State of California

JACK SHINE
Chairman
American Beauty Development Co.

RUBEN A. SMITH
Partner
Adorno Yoss Alvarado & Smith
A Professional Corporation
A P P E A R A N C E S

Board of Directors Present

Continued

L. STEVEN SPEARS
Acting Executive Director
California Housing Finance Agency
State of California

BROOKS TAYLOR
for Cynthia Bryant, Director
Office of Planning and Research
State of California

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Participating CalHFA Staff:

ROBERT L. DEANER II
Director of Multifamily Programs

BRUCE D. GILBERTSON
Director of Financing

THOMAS C. HUGHES
General Counsel

CHARLES K. McMANUS
Director, Mortgage Insurance Services

JOJO OJIMA
Office of the General Counsel

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BE IT REMEMBERED that on Thursday, March 26, 2009, commencing at the hour of 9:43 a.m., at Hyatt Regency Sacramento, 1209 L Street, Sacramento, California, before me, DANIEL P. FELDHAUS, CSR #6949, RDR and CRR, the following proceedings were held:

--oOo--

CHAIR CAREY: I would like to welcome everyone to the March 26th meeting of the California Housing Finance Agency Board of Directors.

Our first order of business will be roll call.

--oOo--

Item 1. Roll Call

MS. OJIMA: Thank you.

Ms. Peters for Mr. Bonner?

MS. PETERS: Here.

MS. OJIMA: Ms. Gay?

(No response.)

MS. OJIMA: Ms. Jacobs?

MS. JACOBS: Here.

MS. OJIMA: Ms. Javits?

MS. JAVITS: Here.

MS. OJIMA: Ms. Carroll for Mr. Lockyer?

MS. CARROLL: Here.

MS. OJIMA: Mr. Shine?

MR. SHINE: Here.
MS. OJIMA: Mr. Smith?
MR. SMITH: Here.
MS. OJIMA: Mr. Taylor for Ms. Bryant?
MR. TAYLOR: Here.
MS. OJIMA: Mr. Sheehy for Mr. Genest?
MR. SHEEHY: Here.
MS. OJIMA: Mr. Spears?
MR. SPEARS: Here.
MS. OJIMA: Mr. Carey?
CHAIR CAREY: Here.
MS. OJIMA: We have a quorum.
CHAIR CAREY: Thank you.

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**Item 2. Approval of Minutes**

CHAIR CAREY: Our second order of business is approval of the minutes of January 22nd.

MS. JACOBS: Move approval.
MS. PETERS: Second.
CHAIR CAREY: Moved and seconded.
Roll call?
MS. OJIMA: Thank you.
Ms. Peters?
MS. PETERS: Yes.
MS. OJIMA: Ms. Jacobs?
MS. JACOBS: Yes.
MS. OJIMA: Ms. Javits?

MS. JAVITS: Yes.

MS. OJIMA: Ms. Carroll?

MS. CARROLL: Yes.

MS. OJIMA: Mr. Shine?

MR. SHINE: Yes.

MS. OJIMA: Mr. Smith?

MR. SMITH: Yes.

MS. OJIMA: Mr. Carey?

CHAIR CAREY: Yes.

MS. OJIMA: The minutes have been approved.

--o0o--

**Item 3. Chairman/Executive Director Comments**

CHAIR CAREY: A couple of housekeeping items.

For Board members, we have made arrangements for lunch, for the orders to be made for us. Downstairs, we're on our own. But if you can make a decision on the menu and we'll get them to JoJo, then she'll place the orders before we break so that we can move the day along and not wait in the restaurant.

For everybody, the restrooms are off to the side here, so you just have to walk through the side of the room. Don't be shy about walking into the space up here.

It feels like a different world out there. And
I do want to be assured that you're going to be watching
the same thing that we are on the screen and not American
Idol or something like that.

A couple of personal notes.

I think everybody has heard the news, and we
have copies of the press release, that our member, Carol
Galante, has been appointed as HUD Deputy Assistant
Secretary for Multifamily Housing. And that is an
exciting moment for those of us who care about
multifamily housing, who care about the future of HUD.
And she will be a great voice nationally but with a
phenomenal California perspective, which is critical at
this time, and joining a secretary who has a terrific
reputation. So we wish Carol great success -- and that
she comes home frequently.

The second departure is hard for me to mention
because I've come to appreciate Carla Javits so much and
her time on the Board. Carla has a national reputation,
and certainly I've known of her work for many years. But
it wasn't until she joined the Board here that I really
got the chance to appreciate her sense of public service,
her commitment to housing, her unfailing good judgment,
and the qualities that I think we are all going to miss
on the Board. But, more importantly, we want to take an
opportunity to thank her for sharing those qualities with
us during her term on the Board, which is ending at the end of this month.

And so, Carla, on behalf of the Board, I would like to present you a gift from the Agency.

MS. JAVITS: Oh, that's very nice of you.

Thank you so much. Thank you.

Maybe I can just say, you know, it's been an honor to serve here and to get to know every single person on this board. I've learned a lot. I have tremendous respect for you, Peter, for everybody on the Board.

And I also wanted to say about the staff here at CalHFA, first under Terri Parker's leadership, now under Steve Spears' leadership, I just think it's a tremendously impressive agency. I think the professionalism, the dedication, the commitment of the people here on the staff is really impressive and really extraordinary. So it's been an honor, it's been a privilege. I'm very sorry in many ways to be stepping down, but I look forward to continuing to follow what's happening with CalHFA.

And I have to say, on a personal note, the Mental Health Services Act is something that's been near and dear to my heart. And I understand we've begun to close some loans and move forward with that program. So
even though we have a lot of daunting challenges and we've had to slow down in some respects, it's great to see that we're continuing in that regard.

So thank you.

(Applause)

CHAIR CAREY: And I'd like to follow up on something Carla said. I think that we all recognize that these are -- to say these are challenging times is an understatement. But as an agency, it's up to the challenges. And I know that these are challenges at every level in the Agency. And it's not necessarily unique to CalHFA. Many agencies are facing challenges, particularly those involved in housing across the nation. But I know that there's lots of staff here, and many staff back at their desks down the street at the other offices, and recognize the concern and this board's commitment to you and the Agency.

With that, I'm going to turn to Steve.

MR. SPEARS: Thank you, Mr. Chairman.

This is a very, very important Board meeting, and probably more evidence than anything that we have a number of employees here today of CalHFA. And so a lot of eyes on us.

What I thought I'd do first, though, is to tell you about a couple of developments, a really positive
development we heard from Standard & Poor's since we last met, that they have affirmed our 'AA-' rating. And that announcement is here on your desk. And they are concerned. They have us on outlook, negative outlook, which I think is probably fair, given all of our challenges. And I think it's an excellent, positive statement about the Agency.

I wish we were so lucky so far as to convince Moody's of the same thing, and perhaps we will be. That would be great. But the Moody's folks have not come out with a decision yet. Bruce was on the phone with them as late as just a few minutes ago this morning. They don't think that they'll have an announcement in the next week or so. We're not really sure what their timing is. They are still analyzing everything.

But one thing they did do was come out yesterday with announcements about three other state HFAs that they're concerned about -- Wisconsin, Illinois, and South Carolina -- and put them in the same status as us. So one of their major concerns is the exposure to private mortgage-insurance companies and their downgrades.

So a lot of unknown. And so I think what you'll hear today is that we're working very hard on a number of solutions; but there are things that we don't know yet and that we will know a lot more about in a few
weeks. But that is where we are. And we're just not sitting around and feeling sorry for ourselves. We're trying to be proactive and get out there.

So I want to add my congratulations, but sad congratulations, to Carla.

Carla and I visited last Thursday or Friday in my office for a couple hours. Had a great conversation. And all I hope is that we have time in the future for more housing conversations, more conversations about politics and life and that sort of thing.

So as long as she promises that --

MS. JAVITS: Absolutely.

MR. SPEARS: -- we'll give her our best wishes.

But the other thing is, I wanted to recognize Dennis Meidinger. Dennis is going to be retiring.

Dennis, please stand and be recognized.

(Mr. Meidinger stood up.)

MR. SPEARS: Thank you.

(Appause)

MR. SPEARS: Dennis has given 35 years of service to the people of the state of California in a number of different roles.

We think that the other roles that he served before he got to CalHFA were just preparing him to get
here. He's served what is now the Department of Financial Institutions. He was at EDD. He was in various places -- Department of Finance, and finally he found his true home here at CalHFA. And he has been serving as the comptroller since Terri appointed him there in the fall of 2004, I believe.

So we give him our best wishes. He is our resident, unofficial golf champion, fitness advocate. I think he is the Fiscal Services Division team captain for the softball trophy at the picnic.

So we're going to miss Dennis's energy and his smile and his service, and we wish him the best. So just please congratulate Dennis sometime when you have a chance today.

So just a couple of other things, and we'll get right to what we're here for.

This is a really important mission that we have at CalHFA. Di and I testified at Assembly Housing not too long ago, and we gave them our bio. And I think it's important to remind the Board of that. We have, since inception, provided 152,000 first-time home-buyer mortgages, 34,000 rental units. We've loaned almost $200 million to locals for development, and as Carla mentioned, started the MHSA program. We've got $400 million that is funded and on our books and ready to
And we have now closed how many, Kathy?

MS. WEREMIUK: Three tomorrow.

MR. SPEARS: Okay, as of tomorrow, we've already closed three MHSA projects, which is great.

We have good borrowers. We have good business practices, sound business practices. While everybody else was doing subprime loans, we were doing fully documented loans to good borrowers.

And, unfortunately, the home-price declines that our borrowers are seeing today are not the result of anything that we've done. They are the result of things that have gone on in the rest of the world, and that's unfortunate.

So the things that we're going to talk about today are challenges. We're going to talk about what we're trying to do about them.

President Obama said in his speech in January, I believe, that his plan -- part of it is to bolster state HFAs and help them get back in the game. We're going to hold him to his word, and they're working on that right now. And the details are being worked on by the president of our national association. She has asked some of us, including CalHFA, to participate in that process, and let them know what we need. And we've been
very vocal about that.

So I think probably the best thing to do is to get right at it and go to the first slide.

--o0o--

Item 4. Discussion and possible action regarding the mid-year financial review and the components of the Agency’s financial strategies and action plan for the remainder of the 2008-2009 Fiscal Year

MR. SPEARS: Bruce, Item 4 of the agenda.

Actually, the next slide.

MS. PETERS: He took you literally.

MR. SPEARS: Yes.

We'll talk about the flow. The flow of this session today is based on the Board's comments and desires from last time.

I think I've read the transcript from the last Board meeting at least a half a dozen times. And it was very clear the Board wanted to pick up where they left off; so we are. We're going to start with the financial statements because I believe that's a pretty clear picture of where we are financially and where our risks are embedded. There are financial statements in the report section, a summary of those.

Then another question that came up under
Item 2, and that is, what level of capital do we need to have on hand to do our mission? That's a great question.

Carol asked it, I think Lynn and Carla joined in and said that, "We'd love to know this." It's not a simple answer, but we've put that in as a major discussion.

The third thing is, what are we doing to maintain that level of financial stability.

But when we get to Item 4, I think we're going to all agree that we're operating in a different environment because of the risk we have, because of the world we live in, that we live in a different environment for CalHFA, and we're going to have to recap and identify that.

But the last item here is, how does CalHFA do business in that new environment? We have talked about this a great deal at two off-sites with senior staff, we've put a lot of thought into this presentation; and we'd like to show the Board how we think we can keep going and deliver our products, tried-and-true products in this new environment, and maintain our stability.

So that's the presentation outline.

And if there are no questions about that, we can move to the next slide and get right to the point where we left off. And that's our financial situation.
This balance sheet has a lot in it, and there are many details. We're an $11.1 billion financial institution. And there are a number of things that you could ask questions about, but we'd like to focus on two areas of risk that Moody's and others have focused on. One is in the "loans receivable" area and one is in the "bonds payable" area.

So what we're going to do is give you a couple of summary slides here and then come back to the balance sheet and talk about it in more detail.

But, Bruce, if you can move to the next slide -- which you've already done. Thank you very much.

I'd like to introduce my assistant, Bruce Gilbertson, at the computer there.

The real-estate risk that we're managing is mainly in the single-family loan receivable side of things. We're the epicenter. I mean, everybody realizes that. Lynn has argued that when she's been talking about NSP money for the state. The Governor has mentioned it. We're the poster child. This is where things are not going well.

We've got a major loss in home-price values, and we're going to show you where those hot-spots are. The concern that we have, where we have a large decrease in home-price values and we have a large number of loans.
I think you'll be surprised at some of the things you see; but we wanted to emphasize that the impact of the recession, the job loss is of concern to us. And, of course, a major concern is Genworth's downgrade. They are a major business partner of ours. Moody's downgraded all the PMIs recently. But Genworth, they downgraded five notches, and that's been a concern.

We have increased our loan-loss reserves to deal with this. That's had an impact on our net income, we'll get to that. But the other risk is something that we've talked more about. And Bruce has given you a report. We're going to give you another update on our variable-rate bond situation. It's on the liability side of the balance sheet.

Moody's is concerned about the strength of our counterparties, our swap providers, our liquidity providers.

On a going-forward basis, a lot of those liquidity agreements, the standby bond purchase agreements come due over the next year, two years. And we will talk to you about that. But, of course, one of the main concerns is the mismatch that we've talked about between what our swap providers are paying us and what we're having to pay bondholders in basis mismatch. And that's also had an impact on net income.
So the next slide, Bruce.

Here again, just to go into a little more
detail, what we're going to talk about is in our
delinquency statistics, we are now up to a total
delinquency of 10.87 percent. Now, that's for FHA and
conventional. And, of course, as you know, FHA is
federally insured. The "conventional" part is what we'll
emphasize.

The biggest concern besides our loss of
home-price value is the growing state jobless rate. It
is 10½ percent now. It's expected to go up. And that's
a concern. But the latest report that Chuck McManus
shared with me here recently from our consultant, is a
52 percent decline in market value in that lowest
quartile of homes. And that's what we track.

We're going to, again, show you a map that
shows our hot spots with the largest drop in value and
the highest number of CalHFA loans. Those are the areas
that we're concerned about.

This all translates into more folks mailing us
the keys, more foreclosures, higher REO inventory. We
have increased staff there to help Chuck manage the REO
inventory. And that's taking up more and more staff
time.

So I think at this point, why don't we go to
the -- right there, the loans receivable.

   This is what makes up the $8.6 billion. You can see the largest chunk is single-family mortgages. Our multifamily portfolio is performing well. That's not the major concern of Moody's. It's not our major concern. We are taking real-estate risk there. But the single-family mortgage line is what we're concerned about.

   What we're going to do is talk about this and then come back and show you a slide or two about what we have set aside in resources to deal with loan losses for single-family mortgages.

   Let's see -- why don't we go to -- I'm sorry, Lynn?

   MS. JACOBS: Could I ask a question?

   MR. SPEARS: Of course.

   MS. JACOBS: When you said that the delinquency rate is about 10 percent, do you know how that compares with our --

   AUDIENCE: We can't hear.

   MS. JACOBS: When you said -- can you hear now? When you said the delinquency rate is 10 percent, do we know how that compares with the industry?

   MR. SPEARS: We do.
Chuck, do you want to speak to the MBA comparison?

MR. McMANUS: These are close. We're a little under the MBA prime delinquency curves but following them. We're approaching them. So I would say we're just slightly below them in performance.

MS. JACOBS: Okay, thank you.

MR. SPEARS: The major concern, again, is on the single-family side and decrease in home-price values. So we have developed a map here.

If we can go to that, Bruce.

What we might want to do is -- there we go. Let's go to the map itself.

MR. GILBERTSON: We're working on it here.

MR. SPEARS: Okay. It's thinking?

MR. GILBERTSON: There we go.

MR. SPEARS: They’re going to have to make that window bigger.

What we've done is take this, and turn it into a heat map, if you will, where the darker red colors there show where the higher drop in value is. And not surprisingly, Riverside County, San Joaquin -- counties we’ve talked about before -- San Diego County are where you're seeing the highest amount of loan losses -- I'm sorry, where we're seeing the highest drop in value.
So what we've done is for each county -- why don't you bring up San Diego County, Bruce?

This is the county that we feel is the highest interest to us as CalHFA, where we have a fairly high change in price decline of 42 percent, but we have a high number of loans there. Many of them condominiums, I believe -- if that's correct, Chuck?

MR. McMANUS: Yes, over 50 percent.

MR. SPEARS: But we've also shown the number of delinquent loans there and also the number of REOs. So San Diego County is of high interest to us.

So we've done that for various counties. One of them I wanted to point out -- Bruce, if you can go to San Joaquin Valley or San Joaquin County, and slide over to the right a little bit.

This is interesting. A very high drop in values; but we don't have very many CalHFA loans, relatively speaking. We have a number of REOs -- ten, which is high, compared to the loans we have there, not surprisingly because of the loss in value. But we don't have a lot of loans there. Unfortunately, I believe a lot of the folks there went with the competition and went with the subprime products. And that's unfortunate.

But we've identified -- if we can go back to the main map, Bruce -- we've identified the top ten
counties for loan servicing to focus on, because these are the counties that have the largest number of conventional loans -- not FHA because those are not of concern to us on the loan-loss side.

And you can see where they are bunched in Southern California, and then around Contra Costa -- I can't see the other counties, but in the Bay Area, a couple there.

Any questions about this?

(No response.)

MR. SPEARS: It's pretty straightforward.

These are where folks are simply deciding, "I am so far underwater. I'm a first-time home buyer. I was going to keep this house for five or six years. I don't see getting back to even with my mortgage, and so I'm just going to choose to walk away."

Bruce, I think we have a slide there for delinquencies. Just take a look at that detail.

You might want to start with -- yes.

So FHA has a much higher delinquency rate. But here again, our concern is with the conventional loans, down below. And so we have, overall, the 10.83 in the bottom right-hand corner is our overall rate. And then the conventional side of the house is what we focus on.

You might want to go to the byproduct slide.
MS. JAVITS: Steve?

MR. SPEARS: I'm sorry?

MS. JAVITS: What's happening now with, like, the 30-day delinquencies? What are we doing?

MR. SPEARS: For the ones that we are servicing -- remember, we service about a third of the -- well, a third to 40 percent, I believe, of our own loans; but 60 percent are outside.

We are doing what we've always done, and that is, before someone gets in trouble, we're calling them earlier. And one of the things that you're going to see us present this afternoon is, we're going to change -- restructure our loan-servicing department with the goal of servicing all of our loans in the future because we do a better job all the way across the board. If we go to servicers eventually here -- not right now, Bruce.

But if you look at servicers, we do a better job than almost every single one of our servicers. We are calling folks, we're trying to make accommodations to the greatest extent we can. So I think Rhonda Barrow and her crew internally do a much better job than outside services do.

MS. JAVITS: I mean just over time, it might be interesting to see how many you're able to flip from 30-day delinquent, back in, I mean, just as a way to see
are we having any impact.

MR. SPEARS: Right.

Do we have it by servicer? Is that it?

MR. GILBERTSON: Yes, that's the servicer chart.

CHAIR CAREY: Steve, to what would you attribute the vast differences in delinquencies between the different servicers?

MR. SPEARS: The number-one -- I mean, it's anecdotal. Chuck and his folks in loss mitigation work with our outside servicers. But the bottom line is, they get paid a fee every month. And they're contract servicers. So we don't know what their competing interests are, we don't know where this winds up on their priority list as to what they service. But I know this: That the folks on the first floor in loan servicing are mission-based, and the other folks are for-profit servicers who don't have that same motivation.

I'm assuming that it has a great deal to do with the difference. I don't think they work the loans as much as we do. I think they'll let somebody go delinquent and not contact them until much later in the process than we do. And that, right there, is probably the main reason.

CHAIR CAREY: So you would say then that those
servicers with the highest delinquency rates are not servicing our borrowers as well as the others?

MR. SPEARS: Yes.

I've not collected mortgages, but early in life, collected bills. And the one thing that you do is, you try to get in touch with the borrowers and make contact and do something. If you don't say anything, you won't get a response. You're not going to cure a loan. That's just all there is to it.

So the thing that I know for sure about our operations is that we're on the phone, we're getting in contact, we're talking to people and trying to work things out. And just no response is not an option for us. Our folks actually do everything they can to contact personally each borrower that gets into trouble.

MS. PETERS: Steve, I have a question.

MR. SPEARS: Yes?

MS. PETERS: With the outside servicers, do we have any contractual ability to reach out to them, get metrics on what they're doing, when they're doing it, what their experiences with our borrowers are, what their number of files per employee are? Do we have any way to hold them accountable and find out what exactly they're doing that's making them perform?

MR. SPEARS: We do. Every one of them has a
servicer agreement with us, a master agreement that they
have to sign to be approved. And that's part of what
Chuck's group is doing, is working with these -- I mean,
these numbers have gone up dramatically in the last two
months, even.

    MS. PETERS: Do we have an ability to take any
of that back in-house, if they're not performing?

    MR. SPEARS: That, I've asked; and I don't have
a clear answer yet on that, but it's something that we're
considering.

    But to do that is -- I mean, they kept those.
We had the option of buying that servicing up-front and
we didn't, and elected to pay them a servicing fee. So
we could buy the servicing from them at this point and
pay them some fee and take it in-house. But it would be
a business transaction. We don't have the right to just
take them over.

    MS. PETERS: So we're actually monitoring some
sort of metrics on their performance?

    MR. SPEARS: Yes, yes.

    MS. PETERS: Thanks.

    MR. SPEARS: They're required to report to us.
So they're required to post statistics with us.
And we're not prepared at this point to take them back
because we don't have the staff to do that. But what
we're heading for is a new paradigm, if you will, where we're servicing all the loans here.

MR. SMITH: Steve, just a question. Is there any correlation between -- is it really the servicing or was it the work that was done in giving the loan in the first place? Because if you look at the numbers, I mean, some of them are -- Countrywide is pretty high and WaMu is pretty low. I don't know if that's due to what they do in the servicing side.

I mean, do you know what they're doing that others are not? Is Countrywide not doing any of the calls that you're talking about?

MR. SPEARS: I don't think they do as many. I don't think they work the accounts as hard as we do -- I really don't -- and as hard as, obviously, some other folks do.

I do not think it was review of the files early on, because all the files, when they walk in the door, we don't treat them differently, if it's Countrywide or if it's WaMu or anyone else.

On the conventional side and on the FHA side, they all went through Chuck's shop, they got underwritten, then they go to Gary's shop, they get reviewed for compliance with program. And so they're all treated the same.
So when we get to this point, then you'd think that the servicing would be the same. So the only explanation is, you know, how much they work the accounts. And it's the only explanation that I have.

MR. SMITH: Right.

MS. JACOBS: I can't find that chart in my packet. Do we have that chart in our packet?

MR. SPEARS: This one?

MS. JACOBS: Yes.

MR. SPEARS: Not this one.

MS. JACOBS: Could I get a copy?

MR. SPEARS: Absolutely.

MS. JACOBS: Could I have a copy of that and the map?

MR. SPEARS: Yes.

MS. JACOBS: That's a very cool map. I mean, it's saying bad things, but it's a cool map.

MR. SPEARS: Yes, I understand.

We're going to keep this little arrangement, because we have a number of presentations that we're going to be giving to folks over the next few weeks and months. And so we'll -- the problem was, number one is we're trying to put in the latest, latest data for you guys. But the other was, if we sent this out in this kind of -- it was going to be kind of hard to follow if
you weren't switching around. But we'll be happy to provide that.

MS. JACOBS: Absolutely. Thanks.

MR. SPEARS: Sure.

Any other questions?

MS. JAVITS: Well, I guess I just wonder, it looks like about 30, a third of the delinquent loans are Countrywide and Bank of America, together, which is essentially Bank of America; right?

MR. SPEARS: Yes.

MS. JAVITS: So, I mean, I guess my question is, maybe sort of along the lines of what Heather said, I mean, is there any kind of pressure, specific pressure -- I mean, at least to concentrate perhaps on one company that is responsible for a third of our delinquent loans?

MR. SPEARS: Right. We do have that ability, and that's the plan.

MS. JAVITS: Okay, thank you.

MR. SPEARS: They're taking our money every month, and we expect them to do a good job. So holding their feet to the fire is part of the plan going forward.

MS. JAVITS: Right.

MR. SPEARS: Okay, Bruce, why don't we backtrack, if we can, to -- I think we want to go all the
way back to what the resources are.

    MR. GILBERTSON: Yes.

    MS. PETERS: Why did values drop in Modoc County? Not that that's of particular relevance, but it was an odd red. What happened in Modoc?

    MR. SPEARS: All five houses up there lost value.

    All right, so we're rolling through this. And, obviously, delinquencies are up, loan-loss reserves you're going to see are up a great deal in the first quarter, and even -- and, again, dramatically in the second quarter of this fiscal year.

    So as Board members, I think it's important for you to know what the Agency has as far as resources to deal with the loan-loss reserves and losses on REOs.

    So we're going to show you a table in just a second. But before we get there, we have primary mortgage insurance on conventional loans and FHA, both. The Mortgage Insurance Fund has a reserve for insurance losses. That's Chuck's side of the house. Chuck has a model he goes through on a loan-by-loan basis. They calculate delinquencies, they calculate how many of those they think will cure, they calculate it based on estimated values of homes, and they get a loss number.

    And they have been doing that on a constant basis for the
past few months.

Genworth, again, is our reinsurance partner on the insurance fund housing side. They take 75 percent of the risk that's insured.

There's also FHA insurance on FHA loans, and we rely on the federal government for that. We hope that they're there for us, and I'm sure they will be.

The second thing is gap insurance. This is provided by the housing fund. It is indemnification for claims that are presented by the Mortgage Insurance Fund. Bondholders are guaranteed 50 percent of the unpaid balance as insurance. It's very deep coverage.

The primary mortgage insurance covers 35 percent. The difference between those two is covered by this gap-insurance policy. It is a policy based on an interagency agreement, or interfund agreement, between the MI Fund and the housing fund.

So we're covering that gap, which is the ugly brown color there in between the 50 percent -- anything over 50 percent, the bondholders and the bond indentures suffer that. Now, there are reserves in the indenture -- it's not as if they don't get paid their full debt service. There are reserves in the indenture that absorb these losses. But the gap policy hits the housing fund, and it reimburses the insurance fund for those losses.
Okay, let's back up one slide then to the schedule.

So folks were asking last time, "What do we have on hand? You know, what do we have to combat this?"

So we have loan-loss reserves in the insurance fund of $18 million -- $18.3 million -- that was at the end of September. We've updated that to almost $26 million at the end of December. And when those financial statements come out, you're going to see numbers close to that.

Genworth is roughly three times that because it's a 25 percent to 75 percent relationship. So they're at $76 million. That's what they would anticipate that they would -- now, I have no idea if they have an account on the Genworth books that says, "Due to CalHFA, $75 million." But under our contract, that's what they would have to put up, based on what Chuck's analysis and Dennis Meidinger's analysis are for loan-loss reserves.

Then the gap insurance part, the ugly brown part that we showed you on the chart, we have $32 million set aside in the September financial statements. It will be, roughly, $44.5 million, an increase there of $12 million in just three months.

Then the loan-loss reserves on delinquent loans, this is the amount that the indentures would suffer, I believe -- is that right, Bruce?
MR. GILBERTSON: Yes, I think the fair way to say that is, these would be expected losses that are not covered by either the primary mortgage insurance coverage or the gap insurance coverage.

MR. SPEARS: Right.

And up to $10.5 million by the time we get to the September financial statements.

Then we have another category -- once we get through that process of settling claims on mortgage insurance, then we own that house. We have Real Estate Owned properties. And that, again, is in Chuck's shop, and they are managing that. That REO inventory is up to -- I think we're north of 200 now -- is that correct, Chuck?

MR. McMANUS: 270, I believe.

MR. SPEARS: So that's going up very rapidly.

And those values change from time to time.

We would love to be able to turn around and sell them immediately and not suffer any market loss; but the truth is that if we hold that property and the market declines, we're going to suffer additional losses on that REO side. So that reserve is up to $5.6 million.

So as of December 2008, our estimate is that the reserves that we have set aside in the financial statement -- and these are all accounting entries,
accounting reserves, and the one with Genworth is based on our view of our contract with them. This is not cash out the door because it takes a while for those claims to settle and process and go through. So accountingwise, though, this is what we've set aside and the resources that we have, almost $163 million at the end of December.

CHAIR CAREY: But, Steve, the Genworth is their reserve, though?

MR. SPEARS: It is, it is.

CHAIR CAREY: Okay.

MR. SPEARS: Any questions?

MR. SMITH: Yes. Steve, how comfortable are we in their financial stability -- Genworth and the gap coverage and all these other insurers -- how are they doing financially?

MR. SPEARS: Chuck, do you want to speak to that?

MR. SMITH: Are they going to be around to pay us?

MR. McMANUS: Genworth had their credit rating reduced down to 'Baa2,' which was a five-level downgrade. But they have, as far as I am concerned, proven they have the money to pay claims. And the rating agency did not deny they had the money today to pay the anticipated
claims.

That rating is based on a stress test, where they take the existing book of business and stress it to depression-level foreclosures and losses. And it's under that scenario that they were downgraded to that level. But they, in their own write-up, believe that they can pay the claims currently. If things deteriorate for another 18 months, they'll revisit it.

They are the second-highest-rated mortgage insurer or reinsurer out there. The highest is CMG, which is the credit-union mortgage-insurance entity that's very small. That's out of Madison, Wisconsin. They're rated 'AA-.' But other than that, Genworth is rated as high as any other mortgage insurer. So they're the best of the alternatives we have today. I believe they'll make their payments and their claims. They're conserving capital. They're managing under the old GE, which is a very financial-management-oriented company. That's their heredity.

And it's not that we're not concerned about it, but in the short-term, we see no problem in getting their 75 percent of any claims we anticipate, at least for the next year or two. But we will watch it and we will look for backstops if the market continues to deteriorate.

MR. SPEARS: The other thing, Ruben, it's
fairly widely known that the mortgage insurers believe that they're entitled to some of the TARP I, TARP II money, the assistance that's going out to all the financial -- and they're in discussions with the federal government right now about that. I don't know how that will turn out, but they believe that they're entitled to assistance as well.

MR. McMANUS: And they report to us that they're getting a favorable audience, because they are -- the private mortgage insurance industry is the key to low down-payment loans. And if you want to start housing sales again and first-time home buyers and so forth, you must have a viable private mortgage insurance industry.

And the president of Genworth USA is the president of the Mortgage Insurance Companies of America trade group, and he is the one negotiating on behalf of the mortgage insurers. So hopefully, it will be a program that works for Genworth, if there is a program.

MR. SMITH: And the gap insurance, is that a separate company?

MR. SPEARS: That's self-insurance.

MR. SMITH: That's us?

MR. SPEARS: Yes. The housing fund providing claims-paying ability to the insurance fund.

MR. SMITH: So if everything were to go into
foreclosure that we have currently, that's delinquent, our exposure is $162 million, in terms of the current values that we project?

And I know we can't predict because we don't know what we're going to sell it for. But I'm just trying to get a sense of the worst-case scenario, what condition would we be in, let's say a year down the road.

MR. SPEARS: Right.

MR. GILBERTSON: I think, perhaps, is Mr. Smith asking the question, if all of the delinquent loans today went through foreclosure, what our likely loss would be?

MR. SMITH: Right.

MR. GILBERTSON: I don't know, do you have a sense of that, Chuck? I mean, remember that all of these loans are secured by the underlying real estate and improvements on that, so there will be some value.

MR. SMITH: Right.

MR. GILBERTSON: I don't know the total of the amount of delinquent loans.

MR. McMANUS: If I can, I'd like to address what's on that, those reserves, and then you can judge whether it's adequate or not adequate.

The rating agencies judge, our actuary judges, and our accounting auditor judges. The gap-loss reserve, which our actuary and I propose and is booked by our
accounting department, but we're the ones responsible for valuing the inventory and anticipated losses. And I can tell you that -- and we have an opinion, I have a draft opinion from our outside actuary that goes through all sorts of tests and peer review and so forth. And we were in the upper half of their range. I mean, we're probably at about the 75th percentile. So our reserves are based on a percentage of 60-day delinquent, 90-day delinquent, 120+, going to foreclosure. And our valuations are based on our actual experience. And if we see a deterioration, we can actually make it more severe.

And we have 60 percent of the 60-day; 90, I believe, of the 90-day -- I'm sorry, 70 percent of the 90-day and 90 percent of the 120+ going to full claim. And we are booking the entire maximum claim. No saving of selling or short sales or other things. So that's why we finished in the upper half of where the actuaries were.

But we're in the toughest market -- or one of the toughest markets in the United States. So they are conservative reserves, but we cannot tell the future. So we're looking at where we are today -- and we're taking a pretty dim view of any quick recovery.

Will we increase reserves next quarter? Quite possibly, but then we're probably going to be taking them
down in a year from now.

So we think that -- we really believe they're adequate, and our actuary believes they're adequate, and I'm sure that our auditor will find with all those opinions that we are conservative in our reserves.

We don't anticipate everything going to claim, but 90 percent is a pretty high number. That used to be 40. You know, there were people selling their houses for more than they owed and coming out. And today, we're just assuming it's lost. And, of course, we want to get into some way of keeping people in their houses, and we'll be working on that.

MR. GILBERTSON: Let me just add some numbers to that.

CHAIR CAREY: Bruce, first, Jack had a question.

MR. GILBERTSON: Sure.

MR. SHINE: With respect to the Real Estate Owned and the delinquent loans, what is the total of the outstanding loans on those properties now?

MR. GILBERTSON: I'm going to give you the loan balance of delinquent loans insured on a conventionally insured basis.

Again, we feel there's little to no risk if it's an FHA-insured loan. We believe the federal
government will honor their commitment and make those claim payments when they are due if the borrower defaults.

So as of December 31st, the loan balance of conventionally insured loans that have a primary mortgage insurance policy underwritten by our insurance fund was $265 million if the borrower had missed two payments, 60 or more days past due.

The direct loss reserve calculation that Chuck was walking us through totaled almost $93 million. Three-quarters of that risk then is reinsured by Genworth, assuming Genworth honors their claims-paying responsibilities.

MR. SHINE: Three-quarters of the $265 million?

MR. GILBERTSON: Three-quarters of the expected loss amount of $93 million.

MR. SHINE: And what is the value of the Real Estate Owned?

MR. GILBERTSON: The loan balance -- again, I don't know what you have -- on the REOs, I have a balance as of the end of January -- I believe this report that I'm referring to now is in the back of the Board binder. All of the REOs -- the loan balance upon foreclosure was $72 million. Fourteen, almost fifteen million dollars of those properties have an FHA insurance policy on them.
So we believe the exposure is on the conventionally insured loans, which is $57 million.

MR. SHINE: So you have $57 million on the REOs, and you have $265 million.

Is that the total of all the loans or just the 60-day paper?

MR. GILBERTSON: The 60-days+ conventionally insured loans.

MR. SHINE: Everything over 60 days is $265 million?

MR. GILBERTSON: Correct.

MR. SHINE: And of the reserves -- and there are reserves, whether it's ours or Genworth's or anyone else's -- of about 93-some-odd-million dollars; is that it?

MR. GILBERTSON: Well, it's actually this 162, as of the end of December, the estimated amount for December.

MR. SHINE: Including Genworth?

FHA is not on there, though; is it? I don't see FHA.

MR. McMANUS: That's conventional only. We take zero loss on FHA. They're repurchased.

MR. SHINE: I just want to make sure -- I understand. That's right. I just want to make sure I'm
not missing something.

So we have $162 million in reserves for about $140 million of maximum disaster potential losses, as you've calculated it; is that correct?

MR. GILBERTSON: It's about 320, 320. The REOs, we had 57, and we had $265 million of delinquent loans.

MR. SHINE: But you assume that -- the loss reserve that I heard you say, I think, was that the reserve for about 265 is ninety-and-some-odd-million? $93 million?

MR. GILBERTSON: That's true, correct.

MR. SHINE: So you have a $93-million loss reserve for the 265. And the $72 million of REO, you've got a $50-million reserve after the other money coming in. So that's -- add 95 -- is $140 million; right?

MR. GILBERTSON: I think a better comparison, Mr. Shine, would be to take the $162 million that's shown here, and compare that to a total of 265, plus the 57. Because we do have responsibilities for this gap insurance as well. Remember, the gap coverage is supplemental coverage for deep losses.

MR. SHINE: Well, I think the answer is, we're not really in horrible shape right now if the world doesn't collapse tomorrow morning.
MR. SMITH: Right.

MR. GILBERTSON: I would conclude that what is visible today is not the problem; it's the stress tests that Chuck referred to earlier. We'll talk more about that from a bond-indenture perspective when we deal with the rating agencies.

MR. SHINE: Thank you. That clears it up in my mind.

MR. SMITH: What's the average interest rate on the loans that we have out? Do you have a general idea?

MR. GILBERTSON: Approximately, I don't know, about 5.4 or 5.5 percent.

MR. SMITH: Do you expect the current rates that are out there -- I mean, I'm assuming they're lower than that now?

MR. GILBERTSON: Clearly. We're up in the upper 4 percent range as of the last week or two.

MR. SMITH: But someone who is in our loan and has the decline in the value, it's been pretty tough for them to qualify, I'm assuming, for refinance?

MR. GILBERTSON: Yes, they don't have equity in the property.

MR. SPEARS: Without equity, they have a very difficult time.

Other questions?
(No response.)

MR. SPEARS: I think we're going to go to the other side of the balance sheet now and let Bruce talk about -- thank you, Chuck -- and let Bruce talk about the variable-rate bond and give us an update on that.

MR. GILBERTSON: Thanks, Steve.

Over the last six months, many of these Board members have heard me talk way, way too often, I think, and for much too much time. But we spent a lot of time talking about our bond portfolio and what kind of bonds we have. We've simplified it dramatically today. Certainly, we want to respond to any questions you have.

What we've focused on today is what are the poorly performing bonds and what are some of the near-term risks that the Agency has. And that is centered around the variable-rate demand obligations that we have. We have about $4 billion of those. To the extent that investors no longer have an interest in them, they can become bank bonds.

And then we have another situation that we're facing, and that is that we have liquidity providers. These are standby bond purchase agreements with commercial banks. Many of them are set to expire in the next six to seven months.

So with that, I'm going to go back to our other
Excel spreadsheet here. Bear with me for one moment.

I hope you can all see this. You've seen this chart before at prior board meetings. It's updated. We can predict the future now. We can predict how many bonds will be outstanding as of April 1st. That's because we know we won't be issuing any and there are no additional redemptions.

But let's just work through this. It is color-coded. And, of course, that's supposed to be dark red. It looks almost black on the screen. But I'm going to start at the top and work our way down.

This is laid out to show where we have credit enhancements, so we have bond insurance from AMBAC, FGIC, MBIA. We consider them in a lower category than we might consider FSA that also has insured some of our bonds. And then the bulk of our issuance has been on an uninsured basis because of the high credit ratings of the Agency and its indentures. And you simply have a total column, total bonds outstanding is a little over $8 billion.

Starting at the top then, the two red numbers -- they kind of look red up there -- under the auction-rate security model. Remember, it was a little over a year ago that we had our first failed auctions. We still have $191 million of auction-rate securities.
We've described to the Board the reason why we haven't been overly anxious about redeeming those. They happen to finance multifamily projects. We're very, very successful in the financing of some of our construction loans in that program, and we actually have excess mortgage yield.

That is rapidly eroding, of course, as we pay a slight penalty rate of interest on those securities. But we do have plans. We'll talk about that later today, to do a large securitization for the multifamily program, and that would relieve the pressure from the auction-rate securities.

The next subgroup is the variable-rate demand obligations. We've broken that down into six different categories, if you will. The first being, those variable-rate demand obligations that are insured by AMBAC or MBIA, $48 million of those.

We have Dexia. Dexia is providing liquidity support --

CHAIR CAREY: Excuse me, Bruce, just a second.

Lynn? I'm sorry.

MS. JACOBS: I take it, we don't have that in our packet, either. I would really appreciate a hard copy of these things.

MR. GILBERTSON: Absolutely.
MS. JACOBS: Because I'm a little old for reading that board.

MR. GILBERTSON: Yes, and I know that's kind of hard.

So the AMBAC insured and MBIA is $48 million. Dexia, Depfa, and Fortis are all commercial banks. They provide liquidity support to these facilities.

Remember, the bondholder has a right to put the bands back on either a daily or weekly basis. None of these bonds are trading exceptionally well considering the bank that's giving the short-term credit support.

Dexia is better than Depfa and Fortis, but we do have a large exposure. $768 million of bonds backed by Dexia.

Depfa bonds, nearly all of those bonds have been returned to Depfa. If it is held as a bank bond, there's two things that happen to the Agency: We pay a penalty rate of interest, and there's an accelerated amortization of the repayment of the obligation. In our case, typically, that's over a five-year period in ten semiannual installments.

Fortis is kind of a new situation. In the last four to six weeks, most of those bonds have gone back to the bank as well. Fortis is a European bank. There's a lot of talk about Fortis being acquired by another
European bank. Fortunately, the shareholders have denied that taking place twice. There's yet another attempt for Fortis to be acquired by BNP Paribas.

We have $36 million of bonds where the support, the short-term credit support has expired. In that case, the bonds become bank bonds. And the banks, interestingly enough, have to make a decision to either extend a short-term credit facility where they may have to buy the bonds, or they simply let it expire and then they absolutely own the bonds. They do go back to them.

So we have $36 million that is in that kind of bucket.

There's an additional $2.7 billion of bonds, VRDOs, that are really performing quite well. We've color-coded 179 because the FSA insurance is on them. And if we had our druthers and if it was a perfect world, at this point we would probably drop the insurance on those bonds as well.

A billion dollars of index bonds. These are actually performing very, very well. To give you a sense of how well, quite honestly, in our homeownership program, we issued a lot of taxable index bonds to expand our program. These are a bond that traded in an index based off LIBOR, and we pay a very modest spread to LIBOR, sometimes ranging as low as 25 basis points above LIBOR. More recently, maybe 100 basis points above
LIBOR. LIBOR is below 1 percent. So we effectively have a cost of funds on a billion dollars that is somewhere less than 2 percent. We've financed mortgages that we believe our weighted average coupon is in the mid-fives.

So tremendously valuable to us. And it was kind of a component of our debt profile that we felt comfortable taking unhedged floating-rate risk in many cases.

We also have some fixed-rate bonds totaling $3 billion. The box at the bottom is really designed to show you how we view risk on our debt side.

Auction rates represent 2 percent of the total portfolio. The poorly performing VRDOs add another 12 percent. You finally get down to what we've color-coded green and black, and you realize that it's about 17 percent of the bonds. That if we had access, we had a perfect world, we would redeem the bonds, reissue them in another form.

I'm going to go back and show you two other slides regarding bonds. Here's the history of CalHFA's bank bonds starting in mid-September of last year, updated through last week. We never had a bank bond, as you well know, before mid-September of last year, when Lehman Brothers went into bankruptcy, and we had a lot of
other things hit the marketplace.

This simply shows that the number of bank bonds exceeded $1.1 billion in early October, and it gradually fell off. So that on February 1st of this year, we had about $120 million of bank bonds. There’s been a little bit of activity recently.

I don't know what color that looks like to you.

The top bar --

MR. SHINE: Lavender.

MR. GILBERTSON: -- right here is light green on my screen, that represents the Fortis-backed bonds that came back, the $120 million.

The blue bars down here represent Depfa-backed VRDOs -- whoops, and I skipped ahead.

And then there’s a couple, I would call them maroon or dark red. It looks like on your screen over here, which a few of the Dexia bonds have come back as well.

We thought we’ve handled this fairly well.

Again, it would be great to get rid of all the bank bonds at this point.

But speaking of that, we face the additional challenge. We have renewal of $711 million of these standby bond purchase agreements coming due between April and December of 2009. The first one we'll face is
in about two weeks, Calyon, $174 million of liquidity
support for bonds. And you can see the other names as we
go through the balance of the calendar year.

We have been talking to Calyon again recently,
and we're trying to suggest to them, as Fannie Mae did
and as KBC Bank has done, to give us a short-term
extension because of the hope that the federal government
is going to provide a source of liquidity to the HFA
community.

If it were Fannie Mae, that is probably where
the liquidity will come from once Treasury announces
this. In February, they gave us a three-month extension
in hopes that May would be a long enough time frame for
these other things to kick in.

I'm going to stop there on the debt side and
just see if there's any questions.

I think at this point, we're going to kind of
go in and take a closer look at the operating results for
the fiscal year first quarter, if there are no questions.

CHAIR CAREY: Questions?

MR. SPEARS: If none, the idea here was to take
a look at the two biggest risks on the balance sheet,
obviously reserving against those risks and the interest
costs associated with basis mismatch and other things on
the liability side; on the bonds side, hits our income
So a comparison of final operating results for the first quarter of the fiscal year for 2008-09, the one that ended September 30, will show us how -- the increase in interest income was almost $10 million. We have 2,600 more loans now than we did a year ago for the first quarter. That's great news. Most of those, obviously, were added on in last fiscal year, in the very beginning of this fiscal year, before lending ground to a halt. But it is good news.

There is a decrease in investment income. And that's a little more complicated. We had a dramatic decrease in short-term interest rates. And the interest income, most of what we earned, comes from the State Treasurer's office. They invest in very short-term instruments, and so that results in a decrease in our investment income.

Interest costs associated with the bonds, associated with the things that Bruce was just talking about, year over year -- first quarter last year, first quarter this year -- a $14.4-million increase. The basis mismatch portion of that is $7.9 million in increase. So very significant impacts to the financial statement.

The next slide, Mr. Assistant.

Thank you.
The largest impact, though, is due to loan-loss-reserve increases, $29 million since the end of June. So just in the first quarter, from July 1st to September 30th, we've set aside an additional $29 million in the housing fund. This does not include the additional amount that Chuck has set aside in the insurance side of the house.

For gap claim payments, an extra $25.2 million. For indenture losses, an extra $3.8 million.

The sum total of all this is a net loss for the first quarter, due to these accounting entries for loss reserves, mainly, of $22 million. Just for a comparison, the first quarter of last year, an $11-million income.

So quite a swing in performance.

You may ask what we're going to see at the end of December for the second quarter, for the first six months, and not completely clear, but you can see that the increase in loan-loss reserves just from the first quarter to the second quarter was at least $13 million, I believe. So we are continuing to make accounting entries for more losses.

And, again, these are accounting losses; these aren't necessarily cash-out-the-door losses because, again, it takes a while for those to settle.

And we're also calculating estimates based on
what we think will happen with delinquencies and what we think will happen with settlement of claims and REO inventory.

Any questions on those?

(No response.)

MR. SPEARS: It might be a good time for a time-out.

CHAIR CAREY: I think what we'll do is we'll take a short break, give our reporter a break. And the rest of us, before we move into the capital-adequacy questions, I want to add a couple of things.

I neglected to welcome Tom Sheehy and Katie Carroll -- Katie Carroll representing the Treasurer and Tom representing the Department of Finance.

Thanks for joining us today.

And let me explain a bit about the agenda. We'll break for about ten minutes. We'll come back, we'll finish this part of the presentation. I'm hoping we'll wrap that by about noon.

At that point, we will break for lunch. For Board members who haven't given your lunch orders to JoJo, please do so that she can get them ordered.

Following lunch, which we'll try to keep fairly brief, we will be coming back. We will convene briefly. We will adjourn into closed session. There will be no
business conducted before we go into closed session.

And then following the closed session, we will come back out.

There will be a bit of a logistics issue because, since we're in this room, what we'll do at the end of the closed session, I think we'll send someone down to the first floor and let folks know that we're about to go back into open session again, so that people don't have to keep coming up in the elevator to see if we're in open session or not.

With that, we will take a ten-minute break.

(Recess from 10:53 a.m. to 11:08 a.m.)

CHAIR CAREY: We're back in session.

And moving on with Bruce's presentation on capital adequacy.

MR. SPEARS: I wanted to set this up just for a second. The question that came up last time from -- I think it started, perhaps, with Carol but then was echoed by some other Board members -- was, how much capital does it take to do what we do best. And there was a little bit of discussion. Our balance sheet shows we have $1.8 billion in fund equity. And on a corporate balance sheet, that would be the capital that we have. This is not a measure of what capital that we have and not a measure of minimum capital that we need.
The number that you see, $1.8 billion, when you take a look at the balance sheet, is restricted by statute, a great deal of it, and by indenture. So we don't want you to think that $1.8 billion is just free to do whatever we want; it is restricted, a lot of it.

So the staff believes that the answer doesn't depend on a number; it depends on a status, a credit status. And staff believes that CalHFA is going to operate at an ‘AA-/Aa3’ level from Standard & Poor's and Moody's, or higher, to execute our mission. Because below that rating, we start to lose investors. A major category of investors are the money-market funds that invest in our variable-rate and short-term bonds.

Fewer investors means harder-to-find buyers, means higher costs. And once you start calculating our cost of capital at less than ‘AA-,’ then it’s too costly to offer competitive loan products out in the marketplace. So it makes Gary's job harder, it makes Bob's job harder on the multifamily side, and we can't get to our mission. So what we've done is to show you what it takes to be at that level.

Let's go to the next slide, Bruce.

The definition is based on the rating agencies’ definition, not ours. They each have their own. The definitions change from time to time. So we have to be
all things to two different firms. And it is a bit of a moving target.

So what I've asked Bruce to do, is to show you what we know was done with S&P when they reaffirmed ours, and show you what they do and show you what they hit us with as far as capital charges.

So we know that S&P recently affirmed the ratings, they went through this methodology for their definition. That's what Bruce is going to show you.

What we don't know is what the Moody's analysis is going to look like when they take us off of watch for possible downgrade. So I'll turn it over to Bruce and let him go through this part.

I think what we're going to try to do is get right to, as soon as we can, the schedule that you have, the little -- the S&P chart. But just a couple of things. First, this is where we are, we're at 'AA-' now and 'Aa3' on the Moody's scale right now for our G.O. rating.

On the HMRB side we have a slightly higher rating on the Moody's side. So we're right there, operating at where we think is an optimal place. And we've been there for some time. But going down to A+ and A-1 or lower is problematic.

So, Bruce, why don't you take it from here?
MR. GILBERTSON: Okay, thanks, Steve.

The rating agencies start this capital-adequacy process by reviewing the combined-fund balance. You saw the combined-fund balance as of September 30th, 2008. They always want to use the audited basis. So they start at the end of the June 30th financial period.

Our financial, our audited financial statements typically are available in late October, first part of November. And that begins this annual process.

They're looking to earmark and reserve capital to support loan programs and financial commitments that the Agency has.

Just quickly, on the single-family programs. There's several different components of what is part of the capital adequacy. They want over-collateralization. They want more assets than debt for each of these bond credits, because we have -- 'AA' rating is a very high rating and so they need to have over-collateralization. Typically, it's in the 2 to 3 percent range.

They start the process by basically eliminating the allowance for loan losses that we've put on the financial statements, raising the capital base, because they want to stress the numbers. They determine their own losses. And they do this on a depression-basis type of scenario.
So what we see today -- we went through this because Jack had some great questions regarding what delinquencies are today and the REOs, and we got our arms around an a number. They're going to stress this and they're going to identify loans that they believe will default and end up in foreclosure that aren't even delinquent today. So they're doing models, and they've done this based off historical trends in the mortgage marketplace.

We also have to cover the gap-insurance risk because that's something owned by the Agency. And then, of course, if a primary mortgage insurer like Genworth failed to honor their claims -- and Moody's is in the middle of this -- they're going to make us own all of that risk as well.

Multifamily is a little different. I listed this chart -- we give them very detailed information on all of our loans in the multifamily space. We tell them the lien position, if it's insured by a mortgage insurer at all; if it has subsidy attached to it, what the debt service coverage ratio is, so on and so forth.

Certainly, what we've come to experience out of this process is construction, bridge, and subordinate permanent loans considered to have much more risk, require more capital than a fully amortizing first-lien
mortgage.

Other programs that consume capital:
Down-payment assistance programs, because they're simple interest, deferred payment, no ongoing payment, tend to make a home buyer, even in a higher loan-to-value situation, pretty significant capital charges for those.

The HELP loan program, our loans to localities, the same type of thing. Deferred repayment, simple-interest program.

And then, of course, the Bay Area Housing Plan loans. The rating agencies aren't very keen on that program, either, and have assessed a lot of charges there.

A couple other things on the financial side. I don't want to dwell on this too much, but there is collateral posting that goes on with some of our interest-rate swap contracts. We post collateral because of contractual agreements that we've entered into.

Today, that is about $16 million. It's not significant at all.

The views of Standard & Poor's and Moody's differ on this point dramatically. Moody's is the one that is going to look at contingency amounts. If an event happens, like they downgrade us, how much would we have to post? And that's causing a lot of pain as we
work through the capital-adequacy numbers with them.

I think I'll stop at this point on that. But I want Tom to spend a little bit of time with the Board, because many of the Board members weren't here in 2003, when this Board adopted a resolution supporting the loan insurance fund that we administer.

MR. HUGHES: Yes, thank you, Bruce.

Actually, the capital support of the insurance fund goes back well before 2003. And the first express decision that the Board made to provide capital support for the insurance fund was back in 1993.

The way the Agency is structured, the insurance fund and the Housing Finance Fund are two separate firewalled funds. Statutorily, the Housing Finance Fund is not liable for the obligations of the insurance fund. Those are confined to the amounts of money in the insurance fund. So they are two separate firewalled accounting funds.

However, in order to meet its mission and to provide a sufficient capital base for the insurance fund to actually operate at the levels that we're required, the Agency has decided historically, as I said, to provide some degree of defined capital support to the insurance fund.

So back in 1993, the Board enacted a resolution
doing that. And that resolution was changed, updated, modified in 2003 by a subsequent resolution of the Board. And essentially, the 2003 resolution does two things: It allows the executive director of the Agency to create and structure two types of capital support.

The first is what we've talked about as the gap insurance, which was a decision to reduce the mortgage-insurance coverage from 50 percent, down to the 35 percent level, and to supplement that gap, if you will, with an insurance policy that was essentially supported by the Agency's Housing Finance Fund through an indemnification of any of those losses. And that actually provides a lower loan rate to the borrower because the premium for the mortgage insurance is reduced. But, in any event, that was the first of the two types of capital support.

The second one was an interfund credit agreement, whereby the insurance fund was permitted to borrow a defined amount of money from the Housing Finance Fund to provide capital support. And the amount of that credit commitment is variable. It changes, depending on what the executive director defines as the amount that's available. And the agreement has embedded within it certain standards in terms of what the effect that credit agreement would have on the Housing Finance Fund.
As it stands right now, the insurance fund has a $100-million line of credit from the Housing Finance Fund. So, obviously, if Chuck were in a stress situation and needed liquidity, needed capital, he could borrow it from the Housing Finance Fund up to the amount of the credit limit, as it may change from time to time.

So that is really the summary of the two relevant board resolutions that have created the structure for the capital support. But absent that, the two funds are separate, although the Housing Finance Fund has an embedded account within it that allows us to provide that capital support to the insurance fund. But that's sort of a brief summary of how we got here.

MR. GILBERTSON: Okay, then let's wrap up the topic, unless there are questions at this point on capital adequacy.

We prepared this chart. This is a summarized version of the capital-adequacy analysis that Standard & Poor's completed as a part of our annual review. The numbers here are based off the audited June 30th, 2008, financial statements.

The top line, "Credit Reserves," is the ending fund balance, June 2008, with their adjustments added back, start at a $1.5-billion number.

We talked earlier, when we were going through...
all the delinquency information and REOs, we kind of settled on a number, we thought maybe there was $140-million worth of risk in that single-family portfolio.

You can see this first grouping, or subgrouping, there's $546-million worth of risk in the eyes of Standard & Poor's. It's comprised of three numbers of what I would describe as single-family loss coverage, which is losses that the indenture would take to the extent that the primary mortgage insurer didn't pay; to the extent that losses were deeper than the mortgage-insurance coverage.

I wrote some notes to myself here. It consists of 35 percent market-value decline for base loans. "Base loans" are probably loans originated several years ago, 30-year fixed-rate mortgages. And they stress that -- and the market-value decline was up to 46 percent for certain loans. I would guess those would be loans originated in 2005, 2006, at the peak of the market, perhaps also including our interest only\textsuperscript{SM} program.

They stress this at a 45 percent foreclosure frequency. So four and a half out of ten loans would go into foreclosure. And they gave us credit for 92 percent recovery for mortgage insurance.

We've heard earlier that the Moody's model,
which isn't complete yet, they're giving us 25 cents on the dollar for Genworth coverage. So a pretty significant difference between the two firms.

Down-payment assistance, just as a point, I think we have about $100 million of down-payment assistance loans on our books, $43 million of charges to support that. That basically is one way of saying they think 43 percent of those loans or borrowers will never repay.

Multifamily, we have two haircuts, permanent loans of $135 million. Construction/bridge loans, the rating agencies aren't keen on those loans, and so it's $54 million.

Some of the other deferred-payment programs that we have -- HELP, the Bay Area Housing Plan -- they get very sizable charges. Typically, 50 cents on the dollar, or 50 percent of the loan balance.

Both rating agencies have their own unique peculiarities. Standard & Poor's has two things that they put on every year. They have an earthquake self-insurance reserve. The history behind this is to support single-family loans made in condominiums. The fear is that there is a massive earthquake in a very urban area in the state and that we lose a number of units. So it's a formula base thing. I think it's
1 percent of loan balance or something like that.

They have picked up on what we write in our business plan. I guess this is a good thing, because they read it. And we've identified in there that we have an asset-management reserve. We talk openly about it in the business plan, and they have put that on as a capital adequacy, that we set aside $3 million in case any one of our multifamily projects were to get into some trouble, we at least have $3 million available to assist them with an immediate repair.

And then the bottom part, "Financial Considerations," it's important to note that even though our audited financial statements have -- you know, what we showed you, $1.8 billion of equity now, there's a large component of that, that is money that was transferred to us from the state. We're administering programs under Proposition 46, Proposition 1C. We also have the Mental Health money that was transferred to us more recently. All of that, in the eyes of the rating agencies, is restricted because the Board -- none of us have the right to use it other than consistent with the legislation that created its purpose.

MR. SHEEHY: Question: What's the "Mental Health money" that you refer to, Bruce?

MR. GILBERTSON: This is money that actually
was transferred -- it's counties' money, the Mental
Health Services Act. It's derived from Prop. 63. And
they have transferred, I believe -- help me, Steve --
$385 million, about, today?

We're going to do loan programs with that.

MR. SHEEHY: For what type of facilities?

MR. GILBERTSON: Apartments to house
chronically mentally-ill homeless. And there's an
additional component of that money that will be used for
operating subsidies because typically homeless people
don't pay rent.

MR. SHEEHY: Has that money already been
transferred over to CalHFA?

MR. GILBERTSON: It was transferred last
summer.

MR. SHEEHY: Okay.

MR. GILBERTSON: The other two things, we
have -- it's ironic, Tom just gave you a comment or a
tutorial on the $100-million backstop to the MI. I don't
know exactly how Standard & Poor's arrived at this. It
kind of showed up in the final form of their capital
adequacy. They've identified it as $92 million. I won't
quibble. It's helping us, so on we go.

Another significant part here, though, is swap
collateral and termination payments that S&P is imposing
on us, total $28 million. The number that Moody's has
kind of got their arms around today is about
$250 million. So it's a significant difference. And
we'll share that with the Board once we get there.

The bottom line, $330 million of capital still
available to the Agency to support G.O. obligations.

MR. SPEARS: The next part of the conversation
should be then: So, staff, what are you doing to try to
maintain this level?

And some of this is tied into what Moody's has
expressed concern about and some of it's part of what we
had planned already. But one thing I wanted to point out
again, if we can back up to that previous slide, is a
couple things.

One is, these are very big numbers again. Bruce
emphasized that. I want to say it again. And the reason
is, they really stress these. They're trying to be
conservative. And we appreciate that, and I think
that's reasonable. But the charges are for loans and
real-estate risk that we have on our balance sheet. The
charges on the financial-considerations side are for the
type of bonds that we have and the structure that we have
on the capital side. So in the future, what we're going
to be talking about is, are there ways that we can
deliver CalHFA products and keep lending without
increasing these numbers? But as we make more loans, and
the loan side of the balance sheet keeps going up, these
charges will keep going up. So unless that top number
that they start with gets bigger to match that, then
we're going to start running into trouble.

So those are the issues that we face.

So let's go to the next slide again. And I'm
going to let Bruce go into a little more detail. But
specifically, the game plan to try to reduce some of the
concerns about what we have on the balance sheet fall in
this list here. And a resecuritization of multifamily
loans which result in multifamily loans going less of a
capital charge, plus we get cash out of that, that's a
good result for us, if we can work through that.

The sale of the Bay Area Housing Plan bonds has
been a long process. It has been up and down.

We are now moving forward. We think that we'll
be able to do that in April -- is that correct, Bruce?

MR. GILBERTSON: Hopefully.

MR. SPEARS: And that will result in not the
loans being off our books and not the bonds being off our
books, onto somebody else's books, but the loans and the
bonds will be exactly tied together. And for the rating
agency's purposes, that makes that concern go away. The
bond investors are the ones that will be taking the risk.
MS. CARROLL: And when do you think that's going to happen in April?

MR. GILBERTSON: We owe you a call, Katie, to give you an update. We received a rating from Standard & Poor's this week. It's a whopping 'BB'-rated bond.

We'll be scheduling several calls Monday. We hope to reach out to you to schedule or reschedule the financing, I would guess the second to third week in April, for a sale.

MS. CARROLL: And you will be bringing it back to the PMIB, the loan concept back to PMIB when they meet, I believe it's April 2nd?

MR. GILBERTSON: Yes, we've left that open with PMIB. And certainly, we'd be more than willing to postpone the bond sale if PMIB had sufficient cash to give us a short-term loan because maybe rates would be coming down.

I mean, these are still bond interest rates that we're expecting to be somewhere between 9 and 18 percent.

MS. CARROLL: Thank you.

MR. SPEARS: Fannie Mae has also talked to us about the transaction that they're able to do, that would actually replace the whole loans that we have on our balance sheet, that we're being charged for by the rating
agencies. And rather than hold those loans on our
balance sheet, we would hold mortgage-backed securities
on our balance sheet. We would simply transfer loans to
them, but they would guarantee them. We would pay a
guarantee fee. They would package those loans up into
mortgage-backed securities, and that's what we would get
back.

So when that happens, then with a guarantee
from Fannie Mae, the capital charges associated with
those loans would go away because we don't own the loans
anymore; Fannie Mae does. So that's the transaction
there.

The other thing is, we have been talking to
them -- Fannie Mae -- about a sale outright of some loans
that they were interested in. We get cash for that,
obviously, and those loans are owned by them, again.
And that reduces the capital charge for Moody's.

The next to the last, working with Moody's on
their review of the Agency's G.O. rating. Bruce is
almost daily in contact with the analysts that are
working on this, providing them with more detail,
providing them with rationale for what we're doing,
challenging them on their methodology.

And Bruce and I are planning on writing them
a letter that documents our differences of opinion --
professionally, of course -- with their ideas about how
we do business and their ideas about our risk.

The final item here is that we're taking the
President at his word, that he is going to help state
HFAs. Our national association has been in talks
directly with the HUD Secretary and with folks at
Treasury about what this would look like.

The part that's been made public, that is being
talked about, are two things: One is, a way for Treasury
to buy state HFA bonds at attractive rates, which would
allow us to turn around and offer loans -- a good cost
of capital for us.

The other is to offer liquidity through the
GSEs, through Fannie and Freddie, so that when these
liquidity agreements come due -- or if we want to just
outright replace them -- but when they come due, that
Fannie Mae or Freddie Mac would step in and provide the
standby bond purchase agreement.

We have expanded that conversation into the
potential for letters of credit -- a broad letter of
credit instead of just the standby bond purchase
agreement, which would be much more beneficial to us in
the event of bad news from Moody's. So we're working on
that.

And the only thing that is not on this list
that we probably should have put on, Bruce, and that is
that we are talking to liquidity banks about their plans
for standby bond purchase agreements out into the future,
getting there, who's interested, who's not interested,
and try to get those ideas lined up.

So we have put in here -- and I can let Bruce
go into more detail about each one of these actions --
but, obviously, this is taking up a great deal of staff
time. Just on the swap-and-hold and bulk sale, Gary has
an entire team of people in homeownership lending that
probably used to do compliance or they used to do some
portion of the loan processing, that are now off, pulling
files, looking at them, seeing what needs to be done to
swap-and-hold or sell them to Fannie Mae. It's a huge
process, and they're very busy doing that so we can go
into this in more detail. Bruce has kind of put his
side-by-side benefits/concerns on each one of these.

Pleasure of the Board?

MR. GILBERTSON: For the benefit of time, maybe
what I'll do is just hit what I think are the highlights.
And if there's a question on any one of these topics, if
the Board just asks.

I think on the first one, the securitization of
loans, liquidity is one of the things we're watching
carefully. If we're successful on this billion dollars,
it would raise about $200 billion of cash for the Agency. That would be quite significant.

You know, one of the concerns, and one of the big concerns, is that all of these loans have to fit through the underwriting criteria of Freddie Mac, who ultimately will be the guarantee on the bonds.

Sale of Bay Area Housing Plan bonds, we've talked some about this. This is something, I think it’s interesting that we started this financing project in 2005. Here we sit, four years later, and we're still working on this financing. All of the delays certainly are not of the Agency's. There's a lot of issues with having the facilities ready to go, closure of the state hospital and those things. And, of course, in the meantime, the capital markets totally disintegrated on us, unfortunately.

This is something that would be a limited obligation of the Agency, backed only by the loans, the revenues on the loans, the lease assurances, the other reserves that we've built into the structure. And so the Agency is not going to be assessed a capital charge if we are successful with this financing.

The unfortunate part of this is that if we sell bonds at interest rates of 9, 10, 12, 15, 18 percent, it's the State of California that will have to
appropriate money sufficient to make debt service
effectively on the bonds.

Fannie Mae “Swap and Hold.” There's two
different Fannie Mae proposals. Both of these are to try
to remove real-estate risk from the balance sheet of the
Agency. We can do a swap of whole loans, where we have
the risk if the loans have less value, if the properties
have less value than they did at origination, by having
the loans put into a mortgage-backed security, then
Fannie Mae would be guaranteeing all of the payments due
on the loans. We'd eliminate the gap-insurance exposure
that we have. We'd eliminate other capital charges for
the real-estate risk.

Fortunately, we have a lot of loans that the
current loan-to-value are significantly above
100 percent. Fannie Mae likely will not accept them
unless they think from a policy perspective there's
something that they should be doing to help the HFA
community, specifically CalHFA.

The same notion on selling loans outright.
This was a strategy we first talked to the Board about
last fall. One of the things that we were trying to do
is to deleverage the balance sheet. If we could sell
loans, we would have cash, we could call out bonds and
get out of some of those bank bonds that we were holding
back in October and November, when we had in excess of
a billion dollars of bank bonds.

This is progressing. It's a much smaller scale
than we had envisioned. We're continuing to work with
Fannie Mae on a variety of things in this space.

Steve kind of covered this. I was literally
on the phone at 8:30 this morning with Moody's, kind of
getting an update as they're progressing. They've been
very busy in the housing group within Moody's the last
couple days. They came out with a 23-page report on the
state of HFAs and the single-family programs.

To be honest, I haven't had a chance to review
it; but they're concerned. They have a much less
positive outlook for the housing sector than Standard &
Poor's does. I'll say it nicely. And that's reflective
in the PMI companies that they've downgraded into the
'BB' range.

S&P has not downgraded the PMI companies into
that territory.

So we still work with this watch for possible
downgrade. I asked them specifically when they thought
they would be complete with their analysis. Certainly
it's not going to be in the next week, but more likely,
in the next two to three weeks. So we'll be having a lot
of conversations with them as they wrap that up.
And as Steve pointed out, part of this has been timing. But we think as they get very close to going back to committee, we'll outline our differences of opinion and methodology, because it's not the analysts that I talk to on a day-to-day basis that will make those changes, it's the senior level municipal-bond rating committee at Moody's that might be willing to consider some of this. So that's something we hope to get out very soon.

Steve, do you want to talk more specifically about the proposals in front of Treasury?

MR. SPEARS: Well, there are two veins. The National Council of State Housing Agency has, again, opened up conversations with Treasury and HUD. Their execution of this will be through Fannie and Freddie. And their main idea is to provide access to the bond market for state HFAs. New bonds for new capital, and also liquidity to help with existing variable-rate debt.

The downgrade of the private mortgage insurers threw this into a completely different light. State HFAs, like CalHFA, that hold whole loans on their balance sheet suddenly became much more vulnerable to talk of downgrade by Moody's because of the downgrade of the private mortgage-insurance companies.

What this means when Moody's is calculating how
much Genworth will contribute to us, they only give us partial credit. They used to give us 100 cents on the dollar; now, they only give us 25 cents on the dollar. Obviously, that's going to make a big increase in what's left for us to pay and pick up with our own capital.

So the downgrade of Genworth by five notches to 'Baa2,' and the fact that Genworth is our business partner makes it a double impact to us.

What we've done is open up a separate channel of communication with Treasury, thanks to a contact that Ms. Peters has in Treasury, and talked to them as late as last night about something additional for states that have this problem. And so this may wind up being part of the discussion, the overall discussion that Treasury and HUD are currently having with the private mortgage insurers as opposed to the first bullet here. But we're in the middle of starting those conversations.

They all recognize that everything changed when the private mortgage insurers were downgraded. And now the conversations are a little bit different for the whole-loan states.

That's where we are. And, again, six or eight weeks from now, we'll know a lot of things. We'll know what Moody's decision is going to be, what the federal assistance is going to look like, whether the Bay Area
Housing plan bonds were sold, whether we were able to consummate these transactions with Fannie Mae and Freddie Mac on single-family loans and multifamily loans. There is a great deal that will be learned between now and then.

In the meantime, we have multifamily staff working on the resecuritization of multifamily loans, we have single-family staff working on the Fannie Mae transactions, and we have loss-mitigation and REO staff working on REO management. Folks are busy. And they're mostly busy with these things that we've just discussed. Obviously, we want to start lending again.

The folks in this room that are out in the audience, the employees, I've told you before, we're tired of being on the sidelines. We want to lend. That's what these people got hired to do, that's what they love to do, it's what I love to do. We'd like to get back in the game.

There are some things between us that we need to take care of, and that's going to take up our time in the next two months.

Mr. Chairman?

MR. SHINE: Let's eat.

CHAIR CAREY: Any questions before we adjourn for lunch?
MS. PETERS: Just a comment, if I may. Because it is so rare that we as a board have an opportunity to see so many employees of CalHFA together at one place and one time, I just wanted to take a moment to echo the comments that other Board members have made here today and I've made before, that the staff here is outstanding. We recognize that. We thank you for your service. We know it's difficult in these times to be on the sidelines and to be outside of our comfort zone in dealing with a lot of fires that we didn't start. But I just wanted to take a moment to say thank you to everyone and thank you for coming here today and for everything you do every day.

We're trying to support you through this. And there will be a brighter day. We will be back, and there will be affordability in the market that we can get back to doing what we all love. So thank you all.

CHAIR CAREY: Thank you, Heather. You speak well for all of us on that.

To reiterate, we will be breaking for lunch. I anticipate we'll be back in this room by 12:30, to immediately go into a closed session to deal with potential litigation. Once that's over, we'll be back in public session.

We will send someone downstairs when we go back
into public session, so that you folks are aware that the
meeting is open again.

Once again, because I know that Carla has a
commitment in the Bay Area this afternoon, I want to
thank her, once again, for her time and wish her all the
best.

(Appause)

CHAIR CAREY:  With that, we are adjourned for
lunch.

(Midday recess from 11:44 a.m. to 12:47 p.m.)

CHAIR CAREY:  The California Housing Finance
Agency is back in session.  And we will now adjourn to
closed session to deal with matters of potential
litigation.

    We're in closed session.

    --o0o--

**Item 5.  Executive Closed Session**

(The Board met in closed executive session
from 12:47 p.m. to 3:00 p.m.)

(The following proceedings commenced with

Mr. Sheehy, Ms. Javits, Ms. Carroll, and

Ms. Jacobs absent from the hearing room.)

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Item 6. Discussion and Possible Action Regarding an Update of the Agency’s Five-Year Business Plan

CHAIR CAREY: We are back in open session.
And next up is Item 6, preliminary discussion regarding the Agency's five-year business plan.

Steven?

MR. SPEARS: Thank you, Mr. Chairman.

We're going to move right through these slides in this part of the presentation.

The most important thing I think we need to talk about is, what's the new business environment they're going to be operating in and what are the assumptions for going forward, what are CalHFA's value-adds, and what are the assumptions about the success, what actions are being pursued. But to me, one of the biggest things is, how are we going to deliver CalHFA products in this new business environment, new operating environment.

So then we have some additional services and business opportunities that we are considering. We'll probably spend less time on that at this board meeting and save this until the May board meeting. But the final thing is, the next steps in the business-planning process, the main thing that I'd like to put out here on the table is that I believe that the most prudent thing
for us to do in this environment, where we know so little
at this point, is to have a two-year business plan rather
than a five-year business plan because the future is so
uncertain. And that's the way we're going to develop it,
unless the Board has a different idea.

So let's move to the next slide.

The new operating environment. The combination
of everything that has been going on that we've been
discussing -- the balance-sheet risk, the Genworth
downgrade, the bond market challenges, and other
things -- create a new environment for CalHFA.

The bond market, we believe, is not going to be
functional as we have had it in the past, until late
2010. And by that, we mean in the past, Bruce would
package up loans, go to the bond market, which was more
or less routine. We always had investors, always got
a pretty good price. And those days are over, I think,
until late 2010.

Even then, we're not totally sure that
investors will come roaring back to the municipal
tax-exempt housing market like they were before. It may
take longer than that for it to return to what we've been
used to in the past.

Given our balance sheet and given the analysis
by the rating agencies, we do not believe that we can put
more real-estate risk on our balance sheet. There are ways to keep lending and not do that, but that's a tenet going forward. This means, on the single-family side, and on the multifamily side, until things improve.

No additional mortgage-insurance risk. With the downgrade of the private mortgage insurers, we don't believe that we can put more mortgage-insurance risk on our balance sheet. It kind of goes along with the second point about no additional real-estate risk, but that's the situation.

Were the mortgage insurance companies to be upgraded, their situation improves, they get federal assistance, that could change.

The final thing is -- I'm sorry, to go along with that, no additional exposure to Genworth, especially with their five-notch downgrade. And again, if they were to get assistance, if their situation were to improve, that could change as well.

But the final thing is, there will be very little in what we have always referred to in Board meetings at this point in time of HAT funds for a variety of things: Down-payment assistance, preservation, rehab, those sorts of things. That cash will be needed for our activities to strengthen our balance sheet over the next few months, and perhaps a couple years, those programs
will be short for that period of time.

The next slide, please.

So going forward, our value-add -- and this is not an exclusive list -- but in thinking about this, CalHFA is a stable source of lending, through good times and bad. That, yes, multifamily folks, for example, have competition from other banks during a time like this, when the economy is bad and banks go chasing, you know, anything and everything, and all of a sudden Bob starts hearing, "Well, this bank or that bank is offering this rate." In the good times, we don't hear those. So we are there, good times and bad.

Chuck's operation, offering mortgage insurance through good times and bad, that's one of our major value-adds.

High-quality borrower service, quality lending products with quality underwriting. Obviously, when we're able to do lending.

Programs that provide the gap needed to achieve financing, whether it's on the down-payment assistance on single-family or on the multifamily side, in preservation. But we've, in the past, have had HAT funds available to do this, had G.O. bond money available to do down-payment assistance. So that's been our value-add.

Finally, leveraging relationships with local
governments, with local organizations like Self-Help Enterprises and others, and leveraging dollars to achieve affordability. That's been one of the hallmarks of our success.

So the assumptions going forward, though, is, we're going to have to maintain this 'Aa3/AA-' credit rating as a minimum to do that because our cost of capital depends on that.

We're going to have to have access to housing bond markets, either through the regular bond markets, through regular investors, or through some type of federal assistance that they're talking about.

And the other thing is, our core programs have to be financially successful. We have to make money on those to fund these other programs and to keep our balance sheet healthy.

All right, so how can we keep going in this kind of environment, where we're not taking real-estate risk? There are ways to do that.

On the single-family side, there are ways that we can lend, that we can move loans through us onto GSEs, like Fannie Mae and Freddie Mac, where we hold an MBS security, others hold the loans, others have the mortgage-insurance risk.

We will only have CHDAP available for
down-payment assistance, but in a limited amount because of the PMIB's issue and the Treasurer's issue with going to market with G.O. bonds, it would fund CHDAP. But hopefully, if the Treasurer is able to get back on the general-obligation bond market and provide us with more funds for CHDAP, that would make that number go a little bit higher.

We're going to have to have a higher number of FHA loans because conventional loans are requiring more down-payment assistance from mortgage insurers. Many mortgage insurers -- Gary and Chuck will tell you -- will do 95 at absolute maximum. Most of them will only do 90 percent loans in California. That's requiring, you know, 5, 10 percent down payment. From first-time home buyers, that's a very big number. And that is out of our hands. So we would have to have more down-payment assistance available, we think.

But the best-case scenario in the near-term is for us to become more of an FHA lender, with only 3.5 percent buyer participation. We believe that's probably the future for us in the near-term.

We also have the ability to deliver whole loans for cash to the GSEs on a flow basis. Gary has this ready to go. He'll have it ready to go for both conventional loans, for FHA. Fannie Mae is buying FHA
loans. And that will be a business model that will work for us. But on a going-forward basis, all CalHFA borrowers will receive home-buyer counseling to go along with this.

So that will be the operating environment and business model on the single-family side.

On Mortgage Insurance Fund, because of that, less Genworth exposure, more FHA loans, the Mortgage Insurance Fund will see less business in fiscal year 2009-10. We don't think this will be a long-term situation. The activities in Chuck's shop are going to be focused on loss mitigation, loan modification, REO management, working with servicers, as we mentioned this morning. That's going to be their main function for the near-term.

The multifamily business model, to focus on new loans. There will be not a lot of funds available, again, for HAT, for loans for properties that are in our portfolio.

We do have the ability, again, to deliver loans to Fannie Mae and Freddie Mac, where we take limited real-estate risk. We're developing a risk-share relationship with both Fannie Mae and Freddie Mac. And that will keep 100 percent risk off our balance sheet on the real-estate side, over on the multifamily side of the
This is a fee-based business model. Again, it's not a long-range model for us. But in the meantime, so that we can keep lending, we can keep meeting our borrowers' needs to get out there.

On the special-lending side, the most unfortunate part of all this is that we really will not have any funds available for these programs in fiscal year 2009-10.

That's unfortunate. These are our partners and stakeholders. They have been with us for a very long time. And it's sad to say, but that is the environment that we're going to have to function in for the near-term.

As a one-pager take-away for your lamination and pocketbook to carry around, this is what we used to look like, this is what we're going to have to look like for the time being. Whereas we purchased whole loans before, and we took 100 percent risk on the balance sheet on the single-family side and we had our own mortgage insurance and high LTV loans, all these things are going to have to change. We're going to be purchasing MBS from Fannie Mae and Freddie Mac. Loans are going to be owned by the GSEs. We're not going to be able to take real-estate risk and mortgage insurance for the
near-term.

We're going to have to be doing lower LTV loans because that's what is going to be only available to us out there. We'll do more FHA lending and we'll have ability to flow-deliver loans and not have 100 percent reliance on bonds. That's the single-family side.

On the multifamily side, the same kind of thing. Instead of being a portfolio direct lender on the multifamily side, we're going to deliver loans straight through on a flow basis to the GSEs where we don't take 100 percent of the risk. How much risk we'll take is an item up for negotiation and will impact the fee that we get, but that's where we stand at this point.

So on the financing side, something we've already discussed with the Board for some time now, and that is, we're taking less reliance on variable-rate bonds. And we'll have more fixed-rate bonds into the future as we come back into the market.

And we're obviously going to have to rely on other sources of liquidity, look for other sources of liquidity, for example, the thing that we're looking at with Wells Fargo at this point. And we'll have less reliance on PMIB, and this is the reason why. The PMIB warehouse line that we bank on is extra cash that they have above and beyond cash needs of the State and bond
proceeds that are needed for projects. Right now, the
State is going to be selling notes, RANs, just to barely
meet their cash requirements for operating. They're
going to be selling G.O. bonds just to barely make the
demands for projects. There's not going to be extra
water in the bathtub, if you will, at PMIB. It's not
going to be there. So that's what we use our warehouse
line on.

Now, for Lynn Jacobs and MHP money, that
depends on the State Treasurer selling bonds. That will
be available to be funded. But extra cash just floating
around in PMIB, I don't think that happens for a very
long time, so we're going to go in search of other
liquidity.

In the meantime, the transitional activities
are as follows -- and these were on the earlier slide,
we're just recapping everything here -- the
resecuritization of multifamily loans is the Citibank
transaction that we've discussed.

Obviously, we've talked and talked about the
sale of Bay Area Housing Plan bonds.

The “swap and hold” transaction with
Fannie Mae.

The bulk sale with Fannie Mae.

The federal assistance that we're working on
with Treasury and HUD.

All of those things are going to occupy our time in between. What we really want to do is time all this so that we can get these things done, get back into the market, transition staff from working on these bottom items down here under "Transition," and get them working again on multifamily loans, on single-family loans, get back in the business.

I don't know at this point what the volume will be for these next years. We will know so much more in the next six to eight weeks with regard to what Moody's plans are, what the federal assistance package will look like, what liquidity we'll have available to us, that it's very difficult to predict what kind of volume we'll have with the MBS programs, with the flow programs, on both the single-family side and the multifamily side.

So that's what we'll look at.

So save that page. Keep that in your pocket.

Other things that we've talked about before -- Chuck mentioned the loan modification last time, at the Board meeting, and almost immediately, the President began to talk about a loan-modification program. So we're trying to reconcile this, too. But ours has to be specifically designed for CalHFA, because we have bond indentures, we have obligations to our bondholders. It's
a little bit different situation than if we were a
private servicer or a private bank.

We are talking about expansion of the Community
Stabilization Home Loan Program, where we are making REO
properties available to first-time home buyers.

One of the things we're talking about there is
a program that Gary has termed the "Circle of Hope," and
that is to make REOs available and partner with local
governments with NSP funds that they have. We've already
talked to Lynn Jacobs about perhaps even tapping into
some of the state MHP funds to expand that program.

One thing that Margaret's group in Asset
Management has looked into and we're going to move
forward on, are performance-based contract administration
programs with HUD. Right now, those programs are with
other entities. They're looking to rebid that in 2010
for a start in January 2011. So we're going to be going
ahead and working on that. It's a program that would be
statewide and involve working with HUD, so we'll have
more to talk about that in May.

There is another use of NSP funds that is being
talked about right now, and that is where you have a
tight group of REO homes, particularly in urban areas,
that could be made available for rentals. Rather than
have an apartment unit multifamily project, you could
work on a project where you have -- I think it's within a mile -- is that right, Bob -- radius?

MR. DEANER: Right.

MR. SPEARS: That you'd have REOs that you could turn into rental units and manage those. We're not really set up to manage single-family residents, but we're looking into the possibility of that.

And finally, but not least, something we talked about this morning, and that is to move to restructuring of the loan-servicing unit, where we're servicing 100 percent of all CalHFA loans. We think it makes sense from an economic standpoint, but mainly, we think it makes sense that our loan-servicing folks do a much better job than outside folks. They're mission-driven, and we think that serves our borrowers better.

The last slide.

What's the next steps? Again, we'll know a lot more in six to eight weeks. We're going to be resolving those. Look for e-mails from me to the Board members on developments on all levels from time to time. So we'll be doing that.

Again, we don't know a five-year business plan at this point makes a lot of sense. We're going to shorten it down to two years. And we really need to know
what this world is going to look like to get volume and activities nailed down. So that's our plan.

Any comments from the Board, from Board members? We've kind of zoomed through this part.

CHAIR CAREY: Board members?

MS. PETERS: Well done. Thank you for zooming.

MR. SPEARS: Well, it will be a very different world. We are trying to get back in the game and do what we need to do to get our mission back on line.

CHAIR CAREY: Ruben?

MR. SMITH: Yes, I think you've done a great job. I think with every negative, there's always a positive. And I think you're looking at trying to find opportunities. And I think that's the way to go. So good job.

MR. SPEARS: Thanks very much.

CHAIR CAREY: And we're all comfortable with the idea of focusing on a two-year business plan in May, right?

MS. PETERS: Absolutely.

MR. SPEARS: Okay.

CHAIR CAREY: Good.

MR. SPEARS: Thank you very much.

CHAIR CAREY: Thank you, Steve.

MR. SPEARS: And thanks to the good work of
staff. It's not only Bruce and the Finance Division, but Chuck and his folks have worked on this presentation. Gary and his folks, Bob.

If I'm missing somebody, I apologize. But it's been a group effort.

--o0o--

**Item 7. Public hearing pursuant to Health and Safety Code Section 51657(a) regarding revisions to Agency’s schedule of mortgage insurance premium rate**

CHAIR CAREY: Okay, our next item is a public hearing regarding the Agency's scheduled mortgage insurance premium rates.

MR. HUGHES: Mr. Chair, I would just note, this has come up in the past when we've done this. It’s not a board action item; it's simply a public hearing. Our statutes require a public hearing to change our rate card. And so we take the opportunity to use the Board of Directors meetings as that hearing.

CHAIR CAREY: Great.

(Mr. Shine left the room for the day.)

MR. McMANUS: Shall I begin?

CHAIR CAREY: Yes, please.

MR. McMANUS: Thank you.

I’m Chuck McManus. I'm going to take you
through -- bottom line, this is a pretty simple issue.

Risk is high in the current market in California.

All of the private mortgage insurers have increased their premium rates, have abandoned the 95 percent LTV. They've already abandoned the 97 and the 100 before that. And we find ourselves needing to raise the premium rate in order to stay in the market to be able to provide mortgage insurance in this market and obtain reinsurance, which we need to do based on our concentration.

We were formed to provide low-payment mortgage insurance for low-income people on low down-payment loans. And we historically provided below-market premium rates for the first-time home buyers.

The rates I'm showing you today are market rates that the outside private mortgage insurers would charge if they were in the market. They have abandoned the 95 LTV. And so we need to move to that in order to afford our reinsurance. That's basically what Number 3 says.

And we will be able to review the status of the market on an ongoing basis. Should the market improve, we'll be back and advise -- you know, returning to the previous rate levels and so forth, hoping to charge the lowest possible rate and still generate sufficient...
returns to maintain the profitability of the Mortgage Insurance Fund and its ongoing availability of insurance.

The rates being proposed are shown under the "Distressed Markets" column. The rates to the right, "Standard Mortgage Insurance Rates" are our current rates. And the ones to the far right, the "Stable and Rising Market," were the rates we had before we raised them to the standard rates approximately one year ago.

So when I got here, they were on the far right; we moved them up to the middle; and now we propose to move them to the left, the group on the left. This is for 35 percent coverage, which is the deep coverage we have under our bond programs.

MR. SPEARS: Now, Chuck, am I correct, though, that if we, in this hearing, since we're putting all of the rates up, if we need to before another hearing, we could go back down to those other rates without having a hearing?

MR. McMANUS: That is my understanding, and it would be based on market conditions, meaning that they're more like standard conditions.

MR. SPEARS: Right.

MR. McMANUS: Yes.

This is not different from what the other mortgage insurers have. They have distressed market
rates, they have standard market rates.

This shows what the industry rates are. You can see, there's none available at the 95-or-above levels. And we can't get 95 cover, to speak of.

There are a few lenders that can get it who are favored lenders; and that would be very hard to identify and maintain.

This is the rates for mortgage-backed security coverages. You'll see the reduced coverage down the "Coverage" column. This is for sales to Freddie Mac and Fannie Mae. And 28 percent was the standard at one time for the 100 percent; 25 at the 97, and so forth, down. There's actually lower rates for the charter coverage. This is the minimum the GSEs must charge.

The easiest calculation is to look at the 100 percent LTV, 20 percent coverage. It gets you down to 80 percent exposure. That's the rules when Freddie Mac and Fannie Mae were founded. They were required, at a minimum, to insure loans down to 80 percent coverage. So this is the very minimum. And Fannie does offer these programs for targeted areas -- you know, general purpose. And, therefore, we've listed these.

We haven't been selling these prior, but we would, under Fannie Mae commitments, probably offer these coverage rates and these lower insurance premiums. And
that will allow us, by the way, to buy reinsurance. We have not purchased reinsurance on any coverages lower than 35, because they were so high that we couldn't afford them. Under this, we would be able to reinsure which, again, given our size and concentration, is a very important consideration.

I think that's it.

Are there any questions?

CHAIR CAREY: Any questions for Chuck?

(No response.)

CHAIR CAREY: Thank you, Chuck.

MR. HUGHES: Mr. Chair, because it's a public hearing, let's make sure there's no public --

CHAIR CAREY: Yes, I was going to open the hearing.

(Gavel sounded)

CHAIR CAREY: This is a public hearing. If anyone wishes to address the Board on this item, please step forward.

(No response.)

CHAIR CAREY: I saw Bruce move out there. I thought -- seeing none, the hearing is closed.

MR. McMANUS: Thank you.

CHAIR CAREY: Thank you, Chuck.

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Item 8. Reports

CHAIR CAREY: Moving on, any report items that warrant discussion?

MR. SPEARS: We're going to add one item at the request of Board Member Peters, that we add delinquency by servicers in the back, in the report section.

CHAIR CAREY: Great.

MR. SPEARS: So we can track that a little bit better, the issue.

CHAIR CAREY: I was shocked by those disparities today.

--o0o--

Item 9. Discussion of Other Board Matters

CHAIR CAREY: Other Board matters?

(No response)

--o0o--

Item 10. Public Testimony

CHAIR CAREY: Okay, this is the time when we'll have comments from anyone in the public who wishes to bring any matters to the Board's attention.

Is there anyone who wishes to raise a matter with the Board?

(No response)

CHAIR CAREY: Seeing none, I just want to remind the Board, we've got magic parking passes for
reduced parking at the hotel.

Thanks for getting the materials out to us so quickly today.

And I don't think Dennis is here, but we all wish him the very best in his retirement.

And with that, the meeting is adjourned.

(Proceedings concluded at 3:26 p.m.)

--o0o--
REPORTER'S CERTIFICATE

I hereby certify that the foregoing proceedings were duly reported by me at the time and place herein specified;

That the testimony of said witnesses was reported by me, a duly certified shorthand reporter and a disinterested person, and was thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for either or any of the parties to said deposition, nor in any way interested in the outcome of the cause named in said caption.

IN WITNESS WHEREOF, I have hereunto set my hand on the 31st of March 2009.

_______________________________
DANIEL P. FELDHAUS
California CSR #6949
Registered Diplomate Reporter
Certified Realtime Reporter
Facing CalHFA’s Immediate Challenges – Update for CalFHA Board of Directors

May 21, 2009
Presentation Outline

- Briefing for Board Members on Possible Federal Assistance – Agenda Item 4
- Discussion of Financial Strategies and Action Plan – Agenda Item 5
- Review of CalHFA Financial Statements – Year to Date as of December 31, 2008 – Agenda Item 5
  (financial statement summary can be found in Report Section)
- Closed Session – Agenda Item 6;
- Discussion of Multifamily Loan Sale and Securitization & Possible Action – Agenda Item 7;
Possible Federal Assistance

- Process – Proposals are being vetted and forwarded to Treasury;
  - We have been in frequent contact with the Federal working group;
  - CalHFA situation and needs presented to the working group at Washington, D.C. meetings
- Principals – HUD and Treasury Secretaries
  - We believe have met and discussed various proposals;
  - New bond purchases, liquidity and credit support have been discussed
- Status – Pending policy determination by principals
Assistance Package -- Rumors

- **New Bond Money**
  - Federal government buys new mortgage revenue bonds over a certain period of time;
  - At yields that allow state HFAs to offer competitive loan rates to borrowers.

- **Liquidity**
  - Replacement “Standby Bond Purchase Agreements”
  - Reasonably priced
  - Eventually replaced by private sector liquidity agreements

- **Additional Assistance for State HFAs Under Threat of Downgrade -- ???**
CalHFA Board Meeting

May 21, 2009
Municipal Capital Market Update

- Fixed-rate bond market for new financings:
  - Limited participation from institutional investors
  - Issuances limited to single-family bond financings
  - Reliance on retail orders
    - Tennessee (Aa1/AA+): 20-yr bond sold at 5.00% (all retail)
    - Ohio (AAA): 30-yr bond sold at 5.375% (all retail)
  - Freddie Mac’s weekly primary mortgage market survey (average rates for 30-yr mortgage loans)
    - May 7: 4.84%
    - April 30: 4.78%
    - April 23: 4.80%
Municipal Capital Market Update

- Variable-rate bond market:
  - Abating liquidity and credit concern
  - Because of yield compression, money market funds are searching for higher yields from “storied” bonds
    - SIFMA reset on 5/6/09 at 0.47%
    - Schwab’s CA tax-exempt MM has an expense ratio of 0.45%
  - The flip side of yield compression, however, is that we are experiencing higher basis mismatch on Libor-based interest rate swaps
    - 1Mn Libor reset on 5/6/09 at 0.395%
    - SIFMA/Libor ratio = 119%
    - Most of our Libor-based swaps use a hedging ratio of 62%
History of the Agency’s basis mismatch thru 4/1/09

- Periodic Mismatch
- Cumulative Mismatch

Payment Year (8/1 - 7/31 Accruals)
History of CalHFA’s bank bonds as of 5/4/09
Status of liquidity renewals and recent successes

- Successful renewals
  - March: $65Mn of KBC
  - April: $25Mn of Bank of NY
  - May: $122Mn of JPMorgan and $71Mn of FannieMae

- Un-successful renewal
  - April: $174Mn of Calyon

- Upcoming renewals
  - June: $82Mn of BNP
  - July: $120Mn of Fortis

- Sale of $50Mn private placement in May
  - Increased the Agency’s G-O cash balance by $28Mn
## CalHFA’s debt portfolio as of 5/1/09

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**Total**

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### Auction-Rate Securities
- Red: $191 (2%)
- Blue: $995 (12%)
- Dark Red: $435 (5%)
- Green: $2,376 (29%)
- Black: $4,091 (51%)
## CalHFA’s swap portfolio as of 5/1/09

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<td>$0</td>
<td>$591,005,000</td>
<td>($84,056,500)</td>
</tr>
<tr>
<td>Bear Stearns Financial Products Inc.</td>
<td>Aaa</td>
<td>AAA</td>
<td>757,135,000</td>
<td>277,330,000</td>
<td>1,034,465,000</td>
<td>(51,123,186)</td>
</tr>
<tr>
<td>Citigroup Financial Products, Inc.</td>
<td>A3</td>
<td>A</td>
<td>652,440,000</td>
<td>0</td>
<td>652,440,000</td>
<td>(50,075,979)</td>
</tr>
<tr>
<td>Deutsche Bank AG</td>
<td>Aa1</td>
<td>A+</td>
<td>271,920,000</td>
<td>0</td>
<td>271,920,000</td>
<td>(37,480,795)</td>
</tr>
<tr>
<td>Merrill Lynch Derivative Products</td>
<td>Aaa</td>
<td>AAA</td>
<td>599,975,000</td>
<td>0</td>
<td>599,975,000</td>
<td>(37,480,548)</td>
</tr>
<tr>
<td>Goldman Sachs Mitsui Marine Derivative Products, L.P.</td>
<td>Aaa</td>
<td>AAA</td>
<td>373,800,000</td>
<td>0</td>
<td>373,800,000</td>
<td>(28,961,539)</td>
</tr>
<tr>
<td>AIG Financial Products, Corp.</td>
<td>A3</td>
<td>A-</td>
<td>287,055,000</td>
<td>0</td>
<td>287,055,000</td>
<td>(20,090,479)</td>
</tr>
<tr>
<td>JPMorgan Chase Bank, N.A.</td>
<td>Aa1</td>
<td>AA-</td>
<td>204,570,000</td>
<td>0</td>
<td>204,570,000</td>
<td>(19,870,661)</td>
</tr>
<tr>
<td>Morgan Stanley Capital Services, Inc.</td>
<td>A2</td>
<td>A</td>
<td>136,685,000</td>
<td>0</td>
<td>136,685,000</td>
<td>(9,568,950)</td>
</tr>
<tr>
<td>Bank of America, N.A.</td>
<td>Aa3</td>
<td>A+</td>
<td>176,965,000</td>
<td>0</td>
<td>176,965,000</td>
<td>(7,025,377)</td>
</tr>
<tr>
<td>BNP Paribas</td>
<td>Aa1</td>
<td>AA+</td>
<td>82,510,000</td>
<td>0</td>
<td>82,510,000</td>
<td>(6,941,975)</td>
</tr>
<tr>
<td>UBS AG</td>
<td>Aa2</td>
<td>A+</td>
<td>41,340,000</td>
<td>0</td>
<td>41,340,000</td>
<td>(2,935,242)</td>
</tr>
<tr>
<td>Bank of New York Mellon</td>
<td>Aaa</td>
<td>AA</td>
<td>25,000,000</td>
<td>0</td>
<td>25,000,000</td>
<td>(2,433,501)</td>
</tr>
<tr>
<td>Dexia Credit Local New York Agency</td>
<td>A1</td>
<td>A</td>
<td>27,310,000</td>
<td>0</td>
<td>27,310,000</td>
<td>871,173</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>$4,227,710,000</td>
<td>$277,330,000</td>
<td>$4,505,040,000</td>
<td>($357,173,159)</td>
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</tbody>
</table>
## Entire loan portfolio as of 2/28/09
sorted by mortgage insurance type

<table>
<thead>
<tr>
<th></th>
<th># of loans</th>
<th>Balance</th>
<th>%</th>
<th>30-Day</th>
<th>60-Day</th>
<th>90-Day+</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Federal Guaranty</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FHA</td>
<td>15,515</td>
<td>$2,195,643,423</td>
<td>34.4%</td>
<td>5.30%</td>
<td>2.51%</td>
<td>6.40%</td>
<td>14.22%</td>
</tr>
<tr>
<td>VA</td>
<td>459</td>
<td>$74,183,484</td>
<td>1.2%</td>
<td>3.05%</td>
<td>3.27%</td>
<td>5.88%</td>
<td>12.20%</td>
</tr>
<tr>
<td>RHS</td>
<td>101</td>
<td>$20,674,712</td>
<td>0.3%</td>
<td>2.97%</td>
<td>2.97%</td>
<td>3.96%</td>
<td>9.90%</td>
</tr>
<tr>
<td><strong>Conventional loans</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>with MI</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CalHFA MI Fund</td>
<td>10,117</td>
<td>$2,777,459,916</td>
<td>41.4%</td>
<td>3.59%</td>
<td>2.33%</td>
<td>8.03%</td>
<td>13.95%</td>
</tr>
<tr>
<td>without MI</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Originated with no MI</td>
<td>6,141</td>
<td>$1,300,252,092</td>
<td>19.4%</td>
<td>1.84%</td>
<td>0.67%</td>
<td>2.20%</td>
<td>4.71%</td>
</tr>
<tr>
<td>MI Cancelled*</td>
<td>1,666</td>
<td>$222,625,365</td>
<td>3.4%</td>
<td>2.10%</td>
<td>0.66%</td>
<td>0.90%</td>
<td>3.66%</td>
</tr>
<tr>
<td>Total CalHFA</td>
<td>33,999</td>
<td>$6,590,838,991</td>
<td>100.0%</td>
<td>3.97%</td>
<td>2.05%</td>
<td>5.84%</td>
<td>11.86%</td>
</tr>
</tbody>
</table>

* Cancelled per Federal Homeowner Protection Act of 1998, which grants the option to cancel the MI with 20% equity
Entire loan portfolio as of 2/28/09  
sorted by loan type

<table>
<thead>
<tr>
<th>Loan Type</th>
<th># of loans</th>
<th>Balance</th>
<th>%</th>
<th>30-Day</th>
<th>60-Day</th>
<th>90-Day+</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>30-yr level amort</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FHA</td>
<td>15,515</td>
<td>$2,195,643,423</td>
<td>33.3%</td>
<td>5.30%</td>
<td>2.51%</td>
<td>6.40%</td>
<td>14.22%</td>
</tr>
<tr>
<td>VA</td>
<td>459</td>
<td>$74,183,484</td>
<td>1.1%</td>
<td>3.05%</td>
<td>3.27%</td>
<td>5.88%</td>
<td>12.20%</td>
</tr>
<tr>
<td>RHS</td>
<td>101</td>
<td>$20,674,712</td>
<td>0.3%</td>
<td>2.97%</td>
<td>2.97%</td>
<td>3.96%</td>
<td>9.90%</td>
</tr>
<tr>
<td>Conventional w/ MI</td>
<td>4,770</td>
<td>$1,194,718,910</td>
<td>18.1%</td>
<td>3.00%</td>
<td>1.76%</td>
<td>5.45%</td>
<td>10.21%</td>
</tr>
<tr>
<td>Conventional w/o MI</td>
<td>6,797</td>
<td>$1,281,388,239</td>
<td>19.4%</td>
<td>1.59%</td>
<td>0.59%</td>
<td>1.60%</td>
<td>3.78%</td>
</tr>
<tr>
<td>40-yr level amort</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conventional w/ MI</td>
<td>756</td>
<td>$223,008,493</td>
<td>3.4%</td>
<td>4.23%</td>
<td>1.98%</td>
<td>6.22%</td>
<td>12.43%</td>
</tr>
<tr>
<td>Conventional w/o MI</td>
<td>237</td>
<td>$48,102,152</td>
<td>0.7%</td>
<td>3.38%</td>
<td>0.42%</td>
<td>2.11%</td>
<td>5.91%</td>
</tr>
<tr>
<td>5-yr IO, 30-yr level amort</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conventional w/ MI</td>
<td>4,591</td>
<td>$1,359,732,513</td>
<td>20.6%</td>
<td>4.09%</td>
<td>2.98%</td>
<td>11.00%</td>
<td>18.08%</td>
</tr>
<tr>
<td>Conventional w/o MI</td>
<td>773</td>
<td>$193,387,066</td>
<td>2.9%</td>
<td>4.14%</td>
<td>1.42%</td>
<td>4.66%</td>
<td>10.22%</td>
</tr>
<tr>
<td>Total CalHFA</td>
<td>33,999</td>
<td>$6,590,838,991</td>
<td>100.0%</td>
<td>3.97%</td>
<td>2.05%</td>
<td>5.84%</td>
<td>11.86%</td>
</tr>
</tbody>
</table>

*All conventional loans: 17,924 $4,300,337,373  2.85% 1.61% 5.37% 9.82%

* 5-year interest-only and 30-year level amortization thereafter (same fixed-rate in both periods).
# Conventional loan portfolio as of 2/28/09
## sorted by loan type and vintage

<table>
<thead>
<tr>
<th></th>
<th># of loans</th>
<th>Balance</th>
<th>%</th>
<th>30-Day</th>
<th>60-Day</th>
<th>90-Day+</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>30-yr level amort</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-2004</td>
<td>2,018</td>
<td>215,153,775</td>
<td>8.7%</td>
<td>2.23%</td>
<td>0.69%</td>
<td>1.04%</td>
<td>3.96%</td>
</tr>
<tr>
<td>2004</td>
<td>1,434</td>
<td>303,031,604</td>
<td>12.2%</td>
<td>1.95%</td>
<td>1.12%</td>
<td>3.56%</td>
<td>6.62%</td>
</tr>
<tr>
<td>2005</td>
<td>2,227</td>
<td>533,567,360</td>
<td>21.5%</td>
<td>2.42%</td>
<td>1.53%</td>
<td>4.89%</td>
<td>8.85%</td>
</tr>
<tr>
<td>2006</td>
<td>2,076</td>
<td>527,598,733</td>
<td>21.3%</td>
<td>2.46%</td>
<td>1.35%</td>
<td>5.30%</td>
<td>9.25%</td>
</tr>
<tr>
<td>2007</td>
<td>1,942</td>
<td>473,975,867</td>
<td>19.1%</td>
<td>2.06%</td>
<td>1.08%</td>
<td>3.40%</td>
<td>6.54%</td>
</tr>
<tr>
<td>2008</td>
<td>1,659</td>
<td>377,804,363</td>
<td>15.3%</td>
<td>1.69%</td>
<td>0.66%</td>
<td>0.24%</td>
<td>2.89%</td>
</tr>
<tr>
<td>2009</td>
<td>211</td>
<td>44,975,448</td>
<td>1.8%</td>
<td>2.37%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>2.37%</td>
</tr>
<tr>
<td></td>
<td><strong>11,567</strong></td>
<td><strong>$2,476,107,149</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>2.17%</strong></td>
<td><strong>1.07%</strong></td>
<td><strong>3.12%</strong></td>
<td><strong>6.43%</strong></td>
</tr>
<tr>
<td><strong>40-yr level amort</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>175</td>
<td>43,864,547</td>
<td>16.2%</td>
<td>9.14%</td>
<td>2.29%</td>
<td>11.43%</td>
<td>22.86%</td>
</tr>
<tr>
<td>2007</td>
<td>382</td>
<td>101,492,809</td>
<td>37.4%</td>
<td>3.93%</td>
<td>2.09%</td>
<td>7.07%</td>
<td>13.09%</td>
</tr>
<tr>
<td>2008</td>
<td>429</td>
<td>124,307,704</td>
<td>45.9%</td>
<td>2.10%</td>
<td>0.93%</td>
<td>1.17%</td>
<td>4.20%</td>
</tr>
<tr>
<td>2009</td>
<td>7</td>
<td>1,445,586</td>
<td>0.5%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td></td>
<td><strong>993</strong></td>
<td><strong>$271,110,646</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>4.03%</strong></td>
<td><strong>1.61%</strong></td>
<td><strong>5.24%</strong></td>
<td><strong>10.88%</strong></td>
</tr>
<tr>
<td><strong>5-yr IOP, 30-yr level amort</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>776</td>
<td>215,828,941</td>
<td>13.9%</td>
<td>5.15%</td>
<td>1.80%</td>
<td>12.76%</td>
<td>19.72%</td>
</tr>
<tr>
<td>2006</td>
<td>2,283</td>
<td>658,396,599</td>
<td>42.4%</td>
<td>4.34%</td>
<td>3.46%</td>
<td>13.14%</td>
<td>20.94%</td>
</tr>
<tr>
<td>2007</td>
<td>1,610</td>
<td>478,859,346</td>
<td>30.8%</td>
<td>4.22%</td>
<td>3.23%</td>
<td>8.26%</td>
<td>15.71%</td>
</tr>
<tr>
<td>2008</td>
<td>694</td>
<td>199,702,193</td>
<td>12.9%</td>
<td>1.87%</td>
<td>0.43%</td>
<td>1.30%</td>
<td>3.60%</td>
</tr>
<tr>
<td>2009</td>
<td>1</td>
<td>332,500</td>
<td>0.0%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td></td>
<td><strong>5,364</strong></td>
<td><strong>$1,553,119,579</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>4.10%</strong></td>
<td><strong>2.76%</strong></td>
<td><strong>10.09%</strong></td>
<td><strong>16.95%</strong></td>
</tr>
</tbody>
</table>
# Conventional loan portfolio as of 2/28/09
## sorted by top 15 counties (by loan #)

<table>
<thead>
<tr>
<th>County</th>
<th># of loans</th>
<th>Balance</th>
<th>%</th>
<th>30-Day</th>
<th>60-Day</th>
<th>90-Day+</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAN DIEGO</td>
<td>2,510</td>
<td>$604,920,895</td>
<td>14.07%</td>
<td>2.83%</td>
<td>1.83%</td>
<td>7.85%</td>
<td>12.51%</td>
</tr>
<tr>
<td>LOS ANGELES</td>
<td>2,464</td>
<td>$626,061,549</td>
<td>14.56%</td>
<td>2.80%</td>
<td>1.54%</td>
<td>2.96%</td>
<td>7.31%</td>
</tr>
<tr>
<td>SANTA CLARA</td>
<td>1,867</td>
<td>$562,948,165</td>
<td>13.09%</td>
<td>1.50%</td>
<td>0.64%</td>
<td>1.98%</td>
<td>4.12%</td>
</tr>
<tr>
<td>SACRAMENTO</td>
<td>1,256</td>
<td>$274,057,854</td>
<td>6.37%</td>
<td>3.66%</td>
<td>1.91%</td>
<td>7.09%</td>
<td>12.66%</td>
</tr>
<tr>
<td>ALAMEDA</td>
<td>1,249</td>
<td>$326,057,047</td>
<td>7.58%</td>
<td>2.00%</td>
<td>0.80%</td>
<td>3.04%</td>
<td>5.84%</td>
</tr>
<tr>
<td>ORANGE</td>
<td>991</td>
<td>$266,179,798</td>
<td>6.19%</td>
<td>1.61%</td>
<td>1.31%</td>
<td>2.52%</td>
<td>5.45%</td>
</tr>
<tr>
<td>CONTRA COSTA</td>
<td>895</td>
<td>$234,490,740</td>
<td>5.45%</td>
<td>3.58%</td>
<td>2.46%</td>
<td>4.92%</td>
<td>10.95%</td>
</tr>
<tr>
<td>RIVERSIDE</td>
<td>703</td>
<td>$144,405,116</td>
<td>3.36%</td>
<td>2.99%</td>
<td>1.85%</td>
<td>8.11%</td>
<td>12.94%</td>
</tr>
<tr>
<td>VENTURA</td>
<td>655</td>
<td>$196,182,753</td>
<td>4.56%</td>
<td>2.44%</td>
<td>0.61%</td>
<td>5.34%</td>
<td>8.40%</td>
</tr>
<tr>
<td>SAN BERNARDINO</td>
<td>638</td>
<td>$138,359,122</td>
<td>3.22%</td>
<td>4.55%</td>
<td>3.45%</td>
<td>10.82%</td>
<td>18.81%</td>
</tr>
<tr>
<td>SONOMA</td>
<td>490</td>
<td>$116,043,390</td>
<td>2.70%</td>
<td>3.27%</td>
<td>0.61%</td>
<td>5.31%</td>
<td>9.18%</td>
</tr>
<tr>
<td>FRESNO</td>
<td>467</td>
<td>$73,265,360</td>
<td>1.70%</td>
<td>5.14%</td>
<td>2.78%</td>
<td>4.50%</td>
<td>12.42%</td>
</tr>
<tr>
<td>TULARE</td>
<td>325</td>
<td>$51,588,640</td>
<td>1.20%</td>
<td>3.08%</td>
<td>3.08%</td>
<td>7.69%</td>
<td>13.85%</td>
</tr>
<tr>
<td>KERN</td>
<td>321</td>
<td>$53,129,996</td>
<td>1.24%</td>
<td>4.67%</td>
<td>1.87%</td>
<td>9.66%</td>
<td>16.20%</td>
</tr>
<tr>
<td>SAN JOAQUIN</td>
<td>277</td>
<td>$52,435,278</td>
<td>1.22%</td>
<td>5.78%</td>
<td>2.89%</td>
<td>8.30%</td>
<td>16.97%</td>
</tr>
<tr>
<td>OTHER COUNTIES</td>
<td>2,816</td>
<td>$580,211,670</td>
<td>13.49%</td>
<td>2.73%</td>
<td>1.56%</td>
<td>6.11%</td>
<td>10.40%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>17,924</strong></td>
<td><strong>$4,300,337,373</strong></td>
<td><strong>100.00%</strong></td>
<td><strong>2.85%</strong></td>
<td><strong>1.61%</strong></td>
<td><strong>5.37%</strong></td>
<td><strong>9.82%</strong></td>
</tr>
</tbody>
</table>

Delinquency Ratios

1. Conventional loans
2. 1 SAN DIEGO
3. 2 LOS ANGELES
4. 3 SANTA CLARA
5. 4 SACRAMENTO
6. 5 ALAMEDA
7. 6 ORANGE
8. 7 CONTRA COSTA
9. 8 RIVERSIDE
10. 9 VENTURA
11. 10 SAN BERNARDINO
12. 11 SONOMA
13. 12 FRESNO
14. 13 TULARE
15. 14 KERN
16. 15 SAN JOAQUIN
17. 16 OTHER COUNTIES

Total includes 17,924 loans with a total balance of $4,300,337,373.
## Entire loan portfolio as of 2/28/09
### sorted by loan servicers

<table>
<thead>
<tr>
<th>Loan Servicer</th>
<th>Count</th>
<th>Balance</th>
<th>Percent</th>
<th>30-Day</th>
<th>60-Day</th>
<th>90(+) Day</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>CALHFA - LOAN SERVICING</td>
<td>11,926</td>
<td>$2,857,374,007</td>
<td>43.35%</td>
<td>3.25%</td>
<td>1.64%</td>
<td>5.63%</td>
<td>10.52%</td>
</tr>
<tr>
<td>GUILD MORTGAGE</td>
<td>7,542</td>
<td>$1,462,095,148</td>
<td>22.18%</td>
<td>4.48%</td>
<td>2.47%</td>
<td>6.82%</td>
<td>13.76%</td>
</tr>
<tr>
<td>COUNTRYWIDE HOME LOANS</td>
<td>5,946</td>
<td>$1,021,780,301</td>
<td>15.50%</td>
<td>4.49%</td>
<td>2.27%</td>
<td>6.84%</td>
<td>13.61%</td>
</tr>
<tr>
<td>WELLS FARGO HOME MORTGAGE</td>
<td>2,901</td>
<td>$376,362,777</td>
<td>5.71%</td>
<td>3.90%</td>
<td>1.83%</td>
<td>3.79%</td>
<td>9.51%</td>
</tr>
<tr>
<td>EVERHOME MORTGAGE COMPANY</td>
<td>2,526</td>
<td>$265,161,509</td>
<td>4.02%</td>
<td>5.07%</td>
<td>2.06%</td>
<td>2.93%</td>
<td>10.06%</td>
</tr>
<tr>
<td>FIRST MORTGAGE CORP</td>
<td>1,295</td>
<td>$281,907,145</td>
<td>4.28%</td>
<td>3.63%</td>
<td>2.70%</td>
<td>7.34%</td>
<td>13.67%</td>
</tr>
<tr>
<td>GMAC MORTGAGE CORP</td>
<td>1,140</td>
<td>$175,724,996</td>
<td>2.67%</td>
<td>4.56%</td>
<td>3.07%</td>
<td>6.49%</td>
<td>14.12%</td>
</tr>
<tr>
<td>BANK OF AMERICA, NA</td>
<td>327</td>
<td>$59,570,623</td>
<td>0.90%</td>
<td>2.75%</td>
<td>0.31%</td>
<td>7.34%</td>
<td>10.40%</td>
</tr>
<tr>
<td>WASHINGTON MUTUAL BANK</td>
<td>262</td>
<td>$68,173,478</td>
<td>1.03%</td>
<td>0.76%</td>
<td>1.53%</td>
<td>4.96%</td>
<td>7.25%</td>
</tr>
<tr>
<td>CITIMORTGAGE, INC.</td>
<td>72</td>
<td>$17,795,805</td>
<td>0.27%</td>
<td>6.94%</td>
<td>0.00%</td>
<td>2.78%</td>
<td>9.72%</td>
</tr>
<tr>
<td>DOVENMUEHLE MORTGAGE, INC.</td>
<td>53</td>
<td>$2,087,029</td>
<td>0.03%</td>
<td>3.77%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>3.77%</td>
</tr>
<tr>
<td>WESCOM CREDIT UNION</td>
<td>8</td>
<td>$2,480,307</td>
<td>0.04%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>12.50%</td>
<td>12.50%</td>
</tr>
<tr>
<td>PROVIDENT CREDIT UNION</td>
<td>1</td>
<td>$325,864</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total CalHFA</strong></td>
<td>33,999</td>
<td>$6,590,838,991</td>
<td>100.00%</td>
<td>3.97%</td>
<td>2.05%</td>
<td>5.84%</td>
<td>11.86%</td>
</tr>
</tbody>
</table>

### Delinquency Ratios
## Reserves for delinquent loans and Real Estate Owned

<table>
<thead>
<tr>
<th></th>
<th>Sep-08</th>
<th>Dec-08</th>
<th>Mar-09 (Estimated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CaLHFA Insurance Fund Loss Reserves</td>
<td>$ 18,311,092</td>
<td>$ 25,994,567</td>
<td>$ 34,684,531</td>
</tr>
<tr>
<td>Genworth Loss Reserves (estimated)</td>
<td>54,790,891</td>
<td>76,630,592</td>
<td>102,133,355</td>
</tr>
<tr>
<td>GAP Insurance Loss Reserves</td>
<td>32,423,521</td>
<td>44,906,156</td>
<td>61,973,985</td>
</tr>
<tr>
<td>Loan Loss Reserves on Delinquent Loans</td>
<td>9,349,872</td>
<td>10,537,027</td>
<td>14,000,000</td>
</tr>
<tr>
<td>REO - Market Value Adjustments</td>
<td>3,821,645</td>
<td>5,639,632</td>
<td>9,710,685</td>
</tr>
<tr>
<td><strong>Total Reserves</strong></td>
<td><strong>$ 118,697,021</strong></td>
<td><strong>$ 163,707,974</strong></td>
<td><strong>$ 222,502,556</strong></td>
</tr>
</tbody>
</table>
MEMORANDUM

To: Board of Directors

From: Steve Spears, Acting Executive Director

CALIFORNIA HOUSING FINANCE AGENCY

Subject: APPROVAL AUTHORIZING THE EXECUTIVE DIRECTOR TO ENTER INTO A LETTER OF INTENT

Resolution 09-07 would authorize the Executive Director to enter into a letter of intent for the purpose of selling and refinancing all or a portion of the Agency’s multifamily loan portfolio through Freddie Mac and Citi.

Summary

Under the proposed transaction, the Agency would effectively sell some or all of the multifamily mortgage loans that it currently holds under various indentures or on its balance sheet as equity. As a result of the transaction, the Agency would partially relinquish control over the subject mortgage loans while also limiting its exposure to losses realized within the loan portfolio.

The transaction would be executed through Freddie Mac’s Tax-Exempt Bond Securitization (TEBS) program. Under this structure, the Agency would refinance all or a portion of its general obligation multifamily housing bonds by selling limited obligation refunding bonds secured only by the subject mortgages. The Agency could also include in the transaction unencumbered mortgage loans not currently held under any bond indenture. Because the transaction would substantively transfer all or a portion of the credit risk associated with the subject mortgages away from the Agency and to Freddie Mac or other parties, each loan will be re-underwritten and analyzed by Citi, acting as Freddie Mac’s seller servicer. Citi would also serve as arranger of the transaction and underwriter of the refunding bonds. The transaction size could be up to $932 million, involving as many as 287 multifamily projects.

Benefits

- Provides CalHFA capital to be used for the redemption of underperforming bonds and increases available liquidity.
- Takes projects off of CalHFA’s balance sheet reducing the credit exposure for rating agencies analysis.
- Moody’s considers TEBS as a positive step in their review of how the Agency is reducing the financial risk to its portfolio.
- Agency receives servicing fees and residual mortgage cash flow going forward.
Other Considerations

- Freddie will have ultimate authority in determining remedies or taking other actions with respect to the loans.
- Changes Agency’s relationship to borrowers.
RESOLUTION 09-07

RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO ENTER INTO A
LETTER OF INTENT FOR THE SALE AND REFINANCING
OF ALL OR A PORTION OF THE AGENCY’S MULTIFAMILY LOAN PORTFOLIO

WHEREAS, as a result of recent disruptions in the bond, capital and real estate markets,
the California Housing Finance Agency (the “Agency”) has experienced pressure on its balance
sheet and on its long-term unsecured credit rating, and may expect under certain circumstances
in the future to experience significant capital and liquidity constraints; and

WHEREAS, Section 10 of Resolution 09-02, approved by the Board of Directors of the
Agency on January 22, 2009, authorizes the Executive Director to enter into one or more
agreements for the sale of loans; and

WHEREAS, Resolution 09-05, approved by the Board of Directors of the Agency on
January 22, 2009, authorizes the Executive Director to enter into one or more agreements for the
sale of loans or other assets, as necessary to meet the debt restructuring objectives of the Agency,
including such actions as may be needed to mitigate the adverse effects of the current real estate,
bond and credit market disruptions; and

WHEREAS, the Agency holds a portfolio of multifamily rental property loans located
throughout the State (the “Portfolio”), which Portfolio is currently financed with a combination
of Agency equity and debt issued under the Agency’s various multifamily bond indentures; and

WHEREAS, the Agency may be offered an opportunity to transfer, directly or indirectly,
all or a portion of the Portfolio (the “Affected Portion of the Portfolio”) to (i) Freddie Mac; (ii)
one or more trusts or other entities sponsored by Freddie Mac; or (iii) another entity, including
another government sponsored enterprise (collectively, the “Purchaser”), thereby potentially (1)
reducing the Agency’s exposure to losses realized in the Affected Portion of the Portfolio, (2)
raising cash, (3) increasing the Agency’s net cash flow from the Affected Portion of the
Portfolio, and (4) reducing the Agency’s exposure to unpredictable costs associated with variable
rate bonds and swaps currently used to finance some or all of the Affected Portion of the
Portfolio;

WHEREAS, under the proposed transaction described in this resolution (the
“Transaction”), the Purchaser would finance up to 95% of the unpaid principal balance of the
Affected Portion of the Portfolio (the “Senior Portion”) while the Agency would retain a
subordinate interest in the Affected Portion of the Portfolio (the “Residual”) consisting of (i) a
contingent payment obligation limited to the aggregate unpaid principal balance of the portion of
the Affected Portion of the Portfolio not included in the Senior Portion, and (ii) the right to
receive residual cash flow from the Affected Portion of the Portfolio following payment of
financing costs associated with the Senior Portion;

WHEREAS, the Transaction may be structured as a bulk sale of whole loans, a sale of
bonds (the “Refunding Bonds”) issued to refund Agency bonds to which certain loans are
allocated, or a combination of the these approaches; and
WHEREAS, pursuant to Parts 1 through 4 of Division 31 of the Health and Safety Code of the State of California (the “Act”), the Agency has the authority to sell loans from the Portfolio, to issue refunding bonds, to hold investments and to enter into related agreements necessary or convenient to effect the purposes of the Transaction;

WHEREAS, because (i) the terms and conditions of the Transaction and the scope of the Transaction have not yet been fully determined or agreed to; (ii) in order to determine the scope and terms of the Transaction, substantial due diligence and review will need to be performed by parties to the transaction; and (iii) there will be significant cost and dedication of resources in order to support such review and the ultimate determination of the scope and terms of the Transaction, the Agency wishes to obtain the approval of the Board of Directors to enter into a letter of intent to proceed with the Transaction; and

WHEREAS, the anticipated letter of intent would not bind the Agency to consummate the Transaction; and

WHEREAS, the Agency would be required to seek the further approval of the Board of Directors to enter into such binding agreements as may be necessary to consummate the Transaction;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors as follows:

1. The Executive Director and other officers of the Agency may enter into a letter of intent to proceed with the due diligence, review and negotiation of the terms of the Transaction; provided that such letter of intent shall not bind the Agency to consummate the transaction, and that the approval of the Board of Directors shall be necessary to enter into such binding agreements as may be necessary to consummate the Transaction. The Executive Director may cause the Agency to pay for such due diligence and other fees and costs as he may determine necessary and appropriate to support the review of the Transaction.
SECRETARY’S CERTIFICATE

I, Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of Resolution No. 09-__ duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 21st day of May, 2009, of which meeting all said directors had due notice; and that at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this 21st day of May, 2009.

[SEAL] Thomas C. Hughes
Secretary of the Board of Directors of the California Housing Finance Agency
MEMORANDUM

To: Board of Directors                      Date: May 7, 2009

From: CALIFORNIA HOUSING FINANCE AGENCY

Subject: Board of Director’s Meeting Package

As you know, the Board of Directors traditionally approves the Agency’s Five Year Business Plan and operating budget at the May Board meeting, prior to the start of the July 1 fiscal year. The published agenda for the May meeting contains placeholders for the review and approval of the plan and budget. However, the extraordinary state of real estate, bond and credit markets has created significant uncertainties regarding the details of a viable business plan going forward. Those uncertainties also affect budget projections. The U.S. Department of the Treasury and the Federal Housing Finance Agency have been working on an assistance package for state housing finance agencies, including CalHFA, that may significantly affect these agenda items. The details of the plan have not been announced as of the time of this memo, but may become known before the date of the Board meeting. In addition, the details of such plan may have an impact on the actions of credit rating service which are currently reviewing the Agency.

Under these circumstances, I have determined that Business Plan and budget materials should not be included in the Board package until the details of these matters become known and understood. If we receive information sufficiently in advance of the Board meeting, we will send the Board relevant materials to consider at the meeting. If the timing of these developments does not permit the details to be known sufficiently in advance, I would propose that a special meeting be set for June. It would be important to obtain a quorum for such a meeting. I apologize for the uncertainty and inconvenience, but market events are transpiring very quickly, and I believe that it is critical to provide meaningful information to the Board as those events develop.
State of California

MEMORANDUM

To: Board of Directors

From: Steve Spears, Acting Executive Director
CALIFORNIA HOUSING FINANCE AGENCY

Date: May 21, 2009

Subject: APPROVAL OF CalHFA’s IDENTITY THEFT ‘RED FLAG’ PROGRAM


The Rule states that the Identity Theft Prevention Program must provide for the identification, detection, and response to patterns, practices, or specific activities – known as ‘red flags’ - that could indicate identity theft. The ‘Red Flag Rule’ provides the opportunity to design and implement a program that is appropriate to their size and complexity.

CalHFA’s Information Security Officer worked with staff and managers to develop an Identity Theft Program that meets the needs of CalHFA and the requirements of this Rule. This Program identifies CalHFA’s relevant red flags and describes how each red flag may be detected and mitigated. A Program description document as well as policy and procedures have been developed to reflect the Program scope and requirements.

Title 16 CFR Section 681 also contains an unusual requirement that the Board of Directors of covered financial institutions and creditors specifically approve the provisions of the program. Consequently, the Agency is requesting Board approval of this matter.

RECOMMENDATION OF RESOLUTION 9-10
Resolution 9-10 would approve CalHFA’s Identity Theft Prevention Program and designate the Executive Director to provide oversight of this Program. There is no cost associated with this resolution.
RESOLUTION 09-10

APPROVAL OF CALIFORNIA HOUSING FINANCE AGENCY’S (Agency) IDENTITY THEFT PREVENTION PROGRAM

WHEREAS, the Agency has existing Information Security and Privacy Programs that provide safeguards for the protection of CalHFA borrower’s information, including identity theft prevention, and

WHEREAS, the Agency has existing procedures that protect our borrower’s information that include 'red flags' for identity theft and fraud detection for our borrowers, and

WHEREAS, pursuant to Section 114 of the Fair and Accurate Credit Transactions Act of 2003, (Pub. L. 108-159) the Federal Trade Commission added section 681 to its regulations (16 C.F.R. § 681) implementing the “Red Flag Rule”, thereby requiring all users of consumer reports “to develop and implement an Identity Theft Prevention Program, and

WHEREAS, the Agency plans to incorporate the “Red Flag Rule” requirements for identity theft prevention into their Information Security and Privacy Programs, and

WHEREAS, Title 16 Code of Federal Regulations section 681 requires that the Board of Directors of affected financial institutions and creditors approve the provisions of the Red Flag Program;”

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Agency as follows:

1. The Board approves the Identity Theft Prevention Program developed to implement the “Red Flag Rules”, and
2. The Board authorizes the Executive Director to provide all future oversight for this program.

I hereby certify that this is a true and correct copy of Resolution 09-10 adopted at a duly constituted meeting of the Board of Directors of the Agency held on May 21, 2009, at Burbank, California.

ATTEST: _________________________
Secretary
CalHFA Identity Theft Prevention Program

I. PROGRAM ADOPTION

Pursuant to Section 114 of the Fair and Accurate Credit Transactions Act of 2003, (Pub. L. 108-159) the Federal Trade Commission added section 681 to its regulations (16 C.F.R. § 681.2) implementing the “Red Flag Rule”, thereby requiring all users of consumer reports to develop and implement an Identity Theft Prevention Program (Program). California Housing Finance Agency (CalHFA) staff developed a Program which was reviewed by the Information Security Governance Committee and approved by the CalHFA Board of Directors on May 21, 2009. After consideration of the size and complexity of the CalHFA’s operations, and the nature and scope of its activities, the Board of Directors and the Information Security Governance Committee determined that this Program was appropriate for CalHFA and therefore this Program will be incorporated into the CalHFA Information Security Program on June 1, 2009.

II. PROGRAM PURPOSE AND DEFINITIONS

A. Requirements of the Rule

Under the Red Flag Rule, every financial institution and creditor is required to establish an “Identity Theft Prevention Program” tailored to the size, complexity and nature of its operation. CalHFA is 'an assignee of an original creditor who participates in the decision to extend, renew or continue credit', and therefore is a creditor under the provisions of this rule. However, as CalHFA currently has a security and privacy program and is not a direct lender but only an intermediary in the loan process with no contractual agreements with our borrowers; the impact of this rule on CalHFA functions is minimal.

The Rule requires that the Identity Theft Prevention program contain reasonable policies and procedures to:

1. Identify relevant Red Flags for new and existing covered accounts and incorporate those Red Flags into the Program;
2. Detect Red Flags that have been incorporated into the Program;
3. Respond appropriately to any Red Flags that are detected to prevent and mitigate Identity Theft; and
4. Ensure the Program is updated periodically, to reflect changes in risks to customers or to the safety and soundness of the creditor from Identity Theft.

B. Red Flags Rule definitions used in this Program

The Red Flag Rule defines “Identity Theft” as “fraud committed using the identifying information of another person” and a “Red Flag” as “a pattern, practice, or specific activity that indicates the possible existence of Identity Theft.” Under the Rule, a “covered account” is:

1. Any account CalHFA offers or maintains primarily for personal, family or household purposes, that involves multiple payments or transactions; and
2. Any other account CalHFA offers or maintains for which there is a reasonably foreseeable risk to customers or to the safety and soundness of CalHFA from identity theft.
III. IDENTIFICATION OF RED FLAGS.

CalHFA has conducted an internal review to evaluate which CalHFA functions would be impacted by this Rule. It was determined that the following Divisions within CalHFA fulfill a covered function under the rule. Reviewing these functions, we were able to identify which red flags are appropriate to prevent identity theft in CalHFA.

CalHFA determined that three of its Divisions will be impacted by this rule: Division of Accounting: Loan Servicing, Division of Mortgage Insurance: Underwriting and Quality Assurance and Division of Homeownership.

There are five general categories of Red Flags. The Federal Trade Commission has provided five general categories and a list of 26 suggested Red Flags in the appendix to the Code of Federal Regulations. The categories and red flags that are applicable to CalHFA include:

Alerts, Notifications or Warnings from a Consumer Reporting Agency
- A fraud or active duty alert is included with a consumer report.
- A consumer reporting agency provides a notice of credit freeze in response to a request for a consumer report.
- A consumer reporting agency provides a notice of address discrepancy, as defined in § 681.1(b) of this part.
- Notice or report from a credit agency of an address discrepancy.

Suspicious Documents
- Documents provided for identification appear to have been altered or forged.
- The photograph or physical description on the identification is not consistent with the appearance of the applicant or customer presenting the identification.
- Other information on the identification is not consistent with information provided by the person opening a new covered account or customer presenting the identification.
- Other information on the identification is not consistent with readily accessible information that is on file with the financial institution or creditor, such as a signature card or a recent check.
- An application appears to have been altered or forged, or gives the appearance of having been destroyed and reassembled.

Suspicious Personal Identifying Information
- Personal identifying information provided is inconsistent when compared against external information sources used by the financial institution or creditor. For example: a. The address does not match any address in the consumer report; or b. The Social Security Number (SSN) has not been issued, or is listed on the Social Security Administration’s Death Master File.
- Personal identifying information provided by the customer is not consistent with other personal identifying information provided by the customer. For example, there is a lack of correlation between the SSN range and date of birth.
- Personal identifying information provided is associated with known fraudulent activity as indicated by internal or third-party sources used by the financial institution or creditor. For example:
  a. The address on an application is the same as the address provided on a fraudulent application; or
  b. The phone number on an application is the same as the number provided on a fraudulent application.
application.

- Personal identifying information provided is of a type commonly associated with fraudulent activity as indicated by internal or third-party sources used by the financial institution or creditor. For example:
  - The address on an application is fictitious, a mail drop, or a prison; or
  - The phone number is invalid, or is associated with a pager or answering service.
- Personal identifying information provided is not consistent with personal identifying information that is on file with the financial institution or creditor.

**Unusual Use of, or Suspicious Activity Related to, the Covered Account**

- A covered account is used in a manner that is not consistent with established patterns of activity on the account. There is, for example:
  - Nonpayment when there is no history of late or missed payments;
  - A material increase in the use of available credit;
  - A material change in purchasing or spending patterns;
  - A material change in electronic fund transfer patterns in connection with a deposit account; or
  - A material change in telephone call patterns in connection with a cellular phone account.
- A covered account that has been inactive for a reasonably lengthy period of time is used (taking into consideration the type of account, the expected pattern of usage and other relevant factors).
- Mail sent to the customer is returned repeatedly as undeliverable although transactions continue to be conducted in connection with the customer’s covered account.
- The financial institution or creditor is notified that the customer is not receiving paper account statements.

**Notice from Customers, Victims of Identity Theft, Law Enforcement Authorities, or Other Persons Regarding Possible Identity Theft in Connection With Covered Accounts Held by the Financial Institution or Creditor**

- The financial institution or creditor is notified by a customer, a victim of identity theft, a law enforcement authority, or any other person that it has opened a fraudulent account for a person engaged in identity theft.

**IV. DETECTION OF RED FLAGS**

CalHFA will utilize the preceding list of red flags where appropriate to detect potential identity theft. This list is not intended to be all-inclusive and other suspicious activity may be investigated as necessary. Many of our current red flags used for fraud detection may also be used as red flags for identity theft.

Managers of the impacted Divisions identified these Red Flags and will train appropriate staff to recognize and respond to these Red Flags as they are encountered in the ordinary course of Agency business:

**V. RESPONDING TO IDENTITY THEFT RED FLAGS**
Many safeguards for protecting personal information from identity theft have already been
defined in the CalHFA Information Security Policy Manual. CalHFA will incorporate the
additional requirements of this new Identity Theft Prevention program into its existing
Information Security Program.
Appropriate responses to detected Red Flags may include:
- Monitoring an account;
- Further investigation of an account;
- Contacting the Lender;
- Contacting the customer if we service their loan;
- Closing or not approving an existing loan
- Determining that no response is warranted under the particular circumstances.

VI. PROGRAM UPDATES

The Chief Deputy Director and the Information Security Governance Committee shall serve as
Program Administrators. The Program Administrators will receive periodic reviews and updates
on this Program to reflect changes in risks to customers from identity theft. In doing so, the
Program Administrators will consider CalHFA’s experiences with identity theft situations,
changes in identity theft methods, changes in identity theft detection and prevention methods,
and changes in CalHFA’s business arrangements with other entities. After considering these
factors, the Program Administrators will determine whether changes to the Program, including
the listing of Red Flags, are warranted. If warranted, the Program Administrators will request an
update to the Program.

VII. PROGRAM ADMINISTRATION

A. Oversight

Responsibility for administering, approving any updates to this Program, and reviewing
Program reports lies with the Program Administrators.

The Information Security Officer (ISO) is responsible for working with CalHFA Division
Managers to develop, implement and update this Program. The ISO will ensure all staff
have appropriate training regarding the prevention and detection of identity theft.

Division Managers are responsible for ensuring appropriate training of their CalHFA staff
related to their specific job functions, for reviewing any staff reports regarding the detection
of Red Flags, for determining which steps of prevention and response should be taken in
particular circumstances, and for considering periodic changes to the Program.

B. Staff Training and Reports

CalHFA staff that are responsible for implementing the Program shall be trained in the
detection of Red Flags and the responsive steps to be taken when a Red Flag is detected.
The Information Security Officer should prepare a report at least annually for the Program
Administrators, including an evaluation of the effectiveness of the Program with respect to
loan accounts, service provider arrangements, significant incidents involving identity theft
and responses, and recommendations for changes to the Program.
C. Service Provider Arrangements

In the event CalHFA engages a service provider to perform an activity in connection with one or more accounts, the Agency will take the following steps to ensure the service provider performs its activity in accordance with reasonable policies and procedures designed to detect, prevent, and mitigate the risk of Identity Theft.

1. Require, by contract, that service providers have such policies and procedures in place; and
2. Require, by contract, that service providers review CalHFA’s Program and report any Red Flags to the Program Administrator.
GENERAL POLICY

The purpose of this policy is to incorporate an Identity Theft Prevention Program as part of the Information Security Program. This policy identifies the minimal components that must be considered as part of this program.

This policy requires the protection of any information concerning its customers, kept by CalHFA, which is or can be used as identifying information. "Identifying information" means any information such as a name or number that may be used, alone or in conjunction with any other information, to identify a specific person. In this policy “identifying information” includes, but is not limited to, the following:

- a. Name, social security number, date of birth, driver’s license or identification number, employer or taxpayer identification number;
- b. Unique electronic identification number, address, or routing code; or
- c. Any card, account number; personal identification number or other identifier.

All CalHFA staff shall protect its customers from undue risk of identity theft through information maintained by this Agency. In addition to protecting our customer’s personal information by implementing the safeguards identified throughout the Information Security Policy Manual to prevent identity theft, staff must consider Identity Theft Red Flags* that may identify this person has been a victim of identity theft when reviewing consumer credit reports and loan applications.

* A red flag is a pattern, practice, or specific activity that indicates the possible existence of Identity Theft.

Persons Affected: All staff.

STANDARDS:
Staff will develop, and the Board will approve an identity theft program, designed to detect, prevent, and mitigate identity theft in connection with the opening or servicing of a loan account. All Divisions that are considered either as ‘maintaining a covered account’ as defined by the Federal Trade Commission’s Red Flag Rule or are ‘users of consumer credit reports will develop and implement procedures to:

1. Prevent Identity Theft
2. Identify any “Red Flags” relevant to its customer accounts;
3. Detect “Red Flags” relevant to customer accounts;
4. Appropriately respond to any detected “Red Flags” to prevent and mitigate identity theft; and,
5. Ensure periodic updating of the program to reflect changes in risks to its customers and the Agency.

Appropriate responses to detected Red Flags may include:
- Monitoring an account;
- Further investigation of an account;
Contacting the Lender;
Contacting the customer if we service their loan;
Closing or not approving an existing loan
Determining that no response is warranted under the particular circumstances

**Oversight of Service Provider Arrangements**
Whenever this Agency contracts with or engages a service provider to perform any activity in connection with one or more covered accounts, the Agency shall take steps to ensure that the activity of the service provider is conducted in accordance with reasonable policies and procedures designed to detect, prevent, and mitigate the risk of identity theft. The service provider shall be required to have policies and procedures to detect relevant Red Flags that may arise in the performance of the service provider’s activities on behalf of the Agency and either report the Red Flags to the Agency’s Manager, or to take appropriate steps to prevent or mitigate identity theft.

**PERSONAL INFORMATION SECURITY PROCEDURES**

**ROLES AND RESPONSIBILITIES:**

| Employees and Information Users | 1. Comply with all policies and procedures pertaining to this Program.  
|                                | 2. Consider identity theft red flags when reviewing loan applications or consumer credit reports. |
| Division Managers              | 1. Ensure appropriate training of their staff related to identity theft prevention and detection in their specific job functions  
|                                | 2. Review any staff reports regarding the detection of Red Flags  
|                                | 3. Determine which steps of prevention and response should be taken in particular circumstances  
|                                | 4. Consider periodic changes to the Program. |
| Information Security Officer   | 1. Work with CalHFA Division Managers to develop, implement and update this Program.  
|                                | 2. Ensure all staff have appropriate training regarding the prevention and detection of identity theft.  
|                                | 3. Prepare a report at least annually for the Program Administrators, including an evaluation of the effectiveness of the Program with respect to loan accounts, service provider arrangements, significant incidents involving identity theft and responses, and recommendations for changes to the Program. |
| Chief Deputy Director and Information Security Governance Committee | 1. Administer and approve any updates to this Program  
<p>|                                | 2. Review and approve Program reports. |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>3.</td>
<td>Determine whether changes to the Program, including the listing of Red Flags, are warranted. If warranted, the Program Administrators will request an update to the Program.</td>
</tr>
</tbody>
</table>
State of California

MEMORANDUM

To: Board of Directors
From: CALIFORNIA HOUSING FINANCE AGENCY

Date: May 11, 2009

Subject: Report of Bond Sale California Housing Finance Agency Variable Rate Demand Limited Obligation Multifamily Housing Revenue Bonds:

Mission Gardens Apartments Project 2009 Issue A $4,620,000
Montecito Village Apartments Project 2009 Issue B $6,325,000

Last year the board of directors authorized final loan commitments for acquisition, rehabilitation and permanent financing for two CalHFA portfolio properties, Mission Gardens Apartments and Montecito Village Apartments. Additional information regarding the two affordable rental housing developments can be found below.

Last September the municipal bond market became illiquid and dysfunctional severely compromising CalHFA’s ability to access the capital markets to finance unfunded multifamily loan commitments. On September 29, 2008 the situation became worse when Moody’s placed the Agency’s issuer credit rating on watch for possible downgrade. Each of the multifamily loan commitments was anticipated to be credit enhanced with CalHFA’s Aa3/AA-issuer credit rating.

When market conditions did not improve, CalHFA offered to issue bonds on a conduit basis for those developers that had received an award of private activity bond volume cap, a final loan commitment from the board and other financing / equity to close the real estate transaction. The multifamily conduit financing model differs from CalHFA’s traditional pooled financing model in many significant ways. Of most significance, CalHFA assigns loans to a third-party lender, assumes no credit risk and is not liable to bondholders for debt service.

The project sponsor for Mission Gardens Apartments and Montecito Village Apartments accepted the conduit financing alternative and on April 17, 2009 the Agency closed two conduit transactions, both issues were tax-exempt. The interest rates for the bonds are reset weekly and interest is paid monthly. Both issue’s have a credit enhancement agreement with Freddie Mac and are rated Aaa/AAA.
The bonds are limited obligations of the Agency, payable solely from the revenues and other funds and moneys pledged and assigned under the trust indenture.

Projects:

The 2009 Issue A was used for acquisition/rehabilitation and permanent financing for a 50 unit family and senior project known as Mission Gardens Apartments, located at 90 Grandview Street, Santa Cruz, California. Mission Gardens Apartments was an existing portfolio loan owned by Santa Cruz Mission Gardens, a California General Partnership.

The 2009 Issue B was used for acquisition/rehabilitation and permanent financing for a 70 unit family project known as Montecito Village Apartments, located at 1464 Montecito Road, Ramona, California. Montecito Village Apartments was an existing portfolio loan owned by G & S Properties, Ltd, a California General Partnership.
MEMORANDUM

To Board of Directors

From: CALIFORNIA HOUSING FINANCE AGENCY

Date: May 7, 2009

Subject: REPORT OF PRIVATE PLACEMENT OF BONDS
HOUSING MORTGAGE BONDS 2009 SERIES A

On May 6, 2008, the Agency delivered $50,000,000 of bonds under the new Housing Mortgage Bond indenture (HMB). The bonds are tax-exempt (Non-AMT) and have fixed interest rates. Interest rates on these bonds were set on April 30th. The bonds have a final maturity of August 1, 2038 and the initial interest rate was set at 6.25% for three years with the rate rising to 12% in subsequent years. The Agency intends to refund the bonds on the interest adjustment date. The bonds are not insured and are un-rated. Additional details of the bonds are outlined in the attached summary.

The bonds were privately placed with Well Fargo Bank. As you may recall, the Agency has previously executed three private placements of bonds without the assistance of an underwriter. A direct placement offers significantly lower costs of issuance as compared to publicly offered bonds.

Of the $50 million bonds issued, 40%, or $20 million, were refunding bonds used to redeem VRDOs that are currently in bank bond mode. In connection with the economic refunding, $20 million aggregate principal amount of prior mortgage loans and cash assets were transferred to the Series A Bonds. The prior mortgages consisted of 30-year loans with interest rates ranging from 4.25% to 6.125%.

The remaining 60%, or $30 million, was issued to create additional liquidity. The Agency’s Pooled Money Investment Account Loan which is used to warehouse single family loan purchases until long-term bond financing can be arranged was frozen by the Pooled Money Investment Board on December 19, 2008. At that time, the Agency determined that it would honor all loan reservations in its pipeline funding the purchase of loans with other Agency resources. The $30 million new issuance portion of this bond issue was used to reimburse the Agency and increase available liquidity. The new money proceeds will be used to purchase recently originated loans and together with the transferred loans will bear interest at a weighted average rate of approximately 5.95% per annum. The new money proceeds and transferred cash assets will provide loans to over 175 new homeowners.
# SUMMARY OF THE BONDS

<table>
<thead>
<tr>
<th><strong>BOND SERIES</strong></th>
<th><strong>2009 A</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Par Amount</strong></td>
<td>$50,000,000</td>
</tr>
<tr>
<td><strong>Type of Bonds</strong></td>
<td>FIXED (term bonds)</td>
</tr>
<tr>
<td><strong>(Tax-exempt)</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Tax Treatment</strong></td>
<td>Non-AMT</td>
</tr>
<tr>
<td><strong>Maturities</strong></td>
<td>8/1/2038</td>
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<tr>
<td><strong>Credit Rating</strong></td>
<td>Un-rated</td>
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<tr>
<td><strong>Initial Interest Rate</strong></td>
<td>6.25%</td>
</tr>
<tr>
<td><strong>Interest Rate Reset after 3 years</strong></td>
<td>12.00%</td>
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<tr>
<td><strong>Insurance Provider</strong></td>
<td>N/A</td>
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<tr>
<td><strong>Pricing</strong></td>
<td>April 30, 2009</td>
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<tr>
<td><strong>Closing</strong></td>
<td>May 6, 2009</td>
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</table>
State of California

MEMORANDUM

To: Board of Directors

From: CALIFORNIA HOUSING FINANCE AGENCY

Subject: Homeownership Loan Portfolio Update

Date: May 12, 2009

Attached for your information is a report summarizing the Agency’s Homeownership loan portfolio:

- Delinquencies as of February 28, 2009 by insurance type,
- Delinquencies as of February 28, 2009 by product (loan) type,
- Delinquencies as of February 28, 2009 by loan servicer,
- Delinquencies as of February 28, 2009 by county,
- Real Estate Owned (REO) at March 31, 2009,
- Gains/ (Losses) on the Disposition of 1st Trust Deeds, January 1 through December 31, 2008, and January 1, 2009 through March 31, 2009
- Write-Offs of subordinate loans, January 1 through December 31, 2008, and January 1 through March 31, 2009,
- Information on the MI portfolio delinquencies,
- A graph of CalHFA’s 90-day+ ratios for FHA and Conventional loans (for the period of February 1999 through February 2009), and
- A graph of 90-day+ ratios for CalHFA’s three Conventional loan (products) types, for the period of February 2007 through February 2009.
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## Reconciled Loan Delinquency Summary
### All Active Loans By Insurance Type
#### As of February 28, 2009

### Federal Guaranty

<table>
<thead>
<tr>
<th></th>
<th>Loan Count</th>
<th>Balance</th>
<th>Percent</th>
<th>30-Day</th>
<th>60-Day</th>
<th>90(+) Day</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>FHA</td>
<td>15,515</td>
<td>$2,195,643,422.54</td>
<td>33.31%</td>
<td>5.30%</td>
<td>2.51%</td>
<td>6.40%</td>
<td>14.22%</td>
</tr>
<tr>
<td>VA</td>
<td>459</td>
<td>74,183,483.76</td>
<td>1.13%</td>
<td>3.05%</td>
<td>3.27%</td>
<td>5.88%</td>
<td>12.20%</td>
</tr>
<tr>
<td>RHS</td>
<td>101</td>
<td>20,674,711.56</td>
<td>0.31%</td>
<td>2.97%</td>
<td>2.97%</td>
<td>3.96%</td>
<td>9.90%</td>
</tr>
</tbody>
</table>

### Conventional loans

#### with MI

<table>
<thead>
<tr>
<th></th>
<th>Loan Count</th>
<th>Balance</th>
<th>Percent</th>
<th>30-Day</th>
<th>60-Day</th>
<th>90(+) Day</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>CalHFA MI Fund</td>
<td>10,117</td>
<td>$2,777,459,915.56</td>
<td>42.14%</td>
<td>3.59%</td>
<td>2.33%</td>
<td>8.03%</td>
<td>13.95%</td>
</tr>
<tr>
<td>Orig with no MI</td>
<td>6,141</td>
<td>1,300,252,092.34</td>
<td>19.73%</td>
<td>1.84%</td>
<td>0.67%</td>
<td>2.20%</td>
<td>4.71%</td>
</tr>
<tr>
<td>MI Cancelled*</td>
<td>1,666</td>
<td>222,625,365.17</td>
<td>3.38%</td>
<td>2.10%</td>
<td>0.66%</td>
<td>0.90%</td>
<td>3.66%</td>
</tr>
<tr>
<td><strong>Total CalHFA</strong></td>
<td><strong>33,999</strong></td>
<td><strong>$6,590,838,990.93</strong></td>
<td><strong>100.00%</strong></td>
<td><strong>3.97%</strong></td>
<td><strong>2.05%</strong></td>
<td><strong>5.84%</strong></td>
<td><strong>11.86%</strong></td>
</tr>
</tbody>
</table>

*Cancelled per Federal Homeowner Protection Act of 1998, which grants the option to cancel the MI with 20% equity.

### Weighted average of conventional loans:

2.85%  1.61%  5.37%  9.82%
### Reconciled Loan Delinquency Summary
#### All Active Loans By Loan Servicer
As of February 28, 2009

<table>
<thead>
<tr>
<th>Loan Servicer</th>
<th>Loan Count</th>
<th>Balance</th>
<th>Percent</th>
<th>30-Day</th>
<th>60-Day</th>
<th>90(+) Day</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>CALHFA - LOAN SERVICING</td>
<td>11,926</td>
<td>$2,857,734,066.87</td>
<td>43.35%</td>
<td>3.25%</td>
<td>1.64%</td>
<td>5.63%</td>
<td>10.52%</td>
</tr>
<tr>
<td>GUILD MORTGAGE</td>
<td>7,542</td>
<td>1,462,095,147.78</td>
<td>22.18%</td>
<td>4.44%</td>
<td>2.47%</td>
<td>6.82%</td>
<td>13.76%</td>
</tr>
<tr>
<td>COUNTRYWIDE HOME LOANS</td>
<td>5,948</td>
<td>1,021,780,300.57</td>
<td>15.50%</td>
<td>4.49%</td>
<td>2.27%</td>
<td>6.84%</td>
<td>13.61%</td>
</tr>
<tr>
<td>WELLS FARGO HOME MORTGAGE</td>
<td>2,901</td>
<td>376,362,776.71</td>
<td>5.71%</td>
<td>3.90%</td>
<td>1.83%</td>
<td>3.79%</td>
<td>9.51%</td>
</tr>
<tr>
<td>EVERHOME MORTGAGE COMPANY</td>
<td>2,526</td>
<td>265,161,509.49</td>
<td>4.02%</td>
<td>5.07%</td>
<td>2.06%</td>
<td>2.93%</td>
<td>10.06%</td>
</tr>
<tr>
<td>FIRST MORTGAGE CORP</td>
<td>1,295</td>
<td>281,907,145.10</td>
<td>4.28%</td>
<td>3.63%</td>
<td>2.70%</td>
<td>7.34%</td>
<td>13.87%</td>
</tr>
<tr>
<td>GMAC MORTGAGE CORP</td>
<td>1,140</td>
<td>175,724,996.48</td>
<td>2.67%</td>
<td>4.56%</td>
<td>3.07%</td>
<td>6.49%</td>
<td>14.12%</td>
</tr>
<tr>
<td>BANK OF AMERICA, NA</td>
<td>327</td>
<td>59,570,623.34</td>
<td>0.90%</td>
<td>2.75%</td>
<td>0.31%</td>
<td>7.34%</td>
<td>10.40%</td>
</tr>
<tr>
<td>WASHINGTON MUTUAL BANK</td>
<td>262</td>
<td>81,173,478.31</td>
<td>1.03%</td>
<td>0.76%</td>
<td>1.53%</td>
<td>4.96%</td>
<td>7.25%</td>
</tr>
<tr>
<td>CITIMORTGAGE, INC.</td>
<td>72</td>
<td>17,795,806.30</td>
<td>0.27%</td>
<td>6.94%</td>
<td>0.00%</td>
<td>2.78%</td>
<td>9.72%</td>
</tr>
<tr>
<td>DOVENMUEHLE MORTGAGE, INC.</td>
<td>53</td>
<td>2,087,029.40</td>
<td>0.03%</td>
<td>3.77%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>3.77%</td>
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<tr>
<td>WESCOM CREDIT UNION</td>
<td>8</td>
<td>2,480,307.31</td>
<td>0.04%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>12.50%</td>
<td>12.50%</td>
</tr>
<tr>
<td>PROVIDENT CREDIT UNION</td>
<td>1</td>
<td>325,864.27</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total CalHFA</strong></td>
<td><strong>33,999</strong></td>
<td><strong>$6,590,838,990.93</strong></td>
<td><strong>100.00%</strong></td>
<td><strong>3.97%</strong></td>
<td><strong>2.05%</strong></td>
<td><strong>5.84%</strong></td>
<td><strong>11.86%</strong></td>
</tr>
</tbody>
</table>

### Reconciled Loan Delinquency Summary
#### All Active Loans By County
As of February 28, 2009

<table>
<thead>
<tr>
<th>County</th>
<th>Loan Count</th>
<th>Balance</th>
<th>Percent</th>
<th>30-Day</th>
<th>60-Day</th>
<th>90-Day</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>LOS ANGELES</td>
<td>5,172</td>
<td>$1,114,605,795.41</td>
<td>16.91%</td>
<td>3.56%</td>
<td>1.70%</td>
<td>3.91%</td>
<td>9.16%</td>
</tr>
<tr>
<td>SAN DIEGO</td>
<td>3,616</td>
<td>624,473,579.94</td>
<td>12.51%</td>
<td>3.43%</td>
<td>2.13%</td>
<td>8.24%</td>
<td>13.80%</td>
</tr>
<tr>
<td>KERN</td>
<td>2,125</td>
<td>261,992,100.19</td>
<td>3.98%</td>
<td>5.65%</td>
<td>2.68%</td>
<td>11.06%</td>
<td>18.88%</td>
</tr>
<tr>
<td>SANTA CLARA</td>
<td>2,023</td>
<td>582,547,498.13</td>
<td>8.84%</td>
<td>1.48%</td>
<td>0.69%</td>
<td>1.88%</td>
<td>4.05%</td>
</tr>
<tr>
<td>RIVERSIDE</td>
<td>2,018</td>
<td>363,221,338.48</td>
<td>5.51%</td>
<td>4.81%</td>
<td>2.78%</td>
<td>11.30%</td>
<td>18.88%</td>
</tr>
<tr>
<td>SAN BERNARDINO</td>
<td>1,971</td>
<td>369,588,566.01</td>
<td>5.61%</td>
<td>6.24%</td>
<td>3.35%</td>
<td>11.01%</td>
<td>20.60%</td>
</tr>
<tr>
<td>SACRAMENTO</td>
<td>1,798</td>
<td>358,768,797.95</td>
<td>5.44%</td>
<td>4.12%</td>
<td>2.45%</td>
<td>6.62%</td>
<td>13.18%</td>
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<tr>
<td>ORANGE</td>
<td>1,764</td>
<td>408,452,792.21</td>
<td>6.20%</td>
<td>2.38%</td>
<td>1.36%</td>
<td>2.72%</td>
<td>6.46%</td>
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<tr>
<td>TULARE</td>
<td>1,702</td>
<td>175,575,472.85</td>
<td>2.66%</td>
<td>5.76%</td>
<td>2.94%</td>
<td>4.99%</td>
<td>13.69%</td>
</tr>
<tr>
<td>FRESNO</td>
<td>1,628</td>
<td>165,502,266.65</td>
<td>2.51%</td>
<td>6.20%</td>
<td>2.58%</td>
<td>3.38%</td>
<td>12.16%</td>
</tr>
<tr>
<td>ALAMEDA</td>
<td>1,298</td>
<td>334,703,761.83</td>
<td>5.08%</td>
<td>2.00%</td>
<td>0.85%</td>
<td>3.16%</td>
<td>6.01%</td>
</tr>
<tr>
<td>CONTRA COSTA</td>
<td>1,109</td>
<td>266,948,263.89</td>
<td>4.05%</td>
<td>3.52%</td>
<td>2.80%</td>
<td>5.05%</td>
<td>11.36%</td>
</tr>
<tr>
<td>VENTURA</td>
<td>777</td>
<td>219,952,309.09</td>
<td>3.34%</td>
<td>2.55%</td>
<td>0.77%</td>
<td>5.02%</td>
<td>8.37%</td>
</tr>
<tr>
<td>IMPERIAL</td>
<td>774</td>
<td>87,363,374.93</td>
<td>1.33%</td>
<td>6.59%</td>
<td>2.84%</td>
<td>8.53%</td>
<td>17.96%</td>
</tr>
<tr>
<td>SONOMA</td>
<td>601</td>
<td>134,243,599.08</td>
<td>2.04%</td>
<td>2.83%</td>
<td>0.50%</td>
<td>5.49%</td>
<td>8.82%</td>
</tr>
<tr>
<td>OTHER COUNTIES</td>
<td>5,623</td>
<td>922,899,514.27</td>
<td>14.00%</td>
<td>3.65%</td>
<td>1.87%</td>
<td>5.23%</td>
<td>10.74%</td>
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<tr>
<td><strong>Total CalHFA</strong></td>
<td><strong>33,999</strong></td>
<td><strong>$6,590,838,990.93</strong></td>
<td><strong>100.00%</strong></td>
<td><strong>3.97%</strong></td>
<td><strong>2.05%</strong></td>
<td><strong>5.84%</strong></td>
<td><strong>11.86%</strong></td>
</tr>
</tbody>
</table>
90-day+ delinquent ratios for CalHFA’s FHA
and weighted average of all conventional loans

90-day+ delinquent ratios for CalHFA’s
Three Conventional Loan Types

- 5-yr interest-only, 30-yr level (started in June '05)
- 40-yr level (started in June '06)
- 30-yr level
## CalHFA Provided Mortgage Insurance

### Primary Loan Portfolio Delinquency Summary (1)

(Information Submitted by Loan Servicers to CalHFA)

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Type</th>
<th># of Loans</th>
<th>2007</th>
<th>2007</th>
<th># of Loans Owned</th>
</tr>
</thead>
<tbody>
<tr>
<td>FHA/RHS/VA</td>
<td></td>
<td>8</td>
<td>57</td>
<td>32</td>
<td>6,601,840</td>
</tr>
<tr>
<td>Conventional</td>
<td></td>
<td>2</td>
<td>42</td>
<td>71</td>
<td>10,081,744</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>10</td>
<td>99</td>
<td>212</td>
<td>16,683,584</td>
</tr>
</tbody>
</table>

### Real Estate Owned

#### Calendar Year 2009 (As of March 31, 2009)

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Beginning</th>
<th>Reverted</th>
<th>Reverted</th>
<th>Total</th>
<th>Repurchased</th>
<th>Repurchased</th>
<th>Repurchased</th>
<th>Repurchased</th>
<th>Total</th>
<th>Ending</th>
<th>UPB of REO's Owned</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Balance</td>
<td>to CalHFA</td>
<td>to CalHFA</td>
<td>Sales</td>
<td>Lender</td>
<td>March</td>
<td>Lender</td>
<td>March</td>
<td>Sales</td>
<td>Disposition</td>
<td>Reo(s)</td>
</tr>
<tr>
<td></td>
<td># of Loans</td>
<td></td>
<td></td>
<td>Sales</td>
<td>by Lender</td>
<td>by Lender</td>
<td>by Lender</td>
<td>by Lender</td>
<td>Sales</td>
<td>Total</td>
<td>Owned</td>
</tr>
<tr>
<td>FHA/RHS/VA</td>
<td>51</td>
<td>85</td>
<td>29</td>
<td>114</td>
<td>46</td>
<td>34</td>
<td>80</td>
<td>85</td>
<td>17,628,825</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conventional</td>
<td>226</td>
<td>90</td>
<td>30</td>
<td>120</td>
<td>33</td>
<td>21</td>
<td>54</td>
<td>292</td>
<td>63,945,843</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>277</td>
<td>175</td>
<td>59</td>
<td>234</td>
<td>46</td>
<td>33</td>
<td>34</td>
<td>21</td>
<td>377</td>
<td>81,574,669</td>
<td></td>
</tr>
</tbody>
</table>

* *Trustee Sales Disposition of REO(s)*

### Active Loans

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Month</th>
<th>Beginning</th>
<th>Delinquent: Less than 120 Days</th>
<th>Delinquent: 120+ Days</th>
<th>Loans in Foreclosure</th>
<th>Total</th>
<th>% of Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>January</td>
<td>11,204</td>
<td>370</td>
<td>391</td>
<td>158</td>
<td>919</td>
<td>8.20%</td>
</tr>
<tr>
<td></td>
<td>January</td>
<td>3,094,178</td>
<td>102,109,796</td>
<td>108,175,429</td>
<td>42,945,793</td>
<td>253,231,018</td>
<td>8.18%</td>
</tr>
<tr>
<td></td>
<td>February</td>
<td>11,171</td>
<td>394</td>
<td>425</td>
<td>191</td>
<td>1,019</td>
<td>9.04%</td>
</tr>
<tr>
<td></td>
<td>February</td>
<td>3,085,257</td>
<td>108,946,262</td>
<td>118,647,684</td>
<td>50,928,763</td>
<td>278,522,709</td>
<td>9.03%</td>
</tr>
<tr>
<td></td>
<td>March</td>
<td>11,107</td>
<td>406</td>
<td>475</td>
<td>210</td>
<td>1,091</td>
<td>9.82%</td>
</tr>
<tr>
<td></td>
<td>March</td>
<td>3,068,493</td>
<td>114,740,949</td>
<td>131,225,751</td>
<td>57,505,316</td>
<td>303,472,016</td>
<td>9.89%</td>
</tr>
</tbody>
</table>

### 3rd party trustee sales are not shown in the table (title to these loans were never transferred to CalHFA). There were twenty-one (21) 3rd party sales in calendar year 2007 and eight (8) 3rd party sales in calendar year 2008, and there are two (2) 3rd party sales year to date for 2009.

(1) Information does not correspond to fully reconciled data since loan servicers provide information on all loans in the pipeline as well as non-CalHFA insured loans.

(2) May not include all delinquencies since servicers are not required to report delinquencies less than 120 days.
The MI Fund provides GAP Insurance as necessary to meet bond indenture requirements that all loans have a minimum of 50% mortgage insurance coverage for the life of the loan. The Agency has indemnified the MI Fund for all GAP claim payments and will reimburse the MI Fund from general fund reserves.

### Calendar Year 2008\(^{(1)}\) / 2009\(^{(2)}\) Year to Date REO Uninsured Losses\(^{(3)}\)

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st TD Sale Estimated Gain/(Loss)</td>
<td>(631,645)</td>
<td>(990,099)</td>
</tr>
<tr>
<td>Subordinate Write-Off</td>
<td>(6,433,527)</td>
<td>(2,766,816)</td>
</tr>
<tr>
<td>Total Gain/(Loss)/Write-Offs</td>
<td>(7,065,172)</td>
<td>(3,756,915)</td>
</tr>
</tbody>
</table>

\(^{(1)}\) For the period of January 1, 2008 thru December 31, 2008.

\(^{(2)}\) For the period of January 1, 2009 thru March 31, 2009.

\(^{(3)}\) Includes both reconciled and unreconciled gains/losses to date.

### 2009 Year to Date Composition of 1st Trust Deed Gain/(Loss)

(As of March 31, 2009)

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Repurchased by Lender</th>
<th>Market Sales</th>
<th>Loan Balance at Trustee Sale</th>
<th>Estimated Indenture Gain/(Loss)</th>
<th>(^{(1)}) Estimated GAP Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>FHA/RHS/VA</td>
<td>80</td>
<td>54</td>
<td>16,348,827</td>
<td>(990,099)</td>
<td>(1,848,409)</td>
</tr>
<tr>
<td>Conventional</td>
<td>80</td>
<td>54</td>
<td>29,834,782</td>
<td>(990,099)</td>
<td>(1,848,409)</td>
</tr>
</tbody>
</table>

\(^{(1)}\) The MI Fund provides GAP Insurance as necessary to meet bond indenture requirements that all loans have a minimum of 50% mortgage insurance coverage for the life of the loan. The Agency has indemnified the MI Fund for all GAP claim payments and will reimburse the MI Fund from general fund reserves.

### 2009 Year to Date Composition of Subordinate Write-Offs by Loan Type\(^{(1)}\)

(As of March 31, 2009)

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Active Loans</th>
<th>Write-Offs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dollar Amount</td>
<td>Number of Write-Offs</td>
</tr>
<tr>
<td>CHAP/HiCAP</td>
<td>13,056</td>
<td>157</td>
</tr>
<tr>
<td>CHDAP/ECTP/HiRAP</td>
<td>22,555</td>
<td>158</td>
</tr>
<tr>
<td>Other(^{(2)})</td>
<td>312</td>
<td>0</td>
</tr>
</tbody>
</table>

\(^{(1)}\) Does not include FNMA and CalSTRS subordinates (non-agency loans serviced by in house loan servicing)

\(^{(2)}\) Includes HPA, MDP, OHPA, and SSLP.
State of California

MEMORANDUM

To: Board of Directors

Date: May 6, 2009

Bruce D. Gilbertson, Director of Financing

From: CALIFORNIA HOUSING FINANCE AGENCY

Subject: UPDATE ON VARIABLE RATE BONDS AND INTEREST RATE SWAPS

Over a number of years the Agency has integrated the use of variable rate debt as a primary issuance strategy in providing capital to support its programmatic goals. Most of our interest rate exposure from variable rate debt is hedged in the swap market. This strategy has enabled us to achieve a significantly lower cost of funds and a better match between assets and liabilities.

The following report describes our variable rate bond and interest rate swap positions as well as the related risks associated with this financing strategy. The report is divided into sections as follows:

- Variable Rate Debt Exposure
- Fixed-Payer Interest Rate Swaps
- Basis Risk and Basis Swaps
- Risk of Changes to Tax Law
- Amortization Risk
- Termination Risk
- Types of Variable Rate Debt
- Liquidity Providers
- Bond and Swap Terminology
VARIABLE RATE DEBT EXPOSURE

This report describes the variable rate bonds and notes of CalHFA and is organized programmatically by indenture as follows: HMRB (Home Mortgage Revenue Bonds—CalHFA’s largest single family indenture), MHRB (Multifamily Housing Revenue Bonds III—CalHFA’s largest multifamily indenture), HPB (Housing Program Bonds—CalHFA’s multipurpose indenture, used to finance a variety of loans including the Agency’s downpayment assistance loans), and DDB (Draw Down Bonds used to preserve tax-exempt authority.) The total amount of CalHFA variable rate debt is $5.1 billion, 62% of our $8.2 billion of total indebtedness as of May 1, 2009.

<table>
<thead>
<tr>
<th></th>
<th>Tied Directly to Variable Rate Assets</th>
<th>Swapped to Fixed Rate</th>
<th>Not Swapped or Tied to Variable Rate Assets</th>
<th>Total Variable Rate Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>HMRB</td>
<td>$2</td>
<td>$3,342</td>
<td>$707</td>
<td>$4,051</td>
</tr>
<tr>
<td>MHRB</td>
<td>39</td>
<td>710</td>
<td>171</td>
<td>920</td>
</tr>
<tr>
<td>HPB</td>
<td>0</td>
<td>32</td>
<td>60</td>
<td>92</td>
</tr>
<tr>
<td>DDB</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$41</strong></td>
<td><strong>$4,084</strong></td>
<td><strong>$938</strong></td>
<td><strong>$5,063</strong></td>
</tr>
</tbody>
</table>

As shown in the table above, our "net" variable rate exposure is $938 million, 11.4% of our indebtedness. The net amount of variable rate bonds is the amount that is neither swapped to fixed rates nor directly backed by complementary variable rate loans or investments. The $938 million of net variable rate exposure ($715 million taxable and $223 million tax-exempt) is offset by the Agency’s balance sheet and excess swap positions. While our current net exposure is not tied directly to variable rate assets, we have approximately $632 million (six month average balance as of 9/30/08) of other Agency funds invested in the State Treasurer’s investment pool (SMIF) earning a variable rate of interest. From a risk management perspective, the $632 million is a balance sheet hedge for the $938 million of net variable rate exposure.

In order to maintain a certain level of confidence that the balance sheet hedge is effective, we have reviewed the historical interest rates earned on investments in the SMIF and LIBOR interest rate resets (most of our unhedged taxable bonds are index floaters that adjust at a spread to LIBOR). Using the data for the last ten years, we determined that there is a high degree of correlation between the two asset classes (SMIF and LIBOR) and that for every $1 invested in SMIF we can potentially hedge $1 of LIBOR-based debt.

The net variable rate exposure is further reduced by two other considerations: 1) as mentioned in the Amortization Risk section of this report, we have $144 million notional amount of interest rate swaps in excess of the original bonds they were to hedge, and 2) a portion of our unhedged exposure is tax-exempt debt which resets at the theoretical ratio of 65% of Libor. These two
considerations serve to reduce the net effective variable rate exposure to the equivalent of $767 million of LIBOR-based debt. As a result, the $632 million of other Agency funds invested in SMIF effectively hedges approximately 82.4% of our current net variable rate exposure.

In addition, taking unhedged variable rate exposure mitigates the amortization risk without the added cost of purchasing swap optionality. Our unhedged variable rate bonds are callable on any date and allow for bond redemption or loan recycling without the cost of par termination rights or special bond redemption provisions. In addition, taking unhedged variable rate exposure diversifies our interest rate risks by providing benefits when short-term interest rates rise slower than the market consensus. In a liability portfolio that is predominately hedged using long-dated swaps, the unhedged exposure balances the interest rate profile of the Agency’s outstanding debt.

**FIXED-PAYER INTEREST RATE SWAPS**

Currently, we have a total of 130 “fixed-payer” swaps with fourteen different counterparties for a combined notional amount of $4.2 billion. All of these fixed-payer swaps are intended to establish synthetic fixed rate debt by converting our variable rate payment obligations to fixed rates. These interest rate swaps generate significant debt service savings in comparison to our alternative of issuing fixed-rate bonds. This savings has allowed us to offer loan products with exceptionally low interest rates to multifamily sponsors and to first-time homebuyers. The table below provides a summary of our swap notional amounts.

<table>
<thead>
<tr>
<th></th>
<th>Tax-Exempt</th>
<th>Taxable</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>HMRB</td>
<td>$2,971</td>
<td>$491</td>
<td>$3,462</td>
</tr>
<tr>
<td>MHRB</td>
<td>731</td>
<td>0</td>
<td>731</td>
</tr>
<tr>
<td>HPB</td>
<td>35</td>
<td>0</td>
<td>35</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>$3,737</strong></td>
<td><strong>$491</strong></td>
<td><strong>$4,228</strong></td>
</tr>
</tbody>
</table>

The following table shows the diversification of our fixed payer swaps among the fourteen firms acting as our swap counterparties. Note that our swaps with Bear Stearns, and Goldman Sachs are with highly-rated structured subsidiaries that are special purpose vehicles used only for derivative products. We have chosen to use these subsidiaries because the senior credit of those firms is not as strong as that of the other firms. Note also that our most recent swaps with Merrill Lynch are either with their highly-rated structured subsidiary or we are benefiting from the credit of this triple-A structured subsidiary through a guarantee.
### SWAP COUNTERPARTIES

<table>
<thead>
<tr>
<th>Swap Counterparty</th>
<th>Credit Ratings</th>
<th>Notional Amounts ($ in millions)</th>
<th>Number of Swaps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bear Stearns Financial Products Inc.</td>
<td>Aaa</td>
<td>$757.1</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>AAA</td>
<td>$277.4*</td>
<td>8*</td>
</tr>
<tr>
<td>Citigroup Financial Products Inc.</td>
<td>A3</td>
<td>652.4</td>
<td>19</td>
</tr>
<tr>
<td>Merrill Lynch Derivative Products, AG</td>
<td>Aaa</td>
<td>600.0</td>
<td>28</td>
</tr>
<tr>
<td>Merrill Lynch Capital Services Inc.</td>
<td>A2</td>
<td>591.0</td>
<td>18</td>
</tr>
<tr>
<td>Goldman Sachs Mitsui Marine Derivative Products, L.P.</td>
<td>Aa1</td>
<td>AAA</td>
<td>373.8</td>
</tr>
<tr>
<td>AIG Financial Products Corp.</td>
<td>A3</td>
<td>287.1</td>
<td>8</td>
</tr>
<tr>
<td>Deutsche Bank AG</td>
<td>Aa1</td>
<td>271.9</td>
<td>11</td>
</tr>
<tr>
<td>JP Morgan Chase Bank</td>
<td>Aa1</td>
<td>204.6</td>
<td>7</td>
</tr>
<tr>
<td>Bank of America, N.A.</td>
<td>Aa3</td>
<td>177.0</td>
<td>5</td>
</tr>
<tr>
<td>Morgan Stanley Capital Services Inc</td>
<td>A2</td>
<td>136.7</td>
<td>2</td>
</tr>
<tr>
<td>BNP Paribas</td>
<td>Aa1</td>
<td>82.5</td>
<td>2</td>
</tr>
<tr>
<td>UBS AG</td>
<td>Aa2</td>
<td>41.3</td>
<td>2</td>
</tr>
<tr>
<td>Dexia Credit Local</td>
<td>A1</td>
<td>27.3</td>
<td>2</td>
</tr>
<tr>
<td>The Bank of New York</td>
<td>Aaa</td>
<td>25.0</td>
<td>1</td>
</tr>
</tbody>
</table>

*$ Basis Swaps (not included in totals)

$4,227.7 130

With interest rate swaps, the “notional amount” (equal to the principal amount of the swapped bonds) itself is not at risk. Instead, the risk is that a counterparty would default and, because of market changes, the terms of the original swap could not be replicated without additional cost.

For all of our fixed-payer swaps, we receive floating rate payments from our counterparties in exchange for a fixed-rate obligation on our part. In today’s market, the net periodic payment owed under these swap agreements is from us to our counterparties. As an example, on our February 1, 2009 semiannual debt service payment date we made a total of $47.5 million of net payments to our counterparties. Conversely, if short-term rates were to rise above the fixed rates of our swap agreements, then the net payment would run in the opposite direction, and we would be on the receiving end.
**Basis Risk and Basis Swaps**

Almost all of our swaps contain an element of what is referred to as “basis risk” – the risk that the floating rate component of the swap will not match the floating rate of the underlying bonds. This risk arises because our swap floating rates are based on indexes, which consist of market-wide averages, while our bond floating rates are specific to our individual bond issues. The only exception is where our taxable floating rate bonds are index-based, as is the case of the taxable floaters we have sold to the Federal Home Loan Banks. The chart below is a depiction of the basis mismatch that we have encountered since 2000 when we entered the swap market.

![Basis Mismatch through April 1, 2009](chart)

As the chart shows, the relationship between the two floating rates changes as market conditions change. Basis mismatch for our 2008 bond year (August 1, 2007 – July 31, 2008) has been primarily due to the collapse of the auction rate securities market and the impact of bond insurer downgrades on variable rate demand obligations. Auction rate securities account for 55% of the total mismatch and insured variable rate demand obligations have accounted for 45% of the total mismatch for 2008. We have responded to the market disruption by refunding, converting, or otherwise modifying many of the under performing auction rate securities and insured VRDOs. In 2009, the basis mismatch has been further compounded by bank bonds and the disparity between the SIFMA to LIBOR ratio. The rate on bank bonds are much higher than the rate that we receive on swaps, and the SIFMA/LIBOR ratio has been at historical high levels of over 100% for the past six months.
Over the lifetime of our swaps we have experienced approximately $81 million of additional interest expense due to this basis mismatch. Over time, we have mitigated some of this risk by changing our swap formulas. The earliest swaps entered into utilized a floating rate formula of 65% of LIBOR, the London Inter-Bank Offered Rate which is the index used to benchmark taxable floating rate debt. These percentage-of-LIBOR swaps afforded great savings with minimal basis risk compared to fixed rate bonds when the average SIFMA/LIBOR ratio was steady at 65%. Short-term interest rates can be volatile and as short-term rates fall, the SIFMA/LIBOR ratio tends to increase. When short-term interest rates rise the SIFMA/LIBOR ratio usually falls to the theoretical ratio of one minus the marginal federal income tax rate. The SIFMA (Securities Industry and Financial Markets Association) index is the index used to benchmark tax-exempt variable rates. The following table displays the SIFMA/LIBOR ratio for the past eight years.

<table>
<thead>
<tr>
<th>Year</th>
<th>Average SIFMA/LIBOR Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>77.9%</td>
</tr>
<tr>
<td>2003</td>
<td>85.4%</td>
</tr>
<tr>
<td>2004</td>
<td>81.7%</td>
</tr>
<tr>
<td>2005</td>
<td>72.5%</td>
</tr>
<tr>
<td>2006</td>
<td>67.6%</td>
</tr>
<tr>
<td>2007</td>
<td>69.1%</td>
</tr>
<tr>
<td>2008</td>
<td>83.7%</td>
</tr>
<tr>
<td>2009 to date</td>
<td>123.7%</td>
</tr>
</tbody>
</table>

When the SIFMA/LIBOR ratio is very high the swap payment we receive falls short of our bond payment, and the all-in rate we experience is somewhat higher. The converse is true when the percentage is low. We continually monitor the SIFMA/LIBOR relationship and the performance of our swap formulas and make adjustments to the formula as necessary.

The table on the next page shows the diversification of variable rate formulas used for determining the payments received from our interest rate swap counterparties.
**BASIS FOR VARIABLE RATE PAYMENTS RECEIVED FROM SWAP COUNTERPARTIES**

(Notional amounts)

($ in millions)

<table>
<thead>
<tr>
<th>Formula</th>
<th>Tax-Exempt</th>
<th>Taxable</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>60% of LIBOR + 26bps</td>
<td>$1,687</td>
<td>$0</td>
<td>$1,687</td>
</tr>
<tr>
<td>62% of LIBOR + 25bps</td>
<td>555</td>
<td>0</td>
<td>555</td>
</tr>
<tr>
<td>65% of LIBOR</td>
<td>507</td>
<td>0</td>
<td>507</td>
</tr>
<tr>
<td>SIFMA – 15bps</td>
<td>412</td>
<td>0</td>
<td>412</td>
</tr>
<tr>
<td>3 mo. LIBOR + spread</td>
<td>0</td>
<td>278</td>
<td>278</td>
</tr>
<tr>
<td>Stepped % of LIBOR ^1</td>
<td>277</td>
<td>0</td>
<td>277</td>
</tr>
<tr>
<td>1 mo. LIBOR</td>
<td>0</td>
<td>141</td>
<td>141</td>
</tr>
<tr>
<td>97% of SIFMA</td>
<td>74</td>
<td>0</td>
<td>74</td>
</tr>
<tr>
<td>SIFMA – 20bps</td>
<td>58</td>
<td>0</td>
<td>58</td>
</tr>
<tr>
<td>63% of LIBOR + 24bps</td>
<td>50</td>
<td>0</td>
<td>50</td>
</tr>
<tr>
<td>3 mo. LIBOR</td>
<td>0</td>
<td>37</td>
<td>37</td>
</tr>
<tr>
<td>6 mo. LIBOR</td>
<td>0</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>60% of LIBOR + 21bps</td>
<td>30</td>
<td>0</td>
<td>30</td>
</tr>
<tr>
<td>64% of LIBOR</td>
<td>25</td>
<td>0</td>
<td>25</td>
</tr>
<tr>
<td>63% of LIBOR + 30bps</td>
<td>25</td>
<td>0</td>
<td>25</td>
</tr>
<tr>
<td>SIFMA – 5bps</td>
<td>16</td>
<td>0</td>
<td>16</td>
</tr>
<tr>
<td>61% of LIBOR + 21bps</td>
<td>11</td>
<td>0</td>
<td>11</td>
</tr>
<tr>
<td>64% of LIBOR + 25bps</td>
<td>10</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>$3,737</strong></td>
<td><strong>$491</strong></td>
<td><strong>$4,228</strong></td>
</tr>
</tbody>
</table>

^1 Stepped % of LIBOR – This formula has seven incremental steps where at the low end of the spectrum the swap counterparty would pay us 85% of LIBOR if rates should fall below 1.25% and at the high end, they would pay 60% of LIBOR if rates are greater than 6.75%.
**RISK OF CHANGES TO TAX LAW**

For an estimated $3.2 billion of the $3.7 billion of tax-exempt bonds swapped to a fixed rate, we remain exposed to certain tax-related risks, another form of basis risk. In return for significantly higher savings, we have chosen through these interest rate swaps to retain exposure to the risk of changes in tax laws that would lessen the advantage of tax-exempt bonds in comparison to taxable securities. In these cases, if a tax law change were to result in tax-exempt rates being more comparable to taxable rates, the swap provider's payment to us would be less than the rate we would be paying on our bonds, again resulting in our all-in rate being higher.

We bear this same risk for $263.8 million of our tax-exempt variable rate bonds which we have not swapped to a fixed rate. Together, these two categories of variable rate bonds total $3.4 billion, 41.8% of our $8.2 billion of bonds outstanding. This risk of tax law changes is the same risk that investors take when they purchase our fixed-rate tax-exempt bonds.

**AMORTIZATION RISK**

Our bonds are generally paid down (redeemed or paid at maturity) as our loans are prepaid. Our interest rate swaps amortize over their lives based on assumptions about the receipt of prepayments, and the single family transactions which include swapped bonds have generally been designed to accommodate prepayment rates between two and three times the “normal” rate. In other words, our interest rate swaps generally have had fixed amortization schedules that can be met under what we have believed were sufficiently wide ranges of prepayment speeds.

As market conditions change, we modify the structuring of new swaps by widening the band of expected prepayments. In addition, with the introduction of our interest only loan product we are structuring swap amortization schedules and acquiring swap par termination rights to coincide with the loan characteristics and expectations of borrower prepayment.

Also of interest is a $144 million forced overswap mismatch between the notional amount of certain of our swaps and the outstanding amount of the related bonds. This mismatch has occurred as a result of the interplay between loan prepayments and the “10-year rule” of federal tax law. Under this rule, prepayments received 10 or more years beyond the date of the original issuance of bonds cannot be recycled into new loans and must be used to redeem tax-exempt bonds. In the case of many single family bond issues, a portion of the authority to issue them on a tax-exempt basis was related to older bonds.

While this mismatch has occurred (and will show up in the tables of this report), the small semiannual cost of the mismatch will be more than offset by the large interest cost savings from our “net” variable rate debt. In other words, while some of our bonds are “over-swapped”, there are significantly more than enough unswapped variable rate bonds to compensate for the mismatch. We will continue to monitor the termination value of our “excess swap” position looking for opportunities to unwind these positions when market terminations would be at minimal cost or a positive value to us. In addition we plan to reuse unrestricted loan prepayments to purchase new loans when financially prudent to do so.
**TERMINATION RISK**

Termination risk is the risk that, for some reason, our interest rate swaps must be terminated prior to their scheduled maturity. Our swaps have a market value that is determined based on current interest rates. When current fixed rates are higher than the fixed rate of the swap, our swaps have a positive value to us (assuming, as is the case on all of our swaps today, that we are the payer of the fixed swap rate), and termination would result in a payment from the provider of the swap (our swap “counterparty”) to us. Conversely, when current fixed rates are lower than the fixed rate of the swap, our swaps have a negative value to us, and termination would result in a payment from us to our counterparty.

Our swap documents allow for a number of termination “events”, i.e., circumstances under which our swaps may be terminated early, or (to use the industry phrase) “unwound”. One circumstance that would cause termination would be a payment default on the part of either counterparty. Another circumstance would be a sharp drop in either counterparty’s credit ratings and, with it, an inability (or failure) of the troubled counterparty to post sufficient collateral to offset its credit problem. It should be noted that, if termination is required under the swap documents, the market determines the amount of the termination payment and who owes it to whom. Depending on the market, it may be that the party who has caused the termination is owed the termination payment.

Currently, the Government Accounting Standards Board only requires that our balance sheet and income statement be adjusted for the market value of our swaps in excess of the bonds being hedged. However, it does require that the market value be disclosed for all of our swaps in the notes to our financial statements.

Monthly we monitor the termination value of our swap portfolio as it grows and as interest rates change. The table below shows the history of the fluctuating negative value of our swap portfolio for the past year.

<table>
<thead>
<tr>
<th>Date</th>
<th>Termination Value ($ in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/31/08</td>
<td>($190.9)</td>
</tr>
<tr>
<td>6/30/08*</td>
<td>($180.5)</td>
</tr>
<tr>
<td>7/31/08</td>
<td>($183.9)</td>
</tr>
<tr>
<td>8/31/08</td>
<td>($194.6)</td>
</tr>
<tr>
<td>9/30/08</td>
<td>($216.9)</td>
</tr>
<tr>
<td>10/31/08</td>
<td>($238.1)</td>
</tr>
<tr>
<td>11/30/08</td>
<td>($370.2)</td>
</tr>
<tr>
<td>12/31/08</td>
<td>($502.5)</td>
</tr>
<tr>
<td>1/31/09</td>
<td>($385.3)</td>
</tr>
<tr>
<td>2/28/09</td>
<td>($345.0)</td>
</tr>
<tr>
<td>3/31/09</td>
<td>($406.6)</td>
</tr>
<tr>
<td>4/30/09</td>
<td>($377.6)</td>
</tr>
</tbody>
</table>

* As reported on the Financial Statements.
**TYPES OF VARIABLE RATE DEBT**

The following table shows our variable rate debt sorted by type, i.e., whether auction rate, indexed rate, or variable rate demand obligations (VRDOs). Auction and indexed rate securities cannot be "put" back to us by investors; hence they typically bear higher rates of interest than do "put-able" bonds such as VRDOs.

<table>
<thead>
<tr>
<th>Types of Variable Rate Debt ($ in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auction Rate &amp; Similar Securities</td>
</tr>
<tr>
<td>----------------------------------------</td>
</tr>
<tr>
<td>HMRB</td>
</tr>
<tr>
<td>MHRB</td>
</tr>
<tr>
<td>HPB</td>
</tr>
<tr>
<td>DDB</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>
LIQUIDITY PROVIDERS

The table below shows the financial institutions providing liquidity in the form of standby bond purchase agreements for our VRDOs.

<table>
<thead>
<tr>
<th>Financial Institution</th>
<th>$ Amount of Bonds</th>
<th>Indenture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dexia Credit Local</td>
<td>$768.6</td>
<td>HMRB</td>
</tr>
<tr>
<td>Bank of America</td>
<td>401.6</td>
<td>HMRB</td>
</tr>
<tr>
<td>Fannie Mae</td>
<td>355.1</td>
<td>HMRB/MHRB</td>
</tr>
<tr>
<td>Lloyds TSB</td>
<td>341.7</td>
<td>HMRB</td>
</tr>
<tr>
<td>BNP Paribas</td>
<td>245.8</td>
<td>HMRB</td>
</tr>
<tr>
<td>KBC</td>
<td>237.8</td>
<td>HMRB</td>
</tr>
<tr>
<td>Bank of Nova Scotia</td>
<td>199.5</td>
<td>HMRB</td>
</tr>
<tr>
<td>Calyon</td>
<td>174.2</td>
<td>HMRB</td>
</tr>
<tr>
<td>Bank of New York</td>
<td>147.9</td>
<td>HMRB</td>
</tr>
<tr>
<td>JP Morgan Chase Bank</td>
<td>138.8</td>
<td>HMRB</td>
</tr>
<tr>
<td>Landesbank Hessen-Thuringen</td>
<td>126.4</td>
<td>MHRB</td>
</tr>
<tr>
<td>Fortis</td>
<td>120.0</td>
<td>HMRB</td>
</tr>
<tr>
<td>Bayerische Landesbank</td>
<td>108.5</td>
<td>HMRB</td>
</tr>
<tr>
<td>Westdeutsche Landesbank</td>
<td>108.5</td>
<td>HMRB/MHRB</td>
</tr>
<tr>
<td>DEPFA Bank</td>
<td>105.9</td>
<td>MHRB</td>
</tr>
<tr>
<td>State Street Bank</td>
<td>85.0</td>
<td>HMRB</td>
</tr>
<tr>
<td>LBBW</td>
<td>60.3</td>
<td>HPB</td>
</tr>
<tr>
<td>CalSTRS</td>
<td>45.3</td>
<td>HMRB/MHRB</td>
</tr>
<tr>
<td>Citibank</td>
<td>31.5</td>
<td>HPB</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,802.4</strong></td>
<td></td>
</tr>
</tbody>
</table>

1. $4.0 million of liquidity with Depfa Bank expired on Nov. 3, 2008 and was not extended. ($2.2m bonds outstanding)
2. $31.5 million of liquidity with Citibank expired on Nov. 3, 2008 and was not extended. ($31.5m bonds outstanding)
3. $174.2 million of liquidity with Calyon expired on April 18, 2009 and was not extended.
Under these agreements, if our variable rate bonds cannot be remarketed or the standby bond purchase agreement expires and a replacement facility has not been obtained, these banks are required to buy the bonds from bondholders. Shown below is the amount of bonds that were put back to the liquidity providers and are now held as bank bonds.

**Bank Bonds**
(as of April 30, 2009)

<table>
<thead>
<tr>
<th>Liquidity Bank</th>
<th>$ in millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calyon</td>
<td>$174.2</td>
</tr>
<tr>
<td>DEPFA Bank</td>
<td>100.3</td>
</tr>
<tr>
<td>Dexia Credit Local</td>
<td>83.4</td>
</tr>
<tr>
<td>Citibank</td>
<td>31.5</td>
</tr>
<tr>
<td>KBC/CalSTRS</td>
<td>3.4</td>
</tr>
</tbody>
</table>

Total Bank Bonds $392.8

Unlike our interest rate swap agreements, our liquidity agreements do not run for the life of the related bonds. Instead, they are seldom offered for terms in excess of five years, and a portion of our agreements require annual renewal. Renewals were expected to take place as a matter of course; but in the current environment, liquidity banks are either unable to renew or are charging exorbitant fees for the renewals. Below is a table of the liquidity agreements that are expiring in the next six months.

**Liquidity Expiring in Next Six Months**
($ in millions)

<table>
<thead>
<tr>
<th>Expiring Liquidity</th>
<th>HMRB</th>
<th>MHRB</th>
<th>HPB</th>
<th>Totals (by month)</th>
</tr>
</thead>
<tbody>
<tr>
<td>May-09</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Jun-09</td>
<td>83</td>
<td>16</td>
<td>0</td>
<td>99</td>
</tr>
<tr>
<td>Jul-09</td>
<td>145</td>
<td>0</td>
<td>0</td>
<td>145</td>
</tr>
<tr>
<td>Aug-09</td>
<td>123</td>
<td>0</td>
<td>0</td>
<td>123</td>
</tr>
<tr>
<td>Sept-09</td>
<td>65</td>
<td>0</td>
<td>0</td>
<td>65</td>
</tr>
<tr>
<td>Totals</td>
<td>$416</td>
<td>$16</td>
<td>$0</td>
<td>$432</td>
</tr>
</tbody>
</table>
BOND AND SWAP TERMINOLOGY

COUNTERPARTY
One of the participants in an interest rate swap

DATED DATE
Date from which first interest payment is calculated.

DELAYED START SWAP
A swap which delays the commencement of the exchange of interest rate payments until a later date.

DELIVERY DATE, OR ISSUANCE DATE
Date that bonds are actually delivered to the underwriters in exchange for the bond proceeds.

GENERAL OBLIGATION BOND
A type of security which is evidence of a debt secured by all revenues and assets of an organization.

INDENTURE
The legal instrument that describes the bonds and the pledge of assets and revenues to investors. The indenture often consists of a general indenture plus separate series indentures describing each issuance of bonds.

INTEREST RATE CAP
A financial instrument which pays the holder when market rates exceed the cap rate. The holder is paid the difference in rate between the cap rate and the market rate. Used to limit the interest rate exposure on variable rate debt.

INTEREST RATE SWAP
An exchange between two parties of interest rate exposures from floating to fixed rate or vice versa. A fixed-payer swap converts floating rate exposure to a fixed rate.

LIBOR
London Interbank Offered Rate. The interest rate highly rated international banks charge each other for borrowing U.S. dollars outside of the U.S. Taxable swaps often use LIBOR as a rate reference index. LIBOR swaps associated with tax-exempt bonds will use a percentage of LIBOR as a proxy for tax-exempt rates.

MARK-TO-MARKET
Valuation of securities or swaps to reflect the market values as of a certain date. Represents liquidation or termination value.

MATURITY
Date on which the principal amount of a bond is scheduled to be repaid.

NOTIONAL AMOUNT
The principal amount on which the exchanged swap interest payments are based.

OFFICIAL STATEMENT
The "prospectus" or disclosure document describing the bonds being offered to investors and the assets securing the bonds.
PRICING DATE
Date on which issuer agrees (orally) to sell the bonds to the underwriters at certain rates and terms.

REDEMPTION
Early repayment of the principal amount of the bond. Types of redemption: "special", "optional", and "sinking fund installment".

REFUNDING
Use of the proceeds of one bond issue to pay for the redemption or maturity of principal of another bond issue.

REVENUE BOND (OR SPECIAL OBLIGATION BOND) (OR LIMITED OBLIGATION BOND)
A type of security which is evidence of a debt secured by revenues from certain assets (loans) pledged to the payment of the debt.

SIFMA INDEX

SALE DATE
Date on which purchase contract is executed evidencing the oral agreement made on the pricing date.

SERIAL BOND
A bond with its entire principal amount due on a certain date, without scheduled sinking fund installment redemptions. Usually serial bonds are sold for any principal amounts to be repaid in early (10 or 15) years.

SERIES OF BONDS
An issuance of bonds under a general indenture with similar characteristics, such as delivery date or tax treatment. Example: "Name of Bonds", 1993 Series A. Each series of Bonds has its own series indenture.

SWAP CALL OPTION
The right (but not the obligation) to terminate a predetermined amount of swap notional amount, occurring or starting at a specific future date.

SYNTHETIC FIXED RATE DEBT
Converting variable rate debt into a fixed rate obligation through the use of fixed-payer interest rate swaps.

SYNTHETIC FLOATING RATE DEBT
Converting fixed rate debt into a floating rate obligation through the use of fixed-receiver interest rate swaps.

TERM BOND
A bond with a stated maturity, but which may be subject to redemption from sinking fund installments. Usually of longer maturity than serial bonds.

VARIABLE RATE BOND
A bond with periodic resets in its interest rate. Opposite of fixed rate bond.
MEMORANDUM

To: CalHFA Board of Directors
From: Di Richardson, Director of Legislation
Date: 13 May 2009

Subject: Legislative Report

This week was the deadline for all bills to pass bills. This always results in a flurry of activity – as policy committees consider non-fiscal bills. The deadline to pass fiscal bills from policy committee was earlier in the month, and in the next couple of weeks, the focus will be on Budget and Appropriations Committees. Given the current budget situation, it is unclear how willing the Legislature will be to pass all but the most critical bills that have a price attached.

As always, below I have provided a of bills I think may be of interest to you. As always, feel free to call me if you have any questions.

Bonds

AB 1364 (Evans) Public contracts: state bonds: grant agreements.
Last Amend: 04/29/2009
Status: Assembly Appropriations Committee

Summary: Existing law permits the modification of contracts by state agencies in specified instances. This bill would provide that, notwithstanding any other provision of law, any state agency that has entered into a grant agreement for the expenditure of state bond funds where the state agency or grant recipient has or may be unable to comply with the terms of that agreement because of the suspension of programs by the Pooled Money Investment Board (as described in California Department of Finance Budget Letter 08-33) shall, with the consent of the grant recipient, have the authority to either renegotiate the deadlines and timetables for and deliverables within the grant agreement, or to invalidate the grant agreement. This bill is intended to provide an affirmative solution to validate state contracts that have not been able to meet deliverables, by allowing state agencies to amend the timetables for those contracts.
SB 501 (Correa) - California Debt Limit Allocation Committee.

Last Amend: 04/20/2009
Status: Senate Floor

Summary: Existing law requires the California Debt Limit Allocation Committee (CDLAC) to allocate to authorized state and local agency applicants the volume ceiling for private activity bonds that can be issued in California in accordance with federal law. This bill would authorize CDLAC to allow a local agency, which is located within a county that has not in any calendar year applied for all of its bond cap, to apply on or after October 1 for a portion of that bond cap. This bill is sponsored by the Independent Cities Lease Finance Authority.

SB 608 (Ducheny) - Department of Housing and Community Development: bond fund expenditures: report.

Last Amend: As Introduced
Status: Assembly Housing and Community Development Committee

Summary: The Housing and Emergency Shelter Trust Fund Act of 2002 and the Housing and Emergency Shelter Trust Fund Act of 2006 authorizes the issuance of general obligation bonds in to fund various housing and code enforcement programs. This bill would expand the reporting requirements associated with those bonds. According to the author’s staff, while statute currently requires HCD to list the units produced and other data for each program, there is no requirement to provide an accounting of the infrastructure assistance provided by each bond. This bill requires HCD to provide cumulative information on the programs funded under the 2002 and 2006 housing bonds, thereby improving oversight and public accountability.

CalHFA Misc

AB 1432 (Mendoza) - Qualified mortgage lender loans: terms and conditions.

Last Amend: 04/02/2009
Status: Two Year Bill

Summary: This bill is sponsored by the California Building Industry Association, and would authorize CalHFA to provide financing for the refinance acquisition, construction, or development loans for housing developments or residential structures, if federal funds are made available for this purpose.

AB 1529 (Salas) - Community Stabilization Home Loan Program: eligible properties.

Last Amend: 04/13/2009
Status: Two Year Bill

Summary: This bill is also sponsored by the California Building Industry Association, who thought it would be a good idea for CalHFA to create a program to assist first time homebuyers purchase foreclosed homes. Once it was pointed out that CalHFA already has this authority, and in fact, operates such a program, the sponsors added language authorizing the agency to continue the Community Stabilization Home Loan Program. It is not likely this bill will move in its current form.
SB 793 (Dutton) - Home Purchase Assistance Program.

Last Amend: As Introduced
Status: Two Year Bill

Summary: This is another bill sponsored by the California Building Industry Association. In its present form, it makes a very technical, non-substantive change to the statutes governing CalHFA. The CBIA stated that this bill will be used for a purpose that does not ultimately impact CalHFA.

Homelessness

AB 1177 (Fong) - Homelessness: Interagency Council on Homelessness.

Last Amend: 04/16/2009
Status: Assembly Appropriations Committee

Summary: Under existing law, several agencies have prescribed responsibilities relating to homeless persons. This bill would, among other things, create the California Interagency Council on Homelessness, composed of specified members (including CalHFA), to construct cross-agency and community cooperation in responding to homelessness, use a more efficient and supportive method in implementing evidence-based approaches to address homelessness, and, to the extent possible, plan to end homelessness in the state. This bill would also require the council to submit reports, not less than annually, to specified committees of the Legislature and to perform other duties as prescribed. According to the author’s staff, California has the largest homeless population in the nation, but is the only large state without an interagency council on homelessness. More than 10 California agencies administer programs affecting homelessness, but there is no official coordination to ensure greatest efficiencies. Proponents argue the state lacks coordination between state agencies, local government, and non-profit organizations.

Misc

AB 1494 (Eng) - Public meetings: definition.

Last Amend: 04/13/2009
Status: Assembly Floor

Summary: In 2006, the California Appellate court ruled in Wolfe v. Fremont (2006, 144 Cal. App. 4th 533) that a board member who went to a majority of members in individual meetings to discuss a public issue did not violate the serial meetings provision of law, unless the communication actually resulted in a decision by the board. Attorneys for the newspapers and public agencies believe the decision effectively sanctioned unlimited serial meetings involving a majority of board members, so long as it could not be proven the body agreed to a specific action as a result of the communications. This bill would address that issue within the Bagley-Keene Act by prohibiting a majority of members of a state body from using a series of communications of any kind through group or individual contact, directly
or through intermediaries, to discuss, deliberate, or take action on any item of business that is within the subject matter of a state agency, board, or commission. This bill would make the Bagley-Keene Act's serial meeting prohibition identical to the Ralph M. Brown Open Meeting Law - the counterpart to the Bagley-Keene Act that is applicable to local government bodies—which was changed last year.

**Mortgage Lending**

**AB 34 (Nava)** - Real estate, finance lender, and residential mortgage lender licenses: mortgage loan originators.
- **Last Amend:** 04/02/2009
- **Status:** Assembly Appropriations.

**Summary:** This bill would establish the licensing of all mortgage loan originators and registration with the Nationwide Mortgage Licensing System and Registry (NMLSR). This bill would not apply to state chartered banks and credit unions.

**AB 111 (Niello)** - Taxation: cancellation of indebtedness: mortgage debt forgiveness.
- **Last Amend:** 03/31/2009
- **Status:** Assembly Revenue and Taxation Committee.

**Summary:** This bill is intended to fully conform state law to federal provisions that offer tax relief to displaced homeowners. Currently, forgiven mortgage debt is recognized as income for personal tax purposes in California. In light of the mortgage foreclosure crisis, Congress has suspended this requirement until January 1, 2012.

**AB 1422 (Bass)** - Redevelopment: affordable housing.
- **Last Amend:** As Introduced
- **Status:** Assembly Housing and Community Development Committee.

**Summary:** This bill would authorize a redevelopment agency, until January 1, 2013, to expend any money that is not held in its Low and Moderate Income Housing Fund to (1) purchase, assume, or refinance, or assist lenders or nonprofit or for-profit developers in purchasing, assuming, or refinancing, subprime or nontraditional mortgages on homes owned by persons meeting a specified income level within its jurisdiction, or make loans to those homeowners and (2) purchase, or assist lenders or nonprofit or for-profit developers in purchasing, homes within its jurisdiction that have been foreclosed and are vacant and sell those homes, without regard to income.

**ABX2 7(Lieu)/SBX2 7 (Corbett)** - Residential mortgage loans: foreclosure.
- **Last Amend:** 02/14/2009
- **Status:** Chaptered by Secretary of State 2/20/09 - Chapter No. 5, Statutes of 2009.

**Summary:** This bill requires the Commissioner of the Department of Corporations (DOC) to adopt regulations regarding comprehensive loan modification programs; prohibits, until January 1, 2011, a lender or servicer from foreclosing on a home.
occupied as the principal residence of certain borrowers for an additional 90 days following the filing of a notice of default unless the lender or servicer has a loan modification plan approved by the Commissioner of the DOC (it should be noted that the bill contained an explicit exemption for state or local public housing agencies or authorities, including the California Housing Finance Agency and the California Department of Veterans Affairs).

SB 97 (Calderon) - Taxation: cancellation of indebtedness: mortgage debt forgiveness.
Last Amend: As Introduced
Status: Senate Revenue and Taxation Committee

Summary: This bill is very similar to AB 111 (above) – but extends the more limited forgiveness adopted by the state in 2008 (SB 1055, Machado).

SB 127 (Calderon) - Mortgages.
Last Amend: As Introduced
Status: Senate Judiciary Committee

Summary: Existing law governs the transfer of an interest in property in the case of a default on a mortgage. Existing law requires a mortgagee, trustee, or other person authorized to record the notice of default or notice of sale to make specified disclosures after recording the notice of default or notice of sale and prior to the date of sale. A notice of sale must be recorded with the county recorder at least 14 days prior to the date of sale. This bill would additionally exempt the trustee from liability for any clerical error the trustee makes in performing acts required pursuant to the provisions described above and other related provisions governing mortgage defaults.

SB 483 (Corbett) - Mortgages: foreclosure.
Last Amend: 04/02/2009
Status: Senate Judiciary Committee

Summary: Upon a breach of the obligation of a mortgage or transfer of an interest in property, in order to exercise a power of sale, existing law requires the trustee, mortgagee, or beneficiary to record in the office of the county recorder wherein the mortgaged or trust property is situated, a notice of default. Existing law prohibits filing the notice of default until 30 days after certain actions are taken, except in certain instances, including when the borrower has filed for bankruptcy and the proceedings are not finalized. This bill would revise this bankruptcy exception described above, to provide instead that a notice of default may be filed without waiting 30 days when the borrower has filed a case under specified federal provisions relating to bankruptcy and that the bankruptcy court has not entered an order closing or dismissing the bankruptcy case or granting relief from a stay of foreclosure. This bill is intended to address concerns about ambiguities in the bankruptcy exemption that was contained in SB 1137 (Perata, 2008). The language in this bill is consistent with the language that was enacted in ABX2 7/SBX2 7 (above).
Tax Credits

AB 902 (Torres) - Income tax credit: foreclosed homes: mortgage interest deduction: minimum franchise tax.
  Last Amend: 04/14/2009
  Status: Assembly Revenue and Taxation Committee

Summary: The Personal Income Tax Law authorizes various credits against the taxes imposed by that law. This bill would, for taxable years beginning on or after January 1, 2009, and before January 1, 2012, allow a credit in an amount, not to exceed $3,000, that is otherwise equal to 2%, of the amount paid or incurred for the purchase as a primary residence of a foreclosed dwelling by a taxpayer whose gross income does not exceed a certain threshold.

SB 16 (Lowenthal) - Low-income housing tax credits.
  Last Amend: 02/11/2009
  Status: Senate Appropriations Committee

Summary: This bill would make state low-income housing tax credits awarded between 2008 and 2010 refundable and allow for the bifurcation of state and federal credits awarded in late 2008.

SB 49 (Dutton) - Income tax credit: qualified principal residence.
  Last Amend: 04/14/2009
  Status: Senate Revenue and Taxation Committee

Summary: The Personal Income Tax Law authorizes various credits against the taxes imposed by that law. Existing law authorizes a credit against those taxes in an amount equal to the lesser of 5% of the purchase price of a qualified principal residence, as defined, or $10,000. Existing law requires a taxpayer to provide the Franchise Tax Board with a certification from the seller of qualified principal residence that the residence, has never been previously occupied within one week of the sale of the residence and caps the total amount of the credit at $100,000,000. This bill would provide that a taxpayer may reserve a credit with the Franchise Tax Board and require that the certification be provided to the Franchise Tax Board within one week of the close of escrow of the qualified principal residence. This bill would also remove the cap on the total credit amount allowed.

SB 206 (Dutton) - Income tax credit: principal residence.
  Last Amend: 04/28/2009
  Status: Senate Revenue and Taxation Committee

Summary: The Personal Income Tax Law authorizes various credits against the taxes imposed by that law. This bill would allow a credit to a qualified taxpayer, as defined, who purchases a qualified principal residence, as defined, on and after January 1, 2009, and before December 1, 2009. The credit would be an amount equal to 10% of the purchase price, not exceed $8,000.
SB 477 (Florez) - Low- and moderate-income housing: agency powers.

**Last Amend:** As Introduced  
**Status:** Senate Floor

**Summary:** This bill would include among a redevelopment agency's powers the authority to loan, grant, or otherwise contribute or pledge funds to an authorized purchaser, of low-income housing tax credits for the construction of low-income rental housing located within the community. The bill seeks to use the Low and Moderate Income Housing Fund of redevelopment agencies as a source of financing to serve as a substitute for the lack of tax credit equity investors throughout California, and to stimulate the economy by way of creating immediate jobs in the construction arena. The bill defines an authorized purchaser as a joint powers entity that consists of no less than 100 local agencies.

**Veterans**

SB 595 (Cedillo) - Homeless Veterans Housing and Supportive Services Act of 2010.

**Last Amend:** 04/21/2009  
**Status:** Senate Floor

**Summary:** This bill would authorize the sale of $1.5 billion in general obligation bonds for the purpose of building "supportive housing projects for homeless veterans, or veterans at risk of homelessness, with incomes below limits determined by the Department of Housing and Community Development. There was an attempt last year by the Assembly to take funds from the Cal-Vet home loan program to build multi-family housing for veterans' transitional care. The parameters set by the Federal Government for the post WWI program do not allow for the funds of the Cal-Vet home loan program to be used for the purposes of multi-family housing since the program's thrust was ownership and not rental.
## CALIFORNIA HOUSING FINANCE FUND
### COMBINED BALANCE SHEET
### WITH ADDITIONAL COMBINING INFORMATION

#### December 31, 2008

### ADDITIONAL COMBINING INFORMATION

#### ASSETS

<table>
<thead>
<tr>
<th>Homeownership Programs</th>
<th>Multifamily Rental Programs</th>
<th>Other Programs and Accounts</th>
<th>Combined Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>18,663,886.00</td>
<td>5,175,587.01</td>
<td>68,401,519.40</td>
</tr>
<tr>
<td>Investments</td>
<td>752,291,234.60</td>
<td>179,927,707.63</td>
<td>1,160,200,263.31</td>
</tr>
<tr>
<td>Current portion - Program loans receivable</td>
<td>96,715,525.89</td>
<td>105,513,419.70</td>
<td>72,388,647.31</td>
</tr>
<tr>
<td>Interest receivable - Program loans</td>
<td>27,288,807.38</td>
<td>27,211,747.23</td>
<td>2,065,429.90</td>
</tr>
<tr>
<td>Interest receivable - Investments</td>
<td>9,137,963.57</td>
<td>17,586,691.62</td>
<td>8,130,090.68</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>27,288,807.38</td>
<td>7,221,747.23</td>
<td>2,065,429.90</td>
</tr>
<tr>
<td>Due from (to) other funds</td>
<td>27,288,807.38</td>
<td>7,221,747.23</td>
<td>2,065,429.90</td>
</tr>
<tr>
<td>Other assets</td>
<td>9,137,963.57</td>
<td>17,586,691.62</td>
<td>8,130,090.68</td>
</tr>
<tr>
<td>Total current assets</td>
<td>888,259,679.49</td>
<td>266,139,714.24</td>
<td>1,378,638,695.94</td>
</tr>
</tbody>
</table>

#### Noncurrent Assets:

| Investments | 167,576,727.89 | 16,826,148.85 | 53,902,429.60 | 238,305,306.34 |
| Program loans receivable | 6,543,431,468.10 | 1,212,688,435.67 | 574,605,751.25 | 8,330,725,655.02 |
| Due from (to) other government entities | 0.00 | 0.00 | 0.00 | 0.00 |
| Deferred financing costs | 33,867,887.65 | 6,498,879.91 | 35,403.07 | 40,402,170.63 |
| Other assets | 63,508,904.97 | 0.00 | 817,950.05 | 64,326,855.02 |
| Total noncurrent assets | 6,808,384,988.61 | 1,236,013,464.43 | 629,361,533.97 | 8,673,759,987.01 |
| Total Assets | 7,696,644,668.10 | 1,502,153,178.67 | 2,008,000,229.91 | 11,206,798,076.68 |

#### LIABILITIES AND FUND EQUITY

#### Current Liabilities:

| Bonds payable | 99,815,270.81 | 29,677,139.71 | 0.00 | 129,492,410.52 |
| Interest payable | 14,026,826.58 | 23,269,704.29 | 3,634,886.06 | 167,867,419.91 |
| Due to (from) other government entities | (600,433.51) | 0.00 | 353,338,908.59 | 352,738,475.08 |
| Compensated absences | 0.00 | 0.00 | 2,704,093.88 | 2,704,093.88 |
| Total current liabilities | 248,883,053.77 | 53,339,910.08 | 647,587,159.21 | 949,810,123.06 |

#### Noncurrent Liabilities:

| Bonds and debenture notes payable | 7,009,500,914.27 | 1,353,324,585.98 | 23,133,890.92 | 8,385,959,406.17 |
| Due to (from) other government entities | 22,133,709.95 | 1,353,324,585.98 | 23,133,890.92 | 8,385,959,406.17 |
| Deferred revenue | 5,067,628.75 | 14,725.33 | 25,803,951.47 | 30,886,305.55 |
| Total noncurrent liabilities | 7,036,702,252.97 | 3,657,736,519.40 | 48,937,841.79 | 8,451,376,614.16 |
| Total Liabilities | 7,285,585,306.74 | 4,191,076,429.48 | 696,525,001.00 | 9,401,186,737.22 |

#### Fund Equity:

| Invested in capital assets | 0.00 | 0.00 | 837,429.83 | 837,429.83 |
| Restricted by indenture | 411,059,361.36 | 83,076,749.19 | 0.00 | 494,136,110.55 |
| Restricted by statute | 0.00 | 0.00 | 1,310,636,399.08 | 1,310,636,399.08 |
| Total Fund equity | 411,059,361.36 | 83,076,749.19 | 1,311,475,228.91 | 1,805,611,339.46 |
| Total Liabilities and Fund equity | 7,696,644,668.10 | 1,502,153,178.67 | 2,008,000,229.91 | 11,206,798,076.68 |
## ADDITIONAL COMBINING INFORMATION

<table>
<thead>
<tr>
<th></th>
<th>HOMEOWNERSHIP PROGRAMS</th>
<th>MULTIFAMILY RENTAL HOUSING PROGRAMS</th>
<th>OTHER PROGRAMS AND ACCOUNTS</th>
<th>COMBINED TOTALS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ADDITIONAL COMBINING INFORMATION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>OPERATING REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income: Program loans and loan agreements -- net</td>
<td>168,741,591.28</td>
<td>45,001,882.87</td>
<td>10,861,797.71</td>
<td>224,605,271.86</td>
</tr>
<tr>
<td>Interest income - Investments -- net</td>
<td>18,229,658.35</td>
<td>4,249,292.11</td>
<td>17,224,569.49</td>
<td>39,703,509.95</td>
</tr>
<tr>
<td>Increase (decrease) in fair value of investments</td>
<td>5,598,244.97</td>
<td>345,775.38</td>
<td>(676,652.30)</td>
<td>5,267,368.05</td>
</tr>
<tr>
<td>Loan commitment fees</td>
<td>100,971.18</td>
<td>2,116.53</td>
<td>813,021.03</td>
<td>916,108.74</td>
</tr>
<tr>
<td>Other loan fees</td>
<td>606,691.49</td>
<td>99,822.00</td>
<td>9,812,135.87</td>
<td>10,518,649.36</td>
</tr>
<tr>
<td>Other revenues</td>
<td>412,639.84</td>
<td>1,222,880.28</td>
<td>35,956,042.18</td>
<td>37,591,562.30</td>
</tr>
<tr>
<td>Total Operating revenues</td>
<td>193,689,797.11</td>
<td>50,921,759.17</td>
<td>73,990,913.98</td>
<td>318,602,470.26</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>151,815,456.89</td>
<td>28,828,339.12</td>
<td>6,842,914.08</td>
<td>187,286,710.09</td>
</tr>
<tr>
<td>Amortization of bond discount and bond premium</td>
<td>(463,266.51)</td>
<td>331,748.82</td>
<td>0.00</td>
<td>(131,517.69)</td>
</tr>
<tr>
<td>Mortgage servicing fees</td>
<td>9,944,539.78</td>
<td>3,521.45</td>
<td>51,677.36</td>
<td>10,039,748.59</td>
</tr>
<tr>
<td>Provision (reversal) for estimated loan losses</td>
<td>8,634,362.11</td>
<td>(885,290.78)</td>
<td>(3,176,175.97)</td>
<td>4,572,995.36</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>31,064,531.91</td>
<td>28,506,818.89</td>
<td>17,980,230.69</td>
<td>17,980,230.69</td>
</tr>
<tr>
<td>Total Operating expenses</td>
<td>200,795,624.18</td>
<td>56,785,137.50</td>
<td>109,892,996.17</td>
<td>367,473,757.85</td>
</tr>
<tr>
<td>Operating income (loss) before transfers</td>
<td>(7,105,827.07)</td>
<td>(5,863,378.33)</td>
<td>(35,902,082.19)</td>
<td>(48,871,287.59)</td>
</tr>
<tr>
<td>Transfers (interfund)</td>
<td>0.00</td>
<td>0.00</td>
<td>409,378,500.00</td>
<td>409,378,500.00</td>
</tr>
<tr>
<td>Transfers (intrafund)</td>
<td>1,627,568.32</td>
<td>108,070.21</td>
<td>(1,735,638.53)</td>
<td>0.00</td>
</tr>
<tr>
<td>Increase (decrease) in fund equity</td>
<td>(5,478,258.75)</td>
<td>(5,755,308.12)</td>
<td>371,740,779.28</td>
<td>360,507,212.41</td>
</tr>
<tr>
<td>Fund equity at beginning of year</td>
<td>416,537,620.11</td>
<td>88,933,067.31</td>
<td>959,734,449.63</td>
<td>1,445,104,127.05</td>
</tr>
<tr>
<td>Fund equity at end of year</td>
<td>411,059,361.36</td>
<td>83,076,749.19</td>
<td>1,311,475,228.91</td>
<td>1,805,611,339.46</td>
</tr>
</tbody>
</table>
## CALIFORNIA HOUSING FINANCE FUND
### COMBINING STATEMENT OF CASH FLOWS
**WITH ADDITIONAL COMBINING INFORMATION**

**December 31, 2008**

### ADDITIONAL COMBINING INFORMATION

#### CASH FLOWS FROM OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th>HOMEOWNERSHIP PROGRAMS</th>
<th>MULTIFAMILY RENTAL HOUSING PROGRAMS</th>
<th>OTHER PROGRAMS AND ACCOUNTS</th>
<th>COMBINED TOTALS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts from customers</td>
<td>170,202,959.16</td>
<td>44,380,152.83</td>
<td>14,628,452.03</td>
</tr>
<tr>
<td>Payments to suppliers</td>
<td>(10,392,114.78)</td>
<td>(72,611.20)</td>
<td>(6,337,249.33)</td>
</tr>
<tr>
<td>Payments to employees</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Internal activity - payments other funds</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Other receipts (payments)</td>
<td>(501,146,751.17)</td>
<td>52,747,890.19</td>
<td>210,158,372.72</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) operating activities</strong></td>
<td>(341,335,906.79)</td>
<td>97,055,141.82</td>
<td>205,872,075.57</td>
</tr>
</tbody>
</table>

#### CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

| Intrafund transfers | 1,627,568.32                      | 108,070.21                  | 1,735,638.53    | 0.00            |
| Changes in due to (from) other government entities | (600,433.51)                     | 0.00                        | (12,577,499.85) | (131,889.58)    |
| **Net cash provided by (used for) noncapital financing activities** | 1,027,134.81                      | 108,070.21                  | 1,003,315.44    | 131,889.58      |

#### CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| Proceeds from sales of bonds | 250,000,000.00                      | 0.00                        | 0.00            | 250,000,000.00  |
| Payment of bond principal   | (39,845,230.61)                     | (23,706,797.24)             | 0.00            | (63,552,027.85) |
| Early bond redemptions      | (137,377,117.66)                    | (152,750,000.00)            | 0.00            | (290,127,117.66) |
| Interest paid on debt       | (131,158,446.11)                    | (29,972,822.00)             | (7,100,844.84)  | (168,232,112.95) |
| Interfund transfers         | 0.00                                | 0.00                        | 409,378,500.00  | 409,378,500.00  |
| **Net cash provided by (used for) capital and related financing activities** | (60,336,447.67)                    | (206,442,245.77)            | (402,344,888.00) | (42,298,038.71)  |

#### CASH FLOWS FROM INVESTING ACTIVITIES

| Proceeds from maturity and sale of investments | 1,200,840,393.09                     | 272,270,933.78             | 945,097,824.30  | 2,418,209,151.17 |
| Purchase of investments          | (882,099,245.70)                     | (169,505,782.53)            | (1,578,764,863.83) | (2,630,374,982.86) |
| Interest on investments         | 22,095,843.78                        | 5,805,286.30                | 14,387,585.63   | 42,298,038.71    |
| **Net cash provided by (used for) investing activities** | 340,926,941.17                      | 108,570,397.55              | (619,279,113.70) | (169,781,774.98) |

#### RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:

| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | | |
| Interest expense on debt    | 151,615,466.89                      | 28,828,339.12               | 6,842,914.08    | 187,286,710.09  |
| Interest on investments    | (18,229,658.35)                     | (4,249,282.11)              | (17,224,569.49) | (39,703,409.95) |
| Changes in fair value of investments | (5,598,244.97)                     | (345,775.38)                | 676,852.30      | (3,267,368.05)  |
| Acreation of capital appreciation bonds | 1,683,403.32                      | 0.00                        | 0.00            | 1,683,403.32    |
| Amortization of bond discount | 17,154.77                           | 14,229.36                   | 0.00            | 31,384.13       |
| Amortization of premium      | 125,769.12                          | 317,519.46                  | 0.00            | 443,288.58      |
| Amortization of deferred losses | 0.00                               | 0.00                        | 0.00            | 0.00            |

#### Provision for yield reduction payments

| Provision (reversal for estimated loan losses | 9,986,651.66                      | 935,596.78                  | (3,088,518.71)  | 7,834,129.73    |
| Provision for nonmortgage investment excess | (385,775.27)                      | 0.00                        | 0.00            | (385,775.27)    |
### ADDITIONAL COMBINING INFORMATION

#### December 31, 2008

<table>
<thead>
<tr>
<th></th>
<th>HOMEOWNERSHIP PROGRAMS</th>
<th>MULTIFAMILY RENTAL HOUSING PROGRAMS</th>
<th>OTHER PROGRAMS AND ACCOUNTS</th>
<th>COMBINED TOTALS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Changes in certain assets and liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of program loans</td>
<td>(537,033,036.76)</td>
<td>(63,085,317.21)</td>
<td>113,554,026.02</td>
<td>(486,564,327.95)</td>
</tr>
<tr>
<td>Collection of principal from program loans - net</td>
<td>132,580,295.77</td>
<td>108,928,765.21</td>
<td>42,546,954.55</td>
<td>284,057,035.53</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>1,461,367.88</td>
<td>(621,730.04)</td>
<td>3,766,654.32</td>
<td>4,606,282.16</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>(231,778.46)</td>
<td>(722.46)</td>
<td>(6,526,893.33)</td>
<td>(6,759,200.25)</td>
</tr>
<tr>
<td>Due from (to) other funds</td>
<td>(73,264,228.72)</td>
<td>32,170,295.46</td>
<td>41,093,933.26</td>
<td>0.00</td>
</tr>
<tr>
<td>Other assets</td>
<td>12,306.88</td>
<td>(36,180.93)</td>
<td>831.69</td>
<td>(23,042.36)</td>
</tr>
<tr>
<td>Compensated absences</td>
<td>0.00</td>
<td>0.00</td>
<td>228,804.48</td>
<td>228,804.48</td>
</tr>
<tr>
<td>Deposits and other liab.</td>
<td>4,456,000.04</td>
<td>(1,046,444.78)</td>
<td>59,833,353.22</td>
<td>63,242,908.48</td>
</tr>
<tr>
<td>Due to other governments</td>
<td>0.00</td>
<td>0.00</td>
<td>11.37</td>
<td>11.37</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>(2,197,815.41)</td>
<td>0.00</td>
<td>778,154.68</td>
<td>(1,419,660.73)</td>
</tr>
<tr>
<td><strong>Net cash provided by (used for) operating activities</strong></td>
<td>(341,335,906.79)</td>
<td>97,055,141.82</td>
<td>205,872,079.57</td>
<td>(38,408,689.40)</td>
</tr>
</tbody>
</table>
## Homeownership Programs

**December 31, 2008**

### Assets

<table>
<thead>
<tr>
<th>Category</th>
<th>Home Mortgage Revenue</th>
<th>Single Family Mortgage</th>
<th>Down Payment</th>
<th>Single Family Housing Program</th>
<th>Total Homeownership Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>17,929,860.79</td>
<td>600,483.53</td>
<td>86,158.76</td>
<td>47,393.82</td>
<td>18,663,896.90</td>
</tr>
<tr>
<td>Bonds II</td>
<td>738,357,438.07</td>
<td>4,187,786.53</td>
<td>80,000.00</td>
<td>7,658,000.00</td>
<td>752,291,234.60</td>
</tr>
<tr>
<td>Current Portion - Program Loans Receivable</td>
<td>94,645,737.75</td>
<td>1,869,788.14</td>
<td>0.00</td>
<td>0.00</td>
<td>96,715,525.89</td>
</tr>
<tr>
<td>Interest Receivable - Program Loans</td>
<td>26,863,044.98</td>
<td>266,389.28</td>
<td>0.00</td>
<td>0.00</td>
<td>27,129,434.18</td>
</tr>
<tr>
<td>Interest Receivable - Investments</td>
<td>8,890,843.29</td>
<td>117,550.66</td>
<td>560.65</td>
<td>129,008.97</td>
<td>9,137,963.57</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>8,568,709.57</td>
<td>103,987.22</td>
<td>0.00</td>
<td>0.00</td>
<td>8,672,696.79</td>
</tr>
<tr>
<td>Due from (to) other funds</td>
<td>(24,630,743.54)</td>
<td>(73,733.85)</td>
<td>0.00</td>
<td>0.00</td>
<td>(24,617,844.87)</td>
</tr>
<tr>
<td>Other Assets</td>
<td>106,307.98</td>
<td>1,091.25</td>
<td>0.00</td>
<td>0.00</td>
<td>107,399.23</td>
</tr>
</tbody>
</table>

**Total Current Assets**: 868,931,198.89

<table>
<thead>
<tr>
<th>Category</th>
<th>Noncurrent Assets</th>
<th>Total Noncurrent Assets</th>
<th>Total Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments</td>
<td>166,954,763.51</td>
<td>62,306,272.94</td>
<td>7,544,537,471.83</td>
</tr>
<tr>
<td>Program Loans Receivable</td>
<td>6,412,085,722.51</td>
<td>51,388,034.96</td>
<td>7,544,537,471.83</td>
</tr>
<tr>
<td>Due from (to) other funds</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Deferred Financing Costs</td>
<td>33,056,881.95</td>
<td>81,390,680.71</td>
<td>8,608,384,988.61</td>
</tr>
<tr>
<td>Other Assets</td>
<td>63,508,904.97</td>
<td>63,508,904.97</td>
<td>63,508,904.97</td>
</tr>
</tbody>
</table>

**Total Noncurrent Assets**: 6,675,606,272.94

**Total Assets**: 7,544,537,471.83

### Liabilities and Fund Equity

<table>
<thead>
<tr>
<th>Category</th>
<th>Home Mortgage Revenue</th>
<th>Single Family Mortgage</th>
<th>Down Payment</th>
<th>Single Family Housing Program</th>
<th>Total Homeownership Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>96,155,641.18</td>
<td>3,659,029.63</td>
<td>0.00</td>
<td>0.00</td>
<td>99,815,270.81</td>
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<tr>
<td>Interest Payable</td>
<td>138,810,635.82</td>
<td>744,072.93</td>
<td>0.00</td>
<td>1,472,120.83</td>
<td>141,026,829.58</td>
</tr>
<tr>
<td>Due to (from) other government entities</td>
<td>(600,433.51)</td>
<td>0.00</td>
<td>0.00</td>
<td>(600,433.51)</td>
<td>(600,433.51)</td>
</tr>
<tr>
<td>Compensated Absences</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Deposits and Other Liabilities</td>
<td>8,615,616.51</td>
<td>18,505.29</td>
<td>0.00</td>
<td>7,265.09</td>
<td>8,641,386.89</td>
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</table>

**Total Current Liabilities**: 242,981,460.00

<table>
<thead>
<tr>
<th>Category</th>
<th>Noncurrent Liabilities</th>
<th>Total Noncurrent Liabilities</th>
<th>Total Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds and Debenture Notes Payable</td>
<td>6,887,470,224.62</td>
<td>28,830,689.06</td>
<td>93,200,000.00</td>
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<tr>
<td>Due to (from) other government entities</td>
<td>20,712,793.61</td>
<td>927,980.84</td>
<td>92,935.50</td>
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<tr>
<td>Deferred Revenue</td>
<td>9,011,578.36</td>
<td>(3,943,949.61)</td>
<td>0.00</td>
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</table>

**Total Noncurrent Liabilities**: 6,917,194,596.59

**Total Liabilities**: 7,160,176,056.59

<table>
<thead>
<tr>
<th>Category</th>
<th>Fund Equity</th>
<th>Total Fund Equity</th>
<th>Total Liabilities and Fund Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invested in Capital Assets</td>
<td>364,361,415.24</td>
<td>32,224,486.99</td>
<td>109,588.91</td>
</tr>
<tr>
<td>Restricted by indenture</td>
<td>364,361,415.24</td>
<td>32,224,486.99</td>
<td>109,588.91</td>
</tr>
</tbody>
</table>

**Total Fund Equity**: 384,361,415.24

**Total Liabilities and Fund Equity**: 7,544,537,471.83

**Total Liabilities and Fund Equity**: 7,696,644,668.10
CALIFORNIA HOUSING FINANCE FUND
COMBINED STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN FUND EQUITY
HOMEOWNERSHIP PROGRAM

December 31, 2008

OPERATING REVENUES

<table>
<thead>
<tr>
<th></th>
<th>HOME MORTGAGE REVENUE BONDS</th>
<th>SINGLE FAMILY MORTGAGE BONDS II</th>
<th>DRAW DOWN BONDS</th>
<th>SINGLE FAMILY HOUSING PROGRAM BONDS</th>
<th>TOTAL HOMEOWNERSHIP PROGRAM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program loans and loan agreements -- net</td>
<td>166,871,011.76</td>
<td>1,698,029.34</td>
<td>0.00</td>
<td>172,550.18</td>
<td>168,741,591.28</td>
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<tr>
<td>Interest income - Investments -- net</td>
<td>17,568,037.15</td>
<td>193,019.65</td>
<td>2,710.93</td>
<td>465,890.62</td>
<td>18,229,658.35</td>
</tr>
<tr>
<td>Increase (decrease) in fair value of investments</td>
<td>5,585,121.39</td>
<td>13,123.88</td>
<td>0.00</td>
<td>5,598,244.97</td>
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<tr>
<td>Loan commitment fees</td>
<td>90,591.35</td>
<td>10,379.83</td>
<td>0.00</td>
<td>100,971.18</td>
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</tr>
<tr>
<td>Other loan fees</td>
<td>606,691.49</td>
<td>0.00</td>
<td>0.00</td>
<td>606,691.49</td>
<td></td>
</tr>
<tr>
<td>Other revenues</td>
<td>412,639.84</td>
<td>0.00</td>
<td>0.00</td>
<td>412,639.84</td>
<td></td>
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<tr>
<td>Total Operating revenues</td>
<td>191,134,092.98</td>
<td>1,914,552.40</td>
<td>2,710.93</td>
<td>638,440.80</td>
<td>193,689,797.11</td>
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</table>

OPERATING EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>HOME MORTGAGE REVENUE BONDS</th>
<th>SINGLE FAMILY MORTGAGE BONDS II</th>
<th>DRAW DOWN BONDS</th>
<th>SINGLE FAMILY HOUSING PROGRAM BONDS</th>
<th>TOTAL HOMEOWNERSHIP PROGRAM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization of bond discount and bond premium</td>
<td>(466,945.86)</td>
<td>3,679.35</td>
<td>0.00</td>
<td>0.00</td>
<td>(463,266.51)</td>
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<tr>
<td>Mortgage servicing fees</td>
<td>9,845,694.47</td>
<td>98,845.31</td>
<td>0.00</td>
<td>0.00</td>
<td>9,944,539.78</td>
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<tr>
<td>Provision (reversal) for estimated loan losses</td>
<td>7,192,270.70</td>
<td>(4,182.65)</td>
<td>0.00</td>
<td>1,446,274.06</td>
<td>8,634,362.11</td>
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<tr>
<td>Operating expenses</td>
<td>30,097,870.63</td>
<td>(598,859.53)</td>
<td>0.00</td>
<td>1,565,520.81</td>
<td>31,064,531.91</td>
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<tr>
<td>Total Operating expenses</td>
<td>151,381,989.66</td>
<td>407,431.08</td>
<td>0.00</td>
<td>5,006,203.44</td>
<td>200,895,624.18</td>
</tr>
</tbody>
</table>

Operating income (loss) before transfers                      | (4,427,896.68)               | 1,507,121.32                   | 2,710.93       | (4,367,762.64)                     | (7,105,827.07)            |

Transfers (interfund)                                         | 0.00                         | 0.00                          | 0.00           | 0.00                               | 0.00                       |

Increase (decrease) in fund equity                            | (4,427,896.68)               | 1,507,121.32                   | (437,723.78)   | (2,299,759.61)                     | (5,478,258.75)            |

Fund equity at beginning of year                              | 385,609,311.92               | 30,717,337.67                  | 547,312.69     | (3,336,342.17)                     | 416,537,620.11            |

Fund equity at end of year                                     | 384,361,415.24               | 32,224,458.99                  | 109,588.91     | (5,636,101.73)                     | 411,059,361.36            |
CALIFORNIA HOUSING FINANCE FUND  
SUPPLEMENTAL COMBINING STATEMENT OF CASH FLOWS - HOMEOWNERSHIP PROGRAMS  

December 31, 2008

<table>
<thead>
<tr>
<th>HOME MORTGAGE REVENUE BONDS</th>
<th>SINGLE FAMILY MORTGAGE BONDS II</th>
<th>DRAW DOWN BONDS</th>
<th>SINGLE FAMILY HOUSING PROGRAM BONDS</th>
<th>TOTAL HOMEOWNERSHIP PROGRAMS</th>
</tr>
</thead>
</table>

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers: 168,296,242.36 1,726,757.07 0.00 179,959.73 170,202,959.16

Payments to suppliers: (10,282,734.61) (102,477.74) 0.00 (6,902.43) (10,392,114.78)

Payments to employees: 0.00 0.00 0.00 0.00 0.00

Net cash provided by (used in) operating activities: (319,802,418.78) 4,079,586.00 (37,051.47) (25,576,022.54) (341,335,906.79)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Intrafund transfers: 0.00 0.00 (440,434.71) 2,068,003.03 1,627,568.32

Changes in due to (from) other government entities: (600,433.51) 0.00 0.00 0.00 (600,433.51)

Net cash provided by (used for) noncapital financing activities: (600,433.51) 0.00 (440,434.71) 2,068,003.03 1,027,134.81

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Proceeds from sales of bonds: 250,000,000.00 0.00 0.00 0.00 250,000,000.00

Payment of bond principal: (37,065,230.61) (2,780,000.00) 0.00 0.00 (39,845,230.61)

Early bond redemptions: (121,777,117.86) (600,000.00) 0.00 (15,000,000.00) (137,377,117.86)

Interest paid on debt: (128,057,653.96) (983,254.00) 0.00 0.00 (131,158,447.16)

Net cash provided by (used for) capital and related financing activities: (38,855,655.52) (4,363,254.00) 0.00 (17,117,538.15) (60,336,447.67)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from maturity and sale of investments: 1,153,711,359.62 5,768,033.47 0.00 41,361,000.00 1,200,840,393.09

Purchase of investments: (874,412,856.68) (6,091,439.02) (2,000.00) (1,503,000.00) (882,009,295.70)

Interest on investments: 21,184,804.83 205,511.82 3,392.09 702,135.04 22,095,843.78

Net cash provided by (used for) investing activities: 300,483,307.77 (117,893.73) 1,392.09 40,560,135.04 340,926,941.17

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:**

Operating income (loss): (4,247,896.68) 1,507,121.32 2,710.93 (4,367,762.64) (7,105,827.07)

Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:

Interest on debt: 148,713,099.72 907,948.60 0.00 1,994,408.57 151,615,466.89

Interest on investments: (17,568,037.15) (193,019.65) (2,710.93) (465,890.62) (18,229,838.35)

Changes in fair value of investments: (2,585,121.39) (13,123.58) 0.00 (5,588,244.97)

Amortization of bond discount: 1,683,403.32 0.00 0.00 0.00 1,683,403.32

Amortization of bond issuance costs: 1,361,085.53 12,639.47 0.00 105,488.47 1,479,213.47

Amortization of bond premium: (606,190.40) 0.00 0.00 0.00 (606,190.40)

Amortization of deferred revenue: (90,591.35) (10,379.83) 0.00 0.00 (100,971.18)

Depreciation: 0.00 0.00 0.00 0.00 0.00

Provision (reversal) for estimated loan losses: 7,192,270.70 (4,182.65) 0.00 2,798,563.62 9,868,651.67

Provision for yield reduction payments: 0.00 0.00 0.00 0.00 0.00

Provision for nonmortgage investment excess: (385,775.27) 0.00 0.00 0.00 (385,775.27)

Net increase (decrease) in cash and cash equivalents: (58,775,200.04) (401,561.73) (476,094.09) (65,422.62) (60,336,447.67)

Cash and cash equivalents at beginning of year: 76,705,060.83 1,002,045.26 562,252.85 112,816.44 78,382,175.38

Cash and cash equivalents at end of year: 17,929,860.79 600,483.53 86,158.76 47,393.82 18,663,896.90

Net increase (decrease) in cash and cash equivalents: (58,775,200.04) (401,561.73) (476,094.09) (65,422.62) (60,336,447.67)
## Changes in certain assets and liabilities:

<table>
<thead>
<tr>
<th>Description</th>
<th>HOME MORTGAGE REVENUE BONDS</th>
<th>SINGLE FAMILY MORTGAGE BONDS II</th>
<th>DRAW Down BONDS</th>
<th>SINGLE FAMILY HOUSING PROGRAM BONDS</th>
<th>TOTAL HOMEOWNERSHIP PROGRAMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of program loans</td>
<td>(510,709,175.19)</td>
<td>0.00</td>
<td>0.00</td>
<td>(26,323,861.57)</td>
<td>(537,033,036.76)</td>
</tr>
<tr>
<td>Collection of principal from program loans - net</td>
<td>129,582,545.94</td>
<td>2,442,212.77</td>
<td>0.00</td>
<td>545,537.05</td>
<td>132,580,265.76</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>1,425,230.60</td>
<td>28,727.73</td>
<td>0.00</td>
<td>7,409.55</td>
<td>1,461,367.88</td>
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<tr>
<td>Accounts receivable</td>
<td>(223,625.99)</td>
<td>(8,152.47)</td>
<td>0.00</td>
<td>0.00</td>
<td>(231,778.46)</td>
</tr>
<tr>
<td>Due from (to) other funds</td>
<td>(73,413,551.40)</td>
<td>47,856.61</td>
<td>(37,051.47)</td>
<td>138,517.54</td>
<td>(73,264,228.72)</td>
</tr>
<tr>
<td>Other assets</td>
<td>11,631.37</td>
<td>675.51</td>
<td>0.00</td>
<td>0.00</td>
<td>12,306.88</td>
</tr>
<tr>
<td>Compensated absences</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Deposits and other liab</td>
<td>4,464,643.76</td>
<td>(211.21)</td>
<td>0.00</td>
<td>(8,432.51)</td>
<td>4,456,000.04</td>
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<tr>
<td>Due to other governments</td>
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<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>(1,555,609.44)</td>
<td>(642,205.97)</td>
<td>0.00</td>
<td>0.00</td>
<td>(2,197,815.41)</td>
</tr>
<tr>
<td><strong>Net cash provided by (used for) operating activities</strong></td>
<td><strong>(319,802,418.78)</strong></td>
<td><strong>4,079,986.00</strong></td>
<td><strong>(37,051.47)</strong></td>
<td><strong>(25,576,022.54)</strong></td>
<td><strong>(341,335,906.79)</strong></td>
</tr>
</tbody>
</table>
### CALIFORNIA HOUSING FINANCE FUND
#### SUMMARY BALANCE SHEET
#### MULTIFAMILY RENTAL HOUSING PROGRAMS

**December 31, 2008**

#### ASSETS

<table>
<thead>
<tr>
<th>Current assets:</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>1,538,996.24</td>
<td>30,342.49</td>
<td>3,514,150.98</td>
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<td></td>
<td>92,097.30</td>
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<tr>
<td>Investments</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>5,175,587.01</td>
</tr>
<tr>
<td>Current portion - program loans receivable</td>
<td>24,000,000.00</td>
<td>1,018,484.88</td>
<td>79,406,383.48</td>
<td></td>
<td></td>
<td>1,086,096.34</td>
</tr>
<tr>
<td>Interest receivable - Investments</td>
<td>71,013.86</td>
<td>1,614,922.57</td>
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<td></td>
<td></td>
<td>7,259,691.62</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,061.01</td>
</tr>
<tr>
<td>Due from (to) other funds</td>
<td>(33,991,954.30)</td>
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<td>Other assets</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>533,454.34</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>25,538,183.36</td>
<td>13,113,815.34</td>
<td>221,808,154.70</td>
<td></td>
<td></td>
<td>266,139,714.24</td>
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</table>

<table>
<thead>
<tr>
<th>Noncurrent assets:</th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments</td>
<td>39,968,181.54</td>
<td>54,605,806.66</td>
<td>1,070,613,357.38</td>
<td></td>
<td></td>
<td>1,212,688,435.67</td>
</tr>
<tr>
<td>Program loans receivable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred financing costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>6,498,879.91</td>
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<tr>
<td>Other assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Total Noncurrent assets</strong></td>
<td>39,968,181.54</td>
<td>54,692,926.20</td>
<td>1,093,599,742.62</td>
<td></td>
<td></td>
<td>1,236,013,464.43</td>
</tr>
</tbody>
</table>

| **Total Assets**                     | 65,506,364.90    | 67,806,741.54    | 1,315,407,897.32 |                  |                  | 1,502,153,178.67 |

#### LIABILITIES AND FUND EQUITY

<table>
<thead>
<tr>
<th>Current liabilities:</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds payable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>29,677,139.71</td>
</tr>
<tr>
<td>Interest payable</td>
<td>477,269.84</td>
<td>1,683,958.34</td>
<td>20,179,909.78</td>
<td></td>
<td></td>
<td>23,205,704.28</td>
</tr>
<tr>
<td>Due to (from) other government entities</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td></td>
<td></td>
<td>0.00</td>
</tr>
<tr>
<td>Deposits and other liabilities</td>
<td>1,364.80</td>
<td>5,733.36</td>
<td>449,967.93</td>
<td></td>
<td></td>
<td>457,066.09</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>478,634.64</td>
<td>2,344,597.99</td>
<td>49,652,111.13</td>
<td></td>
<td></td>
<td>53,339,910.08</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Noncurrent liabilities:</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds and debenture notes payable</td>
<td>65,030,535.05</td>
<td>58,840,957.13</td>
<td>1,180,228,033.80</td>
<td></td>
<td></td>
<td>1,353,324,585.98</td>
</tr>
<tr>
<td>Due to (from) other government entities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,365,736,519.40</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,419,076,429.48</td>
</tr>
<tr>
<td><strong>Total noncurrent liabilities</strong></td>
<td>65,030,535.05</td>
<td>58,840,957.13</td>
<td>1,192,640,027.22</td>
<td></td>
<td></td>
<td>1,419,076,429.48</td>
</tr>
</tbody>
</table>

| **Total Liabilities**                | 65,509,169.69    | 61,865,555.12    | 1,292,298,138.35 |                  |                  | 1,419,076,429.48 |

<table>
<thead>
<tr>
<th>Fund equity</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Invested in capital assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.00</td>
</tr>
<tr>
<td>Restricted by indenture</td>
<td>(2,804.79)</td>
<td>6,621,186.42</td>
<td>73,115,758.97</td>
<td>3,342,608.59</td>
<td>83,076,479.19</td>
<td></td>
</tr>
<tr>
<td>Restricted by statute</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Total Fund equity</strong></td>
<td>(2,804.79)</td>
<td>6,621,186.42</td>
<td>73,115,758.97</td>
<td>3,342,608.59</td>
<td>83,076,479.19</td>
<td></td>
</tr>
</tbody>
</table>

| **Total Liabilities and Fund equity** | 65,506,364.90    | 67,806,741.54    | 1,315,407,897.32 |                  |                  | 1,502,153,178.67 |
## OPERATING REVENUES

### Interest income:
- Program loans and loan agreements — net: 2,789,732.74
- Interest income — investments: 2,929.05
- Increase (decrease) in fair value of investments: 0.00

### Total Operating revenues: 2,792,661.79

## OPERATING EXPENSES

### Interest:
- Amortization of bond discount and bond premium: 0.00
- Mortgage servicing fees: 0.00
- Provision (reversal) for estimated loan losses: 0.00

### Operating expenses: 0.00

### Total Operating expenses: 2,792,661.79

## OPERATING INCOME (LOSS)

### Operating income (loss) before transfers: 0.00

### Transfers (interfund) — non

### Increase (decrease) in fund equity: 0.00

### Fund equity at beginning of year: (2,804.79)

### Fund equity at end of year: (2,804.79)
**CALIFORNIA HOUSING FINANCE FUND**  
**SUPPLEMENTAL COMBINING STATEMENT OF CASH FLOWS - MULTIFAMILY RENTAL HOUSING PROGRAMS**

**December 31, 2008**

### CASH FLOWS FROM OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>MULTIFAMILY LOAN PURCHASE BONDS</th>
<th>MULTIFAMILY HOUSING REVENUE BOND I</th>
<th>MULTIFAMILY HOUSING REVENUE BOND II</th>
<th>MULTIFAMILY DRAW DOWN BOND</th>
<th>MULTIFAMILY HOUSING PROGRAM BONDS</th>
<th>TOTAL MULTIFAMILY RENTAL HOUSING PROGRAMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts from customers</td>
<td>2,789,732.74</td>
<td>2,200,366.39</td>
<td>38,178,153.69</td>
<td>0.00</td>
<td>1,211,910.01</td>
<td>44,380,152.83</td>
</tr>
<tr>
<td>Payments to suppliers</td>
<td>(4,541.38)</td>
<td>(5,733.36)</td>
<td>(62,336.46)</td>
<td>0.00</td>
<td>0.00</td>
<td>(72,611.20)</td>
</tr>
<tr>
<td>Payments to employees</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Internal activity - payments other funds</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Other receipts (payments)</td>
<td>10,099,233.12</td>
<td>403,754.74</td>
<td>55,142,859.77</td>
<td>0.00</td>
<td>(12,808,247.44)</td>
<td>52,747,009.19</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) operating activities</strong></td>
<td><strong>12,794,424.48</strong></td>
<td><strong>2,598,377.77</strong></td>
<td><strong>93,258,677.00</strong></td>
<td>0.00</td>
<td><strong>(11,596,337.43)</strong></td>
<td><strong>97,055,141.82</strong></td>
</tr>
</tbody>
</table>

### CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

<p>| | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Intrafund transfers</td>
<td>0.00</td>
<td>0.00</td>
<td>339,256.24</td>
<td>(2,542.25)</td>
<td>(228,643.78)</td>
<td>108,070.21</td>
</tr>
<tr>
<td><strong>Net cash provided by (used for) noncapital financing activities</strong></td>
<td><strong>0.00</strong></td>
<td><strong>0.00</strong></td>
<td><strong>339,256.24</strong></td>
<td><strong>(2,542.25)</strong></td>
<td><strong>(228,643.78)</strong></td>
<td><strong>108,070.21</strong></td>
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</tbody>
</table>

### CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

<p>| | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Early bond redemptions</td>
<td>0.00</td>
<td>0.00</td>
<td>(152,750,000.00)</td>
<td>0.00</td>
<td>0.00</td>
<td>(152,750,000.00)</td>
</tr>
<tr>
<td>Interest paid on debt</td>
<td>(2,855,644.32)</td>
<td>(2,030,565.00)</td>
<td>(24,424,401.66)</td>
<td>0.00</td>
<td>(662,211.02)</td>
<td>(29,972,822.00)</td>
</tr>
<tr>
<td><strong>Net cash provided by (used for) capital and related financing activities</strong></td>
<td><strong>(12,902,623.56)</strong></td>
<td><strong>(2,340,565.00)</strong></td>
<td><strong>(190,536,846.19)</strong></td>
<td>0.00</td>
<td><strong>(662,211.02)</strong></td>
<td><strong>(206,442,245.77)</strong></td>
</tr>
</tbody>
</table>

### CASH FLOWS FROM INVESTING ACTIVITIES

<p>| | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from maturity and sale of investments</td>
<td>0.00</td>
<td>12,368,816.67</td>
<td>245,288,077.11</td>
<td>0.00</td>
<td>14,814,000.00</td>
<td>272,270,893.78</td>
</tr>
<tr>
<td>Purchase of investments</td>
<td>0.00</td>
<td>(13,063,518.76)</td>
<td>(154,108,263.76)</td>
<td>0.00</td>
<td>(2,334,000.00)</td>
<td>(169,505,782.53)</td>
</tr>
<tr>
<td>Interest on investments</td>
<td>3,798.52</td>
<td>441,841.07</td>
<td>5,131,576.16</td>
<td>11.69</td>
<td>228,058.86</td>
<td>5,805,286.30</td>
</tr>
<tr>
<td><strong>Net cash provided by (used for) investing activities</strong></td>
<td><strong>3,798.52</strong></td>
<td><strong>252,861.04</strong></td>
<td><strong>96,311,389.52</strong></td>
<td><strong>11.69</strong></td>
<td><strong>12,508,058.86</strong></td>
<td><strong>108,570,397.55</strong></td>
</tr>
</tbody>
</table>

### RECONCILATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:

<p>| | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income (loss)</td>
<td>0.00</td>
<td>287,933.37</td>
<td>(7,693,362.15)</td>
<td>11.69</td>
<td>1,542,038.76</td>
<td>(5,863,378.33)</td>
</tr>
<tr>
<td>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense on debt</td>
<td>(2,929.05)</td>
<td>(237,248.51)</td>
<td>(3,823,917.35)</td>
<td>(11.69)</td>
<td>(185,175.51)</td>
<td>(4,249,282.11)</td>
</tr>
<tr>
<td><strong>Net cash provided by (used for) operating activities</strong></td>
<td><strong>2,783,131.29</strong></td>
<td><strong>2,022,385.84</strong></td>
<td><strong>23,066,245.47</strong></td>
<td><strong>0.00</strong></td>
<td><strong>956,576.52</strong></td>
<td><strong>28,828,339.12</strong></td>
</tr>
</tbody>
</table>
### CALIFORNIA HOUSING FINANCE FUND
### SUPPLEMENTAL COMBINING STATEMENT OF CASH FLOWS - MULTIFAMILY RENTAL HOUSING PROGRAMS

*December 31, 2008*

<table>
<thead>
<tr>
<th></th>
<th>TOTAL</th>
<th>MULTIFAMILY MULTIFAMILY MULTIFAMILY MULTIFAMILY MULTIFAMILY</th>
<th>RENTAL PROGRAMS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>LOAN PURCHASE</td>
<td>HOUSING DRAW</td>
<td>REVENUE</td>
</tr>
<tr>
<td></td>
<td>BONDS I</td>
<td>BONDS II</td>
<td>BONDS I</td>
</tr>
<tr>
<td>Changes in certain assets and liabilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of program loans</td>
<td>0.00</td>
<td>0.00</td>
<td>(48,474,652.46)</td>
</tr>
<tr>
<td>Collection of principal from program loans - net</td>
<td>10,014,556.68</td>
<td>516,483.05</td>
<td>98,416,814.66</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>0.00</td>
<td>(2,954.75)</td>
<td>464,742.21</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>0.00</td>
<td>0.00</td>
<td>(722.46)</td>
</tr>
<tr>
<td>Due from (to) other funds</td>
<td>(125.11)</td>
<td>0.00</td>
<td>32,170,420.57</td>
</tr>
<tr>
<td>Other assets</td>
<td>0.00</td>
<td>0.00</td>
<td>(35,524.55)</td>
</tr>
<tr>
<td>Compensated absences</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Deposits and other liabilities</td>
<td>(209.33)</td>
<td>2,896.68</td>
<td>(1,046,162.13)</td>
</tr>
<tr>
<td>Due to other governments</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Net cash provided by (used for) operating activities</strong></td>
<td><strong>12,794,424.48</strong></td>
<td><strong>2,598,377.77</strong></td>
<td><strong>93,258,677.00</strong></td>
</tr>
</tbody>
</table>
## CALIFORNIA HOUSING FINANCE FUND
### OTHER PROGRAMS AND ACCOUNTS
### SUMMARY BALANCE SHEET
### December 31, 2008

### ASSETS

<table>
<thead>
<tr>
<th>Category</th>
<th>Transaction</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CURRENT ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td></td>
<td>1,644,750.41</td>
</tr>
<tr>
<td>Investments</td>
<td></td>
<td>172,875,370.49</td>
</tr>
<tr>
<td>Current portion - Program loans receivable</td>
<td></td>
<td>53,727,429.39</td>
</tr>
<tr>
<td>Interest receivable - Program loans</td>
<td></td>
<td>861,568.58</td>
</tr>
<tr>
<td>Interest receivable - Investments</td>
<td></td>
<td>959,275.30</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td></td>
<td>13,968.97</td>
</tr>
<tr>
<td>Due from (to) other funds</td>
<td></td>
<td>17,844,699.17</td>
</tr>
<tr>
<td>Other assets</td>
<td></td>
<td>10,983.05</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td></td>
<td>247,938,045.36</td>
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<table>
<thead>
<tr>
<th>Category</th>
<th>Transaction</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>NONCURRENT ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td></td>
<td>2,178,301.98</td>
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<tr>
<td>Program loans receivable</td>
<td></td>
<td>298,835,635.01</td>
</tr>
<tr>
<td>Due from (to) other funds</td>
<td></td>
<td>0.00</td>
</tr>
<tr>
<td>Deferred financing costs</td>
<td></td>
<td>0.00</td>
</tr>
<tr>
<td>Other assets</td>
<td></td>
<td>0.00</td>
</tr>
<tr>
<td>Total Noncurrent Assets</td>
<td></td>
<td>301,013,936.99</td>
</tr>
</tbody>
</table>

| Total Assets | | 548,951,982.35 |

### LIABILITIES AND FUND EQUITY

<table>
<thead>
<tr>
<th>Category</th>
<th>Transaction</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CURRENT LIABILITIES</td>
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<td></td>
</tr>
<tr>
<td>Bonds payable</td>
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</tr>
<tr>
<td>Interest payable</td>
<td></td>
<td>941,438.41</td>
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<tr>
<td>Due to (from) other government entities</td>
<td></td>
<td>5,439.52</td>
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<tr>
<td>Compensated absences</td>
<td></td>
<td>0.00</td>
</tr>
<tr>
<td>Deposits and other liabilities</td>
<td></td>
<td>9,355.74</td>
</tr>
<tr>
<td>Total Current Liabilities</td>
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<td>956,233.67</td>
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<table>
<thead>
<tr>
<th>Category</th>
<th>Transaction</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>NONCURRENT LIABILITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds and debenture notes payable</td>
<td></td>
<td>23,133,890.32</td>
</tr>
<tr>
<td>Due to (from) other government entities</td>
<td></td>
<td>0.00</td>
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<tr>
<td>Deferred revenue</td>
<td></td>
<td>0.00</td>
</tr>
<tr>
<td>Total Noncurrent Liabilities</td>
<td></td>
<td>23,133,890.32</td>
</tr>
</tbody>
</table>

| Total Liabilities | | 24,090,123.99 |

<table>
<thead>
<tr>
<th>Category</th>
<th>Transaction</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>INVESTED IN CAPITAL ASSETS</td>
<td></td>
<td>0.00</td>
</tr>
<tr>
<td>RESTRICTED BY INDENTURE</td>
<td></td>
<td>0.00</td>
</tr>
<tr>
<td>RESTRICTED BY STATUTE</td>
<td></td>
<td>524,861,858.36</td>
</tr>
<tr>
<td>Total Fund Equity</td>
<td></td>
<td>524,861,858.36</td>
</tr>
</tbody>
</table>

| Total Liabilities and Fund Equity | | 548,951,982.35 |

### CALENDAR YEAR 2008 INCOME AND EXPENSES

- **Total** Income: $524,861,858.36
- **Total** Expenses: $0.00

### NET INCOME OR NET LOSS

- **Net Income or Net Loss**: $524,861,858.36
### CALIFORNIA HOUSING FINANCE FUND
### COMBINED STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN FUND EQUITY
### OTHER PROGRAMS AND ACCOUNTS

#### December 31, 2008

#### OPERATING REVENUES

<table>
<thead>
<tr>
<th>Description</th>
<th>Total</th>
<th>Supplemental</th>
<th>Other Housing Contract Bond</th>
<th>Emergency Programs</th>
<th>Assistance Administration</th>
<th>Security Reserve</th>
<th>Loan Servicing</th>
<th>Loan Warehousing</th>
<th>Operating Account</th>
<th>Total Other Programs and Accounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program loans and loan agreements -- net</td>
<td>218,807.92</td>
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<td></td>
</tr>
<tr>
<td>Interest income - Investments -- net</td>
<td>5,367,501.68</td>
<td>0.00</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase (decrease) in fair value of investments</td>
<td>(811,204.19)</td>
<td>0.00</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan commitment fees</td>
<td>1,262,252.57</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other loan fees</td>
<td>4,249,921.80</td>
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<td></td>
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<tr>
<td>Other revenues</td>
<td>1,346,255.26</td>
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#### OPERATING EXPENSES

<table>
<thead>
<tr>
<th>Description</th>
<th>Total</th>
<th>Supplemental</th>
<th>Other Housing Contract Bond</th>
<th>Emergency Programs</th>
<th>Assistance Administration</th>
<th>Security Reserve</th>
<th>Loan Servicing</th>
<th>Loan Warehousing</th>
<th>Operating Account</th>
<th>Total Other Programs and Accounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest</td>
<td>0.00</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization of bond discount and bond premium</td>
<td>0.00</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mortgage servicing fees</td>
<td>1,262,252.57</td>
<td>0.00</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision (reversal) for estimated loan losses</td>
<td>(1,198,047.74)</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating expenses</td>
<td>0.00</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other expenses</td>
<td>0.00</td>
<td>0.00</td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

#### Operating income (loss) before transfers

<table>
<thead>
<tr>
<th>Description</th>
<th>Total</th>
<th>Supplemental</th>
<th>Other Housing Contract Bond</th>
<th>Emergency Programs</th>
<th>Assistance Administration</th>
<th>Security Reserve</th>
<th>Loan Servicing</th>
<th>Loan Warehousing</th>
<th>Operating Account</th>
<th>Total Other Programs and Accounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfers (interfund)</td>
<td>0.00</td>
<td>409,378,500.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers (intrafund)</td>
<td>0.00</td>
<td>500,000.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Increase (decrease) in fund equity

<table>
<thead>
<tr>
<th>Description</th>
<th>Total</th>
<th>Supplemental</th>
<th>Other Housing Contract Bond</th>
<th>Emergency Programs</th>
<th>Assistance Administration</th>
<th>Security Reserve</th>
<th>Loan Servicing</th>
<th>Loan Warehousing</th>
<th>Operating Account</th>
<th>Total Other Programs and Accounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>10,861,797.71</td>
<td>5,367,501.68</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9,812,135.87</td>
<td>5,367,501.68</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Fund equity at end of year

<table>
<thead>
<tr>
<th>Description</th>
<th>Total</th>
<th>Supplemental</th>
<th>Other Housing Contract Bond</th>
<th>Emergency Programs</th>
<th>Assistance Administration</th>
<th>Security Reserve</th>
<th>Loan Servicing</th>
<th>Loan Warehousing</th>
<th>Operating Account</th>
<th>Total Other Programs and Accounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>73,990,913.98</td>
<td>5,367,501.68</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## CASH FLOWS FROM OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts from customers</td>
<td>$13,855,681.08</td>
</tr>
<tr>
<td>Payments to suppliers</td>
<td>$12,993.23</td>
</tr>
<tr>
<td>Internal activity - payments other funds</td>
<td>$0.00</td>
</tr>
<tr>
<td>Other receipts (payments)</td>
<td>($1,772,618.79)</td>
</tr>
<tr>
<td>Net cash provided by (used in) operating activities</td>
<td>$12,670,171.06</td>
</tr>
</tbody>
</table>

## CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from sales of bonds</td>
<td>$0.00</td>
</tr>
<tr>
<td>Payment of bond principal</td>
<td>$0.00</td>
</tr>
<tr>
<td>Interfund transfers</td>
<td>$439,183.02</td>
</tr>
<tr>
<td>Net cash provided by (used for) noncapital financing activities</td>
<td>$439,183.02</td>
</tr>
</tbody>
</table>

## CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from maturity and sale of investments</td>
<td>$103,329,824.30</td>
</tr>
<tr>
<td>Interest on investments</td>
<td>$2,100,898.12</td>
</tr>
<tr>
<td>Net cash provided by (used for) capital and related financing activities</td>
<td>$27,233.22</td>
</tr>
</tbody>
</table>

## CASH FLOWS FROM INVESTING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of investments</td>
<td>($124,435,000.00)</td>
</tr>
<tr>
<td>Interest on investments</td>
<td>$2,100,898.12</td>
</tr>
<tr>
<td>Net cash provided by (used for) investing activities</td>
<td>($19,064,277.58)</td>
</tr>
</tbody>
</table>

## RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities</td>
<td>$15,951,048.29</td>
</tr>
</tbody>
</table>

## ACCOUNTING FOR OTHER PROGRAMS AND ACCOUNTS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest expense on debt</td>
<td>$743,453.51</td>
</tr>
<tr>
<td>Changes in fair value of investments</td>
<td>($134,551.89)</td>
</tr>
<tr>
<td>Accretion of capital appreciation bonds</td>
<td>$0.00</td>
</tr>
<tr>
<td>Amortization of bond discount</td>
<td>$0.00</td>
</tr>
<tr>
<td>Amortization of deferred losses</td>
<td>$0.00</td>
</tr>
<tr>
<td>Amortization of bond issuance costs</td>
<td>$0.00</td>
</tr>
<tr>
<td>Amortization of bond premium</td>
<td>$0.00</td>
</tr>
<tr>
<td>Amortization of deferred revenue</td>
<td>$0.00</td>
</tr>
<tr>
<td>Depreciation</td>
<td>$0.00</td>
</tr>
<tr>
<td>Provision for yield reduction payments</td>
<td>$0.00</td>
</tr>
<tr>
<td>Provision for nonmortgage investment excess</td>
<td>$0.00</td>
</tr>
</tbody>
</table>
Changes in certain assets and liabilities:

<table>
<thead>
<tr>
<th>Description</th>
<th>Housing Assistance Trust</th>
<th>Contract Administration Programs</th>
<th>Supplemental Bond Security Reserve Account</th>
<th>Emergency Reserve Account</th>
<th>Loan Servicing</th>
<th>Loan Warehousing</th>
<th>Operating Account</th>
<th>Total Other Programs and Accounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of program loans</td>
<td>(59,683,718.35)</td>
<td>(29,444,602.91)</td>
<td>0.00</td>
<td>0.00</td>
<td>202,882,347.28</td>
<td>0.00</td>
<td>0.00</td>
<td>113,554,026.02</td>
</tr>
<tr>
<td>Collection of principal from program loans - net</td>
<td>38,035,257.76</td>
<td>1,399,993.36</td>
<td>0.00</td>
<td>0.00</td>
<td>2,571,703.43</td>
<td>0.00</td>
<td>0.00</td>
<td>42,546,954.55</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>3,454,444.30</td>
<td>(140,682.45)</td>
<td>0.00</td>
<td>0.00</td>
<td>452,892.47</td>
<td>0.00</td>
<td>0.00</td>
<td>3,766,654.32</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>(289.81)</td>
<td>0.00</td>
<td>(3,734,251.37)</td>
<td>0.00</td>
<td>222,173.16</td>
<td>0.00</td>
<td>(2,101.12)</td>
<td>(6,526,099.33)</td>
</tr>
<tr>
<td>Due from (to) other funds</td>
<td>(19,980,954.26)</td>
<td>(2,270,555.66)</td>
<td>(37,423.62)</td>
<td>(199,019.63)</td>
<td>(13,677,363.36)</td>
<td>33,257,676.08</td>
<td>(771,483.17)</td>
<td>41,093,933.26</td>
</tr>
<tr>
<td>Other assets</td>
<td>13,170.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>10,431.81</td>
<td>778,154.69</td>
<td>831.69</td>
</tr>
<tr>
<td>Deposits and other liabilities</td>
<td>3,983.84</td>
<td>(568,490.26)</td>
<td>37,189,714.75</td>
<td>0.00</td>
<td>(9,278,048.02)</td>
<td>0.00</td>
<td>0.00</td>
<td>228,804.48</td>
</tr>
<tr>
<td>Due to other governments</td>
<td>11.37</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>11.37</td>
<td>0.00</td>
<td>11.37</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>10,431.81</td>
<td>767,722.87</td>
<td>778,154.69</td>
</tr>
<tr>
<td>Net cash provided by (used for) operating activities</td>
<td>12,470,171.06</td>
<td>(40,339,030.42)</td>
<td>(9,413,483.28)</td>
<td>436,444.21</td>
<td>(9,868,435.19)</td>
<td>225,107,783.84</td>
<td>19,408,605.35</td>
<td>205,872,075.57</td>
</tr>
</tbody>
</table>