STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

BOARD OF DIRECTORS

PUBLIC MEETING

Holiday Inn Capitol Plaza
300 J Street
Sacramento, California

Thursday, September 12, 2013
9:30 a.m.

Minutes approved by the Board of Directors at its meeting held:
November 12, 2013

Attest:

Reported by: DANIEL P. FELDHAUS
California Certified Shorthand Reporter License #6949
Registered Diplomate Reporter, Certified Realtime Reporter

Daniel P. Feldhaus, C.S.R., Inc.
Certified Shorthand Reporters
8414 Yermo Way, Sacramento, California 95828
Telephone 916.682.9482 **Fax 916.688.0723**
FeldhausDepo@aol.com

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

ANNA CABALLERO
Secretary
Business, Consumer Services & Housing Agency
State of California

CLAUDIA CAPPIO
Executive Director
California Housing Finance Agency
State of California

KATIE CARROLL
for Bill Lockyer
State Treasurer
State of California

JANET FALK
formerly Vice President, Real Estate Development
Mercy Housing

MICHAEL A. GUNNING
Vice President
Personal Insurance Federation of California

JONATHAN HUNTER
Managing Director, Region 2
Corporation for Supportive Housing

MATTHEW JACOBS
Co-Managing Partner
Bulldog Partners, LLC

TIA BOATMAN PATTERSON
General Counsel
Sacramento Housing and Redevelopment Agency

LAURA WHITTALL-SCHERFEE
for Randall Deems, Acting Director
Department of Housing and Community Development
State of California

APPEARANCES

Participating CalHFA Staff

SHERYL ANGST
Housing Finance Specialist
Single-Family Lending Division

THOMAS O. FREEBURGER
Assistant General Counsel
Legal Division

KENNETH H. GIEBEL
Director
Single Family Lending

TIM HSU
Director
Financing Division

VICTOR J. JAMES II
General Counsel
Legal Division

MISTY MILLER
Public Records Officer *and* Privacy Program Coordinator
Legal Division

JAMES S.L. MORGAN
Chief
Multifamily Programs

JOJO OJIMA
Office of the General Counsel
Legal Division

RICK OKIKAWA
(Interim) Programs Administrator

JACKLYNNE RILEY
Acting Director
Administration Division

THERESE VOLK
Project Manager
Information Technology Division

--o0o--

Table of Contents

Table of Contents

Table of Contents

--oOo--

BE IT REMEMBERED that on Thursday, September 12, 2013, commencing at the hour of 9:42 a.m., at the Holiday Inn Capitol Plaza, 300 J Street, Sacramento, California, before me, DANIEL P. FELDHAUS, CSR #6949, RDR and CRR, the following proceedings were held:

--oOo--

Item 1. Roll Call

CHAIR CAREY: Okay, I'm going to welcome everybody to the September 12th meeting of the California Housing Finance Agency Board of Directors.

Our first order of business is roll call.

MS. OJIMA: Thank you.

Ms. Caballero?

MS. CABALLERO: Here.

MS. OJIMA: Ms. Whittall-Scherfee for Mr. Deems?

MS. WHITTALL-SCHERFEE: Here.

MS. OJIMA: Ms. Falk?

MS. FALK: Here.

MS. OJIMA: Mr. Gunning?

MR. GUNNING: Here.

MS. OJIMA: Mr. Hunter?

MR. HUNTER: Here.

MS. OJIMA: Mr. Jacobs?

MR. JACOBS: Here.

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

MS. CARROLL: Here.

MS. OJIMA: Ms. Patterson?

MS. PATTERSON: Here.

MS. OJIMA: Mr. Shine?

(No response)

MS. OJIMA: Mr. Smith?

(No response)

MS. OJIMA: Mr. Alex?

(No response)

MS. OJIMA: Ms. Matosantos?

(No response)

MS. OJIMA: Ms. Cappio?

MS. CAPPIO: Here.

MS. OJIMA: Mr. Carey?

CHAIR CAREY: Here.

MS. OJIMA: We have a quorum.

CHAIR CAREY: Thank you.

I would like to take a moment to say that we are very honored and privileged to have the Secretary of Consumer Services and Housing here today.

Thank you for joining us.

MS. CABALLERO: Thank you.

//

//

Item 2. Approval of Minutes of May 9, 2013, Board of Directors Meeting

CHAIR CAREY: The next item of business is approval of the minutes of May 9th.

And if someone would make a motion --

MR. GUNNING: So moved -- I'll make a motion to approve the minutes.

MS. OJIMA: Thank you.

MS. PATTERSON: Second.

CHAIR CAREY: A motion and a second.

Roll call, please.

MS. OJIMA: Thank you.

Ms. Caballero?

MS. CABALLERO: Abstain.

MS. OJIMA: Thank you.

Ms. Whittall-Scherfee?

MS. WHITTALL-SCHERFEE: Approve.

MS. OJIMA: Ms. Falk?

MS. FALK: Yes.

MS. OJIMA: Mr. Gunning?

MR. GUNNING: Yes.

MS. OJIMA: Mr. Hunter?

MR. HUNTER: Abstain.

MS. OJIMA: Thank you.

Mr. Jacobs?

MR. JACOBS: Yes.

MS. OJIMA: Ms. Carroll?

MS. CARROLL: Yes.

MS. OJIMA: Ms. Patterson?

MS. PATTERSON: Yes.

MS. OJIMA: Mr. Carey?

CHAIR CAREY: Yes.

MS. OJIMA: The minutes have been approved.

CHAIR CAREY: Thank you.

--oOo--

Item 3. Chairman/Executive Director Comments

CHAIR CAREY: Next, we'll simply turn this over to our Executive Director for comments.

MS. CAPPIO: Thank you, Chair.

Good morning. And I'd also like to echo a warm welcome to Secretary Caballero.

We also need to give Janet and Matt an official congratulations, as they were officially confirmed in the summer.

CHAIR CAREY: All right.

(Applause)

MS. CAPPIO: And I just have a new brief items.

On July 1, it became official that CalHFA was integrated into the new Business Consumer Services and Housing Agency. We've hit the ground running and have been having a good time. We've had to hit the ground running because of the various legislation floating around. And it's great to be in a new agency. And I look forward to effectively working together.

The Homelessness Policy Academy continues to run. We had another summit of the statewide stakeholders at the end of July. And we continue to focus on three fronts:

First, how to increase access for the homelessness -- the chronic homelessness, into permanent supportive housing. And that really looks at why there are barriers right now, and also what else we need to provide with permanent supportive housing in order to effectively serve the chronic homeless folks.

Improving and retooling crisis intervention, the crisis response system. Not necessarily the State intervening in that, but what are the most effective ways to do that, and how we coordinate intervention at the local level. Because, as you know, many of these chronic homeless people, unfortunately, go into emergency rooms frequently, get picked up by the police; and so there is a drain on resources that could be used in a more effective way.

And finally, increasing access to tools that are conventionally available, including Social Security, Disability, and Medi-Cal. So, again, we look at resources that could be applied to more effectively giving them the intervention and safety net that they need.

The next and final summit for this program will be at the beginning of November. And I will follow up with the Board on our final recommendations and findings.

Lastly, the housing cost study continues to be, I will say without hesitation, a thorn in my side but necessary work.

We met with the Advisory Committee in July. And the study has been drafted. We're responding at this point to following up on some questions and concerns that came out during that meeting. And I expect a draft to be published and distributed sometime within the next 30 to 45 days.

And that's it.

Thank you.

CHAIR CAREY: Thank you very much.

Any questions?

MS. FALK: I have two.

MS. CAPPIO: Sure.

MS. FALK: The first one on the homeless study, could you refresh our memories as to who was part of that summit?

MS. CAPPIO: Oh, sure. California was one of four states that were chosen for basically a technical assistance grant for the substance-abuse and mental-health services at the federal level, part of HHS. And we've been working since January. And we basically invited a broad list of stakeholders, including local homelessness providers, policy people, Department of Corrections, Department of Health Care Services. So there's a number of people from the State -- Cal-Vets. And we've been trying to broaden the participation as much as possible because we're looking for the most effective means to intervene.

It's a joint effort with our sister agency at Housing and Community Development. And there is a great person, Cindy Cavanaugh, who has been leading the effort.

So that's what's going on.

MS. FALK: Okay, great.

MS. CAPPIO: Oh, and you had a second one?

MS. FALK: Yes. Can you give us any preview of the cost study?

MS. CAPPIO: I can safely say there is something in it for everyone to hate.

There are -- I think the data is taken from tax-credit projects. So we have over 400 actual examples and analysis of tax credit projects over the last ten years. And I can't give you any findings because it's still in administrative draft. But I think there will be stuff to follow up on that will get us toward better practices. And I can't -- I really am very eager to share it with the Board because I really want to make sure that the follow-up for that is what really matters to me.

CHAIR CAREY: Okay, thank you.

--o0o--

Item 4. Report of the Chair of the Compensation Committee; *and*

Item 5. Discussion, recommendation, and possible action adopting a resolution changing the name of the Compensation Committee and to amend the provisions of its Charter

CHAIR CAREY: Okay, next, we have a report from the chair of the Compensation Committee, who is Michael Gunning.

MR. GUNNING: Thank you, Mr. Chairman.

The Compensation Committee, if you know or happen to know that we had a packet at the last Board meeting about what the Committee does and what it's supposed to do. And that's principally the annual review of the Executive Director.

Fortunately -- or unfortunately -- the word "*compensation*" sets off a lot of red flags. I got my calls from my friends in the Legislature, asking what are we doing, what compensation are we considering.

In the past, it was used to determine compensation levels for the employees. Since then, it really is about the annual evaluation of the Executive Director.

But with that in mind, the members of the Committee -- Peter, Jack, and I guess it was Russia, but she is no longer there -- decided we ought to change the name. And so I think Victor has prepared a mock-up of the changes we made -- it's Number 137 in your packet -- to "Executive Evaluation." So you see it there.

And then subsequently, within the document there are some additional changes that we thought were necessary. Specifically, under Number 7, what we were thinking is, if there was a need to look at compensation, it would be at the directive of the Board. So the Board would say, or felt like it's time to take a look at the compensation level and then the Committee would be so directed.

So we wanted to make that clear here.

And then I guess, Victor, the other changes were cleanup to make the document flow well.

MR. JAMES: That's correct, Mr. Gunning.

MR. GUNNING: There's also a copy in here that is actually the one without the edit. So that's the next copy.

So the recommendation today from the Committee is that we accept these changes, rename the Committee, and the subsequent changes therein.

CHAIR CAREY: Are there any questions? Any questions from Board members?

(No response)

CHAIR CAREY: I think we're trying to strike a comfortable balance between the practicalities of the issues, the Agency, and the statutory authority of the Board. And I think this does that.

This is an action that the Board proposed.

So if there's anybody from the public who would like to comment on this particular issue, this would be the time to do so. Please indicate if you'd like to comment.

MR. JAMES: I'm sorry, Mr. Chair?

CHAIR CAREY: Yes?

MR. JAMES: Just for my clarification, we're also dealing with Item 5, as well as -- both Items 4 and 5?

CHAIR CAREY: Yes, I'm sorry.

MS. CAPPIO: One is the report, and one is the resolution.

CHAIR CAREY: Yes.

MS. CAPPIO: Okay.

CHAIR CAREY: I'm sorry, yes, the resolution would enact the change that Mr. Gunning described.

(No response)

CHAIR CAREY: Seeing none, we would accept a motion for the resolution.

MS. FALK: So moved --

MR. HUNTER: I'll move the motion.

CHAIR CAREY: It's been moved.

MS. FALK: Second.

CHAIR CAREY: Second?

Okay, roll call, please.

MS. OJIMA: Thank you.

Ms. Caballero?

MS. CABALLERO: Aye.

MS. OJIMA: Ms. Whittall-Scherfee?

MS. WHITTALL-SCHERFEE: Aye.

MS. OJIMA: Ms. Falk?

MS. FALK: Aye.

MS. OJIMA: Mr. Gunning?

MR. GUNNING: Aye.

MS. OJIMA: Thank you.

Mr. Hunter?

MR. HUNTER: Aye.

MS. OJIMA: Mr. Jacobs?

MR. JACOBS: Aye.

MS. OJIMA: Ms. Carroll?

MS. CARROLL: Aye.

MS. OJIMA: Ms. Patterson?

MS. PATTERSON: Aye.

MS. OJIMA: Mr. Carey?

CHAIR CAREY: Aye.

MS. OJIMA: Resolution 13-10 has been approved.

CHAIR CAREY: Thank you.

MR. GUNNING: Thank you, guys.

CHAIR CAREY: And so this committee shall henceforth be known as the "Executive Evaluation Committee."

And as this is my last Board meeting as a member of the Board, and I sit on that committee, and to keep things moving, I've asked Janet Falk if she would be willing to join that committee in my place; and she has graciously agreed.

MS. CAPPIO: Thank you.

CHAIR CAREY: So she will be now a member of that committee.

Okay, with that, now, we are about to enter into our closed session.

We have three items to discuss in the closed session. The specifics of the statute which permit us to enter into the closed session are listed under each of the three next items on the agenda.

And so with that, we'd ask the room clear; and only the reporter will stay with us to take brief notes on the discussions.

(The Board of Directors met in executive closed session at 9:54 a.m.)

Item 6. Closed session under Government Code section 11126(a)(1) to evaluate performance of a public employee; ***and***

Item 7. Closed session under Government Code sections 11126(a)(1) and 11126(b) to consider the appointment of a Programs Administrator; ***and***

Item 8. Closed session under Government Code section 11126(e)(2)(B)(i); significant exposure to litigation against the state body (one potential case)

(The Board of Directors completed meeting in executive closed session at 11:28 a.m.)

--o0o--

CHAIR CAREY: Okay, we are back in open session to consider the three items listed on the agenda, as specified. And there were no actions taken in the closed session. There were no actions, so there are no actions to be reported out.

And with that, we'll move on to Item 9.

--o0o--

Item 9. Discussion, recommendation, and possible action adopting a resolution to appoint a Programs Administrator

CHAIR CAREY: Claudia?

MS. CAPPIO: Board Members, this is a recommendation via Resolution 13-11 to appoint a programs administrator for the Agency. And under that position, that will encompass Asset Management, Multiple-Family programs, Single-Family programs, and Portfolio Management -- Single-Family and Portfolio Management.

We have done some strategic thinking in the last few years, and believe that such a reorganization and a consolidation of what used to be a number of other senior managers makes sense for the Agency now, from my perspective, particularly, to build the bench. And we are recommending that the individual who has served in that position in an interim capacity, Rick Okikawa, be appointed.

So the resolution before you basically outlines why we're doing this and that Rick is qualified. And I request that you adopt this resolution, and that he carry on and become permanent programs administrator.

CHAIR CAREY: We need a number for the…

MS. CAPPIO: Do you know what the upper limit is?

MR. JAMES: The upper -- $210,000 is the upper limit.

MS. CAPPIO: Okay, so that's the upper limit of your authority.

MS. PATTERSON: But that's the blank -- that's the number that goes in this blank?

MS. CAPPIO: Yes.

CHAIR CAREY: Yes. It's the preapproved upper limit of that range.

MS. CAPPIO: Via your previous board actions.

CHAIR CAREY: Previous actions, yes.

MR. JAMES: For the director of Multifamily?

MS. CAPPIO: Right.

CHAIR CAREY: Any questions from Board members?

(No response)

CHAIR CAREY: This is an opportunity -- if there is anyone in the audience who would like to address the Board on this specific item, please indicate.

(No response)

CHAIR CAREY: Seeing none, we have Resolution

13-11 in front of us.

MR. HUNTER: I'll move approval of Resolution 13-11.

CHAIR CAREY: Motion.

MS. FALK: Second.

CHAIR CAREY: And a second.

MS. OJIMA: Thank you.

CHAIR CAREY: Okay, roll call, please.

MS. OJIMA: Ms. Caballero?

MS. CABALLERO: Aye.

MS. OJIMA: Ms. Whittall-Scherfee?

MS. WHITTALL-SCHERFEE: Aye.

MS. OJIMA: Ms. Falk?

MS. FALK: Aye.

MS. OJIMA: Mr. Gunning?

MR. GUNNING: Aye.

MS. OJIMA: Mr. Hunter?

MR. HUNTER: Aye.

MS. OJIMA: Mr. Jacobs?

MR. JACOBS: Aye.

MS. OJIMA: Ms. Carroll?

MS. CARROLL: Aye.

MS. OJIMA: Mr. Carey?

CHAIR CAREY: Yes.

MS. OJIMA: Resolution 13-11 has been approved.

CHAIR CAREY: So that's approved and reflective of what I think we all feel is a very positive decision here.

MS. OJIMA: Thank you.

CHAIR CAREY: Congratulations.

(Applause)

MS. OJIMA: I'm sorry, Ms. Patterson?

MS. PATTERSON: Yes.

MS. OJIMA: I have lines all over the place.

Thank you.

CHAIR CAREY: All right, JoJo is kind of new at this, so…

MS. OJIMA: I'm just overwhelmed because I'm so sad, missing him after today.

--o0o--

Item 10. Discussion, recommendation, and possible action adopting a resolution authorizing the Executive Director or her designee to negotiate & enter into a contract for Single Family replatforming services

CHAIR CAREY: Moving on to Item 10.

And do we have two people?

MS. CAPPIO: Yes, Therese Creamer will take this item. She works with I.T.

CHAIR CAREY: Great. Welcome, Therese.

MS. VOLK: Good morning. My name is Therese Volk.

MS. CAPPIO: Excuse me.

MS. VOLK: I'm from the Information Technology Division. I am the software development manager, and have been with the Agency for many, many years.

Today, I'm bringing forward agenda Item Number 10 for you.

Earlier this year we came before the Board, and we explained that the current single-family computer system, both the hardware and software technical platform, it's obsolete and at capacity. We requested funds in the budget to bring in a vendor to provide a new platform for the existing system.

The Board responded and approved the funds.

Subsequently, the Agency sought a vendor to provide for the design, development, and implementation of a software solution. The expected cost of the project is a one-time cost of $1.5 million over two fiscal years. The necessary funds have already been approved as part of the current fiscal-year budget.

Today, I'm requesting Board approval of Resolution 13-12 to allow the Agency to negotiate and enter into an agreement with the selected vendor.

CalHFA needs to replace the existing

single-family system for a variety of reasons. The current system is fragile. It was built in a technical environment that is not sustainable. It's also very old. It was built 20 years ago. And in computer times, that's very, very old.

The current system is also at capacity, which restricts the ability of the Agency to quickly adapt to changing business needs, such as new loan products or secondary marketing capabilities.

The current system is obsolete. It doesn't incorporate current information technology best practices. It doesn't even have a mouse interface.

And finally, the current system is marginally responsive. Information is not easily available to management to effectively make reporting or analysis for business decisions.

The objectives of this single-family re-platforming project are to move the existing system to a stable and modern technical environment that is consistent with CalHFA's technical standards and operations. It will improve business operations and efficiencies, and provide the flexibility necessary to be responsive to change. It will allow us to integrate our loan processes across business functions, and improve information quality, integrity, and timeliness for all stakeholders.

And finally, it will allow us to improve services to our customers.

To meet these objectives, the project used the Agency's procurement best practices process to identify the best system solution and vendor for this project.

To summarize the procurement and selection process that was followed, an RFP was released to five vendors. And as part of this RFP, it also included the contract, the proposed contract.

One vendor expressed interest and submitted a proposal. That vendor is Public Consulting Group, PCG.

That proposal was evaluated. A vendor interview was conducted, which included interviews with the key staff who would be working on the project. The references were checked, and a recommendation decision was reached.

Based on the outcome of the procurement and selection process, it's been determined that PCG offers a comprehensive solution to meet the needs of the Agency. It appears capable of successfully completing the project. It appears to be a financially stable company, with a strong client list, and 25 years' experience with similar technology consulting projects.

It offers significant value at a reasonable price, and successfully completed a similar project with CalHFA in 2009, when we re-platformed our fiscal services system.

The proposed project schedule would have the project beginning next month, in October. It would take an estimated 12 months before we could go live in October 2014, and the warranty period complete and final solution acceptance period would finish in May 2015, which would be the end of the contract. And the proposed one-time costs are $1.5 million.

So today, we're coming before you, asking the Board to approve Resolution 13-12 to allow the Agency to negotiate and enter into a contractual relationship with PCG for the design, development, and implementation of software and services that will result in a single-family solution on a new technical platform that would meet Agency needs.

I ask your approval.

Any questions?

CHAIR CAREY: Questions?

Sure, Matt.

MR. JACOBS: Is there any possible crossover use with our sister agency for any programs they're operating?

MS. VOLK: I think that might be a better question addressed by Claudia.

MS. CAPPIO: There is single-family homeownership activity at HCD. It's very small. We've done an initial reconnaissance of that.

Maybe I could ask Rick to come up quickly and -- there wasn't a lot of crossover at the time; but we are not adverse to looking at that as we move forward with consolidation.

MR. JACOBS: Or at least in the contract, to get a license.

MR. OKIKAWA: Correct. When we did an initial reconnaissance, there were approximately around 2,000 single-family loans by HCD which are being serviced. And their primary down-payment assistance, I think, were Joe Serna loans.

There could be future need for some kind of a joint computer system, and I think --

MS. CAPPIO: We certainly could look at that and make sure that we're not omitting any future opportunities.

MR. OKIKAWA: Right.

MS. WHITALL-SCHERFEE: I think currently most of the HCD programs, the local governments -- they get the funds, and they do it at the local government level. They make loans to homeowners and service them. So most of the HCD single-family loans are existing. They've been there for a long, long time. And it's not an active part of our portfolio.

MS. CAPPIO: And if I could add, or ask Therese, is it -- it's expandable. This system could conceivably be --

MS. VOLK: It is. Essentially, we're just recoding everything, from a UNIX-based, Cobalt-like system, although it's not Cobalt, to a Microsoft SQL-server world. And from that, we will continue to add on as new loan programs are good -- it easily ties in with everything else we do, which is also the Microsoft SQL server world.

MS. WHITALL-SCHERFEE: And to the extent that we might go into that area, we, of course, would be interested in continuing the conversation with CalHFA on all systems.

MS. VOLK: We'd be happy to work with you.

MS. CAPPIO: And you are also on a SQL server, Windows SQL server?

MS. WHITTALL-SCHERFEE: Right now.

MS. VOLK: A lot of their operations, I believe, are also on Oracle. Yes, it is actually different.

MS. WHITALL-SCHERFEE: Yes, it is Oracle. It's not SQL.

CHAIR CAREY: Not SQL?

MS. WHITALL-SCHERFEE: Not SQL.

CHAIR CAREY: Other questions?

MR. HUNTER: Not that it's all that shocking, but did you get any feedback from the other four vendors as to why they chose not to submit a proposal?

MS. VOLK: No, we did not get any feedback. A few just sent an e-mail saying they weren't interested in working with us at this time. It was probably too small of a project for them to get that interested in it.

One actually called me to chat, but I think he was more of a salesman. And I think he was just really looking to get into the contract with us. They just really weren't that interested in it.

CHAIR CAREY: Janet?

MS. FALK: So given that you only have one bid, which is always a little concerning to me, do you feel like this is a reasonable price because you don't have anything to compare it to?

MS. VOLK: We do feel this is a reasonable price. This is actually what's in line with what we pay for the fiscal services re-platforming in 2009 to 2010. That would be calendar years, not fiscal years.

It took approximately 12 to 15 months, I'm not sure exactly how long it took. And it was approximately the same cost, and the same group. And many of the same -- the key people who worked on that project, many of them are still with the company. And we interviewed them last month, and they will be working on this project also. So they have a history with us of success.

CHAIR CAREY: And the experience with that project was positive?

MS. VOLK: Yes, it was.

CHAIR CAREY: Any other questions?

Yes?

MS. PATTERSON: So this is just a reso, kind of formatting kind of question.

So in your "whereases," you had that you expect it to be 1.5; but down below the line, where you actually get the authority, you don't have "an amount not to exceed 1.5."

So are you anticipating -- do you want that flexibility so that you can negotiate the contract? Because if it's one-point -- I don't -- I'm just trying to get, what's your parameter?

MR. JAMES: Correct, 1.5 is what we expect this -- not to exceed 1.5 is what we expect this to be.

MS. PATTERSON: Okay.

MR. JAMES: Candidly, if we could negotiate a price that's something less than that --

MS. PATTERSON: Less than that.

MR. JAMES: -- great.

MS. PATTERSON: Right.

MR. JAMES: Part of the practical problem here is that we've been through this RFP process. And then because it exceeds a million dollars in a year, we have to bring it before the Board for approval.

MS. PATTERSON: Right.

MR. JAMES: But that doesn't mean that we can't further negotiate. We will.

MS. PATTERSON: Okay.

MS. JAMES: But not only is our expectation to get it below 1.5, but we're also actually asking in that second --

MS. PATTERSON: Uh-huh, that she can negotiate change orders up to 7 percent at a time?

MR. JAMES: 7 percent.

MS. PATTERSON: I get that.

So does that mean it would be 7 percent over the 1.5 --

MR. JAMES: Yes.

MS. PATTERSON: -- and that's the max?

MR. JAMES: Yes.

MS. PATTERSON: Okay.

MR. JAMES: That would be the maximum authority the Board is giving us, is 1.5 plus the 7 percent. And my math isn't that great, so…

MS. PATTERSON: Okay.

MS. CAPPIO: Do you want to clarify language, or --

MS. PATTERSON: Well, I would like to see "an amount not to exceed 1.5" in section 1. But I do want you to have the flexibility to provide at least 7 percent of the contract over the 1.5, to consider change orders. So I think --

MR. JAMES: Okay, so what it can read, I think, is: "The Executive Director and/or her designee is authorized to negotiate and execute a contract with Public Consulting Group for the design, development, and implementation of software product, meeting the needs of the Agency, not to exceed 1.5."

MS. PATTERSON: Okay.

MR. JAMES: Does that work?

MS. PATTERSON: Yes.

And I would move staff recommendation with that change to the reso.

MR. JAMES: I'm sorry?

MS. PATTERSON: I would move staff recommendation.

MR. GUNNING: I'll second.

CHAIR CAREY: So we have a motion and a second with an amended resolution.

Okay, well, this is an opportunity, if there's anyone in the room who would like to comment specifically on this action, please indicate.

(No response)

CHAIR CAREY: Seeing none, roll call.

MS. OJIMA: Thank you.

Ms. Caballero?

MS. CABALLERO: Aye.

MS. OJIMA: Ms. Whittall-Scherfee?

MS. WHITTALL-SCHERFEE: Aye.

MS. OJIMA: Ms. Falk?

MS. FALK: Aye.

MS. OJIMA: Mr. Gunning?

MR. GUNNING: Aye.

MS. OJIMA: Mr. Hunter?

MR. HUNTER: Aye.

MS. OJIMA: Mr. Jacobs?

MR. JACOBS: Aye.

MS. OJIMA: Ms. Carroll?

MS. CARROLL: Aye.

MS. OJIMA: Ms. Patterson?

MS. PATTERSON: Aye.

MS. OJIMA: Mr. Carey?

CHAIR CAREY: Aye.

MS. OJIMA: Resolution 13-12 has been approved.

CHAIR CAREY: And let's get it done. It's pretty frightening.

--o0o--

Item 11. Discussion, recommendation, and possible action to modify Resolution 96-20 to further clarify the Predevelopment Loan Program

CHAIR CAREY: Okay, moving on to Item 11, the Nonprofit Predevelopment Loan Program.

MR. MORGAN: Good morning.

We're here to talk about the Predevelopment Loan Program for nonprofits. I handed out some resolutions that the memo references for your reference point, if needed.

Given the fact that the last time we had a predevelopment resolution and structure back in '95-96 and given the fact that there has been an incredible amount of interest in our Preservation Loan Program, some of the small- to mid-size nonprofits have inquired within about our Predevelopment Loan Program.

And so in researching with our friends in Legal, we went back and looked at the resolution, and moving forward, decided that we wanted to update the context of that Predevelopment Loan Program. And that's what you have in front of you.

The proposal references the changes within those previous resolutions from increasing the loan amount from $250,000 to $500,000; removing an allocation requirement, a set-aside of $2.5 million, and replacing that with a maximum aggregate of $500,000. Basically, ten $500,000 loans outstanding at one time.

Reduce the non-refundable loan fee from 1 and a half to 1 percent, and replace these variable-rate indices. I know that it references "11th District cost of funds." I remember that when I was with the savings and loan industry. Those are just outdated and no longer applicable. And replacing that with a fixed interest rate based on the current market conditions.

Prohibit these predevelopment loans to acquire land, which was an allowable use in '95 and '96.

Allow the option to secure these predevelopment loans by real estate and personal property. So we can go -- if the project is in an existing deal in our portfolio and they are seeking to recapitalize and refinance, we can secure the predevelopment loan with a deed of trust on that property, or we can secure the loan with a deed of trust on another property the developer may have; or we may look at doing corporate or individual guarantees, and look at their financial statements, look at the net worth, look at what we can do as far as financial strength. Or the last choice could be unsecured. But those would be the four options.

The unsecured option is not the most strongest option we like, that's for sure.

And then also to amend the source of funding from our HAT funds to non-HAT funds.

And that is the proposal that we have in front of you today.

MR. OKIKAWA: Mr. Chairman, Members of the Board, I'd like to add a couple things here.

Back in '96 -- '95 and '96, which we do have those attachments of the original resolutions and the memorandums -- what we originally did this predevelopment loan for, was mainly for acquisitions. And, of course, as things have changed and the needs have changed, we're trying to modify that.

But if you notice the $2.5 million annually, that is tied to the HAT funds, or Housing Assistance Trust Funds, which is our unencumbered assets. And the major reason for this update is because we want to free those Housing Assistance Trust assets. And part of that will be brought out, I think, in Tim's presentation a little bit down the road.

And what we were doing is funding through non-HAT funds. And I just want to make that point in terms of what we originally had thought is, those loans were from HAT funds, and they were appropriated each year, $2,500,000. Now, we're looking at cumulatively $5 million. So no more in the budget $2,500,000 for the HAT funds.

CHAIR CAREY: Questions from Board Members?

MR. JACOBS: Is there a provision to extend this? Because to do a project in Los Angeles, it needs EIRs. 24 months is not --

MR. OKIKAWA: Yes, there is. And they're two-year periods, with permission by the Executive Director, approval by the Executive Director to extend. So we do have that. That was in the '96 amendment -- that was in the '96 resolution. And we want to continue that with this resolution. And it should be in here.

MS. FALK: Why do you want to change it to prohibit acquiring land?

MR. OKIKAWA: I couldn't hear you, Janet. I'm sorry.

MS. FALK: Why did you want to make a change to prohibit acquiring land?

MR. OKIKAWA: I think Jim could better address this.

But originally, when we did a lot of these, we did many options to purchase. In allowing those options, those were very risky. And we thought we'd more focus on the soft costs.

And, Jim, do you want to talk a little bit more about that?

MR. MORGAN: Yes. For this type of developer, it's a very limited balance sheet. We've received in the last 12 years, two predevelopment loan applications and they were very -- they were for small developers that were looking for -- like, your EIR studies, permit, architectural, and engineering cost, bonding fees, those type of items.

And word of mouth gets out, and we're now the CalHFA land loan program. We were just trying to focus on the need, and the need that we see was more for predevelopment costs and not necessarily land.

And land being speculative, and a lot of focus on land and land values, we just wanted to steer away from that, and not just have, you know, $500,000 -- it could be a half million dollars land, a loan for the piece of land, that may sit there for a year, two years, three years, while you're trying to go through that development process.

MS. FALK: That's true with the predevelopment costs, too.

MR. MORGAN: Right. But on the predevelopment loan side, it is a requirement that you have to use CalHFA as your lender as well. So, I mean, where the deals that we've seen to evaluate for request have almost all -- both of those deals have been -- and the new inquiries as well -- have been on just predevelopment cost.

We just felt it was a more secure -- a safer way not to do predevelopment loans on land acquisitions.

CHAIR CAREY: Jonathan?

MR. HUNTER: Yes, I just wanted to make sure I understood how this fits into the deal, because it caught my eye that you only do predevelopment loans on a project that you're doing a main loan on.

So basically, this tool is primarily a tool to get some cash in the hands of the developer during the development phase, before the loan closing of construction or permanent financing.

Is that what you're doing?

MR. MORGAN: That's correct. Like, for example, one of the inquiries we have is a very small developer out of Humboldt County; and to write a check out of their cash of $30,000 is virtually impossible.

This deal that they are talking about is in our portfolio. It's in Year 29 of a 30-year term. There's only a hundred thousand dollars outstanding on the balance. We feel comfortable securing that with a deed of trust, and helping them out with those predevelopment costs as they go through us and the Preservation Loan Program due-diligence process.

CHAIR CAREY: Tia?

MS. PATTERSON: Did I hear you say you had two applications last year?

MR. MORGAN: No, two applications in 12 years. It's not like they are -- you know, my experience here --

MS. PATTERSON: Okay, this isn't a real robust program.

MR. MORGAN: Yes, yes. But given the change -- yes, it's not something that it's high-volume, yes.

MS. PATTERSON: Okay, so this is just a small program that goes to help supplement preservation, kind of recapitalization --

MR. MORGAN: Exactly.

MS. PATTERSON: -- so that you can help out the developer.

MR. MORGAN: Jump-start.

MS. PATTERSON: It's not like a big --

MR. MORGAN: No.

MS. PATTERSON: And you want to basically delegate this down to the Executive Director at $250,000?

MR. MORGAN: The way the resolutions are set up, that delegation has already been given to Claudia.

MS. PATTERSON: Okay.

MR. MORGAN: We have our senior loan committee. We do have a formal process that we go through for recommending approval.

MS. PATTERSON: Okay.

MR. MORGAN: That was the second resolution that 96 -- is it 96-20? -- because they were bringing $51,000 predevelopment loans to the Board for approval.

MS. PATTERSON: Yes, okay.

Move staff recommendation.

MR. JACOBS: Second.

CHAIR CAREY: Okay, we have a motion and a second.

Any further discussion?

(No response)

CHAIR CAREY: This is an opportunity, if anyone in the audience would like to comment on the specific action, please indicate so.

(No response)

CHAIR CAREY: Seeing none, roll call.

MS. OJIMA: Thank you.

Ms. Caballero?

MS. CABALLERO: Aye.

MS. OJIMA: Ms. Whittall-Scherfee?

MS. WHITTALL-SCHERFEE: Aye.

MS. OJIMA: Ms. Falk?

MS. FALK: Aye.

MS. OJIMA: Mr. Gunning?

MR. GUNNING: Aye.

MS. OJIMA: Mr. Hunter?

MR. HUNTER: Aye.

MS. OJIMA: Mr. Jacobs?

MR. JACOBS: Aye.

MS. OJIMA: Ms. Carroll?

MS. CARROLL: Aye.

MS. OJIMA: Ms. Patterson?

MS. PATTERSON: Aye.

MS. OJIMA: Mr. Carey?

CHAIR CAREY: Yes.

MS. OJIMA: Resolution 13-13 has been approved.

CHAIR CAREY: Okay, thank you, gentlemen.

--o0o--

Item 12. Update of Single Family Loan Products

CHAIR CAREY: We are moving on to an update of the single-family loan products.

MR. OKIKAWA: Mr. Chairman, Members of the

Board, I'd like to take a quick moment to thank you for your support, and to tell you that I'm honored and excited about serving this Board in my new capacity. So thank you.

CHAIR CAREY: Great.

MR. OKIKAWA: Since there are so many -- a little technicality here, excuse me.

I'll continue.

Since we have new Board members -- we also have people here that we've presented before with a little more familiarity -- we'd like to do a little bit introduction of ourselves before we start the presentation.

And you obviously have had plenty of me.

So I'll skip me and go on to Ken and Sheryl.

MR. GIEBEL: Okay, so we'll go quickly today for you.

Single-family lending has been really busy since -- all summer. And we're really going to get busier and we're going to keep going, probably until the spring, with some of the things you've seen before. But I just wanted to let you know what's going on in the first two months of the year because we have been busy.

And then Sheryl is going to present to you, because of some legislation that was approved, an energy-efficient CalHFA, FHA energy-efficient program. So we'll take you through that quickly.

Okay, just to let you know, as of July 1st, prior to the introduction of the TBA single-family products, we put in the new underwriting requirements on the CHDAP loans. So just to let you know, for July and August, the CHDAP loan volume went down to 45 percent once we put those in.

So we believe that we'll be at about 50 percent. So last year, we did six thousand -- what --

MS. ANGST: 6,200.

MR. GIEBEL: -- 6,200 loans.

We will probably be about half of that. Those are only on CHDAP stand-alones, okay.

So these changes that we put into effect July 1st cause about a half -- 50 percent drop in our CHDAP volume.

Okay, you've seen these before, and were very instrumental in getting these done.

Just some other things we've been working on:

We do have an MCC, a Mortgage Credit Certificate program. We are picking up steam on that program. We have four times the reservations in July and August, than we had in July and August last year. We continue to see that number go up.

We do, however -- I wanted to let you know, we expect about $29 million of the 2011 MCC allocation to expire at the end of the year.

All right, that's -- we have plenty of MCC money for '12 and '13 allocation, but we just wanted to make you aware.

Our special programs: Our goal was kind of interesting. We thought we'd collect $20 million in the fiscal year. We've collected $14.4 million: 6.4 from HELP, 8 from RDLP. We probably, as of today, are probably about at 15.2.

We have an interest forgiveness program out there through December 31st that seems to be working, as people are working through with the OF on their ROPs. More of that seems to be coming in, and they're paying off.

So we have six more loan modifications underway right as I speak. And the junior loan subordinations, those are CHDAPs, old School Facility Fee loans, some CHAPs. We've done 86. That volume is dropping because interest rates are going up.

But also, with the market turning around a little bit, people are starting to look -- to move up in homes.

So just to let you know, thanks to Di, she pushed this through without any resistance, and did it very quickly. It was a great job.

We removed the deed restriction -- it was AB Bill 984 -- a deed restriction on our down-payment assistance program, which was a big issue for HUD/FHA, which could have shut down our program. So that is no longer an issue on our down-payment assistance loans.

We also, at the same time for future consideration, got approval to fund at closing, which we couldn't do previously.

And right now, we do have a waiver from -- the HFAs have a waiver from HUD. And we are going to continue to use that because it saves us a lot of time and staffing resources. And also, which we will talk about a little bit more in length, we can do the grant now for the energy-efficient mortgage program.

I just wanted to update you and let you know that -- and just give you some numbers here, because it's -- like I said, we've been busy.

We introduced -- announced on August 16th the TBA FHA programs. We do have reservations, and we do have loans. It started the 26th of August. Just to let you know, we held six kickoff events -- and, JoJo, do you want to hand out the toolboxes? -- in six cities across the state.

There were 629 loan officers, mortgage brokers, and realtors that attended in September and October -- are you okay down there?

Come on up.

We have eight events that we will participate in, that attendance will be 13,000 at those six events, and we have speaking roles at each one of them. And we use these *(pointing)* to kick off the program. And they will be passed out at all six events.

And we have 12 trainings scheduled August, September, and October; and that we'll reach 733 people. All told, by the time the end of October, we will have talked to 15,000 people about these programs.

And just to let you know, we have 74 CalHFA-approved -- you can take those. We have more, too.

CHAIR CAREY: We thought maybe they were lunch.

(Laughter)

MR. GIEBEL: Had I known.

Poor planning by the Marketing Department.

CHAIR CAREY: They're great.

MR. GIEBEL: We have 74 lenders. Fifty-five of those lenders are approved by our master servicer, U.S. Bank.

As of a minute ago, we have lenders that are doing the program. We hope to get all 55 up and running. And U.S. Bank says they want to be a retailer, so we'll see. It would be nice to have our master servicer do our program.

Just to take you through this, the FHA, what we're calling CalPLUS, is the first mortgage with a 3 and a half percent ZIP loan, the zero-interest down-payment loan. We are paying for that with about a 50-basis-point markup on the first mortgage.

Interestingly, I think all -- all the loans we have right now are FHAs with CHDAPs.

Extra-Credit Teachers Program, the Deferred Payment Forgivable Interest, we will have an article in the CalSTRS publication in the fall. So we are marketing that.

And now Sheryl is going to talk to you about the energy -- of our proposed CalHFA FHA Energy-Efficient Program. This is to let you know, since the legislation was approved, what the program would look like. And then we'll have a resolution in November for you to consider.

MR. OKIKAWA: Real quick -- thank you, Ken.

What Ken was trying to give an update, as we promised in our May board meeting, we'll continue with the update on the premium-plus program.

Now, as well here, we're looking at the Energy

Efficient Mortgage, which we love to have Board feedback, and so we can prepare a final for November.

And so I know Ken skipped his little introductory remarks about his background.

But maybe, Sheryl, you can tell a little bit about yourself. Thank you.

MS. ANGST: Good afternoon.

My name is Sheryl Angst, and I am a Housing Finance specialist in the single-family lending division. I am product development, secondary marketing. I have been the project manager on the last three projects that went out live. And I have twenty-five years of experience in the private sector before coming to CalHFA about six years ago.

Basically, what we're going to do is, we're going to use the same TBA format that we used for the CalPLUS loan, and we're going to price these loans through the TBA market. We're going to premium-price them, so that we have extra money. And like we're doing with the ZIP, except for that ZIP is now going to be a grant. The grant is going to be specifically for the use in Energy Efficient Mortgages.

This will help the low- and moderate-income borrowers with their energy-efficient home repairs as part of an FHA-insured program. The cost of the improvement and the estimate of the energy savings must be determined by a Home Energy Rating System, or HERS, or an energy consultant.

FHA currently limits the amount of the improvements that may be financed as follows: It basically is at least 5 percent of the value of the property, 115 percent of the median area home value, or 150 percent of the conforming Freddie Mac sales-price limit.

And from experience, most of it ends up being 5 percent of the value of the property.

FHA does allow the final loan amount to exceed the FHA maximum mortgage limit by the amount of the energy-efficient improvements. So they are basically doing a 5 percent home-improvement loan on top of the purchase money first.

The CalHFA Energy-Efficient grant, EEM grant, is not included in the CLTV, and the maximum CLTV may exceed 103 percent if they use a CHDAP loan with it.

CalHFA's Energy-Efficient Mortgage grant will allow the borrowers to complete additional home improvements up to the maximum allowed under the HERS report. It allows the borrower to piggyback on the existing FHA Energy-Efficient Mortgage, and it provides additional energy-efficient improvements, reduces the tax, utility bills, improves the comfort of the home, and improves the value of the home.

It can be combined with the CHDAP or an ECTP and with the MCC program. It cannot be used with the CalPLUS mortgage.

This is a basic sample of how the program will work.

We're using a $200,000 sales price or appraised value. The maximum Energy-Efficient Mortgage is $10,000, or 5 percent of the value.

The HERS audit report shows that there's repairs needed at the home: new windows, doors, weather stripping, $7,000; attic insulation of $3,000; and a new HVAC system, about $6,000. The total energy-efficient improvements needed to that home is $16,000. The maximum FHA energy-efficient amount is only ten, which leaves a deficit of $6,000. That's where we come in, offering the grant to the borrower for the $6,000.

Now, the maximum amount of the grant will be the lesser of $8,120, which is 4 percent of the maximum -- 4 percent of the loan amount, or the actual cost of the repairs.

At closing, an escrow account is established, and they will deposit that $6,000 grant into escrow. It will be held there for the improvements. Once the improvements are made, they are released, and the contractor is paid. They cannot exceed 90 days.

And we're going to follow the actual compliance and underwriting guidelines already approved by the Board in May.

MR. GIEBEL: So that's basically the outline of it. We're adding a grant to the FHA grant, to give them even more, up to about 9 percent.

CHAIR CAREY: That's great.

Questions? Comments? Thoughts?

(No response)

CHAIR CAREY: It looks good.

Please, go ahead.

MS. CABALLERO: If I could.

How would somebody access these resources? Would they come in as a regular mortgage applicant?

MR. GIEBEL: Yes.

MS. ANGST: Yes. Through the lender.

MR. GIEBEL: Through the lender.

And we, obviously, will have to train our loan officers once we put the product in the system. They'll have to load it because it will be a little bit different than the FHA program they have. So that takes anywhere from 30 to 60 days for them to get the product into their systems. That's what we're going through now on the TBA products.

So that leads to the next step. As I said, we will bring this back to you --

MS. CABALLERO: I have one further question.

CHAIR CAREY: Ken, we have another question.

MR. GIEBEL: Sure.

MS. CABALLERO: Will we have a list of providers that -- a preferred list of providers, for example, that can do these kinds of projects?

MR. JAMES: Ken, why don't you explain how we reach out to our lenders, who in turn reach out to our potential borrowers?

MR. GIEBEL: Well, I think I quickly mentioned, Secretary, that we do lender trainings, we do two webinars to let our loan officers -- or anybody who signs up for them. And our lenders know the product is available, here's how it works.

I think what you're talking about, who would do the work?

MS. CABALLERO: Correct.

MR. GIEBEL: We will have a list of people. There's not a lot of them. That's one of the issues that FHA is having.

There's one person who's in Oregon, right?

MS. ANGST: There's several.

MR. GIEBEL: There's several. But there's one person who specializes in this, and is actually doing some of the work for the existing FHA loans in Sacramento, because this area in the state does the best of using those loans. But FHA is very excited for us to partner with their loan so they can do more of these.

CHAIR CAREY: I'm sorry, to do which work?

MS. CABALLERO: To do the Energy Efficiency work. I just wanted to --

CHAIR CAREY: Actual energy improvements?

MS. ANGST: Yes.

MS. CABALLERO: Because if I decided I wanted to put some energy improvements on, it's a jungle out there. You just don't know how to get a good-rated system, and whether they're going to be able to do a good job. And I'm just wondering if somebody is refinancing their --

MS. ANGST: Well, the HERS auditors, which is actually they're contracted with FHA, they actually go out, they have to inspect your home. And there is one here in Sacramento, there's a couple in L.A.; that when they actually inspect the home, they will work with you and contract out the work to actual people.

MS. CABALLERO: Okay, got it. Okay.

MR. GIEBEL: And just the other thing that we're working on with Finance and Legal is, we are working on a conventional mortgage product. And in November, we will have that proposal for you to look over. We need to work with a bunch of people to get that done.

So there is a need for that, especially in the higher-cost areas.

CHAIR CAREY: Just out of curiosity, are you saying that only some HERS raters will be able to do this, or that all HERS raters will be able to do this?

MS. ANGST: All HERS raters are able to do it. There's some that specialize and really work with FHA. And they actually work, as far as helping you hire the contractors, get the bids, making sure that all the work is completed on time. Because you only have a 90-day window with FHA to get the work completed. Otherwise, anything left in escrow at the end of 90 days is actually applied towards the principal balance.

CHAIR CAREY: But we won't be limiting who people can use?

MS. ANGST: I apologize?

CHAIR CAREY: But we won't be limiting who people can use, right?

MS. ANGST: No, no.

CHAIR CAREY: Okay, gotcha. Good.

MR. GIEBEL: Okay, well, any additional questions?

(No response)

MR. GIEBEL: Thanks for the opportunity to update you.

CHAIR CAREY: More exciting stuff.

MS. CAPPIO: It's good.

MS. ANGST: Thank you.

MR. GIEBEL: Thank you.

CHAIR CAREY: It's good, yes.

--o0o--

Item 13. Update on proposed capital/liquidity allocation

CHAIR CAREY: Okay, next up on the agenda is an update on capital/liquidity allocations.

Tim?

Any particular sport today, Tim?

MR. HSU: I do have something. You just have to wait.

Good afternoon, Mr. Chairman and Members of the Board.

On to something a little bit easier than the Energy Efficiency FHA-insured loans.

Today, being Peter's last Board meeting, as I thought about the presentation, I want to really do something that looks back on some of the things that we've done in the last four or five years. I thought I would look deep in the archives of the Board presentations I made.

And my last sports reference for you, Peter is, let's go to the videotape here.

So I found something that I thought is a nice, simple encapsulation of some of the things that we sort of endured together in the last four to five years.

Is it up yet?

UNIDENTIFIED MAN: No.

MR. HSU: Well, I think you had the presentation in front of you. I'll go ahead and proceed.

So back in March of 2008, we made a presentation to the Board entitled "Recalibrating CalHFA's Risk Profile."

And what this chart is showing here is that it has some blue bars and some maroon bars. And what you see here, is that CalHFA -- CalHFA's capital structure, back in the early 2000s and late nineteen-nineties, was predominantly a fixed-rate capital structure. We rely on fixed rate to finance our lending activities.

And as you can see throughout the early two thousands, we transformed, slowly but surely, into a variable-rate capital structure.

And back in 2006, we reached the higher -- or the nadir, depending on your view here -- we reached our highest leveraged capital structure position in 2006, which had about 90 to 91 percent of variable-rate bonds on our a balance sheet.

And from 2006 to 2008, we did take several opportunities to de-leverage. And then we ended up, prior to the financial crisis -- at the start of the financial crisis, we had about 30 percent of fixed-rate bonds; or said another way, 70 percent variable-rate bonds.

I'm sorry that this is not coming up.

And then next -- so on the next page -- the next page, on page 3 I'm on now, so we -- back in 2008 -- again, this is all prior to Lehman Brothers in September 2008. So we actually had the foresight, and also the courage and the chutzpah to suggest to the Board that we would actually try to attain a capital structure that was split 50-50 between fixed-rate bonds and variable-rate bonds by a mere four years. So from 2008 to 2011, in that four years time, we were hoping to move to a capital structure that was half-half.

Well, what did actually happen?

If you flip to page 4 -- what actually happened is that we didn't quite reach that 50 percent milestone in 2011. We did reach it a year later, in 2012. But that's really not the story. The real story here is that how we actually reached that milestone was something that we never really expected.

Instead of issuing a lot of fixed-rate bonds which financed the lending business in that four- to five-year time frame, we ended up issuing very few bonds, that financed very little lending activities.

So if you look at the gap between Chart 3 and Chart 4 for that 2011, instead of having $9 billion of bonds, we only had about $6 billion of bonds. And that gap, or that $3 billion gap between what we thought we would do and versus what we would end up with a shrinking balance sheet, I think that that gap, in some way, is a very simple and non-sugar-coated encapsulation of what we lived through in the last four to five years.

But fear not, that's not how I'm going to send you off. That's not the note that I think you deserve.

Because instead, I think CalHFA today, it's like a phoenix rising from the ashes. We have, as you have just heard, launched a single-family program over the summertime. And over the spring time frame, we launched our Multifamily Preservation Program. And believe it or not, we have been telling the Board for about two years now that we've been negotiating with B of A on this transfer of servicing, in which they were doing horrible servicing, we wanted to get the servicing back so we can tie more loans to Di's *Keep Your Home California* funds. And we actually executed that deal two weeks ago.

CHAIR CAREY: All right.

(Applause)

MR. HSU: We actually got the signed documents back from B of A. There's stories to be told about that, too. But we have signatures. That means this thing is going to get done.

So there are just a number of positives that are happening that leads me to believe, and I think most people believe, that we are definitely on the rebound.

And as we talked about -- if you will flip to page 5 now, we also, on a credit front, for the very first time, have had annual reviews from the rating agencies which did not result in a downgrade. That may sound a little bit strange for someone who is just coming onto the scene; but this is a true accomplishment because if you look at page 5, you'll see that we have been downgraded sequentially year after year since 2009.

So that arrest of that fall is, to me, a beginning of something anew.

So to be sure, the note I would like you to leave with, Peter, is that we are like a phoenix rising from the ashes.

CHAIR CAREY: All right.

MR. HSU: And if you flip to page 6 -- again, I apologize about not having these slides -- if you flip to page 6, we've talked about the collateral risk being in a much, much, much better position than it once was.

You can see on this chart, on page 6, that at our highest point, we were posting about $132 million to our counterparties. And that, to be sure, represented at that time about 50 percent of the cash and securities that we had on hand. So it's a significant amount of money that we have posted to our counterparties.

And today, we're posting closer to about $50 million, which is closer to about 20 percent of the cash and securities we have on hand.

So that particular risk is very, very, very, very -- I would like to emphasize -- much better controlled and under -- much better contained -- in such ways that, you know, I can sleep again, and not waking up, week after week, fearing what the next marching call would be.

And on page 7, this is a chart I showed at the March Board meeting. And I think this is also a very nice way to see how far we have come.

This is a histogram, which is a distribution of the weekly swap valuations and collateral postings that we have experienced over the past two years. So you can see, just for example, that if you look on the right-hand side here, which has the green columns, and the left-hand side, which was the blue columns -- so the right-hand side columns are representing the valuations against us on a weekly basis. So you can see that under the $320 million to the $335 million category, that there were about 28 occasions in which our valuation fell in that category.

And you can see that on a collateral posting basis, if you look at the $95 million to $110 million category, you can see there were about 40 times in which we're posting about $95 million to $110 million.

So when you look at this and you realize where we've been, if you look at where we are now, which is being pointed out here through these arrows, where we are in terms of valuation, is about the $200 million to $215 million category. And you can tell that this is on the very, very low end of this histogram distribution.

And even if we were to shock our swap valuation by 50 basis points, we're still only climbing up two notches, to two categories, if you will, but still well in the lower end of the distribution.

And the same story goes for the collateral posting. You can see that we're posting in this lowest category, the lowest bucket here, between the 50 to 65 bucket. And even if we were to shock by 50 basis points, we'd stay in that same bucket.

So this idea that the collateral posting risk is definitely behind us is a point that can allow us to pivot in terms of how we manage your liquidity.

And if you go to page 8 now -- are we up?

UNIDENTIFIED MAN: Yes. Kind of. The mouse is not working, but I've got it.

MS. HSU: Okay, so on page 8 -- if this is working, I'll just keep going.

So on page 8, this is a chart that I've shown previously to highlight the four different risks that we really are facing, both at the General Obligation level and also at the Special Obligation level.

And as we talked about before, in large part, these non-bond assets that we have -- I made a typo here, this non-bond asset box should say "$286 million in cash and securities." We've been using this $286 million in cash and securities to really, in large part, manage our collateral posting risk. And all the swap related risk is something we've been worried about and concerned with, and thus managing our cash and securities positions carefully to meet that risk.

But as I've been saying, since that risk is receding, and it's now much better controlled and contained, the question is that should we focus on the other risks that we have here, which also require liquidity.

So the other risk that's on this list that could also need liquidity to help it along, is this idea that the TCLP does expire at the end of 2015. And we do need to replace TCLP by the end of 2015.

As an aside from this, the sort of the thrust of what I'm trying to say, the single-family portfolio, which we've said sort of like the start of sort of these series of risks that we have, if you look at the Board reports that we submit on the single-family portfolio, you can see that things are getting much better. But I'd like to highlight two data points, if you will.

The conventional portfolio, at some point we had 1,100 REOs and now we're down to about a hundred. And we also did something at the behest of the GSEs that shows the foreclosure frequency for the year, meaning that we say, "Okay, how many loans did we start with and how many foreclosures did we have in the middle of the year?" And we'd impute a foreclosure rate.

At some point, in 2010, our foreclosure

frequency for the conventional portfolio was 10 percent. And we're projecting the annualized rate for this year will be at 3 percent.

So things are getting much, much better. And with the liquidity that we have, and not needing it to deal with the collateral posting risk, what I'd like to propose is to use it to address the next sort of risk in mind, if you will, which is how do we get rid of all of the TCLP by 2015?

So we're back up.

So on page 9 now. So page 9 is a breakdown of all the unencumbered assets that we have. And on the left-hand side of this chart is the $286 million of cash and securities that we have on hand now. And on the right-hand side is also a stack, if you will, of the unencumbered assets we have. And as we talked about previously, this stack of unencumbered loans that we have is generating cash to supplement the left-hand side, the cash and securities, on page 9.

So as stated before, we believe that we have a much improved cash position, and with also fewer unknowns.

And for some of you, you know that by suggesting that there are fewer unknowns, that's sort of like a tremendous understatement. We could do a retrospective in and of itself on the unknowns we dealt with in the last four or five years. But suffice it to say for now, that we have way fewer unknowns.

And of this $286 million of cash and securities that we have, about $53 million of that is now posted with our counterparties. And that's $16 million less than the last time when I showed you these charts back in March.

And if we were to be downgraded -- looking at the right-hand side of this chart now, if we were to be downgraded at that point in time, we would have posted $103 million instead of the $53 million. And that $103 million is actually $55 million less than the last time when I showed this to you.

So this reinforces the point that I was making earlier, that this risk of posting -- of conserving our cash for this collateral posting risk is really receding in a really, really significant way.

On page 11, using the same principle that I proposed at the March Board meeting of allocating, first, to reserve against an unexpected scenario -- so reserving against -- despite the fact that I've been saying so far that things are getting better, but just to be prudent, we still would like to reserve against the possibility of a downgrade. So the first thing that we do is that we say: Okay, if we reserve against a possible downgrade, in which we have to post $103 million to our counterparties, we've reserved against that.

And then also at the March Board meeting, I proposed that we set aside approximately two years of operating expenses, which is about $80 million. So that leaves us with about $103 million of cash and securities that we can allocate for different uses.

So if you look to the right-hand side of this chart now, if you look at the top of the stack, at the March Board meeting, we did propose using about $3 million to warehouse the single-family downpayment assistance loans that will support the single-family lending program, and about $27 million to support the multifamily preservation program. And so those two items were shown at the March Board meeting.

So the top three items, that you see on the right-hand side, are new.

So we are adding $15 million as an additional warehouse capacity for the lending programs. This could be sort of an accordion feature for either side if they need it. But we really kind of see this coming from the Multifamily side.

Some of the deals that Jim Morgan is considering are actually quite substantial in size,

$20 million or $30 million. So that's a nice accordion feature that I think that side of our lending program would appreciate.

And we also added a very small earmark, for now, of a special lending program. For now, this is merely an earmark. We appreciate the fact that many of our dollars returned in the last three or four years have come from a HELP program, which is a lending initiative that we once used to run. And that mission of the Agency, sometimes in support of less traditional initiatives, is something that that spirit continues to live with us. And this could be the beginning of us continuing to run a program similar to that, but maybe it wouldn't have the focus it once did. Perhaps instead of focusing on just purely creating housing, maybe we would do something that's an integral part of housing.

You know, the one thing that has come up recently is whether or not we could be involved in, let's say, creating a rec room in a multifamily unit that's no longer being used by people as a rec room, but turned into a community -- a primary-care center.

So that's something we'll bring back to the Board in the future, but this is just the beginning of some thought in that vein.

At the very top, we're suggesting that

$55 million would be reserved or earmarked for debt management.

And you can think of this $55 million, as it turns out, it's exactly the amount of the reserves that we have released from the collateral posting risk on the previous page.

And this $55 million is a lot of money. I mean, when you think about the $55 million, and you compare to all the things that we had below it -- the special lending, the additional warehouse, and all these warehouse lines -- it's actually bigger than all four of those things combined.

And plus the thing to emphasize, too, is that if we were to direct this money into debt management, it doesn't come back in the same way as these warehouse lines. In the warehouse lines, we can fund a loan for two months, and then when we do a debt financing against that loan, the warehouse lines would be replenished.

So that when money is used for debt management, it doesn't come back directly, or it could come back over time. But you can think that, for a moment in time, the money just kind of goes away in cash.

So why? Why the emphasis on debt management?

As I mentioned earlier, one of the real risks that we really need to start getting ready for, is the idea that this TCLP program that we have from the federal government, from U.S. Treasury, is going to expire at the end of 2015. And we need to prepare for it.

And it does seem very strange that -- what you're hearing from me is that we need to go for it. And I say to you that while this thing is going to expire at the end of 2015, it seems like we need to throw a "Hail Mary" when we're still in the third quarter. And you wonder, like, "Well, this doesn't make any sense."

And that's why I created this time-line, because as it turns out, things just takes time. And I think that's what we kind of all learn as we age.

So what you see here is the time-line of why we need to do this thing now.

And what I -- you know, this very presentation I'm giving right now is basically this box. We're updating our liquidity allocation. And then if we get any allocation for debt management, what do we do with the money?

So for now, we're thinking that we will go in there and we'll take out all the variable-rate bonds and HPB, and then we'll dedicate it for the rest of it into Multifamily III. And we are going to repeat this exercise in six months' time frame, and come back to update the Board again in March and then use more money, perhaps, to do debt management.

But what you realize quickly is that after these two activities, the fiscal cycle will end. The fiscal '13 and '14 cycle ends at the end of June 30th, 2014. And Lori and our auditors will spend the time to finish our financial statements in the third quarter or fourth quarter of next year. And that very financial statement then becomes the basis for the rating agencies to update our ratings in that winter to spring time frame of 2015.

And our aspiration, of course, is that incrementally, we're hoping that we could be upgraded to a higher rating than where we are now. So we are aspiring to a one-notch upgrade this year and perhaps a one-notch upgrade as well next year.

But after that, we will have to very quickly turn our attention to getting these better ratings and the latest set of financials outs to the banks and start soliciting interest to replace TCLP. And that will take place in that sort of spring, summertime time frame of 2015. And hopefully, all this can come together, so that some of the TCLP could be replaced by the banks by the end of 2015.

So the time is -- I wish we would have more time to throw that Hail Mary, but it seems like we just -- with the compression of the things that needs to get done before the rating agencies do for their reviews, if we have the wherewithal now -- it seems like now is the proper time to continue to restructure our balance sheet if we have the wherewithal, so that this can show up at our financial statement that comes out next year.

Let me pause here and see if there's any questions.

CHAIR CAREY: Questions?

(No response)

CHAIR CAREY: Not even Matt?

MR. JACOBS: Not even Matt.

CHAIR CAREY: Great.

MR. HSU: On to page 13.

This is something that we actually did to answer one of Tia's questions from the May Board meeting.

At the May Board meeting, as the Board was asking questions about approving the budget for the next fiscal year, I think Tia at the time had asked the question that, "Well, how do I know what actually happened this past year?" in the sense that, "How do I know that you actually had enough cash inflow to pay for all your operating expenses?"

I think at the time I had offered a fairly high-level chart I had done at some point. But then we went in, and we looked at -- one of my staff members, Dakota, spent a lot of time doing this. And we went in there and we looked at this on a month-to-month basis.

So what you're seeing on page 13 is a stack of our income to our non-bond balance sheet, meaning, that this is the part of the Agency that pays for the salaries and compensation that keeps the lights on.

So what you see here is that you're seeing that we have some income from servicing, we have some fee income that's generated over time as well, and we also have interest that gets generated from these unencumbered assets that we have.

What you see here is that if you stack up all the income, and you line it up against the operating expenses of the Agency, we actually fall short. And this is sort of a point I have made before: We do fall short on the income to operating-expenses basis.

What we do not -- where we make up the difference, though, is that if you go to page 14 -- where we make up the difference, though, is that if you put in the principal amortization, so the principal repayments and the principal prepayments from the unencumbered assets that we have, which is sort of the top -- I believe that the copies that you have, because their Xerox is a little bit hard to see -- but if you look over here on the chart, on the projection here, at the very top, the whitish bars that you see, those are the prepayments and the repayments from the unencumbered assets we have.

So some of these bars are quite large, in part, because we have been incentivizing the repayments of these HELP loans. And you can also see that over time, there's also some releases of earthquake insurance that we have set aside for condos.

So when you put in these other cash inflow elements that we have, we definitely do exceed our operating expenses.

Yes, Janet?

MS. FALK: Is this month-to-month or is this cumulative?

MR. HSU: This is month-to-month.

MS. FALK: So, for example, on Chart 13, in February, there was more income than expense.

So doesn't that extra income carry over to the future months?

MR. HSU: Right, so then on an income-to-income basis, if you will, we're short by about $10 million to $12 million. So it's not -- but keep in mind that one of the things that we are holding ourselves to, is that it's true that we look at this on a month-to-month basis and a year-to-year basis, but we do have quite a bit of cash that is set aside. This chart.

So we're not operating on a month-to-month basis, right. So we have a tremendous amount of cash that is set aside that could tide us over from these monthly fluctuations if we are, indeed, living with page 13. But what we are really living with, fortunately, is page 14, because we have these other sources of cash that comes in over time and over the months.

So as it turns out, it is true that these are month-to-month comparisons.

And on page 13, we will be short by about $10 million to $12 million. But if you look at page 14, we are actually in excess by about $20 million to $25 million.

So last, but not least, looking at -- those two pages we're sort of looking back, looking back at what happened in the last fiscal year. But what interests folks more, mostly, is what happens going forward.

So what we have on page 15, is the fiscal '13 to fiscal '16 outlook.

So you can see that in each of these years, we still do cover on a cash-inflow bases to the operating expenses. But that compression between the stacks and the red line is unmistakable. And I think that is something that as the phoenix rises from the ashes, is something that we can continue to build on. As these programs start getting going, the stack should get taller and taller, to cover against those operating expenses. And if they don't, you know, we may have to resort to alchemy somehow.

But there's one thought that I forgot to mention -- as I was looking at Katie -- that the last time when I presented this, Katie had asked the question that -- back to page 11 -- that, yes, it is true that I am reserving against the possibility of a downgrade. But what I'm doing here is that I am doing a one-dimensional shock, meaning, that I'm shocking the rating but not shocking the interest-rate curve.

So I think the question that Katie had at the time was that what if I had this double-shock or double-whammy.

So if you're looking at this chart, if we were to be shocked in both dimensions -- the rating and interest rates -- instead of posting 103, we would post about 135. So that 135 would well be covered by the combination of the 103 and the 80.

So that's also sort of another -- I mean, some of these sort of set-asides, you could attach a different name to them, if you will. So you could argue that in that case, some of the $80 million that's set aside for operating expenses is kind of offsetting this risk of the double-whammy, which is true.

But keep in mind that we don't really, truly -- we don't need to have exactly $80 million for that set-aside for operating expenses because, as we talked about on the following pages, we do have these monthly inflows that are coming in, that are continuing to offset our operating expenses over time as well.

So, Peter, thank you for your fearless leadership, and thank you, Members of the Board.

And that concludes my remarks.

CHAIR CAREY: Tim, just in a nutshell, on page 15, looking forward, the white part is going to continue to decline, so the focus has got to be on increasing the revenues in the colored bars there, right?

MR. HSU: Yes. The white bars are falling very quickly. As it turns out, if we go out another year, it's true that we would be -- the line kind of crosses over a little bit, by a little bit, by about $1 million to $2 million.

The white bars are representing a lot of payoffs from these HELP loan programs that we had. And the HELP loan programs are tapering off when you look out that far. So one of the thoughts that we have -- for example, to the degree that this chart continues to be meaningful -- and it should be, because an entity like ours, our fixed costs, or let's say marginal costs are not as flexible as it might be for, let's say, a private institution.

So one of the things that we could do to offset this convergence, if you will, is that some of the cash that we would use for debt management, that $55 million, when we do deploy it to redeem variable-rate bonds, we would get some mortgage loans back in return. And those mortgage loans, in turn, could generate an annuity which would bolster these stacks.

And that's why I was flipping earlier about alchemy, is that the cash that we put to work, it's not as if it would truly evaporate. We could get mortgages back that generates cash flow to offset the operating expenses. When we get those mortgages back, they become unencumbered assets of the Agency.

CHAIR CAREY: Okay, any questions?

(No response)

CHAIR CAREY: Thank you, Tim.

MR. HSU: Thank you.

--o0o--

Item 14. Discussion, recommendation, and possible action relative to the approval of a resolution approving amendments to the regulations of the Agency regarding the Conflict of Interest Code

CHAIR CAREY: Okay, Victor?

MR. JAMES: Yes. Item 14, for the Board, Misty Miller of the Office of General Counsel will present Item 14 for your consideration.

Misty, please introduce yourself.

MS. MILLER: Thank you, Victor.

Good morning -- good afternoon, excuse me, Mr. Chairman, Ladies and Gentlemen of the Board. My name is Misty Miller. I'm the public records officer and privacy program coordinator for the California Housing Finance Agency. I work in the Legal Division. I report to the General Counsel. I've been with the Agency for 11 years. I've been in the industry for 30 years. I have a bachelor's degree in English. I am a registered paralegal and internationally certified privacy professional.

Among the many hats I wear for the Agency, I am also the regulations coordinator. Hence, the Conflicts of Interest Code, which is a regulation. And I'm here to present that to you today.

Resolution 13-14 is an amendment to the

Agency's Conflict of Interest Code.

The Fair Political Practices Commission requires every state agency to have a conflict of interest code. It simply defines which employees file Form 700 and what the disclosure categories are for each employee.

The Fair Political Practices Commission also requires that state agencies periodically update their code, so the actual employee positions are matched with the disclosure categories.

So that's what this does.

We also made minor modifications to the headers and formatting in the disclosure categories, to make them easier to understand; and we added CalHFA bonds as a reportable investment.

And so that is it for the proposal, Resolution 13-14. This is a routine amendment.

Does the Board have any questions?

CHAIR CAREY: Jonathan?

MR. HUNTER: On the bonds, I assume that means if you hold the bond directly, not if you happen to be an investor in a money-market account that might have CalHFA bonds somewhere in it?

MS. MILLER: When determining whether you have to disclose a reportable investment, that would be something like a mutual fund or a money-market account or that sort of thing, it depends on what the nature of the investment is.

If it's in a diversified mutual fund, then you do not have to report it. If it's something that you're holding directly, even if it's in an IRA or in some kind of other account, you would have to report it then.

MR. JAMES: On the nature of self-directing, you could direct your purchase stock or other interests.

MS. MILLER: Correct.

CHAIR CAREY: Any other questions?

(No response)

CHAIR CAREY: We have a resolution -- well, let me ask, if there is anyone in the public who would like to address this specific item, please indicate so.

(No response)

CHAIR CAREY: Okay, we do have a resolution --

MR. GUNNING: Peter, I have a question.

CHAIR CAREY: Yes, I'm sorry.

MR. GUNNING: Item 10, building or construction contract or subcontract.

Why was that struck as a reporting item?

It's under (C) on page 5.

MS. MILLER: You're on page 163 of the Board book?

MR. GUNNING: Yes. Yes, I am.

MS. MILLER: And you're asking about Item 10, "building or construction contractor or subcontractor"? What was your question? I'm sorry.

MR. GUNNING: That was struck?

MR. JAMES: No. No, it's still there. It's listed as 10.

MS. FALK: Just read 10, the one below it.

MR. JAMES: Oh.

MS. MILLER: Oh, the part below that? Okay, I can address that.

Previously, in the Conflict of Interest Code, section Category 2 subsumed Category 3 and Category 4. Categories 3 and 4 are now separate categories, so they are no longer subsumed within Category 2.

So what's being struck right here is actually what is Category 3, below, where it says, "Interests in facilities contractors."

So the language is still there, it's just now a different disclosure category.

You'll also notice, too, that for the Board Members, you previously reported in Categories 1 and 2, now you report in Categories 1, 2, 3, and 4.

That is not increasing your disclosure; it's just that we have more categories now. It's the same disclosure.

MR. JAMES: Part of the reason -- we go back and forth with these revisions or definitions of the categories to try to make it simpler for our employees and members of the Board who have to disclose. And so that's the reason for that change and the permutation.

CHAIR CAREY: Okay, thank you.

We have Resolution 13-14 before us.

MR. HUNTER: And I'll move adoption of Resolution 13-14.

MS. FALK: Second.

CHAIR CAREY: Moved and seconded.

Roll call, please.

MS. OJIMA: Ms. Caballero?

MS. CABALLERO: Aye.

MS. OJIMA: Ms. Whittall-Scherfee?

MS. WHITTALL-SCHERFEE: Aye.

MS. OJIMA: Ms. Falk?

MS. FALK: Aye.

MS. OJIMA: Mr. Gunning?

MR. GUNNING: Aye.

MS. OJIMA: Mr. Hunter?

MR. HUNTER: Aye.

MS. OJIMA: Mr. Jacobs?

MR. JACOBS: Aye.

MS. OJIMA: Ms. Carroll?

MS. CARROLL: Aye.

MS. OJIMA: Ms. Patterson?

MS. PATTERSON: Aye.

MS. OJIMA: Mr. Carey?

CHAIR CAREY: Aye.

MS. OJIMA: Resolution 13-14 has been approved.

CHAIR CAREY: Great. Thank you.

--oOo--

Item 15. Reports

CHAIR CAREY: Okay, the reports, are there any specific items that people want information on from the reports?

(No response)

--oOo--

Item 17. Public Testimony

CHAIR CAREY: This is an opportunity, if there is anyone in the public who would like to address the Board for any item not on the agenda, please indicate.

MS. CAPPIO: I do.

CHAIR CAREY: Yes, all right.

MS. CAPPIO: On behalf of the Board and the staff of CalHFA, Peter, we want to just thank you for your service. It's been a real pleasure. There have been the highs and the lows in the last couple years.

And we thought you deserved a really big resolution.

(Ms. Cappio presenting framed certificate to Peter Carey.)

(Applause)

MS. CAPPIO: Of course, I thought this was a myth, but it actually is a clock that I guess everyone gets. And it's part of the tradition.

CHAIR CAREY: Well, thank you.

MS. CAPPIO: Thank you so much. And we're going to miss you.

(Applause)

CHAIR CAREY: Can I open it up here?

MS. CAPPIO: Yes.

CHAIR CAREY: I see this is signed by my friend Connie. It's very nice.

This is gorgeous.

Wow, that is just beautiful. Thank you very much.

MS. CAPPIO: You bet.

CHAIR CAREY: Thank you, everybody. I appreciate it.

(Applause)

MS. CAPPIO: If anybody wishes to make any other remarks?

CHAIR CAREY: I would just say, briefly, that I won't miss the Form 700.

But, you know, this agency is remarkable. It's been a real honor to be part of it and to serve with it.

If you think back, Jonathan and I were joking about his entrance onto the Board about five years ago or so, and wondering what on earth he had gotten himself into. And there were a few years that I was on the Board that we were actually lending and it was really pretty high, and then it kind of went a little bit awry. But we were caught up.

And I think one of the things that impresses me -- impressed me so much, was that through those challenging times, nobody jumped ship, right. Everybody stuck to it. This Agency just drove through those tough waters.

And I know there were sleepless nights and great challenges; and with the Board, we have had great Board members. We have a really, really strong Board today, I think, as evidenced by the conversations we've had.

And the results of that commitment, we now have new leadership, there is a new senior team being assembled, and really exciting prospects. And as I said to someone earlier, I can't think of anything better than to hear that CalHFA is doing better in my absence than it did during my presence.

But I really congratulate you.

I thank all the Board members. You've been just great, and especially the staff and Claudia and all the folks that I've worked with. Thank you very much.

(Applause)

MR. HUNTER: So we should nominate Peter for best performance in an acting role?

--oOo--

Item 18. Adjournment

CHAIR CAREY: I think with that, we'll adjourn the meeting.

(The gavel sounded.)

(The meeting of the Board of Directors concluded at 12:58 p.m.)

--oOo--

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 30th day of September 2013

DANIEL P. FELDHAUS
California CSR #6949
Registered Diplomate Reporter
Certified Realtime Reporter

THIS PAGE INTENTIONALLY LEFT BLANK