CalHFA BOARD OF DIRECTORS

(AMENDED)

California Housing Finance Agency
Board of Directors

Thursday, January 17, 2008

The Westin
San Francisco Airport
Millbrae, California
(650) 692-3500

9:30 a.m.

1. Roll Call.

2. Approval of the minutes of the November 15, 2007 Board of Directors meeting.

3. Chairman/Executive Director comments.

4. Discussion, recommendation and possible action relative to final loan commitment for the following projects: (Bob Deaner/Laura Whittall-Scherfee/Jim Liska)

NUMBER	DEVELOPMENT	LOCALITY	UNITS
07-014-A/S	Grand Plaza	Los Angeles/ Los Angeles	302

NUMBER	DEVELOPMENT	LOCALITY	UNITS
07-015-A/N	Villa Springs	Hayward/ Alameda	66

5. Discussion, recommendation and possible action relative to the adoption of a resolution authorizing the Agency's single family bond indentures, the issuance of single family bonds, short term credit facilities for homeownership purposes, and related financial agreements and contracts for services. (Bruce Gilbertson)

6. Discussion, recommendation and possible action relative to the adoption of a resolution authorizing the Agency's multifamily bond indentures, the issuance of multifamily bonds, short term credit facilities for multifamily purposes, and related financial agreements and contracts for services. (Bruce Gilbertson)
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7. Discussion, recommendation and possible action relative to the adoption of a resolution authorizing applications to the California Debt Limit Allocation Committee for private activity bond allocations for the Agency's homeownership and multifamily programs. (Bruce Gilbertson)
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8. Update on Bay Area Housing Plan Financing. (Kathy Weremiuk)

9. Update on Mental Health Services Act Housing Program. (Kathy Weremiuk)

10. Business plan and budget mid-year review. (Terri Parker)…………………………………...251

11. Discussion and possible action regarding potential CalHFA involvement in programs related to the subprime lending crisis. (Terri Parker)

12. Discussion and possible action regarding contributions of CalHFA for homeowner counseling programs. (Terri Parker)

13. Report of the Chairman of the Audit Committee regarding Audit Committee review of practices, procedures and contracting authority of the Executive Director; as well as issues relating to salary survey, compensation process, and compensation committee, and possible recommendations to and action by Board. (Jack Shine)

14. Update on Board Retreat Planning. (Terri Parker)

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16. Discussion of other Board matters.

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

****NOTES****

HOTEL PARKING: Parking is available as follows: 1) overnight self-parking for hotel guests is $14.00 per night; and 2) rates for guests not staying at the hotel is $1.00 per hour.

FUTURE MEETING DATE: Next CalHFA Board of Directors Meeting will be March 19, 2008, at the Clarion Hotel Sacramento, Sacramento, California.

STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

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BOARD OF DIRECTORS

PUBLIC MEETING

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Burbank Airport Marriott Hotel & Convention Center
2500 Hollywood Way
Burbank, California

Thursday, November 15, 2007
10:51 a.m. to 2:46 p.m.

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Reported By: YVONNE K. FENNER, CSR #10909, RPR

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A P P E A R A N C E S

Directors Present:

JOHN A. COURSON, Chairperson
President
Central Pacific Mortgage

PETER N. CAREY
President/CEO
Self-Help Enterprises

EDWARD M. CZUKER
President
E.M.C. Financial Corporation

JEFF DAVI
for Dale E. Bonner
Secretary
Business, Transportation and Housing Agency

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

ELLIOTT MANDELL
for LYNN L. JACOBS
Director
Department of Housing and Community Development

JOHN G. MORRIS
President
John Morris, Inc.

THERESA A. PARKER
Executive Director
California Housing Finance Agency

WILLIAM J. PAVAO
for Bill Lockyer
State Treasurer

TERRY ROBERTS
For Cynthia Bryant
Director
Office of Planning and Research

JACK SHINE
Chairman
American Beauty Development Co.

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CalHFA Staff Present:

MARGARET ALVAREZ
Director
Asset Management

Robert Deaner
Director
Multifamily

BRUCE D. GILBERTSON
Director of Financing
Fiscal Services

THOMAS C. HUGHES
General Counsel

CARR KUNZE
Multifamily Loan Officer

CHARLES K. McMANUS
Director
Mortgage Insurance Services

DENNIS MEIDINGER
Comptroller

JIM MORGAN
Loan Officer
Asset Management

JOJO OJIMA
Office of the General Counsel

JERRY SMART
Deputy Director
Homeownership Programs

L. STEVEN SPEARS
Chief Deputy Director

KATHY WEREMIUK
Multifamily Loan Officer

LAURA WHITTALL-SCHERFEE
Chief
Multifamily Programs

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Speakers from the Public:

Gustavo Lamanna
Attorney at Law
Kane, Ballmer & Berkman

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BE IT REMEMBERED that on Thursday, November 15, 2007, commencing at the hour of 10:51 a.m., at the Burbank Airport Marriott Hotel and Convention Center, Academy One Conference Room, 2500 Hollywood Way, Burbank, California, before me, YVONNE K. FENNER, CSR #10909, RPR, the following proceedings were held:

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CHAIRMAN COURSON: I'm sorry, can everyone hear me? I'm sorry for the late start of our meeting. We had a lengthy Audit Committee meeting this morning and then some other matters, so I want to thank everybody for your indulgence. And we'll start by calling the roll.

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Item 1. Roll call

MS. OJIMA: Thank you.

Mr. Davi for Mr. Bonner.

MR. DAVI: Here.

MS. OJIMA: Mr. Carey.

MR. CAREY: Here.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Here.

MS. OJIMA: Ms. Galante.

(No response.)

MS. OJIMA: Mr. Mandell --

MR. MANDELL: Here.

MS. OJIMA: -- for Ms. Jacobs.

MR. MANDELL: Yes.

MS. OJIMA: Ms. Javits.

MS. JAVITS: Here.

MS. OJIMA: Mr. Pavao for Mr. Lockyer.

MR. PAVAO: Here.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Here.

MS. OJIMA: Mr. Shine.

MR. SHINE: Here.

MS. OJIMA: Ms. Roberts for Ms. Bryant.

MS. ROBERTS: Here.

MS. OJIMA: Thank you.

Mr. Genest.

(No response.)

MS. OJIMA: Ms. Parker.

MS. PARKER: Here.

MS. OJIMA: Mr. Courson.

CHAIRMAN COURSON: Here.

MS. OJIMA: We have a quorum.

CHAIRMAN COURSON: Okay.

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Item 2. Approval of the minutes of the September 12, 2007 Board of Directors meeting

CHAIRMAN COURSON: And as normal, our first order of business, in your binders you have the minutes of the September 12th, 2007 Board of Directors meeting. Having had an opportunity in your Board package to look at those, is there a motion to approve the minutes?

MR. CZUKER: Move approval.

MR. DAVI: So moved.

CHAIRMAN COURSON: Mr. Czuker moves and Mr. Davi seconds.

Is there any discussion, correction to the minutes?

Seeing none, let's call the roll.

MS. OJIMA: Mr. Davi.

MR. DAVI: Aye.

MS. OJIMA: Mr. Carey.

MR. CAREY: Aye.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Yes.

MS. OJIMA: Mr. Mandell.

MR. MANDELL: Yes.

MS. OJIMA: Ms. Javits.

MS. JAVITS: Yes.

MS. OJIMA: Mr. Pavao.

MR. PAVAO: Yes.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Yes.

MS. OJIMA: Mr. Shine.

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson.

CHAIRMAN COURSON: Yes.

MS. OJIMA: The minutes have been approved.

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Item 3. Chairman/Executive Director Comments

CHAIRMAN COURSON: Thank you. I have a couple, three things I'd like to mention during the Chairman's comments. One is that I am going to ask -- I guess the older I get the crankier I get. But starting at our January meeting if it is imperative that we use Blackberries during the meeting, if they buzz, I'm going to ask that you please excuse yourself and use your Blackberry. I have finally reached, I think, the top of Blackberry Hill in some meetings I've been in in Washington and finally was in a meeting where the chairman suggested that, so in January I'll ask your indulgence, if we may.

Let me mention one other thing. I've been thinking and talking and you're going to have a presentation today on financing and the markets as they affect CalHFA and, as you know, we're obviously a substantially large financial institution. And I think it was about four years ago, and I know many, many on this Board were not on the Board four years ago, we went through an educational session that we had in Sacramento where we brought in outside -- our outside advisors, our bond counsels, some of our banks, swap advisers and so on and went through about a half a day of educational sessions.

And based on the markets and what my perception is that those markets aren't going to self-correct themselves anytime in the near future in our substantial holdings, that I would ask the Board's thought about trying to schedule that kind of a session along with -- I just was -- I've been at two meetings with this individual, a fellow by the name of John Anderson, who is with counsel of a firm called Kutak Rock, and not that -- I have no -- they're bond counsel. I have no thoughts about using them for bond counsel, but John does a half a day training on Board training.

He's written a large very, very well-done report on -- manual on Board training, talking about specifically HFA's. And he's taken his experience with other HFA's and talked about the kinds of policies they have, the kinds of committees they have, how they compose their committees, how the Board interacts with staff and the executive director and compensation. It's really quite, quite extensive, and I found it quite good.

And so my thought is, is if it's the Board's desire, if in fact we could couple those two items together in terms of dealing with sort of a tutorial on our roles as fiduciaries and at the same time couple that with some presentation by this fellow of what he sees in other HFA's and how they do their business. So I am certainly open to suggestions, but it is a thought that with both of those things and with the number of new Board members that we have, what the Board's feeling would be.

A resounding no comment.

Mr. Pavao.

MR. PAVAO: I, for one, think that would be very helpful, so I would endorse the idea of bringing in that kind of training and informative session.

CHAIRMAN COURSON: Mr. Carey.

MR. CAREY: I agree. The financial and fiduciary responsibilities of this Board continue to grow, and having been through earlier Board training and feel the need perhaps to be held back, I think it would be great to have some additional training.

CHAIRMAN COURSON: Ms. Javits.

MS. JAVITS: I agree.

CHAIRMAN COURSON: The question would be should we try to wrap this around a previously scheduled Board meeting, which likely to get this put together we would not get done in January. It's too short a time frame to schedule these people to come in. So that would put it over to March and would cause an overnight, a two day, do one one day and the Board meeting the next. Or would you want to see if we could find a mutually agreeable date in February and try to wedge it in as an extra meeting? Or would you like us to check on dates in February of availability and see what's practical to happen, too?

Mr. Pavao.

MR. PAVAO: I'd vote for plan B, which is a separate meeting.

CHAIRMAN COURSON: Mr. Mandell.

MR. MANDELL: My specific thought is this: Since I'm here representing my director, my thought is who should be the priority for the training. There are several members of the Board who often, I would think, have other representatives, and how to schedule whether you want the specific Board member or their representative or maybe more than one person to participate in that training.

CHAIRMAN COURSON: Right. Well, that's a good thought. Let us do this: Having heard that, I think one of the -- in due respect to Jojo, is seeing about logistics because we are already in an alternate site for our March Board meeting. So let's see about logistics and potential dates and then perhaps we can get something out to the Board with some alternatives for you and see where everybody's schedule lies. Okay. Thank you.

MR. DAVI: Mr. Chairman.

CHAIRMAN COURSON: Yes.

MR. DAVI: Just to kind of echo what Mr. Mandell said, I do agree, because I serve for Secretary Bonner. I have an alternate, Heather Peters, and, of course, if possible I'd like to invite at least Heather to be at that training as well.

CHAIRMAN COURSON: There would be no reason why we certainly couldn't have more than just the person. And if the people who -- I mean several of you are here on a regular basis, and I think that would be important that we could have as many as we really want, because this is going to be an educational session, not a Board meeting. Thank you.

Let me -- the last thing I want to mention and I didn't know I wanted to or not, but I think I want to. Since the last Board meeting, I don't know who of you have or have not received or seen two additional letters that -- from the CCC group that we received previous letters from. There was one that was shortly after the last Board meeting, and then the last letter was received, I think, about two weeks ago -- last week, I'm sorry. It was last week.

And these letters, if you haven't seen them, we have copies. I, to my house, had the previous letter received at my home. I did not receive the last letter. But we do have copies of them.

And frankly these letters contain now pretty personal attacks on the Executive Director. And so I just thought the Board ought to be aware of that. It's once it's received, if the Board has it, it becomes sort of public. If you haven't, I thought you ought to be entitled to know that. I'm concerned about the tone in some of the -- the tone that these letters are now taking. The first couple of letters, as we know, dealt with issues, and we dealt with those and we had a process for that. And these letters, frankly, have taken on a very different character, and I have some concerns. So we have those. If you want them, I don't think we'll pass them around, but we're more than happy to share them, and they're there for you to look at as members of the Board or representatives.

Ms. Javits.

MS. JAVITS: I received one of the letters, and it got me thinking. I'd like to put a suggestion forward to the Board, and I'd also like to put some thoughts on the record related to the stream of letters that we've received.

In the face of the stream of unsigned letters that have come to us, I wanted to ask the Board to join me in affirming our confidence in and support for our director, Terri Parker. I've known Terri for more than 20 years. I have worked with her professionally for much of that time. I have found her to be among the most talented, dedicated professionals I've met in the public or private sectors, and I found that she has a very high level of integrity.

Not only that, but Terri has the unusual quality that we need today, a willingness to stick her neck out in order to do the right thing and advance causes that don't give her much in the way of publicity or notice, but are critically important for the most vulnerable people in our state. Too few people are willing to do that, Terri is one of them and she deserves our support for having done so.

I'd like to make a comment to the individual or individuals who are writing us letters about Terri and others in the Department and on this Board. We've thoroughly investigated all specific allegations and while finding them legally groundless did decide that we could and should make some specific improvements. We're taking steps to address those cases where the investigation suggests that our practices could improve.

I'd like to note that one area where the investigation suggested improvements in removing Terri even more fully from some salary determinations, the investigation noted also that Terri had already, during the time cited in the allegation, taken several steps in the right direction. The report simply suggested that we go a step further.

Several of the letters I received made no specific allegations and instead made unsubstantiated derogatory personal comments. I would like to suggest that this has no positive value whatsoever to me, to this Board, this Agency or the people we're here to serve. If whoever is writing these letters has specific allegations to make, I would hope they would stand behind them sufficiently to make them under their name directly to their manager, CHFA's management or if appropriate to the Board.

If it's a whistleblower case, we have specific procedures for that, and I suggest they follow them. The worst times in American political life have been characterized by unsubstantiated anonymous personal attacks. These do not serve the public interest in any way, and they serve to degrade those who make them, rather than those who are the subject of them.

I'd like to move for consent of the Board to affirm our support for and confidence in the leadership of CHFA's director.

MR. DAVI: Second.

CHAIRMAN COURSON: Mr. Davi seconds.

Other discussion from the Board?

Mr. Morris.

MR. MORRIS: I think we ought to just move on. I wouldn't even -- you know, there were earlier letters that we all know that were specific. There were previous letters which we dealt with specific issues, which we've dealt with, and I wouldn't even, you know -- as long as people are given the letters, I don't think there's any need to even -- I would move on with the agenda.

CHAIRMAN COURSON: I believe there is a resolution, at least a suggestion of a resolution, and a second.

MR. DAVI: If I could speak to it, Mr. Chairman.

CHAIRMAN COURSON: Sure.

MR. DAVI: We could move on, but I think that everything Ms. Javits said is completely accurate and true, and I agree with it, and I see nothing wrong with affirming it. You know, you can't stop people from doing what they're doing. It's unfortunate that they now have disintegrated to personal attacks, that's how I see those today, and I would say the questions were asked and answered. We did take care of this through investigation, and we've taken the steps that need to be taken.

It's unfortunate these letters continue, but nothing wrong with affirming our support and affirming our confidence today, and then we can move on.

CHAIRMAN COURSON: Let's call the roll.

MS. OJIMA: Mr. Davi.

MR. DAVI: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Yes.

MS. OJIMA: Mr. Mandell.

MR. MANDELL: Yes.

MS. OJIMA: Ms. Javits.

MS. JAVITS: Yes.

MS. OJIMA: Mr. Pavao.

MR. PAVAO: Yes.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Abstain.

MS. OJIMA: Mr. Shine.

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson.

CHAIRMAN COURSON: Yes.

MS. OJIMA: The resolution has been approved.

CHAIRMAN COURSON: Ms. Javits, thank you very much.

That completes my report. I'll turn it over to our executive director.

MS. PARKER: Thank you, Mr. Chairman.

I have a couple of items to bring to the Board's attention. The first one that I just want to do is a little bit of housekeeping.

We have been asked by the Legislature when we did our budget last fiscal year to provide the committee with more information than what we have done in the past 30-plus years that the Agency has existed. Since the Board does not adopt our budget until May, when the Governor's budget is printed in January, the past practice has been to give the Department of Finance for the current year and the budget year the budget that the Board adopted in May for that current fiscal year.

It's footnoted in there that the Board has not adopted a budget and won't do it until the spring of the year. There was concern raised by the chair of the Senate committee about whether or not there should be more information provided.

We've had discussions with the committee staff and pointed out that, unfortunately, in our case in order to be able to be most current with giving the Board the information to do its planning for our budget, and that is to have the most recent audited financials, our best understanding of where we are with our reserves in our Housing Trust Fund, and all of these documents are prepared with the idea in mind to meet the rating agencies' meetings that we have every summer.

If we were in a situation of doing that, we would either have to do it twice or essentially be giving rating agencies information that was six months old. So what the Department of Finance has asked of us, and I want to alert you all to this, is that they want to have our budget submitted in the January budget that will be increased by price.

These are adjustments that every state department's budget year, they're usually called baseline adjustments, that our budget is increased for price, it's increased for any annualization of compensation that has been given or has been -- or is required to be given under collective bargaining, and that these calculations that are ones that we usually bring to you in our May Board meeting would be put in as baseline adjustments.

It will be footnoted that the Board has not adopted it, because I don't want to reflect anything that the Board was not agreed to. But for purposes of the committees, they will at least see a beginning budget that is more in keeping with having some baseline adjustments made for compensation, price, some of the normal things that all state budgets are adjusted for. So I want to bring that to your attention so that if the budget -- the budget comes out, you'll be aware that there will be numbers in there that did not reflect action on your part, but they are essentially an agreed-upon way for the Budget Committee to at least have an idea of a beginning number for their consideration.

Clearly, we, again, as we do every year, report to the budget committees and the full Legislature on the action of the Board for the budget, and we do follow internally a process that other state agencies do to justify any additional positions or contracting that we ask for you to put in the budget.

The second item I want to bring to your attention is that we had been asked by our national trade association, the National Council of State Housing Agencies, to participate in a salary survey that they are asking all HFA's to participate in and help finance. I have made some copies of the document that we have been asked to participate in to give that to the members of the Compensation Committee and anyone else that would be interested among you.

So, Jojo, if you would please give this out, and anybody else.

They -- each participant is to pay $750 to participate in this. I do want to bring this just to your attention because of the sensitivity of anything around compensation. But it is a survey that will compare HFA's. The Board can choose, the Compensation Committee can choose, whether or not it wants to utilize what information is in this for any future compensation considerations. But I did want to report that we thought this was a ministerial activity and that we were going to participate in it.

So the third item I want to just bring to your attention, I've been asked -- we intend to be giving some briefings to you all today. Many of you have asked what's happening across the country with our sister state HFA's with respect to subprime rescue programs. We -- I'm going to do an introduction of that before we then give you an idea by our homeownership staff, our MI staff and our director of financing on what the status is of CalHFA and our own internal lending and financial status.

The last two items I want to just bring to your attention, one of them is it has been our tradition, I think we have pointed out -- I just want to do this in a public setting -- that we have three members of our Board whose terms have expired. The Governor's Office is aware that there is consideration about reappointment, but this is a public opportunity for us among our colleagues to salute those individuals who have served. I don't want it to be a situation that in the interim something happens and we as a group do not have the opportunity to honor people who have essentially given their own personal time to serve this Board.

And I on behalf of my staff want to, irrespective of what -- I cannot speak for the Governor's Office, but I don't want to let this opportunity to pass without saluting Mr. Czuker, Mr. Shine and Mr. Carey for their participation, particularly Mr. Czuker's long participation in CalHFA's operations, and for their time and their consideration to staff. So I would ask my colleagues to stand and applaud them.

(Applause.)

MS. PARKER: And while we are celebrating staff's accomplishments, the last item I have, Mr. Chairman, is I have put together what I refer to as a little award to be presented in situations where staff have stepped up above and beyond the call of duty, and I refer to this as No Good Deed Should Go Unrecognized. And I am asking the

Board to essentially recognize we have two of the people who I would like to present this to: Laura Whittall-Scherfee and Edwin Gipson. Edwin is not with us today. This is a surprise. They do not know this.

But it basically recognizes the work that Edwin and Laura did for the last two years in providing leadership to the Multifamily Division until we found a Director of Multifamily. I want to thank Laura on the record and Edwin and ask you all to recognize that they stepped up, took over leadership of this, they weren't compensated for it, they certainly took grief for it, and that they should be recognized.

(Applause.)

CHAIRMAN COURSON: I'd just say on behalf of the Board that between Laura and Edwin, we've seen a remarkable continued performance over the last 15 to 18 months in the quality of presentations and the data that we were given as Board members, and we appreciate that.

MS. PARKER: Mr. Chairman, that concludes my remarks.

CHAIRMAN COURSON: Thank you.

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Item 4. Resolution 07-29, Rubicon Homes

CHAIRMAN COURSON: Let's move to some projects now.

Back to work, Laura.

We'll move to some projects, and the first one is the Rubicon Homes.

MS. WHITTALL-SCHERFEE: Okay. Thank you very much for the award and the recognition, Terri and Mr. Courson and Members of the Board.

Today we're here to discuss Rubicon Homes. Rubicon Homes is going to be a little bit of a different presentation for us, because in the last two to three Boards we have primarily presented to the Board requests for approval for portfolio sales. This is not a portfolio loan. And some of you may have noticed that the loan amount is, in fact, below the $4-million threshold that can be approved at the senior staff level.

The reason this is being presented to the Board of Directors for approval today is because that $4-million limit did not include special needs financing, and Rubicon Homes is a request for a special needs loan. That's the purpose for our presenting it to you today.

In addition, I wanted to take this opportunity to introduce Carr Kunze to the Board. He has been with us as a loan officer in the Sacramento office for two and a half years, but for a variety of reasons he has not presented in front of you, so I just wanted to take this opportunity to introduce Carr.

CHAIRMAN COURSON: Welcome. It's nice they let you out in public.

MS. WHITTALL-SCHERFEE: He's been helping us out behind the scenes quite a bit.

Rubicon Homes is a ten-unit project located in Richmond in Contra Costa County. It is currently a Section 202 project, and it was first constructed in 1983. We're here today to ask you for approval for permanent financing using our special needs program.

Currently the ten households that live in Rubicon Homes include at least one adult with chronic mental illness. The project is in dire need of rehabilitation. In fact, it just -- not just recently, but it did fail within the last year its HUD REAC inspection, and HUD has basically told them that if they do not rehabilitate the project, that they will lose their HUD Section 8 vouchers. All ten units of this project have Section 8.

So we are requesting permanent funding in the amount $1.2 million using our special needs rate of 1 and a half percent, because all of the units will be special needs units. And that would be a 20-year loan fully amortizing using 501(c)(3) bonds.

When we wrote this proposal, we were still trying to fine-tune a little bit of the specifics, so we did say tax-exempt 501(c)(3) bonds or Agency funds. We use Agency funds to buy down the rate and initially fund the deal, and we will be financing it through 501(c)(3) eventually. But we also want to keep our options open. So that's also the reason if we should choose to change our minds down the road, we want that option that we can use whatever source of funds makes the most sense for the Agency.

The borrower will remain Rubicon Homes. Rubicon Homes is a California nonprofit benefit corporation, and they have a huge service provider history through Rubicon Programs, Incorporated. And Carr is going to go into a lot more detail about the services that they provide.

At this point in time I'd also like to just have Carr walk you through the project, show you the slides. I promise you won't see them pixel by pixel like you did at the last Board meeting. We know it works this time.

MR. KUNZE: Thank you. Mr. Chairman, Members of Board, thank you very much.

Rubicon Homes is actually one of 12 prototypes that was begun back in the 1980s, uniquely putting together the HUD 202 program with the Section 8 program in order to serve special needs. It will continue to serve special needs, as Laura has identified, serving households with disabilities, including in particular those with mental illness disabilities as well as the elderly.

In addition to financing the balance due on the 202 loan, the loan provides for $402,000 in hard costs rehabilitation, about $40,000 per unit. And the total development costs are going to work out to about $134,000 per unit.

It will be Section 8, project based Section 8. The Section 8 is being provided through a 20-year HAP contract. And the scope of work is being defined by the physical needs assessment that was recently updated.

The initial slide here shows you the project, the ten-unit project, in the westerly end of Richmond. Immediately to its west is an industrial area, and immediately surrounding the development are mixed residential, single family, multifamily and duplexes. Also, immediately to the east of the project is a park area.

The rehabilitation, parts of the rehabilitation program are going to include a complete reroofing of all of the four structures, as well as a -- in some cases a structural corrections in some of the roofing systems, complete repainting of the exteriors, replacement of an amount of deteriorating wood trim, replacement of damaged doors. Interiors, replacement of cabinetry and countertops, flooring and related areas there, replacement of wall heaters as well as some of the failed greenhouse windows that you saw on the prior slide.

The security, there will be security improvements as well, some of the gate areas had lost their locking capability. The exteriors will also include some resealing and restriping of the paving, as well as corrections of flatwork that is the sidewalks where there are tripping hazards.

Rubicon -- there will be relocation, but it will be all handled on-site during the construction period.

Rubicon Homes is licensed to provide Mental Health Rehabilitation Act Medi-Cal services for the tenants, and they serve as well as a broader nonresident population.

Rubicon Programs was established back in 1973. They were formed out of a concern for the deinstitutionalized mentally ill. They have developed and operate 136 units, four projects. CalHFA has previously financed one other Rubicon project known as Idaho Apartments.

Rubicon has received local as well as national recognition for their social entrepreneurship. For example, they operate a bakery serving some 300 retail outlets, they have landscaping services that serve some

35 sites, and these programs are part of their workforce services program and their other programs that serve over 3,000 clients annually with mental health money management, reduction of homelessness amongst the mentally ill and providing legal aid.

Their services program is a provision of this type of loan, that they must have a services program tailored to the needs of the residents. Their program, Rubicon's program, has been going on now at the site for 25 years is a program of independent living, is focused upon developing socially -- social functioning with the least restrictive environment.

And then as such, the services are available as needed, and they are not a condition of tenancy. This is a -- they provide structured day rehabilitation services for adults with persistent psychiatric disabilities. They have independent living services. These -- those services are providing life skills classes, counseling, as well as case management.

They also provide substance abuse treatment, and a service plan acceptable to the Agency will be agreed upon and incorporated into our regulatory agreement prior to closing. And in this case, the services plan will be structured similar to that that has already been developed for the Idaho Apartments.

The rent structure, if I can get over to that now, is one whereby the -- you can see that the one-bedroom rents are running at some $455 per month. You will note that the Section 8 rents are running at $1,287 per month. That is over the market rent. In fact, this project is receiving this project based Section 8 with an operating cost adjustment factor.

And I'll proceed ahead and note that the property management is being provided by the John Stewart Company, which, in addition to their substantial experience with managing affordable housing in Northern California, has worked extensively with supportive and special needs housing in this state.

MS. WHITTALL-SCHERFEE: In addition, I just wanted to remind Board members that we did indicate in the package U.S. Bank is going to provide the rehabilitation loan, and we are going to be the permanent financing. Part of the reason we're not doing the construction rehab loan is because of prevailing wage issues.

And with that, we'd be happy to answer any questions you might have, and we request approval for this project.

CHAIRMAN COURSON: Any questions on the project? No questions?

Mr. Czuker.

MR. CZUKER: I'm just curious, what's the range of interest rates that are available for these type of financings?

MS. WHITTALL-SCHERFEE: Currently our interest rates are 1 and a half percent if you are a hundred percent special needs. It's 2 and a half if it's -- all of sudden, I blanked. It's 3 and a half percent if you're 35 percent, 1 and a half if you're a hundred, and I think it's 2 and a half if you're 65 percent.

MR. CZUKER: Thank you.

CHAIRMAN COURSON: Other questions from the Board?

Mr. Carey.

MR. CAREY: Is it -- I have this sense that it's been lacking in maintenance a little bit, is that accurate, given that it failed its inspections?

MR. KUNZE: Yes, that is correct. It's been carrying, in fact, a 9 and a quarter percent interest rate loan now since its inception. That's quite clearly been one of the factors that has corroded its ability to keep up the maintenance.

MR. CAREY: So you have confidence in their ability to maintain it effectively after this?

MS. WHITTALL-SCHERFEE: Yes. In our project summary page, we are -- we are requiring an initial deposit after the completion of the rehab as part of our permanent loan that will be funded with $43,000. And then after that in order to meet the needs over time, we are setting aside every year per unit $710 a unit. So it's going to have replacement reserves that far exceed anything that had previously been set aside under the HUD 202 program.

MR. CAREY: Great. Thank you.

CHAIRMAN COURSON: Questions from the Board?

There is a resolution on page 169 of our Board book, if there is a motion to approve that.

MR. SHINE: So moved.

CHAIRMAN COURSON: Mr. Shine moves.

MR. CZUKER: Second.

CHAIRMAN COURSON: Mr. Czuker seconds.

Is there any further discussion? Any comments from the public?

Call the roll.

MS. OJIMA: Thank you.

Mr. Davi.

MR. DAVI: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Yes.

MS. OJIMA: Mr. Mandell.

MR. MANDELL: Yes.

MS. OJIMA: Ms. Javits.

MS. JAVITS: I'm going to recuse myself from this on appearance, not a legal matter, because the organization I work with provides a grant to this entity, Rubicon.

MS. OJIMA: Thank you, Ms. Javits.

MR. HUGHES: Just to clarify for the Board, Ms. Javits and I had discussed this previously and determined that there's not a legal conflict of interest, it's a recusal just for appearances.

CHAIRMAN COURSON: Thank you.

MS. OJIMA: Mr. Pavao.

MR. PAVAO: Yes.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Yes.

MS. OJIMA: Mr. Shine.

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson.

CHAIRMAN COURSON: Yes.

MS. OJIMA: Resolution 07-29 has been approved.

CHAIRMAN COURSON: Thank you.

And now we'll move to the Alexis Apartments.

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Item 4. Resolution 07-30, Alexis Apartments

MS. WHITTALL-SCHERFEE: Alexis Apartments is a project that is also not a portfolio loan, although this project did come to the Senior Loan Committee at CalHFA for an acquisition loan back in July. We are now coming to the Board for approval of a rehabilitation and permanent financing commitment.

When the acquisition loan was approved, a second mortgage, the IRP loan, was funded at that time, which is why we've included it in the write-up, because it didn't come to the Board of Director's for approval, and we wanted you to understand all the levels of financing that are going to be part of Alexis Apartments.

Alexis Apartments is a 206-unit, 14-story, two-tower high-rise senior complex in San Francisco. It was constructed in 1973, and it is owned by St. -- Alexis Apartments of St. Patrick's Parish, a 501(c)(3) nonprofit corporation.

The request for this financing is also for 501(c)(3) bond financing. The request is for a rehabilitation loan in the amount of $8,830,000 at our existing construction rate, which is a variable rate currently at 5 percent for 18 months interest only. The IRP loan will remain in place throughout the rehabilitation and during the term of the permanent loan. And the permanent loan will be in the amount of $9,600,000 at a 5-percent interest rate for 30 years.

It will also be financed from tax-exempt bonds. There's no other sources of financing anticipated, and Jim is going to explain the financing structure and the scope of the rehab that's going to be completed.

MR. MORGAN: Good morning. The Alexis Apartments, as Laura mentioned, is a 501(c)(3) wholly owned by the St. -- by the Alexis Apartments of the St. Patrick's Parish. They're a single asset entity.

And with our funds, we are paying off our existing acquisition loan that we funded in September of '07 and we're going to provide construction funds for the rehab.

This picture is just a direct view looking south. You can see the Bay Bridge, Interstate 80 and the Bay, a beautiful view from the 14th floor.

More of a direct picture there. You'll see the two towers, each tower containing 103 units apiece, connected by a second floor corridor. And direct shot there from the ground up on a cloudy day.

You'll see one of the entrances, the garage and entrance, and one of the entrances to the building there at Clementina, and then we have a shot there at the second floor roof terrace that connects both buildings.

The exercise room with those two beautiful pieces of equipment and our existing recessed kitchen area which is a prefabricated kitchen. We love showing you the kitchens. And our bathroom, with the existing bathroom as well.

I just want to give you a picture of the floor plan when I go through the construction numbers here. The typical one-bedroom there is 472 square feet, and there's 48 one-bedrooms. The studios, there's 158 studios, those average about 300 square feet.

Our total construction budget, rehab budget, for this project is $5,833,000 or about 20 -- a little over $28,000 per unit. Forty percent of that, approximately 40 percent of that budget or 2.2 million is allocated for the building. And out of that 2.2, 1.3 are going to be used just for windows alone, with about 400,000 for painting, and the remaining funds for aesthetics.

Fifty percent of that $5.8 million or 2.9 -- $2,970,000 will be for the interior, with 2.1 million allocated for kitchens, cabinets, counters, sinks, faucets, lights and electrical upgrades. The remaining 10 percent of the budget here, or 593,000, is going to be for the emergency generator, roof-mounted fans, and some control shutoff valves.

We've built into that $5,833,000 approximately 15-percent contingency or $975,000. In addition we have allocated $441,000 for interest reserve. Interest on the acquisition piece, the 18-month piece, will be paid out of cash flow, but we've cushioned that a little bit with $441,000 in case of any emergency.

We've also allocated $125,000 for relocation. A portion of those funds will be used to furnish a couch, a bed, a table, chair, refrigerator, small TV for the existing vacant units. Right now we have about nine or ten. Our goal is to be at 12.

In Alexis' case, these will be considered the resting units so while the tenant's apartment is being constructed or worked on or rehabbed during the hours of 8:00 to 5:00, they have a facility in which they can go, a similar unit. Their unit will be cleaned up by 5:00 o'clock, and they will be allowed to return.

Found out in Alexis, in with speaking to the management company and the consultants, is that most of the seniors don't want to be away from their unit at all. They don't even want to leave the area. So they feel comfortable having a vacant unit similar to their type near their domain. However, if they feel that they need to -- if for some reason there are unforeseen repairs that need to be done that may take overnight, they can stay at that resting unit, which will be provided with a bathroom, shower, bed, or they have the option of going to a hotel. But we've allocated funds for that.

You can see the rent chart. We have the 50-percent rents and the HUD 236 rents listed at $590. Our actual 50-percent CalHFA rents would be $831. And 80 -- and so I didn't list those there for the -- for the studio and one bedrooms. I just wanted to show you what we -- where we are at now.

A budget-based rent increase for capital repairs with a 20-year HAP renewal became effective September 1st of this year and it will go on for 20 years expiring August 30, 2027. Sixty-four percent of the units or 132 are Section 8, 113 studios and 19 one bedrooms.

Also, a hundred percent of the units are HUD 236 restricted, meaning that rents cannot exceed the 80 percent AMI. Even with the budget -- even with the budget-based rent increase, our Section 8 rents are still below market.

We also have a transition operating reserve of $657,000 for this project, which represents one year of subsidy. We also have a $500 replacement reserve per unit per year, an initial deposit of $1,000 per unit to the replacement reserve or $206,000, and an operating expense reserve of $202,837.

And one last item that's not in the write-up. The management company and the ownership provides the residents with a shuttle bus. There is the -- the Alexis Apartments has its own bus stop. And that shuttle goes seven days a week, and it's for anything and all things, grocery, banking, medical appointments, hospital -- which is three miles away -- and even Sunday for church and mass.

So with that, any questions?

CHAIRMAN COURSON: Are there questions on the Alexis Apartments project?

Ms. Javits.

MS. JAVITS: Thank you.

I had three questions. One, on page 176 it says that the occupancy rate for low income housing tax credit properties is generally 99 percent, and I see this property's occupancy rate is 95 percent. And I see that we did the numbers basically based on a 5-percent occupancy rate -- or 5-percent vacancy rate. Why is that?

MR. MORGAN: We're purposely holding the units vacant so when we do the rehab, we'll have those resting -- those units available for the tenants to come in and out.

MS. JAVITS: Right, but the long-term --

MR. MORGAN: The long-term --

MS. JAVITS: -- numbers are 5-percent vacancy.

MS. WHITTALL-SCHERFEE: Five-percent vacancy is our traditional vacancy level that we underwrite to. So even if it was 99 percent, we still would use the 5-percent vacancy as our normal underwriting.

MS. JAVITS: I was more curious, it just seems like the historical vacancy rate there is a bigger vacancy rate than other --

MS. WHITTALL-SCHERFEE: But that's because we are intentionally -- with HUD's concurrence, the borrower is intentionally keeping units off-line. They could be rented. We could have 99 percent --

MS. JAVITS: Historically it was higher? Or we're not sure.

MR. MORGAN: Historically we're at a hundred percent.

MS. JAVITS: Okay.

MR. MORGAN: We're a hundred percent occupied.

MS. JAVITS: And then the second question, so the property was built in '73. Do you have any idea if the average age of the tenants has changed?

MR. MORGAN: No. I think it's approximately 70 years and up as far as -- not high frail senior, but it's --

MS. JAVITS: It's just something maybe to keep an eye on with the elderly projects. As I've understood it, the older projects started with people who are in their 60s and now have people in their 80s and they're facing some specific issues with that. And I don't know if they're addressing them through services or additional service space or anything like that, but it might be something worth looking at as future older senior projects come online because I think tenant population is changing.

MR. MORGAN: The aging population.

MS. JAVITS: And then my last question is not -- you probably maybe not have an answer today, but I just wanted to raise it here and maybe it's for future thinking. But it seems like at this point we have a lot of data on property management costs in affordable housing, all kinds of different affordable housing. And as I look at the property management numbers that we get, they're all over the map. I mean, some projects are, you know, $500 a month per tenant, some projects are $200 a month per tenant, and I just wanted to at least raise for perhaps thinking on the staff's part is there anything we have learned about property management costs and the relationship between the costs we see and the quality of the buildings that we are financing?

MR. MORGAN: I can speak on behalf of this project. This project, since it's owned by the parish, they really have no expertise in running a 206-unit senior project, so they look to John Stewart for their maintenance staff, for their operational staff, for payroll, for almost everything.

MS. JAVITS: Right.

MR. MORGAN: So it may be slightly higher in this case.

MS. JAVITS: And we see a lot of third-party management. I mean so far, as I've been on the Board, we see lots of third-party management. I'm raising it more as a question, not for an answer today but just for consideration. Is there anything we're learning about property management costs, given the size of our portfolio, and the relationship between those costs and the building maintenance that might be instructive or useful going forward?

MS. PARKER: Ms. Javits, perhaps I can ask Margaret Alvarez, our director of asset management, for her to consider the question. She could come up and respond today or if you want -- Margaret, do you have some sense of --

MS. JAVITS: It's partly because I don't know how to judge. We're approving financing based on certain standards around the management budgets, and I don't feel like we have much of a yardstick for determining whether those are reasonably sized budgets or not.

MS. ALVAREZ: I guess I would just respond that our two groups, Programs and Asset Management, work hand in hand on these, and we do have really good data, 30 years worth of it. A lot of it depends. Family is more costly generally -- these are gross generalizations -- than elderly housing. High-rises are more expensive than garden style apartments. It depends if the utilities are included with operating costs or if it gets built into the rent or if it's a separate payment by the tenants. Age of the building, construction of the building, single pane or dual pane windows, climate, rural, city, there's a zillion factors.

But whenever Programs has an operating budget, it goes through my unit also and the staff looks at that and compares it to other operating costs of like buildings in our portfolio, and we arm-wrestle and talk about that all the time.

MS. JAVITS: Perhaps it would be useful just a sentence sometimes in these reports that say this budget is higher or lower or similar to others for some specific reason, because I just noticed they're dramatically different.

CHAIRMAN COURSON: Mr. Czuker.

MR. CZUKER: While we're going down that line of thinking, I have two questions and comments for staff. First, as it relates to senior projects where we see the average age rising given the age of the product and where the tenant base may be in their 80s and 90s, we have life cycle issues that then arise which we, in terms of management and in terms of asset management, may or may not be tracking. And those life cycle issues include nursing, include people being able to be ambulatory and get out of bed in the morning or medication, and you start moving into assisted living, skilled nursing, other services that may be beyond the scope of our financing or beyond the scope of the original underwriting in terms of property management.

And while I encourage us to continue to provide affordable housing and especially senior housing, how as on a staff level, as on an Agency level are we dealing with sort of these life cycle issues that are going to require capital, staffing, management, which may or may not be online or on budget. And I'm not sure if we're adequately tracking and recognizing the services that will be required for that aging population. And that's one train of questions I want to ask.

And then the second part, which takes us in a slightly different direction, relates to the fact that, you know, we start seeing some of the same names over and over again as both borrowers and management companies. And so I want to bring up a different subject, which is can we get some statistics that help us understand from a portfolio basis what risk are we taking from a concentration in the hands of perhaps only a few parent companies. Despite the fact that they're a single-purpose borrower, you may have the same management company or the same borrowing parent entity on many, many loans. And if you aggregate dollars or numbers, does that pose a risk that we should be evaluating independently in terms of concentrations in certain hands versus diversification.

MS. WHITTALL-SCHERFEE: In fact, we have been taking a look at our database and streamlining it so that we could look exactly at the issue of how many loans we have outstanding to any one parent company. And we have been trying -- what we're developing is a system where we can identify who's behind the limited partnership so we can do -- we can run reports.

From my banking years, that was just called our loans to one borrower report, and that's something we have been working on because we have noticed that there is an increasing similarity or there are more and more loans being made to many of the same borrowers.

The thing that we also do keep in mind, though, is that we underwrite to the project. The project is what pays the debt service on these deals, the rents. So it is something we're looking at, but it is something that is also a little bit different than in the private sector where you might rely on guarantees and you might be looking to the organization themselves to come up with deficits. We do single asset entities, and we look to the projects for rents. But we will follow up with you on that.

MR. CZUKER: First, that addresses one question, but just a little more color on that question before I go back to the first part of the question; and that is, don't you have an issue or can you present those statistics to us. So if you are already tracking or starting to track management companies, how much the same names have under management and borrower parents, and how those borrower parents in what concentrations throughout the state, the single borrower's may -- parents may have.

In some cases you have the cushion of tax credit equity or third-party agencies that have substantial equity in the deal, and CalHFA is not the only dollars in the deal. So whether it's a single purpose entity or not, the fact that there's a lot of skin in the game and other people are taking risk alongside or even in front of CalHFA financing, it gives an added cushion to certain financings.

But in other cases when a hundred percent of the capitalization is coming from a CalHFA loan, a hundred percent of that risk if the real estate doesn't work out properly is in the hands of management and ownership, and of course we're taking a much greater risk than sometimes we understand. That's one side of the question.

And then perhaps you can return to the whole life cycle senior question.

MS. WHITTALL-SCHERFEE: We have periodically also tried to make some assisted living deals work. It has been a very, very difficult thing for us, but we will definitely pursue the life cycle question that you've talked about.

And we do, at least with the borrowing entities, for instance, on the Rubicon Homes project that we just presented, we did mention in the write-up that we have one other loan with this borrower and it is Idaho Apartments. And that is the way we've always tried to inform Board members as to what -- what other deals we have with that entity, and we will continue to do that. What we will also do is pursue the asset management angle that you asked just now.

CHAIRMAN COURSON: I would think it would be interesting. As a Board member, I would be interested maybe at least once a year to take a look at concentrations of management, concentration of sponsors, and so on, in our portfolio, maybe the top ten or something like that as you go through that. Just each year so the Board knows where those concentrations are of owners, sponsors, managers and so on on maybe an annual basis is adequate, but at least to know so as we see new projects coming up we get a sense of what our other engagements are.

And Terri mentioned, and it's true, I mean we're one -- sort of one leg of that. When you take that further, the State has other exposures. HCD is in many of these projects and has concentrations with us, along with several other entities. So it's more than just us, but I think at least from this Board's standpoint, I'd like to see that kind of a report put together when you have got the data or you can provide it to us.

Any other questions on the Alexis project?

If not, there is on page 191 a resolution for your consideration and a motion would be in order.

MS. JAVITS: I move it.

CHAIRMAN COURSON: Ms. Javits moves.

Is there a second?

MR. CZUKER: Second.
CHAIRMAN COURSON: Mr. Czuker seconds.
Is there any additional discussion on the Alexis Apartments?
Any comments from the public?
Seeing none, we will call the roll.
MS. OJIMA: Thank you.
Mr. Davi.
MR. DAVI: Yes.
MS. OJIMA: Mr. Carey.
MR. CAREY: Yes.
MS. OJIMA: Mr. Czuker.
MR. CZUKER: Yes.
MS. OJIMA: Mr. Mandell.
MR. MANDELL: Yes.
MS. OJIMA: Ms. Javits.
MS. JAVITS: Yes.
MS. OJIMA: Mr. Pavao.
MR. PAVAO: Yes.
MS. OJIMA: Mr. Morris.
MR. MORRIS: Yes.
MS. OJIMA: Mr. Shine.
MR. SHINE: Yes.
MS. OJIMA: Mr. Courson.
CHAIRMAN COURSON: Yes.

MS. OJIMA: Resolution 07-30 has been approved.

CHAIRMAN COURSON: Thank you.

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Item 5. Update on Bay Area Housing Plan

CHAIRMAN COURSON: The next item on our agenda is our old friend the Bay Area Housing Plan, and we have Kathy, and Bob Deaner, our new Director of Multifamily, in his first appearance.

MS. WEREMIUK: Chairman Courson, Members of the Board, it's a pleasure to be here with you again today. I will try and make this update brief. I have handed out today a written report -- can you hear me -- a written report as well as doing a narrative report for you.

The project is progressing well. We have purchased seven homes to date, about $10 million from Bank of America -- purchased the loans. Those are on projects where either they were purchased brand-new or the seller did all of the rehab. In the next two months, we anticipate purchasing another 21 homes where the rehab will have been done by Hallmark Community Services. When we complete the first 28 purchases, we'll be at about $46-million in loans that are purchased that we're currently holding on our line of credit.

One of the -- I brought some pictures today. I wanted to give you a sense of the work that is being done. This is a property in San Jose, 1302 Baywood. It's a medical facility for people who are chronically ill. And this gives you a sense of the level of rehab that's been done.

The floors are all wood to make it easy to move people. They're generally on gurneys. They're not mobile. The surfaces are all washable and cleanable. The tracks that you would see here are tracks to help staff move the residents from room to room.

You'll see one of the lifts in the far corner on this room. The doors will be French doors. That's to facilitate moving people in and out of the development.

This is a staff bathroom.

This is a resident bathroom for the residents, for staff to bathe them.

A sense of what the closet space is and the grounds.

The facility is being very well received by the neighbors, although there is some NIMBY in San Jose when people realized that the facility was going to be placed into San Jose.

As I've mentioned, construction is picking up. This had been one of the significant lagging indicators and the Bay Area Housing Plan construction has been late, basically because of the scattered site nature of the developments and Hallmark working with so many small contractors who are willing to bid on these individual scattered site homes.

To overcome that, Hallmark has hired several monitors who have the ability to jump in and do work in case the contractors don't come. They're there every day counting noses, making sure that work is being done on schedule. And Hallmark has a goal of finishing the first 20 of the first 21 homes that are in construction by the end of the year.

They have also purchased all of the other homes, all 61 homes, and every single one of those homes is currently in permitting. We are optimistic that they will make their deadline, the legislative deadline, to close Agnews mid-2008, which would require the completion of all the homes.

CHAIRMAN COURSON: Questions of Kathy on the Bay Area project? I mean, the pictures of the units are just very impressive.

Ms. Javits.

MS. JAVITS: Approximately how many people will be housed eventually in all these homes?

MS. WEREMIUK: Somewhere around 300, 300 to 340, depending on how many people -- I think it's -- I haven't taken the most recent count. I think it's about 340.

The homes will hold either three, four or five residents, depending on the types of facilities, and 20 of the homes will have live-in caretakers, which will be a caretaker family. That would add to the number of people housed. We haven't counted those in our count.

CHAIRMAN COURSON: Mr. Mandell.

MR. MANDELL: Is there a target proximity to Agnews for these new facilities?

MS. WEREMIUK: The facilities are in nine counties, and the target really is to place them near the families of the residents who are being moved out of Agnews, but close enough to proper medical facilities so that people can be -- their medical needs can be adequately addressed. And so they have been very scattered throughout the Bay Area.

MR. MANDELL: So these particular clients would be long-term clients?

MS. WEREMIUK: They are long-term. There's -- there are three different types of homes. People are either very medically fragile and they're in a nursing -- in a facility that has 24-hour nursing, but they're not needing acute care in the nursing facilities. There is a type of home that has 24-hour care for people that have behavioral issues, and then a duplex situation for the people who have the most independence of movement where they can -- they need 24-hour staffing, but the staffing doesn't need to be live-in.

MR. MANDELL: And if a resident who's planned to use or occupy one of these slots were no longer to be available to take that slot, what would be the plan then to utilize the --

MS. WEREMIUK: The housing would be occupied by another resident with similar needs. And the residents in the Bay Area that have similar disabilities is much higher than the 300-and-some units that are being developed.

Over the last 20 years, people have been placed in Agnews. They have been diminishing the number of people who have been placed in Agnews and instead trying to place people in community facilities. There are a large number of people who are in board and cares who should be in facilities like this. And if people from Agnews did not move in or someone died or the unit wasn't required for transition from Agnews, there would be another person who would have similar disabilities who would live there.

MS. PARKER: Elliott, these are all people who are served under the regional center system of Department of Mental Health Services. I think it's interesting to note that several years ago, I think, the Department was seeing a decline in the population of these types of individuals, but now it's back on an upswing of seeing these individuals needing to be served through the regional centers, and obviously the impact on its budget as it goes forward to the State.

So to the extent that we have these facilities, this allows the State to claim federal financial participation for these people that otherwise would have been served at a hundred percent General Fund money through the regional center support.

MR. MANDELL: I appreciate that. I think it's a wonderful program. I was interested more in the proximity issue relative to as, at least in my view, if you have got proximity to Agnews you're clearly serving a group of people. If you're pushing it out into other parts of the community and the rest of the state, then the question I wanted to get some answers for, and in fact I think I got it, was what would happen should a vacancy occur and then where would you make sure you have that revenue flow coming from.

MS. WEREMIUK: They're -- the Agnews facilities serve nine counties and three different regional centers, so I think there are over 200,000 people being served by those three different regional centers. So there's -- they -- the housing at this point is scattered, but it was more scattered based on the -- where the -- which regional center was currently serving the residents who were in Agnews. More of the residents were served by Santa Clara and -- in the Santa Clara County and therefore more of the housing is concentrated there.

MR. MANDELL: And just to further clarify, a lot of the budget discussion that I've heard over the last year or two incorporated the discussion of how staff who are currently at Agnews, not the clients but the staff, would be used to assist. And so again, the proximity issue would be difficult, I would think, to have that same staff deal with a geographically diverse set of facilities. But, again, I think that probably regional centers would pick up that service requirement.

MS. WEREMIUK: They've picked that up, and there was a special statute passed to allow the staff to continue -- to transition over with the residents so there will be a continuity of people serving the Agnews residents.

CHAIRMAN COURSON: Ms. Javits.

MS. WEREMIUK: The only other thing I'd mention is that we're currently -- and Bruce will probably talk about that more. We're currently still working on the bond issues. We've been in contact with the rating agencies. We're answering questions that they have on the specific financing proposal that we've brought to them.

CHAIRMAN COURSON: Ms. Javits.

MS. JAVITS: I was -- just wanted to ask about the ongoing maintenance of the buildings. And you have service providers, some of which are nonprofits and some of which are for profit, maybe individuals, I can't tell. And then what's their relationship to the Hallmark Group, and is Hallmark going to continue to maintain the buildings?

MS. WEREMIUK: No. The service providers are chosen by the regional centers, and they actually lease the facilities. They have a lease that's longer than the term of our financing. The Hallmark Community Services is a master builder. They're exiting as the loans are sold. They're being sold to three different nonprofits that are based in the communities and the catchment areas of the three different regional centers. Those nonprofits will be responsible for long-term maintenance. Short-term maintenance is included in the lease, and the regional centers pay for that maintenance through the lease to the service providers.

The service providers can be fired at will by the regional centers if they don't perform. It's one of the goals of the regional centers in this housing type is to have housing that they control and don't lose if they want to terminate their relationship with the service providers. They're both for profit and nonprofit. That will impact our bonds. We're going to be doing both for-profit tax exempt and nontax exempt bonds.

The majority of the service providers who were working with the regional centers were small for profits. And they have been expanding to include nonprofits in the Bay Area program, but they didn't have enough nonprofit service providers to staff all the homes, nor did they want to. They didn't want to exclude some of their better service providers who were for profits. And so the financing was structured to really accommodate what would be best practices for the regional centers in choosing the very best service providers.

However, once they go with a nonprofit service provider, because of the bond structure, they need to maintain that for the 15-year term of the Agency financing.

CHAIRMAN COURSON: Mr. Morris.

MR. MORRIS: I was just curious if you could maybe update us on where we stand on our goal for the Bay Area Housing Plan, No. 1, and, No. 2, given the softness in the market in that area, if you've revised kind of what you think you can do going forward.

MS. WEREMIUK: At this point all of the homes have been purchased by Hallmark, and we've made commitments on 42 of the 61 homes that have been purchased. Some of them we have gone back and done a second appraisal. On all of the ones that we -- the loans we've purchased, we have done a second appraisal, and we've also gone back and reappraised some of the properties that are coming up to us for commitment that were purchased earlier.

What we've found is that the values in the Bay Area have been holding. In some instances, we've seen appraisals at exactly the same dollar amount. In some instances we've see 10,000 -- up to a $10,000 increase per home. The areas that the regional centers have chosen to place the homes in need to be very secure for the residents, and therefore they're areas that have really held their value. And we've checked that. You know, we check and go back and check that all of the time.

CHAIRMAN COURSON: Other questions on the Bay Area Housing Plan?

Seeing none, let's move right in then to the Mental Health Services Housing Program.

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Item 6. Update on Mental Health Services Act Housing

Program

MS. WEREMIUK: This be a very short report. We are not yet receiving applications for the Mental Health Services Act funding although the application went out August 6th. The reason for that is that the counties need to submit the application and they have not yet signed their contracts with the Department of Mental Health to transfer the money to the Agency. We anticipate that that will happen before the end of the year.

During this interim, we've been doing program development as well as publicizing the program. We've done six regional meetings around the state, both in urban and rural areas, very well attended. The largest attendance was 350 persons coming in L.A. But the meetings -- we've also done five presentations at five of the housing conferences in California on the program.

There is a great deal of interest. We're starting to see folks send us their pro formas, and we did one initial commitment on a construction loan that included this funding. As we've been doing the presentations, we've been working with the Department of Mental Health to refine the program and eliminate some of the issues that were barriers for either the counties or the developers.

We're also meeting currently with HCD to make sure that our program works well with the MHSA housing program home and the urban -- the urban transit program. Those meetings have gone very well. We anticipate having a memorandum of agreement between the two agencies and a staff training between the two agencies so that we are all aware of what both agencies have agreed to. We've been staffing up. We're working on developing financial pro formas.

And we anticipate we'll see applications starting somewhere in the beginning of the year. We won't be able to make commitments till March because the other thing we worked on, it feels to me nonstop, is with DMH working with them on regulations. They're doing emergency regulations that we think will be submitted to Agency the end of this week. We don't anticipate that those will be approved through the various entities in the state that need to approve them until sometime in late February, early March, and we would be making commitments after that.

We also have a draft financing plan or investment plan that Bruce's department has put together that we're talking to the counties and the Department of Mental Health about and we'll bringing back to you once we've got that developed. But it's -- we really have been doing program refinement and, you know, I'm hoping I'll be able to talk about a program that's fully operational in about four months.

CHAIRMAN COURSON: Questions on the Mental Health Project?

Kathy, thank you.

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Item 7. Discussion, recommendation and possible action regarding Multifamily Architectural Guidelines

CHAIRMAN COURSON: The next item on our agenda, I think we have a handout in front of you. Bob, welcome Bob.

MR. DEANER: Thank you. As I promised, I came back.

CHAIRMAN COURSON: You came back. He's back for more. Is to talk about some action regarding the Multifamily Architectural Guidelines, which is a discussion we've had at several Board meetings here.

MR. DEANER: Okay. In my first 30 days, I was fortunate enough to make the conference tour. I hit the timing right, and I was able to meet with a number of our past and present developers, and I, quite frankly, as being the new director, asked them what are the issues you see in front of us that we need to change. One of the few were the architectural guidelines, as we had discussed before.

What I'm proposing today is not changing the fact that we don't need to do a review process, but having a recommendation process such that we're not having restrictive requirements for the particular projects.

It was the opinion of the developers that we met that in today's market with HCD, with local agencies, with redevelopment agencies, that there's a number of requirements that are necessary for these projects to be built, and our requirements on top of that could add costs, could not add costs, in cases were good for the project, in other cases may not have been good for the project, but in the long run it was preventing us from doing additional deals.

And for that to go to the question of diversifying the portfolio, this recommendation would, I think, open up the door to additional borrowers that would like to come back to CalHFA and do business with CalHFA because we'll have recommendations versus requirements under our architectural guidelines.

What -- basically under this new page, I know we passed out a booklet that encompassed quite a few things. It had earthquake. It had architectural guidelines. It had pictures. It had a lot of wonderful stuff in it, but it was still 42 pages. And so the feedback I got from the various developers that I met with was it's great you've got new guidelines, but you have a waiver system. We still need to get a waiver, which is a requirement, and it's quite a bit of information that we have to go through that we feel that we're already doing.

So what I've created is what's going to be a flyer within just our handouts, which is two pages, they are double sided, which is just what we would like to see on the projects going forward from a design and material standpoint. And what I put at the very top to take the perception out of the market, because the other perception was, is that our process is we would look at it, changes, look at it, changes, is that we get it in 15 business days, we turn around, make our recommendations.

They're not required. They're things we'd like to see. After that point we can, you know, talk to folks if there's things that we don't like that we'd like them to do, we make decisions as a lender and then move forward and we're done. That would take the part of the ongoing process out of it.

In addition to this, we've also got the 3015 program now, so our yield maintenance prepay is now 15 years. It used to be 30 years. That was one of the reasons we did a lot of the requirements that we used to have is we were sitting with these for 30 years and the perception was, is we were the long-time holder. Now that we've changed that program, the perception is that after 15 years they can prepay after the tax credit period. So a lot of these recommendations are things that are standard. You'll find them on TECAC or local requirements, nothing out of the ordinary that I don't think a developer would do.

MS. PARKER: Mr. Chairman, maybe just as a comment. I think I had told you all that when we had been in the process of looking for a new Director of Multifamily that one of the major issues, and you had all expressed this to me, the concerns about were the various prohibitions for us to be doing business, and architectural guidelines has been something that has been discussed by this Board for certainly the years that I have been here.

I asked Bob to take a look at this as one of the very first things, and he would have anyway, because it continues to come before us. It comes before us in issues in MHSA. It comes before us in issues of any sort of potential portfolio project.

The reason why we wanted to bring this to you today in particular, and it's up to the Board if they wanted to take action on it or not, is that we have had these guidelines in the past, and it hasn't been clear from that standpoint whether or not the Board had ownership of them. And in that sense, we thought it was important to bring these so that if there is a concern on the part of the Board, that we are addressing it, and in that sense that we as staff can walk away and feel that what we are reflecting now is a reflection of the philosophy and operating standards that the Board wants us to be applying.

Particularly because you are the credit committee on these projects, we thought that we would essentially bring it to you to essentially, you know, to -- to have you concur, take action, whatever, but from that standpoint we do want to be out there reflecting that the Board is supportive of what we’re doing. Thank you.

CHAIRMAN COURSON: Mr. Davi.

MR. DAVI: Mr. Chairman, for clarification, the 42-page document that was referred to and we saw last time, what's the status? When we have put that in place, did the Board ratify it similarly or no?

CHAIRMAN COURSON: No. We didn't take any action on it. It was just given to us for information.

MR. DAVI: It's my understanding that that document has now gone by the way of the buffalo?

MR. DEANER: That is correct.

MR. DAVI: Good work. I'm very pleased to see this. If I can just comment, I'll tell you, it doesn't mean that there aren't things in those 42 pages that are important and that may be brought out on a specific application for the project. But when you tell somebody who's contemplating coming to CalHFA for financing to read through that and decide if you want to apply for a loan, I think it sends a terrible message out there to basically the people that want to apply.

If a project comes in and you find concerns about it, you may raise issues from this sheet, you may raise issues that you see from seeing the project and say we require the following, but that is not going to scare away potential business. So I applaud the efforts, what's in front of us, and I hope we can adopt it or at least tell them we support it.

CHAIRMAN COURSON: Other comments?

Ms. Javits.

MS. JAVITS: I just wanted to ask so if they choose not to incorporate the suggestions that CalHFA makes, are we not going to provide a loan or what's the standing?

MR. DEANER: Not necessarily. It would be -- we'd have a look at it and see if it's a material issue. If we decide that somebody wants to do, say, T111 siding and that's really something we don't like, we don't want to do from a long-term perspective, then we could pass on the deal. There's plenty of, you know, financing options out for borrowers these days. I don't want to turn deals down, but at the same time we've got to make sure we have projects that are going to stand at least for 30 years.

MS. JAVITS: Have you tested this with some of the major developers that told you they were unlikely to come to CalHFA --

MR. DEANER: Well, the original -- this is from the original guidelines that we put together in the 42-page document, which was tested, and we just scaled it down. So in a sense, yes, it has been tested. This particular document has not gone out, because, again, it's going to be recommendations and not requirements. So therefore, you're going to have these in here that a lot of developers are going to do and at their option. If we decide not to, they'll just tell us they don't want to do it, and we have to make the decision.

MS. JAVITS: Yeah. I guess from a Board perspective, it seems to me this is the recommendation of the staff, but the jury is out as to whether or not this is going to increase business for CalHFA or address the questions that have been raised about architectural guidelines. And I would like to hear that back, you know, in six months or whatever is appropriate.

MR. DEANER: Oh, sure. We can follow up on that.

MS. JAVITS: Has this changed the number of groups that will come to us?

MR. DEANER: Well, yeah, I did meet with a couple of the developers before I came to this meeting and talked to them. I didn't give them the document because obviously we're bringing it to the Board, but I did say we were making changes, and the indication was that it would be well received from the developers.

MS. JAVITS: Thank you.

CHAIRMAN COURSON: Mr. Czuker.

MR. CZUKER: Just as a follow-up, the reputation of CalHFA and the requirements of the architectural review process have been already so well-known that the fact that we've taken positive steps to simplify it and to not duplicate what cities and counties are doing independently with their own design guidelines and specification guidelines and similarly to some degree the lenders are doing with their own specification and guidelines, it will take some time to undo what is a stereotype or a stigma that already exists in the marketplace.

So we applaud, I think, as a group the effort and the direction. How do you get the word out there to start creating new business opportunities when there's a preconceived notion and a preconceived reputation that has to be overcome.

CHAIRMAN COURSON: Mr. Carey.

MR. CAREY: I haven't gone through every single line. It looks great. It's practical, common sense. And there are a few phone calls I can now take without dreading.

MS. PARKER: Mr. Czuker, to answer your question, certainly one of the discussions that we've had about having -- hiring now a Director of Multifamily is to have Bob going out and meeting with essentially our stakeholder groups. He's already been to a number of the fall conferences that usually occur at this time of the year and been out talking to the stakeholder groups that we have and who have, as we've said, in the past held off really doing much business with us in the last 20 months to see who and what our policies would be.

In addition, we've got our crackerjack Director of Marketing all cranked up to be doing as much education as we possibly can of our stakeholder groups of the changes, Bob arriving, these changes and other things as they progress and we're bringing them to items -- as items to the Board.

MR. DEANER: I have a plan to meet every developer we've done business with and a plan to go out and meet new developers. This is one change of about a half a dozen that I'm currently working on, and I have got -- I've retooled our current meetings, where one week I do a staff meeting, the next meeting I do just the loan production meeting with our loan officers, and what I'm doing there is meeting with them individually, we're going through deals that we're currently working on, and I want to talk to all their clients and existing clients that we can talk to based on this change and other changes that I'm making to get out and get the perception out in the market. It is going to take some time. It's going to be a deal by deal, but over a period of time once we get them in and we execute, then the volume will increase.

CHAIRMAN COURSON: Any -- seems like, I think, obviously there's pretty notable support from the Board, if the Board -- I think that's on the record. If we would like, I suppose we could make a motion that we really support the recommendations put forth in this document or let the record stand as our support.

MR. DAVI: If I could just speak to that, I'd rather not approve this document. I think we're all in support of it. I think he needs the flexibility to -- there may be some changes or some modifications, obviously, anything substantive, you'll let us know. But

I do think it's a step in the right direction and I'm pleased.

CHAIRMAN COURSON: Okay. Bob, I think you've clearly got it. We certainly appreciate your fast start and the fact that you've taken the initiative as aggressively and as quickly as you have at something that's been obviously on our plate for a long time.

Mr. Shine.

MR. SHINE: Thanks for this. I know that in all of the meetings you're going to have, particularly the few GCs that you run into really know it, and run this by them, to the extent there is anything that needs to be modified or changed, if any, and I don't know that there is, the best source is the people doing the work.

DIRECTOR SLATON: Absolutely.

CHAIRMAN COURSON: Mr. Pavao.

MR. PAVAO: I also want to applaud the effort, but I also want to just make sure I'm understanding what I'm looking at. On page 3, are those listed items -- they're defined as minimum level of quality, but is it still -- is that recommended or basically these are kind of threshold requirements?

MR. DEANER: Well, yes, they're threshold requirements. We -- again, if they were to come in less than this, then that could become an issue for us and we'd have to sit down with the developer and discuss it.

MR. PAVAO: Okay. Thanks.

CHAIRMAN COURSON: Ms. Roberts.

MS. ROBERTS: Thank you.

I have one additional question, I guess. On the minimum standards, I'm glad to see things like water-saving landscape design being recommended. What I'm looking for here is some consideration of energy conservation, water conservation. It's very clear on the landscape side. I was wondering if there were other items --

MR. DEANER: I think there --

MS. ROBERTS: I just wanted to know if there was consideration being giving to energy conservation and water conservation in the design of the buildings.

MR. DEANER: Yes. In another section under -- where we talk about appliances, we talk about having Energy Star appliances, and so, yes.

CHAIRMAN COURSON: Mr. Pavao.

MR. PAVAO: Well, okay. So on the Energy Star appliances, is that a recommended standard or basically, look, we're requiring Energy Star appliances?

MR. DEANER: Under this document, it would be recommended.

MR. PAVAO: Again, the other thing I'm noting is that TECAC has very few, but we do have some minimum standards. So for example, we require Energy Star appliances, and so we probably ought to just --

MR. DEANER: Well, in that case -- I mean, in that case, if there were tax credits being applied like a previous deal or 501(c)(3)s didn't have tax credits in deals that we would be doing with TECAC, yes, and it would be. It would be required under them to apply for the tax credits so we would get there.

MR. PAVAO: Okay. Maybe we'll shoot you a note --

MR. DEANER: We should --

MR. PAVAO: -- just sharing what it is. We do have a few kind of minimum requirements --

MR. DEANER: Okay.

MR. PAVAO: -- and just make sure they're tracking.

MR. DEANER: Okay.

CHAIRMAN COURSON: Ms. Javits.

MS. JAVITS: Just in the spirit of that, I mean part of marketing could conceivably be a document that allows people to see where these align with specific other requirements so that you can simplify it for the borrower.

MR. DEANER: Yeah, I think we could do that with

TECAC. But some of the other locals or redevelopment agencies, that might be a little difficult, but with at least this, yes, we could do that.

CHAIRMAN COURSON: Other comments from the Board?

Bob, I think you certainly have the support to move forward with your initiative and --

MR. DEANER: Thank you.

CHAIRMAN COURSON: -- we appreciate you -- your effort.

MR. DEANER: Thank you. Thank the Board.

CHAIRMAN COURSON: I'll bow to the wishes of the Board. We can take a short five-minute break or we can just break on an individual basis as need may be and plow through the agenda. What is your pleasure?

Mr. Shine is calling for a five-minute break, so we'll take five minutes.

(Recess taken.)

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Item 11. Report of the Chairman of the Audit Committee

CHAIRMAN COURSON: If we could have the rest of the Board reassemble. Okay. The Board is slowly reassembling.

We're going to have an agenda change, and we're moving item No. 11, which is the Audit Committee report, up. I know we have a couple members -- let me just for the record note it appears that Mr. Morris has left the meeting for good. And so I believe with his early departure, we still have a quorum; would that be correct?

MS. OJIMA: That is correct.

CHAIRMAN COURSON: Okay. So with Mr. Morris' absence, we still have a quorum to conduct our business.

Having said that, let's move to the report. The Audit Committee met this morning at 9:00 o'clock, and I think Mr. Shine has a report for us.

MR. SHINE: Thank you, Mr. Chairman.

The Audit Committee did meet this morning, a very informative meeting, and dealt with, first of all, the issue of our auditor's audit of the Prop 46 portion of the California Housing -- Housing and Community Development budget as it related to our participation in Prop 46 and also the Housing Finance Fund and they found no problems, gave us a clean bill of health and what I thought was a good report.

We then spent the rest of our meeting discussing issues that were raised by the Manat Phelps report, that we hired to look into the whole issue of compensation, contract letter and other issues, and came to the conclusion on certain items and are working on others so that we will at the next Board meeting present this Board with a complete set of recommendations from the Audit Committee on the way we think in our opinion as to how we can improve the protocol methodology used in handling compensation, contracting and so forth.

And that's my report, Mr. Chairman.

CHAIRMAN COURSON: Mr. Chairman, I think you also have a motion or a recommendation.

MR. SHINE: Excuse me. And it's not on the agenda. It came to us at the last minute.

We were also presented a letter from the Department of Personnel Administration and a letter to our chairman from a number of the members of the staff here dealing with the compensation issue and the relationship between that and the vesting of the retirement programs with CalPERS.

It seems as though that as compensation has changed in any 12-month period, once that has passed, that the person getting that pay rate is vested. So it takes 12 months at a new salary to be vested at that new level.

The Department of Personnel wrote a letter to the Governor's Office suggesting the new salaries that were established by us in the process through which we've been going be changed so that the 12-month period became a three-year vesting period of time. And that impacts a number of our exempt employees here and staff. And the -- nonetheless, the staff has said, yes, they will go along with that and will agree to that vesting, which is a three-year rather than a one-year period, if I've got this straight, except the executive director, which will be two years. And that period, however, will start retroactively back to January of 2007.

The Audit Committee reviewed the letter and had a discussion about it and voted to recommend to this Board that this Board approve the letter and the concept behind it. And therefore I'm submitting it you for your vote. I believe each one of you has the letter. And am I correct?

If there's any questions, I'll be happy to answer them, although I see Terri sitting there. I'm sure she knows more about it than I do.

CHAIRMAN COURSON: Let me, if I may, Mr. Chairman, which I -- we did at the Audit Committee.

Many of you are aware obviously we considered our salaries in January and took that action, and then subsequently also in March Terri recommended that the Board approve her recommendation that the salary that had been approved for her in January be reduced by $25,000. Those of us who were here will remember that.

Around that time but after we had taken our action, there were, as many know, several groups of employees in state government that got what DPA calls a substantial -- significant salary increases. And along with that, the Department of Personnel Administration for those individuals recommended that for pension purposes that the -- I'm going to use the word PERSable -- they become PERSable over a three-year period rather than over the current one-year period. And that has been the case for those other folks. Our action had been taken.

So based upon a conversation and communication I had actually just at the end of last week, again, with the Governor's Office, they asked and we had asked that if our -- those seven individuals who we had taken action on over the year would agree to be PERSable over the longer period of time.

And Terri just met with those six individuals, and you can see in the letter we want to have a comfort level. Obviously we can't go in -- as counsel told us a couple meetings ago -- you can't go in and undo something that's done. So they need to really voluntarily, to their credit, step up and agree to this.

The one only change is that -- from the Governor's Office was that Terri would be PERSable at two years, based on the fact she had already given up, if you would -- the Board had reduced her salary by $25,000 starting from a different base for a two-year period, as opposed to the longer three years.

So what they have asked and what I have recommended and the Audit Committee has approved and is recommending is that the Board agree to and accept the contents of this letter dated November 14th, signed by our senior staff we met with to put us back into sync.

MS. PARKER: Mr. Chairman, if I could just add one comment. Part of the reason for essentially doing this and documenting this as a letter and bringing it to your attention is -- I want to add because I think that we've all gone through an entire year of a very long and lengthy process. And we appreciate from the staff's standpoint support of this Board and certainly support all of its efforts in trying to make the salary-setting process as transparent as possible, with the idea of being able to recruit and retain this quality of staff that the Board has come to expect.

I want to just, as part of this letter, not only tell you that obviously all of the signatories have essentially agreed because they believe that as colleagues of one another what happens to one should be applicable to all.

I also want to give you the comfort because there have been discussions over the last year about whether or not other state entities like the Department of Personnel Administration have been included in these discussions or whether they have been excluded and in that sense are not part of, you know, this information.

This recommendation has been vetted by the Department of Personnel Administration. They are agreeing to it. So you can have the assurance that it is not something that the staff have just unilaterally done and would not be accepted generally by those other people within the State that essentially view and look at the actions of the Agency and how we essentially determine and set all compensation.

CHAIRMAN COURSON: Any questions on this?

Mr. Pavao.

MR. PAVAO: I just -- is this everybody, the list of signatories?

CHAIRMAN COURSON: Yes.

MR. PAVAO: That's pretty much everybody?

CHAIRMAN COURSON: Yes.

MS. PARKER: Let me just for the record clarify.

The discussion around the implementation of the significant salary increases has been for incumbent individuals. So I take into consideration the Board has the authority to set salaries for ten positions.

In January, the Board set salaries for nine of those positions. They did not set the salary for the Director of Legislation. That salary was already approved by the Department of Personnel Administration. So although it was incumbent, it was not set by the Board and was not considered a significant salary increase. The other individual is the Director of Multifamily that had just been hired, obviously not an incumbent.

So everyone else that was, even those people who were on contracts that then got hired, by the -- within nine days, we had included them for the purposes of this as incumbents.

CHAIRMAN COURSON: Other questions?

I think then a motion would be in order.

I'm sorry, Mr. Czuker.

MR. CZUKER: Since the CalHFA is its own profit center and is totally self-contained, it generates its own income and pays its own expenses, to what degree does the Department of Personnel Administration have the jurisdiction, other than recommendations, to try to keep us in parallel step with other agencies? We are off budget, and we are certainly not a taxpayer expense, where most other departments of government are on the taxpayer's expense. And so to what degree do we need to be following these recommendations to begin with?

And I certainly want to applaud the proactive and volunteer sharing of the pain that all seven have stepped forward and signed a letter and basically said they will follow the guidelines and adhere to the recommendations. But shouldn't we also acknowledge the fact that maybe we should not lose sight of the fact and make sure somehow at some point that the CalHFA doesn't lose that autonomy?

MS. PARKER: Mr. Czuker, let me just say, I actually think this is a very positive point in time for the Board. The Department of Personnel Administration, for the salary increases that were given to some sister state agencies, department directors, other colleagues, has in statute the authority to essentially determine of that salary how it should be phased in for pension consideration.

They do not have that authority for CalHFA. The Board does. And they recognize that by in this sense sending a letter asking or putting it out as a recommendation, not taking the action unilaterally that it has been done for agency secretaries and department directors.

It's also a situation by the way we drafted this letter recognizing that it is the vested right for certainly all of those individuals that had their pay letters signed early in the spring that they are now giving up something that, frankly, given that it's

November, they have vested.

So I think by this action of the Board today, it essentially documents that the Board through SB257 has the authority for salary and compensation and in that sense can choose, along with the employees who are volunteering, to accept this recommendation in the spirit that we believe at the end of the day, that phasing this in, because it is a retention aspect, is a positive thing for the Board to do.

CHAIRMAN COURSON: Mr. Carey.

MR. CZUKER: Thank you.

MR. CAREY: I just have to say that I think it's actually a good policy, and I'm extremely appreciative of the senior staff who have taken that step because I do recognize that it represents some sacrifice on their part.

But it also, I think, may move us one step further towards getting on with the business of housing finance and putting some of this behind us, which I think is where 90 percent of us want to be.

MS. PARKER: I would just make one caveat because I think -- I will say this and I will do this on the record because as I -- one consideration for my staff who have essentially done this, this action on your part is with respect to the salary increases that were done around the compensation survey. It would not impact any salary increases that this Board does in the future.

The Board at that time would be free to make a decision about how that will be treated. So it does not set a precedent. It does not set a policy. It only deals with this unique situation.

MR. CZUKER: I would move to accept the CalHFA letter signed by all seven of the affected executives and adopt it as written to amend our policy.

CHAIRMAN COURSON: Okay. That's the motion. Is there a second?

MR. PAVAO: Second.

CHAIRMAN COURSON: Mr. Pavao.

Is there any additional conversation or discussion?

Anything from the public?

Seeing none, let's call the roll.

MS. OJIMA: Thank you.

Mr. Davi.

MR. DAVI: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Yes.

MS. OJIMA: Mr. Mandell.

MR. MANDELL: Yes.

MS. OJIMA: Ms. Javits.

MS. JAVITS: Yes.

MS. OJIMA: Mr. Pavao.

MR. PAVAO: Yes.

MS. OJIMA: Mr. Morris.

(No response.)

MS. OJIMA: Mr. Shine.

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson.

CHAIRMAN COURSON: Yes.

MS. OJIMA: The recommendation has passed.

MS. PARKER: Thank you very much.

CHAIRMAN COURSON: Thank you. I agree with Mr. -- I want to support Mr. Carey's comments that hopefully this will allow us to get back to the business of the Agency and this topic, which has been on our agenda for almost a year now, can rest itself.

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Item 8. Report on capital markets and possible effects on bond insurers and swap counterparties

CHAIRMAN COURSON: We're going to move forward. I believe our Executive Director is going to, as we had discussed, give us an introduction to items 8 and 9 on our agenda. Terri, as our items 8 and 9 on the agenda are going to give us a sense of -- Terri and I were at some meetings in Washington, she's had some time with her colleagues, and I think that the Board would like a sense of where this marketplace is in terms of subprime and service portfolios and what our fellow HFA's are doing and how it may or may not affect us at CalHFA.

MS. PARKER: Mr. Chairman, I am going to swing around this way because I have better line of sight to you all.

As I said in my opening remarks this morning, I think what we wanted to do is give you a little bit of an overview of what we have found out about how the issue of subprime is rolling through the state and the nation and that you have that as a perspective before the following reports that will be done by Bruce, Homeownership and Mortgage Insurance on our own specific portfolio and resources.

John and I attended a -- what we refer to as a fly-in last week put together by the National Council of State Housing Finance Agencies. Many of the executive directors had asked to have this gathering because the HFA's really have been kind of a focal point in most states, either through governors' task forces or their own work to look at trying to be involved in the impact within their states of large foreclosures and/or financial impacts on real estate from a community development standpoint.

We thought it would be worthwhile for us to meet as a group so that we could have the specific information. There are a number of states, and I will list them in a moment, that have put together what are referred to as refinance or rescue programs. There are other states that, frankly, have taken approaches to the issue of subprime by trying to do more -- more consumer education, more reaching out and doing regulatory aspects on lenders and brokers.

And then there are, frankly, states that are sitting back and trying to determine what they should do. And then at the bottom, there are states that sat there and essentially considered themselves extremely fortunate that the subprime issue was not a problem for them in their states.

We had probably over 20 states participate in this meeting, and the states that have programs and spoke about them are Massachusetts, Mass Housing; Ohio, that was probably one of the first states to get out there to try to do a rescue program; New York, Michigan, Pennsylvania, Rhode Island; Connecticut did not attend, but they have just announced that they are in the process of putting together as a governor's task force a rescue program; Colorado, Minnesota, and Maryland and Maine, excuse me.

Again, with the exceptions of Maine, most of all of these states have done something, even if it is just to do a consumer protection or foreclosure prevention type activity. Those states like Mass Housing, Ohio, New York, Pennsylvania, that have developed -- and Colorado that have developed lending kinds of programs, some specifically at subprime, some at more general, are doing so using taxable finance mechanisms. Because, as you are all aware, our typical resource, tax-exempt financing, cannot be used on anybody who is not a first-time homebuyer.

But the part that was most interesting from this discussion among colleagues was the disappointment about the reality of really how unsuccessful any of these rescue programs are being. Ohio started in April. They had to -- they came out, and they then had to retool because, frankly, there wasn't anybody who applied for their program, given the credit terms and the cost of funds.

Massachusetts had the same problem. It started a program in the summer. They committed $60 million of their own resources to try to take a level of risk that would not be covered by an additional first mortgage to try to help individuals in their state. And when they first went out, they hoped to be able to deal with as much as 40 percent of those people who might be in foreclosure. They now, because of what they have found out, realize that they may be only able to help one in ten. And as of today, they have not had one loan close.

One of the interesting things that people are finding out, it is not just about the cost of funds. It is how do you deal with the gaps caused by the depreciation of the decline of value, the credit scoring, how far along are these people in default, and if they come to the loan officer or to a lender with very deep into closure, really the ability to then at that point in time even help them. But I do want to pass along -- it's an interesting observation.

When Mass Housing first went out and developed their program, and we were looking at the iterations and keeping current about what all of our colleagues are doing to see, for example, if there is something in California that we would want to bring to you as something that we think would be helpful in our state, particularly acknowledging that all the data that we're collecting pretty much indicates that California has 25 percent of all subprime loans in the country. Remember, our population is somewhere around 11, 12 percent of the nation, double the amount of subprime loans in our state.

But what Mass Housing tells us and when they first put a program together, their idea was to really help those people who had been victims of subprime, not those people who essentially had gone in and gotten these loans knowing the criteria for them, that there would be these resets and what these resets could be calculated on.

One of the reasons why Mass Housing says it has not been very successful in utilizing its program is because they have prohibited anybody from utilizing it who knowingly was not a victim, knew what they were doing essentially when they got this loan in the first place. And because of that, they are now contemplating whether they should essentially open this up and offer it to people in Massachusetts who have subprime loans, got them and knew full well what they were doing.

MR. PAVAO: How are they able to determine who had their eyes open and who didn't?

MS. PARKER: Mass Housing, and I think it's fair to say that all of the state agencies who are doing this in some stage or other, have put together the use of nonprofits. Mass Housing uses Neighborhood Works to essentially set up counseling centers to be the face to the applicant.

The applicants are coming through there, sitting down and going through a list of criteria and questions. And then based on that, some of them are -- you know, real victims of fraud, are referred to the Attorney General's Office. Others of them that they think that they could serve are referred to a process to go in and actually go through an underwriting for a loan. So it is the specific questionnaires and questions of the individuals that are providing them the basis for this information.

So what I want to tell you is we are trying to here in California, the Housing Finance Agency, to keep on top. I want to also tell you there was a lot of discussion about what's happening at the federal level. There have been several bills introduced. Nothing has occurred yet. They seem to be around common themes: Increased counseling, regulatory -- regulatory and licensing of lenders, and duty to negotiate in good faith before foreclosure requirements.

There's also legislation introduced by Barney Frank to do -- to look at the broader reforms in the lending industry. And there's been obviously discussions around FHA reforms.

Last but not least I just wanted to also point out two things. One, that HUD has essentially jumped in with the Treasury and the Department of Urban -- Housing and Urban Development and homeowners and counseling groups and mortgage bankers to form an alliance called Hope Now. And part of what they are doing is a direct mail campaign to encourage those buyers to have a credit counselor that they can call to be moving forward before essentially they are in a situation of foreclosure, even perhaps before their rates reset.

The last entity I wanted to announce that was at this meeting was Fannie Mae. There's been quite a bit of discussion with Fannie Mae about how they might assist. Certainly in some cases they are working directly with HFA's. Connecticut -- excuse me, not Connecticut. I don't know about Connecticut. They are working with New York, they are working with Mass Housing, they have been working with Ohio, to help them develop some of these lending programs.

But we specifically asked them since all of these loans bonds to date that have been sold have been taxable, whether Fannie will assist this crisis of subprime lending by working with HFA's around taxable bond transactions.

The response that we got back from them, and I wanted to quote this, is -- which I'll give you a quote in a minute, that because of Fannie's own situation as they have essentially now become current with their books, their liquidity has been compressed. Obviously there are caps on their liquidity, and there is very substantial competition for their limited investments, and those are really threefold: CMBS, subprime and taxable financing.

And so with that, what their word to us was is that liquidity will be at a price. So they have limited amount of liquidity, and I think we have been put on notice that there will be price associated with it.

With that, I'm happy to answer any questions.

CHAIRMAN COURSON: Mr. Czuker.

MR. CZUKER: I think that there could be a real opportunity for the State of California and for CalHFA to play a significant relief benefit to the general public and the economy, but I think the approach that's been described where you're waiting for an individual borrower to come in to seek relief because there's been fraud or because of whatever specific circumstance, that one-off loan and that one-off borrower makes it very slow and cumbersome to have any impact on the market.

I think some of the problems of other agencies, which you've briefly went over, relate to the readjustment of value, the appraised values having dropped in many of these areas because of softness, because of too much housing being built, because of perks being provided to sell large volumes of homes that have been built over the last five, ten years.

I think where I would direct and suggest we look is on a portfolio basis where at a deep discount CalHFA could purchase and relieve local financial institutions who have been active in supplying these not necessarily subprime, but right now it's throughout the entire single family mortgage marketplace. And given our mandate to help affordable housing and help lower-income people, we can do that on a regional basis.

So, for example, we know demographically the income levels and the price points that would qualify as affordable housing as the likely buyers of the portfolio of loans that were made in specific areas, as an example, San Bernardino County or Central California or Riverside County, where thousands of units have been built and sold and many of them with subprime or creative financing to help low-income people afford first-time homeownership.

If we can approach, as an example, almost as a bailout to certain financial institutions that had been sensitive as part of their affordable housing requirements had made these specific types of loans and, for example, Wells Fargo, Bank of America, Washington Mutual, Countrywide, have all had an affordable housing spin on a significant portion of their portfolio.

It may be possible, as an example, to come in almost as a bailout and suggest that we'll pay pennies on the dollar to buy those portfolios where, for example -- and I'm just making this up and shooting from the hip -- at a price point of 40 percent to 60 percent. They made a loan of a hundred percent. We know the values and appraisals have dropped substantially in some of those markets. I'm guessing the average is somewhere between 10 and 25 percent market values have declined.

If we can purchase those portfolio of assets in the 40, 50, 60 percent range, which therefore gives us a significant loan to value readjustment because the hit and the loss is being taken by the financial institution, they are anxious to get these portfolios as well as other portfolios off their books. They will be taking write-downs. And so since they intend fully to take these losses and write-downs, we, CalHFA, could target the type of portfolios we want to acquire from those institutions and negotiate a discount that is acceptable based on our internal underwriting.

And as I say, if we can purchase something in the 40, 50 percent, 60 percent range and still have an equity cushion on value, then we are now the primary lender to these first-time homebuyers to these affordable housing neighborhoods. And as opposed to going off on a one-off loan basis and hoping that someone applies to refinance with us, we now are in the reverse as a holder of the paper, at a discount able to go back and restructure those loans with those borrowers and provide real relief to low income households and affordable housing loans, whether you call it subprime or not, that are in different demographic communities throughout California.

And so I see this as a real window of opportunity to approach it from the opposite side. Because if you approach it from the borrower side, you will have difficulties in volume, you will have difficulties in execution. You will not have the public relief that approaching it from the opposite side, going direct as a bailout to certain financial institutions, targeting the portfolios that fit our mandate for affordable housing and first-time homebuyers, that we really could make a splash and provide relief, not only to the financial institutions but directly to the general public and to the masses of affordable households throughout California.

CHAIRMAN COURSON: Comments? Questions?

MR. DAVI: Can I just ask you a question of what you're suggesting? Because I'm trying to clarify something. If we were to buy these loans or the paper at a discount, we're going to then foreclose on those borrowers and go resell them to new first-time buyers, or do we get to categorize them as affordable units and just restructure the debt with those existing borrowers?

MR. CZUKER: Are you asking my opinion?

MR. DAVI: Yeah, I'm asking what you're suggesting.

MR. CZUKER: My suggestion was that, as a specific we went to Countrywide, we went to Wells Fargo, we went to Washington Mutual, and we bought $300 million worth of paper for a hundred million dollars. Now we own the hundred million dollars of paper that had a face value and an appraised value at one time of 300 million. As opposed to foreclosing, we had targeted the paper that fit our mandate in advance so they are low-income households, affordable housing areas, and we are then as the primary lender reapproaching our new borrower or old borrower, because it's an existing mortgage, and saying let's sit down, let's figure out if we can restructure your loan payments. Let's see if we can amortize it on a new schedule, a longer term, whatever. Since our cost basis is lower, we have a lot more flexibility, both from an amortization of principal and on a loan to value debt coverage basis.

MR. DAVI: I just wanted to understand it.

MR. SHINE: Let's assume the houses are worth a hundred percent of the loan to start with. Housing has not gone down 50 percent in value. There's maybe a 10 or 20, in some places maybe even up to 25 or 30 percent reduction. So that what you've done is you've bought an asset at a discount that gives you an automatic equity that you can use that equity to finance the lower payments or stretch out the loan. Because all of these people only want one thing, a monthly payment. If they can make the monthly payment, they'll take the house.

MR. CZUKER: Or they'll keep the house.

MR. DAVI: I understand. I'm just trying to understand what you're thinking. Just the only thing that jumps out for me is that sounds good, but how do we know that the borrower that's in the low cost area that we've identified has income that would be okay with our guidelines.

MR. SHINE: You underwrite the portfolio as you purchase it.

MR. CZUKER: We would be made available to our internal staff to review the loan files and to understand the demographics and the borrowing profile to make sure it fits our mandate and our criteria.

MR. DAVI: I understand.

What do you think of that, Terri?

MS. PARKER: Well, the devil's always in the detail, and I'm sure my folks behind me are having it all running through their heads.

We have had some discussion internally. If we were going to do some kind of a rescue program, who should we try to target. Clearly, I think we would say we should be targeting those people who are our stakeholder group anyway, you know, within the income set by the federal government and resale values within that. You know, first-time homebuyers would be another way for us to cut this.

But, you know, I guess to add to what you're -- Mr. Czuker is saying, one of the things that my colleagues and I talked about when we were back in Washington last week and we say that because of a tremendous amount of frustration and really sadness on our part that we worry when we hear from our colleagues in Ohio and Massachusetts and other states that they're really concerned that they won't even be able to help one in ten people, that this is going to move from a foreclosure or loss of housing for these homeowners to a huge glut on the market of homes that are sitting in communities.

I think many of you might have seen the article in today -- USA Today that talks about there's, what is it, 1 in 31 houses is Stockton is in foreclosure. And clearly, think about all those families that are in there, but then start thinking about the community and what that's going to mean from an economic development standpoint.

So do you shift from the standpoint of trying to look at how you can help those current owners, or do you then essentially, say, okay, if I can't, they're so far along, you know, they maybe should never have been homeowners in the first place, do I then move to try to situate -- to be in a situation with the local governments of some ways to help those communities and those neighborhoods.

Because if they're sitting -- if the houses are sitting there vacant, they may need to have rehabilitation before they can be a viable house to be put back in the marketplace. And in that sense, should we try do it in a way -- is there value -- by CalHFA being involved, is there a value that we can add through holding these properties or whatever that could, you know, create housing for, you know, our client group of first-time homebuyers in the future.

We're trying to think about all of those things. There's just so many variations to it. And, you know, I don't think we want to come out in front and say, you know, we're now moving to take the house away from somebody who owns it so we can take the value and then give it to somebody else down the line.

MR. CZUKER: I think you jumped to the conclusion that the house was going to be vacant or that the borrower is in foreclosure --

MS. PARKER: I didn't --

MR. CZUKER: -- and so far deep that --

MS. PARKER: I didn't --

MR. CZUKER: -- we're going to take -- there's going to be a vacancy or there's going to be a foreclosure.

MS. PARKER: Yeah, I didn't -- I didn't in your example.

MR. CZUKER: And I'm taking the exact opposite approach. I think you're going to have nine out of ten or an incredibly high percentage that if you can sit down and work with those families, their payments were a thousand a month, okay, we'll make it 500 a month, it's costing us 300 a month. We have a lot of room to play because of the discount we're getting, because the hit is on the financial institution to move paper, and it's a large portfolio off their balance sheet. We can restructure the debt and even cut the debt in half and still make money because we bought it below half.

MR. SHINE: We don't have to do that. So the important thing here is that a glut of foreclosed houses as a result of this loan program is going to have a very dampening effect on our economy, and it almost doesn't matter whether they're 50 or 70 or 90 or 150 percent people. Every time you keep a house from going into foreclosure and keep it owner occupied by adjusting the monthly payments, you have saved one little bite against the economy from happening.

So I'm coattailing -- is that the proper term -- on your idea, which is a great thought, and a lot of that thinking is going on around right now. Once you own the financial asset, and if you own it at a price that gives you a sufficient equity what you're -- the housing business is a business of monthly payments. If you can make the monthly payments, you get the house. It's always been that way.

And so if you look at it as a monthly payment opportunity, that if you buy something for 50 cents that's worth a dollar or 60 cents and it's worth a dollar, instead of a dollar it's worth 70 or 80 cents, it doesn't matter. There's enough in there that you could go in and adjust monthly payments and structure a loan, even if it has to go up 40 years, whatever it may be, that that becomes a good asset and it becomes a good asset at par over time.

MR. CZUKER: Par meaning a hundred cents on a dollar, even though we only paid 50 or 60 cents for it.

CHAIRMAN COURSON: I guess -- I guess I have a lot of thoughts, but I'll mention a couple things.

First of all, obviously we'd have to do these with taxable dollars, so we don't get the bang for our bucks using our tax exempts because it would be a refinance of that loan or recasting of the loan.

The other piece is if we're sitting here thinking we can buy an asset for 50 cents on the dollar and it may have a value of 25 cents on the dollar, if I'm the servicer, I'm not sure I want to sell you my asset for 25 percent less than what I'm going to lose, even if it's 30 percent as I move through -- and I'm dealing one-on-one with that borrower also.

Because what's starting to happen is that the -- Terri mentioned Hope Now. The Hope Now process, which is all the major lenders, all the major counseling centers, all the major consumer advocate groups, and they're sending out, for example, the week after Thanksgiving 200,000 letters, and they'll be dropping these letters every month.

But they're going to people whose loans haven't recast yet. These are people in their servicing portfolio where they know the loan is going to reset within 90 to 120 days. They can tell how much it's going to reset, and they know -- they have financial information. So they're out, that's going to be a proactive, which I think we all agree that's the time to try to get to these people is before they get down. Because once borrowers get down too deep, it becomes difficult, unless, of course, you can get an asset for a hundred cents or dollar for 50 cents. But putting my -- putting my servicers hat on, if you gave me your proposal today, I'm not sure I would see the economic benefit for me to make that decision.

MS. PARKER: One thing I just want to add -- and I apologize to Mr. Javits. One of the things that really holds us back in some respects is just the magnitude of numbers and dollars. Carla and I were back in Washington a month or so ago at a Fannie Mae meeting, and she asked me, you know, because the program in Ohio is a hundred million dollars, the program in Massachusetts is roughly, you know, that dollar amount, what would the program have to be if you did something in California.

And there's varying numbers. I don't know that it really matters which one you pick, they're all so astronomical, 197,000 loans -- borrowers with subprime loans in California. The average is somewhere around

260,000. We looked at if we had a $25-billion program that we did -- and we don't even have bond cap authority to sell $25 billion worth of debt. You're talking about, you know, 10,000 people that you'd help. That's what -- you know, I've sat before legislative committees and they've talked about doing something with $5 million, and I've essentially said, you know, that isn't even a hundred people. How do you even -- how do you start that out, let alone shut it down? That -- that alone is what gives us huge pause about trying to figure how to --

CHAIRMAN COURSON: There's no question Mr. Czuker is right, trying to deal too often so on, and that's the failure of these programs, and frankly trying to -- one of the biggest -- one of the tenets of the Hope Now is once people are in trouble or perceive the trouble, first of all, probably they're in the default or delinquent on other obligations other than their house. The house would tend to be one of the last, probably, so they have other financial problems.

And frankly, the avoidance issue. The biggest frustration in the -- for lenders is to try to get in touch or have the borrowers get in touch with them, because obviously once -- it's avoidance. They don't want to respond to that because they think that they're just -- all they want to do is come over and get the keys to their house.

MR. CZUKER: If I could make a clarification, and that is, you're talking in terms of subprime, and I would prefer not to talk in terms of subprime.

CHAIRMAN COURSON: My comments are not subprime.

MR. CZUKER: No, I'm talking about Terri. Excuse me. The -- and I would prefer to talk in terms of, you know, lower to middle income areas that fit into our very low, low and moderate income neighborhoods. I would rather talk in terms of demographics and locations and price points of -- based on the price of the home. You know that someone that's buying a $99,000 home to a $200,000 home or in certain demographic areas in certain types of neighborhoods and fit into certain income brackets.

And so if we're targeting portfolios not based on subprime, they could have been a conventional fixed rate mortgage. That's -- but because of the subprime crisis globally, there is tremendous pressure on financial institutions to clean their balance sheet.

And so therefore this is where I disagree with you, John. Maybe as a servicing agent, you wouldn't take that deal. But Wall Street and the capital markets are forcing financial institutions, and they would rather take the hit now. There is a global public sense of people are recognizing write-downs and losses now. If they can get that dirty laundry off their balance sheet in the next 12 to 24 months, they will take tremendous hits and will probably -- there will probably be public funds that are put together even through Wall Street and private investors.

But the question is, is there a role here for CalHFA where with for a greater public purpose and benefit, not necessarily for profit motive, which some of these other funds will be created for profit motive to take advantage of taking these loans off the balance sheets of the financial institutions, we could do it for public benefit and do it by saying, you know, Wells Fargo, Countrywide, whoever, Washington Mutual here, whoever has been very active in the mortgage business that has large portfolios, we don't want your whole portfolio. We only want the portfolios that meet our mandate. We only want those loans in those areas that meet the low to moderate income households that meet the targets that fit within our public purpose.

And, yes, we're going to tell you you're going to take a deep discount. And I know in my heart that you will find a waiting list. You'll have multiple financial institutions willing to at least talk to you about it. And whether the price is 40 cents on the dollar or 60 cents on the dollar, that's to be determined. That partially depends on how bad the loans are, whether they're all performing or what percentage are in default and, you know, how much trouble they perceive and how desperate they are to clean their balance sheet, which will vary financial institution to financial institution.

But, for example, Countrywide today would cut a deal with you right away. Washington Mutual would cut a deal with you right away. B of A and Wells Fargo, you'd have to negotiate. They probably would be tougher. But they all want to get this bad news behind them, even by taking a write-off and a hit that, you know, puts it short-term. But once they take that hit, they have a clean balance sheet going forward and can start showing profits and eliminate what they call subprime and bad loans on their portfolio.

CHAIRMAN COURSON: Ms. Javits.

MS. JAVITS: Well, just a couple of different thoughts. One, I mean, given our mission and what we're about doing, I think it's important that if there is something useful for us to do, we do it given the magnitude of what's at stake. And I think this proposal is a really interesting one and certainly worthy of kind of thinking over the details, because I agree the devil is in the details.

And I guess a couple of the things that occur to me related to that have already partly been said. But I think in talking to some of the other HFA's who have tried to put programs out on the street, I think the questions are -- I mean, clearly I think there's a real question, and I understand the rationale you're offering, but, you know, I think we'd have to talk to some of these lenders to find out what's their appetite for this.

You may be right. Maybe they do have the big balance sheet problem. Maybe they're willing to sell these at a reasonable price. Maybe they're not. I don't know that, you know, but I think it would be good to get some information about that.

And there's the detail. How much of a discount are they willing to take? What does that do to our numbers, given that it is not tax exempt, given the magnitude of the work that would be at hand then to work these? There's a lot of numbers to be done there. Seems like it might be interesting, if there's a way to do that, to test and find out.

No. 2, I think the big issue, the big question mark out there, has been, you know, how much of the problem is cram down basically, which is related to at what price are they going to be willing -- how much of it is the fluctuation in the price of the homes, how much of the issue is about credit scoring. The people who are in there now, just can't -- they can't take that debt. They do have too many.

I mean, I felt like when Terri and I were back there and we talked to a lot of the HFA's, they were really depressed about the reality of what they were facing in terms of just the ability to do what everybody wants to see done, to get these renegotiated. So I don't know the answers to that, but I think that relates to the questions you raised. So I think we ought to -- if there's a way to test that or test the market for that or do the numbers on it, it seems worth trying.

The second point would just be -- the second point would just be if there's a way for us to help on the housing counseling side, I think we should consider that. I think -- as I understand it, there's been some effort to use some CDBG money or allow the locales to use CDBG money for this purpose. If somehow we could put forward a -- an amount that could be available, perhaps, as a match and an incentive for locales to use that CDBG money for housing counseling or if there's some way we could structure -- at least make some contribution in that regard, that seems useful, especially given the big program you just mentioned that's going to try to find these buyers.

The third point --

CHAIRMAN COURSON: Can I just stop you just on that?

MS. JAVITS: Yeah.

CHAIRMAN COURSON: And I think -- and Terri and Mr. Mandell correct me. We, Terri and I, met with -- at HCD yesterday, along with Mr. Davi. Am I correct in saying that that was the discussion, where there was, in fact -- we discussed that there was about a million dollars of CDBG money available for counseling that had not been utilized yet? Am I right?

MR. MANDELL: That's correct. My understanding -- that's correct for the nonentitlement areas that there, I believe it is something over a million dollars, that to date we have gotten no applications from these areas for any of that money. We're talking about now -- actually, thank you for prompting that discussion earlier this morning when we had our little chat, to see if there's a way that we can get interest by the locals.

CHAIRMAN COURSON: Because it's interesting, this Hope Now, when these letters go out under their letterhead and U.S. Department of Treasury and so on, the response is back to a 24/7 nationwide counseling network, and there could be potential working with them that we could use some funding and to enhance and fund some of the California -- specific California.

I've made the recommendation to the administration that they support -- that the administration support Hope Now, and we have a Hope Now/California because you know the majority of those letters going out are going to be California people anyway, and this could be an opportunity to -- because they'll actually -- they have the list. They know where the counselors are. They're struggling to figure out how to fund them and so on. And we could dovetail in behind that. Perhaps, there's a way working together to do that.

MS. JAVITS: That would be great.

Just a third thought, that -- so given the magnitude of the problem, we need the lenders to be doing everything they can. As far as I understand it, they're not right now. So one thought was we probably know how many of these mortgages we're needing to look at or renegotiate. Maybe there's none, maybe there's some, I don't know, within our own portfolio.

But I was thinking as a lender maybe we stand up and we say, look, as an example, we want to be completely transparent about what we're doing. So this is how many we've renegotiated or we didn't have to renegotiate any, but we're going to put our data out and we're going to put it out routinely. And I believe there's an effort underway, and I think we should be, you know, an example for that and advocate for that, but that the lenders be pressed to put this information out publicly so that the public can see which lenders are really making an effort to address the problem at hand and which lenders are not.

CHAIRMAN COURSON: There -- I can respond on two levels to that. One is I do think -- I think we had this conversation, or maybe I just had it with the staff. I think it would be a good piece of information. Obviously we have a significant servicing portfolio ourselves, and I think I'm comfortable in saying that we certainly don't have the demographics or the performance in our portfolio that's experience enough --

MS. PARKER: We're going to go through that.

CHAIRMAN COURSON: -- in the market. But what I think would be good would be that as a regular sort of periodic report, would be a report on our servicing portfolio showing the number of loans services, the dollars, how many are 30, 60, 90, foreclosures. We have that information, it's easy to report and, as a Board, I think it would be important to see the performance of our portfolio.

The second thing I mention is that tomorrow there is a meeting that is being chaired by the Commissioner of the Department of Corporations where he has invited to the Governor's Office the major servicers of loans in California. And one of the two topics on -- one is loan modifications. And the second topic, as I understand it, will be the ability of these services to provide data to the Department on the number of delinquencies, aging of delinquencies, foreclosures, modifications, workouts, et cetera. And that's the two -- that's the second piece. So the Governor's administration is behind that, getting that information. And as a regulator, obviously the Department is entitled to that.

Other comments on subprime? I think that it's been a very good discussion. We have novel ideas and different ideas of what it's going to take to solve this on a mega base rather than, I agree, on a loan basis. I think we can take some of this information and move forward and see if it has some legs.

Mr. Carey.

MR. CAREY: Are you going to talk about our own portfolio?

MS. PARKER: Right. That's why I wanted to queue it up for now we'll talk about where we're at, which that's the good news. But also in that sense where our capacity is if we were to reach out and do something greater to a customer group that we haven't addressed to date.

So if it's the pleasure of the Board, my take away from this is staff has spent a tremendous amount of time with trying to study this information and be as acknowledgeable as we possibly can to look for opportunities. And I think I can assure you that if we think that there is an opportunity that we could really do something meaningful, we are sort of testing ourselves to see if we can do that, even the idea about working with bankers to see if there might be some access to capital that which could really allow us to do something in a meaningful manner.

And it had been suggested to us recently, not just the idea that you're suggesting, Mr. Czuker, but also another idea which is to perhaps get together with some of the builders and see whether or not some of them who have shut down projects might be interested in essentially selling off to an entity like CalHFA to essentially land bank that in the future when the market might come back and then essentially be able to take care -- take advantage of that, the resources. I think the suggestion about trying to do some people who are more directly impacted today would certainly be what we would see to be a higher priority.

So with that, if we want to go into the presentations.

Bruce, I've got the seat warmed up for you.

CHAIRMAN COURSON: At the last Board meeting, you'll recall, we had a discussion regarding CalHFA, our financials, our bonds, our portfolio, our swaps, our hedges and so on and what was happening in the market 60 days ago, and obviously 60 days later that discussion takes on even greater importance. And so, Bruce -- we've asked, Bruce, and he's going to give us really sort of what the status of the marketplace is, and what its effect is and potential effects on CalHFA.

MR. GILBERTSON: I think this is an excellent follow-up, especially to some of the comments Mr. Czuker had made about these financial institutions taking large write-downs.

To begin with, I wanted to apologize for the written report. It wasn't distributed to the Board members until Tuesday. Part of that is much of what I'm going to discuss is very recent credit rating activity by the rating agencies.

But I'm sure all of you have read media coverage of these major losses being reported by financial institutions. It certainly seems that the calendar year 2007 is the year of the subprime mortgage market, and these troubles have spilled over into the financial markets as well. Large write-downs of assets, some are realized, actual losses, because the assets were sold off. Many of them, I believe, are unrealized, as Director Czuker had pointed out.

This has led to reported losses at several major financial institutions, including the financial institutions that serve CalHFA as a swap counterparty and also bond insurers. My update this morning is really intended to discuss our relationships with the swap counterparties and the bond insurers to provide an understanding of the significance of these widely reported losses for CalHFA.

You know, as we -- Chairman Courson mentioned quite a number of hours ago now, it seems like, we hope to have further Board education training. So unfortunately, I'm not going to have the time today to dwell into the details of some of these relationships. But by a brief bit of background, CalHFA first entered into an interest rate swap in late 1999.

Swaps have allowed CalHFA to generate significant debt service savings in comparison to the alternative of issuing fixed rate bonds. Those savings, of course, are passed on in the form of lower interest rates to either first-time homebuyers or developers of multifamily housing.

Several of our swap counterparties are significantly impacted by these write-downs and the losses that they have been reporting, all tied, again, to the subprime mortgage market. There's four specifically that I wanted to talk with you about today: Bear Stearns, UBS, Merrill Lynch and Citigroup. All of these financial institutions have taken recent write-downs leading to financial losses.

I'm not sure how well this slide shows up, but wanted to walk through this slide briefly. This is a table that is embedded in the Board report every time the Board meets, the report on variable rate bonds and interest rate swaps. The leftmost column of this report identifies the swap counterparties that we have relationships with. The next three columns represent the ratings by the three major rating agencies.

The column then shows the exposure. Exposure in the interest rate swap market is determined by the notional amount of the swap outstanding. That notional amount is paired with bonds that we have issued. It identifies the number of swaps that we have. And at the very bottom, you see some totals. The total amount of swaps outstanding currently is approximate $4.7 billion, and that's embedded under 138 different swap contracts.

I've highlighted --

MR. CZUKER: Excuse me, why did you highlight the certain ones?

MR. GILBERTSON: I'm going to highlight those because those are the four that I mentioned earlier. These are Merrill Lynch, Bear Stearns, UBS and Citigroup. And in the following pages I'll spot talk a little more in depth.

To begin with, Merrill Lynch, we have a series of different counterparties with them. We have counterparties that we face with Merrill Lynch that is actually Merrill Lynch Capital Services. That is a relationship that is a guaranteed either by the parent company of Merrill Lynch or by Merrill Lynch Derivative Products. I'll come back to that in a moment.

But I wanted to highlight to you the ratings. I mean certainly Merrill Lynch is the weakest counterparty that we face today. It's in the single A category, the only counterparty that we have in the single A category. I want to remind you that a single A rating is still a reasonably high credit rating of a financial institution, but it is by no means a triple A rating.

The other highlighted areas are the Bear Stearns swap contracts, Citigroup and UBS. One last spot and I'll move on and we'll talk about each of the individual counterparties, is that with interest rate swaps, it isn't the notional amount, which, again, is equal to the amount of bonds that we have outstanding, that is at risk. The risk that we have is that a counterparty would default on an obligation, and then we may face, due to market changes, a consequence as a result of that. And hopefully that will be clear in the coming slides.

First, let's talk about Bear Stearns. The first rating action against Bear Stearns occurred in early August. I was updated this morning. There has been further rating action as of yesterday and this morning. Let's first talk about the August action related to Bear Stearns.

It was placed on a negative outlook by Standard & Poor's. It retained its A plus S&P rating and A1 Moody's rating at the time. This morning S&P downgraded the Bear Stearns Company's rating to an A rating versus an A plus rating. It's important to note, though, that our relationship with Bear Stearns is not with the parent company, but with an entity called Bear Stearns Financial Products, a triple A rated entity separately capitalized and bankruptcy remote.

At the time of the August rating action, both rating agencies reconfirmed the triple A rating of that entity. And, of course, as the previous slide showed, we have an $831-million notional exposure to Bear Stearns.

The next entity is UBS. There was some rating action that occurred in early October. S&P downgraded UBS from double A plus to double A. UBS is, of course, among the highest rated counterparties in the world. And currently its rating is unchanged by Moody's at a triple A level, $55.8 million in swap notional exposure.

Up until the announcement this morning about Bear Stearns, Citigroup was the last entity that we were aware of that had a rating action. That occurred last week. Citigroup was downgraded by S&P from double A to double A minus and by Moody's from double A1 to double A2. It remains on negative outlook by both of those rating agencies. Again, we believe Citigroup is among one of the highest rated entities or counterparties in the world. Although our relationship is not directly with the parent company Citigroup, it is with an affiliate -- affiliated entity, Citigroup Financial Products. But that entity does carry the same ratings as the parent company, and we have a $721-million exposure to that counterparty.

Then lastly is the Merrill Lynch relationship. This action occurred the last week in October. It was downgraded by S&P from double A minus to A plus and by Moody's from not As3 but double A3 to A1 and also placed on negative outlook by both of those rating agencies. Again, as you saw in a prior slide, this represents one of our largest counterparty exposures. CalHFA's, currently it's our lowest rated counterparty as well, and the Merrill Lynch Company itself is the guarantor behind $665 million of swap notional.

We have other relationships, as I mentioned earlier, with MLDP, the Merrill Lynch Derivative Products. This is a similar entity to the Bear Stearns Financial Products entity, separately capitalized, bankruptcy remote and currently triple A rated by both S&P and Moody's, $624 million of swap notional outstanding with that entity.

So with all that bad news behind us, let's talk a little bit about the sources of credit protection. How has CalHFA protected ourselves against these deteriorated ratings?

All CalHFA swap documents require counterparties to be rated single A or better -- I'm sorry, in the single A rated category to post collateral if the market value of the swaps exceeds certain threshold levels. I think since Merrill is our lowest rated counterparty, perhaps we'll use them as an example because they are certainly in the single A rated category today.

Merrill Lynch is not required to post collateral as result of these downgrades. The primary reason for that is that the market value of the swaps, it's approximately ten -- 20 underlying swaps that represent that notional amount, has a market value today that is a negative $47 million to CalHFA.

What that means is that if there was a termination event, in order to unwind the financial obligation that we have with Merrill Lynch, we would make a payment of $47 million to Merrill Lynch to unwind that swap. At the same time, we would look to replace those swap contracts with a more creditworthy counterparty about the same time, and we'd hope to receive a payment of similar size as a payment that we would make to Merrill Lynch. So stated another way, Merrill Lynch is currently taking credit exposure to CalHFA rather than CalHFA taking credit exposure to Merrill Lynch.

And, of course, CalHFA has the right to terminate its swaps with a counterparty whose ratings fall into the triple B category. This allows CalHFA to replace a lower rated counterparty with a more creditworthy entity without any transaction costs. We'd have to pay the market value of the swaps, but we wouldn't have to pay transaction costs as a part of replacing them. In the Merrill Lynch example, CalHFA would have the right to terminate its swaps at the current market price of $47 million if their rating fell into the triple B category.

And, of course, another important element is to remember that we have the right at any time to replace a counterparty. At that time we'd have to pay the market value, and we would incur some transaction costs. Just trying not to get too technical with you, the transaction costs that I'm referring to in these scenarios, swaps are a commodity, and there's a bid and ask price for every one of these contracts. So if we pay with no transaction costs, we pay at our side of the bid ask spread. If we incur transaction costs, we would pay at the counterparty's side of the bid ask spread.

CHAIRMAN COURSON: Bruce, I would assume that that spread has widened based on what's happened in the markets over the last 60, 90 days.

MR. GILBERTSON: Yeah.

CHAIRMAN COURSON: Is it substantial or is it --

MR. GILBERTSON: I don't think it would be substantial considering the size of the $4.7 billion of swap that we have outstanding, but it certainly has widened out. There's no doubt about that.

So what is CalHFA's approach to counterparty credit risk? CalHFA only enters into swaps with double A rated entities. So what that means today is that we wouldn't enter into a swap with Merrill Lynch. They don't meet our standard.

We follow the principle of diversification. As that earlier slide shows, we have 13 different counterparty relationships. So hopefully we aren't exposed to deteriorating credit from all of our counterparties.

We require collateral posting on ratings downgrades below the double A category, and we require the right to replace a counterparty at no cost if their ratings were to fall into the triple B category.

With that, how are we managing the situation today? Well, I can assure you that the Financing Division, myself and my staff, are closely monitoring our swap exposures on a daily basis. We fully understand that further rating action may occur, but we do not believe that there's any rush to take immediate action as these downgrades have recently occurred. The swap contracts themselves were carefully negotiated and provide CalHFA with exit strategies if and when necessary.

Switching gears slightly, I thought we should also talk about the bond insurer community, because bond insurers have also recently reported losses stemming from the subprime mortgage market as well. In the bond insurers situation, most of these are unrealized losses that are accounting based mark-to-market write-downs. These losses, again, are attributable to financial guarantees of structured financial products that they wrote in swap form on collateralized debt obligations and other asset-backed obligations.

No rating action to date has occurred on any of the bond insurers, but I became aware last week that both Moody's and Fitch are updating their analysis of the structured financial obligations and that they hope to provide some additional insight into the rating levels of these entities in the next four to five weeks.

Well, what does that mean? This may result in one or more of these financial guarantors no longer meeting the triple A guidelines of the rating agencies. The rating agencies may require the guarantors to raise additional capital or execute other risk mitigation strategies.

The preliminary observations that have been made available to me reveal that FGIC and AMBAC are amongst the two weakest credits in that industry. However, S&P has recently issued a report that they don't think that the significant mark-to-market losses would -- they don't expect that to affect the bond insurer ratings. So you have a little bit of a conflict between the rating agencies at this point as well.

Just a quick look at the insurance that we have on our debt portfolio. I've listed the four bond insurers that we have contracted with over the years, and I've shown the insurance in force that we have outstanding. These insurers guarantee debt service payment obligations on $4 billion of our $7.9 billion of bonds outstanding, and they cover the whole gamut of various bond types, fixed rate bonds, variable rate bonds. We're going to talk a little bit more about auction rate securities here in a moment.

Just to give you a brief background on the characteristics of bond insurance policies, these policies are standing in place to guarantee debt service payments if we were ever to fail to pay a debt service obligation of the Agency. The policies are not cancelable. They run for the life of the bonds. Premiums will continue to be paid by CalHFA so long as bond insurers have not defaulted on their obligations.

We believe that fixed rate bond investors bear the risk of a credit event from a bond insurer downgrade. However, we may be exposed slightly as it relates to our auction rate security market.

Auction rate securities are variable rate bonds. Market convention requires that we insure them at the time of issuance. CalHFA may be impacted by the downgrade of any one or more of the insurers in this regard.

So how would that impact us? The short answer is that if that were to happen, bond investors, those that are holding the bonds, may require more yield on their bonds at any subsequent interest rate reset date. This also could lead to a failed auction, of course, increasing the interest rate that we're paying on those obligations.

But we believe there's mitigation strategies if that were to evolve. All of our auction rate securities are fully redeemable on any debt service payment date. And without getting too bogged down in the technicalities of these bond types, they're all multi-modal, meaning that we have a right to convert an auction rate security to another form of debt obligation. It could be converted to a fixed rate bond. It could be converted to another form of variable rate bond, including a variable rate demand obligation.

So on the management side, with all of this news out in the media, what are we doing? We're closely monitoring the situation. We certainly understand the exposure that we have to the bond insurers. We know that rating action may occur in the coming weeks. And although action rate securities may be troublesome for a short period of time, we believe that we have strategies in place and action that we can take if and when necessary.

I just added a couple bullets here to indicate we have an exposure on the auction rate securities of $567 million, and the two weakest bond insurers at this point appear to be AMBAC and FGIC. Our direct exposure there is $29 million to AMBAC and $44 million to FGIC.

If there were a rating event related to a bond insurer, I think we also might see a broader disruption in the municipal bond market, not only the primary market when bonds are first issued, but also in the secondary market as individual bond investors may have to reposition themselves because they may only be chartered to hold triple A paper. And if some of those existing bonds would have failed to retain triple A status, there may be a flood of paper in the market.

Although this was brief and we can certainly discuss this more in February and March of the coming year, hopefully this update has been beneficial and provides some level of assurance that we certainly are aware of the situation, we know the consequences of what could happen if deteriorating credit ratings were to continue, and while no immediate action is necessary, we've thought through what the actions might be in case we need to go there.

With that, I'd open it up to any questions that the Board may have.

CHAIRMAN COURSON: Questions from Members of the Board regarding Bruce's presentation?

Very thorough, understandable.

MR. GILBERTSON: Thank you.

CHAIRMAN COURSON: And obviously a critical role of this Board is to make sure that we stay informed and continue to get reports on this as this market is not recovering rapidly and we continue to be on guard.

Mr. Czuker.

MR. CZUKER: What do you feel is the nontax-exempt bond capacity that CalHFA may have available today?

MR. GILBERTSON: The capacity in the terms of what the market would be willing to acquire? I think that's still unlimited. I mean, it may come at a slightly higher yield, you know. The tax exempt capacity is limited, of course, by our ability of volume cap. And if your question is more directed to bond investors appetite for our bonds, I think it's still very strong.

MR. CZUKER: What about taxable?

MR. GILBERTSON: Taxable, as you may recall from several of our prior Board reports, we have actually done something a bit different recently where we've been doing some direct placements to commercial banks. It's allowed us to have better execution. It's lowered our all-in costs, both of issuance and also of ongoing costs as it relates to debt services.

MR. CZUKER: What do you perceive our capacity for taxable bonds to be today?

MR. GILBERTSON: That question --

MR. CZUKER: Is it a value judgment?

MR. GILBERTSON: Well, I think it's a value judgment. It also depends on what we're financing. You know, extending it to the prior conversation, of course if we saturate the bond market with taxable debt instruments, it's going to come at a higher yield, I would imagine.

MR. CZUKER: I was more interested in dollar amounts than yield.

MR. GILBERTSON: But I think it depends on what we're financing, Mr. Czuker, because if we have appropriate yield on the asset side, I think the market -- you know, we could probably issue more debt.

What we're oftentimes trying to do with our taxable securities is to pair them up with our homeownership program to expand the program, but still keep our interest rates to the borrowers at a variable market interest rate, and that's sometimes a challenge.

CHAIRMAN COURSON: Other questions?

Bruce, thank you very much.

And we'll follow that now with Homeownership, Jerry Smart, and Mortgage Insurance, Chuck McManus.

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Item 9. Report on the status of Homeownership loan portfolio

MS. PARKER: I hope all of you have at your seat the handout of the slides that Bruce and Chuck and Jerry are going through. I know that there's a lot of them, and to the extent that you have questions, I just wanted to make sure you all have this information.

CHAIRMAN COURSON: And they're joined by Dennis. I'm sorry, your name wasn't on my agenda, so I saw you making a move forward and I --

MR. SMART: Good afternoon. I'd like to start off with a kind of a quick recap of where we are on our production, year to date, fiscal year. This chart gives you a cumulative monthly view of what we've currently purchased. As of October 31st, we have purchased $439 million against our $1.5 billion goal. Coupled with that, we have a pipeline of roughly 367 million that is approved pending delivery of those loans by our 57 originators.

Not shown here but also with this purchase -- production, we have also purchased almost 3300 subordinate loans, downpayment assistance loans for $27.8 million, so our combined total is about $467 million as of the end of October.

This also kind of gives you a quick view of what the project mix is based on that production. What we have to date in our portfolio is about 64,400 loans. Half of that is our subordinate loans, currently serviced by our in-house servicing operation. 31,000 are first mortgages. Nearly, I think, 58 percent of those are serviced in state and the balance, of course, by out of state servicers.

We currently have 13 servicers. Our highest, of course, is our own in-house servicing operation with about 34 percent of our first mortgages, and that doesn't include the 33,000 of subordinate loans. Followed by Guild with about 22 percent, and Countrywide and Wells Fargo following. We have a small handful of other servicers making up the balance, and they service roughly about 1400 loans.

CHAIRMAN COURSON: Could I interrupt you just a minute? Do we have a process that on some sort of a scheduled basis, perhaps annually, that we go in and audit our servicers and their financial performance and their operations?

MR. SMART: Yes, we do. We have an annual service and examination process, which I was going to touch on a little bit. That includes the -- not only a site visit to the actual servicing locations, we do a review of the financials, we look at their collection activities, foreclosures, bankruptcy activities, as well as the accounting aspects with respect to servicing.

CHAIRMAN COURSON: Thank you.

MR. SMART: The current portfolio mix that we have, almost 51 percent are government insured, FHA, VA. Twenty-seven percent is conventional insured. The balance are uninsured. As per the Homeowners Protection Act, when the loans were originated, they were either originated without MI because the loan values were under 80 percent or subsequently they paid down to about 78 percent and were therefore able to cancel the mortgage insurance.

This gives you a view of where we are today in our portfolio as far as delinquencies. Our August delinquencies, and that's basically our last reconciled report from fiscal services, we have 4.91 percent delinquent. That's trending up a little. In previous months, it was about 4 and a half. It's now up to almost 5 percent.

FHA, of course, represents our largest delinquent group of loans. Out of the 15,000 FHA loans, we are at 6.9 percent. And that's kind of typical with FHA that we do run higher delinquencies given the more lenient credit qualifications and so forth that those loans have. But we're a hundred percent insured, so.

The ACT original, that's basically the uninsured loans. They were originated without MI because of the 80 percent loan to value and in fact cancelled, basically, those loans that are uninsured because they prepaid. And mortgage insurance, it's CalHFA. We have 8300 loans and about 4 percent delinquent. So our total portfolio balance, we have 31,000 loans, $5.8 billion in first mortgages.

I wanted to highlight where we are with respect to the market. I know this is a real busy chart, but if I can, I'd like to show you the black line right here is our total portfolio. The black line, as I was trying to illustrate here, is our total portfolio, 4.91 percent.

If you look at this light blue line here, that's the MBA reported subprime. It's about 9 and a half percent. It's the last reported report that we have was back in June, and you can see our portfolio is performing much better than subprime.

We did break down our portfolio here. That represents the FHA portion of our portfolio -- excuse me, the conventional insured at 4 percent. The yellow squares, that represents the CalHFA VA loan. And then the green is our FHA insured book of business. So overall, we are performing fairly well compared to the rest of the market, but you can see that it is trending upward.

This is just another slide to show you what our portfolio mix is by loan term, by property type and by loan type. I wanted to also kind of give you an idea of what our subordinate loan portfolio is doing. You may recall though that all of our subordinate loans are deferred payment loans, so they really do not have delinquencies until a notice of default is actually reported with the first mortgage. They have cross default provisions that would put them in default.

What we're trying to show here is the performance underlying first mortgage. And you can see with the various downpayment assistance programs how we're performing. The CHAP loans, the first one on the line here, those are primarily now associated with our FHA book of business. And the CHDAP, those are the Prop 46 and Prop 1C loans. That's our largest subordinate loan book of business that we have, and it is performing a little bit better than the CHAP loans.

The Extra Credit Teacher Program is actually performing quite well, a little under 1 and a half percent delinquencies, and we're quite pleased with that. The lower four programs where it says HPA, MDP and OHPA, those are older programs that we've had, and they're still existing as far as on our books, but they're no longer active programs. Finally the Fannie Mae loans, those are the book of business that we sold them last December, $66 million worth of subordinate loans, and it's performing quite well on the first mortgage side.

Calendar year 2007, we have picked up 88 foreclosures, trustee sales. I must apologize that where it shows 30-year fixed right up here, that actually should be 70. Then we have 18 35-year, which is our interest only loans that we picked up, so we have a total of 88.

Single family, as far as property type, the manufactured housing is probably the one group that has the highest -- represents the largest delinquent loans, 8 percent delinquencies based on 600 loans -- 760 loans.

So it is something that we have taken some steps during the course of the year to tighten up the underwriting.

MR. PAVAO: I'm sorry, did you just correct a number on the table? I missed it.

MR. SMART: Manufactured housing? Oh, yes, I did, 30-year fixed at the very top should be 70 instead of 80, and the percentage is 79.5.

MR. PAVAO: Thank you.

MR. SMART: Also, the condos if you're under property type, that should be 31, not 7. I apologize for those typos.

Eighty-eight loans or foreclosures that we have picked up this year, that's compared to last year we had 21. So you can see it is trending upward, but it's actually better than previous years, which this slide represents about 25 years' worth of REO business.

You can see in 1978 -- or 1997 and '98, we had huge foreclosure volume, over 700 in each of those years. Most of that was FHA foreclosures. Our portfolio back then was about 90 percent FHA. Since then, as price appreciation took place in the early, first part of this 2000 to 2005, we had huge prepayments runoff. We had a portfolio wrote in excess 50,000 loans, and that dropped down to about the mid 25,000 or so. We're now back up to about 31,000 as of the end of October.

The lower two lines are our conventional loans, and although we are beginning to trend up, I think looking forward we will see more foreclosures obviously as delinquencies rise and more and more borrowers get in trouble. But I think that our portfolio will perform better than what we've experienced back in 1997 or '98 because we -- our product mix is more equal, 50 percent or 51 percent FHA versus 90 percent back at that period of time.

This just kind of shows you where we are today as far as our inventory. Of the 88 loans that we -- properties we took back, we had 52 beginning in October that were unsold. We picked up nine new ones. We sold two more. So we have a net inventory of 59. Thirty-one of those are conventional insured loans, one uninsured and 27 FHA insured.

What are we doing about our loss -- or trying to mitigate the potential losses in our portfolio? Our portfolio staff, our mortgage -- portfolio mortgage staff are monitoring daily the servicing activities of our 13 servicers, reviewing the collection activities and foreclosure activities, the quality control, compliance with our Agency policies as well as mortgage insurance requirements, taking a proactive approach to loss mitigation, which includes forbearance, payment plans, where appropriate, short sales and of course foreclosure if that's necessary.

We have tightened up the underwriting, probably Chuck will mention some of that as we go forward.

We do have a quality control plan in process. We review at least 10 percent randomly of all the loans on a post-purchase basis. All loans that we do receive for purchase are reviewed up-front. But we do an extra 10 percent thereafter upon purchase, and we also review loans that -- on a random -- on a referred basis where the staff has noticed some irregularities, such as potential fraud or non-owner occ notification, or something of that sort.

As we talked about earlier, we do have an annual servicing examination process that includes an annual site visit with every one of our 13 servicers. We do have an outside entity that comes in and does the audit for the Agency's servicing function. But on the other 12, we actually have examiners that go out and review the portfolio.

We have also implemented a recertification of originating lenders, which involves not only a review of financial statements, it reviews the résumés of key -- key staff at the servicer and the lender's office. It involves checking licenses, reviewing the fidelity and errors and omission policies, reviewing the active warehouse credit lines, and review of their quality assurance plans and findings, review their procedures for accepting new appraisers or monitoring existing appraisers and the quality of their work, review of the performance of third-party originators if they're wholesale lenders and so forth. Of course, we also check to make sure that they are in good standing with the GSEs.

We'll also be implementing a lender report card on our origination activities, letting our lenders know how they stacked up with the other lenders on suspensions and rejections and the issues that we have with the loans that are being delivered to us.

We are promoting homebuyer education and continue our emphasis on lender training to improve the portfolio.

So with that, I'll be glad to answer any questions.

CHAIRMAN COURSON: Any questions?

Jerry, thank you.

Chuck.

MR. McMANUS: We're going to team up here, and Jerry is going to run the slides. If you can listen fast, I'll try and present fast. Okay? It's the best offer I can make.

Next slide. The first slide is our new insurance in force. This is the Mortgage Insurance Fund, 80 percent -- above 80 percent LTV conventional loans. Last year we wrote $1,050,000,000. This year we're at

$674,000,000 through the end of October, and we should write between $730 and $740 million.

If you go to the next slide, please. And here's why. The business is -- first of all, the total volume will be down for Homeownership from a billion-seven to a billion-five. And there's been a shift in market. The MI share, the mortgage insured share, has dropped from 58 percent to 52 percent year to date.

Two reasons for that. First, the 80 percent and under has risen from 21 percent to 27 percent. They tend to be loans with downpayment assistance which go to lower income people. We are trying to get our lower income share up. And the 80 and under has that downpayment assistance associated with it. Our average actual cash out of pocket is close to 1 and a half percent. Okay. So there's a lot of downpayment assistance related to the 80 percent and under. It has risen. We also have lower interest rates charged on low income 30-year loans, which has also helped.

The FHA grew from 15 percent to 19 percent, and that's a function of their accepting lower FICO scores. The average FHA FICO score in our portfolio is about 619. The average privately insured, that's us, is about 695. So the lower FICO score has driven some business to FHA as the subprime borrowers are driven to come to the fully documented business.

On the next slide, our insurance in force has grown from 2 billion at the end of last year to now 2 and a half billion. That's good news because that's what drives our premiums. It's what insurance we have in force that we are paid on monthly.

Next slide, please. The risk in force, and that is the mortgage amount times our coverage. And our coverage on all these programs you're seeing today is 35 percent. So you have your insurance in force times 35 percent gives our risk we have outstanding for the insurance fund. And from the end of the year, it was at $772 million. And at the end of October, it reached $940 million. So that's our exposure, if you will, as of the end of October.

MS. PARKER: The MI fund, by the way, is on a calendar year, not a fiscal year.

MR. McMANUS: Correct. And I'm giving you calendar year reports. I can get you the conversions, but since I report this way and I'm evaluated by the regulators this way I would prefer to stay here right now.

The next exhibit, and this is the bad news and you all read it in the paper every day. The delinquency in our mortgage insurance portfolio has risen from

.9 percent, less than 1 percent, at the end of last year to 2.29 percent at the end of October. It more than doubled, two and a half times the delinquency rate. And in August it was 1.6 percent. So September and October have seen a serious deterioration in the delinquency, and that's national. Okay. So there's been a spike up in delinquencies.

And this is ones that are reported to the mortgage insurer. You don't have to report until 120 days. They generally give us the reports they receive, which would be at 30 days, but we are missing a lot of 30 because I'm showing 2.29, Jerry showed you in the previous one that the MI insured portfolio is at about 4 percent. So there are a lot of 30-day delinquents, but 70 percent of those go away. So this is focused just on probably the more serious delinquencies but, it has spiked and there's definitely a trend increasing our delinquencies.

The next page shows you, again, end of October where we are with our delinquent loans as it relates to less than 120 days, over 120 days but not yet in foreclosure, in foreclosure, title held, claim received by the mortgage insurer from the servicer and claim pending.

If you look at the 86, those, probably 70 percent will cure. But the balance of them, the 124 loans that are more than 120 days delinquent with 93 of those in foreclosure, they will move toward the foreclosure and claim filings. And to have the appropriate financial reflection, we'll go to the next page.

I'll make this as simple as possible. This is how we set our reserves for the mortgage insurance fund to make sure that we have adequate reserves to pay our claims. If you'll go to the middle section called reinsurance loans, that is the bulk of it. Up above, there's a few -- there's only one shown delinquent. That's just some loans not covered by reinsurance. It never impacts us much.

But on the reinsurance loans, we have 183 delinquent loans. Fifty-three are 60 days delinquent. The total balance of those loans is $13,563,000. And we expect 15 percent of those to go to foreclosure and a claim to be filed. And on that claim, we expect to lose 31.5 percent of the mortgage balance. So we just multiply across, and we set up a reserve of $646,000. The reason that's a small number is because we only expect 15 percent of those 60 day delinquents to actually go to foreclosure.

That percentage going to foreclosure increases, if you look in the third column, frequency of claims paid. It goes from 15 to 34 to 65. And when its lender has acquired title, we expect 97 percent of those to go to claim. The only ones that wouldn't, would be if we deny the claim because there were some fraud or some other reasons for it or if the property is sold and they recover all their mortgage amount, then that would go away.

So taking all the loans by category of delinquency, their mortgage balance times the frequency going to claim, and our severity of loss of 31.5 percent, we end up with a need for $7,403,000 of direct reserve for losses. That's against $46 million of delinquent loans. And I have a multiplication of 25 percent, and I'll get into that later, but the 7 million is the direct reserve.

There's also delinquent loans that haven't been reported. We know this from history. And so for financial reasons, we set up an "incurred but not reported". That's delinquent loans that the servicer just hasn't advised us about. As I say, they have 120 days, and so there are delinquent loans they don't have to notify us, and sometimes they don't, or they misreport and so forth. So there is an "incurred but not reported", and our estimate of that is 56 loans for $13 million. Again, we spread them by the number of days delinquent we anticipate. We multiply them by that 31.5 percent, and we come out -- you'll see the 1,058, that's actually a million.

Yes?

MR. MANDELL: I have a question. Could you clarify what the severity of loss is with me? Am I understanding correctly that, I'm guessing -- maybe I shouldn't just guess, I should just ask you. Do we just not cover 100 percent or is that the amount that is not covered if the property goes to foreclosure or whatever the proper term is and then we get paid back on our --

MR. McMANUS: Our coverage is 35 percent, which is reflected here. I'll get into another -- we'll get it to 50 for bond purposes and so forth, but right now the mortgage insurance fund covers the top 35 percent of the term called the claim amount, which is the mortgage balance plus accrued interest and foreclosure costs. It's about 110 percent of the mortgage amount. So we're just covering the top 35 percent.

And this is for rating purposes so that the bonds can be rated by S&P and Moody's and so forth. That's why you need this credit enhancement for the nonpayment. So all these calculations are basically on 35 percent. I'll get into it in the next calculation.

If I take you to the far right-hand column on loss reserve, we have 7 million -- 7,403 -- but that's in thousands. Seven million of direct reserve plus the incurred but not reported of another 1,058,000. That adds up to 8,461,000. That's the total dollars reserved against 59 million of delinquent loans. And so we're approximately 18 to 19 percent of all delinquent loans, and it's based on the aging and what we actually expect to go to claim.

We are fully reserved on what we anticipate to have to write checks to cover these losses on the conventional book of business. The conventional book of business, as Jerry reported, is 50 percent of our loans by number. It's 62 percent by dollars. So these are the reserves that we've set up in our mortgage insurance fund to pay all losses.

The 31.5 percent severity is against the 35 percent total coverage, so it's very high. We've strengthened our reserves significantly, but this will pass our auditors. This will pass Fannie Mae and Freddie Mac. And this is the methodology used by the seven private mortgage insurers. It was created in the late 80s, while I was at MJIC, we created it, and it's passed all the actuaries and the auditors. So we are adequately reserved for the mortgage insurance fund.

If you go to the next slide and last slide. On our bonds, we actually provide 50-percent coverage on all loans, 35 percent of the above 80s is covered by the mortgage insurance fund, and we just covered that reserve. Okay. So the uninsured, which are the 80 and unders, beginning -- and they're called Act originated. Act is defined as the “Homeowners Protection Act of 1998”. And if you're an originator and your loan to value is 80% and under, you cannot require insurance. Okay. That's what that act said. The people have given you 20 percent cash.

In addition, if the value of the property should rise sufficiently that the mortgage amount is 80 percent or under, you have to let them cancel their coverage so you're not collecting premium. That's the Act canceled.

And then the Cal -- if you look on the chart, the CalHFA MI, that's the 35 percent coverage. There's an extra 15 percent that isn't covered by that, so the CalHFA Mortgage Insurance has 35 percent primary shown as the yellow.

And VA, they have all sorts of formulas here, but it's about 25-percent coverage, if you have VA. And we have very few, a small number of VA's, and that's the balance above the 25-percent coverage on delinquent VA's. So that's the reserve for that.

You add the total up, we have $700 million in gap exposure, which is above what's already covered by the primary mortgage insurance company. That's covered in a general reserve for losses on loans, which Dennis can discuss. We literally haven't had any claims historically. We may in the future, in which case we'll have to set up reserves. And we will use the same methodology I just covered on the MI, we will use at year end this year and then year end next June 30th.

Are there any questions?

CHAIRMAN COURSON: Questions?

Thank you.

Dennis?

MR. MEIDINGER: Thank you, Mr. Chairman. I'm Dennis Meidinger, the comptroller of the Agency. I don't have a slide. This morning I went over the summary of our June 30th financials for the Housing Finance Fund, and just to give you all a quick summary, this past year our net income was $85 million compared to $37 million in the prior year.

CHAIRMAN COURSON: There is a packet in front of everyone. That's all right. Don't worry about the slide. We should have it. It's report on fiscal year-end 2006/07 year-end financials.

MS. PARKER: Keep going, Den.

CHAIRMAN COURSON: I'm sorry.

MR. MEIDINGER: And so this is a slide of our balance sheet. So we have a very strong balance sheet in the Housing Finance Fund of, as you can see, over $9.7 billion. This year, as you can see, our cash and investments was reduced by $989 million. Most of that money was funneled into making new program loans. As you can see, our program loans receivable increased over the years by 2. -- by $1.2 billion. And so our total assets this year increased over last year by $249 million.

As far as our liabilities, we -- our bonds increased by $134 million, and our other liabilities decreased by $10 million, as we settled up the amounts that we owed to the IRS on arbitrage rebate that was due on our bonds.

And so in total, our equity this year increased by $125 million, and our equity in total is now $1.4 billion. And so I pretty much wanted to talk about the strength of this fund and the rising delinquencies that we know that are coming and also the strengths of the Mortgage Insurance Fund, because fiscal services, I'm responsible for preparing the financials for both funds.

And the last four years, we have had incredibly low delinquency and low losses. And so both of our funds are well positioned to take some losses, as long as they're not too heavy. But, for instance, as Jerry had mentioned, in 1997 where we -- and 1998 where we used to have REOs of over 800 REOs per year, in the last two years in particular we have had in the 20s, just only 20 a year. And they are starting to increase right now, but we're hoping that -- that they stabilize.

And so just as Chuck went over our methodology for setting reserves, we're also reviewing our allowance for loan losses in our Housing Finance Fund. And as a matter of fact, this year we increased it to $75 million. In addition to cover our gap losses, as Chuck had mentioned, the Board had passed a resolution, 03-19, back in March of 2003. And it does give the Agency authority to create additional supplementary reserves in our supplemental bond security account. And that account has an equity of $63 million in it.

So I think my point today is to tell you that we know that delinquencies can't be as low as they have been in the past four years; however, both of our funds, both the Insurance Fund and the Housing Finance Fund, are well positioned to face losses, and we are going to be following it every quarter.

Do you have any questions?

CHAIRMAN COURSON: Questions? Thank you. We appreciate the reports. And we've all got some take-away information, which we'll also see that it gets in the hands of the other Board members if they didn't take it with them.

Having said that, the next item on our agenda is a report on the status of our new building project.

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Item 10. Report on the status to date of the new building strategic project

MR. SPEARS: Thank you, Mr. Chairman. Steve Spears, Chief Deputy.

I think Terri's on the agenda with me on this, but -- and I know we're taxing your limits of endurance, and I stand here between you and airplanes and lunch. I'll try to make this brief. But we would like to bring you up-to-date on our search for a headquarters facility in Sacramento that would consolidate the two locations, the Senator and the Meridian, and a new direction, really, because of what we found.

Cresa Partners, as you know, has been helping us with this effort. Through an RFI process that we briefed you on earlier at the last Board meeting, and an extensive search, they identified 12 possible sites, nine of which just did not meet our criteria for one reason or another, they're too large, they're too far away from commuting patterns and light rail and bus lines and that sort of thing. And a couple of them did not include opportunities for full ownership. They were condominium ownership. So nine were eliminated.

And three were left. And at the last Board meeting, you provided Cresa with the authority to go out and engage in preliminary negotiations. One of those three sites was in a very preliminary stage, and once the dollar amounts came to light -- and it was a location at Tenth and K, right downtown where the old WaMu Bank building was to be torn down and a new building built. That building, land cost and building cost, were just out of our range and wound up with a net present value loss as compared to what some lease assumptions that we had over the next few years. So that was clearly eliminated.

There was another site at the rail yard site, which is about Fourth or Fifth and I Street, or somewhere on the edge of that rail yard development. And that was a close call, but Cresa's feeling was on an economic basis that any hiccup in construction costs, any hiccup in the process or timing, any delay in construction would put that one either at a break even or a negative net present value.

Finally, there was another site at 65th Street and 50th -- and Highway 50, right there just off the freeway, which was a site very accessible, but -- and that actually resulted according to Cresa's analysis in -- depending on whether we use conventional financing or bond financing, in a net present value, a gain of either -- depending on the financing of either 13 or 20 million dollars of net present value gain over a lease option.

That was debated long and hard, but the -- but Terri and I discussed it with the staff, and we had additional concerns that were of a qualitative nature as opposed to a quantitative nature. And it involved significant change in commuting patterns for some individuals, and to the point where we thought that there would be some operational interruption and attrition associated with that. It is right on a light rail line, but it did not solve all the issues.

And here's the difference between being in a private sector situation where, you know, Cresa Partners helps people move their headquarters from Santa Clarita to Long Beach every year. The problem is if you lose 50 people out of the organization, you just go to the labor market in Long Beach and hire 50 more people.

It's not that easy in state service, as most of you know. And we just became convinced that that would be a difficult thing to do. And Cresa fully understands that and is in full support of a change in direction. After this extensive search and given all the timing issues and the size and the floor plate size, the needs that we have, that the best thing to do at this point is to shift direction and go in a more -- towards a search for traditional lease option.

And -- but with this in mind, that there may be opportunities at this point still for -- and I'm instructed to tell you by them, this is not necessarily likely, but the possibility of an existing building could still come up that would meet our timing. In fact, I think some of you have probably read in the Sacramento market there is predicted to be an enormous surplus of commercial lease space, up to 3 million square feet of surplus space, which would be good for us if it's in the right place as far as our negotiations go, but it also could mean that somebody may be willing to sell a building that they originally thought about leasing, and that's an opportunity.

So they will prosecute two -- two courses of action. One is a traditional lease, and they're in the process of gathering information about that. But at the same time keeping their eye open for opportunities for ownership of an existing building that we would just buy outright. We wouldn't have the timing problem of development and construction and all that sort of thing.

So that is the direction that we recommend and that we will pursue without objection -- Elliott.

MR. MANDELL: Steve, do I understand that you're saying basically that unless an opportunity were to avail itself within, let's say, oh, I don't know, three miles of the capitol, that that wouldn't be of interest?

MR. SPEARS: Not necessarily, but in this particular location, there were other things besides that. Amenities in that area, I don't know how much you have seen, but that area still needs to be developed more, and it's not the Sac State development area. It's SHRA's development area. And in meeting with them, what was going to develop around that site was not clear as well. So there could be a possibility, but there is a preference on the part of many employees to remain in the downtown corridor. That is true.

MS. PARKER: Let me just add one comment. We didn't do something along the lines of, you know, going out for a survey or a poll to the employees. We didn't think that we could essentially manage based on that, but we did think it was important to take our employees into consideration and not just do this based on a dollar and cents.

And so we asked the senior managers to have some conversations with their staff and to really get a sense. I had gone to a luncheon for one of our senior employees, not two or three days before this. And when I walked through and talked to people, many of them were very, very excited about the idea of us moving in and being in one location.

But when senior managers talked to their staff, what came back at the end of the day was that people would rather stay where they were at, and that in some circumstances is in buildings where if you're in their basement, there isn't even a bathroom on that floor. They would rather stay where they were at than essentially move to one of these locations, given the significant change in commuting, quality of their work environment, et cetera, et cetera. And that was just not something I could ignore.

We thought it was a very worthwhile exercise for us to go through. We think it's important from the standpoint of maintaining and reducing on a prospective basis the operating costs. Because as we have reduced the amount of profitability, and I use that term as a term of art, going forward, particularly the investment in programs that we have made, we need to make sure that our operating costs are well kept in line. And so every opportunity to essentially reduce those costs on a go-forward basis, we think, is an important criteria.

So we're going to be probably in the leasing market. You know, we're going to be looking at locations that are similar to where we're at, perhaps not even as nice, but something that will be very serviceable for us and be able to see if we can market time with what's happening in the real estate market and maybe get some concessions on some leasing that will give us some certainty, you know, over the next five, seven years and take advantage of that from the standpoint of our operating expenses.

I must tell you that I think because of the strategic initiatives that we are working on and the amount of emphasis and time and resources that have gone into this, I think we can say with good confidence we've done what we thought was a good due diligence, but we are ready to move on.

CHAIRMAN COURSON: Questions?

Mr. Pavao.

MR. PAVAO: So is it your sense that there are plenty of leasing opportunities downtown or on the horizon? And then question No. 2, are you thinking, yeah, we're probably looking at a newly developing property or an existing property or it could be either?

MR. SPEARS: I wish I could answer that as definitively as I would like. I don't think we know quite yet. We've just received our very first list of potential properties that would meet our requirements. But I think the situation is too fluid. I think there's -- there are a lot of new buildings that you've all seen on the mall and around the downtown court that are just coming on line. And so I'd like to be able to answer your question more clearly, I just don't know yet.

MR. PAVAO: So are those new buildings typically preleased, or some of them have space still available?

MR. SPEARS: Some of them still have space available. And we have heard some talk about, you know, law firms moving out of buildings and choosing between. So there's a little bit of shuffling going on. And that will settle out.

Which brings me -- thank you for bringing this up, because it does bring me to a timing issue. Our leases on the Meridian building and the Senator Hotel, again, I think we talked about this before, are concurrent. They expire in early -- the spring of 2010, with an option to bail out a little bit earlier, in the fall of 2009. It would not surprise me that if somebody came along with a terrific need to have somebody with as much space as we need to go into a new building, that they would -- that we could negotiate to leave those leases earlier. That's also on the table.

But timingwise, you know, we're not under the gun like we were if we were going to start developing from raw land up.

CHAIRMAN COURSON: Any other questions on the building?

I'm glad we went through the exercise. I think it was well worth the resources we put in it to get the third party and take a look at all these alternatives, and obviously now we have a direction, I think, to move in. Now we have to put our head in the wind, and we're still going to retain the same company to help us find those leasing opportunities now and they would also be negotiating on our behalf as we have proposals that come before us.

Steve, thank you.

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Item 13. Discussion of other Board matters

CHAIRMAN COURSON: Is there any other business to come before the Board?

(No response.)

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Item 14. Public testimony

CHAIRMAN COURSON: We do have one public testimony. Gustavo Lamanna, who has been with us before, of Kane, Ballmer & Berkman, is here and has requested to give public testimony to the Board.

MR. LAMANNA: Good afternoon. My name is Gustavo Lamanna with Kane, Ballmer & Berkman. And thank you once again for letting me speak with your good Board.

As I had indicated in a couple of my prior visits to the Board, our -- we're not here for only one client. We represent redevelopment agencies throughout the state. And there's an issue that has come up, being the Fannie Mae announcement 0603, which would affect redevelopment agencies throughout the state, and it impacts CalHFA.

So a brief -- I want to just give you a brief background of the issue, unless -- just to kind of bring you up to speed and then just give you updates on what's happened since our last visit. So just as a background, Fannie Mae has outlined guidelines for lending on affordable housing without requiring that affordable housing covenants be subordinate to the lending.

Since our last meeting, I spoke with your good Mortgage Insurance executive Chuck McManus and continue to regroup with your General Counsel, Tom Hughes. And today I shared a sample set of covenants that we have used for our clients. And, in fact, these covenants, one, have been modified to apply and adapt the Fannie Mae guidelines, and at the same time they have also previously passed tax analysis with one of your two law firms.

So the issue remains, as your good general counsel pointed out, just a change in policy for sound lending practice review. Essentially it's whether or not your lenders and your lending criteria will permit our resale restrictions to always be superior to your loan. In other words, in the event of a foreclosure, everyone would take subject to the affordability restrictions.

And what I -- what the policy change requested would be that CalHFA accept the financial risk and side with affordable housing and Fannie Mae as the policy setters for this.

Today we discuss the potential of having this request go through your bond counsel as well as members of the California Redevelopment Association. I think that shows promise in going in a direction where the good Board wouldn't be -- and CalHFA wouldn't be requiring agencies but the agencies would be coming to you and proposing a policy that you would adopt as a suggested practice.

And as far as a comment on market conditions, we wanted to let the Board know that we've even been approached -- or actually developers have approached our redevelopment agency clients and voluntarily asked for disposition and development agreements to be revised so that covenants be superior to lending, because they want to have that additional pool of resources available. So I point that out to the Board because there is an avenue because of a lot more lenders and developers are realizing that this pool is out there, that CalHFA should have some comfort in taking this direction.

And then, lastly, in summary, I just wanted to be happy to report that since I've been coming here a couple times, we have had some significant progress, and I do anticipate that our redevelopment agencies -- or redevelopment agencies throughout the state and CalHFA basically meet their goals of preserving affordable housing in the state.

And with that I just wanted to conclude my comments and welcome any questions. And I do ask for the ability to come back and report as our progress keeps on going.

CHAIRMAN COURSON: Any questions or comments from the Board?

Mr. Lamanna, thank you very much.

MR. LAMANNA: Thank you very much.

CHAIRMAN COURSON: I want to thank the Board for your endurance today. And our next meeting is in January in San Francisco at the Westin.

Mr. Pavao.

MR. PAVAO: So we've received the proposed schedule for next year, and we should go ahead and calendar.

CHAIRMAN COURSON: Yeah, that is more than proposed. That is the schedule.

MR. PAVAO: Okay.

MS. OJIMA: That's in stone.

CHAIRMAN COURSON: We're going to -- we'll decide -- we'll get back and see where we fit in this idea of this educational thing.

Mr. Carey.

MR. CAREY: I want to point out that we win the CalHFA survivor contest --

CHAIRMAN COURSON: Yes.

MR. SHINE: -- this side of the table.

CHAIRMAN COURSON: Yes. The survivors. Right. Right. Absolutely.

We stand adjourned.

(The meeting concluded at 2:46 p.m.)

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REPORTER'S CERTIFICATE

I hereby certify the foregoing proceedings were reported by me at the time and place therein named; that the proceedings were reported by me, a duly certified shorthand reporter and a disinterested person, and was thereafter transcribed into typewriting by computer.

In witness whereof, I have hereunto set my hand this 26th day of November 2007.

____

Yvonne K. Fenner
Certified Shorthand Reporter
License No. 10909, RPR

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CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Grand Plaza Apartments
Los Angeles, Los Angeles County, CA
CalHFA # 07-014-A/S

SUMMARY

This is a Final Commitment request for acquisition and permanent long term financing. Security will be a 302-unit senior apartment complex known as Grand Plaza Apartments, located at 601 North Grand Avenue, Los Angeles, California. Grand Plaza Preservation, L.P., ("Borrower") whose managing general partners are Grand Plaza Preservation, LLC, a Delaware limited liability company and Las Palmas Foundation., a California nonprofit corporation, will own the project.

Grand Plaza Apartments is an existing portfolio loan currently owned by 601 North Grand Avenue Partners, a limited partnership, whose general partner is CARE Housing Services Corporation. The project was constructed in 1990 and is a 302-unit, four- and six-story 5 building, senior apartment complex. Grand Plaza was constructed under the Section 42 Low Income Housing Tax Credit (LIHTC) program and exited the tax credit program on December 31, 2006. The property currently operates under a CalHFA bond regulatory agreement that restricts 20% of the units to tenants earning no more than 80% of the Area Median Income (AMI) and 100% of the units to seniors aged 62 and older. The expiration of the low income housing tax credit restrictions has placed the existing senior tenant population at risk of an extreme rent increase. The borrower proposes to not increase the rent on any in place tenant more than six percent annually, until the rents reach the maximum LITHC levels – 30% at 50% AMI and 70% at 60% AMI. The project age restriction will remain at 62 and over.

LOAN TERMS

Acquisition Period

First Mortgage	$16,400,000
Interest Rate	5.10%, variable
Term	12 Months, interest only
Financing	Tax-Exempt
Second Mortgage*	$3,500,000
Interest Rate	6.25%
Term	30 year, first 15 years interest only, then amortized.
Financing	Tax-Exempt
Prepayment	After Year 15 Pursuant to 30/15 program with 120 days notice to Agency

*At the time of permanent loan funding, this loan will remain in place and will be subordinate to the CalHFA's long term First Mortgage.

Permanent Loan Period

First Mortgage	$16,400,000
Interest Rate	5.0%
Term	30 year fixed, fully amortized
Prepayment Term	After year 15
Financing	Tax-Exempt
	Pursuant to 30/15 program with 120 days notice to the Agency

CalHFA acquisition/rehabilitation financing is subject to the assignment by the borrower of tax credit equity and all rights under non-CalHFA financing commitments.

SUBORDINATE DEBT

AIMCO will commit to purchase at acquisition loan close $3,500,000 tax-exempt bond, un-enhanced, fully subordinated per CalHFA's standard debt documentation, fixed at 6.25% interest rate. Restrictions shall be placed on the sale and transfer of such bonds satisfactory to the Agency.

OTHER FINANCING

There is no other financing involved in this transaction.

PROJECT DESCRIPTION

Project Location

- The subject development is located in the Chinatown Redevelopment Plan area within the Central City North Community Plan area of central Los Angeles.
- The site is accessible from Grand Avenue. Grand Avenue traverses north/south that connects to Cesar E. Chavez Avenue adjacent to the subject. Cesar E. Chavez Avenue provides access to the Freeway 101/110 interchange 0.3 miles north of the subject. Freeways 101/110 provide access to all parts of the Los Angeles metro area, as well as linking the area with numerous Interstates.
- The project is bordered to the north by small multifamily and single-family private owned developments in average condition. Central Los Angles High School is under construction to the southeast of the subject, and Orisini Apartments II is to the southwest of the subject. Management indicated they have not begun to lease units. This development will be a market rate community. To the east of the subject consists of multifamily and single-family developments in average condition as well as a parking lot in the northwest corner of Cesar E. Chavez Avenue and Grant Avenue. To the west of the development of the subject, at the northwest corner of Bunker Hill Avenue and Cesar E. Chavez Avenue is a liquor store. Additional developments west of the subject include small multifamily and single-family owned developments in average condition.

- The property is close to shopping, employment, recreation, entertainment, and education opportunities. Social Services, public transportation, and public safety services are all within close proximity.

Site

- The site is a slightly oblong shaped parcel and is 0.85 acres in size.
- The first and second floors of the subject facing Cesar E. Chavez Avenue consist of various commercial developments, including offices and a Subway restaurant. This portion of the subject building is under separate ownership from the subject; therefore, the site has several zonings. The site has commercial and residential zonings that include C2-2D, C4-2D, and R-4 zones. The site and its use are legally conforming.

Improvements

- This 302-unit project was built in 1990 and consists of five, 4 and 6 story residential buildings that are connected and contain 88 studio units, 189 one-bedrooms, and 25 two-bedroom apartment units. The units are flat style, contained in an elevator serviced building. The building is wood-frame construction, with wood stucco siding and flat roofs.
- The subject unit amenities include carpeting and vinyl flooring, blinds, range, refrigerator, disposal, and a patio or balcony. Each unit also contains electric baseboard heat and wall air-conditioning.
- The common area amenities include a central laundry facility, community room, community kitchen, sun rooms, game rooms, and courtyard areas. The subject also offers controlled access entry, perimeter fencing, and video surveillance of the parking area.
- The project includes 147 subterranean parking spaces.

PHYSICAL NEEDS ASSESSMENT/SCOPE OF WORK

- The project is in average overall condition for a development of this type when compared to other developments of similar type and age in the southern portion of the City of Concord and surrounding areas.
- The scope of rehabilitation work totals $3,165,885 or $10,483 per unit and includes:
- **Site work, $44,125-** landscaping and drainage upgrades ($36,000.
- **Building, $835,000** – roofing for buildings ($200,000), windows ($342,250), paint ($161,750), balcony decks and miscellaneous ($131,000).
- **Residential Units, $1,291,760**– new cabinets ($479,500), countertops ($75,500), appliances ($225,990), interior painting ($262,400), flooring ($248,370).
- **Mechanical systems, $752,500** – replace and install baseboard heater, air conditioners ($422,500), new water heaters ($90,000), elevators ($240,000).
- **Hallways** – $**142,500**
- **Community Center and common areas - $100,000**

  Work is scheduled to commence in late fall 2007 and is projected to be completed within 12 months.

Off-site improvements

- No off-site improvements and/or costs are required.

Relocation

- There is approximately $75,000 in relocation expense allocated for this project. Most of the renovation will take place around the occupied units. The rehabilitation plan does not assume invasive construction activity. However, specific interior unit renovation such as window replacement, vinyl flooring, and cabinet replacement is going to take place on a cluster basis (groups of units) and is scheduled to be completed within 3 days and two nights. The residents will be offered a hotel voucher or cash equivalent for the period of their displacement. The Borrower will provide transportation and moving arrangements. In addition, these temporary displaced residents shall be entitled to compensation for all reasonable out-of-pocket expenses incurred in connection with temporary relocation.

  The Borrower will conduct tenant orientation meetings prior to the purchase of the property and before and during the rehabilitation period regarding the scope of work and timelines, and address any tenant issue or concerns regarding the project.

MARKET

Market Overview

The Primary Market Area (PMA) is defined as bound by Sunset Boulevard, Stadium Way, 110 Freeway to the north, Los Angeles River to the east, Wilshire Bouleard/6th Street to the south, and Alvarado to the west. The secondary market area (SMA) for the subject is Los Angeles-Long Beach Metropolitan Statistical Area (MSA), or Los Angeles County.

The subject's immediate area is experiencing economic growth, and many employment opportunities exist within a short distance of the subject. Demographic projections indicate positive growth of population and households in the PMA between 2006 and 2011. In 2006, 83.8 percent of households in the PMA and 60.1 percent of households in the SMA earned less than $50,000 annually. This data suggests strong support for affordable rental housing in the subject's PMA. In addition, approximately 82.7 percent of renters in the PMA will make less than $50,000 at the time rehabilitation is completed in 2008. The demographic data suggests a strong demand for affordable rental housing in the PMA. The senior population age 65 and over in the PNA has steadily increased from 2000 to 2006 by 2.1 percent and is anticipated to remain stable through 2011. At the time of rehabilitation completion, it is anticipated that there will be 14,218 persons age 65 and over within the PNA.

Housing Supply and Demand

Housing Supply and Demand

- The rental housing stock in the PMA is primarily comprised of market rate apartments (1970-1997) in average to good condition.

- Occupancy rates for market rate units as of June 2006 is 96.5% LIHTC properties have an average occupancy rate of 100%, with waiting list ranging from six months to several years long. The subject has a 12 month waiting list.
- Orsini Apartments, located 0.1 miles northwest of the subject recently completed construction and will offer one and two bedroom units. This development will be a market rate complex which will not be considered directly competitive with the subject.
- The Housing Authority of the Country of Los Angeles which administers the Section 8 program for the entire county indicated an extensive waiting list.
- The subject's proposed LIHTC rents provide an attractive rent advantage over estimated achievable market rents. Post rehab, the subject will be in good condition and offer amenities equal or slightly superior to existing market rate properties in the PMA.

PROJECT FEASIBILITY

Estimated Lease-up Period

- The project is currently 100% leased and the proposed rehabilitation will not interfere with occupancy.

ENVIRONMENTAL

Blackstone Consulting completed a Phase I Environmental Assessment report on July 9, 2007. The report concludes that there are no adverse environmental conditions that warrant further investigation or remedial action.

SEISMIC

URS Corporation performed a seismic review assessment on December 28, 2007. The damage ratio meets the Agency's seismic risk criteria and no further review is needed.

DEVELOPMENT TEAM

Borrower

<u>Grand Plaza Preservation, L.P.</u>

- The non-profit Managing General Partner will be Las Palmas Foundation, located in Carlsbad, California. Las Palmas was found in 1992, and Joseph M. Michaels is the President and Executive Director. Mr. Michaels' has over 22 years of experience in affordable multifamily development.
- The co-general partner and sponsor/developer, Grand Plaza Preservation GP, LLC, a Delaware limited liability company will be an initial general partner in the LP. AIMCO Equity Services Inc. ("AESI") is a subsidiary of Grand Plaza Preservation GP, LLC that specializes in finance and development services. AIMCO and AESI have been actively involved as a developer of affordable housing developments for over seven years

Management Agent

Griswold Real Estate Management, Inc.

Griswold Real Estate Management, Inc. has served property owners for nearly twenty-five years. Griswold Real Estate Management, Inc. has been the existing management agent for the subject over the past fifteen years. In addition to their corporate office in San Diego and a satellite office in Los Angeles (serving all five Southern California counties), they also have a large corporate office in Las Vegas which has served southern Nevada for fifteen years.

Architect

Davis Group.

- The Davis Group was established in 1974 and the office is located in San Diego, California. Davis Group has provided complete architectural and planning services to a variety of project types, including affordable, market rate, and luxury multi-family residential, single family residential developments, mixed use (retail/residential) and religious facilities.

Contractor

Portrait Homes, Inc.

- Portrait Homes, Inc. has been a general contractor since 1989. The company is located in Corona, California. Their work includes primarily multi-family, government assisted (Low Income Housing and Tax Credit assisted) and commercial properties. They specialize in all aspects of new construction, rehabilitation, and development.

PROJECT SUMMARY

PROJECT NUMBER: 07-014 A/S

Final application

Project:	**Grand Plaza**		
Location:	601 North Grand Avenue	***Developer:***	**Grand Plaza Preservation L.P.**
City:	Los Angeles	***Partner:***	Las Palmas Foundation
County:	Los Angeles	***Investor:***	AIMCO Corp. Fund VII
Zip Code:	90012		

		No. of Buildings:	5	
Project Type:	Wood Frame	*No. of Stories:*	4 & 6	
Occupancy:	Senior	*Residential Space*	166,260	sq. ft.
Total Units:	302	*Community/Leasing Spa*	0	sq. ft.
Style Units:	Flats	*Commercial Space*	0	sq. ft.
Elevators:	Yes	*Gross Area*	166,260	sq. ft.
Total Parking	147	*Land Area*	36,895	sq. ft.
Covered	0	*Units per acre*	357	

CalHFA Acquisition/Rehab Financing	Amount	Rate	Term (Mths)
CalHFA Acquisition Financing	$16,400,000	5.000%	12
Developer Contribution - Mezz.Loan	$0		
Deferred Dev. Fee	$2,338,874		
	$0		

Permanent Sources of Funds	Amount	Rate	Years
CalHFA First Mortgage*	**$16,400,000**	**5.00%**	**30**
CalHFA Bridge Loan	**$0**	**0.00%**	**0**
CalHFA Second Mortgage* (funded at acquisition)	**$3,500,000**	**6.25%**	**30**
Source 4	$0	0.00%	0
Source 5	$0	0.00%	0
Source 6	$0	0.00%	0
Source 7	$0	0.00%	0
Source 8	$0	0.00%	0
Source 9	$0	0.00%	0
Source 10	$0	0.00%	0
Source 11	$0	0.00%	0
Source 12	$0	0.00%	0
Income from Operations	$0		
Developer Contribution - Mezz.Loan			
Deferred Dev. Fee	$10,000		
Tax Credit Equity **(_______ funded at acquisition)**	$9,032,562		

Construction Valuation		Appraisal		Value Upon Completion	
Investment Valu	$34,180,000	**Appraisal Date:**	**9/9/07**	**Restricted Value**	$23,500,000
Loan / Cost	64%	**Cap Rate:**	**6.00%**	**Perm. Loan / Cost**	62%
Loan / Value	58%			**Perm. Loan / Value**	85%

CalHFA Fees and Reserve Requirements

CalHFA Loan Fees	**Amount**	**Required Reserves**	**Amount**
CalHFA Acquisition Loan Fee	$82,000	Other Reserve	$0
CalHFA Permanent Loan Fees	$41,000	Replacement Resv. Initial Deposit	$453,000
CalHFA Second Loan Fees	$35,000	Repl. Reserve - Per Unit/ Per Yr	$500
(bond rate + qtr. Pt.)			
Construction Loan - Guarantees and Fees		CalHFA Operating Expense Reserve	$0
Completion Guarantee Fee	$0	Rent Up Reserve	$0
Contractors Payment/Perf. Bond	$0	Transitional Operating Reserve	$570,000
	$0	Other Reserve	$0

Date: 1/3/2008 **Senior Staff Date:** 12/27/2007

UNIT MIX AND RENT SUMMARY — Grand Plaza

07-014 A/S

Total Unit Mix

# of Units	Unit Type	# of Baths	Average Sq. Ft.
89	0 Bedroom Flat	1	450
188	1 Bedroom Flat	1	540
25	2 Bedroom Flat	2	800
302			

Number of Regulated Units By Agency

Agency	35%	50%	50%	60%	80%
CalHFA			61		
Tax Credits			31	210	
Locality					
HCD					
AHP					
Zoning					
Other					

Restricted Rents Compared to Average Market Rents

Median Income Rent Levels	Units Restricted	Restricted Rents	Avg. Market Rate Rents	Dollars Difference	% of Market
Studio			$1,000		
35%	0	$0		$0	0%
50%	9	$466		$534	47%
50%	18	$466		$534	47%
60%	60	$600		$400	60%
80%	0	$0		$0	0%
One Bedroom			$1,100		
35%	0	$0		$0	0%
50%	19	$494		$606	45%
50%	38	$459		$641	42%
60%	132	$780		$320	71%
80%	0	$0		$0	0%
Two Bedroom			$1,300		
35%	0	$0		$0	0%
50%	3	$589		$711	45%
50%	5	$589		$711	45%
60%	17	$910		$390	70%
80%	0	$0		$0	0%
			$0		
35%	0	$0		$0	0%
50%	0	$0		$0	0%
50%	0	$0		$0	0%
60%	0	$0		$0	0%
80%	0	$0		$0	0%

Sources and Uses of Funds — Grand Plaza

07-014 A/S
Final application

SOURCES OF FUNDS:	Funds in during Acq/Rehab ($)	Funds in at Permanent ($)	Total Sources of Funds ($)	Sources per Unit	%
CalHFA Acquisition Financing	16,400,000				
Construction Only Source 2	-				
Construction Only Source 3	-				
CalHFA First Mortgage*		16,400,000	16,400,000	54,305	51%
CalHFA Second Mortgage*	3,500,000	-	3,500,000	11,589	11%
Existing Replacement Reserve	-	-	-	-	0%
Earned Surplus	-	-	-	-	0%
Existing Operating Reserve	-	-	-	-	0%
Source 5	-	-	-	-	0%
Source 6	-	-	-	-	0%
Source 7	-	-	-	-	0%
Source 8	-	-	-	-	0%
Source 9	-	-	-	-	0%
Source 10	-	-	-	-	0%
Source 11	-	-	-	-	0%
Source 12	-	-	-	-	0%
Income from Operations	-	-	-	-	0%
Developer Contribution - Mezz.Loan	-	-	-	-	0%
Deferred Developer Fee	2,338,874	10,000	2,348,874	7,778	7%
Tax Credit Equity	9,032,562	1,023,000	10,055,562	33,297	31%
Total Sources	31,271,436	17,433,000	32,304,436	106,968	100%
(Gap)/Surplus	-	-	-		

Total Permanent Loans - $0, comprised of $0 T/E, $0 Agency Funds

USES OF FUNDS:	Acq/Rehab ($)	Permanent ($)	Total Uses of Funds ($)	Cost per Unit	%
LOAN PAYOFFS & ROLLOVERS					
Construction Loan payoffs		**$16,400,000**			
ACQUISITION					
Lesser of Land Cost or Value	2,200,000	-	2,200,000	7,285	7%
Seller's Prepayment Penalty	1,200,000	-	1,200,000	3,974	4%
Legal - Acquisition Related Fees	-	-	-	-	0%
Subtotal - Land Cost / Value	3,400,000	-	3,400,000		
Existing Improvements Value	20,100,000	-	20,100,000	66,556	62%
Off-Site Improvements	-	-	-	-	0%
Other	-	-	-	-	0%
Total Acquisition	**23,500,000**	**-**	**23,500,000**	**77,815**	**73%**
REHABILITATION					
Site Work	-	-	-	-	0%
Rehab to Structures	3,165,885	-	3,165,885	10,483	10%
General Requirements	185,589	-	185,589	615	1%
Contractors Overhead	185,760	-	185,760	615	1%
Contractors Profit	61,920	-	61,920	205	0%
Contractor's Bond	36,562	-	36,562	121	0%
General Liability Insurance	36,562	-	36,562	121	0%
Environmental Mitigation Expense	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Rehabilitation	**3,672,278**	**-**	**3,672,278**	**12,160**	**11%**
RELOCATION EXPENSES					
Relocation Expense	75,500	-	75,500	250	0%
Relocation Compliance Monitoring	-	-	-	-	0%
Total Relocation	**75,500**	**-**	**75,500**	**250**	**0%**

(Continued on Next 2 Pages)

USES OF FUNDS (Cont'd):	Acq/Rehab ($)	Permanent ($)	Total Development Costs		
			Total Uses of Funds ($)	Cost per Unit per Unit	%
NEW CONSTRUCTION					
Site Work	-	-	-	-	0%
Structures (Hard Costs)	-	-	-	-	0%
General Requirements	-	-	-	-	0%
Contractors Overhead	-	-	-	-	0%
Contractors Profit	-	-	-	-	0%
Contractor's Perf. & Pymt Bond	-	-	-	-	0%
General Liability Insurance	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total New Construction	**-**	**-**	**-**	**-**	**0%**
ARCHITECTURAL & ENGINEERING					
Architectural Design	59,361	-	59,361	197	0%
Architect's Supv during Construction	19,786	-	19,786	66	0%
Total Architectural	**79,147**	**-**	**79,147**	**262**	**0%**
Engineering Expense	65,000	-	65,000	215	0%
Engineers Supv. during Construction	-	-	-	-	0%
ALTA Survey	-	-	-	-	0%
Total Engineering & Survey	**65,000**	**-**	**65,000**	**215**	**0%**
ACQUISITION LOAN COSTS					
Construction Loan Interest	487,900		487,900	1,616	2%
CalHFA Acquisition Loan Fee	82,000		82,000	272	0%
Other Const. Loan Fee	-		-	-	0%
CalHFA Outside Legal Counsel Fees	-		-	-	0%
Other Lender Req'd Legal Fees	-		-	-	0%
Title and Recording fees	20,000		20,000	66	0%
CalHFA Req'd Inspection Fees	18,000		18,000	60	0%
Other Req'd Inspection Fees	-		-	-	0%
Prevailing Wage Monitoring Expense	-		-	-	0%
Taxes & Insurance during rehab	27,476		27,476	91	0%
Predevelopment Interest	-		-	-	0%
Cost for Completion Guarantee	-		-	-	0%
Other	-		-	-	0%
Total Construction Loan Expense	**635,376**	**-**	**635,376**	**2,104**	**2%**
PERMANENT LOAN COSTS					
CalHFA Perm Loan Fees	41,000	-	41,000	136	0%
CalHFA Second Loan Fees	35,000	-	35,000	116	0%
CalHFA Loan Application Fee	500	-	500	2	0%
Other Lender Perm. Loan Fees	-	-	-	-	0%
Title and Recording	-	-	-	-	0%
Perm. Bridge Loan Interest Expense	-	-	-	-	0%
Bond Origination Guarantee Fee	-	-	-	-	0%
Tax Exempt Bond Allocation Fee	600	-	600	2	0%
Other	-	-	-	-	0%
Total Permanent Loan Expense	**77,100**	**-**	**77,100**	**255**	**0%**
LEGAL FEES					
Borrower Legal Fee	115,000	-	115,000	381	0%
Syndication	-	-	-	-	0%
Total Attorney Expense	**115,000**	**-**	**115,000**	**381**	**0%**

USES OF FUNDS (Cont'd):	Acq/Rehab ($)	Permanent ($)	Total Development Costs		
			Permanent of Funds ($)	Per Unit per Unit	%
CONTRACT / REPORT COSTS					
Appraisal	10,000	-	10,000	33	0%
Market Study	10,000	-	10,000	33	0%
Physical Needs Assessment	5,000	-	5,000	17	0%
HUD Risk Share Environ. Review	-	-	-	-	0%
CalHFA EQ Seismic Review Fee	-	-	-	-	0%
Environmental Phase I / II Reports	10,000	-	10,000	33	0%
Soils / Geotech Reports	10,000	-	10,000	33	0%
Asbestos / Lead-based Paint Report	-	-	-	-	0%
Noise/Acoustical/Traffic Study Report	-	-	-	-	0%
Termite/dry rot	1,200	-	1,200	4	0%
Other	-	-	-	-	0%
Total Contract Costs	**46,200**	**-**	**46,200**	**153**	**0%**
CONTINGENCY					
Hard Cost Contingency	349,084	-	349,084	1,156	1%
Soft Cost Contingency	-	-	-	-	0%
Total Contingency	**349,084**	**-**	**349,084**	**1,156**	**1%**
RESERVES					
CalHFA Operating Expense Reserve	-	-	-	-	0%
Construction Defects Reserve	-	-	-	-	0%
Funded Replacement Reserve	-	453,000	453,000	1,500	1%
Capitalized Investor Req'd Reserve	-	-	-	-	0%
Transitional Operating Reserve	-	570,000	570,000	1,887	2%
Total Reserves	**-**	**1,023,000**	**1,023,000**	**3,387**	**3%**
OTHER					
CTCAC App/Alloc/Monitor Fees	136,751	-	136,751	453	0%
Local Permit Fees	20,000	-	20,000	66	0%
Local Development Impact Fees	-	-	-	-	0%
Other Local Fees	-	-	-	-	0%
Advertising & Marketing Expenses	-	-	-	-	0%
1st Year Taxes & Insurance	-	-	-	-	0%
Furnishings	-	-	-	-	0%
Final Cost Audit Expense	-	10,000	10,000	33	0%
Miscellaneous Admin Fees	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Other Expenses	**156,751**	**10,000**	**166,751**	**552**	**1%**
SUBTOTAL PROJECT COSTS	**28,771,436**	**17,433,000**	**29,804,436**	**98,690**	**92%**
DEVELOPER COSTS					
Developer Overhead/Profit (5% Acq.)	2,500,000	-	2,500,000	8,278	8%
Developer Overhead/Profit (NC/Rehab)	-	-	-	-	0%
Consultant / Processing Agent	-	-	-	-	0%
Project Administration	-	-	-	-	0%
Broker Fees to a related party	-	-	-	-	0%
Construction Mgmt. Oversight	-	-	-	-	0%
Other	-	-	-	-	0%
Total Developer Fee / Costs	**2,500,000**	**-**	**2,500,000**	**8,278**	**8%**
Total Costs	**31,271,436**	**17,433,000**	**32,304,436**	**106968**	**100%**

Annual Operating Budget **Grand Plaza**

Final application

INCOME:	**$ Amount**	**Per Unit**	**% of Total**
Total Rental Income	$2,382,624	$7,889	99.77%
Laundry	$5,402	$18	0.23%
Other Income	$0	$0	0.00%
Gross Potential Income (GPI)	**$2,388,026**	**$7,907**	100.00%
Less:			
Vacancy Loss	$597,007	$1,977	33.33%
Effective Gross Income	**$1,791,020**	**$5,931**	

EXPENSES:	**Total Cost**	**Per Unit**	**% of Total**
Payroll	$244,582	$810	22.45%
Administrative	$51,489	$170	4.73%
Management fee	$112,199	$372	10.30%
Utilities	$153,601	$509	14.10%
Operating and Maintenance	$185,976	$616	17.07%
Insurance and Business Taxes	$170,164	$563	15.62%
Locality Compliance Monitoring Fee	$0	$0	0.00%
Other	$0	$0	0.00%
Subtotal Expenses	**$918,011**	$3,040	84.25%
Replacement Reserves	$151,000	$500	13.86%
Taxes & Assessments	$20,612	$68	1.89%
Total Expenses	$1,089,623	$3,608	100.00%
Financial Expenses			
CalHFA First Mortgage*	$0	$0	
CalHFA Second Mortgage*	$218,750	$724	
Other Required Debt Service	$0	$0	
NET OPERATING INCOME	**$482,647**	**$1,598**	

Cash Flow | **Final application** | **CalHFA Project Number: 07-014 A/S** | **Grand Plaza**

RENTAL INCOME	Rehab Yr. 1	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Affordable Rents	**2,382,624**	**2,525,581**	**2,677,116**	**2,744,044**	**2,812,645**	**2,882,961**	**2,955,036**	**3,028,911**	**3,104,634**	**3,182,250**	**3,261,806**
Affordable Rent Increase	*6.00%*	*6.00%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Rental Subsidies	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Rental Subsidy Increases	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0%*	*0%*	*0%*
Unrestricted Units	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Unrestricted Unit Increases	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
TOTAL RENTAL INCOME	**2,382,624**	**2,525,581**	**2,677,116**	**2,744,044**	**2,812,645**	**2,882,961**	**2,955,036**	**3,028,911**	**3,104,634**	**3,182,250**	**3,261,806**
OTHER INCOME											
Laundry	**5,402**	**5,537**	**5,676**	**5,818**	**5,963**	**6,112**	**6,265**	**6,421**	**6,582**	**6,747**	**6,915**
Other Income	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
TOTAL OTHER INCOME	**5,402**	**5,537**	**5,676**	**5,818**	**5,963**	**6,112**	**6,265**	**6,421**	**6,582**	**6,747**	**6,915**
GROSS POTENTIAL INCOME	**2,388,026**	**2,531,119**	**2,682,792**	**2,749,862**	**2,818,608**	**2,889,074**	**2,961,300**	**3,035,333**	**3,111,216**	**3,188,997**	**3,268,722**
VACANCY ASSUMPTIONS											
Affordable (Blended Average)	*25.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Rental Subsidy Income	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Unrestricted Units	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Laundry & Other Income	*25.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
LESS: VACANCY LOSS	**597,007**	**126,556**	**134,140**	**137,493**	**140,930**	**144,454**	**148,065**	**151,767**	**155,561**	**159,450**	**163,436**
EFFECTIVE GROSS INCOME	**1,791,020**	**2,404,563**	**2,548,652**	**2,612,369**	**2,677,678**	**2,744,620**	**2,813,235**	**2,883,566**	**2,955,655**	**3,029,547**	**3,105,285**
OPERATING EXPENSES											
Expenses	918,011	950,141	983,396	1,017,815	1,053,439	1,090,309	1,128,470	1,167,966	1,208,845	1,251,155	1,294,945
Annual Expense Increase	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
Taxes and Assessments	20,612	21,024	21,445	21,874	22,311	22,757	23,212	23,677	24,150	24,633	25,126
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Replacement Reserve	0	151,000	151,000	151,000	151,000	151,000	151,000	151,000	158,550	158,550	158,550
Percentage Increase Yearly	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*5.00%*	*0.00%*	*0.00%*	*0.00%*
TOTAL EXPENSES	**938,623**	**1,122,166**	**1,155,841**	**1,190,689**	**1,226,750**	**1,264,066**	**1,302,682**	**1,342,643**	**1,391,545**	**1,434,338**	**1,478,621**
NET OPERATING INCOME	**852,397**	**1,282,397**	**1,392,811**	**1,421,680**	**1,450,928**	**1,480,553**	**1,510,553**	**1,540,923**	**1,564,110**	**1,595,209**	**1,626,664**
DEBT SERVICE											
CalHFA - 1st Mortgage	0	1,056,465	1,056,465	1,056,465	1,056,465	1,056,465	1,056,465	1,056,465	1,056,465	1,056,465	1,056,465
CalHFA - Bridge Loan	0	0	0	0	0	0	0				
CalHFA - 2nd Mortgage	218,750	218,750	218,750	218,750	218,750	218,750	218,750	218,750	218,750	218,750	218,750
None	0	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0	0
DEBT COVERAGE RATIO	**3.90**	**1.01**	**1.09**	**1.11**	**1.14**	**1.16**	**1.18**	**1.21**	**1.23**	**1.25**	**1.28**
Cash Available for distribution	**633,647**	**7,182**	**117,596**	**146,465**	**175,713**	**205,339**	**235,338**	**265,708**	**288,895**	**319,994**	**351,449**

Cash Flow | **CalHFA Project Number: 07-014 A/S** | **Grand Plaza**

RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Affordable Rents	**3,343,351**	**3,426,935**	**3,512,609**	**3,600,424**	**3,690,434**	**3,782,695**	**3,877,263**	**3,974,194**	**4,073,549**	**4,175,388**
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Rental Subsidies	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Rental Subsidy Increases	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*2.00%*
Unrestricted Units	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Unrestricted Unit Increases	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
TOTAL RENTAL INCOME	**3,343,351**	**3,426,935**	**3,512,609**	**3,600,424**	**3,690,434**	**3,782,695**	**3,877,263**	**3,974,194**	**4,073,549**	**4,175,388**
OTHER INCOME										
Laundry	**7,088**	**7,265**	**7,447**	**7,633**	**7,824**	**8,020**	**8,220**	**8,426**	**8,636**	**8,852**
Other Income	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
TOTAL OTHER INCOME	**7,088**	**7,265**	**7,447**	**7,633**	**7,824**	**8,020**	**8,220**	**8,426**	**8,636**	**8,852**
GROSS POTENTIAL INCOME	**3,350,440**	**3,434,201**	**3,520,056**	**3,608,057**	**3,698,258**	**3,790,715**	**3,885,483**	**3,982,620**	**4,082,185**	**4,184,240**
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Rental Subsidy Income	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*5.00%*
Unrestricted Units	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Laundry & Other Income	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
LESS: VACANCY LOSS	**167,522**	**171,710**	**176,003**	**180,403**	**184,913**	**189,536**	**194,274**	**199,131**	**204,109**	**209,212**
EFFECTIVE GROSS INCOME	**3,182,918**	**3,262,491**	**3,344,053**	**3,427,654**	**3,513,345**	**3,601,179**	**3,691,209**	**3,783,489**	**3,878,076**	**3,975,028**
OPERATING EXPENSES										
Expenses	1,340,268	1,387,178	1,435,729	1,485,979	1,537,989	1,591,818	1,647,532	1,705,196	1,764,877	1,826,648
Annual Expense Increase	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
Taxes and Assessments	25,628	26,141	26,664	27,197	27,741	28,296	28,862	29,439	30,028	30,628
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Replacement Reserve	158,550	158,550	166,478	166,478	166,478	166,478	166,478	174,801	174,801	174,801
Percentage Increase Yearly	*0.00%*	*5.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*5.00%*	*0.00%*	*0.00%*	*0.00%*
TOTAL EXPENSES	**1,524,447**	**1,571,869**	**1,628,870**	**1,679,654**	**1,732,207**	**1,786,592**	**1,842,871**	**1,909,436**	**1,969,707**	**2,032,078**
NET OPERATING INCOME	**1,658,471**	**1,690,622**	**1,715,183**	**1,748,000**	**1,781,138**	**1,814,587**	**1,848,337**	**1,874,053**	**1,908,369**	**1,942,950**
DEBT SERVICE										
CalHFA - 1st Mortgage	1,056,465	1,056,465	1,056,465	1,056,465	1,056,465	1,056,465	1,056,465	1,056,465	1,056,465	1,056,465
CalHFA - Bridge Loan										
CalHFA - 2nd Mortgage	218,750	218,750	218,750	218,750	218,750	268,750	268,750	268,750	268,750	268,750
None	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0
DEBT COVERAGE RATIO	**1.30**	**1.33**	**1.35**	**1.37**	**1.40**	**1.37**	**1.39**	**1.41**	**1.44**	**1.47**
Cash Available for distribution	**383,256**	**415,407**	**439,968**	**472,785**	**505,923**	**489,373**	**523,122**	**548,838**	**583,155**	**617,735**

Cash Flow — **CalHFA Project Number: 07-014 A/S**

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Affordable Rents	**4,279,773**	**4,386,767**	**4,496,436**	**4,608,847**	**4,724,068**	**4,842,170**	**4,963,224**	**5,087,305**	**5,214,487**	**5,344,849**
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Rental Subsidies	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Rental Subsidy Increases	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Unrestricted Units	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Unrestricted Unit Increases	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
TOTAL RENTAL INCOME	**4,279,773**	**4,386,767**	**4,496,436**	**4,608,847**	**4,724,068**	**4,842,170**	**4,963,224**	**5,087,305**	**5,214,487**	**5,344,849**
OTHER INCOME										
Laundry	**9,073**	**9,300**	**9,533**	**9,771**	**10,015**	**10,266**	**10,522**	**10,785**	**11,055**	**11,331**
Other Income	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
TOTAL OTHER INCOME	**9,073**	**9,300**	**9,533**	**9,771**	**10,015**	**10,266**	**10,522**	**10,785**	**11,055**	**11,331**
GROSS POTENTIAL INCOME	**4,288,846**	**4,396,067**	**4,505,969**	**4,618,618**	**4,734,083**	**4,852,435**	**4,973,746**	**5,098,090**	**5,225,542**	**5,356,181**
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Rental Subsidy Income	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Unrestricted Units	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Laundry & Other Income	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
LESS: VACANCY LOSS	**214,442**	**219,803**	**225,298**	**230,931**	**236,704**	**242,622**	**248,687**	**254,905**	**261,277**	**267,809**
EFFECTIVE GROSS INCOME	**4,074,404**	**4,176,264**	**4,280,670**	**4,387,687**	**4,497,379**	**4,609,814**	**4,725,059**	**4,843,186**	**4,964,265**	**5,088,372**
OPERATING EXPENSES										
Expenses	1,890,581	1,956,751	2,025,237	2,096,121	2,169,485	2,245,417	2,324,006	2,405,347	2,489,534	2,576,667
Annual Expense Increase	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
Taxes and Assessments	31,241	31,866	32,503	33,153	33,816	34,492	35,182	35,886	36,604	37,336
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Replacement Reserve	174,801	174,801	183,541	183,541	183,541	183,541	183,541	192,719	192,719	192,719
Percentage Increase Yearly	*0.00%*	*5.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*5.00%*	*0.00%*	*0.00%*	*0.00%*
TOTAL EXPENSES	**2,096,623**	**2,163,418**	**2,241,282**	**2,312,815**	**2,386,843**	**2,463,451**	**2,542,730**	**2,633,951**	**2,718,856**	**2,806,722**
NET OPERATING INCOME	**1,977,781**	**2,012,846**	**2,039,388**	**2,074,872**	**2,110,537**	**2,146,363**	**2,182,329**	**2,209,234**	**2,245,409**	**2,281,650**
DEBT SERVICE										
CalHFA - 1st Mortgage	1,056,465	1,056,465	1,056,465	1,056,465	1,056,465	1,056,465	1,056,465	1,056,465	1,056,465	1,056,465
CalHFA - Bridge Loan										
CalHFA - 2nd Mortgage	268,750	268,750	268,750	268,750	268,750	268,750	268,750	268,750	268,750	268,750
None	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0
DEBT COVERAGE RATIO	**1.49**	**1.52**	**1.54**	**1.57**	**1.59**	**1.62**	**1.65**	**1.67**	**1.69**	**1.72**
Cash Available for distribution	**652,566**	**687,631**	**714,173**	**749,657**	**785,322**	**821,148**	**857,114**	**884,019**	**920,194**	**956,435**

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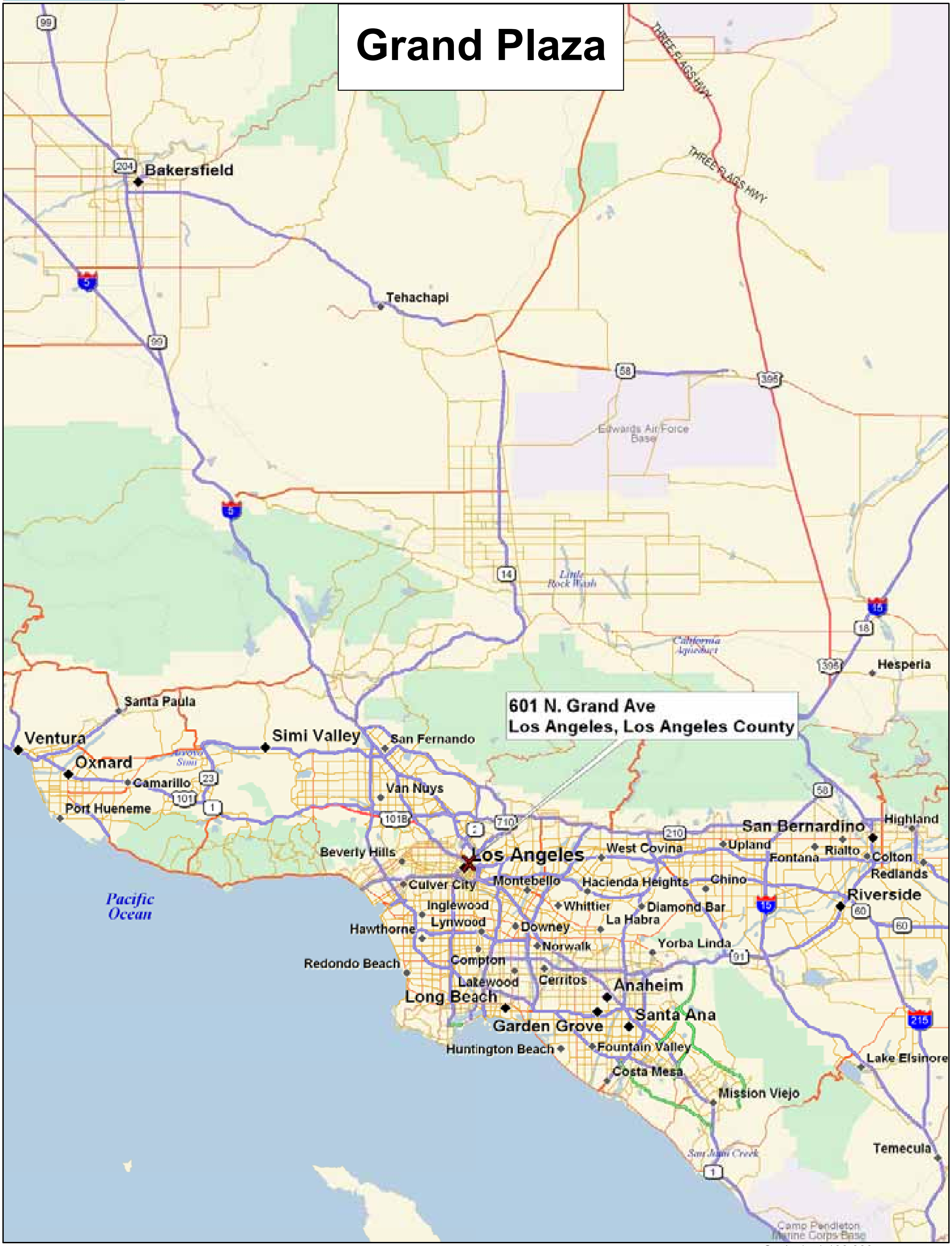
Street Atlas USA® 2006 Plus

Grand Plaza



TN
MN (13.0°E)

Scale 1 : 1,100,000

1" = 17.36 mi Data Zoom 7-5

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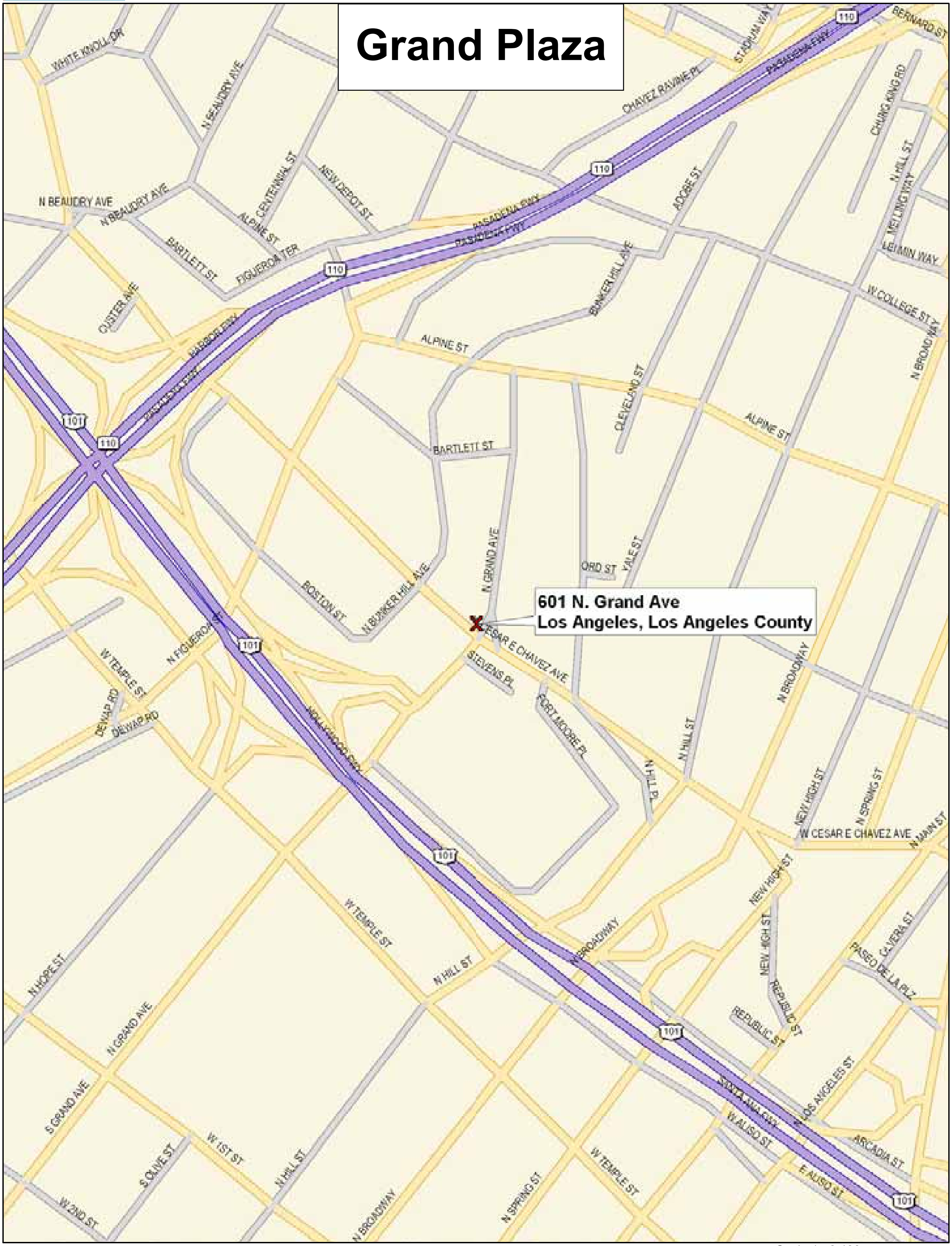

TN
MN (12.9°E)

Scale 1 : 6,400

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0 40 80 120 160 200 m

1" = 533.3 ft   Data Zoom 15-0

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RESOLUTION 08-01

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Grand Plaza Preservation, L.P., a California limited partnership (the "Borrower"), seeking a loan commitment, the proceeds of which are to be used to provide financing for a multifamily housing development located in Los Angeles, County, California, to be known as Grand Plaza Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which prepared a report presented to the Board on the meeting date recited below (the "Staff Report"), recommending Board approval subject to certain recommended terms and conditions; and

WHEREAS, Section 1.150-2 of the Treasury Regulations requires the Agency, as the issuer of tax-exempt bonds, to declare its reasonable official intent to reimburse prior expenditures for the Development with proceeds of a subsequent borrowing; and

WHEREAS, on November 14, 2007, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

WHEREAS, based upon the recommendation of staff and due deliberation by the Board, the Board has determined that a final loan commitment be made for the Development;

1. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency is hereby authorized to execute and deliver a final commitment letter, in a form acceptable to the Agency, and subject to recommended terms and conditions set forth in the Staff Report, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	MORTGAGE AMOUNT
07-014-A/S	Grand Plaza Apartments Los Angeles County, California	$16,400,000.00 First Mortgage $ 3,500,000.00 Second Mortgage

Resolution 08-01
Page 2

2. The Executive Director may modify the terms and conditions of the loans or loans as described in the Staff Report, provided that major modifications, as defined below, must be submitted to this Board for approval. "Major modifications" as used herein means modifications which either (i) increase the total aggregate amount of any loans made pursuant to the Resolution by more than 7%; or (ii) modifications which in the judgment of the Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency, adversely change the financial or public purpose aspects of the final commitment in a substantial way.

I hereby certify that this is a true and correct copy of Resolution 08-01 adopted at a duly constituted meeting of the Board of the Agency held on January 17, 2008 at Millbrae, California.

ATTEST:______________________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Villa Springs Apartments
Hayward, Alameda County, CA
CalHFA # 07-015-A/N

SUMMARY

This is a Final Commitment request for acquisition/rehabilitation and permanent financing. Security for the acquisition/rehabilitation and permanent loans will be a 66-unit family apartment complex known as Villa Springs Apartments, located at 22328-22330 S. Garden Avenue, Hayward, California. Villa Springs Apartments, L.P., ("Borrower") whose managing general partner is Villa Springs LLC, and whose sole member is Eden Housing, Inc., a California nonprofit public benefit corporation, will own the project.

Villa Springs Apartments is an existing portfolio loan currently owned by Eden Housing, Inc., a California nonprofit public benefit corporation. The Villa Springs project was constructed in 1973 and is a 66-unit, garden/low-rise, two-story 6 building, family style apartment complex. Three Regulatory Agreements recorded against the property restrict the rental of the majority of the apartment units to tenant with Very Low to Low Income levels. The existing regulatory agreements need to be extended to be co-terminus or to exceed the term of the new 55-year, LIHTC Regulatory Agreement.

LOAN TERMS

Acquisition/Rehabilitation

First Mortgage	$5,700,000
Interest Rate	5.0%, variable
Term	12 Months, interest only
Financing	Tax-Exempt

Second Mortgage*	$500,000
Interest Rate	3.0%
Term	30 years, residual receipts
Prepayment	After year 15
Financing	HAT (Asset Management)

*At the time of permanent loan funding, this loan will remain in place and will be subordinate to the CalHFA's Permanent First Mortgage.

Permanent

First Mortgage	$3,100,000
Interest Rate	5.0%
Term	30 year fixed, fully amortized
Prepayment	After year 15
Financing	Tax-Exempt

CalHFA acquisition/rehabilitation financing is subject to the assignment by the borrower of tax credit equity and all rights under non-CalHFA financing commitments.

OTHER FINANCING

Internal Revenue Code section 1.1274-5 applies to the assumption of existing debt whose terms are modified. For tax purposes, the assumed debt has a principal amount equal to the net present value of the amount paid at maturity. This tax provision has absolutely nothing to do with the amount that's actually owed to the lender or the interest accruing thereon; it strictly affects how the loan is treated by the borrower for tax purposes. Therefore, the net present value for underwriting purposes is $48,775 for the County of Alameda loan and $338,868 for the CHRP loan. The net present value and approval of this approach for tax purposes is subject to approval by Agency's tax credit counsel.

There was also a City of Hayward loan of $250,000 that was recently approved this year for new roofs. The city loan is 3% simple interest for 55 years.

A Eden Housing, Inc. carry back loan of $1,682,332 with a rate of 3% and a term of 55 years, payable only from residual receipts. The seller carry back loan is subject to approval by bond counsel.

PROJECT DESCRIPTIONS

Project Locations

- The subject is situated in the northwestern portion of Hayward on the west side of Interstate 880. The area is known as the Longwood/Winter Grove neighborhood.
- The project boundaries are Interstate 880 to the east, City limits just north of West A Street to the north, Hesperian Boulevard to the west, and West Winton Avenue to the south.
- The City of Hayward is located in the East Bay region of the San Francisco Bay Area and is situated in the south central portion of Alameda County. Hayward is bound by the San Francisco Bay on the west, the City of San Leandro and the unincorporated communities of San Lorenzo and Castro Valley on the north, the City of Pleasanton on the east, and Union City and Fremont to the south.
- Improvements immediately adjacent to the subject property, as well as those along the subject block, are mostly two-story apartment developments. Most of the apartments were constructed between 1960 and 1980, and they are in fair to average condition.
- Proximate amenities include a bus stop on the main thoroughfare, A Street, shops and restaurants on A Street, an Amtrak station located one mile east on A Street and BART one-half mile further on A Street, an elementary school and high school within 0.3 miles, Southland Mall located just south of the neighborhood, and supporting commercial and social services are close by.

Site

- The 2.97 acre site is flat and slightly irregular.
- An Alameda County flood canal traverses through the southern portion of the subject property in a general east-west direction.

- This site is zoned RH-High Density Residential, which allows for development of no more than 34.85 units per acre. The site and its use are legally allowed non-conforming use with the non-compliance related to the on-site parking.

Improvements

- Villa Springs is a 66-unit project built in 1973 and consists of 6 two-story apartment buildings. The site has a leasing office and three laundry room areas and 121 open parking spaces.
- The buildings are conventional wood framed construction with painted T1-11 siding and wood trim. The foundations are continuous spread footings with concrete slabs on grade. The building roofs are built-up roof with slivered tar and gravel covering. Exterior walkways lead to each of the units. There are fences and gates along the frontage and the property is surrounded by fences on three sides.
- There are 3 three-bedroom, 62 two-bedroom, and 1 one-bedroom units.
- Each unit is equipped with a fully functional kitchen that includes a slide-in gas range stove/oven, frost-free refrigerator, dishwasher, and garbage disposal. Each unit also contains gas wall heaters. All units have either patios with wood decks or balconies with wood fences.

PHYSICAL NEEDS ASSESSMENT/SCOPE OF WORK

- Villa Springs is in average condition for a development of this type when compared to other developments of similar type and age in the subject's neighborhood of the City of Hayward.
- The scope of rehabilitation work totals $2,573,830 (including $190,754 in added alternates) or $38,997 per unit and includes:
  - **Site work, $243,489** – walkways/asphalt repair, seal coat, and concrete repairs, landscaping and playground upgrades, fencing and enclosures, sewer and irrigation ($28,570).
  - **Building, $2,136,965** – new roofs ($250,000), replace exterior siding, windows and sliding doors, downspouts/gutters for all buildings, stair repair/replacement, balconies, and utility doors ($1,886,965).
  - **Mechanical systems, $193,376** – replace and install water heaters and plumbing angle stops, exhaust vents ($52,866). Exterior lighting, hardwire smoke detectors, GFIs, electric motors ($140,510).

- In addition there is $250,000 in rehabilitation work that will be completed on the residential units by the Eden Maintenance Staff. This work will begin during the rehabilitation stage and be completed after the loan converts to a permanent loan. The scope of work includes flooring, sub-flooring, carpeting, new cabinets, kitchen/bathroom sinks, faucets, lights, and fixtures, doors, interior painting, appliances. The primary funding source for this work is the replacement reserve funded with the permanent loan.

Work is scheduled to commence in spring 2008 and is projected to be completed within 12 to 15 months.

Off-site improvements

- No off-site improvements and/or costs are required.

Relocation

- There is approximately $150,000 in relocation expense allocated for this project. Most of the renovation will take place around the occupied units. The rehabilitation plan does not assume invasive construction activity which would result in the temporary displacement of tenants. Approximately 5 tenants are over qualified and $30,000 per family is estimated for relocation under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970. Overland, Pacific & Cutler, Inc. (OPC), an experienced relocation firm, has been selected to prepare this Relocation Plan, and will provide all subsequently required relocation assistance for this project.
- The Borrower and OPC will conduct tenant orientation meetings prior to the purchase of the property and before and during the rehabilitation period regarding the scope of work and timelines, to address any tenant issue or concerns regarding these projects.

MARKET

Market Overview

The Primary Market Area (PMA) for Villa Springs consists of the Longwood/Winter Grove neighborhood area.

In the competitive Bay Area Housing market, Hayward stands out for its comparative affordability, convenient location, and combined City and County amenities. According to the Bay East Association of Realtors, the medium home price in Hayward for October 2006 was $585,000, which represents a 2.6 percent increase over the 2005 medium sale price. The medium price for a condominium was $425,000. However, like the rest of the Bay Area, home prices have declined this past year as the sales market has softened.

Based on an E-Housing rent survey of the Hayward market and the appraisal report, the asking monthly market rents for studio units in the subject market area are between $725 to $850, one-bedroom units range from $800 to $1,050, two-bedroom units range from $900 to $1,475, and three-bedroom units range from $1,200 to $1,500. Vacancy rates have remained low in both market and affordable projects. Rent concessions are non existent.

In 1981, the City of Hayward enacted a rent control ordinance that has been amended several times, most recently in January 2003. Under the terms of this ordinance, residential units are covered if they are within the Hayward city limits, a certificate of occupancy was issued prior to July 1979 and the owner owns five or more units in the City of Hayward. If the apartment is under rent control, the rent can only be increased 5 percent a year unless they have not received an increase in the previous year, in which case the landlord can increase the rent by a maximum of 10 percent. With respect to the subject's 66-units, 50 units are rent restricted by regulatory agreement, 1-unit is the manager's unit and rent free. The appraiser's discussion with the Hayward Rent Review Department disclosed that the subject's development has not been exempted from the rent control ordinance. As such, the 15 market-rate units are restricted to annual rent increases of no more than 5.0 percent. However, rents on the units are allowed to be increased to market levels upon vacancy of the existing tenants. In reality, the project will be 100% LIHTC based upon the sale transaction currently in process.

An agreement with Alameda County recorded in July 1992 requires at least 32 two-bedroom and three, three-bedroom units within the subject project to be affordable to Very Low-income households (no greater than 50 percent of AMI) and Low-income households (no greater than 60% AMI). This agreement will expire in July 2051. The Regulatory agreement with the Department of Housing and Community Development (HCD) was signed in July 1992 and restricts 15 of the subject units to Very Low-income households (50% AMI) and another 35 units to Lower-income households (80% AMI). This agreement will terminate in July 2052. Lastly, the third agreement was signed in March 1994 and restricts 14 of the subject units to Very Low-income households (50% AMI). All three agreements are transferable with the title of the property and their terms extended. The County of Alameda will forgive accrued interest on their loan as well as CalHFA on our existing HAT loan. Based on the three agreements, 50 units out of the total 66-unit project are currently required to be set aside as affordable units.

Housing Supply and Demand

Housing Supply and Demand

- The demand for low-income housing in Alameda County, as well as the City of Hayward, is strong. In 2001, there were 3,500 households selected out of 12,700 applicants to be placed on the Section 8 waiting list in Alameda County, according to the Alameda County Housing Authority. Since then, the waiting list has been closed. According to the Housing Authority's website, as of October 2006, the Authority does not "anticipate opening the wait list for several years".
- In terms of below market rental units, there are currently 871 affordable units in Hayward according to Development of Community and Economic Development of the City of Hayward. Interviews with property managers of affordable housing projects indicate a waiting list of up to five years.
- Currently, most of the newer multi-family housing developments proposed, or in the planning process, in the City are for-sale housing. There is also an affordable family apartment complex developed by Eden Housing in Hayward. This project is the Sara Conner Court Apartments which recently completed construction in September 2006. This 57-unit complex is located at the corner of Mission Boulevard and Pulaski Drive. Coupling the limited supply of affordable housing units and the strong demand in the market area, this development is not considered to negatively impact the leasing and/or occupancy levels of the subject project.

PROJECT FEASIBILITY

Estimated Lease-up Period

- Villa Springs is currently 78% occupied. The units are purposely being kept off-line to provide temporary relocation during the rehabilitation stage.

ENVIRONMENTAL

Environmental Services completed a Phase I Environmental Assessment report for the project on November 19, 2007. The report concludes that there are no adverse environmental conditions that warrant further investigation or remedial action on this property.

SEISMIC

URS Corporation performed a preliminary seismic review assessment. The damage ratio met the Agency's seismic risk criteria and no further review is needed.

DEVELOPMENT TEAM

Borrower

Villa Springs Apartments, L.P.

- The non-profit Managing General Partner will be Eden Housing, Inc., located in Hayward, California. Linda Mandolini is the President and Executive Director. Eden Housing, Inc. has over 35 years of experience in affordable multifamily development.

Management Agent

Eden Housing Management, Inc.

- The Eden Housing Management, Inc. will manage the property. The Eden Housing Management, Inc. has over 35 years of experience and provides management, development and consulting services for non-profit and private sector clients throughout California. The Eden Housing Management, Inc. services units for low-income to extremely low-income persons. The Eden Housing Management, Inc. manages various types of properties including senior communities, tax credit projects, HUD, and Section 8 properties.

Architect

Anne Phillips Architecture

- Anne Phillips Architecture, located in Berkeley, has provided planning and design services since 1995. Anne Phillips, the principal of the firm, has twenty-nine years of experience in the design and construction fields. Anne Phillips has been hired to assist them in project design, renovation, and construction management during the rehabilitation process.

Contractor

D & H Construction

- D & H Construction is a corporation formed in 1981. Their work includes primarily multi-family, government assisted (LIHTC assisted) and commercial properties. They have extensive experience working with projects that have Prevailing Wage and Davis-Bacon wage standards, along with other local requirements.

PROJECT SUMMARY

PROJECT NUMBER:)7-015-A/N

Final Commitment

Project:	**Villa Springs**			
Location:	22328-22330 S.Garden Ave.	***Developer:***	**Eden Hsg.**	
City:	Hayward	***Partner:***	Same	
County:	Alameda	***Investor:***	Enterprise	
Zip Code:	94544			
		No. of Buildings:	6	
Project Type:	Existing	*No. of Stories:*	2	
Occupancy:	Family	*Residential Space*	54,468	sq. ft.
Total Units:	66	*Office Space*	200	sq. ft.
Style Units:	Flats	*Commercial Space*	0	sq. ft.
Elevators:	none	*Gross Area*	54,668	sq. ft.
Total Parking	121	*Land Area*	129,373	sq. ft.
Covered	0	*Units per acre*	22	

CalHFA Construction Financing	Amount	Rate	Term (Mths)
CalHFA Construction Financing	$5,700,000	5.00%	12

Permanent Sources of Funds	Amount	Rate	Years
CalHFA First Mortgage	**$3,100,000**	**5.00%**	**30**
CalHFA Bridge Loan	**$0**	**0.00%**	**0**
CalHFA HAT Loan	**$500,000**	**3.00%**	**30**
Recast HCD CHRP-R Loan	$338,868	3.00%	30
Recast County of Alameda	$48,775	3.00%	55
Existing Reserves	$128,559	0.00%	0
City of Hayward	$250,000	3.00%	55
Seller Takeback	$1,682,332	0.00%	0
Accrued Interest during Const.	$7,160	0.00%	0
Source 8	$0	0.00%	0
Source 9	$0	0.00%	0
Source 10	$0	0.00%	0
Source 11	$0	0.00%	0
Source 12	$0	0.00%	0
Income from Operations	$156,875		
Developer Contribution	$380,793		
Deferred Dev. Fee	$0		
Tax Credit Equity	$3,410,000		

Construction Valuation		Appraisal		Value Upon Completion	
Investment Value	$7,800,000	**Appraisal Date:**	**11/28/2007**	**Restricted Value**	$4,180,000
Loan / Cost	65%	**Cap Rate:**	**5.50%**	**Perm. Loan / Cost**	31%
Loan / Value	73%			**Perm. Loan / Value**	74%

CalHFA Fees and Reserve Requirements

CalHFA Loan Fees	**Amount**	**Required Reserves**	**Amount**
CalHFA Construction Loan Fee	$28,500	Other Reserve	$0
CalHFA Permanent Loan Fees	$7,750	Replacement Resv. Initial Deposit	$316,000
Other Fee	$0	Repl. Reserve - Per Unit/ Per Yr	$400
Construction Loan - Guarantees and Fees		CalHFA Operating Expense Reserve	$0
Completion Guarantee Fee	$0	Rent Up Reserve	$0
Contractors Payment Bond	$0	Capitalized Investor Req'd Reserve	$137,282
Contractors Performance Bond	$0	Tax-Exempt Bond Test (Min. 50%)	59.80%

Date: 1/3/2008 **Senior Staff Date:** 12/27/2007

UNIT MIX AND RENT SUMMARY — Villa Springs

07-015-A/N

Total Unit Mix

# of Units	Unit Type	# of Baths	Average Sq. Ft.
1	1 Bedroom Flat	1	700
62	2 Bedroom Flat	1	814
3	3 Bedroom Flat	1.5	1,100
	2 Bedroom Townhome	2	
	3 Bedroom Townhome	2	
	4 Bedroom Townhome	2.5	
66			

Number of Regulated Units By Agency

Agency	35%	45%	50%	60%	80%	Unrestricted	Total
CalHFA			13				
Tax Credits				66			
Locality							
HCD			15		35		
Ala. Co.			35				
Zoning							
Other			14				

Restricted Rents Compared to Average Market Rents

Median Income Rent Levels	Units Restricted	Restricted Rents	Avg. Market Rate Rents	Dollars Difference	% of Market
One Bedroom			$740		
35%	0	$0		$0	0%
45%	0	$0		$0	0%
50%	1	$666		$74	90%
60%	0	$0		$0	0%
80%	0	$0		$0	0%
Two Bedroom			$900		
35%	0	$0		$0	0%
45%	0	$0		$0	0%
50%	32	$797		$103	89%
60%	29	$797		$103	89%
80%	0	$0		$0	0%
Three Bedroom			$1,050		
35%	0	$0		$0	0%
45%	0	$0		$0	0%
50%	3	$925		$125	88%
60%	0	$0		$0	0%
80%	0	$0		$0	0%
Four Bedroom			$0		
35%	0	$0		$0	0%
45%	0	$0		$0	0%
50%	0	$0		$0	0%
60%	0	$0		$0	0%
80%	0	$0		$0	0%

Sources and Uses of Funds — Villa Springs

07-015-A/N

Final Commitment

SOURCES OF FUNDS:	Funds in during Construction ($)	Funds in at Permanent ($)	Total Development Sources: Total Sources of Funds ($)	Sources per Unit	%
CalHFA Construction Financing	5,700,000				
Construction Only Source 2	-				
Construction Only Source 3	-				
CalHFA First Mortgage		3,100,000	3,100,000	46,970	31%
CalHFA HAT Loan	500,000	-	500,000	7,576	5%
Recast HCD CHRP-R Loan	338,868	-	338,868	5,134	3%
Recast County of Alameda	48,775	-	48,775	739	0%
Existing Reserves	-	128,559	128,559	1,948	1%
City of Hayward	250,000	-	250,000	3,788	2%
Seller Takeback	1,682,332	-	1,682,332	25,490	17%
Accrued Interest during Const.	-	7,160	7,160	108	0%
Source 8	-	-	-	-	0%
Source 9	-	-	-	-	0%
Source 10	-	-	-	-	0%
Source 11	-	-	-	-	0%
Source 12	-	-	-	-	0%
Income from Operations	156,875	-	156,875	2,377	2%
Developer Contribution	-	380,793	380,793	-	4%
Deferred Developer Fee	-	-	-	-	0%
Tax Credit Equity	50,000	3,360,000	3,410,000	51,667	34%
Total Sources	8,726,850	6,976,512	10,003,362	151,566	100%
(Gap)/Surplus	-	(0)	(0)		

USES OF FUNDS:	Construction ($)	Permanent ($)	Total Development Costs: Total Uses of Funds ($)	Cost per Unit	%
LOAN PAYOFFS & ROLLOVERS					
Construction Loan payoffs		**$5,700,000**			
ACQUISITION					
Pay-off CalHFA 1st Mtg.	1,820,727	-	1,820,727	27,587	18%
Pay-off CalHFA HAT Loan	289,298	-	289,298	4,383	3%
Roll-over HCD CHRP Loan	338,868	-	338,868	5,134	3%
Subtotal - Land Cost / Value	2,448,893	-	2,448,893		
Roll-over Co. of Alameda Loan	48,775	-	48,775	739	0%
Existing Replacement Reserve	128,559	-	128,559	1,948	1%
Seller take-back	1,682,332	-	1,682,332	25,490	17%
Total Acquisition	**4,308,559**	**-**	**4,308,559**	**65,281**	**43%**
REHABILITATION					
Site Work	15,000	-	15,000	227	0%
Rehab to Structures	2,573,830	-	2,573,830	38,997	26%
General Requirements	147,653	-	147,653	2,237	1%
Contractors Overhead	157,989	-	157,989	2,394	2%
Contractors Profit		-		#VALUE!	#VALUE!
Contractor's Bond	26,778	-	26,778	406	0%
General Liability Insurance	48,299	-	48,299	732	0%
Environmental Mitigation Expense	-	-	-	-	0%
Personal Property	25,000	-	25,000	379	0%
Other	-	-	-	-	0%
Total Rehabilitation	**2,994,549**	**-**	**2,994,549**	**45,372**	**30%**
RELOCATION EXPENSES					
Relocation Expense	150,000	-	150,000	2,273	1%
Relocation Compliance Monitoring	-	-	-	-	0%
Total Relocation	**150,000**	**-**	**150,000**	**2,273**	**1%**

(Continued on Next 2 Pages)

USES OF FUNDS (Cont'd):	Construction ($)	Permanent ($)	Total Development Costs		
			Total Uses of Funds ($)	Cost per Unit per Unit	%
NEW CONSTRUCTION					
Site Work	-	-	-	-	0%
Structures (Hard Costs)	-	-	-	-	0%
General Requirements	-	-	-	-	0%
Contractors Overhead	-	-	-	-	0%
Contractors Profit	-	-	-	-	0%
Contractor's Perf. & Pymt Bond	-	-	-	-	0%
General Liability Insurance	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total New Construction	**-**	**-**	**-**	**-**	**0%**
ARCHITECTURAL & ENGINEERING			**-**		
Architectural Design	208,800	-	208,800	3,164	2%
Architect's Supv during Construction	-	-	-	-	0%
Total Architectural	**208,800**	**-**	**208,800**	**3,164**	**2%**
Engineering Expense	-	-	-	-	0%
Engineers Supv. during Construction	-	-	-	-	0%
ALTA Survey	6,000	-	6,000	91	0%
Total Engineering & Survey	**6,000**	**-**	**6,000**	**91**	**0%**
CONSTRUCTION LOAN COSTS					
Construction Loan Interest	261,169		261,169	3,957	3%
CalHFA Construction Loan Fee	28,500		28,500	432	0%
Other Construction Loan Fees	-		-	-	0%
CalHFA Outside Legal Counsel Fees	-		-	-	0%
Other Lender Req'd Legal Fees	-		-	-	0%
Title and Recording fees	15,000		15,000	227	0%
CalHFA Req'd Inspection Fees	22,500		22,500	341	0%
Other Req'd Inspection Fees	-		-	-	0%
Prevailing Wage Monitoring Expense	-		-	-	0%
Taxes & Insurance during construction	50,000		50,000	758	0%
Predevelopment Interest	-		-	-	0%
Cost for Completion Guarantee	-		-	-	0%
Other	-		-	-	0%
Total Construction Loan Expense	**377,169**	**-**	**377,169**	**5,715**	**4%**
PERMANENT LOAN COSTS					
CalHFA Perm Loan Fees	-	7,750	7,750	117	0%
CalHFA Bridge Loan Fees	-	-	-	-	0%
CalHFA Loan Application Fee	500	-	500	8	0%
Other Lender Perm. Loan Fees	-	-	-	-	0%
Title and Recording	-	10,000	10,000	152	0%
Perm. Bridge Loan Interest Expense	-	-	-	-	0%
Bond Origination Guarantee Fee	-	-	-	-	0%
Tax Exempt Bond Allocation Fee	600	-	600	9	0%
Other	-	-	-	-	0%
Total Permanent Loan Expense	**1,100**	**17,750**	**18,850**	**286**	**0%**
LEGAL FEES					
Borrower Legal Fee	25,000	35,000	60,000	909	1%
Other	30,000	-	30,000	455	0%
Total Attorney Expense	**55,000**	**35,000**	**90,000**	**1,364**	**1%**

USES OF FUNDS (Cont'd):	Construction ($)	Permanent ($)	Total Development Costs Permanent of Funds ($)	Per Unit per Unit	%
CONTRACT / REPORT COSTS					
Appraisal	16,000	-	16,000	242	0%
Market Study	8,000	-	8,000	121	0%
Physical Needs Assessment	6,600	-	6,600	100	0%
HUD Risk Share Environ. Review	-	-	-	-	0%
CalHFA EQ Seismic Review Fee	3,200	-	3,200	48	0%
Environmental Phase I / II Reports	6,000	-	6,000	91	0%
Soils / Geotech Reports	-	-	-	-	0%
Asbestos / Lead-based Paint Report	-	-	-	-	0%
Noise/Acoustical/Traffic Study Report	-	-	-	-	0%
Termite	1,200	-	1,200	18	0%
Other	-	-	-	-	0%
Total Contract Costs	**41,000**	**-**	**41,000**	**621**	**0%**
CONTINGENCY					
Hard Cost Contingency	359,182	-	359,182	5,442	4%
Soft Cost Contingency	50,000	-	50,000	758	0%
Total Contingency	**409,182**	**-**	**409,182**	**6,200**	**4%**
RESERVES					
CalHFA Operating Expense Reserve	-	-	-	-	0%
Replacement Resv. Initial Deposit	-	316,000	316,000	4,788	3%
Rent-Up Reserve	-	-	-	-	0%
Capitalized Investor Req'd Reserve	-	137,282	137,282	2,080	1%
Other	-	-	-	-	0%
Total Reserves	**-**	**453,282**	**453,282**	**6,868**	**5%**
OTHER					
CTCAC App/Alloc/Monitor Fees	30,491	-	30,491	462	0%
Local Permit Fees	50,000	-	50,000	758	0%
Local Development Impact Fees	-	-	-	-	0%
Other Local Fees	-	-	-	-	0%
Advertising & Marketing Expenses	5,000	-	5,000	76	0%
1st Year Taxes & Insurance	-	-	-	-	0%
Furnishings	25,000	-	25,000	379	0%
Final Cost Audit Expense	-	10,000	10,000	152	0%
Miscellaneous Admin Fees	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Other Expenses	**110,491**	**10,000**	**120,491**	**1,826**	**1%**
SUBTOTAL PROJECT COSTS	**8,661,850**	**6,216,032**	**9,177,882**	**139,059**	**92%**
DEVELOPER COSTS					
Developer Overhead/Profit (5% Acq.)	-	760,480	760,480	11,522	8%
Developer Overhead/Profit (NC/Rehab)	-	-	-	-	0%
Consultant / Processing Agent	40,000	-	40,000	606	0%
Construction Manager	25,000	-	25,000	379	0%
Broker Fees to a related party	-	-	-	-	0%
Construction Mgmt. Oversight	-	-	-	-	0%
Other	-	-	-	-	0%
Total Developer Fee / Costs	**65,000**	**760,480**	**825,480**	**12,507**	**8%**
Total Costs	**8,726,850**	**6,976,512**	**10,003,362**	**151,566**	**100%**

Annual Operating Budget **Villa Springs**

Final Commitment

INCOME:	$ Amount	Per Unit	% of Total
Total Rental Income	$624,696	$9,465	98.25%
Laundry	$11,154	$169	1.75%
Other Income	$0	$0	0.00%
Gross Potential Income (GPI)	**$635,850**	**$9,634**	100.00%
Less:			
Vacancy Loss	$31,793	$482	5.26%
Effective Gross Income	**$604,058**	**$9,152**	

EXPENSES:	Total Cost	Per Unit	% of Total
Payroll	$104,600	$1,585	27.32%
Administrative	$23,091	$350	6.03%
Management fee	$30,888	$468	8.07%
Utilities	$53,000	$803	13.84%
Operating and Maintenance	$96,434	$1,461	25.19%
Insurance and Business Taxes	$33,836	$513	8.84%
Locality Compliance Monitoring Fee	$0	$0	0.00%
Other	$0	$0	0.00%
Subtotal Expenses	**$341,849**	$5,180	89.28%
Replacement Reserves	$26,400	$400	6.90%
Taxes & Assessments	$14,633	$222	3.82%
Total Expenses	$382,882	$5,801	100.00%
Financial Expenses			
CalHFA First Mortgage	$199,698	$3,026	
CalHFA HAT Loan	$0	$0	
Other Required Debt Service	$0	$0	
NET OPERATING INCOME	**$21,478**	**$325**	

Cash Flow | **Final Commitment** | **CalHFA Project Number:)7-015-A/N** | **Villa Springs**

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Affordable Rents	**624,696**	**640,313**	**656,321**	**672,729**	**689,547**	**706,786**	**724,456**	**742,567**	**761,131**	**780,160**
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Rental Subsidies	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Rental Subsidy Increases	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Market Rate Units	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Unrestricted/Market Unit Increases	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
TOTAL RENTAL INCOME	**624,696**	**640,313**	**656,321**	**672,729**	**689,547**	**706,786**	**724,456**	**742,567**	**761,131**	**780,160**
OTHER INCOME										
Laundry	**11,154**	**11,377**	**11,605**	**11,837**	**12,073**	**12,315**	**12,561**	**12,812**	**13,069**	**13,330**
Other Income	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other Income Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
TOTAL OTHER INCOME	**11,154**	**11,377**	**11,605**	**11,837**	**12,073**	**12,315**	**12,561**	**12,812**	**13,069**	**13,330**
GROSS POTENTIAL INCOME	**635,850**	**651,690**	**667,926**	**684,566**	**701,621**	**719,101**	**737,017**	**755,380**	**774,200**	**793,490**
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Rental Subsidy Income	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Unrestricted Units / Market Rate Units	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Laundry & Other Income	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
LESS: VACANCY LOSS	**31,793**	**32,585**	**33,396**	**34,228**	**35,081**	**35,955**	**36,851**	**37,769**	**38,710**	**39,674**
EFFECTIVE GROSS INCOME	**604,058**	**619,106**	**634,530**	**650,338**	**666,540**	**683,146**	**700,166**	**717,611**	**735,490**	**753,815**
OPERATING EXPENSES										
Expenses	341,585	353,540	365,914	378,721	391,977	405,696	419,895	434,592	449,802	465,545
Annual Expense Increase	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
Taxes and Assessments	14,633	14,779	14,927	15,076	15,227	15,379	15,533	15,689	15,845	16,004
Annual Tax Increase	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*
Replacement Reserve	26,664	26,931	27,200	27,472	27,747	28,024	28,304	28,587	28,873	29,162
Percentage Increase Yearly	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*
TOTAL EXPENSES	**382,882**	**395,250**	**408,041**	**421,270**	**434,950**	**449,099**	**463,733**	**478,867**	**494,521**	**510,711**
NET OPERATING INCOME	**221,176**	**223,856**	**226,488**	**229,068**	**231,589**	**234,047**	**236,433**	**238,743**	**240,969**	**243,104**
DEBT SERVICE										
CalHFA - 1st Mortgage	199,698	199,698	199,698	199,698	199,698	199,698	199,698	199,698	199,698	199,698
CalHFA - Bridge Loan	0	0	0	0	0					
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0
DEBT COVERAGE RATIO	**1.11**	**1.12**	**1.13**	**1.15**	**1.16**	**1.17**	**1.18**	**1.20**	**1.21**	**1.22**
Cash Available for distribution	**21,478**	**24,158**	**26,790**	**29,370**	**31,892**	**34,349**	**36,736**	**39,046**	**41,272**	**43,406**

Cash Flow | **CalHFA Project Number:)7-015-A/N** | **Villa Springs**

RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Affordable Rents	**799,664**	**819,655**	**840,147**	**861,150**	**882,679**	**904,746**	**927,365**	**950,549**	**974,313**	**998,670**
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Rental Subsidies	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Rental Subsidy Increases	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Market Rate Units	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Unrestricted/Market Unit Increases	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
TOTAL RENTAL INCOME	**799,664**	**819,655**	**840,147**	**861,150**	**882,679**	**904,746**	**927,365**	**950,549**	**974,313**	**998,670**
OTHER INCOME										
Laundry	**13,597**	**13,869**	**14,146**	**14,429**	**14,717**	**15,012**	**15,312**	**15,618**	**15,931**	**16,249**
Other Income	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other Income Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
TOTAL OTHER INCOME	**13,597**	**13,869**	**14,146**	**14,429**	**14,717**	**15,012**	**15,312**	**15,618**	**15,931**	**16,249**
GROSS POTENTIAL INCOME	**813,260**	**833,524**	**854,293**	**875,579**	**897,397**	**919,758**	**942,677**	**966,167**	**990,243**	**1,014,920**
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Rental Subsidy Income	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Unrestricted Units / Market Rate Units	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Laundry & Other Income	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
LESS: VACANCY LOSS	**40,663**	**41,676**	**42,715**	**43,779**	**44,870**	**45,988**	**47,134**	**48,308**	**49,512**	**50,746**
EFFECTIVE GROSS INCOME	**772,597**	**791,848**	**811,578**	**831,800**	**852,527**	**873,770**	**895,543**	**917,859**	**940,731**	**964,174**
OPERATING EXPENSES										
Expenses	481,839	498,704	516,158	534,224	552,922	572,274	592,304	613,034	634,490	656,698
Annual Expense Increase	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
Taxes and Assessments	16,164	16,326	16,489	16,654	16,820	16,988	17,158	17,330	17,503	17,678
Annual Tax Increase	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*
Replacement Reserve	29,454	29,748	30,046	30,346	30,650	30,956	31,266	31,578	31,894	32,213
Percentage Increase Yearly	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*
TOTAL EXPENSES	**527,457**	**544,778**	**562,693**	**581,224**	**600,392**	**620,219**	**640,728**	**661,942**	**683,888**	**706,589**
NET OPERATING INCOME	**245,140**	**247,070**	**248,885**	**250,576**	**252,135**	**253,551**	**254,815**	**255,916**	**256,843**	**257,585**
DEBT SERVICE										
CalHFA - 1st Mortgage	199,698	199,698	199,698	199,698	199,698	199,698	199,698	199,698	199,698	199,698
CalHFA - Bridge Loan										
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0
DEBT COVERAGE RATIO	**1.23**	**1.24**	**1.25**	**1.25**	**1.26**	**1.27**	**1.28**	**1.28**	**1.29**	**1.29**
Cash Available for distribution	**45,443**	**47,373**	**49,187**	**50,879**	**52,437**	**53,854**	**55,118**	**56,219**	**57,146**	**57,887**

Cash Flow | **CalHFA Project Number: 07-015-A/N** | **Villa Springs**

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Affordable Rents	1,023,637	1,049,228	1,075,459	1,102,345	1,129,904	1,158,151	1,187,105	1,216,783	1,247,202	1,278,383
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Rental Subsidies	0	0	0	0	0	0	0	0	0	0
Rental Subsidy Increases	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Market Rate Units	0	0	0	0	0	0	0	0	0	0
Unrestricted/Market Unit Increases	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
TOTAL RENTAL INCOME	1,023,637	1,049,228	1,075,459	1,102,345	1,129,904	1,158,151	1,187,105	1,216,783	1,247,202	1,278,383
OTHER INCOME										
Laundry	16,574	16,906	17,244	17,589	17,941	18,299	18,665	19,039	19,419	19,808
Other Income	0	0	0	0	0	0	0	0	0	0
Other Income Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
TOTAL OTHER INCOME	16,574	16,906	17,244	17,589	17,941	18,299	18,665	19,039	19,419	19,808
GROSS POTENTIAL INCOME	1,040,211	1,066,134	1,092,703	1,119,934	1,147,844	1,176,451	1,205,771	1,235,821	1,266,622	1,298,190
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Rental Subsidy Income	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Unrestricted Units / Market Rate Units	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Laundry & Other Income	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
LESS: VACANCY LOSS	52,011	53,307	54,635	55,997	57,392	58,823	60,289	61,791	63,331	64,910
EFFECTIVE GROSS INCOME	988,201	1,012,827	1,038,067	1,063,937	1,090,452	1,117,628	1,145,482	1,174,030	1,203,291	1,233,281
OPERATING EXPENSES										
Expenses	679,682	703,471	728,092	753,576	779,951	807,249	835,503	864,745	895,011	926,337
Annual Expense Increase	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Taxes and Assessments	17,855	18,034	18,214	18,396	18,580	18,766	18,953	19,143	19,334	19,528
Annual Tax Increase	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Replacement Reserve	32,535	32,860	33,189	33,521	33,856	34,195	34,537	34,882	35,231	35,583
Percentage Increase Yearly	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
TOTAL EXPENSES	730,072	754,365	779,495	805,493	832,387	860,210	888,993	918,770	949,577	981,448
NET OPERATING INCOME	258,129	258,462	258,572	258,445	258,065	257,419	256,489	255,260	253,714	251,833
DEBT SERVICE										
CalHFA - 1st Mortgage	199,698	199,698	199,698	199,698	199,698	199,698	199,698	199,698	199,698	199,698
CalHFA - Bridge Loan										
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0
DEBT COVERAGE RATIO	1.29	1.29	1.29	1.29	1.29	1.29	1.28	1.28	1.27	1.26
Cash Available for distribution	58,431	58,764	58,874	58,747	58,368	57,721	56,791	55,562	54,016	52,135

Cash Flow CalHFA Project Number: 07-015-A/N Villa Springs

RENTAL INCOME	Year 31	Year 32	Year 33	Year 34	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40
Affordable Rents	1,310,342	1,343,101	1,376,678	1,411,095	1,446,372	1,482,532	1,519,595	1,557,585	1,596,525	1,636,438
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Rental Subsidies	0	0	0	0	0	0	0	0	0	0
Rental Subsidy Increases	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Market Rate Units	0	0	0	0	0	0	0	0	0	0
Unrestricted/Market Unit Increases	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
TOTAL RENTAL INCOME	1,310,342	1,343,101	1,376,678	1,411,095	1,446,372	1,482,532	1,519,595	1,557,585	1,596,525	1,636,438
OTHER INCOME										
Laundry	20,204	20,608	21,020	21,441	21,869	22,307	22,753	23,208	23,672	24,146
Other Income	0	0	0	0	0	0	0	0	0	0
Other Income Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
TOTAL OTHER INCOME	20,204	20,608	21,020	21,441	21,869	22,307	22,753	23,208	23,672	24,146
GROSS POTENTIAL INCOME	1,330,546	1,363,709	1,397,698	1,432,536	1,468,242	1,504,839	1,542,348	1,580,793	1,620,197	1,660,583
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Rental Subsidy Income	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Unrestricted Units / Market Rate Units	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Laundry & Other Income	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
LESS: VACANCY LOSS	66,527	68,185	69,885	71,627	73,412	75,242	77,117	79,040	81,010	83,029
EFFECTIVE GROSS INCOME	1,264,019	1,295,523	1,327,813	1,360,909	1,394,830	1,429,597	1,465,231	1,501,753	1,539,187	1,577,554
OPERATING EXPENSES										
Expenses	958,759	992,315	1,027,046	1,062,993	1,100,198	1,138,704	1,178,559	1,219,809	1,262,502	1,306,690
Annual Expense Increase	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Taxes and Assessments	19,723	19,920	20,120	20,321	20,524	20,729	20,936	21,146	21,357	21,571
Annual Tax Increase	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Replacement Reserve	35,939	36,298	36,661	37,028	37,398	37,772	38,150	38,532	38,917	39,306
Percentage Increase Yearly	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
TOTAL EXPENSES	1,014,421	1,048,534	1,083,827	1,120,342	1,158,120	1,197,206	1,237,646	1,279,486	1,322,776	1,367,566
NET OPERATING INCOME	249,598	246,989	243,986	240,567	236,710	232,391	227,585	222,267	216,411	209,988
DEBT SERVICE										
CalHFA - 1st Mortgage	0	0	0	0	0	0	0	0	0	0
CalHFA - Bridge Loan										
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0
DEBT COVERAGE RATIO	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cash Available for distribution	249,598	246,989	243,986	240,567	236,710	232,391	227,585	222,267	216,411	209,988

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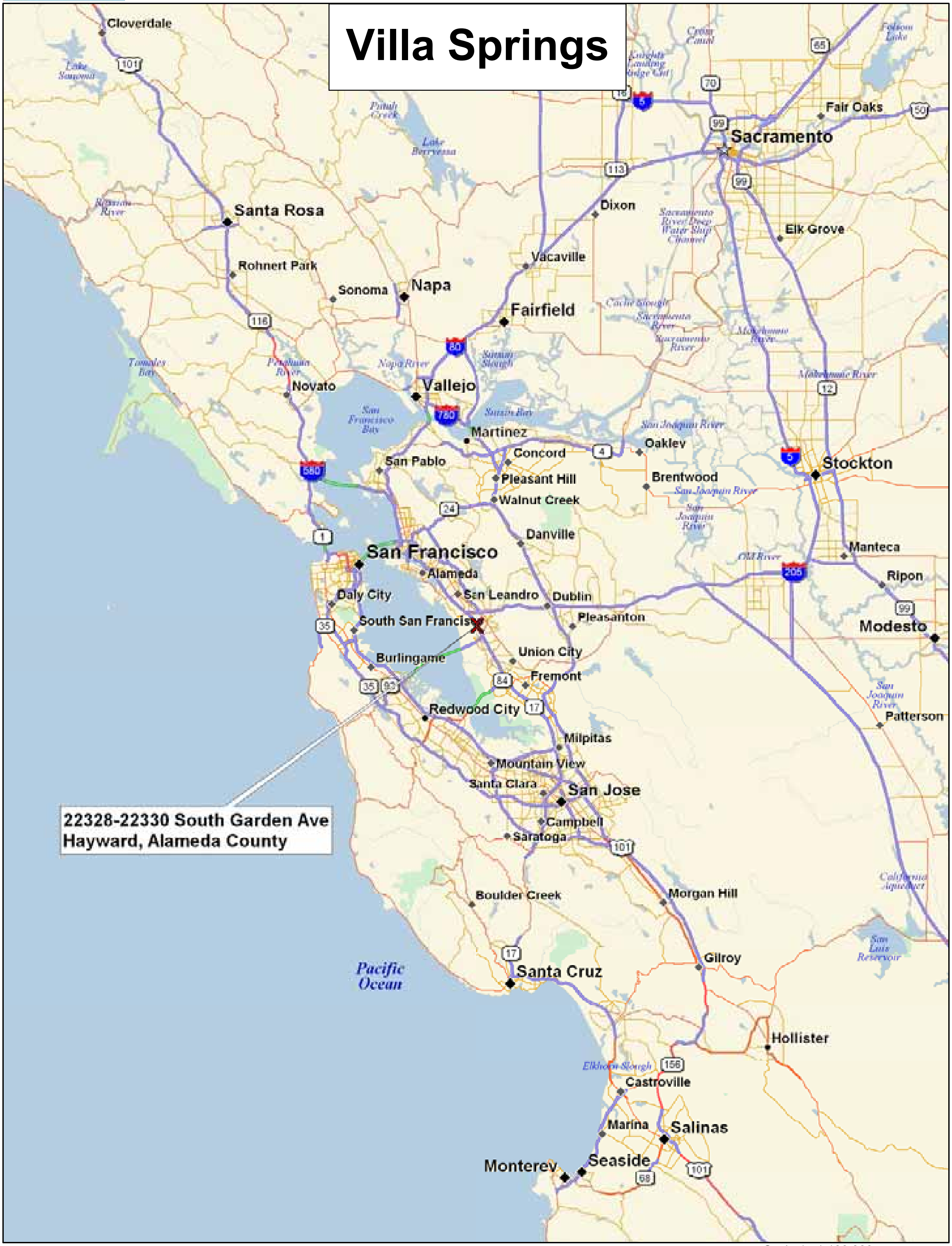
Villa Springs



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MN (14.5°E)

Scale 1 : 1,100,000
1" = 17.36 mi
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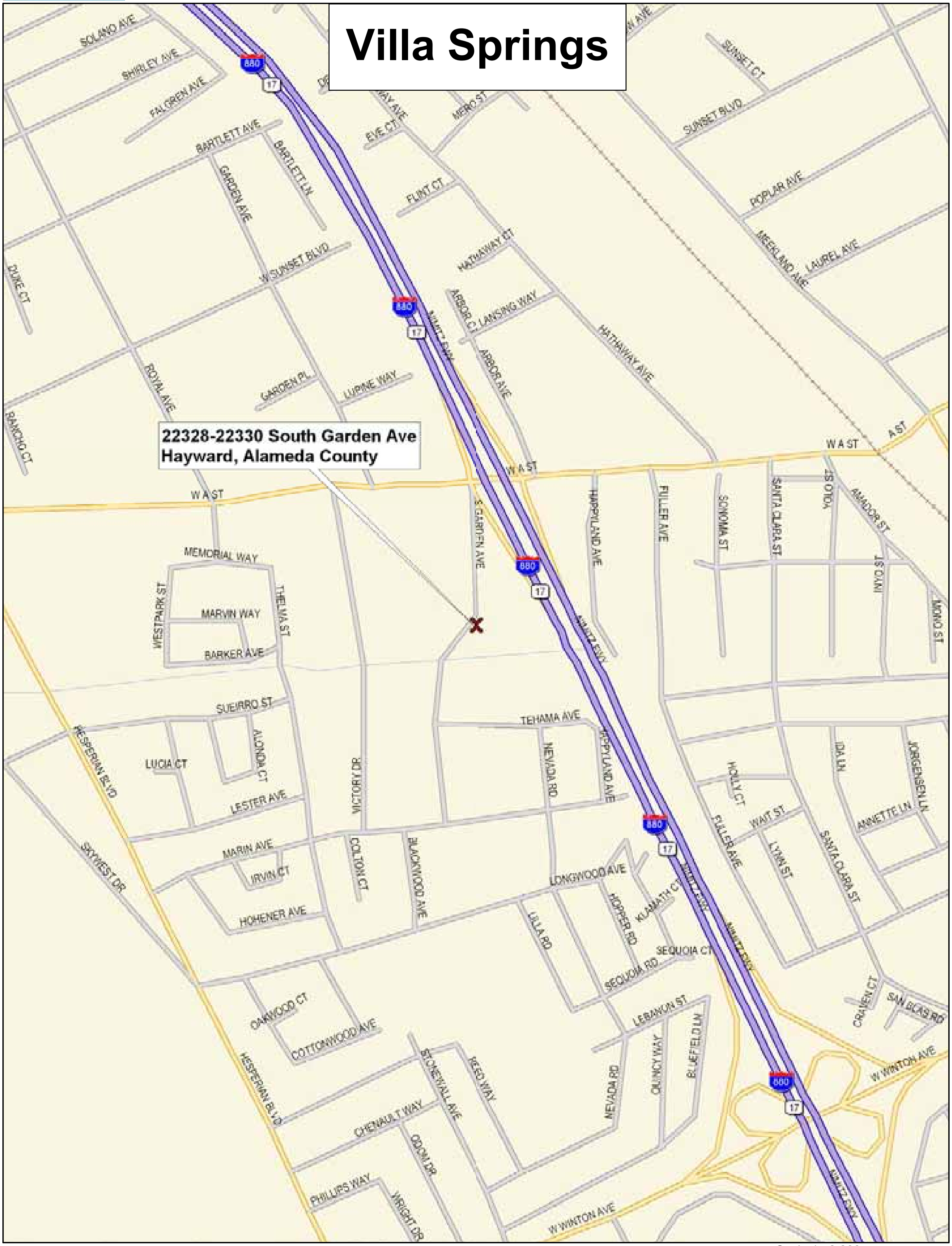
Villa Springs



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Scale 1 : 8,800

1" = 733.3 ft

Data Zoom 14-5

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RESOLUTION 08-02

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Villa Springs apartments, L.P., a California limited partnership (the "Borrower"), seeking a loan commitment, the proceeds of which are to be used to provide financing for a multifamily housing development located in Hayward, Alameda County, California, to be known as Villa Springs Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which prepared a report presented to the Board on the meeting date recited below (the "Staff Report"), recommending Board approval subject to certain recommended terms and conditions; and

WHEREAS, Section 1.150-2 of the Treasury Regulations requires the Agency, as the issuer of tax-exempt bonds, to declare its reasonable official intent to reimburse prior expenditures for the Development with proceeds of a subsequent borrowing; and

WHEREAS, on December 27, 2007, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

WHEREAS, based upon the recommendation of staff and due deliberation by the Board, the Board has determined that a final loan commitment be made for the Development;

1. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency is hereby authorized to execute and deliver a final commitment letter, in a form acceptable to the Agency, and subject to recommended terms and conditions set forth in the Staff Report, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	MORTGAGE AMOUNT
07-015-A/N	Villa Springs Apartments Hayward, Alameda County, California	$5,700,000.00 First Mortgage $ 500,000.00 Second Mortgage

Resolution 08-02
Page 2

2. The Executive Director may modify the terms and conditions of the loans or loans as described in the Staff Report, provided that major modifications, as defined below, must be submitted to this Board for approval. "Major modifications" as used herein means modifications which either (i) increase the total aggregate amount of any loans made pursuant to the Resolution by more than 7%; or (ii) modifications which in the judgment of the Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency, adversely change the financial or public purpose aspects of the final commitment in a substantial way.

I hereby certify that this is a true and correct copy of Resolution 08-02 adopted at a duly constituted meeting of the Board of the Agency held on January 17, 2008 at Millbrae, California.

ATTEST:______________________
Secretary

State of California

M E M O R A N D U M

To: Board of Directors **Date:** January 3, 2008

Bruce D. Gilbertson, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: ANNUAL SINGLE FAMILY BOND REAUTHORIZATION RESOLUTION 08-03

Resolution 08-03 would authorize the sale and issuance of CalHFA single family bonds (with related interest rate swaps and other financial agreements) for another year. In addition, the resolution would authorize the Agency to borrow for homeownership purposes using short-term credit facilities.

This resolution would also modify the homeownership lending program to provide financial assistance to families of low and moderate income to refinance their moderately valued single family homes. In light of the current residential mortgage market, Agency staff has been asked repeatedly about our authority to offer refinancing programs. The Agency's General Counsel, after a review of relevant statutes has indicated that the Agency does indeed have statutory authority to offer such assistance. Approval of Resolution 08-03 would create board authority consistent with this statutory authority and allow the Agency to respond to these inquiries. Any refinance loan program would only be proposed if and when economic conditions would make such a program viable.

Annual reauthorization, a practice approved by the Board every year since 1987, enables the staff to schedule and size our bond transactions to meet demand for loan funds throughout the year without regard to the timing of individual Board meetings.

Resolution 08-03 would authorize single family bonds to be issued in various amounts by category, as follows:

(1) Equal to the amount of prior single family bonds being retired, including eligible bonds of other issuers;

(2) Equal to the amount of private activity bond volume cap made available for our single family program by the California Debt Limit Allocation Committee; and

(3) Up to $900 million of federally-taxable single family bonds (in addition to any taxable bonds issued under the first category).

Bonds would be authorized to be issued under any of the previously-approved forms of indenture as listed in the resolution. We anticipate using the Home Mortgage Revenue Bonds indenture, with its Aa2/AA- ratings, for our single family bond issuances in 2008. As of this writing, we are not planning to issue bonds under the Residential Mortgage Revenue Bond indenture due to the uncertainty surrounding our mortgage-backed securities program due to credit tightening and re-pricing of risk by Fannie Mae; all stemming from a softening real estate market related to the subprime mortgage market collapse.

Last year's sale of subordinate loans to Fannie Mae is expected to provide the necessary liquidity to finance Agency down payment assistance loans for calendar year 2008. However, if we decide to again issue bonds for purposes of financing homeownership down payment assistance loans, we would anticipate using the Housing Program Bond indenture.

The resolution would also authorize the full range of related financial agreements, including contracts for investment of bond proceeds, for warehousing of mortgages pending the availability of bond proceeds, for interest rate hedging (including the continued use of interest rate swaps), and for forward delivery of bonds through August 1, 2010. The resolution would also authorize contracts for consulting services or information services related to the financial management of the Agency, including advisors or consultants on interest rate swaps, cash flow management, and similar matters, and contracts for financial printing and similar services.

The resolution would also reauthorize short-term credit facilities in an aggregate amount not to exceed $500 million (for the Homeownership Programs, Multifamily Programs and Bay Area Housing Plan). This authorization would allow us to continue to utilize our warehouse line from the State's Pooled Money Investment Board and up to $150 million from the Bank of America credit line.

In addition, the resolution would reauthorize cooperation with local agencies similar to that accomplished in recent years with the Southern California Home Financing Authority, the City of Los Angeles Department of Housing and the CRHMFA Homebuyers Fund.

In order to allow for necessary overlap of authority for bond issues scheduled during the time that reauthorization is being considered, Resolution 08-03 would not expire until 30 days after the first Board meeting in the year 2009 at which there is a quorum. Likewise, last year's single family resolution (07-03) will not expire until 30 days after this meeting.

In past years we have strived to lock in our cost of funds approximately every 60 days, whether by means of pricing fixed-rate bonds or via the interest rate swap market. In 2008, we will continue to do our best to periodically match our cost of funds to our lending rates.

Attachment

RESOLUTION NO. 08-03

RESOLUTION OF THE CALIFORNIA HOUSING FINANCE AGENCY AUTHORIZING THE AGENCY'S SINGLE FAMILY BOND INDENTURES, THE ISSUANCE OF SINGLE FAMILY BONDS, SHORT- TERM CREDIT FACILITIES FOR HOMEOWNERSHIP PURPOSES, AND RELATED FINANCIAL AGREEMENTS AND CONTRACTS FOR SERVICES

WHEREAS, the California Housing Finance Agency (the "Agency") has determined that there exists a need in California for providing financial assistance, directly or indirectly, to persons and families of low or moderate income to enable them to purchase or refinance moderately priced single family residences ("Residences");

WHEREAS, the Agency has determined that it is in the public interest for the Agency to provide such financial assistance by means of various programs, including whole loan and mortgage-backed securities programs (collectively, the "Program") to make loans to such persons and families, or to developers, for the acquisition, development, construction and/or permanent financing of Residences (the "Loans");

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 issue bonds to provide sufficient funds to finance the Program, including the purchase of Loans and mortgage-backed securities, the payment of capitalized interest on the bonds, the establishment of reserves to secure the bonds, and the payment of other costs of the Agency incident to, and necessary or convenient to, the issuance of the bonds;

WHEREAS, the Agency, pursuant to the Act, has from time to time issued various series of its Single Family Mortgage Purchase Bonds (the "SFMP Bonds"), its Home Ownership and Home Improvement Revenue Bonds (the "HOHI Bonds"), its Home Mortgage Revenue Bonds (the "HMP Bonds"), its Home Ownership Mortgage Bonds (the "HOM Bonds"), its Single Family Mortgage Bonds (the "SFMor Bonds"), and its Housing Program Bonds (the "HP Bonds"), and is authorized pursuant to the Act to issue its Residential Mortgage Revenue Bonds (the "RMR Bonds") and additional SFMP Bonds, HOHI Bonds, HMP Bonds, HOM Bonds, SFMor Bonds, and HP Bonds (collectively with bonds authorized under this resolution to be issued under new indentures, the "Bonds") to provide funds to finance the Program;

WHEREAS, pursuant to the Act, the Agency has the authority to enter into short-term credit facilities for the purpose of financing the Program, including the making of Loans and the payment of other costs of the Agency incident to, and necessary or convenient to, the issuance of the bonds;

WHEREAS, pursuant to Chapter 6 of Part 5 of Division 31 (Sections 52060 et seq.) of the Health and Safety Code of the State of California (the "Local Agency Assistance Act"), the Agency also has the authority to enter into agreements with cities, counties and joint powers authorities created by cities and counties (collectively, "Local Agencies"), which provide that the Agency shall sell bonds on behalf of such Local Agencies for the purpose of providing funds for home mortgages financing residences within the respective jurisdictions of such Local Agencies; and

WHEREAS, the Local Agency Assistance Act provides that although such bonds are to be bonds of the Local Agency ("Local Agency Bonds"), the proceeds of such Local Agency Bonds may be utilized in the Agency's Program, including borrowing such proceeds through the issuance of Bonds to the Local Agency;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors (the "Board") of the California Housing Finance Agency as follows:

Section 1. **Determination of Need and Amount.** The Agency is of the opinion and hereby determines that the issuance of one or more series of Bonds, in an aggregate amount not to exceed the sum of the following amounts, is necessary to provide sufficient funds for the Program:

(a) the aggregate amount of Bonds and/or other qualified mortgage bonds (including bonds of issuers other than the Agency) to be redeemed or maturing in connection with such issuance,

(b) the aggregate amount of private activity bond allocations under federal tax law heretofore or hereafter made available to the Agency (including any such allocations made available to a Local Agency in connection with the issuance of Local Agency Bonds) for such purpose, and

(c) if and to the extent interest on one or more of such series of Bonds is determined by the Executive Director to be intended not to be excludable from gross income for federal income tax purposes, $900,000,000.

Section 2. **Authorization and Timing.** The Bonds are hereby authorized to be issued in such aggregate amount at such time or times on or before the day 30 days after the date on which is held the first meeting of the Board in the year 2009 at which a quorum is present, as the Executive Director of the Agency (the "Executive Director") deems appropriate, upon consultation with the Treasurer of the State of California (the "Treasurer") as to the timing of each such issuance; provided, however, that if the bonds are sold at a time on or before the day 30 days after the date on which is held such meeting, pursuant to a forward purchase or drawdown agreement providing for the issuance of such Bonds on or before August 1, 2010 upon specified terms and conditions, such Bonds may be issued on such later date.

Section 3. **Approval of Forms of Indentures.** The Executive Director and the Secretary of the Board of Directors of the Agency (the "Secretary") are hereby authorized and directed, for and on behalf and in the name of the Agency in connection with the issuance of Bonds, to execute and acknowledge and to deliver to the Treasurer as trustee and/or, if appropriate, to a duly qualified bank or trust company selected by the Executive Director to act as trustee or co-trustee with the approval of the Treasurer (collectively, the "Trustees"), one or more new indentures (the "New Indentures"), in one or more forms similar to one or more of the following (collectively, the "Prior Indentures"):

(a) that certain indenture pertaining to the SFMP Bonds (the "SFMP Indenture");

(b) that certain indenture pertaining to the HOHI Bonds (the "HOHI Indenture");

(c) that certain indenture pertaining to the HOM Bonds (the "HOM Indenture");

(d) those certain indentures pertaining to the HMP Bonds (the "HMP Indentures");

(e) that form of general indenture approved by Resolution No. 92-41, adopted November 12, 1992 (the "SHOP Indenture");

(f) that form of master trust indenture proposed by Fannie Mae ("Fannie Mae") in connection with their "MRB Express" program and approved by Resolution No. 93-30, adopted September 7, 1993 (the "Fannie Mae MRB Express Program Indenture");

(g) that form of general indenture designed for the Fannie Mae Index Option Program and approved by Resolution No. 94-01, adopted January 13, 1994 (the "Fannie Mae Index Option Program Indenture");

(h) those certain indentures pertaining to the SFMor Bonds (the "SFMor Indentures");

(i) the form of draw down bond indenture approved by Resolution No. 01-04, as amended by Resolution No. 01-39, adopted November 8, 2001;

(j) the form of bond indenture approved by Resolution No. 02-01, as amended by Resolution 02-17, adopted June 6, 2002;

(k) that certain indenture pertaining to the HP Bonds (the "HP Indenture"); and/or

(l) that certain indenture relating to the RMR Bonds.

Each such New Indenture may be executed, acknowledged and delivered with such changes therein as the officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof. Changes reflected in any New Indenture may include, without limitation, provision for a supplemental pledge of Agency moneys or assets (including but not limited to, a deposit from the Supplementary Bond Security Account created under Section 51368 of the Act) and provision for the Agency's general obligation to additionally secure the Bonds if appropriate in furtherance of the objectives of the Program.

<u>Section 4</u>. **<u>Approval of Forms of Series and Supplemental Indentures</u>.** The Executive Director and the Secretary are hereby authorized and directed, for and on behalf and in

the name of the Agency, to execute and acknowledge and to deliver with respect to each series of Bonds, if and to the extent appropriate, series and/or supplemental indentures (each a "Supplemental Indenture") under either one of the Prior Indentures or a New Indenture and in substantially the form of the respective supplemental indentures previously executed and delivered or approved, each with such changes therein as the officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof. Changes reflected in any Supplemental Indenture may include, without limitation, provision for a supplemental pledge of Agency moneys or assets (including but not limited to, a deposit from the Supplementary Bond Security Account created under Section 51368 of the Act) and provision for the Agency's general obligation to additionally secure the Bonds if appropriate in furtherance of the objectives of the Program.

The Executive Director is hereby expressly authorized and directed, for and on behalf and in the name of the Agency, to determine in furtherance of the objectives of the Program those matters required to be determined under the applicable Prior Indenture or any New Indenture, as appropriate, in connection with the issuance of each such series, including, without limitation, any reserve account requirement or requirements for such series.

Section 5. **Approval of Forms and Terms of Bonds.** The Bonds shall be in such denominations, have such registration provisions, be executed in such manner, be payable in such medium of payment at such place or places within or without California, be subject to such terms of redemption (including from such sinking fund installments as may be provided for) and contain such terms and conditions as each Supplemental Indenture as finally approved shall provide. The Bonds shall have the maturity or maturities and shall bear interest at the fixed, adjustable or variable rate or rates deemed appropriate by the Executive Director in furtherance of the objectives of the Program; provided, however, that no Bond shall have a term in excess of fifty years or bear interest at a stated rate in excess of fifteen percent (15%) per annum or in the case of variable rate bonds, a maximum floating interest rate of twenty-five percent (25%) per annum. Any of the Bonds and the Supplemental Indenture(s) may contain such provisions as may be necessary to accommodate an option to put such Bonds prior to maturity for purchase by or on behalf of the Agency or a person other than the Agency, to accommodate the requirements of any provider of bond insurance or other credit enhancement or liquidity support or to accommodate the requirements of purchasers of Dutch auction bonds or indexed floaters.

Section 6. **Authorization of Disclosure.** The Executive Director is hereby authorized to circulate one or more Preliminary Official Statements relating to the Bonds and, after the sale of the Bonds, to execute and circulate one or more Official Statements relating to the Bonds, and the circulation of such Preliminary Official Statements and such Official Statements to prospective and actual purchasers of the Bonds is hereby approved. The Executive Director is further authorized to hold information meetings concerning the Bonds and to distribute other information and material relating to the Bonds.

Section 7. **Authorization of Sale of Bonds.** The Bonds are hereby authorized to be sold at negotiated or competitive sale or sales. The Executive Director is hereby authorized and directed, for and in the name and on behalf of the Agency, to execute and deliver one or more purchase contracts (including one or more forward purchase agreements) relating to the Bonds, by and among the Agency, the Treasurer and such underwriters or other purchasers (including, but not limited to, Fannie Mae) as the Executive Director may select (the "Purchasers"), in the form or forms approved by the Executive Director upon consultation with the Agency's legal counsel, such approval to be evidenced conclusively by the execution and delivery of said purchase contract by the Executive Director.

The Treasurer is hereby authorized and requested, without further action of the Board and unless instructed otherwise by the Board, to sell each series of Bonds at the time and place and pursuant to the terms and conditions set forth in each such purchase contract as finally executed. The Treasurer is hereby further authorized and requested to deposit the proceeds of any good faith deposit to be received by the Treasurer under the terms of a purchase contract in a special trust account for the benefit of the Agency, and the amount of said deposit shall be retained by the Agency, applied at the time of delivery of the applicable Bonds as part of the purchase price thereof, or returned to the Purchasers, as provided in such purchase contract.

Section 8. **Authorization of Execution of Bonds.** The Executive Director is hereby authorized and directed to execute, and the Secretary is hereby authorized to attest, for and on behalf and in the name of the Agency and under its seal, the Bonds, in an aggregate amount not to exceed the amount authorized hereby, in accordance with the Prior Indenture(s), the Supplemental Indenture(s) or the New Indenture(s) and in one or more of the forms set forth in the Prior Indenture(s), the Supplemental Indenture(s) or the New Indenture(s), as appropriate.

Section 9. **Authorization of Delivery of Bonds.** The Bonds, when so executed, shall be delivered to the Trustees to be authenticated by, or caused to be authenticated by, the Trustees. The Trustees are hereby requested and directed to authenticate, or cause to be authenticated, the Bonds by executing the certificate of authentication and registration appearing thereon, and to deliver the Bonds when duly executed and authenticated to the Purchasers in accordance with written instructions executed on behalf of the Agency by the Executive Director, which instructions said officer is hereby authorized and directed, for and on behalf and in the name of the Agency, to execute and deliver. Such instructions shall provide for the delivery of the Bonds to the Purchasers upon payment of the purchase price or prices thereof.

Section 10. **Authorization of Related Financial Agreements.** The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, any and all agreements and documents designed (i) to reduce or hedge the amount or duration of any payment, interest rate, spread or similar risk, (ii) to result in a lower cost of borrowing when used in combination with the issuance or carrying of bonds or investments, or (iii) to enhance the relationship between risk and return with respect to the Program or any portion thereof. To the extent authorized by law, including Government Code Section 5922, such agreements or other documents may include (a) interest rate swap agreements; (b) forward payment conversion agreements; (c) futures or other contracts providing for payments based on levels of, or changes in, interest rates or other indices; (d) contracts to exchange cash flows for a series of payments; (e) contracts, including, without limitation, interest rate floors or caps, options, puts or calls to hedge payment, interest rate, spread or similar exposure; or (f) contracts to obtain guarantees, including guarantees of mortgage-backed securities or their underlying loans; and in each such case may be entered into in anticipation of the issuance of bonds at such times as may be determined by such officers. Such agreements and other documents are authorized to be entered into with parties selected by the Executive

Director, after giving due consideration for the creditworthiness of the counterparties, where applicable, or any other criteria in furtherance of the objectives of the Program.

Section 11. **Authorization of Program Documents.** The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, all documents they deem necessary or appropriate in connection with the Program, including, but not limited to, one or more mortgage purchase and servicing agreements (including mortgage-backed security pooling agreements) and one or more loan servicing agreements with such lender or lenders or such servicer or servicers as the Executive Director may select in accordance with the purposes of the Program, and any such selection of a lender or lenders or a servicer or servicers is to be deemed approved by this Board as if it had been made by this Board. The mortgages to be purchased may be fixed rate, step rate, adjustable rate, graduated payment, deferred payment or any combination of the foregoing, may have terms of 40 years or less and may be insured by such mortgage insurers as are selected by the Executive Director in furtherance of the objectives of the Program.

The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more mortgage sale agreements with such purchasers as the Executive Director may select in accordance with the objectives of the Program. Any such sale of Loans may be on either a current or a forward purchase basis.

The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, contracts to conduct foreclosures of mortgages owned or serviced by the Agency with such attorneys or foreclosure companies as the Executive Director may select in accordance with the objectives of the Program.

The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, contracts for the sale of foreclosed properties with such purchasers as the Executive Director may select in accordance with the objectives of the Program. Any such sale of foreclosed properties may be on either an all cash basis or may include financing by the Agency. The Executive Director and the other officers of the Agency are also authorized to enter into any other agreements, including but not limited to real estate brokerage agreements and construction contracts necessary or convenient for the rehabilitation, listing and sale of such foreclosed properties.

The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, (i) contracts or agreements for the purchase or sale of mortgage-backed securities; (ii) servicing agreements, including master servicing agreements, in connection with the operation of a program of mortgage-backed securities; (iii) agreements with government-sponsored enterprises, or other secondary market issuers or guarantors of mortgage-backed securities; and (iv) such other program documents as are necessary or appropriate for the operation of a program of mortgage-backed securities.

Section 12. **Authorization of Short-term Credit Facilities.** The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more short-term credit facilities for the purposes of

(i) financing the purchase of Loans and/or mortgage-backed securities on an interim basis, prior to the financing thereof with Bonds, whether issued or to be issued and (ii) financing expenditures of the Agency incident to, and necessary or convenient to, the issuance of Bonds, including, but not limited to, Agency expenditures to pay costs of issuance, capitalized interest, redemption price of prior bonds of the Agency, costs relating to credit enhancement or liquidity support, costs relating to investment products, or net payments and expenses relating to interest rate hedges and other financial products. Any such short-term credit facility may be from any appropriate source, including, but not limited to, the Pooled Money Investment Account pursuant to Government Code Section 16312; provided, however, that the aggregate outstanding principal amount of short-term credit facilities authorized under this resolution or Resolution No. 08-04 (the multifamily financing resolution adopted at the same meeting) or Resolution 06-06 (the Bay Area Housing Plan resolution), as amended from time to time, may not at any time exceed $500,000,000 (separate and apart from the amount of Bonds authorized by Section 1 of this resolution).

The Executive Director and the other officers of the Agency are hereby authorized to use available Agency moneys (other than and in addition to the proceeds of bonds) to make or purchase Loans and/or mortgage-backed securities to be financed by bonds (including bonds authorized by prior resolutions of this Board) in anticipation of draws on a credit facility, the issuance of Bonds or the availability of Bond proceeds for such purposes.

Section 13. **Local Agency Cooperation.** (a) The Executive Director is hereby authorized and directed, for and in the name and on behalf of the Agency, to execute and deliver one or more agreements with one or more Local Agencies providing that the Agency shall sell Local Agency Bonds for the purpose of providing funds for the Program for the purchase of Loans financing Residences (or mortgage-backed securities underlain by loans financing such Residences) within the jurisdiction of the applicable Local Agency. Each such agreement shall contain the provisions required by Section 52062 of the Local Agency Assistance Act and shall provide that the method by which the Agency shall utilize the proceeds of Local Agency Bonds in the Agency's Program shall be for the Agency to borrow such proceeds by the issuance of Bonds to the Local Agency. The Bonds shall be in the form and shall be issued under the terms and conditions authorized by this resolution, applied as appropriate under the circumstances. The Bonds shall serve as the primary source of payment of and as security for the Local Agency Bonds.

The Local Agency Bonds are hereby authorized to be sold at such time or times, on or before the day 30 days after the date on which is held the first meeting of the Board in the year 2009 at which a quorum is present, as the Executive Director deems appropriate, upon consultation with the Treasurer as to the timing of each such sale.

(b) The Executive Director is hereby authorized to circulate one or more Preliminary Official Statements relating to the Local Agency Bonds and, after the sale of the Local Agency Bonds, to execute and circulate one or more Official Statements relating to the Local Agency Bonds, and the circulation of such Preliminary Official Statements and such Official Statements to prospective and actual purchasers of the Local Agency Bonds is hereby approved. The Executive Director is further authorized to hold information meetings concerning the Local Agency Bonds and to distribute other information and material relating to the Local Agency Bonds.

(c) The Local Agency Bonds are hereby authorized to be sold at negotiated or competitive sale or sales. The Executive Director is hereby authorized and directed, for and in the name and on behalf of the Agency and the Local Agency, to execute and deliver one or more purchase contracts (including one or more forward purchase agreements) relating to the Local Agency Bonds, by and among the Agency, the Treasurer, the Local Agency (if appropriate) and such underwriters or other purchasers (including, but not limited to, Fannie Mae) as the Executive Director may select (the "Local Agency Bond Purchasers"), in the form or forms approved by the Executive Director upon consultation with the Agency's legal counsel, such approval to be evidenced conclusively by the execution and delivery of said purchase contract by the Executive Director.

(d) The Treasurer is hereby authorized and requested, without further action of the Board and unless instructed otherwise by the Board, to sell each series of Local Agency Bonds at the time and place and pursuant to the terms and conditions set forth in each such purchase contract as finally executed. The Treasurer is hereby further authorized and requested to deposit the proceeds of any good faith deposit to be received by the Treasurer under the terms of a purchase contract in a special trust account for the benefit of the Agency and the Local Agency, and the amount of said deposit shall be applied at the time of delivery of the applicable Local Agency Bonds, as the case may be, as part of the purchase price thereof or returned to the Local Agency Bond Purchasers as provided in such purchase contract.

Section 14. **Ratification of Prior Actions.** All actions previously taken by the Agency relating to the implementation of the Program, the issuance of the Bonds, the issuance of any prior bonds, the execution and delivery of related financial agreements and related program agreements and the implementation of any credit facilities as described above, including, but not limited to, such actions as the distribution of the Agency's Lender Program Manual, Mortgage Purchase and Servicing Agreement, Servicing Agreement, Developer Agreement, Servicer's Guide, Program Bulletins and applications to originate and service loans, and the sale of any foreclosed property, are hereby ratified.

Section 15. **Authorization of Related Actions and Agreements.** The Treasurer, the Executive Director and the officers of the Agency, or the duly authorized deputies thereof, are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all agreements and documents which they deem necessary or advisable in order to consummate the issuance, sale, delivery, remarketing, conversion and administration of Bonds and otherwise to effectuate the purposes of this resolution, including declaring the official intent of the Agency for purposes of U.S. Treasury Regulations Section 1.150-2, and including executing and delivering any amendment or supplement to any agreement or document relating to Bonds in any manner that would be authorized under this resolution if such agreement or document related to Bonds is authorized by this resolution. Such agreements may include, but are not limited to, remarketing agreements, tender agreements or similar agreements regarding any put option for the Bonds, broker-dealer agreements, market agent agreements, auction agent agreements or other agreements necessary or desirable in connection with the issuance of Bonds in, or the conversion of Bonds to, an auction rate mode or an indexed rate mode, agreements for the investment of moneys relating to the Bonds, reimbursement agreements relating to any credit enhancement or liquidity support or put option provided for the Bonds, continuing disclosure agreements and agreements for necessary services provided in the course of the issuance of the bonds, including but not limited to, agreements with bond underwriters and placement agents, bond trustees, bond counsel and financial advisors and contracts for consulting services or information services relating to the financial management of the Agency, including advisors or consultants on interest rate swaps, cash flow management, and similar matters, and contracts for financial printing and similar services. The Agency's reimbursement obligation under any such reimbursement agreement may be a special, limited obligation or a general obligation and may, subject to the rights of the Bondholders, be secured by a pledge of the same revenues and assets that may be pledged to secure Bonds or by a pledge of other revenues and assets.

This resolution shall constitute full, separate, complete and additional authority for the execution and delivery of all agreements and instruments described in this resolution, without regard to any limitation in the Agency's regulations and without regard to any other resolution of the Board that does not expressly amend and limit this resolution.

Section 16. **Additional Delegation.** All actions by the Executive Director approved or authorized by this resolution may be taken by the Chief Deputy Director of the Agency, the Director of Financing of the Agency, the Comptroller of the Agency or any other person specifically authorized in writing by the Executive Director.

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. 08-03 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 17th day of January, 2008, 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 17th day of January, 2008.

[SEAL]

Thomas C. Hughes
Secretary of the Board of Directors of the
California Housing Finance Agency

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. 08-03 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 17th day of January, 2008, 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:

I further certify that I have carefully compared the foregoing copy with the original minutes of said meeting on file and of record in my office; that said copy is a full, true, and correct copy of the original Resolution adopted at said meeting and entered in said minutes; and that said Resolution has not been amended, modified or rescinded in any manner since the date of its adoption, and the same is now in full force and effect.

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 ___ day of ________________, ____.

[SEAL]

____
Thomas C. Hughes
Secretary of the Board of Directors of the
California Housing Finance Agency

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State of California

M E M O R A N D U M

To: Board of Directors **Date:** January 3, 2008

Bruce D. Gilbertson, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: ANNUAL MULTIFAMILY BOND REAUTHORIZATION RESOLUTION 08-04

Resolution 08-04 would authorize the sale and issuance of CalHFA multifamily bonds (with related interest rate swaps and other financial agreements) for another year. In addition, the resolution would authorize the Agency to borrow for multifamily purposes using short-term credit facilities.

Annual reauthorization, a practice approved by the Board every year since 1987, enables the staff to schedule and size our bond transactions to meet the demand for loan funds throughout the year without regard to the timing of individual Board meetings.

Resolution 08-04 would authorize multifamily bonds to be issued in various amounts by category, as follows:

(1) Equal to the amount of prior multifamily bonds being retired, including eligible bonds of other issuers;

(2) Equal to the amount of private activity bond volume cap made available for our multifamily program by the California Debt Limit Allocation Committee (CDLAC);

(3) Up to $800 million for the combined amount of 501(c)(3) bonds, "governmental purpose" bonds, and federally-taxable multifamily bonds (in addition to any taxable bonds issued under the first category); and

(4) Up to $300 million for financing or refinancing the acquisition of existing multifamily loans;

While bonds would be authorized to be issued under any of the previously-approved forms of indenture as listed in the resolution, we again anticipate continuing to utilize the Multifamily Housing Revenue Bonds III indenture, which relies on the Agency's general obligation ratings of Aa3/AA- for its credit. Our general obligation acts as the primary credit enhancement for our multifamily program, thus reducing the cost of outside sources of credit, while preserving our program's independence.

The resolution would also authorize the full range of related financial agreements, including contracts for investment of bond proceeds, for warehousing of mortgages pending the availability of bond proceeds, for interest rate hedging (including the continued use of interest rate swaps), and for forward delivery of bonds through August 1, 2010. The resolution would also authorize contracts for consulting services or information services related to the financial management of the Agency, including advisors or consultants on interest rate swaps, cash flow management, and similar matters, and contracts for financial printing and similar services.

The resolution would also reauthorize short-term credit facilities in an aggregate amount not to exceed $500 million (for the Homeownership Programs, Multifamily Programs and Bay Area Housing Plan). This authorization would allow us to continue to utilize our warehouse line from the State's Pooled Money Investment Board and up to $150 million from the Bank of America credit line. This bank line of credit is primarily used for multifamily loan warehousing.

In order to allow for necessary overlap of authority for bond issues scheduled during the time that reauthorization is being considered, Resolution 08-04 would not expire until 30 days after the first Board meeting in the year 2009 at which there is a quorum. Likewise, last year's multifamily resolution (07-04) will not expire until 30 days after this meeting.

During 2008 we anticipate up to three issues of our Multifamily Housing Revenue Bonds III -- in April, July and October -- each in connection with private activity volume cap authorized for our use by CDLAC. We expect that our issuance activity under the MHRB-III indenture to include additional bonds to be authorized by this resolution, such as 501(c)(3) bonds, refunding bonds, and taxable bonds.

Attachment

RESOLUTION NO. 08-04

RESOLUTION OF THE CALIFORNIA HOUSING FINANCE AGENCY AUTHORIZING THE AGENCY'S MULTIFAMILY BOND INDENTURES, THE ISSUANCE OF MULTIFAMILY BONDS, SHORT-TERM CREDIT FACILITIES FOR MULTIFAMILY PURPOSES, AND RELATED FINANCIAL AGREEMENTS AND CONTRACTS FOR SERVICES

WHEREAS, the California Housing Finance Agency (the "Agency") has determined that there exists a need in California for the financing of mortgage loans for the construction or development of multi-unit rental housing developments for the purpose of providing housing for persons and families of low or moderate income (the "Developments");

WHEREAS, the Agency has determined that it is in the public interest for the Agency to provide such financial assistance by means of an ongoing program (the "Program") to make or acquire, or to make loans to lenders to make or acquire, mortgage loans for the purpose of financing such Developments (the "Loans");

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 issue bonds to provide sufficient funds to finance the Program, including the making of Loans, the payment of capitalized interest on the bonds, the establishment of reserves to secure the bonds, the payment of other costs of the Agency incident to, and necessary or convenient to, the issuance of the bonds, and for the other purposes provided by Sections 51065.5 and 51365 of the Act; and

WHEREAS, pursuant to the Act, the Agency has the authority to enter into short-term credit facilities for the purpose of financing the Program, including the making of Loans and the payment of other costs of the Agency incident to, and necessary or convenient to, the issuance of the bonds;

NOW, THEREFORE, BE IT RESOLVED, by the California Housing Finance Agency as follows:

Section 1. **Determination of Need and Amount.** The Agency is of the opinion and hereby determines that the offer, sale and issuance of one or more series of multifamily housing revenue bonds (the "Bonds") in an aggregate amount not to exceed the sum of the following amounts is necessary to provide sufficient funds for the Program:

(a) the aggregate amount of prior multifamily bonds of the Agency (or of other issuers to the extent permitted by law) to be redeemed or maturing in connection with such issuance;

(b) the aggregate amount of private activity bond allocations under federal tax law heretofore or hereafter made available to the Agency for such purpose;

(c) if and to the extent the Bonds are "qualified 501(c)(3) bonds" under federal tax law, are not "private activity bonds" under federal tax law, or are determined by the Executive Director of the Agency (the "Executive Director") to be intended not to be tax-exempt for federal income tax purposes, $800,000,000; and

(d) if and to the extent the Bonds are issued for the purpose of financing or refinancing the acquisition of existing Loans that finance existing Developments, or for the purpose of refinancing such Developments, $300,000,000.

Section 2. **Authorization and Timing.** The Bonds are hereby authorized to be issued at such time or times on or before the day 30 days after the date on which is held the first meeting in the year 2008 of the Board of Directors of the Agency at which a quorum is present, as the Executive Director deems appropriate, upon consultation with the Treasurer of the State of California (the "Treasurer") as to the timing of each such issuance; *provided, however,* that if the Bonds are sold at a time on or before the day 30 days after the date on which is held such meeting, pursuant to a forward purchase or drawdown agreement providing for the issuance of such Bonds on a later date on or before August 1, 2010, upon specified terms and conditions, such Bonds may be issued on such later date; and *provided, further,* that Bonds being issued to refund Bonds of the type described in Section 1(d) of this resolution or to refinance Developments financed by Bonds of the type described in such Section 1(d) may be issued at any time prior to the original maturity date of the original Loans financed by such Bonds.

Section 3. **Approval of Indentures, Supplemental Indentures and Certain Other Financing Documents.** (a) The Executive Director and the Secretary of the Board of Directors of the Agency (the "Secretary") are hereby authorized and directed, for and on behalf and in the name of the Agency in connection with the issuance of Bonds, to execute and acknowledge and to deliver to a duly qualified bank or trust company selected by the Executive Director to act, with the approval of the Treasurer, as trustee (the "Trustee"), one or more new indentures (the "New Indentures"), in one or more forms similar to one or more of the following (collectively, the "Prior Indentures"):

(1) the Multi-Family Revenue Bonds (Federally Insured Loans) Indenture, dated as of April 17, 1979;

(2) the Multi-Unit Rental Housing Revenue Bonds Indenture, dated as of July 12, 1979;

(3) the Rental Housing Revenue Bonds (FHA Insured Loans) Indenture, dated as of June 1, 1982;

(4) the Multi-Unit Rental Housing Revenue Bonds II Indenture, dated as of September 1, 1982;

(5) the Multifamily Rehabilitation Revenue Bonds, 1983 Issue A Indenture, dated as of December 1, 1983;

(6) the Multifamily Housing Revenue Bond (Insured Letter of Credit 1984-I) Indenture, dated as of March 1, 1984;

(7) the Housing Revenue Bond Indenture, dated as of July 1, 1984;

(8) the Multifamily Rehabilitation Revenue Bond, 1985 Issue A, Indenture, dated as of March 1, 1985;

(9) the form of indenture approved by the Board of Directors of the Agency at its May 11, 1989 meeting for the Financial Guaranty Insurance Company program;

(10) the Housing Revenue Bond II Indenture, dated as of July 1, 1992;

(11) the Multifamily Housing Revenue Refunding Bond Indentures, dated as of July 1, 1993 (including as originally delivered and as amended and restated);

(12) the Multifamily Housing Revenue Bond (Tara Village Apartments), 1994 Series A, Indenture, dated as of November 1, 1994;

(13) the Multifamily Housing Revenue Bond (FHA Insured Mortgage Loans) Indenture, dated February 1, 1995;

(14) the Multifamily Housing Revenue Bond II Indenture, dated as of October 1, 1995;

(15) the Multifamily Housing Revenue Bond III Indenture, dated as of March 1, 1997;

(16) the form of commercial paper note indenture presented to the May 11, 2000 meeting of the Agency;

(17) the Multifamily Loan Purchase Bond Indenture, dated as of July 1, 2000;

(18) the form of draw down bond indenture approved by Resolution No. 01-05, as amended by Resolution No. 01-39, adopted November 8, 2001;

(19) the form of bond indenture approved by Resolution No. 02-02, as amended by Resolution 02-17, adopted June 6, 2002; or

(20) the Housing Program Bond Indenture, dated as of November 1, 2004.

Each such New Indenture may be executed, acknowledged and delivered with such changes therein as the officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof.

(b) For each series of Bonds, the Executive Director and the Secretary are hereby authorized and directed, for and on behalf and in the name of the Agency, if appropriate, to execute and acknowledge and to deliver with respect to each series of Bonds, a supplemental indenture (a "Supplemental Indenture") under either one of the Prior Indentures or a New Indenture and in substantially the form of any supplemental indenture or series indenture executed or approved in connection with any of the Prior Indentures, in each case, with such changes therein as the officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof.

The Executive Director is hereby expressly authorized and directed, for and on behalf and in the name of the Agency, to determine in furtherance of the objectives of the Program those matters required to be determined under the applicable Prior Indenture or the New Indentures, as appropriate, in connection with the issuance of each such series.

(c) For each series of Bonds, the Executive Director is hereby authorized and directed to execute, and the Secretary is hereby authorized to attest, for and in the name and on behalf of the Agency and under its seal, if and to the extent appropriate, a reimbursement agreement, a letter of credit agreement or any other arrangement with respect to credit enhancement or liquidity support in substantially the forms of the reimbursement agreements, letter of credit agreements or other such arrangements contemplated under the Prior Indentures or New Indentures or used in connection with the bonds issued under one or more of the Prior Indentures.

(d) Any New Indenture, Supplemental Indenture, reimbursement agreement, letter of credit agreement or other such arrangement as finally executed may include such modifications as the Executive Director may deem necessary or desirable in furtherance of the objectives of the Program, including, but not limited to, one or more of the following provisions:

(1) for the Agency's insured or uninsured, limited or general, obligation to pay any debt secured thereby,

(2) for a pledge of an amount of the Supplementary Bond Security Account to the extent necessary to obtain an appropriate credit rating or appropriate credit enhancement,

(3) for a pledge of additional revenues which may be released periodically to the Agency from the lien of one or more indentures heretofore entered into by the Agency, including but not limited to one or more of the following:

(A) the Prior Indentures,

(B) the Home Mortgage Revenue Bond Indenture, dated as of September 1, 1982, as amended, and

(C) the indentures under which are issued the Single Family Mortgage Bonds,

(4) for a deposit of such other available assets of the Agency in an appropriate amount in furtherance of the Program,

(5) for risk sharing provisions dividing between the Agency and any credit provider and/or FHA, in such manner as the Executive Director may deem necessary or desirable in furtherance of the objectives of the Program, the credit and financing risks relating to the Bonds and the Developments financed by the Bonds,

(6) for liquidity support,

(7) for contingent or deferred interest, or

(8) for the use or application of payments or receipts under any arrangement entered into under Section 9 of this resolution.

Section 4. **Approval of Forms and Terms of Bonds.** The Bonds shall be in such denominations, have such registration provisions, be executed in such manner, be payable in such medium of payment at such place or places within or without California, be subject to such terms of redemption (including from such sinking fund installments as may be provided for) and contain such terms and conditions as each Indenture as finally approved shall provide. The Bonds shall have the maturity or maturities and shall bear interest at the fixed, adjustable or variable rate or rates deemed appropriate by the Executive Director in furtherance of the objectives of the Program; *provided, however,* that no Bond shall have a term in excess of fifty years or bear interest at a stated rate in excess of fifteen percent (15%) per annum, or in the case of variable rate bonds, a maximum floating interest rate of twenty-five percent (25%) per annum. Commercial paper shall be treated for these purposes as variable rate bonds. Any of the Bonds and the Supplemental Indenture(s) may contain such provisions as may be necessary to accommodate an option to put such Bonds prior to maturity for purchase by or on behalf of the Agency or a person other than the Agency, to accommodate the requirements of any provider of bond insurance or other credit enhancement or liquidity support or to accommodate the requirements of purchasers of Dutch auction bonds or indexed floaters.

Section 5. **Authorization of Disclosure.** The Executive Director is hereby authorized to circulate one or more preliminary official statements relating to the Bonds and, after the sale of the Bonds, to execute and circulate one or more official statements relating to the Bonds, and the circulation of such preliminary official statement and such official statement to prospective and actual purchasers of the Bonds is hereby approved. The Executive Director is further authorized to hold information meetings concerning the Bonds and to distribute other information and material relating to the Bonds.

Section 6. **Authorization of Sale of Bonds.** The Bonds are hereby authorized to be sold at negotiated or competitive sale or sales. The Executive Director is hereby authorized and directed, for and in the name and on behalf of the Agency, to execute and deliver one or more agreements, by and among the Agency, the Treasurer and such purchasers or underwriters as the Executive Director may select (the "Purchasers"), relating to the sale of the Bonds, in such form as the Executive Director may approve upon consultation with the Agency's legal counsel, such approval to be evidenced conclusively by the execution and delivery of said agreements by the Executive Director.

The Treasurer is hereby authorized and requested, without further action of this Board and unless instructed otherwise by this Board, to sell the Bonds pursuant to the terms and conditions set forth in each such agreement as finally executed on behalf of the Agency. The Treasurer is hereby further authorized and requested to deposit the proceeds of any good faith deposit to be received by the Treasurer under the terms of such agreement in a special trust account for the benefit of the Agency, and the amount of such deposit shall be retained by the

Agency, applied at the time of delivery of the applicable Bonds as part of the purchase price thereof, or returned to the Purchasers, as provided in such agreement.

Section 7. **Authorization of Execution of Bonds.** The Executive Director is hereby authorized and directed to execute, and the Secretary of this Board is hereby authorized and directed to attest, for and on behalf and in the name of the Agency and under its seal, the Bonds, in an aggregate amount not to exceed the amount authorized hereby, in accordance with each New Indenture or Supplemental Indenture in one or more of the forms set forth in such New Indenture or Supplemental Indenture.

Section 8. **Authorization of Delivery of Bonds.** The Bonds when so executed, shall be delivered to the Trustee to be authenticated by or caused to be authenticated by the Trustee. The Trustee is hereby requested and directed to authenticate, or cause to be authenticated, the Bonds by the execution of the certificate of authentication and registration appearing thereon, and to deliver or cause to be delivered the Bonds when duly executed and authenticated to the Purchasers in accordance with written instructions executed on behalf of the Agency by the Executive Director, which instructions said officer is hereby authorized and directed, for and on behalf and in the name of the Agency, to execute and deliver to the Trustee. Such instructions shall provide for the delivery of the Bonds to the Purchasers, upon payment of the purchase price thereof.

Section 9. **Authorization of Related Financial Agreements.** The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, any and all agreements and documents designed (i) to reduce or hedge the amount or duration of any payment, interest rate, spread or similar risk, (ii) to result in a lower cost of borrowing when used in combination with the issuance or carrying of bonds or investments, or (iii) to enhance the relationship between risk and return with respect to the Program or any portion thereof. To the extent authorized by law, including Government Code Section 5922, such agreements or other documents may include (a) interest rate swap agreements, (b) forward payment conversion agreements, (c) futures or other contracts providing for payments based on levels of, or changes in, interest rates or other indices, (d) contracts to exchange cash flows for a series of payments, or (e) contracts, including, without limitation, interest rate floors or caps, options, puts or calls to hedge payment, interest rate, spread or similar exposure, and in each such case may be entered into in anticipation of the issuance of bonds at such times as may be determined by such officers. Such agreements and other documents are authorized to be entered into with parties selected by the Executive Director, after giving due consideration for the creditworthiness of the counterparties, where applicable, or any other criteria in furtherance of the objectives of the Program.

Section 10. **Authorization of Program Documents.** The Executive Director and the other officers of the Agency are hereby authorized and directed to execute all documents they deem necessary or appropriate in connection with the Program, including, but not limited to, regulatory agreements, loan agreements, origination and servicing agreements (or other loan-to-lender documents), servicing agreements, developer agreements, financing agreements, investment agreements, agreements to enter into escrow and forward purchase agreements, escrow and forward purchase agreements, refunding agreements and continuing disclosure agreements, in each case with such other parties as the Executive Director may select in furtherance of the objectives of the Program.

The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more mortgage sale agreements with such purchasers as the Executive Director may select in accordance with the objectives of the Program. Any such sale of Loans may be on either a current or a forward purchase basis.

The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, contracts to conduct foreclosures of mortgages owned or serviced by the Agency with such attorneys or foreclosure companies as the Executive Director may select in accordance with the objectives of the Program.

The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, contracts for the sale of foreclosed properties with such purchasers as the Executive Director may select in accordance with the objectives of the Program. Any such sale of foreclosed properties may be on an all cash basis or may include financing by the Agency. The Executive Director and the other officers of the Agency are also authorized to enter into any other agreements, including but not limited to real estate brokerage agreements and construction contracts, necessary or convenient for the rehabilitation, listing and sale of such foreclosed properties.

Section 11. **Authorization of Short-Term Credit Facilities.** In addition, the Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more short-term credit facilities for the purposes of (i) financing the purchase of Loans on an interim basis, prior to the financing of such Loans with Bonds, whether issued or to be issued, and (ii) financing expenditures of the Agency incident to, and necessary or convenient to, the issuance of Bonds, including, but not limited to, Agency expenditures to pay costs of issuance, capitalized interest, redemption price of prior bonds of the Agency, costs relating to credit enhancement or liquidity support, costs relating to investment products, or net payments and expenses relating to interest rate hedges and other financial products. Any such short-term credit facility may be from any appropriate source, including, but not limited to, the Pooled Money Investment Account pursuant to Government Code Section 16312; *provided, however,* that the aggregate outstanding principal amount of short-term credit facilities authorized under this resolution, Resolution No. 08-03 (the single family financing resolution adopted at the same meeting), or Resolution No. 06-06 (the Bay Area Housing Plan resolution), as amended from time to time, may not at any time exceed $500,000,000 (separate and apart from the amount of Bonds authorized by Section 1 of this resolution).

The Executive Director and the other officers of the Agency are hereby authorized to use available Agency moneys (other than and in addition to the proceeds of bonds) to make or purchase loans to be financed by bonds (including bonds authorized by prior resolutions of this Board) in anticipation of draws on a credit facility, the issuance of Bonds or the availability of Bond proceeds for such purposes.

Section 12. **Ratification of Prior Actions.** All actions previously taken by the officers of the Agency in connection with the implementation of the Program, the issuance of the Bonds, the issuance of any prior bonds (the "Prior Bonds"), the execution and delivery of related financial agreements and related program agreements and the implementation of any credit facilities as described above are hereby approved and ratified.

Section 13. **Authorization of Related Actions and Agreements.** The Treasurer, the Executive Director and the officers of the Agency, or the duly authorized deputies thereof, are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all agreements and documents which they deem necessary or advisable in order to consummate the issuance, sale, delivery, remarketing, conversion and administration of Bonds and Prior Bonds and otherwise to effectuate the purposes of this resolution, including declaring the official intent of the Agency for purposes of U.S. Treasury Regulations Section 1.150-2, and including executing and delivering any amendment or supplement to any agreement or document relating to Bonds or Prior Bonds in any manner that would be authorized under this resolution if such agreement or document related to Bonds authorized by this resolution. Such agreements may include, but are not limited to, remarketing agreements, tender agreements or similar agreements regarding any put option for Bonds or Prior Bonds, broker-dealer agreements, market agent agreements, auction agent agreements or other agreements necessary or desirable in connection with the issuance of Bonds in, or the conversion of Bonds or Prior Bonds to, an auction rate mode or an indexed rate mode, agreements for the investment of moneys relating to the Bonds or Prior Bonds, reimbursement agreements relating to any credit enhancement or liquidity support or put option provided for the Bonds or the Prior Bonds, continuing disclosure agreements and agreements for necessary services provided in the course of the issuance of the bonds, including but not limited to, agreements with bond underwriters and placement agents, bond trustees, bond counsel and financial advisors and contracts for consulting services or information services relating to the financial management of the Agency, including advisors or consultants on interest rate swaps, cash flow management, and similar matters, and contracts for financial printing and similar services. The Agency's reimbursement obligation under any such reimbursement agreement may be a special, limited obligation or a general obligation and may, subject to the rights of the Bondholders, be secured by a pledge of the same revenues and assets that may be pledged to secure Bonds or by a pledge of other revenues and assets.

This resolution shall constitute full, separate, complete and additional authority for the execution and delivery of all agreements and instruments described in this resolution, without regard to any limitation in the Agency's regulations and without regard to any other resolution of the Board that does not expressly amend and limit this resolution.

Section 14. **Additional Delegation.** All actions by the Executive Director approved or authorized by this resolution may be taken by the Chief Deputy Director of the Agency, the Director of Financing of the Agency, the Comptroller of the Agency or any other person specifically authorized in writing by the Executive Director.

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. 08-04 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 17th day of January, 2008, 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 17th day of January, 2008.

[SEAL]

Thomas C. Hughes
Secretary of the Board of Directors of the
California Housing Finance Agency

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 the Resolution No. 08-04 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 17th day of January, 2008, 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:

I further certify that I have carefully compared the foregoing copy with the original minutes of said meeting on file and of record in my office; that said copy is a full, true, and correct copy of the original resolution adopted at said meeting and entered in said minutes; and that said resolution has not been amended, modified, or rescinded in any manner since the date of its adoption, and the same is now in full force and effect.

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 ____ day of __________________, _____.

[SEAL]

Thomas C. Hughes
Secretary of the Board of Directors of the
California Housing Finance Agency

State of California

M E M O R A N D U M

To: Board of Directors **Date:** January 3, 2008

Bruce D. Gilbertson, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: AUTHORIZATION TO MAKE APPLICATION TO THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE RESOLUTION 08-05

The California Debt Limit Allocation Committee ("CDLAC") is the State entity which, under California law, allocates the federal volume cap for "private activity bonds" to be issued each year by State and local bond issuers. Private activity bonds are federally tax-exempt bonds which are issued to benefit non-governmental borrowers such as first-time homebuyers or owners of affordable rental housing developments.

Resolution 08-05 would authorize application to CDLAC for a maximum of $900 million of single family allocation and $400 million of multifamily allocation. Such authorization would be in effect during the period of time in which Resolutions 08-03 and 08-04, which authorize the issuance of single family and multifamily bonds, are themselves in effect.

Included in this maximum request would be an amount to finance an "economic development" concept to achieve two public purposes, ie, putting "subprime" REO's back in ownership and increasing affordability to first-time homebuyers. Given CalHFA Board member's comments at the November 2007 meeting, staff are looking at the possibility of offering some kind of program that would bring these vacant REOs and qualified first time home-buyers together in "yet to be defined" areas to prevent further economic impact on areas with large foreclosures. Our concept, still in the early design phase, would be to use additional volume cap awarded by CDLAC (above levels to maintain our ongoing Business Plan devoted to our regular first time home-buyer programs), to be specifically dedicated for bonds that would be structured, without taxable bond leveraging, to achieve the lowest possible lending rates.

At the December 5, 2007 CDLAC meeting the committee approved action to grant to CalHFA the amount of any remaining unused 2007 volume cap for use in our homeownership program. As of this writing, the amount remaining was $132.8 million, but it could grow if other issuers report any additional failure to use in their entirety allocations granted in 2007. In December of 2006 we were similarly allocated $258.6 million of unused 2006 volume cap.

The amounts proposed in Resolution 08-05 are greater than we would expect to apply for. However, the presumption is that the Board would want CalHFA to be authorized to apply and eligible to do so under CDLAC rules if allocation is available.

The attached table shows the amount of volume cap allocated to housing purposes over the past five years and what portion of these amounts were allocated to CalHFA.

Attachments

CDLAC ALLOCATIONS 2003 - 2007

		MULTIFAMILY ALLOCATIONS			SINGLE FAMILY ALLOCATIONS		
Year	Volume Cap for all Programs	All Multifamily	To CalHFA	% of MF Total	All Single Family *	To CalHFA	% of SF Total
2003	$2,633,702,475	$1,436,702,475	$236,565,000 (1)	16.5%	$724,000,000	$416,332,732 (2)	57.5%
2004	$2,838,756,240	$1,552,900,000	$214,187,800 (3)	13.8%	$782,650,000	$695,804,851 (4)	88.9%
2005	$2,871,503,920	$1,669,700,000	$168,155,000 (5)	8.9%	$646,000,000	$1,015,521,544 (6)	157.2%
2006	$2,890,571,760	$1,635,000,000	$56,550,000 (7)	3.5%	$610,000,000	$618,625,729 (8)	101.4%
2007	$3,098,891,665	$1,740,891,665	$39,940,000	2.3%	$640,000,000	$442,800,000 (9)	69.2%

* Includes MRBs and Extra Credit Teacher Home Purchase Program.

(1) Includes $21,555,000 of multifamily carry forward allocation.
(2) Includes $86,460,327 of single family carry forward allocation.
(3) Includes $21,610,000 of multifamily carry forward allocation.
(4) Includes $307,804,851 of single family carry forward allocation.
(5) Includes $20,365,000 of multifamily carry forward allocation.
(6) Includes $756,521,544 of single family carryforward allocation.
(7) Includes $12,165,000 of multifamily carry forward allocation.
(8) Includes $258,625,729 of single family carry forward allocation.
(9) Includes an estimated amount of $132,800,000 of single family carry forward allocation.

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RESOLUTION NO. 08-05

RESOLUTION OF THE CALIFORNIA HOUSING FINANCE AGENCY APPROVING APPLICATIONS TO THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE FOR PRIVATE ACTIVITY BOND ALLOCATIONS FOR THE AGENCY'S HOMEOWNERSHIP AND MULTIFAMILY PROGRAMS

WHEREAS, the California Housing Finance Agency (the "Agency") has determined that there exists a need in California for providing financial assistance to persons and families of low or moderate income to enable them to purchase moderately priced single family residences (the "Residences");

WHEREAS, the Agency has determined that it is in the public interest for the Agency to provide such financial assistance by means of ongoing programs (collectively, the "Homeownership Program") to make lower-than-market rate loans for the permanent financing of Residences;

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 issue bonds to provide sufficient funds to finance the Homeownership Program;

WHEREAS, the Agency has by its Resolution No. 08-03 authorized the issuance of bonds for the Homeownership Program and desires to authorize application to the California Debt Limit Allocation Committee for private activity bond allocations to be used in connection with the issuance of a portion of such bonds in order for interest on such bonds to be excludable from gross income for federal income tax purposes;

WHEREAS, the Agency has also determined that there exists a need in California for the financing of mortgage loans for the construction or development of multifamily rental housing developments (the "Developments") for the purpose of providing housing for persons and families of low or moderate income;

WHEREAS, the Agency has determined that it is in the public interest for the Agency to provide such financial assistance by means of an ongoing program (the "Multifamily Program") to make or acquire, or to make loans to lenders to make or acquire, mortgage loans, for the purpose of financing such Developments;

WHEREAS, pursuant to the Act, the Agency has the authority to issue bonds to provide sufficient funds to finance the Multifamily Program; and

WHEREAS, the Agency has by its Resolution No. 08-04 authorized the issuance of bonds for the Multifamily Program and desires to authorize application to the California Debt Limit Allocation Committee for private activity bond allocations to be used in connection with the issuance of a portion of such bonds in order for interest on such bonds to be excludable from gross income for federal income tax purposes;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors (the "Board") of the California Housing Finance Agency as follows:

Section 1. **Authorization to Apply to CDLAC for the Homeownership Program.** The officers of the Agency are hereby authorized to apply from time to time to the California Debt Limit Allocation Committee ("CDLAC") for private activity bond allocations in an aggregate amount of up to $900,000,000 per year to be used in connection with bonds issued under Resolution No. 08-03 or resolutions heretofore or hereafter adopted by the Agency for the Homeownership Program. In the alternative, subject to the approval of CDLAC and under such terms and conditions as may be established by CDLAC, any such allocation received is authorized by this Board to be used in connection with a mortgage credit certificate program or in connection with a teacher home purchase program.

Section 2. **Authorization to Apply to CDLAC for the Multifamily Program.** The officers of the Agency are hereby authorized to apply from time to time to CDLAC for private activity bond allocations in an aggregate amount of up to $400,000,000 per year, to be used in connection with bonds issued under Resolution No. 08-04 or resolutions heretofore or hereafter adopted by the Agency for the Multifamily Program.

Section 3. **Authorization of Related Actions and Agreements.** The officers of the Agency, or the duly authorized deputies thereof, are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all agreements and documents which they may deem necessary or advisable in order to effectuate the purposes of this resolution, including but not limited to satisfying in the best interests of the Agency such officers and deputies are also hereby expressly authorized to accept on behalf and in the best interests of the Agency any private activity bond allocations offered by CDLAC over and above those which may be granted pursuant to any application authorized hereinabove or in any prior resolution of the Board.

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. 08-05 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 17th day of January, 2008 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 17th day of January, 2008

[SEAL]

Thomas C. Hughes
Secretary of the Board of Directors of the
California Housing Finance Agency

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Report to the Board of Directors
Business Plan Mid-Year Review

January 2008

CalHFA
Affordable Housing is our Business

CalHFA BUSINESS PLAN FY 2007/2008
SPECIAL PROGRAMS LOAN INITIATIVES
PRODUCTION LEVELS

	HAT FUNDED PROGRAMS	GO BOND FUNDED PROGRAMS	PROPOSITION 63	TOTAL
Single Family Programs:				
Down Payment Assistance	$ 30,700,000	$ 47,800,000		$ 78,500,000
SHBAP	1,300,000			$ 1,300,000
Multifamily Programs:				
Residual Gap Loan Program	10,000,000			$ 10,000,000
MHSA Housing / Special Needs			80,200,000	$ 80,200,000
Homeless/Special Needs Program	5,000,000			$ 5,000,000
Asset Management:				
Portfolio Assistance	10,000,000			$ 10,000,000
Special Lending:				
Habitat for Humanity	3,000,000			$ 3,000,000
HELP	15,000,000			$ 15,000,000
RDLP		40,000,000		$ 40,000,000
Total	$ 75,000,000	$ 87,800,000	$ 80,200,000	$ 243,000,000

TABLE II - PLAN SUMMARY
(In millions)

	2007/08	2008/09	2009/10	2010/11	2011/12	5 Yr Total
HOMEOWNERSHIP PROGRAMS [a]						
Homeownership First Mortgages	$1,500.0	$1,500.0	$1,500.0	$1,500.0	$1,500.0	$7,500.0
Agency Funded Down Payment Assistance						
CalHFA Housing Assistance Program (CHAP) [b]	5.7	5.7	5.7	5.7	5.7	28.5
High Cost Area Home Purch. Assist. Prog. (HiCAP) [b]	25.0	25.0	25.0	25.0	25.0	125.0
Self-Help Builder Assistance (SHBAP) [b]	1.3	1.3	1.3	1.3	1.3	6.5
Prop. 46 Down Payment Assistance						
CA Homebuyer's Downpmt Assist. Prog.(CHDAP)	9.6	0.0	0.0	0.0	0.0	9.6
Homeownership In Revital. Areas Prog. (HIRAP)	1.5	0.5	0.0	0.0	0.0	2.0
Extra Credit Teacher Home Purchase Prog. (ECTP)	6.6	0.0	0.0	0.0	0.0	6.6
School Facility Fee Down Pay. Assist. Prog. (SFF)	3.7	3.8	4.0	4.2	4.5	20.2
Prop. 1C Down Payment Assistance						
CA Homebuyer's Downpmt Assist. Prog.(CHDAP)	26.4	36.0	32.6	0.0	0.0	95.0
Total Homeownership Programs	$1,579.8	$1,572.3	$1,568.6	$1,536.2	$1,536.5	$7,793.4
INSURANCE SERVICES						
CalHFA	$675.0	$700.0	$725.0	$750.0	$775.0	$3,625.0
Non-CalHFA	0.0	0.0	0.0	0.0	0.0	0.0
Total Insurance Programs	$675.0	$700.0	$725.0	$750.0	$775.0	$3,625.0
MULTIFAMILY PROGRAMS [c]						
Permanent Loans	$30.0	$30.0	$30.0	$30.0	$30.0	$150.0
Construction Loans	60.0	60.0	60.0	60.0	60.0	300.0
Bay Area Housing Plan	15.0	0.0	0.0	0.0	0.0	15.0
Proposition 63 - MHSA Program						
Loan Program	50.0	53.0	61.8	70.4	73.6	308.8
Operating Subsidy	30.2	31.4	36.0	40.8	42.4	180.8
Homeless/Special Needs Program [b]	5.0	0.0	0.0	0.0	0.0	5.0
Residual Gap Loan Program [b]	10.0	10.0	10.0	10.0	10.0	50.0
Asset Management Portfolio Preservation [b]	10.0	10.0	10.0	10.0	10.0	50.0
Total Multifamily Programs	$210.2	$194.4	$207.8	$221.2	$226.0	$1,059.6
SPECIAL LENDING PROGRAMS [c]						
Locality Programs						
Housing Enabled through Local Partnerships (HELP) [b]	$15.0	$15.0	$15.0	$15.0	$15.0	$75.0
Residential Development Loan Program (RDLP)						
Prop 46	20.0	20.0	20.0	20.0	20.0	100.0
Prop 1C	20.0	20.0	20.0	20.0	20.0	100.0
Habitat for Humanity Loan Purchase Program [b][d]	5.0	5.0	0.0	0.0	0.0	10.0
Total Special Lending Programs	$60.0	$60.0	$55.0	$55.0	$55.0	$285.0
TOTAL CalHFA PROGRAMS	$2,525.0	$2,526.7	$2,556.4	$2,562.4	$2,592.5	$12,763.0

(a) Production total represent anticipated Homeownership loans purchased.
(b) Funded from Agency's Housing Assistance Trust.
(c) Production totals represent anticipated Multifamily and Special Lending Programs final commitments.
(d) Program production levels will be revisited on an annual basis.

Homeownership and Mortgage Insurance Programs

CalHFA
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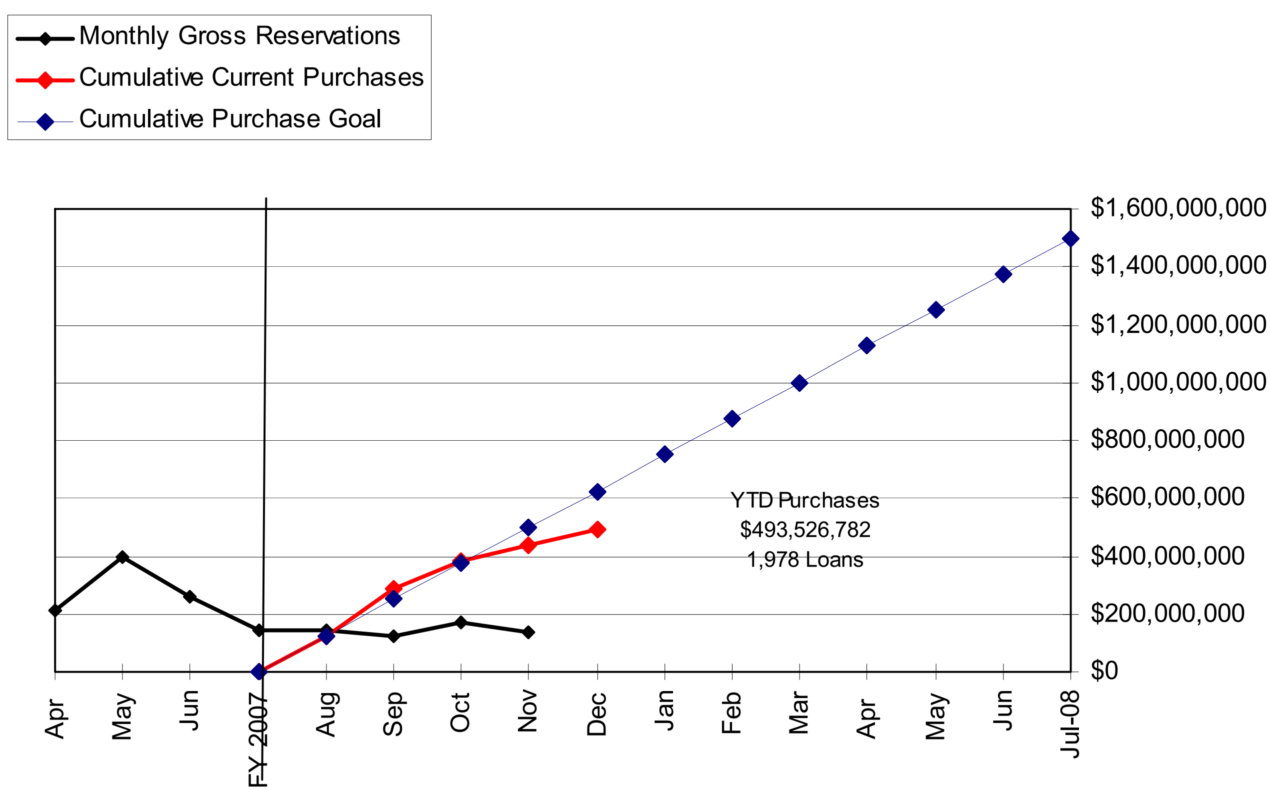
Homeownership Program Production Highlights
As of 11/30/07



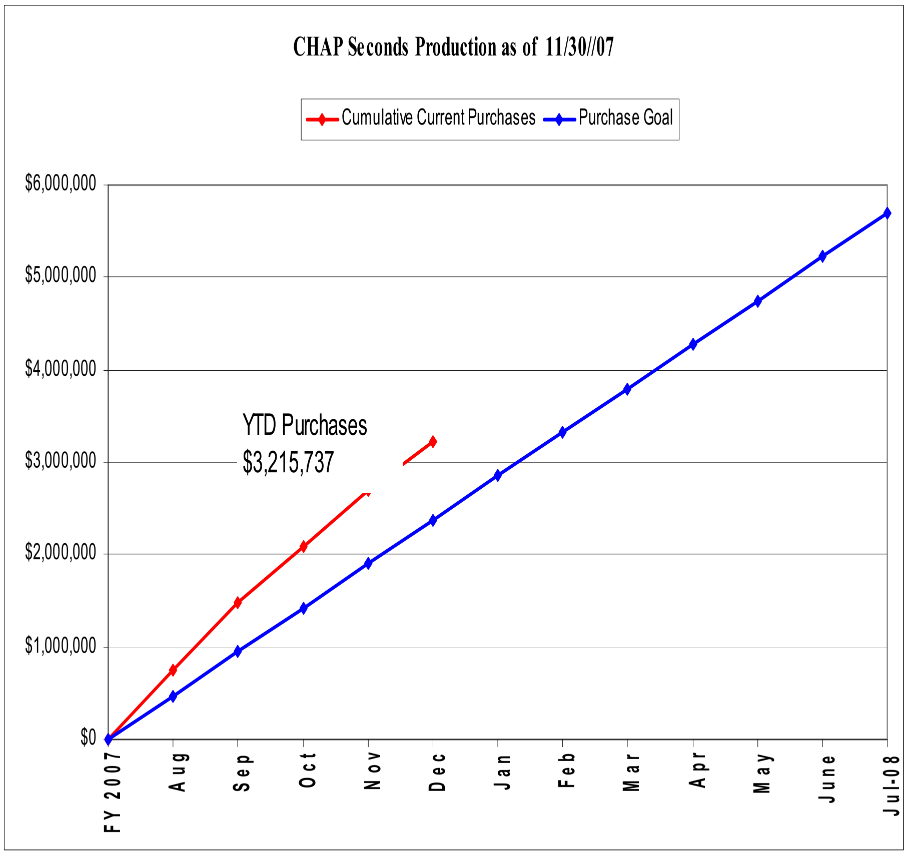
Highlights

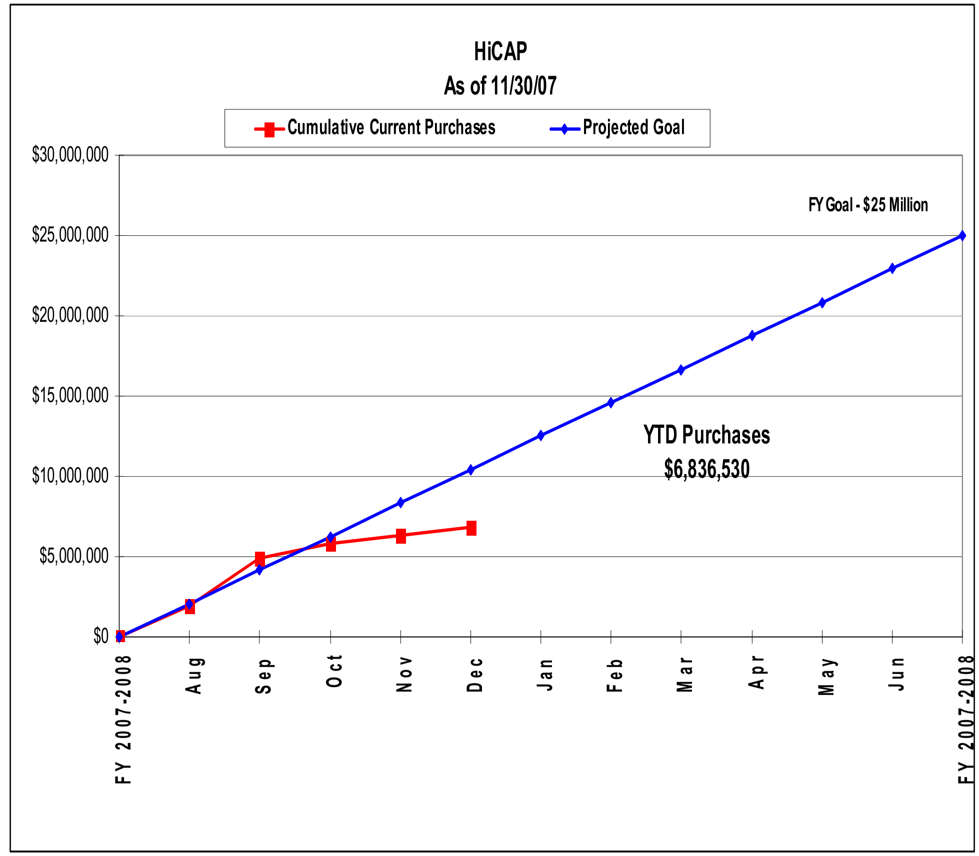
•1ST Mtg. Product	% of No.
•30-Year	67%
•35-Year	24%
•35-Year (MBS)	.01%
•40-Year	9%
•Down Pymt Asst. Pgms	% of YTD Goal
•CHAP	135%
•HiCAP	66%
•CHDAP	110%
•HIRAP	126%
•ECTP	77%
•SFF	223%

•55% of loans to minority homebuyers

•40.6% of loans to low income homebuyers

Housing Trust Fund Down Payment Programs
CHAP and HiCAP – As of 11/30/07





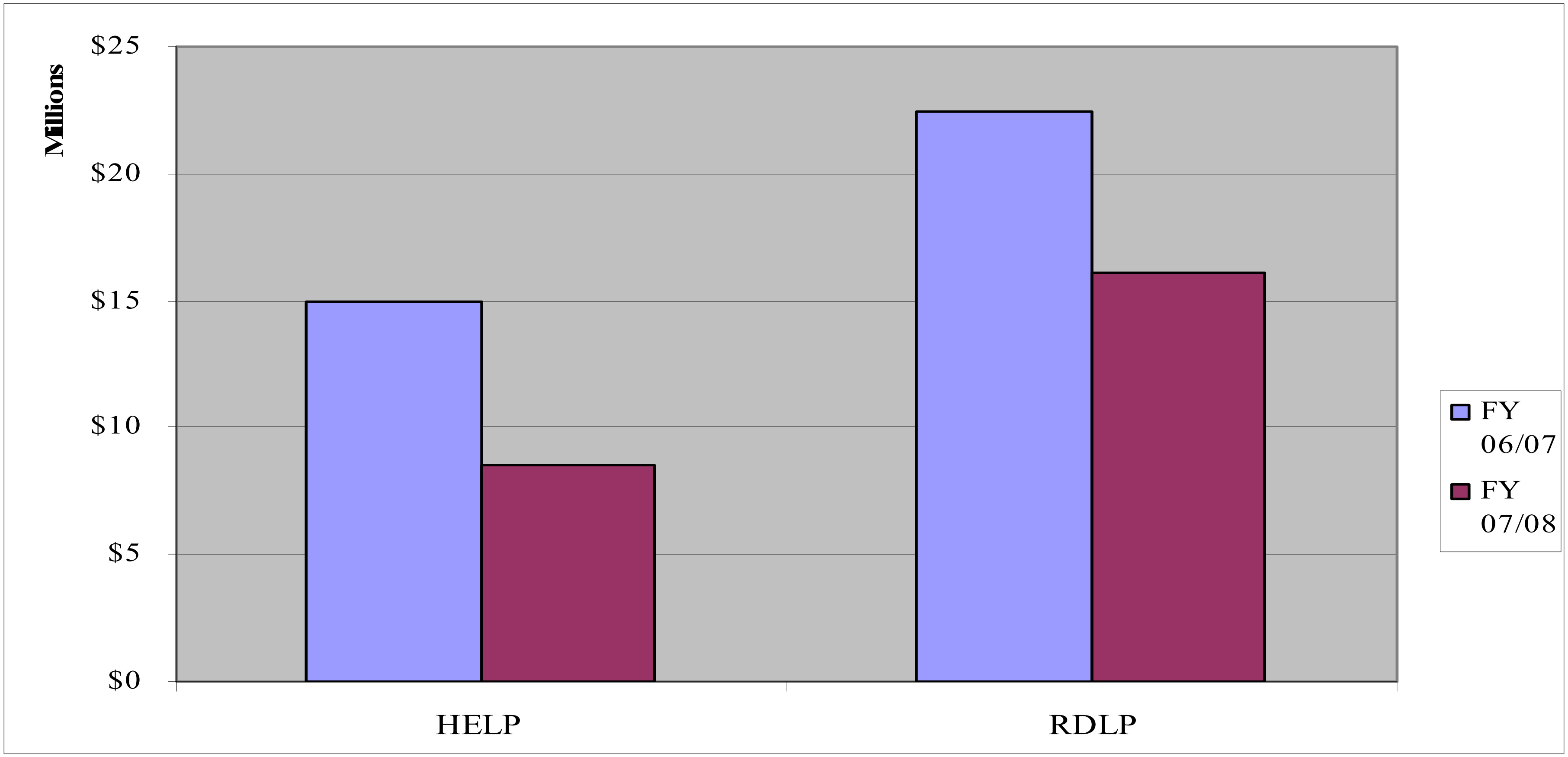
FY Goal for Purchased Chap Loans: $5,700,000
Percentage of YTD Total Goal: 135%

FY Goal for Purchased HiCAP Loans: $25,000,000
Percentage of YTD Total Goal: 66%

Homeownership Prop. 46 and 1C Statistics

	Allocation	Funded		Recycled Funds/Interest	Available Balance
Program					As of 11/30/07
SFF	$47,500,000.00	$20,063,022	5,211 grants	$1,503,592	$28,940,570
ECTP	$23,750,000	$16,908,125	1,419 loans	$2,454,568	$9,296,443
CHDAP	$115,329,748	$147,378,855	18,557 loans	$32,059,297	$0
CHDAP	$95,000,000	$6,301,092	759 loans		$88,698,908
HIRAP	$11,900,000 (2/26/03)	$2,502,349	161 loans		$0.00 (Bal transferred to CHDAP)
	$6,000,000 (5/6/05)	$5,764,949	321 loans	$348,928	$583,979
RDLP	$170,000,000	$3,000,000	2 loans		$167,000,000

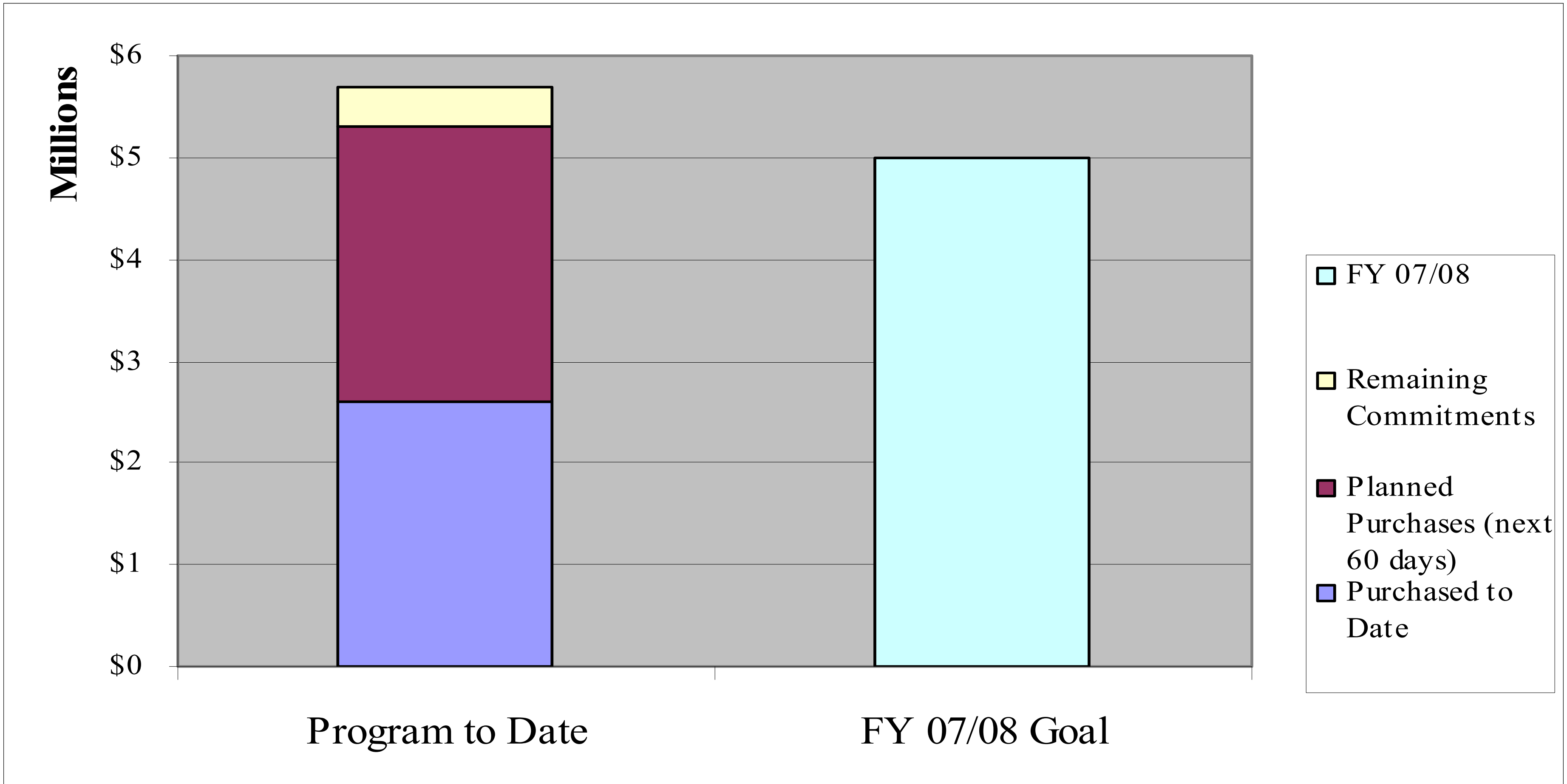
Special Lending Programs – HELP and RDLP



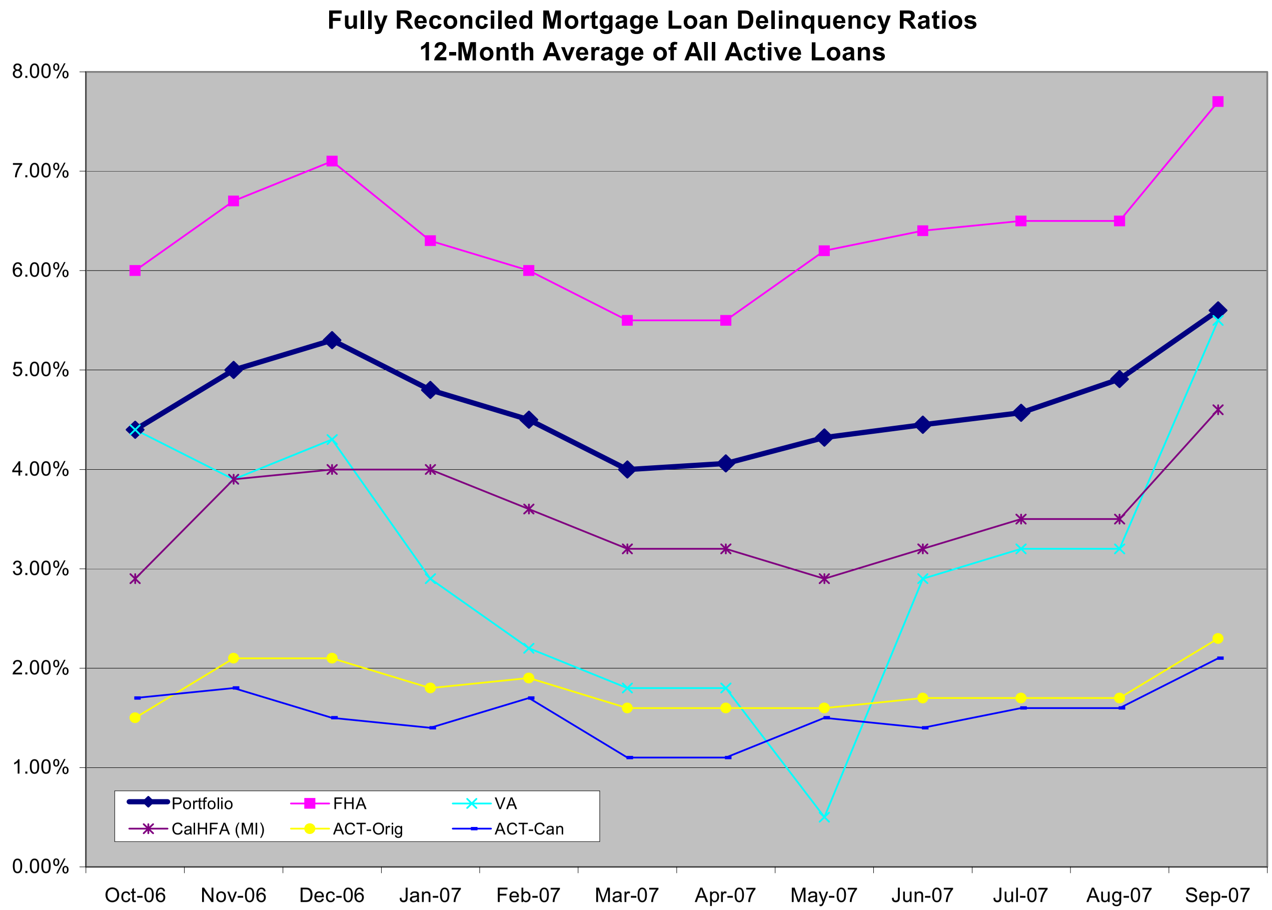
HELP -- FY 07/08 Represents 7 applications being reviewed by staff -- $8.5 million for 358 housing units.

RDLP – FY 07/08 Represents 4 applications being reviewed by staff -- $16.086 million for 206 housing units.

Special Lending – Habitat for Humanity



Delinquency and REO Summary



FHA	**7.70%**	**Act-Can**	**2.10%**
VA	**5.50%**	**MI**	**4.60%**
Act-Org	**2.30%**	**Portfolio**	**5.60%**

Real Estate Owned Summary

Active Loans	2006 CY As of 12/31/06	2007 YTD As of 9/30/07
FHA/RHS	15,768	15,317
Conventional	12,470	15,483
VA	515	506
Portfolio	28,753	31,306

Trustee Sales Held	During CY 2006	During CY 2007 (through 11/30/07)
FHA/RHS	17	62
% of Portfolio	0.11%	0.40%
Conventional	3	46
% of Portfolio	0.02%	0.30%
VA	1	0
% of Portfolio	0.19%	0.00%
Portfolio	21	108
Total %	0.07%	0.34%

Current Inventory of REO
(As of November 2007)

Insurer	# of Properties	Dollars
CalHFA	38	$9,949,865
FHA	36	$7,664,965
ACT	0	$0
Total	74	$17,614,830

Homeownership Gains and Losses
As of November 30, 2007

2007 Year to Date REO Uninsured Losses[1]
(As of November 2007)

1st TD Sale Gain(Loss)	$6,942
Subordinate Write-Off	($1,668,690)
Total Gain(Loss)	($1,661,748)

(1) Includes both reconciled and unreconciled gains/losses to date.

Composition of 1st Trust Deed Gain/(Loss)
(Portfolio as of September 2007; REO as of November 2007)

Loan Type	Active Loans	Outstanding Dollars	Trustee Sales Held	%	Gain/(Loss)
FHA/RHS	15,317	$2,103,558,568	62	0.40%	$15,856
Conventional	15,483	$3,705,928,834	46	0.30%	($8,914)
VA	506	$74,940,086	0	0.00%	$0
Portfolio	31,306	$5,884,427,488	108	0.34%	$6,942

Composition of Subordinate Write-Offs by Loan Type[1]
(As of November 2007)

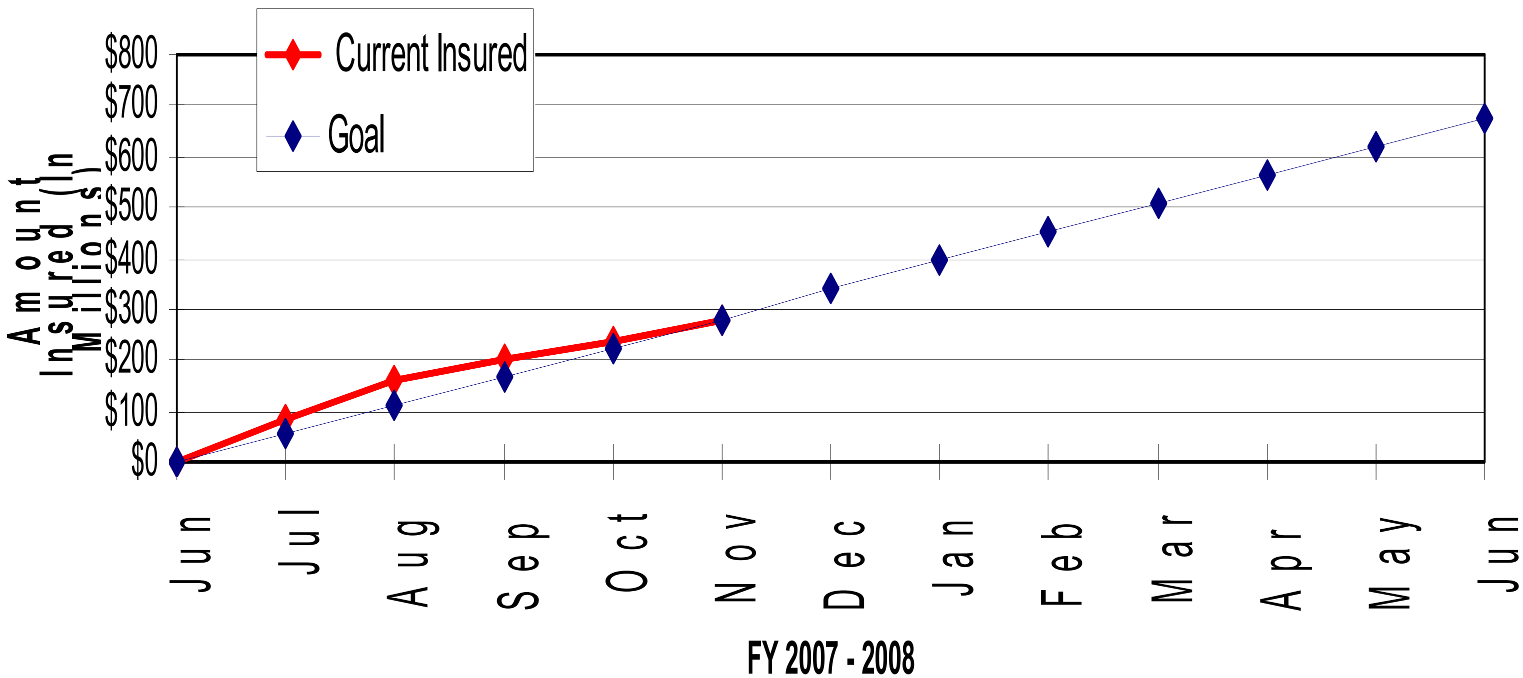
Loan Type	Active Loans	Outstanding Dollars	Write-Offs	%	Write-Off Dollars	%
CHAP/HiCAP	10,879	$124,928,833	86	0.79%	$1,039,697	0.83%
CHDAP/ECTP	16,850	$142,453,996	87	0.52%	$628,993	0.44%
Other [2]	795	$12,098,389	0	0.00%	$0	0.00%
	28,524	$279,481,218	173	0.61%	$1,668,690	0.60%

(1) Does not include FNMA subordinates.
(2) Includes HIRAP, HPA, MDP, OHPA, SSLP, and CalSTRS.

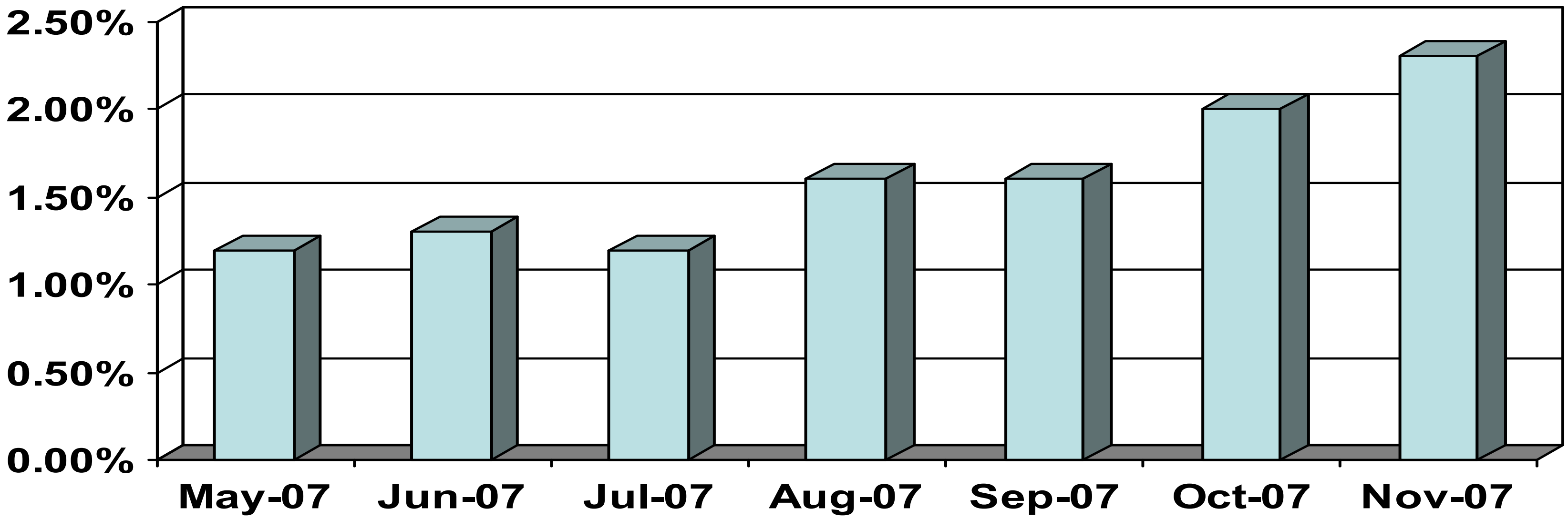
Loan Origination Project Procurement Status

- RFP is in draft and through Core Team and Steering Committee Review;
- Legal review of RFP nearly complete;
- Outside counsel assisting with Model Contract;
- Late January 2008 RFP Release anticipated;
- If RFP and Model Contract released in January:
  - Draft proposals due March;
  - Final proposals due in June;
  - Proposals reviewed, followed by site visits and interviews in June/July;
  - Contract presented to Board in September for approval.

Mortgage Insurance Highlights
As of 12/31/07



CalHFA Mortgage Insurance Delinquency Trends as of November 30, 2007



	May 07	June 07	July 07	Aug 07	Sept 07	Oct 07	Nov 07
CalHFA MI Delinquencies	**1.2%**	**1.3%**	**1.2%**	**1.6%**	**1.6%**	**2.0%**	**2.3%**

CalHFA Mortgage Insurance Loan Delinquency Status
As of November 30, 2007

Delinquency Category	<120 Days Delinquent	>=120 Days Delinquent	In Foreclosure	Title Held By Servicer	MI Claim Received	MI Claim Pending	Grand Total
Number of Loans Delinquent	97	43	50	23	22	4	239
Amount of Loans Delinquent	$24,912,121	$11,954,574	$11,791,736	$5,990,072	$5,029,944	$1,266,177	$60,944,624

CalHFA and the Current Market

- Update on Current Market Conditions
  - Home Values – Impact LTVs, REO sales
  - Liquidity Markets – Impact Financing
- CalHFA 100% Financing
  - Broader market retrenching from 100% LTV
- MBS Delivery Platform
  - Viability of MBS in Current Market
- Fannie Mae Negotiations
  - March deadline

Multifamily and Special Lending

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CalHFA Multifamily- Mid-Year Report

Committed Loans FY July 1, 2007 - June 30, 2008

Total Committed Units: 330 Projects: 7 Loans: $64,033,000

	MF Commitments (Year-to-Date)	MF Commitments (Goal-2007/08)	Percentage of Goal
*Mid-Year Goal	*$64,033,000*	*$52,500,000*	*122%*
*Year Goal		*$105,000,000*	*61%*

*These goals include funds for Perm, Const, Acq/Rehab, and HAT funds.

	MF Commitments (Year-to-Date)	Allocation	Percentage of Goal
**BAHP	*N/A*	*$15,000,000*	*N/A*
**MHSA	*$0*	*$50,000,000*	*0%*

**It has been determinded that BAHP $15m will not be utilized as planned. MHSA Program is still in discussions with DMH, and as a result, has been delayed. In addition, we have $30.2m in MHSA Operating Subsidy that will remain unused this FY.

***Closed Loans FY July 1, 2007 - June 30, 2008

Total Closed Units: 937 Projects: 9 Loans: $59,895,646

***Pre-Application/Application Loans FY July 1, 2007 - June 30, 2008

Total Pre-App/App Units: 1482 Projects: 13 Loans: $213,610,000

*** This is the current Multifamily Pipeline in process which may go to Committee in the 2007-2008 Fiscal Year.

Multifamily Programs
Mid-Year Accomplishments

- New Director of Multifamily Programs
- Multifamily production pipeline – Up to $200 million.
- Architectural Processing Requirements Manual underwent detailed review and updating, and has been released as Architectural Recommendations
- New Multifamily Programs Under Development
- Universal application – July 2007
- Earthquake Insurance Requirements – Being reviewed and updated.
- Bay Area Housing Plan:
  - Purchased 8 of the loans from BofA - approximately $13M.
  - Commitments to BofA to purchase an additional 34 loans -- $56M

Mid-Year Accomplishments - Continued

- **Mental Health Services Act (MHSA) Housing Program**
  - **Working with Department of Mental Health (DMH) and the County Mental Health Director's Association (CMHDA);**
  - **Application made available in August 2007;**
  - **Workshops and conferences around the state.**
  - **DMH emergency regulations – BTH Review in process**
  - **DMH issued contracts to the county mental health departments:**
    - **Authorize transfer of $300M in FY 2007/08 to CalHFA to start the program, and $100M in 2008/09.**
  - **Currently accepting applications**
    - **No final commitments until the DMH regulations become effective, CalHFA enters into an interagency agreement with DMH, and the Counties have authorized the transfer of funds to CalHFA.**
    - **Reviewing 20+/- projects in predevelopment.**
  - **Many MHSA developments will use CalHFA construction and permanent financing**

Asset Management

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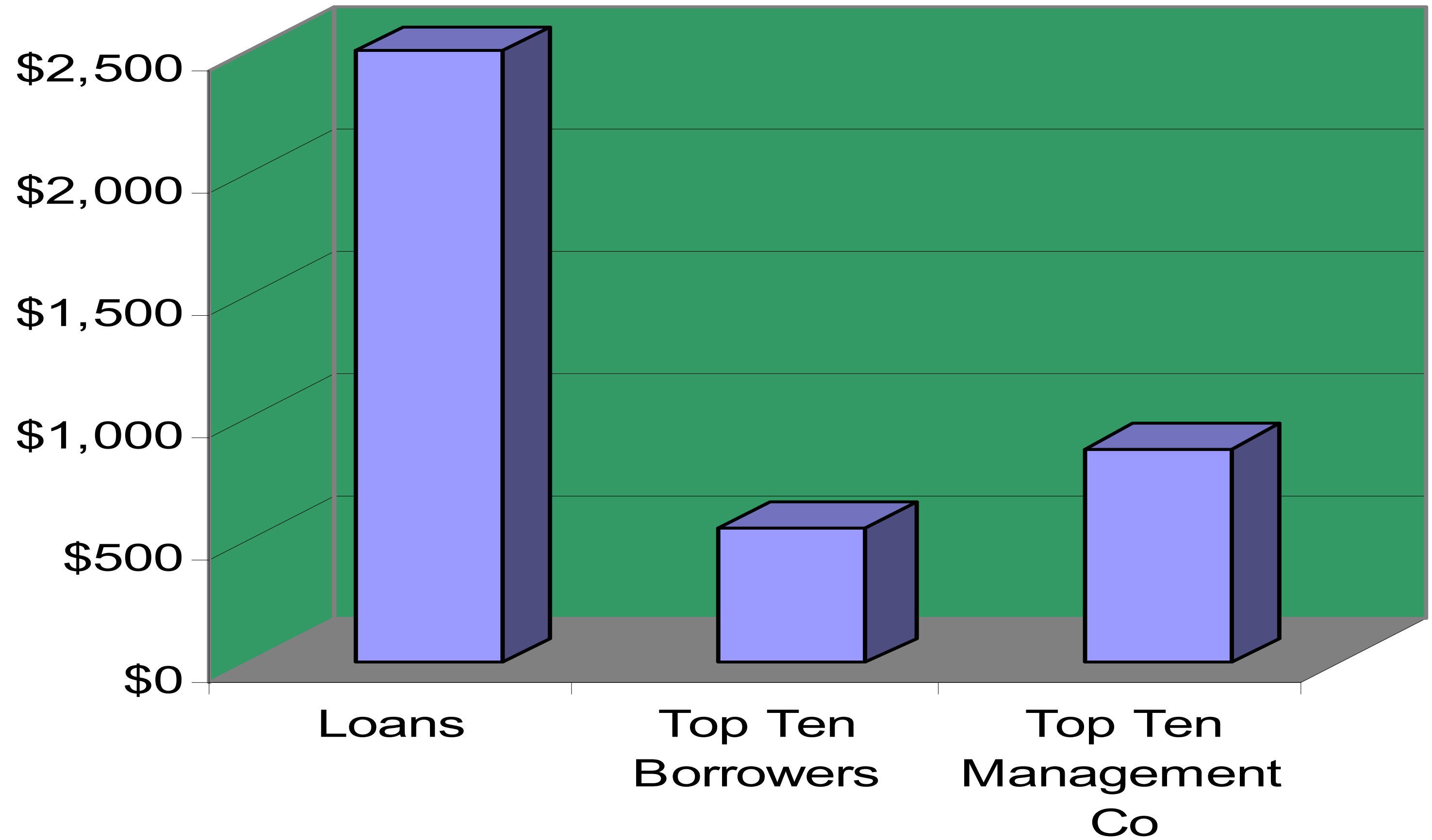
Asset Management Mid-Year Review

- Preservation/Rehabilitation tools for existing portfolio
  - $10M HAT funds;
    - $4,3868,900 committed to date for five portfolio refinances
  - $50M Earned Surplus (Section 8 only):
    - No funds committed this FY;
  - SB 707 Extension of RHCP Program:
    - Legislative action allows refinances beginning 7-1-2008;
  - Develop refinance plan for older 80/20s:
    - Interdepartmental work group developed to begin work on this;
- Mental Health Services Act:
  - Operating Subsidy Plan ready;
- Prepayment Policy.

Portfolio Concentration



Operating Budget and Staffing Levels

- Operating Budget
  - FY 07/08 Total Operating Budget - $45.7 million;
  - Actual Nov YTD Expenditures -- $14.7 million (32%);
  - Projected Dec YTD Expenditures -- $18.2 million (40%);
  - Lower than expected expenditures in Strategic Projects.

- Staffing
  - Focus on Recuitment:
    - REO Staff in Homeownership Division
    - Loan Servicing Staff in Fiscal Services Division
  - Total Positions Filled - 272

REPORTS

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State of California

M E M O R A N D U M

To: Board of Directors **Date:** January 3, 2008

Bruce D. Gilbertson, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: SUMMARY OF CALENDAR YEAR 2007 BOND FINANCINGS

Attached are tables and pie charts summarizing calendar year 2007 bond issuance activity and showing bonds issued over the last five years. During 2007 we issued bonds totaling $1.5 billion, compared to last year's issuance volume of $1.3 billion. All but $13 million was issued as permanent debt to purchase loans.

During the year we issued $350 million of taxable bonds, all of which were sold to expand available proceeds to finance the purchase of single family loans and leverage tax-exempt issuance authority available for this purpose. These bonds were privately placed with banks without the assistance of an underwriter. These direct placements offered significantly lower costs of issuance compared to publicly offered bonds and also allowed us to achieve a lower cost of funds. This is our largest annual total of taxable activity since 2004 when more than $396 million were issued.

Agency indebtedness (bonds and notes) totaled $8 billion as of December 31, 2007, an increase from $7.5 billion as of the end of 2006.

As shown in the table and accompanying pie charts, of the $1.5 billion of debt issued during 2007 more than $1.1 billion (78% of total issuance) was issued as fixed rate bonds.

The $328 million of variable rate bonds were issued as demand bonds, index bonds and auction rate securities. All but $120 million of those variable rate bonds were swapped to fixed rates

Attachments

CALIFORNIA HOUSING FINANCE AGENCY
FIVE-YEAR BOND ISSUANCE SUMMARY
BOND ISSUED FROM 2003 TO 2007

YEAR	*PROGRAM*	*PRIVATE ACTIVITY BOND ALLOCATION RECEIVED*	*BONDS SOLD*			*END OF YEAR BONDS OUTSTANDING*
			TAX-EXEMPT	*TAXABLE*	*TOTAL*	
2003	Single Family	$416,332,732 (1)	$1,073,750,000	$846,995,000	$1,920,745,000	$6,452,560,638
	Multifamily	$236,656,000 (2)	$231,035,000	$0	$231,035,000	$1,543,554,435
	SUBTOTAL	$652,988,732	$1,304,785,000	$846,995,000	$2,151,780,000	$7,996,115,073
2004	Single Family	$695,804,851 (3)	$1,389,370,000	$396,305,000	$1,785,675,000	$6,267,979,857
	Multifamily	$214,187,800 (4)	$296,980,000	$0	$296,980,000	$1,688,118,265
	Other Programs *	$0	$50,000,000	$0	$50,000,000	$50,000,000
	SUBTOTAL	$909,992,651	$1,736,350,000	$396,305,000	$2,132,655,000	$8,006,098,122
2005	Single Family	$1,015,521,544 (5)	$1,566,506,000	$0	$1,566,506,000	$5,932,309,379
	Multifamily	$168,155,000 (6)	$239,200,000	$0	$239,200,000	$1,754,767,470
	Other Programs *	$0	$0	$0	$0	$50,000,000
	SUBTOTAL	$1,183,676,544	$1,805,706,000	$0	$1,805,706,000	$7,737,076,849
2006	Single Family	$594,000,000 (7)	$1,087,524,500	$0	$1,087,524,500	$5,647,483,156
	Multifamily	$56,550,000 (8)	$97,280,000	$0	$97,280,000	$1,663,196,486
	Other Programs *	$0	$47,090,000	$61,110,000	$108,200,000	$158,200,000
	SUBTOTAL	$650,550,000	$1,231,894,500	$61,110,000	$1,293,004,500	$7,468,879,642
2007	Single Family	$442,800,000 (9)	$1,062,960,000	$350,000,000	$1,412,960,000	$6,363,942,007
	Multifamily	$39,940,000	$56,765,000	$0	$56,765,000	$1,517,697,488
	Other Programs *	$0	$0	$0	$0	$158,200,000
	SUBTOTAL	$482,740,000	$1,119,725,000	$350,000,000	$1,469,725,000	$8,039,839,495
	5-YEAR TOTALS	$3,879,947,927	$7,198,460,500	$1,654,410,000	$8,852,870,500	

* Includes bonds issued under the Housing Program Bond Indenture to finance single family down payment assistance loans, and to securitize Multifamily loans held in the Housing Assistance Trust.

(1) Includes $84,460,327 of single family carryforward.
(2) Includes $21,555,000 of multifamily carryforward.
(3) Includes $307,804,851 of single family carryforward.
(4) Includes $21,610,000 of multifamily carryforward.
(5) Includes $756,521,544 of single family carryforward.
(6) Includes $20,365,000 of multifamily carryforward.
(7) Includes $258,625,729 of single family carryforward.
(8) Includes $12,165,000 of multifamily carryforward.
(9) Includes an estimate of $132,800,000 carryforward.

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CALIFORNIA HOUSING FINANCE AGENCY

2007 CALENDAR YEAR
BOND ISSUANCE SUMMARY

	HMRB Single Family	HMRB Private Placement	SINGLE FAMILY TOTALS	MHRBIII MULTIFAMILY	TOTALS	Variable Rate	Fixed Rate
TAX-EXEMPT BONDS							
Variable Rate							
VRDO's	$150,000,000		$150,000,000		**$150,000,000**		
Auction	$0	$0	$0	$44,600,000	**$44,600,000**		
Notes	$12,960,000	$0	$12,960,000	$0	**$12,960,000**	$207,560,000	
Fixed Rate	$900,000,000	$0	$900,000,000	$12,165,000	**$912,165,000**		$912,165,000
Subtotals	*$1,062,960,000*	*$0*	*$1,062,960,000*	*$56,765,000*	***$1,119,725,000***		
TAXABLE BONDS							
Variable Rate							
Index-Floaters	$0	$120,000,000	$120,000,000	$0	**$120,000,000**	$120,000,000	
Fixed Rate	$0	$230,000,000	$230,000,000	$0	**$230,000,000**		$230,000,000
Subtotals	*$0*	*$350,000,000*	*$350,000,000*	*$0*	***$350,000,000***		
TOTALS	**$1,062,960,000**	**$350,000,000**	**$1,412,960,000**	**$56,765,000**	**$1,469,725,000**		
Variable Rate Totals						***$327,560,000***	
Fixed Rate Totals							***$1,142,165,000***

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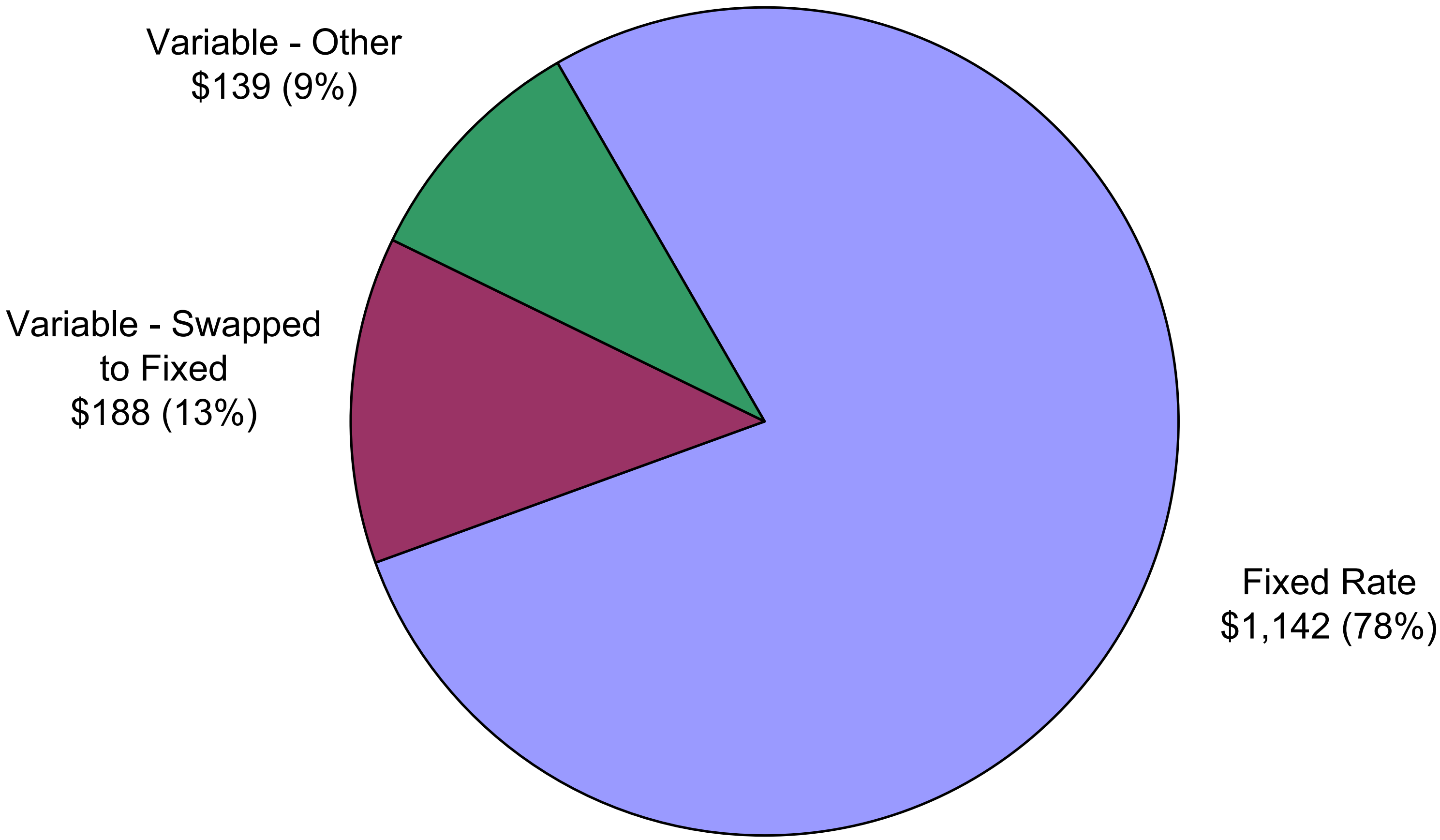
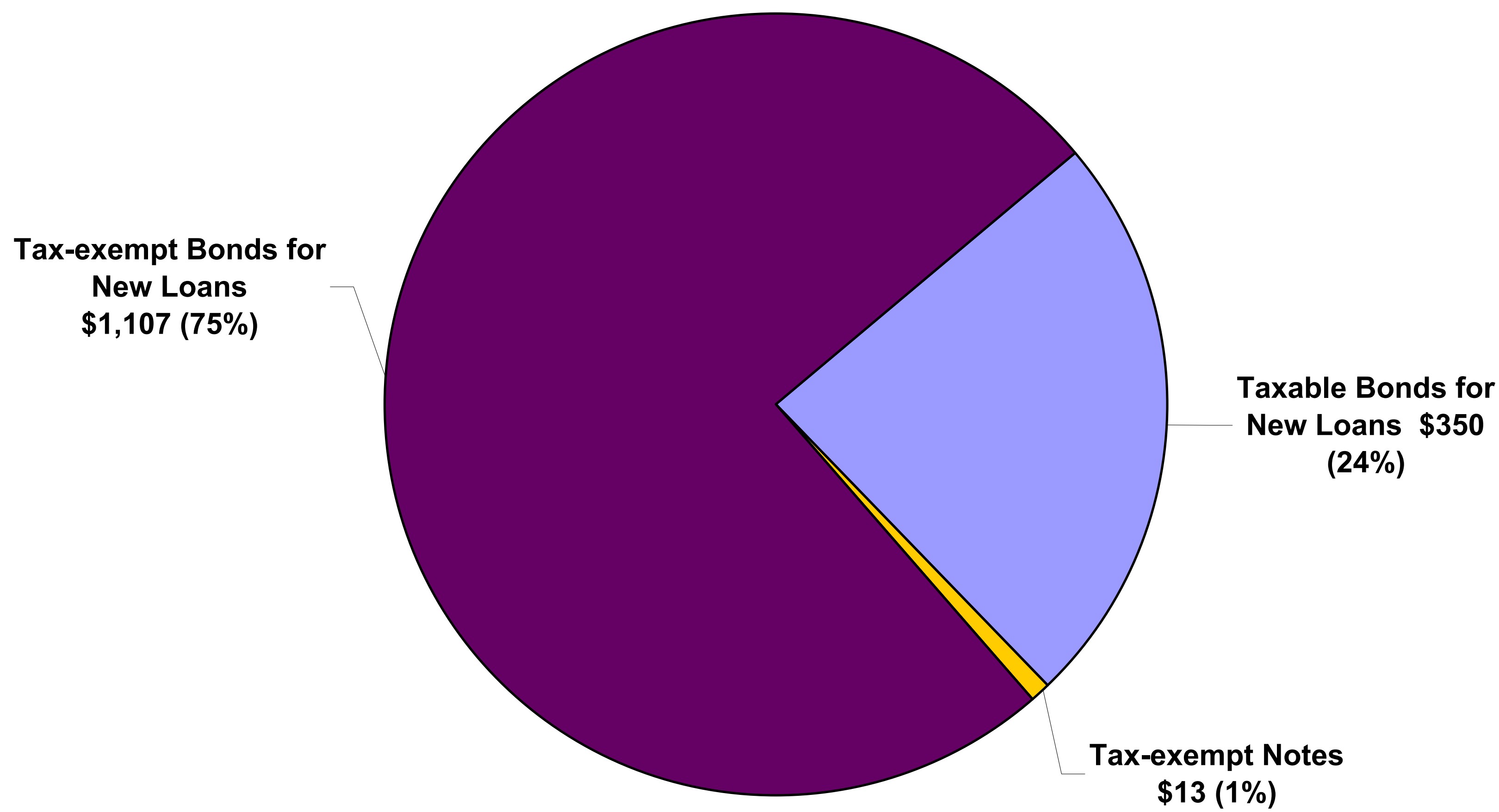
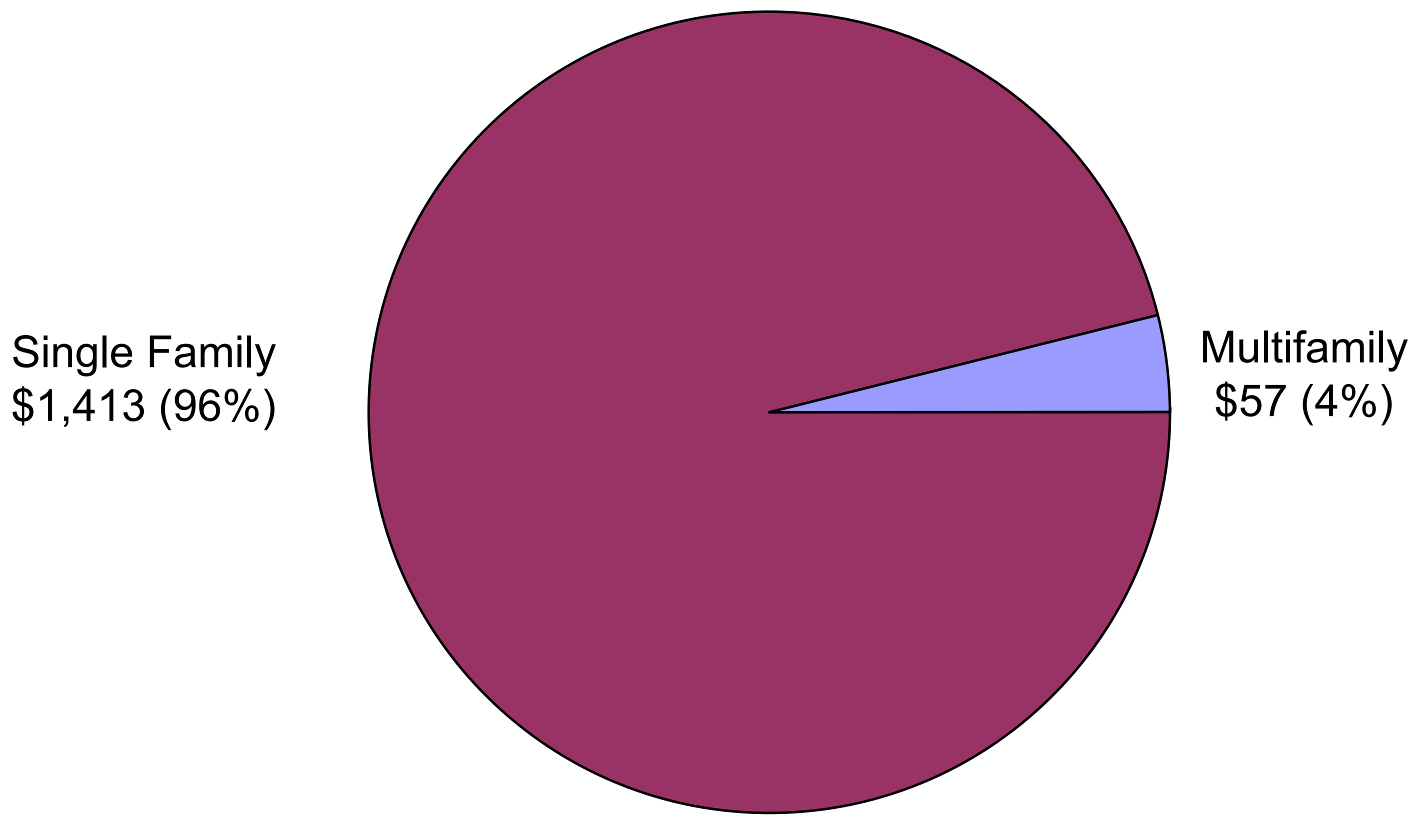
CalHFA Fixed Rate and Variable Rate Bonds Issued in Calendar Year 2007 ($ in Millions)



CalHFA Tax-exempt and Taxable Bonds Issued in Calendar Year 2007 ($ in Millions)



CalHFA Bonds
2007 Calendar Year
(in millions)



State of California

M E M O R A N D U M

To: Board of Directors **Date:** January 3, 2008

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 $5.5 billion, 69% of our $8 billion of total indebtedness as of January 1, 2008.

VARIABLE RATE DEBT
($ in millions)

	Tied Directly to Variable Rate Assets	Swapped to Fixed Rate	Not Swapped or Tied to Variable Rate Assets	Total Variable Rate Debt
HMRB	$2	$3,763	$549	$4,314
MHRB	172	875	64	1,111
HPB	0	35	76	111
DDB	0	0	0	0
Total	$174	$4,673	$689	$5,536

As shown in the table above, our "net" variable rate exposure is $689 million, 8.58% 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 $689 million of net variable rate exposure ($518 million taxable and $171 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 $597 million (six month average balance as of 9/30/07) 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 $597 million is a balance sheet hedge for the $689 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 $86 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 $573 million of LIBOR-based debt. As a result, the $597 million of other Agency funds invested in SMIF effectively hedges approximately 108% 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 138 "fixed-payer" swaps with thirteen different counterparties for a combined notional amount of $4.7 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 allows us to continue 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 notional swap amounts.

FIXED PAYER INTEREST RATE SWAPS
(notional amounts)
($ in millions)

	Tax-Exempt	Taxable	Totals
HMRB	$3,150	$697	$3,847
MHRB	875	0	875
HPB	35	0	35
TOTALS	$4,060	$697	$4,757

The following table shows the diversification of our fixed payer swaps among the thirteen firms acting as our swap counterparties. Note that our swaps with Lehman Brothers, 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

Swap Counterparty	Credit Ratings Moody's	S & P	Fitch	Notional Amounts Swapped ($ in millions)	Number of Swaps
Merrill Lynch Capital Services Inc.					
Guaranteed by:					
Merrill Lynch & Co.	A1	A+	A+	$ 665.9	18
MLDP, AG	Aaa	AAA	AAA	283.3	12
Merrill Lynch Derivative Products, AG	Aaa	AAA	AAA	366.2	17
Bear Stearns Financial Products Inc.	Aaa	AAA	NR	830.3	15
				295.5 *	8 *
Citigroup Financial Products Inc.	Aa3	AA	AA	721.0	20
Lehman Brothers Derivative Products Inc.	Aaa	AAA[t]	NR	500.4	21
Goldman Sachs Mitsui Marine Derivative Products, L.P.	Aaa	AAA	NR	344.2	7
				318.7 *	5 *
AIG Financial Products Corp.	Aa2	AA	AA	317.3	9
JP Morgan Chase Bank	Aaa	AA	AA	213.0	7
Bank of America, N.A.	Aaa	AA+	AA+	208.8	5
Morgan Stanley Capital Services Inc	Aa3	AA-	AA-	136.7	2
BNP Paribas	Aa1	AA+	AA	89.1	2
UBS AG	Aaa	AA	AA	55.8	2
The Bank of New York	Aaa	AA-	AA	25.0	1
				$4,757.0	138

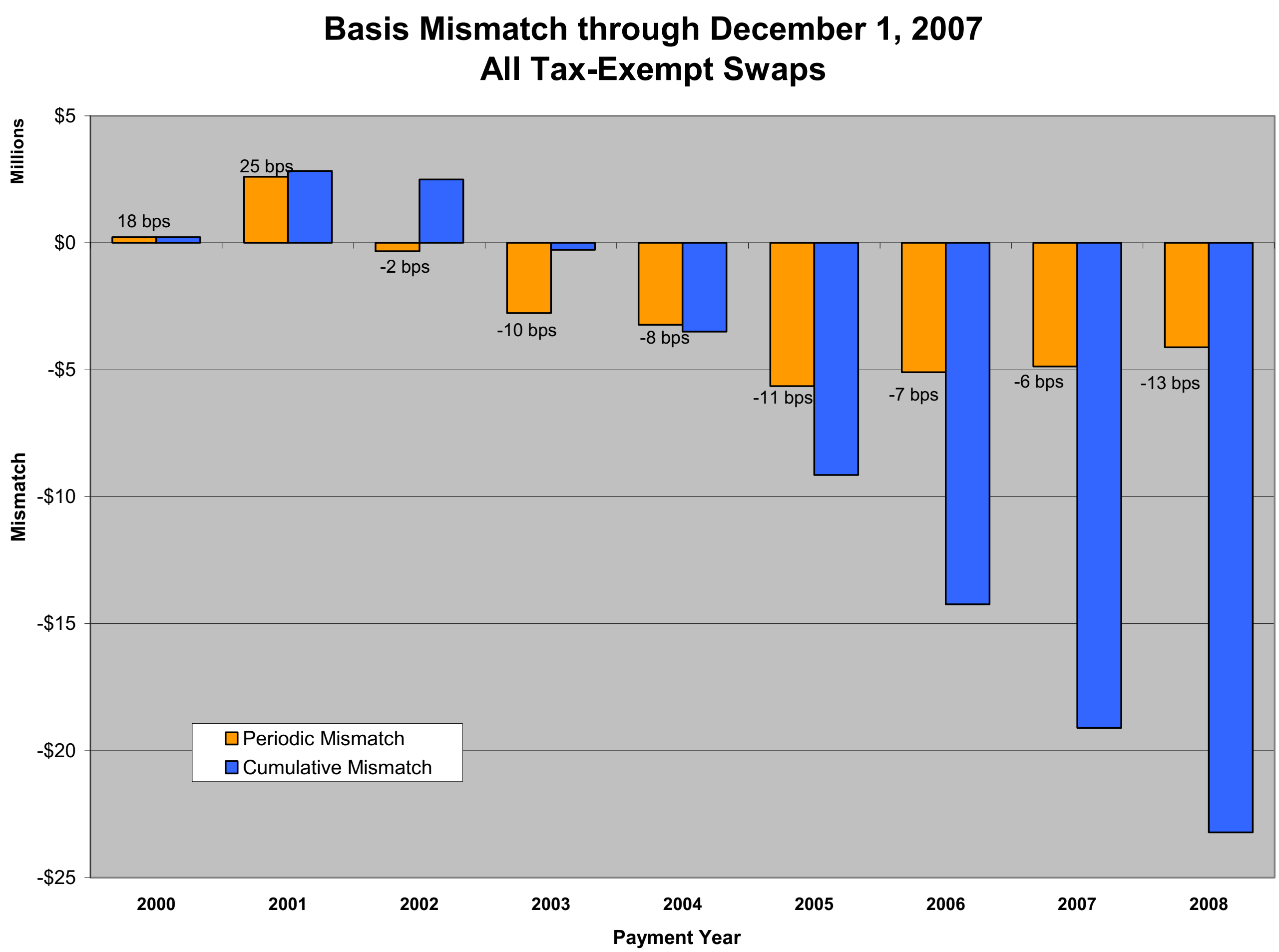
* *Basis Swaps (not included in totals)*

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 August 1, 2007 semiannual debt service payment date we made a total of $10.7 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.



As the chart shows, the relationship between the two floating rates changes as market conditions change. Some periodic divergence was expected when we entered into the swaps. Over the lifetime of our swaps we have experienced more than $20 million of additional interest expense due to this basis mismatch. However, we have since mitigated much of this risk by changing our swap formula in 2005, as explained below. The result of these changes has decreased the periodic mismatch from 11 basis points in 2005 to 6 basis points in 2007.

In the past we entered into swaps at a ratio 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 have afforded us with excellent liquidity and great savings when the average SIFMA/LIBOR ratio was steady at 65%. As short-term rates fell to historic lows and with an increased market supply of tax-exempt variable rate bonds, the historic relationship between tax-exempt and taxable rates was not maintained. For example, the average SIFMA/LIBOR ratio was 84.3% in 2003, 81.5% in 2004, and 72.5% in 2005. Now that short-term rates have risen significantly, the ratio has begun to fall. In 2006, it averaged 67.7%, and the average for 2007 to date is 69%. The SIFMA (Securities Industry and Financial Markets Association) index is the index used to benchmark tax-exempt variable rates.

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. In response, we and our advisors looked for a better formula than a flat 65% of LIBOR. After considerable study of California tax-exempt variable rate history, we revised the formula in December of 2002 to 60% of LIBOR plus 0.26% which resulted in comparable fixed-rate economics but performed better when short-term rates were low and the SIFMA/LIBOR percentage was high. In December 2005 we looked at the formula again and after completing a statistical analysis of CalHFA variable rate bonds as compared to the SIFMA and LIBOR indexes and taking into consideration the changing market conditions, we've decided to utilize several different swap formulas for our different types of bonds. After careful monitoring of the new swap formulas and adjusting for changing market conditions, we modified the swap formulas again in September 2007. The new swap formulas for AMT bonds are: 63% of LIBOR plus 0.30% for weekly resets and 63% of LIBOR plus 0.24% for daily resets. We expect to use these new formulas for new swap transactions and we will continue to monitor the SIFMA/LIBOR relationship and the performance of the new swap formulas and make adjustments as necessary.

In addition, we currently have basis swaps for $614 million of the older 65% of LIBOR swaps. The basis swaps provide us with better economics in low-rate environments by exchanging the 65% of LIBOR formula for alternative formulas that alleviate the effects of high SIFMA/LIBOR ratios. 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)

	Tax-Exempt	Taxable	Totals
60% of LIBOR + 26bps	$1,879	$0	$1,879
62% of LIBOR + 25bps	570	0	570
3 mo. LIBOR + spread	0	442	442
SIFMA – 15bps	435	0	435
Enhanced LIBOR [1]	319	0	319
Stepped % of LIBOR [2]	295	0	295
65% of LIBOR	275	0	275
1 mo. LIBOR	0	206	206
97% of SIFMA	77	0	77
SIFMA – 20bps	60	0	60
63% of LIBOR + 24bps	50	0	50
6 mo. LIBOR	0	48	48
60% of LIBOR + 21bps	35	0	35
64% of LIBOR	27	0	27
63% of LIBOR + 30bps	26	0	26
64% of LIBOR + 25bps	13	0	13
TOTALS	$4,061	$696	$4,757

[1] Enhanced LIBOR – This formula is 50.6% of LIBOR plus 0.494% with the proviso that the end result can never be lower than 61.5% of LIBOR nor greater than 100% of LIBOR.

[2] 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%.

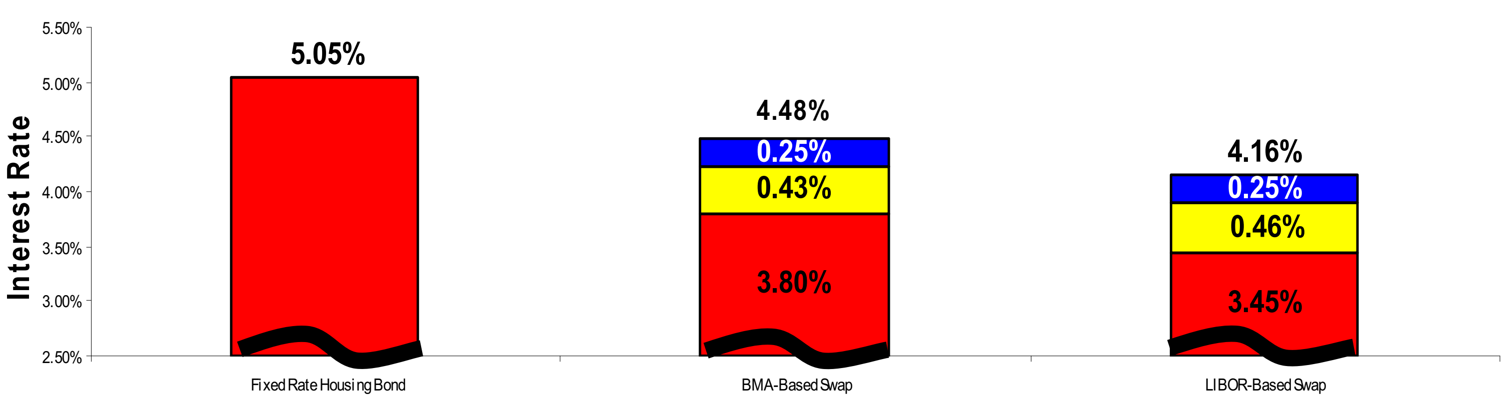
RISK OF CHANGES TO TAX LAW

For an estimated $3.4 billion of the $4 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 $270 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 $3.7 billion, 46.6% of our $8 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.

The following bar chart shows the current benefit of our ability to assume the risk of changes to tax laws. Over the last several years this benefit (the difference between the cost of fixed rate housing bonds and the cost of a LIBOR based interest rate swap financing) has been as great as 100 basis points, and was the engine that made our interest rate swap strategy effective. In today's market this benefit is 38 basis points. The reduced economic benefit of assuming tax risk has led to recent decisions to issue some or all of our bonds as fixed rate housing bonds, especially for our homeownership programs. As market conditions change we will alter our financing strategies to obtain the lowest cost of borrowing while balancing the associated risks and benefits of alternative structures.

Costs of Funds for Fixed-Rate Bonds and Synthetic Fixed-Rate Bonds
(Variable Rate Bonds Swapped to Fixed)
(All Rates as of December 28, 2007)



SIFMA-Based Swap: SIFMA Index x 101%
LIBOR-Based Swap: 63% LIBOR + 24 bps

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. Unfortunately, when market rates fell to unprecedented levels, we started receiving more prepayments than we ever expected.

Since January 1, 2002, we have received over $6.6 billion of prepayments, including over $1.4 billion in 2004, $1.1 billion in calendar year 2005 and $504 million in 2006. Of this amount, approximately $2.03 billion is "excess" to swapped transactions we entered into. We have since recycled $1.94 billion of the $2.03 billion excess into new loans and have used $166 million to cross-call high interest rate bonds.

While these persistent high levels of prepayments have eased, we have modified 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 $86 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 our phenomenally high incidence of 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 these recent 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. In addition, we will monitor the termination value of our "excess swap" position looking for opportunities to unwind these positions when market terminations would be at no cost or a positive value to us.

There are several strategies for dealing with excess prepayments: they may be reinvested, used for the redemption of other (unswapped) bonds, or recycled directly into new loans. Alternatively, we could make termination payments to our counterparties to reduce the notional amounts of the swaps, but this alternative appears to be the least attractive economically.

In consultation with our financial advisors, we have determined that the best long-term strategy is to recycle the excess prepayments into new CalHFA loans. Of course, for some financings this means that we will be bearing the economic consequences of replacing old 7% to 8% loans that have paid off with new loans at rates that will be current at the time we recycle. With our May 1, 2007 transfer of loans from our warehouse line we have recycled a total of $1.94 billion of excess prepayments since March 1999. This practice has resulted in reduced issuance activity over the last few years.

In addition we have begun a widespread strategy of reusing unrestricted loan prepayments to purchase new loans. We currently have more than $3.2 billion (87%) of swap notional having a fixed payer rate below the estimated net weighted average interest rate of 5.87% for new loans being reserved. In today's market, this tremendous recycling opportunity reduces transaction costs related to new issuance and preserves for future use our swap par termination rights.

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.

As part of our strategy for protecting the agency when we entered the swap market in late 1999, we determined to choose only highly-creditworthy counterparties and to negotiate "asymmetrical" credit requirements in all of our swaps. These asymmetrical provisions impose higher credit standards on our counterparties than on the agency. For example, our counterparties may be required to collateralize their exposure to us when their credit ratings fall from double-A to the highest single-A category (A1/A+), whereas we need not collateralize until our ratings fall to the mid-single-A category (A2/A).

Monthly we monitor the termination value of our swap portfolio as it grows and as interest rates change. Because termination is an unlikely event, the fact that our swap portfolio has a negative value, while interesting, is not necessarily a matter of direct concern. We have no plans to terminate swaps early (except in cases where the swap notional is excess to the bonds being hedged or we negotiated "par" terminations when we entered into the swaps) and do not expect that credit events triggering termination will occur, either to us or to our counterparties.

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.

The table below shows the history of the fluctuating negative value of our swap portfolio for the past year.

TERMINATION VALUE HISTORY

Date	Termination Value ($ in millions)
11/30/06	($174.8)
12/31/06	($132.7)
1/31/07	($113.8)
2/28/07	($155.7)
3/31/07	($137.7)
4/30/07	($129.3)
5/31/07	($83.2)
6/30/07	($40.4)
7/31/07	($64.4)
8/31/07	($101.8)
9/30/07	($110.1)
10/31/07	($120.5)

It should be noted that during this period, the notional amount of our fixed-payer swaps has been increasing. When viewing the termination value, one should consider both the change in market conditions and the increasing notional amount.

TYPES OF VARIABLE RATE DEBT

The table below 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.

TYPES OF VARIABLE RATE DEBT
($ in millions)

	Auction Rate & Similar Securities	Indexed Rate Bonds	Variable Rate Demand Obligations	Total Variable Rate Debt
HMRB	$156	$1,015	$3,143	$4,314
MHRB	417	0	694	1,111
HPB	0	0	111	111
DDB	0	0	0	0
Total	$573	$1,015	$3,948	$5,536

LIQUIDITY PROVIDERS

The table below shows the financial institutions providing liquidity in the form of standby bond purchase agreements for our VRDOs. Under these agreements, if our variable rate bonds are put back to our remarketing agents and cannot be remarketed, these institutions are obligated to buy the bonds.

LIQUIDITY PROVIDERS
($ in millions)

Financial Institution	$ Amount of Bonds	Indenture
Dexia Credit Local	$812.6	HMRB
Lloyds TSB	436.7	HMRB
Fannie Mae	376.2	HMRB/MHRB
BNP Paribas	264.6	HMRB
Bank of Nova Scotia	211.9	HMRB
KBC	254.0	HMRB
DEPFA Bank	199.6	MHRB
Calyon	174.5	HMRB
JP Morgan Chase Bank	156.5	HMRB
Bayerische Landesbank	153.9	HMRB
Landesbank Hessen-Thuringen	151.0	MHRB
Westdeutsche Landesbank	149.4	HMRB/MHRB
Bank of America	131.4	HMRB
Fortis	120.0	HMRB
State Street Bank	91.4	HMRB
Bank of New York	86.9	HMRB
CalSTRS	66.8	HMRB/MHRB
LBBW	61.1	HPB
Citibank N.A.	50.0	HPB
Total	$3,948.5	

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. We expect all renewals to take place as a matter of course; however, changes in credit ratings or pricing may result in substitutions of one bank for another from time to time.

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
Securities Industry and Financial Markets Association Municipal Swap Index. A weekly index of short-term tax-exempt rates.

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.

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State of California

M E M O R A N D U M

To: **CalHFA Board of Directors** **Date:** 2 January 2008

From: **Di Richardson, Director of Legislation** Di
CALIFORNIA HOUSING FINANCE AGENCY

Subject: Legislative Report

It is the second day of the New Year, and the Legislature will not be back in session until next week. As such, there have been very few bills amended (and no introductions) at the state level since I reported last November. However, both Assembly and Senate Democrats have recently held separate press conferences announcing plans to introduce legislation dealing with subprime mortgage foreclosures, and information on those plans is included below.

I have started with some information about activity at the federal level I think will be of interest to you. As always, if you have any questions, please feel free to contact me at 916.324.0801.

At the Federal Level

On December 18, 2007, Senate Finance Committee members John Kerry and Gordon Smith introduced **S. 2517**, authorizing states and localities to use MRBs for refinancing subprime loans and providing states $15 billion in additional single-family Housing Bond authority in 2008. As introduced, S. 2517 would allow the additional bond cap authority to be used for all qualified first-time homebuyer mortgages, not just mortgage refinancings. The refinancing authority would apply to bonds issued after December 31, 2007 and before January 1, 2011. It would be allocated according to the regular per capita formula, and would expire December 31, 2010.

The next day, Senator Charles Schumer announced his intention to introduce MRB refinancing and cap increase legislation providing a permanent Housing Bond cap increase available for both single and multifamily housing. That bill is expected to be introduced after the Senate returns in January.

On December 20, 2007, the President signed **HR 3648** (Charles Rangel), the Mortgage Forgiveness Debt Relief Act of 2007, which, until January 1, 2010, eliminate the current income tax on homeowners when a portion or all of their mortgage debt on their principal residence is forgiven. This only applies to discharges directly related to a decline in the value of the residence or the financial condition of the taxpayer. This bill also extends the federal tax deduction for mortgage insurance premiums through 2010.

On December 26, 2007, the President signed **HR 3996** (Charles Rangel) which creates the Tax Increase Prevention Act of 2007, which extended through 2007 for individual taxpayers (1) the increased alternative minimum tax (AMT) exemption amounts and (2) the offset of nonrefundable personal tax credits against regular AMT liability.

At the State Level

On November 29, 2007, several Assembly Democratic Legislators, including Speaker Fabian Núñez and Assembly Banking and Finance Committee Chair Ted Lieu, held a press conference in which they called for a special session to "address the state's subprime mortgage foreclosures" and promised to introduce a legislative package "that will help minimize the financial crisis caused by the foreclosures."

The press package for the event states that we can expect to see a number of bills introduced to address this issue, including:

- Identifying at-risk borrowers and determining what lenders have done to assist them;
- Adding consumer real estate mortgage loans to the list of consumer contracts subject to California civic code translation requirements, protecting potential homeowners for whom English is a second language;
- Banning prepayment penalties that essentially prevent borrowers from refinancing;
- Ending incentives and kickbacks that spur lenders to push subprime loans onto prime-qualified buyers;
- Increasing counseling that can protect consumers from bad loans and help them find potential avenues for keeping their homes; and
- Toughening income verification regulations and requiring lenders to consider an applicants ability to repay over the life of a loan.

So far, we have seen one existing bill that has been amended to address this issue – **AB 529 (Torrico)** – was amended on 12/13/07 to require a lender who provides a loan secured by property improved by four or fewer residential units, and the interest rate on the loan is initially fixed and then becomes adjustable, to notify the borrower of specified items of information 180 days prior to an interest rate adjustment. The bill would further require the notification to be provided at least twice, once by telephone call and once by mail. This bill is currently pending in the Assembly Banking and Finance Committee, but has not yet been set for hearing.

The Senate Democrats also held a press conference on December 20, 2007 to "immediately help people affected by the subprime mortgage crisis stay in their homes and prevent neighborhoods afflicted with foreclosures from becoming areas of blight." The Senate Democrats announced their intention to introduce urgency legislation backed by Senators Don Perata, Michael Machado and Ellen Corbett that would "require lenders to meet in person with borrowers to discuss restructuring options." Although no bill has been introduced yet (introduction is expected next week when the Legislature returns), the press packet says that this bill will also "step up notice requirements, giving homeowners more advanced warning that foreclosure may be coming," and would help limit the impact of a foreclosure on the surrounding neighborhood by "mandating that lenders maintain foreclosed properties or face a $1,000 per day fine." An outline of the proposed bill on Senator Perata's website lists the following "key provisions" of the proposed bill:

1) Notice to consumers regarding resets
   - Loan agents must provide borrowers a notice 120, 90 and 45 days prior to a reset of mortgage interest rate.
   - Notices must meet certain criteria; including being in the language the loan was originally negotiated.

2) Lender requirements to help borrowers avoid foreclosure
   - Lender must contact the borrower to provide restructuring options at an in-person meeting. The lender must also provide the borrower a list of HUD certified credit counselors available to assist the borrower. The lender must wait 30 days after that meeting to file a notice of default.
   - Notice of default must include a sworn statement that the lender met with the borrower or tried with due diligence to contact the borrower for an in-person meeting. The notice must also include the terms of the existing loan, including the reset amount and the restructuring options that were offered.

3) Notice to property residents that the foreclosure process has begun
   - Require a party filing a notice of default to also mail a notice addressed to "resident" in order to alert tenants that the property owner is delinquent in the mortgage payments.
   - A warning message about the foreclosure must be printed on the outside of the envelope in English and Spanish.

4) Give tenants additional time to move from a foreclosed property
   - Increase the current notice required to be given to residential tenants of foreclosed properties to 90 days prior to eviction.

5) Require maintenance of foreclosed properties to diminish the impact on the value of the neighboring homes.
   - Failure to maintain a foreclosed property is a nuisance and violators shall be subject to civil fines and penalties of up to $1,000 per day.
   - "Failure to maintain" includes failure to adequately care for the property including but not limited to, permitting excessive foliage growth that diminishes the value of surrounding properties, allowing incursions by trespassers, or permitting mosquito larva to grow in swimming pools.
   - Fines and penalties collected pursuant to this section shall be directed to local nuisance abatement programs.
   - These provisions shall not preempt stronger local ordinances.

6) This is an urgency measure

7) All provisions will sunset on December 31, 201

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