CalHFA℠

BOARD OF DIRECTORS

California Housing Finance Agency
Board of Directors

Audit Committee

The Westin San Francisco Airport
One Old Bayshore Highway
Millbrae, California
(650) 692-3500

November 19, 2009

9:00 a.m.

1. Roll Call.
2. Chairman's comments.
3. Review and discussion of the Audited Financial Statements for the Housing Finance Fund for the fiscal year ended June 30, 2009, including a discussion with auditors from Deloitte and Touche LLP.
4. Public testimony.
5. Adjournment.

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2008 – 2009 AUDITED ANNUAL REPORT

California Housing Finance Agency

California Housing Finance Fund

Financial Statements and Supplementary Information
for the Years Ended June 30, 2009, and Independent Auditors' Report

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Table of Contents

CALIFORNIA HOUSING FINANCE AGENCY
(A Component Unit of the State of California)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
California Housing Finance Agency
Sacramento, California

We have audited the accompanying combined balance sheets of the California Housing Finance Fund (“Fund”), which is administered by the California Housing Finance Agency (“Agency”), a component unit of the State of California, as of June 30, 2009 and 2008, and the related combined statements of revenue, expenses and changes in fund equity, and of cash flows for the years then ended. The accompanying financial statements of the Fund are not intended to present the financial position or the results of the operations of the Agency. These combined financial statements are the responsibility of the management of the Agency. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such combined financial statements present fairly, in all material respects, the financial position of the Fund, as of June 30, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management’s Discussion and Analysis on pages 3 through 12 is not a required part of the combined financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Agency. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information, and we do not express an opinion on it.

Our audits were conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The supplemental combining program information as of and for the year ended June 30, 2009 on pages 42 through 59 is presented for the purpose of additional analysis and is not a required part of the combined 2009 financial statements of the Fund. The supplemental combining program information is the responsibility of the Agency's management. Such information has been subjected to the auditing procedures applied in our audits of the combined 2009 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic 2009 financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2009, on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte + Touche LLP

October 28, 2009

CALIFORNIA HOUSING FINANCE FUND
Management Discussion and Analysis
of Financial Position and Results of Operations
As of and for the fiscal years ended June 2009 and 2008

Introduction – The California Housing Finance Agency

The California Housing Finance Agency ("Agency") was created in 1975 by an act of the California Legislature and commenced operations in 1976. The Agency is a component unit of the State of California ("State") and is included in the State's Comprehensive Annual Financial Report. The Agency is authorized to administer the activities of the California Housing Finance Fund ("Fund"), the California Housing Loan Insurance Fund ("Mortgage Insurance Fund") and two state general obligation bond funds. The following Management Discussion and Analysis applies only to the activities of the California Housing Finance Fund and should be read in conjunction with the Fund's combined financial statements and the notes to the combined financial statements. Operations of the Fund include the issuance of Agency bonds and notes to fund loans to qualified borrowers for single family houses and multifamily developments. The Agency is entirely self-funded and does not draw upon the general taxing authority of the State.

The combined financial statements present the totals of the Fund. The supplemental combining information of the Fund is organized by the following major categories: Homeownership Programs, Multifamily Rental Housing Programs, and Other Programs and Accounts. This information and information for specific programs and accounts is reported after the Notes to the combined financial statements.

The Homeownership Programs provide low cost mortgage capital to a network of approved lenders from whom the Agency purchases previously funded and closed loans secured by single family homes purchased by individual borrowers. The Multifamily Rental Housing Programs are typically used to directly fund loans to developers and housing sponsors for the construction or acquisition of multifamily rental housing developments. Interest rates on Agency loans are generally below market rate; however, the programs are operated to be self-supporting. The Agency issues its own bonds and uses other available monies to provide the funding for these loan programs. Interest paid to bondholders is generally exempt from both state and federal tax; however, the Agency also issues federally-taxable bonds.

The Other Programs and Accounts category includes the Agency's Housing Assistance Trust, funded periodically from a portion of the Fund's operating income before transfers. The Housing Assistance Trust provides a source of funding for low or very low income multifamily developments and other special purpose loans. Loans for these purposes generally would not produce sufficient revenues to support payments to bondholders. These loans typically accrue simple interest with repayment of principal and interest deferred for the term of the loan or until certain events occur, such as a sale of the property. Also included in this category are certain State-funded programs, which the Agency has been asked to administer for the State on a contract basis. Operating expenses of the Agency's loan and bond programs are paid from an Operating Account that is replenished from the Fund's operating income before transfers. Other accounts maintained by the Agency provide security for the issuance of bonds, emergency contingencies, loan servicing operations and loan warehousing activities.

Summary of Financial Results 2009– 2008

- Operating loss before transfers was $146.1 million for fiscal year 2009 compared to an operating gain of $9.8 million for fiscal year 2008. The decrease is mostly due to the decline of the California real estate market, basis mismatch on variable rate bonds and the charges against income for the market value adjustment of unmatched swaps, early termination of interest rate swaps, gap claim payments and anticipated losses of the loan portfolio. The continued rise in loan delinquencies, increases in foreclosures and additional home price depreciation in California have contributed directly to increases in allowances for loans losses and gap reserves. In 2009, the allowance for loan loss reserve was increased by a net of $31.5 million to $112.5 million. There were $4.1 million of losses which were recorded in 2009 on the sale of foreclosed properties (net of insurance payment). The remaining foreclosed properties were written down by $15.1 million to reflect anticipated losses, net of insurance payment, upon sale of the foreclosed properties. In addition, the Agency maintains its Emergency Reserve Account at approximately one percent of the net program loans receivable and has established a gap insurance loss reserve in the amount of $80.1 million. The Fund established this reserve to cover anticipated indemnification payments to the California Housing Loan Insurance Fund for loans subject to "gap" insurance. The indemnification payments are for losses up to 50% of the outstanding principal balance of each loan for which either the primary mortgage insurance covers less than 50% of loan principal or primary mortgage insurance may not be required because the loan-to-value ratio was below 80% at origination or the borrower demonstrated equity of 20% or more in the property. The gap insurance loss reserves and gap claim payments are charged to the Supplementary Bond Security Account, an account that is part of the Agency's general obligation capital base, not the Home Mortgage Revenue Bonds "HMRB" Indenture.

- Home mortgage delinquencies have been increasing nationally, especially for borrowers who took out subprime mortgages. Although the Agency does not make subprime loans, the overall delinquency ratio of the Agency's single family loan portfolio (Federal Guaranty: 47.2% and Conventional: 52.8%) was 14% as of June 30, 2009. By comparison, the delinquency ratio for the Agency's single family portfolio was 7% as of June 30, 2008.

- In addition to losses attributable to the California real estate market, the Agency incurred losses due to basis mismatch, which is the difference between actual interest rates paid to bondholders on floating rate securities (variable rate demand obligations and auction rate securities) and the variable rates received from swap counterparties on interest rate swaps that hedge the Agency's variable rate exposure. The mismatch is a result of higher interest rate resets on variable rate bonds, including rates resulting from failed auctions and rates paid to liquidity banks when bondholders put their variable rate demand obligations to the remarketing agents and other investors are unwilling to purchase the securities. In addition, a dysfunctional municipal bond market resulted in an unusually high Securities Industry and Financial Markets Association "SIFMA"/London Interbank Offered Rate "LIBOR" ratio and interest rate compression has continued this relationship. The basis mismatch for the period from July 1, 2008 to June 30, 2009 was $37.9 million and is reflected in the income statements for Multifamily Rental Housing Programs and Other Programs and Accounts. By comparison, the basis mismatch for the period from July 1, 2007 to June 30, 2008 was $11.9 million.

- In response to Lehman Brothers' bankruptcy filing, the Agency terminated all $482.7 million of swap notional with Lehman Brothers and paid Lehman Brothers $42.6 million to terminate the swaps. At the same time, the Agency elected to replace some of the Lehman Brothers swap contracts with counterparties that are more highly rated. The Agency received payments of $28.9 million from the replacement counterparties. The net effect of the termination event resulting from the Lehman Brothers' bankruptcy was an operating loss of $13.7 million. In addition, GAAP requires the Agency to record the current market value of the unmatched portion or overhedged interest rate swap position as an adjustment to other expenses or other revenues, on the income statement. The swap expense (net current market value) for these overhedged positions as of June 30, 2009 was $9.4 million.

- The Agency had $496.4 million in new loans receivable during fiscal year 2009. Overall, program loans receivable decreased $113.5 million to $8.32 billion at fiscal year end. Decreases in programs loans receivable for the homeownership loan portfolio were the result of the decline of the California real estate market and declining economic conditions.

- During fiscal year 2009, the Agency issued $310.9 million of bonds. All but $10.9 million was issued as fixed rate debt and the $10.9 million of variable rate debt issued was synthetically swapped to fixed.

- The Agency continued to actively manage the Fund's interest expense and exposures within the debt portfolio, redeeming, and in some cases refunding, $564.7 million of bond indebtedness during fiscal year 2009.

- During fiscal year 2009, $448.4 million was transferred into the Fund by the State pursuant to the Mental Health Services Act of 2004 and Housing and Emergency Shelter Trust Fund Acts of 2002 and 2006. The funds were used to make loans and grants to borrowers and homeowners through programs administered by the Agency on a contract basis.

- In July 2009, Moody's Investors Services downgraded the Agency's Home Mortgage Revenue Bonds "HMRB" from Aa2 to Aa3 with a negative outlook. The downgrade reflects the decline in the performance of the Agency's single family loan portfolio in the California real estate market, reduced credit quality of private mortgage insurance and ongoing risks related to the HMRB variable rate debt.

- In July 2009, Moody's Investors Services downgraded the Agency's issuer rating from Aa3 to A1with a negative outlook. The downgrade is based upon the potential effects of increasing delinquencies and foreclosures in the Agency's single family mortgage portfolio, ongoing risks related the Agency's variable rate debt and uncertainty about future business activity given the status of tax exempt housing bond markets.

Condensed Financial Information:

Combined Balance Sheet

The following table presents condensed combined balance sheets for the Fund as of June 30, 2009 and 2008 and the change from the prior year (dollars in millions):

Condensed Combined Balance Sheets

	2009	2008	Change
Assets			
Cash and investments	$2,236	$2,278	(42)
Program loans receivable-net	8,321	8,434	(113)
Other	204	156	48
Total Assets	$10,761	$10,868	(107)
Liabilities			
Bonds payable – net	$8,244	$8,618	(374)
Other	770	805	(35)
Total Liabilities	$9,014	$9,423	(409)
Fund Equity			
Invested in capital assets	$1	$1	
Restricted equity	1,746	1,444	302
Total Fund Equity	$1,747	$1,445	302
Total Liabilities and Fund Equity	$10,761	$10,868	(107)

Assets

Of the Fund's assets, 98.1% is represented by cash and investments and program loans receivable. The Fund does not have a significant investment in capital assets, holding less than $0.7 million in furniture and equipment.

Total assets decreased by $107.4 million during fiscal year 2009. The Fund's cash and investments were $2.24 billion as of June 30, 2009, a decrease of $42.1 million from June 30, 2008. The cash and investments balance remained relatively the same due to the decrease in bond activity during the fiscal year.

Of the Fund's assets, 20.8% is in the form of cash and investments at fiscal year end. Of the Fund's investment balance, 11.4% is in investment agreements. Consistent with the Agency's investment policy, bond proceeds are normally invested in investment agreements with highly rated providers of such instruments because the agreements provide a low level of counterparty risk, a fixed rate of return and complete liquidity. The amount of funds invested in investment agreements during the 2009 fiscal year decreased by $251.0 million. In addition, over $1.64 billion of the Fund's investments are held in the State's Surplus Money Investment Fund "SMIF" and earn a variable rate of interest. The amount of funds invested in SMIF during fiscal year 2009 increased by $228.7 million.

The composition of cash and investments as of June 30, 2009 and 2008 and the changes from the prior year are shown in the table below (dollars in millions):

Cash and Investments

	2009	2008	Change
Investment agreements	$234	$485	(251)
SMIF	1,638	1,409	229
Securities	245	219	26
Cash	119	165	(46)
Total Cash and Investments	$2,236	$2,278	(42)

Program loans receivable decreased by $113.5 million or 1.4% during fiscal year 2009 compared to fiscal year 2008. This decrease is due primarily to the decrease in the number of new loans for the homeownership loan portfolio. Within the Fund, the Agency had $496.4 million of new loans during the fiscal year compared to almost $1.43 billion in the previous year. Of the new loans during the fiscal year, $379.6 million were single family first mortgages. Fewer borrowers refinanced their Agency loans resulting in a 5.0% decrease in loan prepayments to $176.4 million during fiscal year 2009 compared to $185.6 million received in fiscal year 2008. The Agency does not offer home refinance opportunities to its borrowers as the homeownership loan programs are restricted to first time homebuyers.

Liabilities

The Fund's liabilities were $9.01 billion as of June 30, 2009, a decrease of $409.8 million from June 30, 2008. Of the Fund's liabilities, over 91.5% is in the form of bond indebtedness. The Fund's bonds payable at June 30, 2009 decreased by $373.3 million from the prior year as the $310.9 million in new issuances in 2009 were offset by scheduled principal payments and $564.7 million in bond redemptions. The Agency's governing statutes impose a cap of $13.15 billion for bonds and notes issued and outstanding within the Fund.

All of the bonds issued by the Agency are reported within the Fund. The Agency issued a total of $310.9 million of Agency bonds during fiscal year 2009, a decrease from the $1.86 billion issued during fiscal year 2008. Of the bonds issued during fiscal year 2009, all but $10.9 million were issued as fixed interest rate bonds, and the $10.9 million of variable rate debt issued was swapped to provide synthetically fixed interest rates. As of June 30, 2009, the estimated "net" variable interest rate exposure of the Fund's total bond indebtedness was $938 million. The estimated "net' variable interest rate exposure excludes all variable interest rate bonds swapped to fixed interest rates or directly backed by complementary variable interest rate assets. This "net" variable interest rate exposure provides an internal hedge against today's low interest rate environment evidenced by low short-term investment rates and increased loan prepayments. Interest costs on variable interest rate bonds that are swapped to a fixed interest rate have generally provided a lower total interest cost to the Fund than interest costs of traditional fixed interest rate products.

The Agency issues both tax-exempt and federally taxable bonds. During the 2009 fiscal year, federally taxable bonds decreased by $216.1 million and as of June 30, 2009 represent 19.9% of all bonds outstanding, while tax-exempt bonds decreased by $157.2 million and as of June 30, 2009 represent 80.1% of all bonds outstanding. The use of federally taxable bonds allows the Agency to leverage its allocation of the Private Activity Bond volume cap for the Homeownership Programs. This limitation is imposed by the federal government to regulate the issuance of tax-exempt bonds for private purposes. During fiscal year 2009, the Agency did not issue taxable bonds.

Shown below are the amounts of variable and fixed rate indebtedness, by tax status, as of June 30, 2009 and 2008 and the changes from the prior year (dollars in millions):

Bonds Payable

	2009	2008	Change
Tax-Exempt Bonds			
*Variable Rate	$3,887	$4,321	(434)
Fixed Rate	2,686	2,409	277
Total Tax-Exempt Bonds	$6,573	$6,730	(157)
Federally Taxable Bonds			
*Variable Rate	$1,167	$1,280	(113)
Fixed Rate	469	572	(103)
Total Federally Taxable Bonds	$1,636	$1,852	(216)
* * Total Bonds Outstanding	$8,209	$8,582	(373)

* Certain variable rate bonds have been swapped to a fixed rate (see Note 7 to the Combined Financial Statements).
* * The HUD debenture is not included (see Note 7 to the Combined Financial Statements).

Other liabilities decreased by $35.8 million during fiscal year 2009. This decrease is due primarily to the decrease in the line of credit for the purchase of loans offset by the increase in gap insurance loss reserves.

Equity

All of the Fund's equity is restricted pursuant to trust agreements with bondholders and the Agency's enabling legislation or invested in capital assets. Total equity of the Fund grew by $302.3 million primarily as a result of transfers to the Fund in the amount of $448.4 million pursuant to the Mental Health Services Act of 2004 and Housing and Emergency Shelter Trust Fund Acts of 2002 and 2006 and was offset by operating losses of the Fund in the amount of $146.1 million.

Revenues, Expenses, and Changes in Fund Equity

The following table presents condensed combined statements of revenues, expenses, and changes in fund equity for the Fund for the fiscal years ended June 30, 2009 and June 30, 2008 and the changes from the prior year (dollars in millions):

Condensed Combined Statements of Revenues, Expenses, and Changes in Fund Equity

	2009	2008	Change
Operating Revenues:			
Interest income program loans – net	$450	$400	$50
Interest income investments – net	66	91	(25)
Increase in fair value of investments	11	(4)	15
Other loan and commitment fees	16	16	0
Other revenues	107	78	29
Total Operating Revenues	$650	$581	$69
Operating Expenses:			
Interest	427	392	35
Mortgage servicing fees	20	19	1
Operating expenses	40	39	1
Other expenses	309	121	188
Total Operating Expenses	$796	$571	$225
Operating Income before transfers	(146)	10	(156)

Operating Revenues

Total operating revenues of the Fund were $650.1 million during fiscal year 2009 compared to $581.1 million during fiscal year 2008, an increase of $69.1 million or 11.9%.

Interest income on program loans was $449.5 million during fiscal year 2009 compared to $399.9 million during fiscal year 2008, an increase of $49.6 million. The increase in interest income on program loans is primary a result of a decrease in the yield reduction liability for the Fund's homeownership and multifamily loan portfolios which is offset against the interest income on program loans. Overall, program loans receivable decreased $113.5 million or 1.4% at June 30, 2009 compared to June 30, 2008.

Interest income from investments decreased 26.9% to $66.3 million in fiscal year 2009 from $90.7 million in fiscal year 2008. This decrease is due primarily to declining interest rates and redirecting funds from investment agreements to SMIF.

Other loan and commitment fees remained the same at $16.3 million for fiscal year 2009 when compared to fiscal year 2008.

Other revenues increased by $28.3 million to $106.9 million during fiscal year 2009 compared to $78.6 million in fiscal year 2008, primarily due to the gain on termination of interest rate swaps in November 2008.

Operating Expenses

Total operating expenses of the Fund were $796.2 million during fiscal year 2009 compared to $571.3 million during fiscal year 2008, an increase of $224.9 million or 39.4%. The increase is primarily due to the increase in gap insurance loss reserve expenses, gap claim payments expense, loan write-off expenses, foreclosed properties expenses, swap expense (fair value), and swap termination expenses.

Bonds payable at June 30, 2009 decreased by $374.0 million from June 30, 2008 and bond interest and swap expense, which represents 53.7% of the Fund's total operating expenses, increased by $34.7 million or 8.8% compared to fiscal year 2008. The increase in bond interest and swap expense is attributed to the overall drop in interest rates requiring higher swap payments to our counterparties.

Operating expenses increased from $38.9 million during fiscal year 2008 to $39.7 million during fiscal year 2009 (as shown in the condensed combined statements of revenues, expenses and changes in fund equity), resulting from slight increases in staff salary expenses and expenses to support our Agency programs.

Operating Income before Transfers

The overall operating results of the Fund for fiscal year 2009 are reflective of the activity in the operating revenues and expenses discussed above. Operating loss before transfers for fiscal year 2009 was $146.1 million compared to an operating gain of $9.8 million for fiscal year 2008. The $155.8 million decrease in operating income before transfers is primarily due to increase in bond and swap related expenses, provision for estimated loan losses, gap insurance loss reserve expenses, and gap claim payment expenses.

Summary of Financial Results 2008– 2007

- Operating income before transfers was $10 million for fiscal year 2008 compared to $85 million for fiscal year 2007. The decrease is mostly due to 2007 $27 million gain on sale of multifamily REO's, a $27 million increase in bond interest and swap expenses in 2008 and a decrease of $32 million in 2008 from investment income.

- The Agency originated $1.4 billion in new loans receivable during fiscal year 2008. Overall, program loans receivable increased $925 million to $8.4 billion at fiscal year end. Increases in loans receivables were the result of growth in the homeownership loan portfolio.

- Home mortgage delinquencies have been surging nationally, especially for borrowers who took out subprime mortgages. Although the Agency does not make subprime loans, the Agency continues to review its loan loss reserves. In 2008 the reserve was increased by a net of $5.4 million to $80.9 million. In addition, the Agency maintains its Emergency Reserve Account at approximately one percent of the net program loans receivable.

- During fiscal year 2008, $42 million was transferred into the Fund by the State pursuant to the Housing and Emergency Shelter Trust Fund Act of 2002 and 2006. The funds were used to make loans and grants to borrowers and homeowners through programs administered by the Agency on a contract basis.

- During fiscal year 2008, the Agency issued $1.9 billion of notes and bonds. All but $828 million was issued as fixed rate debt and $633 million of variable rate debt was synthetically swapped to fixed.

- The Agency continued to actively manage the Fund's interest expense and exposures within the debt portfolio, redeeming, and in some cases refunding, $734 million of bond indebtedness during fiscal year 2008.

Condensed Financial Information:

Combined Balance Sheet

The following table presents condensed combined balance sheets for the Fund as of June 30, 2008 and 2007 and the change from the prior year (dollars in millions):

Condensed Combined Balance Sheets

	2008	2007	Change
Assets			
Cash and investments	$2,278	$2,068	$210
Program loans receivable-net	8,434	7,509	925
Other	156	125	31
Total Assets	$10,868	$9,702	$1,166
Liabilities			
Bonds payable – net	$8,618	$7,579	$1,039
Other	805	730	75
Total Liabilities	$9,423	$8,309	$1,114
Fund Equity			
Invested in capital assets	1	1	
Restricted equity	1,444	1,392	52
Total Fund Equity	1,445	1,393	52
Total Liabilities and Fund Equity	$10,868	$9,702	$1,166

Assets

Of the Fund's assets, 99% is represented by cash and investments and program loans receivable. The Fund does not have a significant investment in capital assets, holding less than $1 million in furniture and equipment.

Total assets increased by $1.2 billion during fiscal year 2008. The Fund's cash and investments were $2.3 billion as of June 30, 2008, an increase of $210 million from June 30, 2007. The 10% increase in cash and investments is related to the increase in bond and investment activity during the fiscal year.

Of the Fund's assets, 21% is in the form of cash and investments at fiscal year end. Of the Fund's investment balance, 21% is in investment agreements. Consistent with the Agency's investment policy, bond proceeds are normally invested in investment agreements with highly rated providers of such instruments because the agreements provide a low level of counterparty risk, a fixed rate of return and complete liquidity. The amount of funds invested in investment agreements during the 2008 fiscal year decreased by $325 million, due primarily to the investment in homeownership loans. In addition, over $1.4 billion of the Fund's investments are held in the State's Surplus Money Investment Fund ("SMIF") and earn a variable rate of interest. The amount of funds invested in SMIF during fiscal year 2008 increased by $315 million.

The composition of cash and investments as of June 30, 2008 and 2007 and the changes from the prior year are shown in the table below (dollars in millions):

Cash and Investments

	2008	2007	Change
Investment agreements	$485	$810	($325)
SMIF	1,409	1,094	315
Securities & Commercial paper	219	115	104
Cash	165	49	116
Total	$2,278	$2,068	$210

Program loans receivable increased by $925 million or 12% during fiscal year 2008 compared to fiscal year 2007. This increase is due primarily to the increase in the homeownership loan portfolio. Within the Fund, the Agency originated almost $1.4 billion in new loans of which over $1.2 billion were single family first mortgages. Fewer borrowers refinanced their Agency loans resulting in a 55% decrease in loan prepayments to $185 million during fiscal year 2008 compared to $414 million received in fiscal year 2007. The Agency does not offer home refinance opportunities to its borrowers as the homeownership loan programs are restricted to first time homebuyers.

Liabilities

The Fund's liabilities were $9.4 billion as of June 30, 2008, an increase of $1.1 billion from June 30, 2007. Of the Fund's liabilities, over 91% is in the form of bond indebtedness. The Fund's bonds payable at June 30, 2008 increased by $1 billion from the prior year as the $1.9 billion in new issuances in 2008 were offset by scheduled principal payments and $734 million in bond redemptions. The Agency's governing statutes impose a cap of $13.15 billion for bonds and notes issued and outstanding within the Fund.

All of the bonds issued by the Agency are reported within the Fund. The Agency issued a total of $1.9 billion of Agency bonds during fiscal year 2008, an increase from the $1.5 billion issued during fiscal year 2007. Of the bonds issued during fiscal year 2008, all but $828 million were issued as fixed interest rate bonds, and $633 million of variable rate debt was swapped to provide synthetically fixed interest rates. As of June 30, 2008, the estimated "net" variable interest rate exposure of the Fund's total bond indebtedness was $806 million. The estimated "net' variable interest rate exposure excludes all variable interest rate bonds swapped to fixed interest rates or directly backed by complementary variable interest rate assets. This "net" variable interest rate exposure provides an internal hedge against today's low interest rate environment evidenced by low short-term investment rates and increased loan prepayments. Interest costs on variable interest rate bonds that are swapped to a fixed interest rate have generally provided a lower total interest cost to the Fund than interest costs of traditional fixed interest rate products.

The Agency issues both tax-exempt and federally taxable bonds. During the 2008 fiscal year, federally taxable bonds increased by $25 million and as of June 30, 2008 represent 22% of all bonds outstanding, while tax-exempt bonds increased by 18% and as of June 30, 2008 represent 78% of all bonds outstanding. The use of federally taxable bonds allows the Agency to leverage its allocation of the Private Activity Bond volume cap for the Homeownership Programs. This limitation is imposed by the federal government to regulate the issuance of tax-exempt bonds for private purposes. During fiscal year 2008, the Agency issued $500 million of taxable bonds to further leverage tax-exempt issuance authority.

Shown below are the amounts of variable and fixed rate indebtedness, by tax status, as of June 30, 2008 and 2007 and the changes from the prior year (dollars in millions):

Bonds Payable

	2008	2007	Change
Tax-Exempt Bonds			
*Variable Rate	$4,321	$4,163	$158
Fixed Rate	2,409	1,559	850
Total Tax-Exempt Bonds	$6,730	$5,722	$1,008
Federally Taxable Bonds			
*Variable Rate	$1,280	$1,315	($35)
Fixed Rate	572	512	60
Total Federally Taxable Bonds	$1,852	$1,827	$25
* * Total Bonds Outstanding	$8,582	$7,549	$1,033

* Certain variable rate bonds have been swapped to a fixed rate (see Note 7 to the Combined Financial Statements).
* * The HUD debenture is not included (see Note 7 to the Combined Financial Statements).

Other liabilities increased by $75 million during fiscal year 2008. This increase is due primarily to the increase in the amounts owed to the IRS for mortgage yield excess liability and to our line of credit for the purchase of loans.

Equity

All of the Fund's equity is restricted pursuant to trust agreements with bondholders and the Agency's enabling legislation or invested in capital assets. Total equity of the Fund grew by $52 million as a result of operating income of the Fund, in the amount of $10 million and transfers to the Fund in the amount of $42 million pursuant to the Housing and Emergency Shelter Trust Fund Act of 2002 and 2006.

Revenues, Expenses, and Changes in Fund Equity

The following table presents condensed combined statements of revenues, expenses, and changes in fund equity for the Fund for the fiscal years ended June 30, 2008 and June 30, 2007 and the changes from the prior year (dollars in millions):

Condensed Combined Statements of Revenues, Expenses, and Changes in Fund Equity

	2008	2007	Change
Operating Revenues:			
Interest income program loans – net	$400	$375	$25
Interest income investments – net	91	122	(31)
Increase in fair value of investments	(4)	(4)	0
Other loan and commitment fees	16	19	(3)
Other revenues	78	105	(27)
Total Operating Revenues	$581	$617	($36)
Operating Expenses:			
Interest	392	365	27
Mortgage servicing fees	19	17	2
Operating expenses	39	32	7
Other expenses	121	118	3
Total Operating Expenses	$571	$532	$39
Operating Income before transfers	$10	$85	($75)

Operating Revenues

Total operating revenues of the Fund were $581 million during fiscal year 2008 compared to $617 million during fiscal year 2007, a decrease of $36 million or 6%.

Interest income on program loans was $400 million during fiscal year 2008 compared to $375 million during fiscal year 2007, an increase of $25 million. The increase in interest income on program loans is a result of an increase in the Fund's homeownership loan portfolio. Overall, program loans receivable increased $925 million or 12% at June 30, 2008 compared to June 30, 2007, due to the growth in the homeownership loan portfolio.

Interest income from investments decreased 25% to $91 million in fiscal year 2008 from $122 million in fiscal year 2007. This decrease is due primarily to declining interest rates and redirecting funds from investment agreements to SMIF.

Other loan and commitment fees decreased $3 million to $16 million for fiscal year 2008 compared to $19 million during fiscal year 2007. This was the result of decreased collection of administrative fees, commitment fees, and multifamily prepayment fees.

Other revenues decreased by $27 million to $78 million during fiscal year 2008 compared to $105 million in fiscal year 2007, primarily due to the sale of multifamily REO's in 2007.

Operating Expenses

Total operating expenses of the Fund were $571 million during fiscal year 2008 compared to $532 million during fiscal year 2007, an increase of $39 million or 7%.

Bonds payable at June 30, 2008 increased by over $1 billion from June 30, 2007 and bond interest and swap expense, which represents 69% of the Fund's total operating expenses, increased by $27 million or 7% compared to fiscal year 2007. The increase in bond interest and swap expense is attributed to the overall drop in interest rates requiring higher swap payments to our counterparties.

The 22% growth in operating expenses from $32 million during fiscal year 2007 to $39 million during fiscal year 2008 (as shown in the condensed combined statements of revenues, expenses and changes in fund equity), resulted from increased staff salary expenses and other expenses to support the growth in Agency programs.

Operating Income before Transfers

The overall operating results of the Fund for fiscal year 2008 are reflective of the activity in the operating revenues and expenses discussed above. Operating income before transfers for fiscal year 2008 was $10 million compared to $85 million for fiscal year 2007. The $75 million decrease in operating income before transfers is primarily due to a comparison with last year's gain on sale multifamily REO's, increase in bond interest and swap expenses and decrease in investment income.

CALIFORNIA HOUSING FINANCE FUND
COMBINED BALANCE SHEETS
June 30, 2009 and June 30, 2008
(Dollars in Thousands)

	2009 Combined Totals	2008 Combined Totals
ASSETS		
Current assets:		
Cash and cash equivalents	$ 119,128	$ 164,773
Investments	1,875,314	1,897,672
Current portion - program loans receivable, net of allowance	307,512	323,751
Interest receivable:		
Program loans, net	37,095	41,182
Investments	11,791	21,612
Accounts receivable	20,048	10,689
Other assets	651	762
Total current assets	2,371,539	2,460,441
Noncurrent assets:		
Investments	241,648	215,715
Program loans receivable, net of allowance	8,013,055	8,110,363
Deferred financing costs	38,343	41,058
Other assets	96,475	40,904
Total noncurrent assets	8,389,521	8,408,040
Total assets	$ 10,761,060	$ 10,868,481
LIABILITIES AND FUND EQUITY		
Current liabilities:		
Current portion - bonds payable, net	$ 136,370	$ 111,737
Interest payable	163,574	148,813
Due to other government entities, net	255,219	352,607
Compensated absences	2,317	2,475
Deposits and other liabilities	298,899	233,765
Total current liabilities	856,379	849,397
Noncurrent liabilities:		
Bonds and debenture notes payable, net	8,107,250	8,505,841
Due to other government entities, net	19,431	34,917
Deferred revenue	30,532	33,222
Total noncurrent liabilities	8,157,213	8,573,980
Total liabilities	9,013,592	9,423,377
Commitments and contingencies (see notes 11 and 13)		
Fund equity:		
Invested in capital assets	806	838
Restricted by indenture	534,440	505,370
Restricted by statute	1,212,222	938,896
Total fund equity	1,747,468	1,445,104
Total liabilities and fund equity	$ 10,761,060	$ 10,868,481

See notes to combined financial statements.

CALIFORNIA HOUSING FINANCE FUND
COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
June 30, 2009 and June 30, 2008
(Dollars in Thousands)

	2009 Combined Totals	2008 Combined Totals
OPERATING REVENUES		
Interest income:		
Program loans, net	$ 449,486	$ 399,896
Investments, net	66,314	90,689
Increase (decrease) in fair value of investments	11,033	(3,746)
Loan commitment fees	2,207	1,626
Other loan fees	14,130	13,983
Other revenues	106,950	78,620
Total operating revenues	650,120	581,068
OPERATING EXPENSES		
Interest	427,297	392,647
Amortization of bond premium and deferred losses on refundings of debt	(461)	(264)
Mortgage servicing expenses	19,573	18,788
Provision for program loan losses	57,221	10,882
Operating expenses	39,773	38,895
Other expenses	252,786	110,346
Total operating expenses	796,189	571,294
Operating income/(loss) before transfers	(146,069)	9,774
Transfers, interfund	448,433	42,417
Increase in fund equity	302,364	52,191
Fund equity at beginning of year	1,445,104	1,392,913
Fund equity at end of year	$ 1,747,468	$ 1,445,104

See notes to combined financial statements.

CALIFORNIA HOUSING FINANCE FUND
COMBINED STATEMENTS OF CASH FLOWS
June 30, 2009 and June 30, 2008
(Dollars in Thousands)

	2009 Combined Totals	2008 Combined Totals
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 453,574	$ 395,317
Payments to suppliers	(34,031)	(32,370)
Payments to employees	(26,523)	(26,166)
Other receipts payments	(82,217)	(905,382)
Net cash provided by (used for) operating activities	310,803	(568,601)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIE		
Due to other government entities	(97,387)	2,280
Net cash (used for) provided by noncapital financing activities	(97,387)	2,280
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIE		
Proceeds from sales of bonds and debenture notes	310,945	1,864,927
Payment of bond principal	(122,819)	(93,870)
Early bond redemptions	(564,753)	(734,042)
Interest paid on debt	(412,536)	(391,684)
Interfund transfers	448,433	42,417
Additions to deferred costs	(1,924)	(7,707)
Net cash (used for) provided by capital and related financing activities	(342,654)	680,041
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturity and sale of investments	3,834,619	4,780,095
Purchase of investments	(3,827,161)	(4,878,991)
Interest on investments, net	76,135	100,505
Net cash provided by investing activities	83,593	1,609
Net (decrease) increase in cash and cash equivalents	(45,645)	115,329
Cash and cash equivalents at beginning of year	164,773	49,444
Cash and cash equivalents at end of year	$ 119,128	$ 164,773
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating (loss) income	$ (146,069)	$ 9,774
Adjustments to reconcile operating income to net cash provided by operating activities:		
Interest expense on debt	427,297	392,647
Interest on investments	(66,314)	(90,689)
Changes in fair value of investments	(11,033)	3,746
Accretion of capital appreciation bonds	3,335	3,480
Amortization of bond discount	62	152
Amortization of deferred losses on refundings of debt	509	(1,260)
Amortization of bond issuance costs	4,639	3,992
Amortization of bond premium	(1,237)	(1,035)
Amortization of deferred revenue	(2,207)	(1,625)
Depreciation	201	182
Provision for program loan losses	57,221	10,882
Provision for yield reduction payments	(13,540)	23,926
Provision for nonmortgage investment excess	(1,947)	(13)
Changes in certain assets and liabilities:		
Purchase of program loans	(454,826)	(1,425,415)
Collection of principal from program loans, net	455,547	453,698
Interest receivable	4,087	(4,578)
Accounts receivable	(9,359)	2,986
Due from (to) other funds	-	-
Other assets	(56)	(98)
Compensated absences	(158)	252
Deposits and other liabilities	65,134	52,907
Due to other government entities	-	-
Deferred revenue	(483)	(2,512)
Net cash provided by (used for) operating activities	$ 310,803	$ (568,601)

See notes to combined financial statements.

CALIFORNIA HOUSING FINANCE FUND
NOTES TO COMBINED FINANCIAL STATEMENTS
Fiscal Years Ended June 30, 2009 and 2008

Note 1 – AUTHORIZING LEGISLATION AND ORGANIZATION

The California Housing Finance Fund ("Fund") is one of two continuously appropriated funds administered by the California Housing Finance Agency ("Agency"). The Agency was created by the Zenovich-Moscone-Chacon Housing and Home Finance Act ("Act"), as amended, as a public instrumentality, a political subdivision and a component unit of the State of California ("State"), and administers the activities of the Fund and the California Housing Loan Insurance Fund ("Mortgage Insurance Fund"). These funds allow the Agency to carry out its purpose of financing the housing needs of persons and families of low and moderate income within the State. The Agency is authorized to issue its bonds, notes and other obligations to fund loans to qualified borrowers for single family houses and multifamily developments. The Agency has no taxing power and is exempt from federal income taxes and state franchise taxes. Funding of loan programs on an on-going basis is derived principally from bond proceeds and interest earned on loans and investments.

The Agency may also provide administrative, consulting and technical services in connection with the financing of housing developments; act as a State representative in receiving and allocating federal housing subsidies; and make grants, under certain circumstances, to housing sponsors (providing that grants may not be made with proceeds from the sale of bonds or notes).

The Agency is the administrator of the Home Purchase Assistance Fund, established by Section 51341 of the Health and Safety Code *et seq*. which is a state general obligation bond program, the funds of which are neither generated nor held within the Fund, and therefore, not included in the accompanying combined financial statements.

The accompanying combined financial statements are the combined financial statements of the Fund and do not include the financial position or the results of operations of the Mortgage Insurance Fund which insures loans owned by the Agency and others to finance the acquisition, new construction or rehabilitation of residential structures in California. As of December 31, 2008, the Mortgage Insurance Fund had total assets of $81,779,111 and equity of $54,153,303, respectively (not covered by this Independent Auditors' Report).

As a component unit of the State, the financial information of the Fund is included in the State's Comprehensive Annual Financial Report.

Programs and accounts are as follows:

Home Mortgage Revenue Bonds: The Home Mortgage Revenue Bonds provide financing for the Agency's Home Mortgage Program which purchases eligible mortgage loans, secured by trust deeds on newly constructed or existing single family homes, condominiums, planned unit developments and manufactured housing permanently attached to the land and originated and serviced by qualified lending institutions. All mortgage loans purchased under this program will be insured either by the Federal Housing Administration ("FHA"), the Mortgage Insurance Fund, the Department of Veterans Affairs ("VA"), a private mortgage guaranty insurance policy, or a combination thereof, covering a loss of up to fifty percent (50%), one hundred percent (100%) in the case of a FHA insured loan, of the outstanding principal amount of the mortgage loans.

Single Family Mortgage Bonds II: The Single Family Mortgage Bonds II, a parity indenture, provide financing for the Agency's Home Mortgage Program which purchases eligible mortgage loans, secured by trust deeds on newly constructed or existing single family homes, condominiums, planned unit developments and manufactured housing permanently attached to the land and originated and serviced by qualified lending institutions. All mortgage loans purchased under this program will be insured either by the FHA, the Mortgage Insurance Fund, the VA or a private mortgage guaranty insurance policy covering a loss of up to fifty percent (50%), one hundred percent (100%) in the case of a FHA insured loan, of the outstanding principal amount of the mortgage loans.

Draw Down Bonds: The Draw Down Bonds are a low cost means for preserving tax exempt borrowing authority; they were issued in lieu of short term notes. The bonds are unrated and are issued in variable rate form and have monthly or weekly rate resets based on certain indices. The bonds are secured solely by their proceeds which are invested in investment agreements or the SMIF. These investments bear interest rates equal to or slightly in excess of the rates on the bonds.

Housing Program Bonds: The Housing Program Bonds Indenture was created to provide a vehicle for issuing debt to finance either multifamily or single family programs of the Agency. Bonds issued under this indenture are backed by the Agency's general obligation. As of June 30, 2008, the Agency has three series of bonds issued and outstanding under this indenture. These bonds were issued to finance deferred payment, simple interest loans originated under certain of the Agency's down payment assistance programs, as well as to finance certain multifamily loans.

Housing Mortgage Bonds: The Housing Mortgage Bonds are issued to enable the Agency to make or purchase Mortgage Loans and Mortgage Backed Securities secured by first liens on newly constructed or existing single family homes in California.

Multifamily Loan Purchase Bonds: On July 26, 2000, the Agency purchased 278 HUD Section 236 loans with an aggregate unpaid principal balance of approximately $270 million. The purpose of this transaction was to enhance the ability of the Agency to assist affordable housing sponsors to refinance their projects and extend the period during which the units are offered at affordable rents to very-low-income and lower-income tenants. The Agency expects to provide the financing for many of these transactions.

Multifamily Housing Revenue Bonds II: The Multifamily Housing Revenue Bonds II are fixed rate bonds collateralized by the Government National Mortgage Association ("GNMA") mortgage-backed securities and/or FHA insured loans. The bonds were issued to provide financing for multi-unit rental housing developments which are utilized for occupancy by persons and families of low and moderate income. The loans may provide acquisition, construction (both for new construction and rehabilitation) and permanent financing for developments.

Multifamily Housing Revenue Bonds III: The Multifamily Housing Revenue Bonds III are fixed or variable rate bonds collateralized by GNMA mortgage-backed securities and/or FHA insured loans and/or uninsured loans. The bonds provide financing for multi-unit rental housing developments which are utilized for occupancy by persons and families of low and moderate income. The loans may provide acquisition, construction (both for new construction and rehabilitation), and permanent financing for developments.

Variable Rate Demand Limited Obligation Multifamily Housing Revenue Bonds (Mission Gardens Apartments Project): This Bond is issued pursuant and in compliance with the Zenovich Moscone Chacon Housing and Home Finance Act, consisting of Parts 1 through 4 of Division 31 of the California Health and Safety Code, and a resolution of the Issuer. The Bonds are special, limited obligations of the Issuer payable solely from and secured by the Trust Estate pledged therefore pursuant to the Indenture. The Bonds are issued to provide funds to finance a multifamily housing project located in the City of Santa Cruz, California, owned by Mission Gardens Affordable, L.P., a California limited partnership.

Variable Rate Demand Limited Obligation Multifamily Housing Revenue Bonds (Montecito Village Apartments Project): This Bond is issued pursuant and in compliance with the Zenovich Moscone Chacon Housing and Home Finance Act, consisting of Parts 1 through 4 of Division 31 of the California Health and Safety Code, and a resolution of the Issuer. The Bonds are special, limited obligations of the Issuer payable solely from and secured by the Trust Estate pledged therefore pursuant to the Indenture. The Bonds are issued to provide funds to finance a multifamily housing project located in the City of Ramona, California, owned by Montecito Village Affordable, L.P., a California limited partnership

Housing Assistance Trust: The Housing Assistance Trust ("HAT") is comprised of Agency investments in special purpose mortgage loans promoting both rental housing and homeownership, remaining investments in mortgage loans from fully redeemed bond indentures, and funds to assist in the development of single and multifamily projects through various low-interest loan and technical assistance programs. Also included within HAT are the debenture note payable related to the claim filed under the FHA Risk Sharing Act discussed in note 7, as well as funds held in trust representing Earned Surplus and Financial Adjustment Factor ("FAF") Savings from HUD Section 8 projects. Earned Surplus is to be used in lowering the rents for persons and families of low or moderate income in accordance with state law. FAF Savings are to be used in providing decent, safe, and sanitary housing, which is available for very-low income families and persons qualifying in accordance with federal law.

Contract Administration Programs: The Agency administers loan and grant programs for the Rental Housing Construction Program, the School Facilities Fee Assistance Program, the California Homebuyer's Down payment Assistance Program, National Foreclosure Mitigation Counseling Program, Mental Health Services Act Housing Program, and programs offered pursuant to the Housing and Emergency Shelter Trust Fund Act of 2002 and 2006. Funding of these programs was appropriated by the legislature or provided by voter authorized State bond programs to other departments and agencies within the State that have contracted with the Agency for this purpose. All monies transferred in accordance with the agreements and for the purposes of the program are considered assets of the Fund. The Fund received transfers in the amount of $448,432,710 during fiscal year 2009.

Supplementary Bond Security Account: This account was established exclusively to secure issuances of bonds. This security may be accomplished by creating supplementary reserve accounts to provide for payment of the principal, interest, redemption premiums or sinking fund payments on bonds, or by insuring mortgage loans made with the proceeds of bond issues or to indemnify the Mortgage Insurance Fund for losses.

Emergency Reserve Account: This account was established by the Agency to meet its obligations and liabilities incurred in connection with its housing loan programs. This reserve is maintained at approximately one percent (1%) of the aggregate amount of the Agency's net program loans receivable.

Loan Servicing: The Agency services nearly all multifamily program loans, a small portion of the homeownership program loans in first lien position, all junior or subordinate lien homeownership program loans and certain other loans for the California State Teachers Retirement System. Loan servicing agreements require that the Agency hold and maintain escrow and reserve accounts, on behalf of borrowers, that are reported as "Deposits and other Liabilities".

Loan Warehousing: The Agency borrowed $250,000,000 from the State's Pooled Money Investment Account "PMIA" for short-term warehousing of Agency loans. Homeownership loans are typically warehoused as they are purchased from originating lenders and subsequently transferred to individual bond financings on a monthly basis. The borrowing, which is reapplied for and approved in six-month intervals, requires that interest be paid on the loan at a rate equal to the earnings rate on the State's Surplus Money Investment Fund "SMIF" on the date of the new loan. In December 2008, the Pooled Money Investment Board "PMIB" advised that additional draws on PMIA short term credit line were frozen due to the state's strained cash position.

The Agency also has a revolving credit agreement "RCA" with a financial institution to provide a line of credit for short-term borrowings of up to $100,000,000, which may be increased up to $150,000,000. Under the terms of the agreement the Agency elects a fixed or variable rate of interest dependent on the expected duration of the draw and determined on the date of the draw as a stated spread to an associated index. The line of credit is available to the Agency until February 28, 2011. The proceeds of this credit facility are to be used for working capital purposes, including warehousing of multifamily program loans or homeownership program loans and making counterparty payments for various financial contracts. At June 30, 2009 draws totaling $34,133,420 were outstanding. Both PMIA and RCA credit lines are general obligations of the Agency and repayment is secured by the Agency's general reserves.

Operating Account: The Operating Account was established for purposes of depositing funds available to the Agency for payment of operating and administrative expenses of the Agency and financing expenditures not associated with specific bond funds.

Reclassification

Certain reclassifications were made to the 2009 supplemental combining statements of revenue, expenses, and changes in fund equity in Homeownership Programs to reclass swap expenses to Other Programs and Accounts in accordance with the Homeownership bond indentures.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting: The Fund is accounted for as an enterprise fund. Accordingly, the accompanying combined financial statements have been prepared using the accrual method of accounting and on the basis of accounting principles generally accepted in the United States of America (hereinafter referred to as "Generally Accepted Accounting Principles").

Accounting and Reporting Standards: The Agency follows the Standards of Governmental Accounting and Financial Reporting, as promulgated by the Governmental Accounting Standards Board ("GASB"). The Agency has adopted the option under GASB No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Funds Accounting,* which allows the Agency to apply all GASB pronouncements and only Financial Accounting Standards Board ("FASB") pronouncements which date prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Use of Estimates: The preparation of combined financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates are used in determining the gap insurance loss reserve. Based on factors such as reported delinquency categories, claim frequency percentages, severity of loss percentages and level of mortgage insurance coverage, the Agency records the estimated gap insurance losses for the delinquent mortgage loan portfolio. Actual results could differ materially from those estimates.

Cash and Cash Equivalents: The Agency considers cash on hand, cash on deposit with financial institutions and cash held in money market funds to be cash and cash equivalents.

Investments: All investments are reported at fair value as determined by financial services providers or financial publications, except for certain non-participating fixed interest investment contracts which are valued using cost based measures. The net increase (decrease) in the fair value of investments includes both realized and unrealized gains and losses.

Interest Rate Swap Agreements: The Agency enters into interest rate swap agreements with swap counterparties to manage variable interest rate risk exposure resulting from the issuance of variable rate bonds. The interest rate swap agreements provide synthetic fixed rates of interest on the underlying bonds and are accounted for as matched swaps in accordance with settlement accounting. An interest rate swap is considered to be a matched swap if it is linked through designation with an asset or liability that is on the balance sheet, provided that it has the opposite interest characteristics of such balance sheet item. Under settlement accounting, periodic net cash settlements under the swap agreements are treated as an increase or decrease in interest expense of the related bond liability over the lives of the agreements. There is an accounting change in the recording of HMRB hedging activity in year ended June 30, 2009. Swap expenses, swap expenses (fair value), swap termination fees and the gain on termination of swaps previously recorded in Homeownership Programs have been reclassified and are now being recorded in Other Programs and Accounts. This change did not affect the Agency's total net equity although it has affected the overall presentation of operating results within the financial statement categories. While these swap contracts hedge floating rate bonds issued within the HMRB indenture, hedging expenses are a general obligation of the Agency that is often reimbursed with excess revenue transfers from the HMRB indenture.

Program Loans Receivable, net: Loans receivable are carried at their outstanding principal balances, less an allowance for loan losses.

Allowance for Program Loan Losses: The Agency's policy is to charge expenses for estimated probable losses which are established as an allowance for loan losses. The allowance is an amount that management believes will be adequate to absorb losses inherent in existing loans based on evaluations of collectibility and prior loss experience. The evaluations take into consideration such factors as changes in the nature and volume of the portfolio, overall portfolio quality, loan concentrations, specific problem loans, delinquencies, and anticipated economic and other conditions that may affect the borrowers' ability to repay the loans. While management uses the best information available to evaluate the adequacy of its allowance, future adjustments to the allowance may be necessary if actual experience differs from the factors used in making the evaluations.

Other Real Estate Owned("REO"): Property acquired by the Agency through foreclosure is recorded at the lower of estimated fair value less estimated selling costs (fair value) or the carrying value of the related loan at the date of foreclosure and is included in "Other Assets" on the accompanying combined financial statements. At the time the property is acquired, if the fair value is less than the loan amounts outstanding, any difference is charged against the allowance for loan losses. After acquisition, valuations are periodically performed and, if the carrying value of the property exceeds the current fair value, a valuation allowance is established by a charge to operations. Subsequent increases in the fair value may reduce or eliminate the allowance. Operating costs on foreclosed real estate are expensed as incurred. Costs incurred for physical improvements to foreclosed real estate are capitalized if the value is recoverable through future sale.

Bonds Payable, net: Bonds Payable and Debenture Notes Payable are carried at their outstanding principal balances, plus unamortized bond premiums, less unamortized bond discounts, unamortized underwriters discounts and deferred losses on refundings.

Bond Premium, Discount and Deferred Financing Costs: Premium, discount and financing costs on bonds are deferred and amortized over the life of the related bond issue using the straight line method of amortization.

Capital Appreciation Bonds: Capital appreciation bonds are payable upon redemption or at maturity in an amount equal to the initial principal amount of such bond plus an amount of interest which, based on semi-annual compounding from the original issuance date, will produce a given yield to the stated maturity. This "Accreted Value" is accrued as bond interest, thereby increasing the original issuance amount of the capital appreciation bond which is not paid until redemption or maturity.

Compensated Absences: Agency employees accrue vacation or annual leave in varying amounts for each monthly period worked. Employees may accumulate leave time, subject to certain limitations, and upon retirement, termination, or death may be compensated for certain accumulated amounts at their then current rates of pay. The Agency records an expense for all accumulated leave that the Agency would be required to pay if all employees terminated their employment.

Deferred Revenue: Deferred revenue represents the receipt of certain loan commitment fees and other fees from lenders and borrowers, which is generally recognized as revenue over the life of the associated loans. Also included in deferred revenue is the cumulative amount by which pass-through revenues exceed expenses and allowable costs of issuance of certain programs.

Fund Equity: Fund equity is classified as invested in capital assets or restricted equity. Invested in capital assets represents investments in office equipment and furniture net of depreciation. Restricted equity represents equity balances under the lien of bond indentures that are therefore pledged to bondholders. State statutes further restrict other net assets of the Fund solely for purposes of the Agency and provide for a continuing appropriation of such assets for the benefit of bondholders.

Extinguishment of Debt: The Agency accounts for gains and losses associated with debt refundings by deferring such gains or losses and recognizing them as revenues or expenses over the shorter of the term of the bonds extinguished or the term of the refunding bonds. Gains or losses associated with debt redemptions and maturing principal, other than refundings, are recognized as income or expense at the date of the extinguishment.

Operating Revenues and Expenses: The Fund's primary operating revenue is derived from the investment of bond proceeds in the loan programs and investment securities. The primary expense is interest expense on bonds outstanding. Net interest income is an important measure of performance for the Fund. "Interest income program loans" and "interest income investments-net" are shown as operating revenues in the statements of Revenue, Expenses and Changes in Fund Equity.

Other Operating Revenues and Expenses: The Agency administers certain Section 8 contracts under the HUD guidelines of New Construction and Substantial Rehabilitation. Included in most contracts is an administrative fee earned by the Agency which totaled $1,605,564 and $1,614,728 the years ended June 30, 2009 and 2008, respectively. The Agency also administers National Foreclosure Mitigation Counseling Program (FMC). The HUD/FMC pass-through payments aggregated $72,832,268 and $73,532,713 for the years ended June 30, 2009 and 2008, respectively, and are reported as other operating revenues and expenses within Other Programs and Accounts.

Recently Adopted Accounting Standards: In fiscal year 2008-09, the agency adopted new statements issued by the Governmental Accounting Standards Board ("GASB").

Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, effective April 2, 2009*. GASB Statement No. 55 incorporates the hierarchy of generally accepted Accounting principles ("GAAP") for state and local governments into the GASB's authoritative literature. The statement will improve financial reporting by contributing to GASB's efforts to codify all GAAP for state and local governments. The adoption of GASB Statement No. 55 did not have a material impact on the Agency's financial statements or results of operations.

Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards, effective April 6, 2009.* GASB Statement No. 56 incorporates accounting and financial reporting guidance only contained in the American Institute of Certified Public Accountants ("AICPA") auditing literature for state and local governments. The statement addresses three issues from the AICPA's literature – related party transactions, going concern considerations, and subsequent events. The adoption of GASB Statement No. 56 did not have a material impact on the Agency's financial statements or results of operations.

New Accounting Standards: GASB issued statements for the future reporting periods that will be applicable to the Agency.

In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* effective for period beginning after June 15, 2009, with earlier application encouraged. The Agency will adopt GASB 53 in fiscal year 2010. GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments. The Agency is currently evaluating the impact on the Agency's financial position and result of operations that will result from adopting GASB Statement No. 53.

Note 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

The Fund utilizes a cash and investment pool maintained by the State Treasurer's office. Each program and account's portion of this pool is included in investments on the balance sheet. In addition, other types of investments are separately held by most of the programs and accounts.

Cash and Cash Equivalents: At June 30, 2009 and 2008, all cash and cash equivalents, totaling $119,128,000 and $164,773,000, respectively, were covered by federal depository insurance or by collateral held by the Agency's agent in the Agency's name.

Investments: Investment of funds is restricted by the Act and the various bond resolutions and indentures of the Agency, generally, to certain types of investment securities, including direct obligations of the U.S. Government and its agencies, the State Treasurer's Pooled Money Investment Account, long term investment agreements which are issued by institutions rated within the top two ratings of a nationally recognized rating service, and other financial instruments. The Fund's investments are categorized to give an indication of the level of risk assumed by the Agency at June 30, 2009. Category 1 includes investments that are insured or registered or for which the securities are held within the Fund by the Agency's agent in the Agency's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Agency's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agency but not in the Agency's name.

In connection with some of the cancellation of insurance on Home Mortgage Revenue Bonds, the Agency is required to post collateral on the swap associated with these bonds. As of June 30, 2009, the total fair market value of investment securities posted as collateral was $17,326,000.

Investments at June 30, 2009 and 2008 are as follows (dollars in thousands):

	Category 1	Category 2	Category 3	Fair Value June 30, 2009	Fair Value June 30, 2008
U.S. Treasury Securities	$ -			$ -	$ 1,291
U.S. Agency Securities --- GNMA's	6,034			6,034	6,670
Federal Agency Securities	239,659			239,659	211,816
Investment Agreements --- Financial Institutions (at cost)		$ 144,782		144,782	285,739
Total	$ 245,693	$ 144,782	$ -		
Other Investments (not subject to categorization):					
Surplus Money Investment Fund --- State of California				1,637,710	1,409,058
Other Investment Agreements (at cost)				88,777	198,812
Total Investments				$ 2,116,962	$ 2,113,386
Current portion				1,875,314	1,897,671
Noncurrent portion				241,648	215,715
Total				$ 2,116,962	$ 2,113,386

Note 4 – INVESTMENT RISK FACTORS

Investments by type at June 30, consist of the following (dollars in thousands):

	2009 Combined Totals	2008 Combined Totals
U.S. Treasury Securities	$ -	$ 1,291
U.S. Agency Securities --- GNMA's	6,034	6,670
Federal Agency Securities	239,659	211,816
Investment Agreements --- Financial Institutions (at cost)	233,559	484,551
Surplus Money Investment Fund --- State of California	1,637,710	1,409,058
Total Investments	$ 2,116,962	$ 2,113,386

There are many factors that can affect the value of investments. Some, such as credit risk, custodial credit risk, and concentration of credit risk and interest rate risk, may affect both equity and fixed income securities. Equity and debt securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates. It is the investment policy of the Agency to invest substantially all of its funds in fixed income securities, which limits the Agency's exposure to most types of risk.

Credit Risk: Fixed income securities are subject to credit risk, which is the chance that a issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. Certain fixed income securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government are not considered to have credit risk.

The credit risk profile for fixed income securities at June 30, is as follows (dollars in thousands):

	2009 Combined Totals	2008 Combined Totals
Fixed income securities:		
U.S. government guaranteed	$ 245,693	$ 219,777
Guaranteed interest contracts:		
Rated Aaa/AAA	55,121	99,114
Rated Aaa/AA+	-	-
Rated Aaa/AA-	954	6,754
Rated Aa3/AA	-	90,228
Rated Aa3/AA-	-	72,710
Rated Aa3/A+	11,012	43,528
Rated Aa2/AA+	9,717	-
Rated Aa2/AA	-	3,566
Rated Aa2/AA-	3,344	149,490
Rated Aa2/A+	84,126	-
Rated Aa1/AA	-	4,051
Rated Aa1/AA-	-	15,109
Rated A3/A	3,140	-
Rated A1/AA-	63,294	-
Rated A1/A+	2,851	-
Total fixed income securities	$ 479,252	$ 704,327

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the custodian, the investments may not be returned. At June 30, 2009, the Agency did not have any investments exposed to custodial credit. All investments are held by the State of California or a pledging financial institutions in the name of the Agency.

Concentration of Credit Risk: Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the Agency to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments. Investments issued or guaranteed by the U.S. government and investments in external investment pools, such as the commingled funds managed by the Agency are not considered subject to concentration of credit risk. At June 30, 2009, no investments in any one issuer exceed 5% of the net assets, except for securities issued by the U.S. government or its agencies.

Interest Rate Risk: Interest rate risk is the risk that the value of fixed income securities will decline due to decreasing interest rates. The terms of a debt investment may cause its fair value to be highly sensitive to interest rate changes. At June 30, 2009, the Agency does not have any debt investments that are highly sensitive to changes in interest rates.

Effective duration is the approximate change in price of a security resulting from a 100 basis points (1 percentage point) change in the level of interest rates. It is not a measure of time. The effective duration for fixed income securities at June 30, is as follows:

	2009	2008
Fixed income securities:		
U.S. government guaranteed	11.71	11.80
Commercial Paper	N/A	N/A

Note 5 – PROGRAM LOANS RECEIVABLE

Changes in program loans receivable for the years ended June 30, 2009 and 2008 are as follows (dollars in thousands):

	2009 Combined Totals	2008 Combined Totals
Beginning of the year balance	$ 8,557,404	$ 7,590,381
Loans purchased/funded	496,376	1,426,120
Amortized principal repayments	(319,718)	(268,051)
Loan prepayments	(176,350)	(185,647)
Chargeoffs	(25,679)	(5,399)
Subtotal	8,532,033	8,557,404
Unamortized Mortgage Discount	(3,307)	(2,277)
Transfer REO to other assets	(95,669)	(40,065)
Allowance for loan losses	(112,491)	(80,948)
End of year balance	$ 8,320,566	$ 8,434,114
Current portion	$ 307,511	$ 323,751
Noncurrent portion	8,013,055	8,110,363
Total	$ 8,320,566	$ 8,434,114

Note 6 – ALLOWANCE FOR PROGRAM LOAN LOSSES

Changes in the allowance for program loan losses for the year ended June 30, 2009 and 2008 are as follows (dollars in thousands):

	2009 Combined Totals	2008 Combined Totals
Beginning of year balance	$80,948	$75,465
Provisions for program loan losses	57,221	10,882
Chargeoffs	(25,678)	(5,399)
End of year balance	$ 112,491	$ 80,948

Note 7 – BONDS AND DEBENTURE NOTES PAYABLE AND ASSOCIATED INTEREST RATE SWAPS

The Act empowers the Agency, on behalf of the Fund, to issue both federally taxable and tax exempt bonds and notes. Bonds and notes issued by the Agency are not debts of the State but are special and general obligations of the Agency payable solely from and collateralized by the revenues and other assets pledged under the respective indentures. The Act provides the Agency with the authority to have outstanding bonds or notes, at any one time, in the aggregate principal amount of $13.15 billion excluding refunding issues and certain taxable securities.

The Agency, on behalf of the Fund, as part of its interest rate risk management program, has entered into interest rate swap agreements with various counterparties wherein the Agency has agreed to pay fixed or variable rates of interest and receive floating rate payments.

Bonds payable and the terms and outstanding notional amounts and fair value of associated interest rate swaps as of June 30, 2009 are as follows (dollars in thousands):

	Bonds and Debenture Notes							
Bond Issue	**Type of Bond**	**Interest Rate Range**			**Final Maturity Date**	**Outstanding Fixed**	**Outstanding Variable**	**Total**
Home Mortgage Revenue Bonds:								
1982 Series A	Tax-Exempt			10.250%	2014	$ 1,590		$ 1,590
1982 Series B	Tax-Exempt			10.625%	2014	500		500
1983 Series A	Tax-Exempt			10.263%	2015	16,725		16,725
1983 Series B	Tax-Exempt			10.751%	2015	3,462		3,462
1984 Series B	Tax-Exempt			11.493%	2016	487		487
1985 Series A	Tax-Exempt			10.989%	2016	844		844
1985 Series B	Tax-Exempt			9.876%	2017	3,475		3,475
1997 Series O	Tax-Exempt			5.650%	2027	5,435		5,435
1998 Series F	Tax-Exempt	4.700%	-	5.100%	2016	10,990		10,990
1998 Series J	Tax-Exempt			4.850%	2027	1,075		1,075
1998 Series M	Taxable			5.590%	2023		9,490	9,490
1999 Series F	Tax-Exempt			5.200%	2028	4,243		4,243
1999 Series G	Taxable			6.870%	2011	8,255		8,255
1999 Series N	Tax-Exempt	5.100%	-	5.300%	2031	18,215		18,215
1999 Series O	Taxable			1.250%	2012		9,475	9,475
1999 Series O	Taxable			1.250%	2012		4,990	4,990
2000 Series B	Tax-Exempt			6.200%	2019	2,339		2,339
2000 Series D	Taxable			1.260%	2023		11,925	11,925
2000 Series D	Taxable			1.260%	2023		16,160	16,160
2000 Series H	Taxable			1.220%	2017		9,885	9,885
2000 Series H	Taxable			1.220%	2017		17,075	17,075
2000 Series J	Tax-Exempt			2.430%	2031		24,565	24,565
2000 Series J	Tax-Exempt			2.430%	2031		565	565
2000 Series K	Taxable			5.980%	2031		8,925	8,925
2000 Series N	Tax-Exempt			2.430%	2031		29,075	29,075
2000 Series V	Taxable			1.740%	2032		34,680	34,680
2000 Series V	Taxable			1.740%	2032		11,960	11,960
2000 Series X-1	Tax-Exempt							
2000 Series X-2	Tax-Exempt			1.110%	2031		29,740	29,740
2000 Series Z	Taxable			1.280%	2031		37,200	37,200
2000 Series Z	Taxable			1.280%	2031		3,715	3,715
2001 Series C	Tax-Exempt							
2001 Series C	Tax-Exempt							

SWAPS					
Fixed Rate Paid By **Agency**	Floating Rate Received By **Agency**	Effective **Date**	Termination **Date**	Outstanding Notional/Applicable **Amount**	Fair **Value**
6.6550%	LIBOR	12/9/99	8/1/12	$ 9,475	$ (615)
7.1950%	LIBOR	1/27/00	2/1/13	11,925	(881)
7.2600%	LIBOR	4/6/00	8/1/10	9,885	(161)
4.9000%	LIBOR @ 65%	5/25/00	8/1/30	24,565	(4,414)
7.5000%	LIBOR	5/25/00	2/1/17	47,455	(1,970)
5.1600%	LIBOR @ 65%	5/25/00	8/1/22	29,915	(1,457)
7.0960%	6 mo LIBOR	10/5/00	8/1/14	34,680	(3,615)
4.3580%	LIBOR @ 64%	12/13/00	8/1/15	3,420	(196)
4.5100%	LIBOR @ 65%	12/13/00	8/1/31	30,100	(4,445)
6.8430%	3 mo LIBOR	12/13/00	8/1/16	37,200	(4,383)
3.9000%	LIBOR @ 65%	1/25/01	8/1/20	4,885	(252)
4.1600%	LIBOR @ 65%	1/25/01	8/1/16	780	(474)

	Bonds and Debenture Notes					
Bond Issue	**Type of Bond**	**Interest Rate Range**	**Final Maturity Date**	**Outstanding Fixed**	**Outstanding Variable**	**Total**
2001 Series D	Taxable	1.360%	2022		53,890	53,890
2001 Series D	Taxable	1.360%	2022		10,810	10,810
2001 Series G	Taxable	1.300%	2029		34,085	34,085
2001 Series G	Taxable	1.300%	2029		17,225	17,225
2001 Series J	Tax-Exempt	0.800%	2032		44,085	44,085
2001 Series J	Tax-Exempt	0.800%	2032		1,315	1,315
2001 Series K	Taxable	1.340%	2032		67,105	67,105
2001 Series N	Tax-Exempt					
2001 Series O	Taxable	1.370%	2032		57,855	57,855
2001 Series O	Taxable	1.370%	2032		7,680	7,680
2001 Series R	Tax-Exempt					
2001 Series S	Taxable	1.410%	2023		39,495	39,495
2001 Series S	Taxable	1.410%	2023		5,400	5,400
2001 Series U	Tax-Exempt	2.040%	2032		52,350	52,350
2001 Series V	Taxable	1.230%	2031		16,345	16,345
2002 Series B	Tax-Exempt	3.740%	2033		40,945	40,945
2002 Series B	Tax-Exempt	3.740%	2033		5	5
2002 Series C	Taxable	1.350%	2033		25,925	25,925
2002 Series C	Taxable	1.350%	2033		11,300	11,300
2002 Series D	Taxable	1.270%	2030		18,930	18,930
2002 Series D	Taxable	1.270%	2030		14,420	14,420
2002 Series F	Tax-Exempt	3.840%	2033		48,045	48,045
2002 Series H	Taxable	1.350%	2022		13,320	13,320
2002 Series H	Taxable	1.350%	2022		10,615	10,615
2002 Series J	Tax-Exempt	0.770%	2033		80,485	80,485
2002 Series J	Tax-Exempt	0.770%	2033		930	930
2002 Series L	Taxable	1.350%	2024		19,500	19,500
2002 Series L	Taxable	1.350%	2024		5,210	5,210
2002 Series M	Tax-Exempt	0.450%	2032		41,600	41,600
2002 Series M	Tax-Exempt	0.450%	2032		4,095	4,095
2002 Series M	Tax-Exempt	0.450%	2033		30,300	30,300
2002 Series O	Taxable	1.320%	2033		15,040	15,040
2002 Series O	Taxable	1.320%	2033		8,510	8,510
2002 Series P	Tax-Exempt					
2002 Series Q	Tax-Exempt	0.770%	2033		20,225	20,225
2002 Series U	Tax-Exempt	2.370%	2032		35,575	35,575
2002 Series U	Tax-Exempt	2.370%	2031		37,255	37,255
2002 Series U	Tax-Exempt	2.370%	2031		4,150	4,150
2002 Series V	Tax-Exempt	3.150% - 3.750%	2009	1,535		1,535
2003 Series B	Taxable	1.230%	2027		600	600
2003 Series D	Tax-Exempt	2.700%	2033		48,500	48,500
2003 Series D	Tax-Exempt	2.000%	2022		38,005	38,005
2003 Series F	Tax-Exempt	2.820%	2022		46,225	46,225
2003 Series F	Tax-Exempt	2.820%	2034		78,830	78,830
2003 Series G	Taxable	1.250%	2034		19,295	19,295
2003 Series H	Tax-Exempt	2.890%	2032		49,925	49,925
2003 Series H	Tax-Exempt	2.890%	2033		55,580	55,580
2003 Series I	Taxable	1.280%	2033		34,940	34,940
2003 Series K	Tax-Exempt	0.730%	2033		62,650	62,650
2003 Series K	Tax-Exempt	0.730%	2033		985	985
2003 Series K	Tax-Exempt	0.730%	2034		46,905	46,905
2003 Series L	Taxable	1.280%	2034		32,420	32,420
2003 Series M	Tax-Exempt	0.510%	2024		51,645	51,645
2003 Series M	Tax-Exempt	0.510%	2024		670	670
2003 Series M	Tax-Exempt	0.910%	2034		74,740	74,740

SWAPS					
Fixed Rate Paid By Agency	**Floating Rate Received By Agency**	**Effective Date**	**Termination Date**	**Outstanding Notional/Applicable Amount**	**Fair Value**
6.2150%	3 mo LIBOR+.26%	1/25/01	8/1/19	53,890	(6,126)
6.0100%	3 mo LIBOR+.20%	4/5/01	2/1/16	34,085	(3,036)
4.1430%	LIBOR @ 65%	5/31/01	8/1/24	44,085	(4,102)
3.9910%	LIBOR @ 65%	7/26/01	8/1/18	12,485	(943)
6.3600%	3 mo LIBOR+.27%	7/26/01	8/1/20	57,855	(7,132)
Fixed Amount	LIBOR @ 65%	10/10/01	8/1/11	2,295	(894)
5.5300%	3 mo LIBOR+.31%	10/10/01	8/1/18	39,495	(3,206)
4.1300%	SIFMA less .15%	12/6/01	8/1/32	52,350	(4,313)
3.8880%	LIBOR @ 65%	4/18/02	8/1/27	40,945	(4,608)
5.6000%	3 mo LIBOR+.25%	5/1/02	8/1/12	25,925	(1,328)
5.8000%	3 mo LIBOR+.17%	8/1/02	2/1/11	18,930	(645)
3.9940%	LIBOR @ 65%	6/6/02	2/1/24	48,045	(4,739)
5.5350%	3 mo LIBOR+.25%	11/1/02	2/1/13	13,320	(586)
3.8630%	LIBOR @ 65%	8/8/02	8/1/32	80,485	(7,100)
5.1000%	3 mo LIBOR+.25%	12/1/02	2/1/13	19,500	(888)
3.7280%	LIBOR @ 65%	10/17/02	8/1/22	41,600	(4,045)
Fixed Amount	LIBOR @ 65%	10/17/02	8/1/12	4,095	(1,422)
4.4800%	LIBOR @ 65%	10/17/02	8/1/33	30,300	(96)
3.9890%	3 mo LIBOR+.22%	2/3/03	2/1/12	15,040	(459)
3.1480%	LIBOR @ 65%	12/12/02	8/1/22	55,525	(3,083)
3.8200%	LIBOR @ 65%	12/12/02	8/1/32	20,225	(645)
3.9100%	LIBOR @ 60%+.26%	3/6/03	2/1/31	35,575	(369)
3.2400%	LIBOR @ 60%+.26%	3/6/03	2/1/31	37,255	1,592
3.7750%	LIBOR @ 60%+.26%	4/10/03	8/1/33	48,500	(1,216)
3.1300%	LIBOR @ 60%+.26%	4/10/03	8/1/19	38,005	(1,076)
3.1250%	LIBOR @ 60%+.26%	3/26/03	2/1/18	46,225	(1,979)
3.7000%	LIBOR @ 60%+.26%	3/26/03	2/1/34	78,830	(1,441)
2.6750%	LIBOR @ 60%+.26%	8/7/03	8/1/30	49,925	(749)
3.4270%	LIBOR @ 60%+.26%	8/7/03	8/1/33	55,580	269
3.2700%	LIBOR @ 60%+.26%	8/1/04	2/1/18	62,650	(2,783)
4.2450%	LIBOR @ 60%+.26%	8/1/04	8/1/30	46,905	(688)
3.2250%	LIBOR @ 60%+.26%	2/2/04	8/1/19	51,645	(1,843)
3.8900%	LIBOR @ 60%+.26%	2/2/04	2/1/34	74,740	(1,889)

Bond Issue	Type of Bond	Interest Rate Range			Final Maturity Date	Outstanding Fixed	Outstanding Variable	Total
2003 Series N	Taxable			1.310%	2034		37,060	37,060
2004 Series A	Tax-Exempt			0.820%	2033		36,590	36,590
2004 Series A	Tax-Exempt			0.820%	2034		33,870	33,870
2004 Series A	Tax-Exempt			0.820%	2034		695	695
2004 Series B	Taxable			1.270%	2034		4,235	4,235
2004 Series E	Tax-Exempt			0.470%	2035		53,955	53,955
2004 Series E	Tax-Exempt			0.470%	2035		69,040	69,040
2004 Series F	Taxable			1.290%	2035		46,690	46,690
2004 Series G	Tax-Exempt			0.770%	2034		59,230	59,230
2004 Series G	Tax-Exempt			0.770%	2035		23,280	23,280
2004 Series H	Taxable			1.330%	2035		6,935	6,935
2004 Series I	Tax-Exempt			0.810%	2034		17,065	17,065
2004 Series I	Tax-Exempt			0.810%	2035		10,970	10,970
2004 Series I	Tax-Exempt			0.810%	2035		1,680	1,680
2005 Series A	Tax-Exempt			1.980%	2035		151,125	151,125
2005 Series B	Tax-Exempt			0.390%	2016		44,680	44,680
2005 Series B	Tax-Exempt			0.390%	2035		95,220	95,220
2005 Series B	Tax-Exempt			0.410%	2035		9,260	9,260
2005 Series B	Tax-Exempt			0.410%	2035		4,100	4,100
2005 Series C	Tax-Exempt	3.250%	-	3.700%	2013	26,190		26,190
2005 Series D	Tax-Exempt			2.890%	2038		59,775	59,775
2005 Series D	Tax-Exempt			2.890%	2038		3,770	3,770
2005 Series D	Tax-Exempt			2.890%	2040		79,445	79,445
2005 Series D	Tax-Exempt			2.890%	2040		26,685	26,685
2005 Series E	Tax-Exempt	3.125%	-	3.350%	2011	8,780		8,780
2005 Series F	Tax-Exempt			0.380%	2037		67,870	67,870
2005 Series F	Tax-Exempt			0.380%	2037		2,995	2,995
2005 Series F	Tax-Exempt			0.380%	2038		86,685	86,685
2005 Series F	Tax-Exempt			0.380%	2040		16,425	16,425
2005 Series G	Tax-Exempt			2.250%	2034		19,870	19,870
2005 Series G	Tax-Exempt			2.250%	2034		12,745	12,745
2005 Series H	Tax-Exempt			2.250%	2036		76,190	76,190
2005 Series H	Tax-Exempt			2.250%	2036		6,715	6,715
2005 Series H	Tax-Exempt			2.250%	2036		74,165	74,165
2006 Series A	Tax-Exempt			2.250%	2035		32,865	32,865
2006 Series A	Tax-Exempt			2.250%	2035		910	910
2006 Series B	Tax-Exempt	3.650%	-	4.000%	2013	19,575		19,575
2006 Series C	Tax-Exempt			4.250%	2037		83,095	83,095
2006 Series C	Tax-Exempt			4.250%	2037		2,060	2,060
2006 Series C	Tax-Exempt			4.250%	2037		89,005	89,005
2006 Series D	Tax-Exempt	4.250%	-	4.400%	2017	20,000		20,000
2006 Series E	Tax-Exempt	4.250%	-	5.050%	2026	93,290		93,290
2006 Series F	Tax-Exempt			3.120%	2041		50,000	50,000
2006 Series F	Tax-Exempt			3.120%	2041		60,000	60,000
2006 Series G	Tax-Exempt	3.650%	-	3.875%	2016	29,490		29,490
2006 Series H	Tax-Exempt	3.875%	-	5.750%	2030	59,010		59,010
2006 Series I	Tax-Exempt	4.600%	-	4.875%	2041	165,310		165,310
2006 Series J	Tax-Exempt	3.650%	-	4.150%	2016	27,840		27,840
2006 Series K	Tax-Exempt	4.550%	-	4.800%	2042	256,410		256,410
2006 Series L	Tax-Exempt	3.625%	-	4.150%	2016	45,775		45,775
2006 Series M	Tax-Exempt	4.550%	-	4.750%	2042	215,660		215,660
2007 Series A	Taxable			5.720%	2032	90,000		90,000
2007 Series B	Taxable			1.280%	2042		40,000	40,000
2007 Series C	Taxable			1.280%	2042		20,000	20,000
2007 Series D	Tax-Exempt	3.750%	-	4.400%	2018	71,170		71,170
2007 Series E	Tax-Exempt	4.650%	-	4.800%	2042	191,390		191,390

SWAPS

Fixed Rate Paid By Agency	Floating Rate Received By Agency	Effective Date	Termination Date	Outstanding Notional/Applicable Amount	Fair Value
3.0875%	LIBOR @ 60%+.26%	8/1/04	8/1/30	36,590	(1,555)
4.0450%	LIBOR @ 60%+.26%	8/1/04	2/1/34	33,870	(189)
3.5400%	LIBOR @ 60%+.26%	4/1/05	8/1/20	53,955	(2,870)
4.1330%	LIBOR @ 60%+.26%	4/1/05	2/1/35	69,040	(3,558)
3.6100%	LIBOR @ 60%+.26%	2/1/05	2/1/34	59,230	(4,595)
4.0821%	LIBOR @ 60%+.26%	8/1/04	2/1/35	23,280	(812)
3.5600%	LIBOR @ 60%+.26%	8/4/04	2/1/33	17,065	(1,359)
4.0750%	LIBOR @ 60%+.26%	8/4/04	2/1/35	10,970	(170)
3.8040%	LIBOR @ 60%+.26%	4/5/05	8/1/35	151,125	(82)
3.0490%	LIBOR @ 60%+.26%	7/1/05	2/1/16	44,680	(1,650)
3.7260%	LIBOR @ 60%+.26%	7/1/05	2/1/35	95,220	(1,246)
3.6900%	LIBOR @ 65%	10/10/01	8/1/35	15,935	(1,374)
3.1580%	LIBOR @ 60%+.26%	5/19/05	2/1/36	59,775	(2,893)
3.6040%	LIBOR @ 60%+.26%	5/19/05	2/1/40	79,445	(527)
3.2200%	LIBOR @ 60%+.26%	7/28/05	8/1/31	67,870	(1,354)
3.3860%	LIBOR @ 60%+.26%	7/28/05	2/1/38	86,685	(1,415)
4.4540%	97% SIFMA & HR	12/15/05	2/1/34	21,160	(457)
3.9320%	LIBOR @ 62%+.25%&HR	12/15/05	2/1/34	13,580	(363)
3.6500%	LIBOR @ 62%+.25%	12/15/05	8/1/31	76,190	(4,493)
3.8570%	LIBOR @ 62%+.25%	12/15/05	2/1/36	74,165	(2,869)
4.3530%	97% SIFMA	2/2/06	8/1/35	32,865	(617)
4.0180%	LIBOR @ 62%+.25%	4/19/06	8/1/30	83,095	(4,051)
4.0590%	LIBOR @ 62%+.25%	4/19/06	2/1/37	89,005	(5,265)
4.2550%	LIBOR @ 62%+.25%	7/27/06	8/1/40	60,000	(3,065)
4.1360%	LIBOR @ 62%+.25%	7/27/06	2/1/41	60,000	(4,991)

	Bonds and Debenture Notes							
Bond Issue	**Type of Bond**	**Interest Rate Range**			**Final Maturity Date**	**Outstanding Fixed**	**Outstanding Variable**	**Total**
2007 Series F	Tax-Exempt	3.950%	-	4.700%	2017	44,865		44,865
2007 Series G	Tax-Exempt	4.950%	-	5.500%	2029	109,025		109,025
2007 Series G	Tax-Exempt	4.950%	-	5.500%	2042	88,040		88,040
2007 Series H	Tax-Exempt			2.290%	2033		50,000	50,000
2007 Series H	Tax-Exempt			2.290%	2042		50,000	50,000
2007 Series I	Tax-Exempt	3.700%	-	4.350%	2017	16,685		16,685
2007 Series J	Tax-Exempt	4.950%	-	5.050%	2027	55,470		55,470
2007 Series J	Tax-Exempt			5.750%	2047	37,215		37,215
2007 Series K	Tax-Exempt			0.910%	2037		25,000	25,000
2007 Series K	Tax-Exempt			0.910%	2038		25,000	25,000
2007 Series L	Taxable			5.530%	2027	49,710		49,710
2007 Series M	Taxable			5.835%	2032	89,170		89,170
2007 Series N	Taxable			1.280%	2043		60,000	60,000
2008 Series A	Tax-Exempt	3.000%	-	4.500%	2020	42,510		42,510
2008 Series B	Tax-Exempt	4.800%	-	4.800%	2028	35,960		35,960
2008 Series C	Tax-Exempt			2.060%	2041		13,920	13,920
2008 Series C	Tax-Exempt			2.060%	2041		20,085	20,085
2008 Series C	Tax-Exempt			2.060%	2041		15,850	15,850
2008 Series C	Tax-Exempt			2.060%	2041		7,005	7,005
2008 Series C	Tax-Exempt			2.060%	2041		7,760	7,760
2008 Series C	Tax-Exempt			2.060%	2041		5,945	5,945
2008 Series D	Tax-Exempt			2.070%	2043		1,680	1,680
2008 Series D	Tax-Exempt			2.070%	2043		2,595	2,595
2008 Series D	Tax-Exempt			2.070%	2043		1,355	1,355
2008 Series D	Tax-Exempt			2.070%	2043		3,865	3,865
2008 Series D	Tax-Exempt			2.070%	2043		4,210	4,210
2008 Series D	Tax-Exempt			2.070%	2043		1,980	1,980
2008 Series D	Tax-Exempt			2.070%	2031		45,600	45,600
2008 Series D	Tax-Exempt			2.070%	2031		37,675	37,675
2008 Series E	Tax-Exempt			0.450%	2032		28,450	28,450
2008 Series E	Tax-Exempt			0.450%	2032		17,950	17,950
2008 Series E	Tax-Exempt			0.450%	2032		19,055	19,055
2008 Series F	Tax-Exempt			2.060%	2032		25,000	25,000
2008 Series G	Taxable			6.000%	2025	50,000		50,000
2008 Series H	Taxable			4.950%	2020	100,000		100,000
2008 Series I	Taxable			2.940%	2042		17,000	17,000
2008 Series I	Taxable			2.940%	2042		44,865	44,865
2008 Series I	Taxable			2.940%	2042		86,905	86,905
2008 Series J	Tax-Exempt	3.375%	-	5.125%	2018	79,525		79,525
2008 Series K	Tax-Exempt	5.300%	-	5.600%	2038	220,475		220,475
2008 Series L	Tax-Exempt	1.750%	-	4.450%	2018	189,790		189,790
2008 Series M	Tax-Exempt	5.750%	-	5.950%	2025	60,210		60,210
Single Family Mortgage Bonds II:								
1997 Series A-1	Tax-Exempt	5.400%	-	6.000%	2020	4,580		4,580
1997 Series B-1	Tax-Exempt	4.950%	-	5.650%	2028	2,945		2,945
1997 Series B-3	Tax-Exempt	4.750%	-	5.400%	2029	7,390		7,390
1997 Series C-1	Tax-Exempt			5.050%	2011	865		865
1997 Series C-2	Tax-Exempt			5.625%	2020	2,260		2,260
1997 Series C-3	Taxable			6.790%	2029	380		380
1998 Series A	Tax-Exempt	4.750%	-	5.375%	2026	1,180		1,180
1998 Series B	Tax-Exempt	5.150%	-	5.200%	2030	540		540
1999 Series A-2	Tax-Exempt	5.100%	-	5.250%	2030	6,350		6,350
1999 Series A-3	Taxable			5.880%	2021	1,295		1,295
1999 Series D-2	Tax-Exempt			5.200%	2013	700		700
1999 Series D-3	Taxable			6.880%	2017	2,065		2,065

SWAPS

Fixed Rate Paid By Agency	Floating Rate Received By Agency	Effective Date	Termination Date	Outstanding Notional/Applicable Amount	Fair Value
4.0480%	LIBOR @ 62%+.25%	8/8/07	2/1/31	50,000	(4,648)
4.2360%	LIBOR @ 62%+.25%	8/8/07	2/1//38	50,000	(4,999)
3.3920%	LIBOR @ 63%+.24%	11/7/07	8/1/32	25,000	(437)
4.0400%	LIBOR @ 63%+.24%	11/7/07	2/1/38	25,000	(1,635)
4.8000%	LIBOR @ 65%	4/6/00	2/1/23	13,720	(2,001)
5.1600%	LIBOR @ 65%	5/25/00	8/1/22	20,085	(971)
4.1430%	LIBOR @ 65%	5/31/01	8/1/24	15,805	(2,042)
3.9940%	LIBOR @ 65%	6/6/02	2/1/24	7,005	(4)
3.8630%	LIBOR @ 65%	8/8/02	8/1/32	7,760	(2,411)
4.9500%	LIBOR @ 65%	11/18/08	8/1/23	5,945	(287)
4.9000%	LIBOR @ 65%	5/25/00	8/1/30	1,680	(507)
4.1430%	LIBOR @ 65%	5/31/01	8/1/24	2,595	(386)
3.9910%	LIBOR @ 65%	7/26/01	8/1/18	1,355	(173)
4.1300%	SIFMA less .15%	12/6/01	8/1/32	3,865	(358)
4.8500%	LIBOR @ 65%	11/18/08	2/1/17	4,210	(465)
4.8000%	LIBOR @ 65%	4/6/00	2/1/23	44,915	(6,156)
4.8500%	LIBOR @ 65%	11/18/08	2/1/17	37,675	(4,160)
4.5275%	LIBOR @ 65%	10/5/00	8/1/15	27,670	(2,677)
4.6600%	LIBOR @ 65%	11/18/08	2/1/16	17,780	(1,568)
4.9500%	LIBOR @ 65%	11/18/08	8/1/23	19,055	(922)
3.8700%	LIBOR @ 65%	11/18/08	8/1/17	25,000	(2,111)
6.1950%	LIBOR	8/1/02	8/1/14	17,000	(2,014)
7.1100%	LIBOR	11/18/08	8/1/22	44,865	(9,235)

	Bonds and Debenture Notes					
Bond Issue	**Type of Bond**	**Interest Rate Range**	**Final Maturity Date**	**Outstanding Fixed**	**Outstanding Variable**	**Total**
Housing Program Bonds:						
2004 Series A	Tax-Exempt	4.750%	2036		31,500	31,500
2006 Series A	Tax-Exempt	4.750% - 4.950%	2036	47,090		47,090
2006 Series B -SF	Taxable	4.970%	2036		11,110	11,110
2006 Series B - MF	Taxable	4.970%	2036		49,225	49,225
Housing Mortgage Bonds:						
2009 Series A	Tax-Exempt	6.250% - 12.000%	2038	50,000		50,000
Multifamily Loan Purchase Bonds:						
2000 Series A	Taxable	Variable	2017	58,709		58,709
Variable Rate Demand Limited Obligation Multifamily Housing Revenue Bonds (Mission Gardens Apartments Project):						
2009 A	Tax-Exempt	0.230%	2041		4,620	4,620
Variable Rate Demand Limited Obligation Multifamily Housing Revenue Bonds (Montecito Village Apartments Project):						
2009 B	Tax-Exempt	0.230%	2043		6,325	6,325
Multifamily Housing Revenue Bonds II:						
1995 Series A	Tax-Exempt	6.250%	2037	2,765		2,765
1995 Series C	Taxable	8.000% - 8.100%	2037	19,755		19,755
1996 Series A	Tax-Exempt	6.050%	2027	16,920		16,920
1996 Series B	Tax-Exempt	5.850% - 6.150%	2022	20,165		20,165
Multifamily Housing Revenue Bonds III:						
1997 Series A	Tax-Exempt	5.850% - 6.050%	2038	60,040		60,040
1998 Series A	Tax-Exempt	4.850% - 5.500%	2038	29,150		29,150
1998 Series B	Tax-Exempt	4.850% - 5.500%	2039	72,240		72,240
1998 Series C	Tax-Exempt	4.600% - 5.300%	2028	10,475		10,475
1999 Series A	Tax-Exempt	4.500% - 5.375%	2036	32,650		32,650
2000 Series A	Tax-Exempt	1.282%	2035		33,335	33,335
2000 Series A	Tax-Exempt	1.282%	2026		46,105	46,105
2000 Series B	Tax-Exempt	1.079%	2031		6,540	6,540
2000 Series C	Tax-Exempt	1.282%	2033		50,400	50,400
2000 Series D	Tax-Exempt	3.250%	2031		14,895	14,895
2001 Series C	Taxable	4.000%	2041		12,960	12,960
2001 Series D	Tax-Exempt	0.264%	2022		2,590	2,590
2001 Series D	Tax-Exempt	0.264%	2022		1,455	1,455
2001 Series E	Tax-Exempt	0.510%	2036		48,900	48,900
2001 Series F	Tax-Exempt	0.594%	2032		15,415	15,415
2001 Series G	Tax-Exempt	0.733%	2036		43,660	43,660
2001 Series G	Tax-Exempt	0.747%	2036		9,660	9,660
2001 Series H	Taxable	2.028%	2036		14,715	14,715
2002 Series A	Tax-Exempt	0.510%	2037		12,760	12,760
2002 Series A	Tax-Exempt	0.510%	2037		11,950	11,950
2002 Series B	Tax-Exempt	0.562%	2035		25,480	25,480
2002 Series C	Tax-Exempt	0.708%	2037		13,855	13,855
2002 Series C	Tax-Exempt	0.708%	2037		16,345	16,345
2002 Series D	Tax-Exempt	0.264%	2035		11,755	11,755

SWAPS					
Fixed Rate Paid By Agency	Floating Rate Received By Agency	Effective Date	Termination Date	Outstanding Notional/Applicable Amount	Fair Value
3.1450%	LIBOR @ 60%+.26%	11/4/04	11/1/19	35,000	(1,648)
5.4550%	SIFMA less .15%	7/12/00	2/1/35	33,335	(9,346)
4.6600%	LIBOR @ 65%	7/12/00	2/1/26	46,105	(8,115)
4.5850%	LIBOR @ 64%	7/12/00	2/1/31	6,540	(982)
4.3950%	LIBOR @ 64%	11/16/00	2/1/31	14,895	(2,624)
4.4520%	SIFMA less .20%	6/28/01	8/1/22	2,590	(281)
4.7120%	SIFMA less .15%	6/28/01	2/1/36	48,900	(7,255)
4.0290%	SIFMA less .20%	2/1/02	2/1/32	15,415	(994)
4.2050%	SIFMA less .15%	2/1/02	8/1/36	43,840	(4,211)
4.5950%	SIFMA less .15%	2/1/04	2/1/34	10,085	(1,318)
4.5000%	SIFMA less .15%	8/1/02	8/1/32	17,425	(2,125)
4.8900%	SIFMA less .15%	2/2/04	2/1/37	11,950	(2,055)
4.0370%	SIFMA less .20%	2/1/03	2/1/35	25,480	(2,104)
4.4050%	SIFMA less .15%	2/1/04	2/1/37	13,855	(1,677)
4.6380%	SIFMA less .15%	8/1/05	8/1/37	16,345	(2,383)
4.0850%	SIFMA less .20%	2/3/03	2/1/35	11,755	(1,048)

Bond Issue	Type of Bond	Interest Rate Range			Final Maturity Date	Outstanding Fixed	Outstanding Variable	Total
						Bonds and Debenture Notes		
2002 Series E	Tax-Exempt			0.510%	2037		15,305	15,305
2002 Series E	Tax-Exempt			0.510%	2037		40,115	40,115
2003 Series C	Tax-Exempt			1.060%	2038		14,685	14,685
2003 Series C	Tax-Exempt			1.060%	2038		15,695	15,695
2003 Series C	Tax-Exempt			1.060%	2038		17,655	17,655
2003 Series C	Tax-Exempt			1.060%	2038		1,205	1,205
2004 Series A	Tax-Exempt			3.278%	2034		20,770	20,770
2004 Series B	Tax-Exempt			5.681%	2039		12,465	12,465
2004 Series B	Tax-Exempt			5.681%	2039		6,605	6,605
2004 Series B	Tax-Exempt			5.681%	2039		5,505	5,505
2004 Series B	Tax-Exempt			5.681%	2039		15,815	15,815
2004 Series B	Tax-Exempt			5.681%	2039		2,615	2,615
2004 Series B	Tax-Exempt			5.681%	2039		6,215	6,215
2004 Series C	Tax-Exempt			1.015%	2037		8,610	8,610
2004 Series C	Tax-Exempt			1.015%	2037		4,050	4,050
2004 Series D	Tax-Exempt			1.015%	2039		58,765	58,765
2005 Series A	Tax-Exempt			6.054%	2035		2,340	2,340
2005 Series B	Tax-Exempt			7.060%	2038		2,670	2,670
2005 Series B	Tax-Exempt			7.060%	2038		25,565	25,565
2005 Series B	Tax-Exempt			7.060%	2038		3,985	3,985
2005 Series B	Tax-Exempt			7.060%	2038		5,710	5,710
2005 Series C	Tax-Exempt	4.750%	-	4.900%	2036	8,710		8,710
2005 Series D	Tax-Exempt			4.250%	2038		31,850	31,850
2005 Series D	Tax-Exempt			4.250%	2038		1,730	1,730
2005 Series E	Tax-Exempt	3.700%	-	4.950%	2038	22,270		22,270
2006 Series A	Tax-Exempt			5.847%	2041		7,855	7,855
2006 Series A	Tax-Exempt			5.847%	2041		9,430	9,430
2006 Series A	Tax-Exempt			5.847%	2041		4,285	4,285
2006 Series A	Tax-Exempt			5.848%	2040		10,010	10,010
2007 Series A	Tax-Exempt	3.750%	-	4.750%	2034	6,035		6,035
2007 Series B	Tax-Exempt			1.282%	2040		3,755	3,755
2007 Series B	Tax-Exempt			1.282%	2040		6,220	6,220
2007 Series B	Tax-Exempt			1.282%	2040		6,130	6,130
2007 Series C	Tax-Exempt			1.282%	2042		11,050	11,050
2007 Series C	Tax-Exempt			1.282%	2040		14,125	14,125
2007 Series C	Tax-Exempt			1.282%	2034		2,475	2,475
2008 Series A	Tax-Exempt			0.228%	2040		11,180	11,180
2008 Series A	Tax-Exempt			0.228%	2040		90	90
2008 Series B	Tax-Exempt			2.063%	2010		505	505
2008 Series B	Tax-Exempt			2.063%	2036		25,805	25,805
2008 Series B	Tax-Exempt			2.063%	2038		28,560	28,560
2008 Series B	Tax-Exempt			2.063%	2042		9,285	9,285
2008 Series B	Tax-Exempt			2.063%	2043		23,655	23,655
2008 Series C	Tax-Exempt			1.564%	2038		8,865	8,865
2008 Series C	Tax-Exempt			1.564%	2036		14,685	14,685
2008 Series C	Tax-Exempt			1.564%	2038		9,220	9,220
						3,155,234	5,053,725	8,208,959
Unamortized discount								(787)
Unamortized premium								17,526
Unamortized deferred losses on refundings								(5,211)
Total Bonds								8,220,487
Housing Assistance Trust:								
Ridgeway Apartments (debenture note)				6.375%	2010	23,134		23,134
Total Bonds and Debenture Notes						3,178,368	5,053,725	8,243,621

SWAPS					
Fixed Rate Paid By Agency	**Floating Rate Received By Agency**	**Effective Date**	**Termination Date**	**Outstanding Notional/Applicable Amount**	**Fair Value**
4.1510%	SIFMA less .15%	2/3/03	2/1/34	15,305	(1,399)
4.5710%	SIFMA less .15%	11/1/04	8/1/37	40,115	(5,811)
3.5560%	LIBOR @ 60%+.26%	2/1/04	8/1/35	14,685	(617)
4.0260%	LIBOR @ 60%+.26%	8/1/05	8/1/35	15,695	(1,027)
4.1770%	LIBOR @ 60%+.26%	2/1/06	8/1/38	17,655	(1,289)
3.0590%	LIBOR @ 60%+.21%	8/1/04	8/1/34	21,210	(1,001)
3.6920%	LIBOR @ 60%+.26%	8/1/06	8/1/36	12,480	(1,061)
3.3860%	LIBOR @ 60%+.26%	8/1/04	8/1/34	6,640	(148)
3.3300%	LIBOR @ 60%+.26%	8/1/04	8/1/34	5,290	(237)
4.9783%	SIFMA less .15%	8/1/06	2/1/39	15,450	(2,008)
4.5390%	SIFMA less .15%	8/1/04	8/1/34	2,660	(238)
3.4350%	LIBOR @ 60%+.21%	2/1/05	8/1/25	8,610	(643)
3.5640%	SIFMA less .20%	7/1/05	8/1/35	2,340	(71)
3.9540%	SIFMA less .15%	6/15/05	8/1/35	2,675	(117)
4.0790%	SIFMA less .15%	2/1/07	2/1/37	25,555	(1,667)
3.9570%	SIFMA less .15%	8/1/07	2/1/38	3,990	(164)
3.7010%	LIBOR @ 60%+.26%	2/1/06	2/1/38	31,850	(3,390)
4.042% + HR	97% SIFMA & HR	6/15/06	8/1/27	7,855	(580)
4.381% + HR	97% SIFMA & HR	6/15/06	8/1/39	9,430	(716)
4.492% + HR	97% SIFMA & HR	6/15/06	2/1/41	4,285	(344)
3.9370%	LIBOR @ 64%+.25%	7/12/07	2/1/22	3,755	(251)
4.2220%	LIBOR @ 64%+.25%	8/1/09	2/1/40	6,220	(828)
3.7280%	LIBOR @ 63%+.30%	2/1/08	8/1/42	11,050	(665)
3.9190%	LIBOR @ 63%+.30%	11/1/09	8/1/40	14,125	(1,353)
3.2950%	LIBOR @ 61%+.24%	11/1/09	8/1/40	11,180	742
2.3250%	SIFMA less ..5%	8/1/08	8/1/10	16,130	(288)
3.3850%	SIFMA less .15%	8/1/03	8/1/36	25,805	(576)
4.2950%	SIFMA less .15%	11/18/08	2/1/38	28,560	(1,659)
3.8830%	LIBOR @ 60%+.26%	12/1/04	8/1/38	8,865	(1,270)
3.9680%	LIBOR @ 60%+.26%	7/1/05	2/1/36	14,685	(2,075)
4.0600%	LIBOR @ 60%+.26%	2/1/06	8/1/38	9,220	(1,508)
				4,230,260	(276,843)

Changes in bonds and debenture notes payable for the year ended June 30, 2009 and 2008 are as follows (dollars in thousands):

	2009 Combined Totals	2008 Combined Totals
Beginning of year balance	$8,617,579	$7,579,228
New bonds issued	310,945	1,857,665
Scheduled maturities	(122,818)	(93,870)
Redemptions	(564,753)	(734,042)
Bond accretions	3,335	3,480
Amortized discount	61	152
Amortized premium	(1,238)	(1,035)
Amortized deferred loss	716	618
Additions to deferred loss	(179)	(1,879)
Reclassified premium as deferred loss	(27)	
Additions to premiums		7,262
End of year balance	$8,243,621	$ 8,617,579
Current portion	$ 136,370	$ 111,738
Noncurrent portion	8,107,251	8,505,841
Total	$ 8,243,621	$ 8,617,579

The Agency's variable rate debt is typically related to common indices such as the Securities Industry and Financial Markets Association ("SIFMA", formerly the Bond Market Association ("BMA")) or the London Inter-Bank Offered Rate ("LIBOR") and resets periodically. The interest calculations shown in the table below are based on the variable rate in effect at June 30, 2009, and may not be indicative of the actual interest expense that will be incurred by the Fund. As rates vary, variable rate bond interest payments and net swap payments will vary. The table below provides a summary of debt service requirements and net swap payments for the next five years and in five year increments thereafter (dollars in thousands):

Fiscal Year	Fixed/Variable Unswapped		Variable Swapped		Interest Rate	
Ending June 30	Principal	Interest	Principal	Interest	Swaps, Net	Total
2010	$ 102,499	$165,783	$ 33,880	$ 63,187	$ 154,389	$ 519,738
2011	120,808	162,538	52,024	57,820	147,376	540,567
2012	125,856	158,047	72,415	57,148	138,122	551,587
2013	120,920	153,689	83,012	56,242	128,445	542,308
2014	115,301	149,313	91,244	55,189	119,518	530,565
2015-2019	667,165	666,397	561,767	256,869	478,853	2,631,051
2020-2024	666,921	515,492	686,362	218,218	323,014	2,410,007
2025-2029	662,421	358,988	913,972	172,369	213,734	2,321,483
2030-2034	573,559	233,258	1,101,338	98,183	107,919	2,114,258
2035-2039	629,185	108,272	510,065	28,665	23,984	1,300,171
2040-2044	226,864	15,106	87,581	3,580	991	334,122
2045-2049	3,800	442				4,242
Total	$ 4,015,299	$ 2,687,325	$ 4,193,660	$ 1,067,470	$ 1,836,345	$ 13,800,099

Objective of the Interest Rate Swaps*:* In order to protect against rising rates, the Agency primarily entered into swaps to establish synthetic fixed rates for a like amount of the Agency's variable rate bond obligations. The majority of the Agency's interest rate swap transactions are structured for the Agency to pay a fixed interest rate while receiving a variable interest rate (fixed payer swaps), the exceptions are listed below under Basis Risk Associated with Interest Rate Swaps. Synthetic fixed rates provide the Agency with a significantly lower fixed cost of funds compared to issuing fixed-rate bonds.

Terms, Fair Value and Credit Risk of Interest Rate Swaps*:* The terms of the outstanding fixed payer swaps as of June 30, 2009 are summarized in the table above. The terms of the outstanding basis swaps are summarized in the table under Basis Risk Associated with Interest Rate Swaps.

All notional amounts (or "applicable amounts") of the fixed payer swaps match the principal amounts of the associated debt with the following exceptions (dollars in thousands):

Bond Issue	Bonds Outstanding	Swap Notional Amount	Unmatched Swap	Fair Value
Home Mortgage Revenue Bonds				
2000 Series C *	$ -	$ 41,885	$ 41,885	$ 43
2000 Series J *	25,130	26,245	1,115	(2)
2000 Series K	8,925	47,455	38,530	(1,599)
2000 Series N	29,075	29,915	840	(41)
2000 Series U *	-	27,665	27,665	41
2000 Series X1	-	3,420	3,420	(196)
2000 Series X2 *	29,740	30,100	360	(54)
2001 Series C	-	5,665	5,665	(726)
2001 Series N *	-	12,485	12,485	(933)
2001 Series R	-	2,295	2,295	(894)
2002 Series F *	48,045	55,050	7,005	(4)
2002 Series P	-	55,525	55,525	(3,083)
2005 Series B	9,260	15,935	6,675	(576)
2006 Series F	50,000	60,000	10,000	(511)
Housing Program Bonds:				
2004 Series A	31,500	35,000	3,500	(165)
Multifamily Housing Revenue Bonds III:				
2001 Series G	43,660	43,840	180	(16)
2002 Series A	12,760	17,425	4,665	(569)
2004 Series A	20,770	21,210	440	(21)
2004 Series B	6,605	6,640	35	(1)
2004 Series B	12,465	12,480	15	(1)
2004 Series B	2,615	2,660	45	(4)
2005 Series B	2,670	2,675	5	-
2005 Series B	3,985	3,990	5	-
2008 Series B	505	16,130	15,625	(279)
Total	337,710	575,690	237,980	(9,591)

*Includes Basis Swap.

As of June 30, 2009 the fair value of the unmatched swaps is reported in the combined balance sheets as "Deposits and other liabilities" or "Accounts receivable" and as a gain or loss on the fair value of the swaps as "Other Revenues" or "Other Expenses" in the combined statements of revenues, expenses and changes in Fund equity. The Agency did not pay or receive any cash when the swap transactions were initiated.

The Agency utilizes twelve highly-creditworthy counterparties for its interest rate swap transactions. Seventy-five percent of the notional amount outstanding at June 30, 2009 is with four of the counterparties. The largest single exposure to any one counterparty is $1,190,980,000. The Agency negotiated "asymmetrical" credit requirements for all interest rate swap transactions. These asymmetrical provisions impose higher credit standards on the counterparties than on the Agency. Counterparties are required to collateralize their exposure to the Agency when their credit ratings fall from double-A to the highest single-A category (A1/A+), whereas the Agency is not required to provide collateralization until its ratings fall to the mid-single-A category (A2/A).

Because interest rates are generally lower than the rates in effect at inception of the swap agreements, the Agency's fixed payer swap agreements had an aggregate negative fair value of $276,843,000 as of June 30, 2009. Fair values are as reported by the Agency's dealer counterparties and are estimated using the zero-coupon method.

As of June 30, 2009, the Agency's swap portfolio has an aggregate negative fair value and the Agency is not exposed to credit risk. Should the negative fair value of the swap portfolio be reduced as a result of market fluctuations and the aggregate fair value eventually become positive, the Agency would become exposed to the counterparties' credit, since the counterparties would be obligated to make payments to the Agency in the event of termination.

The table below shows the number of fixed payer swaps and outstanding notional amounts by the counterparties' respective credit ratings (dollars in thousands).

Moody's	Standard & Poors	Outstanding Notional Amount	Number of Swap Transactions
Aaa	AAA	$ 599,975	38
Aaa	AA	25,000	1
Aa1	AAA	373,800	10
Aa1	AA	82,510	2
Aa1	AA-	961,705	27
Aa1	A+	271,920	12
Aa2	A+	41,340	2
Aa3	A+	176,965	5
A1	A	27,310	2
A2	A	727,690	28
A3	A	652,440	23
A3	A-	287,055	9
		$ 4,227,710	159

Basis Risk Associated with Interest Rate Swaps: All of the Agency's interest rate swaps contain an element of 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 floating rates paid by swap counterparties are based on indices, which consist of market-wide averages, while interest paid on the Agency's variable rate bonds is specific to individual bond issues.

Historically, the Agency's variable rate tax-exempt bonds trade at a slight discount to the SIFMA index. For those swaps associated with tax-exempt bonds for which the Agency receives a variable rate payment based on a percentage of LIBOR, the Agency is exposed to basis risk should the relationship between SIFMA and LIBOR converge.

Based on the historic relationship between short-term tax-exempt and taxable rates, the Agency initially chose to enter into many swaps at a ratio of 65% of LIBOR. However, with short-term rates at historic lows, the historic relationship between tax-exempt and taxable rates has not been maintained. Therefore, after considerable study of California tax-exempt variable rate history, the Agency settled on a new formula (60% of LIBOR plus a spread, currently .26%) that results in comparable fixed-rate economics but performs better when short-term rates are low and the SIFMA/LIBOR percentage is high. As of June 30, 2009, the SIFMA rate was .35%, 65% of one-month LIBOR was .20% and 60% of one-month LIBOR plus 26 basis points was .445%. Since December of 2002 the Agency has used this new formula, and the Agency expects to continue to use this formula for LIBOR based swaps exclusively. In addition, the Agency entered into eight basis swaps as a means to change the variable rate formula received for $277,330,000 outstanding notional amount. These basis swaps changed the variable rate formula received from counterparties from 65% of LIBOR to those described in the table on the following page (dollars in thousands):

Bond Issue	Variable Rate Paid By Agency	Floating Rate Received By Agency */**	Effective Date	Termination Date	Outstanding Notional/Applicable Amount	Fair Value
Home Mortgage Revenue Bonds:						
2000 Series C	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	2/1/17	$ 41,885	$ 43
2000 Series J	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	8/1/30	26,245	(50)
2000 Series U	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	8/1/15	27,665	41
2000 Series X-2	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	8/1/31	30,100	(39)
2001 Series N	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	8/1/18	13,840	10
2002 Series B	LIBOR @ 65%	LIBOR @ 85%-0.019%	8/1/04	8/1/27	40,945	(84)
2002 Series F	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	2/1/24	55,050	(31)
2002 Series M	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	8/1/22	41,600	(23)
					$ 277,330	$ (133)

* The notional amount and the amortization of these swaps mirror the initial 65% of LIBOR swaps, basically overlaying the swaps so that the effective rate received from the counterparties are the rates shown in the table above.

**The variable interest rate received by the counterparties is dependent on the LIBOR interest rate at the time of settlement. The rate shown in the table is the effective rate at 6/30/09.

Termination Risk associated with Interest Rate Swaps: Counterparties to the Agency's interest rate swap agreements have ordinary termination rights that require settlement payments by the Agency or the counterparty based on the fair value of the swap at the date of termination.

Rollover Risk Associated with Interest Rate Swaps: The Agency's interest rate swap agreements have limited rollover risk as the swap agreements contain scheduled reductions to outstanding notional amounts that are expected to follow scheduled and anticipated reductions in the associated bonds payable.

Debenture Note Payable: In October 2004, a Development known as "Ridgeway Apartments," situated in Marin City, California, defaulted on its loan, which was insured by FHA under the Risk Sharing Act, with 50% of the risk covered by FHA. In May 2005, the Agency submitted a claim under the Risk Sharing Act, which FHA paid on May 13, 2005, in the amount of $23,133,890, representing the unpaid principal balance of this loan in the amount of $22,117,043 plus unpaid interest of $1,016,847. On June 8, 2005, the amount representing the unpaid principal balance of the loan was used to redeem the respective multifamily housing revenue bonds issued to fund the loan, and the loan has been transferred to the Agency's Housing Assistance Trust.

In place of the bonds the Agency's obligation is to HUD in the form of a "debenture note payable", due May 13, 2010 with annual interest payments at a rate of 6.75%. The debenture note payable may be paid earlier upon the loan default being resolved (which may include the loan default being cured).

Bank Bonds: Under standby bond purchase agreements for the Agency's variable rate demand obligations "VRDO", if the Agency's variable rate bonds cannot be remarketed, the banks under the agreement are required to buy the bonds from the bondholders. These bonds may be remarketed or may be subject to mandatory redemptions at a later date. As of June 30, 2009, the Agency had a total of $325,970,000 in outstanding bank bonds.

Note 8 – NONMORTGAGE INVESTMENT AND MORTGAGE YIELD

In accordance with Federal law, the Agency is required to rebate to the Internal Revenue Service ("IRS") the excess of the amount actually earned on all nonmortgage investments (derived from investing the bond proceeds) over the amount that would have been earned had those investments borne a rate equal to the yield on the bond issue, plus any income attributable to such excess. As of June 30, 2009 and 2008, the Fund had liabilities to the IRS totaling $7,590,000 and $9,537,000 respectively reported in the combined balance sheets as "Due to other Government entities." The net effect of changes in the liability account has been recorded as an increase in "Interest income from investments" in the combined statements of revenues, expenses and changes in Fund equity.

Additionally, the Agency has identified all the bond series that were issued as variable rate plans of finance and subject to review and monitoring of mortgage yield excess. Most of the excess yield occurred between 2000 and 2005 when bond variable rates were at historic lows compared to mortgage rates. As a result of our analyses, the Agency has included additional bond series in our mortgage yield excess liability. As of June 30, 2009 and 2008, the Fund had liabilities to the IRS totaling $11,840,000 and $25,379,000 respectively reported in the combined balance sheets as "Due to other Government entities." The net effect of this change is recorded as an increase in "Interest income from program loans and loan agreements" in the combined statements of revenues, expenses and changes in Fund equity. The Agency will continue to monitor the status of mortgage yield compliance to mitigate further liability.

Note 9 – EXTINGUISHMENT OF DEBT

On August 28, 2008, the Agency issued Home Mortgage Revenue Bonds 2008 Series M and in September 2008 portions of the proceeds were used to refund Home Mortgage Revenue Bonds 2001 Series R. On May 6, 2009, the Agency issued Housing Mortgage Bonds 2009 Series A and in June 2009 portions of the proceeds were used to refund Home Mortgage Revenue Bonds 2005 Series B and 2006 Series F. The losses from the debt refundings were deferred and will be amortized as a component of interest expense over the shorter of the term of the bonds extinguished or the term of the refunding bonds.

A summary of the loss from the extinguishment of Homeownership Programs' debt for the year ended June 30, 2009 is as follows (dollars in thousands):

Unmatured principal	$38,390
Unamortized bond issuance costs	(61)
Unamortized underwriter's fees	(145)
Unamortized premiums	27
Net obligation defeased	38,211
Less proceeds disbursed	38,390
Deferred loss on defeasance	$ (179)

The refundings will increase the debt service cash outflow for Homeownership Programs by approximately $27,675,000. The refundings may also produce an economic loss (present value of the difference between new and old debt service requirements) for Homeownership Programs, which is estimated to be approximately $8,919,000. The purpose of the refundings was not necessarily to achieve debt service savings but rather to eliminate the risk associated with the structure of the refunded bonds.

For the year ended June 30, 2008, the Agency incurred a $1,879,000 loss on the extinguishment of debt.

Note 10 – PENSION PLAN AND OTHER EMPLOYEE BENEFITS

The Fund contributes to the Public Employees' Retirement Fund ("PERF") as part of the State of California, the primary government. The PERF is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employment Retirement System ("CalPERS"). CalPERS provides retirement, death, disability and post retirement health care benefits to members as established by state statute. CalPERS issues a publicly available Comprehensive Annual Financial Report ("CAFR") that includes financial statements and required supplementary information for the Public Employees' Retirement Fund. A copy of that report may be obtained from CalPERS, Central Supply, P.O. Box 942715, Sacramento, CA 95229-2715 or via the internet at www.calpers.ca.gov.

For the CalPERS fiscal years ended June 30, 2009 and 2008 the employer contribution rates were 16.574% - 16.633% and 16.565% - 16.778%, respectively.

The Fund's contributions to the PERF for the years ended June 30, 2009 and 2008 were $2,551,982 and $2,473,612, respectively, equal to the required contributions for each fiscal year.

Required contributions are determined by actuarial valuation using the individual entry age normal actuarial cost method. The most recent actuarial valuation available is as of June 30, 2007 which actuarial assumptions included (a) 7.75% investment rate of return compounded annually, (b) projected salary increases that vary based on duration of service, and (c) overall payroll growth factor of 3.25% annually. Both (a) and (c) included an inflation component of 3% compounded annually and a .25% per annum productivity increase assumption.

The most recent actuarial valuation of the PERF indicated that there was an unfunded actuarial accrued liability. The amount of the under funded liability applicable to each agency or department cannot be determined. For trend information, which presents CalPERS progress in accumulating sufficient assets to pay benefits when due, please see the June 30, 2009 CalPERS CAFR.

GASB Statement 45 requires states and local governments to publicly disclose the future dollar amount of their obligations to pay for Other Postemployment Benefits "OPEB", like healthcare, that are provided to retired employees, including retired public employees. The OPEB is a cost-sharing multiple-employer defined benefit healthcare plan administered by CalPERS. The State of California is required to include the information in its financial reports. State Controller's Office sets the employer contribution rate based on the annual required contribution of the employers "ARC", an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The Agency's estimated unfunded OPEB cost was $4,594,000 and this liability was added to Personal Services for the year ended June 30,2009. CalPERS issues a publicly available CAFR that includes financial statements and required supplementary information for the OPEB.

Note 11 – COMMITMENTS

As of June 30, 2009, the Agency had outstanding commitments and conditionally approved loan reservation to fund Homeownership Program loans totaling $7,188,143 and had outstanding commitments to fund Multifamily Program loans totaling $38,365,000. As of June 30, 2009, the Agency had proceeds available from bonds issued to fund $59,860,934 of Homeownership Program loans and $40,057,204 of Multifamily Program loans.

Note 12 – ARRANGEMENTS WITH THE MORTGAGE INSURANCE FUND

All operating and administrative expenses of the Agency are initially paid from the Fund including certain operating and administrative expenses in support of mortgage guarantee insurance programs which are reported in the Mortgage Insurance Fund. Quarterly the Fund charges the Mortgage Insurance Fund for these expenses.

The Agency Board of Directors approved Resolution 03-19 on March 20, 2003 authorizing the Agency to utilize the resources of the fund to support the mortgage guaranty insurance programs of the Agency in the following two ways: 1) the Executive Director of the Agency is authorized to create one or more supplementary reserve accounts within the Supplementary Bond Security Account of the Fund to indemnify the Mortgage Insurance Fund for losses incurred or to pay claims against the Mortgage Insurance Fund in connection with loans financed by the Agency, and 2) the Executive Director of the Agency may establish an inter-fund credit agreement by which the Mortgage Insurance Fund may borrow such sums from the Fund as may be required to maintain the claims paying rating of any credit rating service.

Subsequently, the Agency Executive Director established an inter-fund credit agreement in the amount of $10,000,000 in which the Mortgage Insurance Fund may borrow from the Fund as needed for the purpose of paying claims arising out of policies of mortgage guarantee insurance and costs and expenses related to the payment of such claims. Interest rate(s) and repayment terms are determined upon receipt of a request to draw on this credit facility. The Mortgage Insurance Fund had not requested a draw on this credit through June 30, 2009.

Note 13 – LITIGATION

Certain lawsuits and claims arising in the ordinary course of business have been filed or are pending against the Agency. Based upon information available to the Agency, its review of such lawsuits and claims and consultation with counsel, the Agency believes the liability relating to these actions, if any, would not have a material adverse effect on the Fund's combined financial statements.

Note 14 – SUBSEQUENT EVENTS

On October 19, 2009, as part of President Obama's comprehensive plan to stabilize the U.S. housing market, the Administration released an initiative for state and local Housing Finance Agencies ("HFA") that will help support low mortgage rates and expand resources for low and middle income borrowers to purchase and rent homes that are affordable over the long term. The plan is designed to help state HFA's expand their affordable lending efforts and strengthen their financial standing by overcoming obstacles created by the financial crisis. The plan has two key components: 1) New Issue Bond Program ("NIBP'), through housing Government-Sponsored Enterprises Fannie Mae and Freddie Mac, will provide temporary financing for HFA's to issue new housing bonds to fund new mortgages; 2) Temporary Credit and Liquidity Program ("TCLP") for outstanding HFA variable rate debt to provide replacement credit and liquidity facilities that will reduce the costs of maintaining existing financing for the HFA's. On October 27, 2009, the Agency requested $1,737,180,000 of participation in the NIBP, $1,123,760,000 and $613,420,000 for Single Family and Multifamily issues, respectively, and $3,862,410,000 of participation in the TCLP, $2,919,495,000 and $942,915,000 for Single Family and Multifamily, respectively.

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CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL COMBINING BALANCE SHEET
WITH ADDITIONAL COMBINING INFORMATION
June 30, 2009
(Dollars in Thousands)

	HOMEOWNERSHIP PROGRAMS	MULTIFAMILY RENTAL HOUSING PROGRAMS	OTHER PROGRAMS AND ACCOUNTS	COMBINED TOTALS
ASSETS				
Current assets:				
Cash and cash equivalents	$ 13,913	$ 4,273	$ 100,942	$ 119,128
Investments	691,701	124,945	1,058,668	1,875,314
Current portion - program loans receivable	114,403	120,133	72,976	307,512
Interest receivable - Program loans	27,194	7,563	2,338	37,095
Interest receivable - Investments	6,414	1,037	4,340	11,791
Accounts receivable	13,212	-	6,836	20,048
Due from (to) other funds	(23,231)	(245)	23,476	-
Other assets	90	470	91	651
Total current assets	843,696	258,176	1,269,667	2,371,539
Noncurrent assets:				
Investments	171,210	16,699	53,739	241,648
Program loans receivable	6,295,530	1,171,279	546,246	8,013,055
Due from (to) other funds	-	-	-	-
Deferred financing costs	32,231	6,082	30	38,343
Other assets	95,551	-	924	96,475
Total Noncurrent assets	6,594,522	1,194,060	600,939	8,389,521
Total Assets	$ 7,438,218	$ 1,452,236	$ 1,870,606	$ 10,761,060
LIABILITIES AND FUND EQUITY				
Current liabilities:				
Bonds payable	$ 110,264	$ 26,106	-	$ 136,370
Interest payable	85,631	23,466	$ 54,477	163,574
Due to (from) other government entities	(2,252)	-	257,471	255,219
Compensated absences	-	-	2,317	2,317
Deposits and other liabilities	5,474	955	292,470	298,899
Total current liabilities	199,117	50,527	606,735	856,379
Noncurrent liabilities:				
Bonds and debenture notes payable	6,774,121	1,309,994	23,135	8,107,250
Due to (from) other government entities	7,198	12,233	-	19,431
Deferred revenue	2,811	13	27,708	30,532
Total noncurrent liabilities	6,784,130	1,322,240	50,843	8,157,213
Total Liabilities	6,983,247	1,372,767	657,578	9,013,592
Fund equity				
Invested in capital assets	-	-	806	806
Restricted by indenture	454,971	79,469	-	534,440
Restricted by statute	-	-	1,212,222	1,212,222
Total Fund equity	454,971	79,469	1,213,028	1,747,468
Total Liabilities and Fund equity	$ 7,438,218	$ 1,452,236	$ 1,870,606	$ 10,761,060

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL COMBINING STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN FUND EQUITY
WITH ADDITIONAL COMBINING INFORMATION
June 30, 2009
(Dollars in Thousands)

	HOMEOWNERSHIP PROGRAMS	MULTIFAMILY RENTAL HOUSING PROGRAMS	OTHER PROGRAMS AND ACCOUNTS	COMBINED TOTALS
OPERATING REVENUES				
Interest income:				
Program loans and loan agreements -- net	$ 343,516	$ 84,424	$ 21,546	$ 449,486
Interest income - Investments -- net	31,413	6,686	28,215	66,314
Increase (decrease) in fair value of investments	9,796	591	646	11,033
Loan commitment fees	200	4	2,003	2,207
Other loan fees	688	138	13,304	14,130
Other revenues	13	9,906	97,031	106,950
Total Operating revenues	385,626	101,749	162,745	650,120
OPERATING EXPENSES				
Interest	243,685	71,046	112,566	427,297
Amortization of bond discount and bond premium	(974)	513	-	(461)
Mortgage servicing fees	19,396	7	170	19,573
Provision (reversal) for estimated loan losses	34,701	3,667	18,853	57,221
Operating expenses	-	-	39,773	39,773
Other expenses	13,119	31,806	207,861	252,786
Total Operating expenses	309,927	107,039	379,223	796,189
Operating income (loss) before transfers	75,699	(5,290)	(216,478)	(146,069)
Transfers (interfund)	-	-	448,433	448,433
Transfers (intrafund)	(37,266)	(4,073)	41,339	-
Increase (decrease) in fund equity	38,433	(9,363)	273,294	302,364
Fund equity at beginning of year	416,538	88,832	939,734	1,445,104
Fund equity at end of year	$ 454,971	$ 79,469	$ 1,213,028	$ 1,747,468

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL COMBINING STATEMENT OF CASH FLOWS
WITH ADDITIONAL COMBINING INFORMATION
June 30, 2009
(Dollars in Thousands)

	HOMEOWNERSHIP PROGRAMS	MULTIFAMILY RENTAL HOUSING PROGRAMS	OTHER PROGRAMS AND ACCOUNTS	COMBINED TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 345,072	$ 83,461	$ 25,041	$ 453,574
Payments to suppliers	(20,470)	(207)	(13,354)	(34,031)
Payments to employees	-	-	(26,523)	(26,523)
Internal activity - payments other funds	-	-	-	-
Other receipts (payments)	(333,890)	47,604	204,069	(82,217)
Net cash provided by (used in) operating activities	(9,288)	130,858	189,233	310,803
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intrafund transfers	(37,266)	(4,073)	41,339	-
Changes in due to (from) other government entities	(2,252)	-	(95,135)	(97,387)
Net cash provided by (used for) noncapital financing activities	(39,518)	(4,073)	(53,796)	(97,387)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sales of bonds	300,000	10,945	-	310,945
Payment of bond principal	(77,400)	(45,419)	-	(122,819)
Early bond redemptions	(375,688)	(189,065)	-	(564,753)
Interest paid on debt	(278,623)	(71,931)	(61,982)	(412,536)
Interfund transfers	-	-	448,433	448,433
Decrease (increase) in deferred financing costs	(1,941)	(11)	28	(1,924)
Net cash provided by (used for) capital and related financing activities	(433,652)	(295,481)	386,479	(342,654)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from maturity and sale of investments	2,012,349	429,061	1,393,209	3,834,619
Purchase of investments	(1,632,363)	(270,941)	(1,923,857)	(3,827,161)
Interest on investments	38,003	8,965	29,167	76,135
Net cash provided by (used for) investing activities	417,989	167,085	(501,481)	83,593
Net increase (decrease) in cash and cash equivalents	(64,469)	(1,611)	20,435	(45,645)
Cash and cash equivalents at beginning of year	78,382	5,884	80,507	164,773
Cash and cash equivalents at end of year	$ 13,913	$ 4,273	$ 100,942	$ 119,128
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	75,699	(5,290)	(216,478)	(146,069)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Interest expense on debt	243,685	71,046	112,566	427,297
Interest on investments	(31,413)	(6,687)	(28,214)	(66,314)
Changes in fair value of investments	(9,796)	(591)	(646)	(11,033)
Accretion of capital appreciation bonds	3,335	-	-	3,335
Amortization of bond discount	33	29	-	62
Amortization of deferred losses	24	485	-	509
Amortization of bond issuance costs	3,101	1,526	12	4,639
Amortization of bond premium	(1,237)	-	-	(1,237)
Amortization of deferred revenue	(200)	(4)	(2,003)	(2,207)
Depreciation	-	-	201	201
Provision (reversal for estimated loan losses	34,701	4,638	17,882	57,221
Provision for yield reduction payments	(13,559)	19	-	(13,540)
Provision for nonmortgage investment excess	(1,764)	(183)	-	(1,947)
Changes in certain assets and liabilities:				
Purchase of program loans	(460,697)	(92,522)	98,393	(454,826)
Collection of principal from program loans - net	229,702	161,453	64,392	455,547
Interest receivable	1,556	(963)	3,494	4,087
Accounts receivable	(4,771)	-	(4,588)	(9,359)
Due from (to) other funds	(74,651)	(1,577)	76,228	-
Other assets	30	28	(114)	(56)
Compensated absences	-	-	(158)	(158)
Deposits and other liab	1,289	(549)	64,394	65,134
Due to other governments	-	-	-	-
Deferred revenue	(4,355)	-	3,872	(483)
Net cash provided by (used for) operating activities	$ (9,288)	$ 130,858	$ 189,233	$ 310,803

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL COMBINING BALANCE SHEET
HOMEOWNERSHIP PROGRAMS
June 30, 2009

(Dollars in Thousands)

	HOME MORTGAGE REVENUE BONDS	SINGLE FAMILY MORTGAGE BONDS II	DRAW DOWN BONDS	SINGLE FAMILY HOUSING PROGRAM BONDS	SINGLE FAMILY HOME MORTGAGE BONDS	TOTAL HOMEOWNERSHIP PROGRAMS
ASSETS						
Current assets:						
Cash and cash equivalents	$ 13,125	$ 460	$ 21	$ 270	$ 37	$ 13,913
Investments	671,593	10,303	89	7,788	1,928	691,701
Current portion - program loans receivable	111,360	2,163	-	-	880	114,403
Interest receivable - Program loans	26,498	265	-	175	256	27,194
Interest receivable - Investments	6,207	144	-	30	33	6,414
Accounts receivable	13,014	153	-	-	45	13,212
Due from (to) other funds	(23,485)	8	-	144	102	(23,231)
Other assets	90	-	-	-	-	90
Total current assets	818,402	13,496	110	8,407	3,281	843,696
Noncurrent assets:						
Investments	170,666	544	-	-	-	171,210
Program loans receivable	6,124,715	47,126	-	71,478	52,211	6,295,530
Due from (to) other funds	-	-	-	-	-	-
Deferred financing costs	31,358	134	-	632	107	32,231
Other assets	95,551	-	-	-	-	95,551
Total Noncurrent assets	6,422,290	47,804	-	72,110	52,318	6,594,522
Total Assets	$ 7,240,692	$ 61,300	$ 110	$ 80,517	$ 55,599	$ 7,438,218
LIABILITIES AND FUND EQUITY						
Current liabilities:						
Bonds payable	$ 106,630	$ 3,004	-	-	$ 630	$ 110,264
Interest payable	82,736	697	-	$ 1,721	477	85,631
Due to (from) other government entities	(2,252)	-	-	-	-	(2,252)
Compensated absences	-	-	-	-	-	-
Deposits and other liabilities	5,272	18	-	169	15	5,474
Total current liabilities	192,386	3,719	-	1,890	1,122	199,117
Noncurrent liabilities:						
Bonds and debenture notes payable	6,607,622	27,528	-	89,700	49,271	6,774,121
Due to (from) other government entities	5,899	944	-	355	-	7,198
Deferred revenue	7,416	(4,634)	-	-	29	2,811
Total noncurrent liabilities	6,620,937	23,838	-	90,055	49,300	6,784,130
Total Liabilities	6,813,323	27,557	-	91,945	50,422	6,983,247
Fund equity						
Invested in capital assets	-	-	-	-	-	-
Restricted by indenture	427,369	33,743	110	(11,428)	5,177	454,971
Restricted by statute	-	-	-	-	-	-
Total Fund equity	427,369	33,743	110	(11,428)	5,177	454,971
Total Liabilities and Fund equity	$ 7,240,692	$ 61,300	$ 110	$ 80,517	$ 55,599	$ 7,438,218

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL COMBINING STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN FUND EQUITY
HOMEOWNERSHIP PROGRAM
June 30, 2009
(Dollars in Thousands)

	HOME MORTGAGE REVENUE BONDS	SINGLE FAMILY MORTGAGE BONDS II	DRAW DOWN BONDS	SINGLE FAMILY HOUSING PROGRAM BONDS	SINGLE FAMILY HOME MORTGAGE BONDS	TOTAL HOMEOWNERSHIP PROGRAMS
OPERATING REVENUES						
Interest income:						
Program loans and loan agreements -- net	$ 339,256	$ 3,318	-	$ 376	$ 566	$ 343,516
Interest income - Investments -- net	30,332	373	$ 3	672	33	31,413
Increase (decrease) in fair value of investments	9,778	18	-	-	-	9,796
Loan commitment fees	175	24	-	-	1	200
Other loan fees	659	-	-	-	29	688
Other revenues	13	-	-	-	-	13
Total Operating revenues	380,213	3,733	3	1,048	629	385,626
OPERATING EXPENSES						
Interest	236,937	1,754	-	4,517	477	243,685
Amortization of bond discount and bond premium	(981)	6	-	-	1	(974)
Mortgage servicing fees	19,166	193	-	-	37	19,396
Provision (reversal) for estimated loan losses	23,312	(9)	-	11,363	35	34,701
Operating expenses	-	-	-	-	-	-
Other expenses	13,873	(1,236)	-	480	2	13,119
Total Operating expenses	292,307	708	-	16,360	552	309,927
Operating income (loss) before transfers	87,906	3,025	3	(15,312)	77	75,699
Transfers (interfund)	-	-	-	-	-	-
Transfers (intrafund)	(49,146)	-	(440)	7,220	5,100	(37,266)
Increase (decrease) in fund equity	38,760	3,025	(437)	(8,092)	5,177	38,433
Fund equity at beginning of year	388,609	30,718	547	(3,336)	-	416,538
Fund equity at end of year	$ 427,369	$ 33,743	$ 110	$ (11,428)	$ 5,177	$ 454,971

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL COMBINING STATEMENT OF CASH FLOWS - HOMEOWNERSHIP PROGRAMS
June 30, 2009
(Dollars in Thousands)

	HOME MORTGAGE REVENUE BONDS	SINGLE FAMILY MORTGAGE BONDS II	DRAW DOWN BONDS	SINGLE FAMILY HOUSING PROGRAM BONDS	SINGLE FAMILY HOME MORTGAGE BONDS	TOTAL HOMEOWNERSHIP PROGRAMS
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	$ 341,047	$ 3,348	-	$ 367	$ 310	$ 345,072
Payments to suppliers	(20,230)	(201)	-	(16)	(23)	(20,470)
Payments to employees	-	-	-	-	-	-
Internal activity - payments other funds	-	-	-	-	-	-
Other receipts (payments)	(260,740)	5,524	$ (102)	(25,258)	(53,314)	(333,890)
Net cash provided by (used in) operating activities	60,077	8,671	(102)	(24,907)	(53,027)	(9,288)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Intrafund transfers	(49,146)	-	(440)	7,220	5,100	(37,266)
Changes in due to (from) other government entities	(2,252)	-	-	-	-	(2,252)
Net cash provided by (used for) noncapital financing activities	(51,398)	-	(440)	7,220	5,100	(39,518)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from sales of bonds	250,000	-	-	-	50,000	300,000
Payment of bond principal	(73,780)	(3,620)	-	-	-	(77,400)
Early bond redemptions	(355,468)	(1,720)	-	(18,500)	-	(375,688)
Interest paid on debt	(272,356)	(1,876)	-	(4,391)	-	(278,623)
Interfund transfers	-	-	-	-	-	-
Decrease (increase) in deferred financing costs	(1,833)	-	-	-	(108)	(1,941)
Net cash provided by (used for) capital and related financing activities	(453,437)	(7,216)	-	(22,891)	49,892	(433,652)
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from maturity and sale of investments	1,936,539	8,507	-	47,454	19,849	2,012,349
Purchase of investments	(1,591,994)	(10,863)	(3)	(7,726)	(21,777)	(1,632,363)
Interest on investments	36,633	359	4	1,007	-	38,003
Net cash provided by (used for) investing activities	381,178	(1,997)	1	40,735	(1,928)	417,989
Net increase (decrease) in cash and cash equivalents	(63,580)	(542)	(541)	157	37	(64,469)
Cash and cash equivalents at beginning of year	76,705	1,002	562	113	-	78,382
Cash and cash equivalents at end of year	$ 13,125	$ 460	$ 21	$ 270	$ 37	$ 13,913
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:						
Operating income (loss)	87,906	3,026	3	(15,313)	77	75,699
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Interest expense on debt	236,937	1,754	-	4,517	477	243,685
Interest on investments	(30,333)	(373)	(3)	(672)	(32)	(31,413)
Changes in fair value of investments	(9,778)	(18)	-	-	-	(9,796)
Accretion of capital appreciation bonds	3,335	-	-	-	-	3,335
Amortization of bond discount	33	-	-	-	-	33
Amortization of deferred losses	117	6	-	-	(99)	24
Amortization of bond issuance costs	2,937	22	-	141	1	3,101
Amortization of bond premium	(1,237)	-	-	-	-	(1,237)
Amortization of deferred revenue	(174)	(25)	-	-	(1)	(200)
Depreciation	-	-	-	-	-	-
Provision (reversal for estimated loan losses	23,312	(9)	-	11,363	35	34,701
Provision for yield reduction payments	(13,559)	-	-	-	-	(13,559)
Provision for nonmortgage investment excess	(1,642)	16	-	(138)	-	(1,764)
Changes in certain assets and liabilities:						
Purchase of program loans	(381,156)	-	-	(26,324)	(53,217)	(460,697)
Collection of principal from program loans - net	222,735	5,649	-	1,227	91	229,702
Interest receivable	1,789	31	-	(8)	(256)	1,556
Accounts receivable	(4,669)	(57)	-	-	(45)	(4,771)
Due from (to) other funds	(74,559)	(33)	(102)	146	(103)	(74,651)
Other assets	29	1	-	-	-	30
Compensated absences	-	-	-	-	-	-
Deposits and other liab	1,121	(1)	-	154	15	1,289
Due to other governments	-	-	-	-	-	-
Deferred revenue	(3,067)	(1,318)	-	-	30	(4,355)
Net cash provided by (used for) operating activities	$ 60,077	$ 8,671	$ (102)	$ (24,907)	$ (53,027)	$ (9,288)

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL COMBINING BALANCE SHEET
MULTIFAMILY RENTAL HOUSING PROGRAMS
June 30, 2009
(Dollars in Thousands)

	MULTIFAMILY LOAN PURCHASE BONDS	MULTIFAMILY HOUSING REVENUE BONDS II	MULTIFAMILY HOUSING REVENUE BONDS III	MULTIFAMILY DRAW DOWN BONDS
ASSETS				
Current assets:				
Cash and cash equivalents	$ 1,609	$ 51	$ 2,156	-
Investments	-	8,070	110,652	-
Current portion - program loans receivable	24,000	1,049	90,768	-
Interest receivable - Program loans	-	369	5,864	-
Interest receivable - Investments	-	28	988	-
Accounts receivable	-	-	-	-
Due from (to) other funds	(1)	-	(244)	-
Other assets	-	60	409	-
Total current assets	25,608	9,627	210,593	-
Noncurrent assets:				
Investments	-	-	16,699	-
Program loans receivable	33,481	54,045	1,031,068	-
Due from (to) other funds	-	-	-	-
Deferred financing costs	-	84	5,751	-
Other assets	-	-	-	-
Total Noncurrent assets	33,481	54,129	1,053,518	-
Total Assets	$ 59,089	$ 63,756	$ 1,264,111	$ -
LIABILITIES AND FUND EQUITY				
Current liabilities:				
Bonds payable	-	$ 675	$ 25,431	-
Interest payable	$ 380	1,675	20,404	-
Due to (from) other government entities	-	-	-	-
Compensated absences	-	-	-	-
Deposits and other liabilities	2	3	950	-
Total current liabilities	382	2,353	46,785	-
Noncurrent liabilities:				
Bonds and debenture notes payable	58,710	58,510	1,132,604	-
Due to (from) other government entities	-	-	12,233	-
Deferred revenue	-	-	13	-
Total noncurrent liabilities	58,710	58,510	1,144,850	-
Total Liabilities	59,092	60,863	1,191,635	-
Fund equity				
Invested in capital assets	-	-	-	-
Restricted by indenture	(3)	2,893	72,476	-
Restricted by statute	-	-	-	-
Total Fund equity	(3)	2,893	72,476	-
Total Liabilities and Fund equity	$ 59,089	$ 63,756	$ 1,264,111	$ -

MULTIFAMILY HOUSING PROGRAM BONDS	MULTIFAMILY VRDLO 2009A	MULTIFAMILY VRDLO 2009B	TOTAL MULTIFAMILY RENTAL HOUSING PROGRAMS
$ 93	-	$ 364	$ 4,273
6,223	-	-	124,945
4,314	$ 1	1	120,133
1,330	-	-	7,563
21	-	-	1,037
-	-	-	-
-	-	-	(245)
1	-	-	470
11,982	1	365	258,176
-	-	-	16,699
42,104	4,620	5,961	1,171,279
-	-	-	-
247	-	-	6,082
-	-	-	-
42,351	4,620	5,961	1,194,060
$ 54,333	$ 4,621	$ 6,326	$ 1,452,236
$ -	-	-	$ 26,106
1,005	$ 1	$ 1	23,466
-	-	-	-
-	-	-	-
-	-	-	955
1,005	1	1	50,527
49,225	4,620	6,325	1,309,994
-	-	-	12,233
-	-	-	13
49,225	4,620	6,325	1,322,240
50,230	4,621	6,326	1,372,767
-	-	-	-
4,103	-	-	79,469
-	-	-	-
4,103	-	-	79,469
$ 54,333	$ 4,621	$ 6,326	$ 1,452,236

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL COMBINING STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN FUND EQUITY
MULTIFAMILY PROGRAM
June 30, 2009
(Dollars in Thousands)

	MULTIFAMILY LOAN PURCHASE BONDS	MULTIFAMILY HOUSING REVENUE BONDS II	MULTIFAMILY HOUSING REVENUE BONDS III	MULTIFAMILY DRAW DOWN BONDS
OPERATING REVENUES				
Interest income:				
Program loans and loan agreements -- net	$ 5,055	$ 4,387	$ 71,224	-
Interest income - Investments -- net	3	302	6,156	-
Increase (decrease) in fair value of investments	-	-	591	-
Loan commitment fees	-	-	4	-
Other loan fees	-	-	138	-
Other revenues	-	-	9,906	-
Total Operating revenues	5,058	4,689	88,019	-
OPERATING EXPENSES				
Interest	5,040	4,034	60,194	-
Amortization of bond discount and bond premium	-	28	485	-
Mortgage servicing fees	-	-	7	-
Provision (reversal) for estimated loan losses	-	(16)	3,791	-
Operating expenses	-	-	-	-
Other expenses	18	83	31,695	-
Total Operating expenses	5,058	4,129	96,172	-
Operating income (loss) before transfers	-	560	(8,153)	-
Transfers (interfund)	-	-	-	-
Transfers (intrafund)	-	(4,000)	159	(3)
Increase (decrease) in fund equity	-	(3,440)	(7,994)	(3)
Fund equity at beginning of year	(3)	6,333	80,470	3
Fund equity at end of year	$ (3)	$ 2,893	$ 72,476	$ -

	MULTIFAMILY HOUSING PROGRAM BONDS	MULTIFAMILY VRDLO 2009A	MULTIFAMILY VRDLO 2009B	TOTAL MULTIFAMILY RENTAL HOUSING PROGRAMS
	$ 3,751	$ 3	$ 4	$ 84,424
	225	-	-	6,686
	-	-	-	591
	-	-	-	4
	-	-	-	138
	-	-	-	9,906
	3,976	3	4	101,749
	1,771	3	4	71,046
		-	-	513
	-	-	-	7
	(108)	-	-	3,667
	-	-	-	-
	10	-	-	31,806
	1,673	3	4	107,039
	2,303	-	-	(5,290)
	-	-	-	-
	(229)	-	-	(4,073)
	2,074	-	-	(9,363)
	2,029	-	-	88,832
	$ 4,103	$ -	$ -	$ 79,469

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL COMBINING STATEMENT OF CASH FLOWS -
MULTIFAMILY RENTAL HOUSING PROGRAMS
June 30, 2009
(Dollars in Thousands)

	MULTIFAMILY LOAN PURCHASE BONDS	MULTIFAMILY HOUSING REVENUE BONDS II	MULTIFAMILY HOUSING REVENUE BONDS III	MULTIFAMILY DRAW DOWN BONDS
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 5,055	$ 4,394	$ 71,282	-
Payments to suppliers	(8)	(17)	(182)	-
Payments to employees	-	-	-	-
Internal activity - payments other funds	-	-	-	-
Other receipts (payments)	16,492	886	51,362	-
Net cash provided by (used in) operating activities	21,539	5,263	122,462	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intrafund transfers	-	(4,000)	159	$ (3)
Changes in due to (from) other government entities	-	-	-	-
Net cash provided by (used for) noncapital financing activities	-	(4,000)	159	(3)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sales of bonds	-	-	-	-
Payment of bond principal	(16,368)	(635)	(28,416)	-
Early bond redemptions	-	-	(189,065)	-
Interest paid on debt	(5,209)	(4,051)	(61,330)	-
Interfund transfers	-	-	-	-
Decrease (increase) in deferred financing costs	-	-	(11)	-
Net cash provided by (used for) capital and related financing activities	(21,577)	(4,686)	(278,822)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from maturity and sale of investments	-	18,791	394,980	-
Purchase of investments	-	(15,892)	(248,856)	-
Interest on investments	4	550	8,091	-
Net cash provided by (used for) investing activities	4	3,449	154,215	-
Net increase (decrease) in cash and cash equivalents	(34)	26	(1,986)	(3)
Cash and cash equivalents at beginning of year	1,643	25	4,142	3
Cash and cash equivalents at end of year	$ 1,609	$ 51	$ 2,156	$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	-	559	(8,151)	-
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Interest expense on debt	5,040	4,034	60,194	-
Interest on investments	(3)	(302)	(6,157)	-
Changes in fair value of investments	-	-	(591)	-
Accretion of capital appreciation bonds	-	-	-	-
Amortization of bond discount	-	29	-	-
Amortization of deferred losses	-	-	485	-
Amortization of bond issuance costs	-	5	1,512	-
Amortization of bond premium	-	-	-	-
Amortization of deferred revenue	-	-	(4)	-
Depreciation	-	-	-	-
Provision (reversal for estimated loan losses	-	(15)	3,853	-
Provision for yield reduction payments	-	-	19	-
Provision for nonmortgage investment excess	-	-	(183)	-
Changes in certain assets and liabilities:				
Purchase of program loans	-	-	(67,328)	-
Collection of principal from program loans - net	16,502	1,054	140,746	-
Interest receivable	-	7	57	-
Accounts receivable	-	-	-	-
Due from (to) other funds	-	-	(1,577)	-
Other assets	-	(108)	136	-
Compensated absences	-	-	-	-
Deposits and other liab	-	-	(549)	-
Due to other governments	-	-	-	-
Deferred revenue	-	-	-	-
Net cash provided by (used for) operating activities	$ 21,539	$ 5,263	$ 122,462	$ -

MULTIFAMILY HOUSING PROGRAM BONDS	MULTIFAMILY VRDLO 2009A	MULTIFAMILY VRDLO 2009B	TOTAL MULTIFAMILY RENTAL HOUSING PROGRAMS
$ 2,723	$ 3	$ 4	$ 83,461
-	-	-	(207)
-	-	-	-
-	-	-	-
(10,553)	(4,621)	(5,962)	47,604
(7,830)	(4,618)	(5,958)	130,858
(229)	-	-	(4,073)
-	-	-	-
(229)	-	-	(4,073)
-	4,620	6,325	10,945
-	-	-	(45,419)
-	-	-	(189,065)
(1,336)	(2)	(3)	(71,931)
-	-	-	-
-	-	-	(11)
(1,336)	4,618	6,322	(295,481)
15,290	-	-	429,061
(6,193)	-	-	(270,941)
320	-	-	8,965
9,417	-	-	167,085
22	-	364	(1,611)
71	-	-	5,884
$ 93	$ -	$ 364	$ 4,273
2,302	-	-	(5,290)
1,771	3	4	71,046
(225)	-	-	(6,687)
-	-	-	(591)
-	-	-	-
-	-	-	29
-	-	-	485
9	-	-	1,526
-	-	-	-
-	-	-	(4)
-	-	-	-
800	-	-	4,638
-	-	-	19
-	-	-	(183)
(14,611)	(4,621)	(5,962)	(92,522)
3,151	-	-	161,453
(1,027)	-	-	(963)
-	-	-	-
-	-	-	(1,577)
-	-	-	28
-	-	-	-
-	-	-	(549)
-	-	-	-
-	-	-	-
$ (7,830)	$ (4,618)	$ (5,958)	$ 130,858

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL COMBINING BALANCE SHEET
OTHER PROGRAMS AND ACCOUNTS
June 30, 2009
(Dollars in Thousands)

	HOUSING ASSISTANCE TRUST	CONTRACT ADMINISTRATION PROGRAMS	SUPPLEMENTAL BOND SECURITY ACCOUNT	EMERGENCY RESERVE ACCOUNT
ASSETS				
Current assets:				
Cash and cash equivalents	$ 57,872	$ 2,027	-	$ 1
Investments	129,881	463,271	$ 82,351	69,895
Current portion - program loans receivable	53,216	-	-	-
Interest receivable - Program loans	880	697	-	-
Interest receivable - Investments	815	1,697	152	263
Accounts receivable	21	-	-	69
Due from (to) other funds	(80,146)	(4,101)	25,629	14,606
Other assets	23	-	-	-
Total current assets	162,562	463,591	108,132	84,834
Noncurrent assets:				
Investments	555	-	-	-
Program loans receivable	284,479	189,876	-	-
Due from (to) other funds	-	-	-	-
Deferred financing costs	-	-	-	-
Other assets	118	-	-	-
Total Noncurrent assets	285,152	189,876	-	-
Total Assets	$ 447,714	$ 653,467	$ 108,132	$ 84,834
LIABILITIES AND FUND EQUITY				
Current liabilities:				
Bonds payable	-	-	-	-
Interest payable	$ 198	-	-	-
Due to (from) other government entities	5	$ 685	$ 2,483	-
Compensated absences	-	-	-	-
Deposits and other liabilities	5	7,679	80,133	-
Total current liabilities	208	8,364	82,616	-
Noncurrent liabilities:				
Bonds and debenture notes payable	23,135	-	-	-
Due to (from) other government entities	-	-	-	-
Deferred revenue	-	-	-	-
Total noncurrent liabilities	23,135	-	-	-
Total Liabilities	23,343	8,364	82,616	-
Fund equity				
Invested in capital assets	-	-	-	-
Restricted by indenture	-	-	-	-
Restricted by statute	424,371	645,103	25,516	84,834
Total Fund equity	424,371	645,103	25,516	84,834
Total Liabilities and Fund equity	$ 447,714	$ 653,467	$ 108,132	$ 84,834

LOAN SERVICING	LOAN WAREHOUSING	HOMEOWNERSHIP SECONDARY MARKETING	OPERATING ACCOUNT	TOTAL OTHER PROGRAMS AND ACCOUNTS
$ 31,726	$ 8,819	$ 50	$ 447	$ 100,942
142,280	122,092	-	48,898	1,058,668
-	19,760	-	-	72,976
-	761	-	-	2,338
537	678	-	198	4,340
6,668	46	-	32	6,836
(6,885)	16,417	(50)	58,006	23,476
-	-	-	68	91
174,326	168,573	-	107,649	1,269,667
-	53,184	-	-	53,739
-	71,891	-	-	546,246
-	-	-	-	-
-	-	-	30	30
-	-	-	806	924
-	125,075	-	836	600,939
$ 174,326	$ 293,648	-	$ 108,485	$ 1,870,606
-	-	-	-	-
-	$ 1,296		$ 52,983	54,477
-	250,000	-	4,298	257,471
-	-	-	2,317	2,317
159,781	34,208	-	10,664	292,470
159,781	285,504	-	70,262	606,735
-	-	-	-	23,135
-	-	-	-	-
-	70	-	27,638	27,708
-	70	-	27,638	50,843
159,781	285,574	-	97,900	657,578
-	-	-	806	806
-	-	-	-	-
14,545	8,074	-	9,779	1,212,222
14,545	8,074	-	10,585	1,213,028
$ 174,326	$ 293,648	$ -	$ 108,485	$ 1,870,606

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL COMBINING STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN FUND EQUITY
OTHER PROGRAMS AND ACCOUNTS
June 30, 2009
(Dollars in Thousands)

	HOUSING ASSISTANCE TRUST	CONTRACT ADMINISTRATION PROGRAMS	SUPPLEMENTAL BOND SECURITY ACCOUNT	EMERGENCY RESERVE ACCOUNT
OPERATING REVENUES				
Interest income:				
Program loans and loan agreements -- net	$ 20,421	$ 614	-	-
Interest income - Investments -- net	3,416	8,451	$ 1,442	$ 2,220
Increase (decrease) in fair value of investments	70	-	-	-
Loan commitment fees	-	-	-	-
Other loan fees	796	-	-	-
Other revenues	2,618	3,765	-	-
Total Operating revenues	27,321	12,830	1,442	2,220
OPERATING EXPENSES				
Interest	1,475	-	-	-
Amortization of bond discount and bond premium	-	-	-	-
Mortgage servicing fees	24	-	-	-
Provision (reversal) for estimated loan losses	(2,253)	21,187	-	-
Operating expenses	-	-	-	-
Other expenses	53	18,995	84,732	-
Total Operating expenses	(701)	40,182	84,732	-
Operating income (loss) before transfers	28,022	(27,352)	(83,290)	2,220
Transfers (interfund)	-	448,433	-	-
Transfers (intrafund)	(112,122)	-	50,000	-
Increase (decrease) in fund equity	(84,100)	421,081	(33,290)	2,220
Fund equity at beginning of year	508,471	224,022	58,806	82,614
Fund equity at end of year	$ 424,371	$ 645,103	$ 25,516	$ 84,834

LOAN SERVICING	LOAN WAREHOUSING	HOMEOWNERSHIP SECONDARY MARKETING	OPERATING ACCOUNT	TOTAL OTHER PROGRAMS AND ACCOUNTS
-	$ 511	-	-	$ 21,546
$ 143	11,360	-	$ 1,183	28,215
-	576	-	-	646
-	-	-	2,003	2,003
8,267	22	-	4,219	13,304
69,635	-	-	21,013	97,031
78,045	12,469	-	28,418	162,745
-	9,753	-	101,338	112,566
-	-	-	-	-
-	146	-	-	170
-	(81)	-	-	18,853
-	-	-	39,773	39,773
71,841	91	-	32,149	207,861
71,841	9,909	-	173,260	379,223
6,204	2,560	-	(144,842)	(216,478)
-	-	-	-	448,433
499	684	-	102,278	41,339
6,703	3,244	-	(42,564)	273,294
7,842	4,830	-	53,149	939,734
$ 14,545	$ 8,074	$ -	$ 10,585	$ 1,213,028

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL COMBINING STATEMENT OF CASH FLOWS -
OTHER PROGRAMS AND ACCOUNTS
June 30, 2009
(Dollars in Thousands)

	HOUSING ASSISTANCE TRUST	CONTRACT ADMINISTRATION PROGRAMS	SUPPLEMENTAL BOND SECURITY ACCOUNT	EMERGENCY RESERVE ACCOUNT
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 23,857	$ 219	-	-
Payments to suppliers	(25)	-	-	-
Payments to employees	-	-	-	-
Internal activity - payments other funds	-	-	-	-
Other receipts (payments)	112,239	(61,049)	$ (12,933)	$ 4,139
Net cash provided by (used in) operating activities	136,071	(60,830)	(12,933)	4,139
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intrafund transfers	(112,122)	-	50,000	-
Due to (from) other government entities	-	-	2,483	-
Net cash provided by (used for) noncapital financing activities	(112,122)	-	52,483	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sales of bonds	-	-	-	-
Payment of bond principal	-	-	-	-
Early bond redemptions	-	-	-	-
Interest paid on debt	(1,475)	-	-	-
Interfund transfers	-	448,433	-	-
(Additions) decductions to deferred financing costs	28	-	-	-
Net cash provided by (used for) capital and related financing activities	(1,447)	448,433	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from maturity and sale of investments	314,283	461,371	8,570	3,815
Purchase of investments	(290,835)	(854,651)	(49,746)	(10,904)
Interest on investments - net	3,809	7,381	1,626	2,442
Net cash provided by (used for) investing activities	27,257	(385,899)	(39,550)	(4,647)
Net increase (decrease) in cash and cash equivalents	49,759	1,704	-	(508)
Cash and cash equivalents at beginning of year	8,113	324	-	509
Cash and cash equivalents at end of year	$ 57,872	$ 2,028	$ -	$ 1
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	28,021	(27,352)	(83,290)	2,220
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Interest expense on debt	1,474	-	-	-
Interest on investments	(3,416)	(8,451)	(1,442)	(2,220)
Changes in fair value of investments	(70)	-	-	-
Accretion of capital appreciation bonds	-	-	-	-
Total Amortization of bond discount	-	-	-	-
Total Amortization of deferred losses	-	-	-	-
Total Amortization of bond issuance costs	-	-	-	-
Amortization of bond premium	-	-	-	-
Amortization of deferred revenue	-	-	-	-
Depreciation	-	-	-	-
Provision (reversal for estimated loan losses	(2,551)	21,187	-	-
Provision for yield reduction payments	-	-	-	-
Provision for nonmortgage investment excess	-	-	-	-
Changes in certain assets and liabilities:				
Purchase of program loans	(66,081)	(41,754)	-	-
Collection of principal from program loans - net	57,293	3,319	-	-
Interest receivable	3,436	(395)	-	-
Accounts receivable	(7)	-	-	(64)
Due from (to) other funds	117,971	(8,244)	(617)	4,203
Other assets	1	-	-	-
Compensated absences	-	-	-	-
Deposits and other liab	-	860	72,416	-
Due to other governments	-	-	-	-
Deferred revenue	-	-	-	-
Net cash provided by (used for) operating activities	$ 136,071	$ (60,830)	$ (12,933)	$ 4,139

LOAN SERVICING	LOAN WAREHOUSING	HOMEOWNERSHIP SECONDARY MARKETING	OPERATING ACCOUNT	TOTAL OTHER PROGRAMS AND ACCOUNTS
-	$ 965	-	-	$ 25,041
-	(172)	$ -	$ (13,157)	(13,354)
-	-	-	(26,523)	(26,523)
-	-	-	-	-
(8,095)	185,283	50	(15,565)	204,069
(8,095)	186,076	50	(55,245)	189,233
499	684	-	102,278	41,339
-	(100,000)	-	2,382	(95,135)
499	(99,316)	-	104,660	(53,796)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	(12,152)	-	(48,355)	(61,982)
-	-	-	-	448,433
-	-	-	-	28
-	(12,152)	-	(48,355)	386,479
63,177	499,536	-	42,457	1,393,209
(54,515)	(618,265)	-	(44,941)	(1,923,857)
738	11,785	-	1,386	29,167
9,400	(106,944)	-	(1,098)	(501,481)
1,804	(32,336)	50	(38)	20,435
29,922	41,155	-	484	80,507
$ 31,726	$ 8,819	$ 50	$ 446	$ 100,942
6,204	2,561	-	(144,842)	(216,478)
-	9,753	-	101,339	112,566
(143)	(11,359)	-	(1,183)	(28,214)
-	(576)	-	-	(646)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	12	12
-	-	-	-	-
-	-	-	(2,003)	(2,003)
-	-	-	201	201
-	(754)	-	-	17,882
-	-	-	-	-
-	-	-	-	-
				-
-	206,228	-	-	98,393
-	3,780	-	-	64,392
-	453	-	-	3,494
(4,789)	276	-	(4)	(4,588)
2,011	(18,087)	50	(21,059)	76,228
-	-	-	(115)	(114)
-	-	-	(158)	(158)
(11,378)	(6,220)	-	8,716	64,394
-	-	-	-	-
-	21	-	3,851	3,872
$ (8,095)	$ 186,076	$ 50	$ (55,245)	$ 189,233