BOARD OF DIRECTORS

California Housing Finance Agency
Board of Directors

Holiday Inn Capitol Plaza
300 "J" Street
Sacramento, California
(916) 446-0100

January 20, 2011

10:30 a.m.

Table:#202021v1
BdMtg:01-20-11

NOTES**

HOTEL PARKING: Parking is available as follows: (1) Limited valet parking is available at the hotel for $17.00; and (2) parking validation available at front desk for $12.00; or (3) city parking lot is next door at rates of $2.00 per hour for the first two hours, $1.25 per every ½ hour, thereafter, with a maximum of $16.00.

FUTURE MEETING DATES: Next CalHFA Board of Directors Meeting will be February 8, 2011, at the Hyatt Regency Sacramento, Sacramento, California.

STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

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BOARD OF DIRECTORS

PUBLIC MEETING

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

Wednesday, November 17, 2010
10:03 a.m. to 11:38 a.m.

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

Yvonne K. Fenner
Certified Shorthand Reporter
2256 Murieta Way
Sacramento, California 95822
Phone 916.531.3422
yfennercsr@aol.com

A P P E A R A N C E S

Board of Directors Present:

GRANT BOYKEN
for BILL LOCKYER
State Treasurer
State of California

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

MICHAEL A. GUNNING
Vice President
Personal Insurance Federation of California

JONATHAN HUNTER
Managing Director, Region 2
Corporation for Supportive Housing

ELLIOTT MANDELL
For LYNN L. JACOBS, Director
Department of Housing and Community Development
State of California

JACK SHINE, Chairperson
Chairman
American Beauty Development Co.

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

BROOKS TAYLOR
for CATHERINE COX, Acting Director
Office of Planning & Research
State of California

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CalHFA Staff Present:

BRUCE D. GILBERTSON
Director of Financing

THOMAS C. HUGHES
General Counsel

CalHFA Staff Present, continued:

CHARLES K. McMANUS
Director of Mortgage Insurance

JOJO OJIMA
Office of the General Counsel

DIANE RICHARDSON
Director of Legislation

LINN WARREN
Deputy Program Director

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Public Testimony:

FATHER BILL ANTONE
Pastor, Mary Immaculate
One LA

KimMARIE JOHNSON-ROUSELL

YVONNE MARIAJIMENEZ
Deputy Director, Attorney at Law
Neighborhood Legal Services of Los Angeles County

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BE IT REMEMBERED that on Wednesday, November 17, 2010, commencing at the hour of 10:03 a.m., at the Burbank Airport Marriott Hotel and Convention Center, Producers A and B, 2500 Hollywood Way, Burbank, California, before me, YVONNE K. FENNER, CSR #10909, RPR, the following proceedings were held:

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ACTING CHAIRPERSON CAREY: Okay. Welcome to the California Housing Finance Agency Board of Directors meeting for November 17th.

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Item 1. Roll Call

ACTING CHAIRMAN CAREY: First item of business is roll call.

MS. OJIMA: Thank you.

Mr. Bonner.

(No audible response.)

MS. OJIMA: Mr. Gunning.

MR. GUNNING: Here.

MS. OJIMA: Mr. Hudson.

(No audible response.)

MS. OJIMA: Mr. Hunter.

MR. HUNTER: Here.

MS. OJIMA: Mr. Mandell for Ms. Jacobs.

MR. MANDELL: Here.

MS. OJIMA: Mr. Boyken for Mr. Lockyer.

MR. BOYKEN: Here.

MS. OJIMA: Mr. Shine.

MR. SHINE: Here.

MS. OJIMA: Mr. Smith.

(No audible response.)

MS. OJIMA: Mr. Taylor for Ms. Cox.

MR. TAYLOR: Here.

MS. OJIMA: Ms. Matosantos.

(No audible response.)

MS. OJIMA: Mr. Spears.

MR. SPEARS: Here.

MS. OJIMA: Mr. Carey.

ACTING CHAIRMAN CAREY: Here.

MS. OJIMA: We have a quorum.

ACTING CHAIRMAN CAREY: Thank you.

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Item 2. Approval of the minutes of the September 15, 2010 Board of Directors meeting

ACTING CHAIRMAN CAREY: Next item of business is approval of minutes of the September 15th meeting.

MR. SHINE: Move to approve.

MS. OJIMA: Mr. Shine.

MR. HUNTER: Second.

ACTING CHAIRMAN CAREY: Motion and second.

(Interruption by the court reporter for clarification of the record.)

MS. OJIMA: Mr. Shine and --

ACTING CHAIRMAN CAREY: Mr. Hunter.

MS. OJIMA: -- Mr. Hunter.

ACTING CHAIRMAN CAREY: Roll call.

MS. OJIMA: Thank you.

Mr. Gunning.

MR. GUNNING: Yes.

MS. OJIMA: Mr. Hunter.

MR. HUNTER: Here -- yes.

MS. OJIMA: Mr. Mandell.

MR. MANDELL: Yes.

MS. OJIMA: Mr. Boyken.

MR. BOYKEN: Yes.

MS. OJIMA: Mr. Shine.

MR. SHINE: Yes.

MS. OJIMA: Mr. Carey.

ACTING CHAIRMAN CAREY: Yes.

MS. OJIMA: The minutes have been approved.

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Item 3. Chairman/Executive Director comments

ACTING CHAIRMAN CAREY: All right. With that, we'll move on. We have a relatively short agenda, largely updates, today, but of key issues facing the

Agency.

But before that, I think our executive director has some comments to make.

MR. SPEARS: Just a few, Mr. Chairman, thank you very much.

We have a little bit of better news to report this time. We're going to be talking about the Moody's decision on the -- on CalHFA's credit ratings, both the general obligation credit rating and the HMRB credit rating. The best news, I think, is that we are off credit watch, and these ratings will stay in place for a little while. Bruce gets to think about other things than the Moody's report upcoming, so we'll -- we'll spend some time talking about that under item five.

The other thing I thought I'd bring up is the lending. Gary's folks have been busy. We have the FHA program up and running. We have 160 loans in the reservation pipeline. That's $33 million of new lending that we're doing now. Most of those have CHDAP downpayment assistance with it, so that's -- that's good news all the way around.

And along with that -- and of course this is all made possible by the U.S. Treasury's New Issue Bond program. You remember that we need to sell market-rate bonds to go with the Treasury draws, and we have a bond sale planned for December 15 to close. And that's something that we haven't been doing lately, and so things are beginning to look a little more normal at CalHFA, and that's good news I'd like to bring to -- to the Board.

The other thing to report is that I've met for the first time with the representative from the transition team for Governor-elect Brown's transition team. This individual has responsibility for Business, Transportation and Housing. I met with him for two hours day before yesterday. We had a very good meeting. We have follow-up meetings planned. They're just beginning to sort of get to know all the different branches of government divisions, and we were one of the first that they met with.

It was just the one individual, a guy by the name of Jacob Applesmith. He's been with the Attorney General's Office for a very long time. He's a special assistant to the Attorney General and has been assigned to the transition team for BT&H issues.

The other is that the State Auditor General continues their fieldwork on their examination of CalHFA. They plan -- I believe Bruce told me the other day -- to be halfway done with their engagement by about halfway through December. I think that's correct, roughly.

And they -- they continue to ask a lot of questions about details. They're just kind of laying a foundation of understanding about how things work -- that they, again, have hired a contractor, Caine Mitter, somebody that is known to the HFA community and is very familiar with HFA operations and financial analysis. And so I think they will be very helpful to the State Auditor.

Still planning on a completion date of February 28 and that -- we're not sure exactly what that means, whether it's the completion of the fieldwork, completion of the writing. But the report, we think, will be written by that time. That's the plan at this point, anyway.

Anyway, and then finally one more thing and that is that we have some Board members who will -- we think may be moving on, but it's the end of the Schwarzenegger Administration, and we wanted to recognize Brooks Taylor, Heather Peters, who's not here, and also our very good friend Lynn Jacobs, who's represented by Elliott today.

So we had a little something made up. We'd like to give this to you guys at this time.

And, Brooks, if you'd come on up.

MR. GUNNING: Picture time.

MR. SPEARS: I'm not sure we have a photographer. We'll have to photograph it later.

MR. GUNNING: Anyone have a camera with their phone?

MR. SPEARS: I didn't ask Ken about the base for this, but we think that this rocky base here is the solid rock that CalHFA is built on. We just want to thank you for your participation. Thank you very much.

MR. TAYLOR: Thank you.

MR. SPEARS: And, Elliott, if you would accept this for Lynn. Both of these say:

"With sincere appreciation for your outstanding leadership, dedication and support of affordable housing as a member of the Board of Directors, CalHFA."

And it has the dates, a little bit of variation on Brooks.

MR. MANDELL: On behalf of Lynn --

MR. SPEARS: Thank you very much.

MR. MANDELL: -- I'll be glad to. Thank you very much.

MR. SPEARS: And those are my comments, Mr. Chairman.

ACTING CHAIRMAN CAREY: Thank you.

I -- I just mention as we see some transition, I think that it's -- it's the nature of public business to see some transition, but I think that over the past couple of years, this Board has really solidified in a way that's been very productive, and I will personally miss the participation of those who will probably be moving on with the end of the Administration.

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Item 4. Update and discussion regarding the status of the Hardest Hit program

ACTING CHAIRMAN CAREY: With that, we will move on to item four, which is update and discussion of the Hardest Hit Fund.

MR. SPEARS: I've asked Di if she would come and give us an update, where we are with development of the program. Linn Warren is also going to join.

We -- and the slides there, Di, I think you just -- it's already up. You just click there at the bottom of the screen, and they'll pop up.

MS. RICHARDSON: Mr. Chairman, Members, thank you for having us again. I have several things that I'd like to report to you -- you're not hearing? -- several things that we would like to report, what -- things that are happening with the program. Excuse me.

As most of you know, we had a very ambitious goal. We tried to get the program out by November 1st and despite our best efforts haven't quite been able to have the full launch that we were hoping for. But there are -- you know, we have made a significant amount of progress that I would like to talk to you about.

You know, since the program was originally -- I guess we should go one more. Since the program was originally announced in March, it has nearly tripled in size. It is now nearly a two-billion-dollar program, which is really great news for California homeowners. And we've been working extremely hard to get all of the systems in place and the personnel hired and trained that we think that we need to make this effective.

We, on October 29th -- another very significant change was on October 29th. Fannie and Freddie issued guidance that they -- to their servicers that they would be participating in the unemployment program, which was a very significant change for us in the development phase. As you know, Fannie and Freddie own about 70 to 80 percent of the loans in California. And as we were developing a program expecting them not to participate, based on what they'd been telling us, you know, before, we knew that those calls were going to be coming in in the triage phase, but they'd be stopping there because their investor wasn't participating.

Now their participation means that more of those loans actually move through the pipeline into counseling and processing and eligibility, which required us to make sure we had more phone lines, computers, trained staff, you know, to be able to handle that aspect.

We do -- we did begin a pilot program in October. We currently have about 300 borrowers that are working their way through the process. It's been -- I would say it's been very successful. It's been very educational. We've learned, you know, where we needed to make some adjustments, things that were working well, things that weren't working so well. And we currently have -- of the applicants that are currently in the process, about 45 are in the unemployment program. About 108 are in the -- the mortgage reinstatement program, and about 159, 160, are being considered for the principal reduction program. And I think about 20 are in the transition -- are being looked at for the transition program.

And of those, 36 have made it all the way through and are in -- were in the stages where there's -- the central processing center is having conversations with -- you know, working on the lender worksheets and just trying to confirm all the numbers, but we expect those to -- to fund in the very near future.

We have been working closely with Treasury. You know, we've got some very stringent readiness requirements that we have to meet. We've got to pass a SIGTARP audit, so that's really a fun little challenge.

We are -- where we are at the moment is in early December we will have -- you know, we're in -- we're testing all the systems now with the 300 loans from CalHFA. We will be opening it up. We'll have at least three more major servicers onboard to participate in the pilot in December. And we've asked them to give us, you know, up to 200 more loans to put through on the unemployment program.

Most of them have asked to start with the unemployment program. They -- lenders are not in a position in December to take on new big technology projects. It's the end of year. They're closing their books. They -- the way they say it is they sort of go dark in December, but they're -- they're looking at this as an opportunity to allow them to test our systems, to test the security of our systems, which is also a very big deal for them. And then, you know, based on the success of that pilot, we'll do a full rollout of the unemployment program in January, early January, and they'll be able to get the resources that they need and the teams that they need to build -- to build out the other programs on their end.

MR. GUNNING: Excuse me, Di, which servicers are participating? Can you say?

MS. RICHARDSON: I would rather not say only because they are pilot programs, and if somebody is not picked for the pilot, it creates other problems, so I'd --

MR. GUNNING: I understand.

MS. RICHARDSON: -- rather not say.

The principal reduction and reinstatement programs, again we're having -- I will tell you we are having conversations, and I would say I would still characterize them as very positive conversations, with at least four major servicers. I've had conversations with my colleagues in Nevada and Arizona in the last couple of days, and they are not -- they are not as far along in those conversations. They're -- so we're going to bring them in to make sure that we're all talking to the same people and try to get more synergy that way.

On the Innovation Fund, we talked about that a little bit the last time. We had submitted three proposals to Treasury. We got some feedback from Treasury. They had a number of questions that they asked us to follow up on. Those questions have gone back out to the sponsors of those proposals. And we're -- I think we just got the last one --

MR. WARREN: Yes.

MS. RICHARDSON: -- a few days ago, so we're in the process of gathering that information and trying to get those finalized, but the other applicants that were not chosen at this time have been notified.

I will leave it there unless you have other questions.

ACTING CHAIRMAN CAREY: Questions of Board members?

MR. GUNNING: Just one. So I can understand it that the delay is Treasury?

MS. RICHARDSON: Which delay?

MR. GUNNING: For the rollout of all the programs.

MS. RICHARDSON: Well, the delay -- the delay is really just that the build has changed a few times. You know, it's grown significantly. And the systems that we have to have in place -- the phones, the number of phones, the number of people available to answer the phones -- I don't -- I don't know if I -- we've hired -- we're hiring about 200 people. We're going to be actually operating a call center. And I think we've -- we've got about 185 of those that we've already hired and that are going through training now.

Now, this -- the Freddie and Fannie coming onboard and having more people, that will make it -- you know, I mean the triage part is the easy part. Those -- that's a lower skill set. But since more people are going to be moving through that pipeline, that's going to require a little bit more, obviously, higher skill set and more training for that staff.

MR. WARREN: We did assume, because non-GSE involvement, a number of them would not be successful because they wouldn't qualify. And as Di said, it's correct, so that the intake would be roughly the same, but as we go forward with the processing, now two or three times more borrowers will now be in the pipeline for processing because the GSEs are now involved. That has a ripple effect all through the project, so that's -- that's -- that's caused a lot of our issues, to try to -- try to get the infrastructure organized to accomplish -- it mainly is a change of GSEs as well as the additional funds.

MS. RICHARDSON: And I believe FHA will be coming on --

MR. WARREN: Yes.

MS. RICHARDSON: -- for the unemployment program very soon in RDA.

MR. WARREN: RDA, there's already been discussion about RDA, but the FHA does want to participate, and that's a whole nother set of borrowers that would be eligible for the unemployment.

MR. GUNNING: I'm sorry, RDA?

MR. WARREN: Rural Development.

ACTING CHAIRMAN CAREY: RD.

MR. WARREN: Yeah, RD.

MS. RICHARDSON: Sorry. I'm just used to that redevelopment.

And I -- I had another thought, but I lost it, sorry.

ACTING CHAIRMAN CAREY: So -- so there's -- there's internal issues, and there's program design issues. There's structure of hiring and phone lines, and that's all internal to CalHFA?

MS. RICHARDSON: Yes.

ACTING CHAIRMAN CAREY: What about the -- what about the external side? What about -- is it Springboard that is -- are they where they need to be?

MS. RICHARDSON: Yeah, that's who we're talking about. They're actually -- all of the hiring and the systems are going on down at Springboard in Riverside. We've had to expand to two new buildings. We've had to completely, you know, renovate them, get -- you know, build them out as call centers, cubicles, computers, phones. We've had to expand the trunk line so that the volume of calls that can come in can happen.

You know, they've -- we've -- they've actually got a -- we meet with Springboard all day and then they actually have a development team that works all night to develop everything that we've talked about during the day, so it's -- it is -- it's a 24/7 process.

ACTING CHAIRMAN CAREY: Di, I'm -- I'm just confused. Springboard is doing it, but you say "we've hired."

MS. RICHARDSON: Well --

MR. WARREN: It's merging, I think, but, yeah. Springboard is doing the actual hiring of the primary staff, which are the counselors, the phone folks, the programmers, the decisioners, so that when we say "we," it is collective but it is the Springboard organization we've contracted with to perform the function of hiring staff to deal with the problems.

MS. RICHARDSON: Right. In collaboration with CalHFA MAC.

ACTING CHAIRMAN CAREY: Technically they're where they need to be in their platform?

MR. WARREN: Yes. I think that -- we spent -- two weeks ago we spent a long time, a whole week, basically calibrating where we are. As Di said, overnight, we'd make decisions on programs, the programming would be done. They're hiring rapidly. So we feel very confident on the December dates, and I think it's --

MS. RICHARDSON: Yeah, I'm --

MR. WARREN: We're in a good place.

MS. RICHARDSON: We're going to also -- I mean, we've had a core team that's been, you know, sort of pulling the cart most of the way, and we're in the process of creating some parallel teams to just keep things moving in different swim lanes, as we sort of call them.

But it's also, you know, finding the people that are qualified to do that that's -- you know, it's easy to find the lower level, like I said, you know just to do the initial triage, but a lot of the more technical work is a little bit more sophisticated and a little bit more difficult.

ACTING CHAIRMAN CAREY: Yeah, from my point, there's no question the ramp-up of the thing is horrendous. I mean it's from -- from a standstill to a hundred miles an hour because the volume is going to be huge, I suspect. I worry about the public concerns that there's two billion dollars here to help homeowners and it isn't getting out.

MS. RICHARDSON: Right.

MR. GUNNING: Correct.

ACTING CHAIRMAN CAREY: And it just seems to me we've got to get it out there.

MR. WARREN: Yes.

MS. RICHARDSON: I agree.

ACTING CHAIRMAN CAREY: I know you do.

Other questions? Thoughts?

Okay. Thanks, Di. Thanks, Linn.

MR. WARREN: Thank you.

MS. RICHARDSON: Thanks.

MR. HUGHES: Mr. Chair, we -- we should solicit public --

ACTING CHAIRMAN CAREY: Yes. You're right.

MR. HUGHES: -- comment.

ACTING CHAIRMAN CAREY: Thank you. I've learned a new approach. Is that why you kicked me?

With that, we are now -- and I would appreciate the reminder. We are now going to open up for comment on each agenda item as we move through the agenda, as a routine. So with that, we would take public comment related to this item on the agenda.

MS. MARIAJIMENEZ: Good morning. We are here to provide comments on the Hardest Hit Fund. You don't have the cards or notepads out there for the speakers, but one of the speakers just arrived, so if I could be given a few minutes to go get her and bring her in because she's lost.

ACTING CHAIRMAN CAREY: Sure.

MS. MARIAJIMENEZ: Thank you.

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Item 5. Update and discussion regarding the recent ratings reports by Moody's Investor's Service for the CalHFA general obligation issuer rating and the Home Mortgage Revenue Bond rating.

ACTING CHAIRMAN CAREY: Let's -- well, let's -- let's -- let's move forward and cover item five and come back to the public comment on the Hardest Hit Fund. Given that it's a non-action item, I'm not that concerned about it.

MR. SPEARS: Fair enough.

MR. GILBERTSON: Steve, did you want to kick this off, or did you want me to just launch in?

MR. SPEARS: Why don't you lead out, Bruce, and I'll join you along the way.

MR. GILBERTSON: Well, good morning, Mr. Chairman, Members of the Board.

We have talked to you many times about our ratings with both Moody's and S&P, and after many months of anticipation -- sometimes positive anticipation, sometimes negative -- Moody's did call and give us an update on their view of the two primary credit ratings of CalHFA, the CalHFA general obligation, or what is referred to as the issuer credit rating, and the Home Mortgage Revenue Bond indenture credit rating, which is our large single-family bond indenture that we've used for some, you know, almost 30 years at this point.

So the good news was we were downgraded, but we were only downgraded by one notch on the GO from an A-1 rating to an A-2 rating, and the HMRB credit rating was confirmed at A-3. And perhaps the most important thing, and Steve mentioned this in his comments earlier, we were removed from credit watch, and they're no longer closely monitoring us for downgrade.

However, we are on negative outlook, and that really is due to the uncertainties, in their mind, as to the pace of the economic recovery and the real estate recovery in California. Clearly there's not a clear direction at this point. And quite honestly, my own personal perspective, this perhaps is the best result we could have expected. You know, we had been planning and anticipating for much worse and looking at the consequences of lower credit ratings and what we would have to do, especially as related to some of the

GO-related exposures that we have with swap counterparties, a bank that provides a revolving credit agreement, and that type of thing.

So I'll run through this fairly quickly. You have full reports in your Board binder. I wrote a quick summary as well, but I think we ought to just highlight some of the things that are noted within the reports.

You know, one of the big -- and there's two reports. Remember, they write a separate report or rating letter for the GO rating and a separate rating report for the HMRB credit rating.

So most of the negatives and the reason for the downgrades and what's happened over the last two years -- because, remember, we started -- before the crisis, we had, you know, strong double-A ratings, mid-double-A to lower double-A ratings on both the GO rating and HMRB. We've lost notches a little bit over time, over a period of time that's elapsed, about two years. And the erosion of the Agency's fund balances, profitability and liquidity, as well as single-family loan delinquencies and foreclosures have really led to this.

So just to keep this in context, over the last two fiscal years the Agency has had an operating loss in excess of $330 million. That is a fact. It's on the financial statements that I think you've all received. We've had delinquencies on our single-family portfolio of loans ranging between 17 and 20 percent at different times. It appears to be on the decline, which is all good news.

Moody's put us through a rigorous test where we had to absorb $460 million of losses related to the loan portfolio after the benefit of mortgage insurance. Okay, so this is after our own MI fund pays their portion of the mortgage insurance claim, after Genworth pays their three-quarters percent of that mortgage insurance claim, after the amounts that are set aside for the GAP coverage. We -- we ran a model for them with $460 million of losses that incurred over a seven-year period.

The good news is the cash flows work. They continue to perform debt services paid to bondholders, and that is, you know, significant reason why the HMRB credit rating was left unchanged.

On the positive side, they made special note of many things, two more recent events: One, the action that the Agency took -- Executive Director Spears in April of 2010 after consulting with the Board to place a cap of $135 million on the Agency's general fund support for HMRB in the form of this GAP mortgage insurance coverage. You'll recall those conversations back in March of this year.

And then second, in October 2010, at the Agency's request over the summer, the California Legislature was able to approve a loan sale -- was able to approve legislation to allow a loan refinancing of the Bay Area Housing loans that we've had. We've talked many times about the Bay Area Housing financing plan. It goes back to 2005. It originally was going to be a hundred million dollars. We were planning to issue bonds. Market turmoil and disruption didn't let us get to market. We didn't always have stakeholders and partners that wanted to cooperate fully with us as well.

So this is a great -- this is an excellent outcome for us. We -- we fully anticipate that the sale will be concluded in January, no later than the first week in February.

You know, on the -- further items on -- on the positives, they pointed to some specific things that management has done, actions that we have taken, that have contributed positively to the rating decision. I won't go through all of them, just mention cap the GAP, some of the things we've done to organize ourselves better to deal with loan losses and foreclosures and REO properties that we take back as a real estate lender.

We renegotiated interest rate swap collateral provisions over a year ago. They continue to note that and make special attention of that. Our application and success, as Di has pointed out, to receive almost two billion dollars of Hardest Hit moneys that will not only go to support our portfolio, but other Californians that are in dire need of potentially having to be foreclosed upon, and the authorization from the Legislature to deal with a permanent financing solution for the Bay Area Housing program.

Just as we think about the negative outlook, what they -- what they provide in the rating letter is what are the things that could change the ratings for the positive and what things could change the ratings, you know, further downgrade, further negative going forward.

Many of these things are outside of our control, quite honestly. We will do the best that we can to manage those that we can control. We can -- we can be efficient in managing the single-family loan delinquencies, the portfolio borrowers that are having financial trouble, the related foreclosures, the acquisition of the property, the disposition of the property, you know, all of those things.

We continue to actively deal with our

variable-rate bond portfolio. Of note in the ratings is that we've reduced the variable-rate component of our debt profile from 90 percent to about 62 percent over the last few years. Continue to work with our swap counterparties in looking for opportunities to reduce or otherwise minimize the collateral postings that goes along with that because of low interest rates and our credit rating deterioration.

Things that could change the ratings more negatively is if something unanticipated happened with the Bay Area Housing and if that financing did not get concluded early next year. Remember, those loans are on a credit line that we have with Bank of America that does -- is set to expire on February 28th, so we're really running up against the clock. We hope that all comes together. We have no indication that it won't happen in January.

Genworth Mortgage Insurance, you know, a significant counterparty to the Agency providing credit support for the HMRB indenture, if they were to suffer a downgrade or otherwise start rescinding claim payments that they're liable for on the mortgage insurance policies.

If for some reason economic conditions led to a greater number of mortgage delinquencies than even stress levels might project leading to higher foreclosures and additional loan losses, that would be a negative impact on the credit ratings. And if, in fact, swap collateral postings became so large that we were unable to deal with them financially because of low interest rates or further deterioration of our credit ratings, that would become an issue.

And then they are very carefully watching what happens at the end of 2012 when the Temporary Credit Liquidity program, which is a credit support and liquidity support for over three billion dollars of variable-rate bonds, expires. This was provided to us by the federal government via the GSEs.

Steve did not mention, but we are planning to go back and visit some of the folks in Washington the first week in December, specifically some of the folks at Treasury that will be making some of these decisions about extending those facilities to HFAs or not, so we think that's a positive indication as well.

And then the last slide simply is a summary of the ratings. You've seen a similar chart like this before. It shows the two primary credits and where -- where we stand from S&P's perspective and Moody's perspective and the dates of the last significant rating action.

The only other thing that I would add is that that is all very good news. With the completion of the audited financial statements recently, we're already beginning to update the basis for them to do a rating review again using June 30, 2010. I don't anticipate that either S&P or Moody's will conclude that process until sometime in the first quarter of next year. It's just a lot of work to get the basis updated, get them the information that they're requesting, and they have to have the time to spend to review the rating.

With that, I'll ask if there's any questions.

ACTING CHAIRMAN CAREY: Questions from Board members?

MR. SPEARS: Acknowledgement from the executive director. Bruce and Tim and Tom Hughes have all done a lot of work on this, but I also sent an e-mail out to all CalHFA staff. It was very clear from the Moody's report that they placed a lot of -- of value in the work that we've done in all areas of the -- of the Agency. The new lending, particularly they gave attention to the work that we've done in trying to pay even more attention, staffing supervision, reorganization of the loan servicing areas. Multifamily asset management is a solid part of what we do, and the fact that it remains solid is a credit to Margaret and her staff. So all across the board I think there's credit to be given.

The one thing that I would say is that on the finance side, what Bruce and Tim have tried to do is take advantage of every little opportunity. The analogy that I'll use is the little dodge ball game that we all used to play in elementary school. The worst thing you could do if you wanted to get out is stand still. You had to keep moving, and that's the thing here. We have to keep moving, looking for every single little opportunity that we have to improve our balance sheet, to improve our financial structure, to improve our -- our approach to managing our single-family portfolio. And that's what we're doing every day, every day.

So my thanks to the entire staff, to Bruce for leading this effort, and all the hard work that's gone into this.

It's -- it was very nice. It was unusual to get congratulatory e-mails on a downgrade, but we got them. It was -- it was nice.

MR. GUNNING: Mr. Chairman.

ACTING CHAIRMAN CAREY: Yes.

MR. GUNNING: On behalf of the Board and I guess as one of the newer members here, I just want to echo those comments. And also, I don't know if congratulations is the appropriate word or a sigh of relief is the appropriate word, but certainly to have Moody's commend specifically in their report the management's performance, I just want to thank you guys as well and let you know we appreciate your steering of the ship and helping us stay on course.

MR. GILBERTSON: Thank you so much.

MR. GUNNING: Thank you.

MR. HUGHES: And you should solicit public comment.

ACTING CHAIRMAN CAREY: Yeah. So just to -- we are now going to open public comment. The first piece of public comment we'll ask for is back to item -- agenda item four, which is the Hardest Hit Fund. I believe we have three speakers.

FR. ANTONE: Good morning. I'm Father Bill Antone, pastor of Mary Immaculate Church located in northeast San Fernando Valley of the city of Los Angeles, one of the communities hardest hit by foreclosures in the county of Los Angeles. My parish is in Pacoima.

I appear before you this morning in my capacity as pastor of Mary Immaculate Parish and as a leader of One LA. I come with a perspective, I suppose, from the bottom, of seeing many families who are on the edge of financial survival in their humble homes struggling from month to month, and I simply invite you to share that concern of -- of real families that I myself know.

Hundreds of our homeowners have managed to avoid foreclosure sales because of the intervention of -- by One LA member institutions such as Neighborhood Legal Services who continue to do what has been characterized as hand-to-hand combat with the banks to make sure they follow the federal mandates in providing meaningful modifications which keep families who are capable of homeownership in their homes.

As you know from previous testimonies, One LA has been long in the forefront of promoting the notion of principal reduction as a foreclosure prevention strategy that provides a long-term and sustainable solution to the foreclosure crisis and goes a long way in stabilizing our housing market. We believe this is a win-win solution for both investors and for our economy.

It is my understanding that the Obama Administration has essentially agreed with this strategy of One LA. Federal guidelines issued by the U.S. Treasury provide you, CalHFA, a tool for principal reduction. Our concern is that the current principal reduction program of CalHFA permits you to invest $50,000 to reduce mortgage debt without any standard for a bank's or investor's share of responsibility.

As the Board of California Housing Finance Agency, you have been entrusted with a heavy responsibility for hundreds of millions of taxpayer dollars allocated by the U.S. Treasury's Hardest Hit Fund. My understanding is that you are ultimately responsible for more than a billion dollars in federal funds. It is a sacred responsibility and a moral issue which impacts the real lives of real people.

I would love to give any of you the opportunity to meet families that I know and visit their homes. I urge you to please review your current plan so that these funds are used in a way that benefits as many Californians as possible. Your leadership is crucial in setting forth good public policy in administering the more than a billion dollars in TARP funds.

And I add one further concern regarding those homeowners who received cashout refinancing. I urge you in your plan and decision-making to not unfairly bar these long-time homeowners who have refinanced in this way. There's no doubt that many homeowners with equity were preyed upon during the housing boom. They were entrapped to take out mortgages in the greatest amount possible. Meanwhile, the brokers and bankers could profit even more without any regard to the homeowner's ultimate ability to pay.

The sad reality is that our communities of color were targeted by this practice. Your plan as currently written will discriminate against and bar homeowners in these poor communities who have been preyed upon.

One LA and with that our parish I serve, Mary Immaculate in Pacoima, will continue to fight this battle to ensure the funds provided to California are used to help the people who live on Main Street and not as another bailout.

So thank you for your attention.

ACTING CHAIRMAN CAREY: Thank you, Father.

MS. JOHNSON-ROUSSELL: Good morning, Members of the Board. I am KimMarie Johnson-Roussell, and I appear before you as a One LA -- One LA homeowner who has fought more than two years to save my home of 21 years.

My husband and I purchased a home in 1991 for $90,000. Prior to that, my husband was struck with an illness, and we undertook a long battle of illness, required extensive medical care and hospital treatment. We incurred a great deal of medical debt in the process.

My husband died in 2003. I refinanced my home to pay my husband's burial, the medical bills and improvements on the home and pay my daughter's college expenses. At the time I refinanced, I owed $80,000 on my home. Today because I was led down the path of financial entrapment and given high-cost subprime mortgage loans, I owe approximately $340,000 of my home that it's worth 215,000.

I battled with Bank of America for almost two years. I fought a long battle to save my home. Several times I nearly lost it. Bank of America lost paperwork repeatedly. I begged them to work with me and provide me a modification so that I could stay in my home.

Almost -- after a year of fighting Bank of America on my own, I turned to Bank of -- I mean to One LA through my church and joined One LA's hundreds of organized homeowners fighting to save their home. I also met with an attorney from Neighborhood Legal Services, an institutional member of One LA.

Because I had fought, I had the good fortune of obtaining a pro bono lawyer and member of a powerful constituency of families fighting for their homes, Bank of America finally provided me with a modification under the Home Affordable Modification Program, the Obama plan, and I gladly signed the modification papers at the end of January this year and promptly began to make payments, my new mortgage payments. I finally had peace of mind or so I thought.

Not less than four months later, Bank of America began sending me letters saying that I was behind on mortgage payments. Not only did I -- not only did they claim that I had not made payments, but the letters reflected a monthly mortgage amount hundreds of dollars in excess of the payments that we had agreed under the HAMP program. I had made all my mortgage payments since January 2010, and I had my canceled check and evidence from my bank where checks had -- the payments had been made. I am still battling with Bank of America. It's a nightmare.

I understand that the federal government has provided California 1.2 billion dollars to help homeowners and other -- and their families to keep their homes. I also understand that California Housing Finance has set aside 500 million for principal reduction; however, the plan currently written will bar me from getting help to reduce my principal.

I have owned my home for over 20 years. I've raised my kids there. I refinanced my home to pay significant amounts of medical debt, and I know I could not do on a regular monthly plan. I also made improvements to my home, which helped preserve the bank's investment on their loan.

I am -- I'm an industrious woman. I acquired skills and am employed as a mediator and interpreter. I am fluent in Spanish. I believe I'm a graphic example of many African American families in South Los Angeles who worked hard to be middle class and to achieve the American dream who are now losing their homes.

I am not doing -- I didn't do anything irresponsible. I implore you to reconsider barring -- bearing homeowners like me with receiving -- from receiving help from -- sorry. I implore you to reconsider from barring homeowners like me from receiving help from the program Hardest Hit Fund. There are thousands of homeowners like me in South Los Angeles, throughout the city of Los Angeles and county of Los Angeles. The California Housing Finance plan as currently written does discriminate against me and many other families like me.

Thank you for listening.

ACTING CHAIRMAN CAREY: Thank you, Ms. Roussell.

MS. MARIAJIMENEZ: Good morning. I'm Yvonne Mariajimenez. I'm the deputy director of Neighborhood Legal Services of Los Angeles County.

We are a member institution of One LA, and we're here this morning -- again, we've appeared before you, your Board meetings, throughout the year. We are very pleased and we commend CalHFA for allocating a good chunk of the money -- the TARP funds that are coming to California for principal reduction. However, we do implore you that it be studied to ensure that taxpayer money is spent diligently and is spent in the best manner to serve as many people as possible.

It is incumbent upon us and primarily you as the board and body that sets public policy for the California Housing Finance Agency to ensure that taxpayer money is being spent in a wise manner and that we leverage these funds to help as many Californians as possible.

And, also, we believe that you've been provided guidelines by the federal government that although you can pay up to 50 cents on the dollar, that we need to start low and maximize the use of those moneys.

Also, we again, as KimMarie asked -- that you reconsider and review the exclusion of long-time homeowners who refinanced and cashed out. As KimMarie said, she is an example of many of the African American families in South Los Angeles that are middle class, were middle class, and purchased their homes, many who paid for their homes completely and then refinanced and were enticed to take out their equity.

So we ask that you do seriously consider that issue as it will disproportionately impact a community of color.

And we thank you for your time again this morning. Thank you.

ACTING CHAIRMAN CAREY: Thank you, Ms. Mariajimenez.

Are there Board members who would like to ask questions of the three speakers at all?

MR. SHINE: I think I understand.

MR. GUNNING: My question was answered.

ACTING CHAIRMAN CAREY: Okay. Thank you very much.

MS. MARIAJIMENEZ: Thank you.

FR. ANTONE: Thank you.

ACTING CHAIRMAN CAREY: From a personal perspective and someone whose organization is involved day-to-day with folks facing foreclosure, I think that the issue of the -- of some cases of cashout refinancing is probably the toughest piece for me because it comes down to the -- the most personal, and every case is very personal.

Di, could I ask you in the -- in the meetings with counselors before the rollout of the program, was there a general sense among counselors about the issue of participation by cashout borrowers?

MS. RICHARDSON: It was discussed with the various groups and there -- I would say that there were some people that -- that thought that we should consider allowing cashout refi's, but I believe the majority of them understood that the resources were limited and that -- you know, that it would -- it would, you know -- you needed to make the money go as far as possible. You know, I -- this is really the only -- only opposition we've received to the -- to the program, is from this group.

ACTING CHAIRMAN CAREY: Okay. Thanks, Di.

MR. GUNNING: I've got one.

ACTING CHAIRMAN CAREY: Yeah.

MR. GUNNING: Just a follow-up on that, Diane. Was -- in those conversations, was there consideration to the impact on minority communities as in terms of cashouts and subprime lending?

MS. RICHARDSON: I don't -- I don't think we discussed it in terms of minority communities. I think, you know, we -- we obviously held the meetings in a state -- you know, statewide. We had representatives from statewide organizations that we met with and, you know, including the Center for -- what's Kevin Stein's group? I'm sorry, I'm --

MR. GUNNING: Responsible Lending.

MS. RICHARDSON: Right. And, you know, I know that that's a concern that they've raised, but they -- we discussed it and I -- I just don't think it was -- it certainly wasn't a decision that we made based on the impact to minority communities. It was strictly an economic decision. We have a limited amount of dollars. You know, what's the -- what's the most common pool of borrowers? You know, what's the fairest way for us to do that?

And as we've said, if it turns out that the -- that the program -- you know, we -- if the program's -- the money's not going out the door and we want to expand the eligible pool of borrowers, we can do that at a later time. But at this point, we felt it was -- you know, it's easier to start with a narrower pipeline and -- and open the gates a little bit than to try to shut gates and have all the money go out in the first two weeks.

MR. GUNNING: Thanks, Diane.

ACTING CHAIRMAN CAREY: And it is a difficult thing, too. I mean, some of the -- some of the worst stories you hear are the other end of the spectrum from the story, very personal story, we heard here today, which are cashouts that went to all sorts of -- I mean, we have families who did cashouts while they were facing inability to make a payment, but anyway.

Well, it's an issue that obviously will stay on the table for us.

Thank you, Di.

MR. GUNNING: Thanks, Diane.

ACTING CHAIRMAN CAREY: We will now -- if there's any public comment on item five on the agenda, the update on the investor ratings.

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Item 6. Report of the Chairman of the Audit Committee

ACTING CHAIRMAN CAREY: Seeing none, we'll move on to the report from the Chair of the Audit Committee, Mr. Gunning. And thank you very much for filling in this morning.

MR. GUNNING: Thank you, Mr. Chairman.

The Audit Committee met this morning and reviewed the audit from Deloitte. And notwithstanding some of the losses we knew about from our last meeting, we had a good audit.

I think of important notice was the new GASB 53 that the staff was required to now look at all of our swaps and derivatives and list those in their values. And being one of the first agencies in the country and one of this size to do this, I think a lot of compliments should go to Lori and her team for getting that done and getting the audit done.

So with that, Mr. Chairman, I submit the audit report. I think it's included in all of your packets.

ACTING CHAIRMAN CAREY: Any questions?

Thank you, Mr. Gunning.

Now, moving on to item seven -- I'm sorry, I need to ask does anybody have comment on that item?

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Item 7. Discussion regarding proposed reorganization of CalHFA financial management responsibilities

ACTING CHAIRMAN CAREY: Seeing none, we move on to discussion of proposed reorganization. The -- moving on to the proposed reorganization, Mr. Spears.

MR. SPEARS: The announcement last time and opening comments that I made about a -- the consideration of rearranging the financial management responsibilities of the Agency, we gave that a lot of thought. I've talked to members of the senior staff. I've done some research on my own, talked to the Board chair, and the result was the memorandum that you received very recently. It did not go out with the Board package, but came to you by e-mail and then it's -- it's available here.

Really I can break down the three sections that are -- or, I'm sorry, the two sections that are in the -- in the memorandum. One of my main concerns is that as a financial institution -- and I realize that we are not a private sector bank. It is a mission-based state organization. But with that said, we really are a financial institution with financial risk and real estate risk that have to be managed with assets and liabilities that have to be managed in concert. You cannot segregate that.

That -- a concern that I've had is that there is not a single position at CalHFA for the management of the financial risk, what you would see in a financial institution as a senior vice president for financial operations, chief financial officer, CFO. So I've given a lot of thought to that and done a lot of research, and Tom helped with this as well.

The statutory definition of the director of finance, our own Bruce Gilbertson, fills that position at this point. The statutory -- there are only three positions that are created by statute for CalHFA: The executive director, the director of finance, and I believe the mortgage insurance director.

The definition of finance director includes a very broad definition, to manage -- let me see if I can find the quote -- the overall --

MR. SHINE: Responsibility.

MR. SPEARS: -- responsibility of managing the financial risk of the Agency, responsibility for the financial operations of the Agency is the way it's worded, which can be interpreted very broadly in the past, going, I believe, all the way back to Executive Director Karney Hodge.

The position of director of finance, however, has been limited to issuing bonds, investing the proceeds, managing the bond portfolio, and over the years as our bond structure got more complicated, swap contracts, collateral postings, liquidity facility negotiations, all of that. But with regard to financial statement analysis, financings -- overall financing strategies, that fell outside what previous directors have done.

So my thought is to move forward with a plan to broaden the director of finance's role to an overall chief financial officer. I used to discuss, tease, banter with Terri Parker about my role as chief deputy, that you're there with all the other senior directors reporting through the chief deputy up to the executive director, that I was both the chief operating officer and chief financial officer and that did she really, you know, trust me to do that exactly.

So I think having a separate CFO position with broader responsibilities where -- in your -- in the memorandum -- and I agree that the -- the second chart that I added to the back of the -- to the memorandum, the attachment two, is not truly a personnel organization chart. It's part of a -- first of all, it only deals with the business processes and financial management of the Agency. And the boxes in the -- in the bottom part of that chart just represent functions that would report up through these individuals.

How this would actually be outlined and what individuals would fill those positions and manage those responsibilities, how they might be combined under, you know, one person perhaps would be something to discuss and analyze down the road. But the idea in attachment two is that under the director -- under the executive director would be the CFO position, that the financial management, a controller, the IT, the chief information officer, the IT area, a treasurer function that essentially is what Bruce does now would report directly to the CFO, and all these functions would fall below that.

We also have just ongoing business processes in the Agency, and this is the second half of the memorandum, that I believe need to get completely looked at, top to bottom. I think we need to look at it from the standpoint of do we have duplication? Can we save money? Can we streamline? Can we make things go -- go faster, kill fewer trees? I think we need to do that from soup to nuts, and my idea would be that we would have Howard Iwata, our administrative director, and Bruce, our director of finance, get together and carry that project on, of looking at all of our business processes over the next few months, however long it took.

And that -- we need to do that for a couple reasons. One is to find out if we can operate this organization more efficiently, save a little money, but the other is that we're right at the phase of putting together a financial information system. Our old accounting system, we've moved off an old rickety platform to a more stable platform, and it's working better. I think Lori is a happier person.

But we really just have an accounting system, and what we need is something more than that. We need an information system that incorporates financial information and management information about our programs, our lending, our functions, that are blended together, and they can provide reports to the senior executive team and the Board of Directors that we can use to better run this Agency.

And before we can design a system that looks like that, before we can tell some vendor that comes in, I think we need to take a look at our business processes first. I think you need to start from the ground floor and work up. So -- so that's -- that's the idea for the first part of this.

The other two issues that are in the back, the second section of the memorandum, contract administration and insurance management, we've known for a long time that CalHFA has grown very fast over the years and that a lot of the processes we have have been in place for a long time, and, like I said, I think we need to review those.

But one thing we do have is a bit of a siloed management of the Agency. On the contract part, we have a lot of different divisions that have contracts. They all manage them individually. Some contracts pertain to several different divisions. What we don't have is a central place where those contracts are managed, watched, and folks are held accountable for the deliverables under the contract.

And so what I'd like to do is centralize that, review the contracting process, and I believe we'll have a more accountable system. We'll get more out of vendors. We'll be -- I'll have a higher degree of confidence that when we get to the end of the contract, we got everything out of that contract that we were entitled to, and if we didn't, we got concessions for a change in whatever happened along the way.

Then the final thing is insurance services, and this really just has come up recently. Chuck now has under his control 1200 --

MR. McMANUS: 1100. 1100.

MR. SPEARS: All right. I exaggerated a bit -- over a thousand REOs. We have an insurance policy for the Agency, a general liability policy. When we had two, three, four REOs back two or three years ago, this was not a big concern. This is a concern now.

We have an earthquake policy that Margaret manages. So my only thought at this point is to do a complete soup-to-nuts review of our need for insurance services and see if it doesn't make sense to have an overall policy where we can go to a broker and we can negotiate all of these different needs into one insurance contract and save money for the Agency and have it easier to manage in a single place. Simple concept.

I'm not trying to make the Agency more bureaucratic. I'm trying to make it more accountable. I'm trying to see if we can streamline some things, have better coordination, have fewer silos, break these down and have a lot more coordination between divisions and that's -- that's the -- that's the idea.

I know this is a lot of detail about the day-to-day management of the Agency. I brought it up to the Board of Directors because, you know, in the end it could mean that the Agency looks a lot different, behaves, you know, differently than before, and thought it would be a good idea to discuss this, see if the Board members had questions before we proceed.

ACTING CHAIRMAN CAREY: Yeah, Mr. Boyken.

MR. BOYKEN: Thank you.

This is sort of hard, being the newest member here, but I come sort of with some concerns and questions from the Treasurer's Office, but the first one has to do with the CFO position. Is it -- is what you're suggesting, taking the statutory position that Bruce Gilbertson is in right now and then sort of reaffirming the duties that are in statute and taking some of the other duties, the treasury-type duties that Mr. Gilbertson is doing, and putting those into a different position? Is that sort of what you're -- you're not suggesting going for legislation to create a new position of CFO?

MR. SPEARS: No, on the contrary. I think we can do this with the current statute that's in place.

MR. BOYKEN: Okay. So you wouldn't be necessarily creating a different position, but it would be redefining the existing position?

MR. SPEARS: Right. Just simply saying whereas before the director of finance -- despite the fact that the statutory definition is this, that person's duty statement at CalHFA does this. It's much narrower.

MR. BOYKEN: Right.

MR. SPEARS: Just rewriting that person's duty statement and opening it up.

Now, there are other movements, you know, in the organizational chart that may need to take place underneath that to make sure that --

MR. BOYKEN: Right.

MR. SPEARS: -- things are equitably distributed as far as the scope of management, but, no, I don't foresee any legislation at all.

MR. BOYKEN: All right. And then just one observation, and I'm not the expert on this, but when I've seen major accounting systems being adopted by organizations, it often seems that it's the accounting system that drives the reorg rather than the reorg that drives, you know, what type of system you're going to get. And I'm just wondering, you know, would -- the reality is it'll probably kind of work in tandem as you get whatever vendor, you'll see what's there, but I'm just wondering if it would make sense to look at the business processes a little bit more once you get closer down the road of adopting a new accounting system.

MR. SPEARS: That's my -- that's exactly my proposal.

MR. BOYKEN: Okay.

MR. SPEARS: If I didn't make that clear, I apologize. But I think you have to do that review of business processes and responsibilities right down to the documentation, you know, how is that going to work with a new, you know, accounting system and decide what kind of system we're going to have.

If we just need a bookkeeping system, we don't need that. We've got something along that line. What we really need is an information system that -- the amount of manual labor that goes into creating our financial statements is unreasonable. I'll be kind. We need -- we need systems that work for us. We're working for the systems now, and that's backwards, so.

So I completely agree with you. We need to get all this groundwork done first, decide how responsibilities are going be laid out and what we want the organization to look like and how we want it to work and then we can put this information system together intelligently. But if you try to get a vendor onboard and you don't know how it looks and you're trying to invent this along the way with a vendor -- and we have some IT folks here -- you're going to pay a lot of money while you start and stop and start and stop and try different things, and that's not going to work.

MR. BOYKEN: Thanks.

ACTING CHAIRMAN CAREY: Mr. Mandell.

MR. MANDELL: Just some comments for you, Steve. I think that thinking about how to make the organization work the best it can is always a good idea, so I applaud your thinking about it.

With regard to that last comment about the accounting system and the database and all that, HCD is still going through an effort that was started I think in 2000 where -- the thing that I like about the proposed org chart that you have is that you have a fairly direct relationship between the money people and the program people. And without that, I think that you don't have to have that on an organizational chart, to kind of get to another point I want to make, but recognizing, as you just said, the importance of that as you move forward on your IT side is critical. They can't -- they are -- they are both served by the same system, and they both need to have a part in that discussion and look at it as you were suggesting, not necessarily at the bottom, that might be the right perspective, but from the business that you're trying to accomplish and rather than laying some arcane rules over it, you know, figure out what rules you really need and make sure everyone's using the same rules. That's a really great thought.

I'm a little bit concerned that from the org chart that shows the proposed CFO position, that you've got the director of administration reporting to the executive director. To add it as you had previously a direct report through what would now be labeled as the chief financial officer would be a workload, but while some people will say, well, those are the minor activities, sometimes the tail does wag the dog. And to have those responsibilities, the HR -- and I don't mean that -- with no disrespect, but, you know, that you do need to have a proper managing HR system. You have to be hiring qualified people. You have to keep those people happy, otherwise nothing works.

Well, all of that shouldn't be given short shrift and I think needs to be integrated in the day-to-day discussions along with the money issues, the program issues. So I'm not going to make a -- I'm not making any recommendations. I'm just pointing out things that I have seen in the past could be problems.

And the third thing I wanted to suggest is that there is some truth to some humor -- humorous stories.

MS. RICHARDSON: Can't hear.

MR. MANDELL: I'm sorry. There is some truth to some humorous stories, and the one that comes to mind is the make three envelopes. You -- I think, Peter, you know the one I'm referring to.

And so when you're talking about silos, it's just one pie. And there are lots of, an infinite number of, ways to slice the pie. It's not really who reports to whom but how those people relate to each other.

So it should be more important -- and maybe it's through the business processes review as opposed to putting a box under a different box, that that might be the way to focus on how the organization should look. So it's who's -- not who's doing what, but how the what's being done and how people need to relate in that regard.

So I just wanted to give you those comments. Thank you for that opportunity.

MR. SPEARS: Thank you.

ACTING CHAIRMAN CAREY: Okay. Other comments or questions? Mr. Hunter.

MR. HUNTER: I just had a couple of things. One -- one it seemed to me to be missing from attachment two is Mr. Hughes seems to have disappeared. And that role is such a critical role, both in relationship to the Board and to the activity of the organization, it just -- I didn't see where it was functioning.

MR. SPEARS: Well, a number of people disappeared in attachment two, no disrespect to the remainder of the senior executive staff. But the only thing on attachment two, I just was dealing with just the financial and -- and business processes, day-to-day part of this, so that there is the legal division, all the program areas are somewhere off to the right, off screen here, off stage. And just the only people that were on stage would be the -- just the financial management part, so --

MR. HUNTER: Okay.

MR. SPEARS: -- that would still be out there.

And just -- the other quick response to one of Elliott's concerns is I debated this administrative area. It's got HR, business services, facilities. I mean, part of my job is to make sure that their job is as easy as possible, and I try to allocate HR services, business services, picking up the mail, I thought it would be better if those broad support services reported directly to me, I mean, just as an impartial way to allocate support services around the Agency, so.

Like I said, not -- this concrete is still not set, if it is even concrete.

MR. HUNTER: Yeah. Then that was actually -- your comment about the support services was my other comment, which is far too many years ago when I was trying to learn management and we used to talk about span of control, in other words, how many people can -- how many supervisees can a supervisor supervise?

And increasingly I feel that really successful and highly functional organizations are the ones that really have turned that upside down and are talking about the role of supervisor not as a control point, but as a facilitation point. So that, to me, the -- the kind of inverting the structure and starting -- looking at it from the top up rather than the top down, what does the executive director need to do to facilitate the successful work of the CFO? What does that person need to do to facilitate the successful work, you know, all the way down to the line staff. How do you create the resources, the mentoring and the facilities that are necessary for, in the traditional point of view, the person who's at the bottom of the ladder being most successful, because that's where our organization's success always resides.

And, you know, one of the places I learned that was in managing a public health center where when I did a business review found myself scared to death that the person who is most responsible for the financial success of our organization was the person who was paid minimum wage and greeted people when they came in the door and picked one of 17 boxes to check. And so our most critical function was the person who was the lowest paid person in the organization just struck me as insane.

So, you know, just as we're looking at this, if we can keep that in mind, that the point of supervision is to enable the success of the people that are being supervised, and how do we -- how does the structure then facilitate that.

ACTING CHAIRMAN CAREY: Great comments.

MR. SPEARS: This is very helpful. Thank you.

ACTING CHAIRMAN CAREY: Other thoughts or comments from Board members?

Is there anyone from the public who'd like to comment on the proposal?

MR. HUGHES: Well, my mortgage lender thanks Mr. Hunter for that clarification on me disappearing from that chart, so that would be my comment.

--o0o--

Item 8. Reports - A. Homeownership Loan Portfolio Update

ACTING CHAIRMAN CAREY: Okay. With that, we are on to reports.

MR. SPEARS: We don't have any special presentations. I just would encourage the Board members to each time please review the -- I believe it was the January 2009 meeting, my very first meeting as executive director, when the Board in its wisdom asked for a homeownership loan portfolio report each time, so I would encourage you to take a look at that.

We have made a lot of progress since delinquencies, total delinquencies, peaked in February of 2010. That's declined dramatically for a couple reasons. Not great news for borrowers because that represents foreclosures that have taken place on the older loans, and it represents REO properties that Chuck is managing. So -- but total delinquencies have gone down.

I have seen in recent months, and we have a little more recent reconciled information than what you see right here that I just received this last week after Board packages went out, that looks like delinquencies might be ticking up just a bit in each of the categories 30, 60 and 90-plus. I think the unrelenting grip the economy has on unemployment is just giving borrowers a nightmare, and it's -- it's unfortunate, but it is a reality that we're dealing with.

And I receive what Lori refers to as unreconciled information about portfolio performance. What you see here, what we provide, is a reconciled, and that means that we've taken all the payments that have come in from all the servicers plus our own servicing department and made sure that it's all applied correctly to all the bond indentures, all the borrowers, and it's reconciled to the penny.

I do get early information that gives me a little bit of a -- more of a heads-up, and what I have just received are the October 31 numbers, and that's what I've seen gone up. I've seen it go up a little bit in the 60-day category for the last couple months. This month is the first time it's gone up just a tad in each one, and the overall delinquencies have gone back up for the first time since February.

So it's not a dramatic increase. I wouldn't describe it as a trend just yet, but it's a cause for a little bit of concern. I just want you to know that.

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Item 8. Reports - B. Update on Variable Rate Bonds and Interest Rate Swaps

MR. SPEARS: And then the other very important report is the variable-rate bonds. This is where you get the bimonthly report from Bruce about where we stand with variable-rate debt, swaps, et cetera, et cetera, so.

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Item 8. Reports – C. Legislative Report

MR. SPEARS: And there is a brief legislative report under tab C in the back, and that would be Di's responsibility.

So if there are any questions, I'd be happy to entertain those. If the Board members would like additional reports, I would encourage you to let me know that. We'd like to give you whatever you think you need to keep up to date.

ACTING CHAIRMAN CAREY: Thank you.

Any questions?

MR. HUNTER: I just have one on the variable rate. You know, we've been talking about what are the maximum numbers that we can hit, and I'm looking at the basis mismatch chart on page 158. That, you know -- clearly 2010 so far is -- has been much better than 2009. Do you foresee a time when the little orange bar will go above the line and we can start regaining some of the ground we've lost?

MR. SPEARS: I'll let Bruce comment on it. One of the reasons why this improved dramatically, I believe, was because of the Treasury program that we engaged in. Further improvement, I believe, has to do with interest rate movements.

MR. GILBERTSON: Yeah, basis mismatch is a multifaceted kind of phenomenon. You can see back in 2001 the incremental bars were above the line. I wouldn't anticipate, Jonathan, that we would see that cumulatively ever. I don't even know that a periodic positive mismatch is likely.

The challenges that we faced over the last few years, as you can see, the orange or golden bars becoming larger, dealt with inefficiencies in the marketplace and the relationship of some of the securities that are these floating-rate securities, action-rate securities. Remember, you've heard us talk at length about that marketplace simply not existing anymore. Auction-rate bonds simply don't have successful auctions anymore.

Variable-rate demand obligations, we had a huge experience in 2008 and into 2009 until the Treasury facilities came into place where we couldn't find a liquidity provider, which meant that we paid a penalty rate of interest which is reflected in this chart. And even if we did, interest rates and the compression of rates -- you know, a lot of this is driven based off the relationship of a short-term tax-exempt bond and a short-term taxable bond because of the Agency's election to -- to enter into most of their swaps on a percentage of LIBOR rather than a SIFMA-based swap.

So there are several things going on. The short answer to your question is I think we should look for further improvement. This -- this is not a calendar year, remember. It's explained in the report. This goes from a debt service or a bond year, if you will. It starts on August 1st and goes to July 31. So it will start again for what we call 2011 on August 1 of 2010, and I would expect that it's going to be significantly improved, even over what's shown in 2010, but I don't think it will become positive.

MR. HUNTER: Thank you.

ACTING CHAIRMAN CAREY: Other questions?

All right. Thanks, Bruce.

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Item 9. Discussion of other Board matters

ACTING CHAIRMAN CAREY: Other Board matters.

MR. SPEARS: Mr. Chairman and Learned Counsel, is it appropriate for me to go back and point out one other thing in item four?

MR. HUGHES: Sure.

MR. SPEARS: The criticisms you heard are not new from the group One LA. And I'm not sure, I know we have new Board members around the table, those filling in this time around, but I did send to the Board members a November 8 memorandum. It's almost like a points and authority, but not quite. But it is a, you know -- criticisms that we've heard and staff's response to those criticisms. And I encourage you to take a look at that.

I -- I think more Board members are going to be contacted about this. I know the Treasurer's Office has been contacted and others, so I think it would be important for you to understand the staff's position on this.

I know there is testimony here today that -- that we have federal guidance on, you know, how much to pay. The federal guidance that they have referred to again and again is Supplemental Directive 10-05 issued in June 2010 for the Help America's -- the HAMP program, making homes affordable. Our program is not the HAMP program. Treasury designed this completely outside of HAMP.

We are following federal guidelines that were provided to the states that were provided Hardest Hit funds, and we followed those guidelines to the letter, submitted proposals according to those guidelines and been approved by Treasury. So what you'll see in the response memo that I put out is a rebuttal to the argument that we're bound by this directive that came out.

Two thoughts. One is this a HAMP directive and we're not HAMP so this doesn't bind to us, but even if it did, what's in this is an incentive payment, not a purchase of a portion of a loan. It is not what has been purported to be a net present value calculation of a written-down loan amount or a purchase loan amount.

I looked and looked and looked to try to find the 6-to-21-cents number and finally found it in the back of this under the section entitled "Incentive Compensation." And I don't claim to be a HAMP specialist. I think that would be a dangerous thing to claim. But this is the -- this is the basis for their argument that we should be paying much, much less for the loans that -- for the principal reduction that we're talking about in the -- in the -- in our program.

So I would just say that. I thought about it after they left, and I would just put that on the record.

MR. HUNTER: Is that --

ACTING CHAIRMAN CAREY: Mr. Hunter.

MR. HUNTER: Was that memo in the packet?

MR. SPEARS: No. This is something that I sent out by e-mail a week or so ago. I brought mine just in case, but I should have sent a reminder.

MR. SHINE: It came out by e-mail?

MR. SPEARS: Yes. From me to Board members. So if -- and, Grant, I didn't know you were going to be here, but --

MR. BOYKEN: It should be in the office.

MR. SPEARS: -- it should be somewhere.

I would be happy to send that out again, Mr. Hunter.

MR. HUNTER: Thank you.

ACTING CHAIRMAN CAREY: And it seems to me that we're dealing with two different issues in their concerns, one of which is some factual issues, which I think the memo does a good job of pointing out are not correct and were the basis of some of the legislative letters that we got. And the other is subjective, about what's the right way to roll the program out. And -- and at this point it seems the decisions are made and the program is moving.

And there is a world of disagreement about how best to deal with -- with foreclosure issues out there. I think the Agency's working very hard to choose a prudent path.

Other Board matters?

MR. HUGHES: I think, Mr. Chair, since we went back to item four for a moment, we just ought to ask for another round of public comments, if there --

ACTING CHAIRMAN CAREY: Great.

MR. HUGHES: -- are any.

ACTING CHAIRMAN CAREY: Sure.

Yeah, is there anybody from the public who'd like to add to the discussion?

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Item 10. Public testimony: Discussion only of other matters to be brought to the Board's attention

ACTING CHAIRMAN CAREY: Seeing none, we'll move on. And, in fact, this is an opportunity that we permit the public to speak on matters that are not on the agenda that ought to be brought to the Board's attention. Is there anyone who wishes to speak?

MR. GUNNING: Mr. Chairman, I did want to --

ACTING CHAIRMAN CAREY: Yes.

MR. GUNNING: -- just have one comment back on the previous item.

Is there a way, Steve, to inform the One LA group of our discoveries or can we push back a little bit or -- I don't mean push back, I shouldn't say that.

MR. SPEARS: We've certainly done that in private conversations with them.

MR. GUNNING: Okay. So that has --

MR. SPEARS: Di --

MR. GUNNING: That has occurred.

MR. SPEARS: I would say this: They have -- they have a proposal in for Innovation funds that's being reviewed and -- and Di is spending an enormous amount of time providing folks who have been approached by One LA and are asking us questions, so we're -- we're refuting their arguments but only indirectly because they -- they don't talk to us much anymore because they know where we stand on it.

I respect very much what they're trying to do. I respect -- I think the testimony this morning was brave and it's -- it's -- it's -- there are difficult situations like that. But Di's comment that we have limited resources is -- I did a -- you'll see in the memorandum, I did a quick calculation that there are about two to three million homes in California that are underwater. If they're average underwater by $50,000, it's an enormous amount of money. Even if only a portion of those people qualify for our program, it far exceeds the amount of money that we have available.

And I -- as Di said, if we roll this program out, we don't get people to come to the door and participate and we have the ability to open it up and open it up on the basis of medical expenses, education expenses and, you know, a -- a limited list of -- a limited list of proceeds, I mean use of proceeds --

MR. GUNNING: Right.

MR. SPEARS: -- we'll do that. We'll do that.

I can tell you that will create an enormous headache of trying to document what that money was spent for. That's going to be -- that's going to be almost impossible to do, but we are willing to try if we have funds left over to do that.

MR. GUNNING: Okay. Thanks, Steve.

ACTING CHAIRMAN CAREY: Okay. No further public testimony -- actually, having -- having sat here and thinking a little bit, I'd just like to point out that this is our last meeting for 2010. It's also the last meeting under the Schwarzenegger Administration. And most of us are here as appointments by Governor Schwarzenegger or by virtue of being in office or particular public functions with this Administration.

It's -- it's good to note that the Agency was designed in a way to somewhat isolate it from political transition, so -- so many of us will continue on the Board and provide some continuity, which I think is very, very healthy. And -- and we have some excellent Board members. The next time we meet, Thanksgiving will have passed. The holidays will have passed. We'll be in a new administration and facing some of the same challenges, but -- but it will be a new year.

And this has been a year. I mean this has been a very challenging year. Some of the news today is some of the best news we've had all year, I think, and it's nice to take a deep breath and realize that we did end with some positive news.

And I think -- I know I speak for the entire Board when I say that I know that isn't the winds that blew in. That's the incredibly hard work of the organization in every piece of the organization and every -- every staff member making -- making things work in an incredibly difficult environment. We all appreciate all the staff in every piece of the organization and -- and would like that known.

And I'd also like to mention two Board members who are retiring from the Board. Lynn Jacobs, who serves by virtue of being director of HCD, has not just been an incredibly loyal and active Board member here, but an incredibly driven advocate for affordable housing statewide and has -- has worked hard to roll the ball uphill in dealing with what we in the affordable housing world call the permanent source campaign and has kept that in the forefront all the way along and has rolled that ball, moved that ball, forward.

And other is Heather Peters, who represents Dale Bonner and has, again, been an incredibly active and helpful and supportive Board member and excellent representative connecting the Board and the Agency to the field, particularly during the early days of the foreclosure crisis. And her knowledge and personal investment in that area has been very helpful.

And we're going to miss both of those people, in addition to missing Brooks and -- and Fred Klass.

MR. MANDELL: If I may, Peter?

ACTING CHAIRMAN CAREY: Yes.

MR. MANDELL: Just because I know we have verbatim minutes that I assume that Ms. Jacobs will read your words and will appreciate what you said, but I think she'll be at the next meeting --

ACTING CHAIRMAN CAREY: Oh, really?

MR. MANDELL: -- when it's called. It's not my understanding that Lynn is intending to retire from the Board until she is no longer the HCD director.

ACTING CHAIRMAN CAREY: Better news yet. That's wonderful.

MR. SPEARS: That's great news.

ACTING CHAIRMAN CAREY: Just -- in the -- in the --

MR. MANDELL: I hope I'm not misspeaking, but --

ACTING CHAIRMAN CAREY: Yeah. No, that would be --

MR. MANDELL: -- at least not to my knowledge.

ACTING CHAIRMAN CAREY: That would be wonderful.

But in the -- in the transition of not knowing, I wanted to be sure to be on the record. That's great news.

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Item 11. Adjournment

ACTING CHAIRMAN CAREY: Okay. With that, we are adjourned.

(The meeting concluded at 11:38 a.m.)

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REPORTER'S CERTIFICATE

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

In witness whereof, I have hereunto set my hand this 6th day of December 2010.

____

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

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State of California

M E M O R A N D U M

To Board of Directors **Date:** January 12, 2011

From: L. Steven Spears, Acting Executive Director
CALIFORNIA HOUSING FINANCE AGENCY

Subject: Keep Your Home California Programs

Keep Your Home California (KYHC) fully launched the Unemployment Mortgage Assistance (UMA) program Monday, January 10. Four of the five largest servicers in the State are currently participating in the unemployment program, with more pending. Interest from the public has been very strong. In the first two days of operation, over 1100 calls to the toll free number (888.954.5337) were received by the processing center. On Monday alone, 3,579 visits had been logged to the KYHC website (www.KeepYourHomeCalifornia.org) with over 12,000 page views.

Funding for the UMA program is $875 million; and 60,000 homeowners are expected to receive assistance with this first KYHC program alone. The KYHC team is continuing to work to get more servicers signed on to this and the remaining KYHC programs, which will launch in early February.

To provide a better idea of the calls on the UMA program to date, here are some statistics as of 5:00 pm today – the third day of operations. Since the phone lines opened on Monday – our Central Processing Center (CPC) received:

- 1690 calls into triage.
- 351 were passed on to counseling.
- 106 homeowners had already completed counseling and are currently in processing. Of those in processing, 33 are serviced by Bank of America, 29 by Wells Fargo, 22 by Chase, 6 by GMAC, 15 by CalHFA, and 1 by CalVet.

The most common reasons for people not passing triage were (1) they had cashed out equity at some point; (2) they did not have a hardship; or (3) they did not meet some other eligibility criteria (i.e. owner occupied, low to moderate income, etc.)

Of the CalHFA loans in process, from the initial beta test that began on September 9, 2010 through close of business yesterday, January 11:

- 460 passed triage into counseling (241 were determined ineligible after counseling)
- There are 219 CalHFA loans currently active in the pipeline…52 UMA; 43 MRAP; 121 PRP; and 3 TAP.
- 27 homeowners have been approved, and 20 have been funded.
- The most common reasons CalHFA borrowers do not qualify is (1) they do not have a valid hardship, and (2) their account is current and their DTI does not currently exceed 31%.

We are continuing to work with the final applicants for the Local Innovative Fund, and hope to have final updated proposals into Treasury soon.

State of California

M E M O R A N D U M

To: Board of Directors **Date:** January 12, 2011

Bruce D. Gilbertson, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: ANNUAL SINGLE FAMILY BOND FINANCING AUTHORIZATION RESOLUTION 11-01

In previous years staff has requested authorization from the Board of Directors for broad authority to finance the Agency's loan programs. Annual reauthorizations by the board to structure bond financings in appropriate amounts using approved forms of bond indentures provided tremendous flexibility and enabled staff to schedule and size bond transactions to meet the loan funding demand throughout the year without regard to the timing of individual Board meetings. Prior annual authorizations included authority to issue a full range of bond structures, including fixed rate and variable rate bonds, using many security types and related financial agreements to hedge risks or provide for third-party liquidity support or credit enhancement.

The Board has received numerous briefings and updates from staff over the last three years explaining the challenges faced by the Agency as a result of the financial markets collapse and impact on the municipal bond market and real estate markets. In each of these briefings staff has recommended financially conservative approaches of raising capital in order to fund new lending initiatives. The objective has always been to survive the crisis by avoiding additional real estate risk and taking advantage of every market opportunity to reduce financial risks related to existing variable rate bonds.

This year the single family bond financing resolution has been redesigned and the requested authorization has been scaled back to better reflect the authority necessary to finance the business plan and manage outstanding single family debt obligations. Resolution 11-01 is comprised of three articles providing appropriate levels of authorization for each of the following: issuance of refunding bonds for debt management purposes, issuance of new money bonds to purchase single family mortgage-backed securities, and provisions applicable to all bonds issued under the resolution.

The following paragraphs summarize the authorizations contained in each of the three articles.

ARTICLE I - AUTHORIZATION AND TERMS OF REFUNDING BONDS

Article I authorizes the sale and issuance of refunding bonds in an amount equal to the amount of bonds being redeemed in connection with such issuance. This authority provides staff with tools to manage single family bonds previously issued and outstanding. The intent is to allow the Agency flexibility to manage its existing bonds by refunding floating rate bonds (VRDOs and index bonds) with fixed rate bonds, to convert VRDOs to index bonds and to refund fixed rate bonds with fixed rate refunding bonds. This authorization specifically prohibits the purchase of loans or mortgage-backed securities with bonds issued for debt-management purposes or issuing floating rate bonds to refund fixed rate bonds.

Such refunding bonds are authorized to be issued until thirty days after the first board meeting in 2012 and are authorized to be issued under forms of indentures that currently have bonds outstanding. Under Article I, the Executive Director shall determine with each issuance of refunding bonds, that the Agency and its General Fund are not expected to bear greater financial risk than prior to the issuance of the refunding bonds. This resolution authorizes staff to amend, modify or replace existing financial agreements originally entered into to hedge interest rate risks, to provide liquidity support or to provide credit enhancement.

In any event, the resolution prohibits an increase in either the aggregate notional amount of interest rate swaps, the absolute amount of liquidity support (in the form of standby bond purchase agreements) or credit enhancement (from bond insurance, TCLP and letters of credit).

ARTICLE II – AUTHORIZATION AND TERMS OF NEW MONEY BONDS

Article II authorizes single family bonds to be issued in the aggregate amount not to exceed the sum of the following amounts to provide sufficient funds to finance the purchase of new single family mortgage-backed securities:

(1) The amount of prior single family bonds being retired and eligible to be replaced pursuant to federal tax law;

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

(3) Up to $200 million for the combined amount of federally-taxable single family bonds.

Bonds are authorized to be issued as Residential Mortgage Revenue (RMB) Bonds or under one or more indentures similar in form to the RMR Indenture. In no event will bonds be issued under this resolution to purchase or otherwise finance single family whole loans.

All bonds authorized to be issued would bear interest at fixed rates and no bonds shall have terms in excess of thirty-five years.

To allow for necessary overlap of authority for bond issues scheduled during the time that reauthorization is being considered; authorization to issue bonds for new lending under the resolution does not expire until 30 days after the first Board meeting in the year 2012 at which there is a quorum.

ARTICLE III – PROVISIONS APPLICABLE TO ALL BONDS ISSUED UNDER THIS RESOLUTION

Article III authorizes staff to circulate preliminary official statements and official statements relating to refunding bonds and new money bonds as necessary to prospective and actual bond investors. Bonds are authorized to be sold at negotiated or competitive sale as public offerings or as private placements depending on market conditions at the time of sale.

The resolution also authorizes all documents and agreements required in connection with our homeownership lending programs including mortgage purchase agreements, mortgage servicing agreements, mortgage-backed security pooling agreements, contracts for the sale of mortgages or the purchase or sale of mortgage-backed securities with lenders and servicers and agreements with government-sponsored enterprises and other secondary market participants. The resolution further authorizes the Agency to conduct foreclosures of mortgages owned or serviced by the Agency and to enter into contracts necessary or convenient for the rehabilitation, listing and sale of foreclosed properties.

The resolution also authorizes the Agency to take further action related to prior bonds and related financial agreements that were authorized by prior resolutions of the Board. The Executive Director and other officers of the Agency are specifically authorized to amend, modify and replace those financial agreements deemed necessary in furtherance of the objectives of the single family lending program.

The resolution also authorizes staff to enter into financial agreements that are related to the issuance of bonds, as necessary, including:

- contracts for investment of bond proceeds,
- warehousing of mortgages pending the availability of bond proceeds,
- forward delivery of bonds through August 1, 2013.

Consulting services or information services related to the financial management of the Agency, including advisors or consultants on interest rate swaps, cash flow management, contracts for financial printing and other financial services are also authorized by Article III. This resolution also authorizes the payment of costs of issuance associated with the sale of all bonds including refunding bonds and new money bonds and authorizes capital contributions from the Agency as necessary to issue such bonds.

In addition, the resolution reauthorizes short-term credit facilities in an aggregate amount not to exceed $400 million for operating capital and for the Homeownership Programs, Multifamily Programs and loans previously financed for the Bay Area Housing Plan. Finally, this authorization allows the Agency to continue to utilize our warehouse line from the State's Pooled Money Investment Board, the Bank of America credit line and other such facilities that may become available to the Agency.

Attachments

RESOLUTION NO. 11-01

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

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

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

WHEREAS, pursuant to Parts 1 through 4 of Division 31 of the Health and Safety Code of the State of California (the "Act"), the Agency has the authority to issue bonds to provide sufficient funds to finance the Program, including the purchase of mortgage-backed securities ("MBSs") underlain by Loans, the payment of capitalized interest on the bonds, the establishment of reserves to secure the bonds, and the payment of other costs of the Agency incident to, and necessary or convenient to, the issuance of the bonds;

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

WHEREAS, the Bonds may be issued for the primary purpose of purchasing MBSs ("MBS Bonds") or for debt management purposes of the Agency ("Debt-Management Bonds"); and

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

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

ARTICLE I
AUTHORIZATION AND TERMS OF DEBT-MANAGEMENT BONDS

Section 1. **Determination of Need and Amount of Debt-Management Bonds.** The Agency is of the opinion and hereby determines that the issuance of one or more series of Debt-Management Bonds in an aggregate amount not to exceed the aggregate amount of Bonds and/or other qualified mortgage bonds (including bonds of issuers other than the Agency) to be redeemed in connection with such issuance is necessary to provide sufficient funds for the management of the Agency's existing debt related to the Program. In no event may proceeds of or allocable to Debt-Management Bonds be used to purchase Loans or MBSs.

Section 2. **Authorization and Timing of Debt-Management Bonds.** The Debt-Management Bonds are hereby authorized to be issued in such aggregate amount at such time or times on or before the day 30 days after the date on which is held the first meeting of the Board in the year 2012 at which a quorum is present, as the Executive Director of the Agency (the "Executive Director") deems appropriate, upon consultation with the Treasurer of the State of California (the "Treasurer") as to the timing of each such issuance; provided, however, that if the bonds are sold at a time on or before the day 30 days after the date on which is held such meeting, pursuant to a forward purchase or drawdown agreement providing for the issuance of such Debt-Management Bonds on or before August 1, 2013 upon specified terms and conditions, such Debt-Management Bonds may be issued on such later date.

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

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

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

(c) that certain indenture relating to the RMR Bonds (the "RMR Indenture").

Each such New Debt-Management Indenture may be executed, acknowledged and delivered with such changes therein as the officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof. Changes reflected in any New Debt-Management Indenture may include provision for a supplemental pledge of Agency moneys or assets (including but not limited to, a deposit from the Supplementary Bond Security Account created under Section 51368 of the Act) and provision for the Agency's general obligation to additionally secure the Debt-Management Bonds if appropriate in furtherance of the objectives of the Program; *provided* that such provisions may be therein included with respect to such Debt-Management Bonds *only* if and to the extent any such provision was made with respect to the bonds thereby refunded, and *provided further* that in each such case the Executive Director shall have determined that the inclusion of such provisions with respect to the Debt-Management Bonds is not expected to result in greater financial risk to the Agency or its General Fund than existed with respect to the bonds thereby refunded.

Section 4. **Approval of Forms of Series and Supplemental Indentures Related to Debt-Management Bonds.** The Executive Director and the Secretary are hereby authorized and directed, for and on behalf and in the name of the Agency, to execute and acknowledge and to deliver with respect to each series of Debt-Management Bonds, if and to the extent appropriate, series and/or supplemental indentures (each a "Debt-Management Supplemental Indenture") under either one of the Prior Indentures or a New Debt-Management Indenture and in substantially the form of the respective supplemental indentures previously executed and delivered or approved, each with such changes therein as the officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof. Changes reflected in any Debt-Management Supplemental Indenture may include provision for a supplemental pledge of Agency moneys or assets (including but not limited to, a deposit from the Supplementary Bond Security Account created under Section 51368 of the Act) and provision for the Agency's general obligation to additionally secure the Bonds if appropriate in furtherance of the objectives of the Program; *provided* that such provisions may be therein included with respect to such Debt-Management Bonds *only* if and to the extent any such provision was made with respect to the bonds thereby refunded, and *provided further* that in each such case the Executive Director shall have determined that the inclusion of such provisions with respect to the Debt-Management Bonds is not expected to result in greater financial risk to the Agency or its General Fund than existed with respect to the bonds thereby refunded.

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

Section 5. **Approval of Forms and Terms of Debt-Management Bonds.** The Debt-Management Bonds shall be in such denominations, have such registration provisions, be executed in such manner, be payable in such medium of payment at such place or places within or without California, be subject to such terms of redemption (including from such sinking fund installments as may be provided for) and contain such terms and conditions as each Debt-Management Supplemental Indenture as finally approved shall provide. The Debt-Management Bonds shall have the maturity or maturities and shall bear interest at the fixed, adjustable or variable rate or rates deemed appropriate by the Executive Director in furtherance of the objectives of the Program; provided, however, that no Debt-Management Bond shall have a term in excess of the maturity of the bonds thereby refunded or bear interest at a stated rate in excess of fifteen percent (15%) per annum, or in the case of variable rate bonds a maximum floating interest rate of twenty-five percent (25%) per annum. Any of the Debt-Management Bonds and the Debt-Management Supplemental Indenture(s) may contain such provisions as may be necessary to accommodate an option to put such Bonds prior to maturity for purchase by or on behalf of the Agency or a person other than the Agency, to accommodate the requirements of any provider of bond insurance or other credit enhancement or liquidity support or to accommodate the requirements of purchasers of indexed floaters, *provided* that variable-rate Debt-Management Bonds may not be issued to refund fixed-rate bonds.

Section 6. **Authorization of Financial Agreements Related to Debt-Management Bonds.** Subject to the limitation set forth in the last sentence of this Section, the Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, any and all agreements and documents designed (i) to reduce or hedge the amount or duration of any payment, interest rate, spread or similar risk, (ii) to result in a lower cost of borrowing when used in combination with the issuance or carrying of bonds or investments, or (iii) to enhance the relationship between risk and return with respect to the Program or any portion thereof (each of the foregoing a "Hedging Instrument"). To the extent authorized by law, including Government Code Section 5922, such agreements or other documents may include (a) interest rate swap agreements; (b) forward payment conversion agreements; (c) futures or other contracts providing for payments based on levels of, or changes in, interest rates or other indices; (d) contracts to exchange cash flows for a series of payments; (e) contracts, including, without limitation, interest rate floors or caps, options, puts or calls to hedge payment, interest rate, spread or similar exposure; (f) contracts to obtain guarantees, including guarantees of mortgage-backed securities or their underlying loans; or (g) letters of credit, standby bond purchase agreements, or other similar arrangements; and in each such case may be entered into in anticipation of the issuance of bonds at such times as may be determined by such officers. Such agreements and other documents are authorized to be entered into with parties selected by the Executive Director, after giving due consideration for the creditworthiness of the counterparties, where applicable, or any other criteria in furtherance of the objectives of the Program. *Notwithstanding* anything herein to the contrary, a Hedging Instrument may be entered into only for the purposes of amending, modifying or replacing a then-existing Hedging Instrument and may in no event increase the notional amount outstanding under the Hedging Instrument so amended, modified or replaced.

ARTICLE II
AUTHORIZATION AND TERMS OF MBS BONDS

Section 7. **Determination of Need and Amount of MBS Bonds.** The Agency is of the opinion and hereby determines that the issuance of one or more series of MBS Bonds, in an aggregate amount not to exceed the sum of the following amounts, is necessary to provide sufficient funds for the Program:

(a) the aggregate amount available for the retirement of Bonds and/or other qualified mortgage bonds and deemed replaced for federal tax law purposes with proceeds of such issuance,

(b) the aggregate amount of private activity bond allocations under federal tax law heretofore or hereafter made available to the Agency for such purpose, and

(c) if and to the extent interest on one or more of such series of Bonds is determined by the Executive Director to be intended not to be excludable from gross income for federal income tax purposes, $200,000,000.

Section 8. **Authorization and Timing of MBS Bonds.** The MBS Bonds are hereby authorized to be issued in such aggregate amount at such time or times on or before the day 30 days after the date on which is held the first meeting of the Board in the year 2012 at which a quorum is present, as the Executive Director of the Agency (the "Executive Director") deems appropriate, upon consultation with the Treasurer of the State of California (the "Treasurer") as to the timing of each such issuance; provided, however, that if the bonds are sold at a time on or before the day 30 days after the date on which is held such meeting, pursuant to a forward purchase or drawdown agreement providing for the issuance of such Bonds on or before August 1, 2013 upon specified terms and conditions, such Bonds may be issued on such later date.

Section 9. **Approval of Forms of Indentures Related to MBS Bonds.** The Executive Director and the Secretary of the Board of Directors of the Agency (the "Secretary") are hereby authorized and directed, for and on behalf and in the name of the Agency in connection with the issuance of MBS Bonds, to execute and acknowledge and to deliver to the Trustees one or more new indentures, trust agreements or similar documents providing for the issuance of MBS Bonds (the "New MBS Indentures"; together with the New Debt-Management Indentures, the "New Indentures"), in one or more forms similar to the RMR Indenture.

Each such New MBS Indenture may be executed, acknowledged and delivered with such changes therein as the officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof. Changes reflected in any New MBS Indenture may include provision for a supplemental pledge of Agency moneys or assets (including but not limited to a deposit from the Supplementary Bond Security Account created under Section 51368 of the Act) to additionally secure the MBS Bonds if appropriate in furtherance of the objectives of the Program.

Section 10. **Approval of Forms of Series and Supplemental Indentures Related to MBS Bonds.** The Executive Director and the Secretary are hereby authorized and directed, for and on behalf and in the name of the Agency, to execute and acknowledge and to deliver with respect to each series of MBS Bonds, if and to the extent appropriate, series and/or supplemental indentures (each an "MBS Supplemental Indenture"; together with the Debt-Management Supplemental Indenture, the "Supplemental Indenture") under either the RMR Indenture or a New MBS Indenture and in substantially the form of the respective supplemental indentures previously executed and delivered or approved, each with such changes therein as the officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof. Changes reflected in any MBS Supplemental Indenture may include provision for a supplemental pledge of Agency moneys or assets (including but not limited to, a deposit from the Supplementary Bond Security

Account created under Section 51368 of the Act) to additionally secure the Bonds if appropriate in furtherance of the objectives of the Program.

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

Section 11. **Approval of Forms and Terms of MBS Bonds.** The MBS Bonds shall be in such denominations, have such registration provisions, be executed in such manner, be payable in such medium of payment at such place or places within or without California, be subject to such terms of redemption (including from such sinking fund installments as may be provided for) and contain such terms and conditions as each MBS Supplemental Indenture as finally approved shall provide. The MBS Bonds shall have the maturity or maturities and shall bear interest at the fixed rate or rates deemed appropriate by the Executive Director in furtherance of the objectives of the Program; provided, however, that no MBS Bond shall have a term in excess of thirty-five (35) years or bear interest at a stated rate in excess of fifteen percent (15%) per annum.

ARTICLE III
PROVISIONS APPLICABLE TO ALL BONDS ISSUED UNDER THIS RESOLUTION

Section 12. **Authorization of Disclosure.** The Executive Director is hereby authorized to circulate one or more Preliminary Official Statements relating to the Bonds and, after the sale of the Bonds, to execute and circulate one or more Official Statements relating to the Bonds, and the circulation of such Preliminary Official Statements and such Official Statements to prospective and actual purchasers of the Bonds is hereby approved. The Executive Director is further authorized to hold information meetings concerning the Bonds and to distribute other information and material relating to the Bonds. Circulation of Preliminary Official Statements and Official Statements and distribution of information and material as provided above in this Section may be accomplished through electronic means or by any other means approved therefor by the Executive Director, such approval to be conclusively evidenced by such circulation or distribution.

Section 13. **Authorization of Sale of Bonds.** The Bonds are hereby authorized to be sold at negotiated or competitive sale or sales, including but not limited to private placements and public offerings. The Executive Director is hereby authorized and directed, for and in the name and on behalf of the Agency, to execute and deliver one or more purchase contracts (including one or more forward purchase agreements) relating to the Bonds, by and among the Agency, the Treasurer and such underwriters or other purchasers as the Executive Director may select (the “Purchasers”), in the form or forms approved by the Executive Director upon consultation with the Agency’s legal counsel, such approval to be evidenced conclusively by the execution and delivery of said purchase contract by the Executive Director.

The Treasurer is hereby authorized and requested, without further action of the Board and unless instructed otherwise by the Board, to sell each series of Bonds at the time and place and pursuant to the terms and conditions set forth in each such purchase contract as finally executed. The Treasurer is hereby further authorized and requested to deposit the proceeds of any good faith deposit to be received by the Treasurer under the terms of a purchase contract in a special trust account for the benefit of the Agency, and the amount of said deposit shall be retained by the Agency, applied at the time of delivery of the applicable Bonds as part of the purchase price thereof, or returned to the Purchasers, as provided in such purchase contract.

Section 14. **Authorization of Execution of Bonds.** The Executive Director is hereby authorized and directed to execute, and the Secretary is hereby authorized to attest, for and on behalf and in the name of the Agency and under its seal, the Bonds, in an aggregate amount not to exceed the amount authorized hereby, in accordance with the Prior Indenture(s), the Supplemental Indenture(s) or the New Indenture(s) and in one or more of the forms set forth in the Prior Indenture(s), the Supplemental Indenture(s) or the New Indenture(s), as appropriate.

Section 15. **Authorization of Delivery of Bonds.** The Bonds, when so executed, shall be delivered to the Trustees to be authenticated by, or caused to be authenticated by, the Trustees. The Trustees are hereby requested and directed to authenticate, or cause to be authenticated, the Bonds by executing the certificate of authentication and registration appearing thereon, and to deliver the Bonds when duly executed and authenticated to the Purchasers in accordance with written instructions executed on behalf of the Agency by the Executive Director, which instructions said officer is hereby authorized and directed, for and on behalf and in the name of the Agency, to execute and deliver. Such instructions shall provide for the delivery of the Bonds to the Purchasers upon payment of the purchase price or prices thereof.

Section 16. **Authorization of Program Documents.** The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, all documents they deem necessary or appropriate in connection with the Program, including, but not limited to, one or more mortgage purchase and servicing agreements (including mortgage-backed security pooling agreements) and one or more loan servicing agreements with such lender or lenders or such servicer or servicers as the Executive Director may select in accordance with the purposes of the Program, and any such selection of a lender or lenders or a servicer or servicers is to be deemed approved by this Board as if it had been made by this Board. The proceeds of MBS Bonds to be issued under the authority of this Resolution shall be used to purchase MBSs guaranteed by Fannie Mae, Freddie Mac, Ginnie Mae, or other appropriate guarantor and shall not be used to purchase whole loans. The MBSs to be purchased may be underlain by loans that have terms of 30 years or less.

The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more mortgage sale agreements with such purchasers as the Executive Director may select in accordance with the objectives of the Program, including but not limited to such agreements with Fannie Mae, Freddie Mac or other government-sponsored enterprise or similar entity for such sales in bulk or otherwise. Any such sale of Loans may be on either a current or a forward purchase basis.

The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, contracts to conduct foreclosures of mortgages owned or serviced by the Agency with such attorneys or foreclosure companies as the Executive Director may select in accordance with the objectives of the Program.

The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, contracts for the sale of foreclosed properties with such purchasers as the Executive Director may select in accordance with the objectives of the Program. Any such sale of foreclosed properties may be on either an all cash basis or may include financing by the Agency. The Executive Director and the other officers of the Agency are also authorized to enter into any other agreements, including but not limited to real estate brokerage agreements and construction contracts necessary or convenient for the rehabilitation, listing and sale of such foreclosed properties.

The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, (i) contracts or agreements for the purchase or sale of mortgage-backed securities; (ii) servicing agreements, including master servicing agreements, in connection with the operation of a program of mortgage-backed securities; (iii) agreements with government-sponsored enterprises, or other secondary market issuers or guarantors of mortgage-backed securities; and (iv) such other program documents as are necessary or appropriate for the operation of a program of mortgage-backed securities.

Section 17. **Authorization of Credit Facilities.** The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more short-term or long-term credit facilities, including but not limited to repurchase agreements, for the purposes of (i) financing the purchase of Loans and/or mortgage-backed securities on an interim basis, prior to the financing thereof with Bonds, whether issued or to be issued; (ii) financing expenditures of the Agency incident to, and necessary or convenient to, the issuance of Bonds, including, but not limited to, Agency expenditures to pay costs of issuance, capitalized interest, redemption price of prior bonds of the Agency, costs relating to credit enhancement or liquidity support, costs relating to investment products, or net payments and expenses relating to interest rate hedges and other financial products; and (iii) enabling the Agency to restructure existing debt and related purposes, including, but not limited to, the redemption of existing bonds and the acquisition of bonds that have been put to liquidity providers as bank bonds. Any such credit facility may be from any appropriate source, including, but not limited to, the Pooled Money Investment Account pursuant to Government Code Section 16312; provided, however, that the aggregate outstanding principal amount of credit facilities authorized under this resolution or Resolution No. 11-02 (the multifamily financing resolution adopted at the same meeting) or Resolution No. 06-06 (the Bay Area Housing Plan resolution), as amended from time to time, may not at any time exceed $400,000,000 (separate and apart from the amount of Bonds authorized by Sections 1 and 7 of this resolution).

The Executive Director and the other officers of the Agency are hereby authorized to use available Agency moneys (other than and in addition to the proceeds of bonds) (i) to make or purchase Loans and/or mortgage-backed securities to be financed by bonds (including bonds authorized by prior resolutions of this Board) in anticipation of draws on a credit facility, the issuance of Bonds or the availability of Bond proceeds for such purposes and (ii) to purchase Agency bonds to enable the Agency to restructure its debt and for related purposes as authorized under Resolution No. 08-42 and any future Board resolutions thereto amendatory or supplemental.

Section 18. **Ratification of Prior Actions; Not a Repeal of Prior Resolutions.** All actions previously taken by the Agency relating to the implementation of the Program, the issuance of the Bonds, the issuance of any prior bonds (the "Prior Bonds"), the execution and delivery of related financial agreements and related program agreements and the implementation of any credit facilities as described above, including, but not limited to, such actions as the distribution of the Agency's Lender Program Manual, Mortgage Purchase and Servicing Agreement, Servicing Agreement, Developer Agreement, Servicer's Guide, Program Bulletins and applications to originate and service loans, and the sale of any foreclosed property, are hereby ratified.

This resolution is not intended to repeal in whole or in part any prior resolution of the Agency with respect to the authority granted to the Executive Director and the other officers of the Agency in relation to Prior Bonds and related agreements, including but not limited to (i) the authority to determine in furtherance of the objectives of the Program those matters required to be determined in relation to Prior Bonds, whether under indentures or other related agreements, and (ii) the authority to amend, modify or replace financial agreements of the types described in Section 6 of this resolution.

Section 19. **Authorization of Related Actions and Agreements.** The Treasurer, the Executive Director and the officers of the Agency, or the duly authorized deputies thereof, are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all agreements and documents which they deem necessary or advisable in order to consummate the issuance, sale, delivery, remarketing, conversion and administration of Bonds and Prior Bonds and otherwise to effectuate the purposes of this resolution, including declaring the official intent of the Agency for purposes of U.S. Treasury Regulations Section 1.150-2, and including executing and delivering any amendment or supplement to any agreement or document relating to Bonds or Prior Bonds in any manner that would be authorized under this resolution if such agreement or document related to Bonds is authorized by this resolution. Such agreements may include, but are not limited to, remarketing agreements, tender agreements or similar agreements regarding any put option for the Bonds or Prior Bonds, broker-dealer agreements, market agent agreements, auction agent agreements or other agreements necessary or desirable in connection with the issuance of Bonds in, or the conversion of Bonds or Prior Bonds to, an indexed rate mode, agreements for the investment of moneys relating to the Bonds or Prior Bonds, reimbursement agreements, letters of credit, intercreditor agreements or other arrangements relating to any credit enhancement or liquidity support or put option provided for the Bonds or Prior Bonds, continuing disclosure agreements and agreements for necessary services provided in the course of the issuance of the bonds, including but not limited to, agreements with bond underwriters and placement agents, private placement purchasers, bond trustees, bond counsel and financial advisors and contracts for consulting services or information services relating to the financial management of the Agency, including advisors or consultants on interest rate swaps, cash flow management, and similar matters, and contracts for financial printing and similar services.

This resolution shall constitute full, separate, complete and additional authority for the execution and delivery of all agreements and instruments described in this resolution, without regard to any limitation in the Agency's regulations and without regard to any other resolution of the Board that does not expressly amend and limit this resolution.

The Executive Director and the officers of the Agency, or the duly authorized deputies thereof, are hereby authorized and directed, jointly and severally, in connection with the issuance of bonds authorized under this resolution, to use funds of the Agency to purchase MBSs, make a capital contribution with respect to such bonds, establish reserves to secure such bonds, and pay other costs of the Agency incident to, and necessary or convenient to, the issuance of such bonds.

Section 20. **Additional Delegation.** All actions by the Executive Director approved or authorized by this resolution may be taken by the Chief Deputy Director of the Agency, the Director of Financing of the Agency, the Financing Risk Manager of the Agency or any other person specifically authorized in writing by the Executive Director, and except to the extent otherwise taken by another person shall be taken by the Chief Deputy Director during any period in which the office of the Executive Director is vacant.

SECRETARY'S CERTIFICATE

I, Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of Resolution No. 11-01 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 20th day of January, 2011, of which meeting all said directors had due notice; and that at said meeting said Resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this 20th day of January, 2011.

[SEAL]

Thomas C. Hughes
Secretary of the Board of Directors of the
California Housing Finance Agency

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SECRETARY'S CERTIFICATE

I, Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of Resolution No. 11-01 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 20th day of January, 2011, of which meeting all said directors had due notice; and that at said meeting said Resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

I further certify that I have carefully compared the foregoing copy with the original minutes of said meeting on file and of record in my office; that said copy is a full, true, and correct copy of the original Resolution adopted at said meeting and entered in said minutes; and that said Resolution has not been amended, modified or rescinded in any manner since the date of its adoption, and the same is now in full force and effect.

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this ___ day of ________________, ____.

[SEAL]

____
Thomas C. Hughes
Secretary of the Board of Directors of the
California Housing Finance Agency

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State of California

M E M O R A N D U M

To: Board of Directors **Date:** January 12, 2011

Bruce D. Gilbertson, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: ANNUAL MULTIFAMILY BOND FINANCING AUTHORIZATION RESOLUTION 11-02

In previous years staff has requested authorization from the Board of Directors for broad authority to finance the Agency's loan programs. Annual reauthorizations by the board to structure bond financings in appropriate amounts using approved forms of bond indentures provided tremendous flexibility and enabled staff to schedule and size bond transactions to meet the loan funding demand throughout the year without regard to the timing of individual Board meetings. Prior annual authorizations included authority to issue a full range of bond structures, including fixed rate and variable rate bonds, using many security types and related financial agreements to hedge risks or provide for third-party liquidity support or credit enhancement.

The Board has received numerous briefings and updates from staff over the last three years explaining the challenges faced by the Agency as a result of the financial markets collapse and impact on the municipal bond market and real estate markets. In each of these briefings staff has recommended financially conservative approaches of raising capital in order to fund new lending initiatives. The objective has always been to survive the crisis by avoiding additional real estate risk and taking advantage of every market opportunity to reduce financial risks related to existing variable rate bonds.

This year the multifamily bond financing resolution has been redesigned and the requested authorization has been scaled back to better reflect the authority necessary to finance the business plan and manage outstanding multifamily debt obligations. Resolution 11-02 is comprised of three articles providing appropriate levels of authorization for each of the following: issuance of refunding bonds for debt management purposes, issuance of new money bonds for new lending under the multifamily program, and provisions applicable to all bonds issued under the resolution.

The following paragraphs summarize the authorization contained in each of the three articles.

ARTICLE I - AUTHORIZATION AND TERMS OF REFUNDING BONDS

Article I authorizes the sale and issuance of refunding bonds in an amount equal to the amount of bonds being redeemed or maturing in connection with such issuance. This authority provides staff with tools to manage multifamily bonds previously issued and outstanding. The intent is to allow the Agency flexibility to manage its existing bonds by refunding floating rate bonds (ARS and VRDOs) with fixed rate bonds, to convert ARS to VRDOs or index bonds and to refund fixed rate bonds with fixed rate refunding bonds. This authorization specifically prohibits issuing floating rate bonds to refund fixed rate bonds.

Such refunding bonds are authorized to be issued until thirty days after the first board meeting in 2012 and are authorized to be issued under forms of indentures that currently have bonds outstanding or indentures that require the loans or bonds to be insured or guaranteed by the FHA, Fannie Mae or Freddie Mac. Under Article I, the Executive Director shall determine with each issuance of refunding bonds, that the Agency and its General Fund are not expected to bear greater financial risk than prior to the issuance of the refunding bonds. This resolution authorizes staff to amend, modify or replace existing financial agreements originally entered into to hedge interest rate risks, to provide liquidity support or to provide credit enhancement.

In any event, the resolution prohibits an increase in either the aggregate notional amount of interest rate swaps, the absolute amount of liquidity support (in the form of standby bond purchase agreements) or credit enhancement (from bond insurance, TCLP and letters of credit).

ARTICLE II – AUTHORIZATION AND TERMS OF NEW MONEY BONDS

Article II authorizes multifamily bonds to be issued in the aggregate amount not to exceed the sum of the following amounts to provide sufficient funds to finance new multifamily lending:

(1) The amount of private activity bond volume cap made available for the multifamily program by the California Debt Limit Allocation Committee (CDLAC); and

(3) Up to $150 million for the combined amount of 501(c)(3) bonds, "governmental purpose" bonds, and federally-taxable multifamily bonds.

Bonds are authorized to be issued under any of the previously-approved forms of indenture that require the loans to be insured under a mortgage insurance policy by the FHA, covered under a risk share arrangement with the FHA or Fannie Mae, or guaranteed by Fannie Mae or Freddie Mac.

All bonds authorized to be issued would bear interest at fixed or convertible rates and no bonds shall have terms in excess of fifty years.

To allow for necessary overlap of authority for bond issues scheduled during the time that reauthorization is being considered; authorization to issue bonds for new lending under the resolution does not expire until 30 days after the first Board meeting in the year 2012 at which there is a quorum.

In addition, Article II provides authority for the issuance of multifamily conduit bonds on behalf of affordable rental housing development sponsors. These limited obligation conduit bonds are required to be structured so that the Agency will not be required to contribute or pledge any funds or assets other than revenues derived from or related to the conduit loans and the issuance of the conduit bonds would not create a material financial risk to the Agency or to the Agency's General Fund.

ARTICLE III – PROVISIONS APPLICABLE TO ALL BONDS ISSUED UNDER THIS RESOLUTION

Article III authorizes staff to circulate preliminary official statements and official statements relating to refunding bonds and new money bonds as necessary to prospective and actual bond investors. Bonds are authorized to be sold at negotiated or competitive sale as public offerings or as private placements depending on market conditions at the time of sale.

The resolution also authorizes the Agency to enter into documents and agreements in connection with the Agency's multifamily lending programs including regulatory agreements, loan origination and servicing agreements, developer agreements, financing agreements and mortgage sale agreements. The resolution further authorizes the Agency to conduct foreclosures of mortgages owned or serviced by the Agency and to enter into contracts for the sale of foreclosed properties.

The resolution also authorizes the Agency to take further action related to prior bonds and related financial agreements that were authorized by prior resolutions of the Board. The Executive Director and other officers of the Agency are specifically authorized to amend, modify and replace those financial agreements deemed necessary in furtherance of the objectives of the multifamily lending program.

The resolution also authorizes staff to enter into financial agreements that are related to the issuance of bonds, as necessary, including:

- contracts for investment of bond proceeds,
- warehousing of mortgages pending the availability of bond proceeds,
- forward delivery of bonds through August 1, 2013.

Consulting services or information services related to the financial management of the Agency, including advisors or consultants on interest rate swaps, cash flow management, contracts for financial printing and other financial services are also authorized by Article III. This resolution also authorizes the payment of costs of issuance associated with the sale of all bonds including refunding bonds and new money bonds and authorizes capital contributions from the Agency as necessary to issue such bonds.

In addition, the resolution reauthorizes short-term credit facilities in an aggregate amount not to exceed $400 million for operating capital and for the Homeownership Programs, Multifamily Programs and loans previously financed for the Bay Area Housing Plan. Finally, this authorization allows the Agency to continue to utilize our warehouse line from the State's Pooled Money Investment Board, the Bank of America credit line and other such facilities that may become available to the Agency.

Attachments

RESOLUTION NO. 11-02

RESOLUTION OF THE CALIFORNIA HOUSING FINANCE AGENCY AUTHORIZING THE AGENCY'S MULTIFAMILY BOND INDENTURES, THE ISSUANCE OF MULTIFAMILY BONDS, CREDIT FACILITIES FOR MULTIFAMILY PURPOSES, AND RELATED FINANCIAL AGREEMENTS AND CONTRACTS FOR SERVICES

WHEREAS, the California Housing Finance Agency (the "Agency") has determined that there exists a need in California for the financing of mortgage loans for the acquisition, construction, rehabilitation, refinancing or development of multi-unit rental housing developments for the purpose of providing housing for persons and families of low or moderate income (the "Developments");

WHEREAS, the Agency has determined that it is in the public interest for the Agency to assist in providing such financing by means of an ongoing program (the "Program") to make or acquire, or to make loans to lenders to make or acquire, mortgage loans, for the purpose of financing such Developments (the "Loans");

WHEREAS, pursuant to Parts 1 through 4 of Division 31 of the Health and Safety Code of the State of California (the "Act"), the Agency has the authority to issue bonds to provide sufficient funds to finance the Program, including the making of Loans, the payment of capitalized interest on the bonds, the establishment of reserves to secure the bonds, and the payment of other costs of the Agency incident to, and necessary or convenient to, the issuance of the bonds; and

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

NOW, THEREFORE, BE IT RESOLVED, by the California Housing Finance Agency as follows:

ARTICLE I
AUTHORIZATION AND TERMS OF REFUNDING BONDS

Section 1. **Determination of Need and Amount of Refunding Bonds.** The Agency is of the opinion and hereby determines that the offer, sale and issuance of one or more series of multifamily housing revenue bonds ("Refunding Bonds") in an aggregate amount not to exceed the aggregate amount of prior multifamily bonds of the Agency to be redeemed or maturing in connection with such issuance (the related "Refunded Bonds") is necessary to provide sufficient funds for the management of the Agency's existing debt related to the Program.

Section 2. **Authorization and Timing of Refunding Bonds.** The Bonds described in Section 1 ("Refunding Bonds") are hereby authorized to be issued for the purpose of financing, refinancing or carrying existing Loans. Refunding Bonds may be issued at such time or times on or before the day 30 days after the date on which is held the first meeting in the year 2012 of the Board of Directors of the Agency at which a quorum is present, as the Executive Director deems appropriate, upon consultation with the Treasurer of the State of California (the "Treasurer") as to the timing of each such issuance; *provided, however,* that if the Refunding Bonds are sold at a time on or before the day 30 days after the date on which is held such meeting, pursuant to a forward purchase agreement providing for the issuance of such Refunding Bonds on a later date on or before August 1, 2013, upon specified terms and conditions, such Refunding Bonds may be issued on such later date.

Section 3. **Approval of Indentures, Supplemental Indentures and Certain Other Financing Documents Related to Refunding Bonds.** (a) The Executive Director and the Secretary of the Board of Directors of the Agency (the "Secretary") are hereby authorized and directed, for and on behalf and in the name of the Agency in connection with the issuance of Refunding Bonds, to execute and acknowledge and to deliver to a duly qualified bank or trust company selected by the Executive Director to act, with the approval of the Treasurer, as trustee, fiscal agent or paying agent of the Agency (the "Trustee"), one or more new indentures, trust agreements or similar documents providing for the issuance of bonds (the "New Indentures"), in one or more forms similar to one or more of the following (collectively, the "Prior Indentures"):

(1) the Multifamily Housing Revenue Bond II Indenture, dated as of October 1, 1995;

(2) the Multifamily Housing Revenue Bond III Indenture, dated as of March 1, 1997;

(3) the Multifamily Loan Purchase Bond Indenture, dated as of July 1, 2000;

(4) the form of Fannie Mae stand-alone Indenture approved by Resolution No. 09-02;

(5) the form of Freddie Mac stand-alone Indenture approved by Resolution No. 09-02;

(6) the form of Master Pledge and Assignment approved by Resolution No. 09-02;

(7) the form of FHA/GNMA stand-alone Indenture approved by Resolution No 10-08;

(7) the Affordable Multifamily Housing Revenue Bonds Indenture, dated as of December 1, 2009.

Each such New Indenture may be executed, acknowledged and delivered with such changes therein as the officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof.

(b) For each series of Refunding Bonds, the Executive Director and the Secretary are hereby authorized and directed, for and on behalf and in the name of the Agency, if appropriate, to execute and acknowledge and to deliver with respect to each series of Refunding Bonds, a supplemental indenture (a "Supplemental Indenture") under a Prior Indenture or a New Indenture and in substantially the form of any supplemental indenture or series indenture executed or approved in connection with any of the Prior Indentures, in each case with such changes therein as the officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof.

The Executive Director is hereby expressly authorized and directed, for and on behalf and in the name of the Agency, to determine in furtherance of the objectives of the Program those matters required to be determined under the applicable Prior Indenture or New Indenture in connection with the issuance of each such series of Refunding Bonds.

(c) For each series of Refunding Bonds, the Executive Director is hereby authorized and directed to execute, and the Secretary is hereby authorized to attest, for and in the name and on behalf of the Agency and under its seal, if and to the extent appropriate, a reimbursement agreement, letter of credit agreement, standby bond purchase agreement, or other arrangement with respect to credit enhancement or liquidity support, and any intercreditor agreement related thereto, in substantially the forms of the reimbursement agreements, letter of credit agreements, standby bond purchase agreements, other such arrangements and intercreditor agreements contemplated under the Prior Indentures or New Indentures or used in connection with the Refunded Bonds.

(d) Any New Indenture, Supplemental Indenture, reimbursement agreement, letter of credit agreement, standby bond purchase agreement, other such arrangement or intercreditor agreement executed in connection with the issuance of Refunding Bonds may include such modifications as the Executive Director may deem necessary or desirable in furtherance of the objectives of the Program, including, but not limited to, one or more of the following provisions:

(1) for the Agency's general obligation to pay any debt secured thereby, or

(2) for risk sharing provisions dividing between the Agency and any credit provider, mortgage lender, commercial bank or other financial institution and/or FHA, in such manner as the Executive Director may deem necessary or desirable in furtherance of the objectives of the Program, the credit and financing risks relating to Refunding Bonds and the Developments financed by such Refunding Bonds;

provided, however, that in each such case the Executive Director shall have determined that the inclusion of such provisions with respect to the Refunding Bonds is not expected to result in greater financial risk to the Agency or its General Fund than existed with respect to the related Refunded Bonds.

Section 4. **Approval of Forms and Terms of Refunding Bonds.** Refunding Bonds shall be in such denominations, have such registration provisions, be executed in such manner, be payable in such medium of payment at such place or places within or without California, be subject to such terms of redemption (including from such sinking fund installments as may be provided for) and contain such terms and conditions as each Indenture as finally approved shall provide. Refunding Bonds shall have the maturity or maturities and shall bear interest at the fixed, adjustable or variable rate or rates deemed appropriate by the Executive Director in furtherance of the objectives of the Program; *provided, however,* that no Refunding Bond shall have bear interest at a stated rate in excess of fifteen percent (15%) per annum or have a final maturity later than forty-five years from the earlier of the date of issuance of the Refunded Bonds or, if the Refunded Bonds were refunding bonds, the original bonds in the series of refunding.

Refunding Bonds and the related Supplemental Indenture(s) may contain such provisions as may be necessary to accommodate an option to put such Refunding Bonds prior to maturity for purchase by or on behalf of the Agency or a person other than the Agency, to accommodate the requirements of any provider of bond insurance or other credit enhancement or liquidity support or to accommodate the requirements of purchasers of indexed floaters; *provided, however,* that variable rate Refunding Bonds may not be issued to refund fixed rate bonds.

Section 5. **Authorization of Other Financial Agreements Related to Refunding Bonds.** The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, any and all agreements and documents designed to amend, modify or replace existing agreements and documents that related to Refunded Bonds in order to (i) reduce or hedge the amount or duration of any payment, interest rate, spread or similar risk with respect to Refunding Bonds or related investments, (ii) result in a lower cost of borrowing when used in combination with the issuance or carrying of Refunding Bonds or related investments, or (iii) enhance the relationship between risk and return with respect to the existing debt of the Program or any portion thereof; *provided, however,* that the aggregate notional amount of such agreements related to the Program may not be increased. Such agreements and other documents are authorized to be entered into with parties selected by the Executive Director, after giving due consideration for the creditworthiness of the counterparties, where applicable, or any other criteria in furtherance of the objectives of the management of the debt of the Program.

ARTICLE II
AUTHORIZATION AND TERMS OF NEW MONEY BONDS

Section 6. **Determination of Need and Amount of New Money Bonds.** The Agency is of the opinion and hereby determines that the offer, sale and issuance of one or more series of multifamily housing revenue bonds ("New Money Bonds") in an aggregate amount not to exceed the sum of the following amounts is necessary to provide sufficient funds for new lending under the Program:

(a) the aggregate amount of private activity bond allocations under federal tax law heretofore or hereafter made available to the Agency for such purpose; and

(b) if and to the extent the Bonds are “qualified 501(c)(3) bonds” under federal tax law, are not “private activity bonds” under federal tax law, or are determined by the Executive Director of the Agency (the "Executive Director") to be intended not to be tax-exempt for federal income tax purposes, $150,000,000.

Section 7. **Authorization and Timing.** The Bonds described in Section 6 ("New Money Bonds") are hereby authorized to be issued for the purpose of financing or carrying new Loans for the acquisition, construction, rehabilitation, refinancing or development of Developments. New Money Bonds may be issued at such time or times on or before the day 30 days after the date on which is held the first meeting in the year 2012 of the Board of Directors of the Agency at which a quorum is present, as the Executive Director deems appropriate, upon consultation with the Treasurer of the State of California (the "Treasurer") as to the timing of each such issuance; *provided, however,* that if the New Money Bonds are sold at a time on or before the day 30 days after the date on which is held such meeting, pursuant to a forward purchase agreement providing for the issuance of such New Money Bonds on a later date on or before August 1, 2013, upon specified terms and conditions, such New Money Bonds may be issued on such later date.

Section 8. **Approval of Indentures, Supplemental Indentures and Certain Other Financing Documents.** (a) The Executive Director and the Secretary of the Board of Directors of the Agency (the "Secretary") are hereby authorized and directed, for and on behalf and in the name of the Agency in connection with the issuance of New Money Bonds, to execute and acknowledge and to deliver to a duly qualified bank or trust company selected by the Executive Director to act, with the approval of the Treasurer, as trustee, fiscal agent or paying agent of the Agency (the "Trustee"), one or more new indentures, trust agreements or similar documents providing for the issuance of bonds (the "New Indentures"), in one or more forms similar to one or more of the following (collectively, the "Prior Indentures"):

(1) the form of Fannie Mae stand-alone Indenture approved by Resolution No. 09-02;

(2) the form of Freddie Mac stand-alone Indenture approved by Resolution No. 09-02;

(3) the form of Master Pledge and Assignment approved by Resolution No. 09-02;

(4) the form of FHA/GNMA stand-alone Indenture approved by Resolution No 10-08; or

(5) the Affordable Multifamily Housing Revenue Bonds Indenture, dated as of December 1, 2009.

Each such New Indenture may be executed, acknowledged and delivered with such changes therein as the officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof.

(b) For each series of New Money Bonds, the Executive Director and the Secretary are hereby authorized and directed, for and on behalf and in the name of the Agency, if appropriate, to execute and acknowledge and to deliver with respect to each series of New Money Bonds, a supplemental indenture (a "Supplemental Indenture") under a Prior Indenture or a New Indenture and in substantially the form of any supplemental indenture or series indenture executed or approved in connection with any of the Prior Indentures, in each case with such changes therein as the officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof.

The Executive Director is hereby expressly authorized and directed, for and on behalf and in the name of the Agency, to determine in furtherance of the objectives of the Program those matters required to be determined under the applicable Prior Indenture or New Indenture in connection with the issuance of each such series of New Money Bonds.

Section 9. **Approval of Forms and Terms of New Money Bonds.** New Money Bonds shall be in such denominations, have such registration provisions, be executed in such manner, be payable in such medium of payment at such place or places within or without California, be subject to such terms of redemption (including from such sinking fund installments as may be provided for) and contain such terms and conditions as each Indenture as finally approved shall provide. New Money Bonds shall have the maturity or maturities and shall bear interest at fixed or convertible rates deemed appropriate by the Executive Director in furtherance of the objectives of the Program; *provided*, *however*, that no New Money Bond shall have a term in excess of fifty years or bear interest at a stated rate in excess of fifteen percent (15%) per annum.

New Money Bonds and the related Supplemental Indenture(s) may contain such provisions as may be necessary to accommodate an option to put such New Money Bonds prior to maturity for purchase by or on behalf of the Agency or a person other than the Agency, to accommodate the requirements of any provider of bond insurance or other credit enhancement.

Section 10. **Conduit Issuances.** In addition to the authority provided by the other provisions of Article II, the following provisions shall apply to any limited obligation New Money Bonds ("Conduit Bonds") issued on behalf of Development sponsors for which, by the terms of the documents providing for the issuance of such New Money Bonds, (a) the Agency is not liable for payment of the principal of, premium or interest on such New Money Bonds, except from revenues received from loans made with the proceeds of such New Money Bonds ("Conduit Loans"), (b) the Agency has not contributed or pledged any funds or assets to such New Money Bonds other than revenues derived from or related to such Conduit Loans, and (c) there is otherwise no obligation of or material financial risk to the General Fund of the Agency under the terms of such Conduit Bonds:

(1) Conduit Bonds may be issued as drawdown bonds for which the bond purchaser purchases Bonds in installments as funds are needed by the Development sponsor, and, if the initial draw is funded pursuant to authority granted under this Article II prior to the first meeting in the year 2012 of the Board of Directors of the Agency at which a quorum is present, additional draws necessary to complete the Development may be issued at any time, whether before or after August 1, 2013;

(2) Conduit Bonds may be issued with variable rates of interest; and

(3) Conduit Bonds may otherwise have such commercially reasonable terms as may be approved by the Executive Director, such approval to be evidenced by the execution and delivery of the documents relating to such Conduit Bonds in accordance with this Resolution.

(4) For each series of Conduit Bonds, the Executive Director is hereby authorized and directed to execute, and the Secretary is hereby authorized to attest, for and in the name and on behalf of the Agency and under its seal, if and to the extent appropriate, any and all necessary documents, including but not limited to reimbursement agreements, letter of credit agreements or other arrangements with respect to liquidity or credit enhancement, and any intercreditor or subordination agreements related thereto.

ARTICLE III
PROVISIONS APPLICABLE TO ALL BONDS ISSUED UNDER THIS RESOLUTION

Section 11. **Authorization of Disclosure.** The Executive Director is hereby authorized to circulate one or more preliminary official statements relating to Refunding Bonds and/or New Money Bonds (collectively, "Bonds") and to execute and circulate one or more official statements relating to Bonds, and the circulation of such preliminary official statement and such official statement to prospective and actual purchasers of Bonds is hereby approved. The Executive Director is further authorized to hold information meetings concerning Bonds and to distribute other information and material relating to Bonds, including by posting of such information on one or more websites maintained by or at the direction of the Agency.

Section 12. **Authorization of Sale of Bonds.** Bonds are hereby authorized to be sold at negotiated or competitive sale or sales, including but not limited to private placements and public offerings. The Executive Director is hereby authorized and directed, for and in the name and on behalf of the Agency, to execute and deliver one or more agreements, by and among the Agency, the Treasurer, if applicable, and such purchasers or underwriters as the Executive Director may select (the “Purchasers”), relating to the sale of the Bonds, in such form as the Executive Director may approve upon consultation with the Agency’s legal counsel, such approval to be evidenced conclusively by the execution and delivery of said agreements by the Executive Director.

The Treasurer is hereby authorized and requested, without further action of this Board and unless instructed otherwise by this Board, to sell the Bonds pursuant to the terms and conditions set forth in each such agreement as finally executed on behalf of the Agency. The Treasurer is hereby further authorized and requested to deposit the proceeds of any good faith deposit to be received by the Treasurer under the terms of such agreement in a special trust account for the benefit of the Agency, and the amount of such deposit shall be retained by the Agency, applied at the time of delivery of the applicable Bonds as part of the purchase price thereof, or returned to the Purchasers, as provided in such agreement.

Section 13. **Authorization of Execution of Bonds.** The Executive Director is hereby authorized and directed to execute, and the Secretary of this Board is hereby authorized and directed to attest, for and on behalf and in the name of the Agency and under its seal, the

Bonds, in an aggregate amount not to exceed the amount authorized hereby, in accordance with each New Indenture or Supplemental Indenture in one or more of the forms set forth in such New Indenture or Supplemental Indenture.

Section 14. **Authorization of Delivery of Bonds.** The Bonds when so executed shall be delivered to the Trustee to be authenticated by or caused to be authenticated by the Trustee. The Trustee is hereby requested and directed to authenticate, or cause to be authenticated, the Bonds by the execution of the certificate of authentication and registration appearing thereon, and to deliver or cause to be delivered the Bonds when duly executed and authenticated to the Purchasers in accordance with written instructions executed on behalf of the Agency by the Executive Director, which instructions said officer is hereby authorized and directed, for and on behalf and in the name of the Agency, to execute and deliver to the Trustee.

Section 15. **Authorization of Program Documents.** The Executive Director and the other officers of the Agency are hereby authorized and directed to execute all documents they deem necessary or appropriate in connection with the Program, including, but not limited to, regulatory agreements, loan agreements, origination and servicing agreements (or other loan-to-lender documents), servicing agreements, developer agreements, financing agreements, investment agreements, intercreditor agreements, agreements to enter into escrow and forward purchase agreements, escrow and forward purchase agreements, refunding agreements and continuing disclosure agreements, in each case with such other parties as the Executive Director may select in furtherance of the objectives of the Program.

The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more mortgage sale agreements with such purchasers as the Executive Director may select in accordance with the objectives of the Program. Any such sale of Loans may be on either a current or a forward purchase basis.

The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, contracts to conduct foreclosures of mortgages owned or serviced by the Agency with such attorneys or foreclosure companies as the Executive Director may select in accordance with the objectives of the Program.

The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, contracts for the sale of foreclosed properties with such purchasers as the Executive Director may select in accordance with the objectives of the Program. Any such sale of foreclosed properties may be on an all cash basis or may include financing by the Agency. The Executive Director and the other officers of the Agency are also authorized to enter into any other agreements, including but not limited to real estate brokerage agreements and construction contracts, necessary or convenient for the rehabilitation, listing and sale of such foreclosed properties.

Section 16. **Authorization of Credit Facilities.** In addition, the Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more short-term or long-term credit facilities, including but not limited to repurchase agreements, for the purposes of (i) financing the purchase of Loans on an interim basis, prior to the financing of such Loans with Bonds, whether issued or to be issued; (ii) financing expenditures of the Agency incident to, and necessary or convenient to, the issuance of Bonds, including, but not limited to, Agency expenditures to pay costs of issuance, capitalized interest, redemption price of prior bonds of the Agency, costs relating to credit enhancement or liquidity support, costs relating to investment products, or net payments and expenses relating to interest rate hedges and other financial products; and (iii) enabling the Agency to restructure existing debt and related purposes, including, but not limited to, the redemption of existing bonds and the acquisition of bonds that have been put to liquidity providers as bank bonds. Any credit facility entered into pursuant to this Section 15 may be from any appropriate source, including, but not limited to, the Pooled Money Investment Account pursuant to Government Code Section 16312; *provided, however*, that the aggregate outstanding principal amount of credit facilities authorized under this Section 15 or the comparable sections of Resolution No. 11-01 (the single family financing resolution adopted at the same meeting) and Resolution No. 06-06, as amended (the Bay Area Housing Plan resolution) may not at any time exceed $400,000,000 (separate and apart from the amount of bonds authorized by Sections 1 and 6 of this resolution and such other resolutions).

The Executive Director and the other officers of the Agency are hereby authorized to use available Agency moneys (other than and in addition to the proceeds of bonds) (i) to make or purchase loans to be financed by bonds (including bonds authorized by prior resolutions of this Board) in anticipation of draws on a credit facility, the issuance of Bonds or the availability of Bond proceeds for such purposes and (ii) (ii) to purchase Agency bonds to enable the Agency to restructure its debt and for related purposes as authorized under Resolution No. 08-42 and any future Board resolutions thereto amendatory or supplemental.

The Executive Director and the other officers of the Agency are hereby authorized to use available Agency moneys to purchase Agency bonds to enable the Agency to restructure its debt and for related purposes. Any Agency bonds so purchased shall remain outstanding for all purposes except to the extent that the Executive Director or the other officers of the Agency expressly provide for the retirement or redemption, and cancellation, of such bonds. Any Agency bonds so purchased may be purchased and resold, in each case on such terms as may be determined by the Executive Director and the other officers of the Agency in the best interests of the Agency. The Agency may establish any account or accounts as may be necessary or desirable in connection with the purchase of such bonds.

Section 17. **Ratification of Prior Actions; Not a Repeal of Prior Resolutions.** (a) All actions previously taken by the officers of the Agency in connection with the implementation of the Program, the issuance of the Bonds, the issuance of any prior bonds (the "Prior Bonds"), the execution and delivery of related financial agreements and related program agreements and the implementation of any credit facilities as described above are hereby approved and ratified.

(b) This resolution is not intended to repeal in whole or in part any prior resolution of the Agency with respect to the authority granted to the Executive Director and the other officers of the Agency in relation to Prior Bonds and related agreements, including but not limited to (i) the authority to determine in furtherance of the objectives of the Program those matters required to be determined in relation to Prior Bonds, whether under indentures or other related agreements, and (ii) the authority to amend, modify or replace financial agreements of the types described in Section 5 of this resolution.

Section 18. **Authorization of Related Actions and Agreements.** The Treasurer, the Executive Director and the officers of the Agency, or the duly authorized deputies thereof, are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all agreements and documents which they deem necessary or advisable in order to consummate the issuance, sale, delivery, remarketing, conversion and administration of Bonds and Prior Bonds and otherwise to effectuate the purposes of this resolution, including declaring the official intent of the Agency for purposes of U.S. Treasury Regulations Section 1.150-2, and including executing and delivering any amendment or supplement to any agreement or document relating to Bonds or Prior Bonds in any manner that would be authorized under this resolution if such agreement or document related to Bonds authorized by this resolution. Subject in all cases to the express limitations set forth above in this resolution, such agreements may include, but are not limited to, remarketing agreements, tender agreements or similar agreements regarding any put option for Bonds or Prior Bonds, broker-dealer agreements, market agent agreements, auction agent agreements or other agreements necessary or desirable in connection with the issuance of Bonds in, or the conversion of Bonds or Prior Bonds to, an auction rate mode or an indexed rate mode, agreements for the investment of moneys relating to the Bonds or Prior Bonds, reimbursement agreements, letter of credit agreements, intercreditor agreements or other arrangements relating to any credit enhancement or liquidity support or put option provided for the Bonds or the Prior Bonds, continuing disclosure agreements and agreements for necessary services provided in the course of the issuance of the bonds, including but not limited to, agreements with bond underwriters, remarketing agents, placement agents, private placement purchasers, bond trustees, bond counsel and financial advisors and contracts for consulting services or information services relating to the financial management of the Agency, including advisors or consultants on interest rate swaps, cash flow management, and similar matters, and contracts for financial printing and similar services. The Executive Director and the officers of the Agency, or the duly authorized deputies thereof, are hereby authorized and directed, jointly and severally, to provide as necessary for payment of costs of issuance related to Bonds and to provide for the Agency to contribute capital as necessary to facilitate the issuance of Bonds.

This resolution shall constitute full, separate, complete and additional authority for the execution and delivery of all agreements and instruments described in this resolution, without regard to any limitation in the Agency's regulations and without regard to any other resolution of the Board that does not expressly amend and limit this resolution.

Section 19. **Additional Delegation.** All actions by the Executive Director approved or authorized by this resolution may be taken by the Chief Deputy Director of the Agency, the Director of Financing of the Agency, the Financing Risk Manager of the Agency, the Director of Multifamily Programs of the Agency (but only with respect to Conduit Bonds issued in accordance with Section 10 hereof), or any other person specifically authorized in writing by the Executive Director, and except to the extent otherwise taken by another person shall be taken by the Chief Deputy Director during any period in which the office of the Executive Director is vacant.

SECRETARY'S CERTIFICATE

I, Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of Resolution No. 11-02 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 20th day of January, 2011, of which meeting all said directors had due notice; and that at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this 20th day of January, 2011.

[SEAL]

Thomas C. Hughes
Secretary of the Board of Directors of the
California Housing Finance Agency

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SECRETARY'S CERTIFICATE

I, Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of the Resolution No. 11-__ duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 20th day of January, 2011, of which meeting all said directors had due notice; and that at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

I further certify that I have carefully compared the foregoing copy with the original minutes of said meeting on file and of record in my office; that said copy is a full, true, and correct copy of the original resolution adopted at said meeting and entered in said minutes; and that said resolution has not been amended, modified, or rescinded in any manner since the date of its adoption, and the same is now in full force and effect.

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this ____ day of __________________, _____.

[SEAL]

____
Thomas C. Hughes
Secretary of the Board of Directors of the
California Housing Finance Agency

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State of California

M E M O R A N D U M

To: Board of Directors **Date:** January 12, 2011

Bruce D. Gilbertson, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: AUTHORIZATION TO MAKE APPLICATION TO THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
RESOLUTION 11-03

The California Debt Limit Allocation Committee ("CDLAC") is the State entity which, under California law, allocates the federal volume cap for "private activity bonds" to be issued each year by State and local bond issuers. Private activity bonds are federally tax-exempt bonds which are issued to benefit non-governmental borrowers such as first-time homebuyers or owners of affordable rental housing developments.

Resolution 11-03 would authorize application to CDLAC for a maximum of $900 million of single family allocation and $400 million of multifamily allocation. Such authorization would be in effect during the period of time in which Resolutions 11-01 and 11-02, which authorize the issuance of bonds for the Homeownership Program and Multifamily Program, are themselves in effect.

The amounts proposed in Resolution 11-03 are greater than the amount management would expect to apply for. However, the presumption is that the Board would want CalHFA to be authorized to apply and eligible to do so under CDLAC rules if allocation is available.

Attachments

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RESOLUTION NO. 11-03

RESOLUTION OF THE CALIFORNIA HOUSING FINANCE AGENCY APPROVING APPLICATIONS TO THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE FOR PRIVATE ACTIVITY BOND ALLOCATIONS FOR THE AGENCY'S HOMEOWNERSHIP AND MULTIFAMILY PROGRAMS

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

WHEREAS, the Agency has determined that it is in the public interest for the Agency to provide such financial assistance by means of ongoing programs (collectively, the "Homeownership Program") to make lower-than-market rate loans for the permanent financing of Residences;

WHEREAS, pursuant to Parts 1 through 4 of Division 31 of the Health and Safety Code of the State of California (the "Act"), the Agency has the authority to issue bonds to provide sufficient funds to finance the Homeownership Program;

WHEREAS, the Agency has by its Resolution No. 11-01 authorized the issuance of bonds for the Homeownership Program and desires to authorize application to the California Debt Limit Allocation Committee for private activity bond allocations to be used in connection with the issuance of all or a portion of such bonds in order for interest on such bonds to be excludable from gross income for federal income tax purposes;

WHEREAS, the Agency has also determined that there exists a need in California for the financing of mortgage loans for the acquisition, construction, rehabilitation, refinancing or development of multifamily rental housing developments (the "Developments") for the purpose of providing housing for persons and families of low or moderate income;

WHEREAS, the Agency has determined that it is in the public interest for the Agency to assist in providing such financing by means of an ongoing program (the "Multifamily Program") to make or acquire, or to make loans to lenders to make or acquire, mortgage loans, for the purpose of financing such Developments;

WHEREAS, pursuant to the Act, the Agency has the authority to issue bonds to provide sufficient funds to finance the Multifamily Program; and

WHEREAS, the Agency has by its Resolution No. 11-02 authorized the issuance of bonds for the Multifamily Program and desires to authorize application to the California Debt Limit Allocation Committee for private activity bond allocations to be used in connection with the issuance of all or a portion of such bonds in order for interest on such bonds to be excludable from gross income for federal income tax purposes;

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

Section 1. **Authorization to Apply to CDLAC for the Homeownership Program.** The officers of the Agency are hereby authorized to apply from time to time to the California Debt Limit Allocation Committee ("CDLAC") for private activity bond allocations in an aggregate amount of up to $900,000,000 per year to be used in connection with bonds issued under Resolution No. 11-01 or resolutions heretofore or hereafter adopted by the Agency for the Homeownership Program. In the alternative, subject to the approval of CDLAC and under such terms and conditions as may be established by CDLAC, any such allocation received is authorized by this Board to be used in connection with a mortgage credit certificate program.

Section 2. **Authorization to Apply to CDLAC for the Multifamily Program.** The officers of the Agency are hereby authorized to apply from time to time to CDLAC for private activity bond allocations in an aggregate amount of up to $400,000,000 per year, to be used in connection with bonds issued under Resolution No. 11-02 or resolutions heretofore or hereafter adopted by the Agency for the Multifamily Program.

Section 3. **Authorization of Related Actions and Agreements.** The officers of the Agency, or the duly authorized deputies thereof, are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all agreements and documents which they may deem necessary or advisable in order to effectuate the purposes of this resolution, including but not limited to satisfying in the best interests of the Agency such conditions as CDLAC may establish for private activity bond allocation applications. Such officers and deputies are also hereby expressly authorized to accept on behalf and in the best interests of the Agency any private activity bond allocations offered by CDLAC, including but not limited to carryforward allocations, over and above those which may be granted pursuant to any application authorized hereinabove or in any prior resolution of the Board.

SECRETARY'S CERTIFICATE

I, Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of Resolution No. 11-03 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 20th day of January, 2011, of which meeting all said directors had due notice; and that at said meeting said Resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this 20th day of January, 2011.

[SEAL]

Thomas C. Hughes
Secretary of the Board of Directors of the
California Housing Finance Agency

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State of California

M E M O R A N D U M

To: Board of Directors **Date:** January 12, 2010

From: L Steven Spears, Acting Executive Director
CALIFORNIA HOUSING FINANCE AGENCY

Subject: ITEM 8 -- BUSINESS PLAN UPDATE

Background

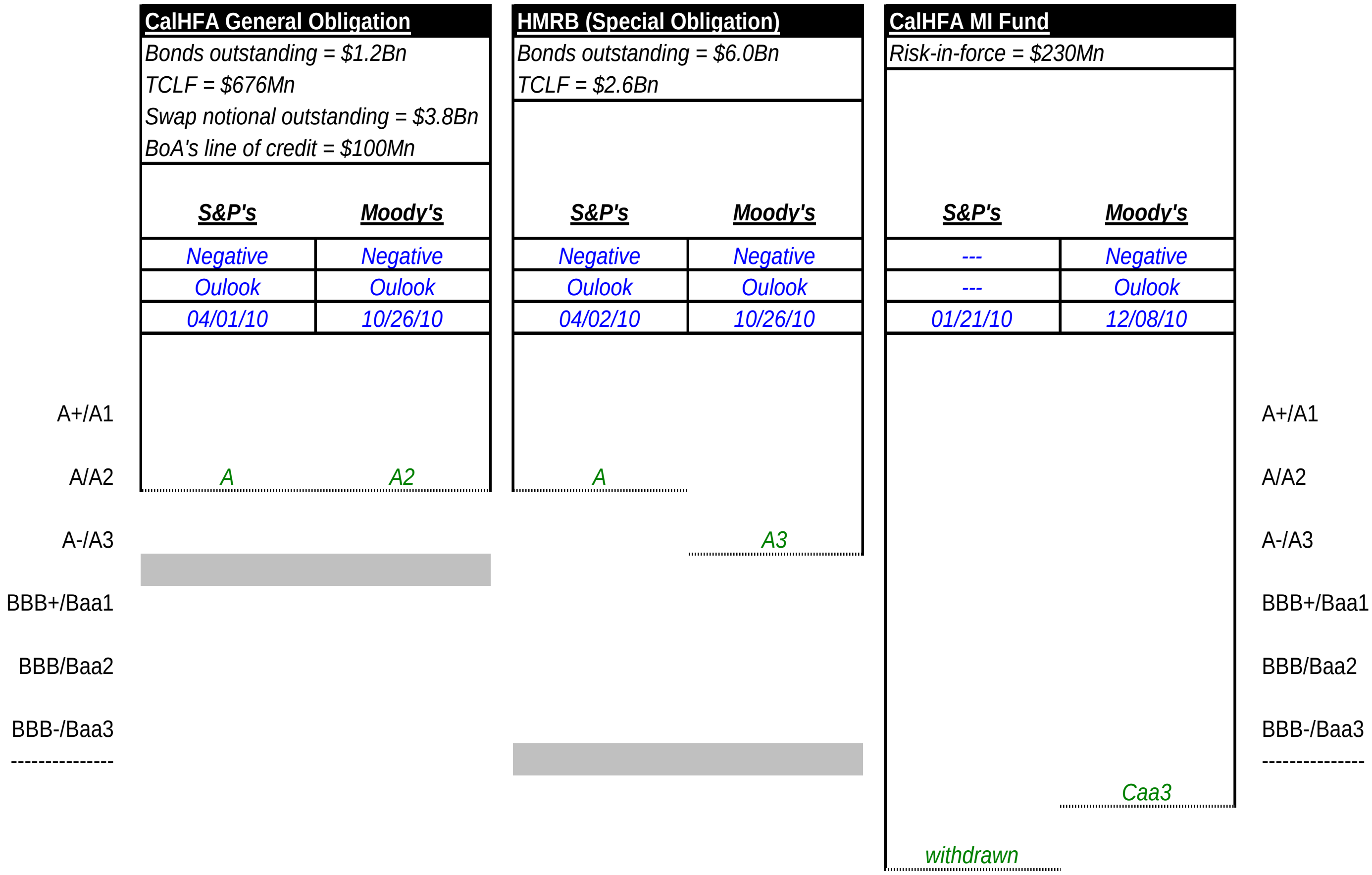
In May 2010, the Board again adopted a two year (as opposed to the traditional five year) business plan due to the uncertainties associated with 1) the credit and liquidity markets; 2) the bond market for tax-exempt housing bonds; 3) the California economy and real estate markets; and 4) the limited term of the federal initiative for assistance for state housing finance agencies.

As you may remember, the Board adopted a plan for CalHFA to first "survive," then "revive" and, finally, "thrive." The top priorities of the two-year plan were 1) maintain credit ratings; 2) mitigate losses; 3) renew lending activities; 4) renew and strengthen old partnerships and 5) explore new business models. The following discussion provides Board Members with a summary view of Staff's progress on these five priorities.

Priority 1 -- Maintain Credit Ratings

The first priority for Fiscal Year 2010/11 and 2011/12 two-year business plan is to maintain the Agency's two major credit ratings above certain thresholds. The Agency's General Obligation rating must not fall below the single-A rating categories, and the Home Mortgage Revenue Bonds indenture ("HMRB") must not fall out of the investment grade rating categories.

For the time being, the Agency has been successful in achieving this priority. In October 2010, Moody's downgraded the Agency's General Obligation one "notch" from A1 to A2 and affirmed HMRB's rating at A3. More importantly, Moody's also changed the outlook on both credits from "credit watch for downgrade" to "negative outlook." S&P has not changed their ratings since their last ratings action in April 2010. Both ratings agencies are expected to begin a regular annual review of CalHFA's ratings during the first quarter of 2011.



Both of the Agency's bond credit ratings have maintained above their respective thresholds.

The Agency's management has also been actively pursuing various strategies to bolster the financial strength of both credits. Debt management strategies have increased the General Obligation's fund equity by more than $10 million. The securitization of single-family, FHA-insured loans, the sale of Ginnie Mae securities, and the purchase of discounted fixed-rate bonds have increased HMRB's fund equity by more than $30 million. Management believes that these strategies have improved the financial strengths of our credits and increased the likelihood of maintaining our credit ratings above their respective thresholds.

Priority 2 - Portfolio Management and Loss Mitigation

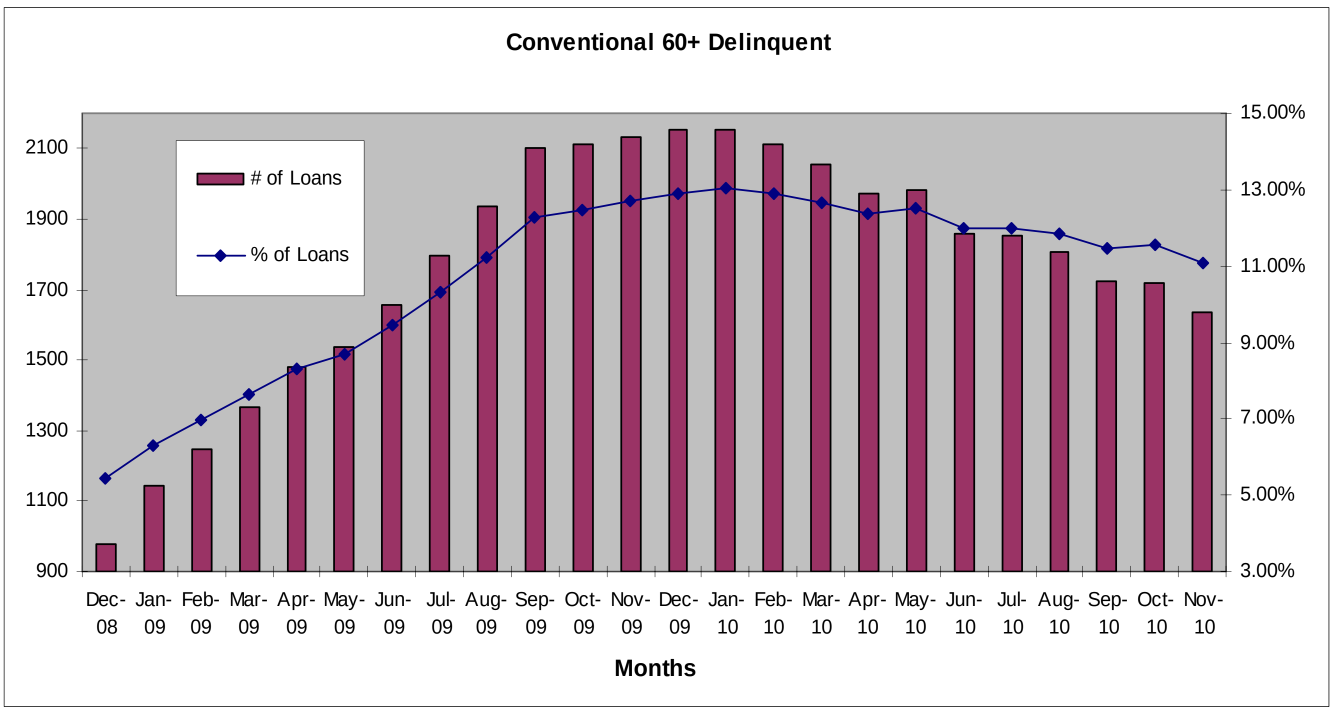
Multifamily Asset Management:

The Agency's multi-family portfolio is now over 550 loans strong with over 40,000 rental units. Overall the portfolio remains in excellent condition at 96% occupancy and no delinquencies over 30 days. We continue to serve as Traditional Contract Administrator on behalf of HUD for 126 Section 8 properties totaling over 8,000 units. The successful MHSA program to date has produced 12 closed loans with 85 units for which Asset Management is overseeing $850,000 in Capitalized Operating Subsidy funds to provide long term operating funds to the project sponsors. In April 2010 the Agency completed a refinancing of 31 multifamily loans with Citibank totaling almost $95 million. The ownership of these multifamily loans remains with the Agency and we continue to service the notes. As a result, the Asset Management continues to oversee the properties and provide servicing reports to Citibank on a quarterly basis and will continue to do so until the last loan is fully paid off.

Since the May Board presentation, one older, small loan in the city of Oakland that had defaulted was successfully worked out by selling the Note. A developer purchased the note and is working to repair the property which needed between $2-3 million in repairs.

Single Family Loan Servicing:

As of October 31, the most current reconciled data, CalHFA had 26, 214 active loans with a principal balance of $4.98 billion. Total delinquency in these loans on that date was 17.14%. Conventional loan delinquency was 15.36%. Below is a graph showing the trend of conventional loans that are at least 60 days delinquent – a measure watched closely by investors and Moody's and S&P. As you can see, the Agency saw this category peak in January 2010, but has experienced a decline during Fiscal Year 2010-11. Staff believes this decline is the result of aggressive portfolio management and loss mitigation efforts throughout 2010.



A complete report on the homeownership loan portfolio is located at Tab 11 in your Board binder.

Single Family Loss Mitigation and Portfolio Management:

The business plan for Mortgage Insurance and Portfolio Management focused resources on approving loan modifications, approving qualified short sales, monitoring loan servicers to see that foreclosures are properly executed and managing the sale of properties obtained through foreclosure or acceptance of a deed-in-lieu of foreclosure.

CalHFA Portfolio Management approved 270 loan modifications versus a first half of Fiscal Year 2010-11 forecast of 284. The shortfall was primarily due to deferring the processing of some modifications in anticipation of the borrower's possibly qualifying for a Keep Your Home California loan modification that would be better for the borrowers due to the principal reduction feature of the KYHC program.

CalHFA Portfolio Management approved 188 short sales and closed 149 short sales compared to a forecast for the first half of FY 2010-11 fiscal year of 180 short sale closings. Mirroring this shortfall of forecasted short sale closings were the 797 actual foreclosures versus the forecast of 972 foreclosures in the first half of the 2010-11 fiscal year.

With fewer foreclosed properties than forecasted, the 626 sales of REO properties was 48 units less than the 674 sales forecasted, but 252 (or 67.4%) more than the 374 REO sales for the first 6 months of FY 2009-10 fiscal year.

The California Housing Loan Insurance Fund (CaHLIF) began the CalHFA 2010-11 fiscal year with $51.3 million in cash and short term investments and as of December 31, 2010 the balance was down to approximately $27.9. CaHLIF estimates having received approximately $2.63 million in premiums for July – December 2010, and has paid approximately $564,000 in operating expenses during the same period. Claims paid for the first two quarters of fiscal year 2010-11 were 857 claims for $23.6 million, compared with claims paid for the first two quarters of fiscal year 209-2010 which were 565 claims for $15.2 million. CaHLIF is projected to run short of cash to pay claims in July 2011, and will at that time defer the payment of claims pending receipt of future premiums. As premiums are received, operating expenses will be paid first and then pending approved claims on a "first-approved, first-paid basis" will be paid.

Priority 3 -- Renewed Lending Activities

Multifamily Lending Division:

New Issue Bond Program

United States Department of Treasury ("Treasury") with the assistance of FHFA, Fannie Mae and Freddie Mac (GSE) provided a term sheet for a Multifamily New Issue Bond Program ("NIBP"). The objective of this program is to provide low-cost tax-exempt financing for permanent, acquisition/rehabilitation or new construction of qualified residential rental projects. New construction projects need a letter of credit during construction from a qualifying construction lender with an AA-rated debt rating or better. NIBP allows a housing finance agency to issue tax exempt and taxable bonds for the financing of multifamily loans to be sold to Treasury via the GSE initially through the end of 2010. CalHFA multifamily received $380 million of new issue bonds under the NIBP In September of 2010, Treasury extended the program deadline from December 31, 2010 to December 31, 2011. Treasury further allowed a new rate lock on the bonds providing more opportunity to utilize these funds in multifamily projects. Since CalHFA's rating is currently less than AA-, we had to act as a conduit "issuer only" lender in these transactions.

Through mid-year December 31, 2010 the NIBP has been a big success. CalHFA multifamily has committed $242,000,000 of the $380,000,000 bonds and has another 43,000,000 of bonds in the pipeline for 2011. The remaining $95,000,000 may be utilized for refunding/credit enhancement of existing CalHFA bonds in 2011

Current Multifamily Programs

Proposition 63 – Mental Health Services Act Housing Program (MHSA Housing Program): The Mental Health Services Act Housing Program was created under the Governor's Executive Order S-07-06. It created a partnership between CalHFA, the Department of Mental Health and the California Mental Health Directors Association, in consultation with the Department of Housing and Community Development and the State Treasurer as well as other stakeholders, to fund $400 million of housing units. The $400 million plan also includes dollars available for operational services. The Mental Health Services Act ("MHSA") funds are used for development, acquisition, construction and/or rehabilitation of permanent supportive housing for individuals with mental illness and their families, including homeless individuals and their families. About a third of the total dollars will go into operating subsidies for the projects. The remaining two thirds will be utilized for capital dollars for the projects. The Program's anticipated implementation date was November 2007. However, due to delays beyond CalHFA's control, MHSA approved its first loans at the beginning of fiscal year 2008/2009.

The Program has also been a huge success with 41 projects closed to date, another 49 committed to close and many applications in the pipeline. A total of 46 counties have allocated money. So far more than 2,000 MSHA units will have been created and more than $236 million requested for capital and services dollars to date.

Tax Credit Assistance Program: Under the American Recovery and Reinvestment Act of 2009 ("ARRA"), the ARRA Program provides grant funded capital investment in Low Income Housing Tax Credit projects via a formula-based allocation provided to State housing credit allocation agencies ("TCAC"). Multifamily consults with TCAC on projects that have been awarded ARRA funds. ARRA projects are eligible for funds under three programs: Gap funding, where the investor remains in place, but money is still needed for the project to have sufficient cash for construction or rehabilitation; Cash-in-lieu funding for projects without an investor and HCD Backfill for projects with commitments that have not been funded by PMIB. CalHFAs consulting role is to: review the loan underwriting that was included in the original ARRA application; to complete loan documents for TCACs review and signature; to send the completed, executed escrow package to the title company, and to review and recommend disbursements during construction and rehabilitation. Also, CalHFA provides completed ARRA files to TCAC after the final disbursement has been approved by TCAC.

Through December 31, 2010 CalHFA has reviewed 144 projects with more than 8,900 units. More than $780 million in ARRA dollars have been allocated to these projects.

Closing the multifamily project does not necessarily satisfy our commitment to TCAC or to the ARRA program. Many of these multifamily projects require multiple disbursements. These disbursements are reviewed and then recommendations are made by CalHFA staff to TCAC. Of the 132 projects funded to date, 41 multifamily projects have had all of the necessary disbursements completed; the remaining projects have additional disbursements still to fund. Of the 41 completely disbursed projects, 34 complete and reviewed project files have been delivered to TCAC.

Homeownership Lending Division:

A total of $1.7 billion in New Issue Bond Program (NIBP) Federal Assistance was made available to CalHFA for single family lending. Delays in the NIBP interest rate relock process resulted in a later than anticipated bond issuance, a $60 million issue which closed December 15, 2010. Bonds can be issued three more times in 2011, prior to the NIBP program ending on December 31, 2011.

The Homeownership Division's FY 2010-11 business plan included the rollout of the Fannie Mae 100% Advantage program – a 100% LTV program for 30 year fixed rate loans guaranteed by Fannie Mae. This program was planned to roll-out July 2010. Unfortunately, in last minute negotiations with the Agency, Fannie Mae changed the economics of the program to the disadvantage of CalHFA and, as discussed earlier with the Board, this program was not rolled out.

Staff quickly moved to the development of the CalHFA FHA loan program that was launched in late September 2010. As discussed with the Board at the May 2010 meeting, the Agency is taking full advantage of government mortgage insurance/guarantee protection. All loans are FHA insured and are securitized with Ginnie Mae. In keeping with the strategy adopted by the Board, the Agency will not purchase FHA whole loans, but rather will hold Ginnie Mae securities.

I am very happy to report that as of today, CalHFA has received reservations for 572 Cal30 FHA loans which represents a pipeline of almost $120 million. So far this fiscal year, the Agency has also made 984 CHDAP loans totaling $6.1 million and received a total of 300 School Facility Fee applications totaling $1.7 million and have disbursed 126 conditional grants, totaling $729,993.

Priority 4 – Renew and Strengthen Old Partnerships

Homeownership Lending Division:

The Agency has set aside funds from the NIBP as limited funds ($50 million) for the re-instatement of the Builder Lock (BLOCK) program for new construction loans. This program is available on a limited basis to our nonprofit developers/builders who are classified as 501(c) (3) organizations. The BLOCK program allows developers, through CalHFA-approved lenders, to purchase a pool of funds for 9 or 12 months forward for the subsequent submission of loans. The program expires 12/31/2011.

Priority 5 – Explore New Business Models

Multifamily Asset Management Division:

Performance Based Contract Administration (PBCA) Management: Ten years ago, the US Congress directed HUD to contract out the oversight of its Section 8 properties via a program called Performance Based Contract Administration. Participants of this new program are required to be public housing entities and are known as Performance Based Contract Administrators, PBCA. Each of the fifty states has its own PBCA. In 2009 HUD announced their intention to re-bid all PBCA contracts with new contracts scheduled to begin January 2011. The California contract includes 1,294 properties totaling 86,782 units. The re-bidding process will update all existing contracts and reduce much of the profit earned by the PBCA by fine tuning the amount and manner in which

PBCA fees are earned – base fees and incentive fees will be reduced while disincentive fees will be increased.

Since the May 2010 board meeting CalHFA completed its own RFP process and has selected a third party vendor who will assist us to prepare CalHFA's bid and will perform the actual PBCA duties on our behalf if CalHFA is selected by HUD. Due to a series of events within HUD the PBCA contract has been postponed several times and as of this writing has yet to be published. The latest word is that HUD intends to begin the bidding process in January 2011 and have its vendors in place by October 1, 2011 for the start of the federal fiscal calendar. We are ready to respond when HUD publishes its PBCA contract.

Multifamily Lending Division:

Freddie Mac: This proposal consists of a plan to acquire a Freddie Mac Multifamily Targeted Affordable Housing Seller Servicer designation to enable the Agency to refund the existing financing structure into fixed-rate bonds in a cost effective manner. This designation would also create a new business platform for future multifamily lending. Staff met with Freddie Mac in early December to discuss this proposal.

Fannie Mae: We have had discussions with Fannie Mae and a private sector banking partner regarding a potential correspondent arrangement. In this model, the Agency would provide permanent loans to borrowers via Fannie Mae underwriting utilizing the private sector bank. This arrangement passes all the risk to the private bank and and Fannie Mae yet gives CalHFA the ability to do permanent loans. The Agency could accomplish this for both tax-exempt and taxable (9% LIHTC) deals. The Agency would receive an up front origination fee of 1% and an on-going servicing fee most likely in the .25% to .45% range to be negotiated. If the Agency issues conduit bonds, other fee revenue could be available.

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M E M O R A N D U M

To: Board of Directors
California Housing Finance Agency

Date: January 9, 2011

From: Steven Spears, Acting Executive Director
California Housing Finance Agency

Subject: Agenda Item 8 -- FY 2010-11 CalHFA OPERATING BUDGET UPDATE

In May 2010, the Board approved the FY 2010-11 Operating Budget based on their approval of the FY 2010-11 through FY 2011-12 Business Plan. The Operating Budget for FY 2010-11 is $48.3 million and includes 311 permanent positions. Based on the actual operating expenditures reported through November 30, 2010, mid-year expenditures are projected to be $22.2 million and year-end expenditures are projected to be $45.7 million. On January 24th and 25th, a mid-year workload assessment will be performed to assess if CalHFA needs to make any workload and/or any organizational changes.

Personal Services:

A very large portion of the operating budget provides for both permanent and temporary help positions, as well as overtime and staff benefits. At the beginning of the fiscal year (July 1, 2010), staffing consisted of 264 permanent and 64 temporary help positions. As of January 1, 2011, an increase of workload justified an increase of 3 permanent and 2 temporary help positions. Although the economy has not rebounded, CalHFA has begun lending again; Real Estate Owned (REO) and Loan Modification workload has increased. For Loan Servicing and Portfolio Management, resources were needed immediately to help meet the increase in the REO and loan modification workload.

As a result, CalHFA hired experienced contract temporary help instead of hiring permanent employees. By using contract temporary help, CalHFA had the ability to hire staff with the expertise to meet our immediate needs and to have the flexibility to reduce temporary help at any time. If the workload was expected to last for an extended period of time (over a year but less than three years), CalHFA would consider hiring for a limited term. This also provided CalHFA with a short-term solution with the flexibility to reduce the number of staff as workload diminished. With this strategy, permanent staff salaries and wages are projected at year end to be $18.7 million versus the budgeted amount of $21.5 million.

Because of the extensive use of contract temporary help, year-end projections for that budget line item will exceed the budget. However, the temporary help added cost will be absorbed through permanent staff vacancies.

Overtime is budgeted at $179,000. Because of increased workload in Loan Servicing, Portfolio Management and Fiscal Services, CalHFA is expected to exceed the budget by approximately $58,000.

Projections for staff benefits are estimated high due to Other Post-Employment Benefits (OPEB-GASB 45) which requires state and local governments to publicly disclose the future dollar amounts of their obligations to pay for retirees. The unfunded liability amount required by CalHFA is approximately $2.6 million for FY 2010-11.

We will be well within our Personal Services budget unless the economy rebounds and CalHFA lending increases dramatically.

Operating Expenses and Equipment:

All operating expenses are within budget except for Travel. This is due to the increase in travel for Portfolio Management monitoring REO's; Asset Management reviewing Section 8 real estate; and Executive staff meeting with the Administration in Washington D.C. However, CalHFA has decreased spending in other areas of travel including travel to conferences, trainings and seminars.

Hardest Hit Fund (HHF) Reimbursement:

The HHF reimbursement will be limited. It was initially projected that CalHFA staff would participate more in helping with the planning, development and implementation of the HHF Program. The HHF has used more consultants versus CalHFA staff.

Strategic Projects:

A strategic projects budget of $7.4 million consists of the following:

1) Consolidation of Sacramento Offices; $2.2 million
2) Enterprise Content Management (ECM) Project; $502K
3) Fiscal Services Re-Platforming Project; $507K
4) Homeownership Loan Origination System Program; $3.7 million
5) Project Support; $536K

RESOLUTION 08-17

RESOLUTION REVISING COMPENSATION COMMITTEE CHARTER

WHEREAS, the California Housing Finance Agency (the "Agency") has adopted Resolution 06-16 approving the charter of the Compensation Committee; and

WHEREAS, the compensation process in 2006 and 2007 was reviewed by outside counsel and various recommendations have been made for changes to that process; and

WHEREAS, the Board adopted Resolutions 08-09, 08-10 and 08-11 at the March 19, 2008 Board meeting; and

WHEREAS, Resolutions 08-09 and 08-10 directed that certain changes be made to the Compensation Committee charter adopted by resolution 06-16, and

WHEREAS, the Board has reviewed the revised charter attached hereto,

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

1. The attached "Compensation Committee Charter Revised May, 2008" is approved and adopted.

I hereby certify that this is a true and correct copy of Resolution 08-17 adopted at a duly constituted meeting of the Board of Directors of the Agency held on May 14, 2008, at Burbank, California.

ATTEST: ______________________
Secretary

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California Housing Finance Agency
Compensation Committee Charter
Revised May, 2008

Mission

The Compensation Committee (the "Committee") is a committee of, and reports to, the Board of Directors of the California Housing Finance Agency (the "Board"). Through this Charter, the Board delegates certain responsibilities to assist the Board in fulfilling its oversight responsibilities in the compensation of key exempt management with the Agency. In performing its duties, the Committee will recommend to the Board compensation policies and procedures designed to attract and retain the best personnel to allow the Agency to achieve its goals and remain competitive in the marketplace.

Membership

The Committee will be comprised of no fewer than three voting members of the Board, to be selected by the Chair of the Board to serve on a rotational basis with staggered terms. The Committee Chair will be designated by the Board Chair.

Authority

The Committee was established by Board Resolutions 06-16 and revised by Resolution 08-17. The Committee will act in an advisory capacity to the Board. Staff of the Agency will serve as a resource to Committee. The Committee has the authority to conduct any review appropriate to fulfilling its responsibilities. All employees of the Agency are directed to cooperate as requested by members of the Committee and the Committee will have complete access to Agency records and data.

Meetings

The Committee will meet as often as its members determine is necessary, but not less frequently than twice each calendar year. The committee will report its proceedings and recommendations to the full Board, at the first regular meeting of the Board following a Committee meeting. All meetings of the Committee shall be open public meetings subject to the same notice and agenda procedures as are regular meetings of the Board. Any personnel evaluations may be held in closed session to the extent permitted or required by the Bagley-Keene Act; provided, however, that discussions of compensation issues shall take place in open session.

Minutes

Minutes of each meeting will be prepared and sent to all members of the Board. The Committee minutes need not be verbatim. Minutes of the Committee will be presented to the Committee for review and approval at the next meeting of the Committee. Minutes of Committee meetings are public records unless exempted under the California Public Records Act or other applicable law.

Duties

The Committee will conduct the following activities:

1. Make recommendations to the full Board to enable the Board to carry out its duties and functions under Health and Safety Code section 50909;

2. Periodically cause to be conducted salary surveys that will form the basis of the design of a compensation plan that will attract and retain senior executive personnel qualified to lead the Agency in its mission and maintain its competitive posture in the marketplace. Such surveys will be conducted by independent outside advisors based on a comparison of compensation plans and compensation levels of other state and local housing finance agencies, other comparable agencies of the State of California, non-profit housing agencies, for-profit institutions and other relevant labor pools;

3. The Committee shall review any proposed contracts to engage consultants needed to carry out its duties under this Charter, including the outside advisor conducting the salary survey required by Health & Safety Code section 50909. The Committee shall make recommendations regarding such contracts to the Board, and the Board shall consider such recommendations. In the event that the Board approves any such contract, the Board shall direct the Executive Director to sign such contract on behalf of the Agency;

4. It shall be the policy of the Board and Committee to avoid any conflicts of interest in connection with the exercise of its duties. In carrying out its responsibilities under this Charter, the Committee shall endeavor to create a balanced process that avoids the appearance of conflicts of interest to the extent reasonably possible, while permitting the involvement of staff in a way reasonably necessary to accomplish its purposes and duties under this charter.

5. Periodically review and evaluate, with the assistance of Agency management, staff and outside advisors, the structure and level of Agency compensation of those senior executives whose salaries are established by the Board pursuant to section 50909;

5. Annually review the performance of the Executive Director;

6. Based on the annual review of the Executive Director's performance and the results of the salary surveys conducted by independent outside advisors, make a recommendation to the Board for the compensation level of the Executive Director;

7. Annually review that portion of the Agency's budget containing the compensation of key exempt management and recommend to the Board approval or amendments to those compensation levels. The Committee's recommendation will be based on a review of performance evaluations completed by the Executive Director and the results of the salary surveys conducted by outside advisors;

8. Review and discuss management succession at least annually;

9. Review legal and regulatory matters that may have a material impact on the Agency's compensation philosophy, structure and plans.

Other Committee Duties

In addition to the duties outlined above, the Committee annually will also:

1. Conduct a review of its performance, including a review of its compliance with this Charter;

2. Review and assess the adequacy of this Charter taking into account all legislative, regulatory and contractual requirements applicable as well as any best practices, and, if appropriate, will recommend Charter amendments to the Board.

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M E M O R A N D U M

To: Board of Directors **Date:** January 3, 2011

Bruce D. Gilbertson, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: Homeownership Loan Portfolio Update

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

- Delinquencies as of October 31, 2010 by insurance type,
- Delinquencies as of October 31, 2010 by product (loan) type,
- Delinquencies as of October 31, 2010 by loan servicer,
- Delinquencies as of October 31, 2010 by county,
- A chart of the number of CalHFA's FHA Delinquent Loan Trend for 30-90 Day and 120 Day (for the period of December 2008 thru October 2010)
- A chart of the number of CalHFA's Conventional Delinquent Loan Trend for 30-90 Day and 120 Day (for the period of December 2008 thru October 2010)
- A graph of CalHFA's 90-day+ ratios for FHA and Conventional loans (for the period of October 2005 through October 2010),
- A graph of 90-day+ ratios for CalHFA's three Conventional loan (products) types, for the period of October 2008 through October 2010,
- Real Estate Owned (REO) at November 30, 2010,
- Gains/ (Losses) on the Disposition of 1st Trust Deeds, for January 1 through November 30, 2010, and
- Write-Offs of subordinate loans for January 1 through November 30, 2010

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California Housing Finance Agency

CalHFA

HOMEOWNERSHIP LOAN PORTFOLIO
DELINQUENCY, REO and LOSS REPORT

Reconciled Loan Delinquency Summary
All Active Loans By Insurance Type
As of October 31, 2010

	Loan Count	Balance	% of Balance	DELINQUENCY RATIOS - % of Loan Count: Loan Count	30-Day	Loan Count	60-Day	Loan Count	90(+) Day	Totals: Count	%
Federal Guaranty											
FHA **	10,900	$ 1,448,697,472	29.08%	716	6.57%	238	2.18%	1180	10.83%	2,134	19.58%
VA	357	53,736,013	1.08%	11	3.08%	6	1.68%	41	11.48%	58	16.25%
RHS	93	17,898,964	0.36%	2	2.15%	0	0.00%	16	17.20%	18	19.35%
Conventional loans											
with MI											
CalHFA MI Fund	7,779	2,102,020,945	42.19%	370	4.76%	208	2.67%	1099	14.13%	1,677	21.56%
without MI											
Orig with no MI	5,602	1,146,891,612	23.02%	157	2.80%	49	0.87%	299	5.34%	505	9.01%
MI Cancelled*	1,483	212,490,625	4.27%	37	2.49%	17	1.15%	47	3.17%	101	6.81%
Total CalHFA	26,214	$ 4,981,735,631	100.00%	1,293	4.93%	518	1.98%	2,682	10.23%	4,493	17.14%

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

**The FHA loan count was decreased by 2,586 loans (including 125 loans that were delinquent as of February 28, 2010) because the Agency requested Bank of America to pool the whole loans into Ginnie Mae securities. Effectively, these FHA insured whole loans were swapped for Ginnie Mae securities during March 2010.

Reconciled Loan Delinquency Summary
All Active Loans By Loan Type
As of October 31, 2010

	Loan Count	Balance	% of Balance	DELINQUENCY RATIOS - % of Loan Count: Loan Count	30-Day	Loan Count	60-Day	Loan Count	90(+) Day	Totals: Count	%
30-yr level amort											
FHA	10,900	$ 1,448,697,472	29.08%	716	6.57%	238	2.18%	1,180	10.83%	2,134	19.58%
VA	357	53,736,013	1.08%	11	3.08%	6	1.68%	41	11.48%	58	16.25%
RHS	93	17,898,964	0.36%	2	2.15%	0	0.00%	16	17.20%	18	19.35%
Conventional - with MI	3,915	951,081,956	19.09%	140	3.58%	64	1.63%	428	10.93%	632	16.14%
Conventional - w/o MI	6,195	1,145,539,878	22.99%	153	2.47%	52	0.84%	272	4.39%	477	7.70%
40-yr level amort											
Conventional - with MI	613	178,471,964	3.58%	26	4.24%	28	4.57%	115	18.76%	169	27.57%
Conventional - w/o MI	219	44,117,682	0.89%	5	2.28%	2	0.91%	11	5.02%	18	8.22%
5-yr IOP, 30-yr amort											
Conventional - with MI	3,251	972,467,026	19.52%	204	6.27%	116	3.57%	556	17.10%	876	26.95%
Conventional - w/o MI	671	169,724,677	3.41%	36	5.37%	12	1.79%	63	9.39%	111	16.54%
Total CalHFA	26,214	$ 4,981,735,631	100.00%	1,293	4.93%	518	1.98%	2,682	10.23%	4,493	17.14%
	Weighted average of conventional loans:			564	3.79%	274	1.84%	1,445	9.72%	2,283	15.36%

California Housing Finance Agency

CalHFA

Reconciled Loan Delinquency Summary
All Active Loans By Loan Servicer
As of October 31, 2010

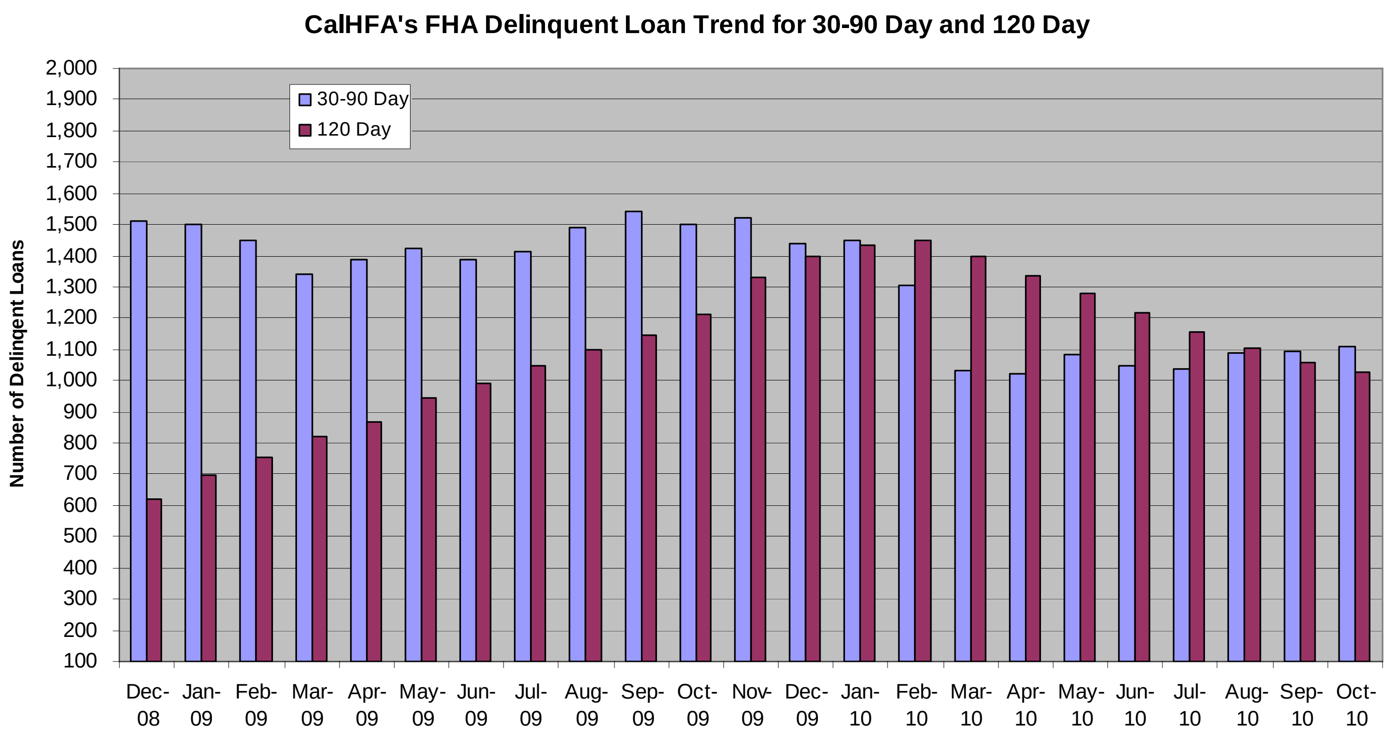
	Loan Count	Balance	% of Balance	Loan Count	30-Day	Loan Count	60-Day	Loan Count	90(+) Day	Totals Count	Totals %
				DELINQUENCY RATIOS - % of Loan Count							
CALHFA - LOAN SERVICING	9,884	$ 2,295,394,931	46.08%	406	4.11%	159	1.61%	766	7.75%	1,331	13.47%
GUILD MORTGAGE	6,171	1,126,251,104	22.61%	373	6.04%	142	2.30%	639	10.35%	1,154	18.70%
BAC HOME LOANS SERVICING, LP*	2,664	534,570,907	10.73%	151	5.67%	90	3.38%	666	25.00%	907	34.05%
WELLS FARGO HOME MORTGAGE	2,555	310,189,652	6.23%	88	3.44%	39	1.53%	172	6.73%	299	11.70%
EVERHOME MORTGAGE COMPANY	2,213	220,748,272	4.43%	129	5.83%	35	1.58%	81	3.66%	245	11.07%
FIRST MORTGAGE CORP	1,088	225,513,795	4.53%	56	5.15%	31	2.85%	171	15.72%	258	23.71%
GMAC MORTGAGE CORP	997	142,041,197	2.85%	66	6.62%	21	2.11%	92	9.23%	179	17.95%
BANK OF AMERICA, NA	296	51,236,456	1.03%	15	5.07%	0	0.00%	39	13.18%	54	18.24%
WASHINGTON MUTUAL BANK	227	57,019,533	1.14%	5	2.20%	0	0.00%	41	18.06%	46	20.26%
CITIMORTGAGE, INC.	63	14,798,594	0.30%	2	3.17%	1	1.59%	14	22.22%	17	26.98%
DOVENMUEHLE MORTGAGE, INC.	49	1,751,987	0.04%	2	4.08%	0	0.00%	0	0.00%	2	4.08%
WESCOM CREDIT UNION	6	1,905,616	0.04%	0	0.00%	0	0.00%	1	16.67%	1	16.67%
PROVIDENT CREDIT UNION	1	313,588	0.01%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Total CalHFA	26,214	$ 4,981,735,631	100.00%	1,293	4.93%	518	1.98%	2,682	10.23%	4,493	17.14%

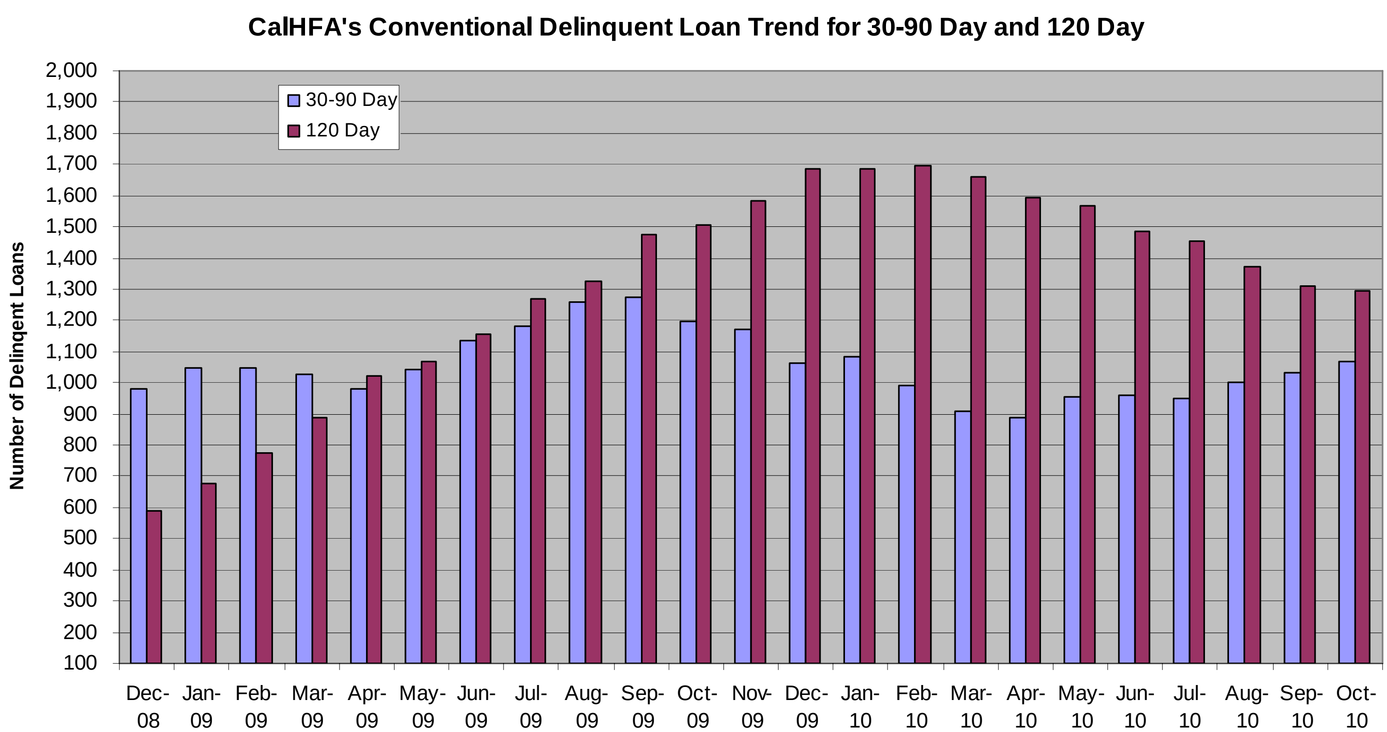
*The BAC Home loan count was decreased by 2,586 FHA loans (including 125 loans that were delinquent as of February 28, 2010) because the Agency requested Bank of America to pool the whole loans into Ginnie Mae securities. Effectively, these FHA insured whole loans were swapped for Ginnie Mae securities during March 2010.

Reconciled Loan Delinquency Summary
All Active Loans By County
As of October 31, 2010

	Loan Count	Balance	% of Balance	Loan Count	30-Day	Loan Count	60-Day	Loan Count	90-Day+	Total Count	Total %
				DELINQUENCY RATIOS - % of Loan Count							
LOS ANGELES	4,190	$ 894,009,990	17.95%	206	4.92%	72	1.72%	406	9.69%	684	16.32%
SAN DIEGO	2,647	590,896,303	11.86%	116	4.38%	53	2.00%	354	13.37%	523	19.76%
SANTA CLARA	1,804	499,786,969	10.03%	46	2.55%	21	1.16%	103	5.71%	170	9.42%
KERN	1,546	175,093,806	3.51%	111	7.18%	34	2.20%	177	11.45%	322	20.83%
SACRAMENTO	1,402	266,058,156	5.34%	71	5.06%	32	2.28%	174	12.41%	277	19.76%
SAN BERNARDINO	1,358	238,770,398	4.79%	96	7.07%	41	3.02%	232	17.08%	369	27.17%
RIVERSIDE	1,324	231,188,716	4.64%	83	6.27%	39	2.95%	265	20.02%	387	29.23%
ORANGE	1,320	308,699,486	6.20%	38	2.88%	17	1.29%	112	8.48%	167	12.65%
TULARE	1,210	120,212,674	2.41%	104	8.60%	33	2.73%	114	9.42%	251	20.74%
FRESNO	1,210	117,571,092	2.36%	72	5.95%	28	2.31%	81	6.69%	181	14.96%
ALAMEDA	1,133	281,170,283	5.64%	27	2.38%	14	1.24%	75	6.62%	116	10.24%
CONTRA COSTA	932	214,802,323	4.31%	38	4.08%	21	2.25%	95	10.19%	154	16.52%
VENTURA	649	177,571,838	3.56%	27	4.16%	12	1.85%	44	6.78%	83	12.79%
IMPERIAL	552	58,100,864	1.17%	43	7.79%	11	1.99%	50	9.06%	104	18.84%
SONOMA	504	107,083,397	2.15%	15	2.98%	12	2.38%	43	8.53%	70	13.89%
OTHER COUNTIES	4,433	700,719,336	14.07%	200	4.51%	78	1.76%	357	8.05%	635	14.32%
Total CalHFA	26,214	$ 4,981,735,631	100.00%	1,293	4.93%	518	1.98%	2,682	10.23%	4,493	17.14%

California Housing Finance Agency

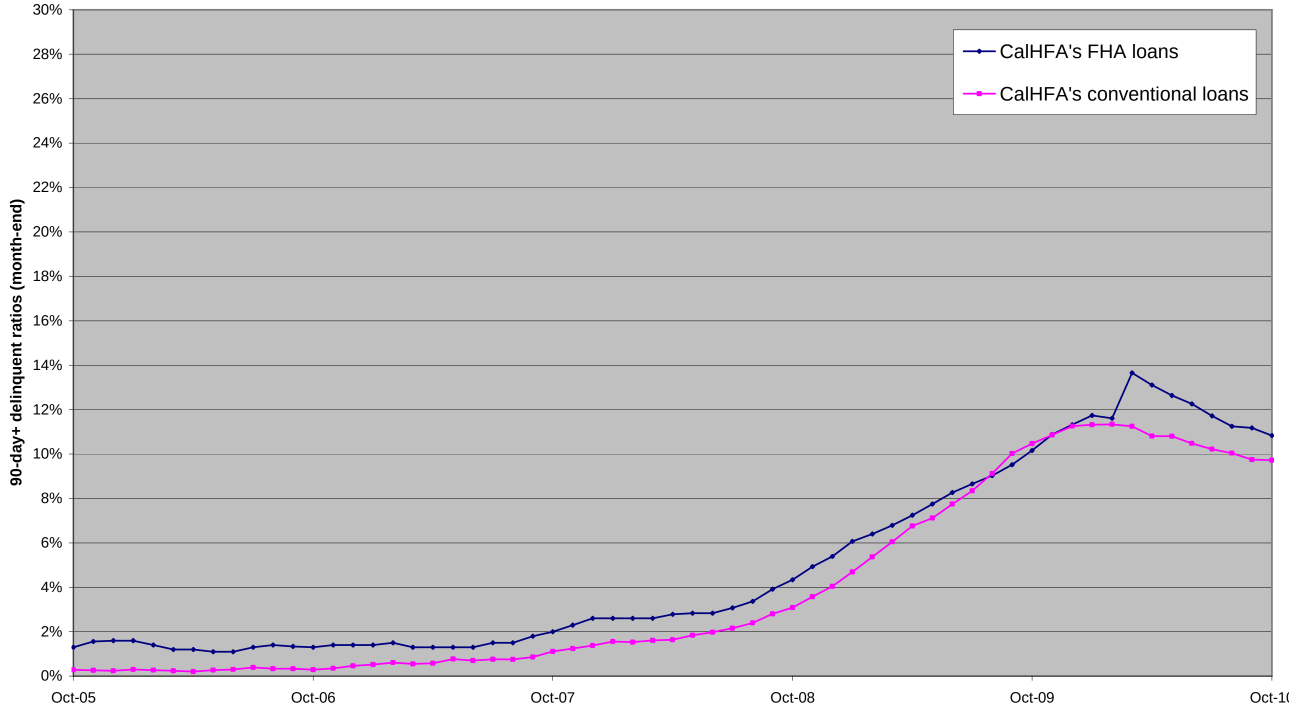




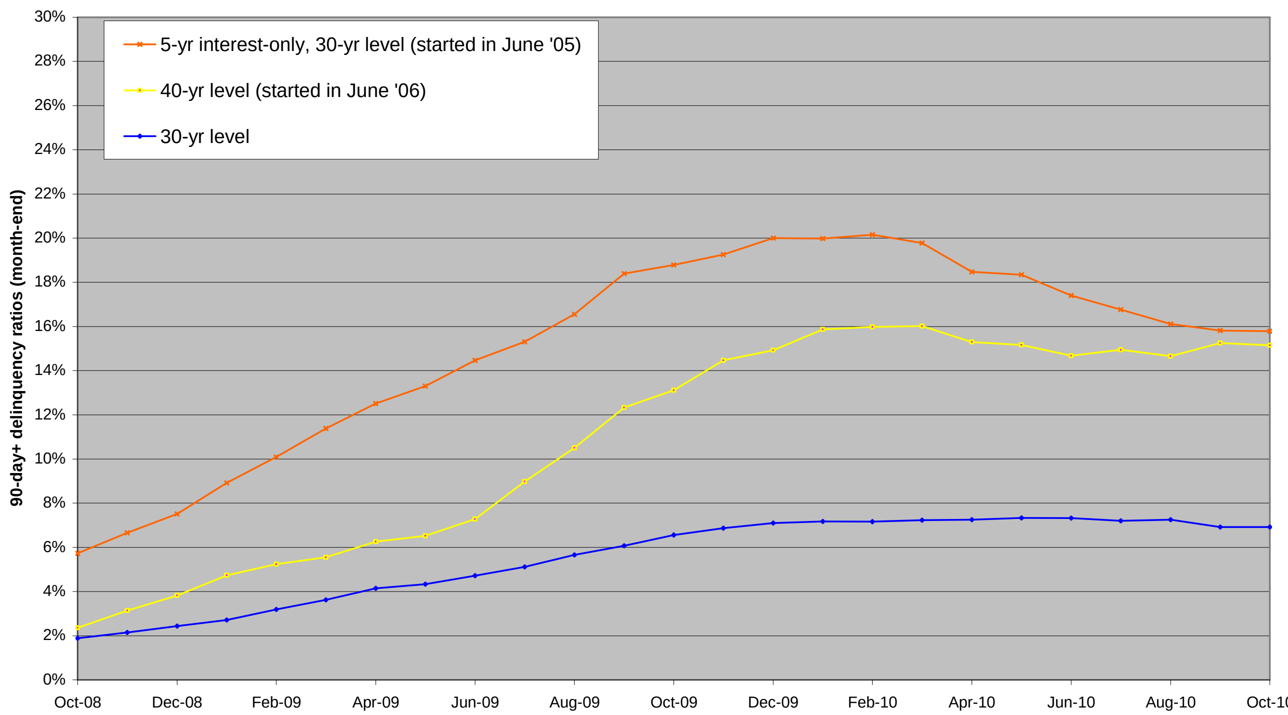
California Housing Finance Agency

CalHFA

90-day+ delinquent ratios for CalHFA's FHA and weighted average of all conventional loans



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



Real Estate Owned

Calendar Year 2010 (As of November 30, 2010)											
		*Trustee Sales			Disposition of REO(s)						
Loan Type	Beginning Balance # of Loans	Reverted to CalHFA Jan-Oct	Reverted to CalHFA November	Total Trustee Sales	Repurchased by Lender Jan-Oct	Market Sale(s) Jan-Oct	Repurchased by Lender November	Market Sale(s) November	Total Disposition of REO(s)	Ending Balance # of Loans	UPB of REO's Owned
FHA/RHS/VA	187	732	44	776	664		49		713	250	$ 51,944,747
Conventional	619	1305	156	1461		883		85	968	1,112	242,272,575
Total	806	2,037	200	2,237	664	883	49	85	1681	1,362	$ 294,217,322

Calendar Year 2009						
		*Trustee Sales	Disposition of REO(s)			
Loan Type	Beginning Balance # of Loans	Reverted to CalHFA 2009	Repurchased by Lender 2009	Market Sale(s) 2009	Ending Balance # of Loans	UPB of REO's Owned
FHA/RHS/VA	51	588	452		187	$ 40,850,369
Conventional	226	929		536	619	150,498,899
Total	277	1517	452	536	806	$191,349,268

Calendar Year 2008						
		*Trustee Sales	Disposition of REO(s)			
Loan Type	Beginning Balance # of Loans	Reverted to CalHFA 2008	Repurchased by Lender 2008	Market Sale(s) 2008	Ending Balance # of Loans	UPB of REO's Owned
FHA/RHS/VA	33	231	212	1	51	$ 11,206,593
Conventional	42	255		71	226	52,475,997
Total	75	486	212	72	277	$ 63,682,590

**3rd party trustee sales are not shown in the tables (tltle to these loans were never transferred to CalHFA). There were eight (8) 3rd party sales in calendar year 2008, eighteen (18) 3rd party sales year 2009, and there are thirty-seven (37) 3rd party sales to date for 2010.*

California Housing Finance Agency

CalHFA

Calendar Year 2010[1] Year to Date REO Uninsured Losses[2]		
1st TD Sale Estimated Gain/(Loss)	$	(20,388,736)
Subordinate Write-Off		(33,562,990)
Total Gain(Loss)/Write-Offs	$	(53,951,726)

(1) For the period of January 1, 2010 thru November 30, 2010.
(2) Includes both reconciled and unreconciled gains/losses to date.

2010 Year to Date Composition of 1st Trust Deed Gain/(Loss)
(As of November 30, 2010)

	Disposition				
Loan Type	Repurchased by Lender	Market Sales	Loan Balance at Trustee Sale	Estimated Indenture Gain/(Loss)	[1]Estimated GAP Loss
FHA/RHS/VA	713		$ 147,748,400		
Conventional		968	258,586,486	$ (20,388,736)	$ (36,641,396)
	713	968	$ 406,334,886	$ (20,388,736)	$ (36,641,396)

(1) The California Housing Loan Insurance Fund (the MI Fund") provides GAP insurance to meet HMRB bond indenture requirements that all loans held within that indenture have 50% of the unpaid principal balance insured by a mortgage insurance policy for the life of the loan. The insurance may be provided by any combination of government insurance, private mortgage insurance, or a policy from the MI fund. The Agency has currently agreed, pursuant to an internal interfund agreement, to indemnify the MI Fund for claims paid for principal losses under the GAP insurance policy, up to a cumulative maximum amount of $135 million . The indemnification is payable solely from available funds held in a sub account within the California Housing Finance Fund. The interfund agreement may be modified or terminated by the Agency at any time.

2010 Year to Date Composition of Subordinate Write-Offs by Loan Type[1]
(As of November 30, 2010)

	Active Loans		Write-Offs			
Loan Type	**Active Loans**	**Dollar Amount**	**Number of Write-Offs**	**% (of Portfolio)**	**Dollar Amount**	**% (of Portfolio)**
CHAP/HiCAP	10,672	$114,263,742	1,813	16.99%	$19,831,507	17.36%
CHDAP/ECTP/HiRAP	19,813	165,584,258	1,744	8.80%	13,731,484	8.29%
Other [2]	279	3,686,214	0	0.00%	0	0.00%
	30,764	$283,534,213	3,557	11.56%	$33,562,990	11.84%

(1) Does not include FNMA and CalSTRS subordinates (non-agency loans serviced by in house loan servicing)
(2) Includes HPA, MDP, OHPA, and SSLP.

State of California

M E M O R A N D U M

To: Board of Directors **Date:** January 12, 2011

Bruce D. Gilbertson, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: VARIABLE RATE BONDS AND INTEREST RATE SWAPS REPORT

Over a number of years the Agency has integrated the use of variable rate debt as a primary issuance strategy in providing capital to support its programmatic goals. Most of our interest rate exposure from variable rate debt is hedged in the swap market.

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

- Variable Rate Debt Exposure
- Unhedged Variable Rate Debt
- Hedged Variable Rate Debt
- Basis Risk
- Amortization Risk
- Termination Risk
- Types of Variable Rate Debt
- Liquidity Providers

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VARIABLE RATE DEBT EXPOSURE

This report describes the variable rate bonds of CalHFA and is organized programmatically by indenture as follows: HMRB (Home Mortgage Revenue Bonds--CalHFA's largest single family indenture), MHRB (Multifamily Housing Revenue Bonds III--CalHFA's largest multifamily indenture), HPB (Housing Program Bonds--CalHFA's multipurpose indenture, used to finance a variety of loans including the Agency's downpayment assistance loans) and the Agency's newest indentures which were established to take advantage of the federal government's New Issue Bond Program: RMRB (Residential Mortgage Revenue Bonds—for single family loans), and AMHRB (Affordable Multifamily Housing Revenue Bonds—for multifamily loans.) The total amount of CalHFA variable rate debt is $5.6 billion, 66.2% of our $8.5 billion of total indebtedness as of January 1, 2011.

VARIABLE RATE DEBT
($ in millions)

	Tied Directly to Variable Rate Assets	Swapped to Fixed Rate	Not Swapped or Tied to Variable Rate Assets	Total Variable Rate Debt
HMRB	$0	$2,303	$1,304	$3,607
MHRB	0	535	220	755
HPB	0	0	79	79
RMRB *	980	0	0	980
AMHRB *	216	0	0	216
Total	$1,196	$2,838	$1,603	$5,637

* *The RMRB and AMHRB bonds are variable rate index bonds during the initial escrow period. After each public offering (up to six times before the end of 2011), they will be released from escrow and converted to fixed rate debt. The debt service payment of the bonds during the escrow period is equal to the interest earned from the money market funds in which the proceeds are invested.*

UNHEDGED VARIABLE RATE DEBT

As shown in the table above, our "net" variable rate exposure is $1.6 billion, 18.8% of our indebtedness. The net amount of variable rate bonds is the amount that is neither swapped to fixed rates nor directly backed by complementary variable rate loans or investments. The $1.6 billion of net variable rate exposure ($805 million taxable and $798 million tax-exempt) is offset by the Agency's balance sheet and excess swap positions. While our current net exposure is not tied directly to variable rate assets, we have approximately $865 million (six month average balance) of other Agency funds invested in the State Treasurer's investment pool (SMIF) earning a variable rate of interest. From a risk management perspective, the $865 million is a balance sheet hedge for the $1.6 billion of net variable rate exposure.

The net variable rate exposure is further reduced by two other considerations: 1) as mentioned in the Amortization Risk section of this report, we have $323.6 million notional amount of interest rate swaps in excess of the original bonds they were to hedge, and 2) a portion of our unhedged exposure is tax-exempt debt which resets at the average 2010 ratio of 96% of Libor. These two considerations serve to reduce the net effective variable rate exposure to the equivalent of $1.3 billion of LIBOR-based debt. As a result, the $865 million of other Agency funds invested in SMIF effectively hedges approximately 68.6% of our current net variable rate exposure.

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

HEDGED VARIABLE RATE DEBT

Currently, we have a total of 112 "fixed-payer" swaps with thirteen different counterparties for a combined notional amount of $3.2 billion. All of these fixed-payer swaps are intended to establish synthetic fixed rate debt by converting our variable rate payment obligations to fixed rates. The table below provides a summary of our swap notional amounts.

FIXED PAYER INTEREST RATE SWAPS
(notional amounts)
($ in millions)

	Tax-Exempt	Taxable	Totals
HMRB	$2, 261	$295	$2,556
MHRB	606	0	606
HPB	0	0	0
TOTALS	$2,867	$295	$3,162

The following table shows the diversification of our fixed payer swaps among the thirteen firms acting as our swap counterparties.

SWAP COUNTERPARTIES

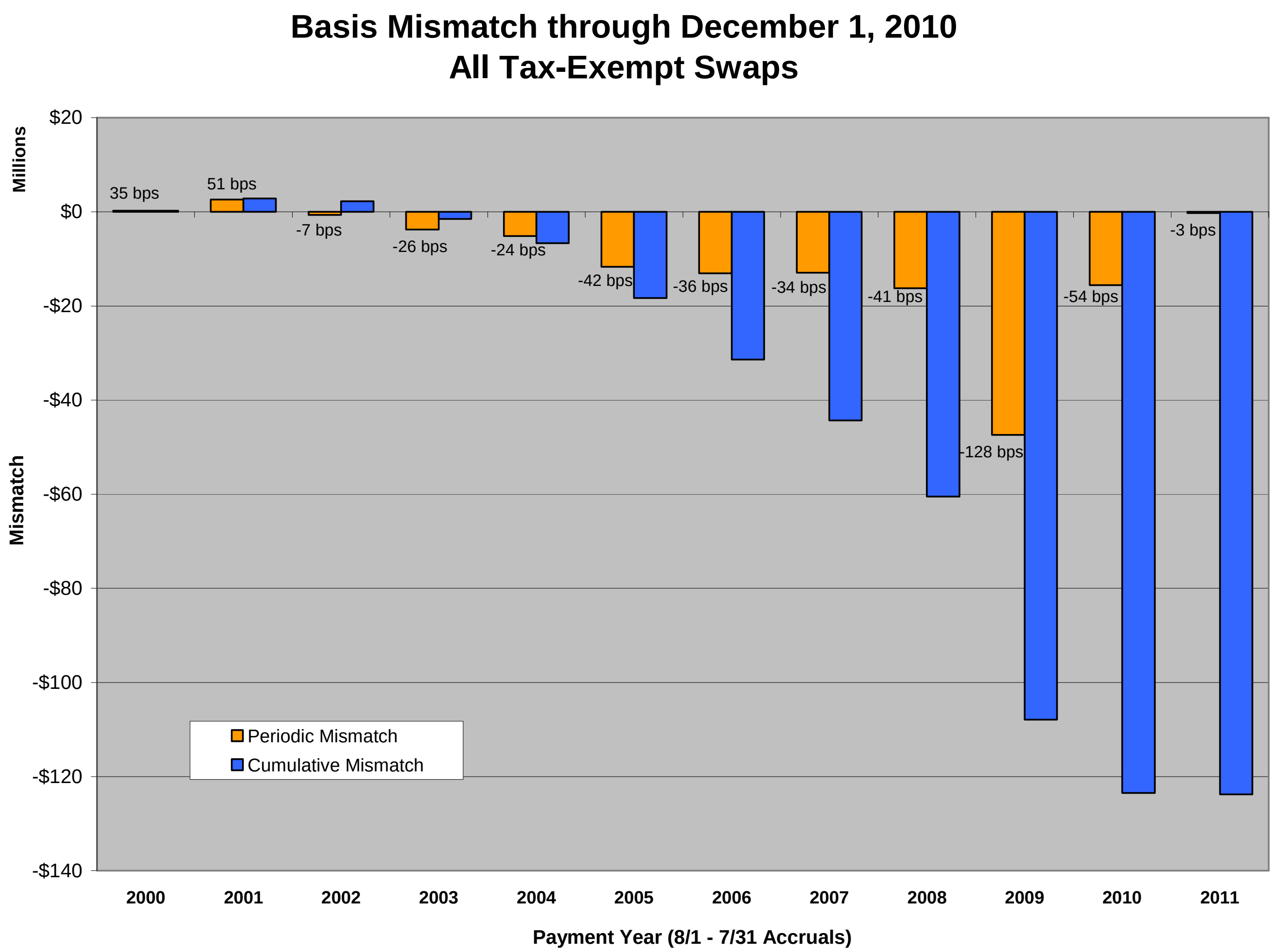
Swap Counterparty	Credit Ratings Moody's	S & P	Notional Amounts Swapped as of 8/1/10 ($ in millions)	Number of Swaps
JPMorgan Chase Bank, N.A.	Aa1	AA-	$ 833.1	22
Merrill Lynch Capital Services, Inc.	A2	A	757.0	33
Citigroup Financial Products, Inc.	A3	A	438.7	11
Goldman Sachs Mitsui Marine Derivative Products, , L.P.	Aa1	AAA	269.9	8
Deutsche Bank AG	Aa3	A+	231.7	11
AIG Financial Products, Corp.	A3	A-	217.1	7
Morgan Stanley Capital Services, Inc.	A2	A	136.7	2
Bank of America, N.A.	Aa3	A+	78.4	5
BNP Paribas	Aa2	AA	68.3	2
Merrill Lynch Derivative Products	Aa3	AAA	68.1	7
UBS AG	Aa3	A+	27.4	2
Bank of New York Mellon	Aaa	AA	25.0	1
Dexia Credit Local New York Agency	A1	A	11.0	1
			$ 3,162.4 *	112

** Basis Swaps not included in totals*

For all of our fixed-payer swaps, we receive floating rate payments from our counterparties in exchange for a fixed-rate obligation on our part. In today's market, the net periodic payment owed under these swap agreements is from us to our counterparties. As an example, on our August 1, 2010 semiannual debt service payment date we made a total of $63.4 million of net payments to our counterparties. Conversely, if short-term rates were to rise above the fixed rates of our swap agreements, then the net payment would run in the opposite direction, and we would be on the receiving end.

BASIS RISK

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



As the chart shows, the relationship between the two floating rates changes as market conditions change. Some of the conditions that contributed to our extreme basis mismatch in 2009 and early 2010 were the collapse of the auction rate securities market, the impact of bond insurer downgrades, the funding of bank bonds at higher rates, and SIFMA/LIBOR ratio at historically high levels over 100% We responded to the market disruption by refunding, converting, or otherwise modifying many of the under performing auction rate securities and insured VRDOs, and we eliminated bank bonds by taking advantage of the Temporary Credit and Liquidity Program offered by the federal government.

The new Temporary Credit and Liquidity Program from the federal government and the GSEs has significantly reduced basis mismatch. As part of this process, all bond insurance was removed from VRDOs and the federal government now provides direct credit support on all CalHFA VRDOs. This has allowed CalHFA VRDOs to reset with little or no spread to SIFMA. Since January 2010, our VRDOs have reset at an average of 1 basis point or 0.01% below SIFMA, whereas in 2009, our VRDOs were resetting at an average of 106 basis points or 1.06% above SIFMA. In the first ten months under the TCLF, the basis mismatch is only 4 basis points or 0.04%, as compared to 121 basis points or 1.21% for the ten months preceeding the TCLF. The reduced basis mismatch has resulted in debt service savings of approximately $26.5 million in the first ten months. The main risk that exists is that the SIFMA/LIBOR ratio continues to be high and as market rates rise our basis mismatch may remain higher than expected due to general market conditions. Over the lifetime of our swaps we have experienced approximately $124 million of additional interest expense due to this basis mismatch.

The floating formulas of Agency swaps are usually indexed to LIBOR or SIFMA. LIBOR is the London Interbank Offered Rate index which is used to benchmark taxable floating rate debt, and SIFMA is the Securities Industry and Financial markets Association Index to benchmark tax-exempt variable rates. When the SIFMA/LIBOR ratio is very high, the swap payment we receive falls short of our bond payment, and the all-in rate we experience is somewhat higher. The converse is true when the percentage is low. We continually monitored the SIFMA/LIBOR relationship and the performance of our swap formulas and made certain adjustments to the formula. The following table displays the SIFMA/LIBOR ratio for the past eight calendar years.

Average SIFMA/LIBOR Ratio			
2003	85.4%	2007	69.1%
2004	81.7%	2008	83.7%
2005	72.5%	2009	122.9%
2006	67.6%	2010	96.4%

The table below shows the diversification of variable rate formulas used for determining the payments received from our interest rate swap counterparties.

BASIS FOR VARIABLE RATE PAYMENTS
RECEIVED FROM SWAP COUNTERPARTIES
(notional amounts)
($ in millions)

	Tax-Exempt	Taxable	Totals
% of LIBOR (+ spread)	$2,127	$0	$2,127
SIFMA (+ spread)	420	0	420
Stepped % of LIBOR [1]	251	0	251
3 mo. LIBOR (+ spread)	0	181	181
% of SIFMA	70	0	70
1 mo. LIBOR	0	66	66
3 mo. LIBOR	0	26	26
6 mo. LIBOR	0	21	21
TOTALS	$2,868	$294	$3,162

[1] Stepped % of LIBOR – This formula has seven incremental steps where at the low end of the spectrum the swap counterparty would pay us 85% of LIBOR if rates should fall below 1.25% and at the high end it would pay 60% of LIBOR if rates are greater than 6.75%.

AMORTIZATION RISK

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

The table below shows the speed at which the Agency's single family first mortgage loans have been prepaying for the past five years.

SEMI-ANUAL PREPAYMENT SPEED
FOR PAST FIVE YEARS

6-mo Period Ending:	PSA
Jun-2005	676%
Dec-2005	643%
Jun-2006	320%
Dec-2006	241%
Jun-2007	156%
Dec-2007	81%
Jun-2008	60%
Dec-2008	58%
Jun-2009	89%
Dec-2009	128%
Jun-2010	165%

Of interest is an $323.6 million overswap mismatch between the notional amount of certain of our swaps and the outstanding amount of the related bonds. This mismatch has occurred for two reasons: 1) as a result of the interplay between loan prepayments and the "10-year rule" of federal tax law and 2) the strategic debt management of the Agency to redeem bonds that were hedged but were associated with troubled or problematic financial partners. While some of our bonds are "over-swapped", there are significantly more than enough unswapped variable rate bonds to compensate for the mismatch. To mitigate our overswapped position, we continually monitor the termination value of our "excess swap" position looking for opportunities to unwind these positions when market terminations would be at minimal cost or a positive value to us and by exercising the par swap options as they become available.

TERMINATION RISK

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

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

The table below shows the required collateral amounts currently posted to swap counterparties. In the past months, falling interest rates have caused the swaps to have a negative value to the Agency thereby increasing the amount of collateral being posted to the counterparties.

Swap Collateral Posting
as of 12/29/10
($ in millions)

	JPMorgan	Goldman Sachs	BofA / Merrill Lynch	Total
Marked-to-Market	81	28	19	
Collateral Threshold	50	25	0	
Posting Requirment	31	3	19	53
Agency MBS Posted	25	0	0	25
Agency Cash Posted	4	3	19	26

The Government Accounting Standards Board (GASB) statement No. 53 requires that the market value of all of our swaps be disclosed in the notes to our financial statements. In addition, this accounting standard requires that the Agency's balance sheets and income statements recognize the market value of certain interest rate swaps that are deemed not to be "effective hedges" using the measurement tests provided in GASB 53. The Agency has adopted GASB statement No. 53 for financial statements as of June 30, 2010 and for the fiscal year ended June 30, 2010.

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

TERMINATION VALUE HISTORY

Date	Termination Value ($ in millions)
12/31/09	($226.7)
3/31/10	($242.9)
6/30/10 *	($329.6)
9/30/10	($353.7)

** As reported in the Financial Statements*

TYPES OF VARIABLE RATE DEBT

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

TYPES OF VARIABLE RATE DEBT
($ in millions)

	Auction Rate & Similar Securities	Indexed Rate Bonds	Variable Rate Demand Obligations	Total Variable Rate Debt
HMRB	$0	$998	$2,609	$3,607
MHRB	158	0	597	755
HPB	0	0	79	79
RMRB	0	980	0	980
AMHRB	0	216	0	216
Total	$158	$2,194	$3,285	$5,637

LIQUIDITY PROVIDERS

On October 19, 2009, the United States Treasury (Treasury) announced a new initiative for state and local housing finance agencies (HFAs) to provide a new bond purchase program to support new lending by HFAs and to provide a temporary credit and liquidity program (TCLP) to improve access of HFAs to liquidity for outstanding HFA bonds. On December 23, 2009, the Agency closed eight TCLP transactions with Treasury to replace the liquidity for $3.5 billion of variable rate bonds. The new liquidity became effective in January 2010 on the mandatory tender dates of the bonds and will expire on December 23, 2012.

The table below shows the government-sponsored enterprises (GSE) which are providing liquidity in the form of standby bond purchase agreements for our VRDOs.

LIQUIDITY PROVIDERS
As of 11/1/10
($ in millions)

Financial Institution	$ Amount of Bonds
Freddie Mac	$1,642.5
Fannie Mae	1,642.5
Total	$3,285.0

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State of California

M E M O R A N D U M

To Board of Directors **Date:** January 7, 2010

Bruce D. Gilbertson, Director of Financing

From: CALIFORNIA HOUSING FINANCE AGENCY

Subject: REPORT OF BOND SALE
RESIDENTIAL MORTGAGE REVENUE BONDS 2010 SERIES A AND 2009 SERIES A-3

On Wednesday, December 15, CalHFA closed $60 million of bonds under its Residential Mortgage Revenue Bond Indenture. The bonds were issued in two tax exempt fixed rate series, 2009 Series A-3 and 2010 Series A. The 2009 Series A-3 bonds (the Program Bonds) issued in the amount of $36 million is a conversion of the RMRB 2009 A-1 bonds initially issued in late 2009 under the Federal HFA Initiatives New Issue Bond Program (NIBP). The GSEs (Fannie Mae and Freddie Mac) will retain ownership of the Program Bonds. Participation in the NIBP requires that the Agency sell bonds (the Market Bonds) in a principal amount equal to at least two-thirds of the amount of the released Program Bonds. The Market Bonds were issued as 2010 Series A in the amount of $24 million and were sold to senior managing underwriters, JP Morgan and Bank of America Merrill Lynch under a contract of purchase signed on December 9, 2010. The bonds are rated Aaa by Moody's.

The 2009 Series A-3 bonds will initially bear interest at a short-term rate of .69% and will reset to a long term rate of 3.10% on February 15, 2011. The 2010 Series A bonds will bear interest at rates ranging from .95% on the earliest maturity of February 2012 to 4.625% on the latest maturity of August 2027. The proceeds will be used to purchase mortgage backed securities guaranteed by Ginnie Mae. The underlying loans pooled to create the mortgage backed securities are being made to first-time homebuyers receiving a 30-year fixed interest rate mortgage between 3.75% and 4%. These bond proceeds are expected to provide funding to approximately 285 new California homeowners.

Additional details of the Bonds are outlined in the attached summary.

It is expected that the Agency will issue bonds again for this purpose in mid- to late-spring.

SUMMARY OF THE BONDS		
BOND SERIES	2010 A	2009 A-3
Par Amount	$24,000,000	$36,000,000
Type of Bonds (Tax-exempt)	Fixed (serial and term bonds)	Fixed (term bonds)
Tax Treatment	Non-AMT	Non-AMT
Maturities	2/1/2012 - 8/1/2021 8/1/2020 & 8/1/2027	8/1/2041
Credit Rating Moody's	Aaa	Aaa
Interest Rates	.95% - 4.625%	0.69% through 2/15/2011 3.10% after 2/15/2011
Insurance Provider	N/A	N/A

State of California

M E M O R A N D U M

To: Board of Directors **Date:** January 7, 2011

Bruce D. Gilbertson, Director of Financing
From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: ANNUAL INVESTMENT REPORT

In 1995 the Board adopted an investment policy and asked for a periodic investment report. Attached for your information is an investment report as of June 30, 2010, the end date for the most recent fiscal year. This report shows that CalHFA moneys continue to be invested in accordance with the Board-approved investment policy.

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INVESTMENT REPORT
JUNE 30, 2010

SUMMARY

As of June 30, 2010, CalHFA had $11.5 billion of assets, $10.0 billion of liabilities, and $1.5 billion of fund equity. Out of the $11.5 billion of assets, $3.7 billion (32%) consisted of cash equivalents and investments (together "investments").

When comparing the investment balance as of June 30, 2009 to the investment balance as of June 30, 2010, there is a $1.5 billion increase. Most of the increase in investment balances is attributable to the funding of the New Issue Bond Program ("NIBP") Escrow of $1.4 billion, see table below. It is worth noting that the Agency had limited discretion over the investment of the NIBP Escrow. The investment options were stipulated by the U.S. Treasury, the sponsor of NIBP, and the investment earnings from the NIBP Escrow are "passed-thru" as interest payments on the NIBP bonds.

The portfolio, excluding the NIBP escrow, is still heavily concentrated in the State Investment Pool (72% of the total), which means the investment earnings are likely to remain very low. The State Investment Pool's average yield for FY2010 was 0.66%, and we expected the average yield for FY2011 to drift lower.

The persistence of lower interest rates is the principal risk of the investments portfolio. Looking at the entire balance sheet, however, the interest rate risk on the investments is largely offset by the Agency's unhedged variable rate bonds, which benefit from lower interest rates.

AMOUNT INVESTED
($ in millions)

Investment Type	Bond Indenture	CalHFA G-O	NIBP Escrow	non-CalHFA	Total
Investment agreements	$ 303.3	$ 0.0	$ 0.0	$ 0.0	$ 303.3
State Investment Pool	812.9	199.5	0.0	674.1	1,686.5
Securities (Fair market value)	238.1	0.1	0.0	43.3	281.5
Money market and Bank deposit	47.4	13.8	1,397.7	7.4	1,466.3
Totals	$1,401.7	$213.4	$1,397.7	$724.8	$3,737.6

INVESTMENT AGREEMENTS

As stated in the Investment Policy, we have always strived to invest bond moneys in investment agreements. Such agreements give us a high level of security of principal, a fixed rate of return to match the fixed cost of our debt, and complete liquidity so that we can use them like interest-bearing checking accounts and make deposits and withdrawals on short notice. Balances invested in investment agreements increased to $303 million ($233 million as of June 30, 2009). This increase, however, is not due to the acquisition of additional investment agreements. Most of the money are invested in float accounts and will be withdrawn and used for debt service payments and redemptions on August 1, 2010 and February 1, 2011.

It is worth noting that the universe of investment agreement providers has diminished greatly due to credit rating downgrades and lower interest rates. The Agency will monitor this marketplace and attempt to acquire more eligible investment agreements as the opportunities arise.

INVESTMENT AGREEMENT BALANCES
($ in millions)

	Reserve Funds	Debt Service Funds	Totals
Single Family	$65.5	$188.5	$254.0
Multifamily	0	49.3	49.3
Totals	$65.5	$237.8	$303.3

The first two attachments show information about our $303.3 million of deposits with financial institutions providing us with investment agreements. If the financial institution's credit ratings were to fall below a certain threshold level, we have the right to request collateralization or the return of our deposits. In recent years, the Agency has liquidated its position in investment agreements provided by DEPFA bank, AIG, MBIA and Aegon. The liquidated proceeds were invested in the State Investment Pool.

State Investment Pool (Surplus Money investment fund "SMIF")

As shown in the table on page 2, we have $1.686 billion invested in the State Investment Pool, also referred to as Surplus Money Investment Fund ("SMIF"), which, over time, has given us security, a relatively competitive return, complete liquidity, and administrative simplicity.

As stated in the Investment Policy, we invest most of the non-bond indenture moneys (funds invested under our Housing Assistance Trust, Contract Administration Programs, money received from HUD for the Section 8 projects, servicing impound account moneys, funds set aside for warehousing of loans, funds held in the Agency's operating account and general reserves of the Agency), in the SMIF. In recent years the Agency has been investing an increasing amount of bond moneys in the State Investment Pool.

The State's treasury operations are managed in compliance with the California government code and according to a statement of investment policy which sets forth permitted investment vehicles, liquidity parameters and maximum maturity of investments. The Pooled Money Investment Account (PMIA) operates with the oversight of the Pooled Money Investment Board (consisting of the State Treasurer, the State Controller and Director of Finance).

The Treasurer does not invest in leveraged products or inverse floating rate securities. The investment policy permits the use of reverse repurchase agreements subject to limits of no more than 10 percent of the PMIA. All reverse repurchase agreements are cash matched either to the maturity of the reinvestment or an adequately positive cash flow date which is approximate to the maturity of the reinvestment. The PMIA does not hold any investments in obligations of California investor-owned utilities. As of June 30, 2010 the average life of the investment portfolio of the PMIA was 203 days.

Securities

The third attachment provides additional information about the $281.5 million (fair market value) of securities held by the Agency, which are largely Fannie Mae and Ginnie Mae securities backed by loans originated for our single family and multifamily programs.

Money Market and Bank Deposits

Our bond trustee sweeps overnight deposits into a U.S. Treasury money market fund. The amount invested in the money market includes some bond program moneys which we expect to use to purchase loans or to pay costs of issuance. In addition, this category includes loan servicing revenues held in commercial bank deposit accounts.

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