

# Board meeting

Oct 18, 2011

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## CalFHA's strategic objectives

- Maintain G-O ratings (A3/A-) in the single-A category
- Maintain investment grade ratings for HMRB (BBB/Baa2)
- *Focused on a ratings framework because rating triggers can cause liquidity pressures by*
  - *interrupting the flow of cash as originally structured*
  - *precipitating additional collateral demands*

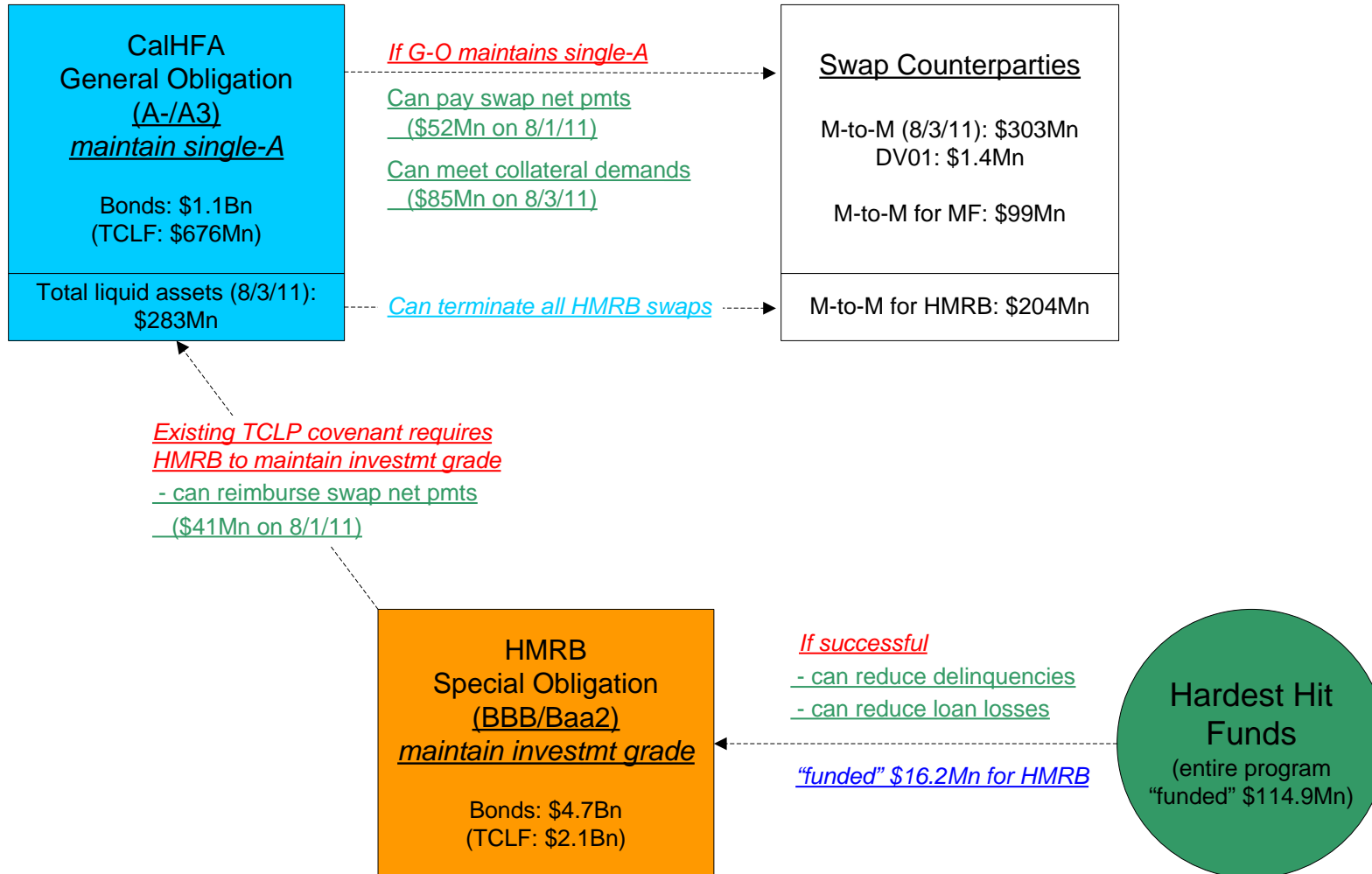
## History of rating actions

CalHFA General Obligation		
	<u>S&amp;P's</u>	<u>Moody's</u>
Current rating	A-	A3
	Negative Outlook	Negative Outlook
AA		Aa2
AA-	<< pre-2009 >>	<< pre-2009 >>
A+		07/22/09
A	03/31/10	10/26/10
A-	05/12/11	09/19/11
----- single-A threshold -----		

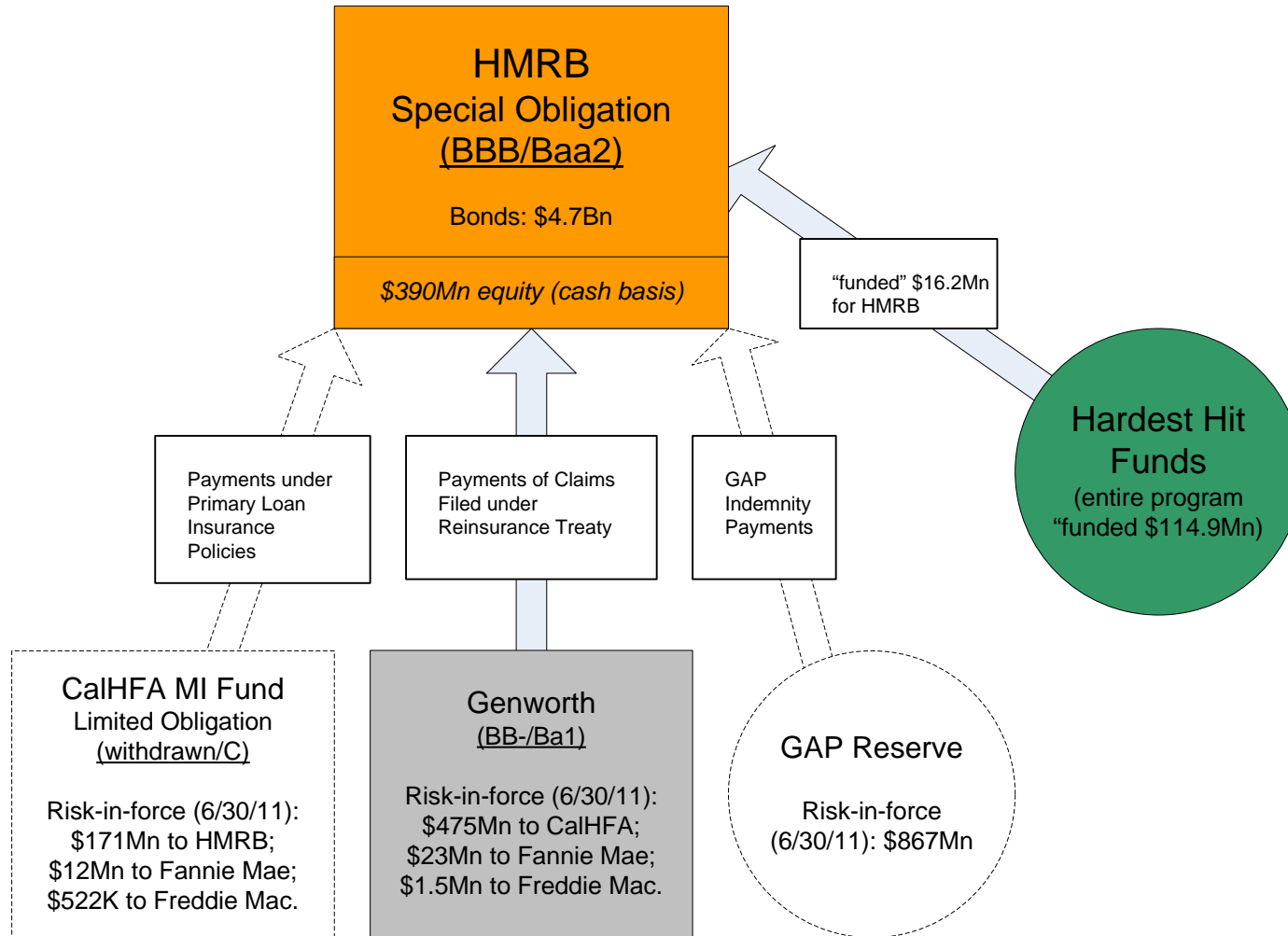
current rating

HMRB (Special Obligation)		
	<u>S&amp;P's</u>	<u>Moody's</u>
Current rating	BBB	Baa2
	Stable Outlook	Negative Outlook
AA		<< pre-2009 >>
AA-	<< pre-2009 >>	07/22/09
A+		A1
A	04/01/10	A2
A-		04/20/10
BBB+		06/06/11
BBB	05/10/11	09/19/11
BBB-		Baa3
---- investment grade threshold ----		

# Maintain ratings above thresholds



# HMRB's credit supports



## Recent successes

CalHFA  
General Obligation  
(A-/A3)  
maintain single-A

HMRB reimbursed the G-O for the swap net payments on 8/1/11  
Exercised \$34Mn of swap par terminations on 8/1/11  
- \$300Mn+ of swap par terminations on 2/1/12

Re-structured swap collateral thresholds at BBB+/Baa1 with 4 counterparties  
- net increase in collateral threshold: \$56Mn

HMRB  
Special Obligation  
(BBB/Baa2)  
maintain investmt  
grade

Purchased \$440Mn of fixed-rate bonds in the secondary market  
- net savings: \$39Mn

Received **\$68Mn** of claims payments from Genworth in calendar 2011  
Received \$275Mn of claims payments from Genworth ETD (through 7/31/11)

Executed 654 loan modifications to date (75% cure rate)

## Upcoming challenges

Issue #1

Extension of U.S. Treasury's TCLP initiative

Issue #2

Increase in swap collateral posting requirements (due to further interest rate declines or G-O ratings downgrades) may consume available liquidity

Issue #3

Delinquencies, foreclosures and loan losses on the single family conventionally-insured portfolio

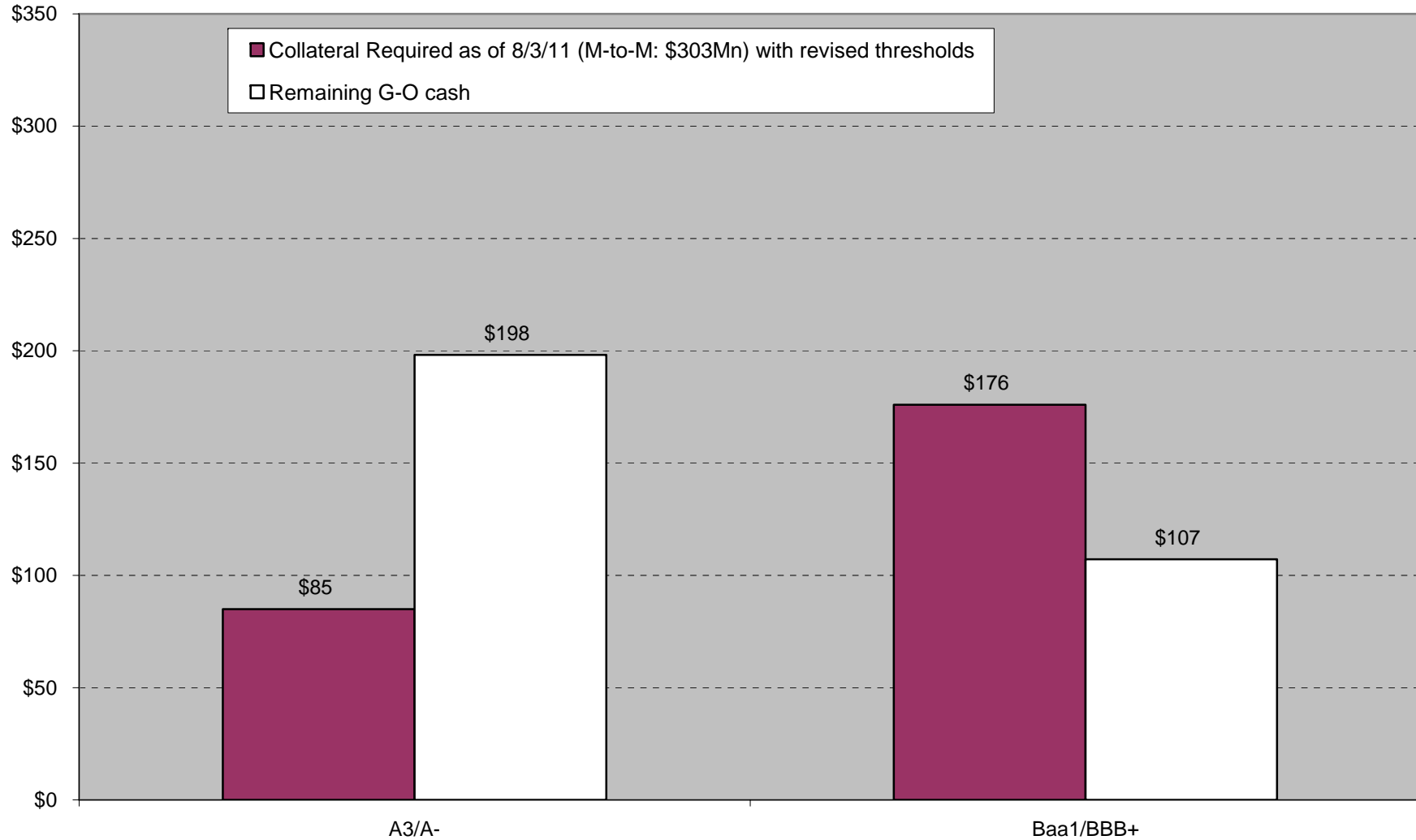
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## Extension of U.S. Treasury's TCLP

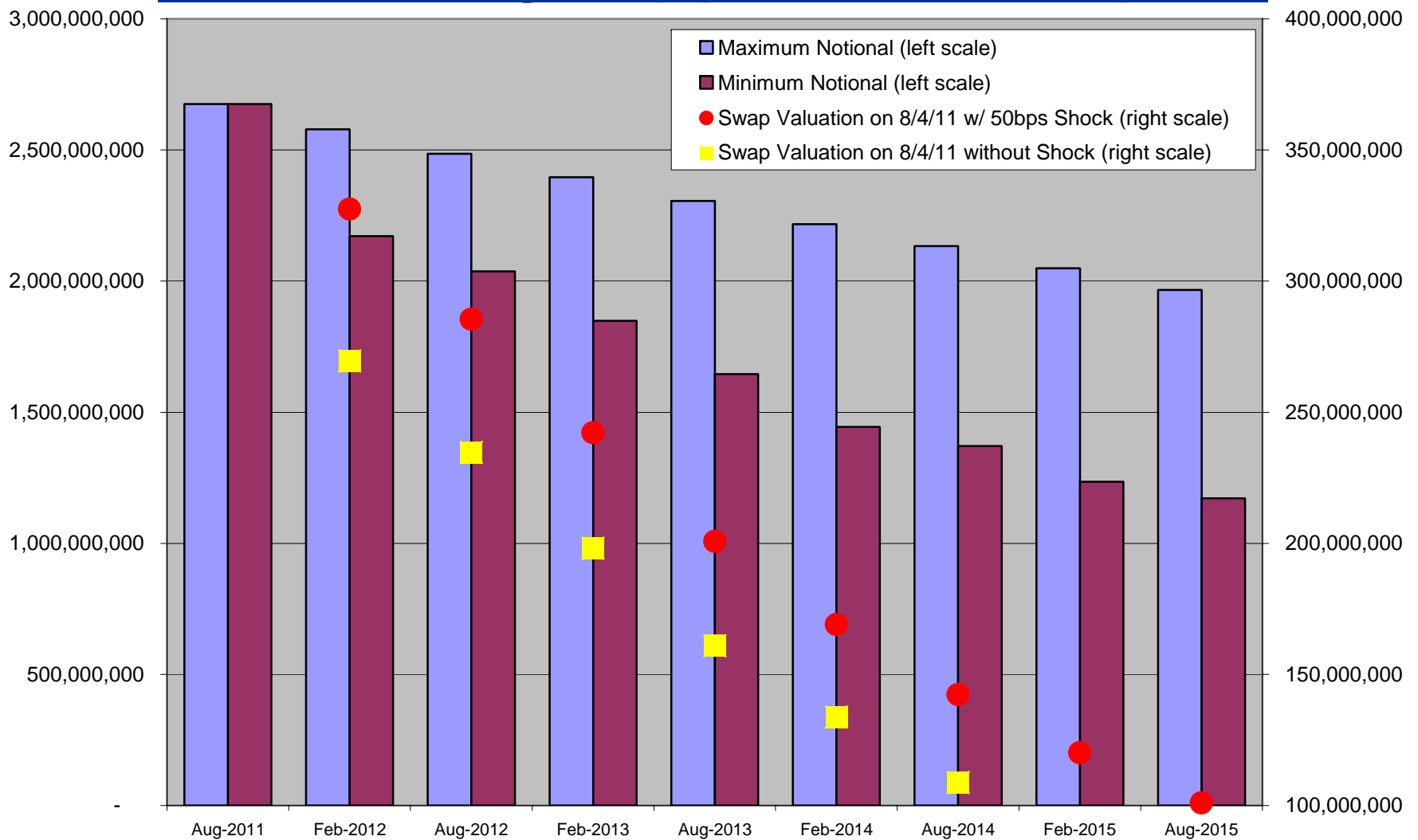
- On September 13, 2011, Treasury announced its intention to extend the expiration of the TCLP to December 31, 2015
- The extension would be accompanied by an extension of the fees paid consistent with the existing pricing model
- Additional details will follow



## Collateral posting requirements as of 8/3/11



## To reduce the collateral posting risk, the Agency has been exercising swap par termination options



**Available Agency (G-O) cash  
(unencumbered by bond indentures)**

<b><u>Sources of Liquidity</u></b>	<b><u>3-Aug-11</u></b>
General Accounts	111,978,834
Operating/Financing Accounts	45,082,654
Emergency Reserve	31,889,056
Supplementary Bond Security Account	<u>9,338,461</u>
Beginning Liquidity Balance	198,289,005
<i>Collateral posted on 8/3/11</i>	<u><i>85,000,000</i></u>
<i>Total liquid assets available</i>	<u><u><i>283,289,005</i></u></u>

## Projection of Agency (G-O) cash from 8/3/11 to 12/31/15

	3-Aug-11 through 31-Dec-11	1-Jan-12 through 31-Dec-12	1-Jan-13 through 31-Dec-13	1-Jan-14 through 31-Dec-14	1-Jan-15 through 31-Dec-15
<b>Beginning Balance</b>	198,289,005	194,738,854	206,089,249	224,904,912	233,263,541
<b>Sources Of Liquidity</b>					
P&I Payments from Unencumbered Loan Portfolio	9,884,773	38,463,748	44,636,508	36,442,503	37,956,123
Admin Fees, Loan Servicing and Investment Income	1,894,000	14,689,980	13,357,156	12,121,753	10,947,356
Reimbursement of Swap Net Payments from HMRB	-	66,962,526	50,394,094	40,394,526	29,709,469
Excess Revenues from Multifamily Loan Programs	5,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Total Estimated Liquidity	215,067,777	324,855,108	324,477,006	323,863,694	321,876,489
<b>Uses of Liquidity</b>					
Operating Expenses	15,366,196	46,803,333	44,178,000	45,205,627	47,465,799
Fund Existing Loan Commitments	1,400,000	-	-	-	-
Financing and Debt Service Related	1,875,000	5,000,000	5,000,000	5,000,000	5,000,000
Advance Swap net payments for HMRB	-	66,962,526	50,394,094	40,394,526	29,709,469
GAP Claim Payments	1,687,727	-	-	-	-
Total Uses of Liquidity	20,328,923	118,765,859	99,572,094	90,600,153	82,175,268
<b>Ending Balance</b>	194,738,854	206,089,249	224,904,912	233,263,541	239,701,221

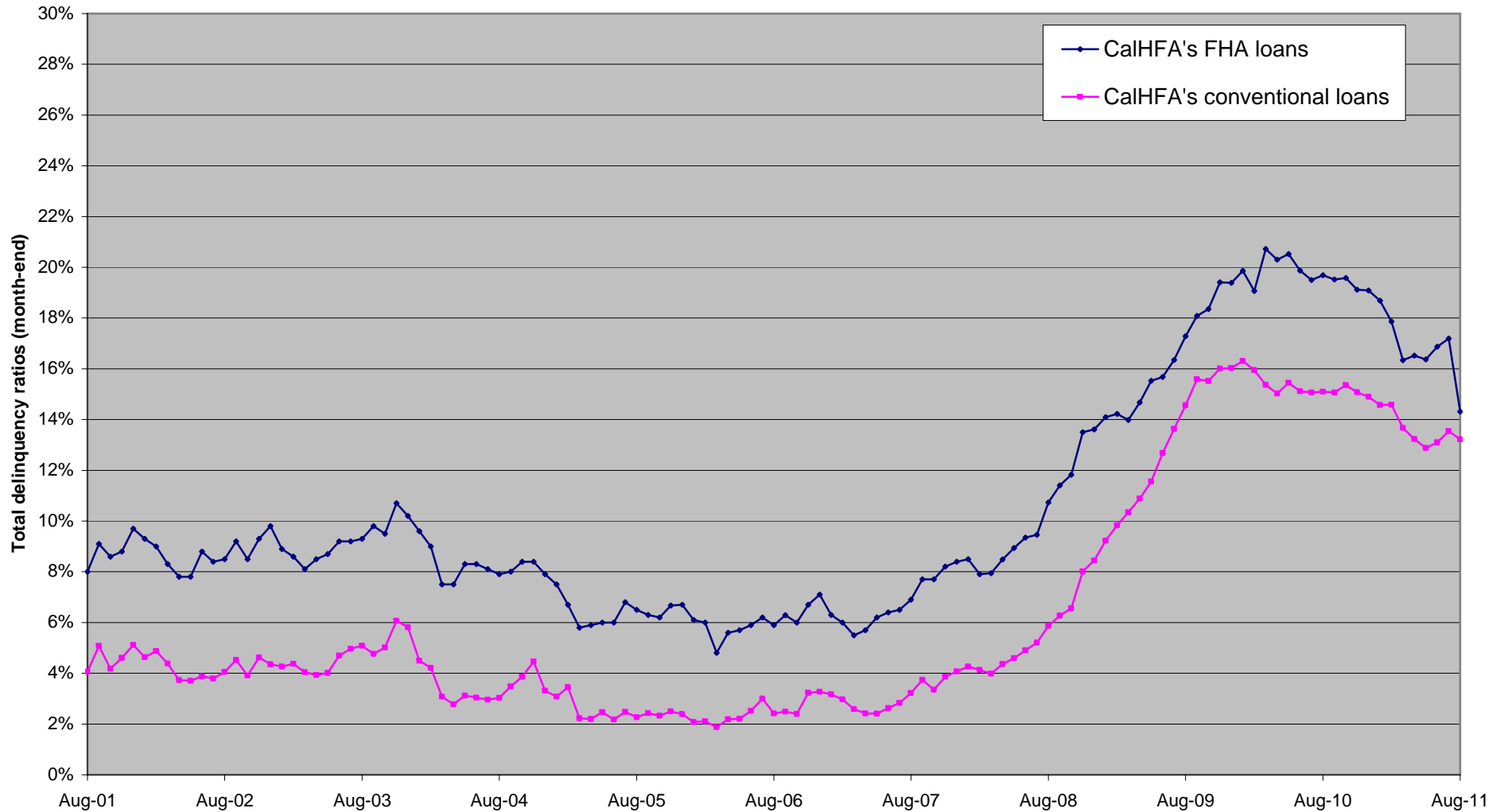
*Delinquencies, foreclosures and loan losses on the single family conventionally-insured portfolio*

## Entire loan portfolio as of 8/31/2011 sorted by mortgage insurance type

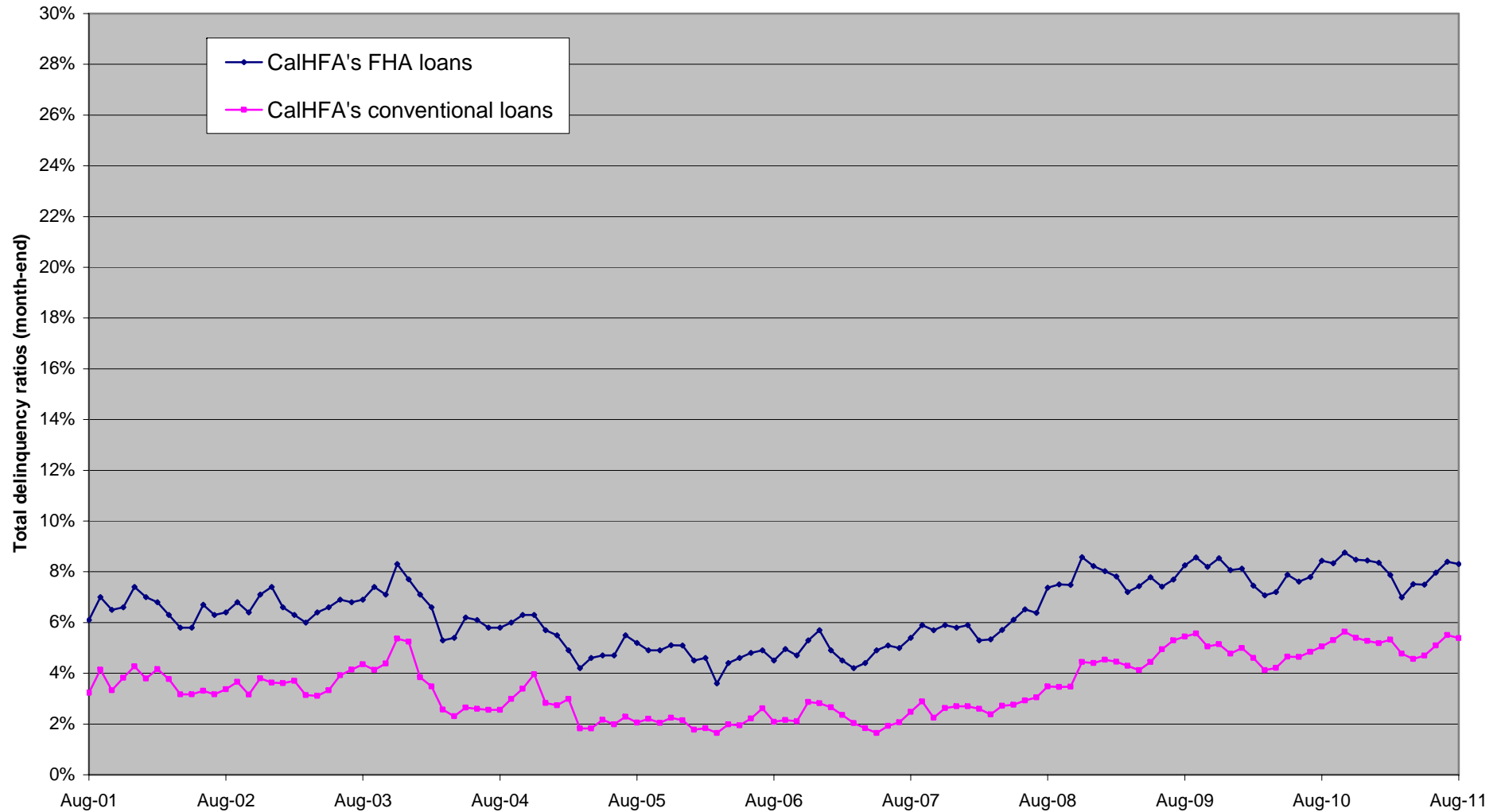
	<u># of loans</u>	<u>Balance</u>	<u>%</u>	<u>Delinquency Ratios</u>			
				<u>30-Day</u>	<u>60-Day</u>	<u>90-Day+</u>	<u>Total</u>
<b><u>Federal Guaranty</u></b>							
FHA	9,758	\$ 1,218,349,010	28.7%	6.15%	2.15%	6.02%	14.32%
VA	307	43,243,350	1.0%	2.61%	0.98%	7.17%	10.75%
RHS	90	16,805,051	0.4%	1.11%	1.11%	20.00%	22.22%
<b><u>Conventional loans</u></b>							
<b><u>with MI</u></b>							
CalHFA MI Fund	6,539	1,733,650,626	40.8%	4.82%	2.17%	11.13%	18.12%
<b><u>without MI</u></b>							
Originated with no MI	5,216	1,043,022,012	24.6%	2.65%	1.36%	4.87%	8.88%
MI Cancelled*	1,373	192,107,775	4.5%	2.18%	0.80%	3.42%	6.41%
<b>Total CalHFA</b>	<b>23,283</b>	<b>\$4,247,177,824</b>	<b>100.0%</b>	<b>4.69%</b>	<b>1.88%</b>	<b>7.11%</b>	<b>13.68%</b>
<i>All conventional loans:</i>	13,128	\$2,968,780,412		3.68%	1.71%	7.84%	13.22%

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

## Total delinquent ratios for FHA loans and all conventional loans



## 30-day and 60-day delinquent ratios for FHA loans and all conventional loans





## 90-day+ delinquent and foreclosure ratios for FHA loans and all conventional loans

