



BOARD OF DIRECTORS

*California Housing Finance Agency
Board of Directors*

January 19, 2012

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

10:00 a.m.

1. Roll Call.
2. Approval of the minutes of the October 18, 2011 Board of Directors meeting.....1
3. Chairman/Executive Director comments.
4. Discussion, recommendation and possible action regarding the adoption of a resolution authorizing the Agency's single family bond indentures, the issuance of single family bonds, short term credit facilities for homeownership purposes, and related financial agreements and contracts for services. (Tim Hsu)
Resolution 12-0175
5. Discussion, recommendation and possible action regarding the adoption of a resolution authorizing the Agency's multifamily bond indentures, the issuance of multifamily bonds, short term credit facilities for multifamily purposes, and related financial agreements and contracts for services. (Tim Hsu)
Resolution 12-0291
6. Discussion, recommendation and possible action regarding the adoption of a resolution authorizing applications to the California Debt Limit Allocation Committee for private activity bond allocations for the Agency's homeownership and multifamily programs. (Tim Hsu)
Resolution 12-03109
7. Review and discuss the Agency's policy of allowing homeowners with Agency first-mortgages to rent their home. (Claudia Cappio)115

8.	Report of the Chairman of the Audit Committee. (Ruben Smith)	
9.	Discussion, recommendation and possible action to select an auditor to perform the yearly financial audit of both the California Housing Finance Fund and the California Housing Loan Insurance Fund. (Ruben Smith/Steve Spears/Lori Hamahashi)	
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12.	Discussion of other Board matters.	
13.	Public testimony: Discussion only of other matters to be brought to the Board's attention.	
14.	Adjournment	
15.	Handouts	

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 1/2 hour, thereafter, with a maximum of \$16.00.

FUTURE MEETING DATES: Next CalHFA Board of Directors Meeting will be March 14, 2012, at the Burbank Airport Marriott, Burbank, California.

STATE OF CALIFORNIA
CALIFORNIA HOUSING FINANCE AGENCY



BOARD OF DIRECTORS
PUBLIC MEETING



Holiday Inn Capitol Plaza
300 J Street
Sacramento, California

Tuesday, October 18, 2011
10:00 a.m.



Reported by: DANIEL P. FELDHAUS, CSR #6949, RDR, CRR

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A P P E A R A N C E SBoard of Directors Present

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

CLAUDIA CAPPIO
Executive Director
California Housing Finance Agency
State of California

KATIE CARROLL
for Bill Lockyer
State Treasurer
State of California

MICHAEL A. GUNNING
Vice President
Personal Insurance Federation of California

JONATHAN C. HUNTER
Managing Director, Region 2
Corporation for Supportive Housing

PEDRO REYES
for Ana J. Matosantos, Director
Department of Finance
State of California

RUSS SCHMUNK
for Cathy Cresswell, Acting Director
Department of Housing and Community Development
State of California

RUBEN A. SMITH
(Chair of Advisory Committee)
Partner
Adorno Yoss Alvarado & Smith

TRACI STEVENS
Acting Undersecretary
Business, Transportation, and Housing Agency
State of California

A P P E A R A N C E S**Participating CalHFA Staff**

ROBERT L. DEANER II
Director of Multifamily Programs

BRUCE D. GILBERTSON
Director of Financing

TIM HSU
Financing

VICTOR J. JAMES
Deputy General Counsel

JOJO OJIMA
Office of the General Counsel

DIANE RICHARDSON
Director of Legislation

L. STEVEN SPEARS
Chief Deputy Director

LINN WARREN
Mortgage Insurance Services

--o0o--

Public Testimony

ROSS ROMERO
Chicanos Unidos

--o0o--

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1 BE IT REMEMBERED that on Tuesday, October 18,
2 2011, commencing at the hour of 10:18 a.m., at the
3 Holiday Inn Capitol Plaza, 300 J Street, Sacramento,
4 California, before me, DANIEL P. FELDHAUS, CSR #6949,
5 RDR and CRR, the following proceedings were held:

6 --oOo--

7 **Item 1. Roll Call**

8 CHAIR CAREY: I would like to welcome everybody
9 to the October 18th meeting of California Housing Finance
10 Agency Board of Directors.

11 The first order of business will be roll call.

12 MS. OJIMA: Thank you.

13 Mr. Schmunk for Ms. Creswell?

14 MR. SCHMUNK: Here.

15 MS. OJIMA: Mr. Gunning?

16 MR. GUNNING: Here.

17 MS. OJIMA: Mr. Hunter?

18 MR. HUNTER: Here.

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

20 MS. CARROLL: Here.

21 MS. OJIMA: Thank you.

22 Mr. Shine?

23 *(No response)*

24 MS. OJIMA: Mr. Smith?

25 MR. SMITH: Here.

1 MS. OJIMA: Ms. Stevens?
2 MS. STEVENS: Here.
3 MS. OJIMA: Mr. Alex?
4 *(No response)*
5 MS. OJIMA: Mr. Reyes for Ms. Matosantos?
6 MR. REYES: Present.
7 MS. OJIMA: Thank you.
8 Ms. Cappio?
9 MS. CAPPPIO: Here.
10 MS. OJIMA: Mr. Carey?
11 CHAIR CAREY: Here.
12 MS. OJIMA: We have a quorum.
13 CHAIR CAREY: Thank you, JoJo.
14 --oOo--
15 **Item 2. Approval of the minutes of the July 21, 2011,**
16 **Board of Directors meeting**
17 CHAIR CAREY: The second item is approval of
18 the minutes of July 21st.
19 MR. GUNNING: Move the minutes.
20 MS. STEVENS: Second.
21 CHAIR CAREY: Moved and seconded.
22 Roll call, please.
23 MS. OJIMA: Was that Ms. Stevens?
24 CHAIR CAREY: Yes.
25 MS. OJIMA: Thank you.

1 Mr. Schmunk?
2 MR. SCHMUNK: Aye.
3 MS. OJIMA: Mr. Gunning?
4 MR. GUNNING: Aye.
5 MS. OJIMA: Mr. Hunter?
6 MR. HUNTER: Aye.
7 MS. OJIMA: Ms. Carroll?
8 MS. CARROLL: Yes.
9 MS. OJIMA: Mr. Smith?
10 MR. SMITH: Yes.
11 MS. OJIMA: Ms. Stevens?
12 MS. STEVENS: Aye.
13 MS. OJIMA: Mr. Carey?
14 CHAIR CAREY: Yes.
15 MS. OJIMA: The minutes have been approved.
16 CHAIR CAREY: Thank you.

17 --oOo--

18 **Item 3. Chairman/Executive Director comments**

19 CHAIR CAREY: I apologize for a bit of a late
20 start. And I also want to apologize for the fact that
21 we had to reschedule this meeting. Several members
22 unavoidably were out of town and couldn't be here. So
23 I appreciate, especially the staff, who had to rework all
24 the arrangements.

25 And with that, I will turn it over to our

1 Executive Director.

2 MS. CAPPPIO: Good morning. Just a few items of
3 note.

4 We had a meeting, a team of CalHFA members had
5 a meeting with U.S. Treasury and with Moody's in August.
6 The good news was that the U.S. Treasury has decided, at
7 least conceptually, to extend the Temporary Liquidity
8 Bond program. We don't have the details yet, but it will
9 be forthcoming.

10 And we got a slight haircut from Moody's, but
11 we are still stable.

12 That action and the continuing volatility of
13 the capital and bond markets has caused us to initiate
14 the strategic and budget planning for the following year
15 sooner, and we'll be doing that in the next couple of
16 weeks and months in order to look at new strategic
17 priorities and possible directions for the Agency,
18 supplementing what we do now.

19 And I will be reporting back, hopefully to you,
20 with the details in January.

21 We've been working with our sister agencies,
22 or sister housing agencies, on a number of initiatives,
23 including a permanent source to vet whether we can go for
24 that again in California, to stabilize sources of
25 funding, and also an affordable housing cost study.

1 That request for proposal is going out within
2 the next 30 to 45 days in response to the big and serious
3 concerns about the increasing cost of producing
4 affordable housing.

5 And finally, just to make note, I know that
6 there has been some discussion about the November 17th
7 meeting. Given that we do not know about when the
8 details of the Temporary Liquidity Bond program will be
9 forthcoming from the U.S. Treasury, we may need to call a
10 meeting before the end of the year if you need to take
11 action on the details or arrangement or agreement per
12 that extension.

13 So with that, I end my comments.

14 And thank you very much.

15 CHAIR CAREY: Thank you very much.

16 --oOo--

17 **Item 4. Closed session**

18 CHAIR CAREY: With that, we will be adjourned
19 into closed session under Government Code 11126(e)(1) to
20 confer with and receive advice from counsel regarding
21 litigation.

22 *(The Board of Directors met in closed*
23 *session from 10:22 a.m. to 11:12 a.m.)*

24 CHAIR CAREY: We are back in session.

25 Thank you for your patience.

1 **Item 5. Report of the Audit Committee Chairman**

2 CHAIR CAREY: And our next item of business is
3 a report from the Audit Committee chair.

4 Mr. Smith?

5 MR. SMITH: So the Audit Committee met earlier
6 this morning, and the discussion was regarding the RFP
7 for an auditing firm and the procedures to be followed in
8 the selection process.

9 And the Audit Committee wanted to propose a
10 recommendation to the full board as to how we might
11 proceed.

12 I'm not sure that -- I'm assuming it's in your
13 materials, the RFP proposal that was proposed by the
14 staff.

15 In essence, what we agreed was -- because of
16 the timing, I think our audit needs to start by February,
17 and we need to have a contract in place by February --
18 we recommended that two members from the Audit Committee
19 be designated to work with the two members of the staff
20 in evaluating, one, completing and finalizing the
21 proposal, substantially in the form that it's in, with
22 some recommendations that were made; and, two, to score
23 that proposal, and then bring the results back to the
24 Audit Committee, which would then recommend to the full
25 board which firm we would recommend selecting with all of

1 the information, in terms of how they were scored, so
2 that the full board would have that information, but
3 would allow the flexibility so that at least two Board
4 members would be involved in the selection process and
5 the interviewing process.

6 So I think there's really two items. One would
7 be to talk about the process, which is what I just
8 described; and the other one is a couple of changes that
9 we recommended to the RFP.

10 I think that's it on the actual issue with
11 respect to the procedures to be followed.

12 You -- the full board -- would have the final
13 decision, but the idea to get Board involvement is to
14 have two Board members serve on the committee with two
15 staff members. And then those scoring results would be
16 brought back to the full board.

17 So I think that would be in the form of a
18 motion to ask the full board to approve that process so
19 that we can move forward without having to have any other
20 meetings other than our January meeting, which is where
21 we would bring the results to the full board.

22 MS. STEVENS: So moved.

23 CHAIR CAREY: We have a motion and a second.

24 Any further discussion on that?

25 *(No response)*

1 CHAIR CAREY: This is a result of the Board's
2 interest in being more integrally involved in the
3 selection of the audit firm without hampering the process
4 too much, and it seems to fit that well.

5 So with that, we'll have a roll-call vote.

6 MR. JAMES: Public comment?

7 CHAIR CAREY: Oh, yes, thank you.

8 This is an action item. So we would invite
9 comment from anyone in the public who would like to
10 comment on this particular item.

11 *(No response)*

12 CHAIR CAREY: Seeing none, we'll have a roll
13 call.

14 MS. OJIMA: Did Ms. Carroll make the motion?

15 CHAIR CAREY: Mr. Smith made the motion.

16 MR. SMITH: I made the motion.

17 MS. OJIMA: Thank you.

18 Mr. Schmunk?

19 MR. SCHMUNK: Aye.

20 MS. OJIMA: Mr. Gunning?

21 MR. GUNNING: Aye.

22 MS. OJIMA: Mr. Hunter?

23 MR. HUNTER: Aye.

24 MS. OJIMA: Ms. Carroll?

25 MS. CARROLL: Yes.

1 MS. OJIMA: Mr. Smith?

2 MR. SMITH: Yes.

3 MS. OJIMA: Ms. Stevens?

4 MS. STEVENS: Aye.

5 MS. OJIMA: Mr. Carey?

6 CHAIR CAREY: Aye.

7 MS. OJIMA: It has been approved.

8 MR. SMITH: And then just to give a report back
9 to you in terms of some of the comments that were made
10 with respect to the RFP, one is that one of the questions
11 that was asked by staff is whether Deloitte should be
12 allowed to participate. The Audit Committee felt that
13 that would be fine, provided that they were asked to
14 bring new people in so that we could get a fresh
15 perspective.

16 The idea is, regardless of which firm we end up
17 selecting, that we want a fresh pair of eyes, and at
18 least to consider what that cost would be. But we did
19 want to leave it open. We also asked that it be open to
20 anyone who wanted to apply, and to try to have some more
21 outreach in terms of diversity in terms of who might
22 apply to the RFP.

23 There was also some discussion about joint
24 ventures between diverse firms and majority firms.
25 That's something that I'm not sure applies in this

1 context, so we'll leave that up to the committee to see
2 how that might play out.

3 The other comment was to attach to the RFP the
4 actual contract, so that in the RFP process, if a bidder
5 had any issues with the contract that we were proposing,
6 that would be part of their RFP response.

7 And that way, we could shorten the time frame
8 of when we select someone, because we would already
9 have a basic and approved contract in place, so it
10 eliminates the whole negotiation of the contract. And
11 given our timing, that would expedite our ability to move
12 forward.

13 I think that was the summary of the majority
14 issues discussed, so now the full board has the
15 information.

16 Any questions, let us know.

17 MS. CARROLL: In terms of -- speaking about
18 rotation and getting some different ideas in, how long
19 have we had Deloitte? How long have they been our
20 auditors?

21 MR. SMITH: I know it's at least six years, but
22 I will ask Steve to -- it's been a long time.

23 MR. SPEARS: A very long time. Ten-plus years.

24 MS. CARROLL: I certainly applaud the idea of
25 getting at least new staffing partners in. I think we

1 should consider that in the selection process and the
2 possibility of rotation in the selection process.

3 That's a long time to have one audit firm.

4 MR. SMITH: Right. And I think that's why we
5 asked them to at least make all new members, including
6 the top management. It's not just rotating the staff,
7 but the folks who have been involved in the process.

8 MS. CARROLL: Right, although it is still the
9 same firm.

10 MR. SMITH: Yes, yes. We wanted to at least
11 let them make a proposal, and we could compare it with
12 the others.

13 MS. CARROLL: Sure, sure.

14 CHAIR CAREY: Any other questions?

15 *(No response)*

16 CHAIR CAREY: Thank you very much.

17 Steve, were you going to make some comments
18 about the RFP or -- go ahead. It's yours.

19 MR. SPEARS: Well, Mr. Chairman, do you want to
20 address the issue of the two members who are going to
21 serve?

22 CHAIR CAREY: Yes.

23 MR. SPEARS: I don't have any other comments
24 about the RFP.

25 CHAIR CAREY: Okay, and both Mr. Gunning and

1 Mr. Smith have agreed to serve on that working group.

2 And so just to clarify it, it's a working
3 group, working with the staff, it gives us a hand into
4 the process.

5 Their recommendation will go to the Audit
6 Committee prior to the January Board meeting, and then
7 will come to the full board at the January Board meeting.
8 And that will be the Board's action point, is at the
9 January Board meeting.

10 MR. SPEARS: And the Executive Director will
11 appoint the two staff at some future date.

12 MS. CAPPPIO: Soon.

13 CHAIR CAREY: Okay, any further discussion on
14 that?

15 *(No response)*

16 CHAIR CAREY: Okay, moving on to -- so we don't
17 need anything else on the RFP process or anything?

18 MR. SPEARS: No, sir, I don't believe so.

19 --oOo--

20 **Item 6. Update and discussion regarding the financial**
21 **condition of the Agency, including an update**
22 **regarding the status of the U.S. Treasury's**
23 **New Issue Bond Program and the Temporary Credit**
24 **and Liquidity Program.**

25 CHAIR CAREY: Okay, moving on, update and

1 discussion regarding the financial condition of the
2 Agency.

3 Steve and Bruce.

4 MR. SPEARS: And Tim.

5 CHAIR CAREY: And Tim.

6 MR. GILBERTSON: Good morning, Mr. Chairman and
7 Members of the Board.

8 In your binder, you will notice there is a
9 brief memo dated September 12th. Because the meeting was
10 postponed, it hasn't been updated, but most of the
11 information is relevant.

12 We wrote that memo shortly after making the
13 East Coast trip to visit both the United States Treasury
14 regarding the TCLP and whether or not they would be able
15 to extend the program, and then also a lengthy
16 conversation that we had with Moody's just prior to them
17 going to rating committee.

18 I also understand that Board members did
19 receive the rating-letter updates, the notice of
20 downgrades in late September. You know, we lost one
21 notch in both the general obligation rating of the
22 Agency, as well as the HMRB indenture rating.

23 So what we thought we'd do today is kind of
24 give you another update.

25 You've heard from Tim and I many times over the

1 last couple years about the financial situation at
2 CalHFA, our condition, and the credit challenges that we
3 still face.

4 So the easiest way for us to kind of walk you
5 through this, is to lay out the strategic objectives that
6 management has had for the last few years. There are
7 rating levels that are triggers, and they're bright
8 lines, almost. And so we need to maintain, to the extent
9 possible, the G.O. rating of the Agency in the single-A
10 category. Currently, it's at the bottom rung of the
11 A category: A3 by Moody's and A- by S & P.

12 And then we also need to maintain the largest
13 bond-indenture rating of the Agency, a special-obligation
14 indenture, we refer to as the "Home Mortgage Revenue
15 Bond" indenture at investment grade. So that's the
16 bottom rung of the BBB rating levels. Currently, BBB by
17 S & P and Baa2 at Moody's.

18 And all of this is to have this rating
19 framework. If we can keep things in check at those
20 levels, you know, the flow of funds will work, the
21 liquidity of the Agency we believe will be sufficient to
22 get us through this crisis.

23 If, however, we fall below those rating levels,
24 it potentially would interrupt the cash flow and
25 liquidity position of the Agency, causing some other

1 future challenges. And we'll get into that as we go
2 through this presentation today.

3 Here is a history of the rating actions. You
4 can see we've put on here, prior to 2009, for many, many
5 years, the Agency had, you know, mid to low and AA credit
6 ratings. And we had those for years and years. The HMRB
7 indenture was first utilized in 1982, and for the vast
8 majority of all those years it was in the AA category.

9 The first downgrades occurred in July of 2009.
10 And you can see, we've highlighted the current rating
11 levels. And then we've identified where the thresholds
12 are that would cause significant consequence to the
13 Agency, below single-A level and below Bbb-/Baa3.

14 Again, you've seen slides similar to this
15 before. A lot this is the relationships between the
16 credit ratings. They're not stand-alone on their own.
17 There is interplay between the general obligation rating
18 of the Agency and the Home Mortgage Revenue Bond
19 indenture and its rating.

20 Let me walk you through that quickly. We're
21 going to start in the upper left box, the blue box, that
22 is depictive of the general obligation credit rating,
23 currently rated A-/A3. There's \$1.1 billion in bonds
24 outstanding that are backed by the general obligation
25 rating of the Agency. Those are, in large part, our

1 multifamily loan programs, bonds issued to finance
2 multifamily loans.

3 TCLF, the federal government has provided
4 \$676 million of credit and liquidity support for bonds
5 issued under those indentures. And that's a part of the
6 general obligation pledge of the Agency.

7 At the time of this, August 3rd, 2011, we had
8 approximately \$283 million of liquid assets in the
9 general reserves of the Agency, a portion of that was
10 posted to swap counterparties. I'll get to that here in
11 a moment.

12 But what does the general obligation serve as a
13 credit support to, away from the bond programs that we
14 have? Well, the swap counterparties face a general
15 credit obligation rating.

16 In the upper right-hand corner of this slide,
17 you see the white box. We had a mark-to-market on swaps.
18 I think the swap notional amount is somewhere in the
19 neighborhood of \$2.5 billion. The negative mark against
20 the Agency in early August was \$303 million.

21 To give you a sense of how that market value
22 changes, the DV01 represents the dollar value of
23 1 basis-point movement in interest rates. So if interest
24 rates were to go up by 300 basis points -- or 200 basis
25 points, approximately, we would be at break-even.

1 So all rates across the yield curve would have
2 to go up by about 200 to get us to break even, and then
3 the market value would be effectively zero.

4 The other thing of note here is that we've
5 tried to distinguish -- and this is, in large part, to
6 convince Moody's that we have more than enough liquidity
7 assets of the general obligation reserve to deal with
8 swaps under the HMRB indenture. So we've shown both the
9 market value of the G.O. swaps and the swaps that are
10 securing HMRB, or hedging HMRB bonds.

11 You see, that's \$204 million on the slide,
12 meaning, that the Agency would still have approximately
13 \$80 million of liquid assets if, in fact, we had to elect
14 to terminate all of the swaps that are hedging HMRB
15 bonds.

16 We're going to move now to HMRB. And this is
17 the orange-colored box down at the bottom left of the
18 page. Again, BBB/Baa2 ratings from S & P and Moody's.
19 We need to maintain the investment-grade rating.

20 \$4.7 billion of bonds have been issued out of
21 this indenture. \$2.1 billion are these variable-rate
22 demand obligations that need a credit and liquidity
23 support currently offered and provided for by the federal
24 government.

25 And we've added one more graphical depiction

1 here, and that is the Agency is currently administering
2 approximately \$2 billion of Hardest Hit Funds coming from
3 the U.S. Treasury to help Californians avoid foreclosure.
4 Those monies are available not only to our program, but
5 to all Californians if they meet the program criteria.

6 What this is saying is that those monies can
7 help reduce delinquencies and reduce expected loan
8 losses. As they materialize, currently, HMRB has been
9 funded to the tune of \$16.2 million from the Hardest Hit
10 monies.

11 Tim is going to go into another layer of detail
12 regarding the relationships of the G.O. and the HMRB
13 indenture.

14 MR. HSU: The orange box, which is HMRB, I
15 think that many of you know that the single-family
16 delinquencies that's creating a lot of downward rating
17 pressures on the Agency in general, is coming from this
18 orange box. And this chart here is depicting the four
19 supports for that orange box.

20 First, we have the M.I. Fund. This is our own
21 M.I. Fund. We have Genworth and we have GAP reserve and
22 we also have the Hardest Hit.

23 This chart here is depicting the four supports,
24 but it's also noting that the M.I. Fund and the GAP
25 reserve, which are resources under the umbrella of the

1 grade of CalHFA, have been depleted. The last resources
2 in both of those pots were depleted back in August of
3 this year.

4 MR. SPEARS: So the next slide points out some
5 successes that we've had. And we've talked about some of
6 these before.

7 August 1st and February 1st are really, really
8 important dates for us. That's when debt-service
9 payments are made, swap payments are made. And those
10 payments were made on August 1st -- and, again, since we
11 last met in July, this was an important event since we've
12 last met.

13 On top of the fact that we made all of our
14 debt-service payments and swap net payments, we also
15 exercised \$34 million of swap par terminations. And that
16 simply means that those are swap contracts that we are
17 not going to have to make payments on.

18 In fact, you can see that on 2/1/12 is a huge
19 date for us because \$300 million of those swaps go away
20 on a par basis without -- we're not buying those out;
21 they just expire. So a very important date for us.

22 Tim will go over a chart and two or three
23 slides that will show you how this goes down over time.
24 It's rather dramatic.

25 We've had two rounds of swap collateral

1 threshold negotiations that have really put us in the
2 place where we can still be alive and breathe, frankly;
3 and they were very successful.

4 And then the other thing that we've done is
5 gone out and bought fixed-rate bonds at a discount on the
6 open market, and saved us about \$39 million.

7 And I think pretty much all of that went into
8 HMRB equity; correct? So when you see HMRB equity
9 health, that was helped out by \$39 million of some
10 strategic purchases out in the market.

11 The key for us are not only delinquencies, but
12 Genworth. Genworth has to keep making payments to us.
13 And so we've gotten a total of \$275 million over the life
14 of our relationship with them. A lot of it has come in
15 the last two or three years. But \$68 million so far this
16 year alone.

17 And as we said, in that previous slide, we saw
18 those other supports -- the GAP payment and the M.I. Fund
19 payments going away. Genworth's obligation is still
20 there, and that's still going to be there.

21 And as we said, we've had 654 loan
22 modifications, we've talked about before. Not all of
23 those are assisted with KYHC funds. You saw the
24 \$16 million coming over. That's helped some of those
25 loan modifications but not all of them.

1 Should we stop and see if there are any
2 questions at this point, about anything along the way?

3 *(No response)*

4 MR. SPEARS: If not, we'll keep on rolling.

5 MR. GILBERTSON: So what we've done is tried to
6 lay out, there's three primary challenges that the Agency
7 still faces.

8 You may remember, over the course of the last
9 couple of years, this list was much longer. It included
10 a number of others things. We used to talk about bank
11 bonds. We used to talk about the Bay Area Housing
12 Program. Thanks to the collective efforts of the State
13 Treasurer's Office and Cal Mortgage, we were able to deal
14 with that earlier this year.

15 So three things remain: The extension of the
16 United States Treasury's TCLP program. Just as a little
17 bit of a refresher, in October of 2009, they announced
18 two programs to assist housing finance agencies. CalHFA
19 was a big user of both of the programs. TCLP was one.
20 We asked for \$3.5 billion worth of credit and liquidity
21 support at the time. They provided that to us. And we
22 now have approximately \$2.8 billion of that currently
23 attached to variable-rate bonds.

24 The second thing that the rating agencies are
25 always asking about is swap collateral posting

1 requirements that we have because our ratings have been
2 falling, and whether or not we have sufficient liquidity
3 to meet those obligations over the long term.

4 And then the third one, and perhaps the most
5 challenging for us to deal with, is the single-family
6 portfolio that we own. You know, the repricing of real
7 estate in California, where prices went down, were cut
8 in half, has led a lot of borrowers that we financed in
9 appropriate loan products, to default. And so we still
10 have 13 percent delinquency. We'll talk about each of
11 these over the next few minutes here.

12 The good news is, after we met with Treasury
13 in early September, they wrote a brief memo on
14 September 23rd announcing the intention of Treasury to
15 consent to the extension of the TCLP program for a period
16 of three years. So we now go from -- let's see, it was
17 set to expire December 31, 2012. To the extent that this
18 extension does happen, it was just the intention to
19 consent to the extension, it would go out to 2015.

20 They've also, as a part of that notice, that
21 memorandum, they notified us that extension fees would be
22 appropriate and consistent with the fees that we have
23 paid all along.

24 So that is, roughly, we pay between 75 and
25 100 basis points for those facilities today. And they'll

1 probably gradually go up for those three years that the
2 facility is extended.

3 They said that additional details would follow.
4 We've not heard any or seen any of the details since
5 September 13th. We're hoping sometime by late November,
6 we might see those details. So that's good news.

7 And then Moody's took note of this, and this
8 was very powerful as they went into rating committee, you
9 know, assessing our credits.

10 MR. HSU: One of the major concerns that the
11 rating agencies has, is the amount of liquidity or just
12 cash and investments that we have that can be used to
13 post as collateral to the counterparties.

14 I think Bruce mentioned earlier that we have
15 about \$283 million of cash and investments that's
16 available to post as collateral to the counterparties.
17 This chart here is showing that of the \$283 million on
18 that day, \$85 million was posted to the counterparty, and
19 we had \$198 million still sitting back at the Agency.

20 This is basically a risk-management tool to
21 show that if we were downgraded on that day, how would
22 the cash position change? So it shows that if we were
23 downgraded by one notch and were to go to BBB+, we would
24 increase our collateral posting to the counterparties
25 from \$85 million to \$176 million. And in so doing, we

1 would only have \$107 million sitting back at the Agency
2 rather than the \$198 million.

3 The main strategy that we have to decrease this
4 risk of having a large amount of collateral requirement
5 posted to the counterparties, is to try to reduce our
6 swap notional as fast as we can.

7 There is a lot going on in this chart; but the
8 key message here is that over the next four years, we can
9 dramatically reduce our swap notional amounts through a
10 natural amortization that's built into the swaps, and
11 also through these par termination options that we talked
12 about.

13 MR. GUNNING: I'm sorry, Tim, what's
14 "notional"? What's that term?

15 MR. HSU: Swaps are referred to on a notional
16 basis. Interest-rate swaps are referred to on a notional
17 basis because you don't actually exchange that dollar
18 amount.

19 So, for example, if you and I did an
20 interest-rate swap and we are good counterparties, and
21 you and I say that, "Well, we're going to do an
22 interest-rate swap," it's going to be based on \$100.
23 Because it's in the same currency, because we are only
24 trying to -- suppose that I'm going to pay you fixed and
25 you're going to pay me variable. We're exchanging

1 interest rates. We're not really having to exchange that
2 dollar amount.

3 It's referred to as "notional" because you're
4 trying to use that amount to calculate the exchange of
5 the interest rate. So you say, "Okay, well, if I have to
6 pay you fixed, I'll pay you \$5, if it's 5 percent I have
7 to pay you," but I'm not going to pay you \$100 because on
8 that day, in theory, what would happen is that I will
9 give you \$100 of cash and you will give it back to me,
10 but I'll give you \$5, and you give me the variable leg.

11 So you will have a simultaneous exchange of
12 that notional amount. And as such, that amount is not
13 actually exchanged. That's why it's referred to as
14 "notional."

15 So what we're trying to show here is that a
16 combination of the amortization of these swaps, and also
17 the par termination options that we have -- again, these
18 par termination options are options that we purchased
19 when we first got into the swaps.

20 So Steve had mentioned earlier that on
21 February 1st of next year, we have about \$307 million of
22 par terminations to exercise. What that means is that
23 we simply noticed the counterparty that we would no
24 longer use those amounts of the swaps, and we can get out
25 of it without having to pay a market price to get out.

1 This dotted curve here, what this is attempting
2 to show is an effort to project what the mark-to-market
3 would be in the future as we reduce the notional amount
4 of the swaps.

5 So Bruce mentioned earlier that our swaps are
6 in the neighbor of about -- the mark-to-market -- about
7 \$300 million.

8 What you can see here is that what we are
9 trying to depict is that, for example, if you go all the
10 way out to August 2015, even if we were to take a fairly
11 stressful interest-rate curve, if we go out to 2015,
12 instead of \$300 million owing to the counterparties, we
13 could be all the way down to \$100 million.

14 So the gist of this chart is saying that the
15 next three to four years, if we do what we are showing
16 here, we can dramatically decrease this risk.

17 MR. GILBERTSON: And one other thing to point
18 out -- and I'm just going to use it because this slide is
19 up here -- but the Treasury extension, if that were to
20 happen for TCLP, runs through the end of 2015 -- so you
21 can see the amount -- the notional amount of the swaps
22 don't correctly correlate to the variable-rate bonds.
23 But there is some correlation there. And so you can see
24 that as we face the end of 2015, we're going to have
25 significantly fewer variable-rate demand obligations

1 outstanding that might or might not need this credit and
2 liquidity support as we get to the end of an extended
3 TCLP period.

4 So why do we feel comfortable that we can
5 continue to meet the obligations that we have to the
6 counterparties? And, again, I think what Tim and I would
7 say is that we feel very confident, if we maintain
8 A-rating levels for the G.O., we're somewhat comfortable
9 at Baal/BBB+, it probably won't work today. If a
10 downgrade to the mid BBB were to happen, it would be
11 very, very challenging for the Agency.

12 But if that event were to occur two years from
13 now, a different story. So we need to, you know, the
14 time element in perspective.

15 This shows what comprises that \$198 million.
16 These are internal account labels that the Agency has
17 used for many, many years. We have general accounts that
18 have \$111 million. In our operating and financing
19 accounts, we have \$45 million. The Board created
20 something called an emergency reserve account many years
21 ago that has \$31 million. And there's a supplementary
22 bond security account.

23 A total of \$198 million, and an additional
24 \$85 million was posted as collateral to counterparties on
25 August 3rd. But that's a point in time.

1 So what we were trying to do is show you a
2 forecast of what we think the liquidity position of the
3 Agency will be over the next five years.

4 So the first column is the partial period from
5 August 3rd through December 31st, 2011. And then you have
6 four full calendar years.

7 So we're starting with \$198 million. So this
8 is net of the \$85 million that was posted to
9 counterparties in early August.

10 And let's just talk about the sources of new
11 liquidity that come into the Agency on a monthly basis.
12 We have a number of loans that are unencumbered, not
13 attached to specific bonds. And so all of the payments
14 that come in from those borrowers go into the Agency's
15 general reserves and can be used for a variety of
16 purposes.

17 So you can see, for the partial year, the
18 remaining part of 2011, we're expecting \$9.8 million to
19 come in. These are a variety of loan programs. These
20 are old single-family loans from old indentures that have
21 been fully retired that we have access to. This also
22 includes a number of multifamily loans, specifically some
23 Section 8 loans that trace all the way back to the early
24 eighties. All the bonds have been retired, and we get
25 the benefit of the P&I payments as they come in monthly

1 for the general purposes of the Agency.

2 You can see over the time frame -- it's not
3 exactly a straight line -- but \$38 million is accounted
4 for in 2012. It goes up to a peak of \$44 million in
5 2013. And then, you know, back down into the kind of
6 mid \$30 million range over the next two years.

7 And I believe if you were to go out, you know,
8 four or five years beyond this, that would start tapering
9 off over time.

10 We also received a number of admin fees. We
11 service loans, so we get a servicing fee for loans. We
12 collect an administrative fee out of that Home Mortgage
13 Revenue Bond indenture that we collect every six months,
14 and a variety of other loan fees and whatnot, some
15 conduit lending fees, and that type of thing that
16 represents what is \$14.6 million for calendar year 2012.

17 And you can see, it's declining. A lot of that
18 has to do with the servicing portfolio declining over
19 time.

20 The next line item is a reimbursement of swap
21 payments. I just want to make note that under, "Uses of
22 Liquidity," there is also a line item labeled, "Advance
23 swap net payments for HMRB." They're identical, so it's
24 just an offset. But if, in fact, we faced a credit
25 downgrade in HMRB where it fell below investment grade,

1 we would still be burdened with the obligation to make
2 the swap payments out of this pool of money, but maybe
3 precluded, without an amendment, to reimburse the
4 Agency's general obligation, the general reserves of the
5 Agency for those payments.

6 So you can see those amounts over the course of
7 the next four years declining, again, based off of our
8 expectation of the notional amount declining and the
9 forward curve, where interest rates are likely to go over
10 the next three to four years.

11 Then there is one other item in the sources of
12 liquidity. These are some excess revenues that are
13 generated within the multifamily indenture, between
14 \$5 million and \$10 million. We may or may not transfer
15 those; but it is available to the Agency, should the
16 Agency need that for other general obligations.

17 So you can see over time this amount is
18 generally growing. And then we're comparing that to what
19 are the ongoing obligations that the Agency needs to do:
20 It needs to keep the lights on. It needs to pay its
21 employees.

22 So the operating expenses are shown. These are
23 rough estimates. And certainly the Board has a lot of
24 discretion over the operating expenses of the Agency
25 prospectively.

1 So we're showing a \$46 million number for what
2 amounts to the calendar year 2012; and it's going, you
3 know, kind of not in one direction or the other because
4 we had some strategic initiatives, some I.T. projects
5 that we think will continue to require some expenditure
6 over time.

7 You know, a small amount, we had some
8 commitments to still fund some loans. It's unlikely that
9 that \$1.4 million will go out the door, but we want to
10 honor our commitment to the borrower. I think these are
11 loans under our HELP loan program. These are loans to
12 localities to do affordable housing. At this point,
13 there haven't been requests to draw down on those funds.

14 If we don't issue bonds, we, of course, won't
15 have financing costs, you know, up-front costs of
16 issuance. But we've shown an amount, \$1.8 million, the
17 balance of this year, and then \$5 million is a general
18 set-aside over the next four years.

19 And then the GAP claim payments -- Tim
20 discussed this earlier -- the last of the GAP claim
21 payments were made in August. And so that there will be
22 no future GAP claim payments.

23 The bottom line is that you see that over the
24 four- or five-year period, that the liquid assets of the
25 Agency, absent additional collateral posting obligations

1 to our swap counterparties, is generally rising, from
2 \$194 million that we would expect to be there at the end
3 of this year, to \$240 million at the end of 2015.

4 Any questions on that?

5 *(No response)*

6 MR. GILBERTSON: It's unfortunate that Board
7 Member Shine isn't here. He loves to ask this question.
8 I would really like to show him. And maybe we'll have to
9 get him on the phone and run through this with him.

10 But any questions on our liquidity forecast?

11 *(No response)*

12 MR. GILBERTSON: I just want to reassure you,
13 on some of the P&I payments, you know, HELP loan program,
14 we made almost \$200 million of those loans over time.
15 We're not assuming full repayment. We're assuming
16 50 percent repayment on the HELP loans.

17 History to this point has been that they're
18 paying at a much, much higher rate. Well over 90 percent
19 of the localities are paying those loans back as they
20 come due.

21 So we had three challenges, TCLP, we think --
22 keep our fingers crossed -- that Treasury does come out
23 with an extension, getting us out to 2015. That's the
24 best we can hope for now. And I think that will really
25 help resolve that issue with the rating agencies for some

1 time.

2 You know, we feel pretty comfortable that we
3 can meet our swap obligations over time to the extent
4 that we maintain the ratings that we've been discussing.

5 That leaves us the third challenge, which is
6 the single-family portfolio.

7 What we have here is a depiction of delinquency
8 ratio. There is a Board report in the back of your
9 binder. I don't think it's the August 31st report. I
10 think it may be a July report. But bottom line, we still
11 have 13.68 percent delinquencies. This is showing,
12 again, the delinquencies by insurance type.

13 Remember, the federal guaranteed loans, we're
14 not nearly as concerned about as the ones that have
15 conventional M.I. Our Mortgage Insurance Fund, you know,
16 has run out of cash at this point. Genworth is still
17 meeting their obligations.

18 But this is going to have a lot of
19 significance, I think, for the Agency going forward.
20 We have a few charts in here that just show the
21 historical delinquency ratios over the last ten years.
22 Certainly, you can see the run-up. And there's generally
23 been improvement since 2009.

24 The big drop in the FHA delinquencies is that
25 we asked Bank of America to repurchase seriously

1 delinquent loans that they've had for a long time as a
2 servicing agency, and they did that in August.

3 Was that about \$60 million --

4 MR. HSU: That's correct.

5 MR. GILBERTSON: -- of mortgages that they
6 purchased.

7 Here's another depiction of 30- and 60-day
8 delinquencies. It kind of gives you a trend line.
9 Really, that's roughly the same as it has been for quite
10 a while. And then the more seriously delinquent loans
11 and what things look like as of August 2011.

12 So there's a number of things that we're
13 talking about.

14 I don't know if, Claudia, within the Agency,
15 about trying to go after the portfolio, a lot of
16 strategies are being developed at this point. We'll
17 bring those back to the board as they really are put into
18 place.

19 Any other questions regarding -- Mr. Gunning?

20 MR. GUNNING: Is there any reason in the
21 August spike in the 90-day delinquencies?

22 MR. GILBERTSON: The August spike in the
23 90-day --

24 MR. GUNNING: August 10th, this 90-day?

25 MR. SPEARS: 2010.

1 MR. GILBERTSON: Yes, that one back in
2 somewhere -- that's like early 2010, right?

3 MR. GUNNING: Yes.

4 MR. GILBERTSON: I don't recall off the top of
5 my head what that was.

6 MR. GUNNING: No worries.

7 MR. SPEARS: Mike, I think we securitized a lot
8 of FHA loans that were current, and got a premium pricing
9 in a mortgage-backed security. So that took all those
10 good loans out of the denominator, and made this
11 percentage jump.

12 MR. GUNNING: Oh, that's why it looks bad.

13 MR. GILBERTSON: So that's one thing about
14 ratios, you've got to be careful.

15 Remember, the overall thing is that our
16 portfolio of loans, when we started the crisis, we had
17 well over 30,000 -- 34,000 loans, if I remember.

18 We're now down to 23,000 loans. So a third of
19 the loans have actually been dealt with one way or the
20 other.

21 Other questions?

22 *(No response)*

23 MR. GILBERTSON: Thanks so much for hearing our
24 update.

25 CHAIR CAREY: Yes, thank you.

1 funding.

2 And so far, over 2,500 homeowners have received
3 unemployment assistance over -- I'm sorry, I can't even
4 talk anymore this morning. I've already been on the
5 thing all day.

6 So we're close to 7,000. We've gone back,
7 we've reevaluated. You know, at certain points, we go
8 back and reevaluate what is working, what isn't, why
9 people are qualifying, why they're not.

10 Certainly, the single biggest barrier for
11 people getting funding continues to be bank
12 participation. Although we have up to about 50 servicers
13 that are currently signed on -- and that number is
14 continuing to go up -- we have about eight or nine that
15 are currently participating in the Principal Reduction
16 Program. We're continuing to have conversations with the
17 GSEs. And I would describe those conversations as
18 robust.

19 MR. WARREN: Yes.

20 MS. RICHARDSON: And we hope to have some news
21 to announce on that front after the first of the year
22 that we think will be very good.

23 We also have been -- and I think I mentioned
24 this during the last update -- we've become very active
25 with our social media outreach. We do have a Facebook

1 page and a Twitter page, which has been very successful;
2 and it allows people to pass messages on to large groups.
3 We're seeing a large uptick from that.

4 Those of you that text, you can text the word
5 "HOME" to 55678, and you can get information about the
6 *Keep Your Home California* Program.

7 We're finding that some people weren't able to
8 remember the phone number or the Web page. So, you know,
9 that's another avenue that we've pursued.

10 We're getting our average calls -- we're
11 averaging 800 to a thousand calls a day. So we think
12 that our increased media activity has been successful.

13 We are planning a dedicated drop we've worked
14 with Experian to identify. We gave them a list of
15 borrowers who were successful in getting funding, and
16 they created a whole profile for us of what those
17 borrowers look like, so that we could target those same
18 kinds of people through direct mail. We'll be testing
19 that in the next few weeks.

20 We'll also begin doing some cinema advertising
21 in the next few weeks. So when you go to the movies to
22 see your holiday movies and you're sitting there -- you
23 know, those ads that play three or four times before your
24 movies start -- there's a good chance that one of them
25 will be *Keep Your Home California*.

1 You know, I will tell you that as we have
2 continued to reevaluate the program, the Board did -- the
3 CalHFA MAC board did recently take action. And we are in
4 the process of expanding our criteria one more time.

5 You know, we've always said that we would look
6 at things as we progress. And if we have the capacity to
7 open the spigot, we would be happy to do that.

8 So for the unemployment program, we're going
9 to extend that to nine months of assistance, to sort of
10 facilitate -- the unemployment situation in California
11 hasn't unfortunately been improving as we had hoped. So
12 we're going to extend our assistance on the unemployment
13 program. We're going to increase our mortgage
14 reinstatement amount from \$15,000, to \$20,000 in hopes
15 that more borrowers will qualify.

16 And we're also going to eliminate the cash-out
17 and second-home exemptions from the Principal Reduction
18 Program. And we think that that will facilitate more
19 participation.

20 So with that, I'll open it up to questions.

21 MR. GUNNING: So it seems like there's a lot of
22 money left.

23 MS. RICHARDSON: There's a lot of money.

24 We have allocated about \$1.8 million. But, you
25 know, there is still a lot of money left. And, you know,

1 we're seeing a significant uptick, though, not only in
2 the number of calls, but the number of borrowers that are
3 qualifying and the number of transactions that we're able
4 to complete each month.

5 CHAIR CAREY: Do we have projections about how
6 we anticipate that money getting out during the life of
7 the program so that we have somebody to compare, to
8 benchmark things to?

9 MS. RICHARDSON: Yes. And I can send that to
10 you. I don't have that with me.

11 I know that originally -- you know, we had no
12 idea how many calls we were going to get at the
13 beginning. You know, Claudia and I continue to hope that
14 the program is over in a year. I think that that might
15 be a little Pollyanna of me.

16 CHAIR CAREY: And a fairly busy next 12 months.

17 MS. RICHARDSON: Yes, right. It's been pretty
18 busy as it is.

19 You know, we have the funds available to us
20 until December 31st, 2017.

21 And I think, Linn, the last projection, we had
22 it between maybe about four years?

23 MR. WARREN: It would be. I think that what we
24 found with the reinstatement program, we'll probably have
25 to reallocate somewhere in a period of two years. But

1 with the cash-out refi requirement going away, we're
2 going to revisit the Principal Reduction Program and the
3 other ones. And we think that that will be cut in half.
4 I will also add that, as Di said, the banks are
5 continuing to work with us, but not at the speed we would
6 like.

7 I think the settlement talks and other actions
8 around the banks are going to have an impact on this.
9 And there's going to be some changes in that over the
10 next 12 months or so as things begin to coalesce. And we
11 have a meeting, I believe, in November with the banks in
12 Dallas again to discuss this.

13 So the short answer to the projection,
14 Mr. Carey, I think we will be revisiting the projections
15 and see what it looks like. But I think we've got enough
16 in play right now to change our assumptions.

17 MS. RICHARDSON: Right. I think one of the
18 things we've talked about before also is that for our
19 mortgage reinstatement program, we originally anticipated
20 that a lot more of those funds would go along with a
21 modification, that they would be the means to
22 facilitating the modification. And that's been a lot
23 harder for us to accomplish.

24 We've actually been making significant progress
25 on that end. And we're going to be hosting the call with

1 the other states. You know, the banks are sort of
2 pointing to us now as a model. And if we can get more
3 states to sort of do what we're doing, they might be more
4 willing to participate in that.

5 CHAIR CAREY: Other questions or comments?

6 MR. HUNTER: Could you go back to what you said
7 on the exemption cash-out refinancing?

8 MS. RICHARDSON: Yes. Currently, we had fairly
9 narrow criteria, because we weren't sure what kind of
10 call volume we were going to receive. And we always said
11 that we'd go back and reevaluate. And if we have the
12 capacity to expand the criteria, we would do that.

13 We think we have that capacity, clearly. And
14 so among the three biggest reasons that people are not
15 being able to participate: Their bank isn't
16 participating in that particular program, they've done
17 some kind of a refi somewhere along the line, or they own
18 a second property.

19 And the second-property issue, what we're
20 really finding is a lot of these homeowners -- you know,
21 we look at everybody on the note. Quite often, it's
22 their parents co-signed with them, so their parents own a
23 second home, and that's disqualifying them. And that was
24 never really our intent.

25 The other thing that's happening there is, we

1 firmly believe that if you own a second home, you have
2 other options available to you. But in many cases, their
3 second home is in much worse position than their first.
4 And that's not going to really provide any kind of help.

5 CHAIR CAREY: There was certainly a lot of
6 discussion around those issues.

7 MS. RICHARDSON: Yes, there was. And I'm sure
8 there will continue to be.

9 MR. HUNTER: We actually discussed it.

10 CHAIR CAREY: Yes.

11 MR. GUNNING: Given the amount of money left,
12 has there been any consideration to other plans or
13 funding of other programs, like our -- not necessarily
14 our friends at One LA, but other efforts?

15 MS. RICHARDSON: Yes. Well, actually, you'll
16 recall, we did put out the RFP for the local innovation
17 fund. Three programs were approved by Treasury. One of
18 them is currently operational. It's a San Diego CHW,
19 California --

20 CHAIR CAREY: Community Housing Works.

21 MS. RICHARDSON: Thank you -- Community Housing
22 Works.

23 And that's a program where they're working with
24 smaller community banks to help eliminate second
25 mortgages sort of like the HFA program at the federal

1 level that most of the bigger banks are signed on to.
2 So that program has actually just gotten started. And we
3 should see some activity there soon.

4 We did get the One LA program approved for
5 trial. We're waiting for them to take that contract to
6 their city council for approval. That was originally
7 going to happen in September.

8 MR. WARREN: November.

9 MS. RICHARDSON: You know, for some reason, it
10 didn't. Now, we're hearing that they're going to try to
11 do that in November. So we're hoping that that program
12 will get going soon.

13 We have a third program with Sacramento
14 NeighborWorks, in which it's sort of a rent-to-own kind
15 of program, where they work with the homeowner to keep
16 them in the home. And if the borrower goes through some
17 credit counseling and education, they can then repurchase
18 the home.

19 There are some conflict issues there with
20 existing state law that we're trying to work through with
21 them. And as soon as we can get that resolved, we think
22 that will get up and going.

23 And we have continued to look at other programs
24 and other alternatives and evaluate other things. And,
25 you know, some states have done a couple of different

1 things. We're going to see how those work and look at
2 their performance. And certainly, if something is really
3 successful, we're not too proud to copy it.

4 CHAIR CAREY: Questions?

5 *(No response)*

6 CHAIR CAREY: We do have someone in the
7 audience who has requested the opportunity to address the
8 Board on this program.

9 So Ross Romero from Chicanos Unidos, if you'd
10 like to come up.

11 MR. ROMERO: Thank you.

12 My name is Ross Romero, and I'm a housing
13 advocate from Orange County, California. I come here as
14 an individual. But as it's mentioned, I'm a member of
15 the Chicanos Unidos. I'm on the statewide committee of
16 LULAC for housing. I've been involved with various
17 communities organizations in Orange County that deal with
18 housing. And I've been a real-estate professional for
19 over 25 years.

20 And I got involved with housing, and found out
21 about this by way of a seminar, about a month ago. And
22 to my chagrin, you know, to see how much money was out
23 there. And I would like to address the Board regarding
24 the *Keep Your Home* Program, and what I feel has been the
25 underutilitization -- well, let me preface it by saying,

1 I did get a chance to speak with Ms. Di Richardson, I
2 believe it is, and she answered a lot of my questions
3 coming here, and some of the fine things that they're
4 doing.

5 But nevertheless, I'd like to go through my
6 presentation real quick.

7 So I'm here. I feel what has been the
8 underutilization of the \$2 billion that has been awarded.
9 As mentioned, I'm involved with many groups, and as such,
10 I've been able to make contact with the groups that are
11 administering this program in Orange County and even
12 statewide.

13 What troubles me is the low numbers of people
14 that have been able to take advantage of this program to
15 date, particularly considering the housing, the
16 foreclosure debacle that we've been involved with.

17 According to the Web site, approximately 2,000
18 people have completed this program, and approximately
19 another 3,000 are in the pipeline. I think she updated
20 the figures.

21 The Web site also indicates that as many as
22 100,000 could be eligible for this program. Thus, the
23 approximately 7,000 homeowners will mean that only like
24 5 percent of the goal of 100,000 has been accomplished by
25 the end of this year.

1 Now, based on those figures, even if you were
2 to quadruple the output that we had this year, it would
3 still mean that within three years, we wouldn't have even
4 paid out less than 50 percent of the money. And this is
5 what really startles me. Less than half the money would
6 have been spent.

7 And I think I'm here because, you know,
8 homeowners, they need relief now.

9 My recommendations that I have -- and as I
10 mentioned, she had clarified some of these -- is that we
11 do need to, in fact, ease the guidelines for qualifying.

12 You know, in speaking with some of the
13 nonprofits at the beginning of this year, it was very
14 tough.

15 I can tell you, on a personal basis, I referred
16 about four or five people out. When I found out about
17 it, I said, "We got about \$2 billion." And I just put
18 the word out, and some of the people I have already
19 referred have been unable to take advantage of the
20 program.

21 I think we need to do more outreach and
22 publicity. She's gone over some of those items.

23 And, you know, with that, maybe even utilizing
24 the realtor organizations, going to the real-estate
25 professionals.

1 But I think that's very important because, you
2 know, consumers, they're confounded. We've got the
3 foreclosure scams. We've got all these things that are
4 going on. And a lot of times, when you're in this
5 situation, you don't know what's real and what your
6 options are. And it's all about the fact that there is
7 an option.

8 Me personally, that's the first thing I do, is
9 hand somebody a brochure. It is an option that people
10 need to know they have out there. And for whatever
11 reason, in my opinion, the word has not gone out yet.
12 And I'm happy to see what's happening.

13 Secondly, increase the funds for the staff of
14 the processing of these applications, either both
15 internally, state employees, as well as, you know,
16 externally, the nonprofits that are processing these
17 applications.

18 As best hopes, as was mentioned, we get all
19 these applications, we've got to process them. Because
20 people got to know they're going to go into this program,
21 and it's going to be something that's going to work for
22 them.

23 If they go in there and they get tied up for
24 months, quite honestly, during that period they could
25 lose their house.

1 Fourth, work towards gaining participation of
2 all major lenders. And that was talked about. But in
3 particular, I'm really let down about the
4 non-participation of the lenders in the mortgage
5 reduction program.

6 As many of you can recall, two or three years
7 ago, the debate was whether or not, in fact, the banks
8 should be lowering mortgages.

9 The banks came back and said, "Well, that would
10 have a bad long-term effect. And so it was the consumer
11 wanting this reduction, and looking at that as being an
12 option as opposed to the interest and the overall picture
13 of the banks.

14 Well, now we have a program that would minimize
15 that for the banks. You know, 50 percent, as I
16 understand, would be given from the program and
17 50 percent would be contributed from the banks.

18 And as for our state, I think in the long-term
19 it's going to be great, I can tell you as a real-estate
20 professional. Because one of the problems is that people
21 have this hope that the market is going to turn, and that
22 they would, in fact, be able to at some point sell or
23 refinance or whatever.

24 And so in the long-term, this will have a very
25 positive effect on the real-estate market and begin to

1 help with the recovery.

2 I'd like to just close by saying \$2 billion.
3 \$2 billion. You know, our country is in disarray right
4 now. People are out in the streets, and a lot of that
5 has been fueled by what has happened with this
6 foreclosure debacle. In fact, it's become one of the
7 main points of the people that are out here, you know,
8 basically addressing the concerns about the banks right
9 now.

10 I can tell you on a personal basis, I have my
11 81-year-old mother who is sitting in an ICU unit right
12 now in Sacramento, continues to have calls from Indy Mac
13 about her payment, that they're going to put her in
14 foreclosure, over a loan for a house that she has owned
15 for over 30 years, on a loan that was made over a
16 telephone five years ago. You know, this is the
17 desperation. This is where basically, on a personal
18 level, people are just at a point -- and the motivator of
19 why I'm here, we have this money, we need help, we need
20 relief now. This money needs to get out.

21 All the ratings aside and all this other stuff
22 that you guys deal with, from when I look at the
23 \$2.8 billion, and you mention the figure \$6 million has
24 already been spent to date, and another three times that
25 is anticipated to be closed, that's \$1.8 million.

1 That's, like, .10 percent of \$2 billion.

2 So you're telling me by the end of the year,
3 only .10 percent of \$2 billion will be spent?

4 You know, we've got \$2 billion. And how can we
5 best get it out there?

6 I would just really -- I don't know what it's
7 going to take. I, for one, with the organizations I'm
8 involved with, would like to advocate with the banks,
9 the lenders, that we could gather more of their
10 participation.

11 And I thank you for your time.

12 And I think that just whatever we can be
13 supportive of the efforts being done by the Agency to
14 loosen up the manner in which this money goes out would
15 be great because it's a big issue for many people.

16 Thank you.

17 CHAIR CAREY: Thank you very much.

18 MR. ROMERO: Are there any questions?

19 CHAIR CAREY: Any questions?

20 MR. ROMERO: All right, thank you.

21 MS. CAPPPIO: I just have a quick comment that
22 you have my commitment that we will work with you, and
23 that we need all ideas. And I appreciate you coming in
24 and addressing us today.

25 Thank you.

1 MR. ROMERO: Thank you.

2 --oOo--

3 **Item 8. Update and discussion regarding the status**
4 **of the Mental Health Services Act Program**

5 CHAIR CAREY: Okay, next up, we have an update
6 discussion regarding the Mental Health Services Act
7 Program.

8 Bob?

9 MR. DEANER: Good morning.

10 I've given this update a few times, so I will
11 try to make it quick.

12 A quick overview.

13 The MHSA program was money funded for capital
14 costs and operating subsidies for rental units, it can be
15 utilized in existing buildings under rehab, new
16 construction, or even shared housing. We are seeing more
17 shared housing, where a county will actually buy a
18 property, utilize the whole property with the funds.
19 So it's a partnership with DMH, us, and all the county
20 mental health groups.

21 \$400 million was made available to us in 2007.
22 Although the program really didn't kick off until about
23 2009 because of negotiations with various parties to get
24 the program going, of which two-thirds goes to capital
25 and one-third goes to operating subsidies.

1 And I'll show some slides shortly that shows
2 how successful we've been to put the money out.

3 And each county got an allocation. Most
4 counties -- I believe it was 46 or 47 -- participated.
5 There were some outs of the smaller counties, that were
6 allowed to opt out just because the dollars weren't large
7 enough to utilize the program.

8 So as of June 30th, I had my staff put this
9 together. We've got committed or commitments of about
10 \$222 million to date of the \$400 million. That's a
11 combination of both the operating subsidy and the capital
12 cost that translates into that \$1.5 billion number of
13 leverage we talk about, is the total construction cost of
14 the projects being built.

15 So if you look down a little bit farther,
16 there's almost 6,000 units that are being built of which
17 1,600+ are for MHSA.

18 So a typical deal for us might be a hundred
19 units that are being built for affordable housing and
20 10 percent of the units will be utilized for the
21 MHSA dollars that we're taking folks that are homeless --
22 or could be homeless off, and getting them in and getting
23 SSI, and getting them training, and so forth.

24 And then the operating subsidy helps cover that
25 difference to help keeps the projects running. So a

1 number of units.

2 And of this almost 6,000 units, almost all
3 those are 100 percent affordable. These are usually
4 deeply affordable projects.

5 Just some program successes.

6 Over the last two and a half years, 116
7 applications from 32 counties, of which 1,500 units were
8 on the rental side. And then I talked about the shared
9 housing. We're seeing more of those, about 132 units.

10 The smaller counties will buy actual houses and
11 convert a six-bedroom or an eight-unit facility, so they
12 can get 16 MHSA folks, because they can share the units.

13 A couple more highlights I'll go through
14 quickly. 225 of the units are for seniors today, and
15 174 are for transition youth.

16 Some of the counties that have spent all their
17 money: Madera, Merced, and Nevada. That's all good.

18 And then we are ahead of pace to hit a goal
19 that we -- a benchmark of just the \$400 million -- there
20 were other dollars at one point talked about after this
21 to go into the program. But of just the \$400 million, we
22 are looking at about 2,500 units. And today, if we're at
23 1,600 and change, we're ahead of schedule to meet our
24 commitment. So a big success.

25 And then the numbers kind of speak for

1 themselves.

2 We have had some counties that have kicked in
3 additional dollars, which they're allowed to do,
4 \$5.3 million. But you can see the \$222 million that's
5 either closed or committed.

6 \$43 million at the county level. What that is,
7 is developers that have come into the county and have
8 requested -- they have projects available. They evaluate
9 first, and then they apply to us for the funds.

10 And then \$79 million in pre-applications, which
11 are folks that are calling us, developers with projects
12 and the counties that they believe they can utilize.

13 So doing my quick math on that, that was
14 \$344 million of the \$400 million if all those were to
15 come in. Obviously, some will fall out, some will go
16 through.

17 What I did want to do is show a couple
18 properties here real quick to show you how some of the
19 outcomes came.

20 This is in Folsom, Folsom Oaks. This is a new
21 construction deal. We provided a \$500,000 MHSA loan.
22 There was no operating costs because all the tenants get
23 Section 8.

24 So in the case where a developer is able to get
25 a local Section 8, they don't need the operating subsidy,

1 which is a good thing. It ends up, that it was 19 units
2 total, and five of the units are MHSA. So this was a
3 great project.

4 Bay Avenue Seniors is in Capitola, another
5 project we provided a \$425,000 capital loan and \$375,000
6 in operating subsidy. And we did five units of 109 units
7 in this project.

8 And this is a new construction rehab. And the
9 tenants in this will be seniors.

10 And then the last one is Fireside. And this is
11 a deal that the Board had seen many a times in different
12 variations. We had lots of ups and downs, but we've got
13 it closed. It's in Marin County. I think it took about
14 seven years to get this deal closed. I know I have
15 probably a hundred hours into this deal myself.

16 But the MHSA loan that went into it helped make
17 this deal close because of a number of things that
18 happened within the project and the delays. Getting five
19 MHSA units on this project actually helped them gap the
20 deal and close it. And it's a total of 50 units. And
21 we provided a \$475,000 capital loan, with \$250,000 of
22 operating.

23 And then where that leaves us -- being my group
24 and the program, with the dollars that are in process,
25 the deals that have to close and more deals that we see

1 coming in, we project about 18 months left within the
2 program, somewhere in mid-2013. Because even when we
3 close a loan, if it's new construction, we monitor it all
4 the way through the construction phase. We don't just
5 get them the full four twenty-five. We disburse over
6 time. We have a disbursements group. And then it
7 converts to a permanent loan, and then it gets handed off
8 to Margaret's group in Asset Management.

9 So we've got a good year and a half left of
10 work to do on this program. And it's utilizing about
11 80 percent of my staff. It's more manpower than we
12 anticipated just because doing a \$500,000 loan is just as
13 much work as doing a \$5 million or \$20 million bond deal.
14 And I think we have 90+ deals at some level in our shop
15 right now. And it takes a lot of manpower to produce
16 those deals and get them closed.

17 So a very successful program.

18 I don't know if Claudia wanted to mention it,
19 or I can, about the MHSA award that we won at the NCSHA.

20 NCSHA selected our MHSA program in California
21 that CalHFA administers for an award under their
22 special-needs program. So that was a great award that
23 we accepted.

24 And I give all that credit to my staff because
25 they're the ones that do all the work and put in all the

1 hard hours to get these projects through. Because a lot
2 of these projects have four or five, six, seven layers of
3 subsidy in them. And some of these deals can take years
4 before they close. So lots and lots of work.

5 So kudos to them for that award. So a very
6 successful program for us.

7 MS. CAPPPIO: Thank you.

8 CHAIR CAREY: That's great.

9 MR. DEANER: Do you have any questions?

10 CHAIR CAREY: Questions? Comments?

11 MR. HUNTER: I had a lot of involvement with
12 this program from the very beginning, and I've said to
13 people around the state repeatedly, it would never have
14 happened, had it not been for the commitment of CalHFA.
15 And I think one of the things, in terms of the complexity
16 of how these things work, you know, it was like everybody
17 is sitting down and finally agreeing in 2007 that there
18 was money available and it was a good way to use it, and
19 it still took two years to figure out how to make it
20 work. And it was very complex. And some of the things
21 that people were very worried about from the very
22 beginning was not creating ghettos for people with mental
23 illness.

24 And the fact that so many of these projects
25 have leveraged really beautiful homes -- small, modest

1 apartments but beautiful apartments where they're living,
2 integrated into the society. And these are people that
3 many of them have been homeless for years and years. And
4 some of these projects are really amazing.

5 And I just really commend the staff and
6 leadership of CalHFA for sticking with us because it's
7 producing great results.

8 CHAIR CAREY: Great.

9 MR. DEANER: Thank you.

10 CHAIR CAREY: It is nice to have a success
11 story, even as we deal with some of the other challenges.

12 This is what it's all about.

13 MR. DEANER: Thank you.

14 --o0o--

15 **Item 9. Discussion of proposed new energy efficiency**
16 **lending program and funding through the sale**
17 **of carbon credits**

18 CHAIR CAREY: Next up, discussion of a
19 potential new energy lending program.

20 Steve?

21 MR. SPEARS: Thank you, Mr. Chairman.

22 Just one final note on the MHSA program.

23 During the downturn in the economy, there were a lot of
24 projects that came back and asked if we had any of this
25 money available, because they had a gap in financing

1 because of tax-credit pricing or other funding sources
2 that went away. And we were able to, I think, with the
3 MHSA program -- gap financing is probably not the correct
4 terminology, but we were able to offer this feature and
5 get these projects back on track.

6 It's hard to say, you know, definitively, these
7 four would never have made it. But I personally believe
8 that they're projects that would not have made it, had it
9 not been for the work of the staff in this program.

10 The last item here from staff's standpoint, is
11 a new direction, really, that we're thinking about.
12 Claudia and I have been working on this. You have this
13 memo that's been sent.

14 And, Claudia, I don't know if you want to lead
15 off, but I'll take it whenever you want.

16 MS. CAPPPIO: Sure. And, you know, obviously,
17 the memo was in the packet and the hour is late.

18 MR. SPEARS: Right.

19 MS. CAPPPIO: But the container we're thinking
20 about is energy efficiency which aligns itself with the
21 Governor's goals of decreasing our carbon footprint and
22 decreasing greenhouse gases.

23 We'd be establishing a series of tools in order
24 for us to retrofit low- and moderate-income units, both
25 single-family and multiple-family. And then make sure

1 that we have the modeling and data bank available to turn
2 those retrofit projects into carbon offsets. You have
3 to do this following a fairly rigorous verification
4 standard. But once the carbon offset is verified, you
5 have the ability to bank that or to sell it on the
6 voluntary carbon market.

7 So we believe that this could be a successful
8 program. Carbon markets in general are in their infancy,
9 but we have done research to date, and believe that this
10 should be pursued.

11 What we're doing now is figuring it all out
12 for you so that we can come back with some specific
13 proposals. And as we say in our memo, the trick will be,
14 obviously, a source of capital. So if any of you have
15 any ideas, we'd be glad to hear them.

16 Steve?

17 MR. SPEARS: Well, there are a lot of things
18 going on. It's amazing when you start doing the
19 research, how many people are in our same boat, where
20 they would like to get involved, but it's kind of early
21 in the game.

22 The California Air Resources Board -- is it the
23 day after tomorrow, I think --

24 MS. CAPPPIO: Yes, right.

25 MR. SPEARS: -- are meeting to adopt the

1 regulations to establish a cap-and-trade program that
2 will begin in 2013. This might be part of that. But
3 there are other energy efficiency efforts that are going
4 on, particularly at the CPUC. And they were delivered
5 a study this summer by an outside consultant that said,
6 "If you want to do energy efficiency, you are woefully
7 underfunded to do that. And there are not enough
8 financial projects out there for either single-family or
9 multifamily."

10 So we're going to be talking to them as well.
11 There is a lot of work to be done yet. But we do have
12 some of the work that has been done for us in the housing
13 area.

14 Tiny, little MaineHousing got very interested
15 in this. And over a year and a half ago, I had a
16 conversation with the Maine executive director. They
17 went through this process of putting together a
18 verification model for residences, which apparently did
19 not exist anywhere before that.

20 We have hired the consultant that helped them
21 with this model. It needs to be tweaked for California,
22 and a lot of work done. But when they finished this, and
23 they had a fuel oil program to offer incentives for
24 energy efficiency, that reduced fuel oil consumption, and
25 they were able to generate enough offset credits to sell

1 a four-year-forward contract to Chevrolet for a million
2 dollars. So we figure if tiny, little MaineHousing can
3 do something on that scale, perhaps we might be able to
4 do something similar.

5 So no promises, just letting you know that
6 we're getting started in this world. It's a very
7 interesting, different world than we normally deal with.
8 But I think it lines up with a lot of what we do.

9 I hear varying percentages, but somewhere
10 between 25 to 40 percent of all energy consumed in
11 California is in residences, multifamily and
12 single-family. And if you just had a little bit of
13 energy savings in that big segment, it would really
14 create quite a substantial change.

15 MS. CAPPIO: Just for your information.

16 CHAIR CAREY: Yes.

17 MR. SPEARS: Just an information item.

18 CHAIR CAREY: That's interesting.

19 MR. HUNTER: Let me just throw in, in the last
20 six months I've talked to four supportive housing
21 developers that are looking for some kind of financial
22 instrument to do energy retrofits. You know, they're
23 talking about their operating margins are so slim, and
24 increasingly, the operating costs related to energy is
25 eating up the profitability -- the sustainability of

1 their projects. And they can't find sources of capital.

2 One of the groups in Portland did a project
3 that was able to demonstrate that their savings were so
4 immense post the retrofit, that they actually could have
5 afforded commercial loans. But nobody would lend to them
6 because of their asset structures, et cetera.

7 MR. SPEARS: Right.

8 MR. HUNTER: So I really, really hope you keep
9 the multifamily retrofit part of this in the forefront,
10 particularly since there are so many now. In our big
11 cities, San Francisco and LA, there are so many
12 supportive housing projects that are really older housing
13 stock and that are aging out of their tax credit
14 compliance periods and that are really targets for this
15 kind of savings.

16 MR. SPEARS: We've had a couple of discussions
17 with multifamily nonprofit developers. And it seems like
18 the best time to do this is when you're doing all kinds
19 of retrofit on older properties. And you could work this
20 in with everything else.

21 But the thing they told us was that the energy
22 savings on individually metered multifamily is great
23 savings for the tenants, but there's not enough common
24 area for the building owners to generate that.

25 So we're trying to figure out an incentive

1 program that may be funded by some of the sale of these
2 offset credits. But there's also some on-bill financial
3 products that you can have the tenants share in the cost
4 of the financing for that savings. And they net savings
5 on the utility bill, but they help pay that. And then
6 that's also a revenue stream that's -- you know, it's on
7 their utility bill. It's pretty secure. So we might be
8 able to figure out a financing structure built around
9 that.

10 So a lot of thoughts going on. But we had one
11 conversation, one person that said, "Look, we want to do
12 this, but I can't take this to my board and have it cost
13 us money at this point in the economy. It's got to be a
14 break-even analysis for us at this point."

15 MS. CAPPPIO: Thank you.

16 CHAIR CAREY: Great.

17 --oOo--

18 **Item 10. Reports**

19 CHAIR CAREY: Any items in the reports that
20 deserve specific attention?

21 *(No response)*

22 CHAIR CAREY: Great.

23 Now, November, have we reached a decision about
24 the need for a November meeting?

25 MS. CAPPPIO: Not yet.

1 CHAIR CAREY: Okay, so keep it on your
2 calendars.

3 MS. CAPPPIO: Right.

4 CHAIR CAREY: And I heard earlier the potential
5 of a potentiality of a special meeting at some point?

6 MS. CAPPPIO: If not November, then perhaps
7 before the end of the year to deal with it, if TCLP --
8 If the deal points come in, we'd have to figure that out;
9 and it may require action from the Board.

10 CHAIR CAREY: Okay, great.

11 --o0o--

12 **Item 11. Discussion of other Board matters**

13 CHAIR CAREY: Any other board matters?

14 *(No response)*

15 --o0o--

16 **Item 12. Public Testimony**

17 CHAIR CAREY: With that, this is the moment we
18 set aside for members of the public to address the Board
19 on matters that are not on the agenda.

20 If there's anyone who would like to speak to
21 the board, please indicate.

22 *(No response)*

23 --o0o--

24 **Item 13. Adjournment**

25 CHAIR CAREY: Seeing none, we are adjourned.

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(Gavel sounded.)

*(The Board of Directors meeting concluded
at 12:30 p.m.)*

--o0o--

REPORTER'S CERTIFICATE

I hereby certify that the foregoing proceedings were duly reported by me at the time and place herein specified;

That the testimony of said witnesses was reported by me, a duly certified shorthand reporter and a disinterested person, and was thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for either or any of the parties to said deposition, nor in any way interested in the outcome of the cause named in said caption.

IN WITNESS WHEREOF, I have hereunto set my hand on the 4th day of November 2011.

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

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State of California

MEMORANDUM

To: Board of Directors

Date: January 19, 2012



Tim Hsu, Financing Risk Manager

From: CALIFORNIA HOUSING FINANCE AGENCY

Subject: ANNUAL SINGLE FAMILY BOND FINANCING AUTHORIZATION
RESOLUTION 12-01

Resolution 12-01 would give the Agency the authority necessary to finance the business plan and manage outstanding single family debt obligations. Resolution 12-01 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 2013, at which there is a quorum, 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 \$100 million for the combined amount of federally-taxable single family bonds.

Bonds are authorized to be issued as Residential Mortgage Revenue (RMR) Bonds as amended and supplemented (the “RMR Indenture”), other than Article XIII thereof. Such amendments to the RMR Indenture include the form of Supplemental Indenture thereto dated as of January 1, 2012 and presented to the Board of Directors at its January 19, 2012 meeting. 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 2013 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, 2014.

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 \$200 million for operating capital and for the Homeownership Programs and Multifamily Programs. Finally, this authorization allows the Agency to continue to utilize our warehouse line from the State's Pooled Money Investment Board and other warehouse lines of credit facilities that may become available to the Agency.

Attachments

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RESOLUTION NO. 12-01

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, 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:

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

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

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

38 **Section 6. Authorization of Financial Agreements Related to Debt-**
 39 **Management Bonds.** Subject to the limitation set forth in the last sentence of this Section, the
 40 Executive Director and the other officers of the Agency are hereby authorized to enter into, for
 41 and in the name and on behalf of the Agency, any and all agreements and documents designed
 42 (i) to reduce or hedge the amount or duration of any payment, interest rate, spread or similar risk,
 43 (ii) to result in a lower cost of borrowing when used in combination with the issuance or carrying
 44 of bonds or investments, or (iii) to enhance the relationship between risk and return with respect

1 to the Program or any portion thereof (each of the foregoing a “Hedging Instrument”). To the
 2 extent authorized by law, including Government Code Section 5922, such agreements or other
 3 documents may include (a) interest rate swap agreements; (b) forward payment conversion
 4 agreements; (c) futures or other contracts providing for payments based on levels of, or changes
 5 in, interest rates or other indices; (d) contracts to exchange cash flows for a series of payments;
 6 (e) contracts, including, without limitation, interest rate floors or caps, options, puts or calls to
 7 hedge payment, interest rate, spread or similar exposure; (f) contracts to obtain guarantees,
 8 including guarantees of mortgage-backed securities or their underlying loans; or (g) letters of
 9 credit, standby bond purchase agreements, or other similar arrangements; and in each such case
 10 may be entered into in anticipation of the issuance of bonds at such times as may be determined
 11 by such officers. Such agreements and other documents are authorized to be entered into with
 12 parties selected by the Executive Director, after giving due consideration for the creditworthiness
 13 of the counterparties, where applicable, or any other criteria in furtherance of the objectives of
 14 the Program. *Notwithstanding* anything herein to the contrary, a Hedging Instrument may be
 15 entered into only for the purposes of amending, modifying or replacing a then-existing Hedging
 16 Instrument and may in no event increase the notional amount outstanding under the Hedging
 17 Instrument so amended, modified or replaced.

18 **ARTICLE II**
 19 **AUTHORIZATION AND TERMS OF MBS BONDS**

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

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

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

29 (c) if and to the extent interest on one or more of such series of Bonds is
 30 determined by the Executive Director to be intended not to be excludable from gross
 31 income for federal income tax purposes, \$100,000,000.

32 Section 8. Authorization and Timing of MBS Bonds. The MBS Bonds are
 33 hereby authorized to be issued in such aggregate amount at such time or times on or before the
 34 day 30 days after the date on which is held the first meeting of the Board in the year 2013 at
 35 which a quorum is present, as the Executive Director of the Agency (the “Executive Director”)
 36 deems appropriate, upon consultation with the Treasurer of the State of California (the
 37 “Treasurer”) as to the timing of each such issuance; provided, however, that if the bonds are sold
 38 at a time on or before the day 30 days after the date on which is held such meeting, pursuant to a
 39 forward purchase or drawdown agreement providing for the issuance of such Bonds on or before
 40 August 1, 2014 upon specified terms and conditions, such Bonds may be issued on such later
 41 date.

1 means approved therefor by the Executive Director, such approval to be conclusively evidenced
2 by such circulation or distribution.

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

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

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

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

36 Section 16. Authorization of Program Documents. The Executive Director
37 and the other officers of the Agency are hereby authorized to enter into, for and in the name and
38 on behalf of the Agency, all documents they deem necessary or appropriate in connection with
39 the Program, including, but not limited to, one or more mortgage purchase and servicing
40 agreements (including mortgage-backed security pooling agreements) and one or more loan
41 servicing agreements with such lender or lenders or such servicer or servicers as the Executive
42 Director may select in accordance with the purposes of the Program, and any such selection of a

1 lender or lenders or a servicer or servicers is to be deemed approved by this Board as if it had
2 been made by this Board. The proceeds of MBS Bonds to be issued under the authority of this
3 Resolution shall be used to purchase MBSs guaranteed by Fannie Mae, Freddie Mac, Ginnie
4 Mae, or other appropriate guarantor and shall not be used to purchase whole loans. The MBSs to
5 be purchased may be underlain by loans that have terms of 30 years or less.

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

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

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

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

31 Section 17. Authorization of Credit Facilities. The Executive Director and
32 the other officers of the Agency are hereby authorized to enter into, for and in the name and on
33 behalf of the Agency, one or more short-term or long-term credit facilities, including but not
34 limited to repurchase agreements, for the purposes of (i) financing the purchase of Loans and/or
35 mortgage-backed securities on an interim basis, prior to the financing thereof with Bonds,
36 whether issued or to be issued; (ii) financing expenditures of the Agency incident to, and
37 necessary or convenient to, the issuance of Bonds, including, but not limited to, Agency
38 expenditures to pay costs of issuance, capitalized interest, redemption price of prior bonds of the
39 Agency, costs relating to credit enhancement or liquidity support, costs relating to investment
40 products, or net payments and expenses relating to interest rate hedges and other financial
41 products; and (iii) enabling the Agency to restructure existing debt and related purposes,
42 including, but not limited to, the redemption of existing bonds and the acquisition of bonds that

1 have been put to liquidity providers as bank bonds. Any such credit facility may be from any
 2 appropriate source, including, but not limited to, the Pooled Money Investment Account pursuant
 3 to Government Code Section 16312; provided, however, that the aggregate outstanding principal
 4 amount of credit facilities authorized under this resolution or Resolution No. 12-02 (the
 5 multifamily financing resolution adopted at the same meeting), as amended from time to time,
 6 may not at any time exceed \$200,000,000 (separate and apart from the amount of Bonds
 7 authorized by Sections 1 and 7 of this resolution).

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

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

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

32 **Section 19. Authorization of Related Actions and Agreements.** The
 33 Treasurer and any duly authorized deputy thereof and the Executive Director and the officers of
 34 the Agency and any other persons authorized in writing by the Executive Director are hereby
 35 authorized and directed, jointly and severally, to do any and all things and to execute and deliver
 36 any and all agreements and documents which they deem necessary or advisable in order to
 37 consummate the issuance, sale, delivery, remarketing, conversion and administration of Bonds
 38 and Prior Bonds and otherwise to effectuate the purposes of this resolution, including declaring
 39 the official intent of the Agency for purposes of U.S. Treasury Regulations Section 1.150-2, and
 40 including executing and delivering any amendment or supplement to any agreement or document
 41 relating to Bonds or Prior Bonds in any manner that would be authorized under this resolution if
 42 such agreement or document related to Bonds is authorized by this resolution. Such agreements
 43 may include, but are not limited to, remarketing agreements, tender agreements or similar

1 agreements regarding any put option for the Bonds or Prior Bonds, broker-dealer agreements,
2 market agent agreements, auction agent agreements or other agreements necessary or desirable in
3 connection with the issuance of Bonds in, or the conversion of Bonds or Prior Bonds to, an
4 indexed rate mode, agreements for the investment of moneys relating to the Bonds or Prior
5 Bonds, reimbursement agreements, letters of credit, intercreditor agreements or other
6 arrangements relating to any credit enhancement or liquidity support or put option provided for
7 the Bonds or Prior Bonds, continuing disclosure agreements and agreements for necessary
8 services provided in the course of the issuance of the bonds, including but not limited to,
9 agreements with bond underwriters and placement agents, private placement purchasers, bond
10 trustees, bond counsel and financial advisors and contracts for consulting services or information
11 services relating to the financial management of the Agency, including advisors or consultants on
12 interest rate swaps, cash flow management, and similar matters, and contracts for financial
13 printing and similar services.

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

18 The Executive Director and the officers of the Agency and any other persons
19 authorized in writing by the Executive Director are hereby authorized and directed, jointly and
20 severally, in connection with the issuance of bonds authorized under this resolution, to use funds
21 of the Agency to purchase MBSs, make a capital contribution with respect to such bonds,
22 establish reserves to secure such bonds, and pay other costs of the Agency incident to, and
23 necessary or convenient to, the issuance of such bonds.

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

1 SECRETARY'S CERTIFICATE

2 I, Victor James, the undersigned, do hereby certify that I am the duly authorized
3 designee of Thomas C. Hughes, Secretary of the Board of Directors of the California Housing
4 Finance Agency, and hereby further certify that the foregoing is a full, true, and correct copy of
5 Resolution No. 12-01 duly adopted at a regular meeting of the Board of Directors of the
6 California Housing Finance Agency duly called and held on the 19th day of January, 2012, of
7 which meeting all said directors had due notice; and that at said meeting said Resolution was
8 adopted by the following vote:

9 AYES:

10 NOES:

11 ABSTENTIONS:

12 ABSENT:

13 IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of
14 the Board of Directors of the California Housing Finance Agency hereto this 19th day of
15 January, 2012.

16
17 [SEAL]

Victor James, for
Thomas C. Hughes
Secretary of the Board of Directors of the
California Housing Finance Agency

SECRETARY'S CERTIFICATE

I, _____, 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. 12-01 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 19th day of January, 2012, 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]

Secretary of the Board of Directors of the California Housing Finance Agency

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State of California

MEMORANDUM

To: Board of Directors

Date: January 19, 2012



Tim Hsu, Financing Risk Manager

From: CALIFORNIA HOUSING FINANCE AGENCY

Subject: ANNUAL MULTIFAMILY BOND FINANCING AUTHORIZATION
RESOLUTION 12-02

Resolution 12-02 would give the Agency the authority necessary to finance the business plan and manage outstanding multifamily debt obligations. Resolution 12-02 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 2013, in which there is a quorum, and are authorized to be issued under forms of indentures that currently have bonds outstanding or under Article XIII of the Residential Mortgage Revenue Bonds General Indenture, dated as of December 1, 2009, authorized by Resolution No 09-14, as amended and supplemented, including by the form of Supplemental Indenture thereto dated as of January 1, 2012 and authorized by Resolution No. 12-01, as such Supplemental Indenture is finally executed or under 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
- (2) 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 2013 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, 2014.

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 \$200 million for operating capital, Homeownership Programs and Multifamily Programs. Finally, this authorization allows the Agency to continue to utilize our warehouse line from the State's Pooled Money Investment Board and other such facilities that may become available to the Agency.

Attachments

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RESOLUTION NO. 12-02

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.

1 **Section 2. Authorization and Timing of Refunding Bonds.** The Refunding
 2 Bonds described in Section 1 are hereby authorized to be issued for the purpose of financing,
 3 refinancing or carrying existing Loans. Refunding Bonds may be issued at such time or times on
 4 or before the day 30 days after the date on which is held the first meeting in the year 2013 of the
 5 Board of Directors of the Agency at which a quorum is present, as the Executive Director of the
 6 Agency (the “Executive Director”) deems appropriate, upon consultation with the Treasurer of
 7 the State of California (the “Treasurer”) as to the timing of each such issuance; *provided,*
 8 *however,* that if the Refunding Bonds are sold at a time on or before the day 30 days after the
 9 date on which is held such meeting, pursuant to a forward purchase agreement providing for the
 10 issuance of such Refunding Bonds on a later date on or before August 1, 2014, upon specified
 11 terms and conditions, such Refunding Bonds may be issued on such later date.

12 **Section 3. Approval of Refunding Bond Indentures and Certain**
 13 **Other Financing Documents Related to Refunding Bonds.** (a) Refunding
 14 Bonds may be issued under and pursuant to any one or more of the following
 15 (collectively, the “Refunding Bond Prior Indentures”):

- 16 (1) the Multifamily Housing Revenue Bond II Indenture, dated as of
 17 October 1, 1995;
- 18 (2) the Multifamily Housing Revenue Bond III Indenture, dated as of
 19 March 1, 1997;
- 20 (3) the Multifamily Loan Purchase Bond Indenture, dated as of July 1,
 21 2000;
- 22 (4) the form of Fannie Mae stand-alone Indenture approved by
 23 Resolution No. 09-02;
- 24 (5) the form of Freddie Mac stand-alone Indenture approved by
 25 Resolution No. 09-02;
- 26 (6) the form of Master Pledge and Assignment approved by
 27 Resolution No. 09-02;
- 28 (7) the form of FHA/GNMA stand-alone Indenture approved by
 29 Resolution No. 10-08;
- 30 (8) the Affordable Multifamily Housing Revenue Bonds Indenture,
 31 dated as of December 1, 2009; or
- 32 (9) Article XIII of the Residential Mortgage Revenue Bonds General
 33 Indenture, dated as of December 1, 2009, authorized by Resolution
 34 No. 09-14, as amended and supplemented, including by the form
 35 of Supplemental Indenture thereto dated as of January 1, 2012 and
 36 authorized by Resolution No. 12-01, as such Supplemental
 37 Indenture is finally executed.

1 (b) The Executive Director and the Secretary of the Board of
 2 Directors of the Agency (the “Secretary”) are hereby authorized and directed, for
 3 and on behalf and in the name of the Agency, if appropriate, to execute and
 4 acknowledge and to deliver with respect to each series of Refunding Bonds, either
 5 an indenture (which may include a supplemental indenture) in substantially the
 6 form of the conduit stand-alone Refunding Bond Prior Indentures specified in
 7 subsections (a)(4) through (a)(7) of this Section 3 (a “Refunding Bond Stand-
 8 alone Indenture”) or a supplemental indenture (a “Refunding Bond Supplemental
 9 Indenture” and, collectively with the Refunding Bond Stand-alone Indentures,
 10 “Refunding Bond Indentures”) under a Refunding Bond Prior Indenture specified
 11 in subsections (a)(1) through (a)(3), and (a)(8) and (a)(9) of this Section 3 in
 12 substantially the form of any supplemental indenture or series indenture executed
 13 or approved in connection with any of the Refunding Bond Prior Indentures, in
 14 each case with such changes therein as the officers executing the same approve
 15 upon consultation with the Agency’s legal counsel, such approval to be
 16 conclusively evidenced by the execution and delivery thereof.

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

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

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

- 38 (1) for the Agency’s general obligation to pay any debt secured
 39 thereby, or
- 40 (2) for risk sharing provisions dividing between the Agency and any
 41 credit provider, mortgage lender, commercial bank or other
 42 financial institution and/or FHA, in such manner as the Executive

1 Director may deem necessary or desirable in furtherance of the
 2 objectives of the Program, the credit and financing risks relating to
 3 Refunding Bonds and the Developments financed by such
 4 Refunding Bonds;

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

9 **Section 4. Approval of Forms and Terms of Refunding Bonds.** Refunding
 10 Bonds shall be in such denominations, have such registration provisions, be executed in such
 11 manner, be payable in such medium of payment at such place or places within or without
 12 California, be subject to such terms of redemption (including from such sinking fund
 13 installments as may be provided for) and contain such terms and conditions as each Refunding
 14 Bond Indenture as finally approved shall provide. Refunding Bonds shall have the maturity or
 15 maturities and shall bear interest at the fixed, adjustable or variable rate or rates deemed
 16 appropriate by the Executive Director in furtherance of the objectives of the Program; *provided,*
 17 *however,* that no Refunding Bond shall bear interest at a stated rate in excess of fifteen percent
 18 (15%) per annum or have a final maturity later than forty-five years from the earlier of the date
 19 of issuance of the Refunded Bonds or, if the Refunded Bonds were refunding bonds, the original
 20 bonds in the series of refunding.

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

28 **Section 5. Authorization of Other Financial Agreements Related to**
 29 **Refunding Bonds.** The Executive Director and the other officers of the Agency are hereby
 30 authorized to enter into, for and in the name and on behalf of the Agency, any and all agreements
 31 and documents designed to amend, modify or replace existing agreements and documents that
 32 related to Refunded Bonds in order to (i) reduce or hedge the amount or duration of any
 33 payment, interest rate, spread or similar risk with respect to Refunding Bonds or related
 34 investments, (ii) result in a lower cost of borrowing when used in combination with the issuance
 35 or carrying of Refunding Bonds or related investments, or (iii) enhance the relationship between
 36 risk and return with respect to the existing debt of the Program or any portion thereof; *provided,*
 37 *however,* that the aggregate notional amount of such agreements related to the Program may not
 38 be increased. Such agreements and other documents are authorized to be entered into with
 39 parties selected by the Executive Director, after giving due consideration for the creditworthiness
 40 of the counterparties, where applicable, or any other criteria in furtherance of the objectives of
 41 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 to be intended not to be tax-exempt for federal income tax purposes, \$150,000,000.

Section 7. Authorization and Timing. The New Money Bonds described in Section 6 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 2013 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 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, 2014, upon specified terms and conditions, such New Money Bonds may be issued on such later date.

Section 8. Approval of New Money Bond Indentures and Certain Other Financing Documents. (a) New Money Bonds may be issued under and pursuant to any one or more of the following (collectively, the “New Money Bond 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;
- (5) the Affordable Multifamily Housing Revenue Bonds Indenture, dated as of December 1, 2009; or

1 (6) Article XIII of the Residential Mortgage Revenue Bonds General
2 Indenture, dated as of December 1, 2009, authorized by Resolution
3 No. 09-14, as amended and supplemented, including by the form
4 of Supplemental Indenture thereto dated as of January 1, 2012 and
5 authorized by Resolution No. 12-01, as such Supplemental
6 Indenture is finally executed.

7 (b) The Executive Director and the Secretary are hereby authorized and directed,
8 for and on behalf and in the name of the Agency, if appropriate, to execute and acknowledge and
9 to deliver with respect to each series of New Money Bonds, either an indenture (which may
10 include a supplemental indenture) in substantially the form of the conduit stand-alone New
11 Money Bond Prior Indentures specified in subsections (a)(1) through (a)(4) of this Section 8 (a
12 “New Money Bond Stand-alone Indenture”) or a supplemental indenture (a “New Money Bond
13 Supplemental Indenture,” and, collectively with the New Money Bond Stand-alone Indentures,
14 “New Money Bond Indentures”) under the New Money Bond Prior Indentures specified in
15 subsections (a)(5) and (a)(6) of this Section 8 in substantially the form of any supplemental
16 indenture or series indenture executed or approved in connection with such New Money Bond
17 Prior Indentures, in each case with such changes therein as the officers executing the same
18 approve upon consultation with the Agency’s legal counsel, such approval to be conclusively
19 evidenced by the execution and delivery thereof.

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

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

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

39 **Section 10. Conduit Issuances.** In addition to the authority provided by the
40 other provisions of Article II, the following provisions shall apply to any limited obligation New
41 Money Bonds (“Conduit Bonds”) issued on behalf of Development sponsors for which, by the
42 terms of the documents providing for the issuance of such New Money Bonds, (a) the Agency is

1 not liable for payment of the principal of, premium or interest on such New Money Bonds,
 2 except from revenues received from loans made with the proceeds of such New Money Bonds
 3 (“Conduit Loans”), (b) the Agency has not contributed or pledged any funds or assets to such
 4 New Money Bonds other than revenues derived from or related to such Conduit Loans, and (c)
 5 there is otherwise no obligation of or material financial risk to the General Fund of the Agency
 6 under the terms of such Conduit Bonds:

- 7 (1) Conduit Bonds may be issued as drawdown bonds for which the bond purchaser
 8 purchases Bonds in installments as funds are needed by the Development sponsor,
 9 and, if the initial draw is funded pursuant to authority granted under this Article II
 10 prior to the first meeting in the year 2013 of the Board of Directors of the Agency
 11 at which a quorum is present, additional draws necessary to complete the
 12 Development may be issued at any time, whether before or after August 1, 2014;
- 13 (2) Conduit Bonds may be issued with variable rates of interest; and
- 14 (3) Conduit Bonds may otherwise have such commercially reasonable terms as may
 15 be approved by the Executive Director, such approval to be evidenced by the
 16 execution and delivery of the documents relating to such Conduit Bonds in
 17 accordance with this Resolution.
- 18 (4) For each series of Conduit Bonds, the Executive Director is hereby authorized and
 19 directed to execute, and the Secretary is hereby authorized to attest, for and in the
 20 name and on behalf of the Agency and under its seal, if and to the extent
 21 appropriate, any and all necessary documents, including but not limited to
 22 reimbursement agreements, letter of credit agreements or other arrangements with
 23 respect to liquidity or credit enhancement, and any intercreditor or subordination
 24 agreements related thereto.

25 ARTICLE III
 26 PROVISIONS APPLICABLE TO ALL BONDS ISSUED UNDER THIS RESOLUTION

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

35 Section 12. Authorization of Sale of Bonds. Bonds are hereby authorized to be
 36 sold at negotiated or competitive sale or sales, including but not limited to private placements
 37 and public offerings. The Executive Director is hereby authorized and directed, for and in the
 38 name and on behalf of the Agency, to execute and deliver one or more agreements, by and
 39 among the Agency, the Treasurer, if applicable, and such purchasers or underwriters as the
 40 Executive Director may select (the “Purchasers”), relating to the sale of the Bonds, in such form

1 as the Executive Director may approve upon consultation with the Agency's legal counsel, such
2 approval to be evidenced conclusively by the execution and delivery of said agreements by the
3 Executive Director.

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

12 **Section 13. Authorization of Execution of Bonds.** The Executive Director is
13 hereby authorized and directed to execute, and the Secretary is hereby authorized and directed to
14 attest, for and on behalf and in the name of the Agency and under its seal, the Bonds, in an
15 aggregate amount not to exceed the amount authorized hereby, in accordance with each
16 Refunding Bond Indenture or New Money Bond Indenture in one or more of the forms set forth
17 in such indenture.

18 **Section 14. Authorization of Delivery of Bonds.** The Bonds when so executed
19 shall be delivered to the trustee or other authenticating agent ("Trustee") to be authenticated or
20 caused to be duly and properly authenticated. The Trustee is hereby requested and directed to
21 authenticate, or cause to be authenticated, the Bonds by the execution of the certificate of
22 authentication and registration appearing thereon, and to deliver or cause to be delivered the
23 Bonds when duly executed and authenticated to the Purchasers in accordance with written
24 instructions executed on behalf of the Agency by the Executive Director, which instructions said
25 officer is hereby authorized and directed, for and on behalf and in the name of the Agency, to
26 execute and deliver to the Trustee.

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

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

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

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

13 Section 16. **Authorization of Credit Facilities.** In addition, the Executive
 14 Director and the other officers of the Agency are hereby authorized to enter into, for and in the
 15 name and on behalf of the Agency, one or more short-term or long-term credit facilities,
 16 including but not limited to repurchase agreements, for the purposes of (i) financing the purchase
 17 of Loans on an interim basis, prior to the financing of such Loans with Bonds, whether issued or
 18 to be issued; (ii) financing expenditures of the Agency incident to, and necessary or convenient
 19 to, the issuance of Bonds, including, but not limited to, Agency expenditures to pay costs of
 20 issuance, capitalized interest, redemption price of prior bonds of the Agency, costs relating to
 21 credit enhancement or liquidity support, costs relating to investment products, or net payments
 22 and expenses relating to interest rate hedges and other financial products; and (iii) enabling the
 23 Agency to restructure existing debt and related purposes, including, but not limited to, the
 24 redemption of existing bonds and the acquisition of bonds that have been put to liquidity
 25 providers as bank bonds. Any credit facility entered into pursuant to this Section 16 may be
 26 from any appropriate source, including, but not limited to, the Pooled Money Investment
 27 Account pursuant to Government Code Section 16312; *provided, however*, that the aggregate
 28 outstanding principal amount of credit facilities authorized under this Section 16 or the
 29 comparable sections of Resolution No. 12-01 (the single family financing resolution adopted at
 30 the same meeting) may not at any time exceed \$200,000,000 (separate and apart from the
 31 amount of bonds authorized by Sections 1 and 6 of this resolution and such other resolutions).

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

39 The Executive Director and the other officers of the Agency are hereby authorized
 40 to use available Agency moneys to purchase Agency bonds to enable the Agency to restructure
 41 its debt and for related purposes. Any Agency bonds so purchased shall remain outstanding for
 42 all purposes except to the extent that the Executive Director or the other officers of the Agency
 43 expressly provide for the retirement or redemption, and cancellation, of such bonds. Any

1 Agency bonds so purchased may be purchased and resold, in each case on such terms as may be
2 determined by the Executive Director and the other officers of the Agency in the best interests of
3 the Agency. The Agency may establish any account or accounts as may be necessary or
4 desirable in connection with the purchase of such bonds.

5 **Section 17. Ratification of Prior Actions; Not a Repeal of Prior Resolutions.**

6 (a) All actions previously taken by the officers of the Agency in connection with the
7 implementation of the Program, the issuance of the Bonds, the issuance of any prior bonds (the
8 “Prior Bonds”), the execution and delivery of related financial agreements and related program
9 agreements and the implementation of any credit facilities as described above are hereby
10 approved and ratified.

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

18 **Section 18. Authorization of Related Actions and Agreements.** The Treasurer

19 and any duly authorized deputy thereof and the Executive Director and the officers of the
20 Agency and any other persons authorized in writing by the Executive Director, are hereby
21 authorized and directed, jointly and severally, to do any and all things and to execute and deliver
22 any and all agreements and documents which they deem necessary or advisable in order to
23 consummate the issuance, sale, delivery, remarketing, conversion and administration of Bonds
24 and Prior Bonds and otherwise to effectuate the purposes of this resolution, including declaring
25 the official intent of the Agency for purposes of U.S. Treasury Regulations Section 1.150-2, and
26 including executing and delivering any amendment or supplement to any agreement or document
27 relating to Bonds or Prior Bonds in any manner that would be authorized under this resolution if
28 such agreement or document related to Bonds authorized by this resolution. Subject in all cases
29 to the express limitations set forth above in this resolution, such agreements may include, but are
30 not limited to, remarketing agreements, tender agreements or similar agreements regarding any
31 put option for Bonds or Prior Bonds, broker-dealer agreements, market agent agreements,
32 auction agent agreements or other agreements necessary or desirable in connection with the
33 issuance of Bonds in, or the conversion of Bonds or Prior Bonds to, an auction rate mode or an
34 indexed rate mode, agreements for the investment of moneys relating to the Bonds or Prior
35 Bonds, reimbursement agreements, letter of credit agreements, intercreditor agreements or other
36 arrangements relating to any credit enhancement or liquidity support or put option provided for
37 the Bonds or the Prior Bonds, continuing disclosure agreements and agreements for necessary
38 services provided in the course of the issuance of the bonds, including but not limited to,
39 agreements with bond underwriters, remarketing agents, placement agents, private placement
40 purchasers, bond trustees, bond counsel and financial advisors and contracts for consulting
41 services or information services relating to the financial management of the Agency, including
42 advisors or consultants on interest rate swaps, cash flow management, and similar matters, and
43 contracts for financial printing and similar services. The Executive Director and the officers of
44 the Agency, and any other persons authorized in writing by the Executive Director, are hereby

1 authorized and directed, jointly and severally, to provide as necessary for payment of costs of
2 issuance related to Bonds and to provide for the Agency to contribute capital as necessary to
3 facilitate the issuance of Bonds.

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

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

SECRETARY’S CERTIFICATE

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I, Victor James, the undersigned, do hereby certify that I am the duly authorized designee of Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, and hereby further certify that the foregoing is a full, true, and correct copy of Resolution No. 12-02 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 19th day of January 2012, 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 19th day of January 2012.

[SEAL]

VICTOR JAMES, for
Thomas C. Hughes
Secretary of the Board of Directors of the
California Housing Finance Agency

SECRETARY'S CERTIFICATE

I, Victor James, the undersigned, do hereby certify that I am the duly authorized designee of Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, and hereby further certify that the foregoing is a full, true, and correct copy of the Resolution No. 12-02 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 19th day of January 2012, 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 _____, 2012.

[SEAL]

 VICTOR JAMES, for
 Thomas C. Hughes
 Secretary of the Board of Directors of the
 California Housing Finance Agency

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State of California

MEMORANDUM

To: Board of Directors

Date: January 9, 2012



Timothy Hsu, Financing Risk Manager

From: CALIFORNIA HOUSING FINANCE AGENCY

Subject: AUTHORIZATION TO MAKE APPLICATION TO THE CALIFORNIA DEBT
LIMIT ALLOCATION COMMITTEE
RESOLUTION 12-03

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 12-03 would authorize application to CDLAC for a maximum of \$200 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 12-01 and 12-02, which authorize the issuance of bonds for the Homeownership Program and Multifamily Program, are themselves in effect.

The amounts proposed in Resolution 12-03 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.

Attachment

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RESOLUTION NO. 12-03

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, and to issue Mortgage Credit Certificates 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, and to issue Mortgage Credit Certificates for the permanent financing of Residences;

WHEREAS, the Agency has by its Resolution No. 12-01 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. 12-02 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

1 from gross income for federal income tax purposes, or for the issuance of Mortgage Credit
2 Certificates;

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

5 **Section 1. Authorization to Apply to CDLAC for the Homeownership**
6 **Program.** The officers of the Agency are hereby authorized to apply from time to time to the
7 California Debt Limit Allocation Committee (“CDLAC”) for private activity bond allocations in
8 an aggregate amount of up to \$200,000,000 per year to be used in connection with bonds issued
9 under Resolution No. 12-01, or resolutions heretofore or hereafter adopted by the Agency for the
10 Homeownership Program. In the alternative, subject to the approval of CDLAC and under such
11 terms and conditions as may be established by CDLAC, any such allocation received is
12 authorized by this Board to be used in connection with a mortgage credit certificate program.

13 **Section 2. Authorization to Apply to CDLAC for the Multifamily Program.**
14 The officers of the Agency are hereby authorized to apply from time to time to CDLAC for
15 private activity bond allocations in an aggregate amount of up to \$400,000,000 per year, to be
16 used in connection with bonds issued under Resolution No. 12-02 or resolutions heretofore or
17 hereafter adopted by the Agency for the Multifamily Program.

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

SECRETARY'S CERTIFICATE

1
2
3 I, Victor James, the undersigned, do hereby certify that I am the duly authorized
4 designee of Thomas C. Hughes, Secretary of the Board of Directors of the California Housing
5 Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of Resolution
6 No. 12-03 duly adopted at a regular meeting of the Board of Directors of the California Housing
7 Finance Agency duly called and held on the 19th day of January, 2011, of which meeting all
8 said directors had due notice; and that at said meeting said Resolution was adopted by the
9 following vote:

10
11 AYES:

12
13 NOES:

14
15 ABSTENTIONS:

16
17 ABSENT:

18
19 IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of
20 the Board of Directors of the California Housing Finance Agency hereto this 19th day of
21 January, 2012.

22
23
24
25 [SEAL]

Victor J. James, for
Thomas C. Hughes
Secretary of the Board of Directors of the
California Housing Finance Agency

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State of California

MEMORANDUM**To:** Board of Directors**Date:** January 12, 2012**From:** Claudia Cappio, Executive Director
CALIFORNIA HOUSING FINANCE AGENCY**Subject:** POLICY ALLOWING HOMEOWNERS WITH AGENCY FIRST MORTGAGES TO RENT THEIR HOME

Historically the Agency has generally prohibited its borrowers from renting their home financed by CalHFA tax-exempt bonds, except in cases of certified financial hardship. The origin of this policy is based both on legal and public policy grounds. The provision of Section 143 of the Internal Revenue Code require that borrowers, receiving loan proceeds from tax exempt bonds must intend to live in the financed property as an owner occupant.

Section 143 also excludes borrowers who have owned a home within three years of executing the loan. Both limitations are consistent with the Agency's objective to finance first time *homebuyers* with the intention of fulfilling the dream of homeownership to live in the home rather than becoming landlords. Prior to the down turn in the economy homeowners would sell their home or refinance their CalHFA mortgage to accommodate changes in their personal circumstances.

With the downturn in the economy and the drop in home values, our borrowers wanting to sell or refinance their home to accommodate their personal circumstances have not been able to do so (because property's current valuation is less than is owed on the loan).

Since October 2011 the Agency has committed to not foreclose against our borrowers based solely on the non-monetary default of renting out their residence while we complete our review of the rental policy and present the results of our new policy to the Agency's Board of Directors. The Agency has continued to permit our borrowers to rent their home when they meet the October 2010 hardship requirements(see attached).

Attached is a copy of the amended rental policy. As you will read, we have moved away from defining what may constitute a hardship. Essentially, the focus will be whether the borrowers intended to occupy the home as their principal residence at the time they received their CalHFA loan. If they meet this test, their home is now worth less than their loan and they can demonstrate they can still make the loan payment, they will be permitted to rent their home. In the current economy our focus is on working with our borrowers to help them preserve their home with two broad goals: 1) borrower must demonstrate the financial wherewithal to continue to make their loan payments; and 2) CalHFA must be satisfied that the property was not obtained for investment purposes.

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California Housing Finance Agency

P.O. Box 4034 • Sacramento • CA • 95812-4034 • (916) 322-3991 • www.calhfa.ca.gov

Homeownership Program Bulletin

October 05, 2010

Program Bulletin #2010-10

To: CalHFA-Approved Servicers

Rental Policy for CalHFA Loans

This Program Bulletin updates the Rental Policy in Section 12 of the Servicer's Guide, replacing Exhibit D-1 Borrower's Rental Affidavit. Attached are the Borrower's Rental Agreement (Exhibit D-1) dated September 22, 2010 and the CalHFA Lease Rider also dated September 22, 2010. These updated documents are effective with CalHFA-approved rental requests made on and after the date of this bulletin.

Servicers must provide the attached documents to borrowers requesting CalHFA approval of a rental arrangement on properties financed by CalHFA loans. Rentals are not permitted unless the borrower and CalHFA complete and execute the CalHFA Borrower's Rental Agreement, and the borrower and tenant complete and execute the CalHFA Lease Rider.

For questions about this bulletin, contact CalHFA Portfolio Management by phone 916.327.5170; by fax 916.449.5719; by email at PortfolioManagement@calhfa.ca.gov or visit CalHFA's web site www.calhfa.ca.gov for additional information.

Attachments: Exhibit D-1 Borrower's Rental Agreement and CalHFA Lease Rider

BORROWER’S RENTAL AGREEMENT

The persons signing this Borrower’s Rental Agreement (“Agreement”) are all of the borrowers (collectively “Borrower”) on a home loan made by _____, and assigned to the California Housing Finance Agency, (“CalHFA”). The home loan is CalHFA number _____ (the “Loan”).

1. Representations, Warranties and Acknowledgements

Borrower hereby makes all of the following representations, warranties, acknowledgements and covenants provided below:

a. The address of the residence financed with the proceeds of the mortgage Loan is located in the State of California, County of _____, at _____ (“Residence”).

b. The Borrower acknowledges that Loan is financed with the proceeds of tax exempt housing bonds, and is subject to federal rules relating to the use of such bond proceeds, including rules relating to first-time homebuyers. The terms of the Loan require the Borrower to occupy the Residence as their principal place of residence, and prohibit the rental of the Residence by Borrower.

c. Borrower has occupied the Residence as Borrower’s principal place of residence since the date of the Loan.

d. Borrower represents that the hardship that is the basis for the rental request is:

_____.

e. When Borrower purchased this Residence, Borrower did so with the intent to use the Residence as Borrowers principal place of residence, and not as an investment residence nor as a means of receiving any income from the Residence.

2. Conditional Consent of CalHFA to Rent

Borrower has requested that CalHFA permit Borrower to rent the Residence to tenants. In considering Borrower’s request, CalHFA has relied on each of the representations, warranties and acknowledgements made in this Affidavit. CalHFA is willing to permit Borrower to rent the Residence, subject to each of the terms of conditions contained in this Agreement. In the event that Borrower breaches the terms of this Agreement, the consent of CalHFA to permit such rental as contained in the Agreement shall cease, and CalHFA may enforce all of the terms and conditions of the Loan as originally made.

3. Terms of Permitted Lease

The rental of the Residence shall not be permitted unless the terms of the lease or rental agreement meet all of the following conditions:

a. Any lease or rental agreement with a tenant entered into by Borrower must contain the CalHFA Lease Rider attached hereto, fully signed by Borrower and all tenants of the Residence. Promptly upon entering into a lease or rental agreement, Borrower shall send CalHFA a fully signed copy of the lease or rental agreement, together with the signed CalHFA Lease Rider, at the following address:

California Housing Finance Agency
Attn: Portfolio Management
P.O. Box 4034 Mail Stop 320
Sacramento, California 95812-4034

- b. The term of any lease or rental agreement with a tenant shall not exceed 12 months.
- c. The terms and conditions of the Agreement shall be fully disclosed to any tenant by providing a copy of this Agreement to any such tenant.

4. Assignment of Rents

As additional security for the performance of Borrower's obligations under the Loan, including the obligation to make loan payments, Borrower grants CalHFA a security interest in all rents derived from the Residence. Borrower hereby absolutely, unconditionally and irrevocably assigns to CalHFA all rents, royalties, issues, accounts and profits of or relating to the Residence and all interests under all leases, subleases, rental agreements and other contracts and occupancy agreements relating to use and possession of the Residence. Notwithstanding the above, CalHFA confers upon the Borrower a license to collect and retain the rents, issues and profits of the Residence as they become due and payable. Upon the occurrence of any breach of this agreement, or Borrower's underlying agreements with CalHFA, this license shall be automatically revoked.

5. Commencement of Consent

The consent to rent will commence on the execution of this Agreement by both parties.

6. Termination of Consent

a. If Borrower rents the Residence in accordance with this Agreement, the consent to rent shall expire on the earlier of the early termination of the lease or rental agreement, or end of the stated term of the lease or rental agreement (which shall not exceed 12 months), whichever is shorter.

b. If Borrower does not rent the Residence as permitted herein, the consent to rent shall expire one year from the date of execution of this Agreement by Borrower.

Executed on the date or dates shown below:

Date:

Borrower's Signature

Date:

Borrower's Signature

Date:

California Housing Finance Agency

By _____

Its _____

September 22, 2010

CALHFA LEASE RIDER

This CalHFA Lease Rider ("Lease Rider") shall be attached to any lease or rental agreement between _____, as owners ("Landlord") of the residence located at _____, California (the "Property"), and _____, ("Tenants"), and shall become part of the lease or rental agreement. The terms and conditions of the Rider shall supersede and override any terms or conditions of the lease or rental agreement that are inconsistent with the terms of this Rider.

1. Requirement of Rider

Landlord has financed the purchase of the Property with a loan ("Loan") held by the California Housing Finance Agency ("CalHFA"). The Loan was financed with the proceeds of tax exempt housing bonds for the benefit of first time homebuyers, and is subject to all federal rules and requirements related to the use of such tax exempt bond proceeds. The terms of the Loan prohibit Landlord from renting the Property to tenants. Landlord has requested that CalHFA grant permission to landlord to rent the Property to Tenants. CalHFA and landlord have entered in to a Borrower Rental Agreement ("Borrower Agreement"), a copy of which has been provided by Landlord to Tenant. The Borrower Agreement contains the terms and conditions upon which Landlord is given permission to rent the Property to Tenant, and further requires that Landlord and tenant sign this Lease Rider. CalHFA does not grant permission to rent the Property unless this Lease Rider is signed. If permission to rent is not granted by CalHFA, the Property may become subject to foreclosure, and tenant's rights to occupy the Property may be affected or terminated, as provided in Section 3, below.

2. Lease Terms

Notwithstanding any inconsistent provision in the lease or rental agreement between Landlord and tenant concerning the Property, Landlord and Tenant agree that all of the following terms, for the benefit of CalHFA, shall be applicable:

- a. The term of the lease or rental agreement may not exceed 12 months.
- b. The term of the lease or rental agreement may be terminated early by CalHFA upon foreclosure to the extent permitted by applicable law, including the Protecting Tenants At Foreclosure Act, as described in Section 3, below.
- c. The consent to rent the Property may be terminated upon a breach of the Borrower Agreement.
- d. The Borrower Agreement contains an assignment of rents as additional security to CalHFA for the Loan. In the event that Landlord defaults on any provision of the Loan, upon written notice to tenant by CalHFA, Tenant will make rental payments directly to CalHFA in accordance with the terms of the notice, and to the extent so made, shall be in satisfaction of Tenant's obligations to pay rent under the lease or rental agreement.

3. Protecting Tenants At Foreclosure Act

Federal law currently provides certain protections for tenants when their landlord loses the rental property upon foreclosure, to the extent that the landlord's loan is covered by that law. Those protections include certain notice provisions, as well as provisions that may require the lender to recognize the tenancy and not evict the tenant. The law is entitled the "Protecting Tenants At Foreclosure Act of 2009" ("Act") however, the Act also contains certain exclusions and exceptions. One of the purposes of this Lease Rider is to insure that the tenant understands that their lease or rental agreement is subject to those exclusions and exceptions provided by federal law. Tenant acknowledges the following:

- a. The Act applies only to the extent that its terms legally apply to the Loan made to Landlord, or to the tenancy created between Landlord and Tenant.
- b. The Act applies only to "bona fide leases or tenancies" entered into prior to the notice of foreclosure, as those are defined in the Act. 'Bona fide leases' do not included leases or rental agreements

(i) which are between family members; or (ii) which are not “arm’s length” transactions; or (iii) which contain rent terms which are substantially below fair market value; or (iv) which are subsidized due to a state, federal or local subsidy. The Act may not be applicable in the event the lease or rental agreement is determined not to be a bona fide lease or tenancy.

c. The Act applies only if the Loan is determined to be a “federally related mortgage loan”. The Act may not apply in the event that the Loan for the Property is determined not to be such a federally related mortgage loan.

d. In the event that the Act does apply to the Loan or the tenancy, there are circumstances in which the tenancy may be terminated early after a foreclosure by a lender. The Act provides that the Tenant’s lease or rental agreement may be terminated early in the event that a foreclosing lender sells their interest in the property to a purchaser who will occupy the property as their primary residence. A month to month rental agreement may also be terminated under the Act by giving the legally required notice.

4. Other Provisions

a. This Lease Rider is not intended to constitute legal advice, but is simply a disclosure to Tenant that the terms of the lease or rental agreement may be terminated upon foreclosure in certain circumstances, and further reflects the agreement by Tenant that the lease or rental agreement is subject to such permitted termination. In the event that tenant wants advice or additional information, they should consult their legal adviser.

b. CalHFA shall be a third party beneficiary of this Lease Rider between landlord and tenant. A copy of the fully signed lease or rental agreement, as well this fully signed Lease Rider, must be provided to CalHFA at the following address:

California Housing Finance Agency
Attn: Portfolio Management
P.O. Box 4034 Mail Stop 320
Sacramento, California 95812-4034

Dated: _____
_____ Landlord

Dated: _____
_____ Tenant

Dated: _____
_____ Tenant

Homeownership Program Bulletin [DRAFT]

January XX, 2012

Program Bulletin #2012-XX

Proposed Rental Policy for CalHFA LOANS

Rental permission may be granted if the borrower meets the following criteria:

1. As required by Internal Revenue Code section 143, the borrower had a reasonable expectation that the home would be his or her principal residence at loan origination.
2. CalHFA will permit borrowers to rent their property financed with a CalHFA mortgage for a period of no more than 12 months, with the potential for renewal on a case by case basis.
3. The borrower's loan balance must be greater than the fair market value of the property as a predicate to consideration for rental permission.
4. The borrower is current on his or her mortgage payments.
5. The borrower lived in the home for at least one year after obtaining the mortgage.
6. The borrower demonstrates, through a standard set of income and expense questions supported by documentation, that he/she is capable of meeting the obligations of both his/her new housing expenses and the pre-existing CalHFA mortgage payment.
7. The borrower shall submit a list with complete addresses of all real property the borrower owns.
8. The borrower shall execute an affidavit stating that, when feasible, the borrower will reoccupy the CalHFA-financed property as his/her primary residence. The borrower shall also declare that he/she did not obtain the CalHFA-financed property for investment purposes.

Permission to rent shall be granted at CalHFA's sole discretion on an annual basis. CalHFA may reevaluate this entire policy from time to time and may modify or rescind the policy in whole or in part.

M E M O R A N D U M**To:** Board of Directors**Date:** January 12, 2011**From:** L. Steven Spears
CALIFORNIA HOUSING FINANCE AGENCY**Subject:** AUDITOR SELECTION PROCESS UPDATE AND POSSIBLE ACTION TO SELECT AN AUDITOR

Since the October 18, 2011 board meeting, the Working Group of the Audit Committee (WG) was created to assist CalHFA in the selection of the Agency's independent auditor. The WG consists of two members of the board (Ruben Smith and Michael Gunning) and two CalHFA staff members (Steve Spears and Lori Hamahashi).

The WG developed and released the Request for Proposal (RFP) on November 8, 2011 encouraging individual firms and those wishing to form a joint venture to apply. The RFP was posted on the CalHFA website and sent directly to a pool of 26 individuals or entities consisting of CPA firms identified by Department of General Services, Sacramento area Chambers of Commerce and the auditing firms that were solicited by CalHFA in late 2006.

Potential respondents were given time to ask questions about the RFP and Standard Form of Contract, included in the RFP, prior to submitting their proposals. A total of 31 questions and answers were posted to the Agency's website on November 17, 2011. At the request of some auditing firms, the due date of the RFP was extended from November 28, 2011 to December 5, 2011.

On December 5, 2011, CalHFA received a total of four bid proposals. Per the RFP requirements, the pricing or cost proposal was sent separately, allowing the WG to score the respondent's proposal independently from their pricing proposal. Using an evaluation form, each respondent was scored by each member of the WG based on the evaluation criteria set forth on the RFP as well as overall responsiveness to each of the requirements. Once completed, the pricing proposals were opened and additional points were added to the each respondent's total score. Additionally, reference checks were performed during this time. Based on the total score for each respondent, three audit firms were selected to be interviewed by the WG on January 13, 2012.

Upon completion of the scheduled interviews, the WG will immediately prepare its recommendation to the Audit Committee, which will in turn make a recommendation to the Board of Directors.

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RESOLUTION 12-04

RESOLUTION SELECTING AUDITOR AND AUTHORIZING NEGOTIATION OF CONTRACT FOR FINANCIAL AUDITS

WHEREAS, the Working Group of the Audit Committee (Working Group) released a Request For Proposal for Audit and Other Attestation Services (RFP) to include an audit of the California Housing Finance Fund and the California Housing Loan Insurance Fund financial statements in a manner so as to provide an opinion that those statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America, also to include Single Audit requirements in compliance with Government Audit Standards issued by the Comptroller General of the United States and the U.S. Office of Management and Budget Circular A-133; and

WHEREAS, four responses to the RFP were received by the Working Group and each response was reviewed, individually scored and proposed costs considered; and

WHEREAS, representatives from three of the four responding firms were interviewed by the Working Group; and

WHEREAS, the Audit Committee, after consideration of the report from the Working Group determined that _____ best meets the RFP requirements; and

WHEREAS, the Audit Committee recommends _____ to the Board of Directors to perform the upcoming audits of the California Housing Finance Fund and the California Housing Loan Insurance Fund

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

1. The auditing firm of _____ is hereby selected to perform the audits of the California Housing Loan Insurance Fund for the calendar years ending 2011 through 2014 and the California Housing Finance Fund for the fiscal years ending June 30, 2012 through June 30, 2015, conditioned on the Executive Director and/or one or more of her designees completing any and all negotiations with _____ on terms acceptable to CalHFA.
2. The Executive Director is hereby authorized to negotiate the final terms and enter into a contract for auditing services, for and in the name and on behalf of the Agency, for a term necessary to perform the audits mentioned in the above paragraph 1.

SECRETARY'S CERTIFICATE

I, Victor James, the undersigned, do hereby certify that I am the duly authorized designee of Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, and hereby further certify that the foregoing is a full, true, and correct copy of Resolution No. 12-04 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 19th day of January 2012, 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 19th day of January 2012.

[SEAL]

VICTOR JAMES, for
Thomas C. Hughes
Secretary of the Board of Directors of the
California Housing Finance Agency

State of California

MEMORANDUM

To: Board of Directors
CALIFORNIA HOUSING FINANCE AGENCY

Date: January 12, 2012

From: Claudia Cappio, Director
CALIFORNIA HOUSING FINANCE AGENCY

Cc: Steven Spears, Chief Deputy Director
CALIFORNIA HOUSING FINANCE AGENCY

Subject: CalHFA Participation in Energy Efficiency Financing in California

The purpose of this memo is to update the Board on the staff's proposal to offer a loan product to finance energy efficiency retrofits for both single family and multifamily residences. This Board agenda item is for information purposes only and the Board is not being asked to take any action at this time.

Since the October Board meeting, staff has engaged in several key meetings and researched this opportunity. I recommend that the Agency keep moving forward with ideas for a partnership with key state agencies, local governments and investor owned and municipal utilities. To gain a better understanding of the issues and opportunities, staff has met with the State Treasurer's Office, the California Air Resources Board and with the California Public Utilities Commission (CPUC).

On January 10, 2012, the California Public Utilities Commission (CPUC) issued a ruling that examined the need for financing programs and products for energy efficiency. The ruling requests comments on a CPUC Energy Division proposal entitled *Desired Energy Efficiency Financing Activity in 2013-14* and requests comments on two accompanying reports: 1) the report I mentioned in my September 2011 memo to the CalHFA Board that was prepared by Harcourt, Brown & Carey entitled *Energy Efficiency Financing in California: Needs and Gaps* and 2) a proposal prepared by the Environmental Defense Fund entitled *On Bill Repayment: Unlocking the Energy Efficiency Puzzle*.¹ We are still reviewing these documents and proposals, but it is evident that an opportunity may be presented for CalHFA to offer assistance in the development and administration of a statewide energy efficiency financing program.

At the January 19, 2012 Board meeting, staff will present a summary of the CPUC proposal and will outline possible ways in which CalHFA could play a role in assisting the state achieve its energy efficiency goals. Staff will also discuss obstacles to development of financing products that have been identified and possible funding sources for a financing program.

As discussed at the October CalHFA Board meeting, a pilot program may be advisable. CalHFA currently has a portfolio of loans and borrowers that could provide a ready-made venue to test products and implement pilot programs before going statewide. With over 25,000 active first mortgages to homeowners and over 500 loans to multifamily rental property owners, the Agency already has regular contact with these borrowers and the data gathering, loan processing and servicing systems in place to support a pilot program.

¹ The ruling and accompanying documents can be found at <http://docs.cpuc.ca.gov/EFILE/RULINGS/157047.htm> .

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State of California

MEMORANDUM

To: Board of Directors

Date: January 4, 2012



Tim Hsu, Risk Manager

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, 2011 by insurance type,
- Delinquencies as of October 31, 2011 by product (loan) type,
- Delinquencies as of October 31, 2011 by loan servicer,
- Delinquencies as of October 31, 2011 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 June 2009 thru October 2011)
- A chart of the number of CalHFA's Conventional Delinquent Loan Trend for 30-90 Day and 120 Day (for the period of June 2009 thru October 2011)
- A graph of CalHFA's 90-day+ ratios for FHA and Conventional loans (for the period of October 2006 through October 2011),
- A graph of 90-day+ ratios for CalHFA's three Conventional loan (products) types, for the period of October 2009 through October 2011,
- Real Estate Owned (REO) at November 30, 2011,
- Accumulated Uninsured Losses from January 1, 2008 through November 30, 2011,
- Disposition of 1st Trust Deed Gain/(Loss) for January 1 through November 30, 2011, and
- Write-Offs of subordinate loans for January 1 through November 30, 2011

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HOMEOWNERSHIP LOAN PORTFOLIO DELINQUENCY, REO, SHORT SALE and LOSS REPORT

Reconciled Loan Delinquency Summary All Active Loans By Insurance Type As of October 31, 2011

	Loan Count	Balance	% of Balance	DELINQUENCY RATIOS - % of Loan Count						Totals	
				Loan Count	30-Day	Loan Count	60-Day	Loan Count	90(+) Day	Count	%
Federal Guaranty											
FHA	9,646	** \$ 1,195,624,004	28.84%	576	5.97%	208	2.16%	599	6.21%	1,383	14.34%
VA	300	42,084,548	1.02%	8	2.67%	4	1.33%	24	8.00%	36	12.00%
RHS	90	16,754,159	0.40%	1	1.11%	1	1.11%	19	21.11%	21	23.33%
Conventional loans											
with MI											
CalHFA MI Fund	6,356	1,678,745,207	40.49%	293	4.61%	154	2.42%	723	11.38%	1,170	18.41%
without MI											
Orig with no MI	5,149	1,024,182,539	24.70%	149	2.89%	61	1.18%	287	5.57%	497	9.65%
MI Cancelled*	1,355	188,780,131	4.55%	37	2.73%	12	0.89%	46	3.39%	95	7.01%
Total CalHFA	22,896	\$ 4,146,170,587	100.00%	1,064	4.65%	440	1.92%	1,698	7.42%	3,202	13.98%

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

**During August 2011, Bank of America repurchased 277 FHA loans that were 90(+) Day delinquent at the Agency's request.

Reconciled Loan Delinquency Summary All Active Loans By Loan Type As of October 31, 2011

	Loan Count	Balance	% of Balance	DELINQUENCY RATIOS - % of Loan Count						Totals	
				Loan Count	30-Day	Loan Count	60-Day	Loan Count	90(+) Day	Count	%
30-yr level amort											
FHA	9,646	\$ 1,195,624,004	28.84%	576	5.97%	208	2.16%	599	6.21%	1,383	14.34%
VA	300	42,084,548	1.02%	8	2.67%	4	1.33%	24	8.00%	36	12.00%
RHS	90	16,754,159	0.40%	1	1.11%	1	1.11%	19	21.11%	21	23.33%
Conventional - with MI	3,407	805,520,908	19.43%	137	4.02%	65	1.91%	298	8.75%	500	14.68%
Conventional - w/o MI	5,704	1,022,750,054	24.67%	146	2.56%	53	0.93%	260	4.56%	459	8.05%
40-yr level amort											
Conventional - with MI	485	139,729,404	3.37%	29	5.98%	10	2.06%	68	14.02%	107	22.06%
Conventional - w/o MI	205	40,922,822	0.99%	8	3.90%	5	2.44%	15	7.32%	28	13.66%
5-yr IOP, 30-yr amort											
Conventional - with MI	2,464	733,494,895	17.69%	127	5.15%	79	3.21%	357	14.49%	563	22.85%
Conventional - w/o MI	595	149,289,794	3.60%	32	5.38%	15	2.52%	58	9.75%	105	17.65%
Total CalHFA	22,896	\$ 4,146,170,587	100.00%	1,064	4.65%	440	1.92%	1,698	7.42%	3,202	13.98%
<i>Weighted average of conventional loans:</i>				479	3.72%	227	1.77%	1,056	8.21%	1,762	13.70%



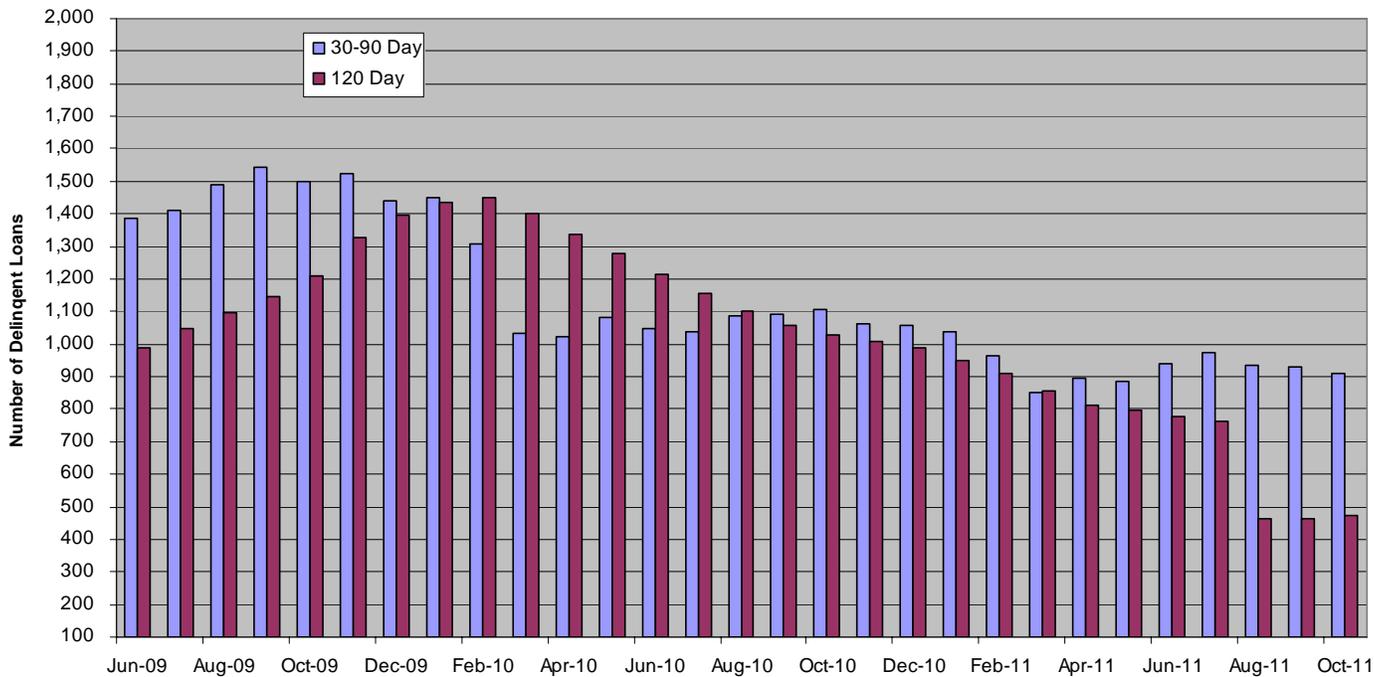
**Reconciled Loan Delinquency Summary
All Active Loans By Loan Servicer
As of October 31, 2011**

	Loan Count	Balance	% of Balance	DELINQUENCY RATIOS - % of Loan Count						Totals	
				Loan Count	30-Day	Loan Count	60-Day	Loan Count	90(+) Day	Count	%
CALHFA - LOAN SERVICING	8,625	\$ 1,937,924,100	46.74%	329	3.81%	135	1.57%	560	6.49%	1,024	11.87%
GUILD MORTGAGE	5,341	917,359,653	22.13%	302	5.65%	105	1.97%	332	6.22%	739	13.84%
WELLS FARGO HOME MORTGAGE	2,370	275,144,133	6.64%	91	3.84%	41	1.73%	164	6.92%	296	12.49%
BAC HOME LOANS SERVICING, LP	2,119	409,048,310	9.87%	135	6.37%	87	4.11%	318	15.01%	540	25.48%
EVERHOME MORTGAGE COMPANY	2,055	196,311,766	4.73%	125	6.08%	30	1.46%	74	3.60%	229	11.14%
FIRST MORTGAGE CORP	922	182,871,025	4.41%	24	2.60%	19	2.06%	119	12.91%	162	17.57%
GMAC MORTGAGE CORP	894	119,590,405	2.88%	43	4.81%	13	1.45%	53	5.93%	109	12.19%
BANK OF AMERICA, NA	268	45,305,139	1.09%	5	1.87%	6	2.24%	30	11.19%	41	15.30%
WASHINGTON MUTUAL BANK	198	47,108,769	1.14%	4	2.02%	3	1.52%	35	17.68%	42	21.21%
CITIMORTGAGE, INC.	52	11,903,753	0.29%	3	5.77%	1	1.92%	11	21.15%	15	28.85%
DOVENMUEHLE MORTGAGE, INC.	45	1,395,310	0.03%	3	6.67%	0	0.00%	0	0.00%	3	6.67%
WESCOM CREDIT UNION	6	1,900,775	0.05%	0	0.00%	0	0.00%	2	33.33%	2	33.33%
PROVIDENT CREDIT UNION	1	307,448	0.01%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Total CalHFA	22,896	\$ 4,146,170,587	100.00%	1,064	4.65%	440	1.92%	1,698	7.42%	3,202	13.98%

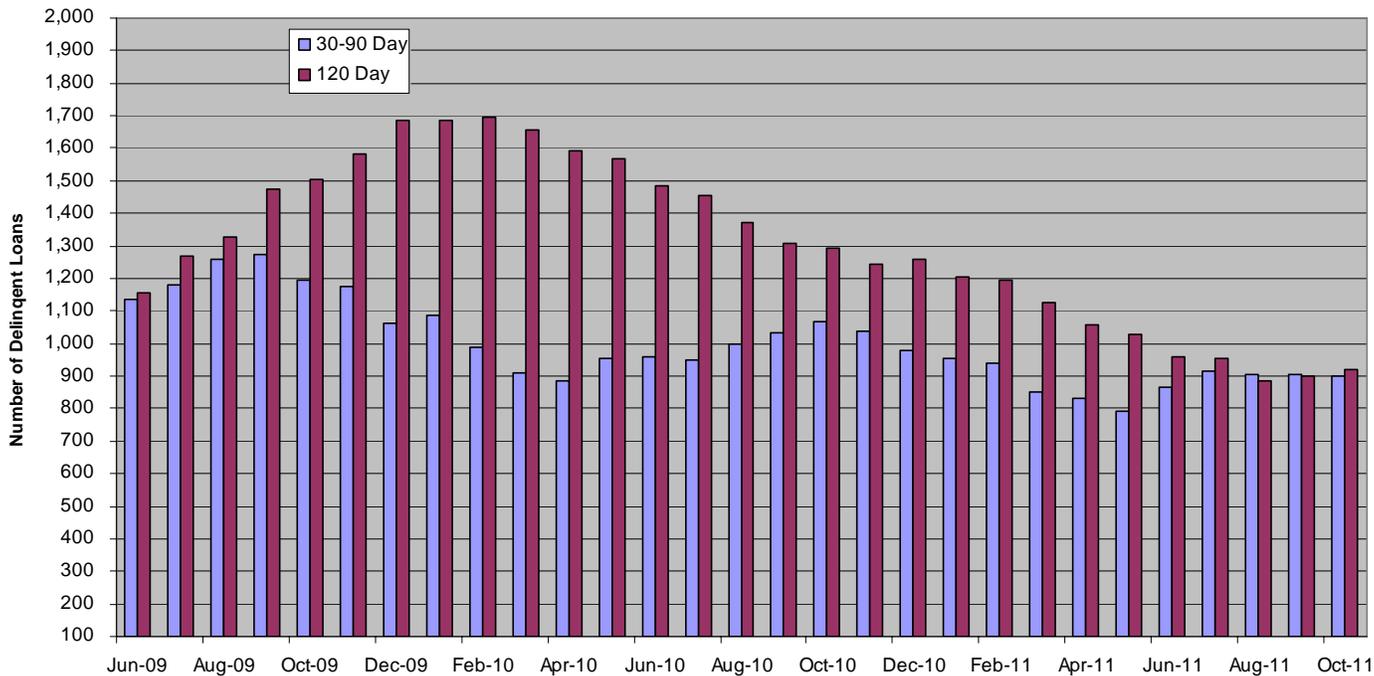
**Reconciled Loan Delinquency Summary
All Active Loans By County
As of October 31, 2011**

	Loan Count	Balance	% of Balance	DELINQUENCY RATIOS - % of Loan Count						Total	
				Loan Count	30-Day	Loan Count	60-Day	Loan Count	90-Day+	Count	%
LOS ANGELES	3,768	\$ 779,072,961	18.79%	177	4.70%	73	1.94%	249	6.61%	499	13.24%
SAN DIEGO	2,139	460,981,226	11.12%	77	3.60%	44	2.06%	204	9.54%	325	15.19%
SANTA CLARA	1,614	425,998,090	10.27%	40	2.48%	18	1.12%	89	5.51%	147	9.11%
KERN	1,358	142,867,007	3.45%	76	5.60%	24	1.77%	72	5.30%	172	12.67%
SACRAMENTO	1,156	206,056,820	4.97%	56	4.84%	23	1.99%	127	10.99%	206	17.82%
ORANGE	1,151	260,247,999	6.28%	37	3.21%	20	1.74%	78	6.78%	135	11.73%
FRESNO	1,120	102,919,499	2.48%	76	6.79%	24	2.14%	58	5.18%	158	14.11%
SAN BERNARDINO	1,099	183,687,814	4.43%	71	6.46%	28	2.55%	130	11.83%	229	20.84%
TULARE	1,091	100,359,716	2.42%	80	7.33%	28	2.57%	55	5.04%	163	14.94%
RIVERSIDE	1,075	173,463,368	4.18%	74	6.88%	27	2.51%	137	12.74%	238	22.14%
ALAMEDA	1,005	241,169,357	5.82%	19	1.89%	12	1.19%	67	6.67%	98	9.75%
CONTRA COSTA	804	176,813,080	4.26%	33	4.10%	16	1.99%	74	9.20%	123	15.30%
VENTURA	583	154,902,981	3.74%	21	3.60%	10	1.72%	41	7.03%	72	12.35%
IMPERIAL	517	52,191,620	1.26%	44	8.51%	13	2.51%	39	7.54%	96	18.57%
SONOMA	441	88,931,539	2.14%	17	3.85%	5	1.13%	18	4.08%	40	9.07%
OTHER COUNTIES	3,975	596,507,512	14.39%	166	4.18%	75	1.89%	260	6.54%	501	12.60%
Total CalHFA	22,896	\$ 4,146,170,587	100.00%	1,064	4.65%	440	1.92%	1,698	7.42%	3,202	13.98%

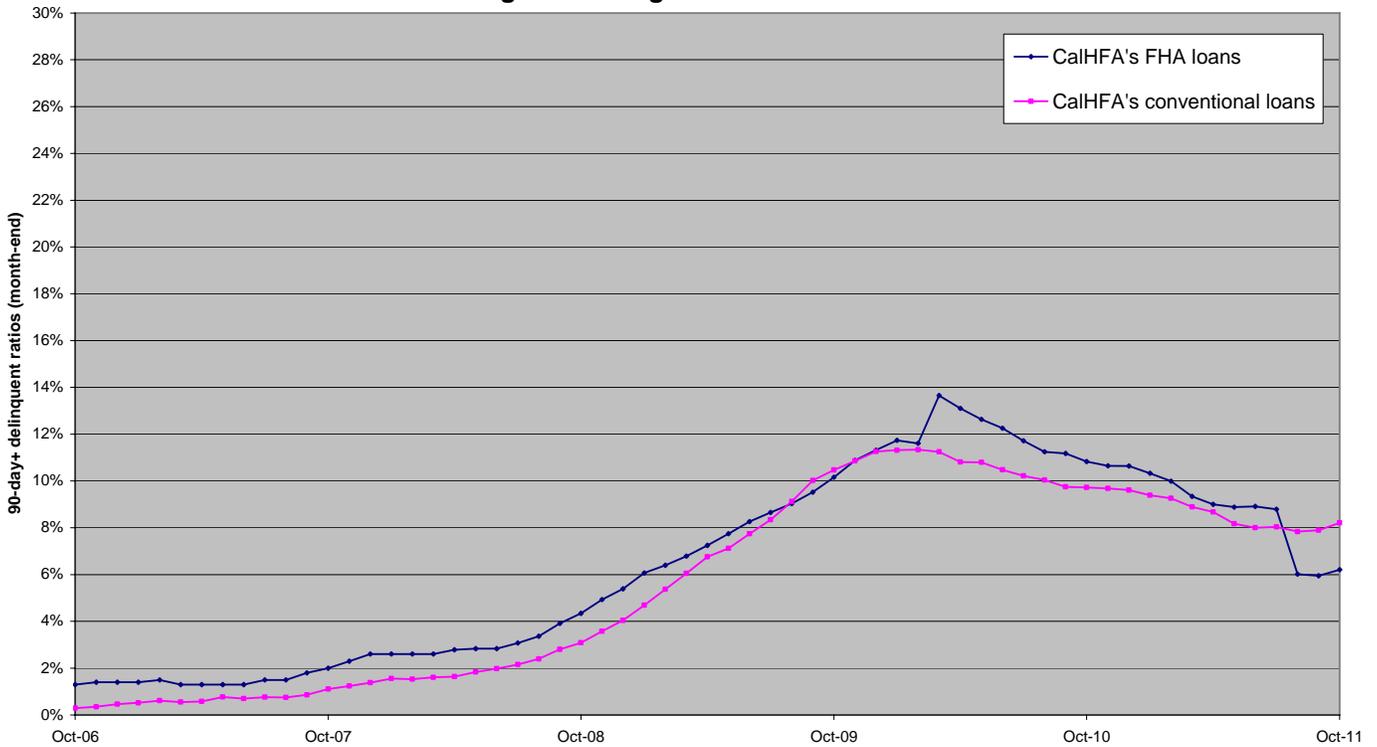
CalHFA's FHA Delinquent Loan Trend for 30-90 Day and 120 Day



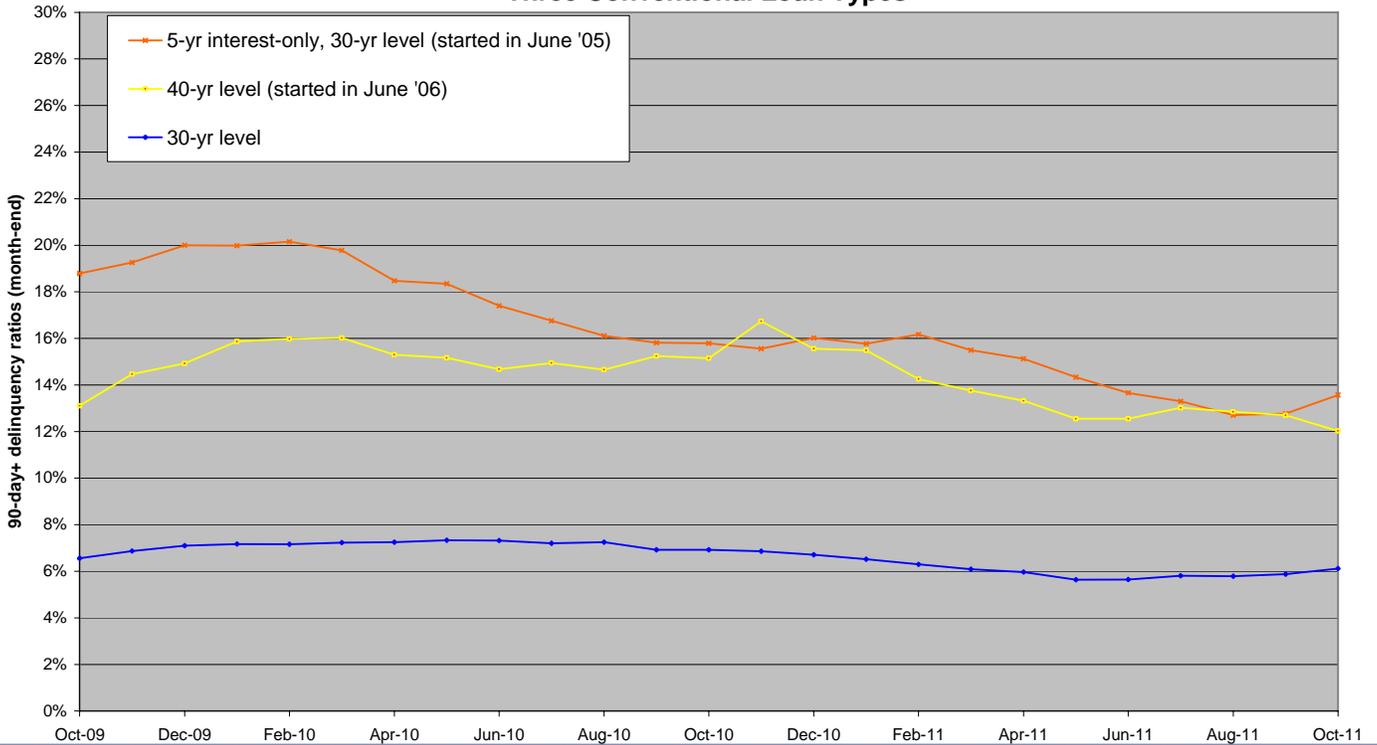
CalHFA's Conventional Delinquent Loan Trend for 30-90 Day and 120 Day



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 2011 (As of November 30, 2011)											
Loan Type	Beginning Balance # of Loans	*Trustee Sales			Disposition of REO(s)					Ending Balance # of Loans	UPB of REO's Owned
		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)		
FHA/RHS/VA	198	452	26	478	512		33		545	131	\$ 24,184,825
Conventional	1,084	1,170	90	1,260		1,551		140	1,691	653	142,461,573
Total	1,282	1,622	116	1,738	512	1,551	33	140	2,236	784	\$ 166,646,398

Calendar Year 2010						
Loan Type	Beginning Balance # of Loans	*Trustee Sales	Disposition of REO(s)		Ending Balance # of Loans	UPB of REO's Owned
		Reverted to CalHFA 2010	Repurchased by Lender 2010	Market Sale(s) 2010		
FHA/RHS/VA	187	816	805		198	\$ 41,905,865
Conventional	619	1551		1086	1084	226,793,920
Total	806	2367	805	1086	1282	\$ 268,699,784

Calendar Year 2009						
Loan Type	Beginning Balance # of Loans	*Trustee Sales	Disposition of REO(s)		Ending Balance # of Loans	UPB of REO's Owned
		Reverted to CalHFA 2009	Repurchased by Lender 2009	Market Sale(s) 2009		
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

*3rd party trustee sales are not shown in the tables (title 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, thirty-nine (39) 3rd party sales year 2010, and there are nineteen (19) 3rd party sales to date for 2011.

Accumulated Uninsured Losses as of November 30, 2011						
Conventional Loans	# of Properties Sold	Principal Write-Offs ⁽¹⁾	# of GAP Claims	Actual GAP ⁽²⁾ Claim Payments	# of Subordinate Loans	Subordinate Write-Offs ⁽³⁾
REOs Sold	3,388	\$ (90,460,692)	2,557	\$ (115,345,810)		
Short Sales	619	(14,790,503)	395	(17,459,484)	1,799	\$ (16,525,285)
3rd Party Sales	32	(188,299)	4	(170,867)	70	(614,343)
Active REOs			43	(2,023,839)		
Write-offs resulting from foreclosures					7,917	(76,102,404)
Total:	4,039	\$ (105,439,494)	2,999	\$ (135,000,000)	9,786	\$ (93,242,032)

(1) Principal loan write-offs from January 1, 2008. Does not include allowance for loan losses or loan loss reserves.

(2) 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.

(3) Includes both FHA/Conventional Loans.

**2011 Year to Date Composition of 1st Trust Deed Gain/(Loss)
(As of November 30, 2011)**

Loan Type	Disposition				Principal Write-Offs	Actual GAP Claim Payments
	Repurchased by Lender	Market Sales	Short Sales	Loan Balance at Sales		
FHA/RHS/VA	545		17	\$ 113,105,630		
Conventional		1,691	206	510,995,476	\$ (65,553,558)	\$ (55,251,317)
	545	1,691	223	\$ 624,101,105	\$ (65,553,558)	\$ (55,251,317)

**2011 Year to Date Composition of Subordinate Write-Offs by Loan Type⁽¹⁾
(As of November 30, 2011)**

Loan Type	Active Loans		Write-Offs			
	Active Loans	Dollar Amount	Number of Write-Offs	% (of Portfolio)	Dollar Amount	% (of Portfolio)
CHAP/HiCAP	9,237	\$98,613,594	1,396	15.11%	\$15,685,625	15.91%
CHDAP/ECTP/HiRAP	20,821	164,749,477	1,587	7.62%	12,796,367	7.77%
Other ⁽²⁾	245	3,341,435	18	7.35%	107,664	3.22%
	30,303	\$266,704,506	3,001	9.90%	\$28,589,656	10.72%

(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

MEMORANDUM

To: Board of Directors

Date: January 5, 2012



Timothy Hsu, Financing Risk Manager

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

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 \$4.46 billion, 61.9% of our \$7.2 billion of total indebtedness as of January 1, 2012.

	VARIABLE RATE DEBT (<i>\$ in millions</i>)			
	Tied Directly to Variable Rate <u>Assets</u>	Swapped to Fixed Rate	Not Swapped or Tied to Variable Rate <u>Assets</u>	Total Variable Rate Debt
HMRB	\$0	\$1,697	\$1195	\$2,892
MHRB	0	420	205	625
HPB	0	0	69	69
RMRB *	872	0	0	872
AMHRB *	<u>1</u>	<u>0</u>	<u>0</u>	<u>1</u>
Total	\$1,060	\$2,117	\$1,469	\$4,459

* *The RMRB and AMHRB bonds are variable rate index bonds during the initial escrow period. After each public offering (up to nine times before the end of 2012), 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 \$1.4 billion, 20.4% 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 \$1.4 billion of net variable rate exposure (\$730 million taxable and \$739 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 \$684 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 \$684 million is a balance sheet hedge for the \$1.4 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 \$558.5 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 \$904 million of LIBOR-based debt. As a result, the \$684 million of other Agency funds invested in SMIF effectively hedges approximately 75.7% 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 103 "fixed-payer" swaps with thirteen different counterparties for a combined notional amount of \$2.7 billion. All of these fixed-payer swaps are intended to establish synthetic fixed rate debt by converting our variable rate payment obligations to fixed rates. The table below provides a summary of our swap notional amounts.

FIXED PAYER INTEREST RATE SWAPS

(notional amounts)

(\$ in millions)

	<u>Tax-Exempt</u>	<u>Taxable</u>	<u>Totals</u>
HMRB	\$1,867	\$223	\$2,090
MHRB	585	0	585
HPB	<u>0</u>	<u>0</u>	<u>0</u>
TOTALS	\$2,452	\$223	\$2,675

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

SWAP COUNTERPARTIES

<u>Swap Counterparty</u>	<u>Credit Ratings</u>		<u>Notional Amounts Swapped as of 1/1/12 (\$ in millions)</u>	<u>Number of Swaps</u>
	<u>Moody's</u>	<u>S & P</u>		
JPMorgan Chase Bank, N.A.	Aa1	A+	\$ 750.6	21
Bank of America, N.A.	A2	A	627.2	31
Citigroup Financial Products, Inc.	A3	A-	341.3	10
Goldman Sachs Mitsui Marine Derivative Products, , L.P.	Aa1	AAA	237.3	8
Deutsche Bank AG	Aa3	A+	207.3	11
AIG Financial Products, Corp. ²	Baa1	A-	205.0	7
Morgan Stanley Capital Services, Inc.	A2	A-	127.9	2
Merrill Lynch Derivative Products	Aa3	AAA	63.4	6
BNP Paribas	Aa3	AA-	58.7	2
Bank of New York Mellon	Aaa	AA-	25.0	1
UBS AG	Aa3	A	18.6	2
Dexia Credit Local New York Agency ²	Baa1	BBB+	10.6	1
Merrill Lynch Capital Services, Inc. ²	Baa1	A-	2.5	1
			\$ 2,675.4 ¹	103

¹ Basis Swaps not included in totals

² Swap counterparty's rating has triggered Additional Termination Event (ATE); Agency has right to terminate the associated swaps; additionally, the rating agencies no longer consider these swaps to be effective hedges see "Termination Risk" section of report

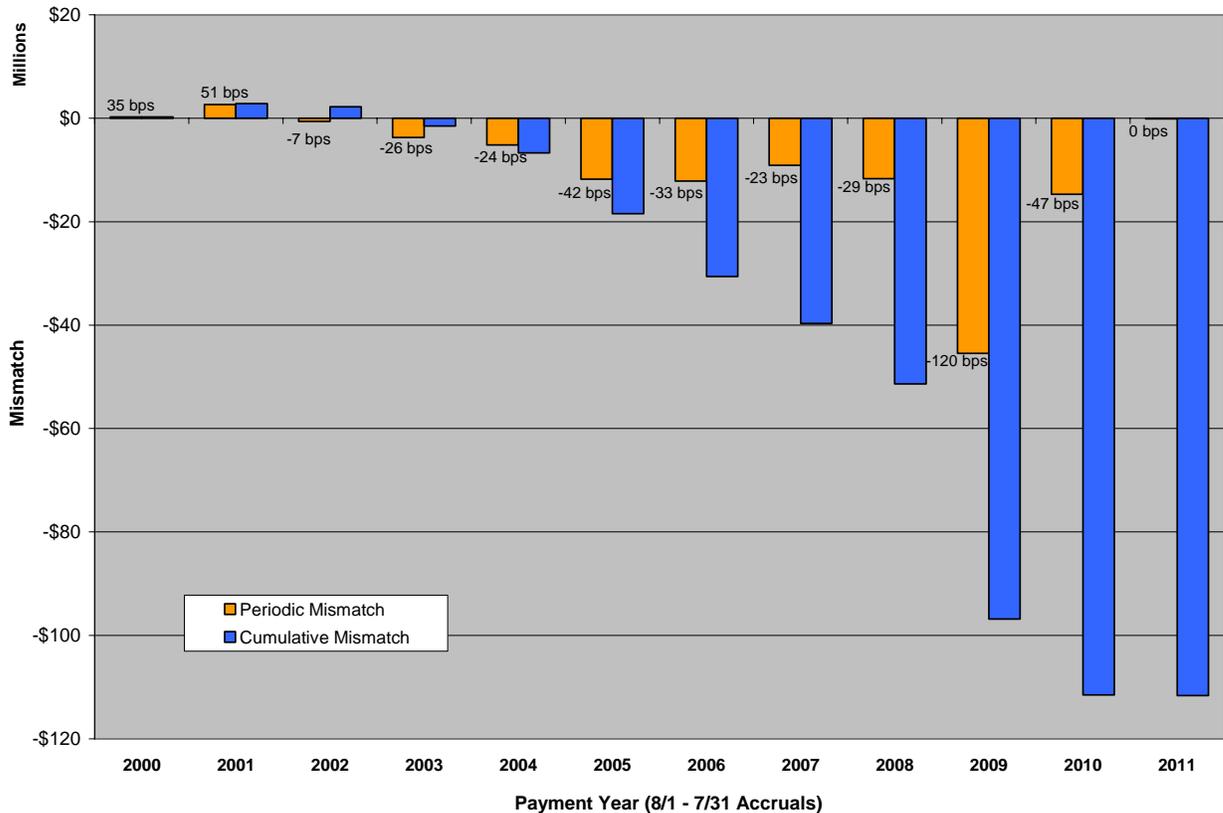
For all of our fixed-payer swaps, we receive floating rate payments from our counterparties in exchange for a fixed-rate obligation on our part. In today's market, the net periodic payment owed under these swap agreements is from us to our counterparties. As an example, on our August 1, 2011 semiannual debt service payment date we made a total of \$52.7 million of net payments to our counterparties. Conversely, if short-term rates were to rise above the fixed rates

of our swap agreements, then the net payment would run in the opposite direction, and we would be on the receiving end.

BASIS RISK

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.

**Basis Mismatch through August 1, 2011
All Tax-Exempt Swaps**



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 16 months under the TCLF, the basis mismatch is negative 1 basis points or -0.01%, as compared to 111 basis points or 1.11% for the twelve months preceding the TCLF. The reduced basis mismatch has resulted in debt service savings of approximately \$49 million in the first 16 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			
2004	81.7%	2008	83.7%
2005	72.5%	2009	122.9%
2006	67.6%	2010	96.4%
2007	69.1%	2011	78.7%

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)

	<u>Tax-Exempt</u>	<u>Taxable</u>	<u>Totals</u>
% of LIBOR (+ spread)	\$1,800	\$0	\$1,800
SIFMA (+ spread)	405	0	405
Stepped % of LIBOR ¹	228	0	228
3 mo. LIBOR (+ spread)_	0	133	133
% of SIFMA	20	0	20
1 mo. LIBOR	0	53	53
3 mo. LIBOR	0	21	21
6 mo. LIBOR	<u>0</u>	<u>15</u>	<u>15</u>
TOTALS	\$2,453	\$222	\$2,675

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

<u>6-mo Period Ending:</u>	<u>PSA</u>
Dec-2006	241%
Jun-2007	156%
Dec-2007	81%
Jun-2008	60%
Dec-2008	58%
Jun-2009	89%
Dec-2009	128%
Jun-2010	165%
Dec-2010	236%
Jun-2011	255%
Dec-2011	299%

Of interest is an \$588.5 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.

COLLATERAL POSTING RISK

Some master agreements that we have entered into with the swap counterparties have collateral posting requirements. These postings are a function of the mark-to-market, threshold amounts, independent amounts and any collateral already posted. Our trades are valued weekly, and our collateral position is adjusted weekly based on those valuations. Failure to post the required collateral can result in a termination event.

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 12/28/2011
(\$ in millions)

	JPMorgan	Goldman Sachs	BofA / Merrill Lynch	Deutsche	AIG	Total
Marked-to-Market	85.86	39.19	106.85	43.12	22.16	
Collateral Threshold at A3/A-	40	15	12	30	20	
Posting Requirement	45.86	24.19	94.85	13.12	2.16	180.18
MBS Posted	45.82	0	0	0	0	45.82
Independent Amount (cash) Posted	23	1.25	6.25	0	0	30.5
Cash Posted	-17.96	24.19	27.34	13.12	2.16	48.85
Posted Collateral	50.86	25.44	33.59	13.12	2.16	125.17

VALUATION RISK

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 adopted GASB statement No. 53 for its financial statements in June 2010.

Monthly we monitor the termination value of our swap portfolio 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

<u>Date</u>	<u>Termination Value</u> <u>(\$ in millions)</u>
12/31/10	(\$257.5)
3/31/11	(\$232.0)
6/30/11*	(\$252.5)
9/30/11	(\$337.5)
12/31/11	(\$329.7)

* 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)

	<u>Auction</u> <u>Rate & Similar</u> <u>Securities</u>	<u>Indexed</u> <u>Rate</u> <u>Bonds</u>	<u>Variable</u> <u>Rate</u> <u>Demand</u> <u>Obligations</u>	<u>Total</u> <u>Variable</u> <u>Rate</u> <u>Debt</u>
HMRB	\$0	\$865	\$2,027	\$2,893
MHRB	112	0	512	624
HPB	0	0	69	69
RMRB	0	872	0	872
AMHRB	<u>0</u>	<u>1</u>	<u>0</u>	<u>1</u>
Total	\$112	\$1,954	\$2,608	\$4,459

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 9/1/2011

(\$ in millions)

<u>Financial Institution</u>	<u>\$ Amount of Bonds</u>
Freddie Mac	\$1,304.2
Fannie Mae	<u>1,304.2</u>
Total	\$2,68.4

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State of California

MEMORANDUM

To: Board of Directors

Date: January 5, 2012



Tim Hsu, Financing Risk Manager

From: CALIFORNIA HOUSING FINANCE AGENCY

Subject: REPORT OF BOND SALE
AFFORDABLE MULTIFAMILY HOUSING REFUNDING REVENUE BONDS,
2009 SERIES A-21 AND A-22

Background: On October 19, 2009, the Obama Administration announced an initiative for state and local housing finance agencies (HFAs). The initiative, which was announced jointly by the Department of Treasury, the Department of Housing and Urban Development, and the Federal Housing Finance Agency, along with Fannie Mae and Freddie Mac (the GSEs), is based on authority provided to the Department of Treasury under the Housing and Economic Recovery Act of 2008 (HERA). The New Issue Bond Program (NIBP) was designed to provide a temporary market for new single and multifamily housing bonds that HFAs issue to finance new mortgages.

On December 30, 2009 the Agency issued \$380,530,000 of taxable variable rate escrowed program bonds under the Affordable Multifamily Housing Revenue Bonds Indenture. The 2009 Series A bonds are the first series of bonds issued under the Indenture. The net proceeds of the sale of the 2009 Series A bonds were deposited in the Escrow Fund until released to the 2009 Series A Program account for the purpose of financing loans or refunding prior variable rate bonds, or until applied to the redemption of 2009 Series A bonds.

Refunding of Variable Rate Bonds under Multifamily Housing Revenue Bonds III Indenture: On December 20, 2011 the Agency withdrew \$92,670,000 of Affordable Multifamily Housing Refunding Revenue Bonds (AMHRRB) 2009 Series A-21 and A-22 from the 2009 Series A Escrow Fund (as described in the above paragraph) for the purpose of enabling the Agency to refund \$23,045,000 of auction rate securities and \$69,625,000 of variable rate bonds. The proceeds are invested in a U.S. Bank N.A. Repurchase Agreement which is rated P1 and Aa2 by Moody's. \$47,215,000 of the proceeds will be withdrawn on December 28th to redeem prior bonds. The balance of the proceeds, in the amount of \$45,455,000, will be withdrawn on December 29th to redeem other prior bonds. The AMHRRB 2009 Series A-21 and A-22 are issued as fixed rate bonds. The 2009 Series A-21 and A-22 bonds are special, limited obligations of the Agency. Moody's has assigned a rating of Aaa to these bonds.

To be eligible for refunding of prior variable rate bonds, the loans are either insured by FHA, including loans under the FHA risk-sharing program or guaranteed by either GSE. As a result, the Agency worked with Citibank, as underwriter, and Fannie Mae to convert 22 multifamily whole loans to mortgage-backed securities.

A total of six prior loans insured under the FHA risk-sharing program and eight Fannie Mae mortgage-backed securities will be transferred as a result of the bond refunding. Attached is a listing of the projects to be financed by the Series A-21 and A-22 bonds.

**Projects To Be Financed with Proceeds of
Affordable Multifamily Housing Refunding Revenue Bonds
2009 Series A-21 and A-22**

Loans insured under FHA risk-sharing program:

<u>Project Name</u>	<u>Date of Origination</u>	<u>Unpaid Principal Balance</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Copper Creek	1/31/2006	\$ 3,967,182	5.50%	2/1/2036
Golden West Tower	3/1/2007	13,129,759	5.70%	3/1/2037
Mission Gateway	10/6/2006	6,191,629	5.25%	11/1/2036
Noble Towers	10/1/2005	3,600,096	5.25%	10/1/2035
Oak Tree Village	6/27/2006	23,391,088	5.45%	7/1/2046
Southlake Tower	7/29/2002	5,730,958	5.50%	8/1/2034
Total		<u>\$ 56,010,712</u>		

Fannie Mae Mortgage-Backed Securities:

<u>Security Settlement Date</u>	<u>Fannie Mae Pool Number</u>	<u>CUSIP</u>	<u>Underlying Mortgage Rate</u>	<u>Pass-Through Rate</u>	<u>Original Certificate Amount</u>
12/16/2011	470081	31381TFW5	5.20%	3.82%	\$ 4,370,278
12/16/2011	470082	31381TFX3	5.20%	3.82%	5,339,127
12/16/2011	470083	31381TFY1	5.40%	4.02%	8,051,813
12/16/2011	470084	31381TFZ8	5.70%	4.32%	4,477,537
12/16/2011	470090	31381TF70	5.25%	3.63%	6,396,651
12/16/2011	470092	31381TF96	5.45%	3.83%	4,186,563
12/16/2011	470093	31381TGA2	5.45%	3.83%	2,803,255
12/16/2011	470094	31381TGB0	5.50%	3.88%	3,245,348
Total					<u>\$ 38,870,570</u>

State of California

M E M O R A N D U M

To: Board of Directors

Date: January 19, 2012



Tim Hsu, Risk Manager

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, 2011, 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, 2011

SUMMARY

As of June 30, 2011, CalHFA had \$10.2 billion of assets, \$8.7 billion of liabilities, and \$1.5 billion of fund equity. Out of the \$10.2 billion of assets, \$3.3 billion (32%) consisted of cash equivalents and investments (together “investments”).

When comparing the investment balance as of June 30, 2011 to the investment balance as of June 30, 2010, there is a \$432 million decrease. The primary reasons for the decrease are attributable to the conversion of \$192.7 million of New Issue Bond Program (“NIBP”) Escrow proceeds, previously invested in the Money Market Fund (“MMF”), to multifamily loans and the use of investment funds to redeem bonds.

The portfolio, excluding the NIBP escrow proceeds (which are invested in a MMF), is still heavily concentrated in the State Investment Pool (67% of the total), which means the investment earnings are likely to remain very low. The State Investment Pool’s year-to-date yield at June 30, 2011 was 0.495% and we expect the yield for FY2012 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)					
<u>Investment Type</u>	<u>Bond</u>	<u>CalHFA</u>	<u>CalHFA</u>	<u>NIBP</u>	<u>Total</u>
	<u>Indenture</u>	<u>G-O</u>	<u>Admin.</u>		
			<u>Programs</u>		
Investment Agreements	\$ 237.30	\$ -	\$ -	\$ -	\$ 237.30
State Investment Pool	666.66	271.48	573.53	-	1,511.67
Securities (Fair market value)	354.80	23.81	-	-	378.61
Repurchase Agreement	65.23	12.36	-	-	77.59
Money Market and Bank Deposit	34.21	0.10	3.54	1,062.24	1,100.09
Totals	\$1,358.20	\$307.75	\$577.07	\$1,062.24	\$3,305.26

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 decreased to \$237.3 million (\$303.4 million as of June 30, 2010). This decrease is primarily due to the withdrawal of principal that was used to make debt service payments and to redeem bonds during the fiscal year.

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)				
	Bond Proceeds (For Loan Purchases)	Reserve Funds	Debt Service Funds	Totals
Single Family	\$0	\$53.2	\$118.8	\$172.0
Multifamily	<u>0</u>	<u>0.0</u>	<u>65.3</u>	<u>65.3</u>
Totals	\$0	\$53.2	\$184.1	\$237.3

The first two attachments show information about our \$237.3 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, Aegon and certain Westdeutsche LB investment agreements. 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 \$1.5 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).

SECURITIES

The third attachment provides additional information about the \$378.61 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.

REPURCHASE AGREEMENTS

In December 2010, the Agency entered into a U.S. Bank National Association Open Repurchase agreement with U.S. Bank through its Money Center for most of the programs except Home Mortgage Revenue Bonds. Although the repurchase agreements are not insured by Federal Deposit Insurance Corporation (FDIC) or guaranteed by any governmental agency or authority, or by U.S. Bank, the securities purchased are U.S. government or other government agency securities at a specified price and U.S. Bank has the obligation to repurchase those securities back at a higher price after a specified period, or at the demand of the Agency.

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 fund primarily consists of funds held in escrow for the NIBP. 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

Treasury, the sponsor of NIBP, and the investment earnings from the NIBP Escrow are “passed-thru” as interest payments on the NIBP bonds.

SUMMARY OF CALIFORNIA HOUSING FINANCE AGENCY FUNDS DEPOSITED IN INVESTMENT AGREEMENTS - June 30, 2011

Societe Generale	Aa2	A+	\$ 96,738,986
Transamerica Life Insurance Company	A1	AA-	69,558,700
*Bayerische Landesbank	Aaa	NR	20,038,254
Rabobank Int.	Aaa	AAA	13,350,796
Trinity Funding Company, LLC	NR	AA+	5,027,304
NATIXIS (French Government Guarantee)	Aaa	AAA	646,097
NATIXIS (underlying)	Aa3	A+	11,836,973
Westdeutsche LB	Aaa	NR	12,939,186
General Electric Capital Corp.	Aa2	AA+	857,373
Citibank	A1	A+	3,168,488
Bank of America, NA	Aa3	A+	2,589,199
Citicorp	A3	A	482,740
Pacific Life Company	A1	A+	20,116
Royal Bank of Canada	Aa1	AA-	0
Total Funds Invested in Investment Agreements			\$ 237,254,212

*Institution's ratings based on state guarantee

** NR Not Rated

California Housing Finance Agency
Funds Invested in Investment Agreements
As of June 30, 2011
Totals by Financial Institution Ratings

Aaa	\$ 46,974,333	19.80%
Aa1	0	0.00%
Aa2	97,596,359	41.14%
Aa3	14,426,172	6.08%
A1	72,747,304	30.66%
A3	482,740	0.20%
NR	5,027,304	2.12%
Total	<u>\$ 237,254,212</u>	<u>100.00%</u>
AAA	\$ 13,996,893	5.90%
AA+	5,884,677	2.48%
AA-	69,558,700	29.32%
A+	114,353,762	48.20%
A	482,740	0.20%
NR	32,977,440	13.90%
Total	<u>\$ 237,254,212</u>	<u>100.00%</u>

Summary of CalHFA Investments in Securities

As of June 30, 2011

GNMA Securities	\$207,480,217	\$ 4,208,760	\$ 211,688,977	\$ 209,761,477	3.71%	29.59 Years
FNMA Securities	74,784,784	89,200,543	163,985,327	168,808,730	4.80%	27.84 Years
LNMA Securities*	0	33,587	33,587	37,439	3.00%	0.78 Years
Totals	<u>\$282,265,001</u>	<u>\$ 93,442,890</u>	<u>\$ 375,707,891</u>	<u>\$ 378,607,647</u>		

*Linda Mae Securities: securities associated with habitat for humanity loans.

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State of California

MEMORANDUM

To: CalHFA Board of Directors

Date: 4 January 2012

From: Di Richardson, Director of Legislation 
CALIFORNIA HOUSING FINANCE AGENCY

Subject: Legislative Report

This week we kicked off the second year of the two year session. Calendars are tight, but there are a large number of significant issues pending resolution:

- public employee pension reform
- a budget deficits estimated in the range of \$12 billion
- high speed rail
- water (was 2011 a drought year?)
- housing element reform
- energy efficiency
- a permanent source of funding for affordable housing, and
- the future of redevelopment agencies.

At the time this memo was prepared, no new bills had yet been introduced, and very few bills calendared. As such, I have no specific bills to report on at this moment. However, as always, I do expect to see a significant number of new bills introduced in the coming weeks. You can expect your next report to be much more robust. As always, if you have any bills you would like me to add to the list or have any questions, give me a call.

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