



BOARD OF DIRECTORS

*California Housing Finance Agency
Board of Directors*

March 14, 2012

Burbank Airport Marriott Hotel
& Convention Center
2500 Hollywood Way
Burbank, California
(818) 843-6000

9:30 a.m.

1. Roll Call.
2. Approval of the minutes of the January 19, 2012 Board of Directors meeting1
3. Chairman/Executive Director comments.
4. Closed Session under Government Code Section 11126(e)(2)(B)(i); significant exposure to litigation against the state body (one potential case).
5. Discussion, recommendation and possible action regarding the adoption of a resolution authorizing a new Agency Investment Policy. (Tim Hsu)
Resolution 12-05123
6. Discussion, recommendation and possible action regarding the adoption of a resolution authorizing interfund borrowing from the Earned Surplus Account. (Tim Hsu)
Resolution 12-06149
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- 11. Discussion of other Board matters.
- 12. Public testimony: Discussion only of other matters to be brought to the Board’s attention.
- 13. Adjournment
- 14. Handouts

NOTES**

HOTEL PARKING: Cash @ \$10.00 per car, per entry, pay at gate with no in and out privileges.

FUTURE MEETING DATES: Next CalHFA Board of Directors Meeting will be May 17, 2012, at the Holiday Inn Capitol Plaza, Sacramento, California.

STATE OF CALIFORNIA
CALIFORNIA HOUSING FINANCE AGENCY

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BOARD OF DIRECTORS
PUBLIC MEETING

--o0o--

Holiday Inn Capitol Plaza
300 J Street
Sacramento, California

Thursday, January 19, 2012
10:05 a.m. to 1:55 p.m.

--o0o--

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

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

KEN ALEX
 Director
 Office of Planning and Research
 State of California

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

CATHY CRESWELL
 Acting Director
 Department of Housing and Community Development
 State of California

MICHAEL A. GUNNING
 Vice President
 Personal Insurance Federation of California

JONATHAN HUNTER
 Managing Director, Region 2
 Corporation for Supportive Housing

HEATHER PETERS
 for TRACI STEVENS, Acting Undersecretary
 Business, Transportation & Housing Agency
 State of California

JACK SHINE, Chairperson
 Chairman
 American Beauty Development Co.

RUBEN A. SMITH
 Partner
 Adorno Yoss Alvarado & Smith

CalHFA Staff Present:

TIM HSU
Financing Risk Manager

VICTOR J. JAMES
Deputy General Counsel

JOJO OJIMA
Office of the General Counsel

L. STEVEN SPEARS
Chief Deputy Director

--o0o--

Public Testimony:

LAURA BLAKELY

RIGO CABEZAS
NACA

SHIRLEY CAMPBELL
NACA

JOY DAVIS
NACA

STANLEY J. DIRKS
Attorney at Law
Orrick

ANNE JORDAN

KATHARINE (KATIE) JORDAN

MARTIN WHITE
NACA

MARCIA WOLD

HOWARD ZUCKER
Hawkins Delafield & Wood, LLP

--o0o--

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1 BE IT REMEMBERED that on Thursday, January 19,
2 2012, commencing at the hour of 10:05 a.m., at the
3 Holiday Inn Capitol Plaza, John Q Ballroom, 300 J
4 Street, Sacramento, California, before me, YVONNE K.
5 FENNER, CSR #10909, RPR, the following proceedings were
6 held:

7 --oOo--

8 ACTING CHAIRPERSON CAREY: I'd like to welcome
9 everyone to the January 19th, 2012 meeting of the
10 California Housing Finance Agency Board of Directors.

11 --oOo--

12 **Item 1. Roll Call**

13 ACTING CHAIRPERSON CAREY: Our first item of
14 business is roll call.

15 JoJo.

16 MS. OJIMA: Ms. Creswell.

17 MS. CRESWELL: Here.

18 MS. OJIMA: Mr. Gunning.

19 MR. GUNNING: Here.

20 MS. OJIMA: Mr. Hunter.

21 (No audible response.)

22 MS. OJIMA: Ms. Carroll for Mr. Lockyer.

23 MS. CARROLL: Here.

24 MS. OJIMA: Mr. Shine.

25 MR. SHINE: Here.

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1 MS. OJIMA: Mr. Smith.
2 MR. SMITH: Here.
3 MS. OJIMA: Ms. Peters for Ms. Stevens.
4 MS. PETERS: Here.
5 MS. OJIMA: Mr. Alex.
6 MR. ALEX: Here.
7 MS. OJIMA: Ms. Matosantos.
8 (No audible response.)
9 MS. OJIMA: Ms. Cappio.
10 MS. CAPPPIO: Here.
11 MS. OJIMA: Mr. Carey.
12 ACTING CHAIRPERSON CAREY: Here.
13 MS. OJIMA: We have a quorum.
14 ACTING CHAIRPERSON CAREY: Thank you.

15 --o0o--

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

17 ACTING CHAIRPERSON CAREY: Just -- just a
18 couple of items of business. I apologize for the lack
19 of chairs, but we'll try to move things along so that's
20 not a problem.

21 I understand that a number of folks here are
22 representing NACA and would like to speak on an item
23 that's not on the agenda. Typically that's the --
24 speaking on other matters is the last item on the
25 agenda, but because there's a number of you here and to

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1 keep things as easy as possible for you, particularly
2 those who are standing, we will move that item forward
3 on the agenda immediately following executive director
4 comments.

5 And I understand we also have some speakers
6 who have submitted speaker cards for item 7. Item 7
7 will remain as scheduled on the agenda.

8 So the opportunity to speak after the
9 executive director comments would be strictly on matters
10 not on the agenda.

11 And with that, I'll turn it over to our
12 executive director, Ms. Cappio.

13 MS. CAPPPIO: Good morning. I have just a few
14 comments of interest. First, the Governor during his
15 budget message last week did call for a proposal to
16 consolidate a number of state functions together, and
17 included in that overall initiative for streamlining and
18 more efficient operations and services was the proposal
19 to consolidate CalHFA into HCD, the Housing and
20 Community Development division. We are missing the
21 details at this point, but we do know that this will be
22 vetted and reviewed during the next year, and the time
23 line for implementation appears at this point to be
24 sometime in the 2013-14 fiscal year.

25 I want to note that the executive directors of

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1 HCD, CalHFA, CDLAC, and TCAC have all been working
2 together since last spring to look at opportunities and
3 other kinds of proposals for more consolidation,
4 coordination, collaboration, and we will just continue
5 that work, particularly focused with HCD, on how we can
6 do this. I think we can meet the Governor's intentions
7 and objectives quite handily.

8 Next, I think I mentioned before that the --
9 there's been an idea out there for some time about a
10 permanent source of funding in California for affordable
11 housing, and this has risen a couple of notches in the
12 last week or so due to the demise of redevelopment. It
13 is my intention to work with my sister agencies in
14 developing a number of options to begin to publicly
15 review with stakeholders during the next 60 to 90 days
16 in an effort to bring something to the Governor by
17 spring or summer in order to make sure that we can fully
18 look at this and look at practical and workable ways to
19 make up what is becoming an increasingly small resource
20 for affordable housing in this state.

21 And lastly, I'd like to note that two
22 California Housing Finance Agency senior staff will be
23 leaving us in the next few weeks. Both Gary Braunstein
24 and Chuck McManus have -- have decided to leave and will
25 be leaving the Agency. I want to extend my best wishes

1 and my hearty thanks for a job well done and service to
2 this Agency over the last couple of years. And I want
3 to extend my best wishes for wild success in your
4 endeavors in the future, whatever they be. So I would
5 like to make sure that the Board knew that.

6 That ends my executive director comments.

7 ACTING CHAIRPERSON CAREY: I think the Board
8 shares in that appreciation for both Chuck and Gary and
9 all the -- being with us and all you've done through the
10 pretty challenging recent years as an Agency.

11 --o0o--

12 **Item 2. Approval of the minutes of the October 18, 2011**
13 **Board of Directors meeting**

14 ACTING CHAIRPERSON CAREY: With that, we will
15 ask for approval of the minutes of the meeting of
16 October 18th.

17 MS. PETERS: So moved.

18 MR. GUNNING: Second.

19 ACTING CHAIRPERSON CAREY: Moved and seconded.

20 Any discussion?

21 Roll call, please.

22 MS. OJIMA: Thank you.

23 Ms. Creswell.

24 MS. CRESWELL: Yes.

25 MS. OJIMA: Mr. Gunning.

1 MR. GUNNING: Yes.

2 MS. OJIMA: Mr. Hunter.

3 MR. HUNTER: Yes.

4 MS. OJIMA: Ms. Carroll.

5 MS. CARROLL: Yes.

6 MS. OJIMA: Mr. Shine.

7 MR. SHINE: Abstain.

8 MS. OJIMA: Thank you.

9 Mr. Smith.

10 MR. SMITH: Yes.

11 MS. OJIMA: Ms. Peters.

12 MS. PETERS: Yes.

13 MS. OJIMA: Mr. Carey.

14 ACTING CHAIRPERSON CAREY: Yes.

15 MS. OJIMA: The minutes have been approved.

16 ACTING CHAIRPERSON CAREY: Thank you.

17 --o0o--

18 **Item 13. Public testimony**

19 ACTING CHAIRPERSON CAREY: With that, then, we
20 will allow some time for public comment on other
21 matters, particularly NACA representatives. I'd like to
22 ask a -- make a couple of points of order.

23 First, our agenda time is limited, so we'd ask
24 you to be concise and to the point and not repetitive.
25 We'd ask that each speaker come forward to the speaker

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1 table, and if you've given us a speaker card, just give
2 us your name, and then we have the information we need.
3 If you have not, then we'll need your full name. These
4 meetings are -- there is a transcript created for these
5 meetings, so we need accurate and full information from
6 each speaker.

7 With that, we will have the first speaker from
8 NACA.

9 MR. WHITE: My name is Martin White, and I am
10 a regional officer of NACA. NACA, Neighborhood Housing
11 Assistance Corporation of America, is the largest home
12 modification program in the country and the largest
13 counseling service in the country. We have several
14 speakers that would like to speak, and then I would like
15 to. You have the list of names of speakers that you can
16 call.

17 ACTING CHAIRPERSON CAREY: I have four names.
18 I have Martin White. I have Amber Lewis. I have Joy
19 Davis and Shirley Campbell.

20 MR. WHITE: Will you come forward.

21 MS. CAPPPIO: Excuse me, Mr. White.

22 MR. WHITE: Yes, ma'am.

23 MS. CAPPPIO: You're welcome to sit at the
24 podium with the microphone.

25 MR. WHITE: Okay. Good.

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1 MS. CAPPPIO: It would help us out.

2 MS. DAVIS: Okay. Good morning, Executive
3 Director Cappio and Board of Directors. My name is Joy
4 Davis. I am an office manager in our Northern
5 California Oakland office.

6 And the reason why we're here today is we
7 wanted be able to address the Board to have your staff
8 work with NACA. Our reach is very extensive. We have
9 over 2.3 (sic) members within our organization. We do
10 help members with home saves and saving their homes as
11 well as purchase programs.

12 We know that CalHFA has been working with
13 individuals to save their homes, and we would like to be
14 a part of what you're doing and to be listed as one of
15 your providers. We change the lives of many
16 Californians and elsewhere as we have offices all over
17 the country. What we're asking is to be able to partner
18 with you to make homes more affordable for individuals
19 as well as to allow individuals who have worked so hard
20 to get into their homes to keep their homes.

21 With this present state of economy being what
22 it is today, it is very hard for individuals to make
23 ends meet, to meet their mortgage. I hear horror
24 stories of individuals who have to make the choice of
25 buying food or paying their PG&E or paying their

1 mortgage.

2 What we are asking is to be taken into
3 consideration, to be a part of what you're doing, to
4 allow us to help others just as you are doing because we
5 have a very extensive reach. Our CEO is very adamant,
6 and we are an advocacy program as well. So we're here
7 to help people, and we ask that you allow us to do this.

8 Thank you.

9 ACTING CHAIRPERSON CAREY: Thank you.

10 MR. CABEZAS: Good morning, Executive Board.

11 My name is Rigoberto Cabezas, and I'm here to witness to
12 what Ms. Davis just stated.

13 About October '09 I had an opportunity to
14 register for a workshop with NACA, and my loan at that
15 time was variable. And at the moment when I
16 participated, I was paying 7-and-a-half-percent
17 interest. My mortgage payment was about \$2700.

18 I had attended a workshop. They guided me
19 through the process, and they were very professional and
20 gentle with me. I followed the instructions. It took a
21 year, from October '09 to October '10, when I had the
22 extreme good fortune to attend a NACA event here in
23 Sacramento at the fairgrounds. I have never seen so
24 many people. It looked like a pilgrimage. Easy I saw
25 about 17- to 18,000 people the moment that I was there.

1 Because I had already done all my paperwork,
2 they sent me home. I slept in my van at the parking
3 lot. I would not leave. 4:00 a.m. I did the line where
4 they told me to go to. At 8:00 a.m. I was in front of a
5 loan officer from Bank of America. The loan officer
6 asked me to produce one piece of paper. I had to go
7 back to San Lorenzo where I live to get that paper. I
8 brought it back. I came back by like 3:00 p.m. They
9 saw me.

10 And I don't know how to put this. From 7 and
11 a half percent go down to 2 percent fixed for 25 years.
12 That saved my home. That saved my family. I'm at the
13 brink of tears. This is what NACA does. Please allow
14 NACA to work with you, and you will make more minor
15 miracles happen.

16 Thank you so much.

17 ACTING CHAIRPERSON CAREY: Thank you.

18 MS. CAMPBELL: My name is Shirley Campbell,
19 and I was also at the event in October of 2010. I'm a
20 business owner, and my business had shrunk in the year.
21 So I did have five employees. I was down to one and a
22 half. And so I applied. I went through the whole
23 process on the fair -- at the fairgrounds.

24 I was very impressed with NACA's ability to
25 handle these large numbers of people. They used

1 technology to the greatest advantage. And we were up
2 all night. It was a very long, stressful weekend, just
3 the waiting and the waiting. It was because there were
4 so many people in line. Everything was orderly. There
5 were a lot of volunteers there to move people through
6 the process.

7 And in the end, I got an interview with the
8 Bank of America, and they offered me a reduction in my
9 interest rate. Amounted to about \$200 a month. It went
10 and -- it's taken 16 months and quite a lot of
11 persistence, but I believe it is final now as of January
12 1st, and it's going to be 3.75 percent, having been
13 about 6.75 percent. And it every bit helps in my budget
14 because I'm still trying to keep my business floating,
15 and I have quite a lot of debt because of the business.

16 So I'm grateful to NACA. I consider -- I
17 respect them for the work that they do, the way that
18 they treat the people that came through. And I would
19 urge that they be allowed to participate in the programs
20 that you are servicing.

21 Thank you.

22 ACTING CHAIRPERSON CAREY: Thank you.

23 MR. WHITE: Again, my name is Martin White.

24 You've heard from people who have come through
25 our program. You see other people behind us who have

1 worked with the program. NACA is the largest counseling
2 agency in the country. We have modified several
3 hundreds of thousands of -- of loans over the past two
4 and a half years. We started in -- in May of 2008. We
5 have counseled over a million people during that period
6 of time. You have heard of the -- the modification
7 programs at the Cow Palace, 50,000 people. That's NACA.

8 We have reviewed your programs for assisting
9 people who are unemployed and cannot make their
10 mortgages, people whose houses are underwater and need a
11 reduction in their principal amounts, people who have
12 lost their homes but are still with the bank and could
13 be saved if their homes could be returned to them if
14 their homes were able to bring their debt up-to-date.

15 Those are essentially the three programs that
16 you have \$1.8 billion to handle. NACA has a
17 sophisticated software system that could assist the
18 State in underwriting those loans which applicably --
19 which potentially apply to this state.

20 Now, we work all over the country, but within
21 the next month we're going to have a hundred thousand
22 people in California come through our program. Okay.
23 As far as we can tell, okay, this program is not off as
24 robustly as could be. And I know that what happens is
25 the feds give us money, and we reduce our staff, and it

1 gets really hard to move all of that through. But NACA
2 has been getting money from the feds too to help you
3 move it through, okay.

4 We get money from HUD. We also get money from
5 Neighborhood Works, okay. And with your staff on one
6 side, what we could do is in our -- in our sessions,
7 when we have these 20,000 people moving through us that
8 we counsel and we -- we help underwrite, we can select
9 those people who meet the criteria of your programs.
10 Because a lot of the people who fall out -- we're able
11 to do one out of four, one out of five people. But a
12 lot of the people who fell out, they fell out for the
13 exact reasons that you have money for, okay. And we
14 will be able to direct those people, okay, to your
15 people, having done all the paperwork, having done all
16 the underwriting. Okay. So we think that it's
17 essential that -- that this Board direct their staff to
18 work with us.

19 Now, Director, Madame Director, there were two
20 people, Di Richardson and Linn Warren, and we invited
21 them to come to our San Jose event. And they refused to
22 come. And we -- we invite you to come to our San
23 Francisco event since that's going to be the close one
24 that happens February 2nd through February 6th. Okay.
25 We will have events in Los Angeles, San Bernardino and

1 San Diego in the next 30 days. Okay.

2 Now, this programming, this type of thing,
3 fortunately seems to be winding down. I'm not sure if
4 we're going to come back to California again. We're
5 going to do 40 of these this year, 40 such events. But
6 in those four places, over a hundred thousand
7 Californians will be there. Okay. If 10 percent -- 5
8 percent of those people fit your programs, then we will
9 massively move your programs up.

10 Our computer systems -- and if you come to our
11 workshops, what you have is about five or six hundred of
12 our staff sitting on one side and three or four hundred
13 of the banking staff. So we have major contracts with
14 all of the banks and all the major and minor banks.

15 So what would happen is that we would review it.
16 When we determine that a client could be helped by your
17 program, we would -- we would do the underwriting for
18 your program to make sure that they met all the criteria
19 of your program. If your staff were there -- if your
20 staff were there, then into their computer would come
21 our underwriting. Okay. If they agreed with our
22 underwriting -- and we also verify at the same time that
23 we're underwriting, they agreed with that, then we could
24 then send what you're doing to put into the program and
25 what the bank's going to put into the program together.

1 We would send your work as well as our
2 underwriting to the bank and say the State of California
3 is prepared to reduce the principal by 35 percent if
4 you'll reduce it by 65 percent -- I'm not sure which
5 side of that scenario goes. But we have been getting
6 reduction in principals, and we think we can get more if
7 the State were participating, particularly -- we're only
8 talking about California.

9 Now, we know that there are other hardship
10 states, and we're working with them. But we haven't
11 been able to work successfully with California. Now,
12 NACA in the past has worked very closely on other
13 programs that you've had in our purchase side and for a
14 number of years. And then on the purchase side we kind
15 of ran out of money for a little while so we -- we kind
16 of stopped there. We do have a relationship with you.

17 I looked through your Web site. I saw nothing
18 on us in your -- in any of your materials, but we're
19 located in L.A. We're located in Oakland, California.
20 And we have offices there that operate six days a week.
21 We give workshops four times a month, just general
22 workshops on, on -- on purchasing and on home -- what we
23 call our home save program, saving their homes.

24 So I've been asked to ask you to direct your
25 staff to sit down and work with us so that we can get

1 them in these next four ventures that we have in
2 California so that we can bring this program to the
3 attention of the California person who most needs it,
4 okay, so that we can provide the expertise that we have
5 to supplement the staff that you do not have to get it
6 through. Because I calculated that in one of the
7 programs at your current rate, quarterly rate, it would
8 take you 35 years to spend that 700-and-some million
9 dollars. Okay. You're supposed to handle a hundred
10 thousand people through this program.

11 If we did this program for five years, NACA
12 could help you with your 20,000 people a year or 30,000
13 people a year. We have -- we have that capacity. Okay.
14 We work with every major bank. You can call any of the
15 banks, Fannie Mae, Freddie Mac, those -- some of those
16 banks are now out of business but still servicing the
17 major servicing companies. We're there. Okay.

18 And I'm open for any questions that you might
19 have.

20 ACTING CHAIRPERSON CAREY: Questions?

21 Ms. Peters.

22 MS. PETERS: Thank you all for coming. I
23 appreciate you taking the time and collecting so many
24 people to talk to us.

25 I've been to a lot of these events -- not

1 yours in particular personally -- but I live in Los
2 Angeles and have participated in a lot of the events
3 down there. And it is a massive undertaking, so I
4 really appreciate you taking the time to put on those
5 events.

6 Could you tell us more about -- you were
7 talking about how many people you see that would fit our
8 programs, that our programs would be designed for. Can
9 you tell us a little bit about your existing system and
10 if there's any way to cull people who have been through
11 your program before and give us a heads-up on those
12 folks?

13 MR. WHITE: So some of those people who have
14 missed the -- yeah, we could. We can, okay. And
15 that's -- that's -- we could go through our database of
16 the people who we've interviewed in California who have
17 not been able to get into -- go through the normal
18 modification program because they had one of those
19 issues that there is in your program and bring them back
20 to the table, yes, we can.

21 We have an extensive underwriting system
22 that's able to link directly. We link directly into HUD
23 for all our HUD reportings. We link directly into the
24 Neighborhood -- Neighborworks. We link directly into
25 each of the banks. The banks are sitting there. When

1 we finish with our underwriting, we press a button, it
2 goes to the bank. The people then are sent to the other
3 side. Then the bank calls them up and then discusses
4 their problem and takes our analysis and makes a
5 decision at that time. Okay. So, yes.

6 MS. DAVIS: In addition to that, ma'am, we
7 have at each of our major events that host -- and we
8 just left Atlanta. We saw 3,000 people on one Saturday.
9 We have taped testimonials of each event, so there are
10 thousands upon thousands of testimonials.

11 MS. PETERS: Yeah, we're very, very well
12 aware --

13 MR. WHITE: Okay, yes. And of course --

14 MS. PETERS: -- of the events. I'm getting
15 down to the --

16 MR. WHITE: Yeah.

17 MS. PETERS: -- weeds. If we wanted to do
18 something --

19 MR. WHITE: Can I get back to those people --

20 MS. PETERS: -- how do you punch that button
21 and get us those people who we -- you've already done
22 the leg work to --

23 MR. WHITE: Identified.

24 MS. PETERS: -- identify that we can help
25 right away?

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1 MR. WHITE: Right. Well, the question is --
2 is are you geared up to handle the load that we might
3 send you? If I sent you 5,000 people, how would you
4 handle it?

5 MS. PETERS: That's a question for another
6 day, and that's not --

7 MR. WHITE: Okay, well --

8 MS. PETERS: -- on the agenda, but I'm very
9 happy to hear that you can press a button and --

10 MR. WHITE: Okay. But --

11 MS. PETERS: -- and start that conversation.

12 MR. WHITE: -- remember that this is only a
13 part of the process. They still need to go back to
14 their bank.

15 MS. PETERS: Oh, of course.

16 MR. WHITE: Okay. And -- so --

17 MS. PETERS: I understand all of that.

18 MR. WHITE: And so what we would -- what we're
19 suggesting is that we weave you into our actual fabric
20 so that we -- so that it comes from the underwriting
21 table there, okay, has your approval, goes to the bank,
22 allows the bank to agree to all the components of the
23 project, and then --

24 MS. PETERS: We understand the program --

25 MR. WHITE: Okay.

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1 MS. PETERS: -- very well.

2 MR. WHITE: Okay.

3 MS. PETERS: So I'm just trying to identify
4 how can we catch all those people that were missed in
5 the past. And you've told me --

6 MR. WHITE: Yes.

7 MS. PETERS: -- and we can work on that.

8 MR. WHITE: Okay.

9 MS. PETERS: So that's -- that's great. And
10 those people in the past that have been at events that
11 you identified as, you know, having that -- needing the
12 catch-up payment or needing, you know --

13 MR. WHITE: Right.

14 MS. PETERS: -- something that we provide,
15 what have you told them about our programs in the past?

16 MR. WHITE: Let me tell you --

17 MS. PETERS: Where do they go?

18 MR. WHITE: Let me --

19 MS. PETERS: Do you just --

20 MR. WHITE: Let me --

21 MS. PETERS: -- go "good luck," or do you --

22 MR. WHITE: No, no. Let me tell you --

23 MS. PETERS: -- give them our phone number, or
24 how does that work?

25 MR. WHITE: Let me tell you that your program

1 is the least advertised program in the country. I mean,
2 I'm a housing professional. I've done consulting work
3 for -- for you guys, for the State of California. I
4 didn't know about this program until just the other day,
5 until I was told that we were going to have to come
6 and -- and -- and get involved. But -- our national
7 office knew, but I didn't know. But I'm a housing
8 professional out there working every day with people,
9 and I didn't have anything to tell them. Okay.

10 We've talked about the short refi programs of
11 the federal government, the new -- the programs that the
12 federal government is doing right now. In fact, I went
13 on your e -- on your Web site, and I could not see how I
14 would apply. There was no application form. How do I
15 apply? How do I get into your program? I looked and
16 looked to see how do I get into this program? Okay.
17 There was no referral thing. Even if you took my name
18 and it referred out, there is no place there for that.
19 Okay.

20 So -- so -- so I did not know. We have not
21 been telling them anything because we have not really
22 known at the local level.

23 MS. CARROLL: Well, we would love to change
24 that immediately.

25 MR. WHITE: Okay. If we had known that, we

1 would have changed it.

2 MS. PETERS: Great. Thank you very much for
3 your time.

4 MR. WHITE: Yes.

5 MR. CABEZAS: Thank you.

6 MR. WHITE: Are there any other --

7 ACTING CHAIRPERSON CAREY: Yes.

8 MR. GUNNING: I'd like to echo Ms. Peters'
9 comments. Thank you for coming. Certainly as a Board
10 member it's good to hear the voices from folks who are
11 working in this troubled economy and trying to make a
12 difference.

13 My question would be have you formally applied
14 to us at any point to work within our program? I know
15 you just said you were aware of the program, but there
16 was a process to get people and organizations involved.
17 Is this --

18 MR. WHITE: Yes. We've -- I think I told you
19 the two people that we went to to come into the program,
20 that we invited, so that we could -- so that we would
21 formally become a partner of the program.

22 MR. GUNNING: What was the outcome of that?

23 MR. WHITE: And we were denied. That's why
24 we're here. That's why we're here.

25 MR. GUNNING: Thank you.

1 MR. WHITE: Okay. Yeah, and -- my boss just
2 told me to do one thing. She said we would really
3 appreciate the Board to make a resolution to staff to
4 work with us. And we really would like to get a --
5 because of our previous -- and as Claudia has said, she
6 had not been in contact with us. Her staff had been in
7 contact with us, and it had not risen to her level as
8 of -- as of yet. So we like to see you direct Claudia
9 to work with us. She has already said she would, but --

10 ACTING CHAIRPERSON CAREY: Thank you very
11 much. Before I ask Ms. Cappio to provide some comments,
12 just let me mention procedurally, we are constrained
13 under the laws of the state as a -- as a public board
14 and cannot take action on anything that's not noticed
15 ahead of time on the agenda.

16 MR. WHITE: Yeah, okay. Yeah.

17 ACTING CHAIRPERSON CAREY: So we -- there's no
18 possibility for a resolution or formal action of any
19 kind simply because of the constraints of state law.

20 That said, I will assure you that this Board
21 has a strong interest in the effective and -- and early
22 use of the Keep Your Home California, the Hardest Hit
23 funds, and will encourage the entire Agency to look for
24 opportunities to -- to get that money out there.

25 Ms. Cappio.

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1 MS. CAPPPIO: Yeah. I want to echo, thank you
2 for being here and letting us know how you work and how
3 many people you've helped.

4 To me, it was very obvious that we're all
5 doing the same work and that we should find
6 opportunities to connect and -- and help each other out
7 as much as I -- as we can. Obviously you know we are
8 trying with everything we have to make sure that that
9 money gets distributed. The wonderful thing is we have
10 the time, albeit it's really important to do
11 immediately.

12 I look forward to meeting with you and looking
13 at the opportunities to connect. And, again, I
14 appreciate your being here and presenting before us
15 today. Thank you.

16 MR. WHITE: Thank you very much.

17 MS. DAVIS: Thank you for your time.

18 ACTING CHAIRPERSON CAREY: Yeah, thank you
19 all.

20 MR. WHITE: And, Claudia, you're going to make
21 an appointment with us tomorrow?

22 MS. CAPPPIO: Today.

23 MR. WHITE: Today. We will be in -- we will
24 be in town today.

25 MS. CAPPPIO: The Board is my witness.

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1 (Laughter.)

2 MR. WHITE: Okay. We -- you will be available
3 2:00 o'clock, 3:00 o'clock?

4 MS. CAPPIO: I will not be available today,
5 but I certainly can connect with you today, but with my
6 assistant, and we can put something on the calendar.
7 How's that? I mean, within a couple of days.

8 MS. DAVIS: Thank you.

9 MR. WHITE: Okay.

10 (Applause.)

11 MS. CAPPIO: Thank you.

12 Yeah, we're going on to item 4. Prior to the
13 announcement of item 4, I wish to make clear to the
14 Board and to the audience that during the last --
15 between the time from the last Board meeting to this
16 Board meeting, our beloved finance director, Bruce
17 Gilbertson, retired at the end of the year, and the very
18 able Tim Hsu has taken over as interim and wanted to
19 make sure that that transition was clear to you all
20 prior to the next item because Tim will be presenting.

21 ACTING CHAIRPERSON CAREY: Actually, one of
22 the disappointments of canceling the November meeting
23 was we didn't really have a chance to officially express
24 our appreciation to Bruce and also our appreciation to
25 Tim for stepping in.

1 most of our financing activities center around these
2 federal programs that we have in TCLP and NIBP. As
3 such, before I launch into what the actual resolutions
4 are, I thought it might be a good idea that we talk
5 about what's happening in the TCLP and NIBP space.

6 So the TCLP and NIBP program was officially
7 extended on November 23rd of last year. NIBP was
8 extended until the end of this year. TCLP has a
9 three-year extension, until December 2015.

10 There are a lot of terms in the new term sheet
11 for the extension, but I'm here -- over here I'm
12 highlighting some of the ones that are particularly
13 relevant to us. So there's no market -- there's no
14 market bond requirement for single-family issues, and
15 this is an extremely relevant change for us because, as
16 you might know, our single-family HMRB indenture is now
17 rated BBB. So issuing market bonds has always been a
18 concern for us.

19 Another one is single-family NIBP allocation
20 can be used for multifamily, and that's also very
21 relevant for us because, as you might know, our
22 single-family program right now is on pause.

23 And they increased the refunding allocation
24 from 40 percent to 30 percent. So this is also really
25 good for us because refunding some of our variable-rate

1 bonds to take them to the fixed world would mitigate our
2 interest rate risk going forward. And there is a --
3 this -- this particular requirement is going to be
4 extremely relevant as the presentation continues.

5 They also require that NIBP be used to refund
6 TCLP variable-rate bonds if possible. And unlike the
7 previous extensions, they want to see a preliminary debt
8 restructuring plan before the extension is actually
9 approved. And that plan is actually due at the end of
10 this month. At the moment, the official approval of the
11 debt restructuring plan is at the end of April, but I
12 think all indication says that they're going to approve
13 our plan way before that time frame, and that's simply
14 the official deadline.

15 MR. SPEARS: We do have a meeting scheduled
16 with them to discuss the plan after it's submitted.
17 That meeting is scheduled for February 9.

18 And the only other thing I would add is that
19 you see the parameters that were described on that
20 slide. We actually asked for a little more leeway and
21 tried to push the box out as far as we could, and we
22 were given some leeway, but at some point they said
23 that's as far as you can go. This is in stone. This is
24 legislation. So at least we asked.

25 MR. HSU: To err on the side of caution and

1 also to -- in the spirit of transparency and -- we are
2 doing something that's -- I guess it's a bit unusual.
3 We're going to present to the Board here our preliminary
4 debt restructuring plan.

5 And the reason for that is that, for one
6 thing, the resolutions themselves are very much part of
7 the thinkings that we have for our plan. And we have
8 received preliminary indication that U.S. Treasury
9 actually likes our preliminary debt restructuring plan,
10 so we think that this could be the way forward for the
11 rest of the year. That's why we thought that it might
12 be a good idea to present these ideas early. And if
13 somehow there is resistance to some of these ideas,
14 hearing them earlier would be a good thing from the
15 Board.

16 So the remaining single-family allocation is
17 \$871 million. We have used most of our multifamily
18 allocation. I think we have less than a million dollars
19 left, so for convenience I left it out of the
20 presentation.

21 Out of that \$871 million, \$465 million is the
22 refunding allocation. And if you -- if you -- if you
23 have the inclination to do a quick math, you'll see that
24 465 is more than 40 percent of 871 because the way that
25 it did the 40-percent calculation, it's 40 percent of

1 the original allocation, which was one-point-some
2 billion dollars. And plus we used about \$93 million of
3 refunding in December of last year. So anyway, that
4 number is -- is right.

5 And then the rest of that would be -- \$406
6 million would be for the new money allocation. And
7 either of these money -- either of these amounts can be
8 used for single-family or multifamily.

9 At the moment, our plan is to use that
10 refunding allocation of \$465 million to refund single
11 family and then to use the \$406 million of new money
12 allocation to do multifamily portfolio preservation and
13 to do multifamily conduit transactions, which, as you
14 know, the conduit transactions is all we've done last
15 year.

16 The target is to present the approved debt
17 restructuring plan to the Board and the multifamily
18 preservation program to the Board in March because we
19 actually think that the plan will actually get approved
20 way before the end of April. That's the target. But
21 we're not sure if the feds can move that fast with us.

22 We also thought that it might be a good idea
23 to talk a little bit about what -- why we want to do
24 refunding in the single-family world versus multifamily
25 world or why we're doing refundings at all. So this --

1 this is almost an FAQ of -- of the rationale for doing
2 single-family refunding.

3 Well, why do refunding at all? The extension
4 is predicated on a debt restructuring plan being
5 approved by U.S. Treasury. And U.S. Treasury had said
6 very -- in -- I mean in black and white in their term
7 sheet that you must use some of this NIBP allocation,
8 this 40 percent of NIBP allocation, to refund TCLP
9 because, I guess much like the rest of the world, they
10 want to get out of the funding risk that's related to
11 supporting a liquidity facility like TCLP. So that is a
12 TCLP/NIBP extension requirement, so that's why we want
13 to do a refunding.

14 And the second question might be that, well,
15 why are you doing this in the single-family world and
16 not the multifamily world? The multifamily world, we
17 tend to have other options in terms of monetizing our
18 assets through either securitization or sale of whole
19 loan.

20 For example, last year we did a securitization
21 of our multifamily loans of \$119 million that closed in
22 December, and that helped us to do a refunding using
23 NIBP money of \$93 million. And two years ago, we did a
24 sale with Citibank in which we sold them some whole
25 loans, and that dollar amount was \$95 million. That was

1 in March of 2010.

2 So the point being that in the multifamily
3 world, we tend to have other strategies that we can sort
4 of execute, which effectively does mean that we redeem
5 VRDOs anyway. So having other strategies in multifamily
6 is very valuable. And given that this 40-percent
7 allocation for refunding is a scarce and limited
8 resource, the question is that, well, where should we
9 put it? And we chose single family because single
10 family, unlike multifamily, we don't really have that
11 many options to monetize these assets.

12 These -- and keep in mind these are the very
13 assets that we keep seeing the delinquency ratios going
14 up, and recently it's stabilizing a little bit, but to
15 the degree that we're worried about these assets, it
16 generally means that other people are worried about
17 these assets. It generally means that other people
18 won't pay a lot of money for them.

19 And then the other constraint that we have is
20 that the indenture does require when we do sell loans,
21 we sell them at no less than par. So in other words, we
22 can't sell them for less than a hundred cents on a
23 dollar. So, again, that's troubling because if we don't
24 like the assets, other people probably won't like the
25 assets, and they're unlikely to pay us par for it.

1 So those are a lot of sort of some of the
2 constraints on the single-family side. And you might
3 also ask, well, why didn't we do this last year? And I
4 think that we mentioned that last year there was a
5 requirement to do a 40-percent market bond to match the
6 NIBP release. And we have talked to bankers about doing
7 market bonds on a BBB indenture, and we really didn't
8 get any fuzzy feelings from that, so that's why we
9 didn't do it last year. So that's why we're thinking
10 about it this year, because there's no market bond
11 requirements, so we can just simply give all this to the
12 feds or U.S. Treasury.

13 And is this going to be good for HMRB? Yes,
14 because HMRB actually has \$1.1 billion of unhedged
15 variable-rate bonds as of 1/1 of this year. And after
16 February 1st of this year, it's going to have \$1.4
17 billion of unhedged variable debt. And this refunding
18 is going to target some of these unhedged variable-rate
19 debt to get rid of rising interest risk.

20 And as an aside, you might ask, well, why do
21 we have so much unhedged variable-rate debt? We have so
22 much unhedged variable-rate debt because we've been
23 getting rid of our swaps so that we are trying to get
24 out of the collateral posting risk.

25 I'll pause for questions after this slide.

1 So since I gave you all the good stuff, what
2 are some of the bad things that could come out of the
3 refunding? What are some of the negatives of the
4 refunding? Well, as I mentioned, these -- these assets
5 are -- we don't like them. Other people don't seem to
6 like them very much either, and we can't really fetch a
7 hundred cents on a dollar for them. So when we do a
8 refunding, this refunding is really not going to achieve
9 investment grade because for tax purposes when you do a
10 refunding, you -- suppose you do a one-hundred-dollar
11 refunding. You're going to take a hundred dollars of
12 assets. Well, we know that about 70 percent of these
13 assets are conventionally-insured mortgages, which,
14 again, is causing a hot of heartburns throughout the
15 state.

16 So there needs to be some
17 overcollateralization, meaning that we do a hundred
18 dollars of refunding, there's some -- there needs to be
19 some external source of money that comes in to make sure
20 that that refunding deal could achieve at least
21 investment grade.

22 So I mentioned here that that
23 overcollateralization obviously is to cover the expected
24 loan losses, for example, or in this case since the deal
25 is rated, we need to cover the loan losses that the

1 rating agencies' black box -- you know, black box
2 produces.

3 And there could be also other rating stresses
4 on the refunding deal that would make us have to fund
5 overcollateralizations, for example, reinvestment. At
6 the moment, for example, when we do a deal like this,
7 they make us assume that reinvestment rate is zero going
8 forward. It's close to zero, but it's not zero, as you
9 know, in real life. And there's also payment lags and
10 things like that.

11 What are some of the potential sources for
12 funding overcollateralization? The -- the -- the only
13 place that we can think of is the unencumbered
14 single-family whole loans that we hold on the GO side of
15 the ledger. And after that, it could be the Agency's GO
16 cash. Again, this is away from the single-family
17 indenture.

18 And the -- since I'm saying that we need to
19 take assets and cash from the GO side of the ledger, the
20 obvious question is that is this going to hurt the GO
21 rating? I should emphasize that in the NIBP and TCLP
22 term sheet, the U.S. Treasury does emphasize that the
23 refunding cannot hurt our credit rating on either side.
24 So we're not the only ones who are sort of in this
25 trying to protect both the single-family credit and the

1 GO credit. That's one of their requirements. One of
2 the requirements is that the refunding, if it were to
3 hurt either side, they don't want to see that happening
4 either.

5 So -- so I just want to make sure that people
6 sort of recognize that we're not -- we're not the only
7 one who are going to end up having to assert that this
8 is not going to hurt our GO, although, I'm going to
9 assert it now, there are going to be -- there's going to
10 be, you know, Freddie Mac, Fannie Mae, U.S. Treasury,
11 U.S. Treasury's financial adviser, you know, State
12 Street Global Advisers. And I believe that State Street
13 Global Advisers is going on as a higher quantitative
14 consultant. There are a lot of people who are all over
15 this, and they're going to have to make the same
16 assertion that I'm making today, that this is not going
17 to hurt the GO.

18 And the reason why I think this is not going
19 to hurt our GO is that the rating agencies are on
20 balance much more concerned about liquidity for the GO,
21 because we are taking liquidity from the GO side to
22 post -- as post -- to swap collateral, than they are
23 worried about capital adequacy. And that's why you see
24 what we're recommending here is that we're going to take
25 first some of the illiquid assets we have under the GO

1 to help with the refunding transaction before we take
2 cash. We're going to try to minimize the amount of cash
3 we take out of GO to the degree that we can, and we're
4 going to take some of the illiquid assets first.

5 MR. SPEARS: You said you'd stop for
6 questions.

7 MR. HSU: Yes, I promised, and I'll live up to
8 it. So I'll pause for questions before I launch into
9 the resolution. I know this is unusual for the
10 presentation of a resolution, but it's -- it's just that
11 so much of this plan basically is what the resolution is
12 all about so that the staff can actually go out and
13 basically execute the plan.

14 ACTING CHAIRPERSON CAREY: Questions?

15 MS. CARROLL: So, Tim, just so I understand,
16 so the federal -- at the federal level, they're
17 dictating the split -- what was it, 45/65 -- 35/65 or
18 40/60 -- in terms of new money -- being able to use this
19 for new money versus refunding?

20 MR. SPEARS: The 40 percent.

21 MR. HSU: Yeah.

22 MS. CARROLL: So is there any flexibility in
23 that, or is that just sort of a hard, fast --

24 MR. SPEARS: That was one of the things that
25 we asked if we could do more.

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1 MR. HSU: And they said no.

2 MR. SPEARS: That's a hard stop.

3 MS. CARROLL: That's a hard rule. There's
4 no --

5 MR. HSU: It has --

6 MS. CARROLL: -- flexibility there.

7 MR. HSU: Yeah, I think it has to do --
8 sometimes we get -- we ask questions that we don't
9 always get very clear answers, but I think it has to do
10 with their internal legal approval of the -- some of the
11 original intents of the program. So NIBP stands for New
12 Issue Bond Program. So the original intent was that it
13 was supposed to generate new mortgages. And here you
14 are doing refunding, so it sort of flies in the face of
15 the original intent. I can't tell you how they resolve
16 all that stuff because I don't know, but it has to do
17 with things like that.

18 So then that was the first thing we asked. We
19 said, "Can we do a hundred-percent refunding? Because
20 we've got a lot of variable-rate bonds we want to get
21 rid of."

22 And they said, "No, this is the best we can
23 do."

24 MS. CARROLL: Okay, thank you.

25 ACTING CHAIRPERSON CAREY: Other questions?

1 MR. GUNNING: Tim, what's your sense of timing
2 for doing all this? First part of the year or what? I
3 know we have the deadlines.

4 MR. HSU: That's a really good question. So
5 what happened -- let me stop on a slide that has all the
6 positives.

7 Last Wednesday -- as I mentioned, they -- they
8 have a requirement that we go -- they have a requirement
9 that we submit a preliminary debt restructuring plan by
10 the end of this month. And last Wednesday, like a good
11 teacher, they wanted to have a call to check in on how
12 you're doing. So they -- because they wanted to do
13 that, I wrote a rough outline, which is -- which is
14 basically what I'm presenting here except there's a lot
15 more words, and I think you appreciate that.

16 And -- and -- and apparently they really liked
17 the plan. They really liked the idea that we are going
18 to use as much of the refunding as we can, and we are
19 trying to sort of support the same theme that they are,
20 that the refunding is -- can't be negative on either
21 side, and it could actually have a fighting chance of
22 being positive for both sides too.

23 And I also asked the question from this
24 call -- because I wrote them an outline. They liked the
25 outline. They liked it. As a follow-up, I asked the

1 question, I said, "Look, if we all believe that this
2 plan is really good for the Agency, why wait until March
3 to approve the plan or wait until April to approve the
4 plan and have the refunding happen in summer or fall?
5 Why not let us do this sooner rather than later so we
6 can catch the benefits of this refunding for our
7 upcoming annual credit reviews with the rating
8 agencies?"

9 So -- so we just got word a couple days ago
10 that they would do that. They would expedite the
11 approval of our plan, and they would accommodate us
12 trying to do the refundings in the March to April time
13 frame, catch the benefits of going into the annual
14 review for S&P, which I expect to be about April or May
15 time frame. And the Moody's review probably will be
16 late summer to summer time frame. So the idea is if we
17 get this done and we think -- and if you're right that
18 this is actually good for the Agency, both credits, why
19 not get a head start on reaping the benefits of these
20 refundings?

21 So we think that if all goes well today and
22 getting our plan approved, I'm hoping that we get this
23 done the end of March, April.

24 ACTING CHAIRPERSON CAREY: Other questions?

25 MS. CARROLL: Yeah. Just so I understand the

1 structure, so -- so when you refund bonds, will you
2 actually be refunding them out of the original
3 single-family indenture into the new indenture, and so
4 then they will become -- they will no longer be held by
5 the Agency? Or they will still be held? Are we
6 amending the indenture so you hold mortgages, those
7 mortgages? Or is it going to be the same structure of
8 the New Issue Bond Program where we're not -- the Agency
9 isn't holding those mortgages anymore -- that are
10 associated with the bonds, I guess.

11 MR. HSU: Okay. That's in the resolution.

12 MS. CARROLL: Okay.

13 MR. HSU: Okay. So what we're doing is that
14 the -- the single-family indenture HMRB is holding all
15 these whole loans that we're trying to refund. We're
16 going to take mortgages out of HMRB, and we're going to
17 put it under an indenture where the NIBP escrow is
18 sitting at, and that indenture is called RMRB. Except
19 that indenture, we stipulated with the Board's input,
20 that we couldn't do whole loans in that indenture. We
21 could only do MBSes.

22 So what we did was we went into that RMRB
23 indenture, which, again, only stipulates that -- at the
24 moment which stipulates that only MBSes are allowed --
25 and we sort of put in walls to make them into duplexes

1 and triplexes so that -- so that -- so that, you know,
2 there are three -- instead of a one-family home, now all
3 of a sudden it's a three-family home.

4 And under one of the triplex is going to be
5 the loans that were transferred from HMRB and into this
6 triplex. And that triplex, though, will be a special
7 obligation, much like the HMRB is and much like the
8 original RMRB is. So to the degree that we take loans
9 from there and then put it into that triplex and the
10 deal closes, there should be no recourse in terms of
11 credit risk back to the Agency.

12 MS. CARROLL: Okay. Because they're then
13 guaranteed by the federal government in essence? No.

14 MR. HSU: I don't think they're guaranteed.
15 It's simply that the federal government is the purchaser
16 of special obligation bonds that --

17 MS. CARROLL: Okay.

18 MR. HSU: -- have no recourse back to the
19 Agency.

20 MS. CARROLL: Right.

21 MR. HSU: So to the degree that we've
22 overcollaterized it enough, they will probably -- you
23 know, they will get paid all their principal back and
24 interest over time. And to the degree that somehow it
25 wasn't enough, then they are bearing the credit risk.

1 MS. CARROLL: Okay. Okay, I see what you're
2 saying.

3 And then what does that do to future sales?
4 Like if you go ahead and do some new money, additional
5 new money, how does that impact the credit there? Is
6 there any impact to the credit when you put money into
7 that indenture?

8 MR. HSU: So then the other triplex --

9 MS. CARROLL: Okay.

10 MR. HSU: -- is the new money for multifamily
11 that we might do. So we haven't said a lot about what
12 we would do with the multifamily because at the moment
13 we're trying to focus on doing preservation, which just
14 means that we're helping the existing portfolio
15 refinance with us. So that triplex would be isolated
16 for multifamily, and it will look a little bit odd
17 because the indenture ostensibly will have sort of a
18 name that sounds like a single-family homeownership
19 indenture, but we will create a triplex that will be
20 exclusively used for multifamily. And that indenture
21 could take, say, GSE-guaranteed loans, or it could also
22 take risk-share loans.

23 MS. CARROLL: Okay. And will -- so then the
24 credit markets -- assuming we eventually sell some of
25 that, I guess that's another question -- so that the

1 amount that's reserved for new money that the federal
2 government has said reserve that for new money, does
3 that still have the 40-percent market on it? No.

4 MR. HSU: No.

5 MS. CARROLL: That's taken off.

6 MR. HSU: It's all gone now.

7 MS. CARROLL: Okay.

8 MR. HSU: With that requirement being
9 eliminated, it opens up for us all these refunding
10 options which have been very frustrating for the last
11 couple years. And -- and as much you may want to say
12 about the federal government being hard to work with,
13 these are some of the things that we asked for for the
14 last two years. It's better to be late than never. And
15 they -- they finally came around to realize that having
16 the market component really was -- was really a
17 hindrance to our ability to use the tools that we have
18 to do with, best we can.

19 MR. SPEARS: A couple of thoughts. Originally
20 when NIBP was approved a few years ago and we had this
21 discussion with the Board, the idea was we would have
22 new money for single family and a new indenture. And I
23 think we all felt very strongly that if we're going to
24 do new loans, that we wanted not to have anything to do
25 with whole loans and new loans would be MBS.

1 This is a little, you know, something that we
2 didn't really anticipate because we've been told, no,
3 you can't refund. Now they're saying yes, which is a
4 good thing. So we're amending the previous amendment to
5 make the triplex, to make a small home for these whole
6 loans that we have that we'll overcollateralize.

7 The other thing that's unusual is these bonds
8 are already sold. The United States Treasury has bought
9 these bonds already. The money is sitting in escrow,
10 and what we're trying to do is get the approval process
11 with Treasury for the use of the money.

12 MR. HSU: It's sort of like we're converting a
13 short-term financing that's already funded into a
14 long-term financing. It's my expectation that both of
15 these additional units in the triplex will have no bonds
16 in them that come from capital markets. They would only
17 be NIBP-exclusive homes. The original unit does have
18 market bonds in them, and they will stay there, but the
19 additional, the additional, units in the triplex would
20 only have NIBP. That's right.

21 ACTING CHAIRPERSON CAREY: Other questions or
22 comments?

23 MS. PETERS: Clear as a bell as usual.
24 Really, thank you, Tim. We look forward to working with
25 you. You always explain everything so we can understand

1 it, and we appreciate that.

2 MS. CARROLL: Thank you.

3 ACTING CHAIRPERSON CAREY: And I've come to
4 associate the full-color charts with bad news, so.

5 MR. HSU: I'll have to add some next time.
6 It's probably because we're dealing with resolutions and
7 it's -- it's -- we should put charts in resolutions,
8 Victor.

9 (Laughter.)

10 MR. JAMES: We know that.

11 MS. CARROLL: This is very good. I do have a
12 general question just about approving -- the Board
13 approving sale resolutions. So I don't know if this is
14 a good time for some general questions?

15 ACTING CHAIRPERSON CAREY: Sure. Go ahead.

16 MS. CARROLL: As those of us in the municipal
17 bond world know, there's been great emphasis on
18 disclosure. The SEC has been really looking at issuer
19 disclosure and have focused on it, shall we say, over
20 the last year. And there have been some actions taken,
21 pretty isolated cases, but it has really raised all of
22 our awareness about disclosure.

23 So in this particular case, we as a board
24 approve you to go forward as staff, and, we, you know,
25 put parameters around sales, but then you prepare all

1 the documents and the Board really doesn't see -- other
2 than the resolutions, doesn't see those documents and in
3 particular the disclosure documents. I know in at least
4 one of the cases there was a public board that sort
5 of -- there was discussion about what their
6 responsibility in disclosure might be. So I'd like to
7 maybe hear one of your counsel's comment on what the
8 CalHFA's Board's responsibilities would be with respect
9 to your disclosure documents.

10 MR. SPEARS: And you're talking about
11 specifically the offering documents, the official --

12 MS. CARROLL: Yeah.

13 MR. SPEARS: -- statement that goes out that
14 bondholders see and the public sees.

15 MS. CARROLL: Right.

16 MR. SPEARS: We have both Stan Dirks and
17 Howard Zucker here from our bond counsel.

18 MR. ZUCKER: Who's first? I'll start.

19 Katie, if you'd just give me 30 seconds. I
20 just wanted to add one thing to the prior discussion as
21 to why we needed a triplex, okay, because it's highly
22 unusual.

23 Basically, the lawyers at the Treasury
24 Department have taken the position -- which can be
25 debated, but they're the final arbiter of this

1 question -- that basically any bonds under NIBP had to
2 be issued before the end of '09, and they cannot be
3 refunded in basically a different resolution or
4 indenture.

5 And so the Waldorf concept basically is a
6 glorified version of having three resolutions under one
7 umbrella resolution where the bonds were originally
8 issued, and then there'll be -- the new bonds will be --
9 the old document will be amended to provide all these
10 additional facilities to amend the existing indentures,
11 existing bonds, that are in escrow to do some
12 multifamily deals and to do single-family refundings,
13 but that is the only way it could be done. And a couple
14 issuers last year in the state of New York did this
15 Waldorf concept -- walled off, but said fast it became
16 known in New York as the Waldorf, and it sounded very,
17 very glorified.

18 So it's been done, and it's -- it sounds much
19 more complicated than it should be, but that -- it all
20 derives from the Treasury's position that it has to --
21 the new bonds, what are functionally new bonds, have to
22 stay in the original indenture.

23 With respect to your question on disclosure,
24 the situations the SEC has looked at over the last ten
25 years, including Orange County and including City of San

1 Diego, both obviously in California, were situations --
2 were somewhat unusual situations. And certainly in San
3 Diego, going back about ten years, it led to a number of
4 even criminal indictments. So there was a lot of actual
5 bad knowledge, actual bad actors, and that's not the
6 typical event.

7 So the question you're asking, basically, as a
8 Board member, you're delegating to the staff and its
9 outside consultants the preparation of an official
10 statement, and what is your responsibility as a Board
11 member?

12 You know, basically the Orange County report,
13 so-called 21(a) report that came out about ten years
14 ago, basically said that if board members, in that case
15 city council members, were -- had actual knowledge or
16 were reckless, they could be liable.

17 But I think the general concept is absent
18 actual knowledge of a problem and absent closing your
19 eyes, that assuming there is an ability to say the Board
20 members reasonably relied on professional staff and the
21 outside consultants, including law firms, in this case
22 Orrick and Hawkins and -- and others, that -- and
23 there's processes in place at the staff level to review
24 things, the Board members, you know, are okay, I mean if
25 you have reasonable reliance.

1 And it's logistically impossible in most cases
2 where issuers are active issuers for the Board from a
3 timing perspective, since you only meet every two months
4 and disclosure is a dynamic process and things are
5 constantly changing, to have, you know, day-to-day
6 intimate involvement typically.

7 And certainly speaking for state housing
8 finance agencies, the way you all have been doing it is
9 consistent with the market standard for HFAs and I think
10 generally consistent with issuers in general, but it
11 really comes down to what's referred to by the SEC in
12 the market as reasonable reliance, do you have a basis
13 to reasonably rely on the people who are performing the
14 task of putting together the offering document.

15 MS. CARROLL: On some of the other boards that
16 I sit on or that I have some responsibility for, you
17 know, it's been interpreted that the board has to
18 approve more bond documents, but in this particular
19 case, can you comment on what the Board's responsibility
20 would be in terms of reviewing an official statement? I
21 mean, are -- is that something if -- has the SEC made
22 any comments about whether the Board needs to have
23 actually reviewed an offering document?

24 MR. ZUCKER: Well, the last statement that
25 they really made was back in the Orange County report,

1 but they made very clear that if a board member, their,
2 you know, governing body member because it was the
3 county supervisors, if they had actual knowledge of a
4 problem, they had a duty to inquire that it was
5 addressed. Okay. But if they had no reason to think
6 there was a problem, okay, they did not have an
7 affirmative duty.

8 In the for what it's worth department, the SEC
9 is likely to issue a new interpretive release by the end
10 of September that would update a 1994 release dealing
11 with disclosure generally and in part specifically
12 underwriting responsibilities, but it addressed other
13 things.

14 MS. CARROLL: Right.

15 MR. ZUCKER: And one of the issues that the
16 National Association of Bond Lawyers and other
17 organizations have asked the SEC to expressly address in
18 this interpretative release is the issue that you raise.

19 So prior to getting to that release, so
20 whenever it comes out, I think more or less the
21 interpretation by most of the major law firms who
22 practice in this area, and Orrick and Hawkins are
23 certainly two of those firms, has been that if there's a
24 reasonable basis for the members to rely on the staff,
25 the outside consultants, absent actual knowledge of an

1 actual problem, that Board members are entitled to rely
2 on their staff and consultants.

3 MS. CARROLL: And then the other question,
4 just to clarify roles, a lot of issuers are like --
5 there have been several issuers that have gone out and
6 engaged disclosure counsel. Some already had disclosure
7 counsel onboard, but with some of the discussion and
8 actions taken over the last year, I think there's a
9 heightened awareness of disclosure counsel.

10 The Agency doesn't employ disclosure counsel,
11 but I don't know that that means there isn't a counsel
12 that's overseeing disclosure. Am I correct? As bond
13 counsel is that one of your duties?

14 MR. ZUCKER: Well, I would just say -- and
15 then I'll certainly allow Stan to make his comments --
16 although there is not generally in your deals, and
17 certainly not in your program bonds and entity law, a
18 firm with that title.

19 MS. CARROLL: Right.

20 MR. ZUCKER: Between the law firms, we, I
21 think -- it's fair to say we perform that function. And
22 each firm certainly has a lot of experience being
23 disclosure counsel. So it's really more the function
24 than the title. And, you know, I speak for myself, but
25 also I can tell you observing Orrick in practice, both

1 firms take that role, that function, extremely
2 seriously. There's a lot of debate and -- especially
3 the last few years a heightened debate and review, and
4 so the function of disclosure without necessarily the
5 title of disclosure counsel has been performed by our
6 two firms.

7 MS. CARROLL: Thank you.

8 And then one last question. The other thing
9 that's come up is the existence of procedures. Do -- do
10 issuers have a process and procedures in place? And so
11 I would ask the Agency staff do we have procedures in
12 place for how we approach disclosure and the review
13 levels? There is actually -- I think NABL has been
14 participating in this, and there's actually -- with New
15 Jersey and so on, there are actually sample plans out
16 there --

17 MR. ZUCKER: Yeah. That's something --

18 MS. CARROLL: -- floating in the community.

19 MR. ZUCKER: -- Tim and I are involved in.
20 I'll take the first crack at that.

21 A lot of this derives from the remedies for
22 San Diego, which is part of the settlement with the SEC.
23 And we came in as -- after the start of the
24 investigation in San Diego as general disclosure counsel
25 to the City of San Diego, but part of the remedy with

1 the SEC was that the City had to adopt formalized
2 procedures on how to -- and training on how to address
3 disclosure and, you know, very formalized procedures.

4 Now, there again, there was some very bad
5 things that happened.

6 MS. CARROLL: Sure.

7 MR. ZUCKER: So based largely on some
8 procedures in Sarbanes-Oxley, a very detailed, very
9 formalized process.

10 Other issuers have adopted -- Rhode Island
11 after the SEC's investigation of its pension fund
12 disclosure problems just instituted formalized
13 procedures, formalized training. The City of San
14 Francisco, although it had no such problems, has
15 instituted a lot of those things.

16 And when the New Jersey -- State of New
17 Jersey, which became the first state to be accused of,
18 let's say, disclosure problems relating to its pension
19 fund, but generally for a state to be accused by the SEC
20 of having a problem. Whereas in San Diego the SEC took
21 the position that the remedy was this enhanced,
22 formalized procedures, enhanced training, in New Jersey,
23 actually the SEC expressed it as the cause of the
24 problem was not having these things in place and things
25 were falling through the cracks. Now, that's a very

1 benign reading of the facts in New Jersey, but that is
2 what was said in the final order.

3 So certainly many big issuers have begun
4 adopting things patterned after San Diego and other
5 places, and it's -- what they call best practices or
6 something else is probably a very good practice.

7 MS. CARROLL: So, you know, I think that would
8 be my question of the Agency staff, is whether you've
9 considered adopting some sort of policy or more
10 formalized procedure, just to address some of the big
11 issues that have been raised this year. And I think if
12 you don't have a process, it just seems like it's always
13 good to step back and look at these things and decide
14 whether it might be a good idea to adopt something
15 along --

16 MR. ZUCKER: With Tim's indulgence, one
17 just -- I would say that the processes that would be
18 formalized, if the Agency were to do that, more or less
19 would codify what is happening without the formalization
20 because I do think that, as I said, especially the last
21 few years more than ever, there's been a very heightened
22 review of things.

23 But basically the practices -- formalized
24 practices require certain people in certain departments
25 review regularly certain sections of official

1 statements. There's a record of their sign-off, who
2 reviewed it, and it's not just looking at, you know,
3 looking at black line or changed provisions, it's
4 reading it from scratch to see if things might not be
5 said that should be said or things that didn't change
6 perhaps no longer should be said. So it more or less
7 formalized what I think functionally the Agency has in
8 fact been doing.

9 MS. CARROLL: Right.

10 MR. ZUCKER: And, you know, I leave it to the
11 Agency to address that, but they have been doing what
12 the other issuers, you know, put down in writing should
13 be done.

14 MR. DIRKS: Yeah, I'd certainly echo all of
15 Howard's statements as to what the law is and as to what
16 the practice of the Agency has been.

17 I'd offer one example from mid last decade as
18 the housing bubble appeared to grow and people began to
19 be concerned about what might happen and what might
20 happen even within the Agency's programs generally,
21 within the Agency's single-family program in particular
22 and then in the housing market generally, we developed
23 for the Agency's official statement a very, very
24 comprehensive risk factors section, added it to the
25 official statement. Actually in some ways it forecast

1 what eventually did happen, but it was great to have had
2 it in there.

3 And that's the kind of attention to disclosure
4 that the Agency's team has had over the period that I've
5 worked with them, which is, as you know, many years.
6 And there's been a designated person in the legal staff,
7 several designated people on the financial staff, people
8 within the mortgage insurance group review the mortgage
9 insurance procedures, and it has all been put together
10 on that basis.

11 MS. CARROLL: Right. Right. I do appreciate
12 that, and I'm sure that you guys have all been doing a
13 fine job. It's just -- it would probably be nice to see
14 something a little more formalized given sort of the
15 guidance that's out there right now. I'm not -- and
16 again, I believe it probably would be more formalizing
17 what you're doing already, but it just seems that if
18 that's sort of the standard that's being touted as being
19 something that's a good thing to have, that might be --

20 MR. HSU: I think we could consider that.
21 I -- as Howard and Stan are saying, I think that it
22 would simply codify some of the things they're doing.
23 And I think I'm entirely open to that.

24 ACTING CHAIRPERSON CAREY: Okay.

25 MR. HSU: And it's something that we can bring

1 back to the Board if you want to make sure that we do
2 adopt best practices. We could bring it back to the
3 Board.

4 ACTING CHAIRPERSON CAREY: Seems reasonable to
5 hear back.

6 MS. CAPPPIO: I do too. I guess I want to
7 clarify that it seems to me, being a good bureaucrat,
8 that this is something developed internally, that is
9 subject to change internally.

10 MS. CARROLL: Yes.

11 MS. CAPPPIO: But if we -- I would be glad to
12 develop something. I guess I think it's just
13 delineating the obvious at this point, given that there
14 are procedures in place, and I would be glad to do that.

15 MS. CARROLL: Thank you.

16 ACTING CHAIRPERSON CAREY: Okay. Should we
17 move on to the resolutions?

18 Thank you, Stan and Howard.

19 MR. HSU: So the -- I believe late yesterday
20 we sent out an e- -- late yesterday we sent out an
21 e-mail of the -- of the revised 12-01, and the addition
22 is what's on the bottom of this page. As I've been
23 saying, that the refunding, since it needs
24 overcollateralization, it needs contribution from the
25 GO. So Resolution 12-01 states that the executive

1 director has the authority to contribute up to \$50
2 million of assets, and that could be, as I mentioned
3 earlier, unencumbered whole loans or cash, to facilitate
4 the refunding to the degree she can conclude it would
5 result in a net economic benefit to the Agency at large,
6 and Agency at large being the HMRB credit and the GO
7 credit. So that's the significant addition from the
8 revision that we sent out yesterday.

9 And the rest of the articles are essentially
10 the same. I would simply highlight the changes. Last
11 year we asked for \$200 million of taxable issuance. We
12 brought that down to a hundred million dollars. I think
13 that we don't really expect to issue taxable bonds.

14 And then last year where a credit facility to
15 be shared between single and multi, we asked that credit
16 facility -- short-term credit facilities to be \$400
17 million, and this year we brought that down to \$200
18 million.

19 And with that, those are my comments on
20 Resolution 12-01.

21 ACTING CHAIRPERSON CAREY: Are there -- are
22 there questions relative on that resolution?

23 We're going to -- I'm going to try to learn --
24 to run this process just slightly differently. Before
25 we have a motion actually on the table, we will ask for

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1 public comment on each action for this item.

2 So at this point I would ask if there's anyone
3 in the audience who wishes to comment on the proposed
4 action relative to Resolution 12-01.

5 Seeing none, would entertain a motion.

6 MR. HUNTER: I'll so move adoption of
7 Resolution 12-01.

8 MS. PETERS: I'll second it.

9 ACTING CHAIRPERSON CAREY: It's been moved and
10 seconded. Any further discussion?

11 Roll call, please.

12 MS. OJIMA: Thank you.

13 Ms. Creswell.

14 MS. CRESWELL: Yes.

15 MS. OJIMA: Mr. Gunning.

16 (No audible response.)

17 MS. OJIMA: Mr. Hunter.

18 MR. HUNTER: Yes.

19 MS. OJIMA: Ms. Carroll.

20 MS. CARROLL: Yes.

21 MS. OJIMA: Mr. Shine.

22 MR. SHINE: Yes.

23 MS. OJIMA: Mr. Smith.

24 MR. SMITH: Yes.

25 MS. OJIMA: Ms. Peters.

1 MS. PETERS: Yes.

2 MS. OJIMA: Mr. Carey.

3 ACTING CHAIRPERSON CAREY: Yes.

4 MS. OJIMA: Resolution 12-01 has been
5 approved.

6 --o0o--

7 **Item 5. Discussion, recommendation and possible action**
8 **regarding the adoption of a resolution authorizing the**
9 **Agency's multifamily bond indentures, the issuance of**
10 **multifamily bonds, short term credit facilities for**
11 **multifamily purposes, and related financial agreements**
12 **and contracts for services.**

13 ACTING CHAIRPERSON CAREY: Move to Resolution
14 12-02.

15 MR. HSU: I promise this one will go so much
16 faster.

17 ACTING CHAIRPERSON CAREY: Good thing.

18 MR. HSU: Really the only change in this
19 resolution from last year is to say that the new -- the
20 new money and the refunding in the multifamily space
21 would go under one of the triplexes that we talked
22 about. And the name of the triplex is very enticing.
23 It's called Article XIII of RMRB. So this resolution is
24 identical to last year's, simply with this -- this is
25 the most significant change, to say that new issue or

1 refundings will go into this Article XIII of RMRB.

2 And then, just like on the single-family side,
3 instead of a \$400-million credit -- short-term credit
4 facility to be shared by single and multi, we brought
5 that down to \$200 million.

6 And those are the changes, and those are my
7 comments on this resolution.

8 ACTING CHAIRPERSON CAREY: Are there
9 questions?

10 Is there anyone in the audience who'd wish to
11 address the Board on the matter of Resolution 12-02?

12 Seeing none, we are ready for action.

13 MS. CRESWELL: Move to approve.

14 ACTING CHAIRPERSON CAREY: Motion.

15 MR. SHINE: Second.

16 ACTING CHAIRPERSON CAREY: And a second.

17 Roll call, please.

18 MS. OJIMA: Thank you.

19 Ms. Creswell.

20 MS. CRESWELL: Yes.

21 MS. OJIMA: Mr. Hunter.

22 MR. HUNTER: Yes.

23 MS. OJIMA: Ms. Carroll.

24 MS. CARROLL: Yes.

25 MS. OJIMA: Mr. Shine.

1 MR. SHINE: Yes.

2 MS. OJIMA: Mr. Smith.

3 MR. SMITH: Yes.

4 MS. OJIMA: Ms. Peters.

5 MS. PETERS: Yes.

6 MS. OJIMA: Mr. Carey.

7 ACTING CHAIRPERSON CAREY: Yes.

8 MS. OJIMA: Resolution 12-02 has been
9 approved.

10 --o0o--

11 **Item 6. Discussion, recommendation and possible action**
12 **regarding the adoption of a resolution authorizing**
13 **applications to the California Debt Limit Allocation**
14 **Committee for private activity bond allocations for the**
15 **Agency's homeownership and multifamily programs.**

16 ACTING CHAIRPERSON CAREY: Six is a fairly
17 straightforward item also?

18 MR. HSU: Yes.

19 ACTING CHAIRPERSON CAREY: Okay. Item 6.

20 MR. HSU: Item 6 is the Board's -- the Board
21 authorizes the staff to apply to CDLAC for a certain
22 dollar amount of private activity bonds. So on single
23 family, single family, which is the homeownership
24 program, this year we're asking the Board to authorize
25 \$200 million. Just in way of context, last year we

1 asked for \$900 million, and we think that's -- given
2 that our single-family program is on pause and the fact
3 that we actually have \$970 million in carryover, to
4 reflect a bit of a -- closer to reality what we might
5 request is what we decided to do. Instead of asking for
6 a very large number and not come anywhere close, we
7 brought that down to 200.

8 And the multifamily, the request from last
9 year was -- the authority from last year was \$400
10 million, and we stuck with the \$400 million this year.
11 And the amount of carryover we have in multifamily is
12 also quite large at \$1.3 billion.

13 And those are my comments on the resolution.

14 ACTING CHAIRPERSON CAREY: Questions?

15 This is an opportunity -- if there's anyone in
16 the audience who would like to address the Board
17 relative to Resolution 12-03, please indicate.

18 Seeing none, what's the Board's pleasure?

19 MR. HUNTER: I'll move adoption of Resolution
20 12-03.

21 MS. CRESWELL: Second.

22 ACTING CHAIRPERSON CAREY: We have a motion
23 and a second. And further discussion?

24 Roll call, please.

25 MS. OJIMA: Thank you.

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1 Ms. Creswell.

2 MS. CRESWELL: Yes.

3 MS. OJIMA: Mr. Hunter.

4 MR. HUNTER: Yes.

5 MS. OJIMA: Ms. Carroll.

6 MS. CARROLL: Yes.

7 MS. OJIMA: Mr. Shine.

8 MR. SHINE: Yes.

9 MS. OJIMA: Mr. Smith.

10 MR. SMITH: Yes.

11 MS. OJIMA: Ms. Peters.

12 MS. PETERS: Yes.

13 MS. OJIMA: Mr. Carey.

14 ACTING CHAIRPERSON CAREY: Yes.

15 MS. OJIMA: Resolution 12-03 has been
16 approved.

17 ACTING CHAIRPERSON CAREY: Recognizing your
18 situation --

19 MR. HSU: Mr. Chairman?

20 ACTING CHAIRPERSON CAREY: Yes.

21 MR. HSU: I just have one quick thing to add.

22 There are various financial reports as part of this
23 package, and one thing I wanted to highlight, though,
24 given the recent European sovereign debt downgrades, we
25 actually have a requirement, an investment policy, that

1 the sovereign rating needs to have at least one AAA
2 rating. And that's of interest because normally we look
3 at the credit rating of the provider and not the
4 sovereign rating. So we think that we'll probably bring
5 the investment policy -- which is very old. I think the
6 last time we updated it was in 1991 or so. We'll
7 probably bring that to the Board at the next, March,
8 Board meeting.

9 ACTING CHAIRPERSON CAREY: Okay.

10 Recognizing the patience of those who have
11 been waiting to speak, we will nonetheless take a
12 ten-minute break, in part to give our stenographer a
13 break, and be back in ten minutes.

14 (Recess taken.)

15 --o0o--

16 **Item 7. Review and discuss the Agency's policy of**
17 **allowing homeowners with Agency first mortgages to rent**
18 **their home**

19 ACTING CHAIRPERSON CAREY: We are back in
20 session, and we will now take up item 7 regarding the
21 policy allowing homeowners to rent homes. And that will
22 be Ms. Cappio.

23 MS. CAPPPIO: Yes. I've taken off my ex
24 officio Board member hat and put on my executive
25 director hat for this presentation.

1 Historically CalHFA has prohibited homeowners
2 from renting their houses financed by CalHFA tax-exempt
3 bonds, except in cases of certified financial hardship.
4 This practice was based on both legal and policy
5 grounds. The IRS Code requires that borrowers, after
6 receiving loan proceeds from the tax-exempt bonds, must
7 intend to live in the property as an owner occupant.
8 This requirement is also consistent with CalHFA's
9 objective of financing first-time homebuyers who live in
10 their home rather than become landlords.

11 Throughout most of CalHFA's history, the
12 rental hardship policy was put into practice only a few
13 times a year. In a healthy housing market, if the
14 householder experienced a change in circumstances, they
15 would either refinance or sell their home without a
16 problem.

17 The double nightmare of the drop in home
18 prices coupled with the downturn in the economy during
19 the last four years has left borrowers in a tighter
20 spot, and many more rental exception requests were
21 processed as borrowers with changed circumstances were
22 not able to sell their homes or refinance.

23 If CalHFA became aware of a home being rented
24 out without permission, the borrower would be notified
25 and given an opportunity to cure by moving back in or

1 applying for the hardship exception. If these options
2 were not successful, borrowers would be brought through
3 a nonmonetary foreclosure process.

4 Since October of 2011, CalHFA has not
5 foreclosed against any borrowers based solely on
6 nonmonetary default of the renting out of the residence
7 without a hardship exception. We have taken the past
8 few months to thoroughly review the hardship exception
9 and now have before you a new proposed policy for review
10 and consideration.

11 As presented in the draft before you, we have
12 chosen to simplify the process based on three basic
13 criteria: First, that the borrower has met the IRS
14 requirement that they intended to occupy the home as
15 their principal residence at the time they received the
16 CalHFA loan; second, that their home value is now worth
17 less than their loan; and, third, that they can
18 demonstrate the ability to continue their mortgage
19 payments.

20 If this -- in this continued dysfunctional
21 housing market and current economy, our key objective is
22 to help borrowers preserve their home and their asset
23 with a check on their ability to meet their financial
24 obligations. We are simplifying the process, again, as
25 I noted, accounting for the pre-extraordinary economic

1 circumstances of many California households at this
2 time.

3 This concludes my presentation, and I'm happy
4 to address any issues or questions that you've got.

5 ACTING CHAIRPERSON CAREY: Questions?

6 Item 2, what's the basis for choosing 12
7 months? I guess my only thought is that 12 months seems
8 to come up pretty fast.

9 MS. CAPPPIO: We believed that there was a
10 purpose in monitoring the amount of rental circumstances
11 that we have, and we need to be consistent with our
12 indenture obligations, that there's a fairly flexible
13 percentage of mortgages that can be -- that -- where
14 there can be rentals, and we want to make sure that
15 we're accounting for that accurately and making sure
16 that there are not changed circumstances where they can
17 move back in their home, but basically making sure that
18 in any given year we can account for the percentage of
19 mortgages that are actually being -- or homes that are
20 being rented out. That's for IRS purposes and audit
21 purposes.

22 MR. SMITH: I understand that if there is a --
23 if the home is worth more than the loan, then they don't
24 qualify for the rental program; right?

25 MS. CAPPPIO: At this point, that's what we're

1 proposing.

2 MR. SMITH: I can certainly see the rationale.

3 What percentage of our loans are under -- are
4 worth less than the loans, where the properties --

5 MS. CAPPPIO: I don't think we have --

6 MR. SPEARS: That, of course, would take a --
7 you know, an appraisal. I don't have any reason to
8 believe that it's less than the state average, which is
9 about a third.

10 MR. SMITH: Okay.

11 ACTING CHAIRPERSON CAREY: Mr. Shine.

12 MR. SHINE: Am I reading this correctly, that
13 the purpose of the 12-month inspection is to verify that
14 they're still in the same situation? Or is it to
15 reevaluate their credit and finances and appraisal of
16 the house and all that kind the stuff?

17 MS. CAPPPIO: I believe we want to keep it
18 simple, and it's to assure that they're still renting
19 and that their circumstances are the same, generally.
20 We -- we have -- it's optional whether we would give
21 them another year. We want to leave that to CalHFA's
22 discretion.

23 MR. SPEARS: That line of demarcation,
24 Mr. Shine, is based on federal tax law, that if you rent
25 for more than one year, you're not allowed to take the

1 interest deduction, you know, on your -- as an itemized
2 deduction on your tax return.

3 So it originally was the line of demarcation.
4 We wanted to make sure that the borrower knew that.
5 We've got -- you know, they're informed of that. But
6 you're right. I mean, we periodically want to go back
7 and check and still make sure that --

8 MR. SHINE: If you try to go back and
9 reunderwrite every year, in effect, I would -- I would
10 request that we try to bring that into a little more
11 focus as to exactly what happens at the 12th month, just
12 to make sure that there's no lack of clarity, period.

13 With respect to the value of the home being
14 less than the mortgage, I could envision a situation
15 where even if it's the same or worth 10 percent more
16 than the mortgage, they're still in the same boat in
17 trying to get us refinanced out because nobody's going
18 to make a 90- or a hundred-percent loan under that
19 circumstance. So I think we should take a look at that
20 also and -- and focus on what does it mean that the
21 value of the home is now even a dollar more than the
22 loan against it? They've got to -- in order to get us
23 out, the borrower would have to be able to refinance and
24 under what terms and under what kind of financing he
25 could get, if any. It would be questionable when he'd

1 be capable of giving us our money back and moving on in
2 life.

3 MS. CAPPPIO: Thank you.

4 ACTING CHAIRPERSON CAREY: Yeah, likewise, I'm
5 just concerned about what could become, it seems to me,
6 a pretty significant annual process for staff, when
7 there are far more significant things to be done, and I
8 just would encourage to keep it as targeted as possible.

9 MS. CAPPPIO: I am envisioning a checklist
10 process for recertification, but we will work those
11 details through, and I -- I'm -- I realize the concerns
12 of the Board.

13 MR. SMITH: The other thing, I think you made
14 a good point. If somebody is 5 percent over the
15 threshold in terms of the value of the home, they still
16 have the same problem. We should try to have some
17 flexibility to allow a greater number of people to take
18 advantage of this and not have a strict rule that says
19 it's got to be one dollar under or one dollar over or
20 whatever.

21 ACTING CHAIRPERSON CAREY: I would love to
22 think that values were going to go up quickly enough
23 that this would be a problem.

24 MR. SMITH: I am just saying where you are
25 today, whether it goes up or down.

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1 ACTING CHAIRPERSON CAREY: Okay. We -- are
2 there any other questions or concerns?

3 With that, then, we'll open up public comment.
4 We have four -- four speakers who've indicated an
5 interest in speaking, and I'll just -- I see two sets of
6 speakers, and so let me just take them by group: Marcia
7 Wold and Laura Blakely, I believe, are sort of jointing
8 presenting. Is that right? Great. And you can share
9 the table over here. And again, we'd ask that you be
10 concise and to the point while getting your point
11 across.

12 MS. WOLD: I just made some notes on my phone,
13 that's why I'm -- my name is Marcia Wold, and thank you
14 for taking the time to listen.

15 I got married, and my condo was foreclosed.
16 So I had no missed payments. As a matter of fact, I --
17 oh, is it on?

18 MS. CARROLL: Yes.

19 MS. WOLD: Sorry.

20 I had no missed payments. As a matter of
21 fact, I had paid an extra \$10,000 to my mortgage. My
22 grandmother gave me some money, and everybody said, "Pay
23 down your mortgage, pay down your mortgage, pay down
24 your mortgage." So I did. That's -- I paid an extra
25 \$10,000.

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1 I tried everything I could when I got the
2 letter that said, you know, you're -- we're going to
3 foreclose. You need to move back or you need to pay off
4 the loan in full. And I called, and a woman at
5 CalHFA -- it was April of 2009. She said you can apply
6 for approval to rent. She said, "It won't be a problem.
7 It happens all the time."

8 And I didn't hear, I didn't hear, I didn't
9 hear. I called again. She said, "Oh, you should be
10 getting a letter soon."

11 July came, and the letter said, nope, you've
12 been denied. I tried to refinance. My home was \$80,000
13 under. And I called the bank, and they laughed, said
14 you can't refinance. My credit score was over 800.
15 Couldn't refinance. I tried to just get a straight-out
16 loan. Obviously I couldn't just get a straight-out
17 loan.

18 And -- okay. So that was that. So got
19 married and my husband and I decided, okay, we'll rent
20 it out. And I was losing -- losing -- a thousand
21 dollars a month by renting it out. It caused me
22 significant economic detriment to rent out my home. We
23 thought as soon as the market recovers, we will -- you
24 know, as soon as the market recovers, we're going to,
25 you know, sell it.

1 So we couldn't sell it. And lucky for me, my
2 attorney, Laura Blakely, she fell into my lap, and she
3 knew John Hill, who works at the Senate oversight
4 committee. And the report came out. And now it has
5 come to light, which is why I believe the amendment
6 has -- the proposal, resolution, has come out. And
7 there are so many people in my situation. And as a
8 public service agency, it is your job to help people in
9 our situation, not take it away.

10 I'm a teacher. And when a student is failing,
11 it is my job to help them, not say, "Oh, too bad.
12 You're on your own." And as far as I know, you guys
13 didn't investigate to find out what are other states
14 doing. John Hill did that. He's the one who
15 investigated.

16 And, you know, when you foreclosed, my credit
17 score took a 120-point hit. So now my husband and I, we
18 can't finance our home because my credit score is now
19 under 700 points. It's 600-something. I never missed a
20 payment. Never. I paid an extra \$10,000, and my credit
21 score went down by 120 points.

22 I really hope that you're going to pass this
23 resolution, and that's that.

24 MS. BLAKELY: Thank you. Well, so for Marcia
25 and other people in her situation, I understand there

1 have been a number of foreclosures already. There's
2 other people that were in process and others to come,
3 but for the ones that have already been foreclosed, I
4 would hope that the Agency would take some steps to help
5 repair their credit rating since you're now realizing
6 that maybe this was too strict of an interpretation of
7 the Revenue Code and too narrowly applied -- looked at
8 the requirement to foreclosure without taking this kind
9 of hardship into consideration.

10 We did -- she did receive some letters from
11 the Agency that she can then in turn submit to the
12 credit ratings bureau that could help. It would be
13 really nice -- and I would hope that the Agency staff
14 would perhaps undertake a little bit more initiative, a
15 little more affirmative assistance to people in this
16 situation, especially given the state of the economy and
17 the function of the Agency to help -- to help homeowners
18 out.

19 The other things I believe were touched on
20 earlier that I wanted to mention. No. 8 on the proposed
21 policy says that the borrower has to execute an
22 affidavit that -- will reoccupy the CalHFA-financed
23 property as a primary residence. In particular we're
24 looking at the types of borrowers whose family situation
25 have changed. They've gotten married. They've had

1 children.

2 You know, Marcia was living in a
3 700-square-foot condo with her husband and his child.
4 It just -- it didn't fit. And those people whose family
5 situations have changed are not going to fit back in
6 their smaller homes, because this is typically -- people
7 move out because they outgrow their homes, and in an
8 ordinary economy, you could sell or refinance, but
9 that's not the case now. And so those people are not
10 going to somehow or another fit again and move back in.

11 So I would encourage a policy revision to be
12 considered that says will reoccupy or sell or refinance
13 with conventional financing to repay the CalHFA
14 financing on that number.

15 And then you already talked in item No. 2 the
16 12-month limitation. And I would just ask, it sounds
17 like maybe you're considering that -- having a checklist
18 process to extend that, but that there be some kind of
19 objective criteria like if you have your house listed
20 where you can show you have a current listing, you're
21 still trying to sell it but the market hasn't turned
22 around, or that you have a current application on file
23 for financing but that -- you know, some recent
24 rejections. There could be some supporting paperwork
25 that the borrowers could supply. It would be pretty

1 easy to say, yes, another year. And so I would just ask
2 that the application be practical.

3 Thank you.

4 ACTING CHAIRPERSON CAREY: Do you have any
5 suggestions about other things the Agency could do for
6 those like Ms. Wold in their -- with their credit issue?

7 MS. BLAKELY: Well, there's three main credit
8 bureaus and so the -- typically the way that it works,
9 like say you get dinged on your credit, like you're a
10 bank and your borrower misses payments for six months
11 and then it's later determined that that was an error,
12 that they actually had made the payments. The lender
13 can just correct that reporting. In this case, they did
14 foreclose. The Agency foreclosed, and the Agency did
15 have a legal right to foreclose. So they can't really
16 say, you know, we didn't foreclose, which would be the
17 typical action, because they did.

18 And they did provide a letter to Marcia that
19 she can submit to each agency, but I think it would be
20 very helpful if there were something that came directly
21 from the Agency to each of the three credit bureaus
22 saying that, you know, we foreclosed because our policy
23 was interpreted -- the law was interpreted very narrowly
24 and we've since changed the policy and if the new policy
25 were in effect, we would not have foreclosed and, you

1 know, her rating never would have been harmed.

2 I mean, she kept mailing in checks, and they
3 kept mailing them back. So she -- she just wants to do
4 the right thing. And it's just a shame that this
5 happened, the hardship. And also it costs the State
6 money. It costs the State thousands of dollars every
7 time there's a foreclosure. It just didn't make sense,
8 so.

9 ACTING CHAIRPERSON CAREY: Other questions?

10 MR. SMITH: Well, I would have a comment to
11 the proposed rental policy, item 3. I would suggest
12 that we add fair market value of the property plus 10
13 percent, only to give a little bit more flexibility, you
14 know, so it's not such a hard-and-fast rule. So if
15 somebody has the ability to not force us to foreclose,
16 but their value is within that 10-percent difference
17 rule, it puts a little more flexibility in. I don't
18 know if that's acceptable to staff or the Board.

19 MR. SHINE: I don't know what they can do if
20 it's 90 percent.

21 ACTING CHAIRPERSON CAREY: That's an
22 interesting point. If it's 90 percent, you can't
23 refinance it anyway.

24 MR. SHINE: Why don't we just --

25 MS. PETERS: I think he's saying 10 percent

1 over, so if you hit it, if fair market value is a
2 hundred thousand and your loan is a hundred thousand,
3 this would cause you to, you know, have to transition,
4 but you know you're going to have expenses and closing
5 costs, moving costs and all that. I think Mr. Smith is
6 suggesting we give them a 10-percent wiggle room on top
7 of the fair market value so that it has to reach -- am I
8 stating that correctly?

9 MR. SMITH: Well, that's what I was trying to
10 do, but your point is well-taken. I mean, 20 percent or
11 10 percent? I just want to make sure we're --

12 MS. PETERS: -- doing the right thing.

13 MR. SHINE: I don't think we can solve it
14 right sitting here, but as long as we say that that's
15 something that needs to really be evaluated, because
16 giving somebody what we're talking about here isn't
17 giving them really anything in the real world, at least
18 today. Even if we just say, that's okay, but we're not
19 going to -- we're going to do 12-month inspections for
20 two or four or five years and after that, you have to
21 comply. I mean, there's all kinds of things you could
22 do, and I think it's something that we should just put
23 on the table and, you know, everybody get their thoughts
24 down and try to come up with some consensus plan that is
25 supportable.

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1 ACTING CHAIRPERSON CAREY: Let me suggest that
2 we allow our other two speakers to speak, and we can
3 discuss it more completely.

4 MS. BLAKELY: Thank you.

5 ACTING CHAIRPERSON CAREY: Thank you both --

6 MS. WOLD: Thank you for your time.

7 ACTING CHAIRPERSON CAREY: -- for being here.

8 The two speakers that I have are Anne Jordan
9 and Katharine Jordan.

10 MS. KATHARINE JORDAN: Good morning.

11 ACTING CHAIRPERSON CAREY: Good morning.

12 MS. KATHARINE JORDAN: My name is Katharine
13 Jordan. I am one of your mortgage holders. I live in
14 Sacramento, and I purchased my property for \$200,000
15 five years ago.

16 Since purchasing this property, I -- I -- it
17 was my dream place. I could -- I'm visually impaired.
18 I had public transportation to my office. I could walk
19 to a grocery store. I could walk to school. It was
20 perfect for me.

21 My life changed dramatically when my father
22 passed away and I had to take care of my family. When
23 that occurred, my mom moved in with me, and my condo
24 proved to be too dangerous to live in. The way the
25 stairwell is constructed, there's a place where you can

1 actually fall three stairs down. That happened three
2 days after my mom moved in with me, and she had a severe
3 concussion.

4 The place where I live is no longer safe for
5 me and my family. I want to do the right thing and
6 continue to pay for it, however, I know that I cannot
7 physically move back in, one of your requirements when
8 it is possible. It's never going to be possible.

9 I have gone through the paperwork for
10 consideration for hardship and found that the definition
11 of hardship is only financially related. It does not
12 take into consideration other life issues which make
13 moving back into a property still unfeasible.

14 As a consequence of this, I have, similar to
15 the previous speaker, had my checks returned time and
16 time again. That is heartbreaking when you know you're
17 trying to do the best thing possible.

18 I do understand, though, your position as a
19 state agency. You have regulations that are federally
20 imposed, as well as ones that are tied to financing. I
21 get that.

22 So what I hope you can do is think outside the
23 box for solutions. Part of this might be the expansion
24 of the definition of hardship. Another alternative
25 could be finding a lender who's willing to do a

1 public-private partnership to move people who are in my
2 kinds of situations, or situations where their life has
3 changed, off of your product into a similar product that
4 is able to proceed without those kinds of ties.

5 However, as previously noted, the market is a
6 horrible place right now. I -- and I'm going to
7 actually dispute the figure that was proposed of 30
8 percent of properties. I'm going to say for the
9 population of mortgage holders that you have, you're
10 going to have a higher level of difference in underwater
11 just because you are dealing with the shorter homes out
12 there. Those are the ones that are not bouncing back as
13 quickly.

14 My property that I paid \$200,000 for, the last
15 one in my complex to sell was \$65,000. I have tried
16 to -- I've approached several lenders on the situation
17 to see if I could refinance, and no one is even willing
18 to look my numbers just because of that major
19 difference.

20 However, as a state agency, you can create a
21 partnership to find a group who's willing -- most of us
22 are good, strong people who care about their credit
23 score, care about doing the right thing -- who would
24 take us on as just assuming our loans as they were so we
25 can continue to pay and not have to break your rules of

1 renting out.

2 I would also ask for consideration in this new
3 policy that when you do allow for rentals, that it be
4 longer than a 12-month period. When I received the
5 permission to rent out back in February or March of
6 2010, it took me six months to find a qualified renter,
7 which means six months in, I still had a lease going and
8 I wasn't able to get permission again to continue on the
9 lease. So it put me in a very tough spot. Since the
10 whole moratorium occurred, I was okay. However, this is
11 a situation that really creative thinking can work
12 around.

13 With me right now is my mother, Anne Jordan.
14 She is a recent retired policy analyst, and she took
15 some time to take a look at your proposed policy and has
16 found some comments that she'd like to share with you
17 right now.

18 MS. ANNE JORDAN: I've recovered from the
19 concussion, but I will tell you that the design feature
20 that was a problem was totally up to code. This is not
21 something that is even fixable. It's an old switchback
22 style of stairs that have a triangle at the turn. And
23 if you don't catch that triangle just right, you are not
24 only falling, you are propelled. And I was propelled
25 and hit my head down on the concrete. So it only took

1 me three days to figure that that triangle wasn't going
2 to work.

3 It became apparent that my daughter, who had
4 worked very hard to be independent and had a solution
5 that really worked -- she didn't tell you some of the
6 other issues that came with it. Some of the
7 accommodations you do when you are disabled have to be
8 how do you get to work? How do you do things in life
9 that other people do? It's not just the ability to use
10 your house. It's where your house is and how those
11 steps fit in.

12 It turned out that the connection of the bus
13 to the light rail, there was a real issue at the light
14 rail. It's important for you to know that these are
15 parts of it. It's uncomfortable to say, but when she
16 would get there in the morning, sometimes the condition
17 of the elevator at the Watt Avenue light rail was soiled
18 with human excrement or pee. And she couldn't take the
19 elevator one day and had to take the stairs. They
20 hadn't maintained the light bulb. She went down the
21 stairs, and there was more feces. She fell down, ended
22 in the hospital.

23 She has also had another instance where people
24 rushing to get on and off are very irreverent. They --
25 they have a focus, which is not necessarily your safety.

1 It turned out that this very good plan had to be
2 modified in many ways. And Katie is very good at it.
3 She is a manager with the State, and she's accomplished,
4 and she will go places, but one of those places will not
5 be her condo.

6 At her request last night, I took a look at
7 the supporting documents that were provided for today's
8 meeting, and I found some inconsistencies. I found some
9 opportunities. And I don't know how to best use your
10 time, but I will quickly tell you some things that I
11 have found, but I would like to offer my time to assist
12 in anything you would like to do in terms of developing
13 a policy. I am technically a retired annuitant working
14 policy for the Department of Financial Institutions, and
15 they would allow me to come over on my own time to
16 provide some assistance.

17 I will follow up with some written comments.
18 As in all policy, I can only suggest, I can recommend,
19 and I can give you my reasoning, but I respect that it's
20 your job to figure out what meets the laws, what meets
21 the intent.

22 So in beginning my comments, I had some
23 general ones. I commend the focus that says it looks at
24 the intention of the base laws, the rules that were
25 here, and did you intend to live in the home versus did

1 you intend it as a rental property. I can tell you in
2 my daughter's case, absolutely that was her home. It
3 was going to be almost her home for life, unless the
4 lottery came through.

5 House values, as you know -- as she stated,
6 she's not alone. This is a big issue for our community.
7 I've worked for Department of Financial Institutions.
8 From what I know, this is not a short-term fix-all. It
9 is going to be a prolonged recovery. I share Katie's
10 opinion that your organization would, if the data became
11 available, likely have a higher percentage than the
12 average in California who would fall into this shortfall
13 area strictly because they're the folks with lower
14 income going in. They are individuals who maybe don't
15 have as much career going for them yet. They just
16 haven't evolved.

17 I would say that a condo in particular will be
18 the very last thing in this environment to recover.
19 People will look at condos, because you have HOAs, and
20 those HOA folks are raising their HOAs to cover people
21 who've bailed.

22 I've found it heartbreaking that on one
23 occasion a person not to be named but with CalHFA said,
24 "Well, as long as you do it, it will be a short sale.
25 It will only take you a while to restore your credit,

1 and then we can make the house available to another low
2 income person," instead of what I think now in your
3 policy is the focus is what was the intention? And the
4 intention was to live there. It wasn't to be a -- if
5 anything, Katie was a reluctant landlord. She didn't
6 want to have to do that. And she actually did set up
7 the amount of rent based on trying to keep with the
8 intent, and she wanted to make sure people were
9 creditworthy but not necessarily stellar. She wanted to
10 make sure that it was still fair. She charged a little
11 bit less than other people, thinking that might attract.
12 It was her circumstance.

13 The ability to pay will be a very difficult
14 thing. This is a comment as a policy analyst. People
15 had a hardship. That hardship was probably related to
16 something financial in their life, a demotion, cut-back
17 at the office, a loss of a job, unable to make their
18 payments, so they move out of a house into another
19 family member's house, and the renter is helping,
20 combined, to break even on the house.

21 I think that their ability to pay should, as a
22 policy, look at their ability to pay personally as well
23 as with the rent that's coming in, because you're going
24 to have a lot of people in that gray area with a
25 shortfall. Choose what you need, but be aware that is

1 one of your target groups.

2 I, too, had a difficulty with the 12-month
3 issue for its practicality on workload and the kinds of
4 documentation that would be necessary to generate. It
5 was very difficult, even going back to the tenant at
6 Katie's house when they had to implement the new rider
7 that says that CalHFA has rights to the rents, and yet
8 they give you -- "you" meaning Katie -- the license to
9 keep those rents. And it's only to protect CalHFA at a
10 certain time should Katie no longer meet the overall
11 obligation. It takes time.

12 That 12 months, the kind of documentation that
13 you want, I would want to make it practical, streamlined
14 and something where you don't jeopardize the tenants
15 there. Some tenants -- now Katie's had to go to month
16 to month because she wasn't empowered to do a year
17 lease, and they wanted to do a year lease. And so
18 instead of having the financial stability, she faces --
19 even if they granted it -- having to go out and secure
20 another tenant when she had a tenant right in place.

21 In looking at the borrower's rental agreement,
22 I found it interesting and problematic in the No. 1(C)
23 it says -- I'll read it to you. It says: Borrower has
24 occupied the residence as borrower's principal place of
25 residence since the date of the loan. If Katie were to

1 apply using this now to see if, okay, under the new
2 guidelines will they let her have it, she can't answer
3 yes because under a previous agreement, she had a
4 renter. She currently has a month-to-month person.

5 I would think that it would be more
6 representative of your intention here to have language
7 that went -- you initially had it X number of years and
8 since the rental period, you haven't lived there but you
9 have maintained compliance with CalHFA rules, just
10 something that recognizes that you're going to come
11 back. People will come back much sooner than you will
12 see a house value get up to the price that you need,
13 regardless of what number you determined, 10, 20, 30
14 percent. Banks are far more conservative in what they
15 will make available.

16 I thought that the rider was very good at
17 protecting it, your interests. I thought that making
18 sure that the renter knows that this is in place was
19 good.

20 I thought that the copy of the CalHFA
21 agreement with Katie had to be shared. It seems kind of
22 embarrassing that you have to other parties know this
23 condition, but I can see how it protects your interests,
24 but this licensing structure is really a little
25 difficult for me to take.

1 In state business, a license is really
2 something. Are you going to issue a document to Katie
3 that you consider this is a license and this license is
4 available for renewal? I think having a confirmation
5 letter --

6 MS. PETERS: I'm sorry, what are you talking
7 about?

8 MS. ANNE JORDAN: Okay.

9 MS. CAPPPIO: In the rental agreement.

10 MS. ANNE JORDAN: It would be in the
11 termination of consent, A.

12 MS. PETERS: A? I'm looking at a different
13 document. Is it titled "Borrower's Rental Agreement"?

14 MS. CAPPPIO: It's --

15 ACTING CHAIRPERSON CAREY: Yes.

16 MS. CAPPPIO: -- page 119.

17 MR. SMITH: The assignment of rents?

18 MS. ANNE JORDAN: You know, I have to back up
19 on what I'm referring to.

20 MS. CAPPPIO: Section 4.

21 MS. PETERS: Oh, okay.

22 MS. ANNE JORDAN: It would not be the section
23 I referred to because it would have been the earlier
24 document.

25 MS. PETERS: 4, assignment of rents?

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1 MS. CAPPPIO: Yeah, it's 4. It's CalHFA
2 confers borrower license to collect --

3 MS. ANNE JORDAN: The license came in, a
4 license to collect.

5 MS. PETERS: Right. Now I'm with you.

6 MS. ANNE JORDAN: That's the borrower's
7 agreement there. I apologize.

8 MS. PETERS: That's all right.

9 MS. ANNE JORDAN: I did refer to the wrong
10 document.

11 ACTING CHAIRPERSON CAREY: Got you.

12 MS. ANNE JORDAN: It would be nice to have
13 something a little nicer that says this is a license for
14 you to do it subject to the terms. It's prettier when
15 you give it to a renter, but they were afraid they were
16 going to get kicked out. Rather than feeling assured by
17 the document, it made them uncertain.

18 Looking at the rider document that was part of
19 the package, I believe there lacks clarity and an
20 opportunity for CalHFA to make a very affirmative
21 statement. In protecting tenants at a foreclosure act,
22 which is No. 3, there are certain acknowledgments that
23 the tenant is making. And it says in 4, which is a sub
24 of B -- I'm sorry for the reference, so 3B Roman numeral
25 IV, which are -- excuse me subsidized due to a state,

1 federal or local subsidy. Are you really expecting a
2 tenant to understand what that means? Does it mean, as
3 for Katie, can she no longer take somebody who is a
4 renter who gets some kind of subsidy themselves, or is
5 it we have to tell them the source of the funds for all
6 the different loans, the main loan and the little orphan
7 ones? I don't know the official name.

8 Katie's package has many different things in
9 it. It's not just a single CalHFA loan, and that
10 language tends to confuse. It might be helpful for
11 CalHFA to send a definition of what means state, federal
12 or local funded, especially in a particular case that
13 you're asking a tenant to sign a document.

14 And lastly, I'll take you to the comments on
15 the policy itself, although I have mentioned them along
16 the way with the other supporting documents. Going down
17 the page, you know in No. 2 the 12 month. I do you have
18 a recommendation. I think it is within the intent.
19 Make it an 18-month one. And also, at the 18-month
20 period, don't ask for a lot of documentation, but do
21 ask -- the underlying premise here is there will be a
22 hardship, not only to the person you've originally given
23 the loan to, but also to the borrower's -- to the
24 funders, should she have a short sale and not be able to
25 cover all that's there. The Agency stands to lose money.

1 So I think the real issue is have an updated
2 comps, what is selling in the area of a similar product
3 and what is the price, what are the things that are
4 really selling now. It could address how long this
5 situation might occur. You may see a little rebound.
6 One year it's -- the latest was 65,000. Maybe next year
7 it be will 90,000. Maybe it will be worse. But it
8 would give you a pulse test on the conditions for that
9 particular one. I think that's a critical piece that
10 would be helpful.

11 And the language in the third one, carrying it
12 further, that the loan balance relative to the market
13 value, I had also said or suggested a percent to be
14 determined. I honestly don't have data. I have no
15 point of reference. I just know that I hear complaints
16 through our consumer line of people who were denied
17 loans and they thought they were great. They could show
18 they could pay for it. But there is a reluctance to
19 take the risk, and there's more reluctance to take it at
20 your target group, which is a lower income, less
21 education, or maybe less experience in the workplace.
22 So banks and the averages really are not what your
23 target office has, so I would just say to be determined
24 and then do a good healthy research on it.

25 The next one was No. 6. You're walking into a

1 hornet's nest. It says through the -- the borrower
2 demonstrates through a standard set of income and
3 expense questions supported by the documentation. You
4 have now raised the fear of every person who was gone
5 through trying to get a loan for a mortgage. They had
6 to not only do 15 pieces of paper, they had to go back
7 and get it again. When I -- after my husband died and I
8 had a period of time I had to adjust, I realized I
9 wanted a home. And I can tell you I am well-qualified
10 for a home. And it took three months and 52 documents,
11 many of them two and three times, just because banks
12 were reluctant to do money.

13 If you start telling individuals ahead of
14 time, are you creating -- are you protecting your
15 interests at the expense of a lot of anxiety that is not
16 necessarily going to efficiently give you what you want?
17 So my recommendation is that tell people like Katie this
18 is the information we're going to be asking you for.
19 These are the points.

20 If you look to the cover letter that said you
21 have moved from hardship as a focus to those three very
22 important key points, did you intend to stay there, et
23 cetera, there is an inconsistency here. Hardship really
24 is a factor, and I think you need to add a number on
25 here that the hardship is evaluated at that time so it's

1 not just income and expense. It suggests that it's
2 income and expense.

3 If you asked Katie right now, she now has
4 resources that would be outside your eligibility
5 criteria if it was solely on that, but she got in the
6 door. You assume people will proceed and be better able
7 to manage their houses as they advance in their career,
8 but what happens when the circumstances change? So do
9 not eliminate hardship is my policy comment to you, that
10 it is important.

11 In No. 7, the borrower shall submit a list
12 with complete addresses of all real property that the
13 borrower owns. You're making a big assumption they have
14 got something. They may, in fact, have. Right now
15 Katie and I were actively concerned that you are going
16 to move to foreclose on her case because she doesn't
17 meet the financial hardship. She meets that safety
18 criteria that's missing here. It's not safe for her to
19 live in that home. And her vision isn't going to get
20 any better, so that the circumstances that she faces and
21 the family faces have to be part and parcel on how you
22 go forward or you're going to have totally unnecessary
23 foreclosures, people who can absolutely afford to do it,
24 who have the moral conviction not to walk away from
25 something that is \$120,000 under.

1 In the eighth point, you use the word
2 "feasible." It's a wonderful bureaucratic phrase. I
3 use it myself, but it is problematic. It says the
4 borrower shall execute an affidavit stating that when
5 feasible a borrower will reoccupy the home. If you have
6 that as a criteria -- criterion, Katie can't sign that
7 in good faith. Or she could sign it, but it wouldn't be
8 in good faith.

9 The reality is there's something structurally
10 that cannot match a physical disability that she has.
11 It is difficult to say in front of my daughter, but it's
12 important for you to hear. Are you really going to want
13 her to sign a statement that when feasible, knowing that
14 it will never be feasible? I would wonder if you want
15 to add if it's for economic reasons, then sign that,
16 when it's feasible and have documentation, but have a
17 process where you accept that it will not be feasible
18 and that a person is granted permission to rent out the
19 property, not in perpetuity but until the house value
20 matches what they owe, where there's a break-even point
21 and not make a profit off it. Then they turn the deed
22 back over to you. I think that that would meet your
23 ongoing obligation without risking those things.

24 ACTING CHAIRPERSON CAREY: Could I -- could I
25 ask you --

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1 MS. ANNE JORDAN: Yes.

2 ACTING CHAIRPERSON CAREY: -- for your
3 conclusion?

4 MS. ANNE JORDAN: You're right.

5 ACTING CHAIRPERSON CAREY: Thank you.

6 MS. ANNE JORDAN: The only thing I would say
7 is do not give CalHFA sole discretion of one person to
8 determine whether or not you can renew on an annual
9 basis. There should be a right of appeal for
10 reconsideration that goes outside the organization and
11 to this body.

12 I know my comments were long, but I do thank
13 you very much.

14 ACTING CHAIRPERSON CAREY: They're very
15 targeted and helpful, I think.

16 Are there any questions?

17 MS. PETERS: Comment, I guess.

18 Thank you to all the speakers. This was
19 incredibly informative because we don't get down into
20 the weeds when we're on the Board, and sometimes we need
21 to, so we appreciate you coming forward, and especially
22 DFI. I work with DFI, so I'm proud to have you onboard
23 with us there.

24 I think Mr. Shine is correct that this is
25 something that we're probably not going to sort out

1 sitting here today because there are a lot of details
2 that I think we need to address and digest. I think
3 we're on the right track. I think we have the
4 moratorium.

5 I commend staff for putting this together, and
6 I commend the attorneys. But for the points I
7 acknowledge that you've made, I was really happy to see
8 that it wasn't an 87-page document that they were going
9 to ask the tenants to sign, so I think we're well on the
10 right track here.

11 I'd love to see staff perhaps convene a
12 stakeholder meeting with other similarly situated folks
13 who can give us some, you know, insight into how a real
14 person is going to react to this when they get it and
15 how they're going to read it and what things they're
16 going to see that we don't see. You raised a lot of
17 good and interesting questions that need to be digested.

18 And I also want to thank all of the speakers,
19 particularly for understanding the very complex legal
20 environment in which we've been operating and dealing
21 with this heartbreaking issue for quite some time now.
22 And thank you for understanding that it wasn't just we
23 were, you know, sticking to our guns 'cause we thought
24 it was a good idea to take people who were paying their
25 mortgages and foreclose. We're really, really trying,

1 and I think we're on the right track, so thank you.

2 ACTING CHAIRPERSON CAREY: Any other comments
3 or questions?

4 You can return to your seats, if you'd like.

5 MS. ANNE JORDAN: Thank you.

6 ACTING CHAIRPERSON CAREY: Get off the hot
7 seat. Thank you very much.

8 MR. HUNTER: I just had a comment on the
9 12-month period. I spent a lot of years of my life
10 renting, and I could never find anybody who would sign a
11 lease for more than six months in the commercial market,
12 and then it always converted to a month-to-month lease
13 at the end of six months, and then there was a standard
14 time for termination.

15 So, you know, I don't -- I mean, we have some
16 advice to offer to the owners about tax implications if
17 they rent for more than a year. That's one thing. But
18 I -- you know, I just have got to say my own personal
19 experience in the private rental market was nobody would
20 rent me anything for a year, and I had very good credit
21 scores and income, so that wasn't the issue. It was
22 just the standard practice in the commercial rental
23 market. But it also, you know, at the end of six months
24 converted to a month-to-month lease.

25 And so I think that's one of the places where

1 we need to rethink this and try to figure out what it is
2 we're trying to do and that maybe we need to be clear
3 with the borrower and whoever the renter might be that
4 on an annual basis we're going to reevaluate this. We
5 have to, given our obligations. That should not be
6 something -- that should be something we impose on us
7 rather than others.

8 And that's all I'll say. I think, you know,
9 that the -- yeah, I'll stop there.

10 ACTING CHAIRPERSON CAREY: Other thoughts?

11 Ms. Creswell.

12 MS. CRESWELL: I appreciate the effort and I
13 also -- and I do think it's -- it was a -- it's a very
14 reasonable approach to dealing with a very complex
15 issue.

16 But I do think it feels like it's -- it needs
17 more work or consideration in a number of policy areas.
18 So at least it seems to me it would be appropriate to
19 spend some more work on it before we vote, and I'm happy
20 to participate in that. But I also think your
21 suggestion of sort of reaching out to folks and getting
22 some public input would be helpful as well.

23 ACTING CHAIRPERSON CAREY: Other thoughts?

24 MR. SMITH: Yeah, I'd just say to staff I
25 think you've done a great job. It's not an easy thing

1 to do. And I do think, you know, it's great you didn't
2 put a 60-page attachment there. I think you covered the
3 essential items. And I think it just needs a little bit
4 more flexibility, from my point of view, so that we have
5 the discretion not to have to foreclose when it doesn't
6 make any sense. So I would -- I'm assuming there's a
7 moratorium so we don't have to --

8 MS. CAPPPIO: We have placed a pause in
9 anticipation of revising the policy. At this point many
10 comments have been made that are worthy of more thought
11 and possible revision. I will note that this is not
12 before the Board for a vote. This was for your review
13 and consideration. But I certainly appreciate the
14 feedback, and I think we have a couple of tweaks we
15 could make. And I appreciate all the good comments. I
16 mean, as weedy as it was for a while, I think we got a
17 lot out of it, and we will now take that under
18 advisement and revise the policy.

19 And we want to get this out as soon as we can
20 because there's people obviously being affected by this.
21 So it's our intention to get it out as quickly as
22 possible.

23 ACTING CHAIRPERSON CAREY: From my point of
24 view, I think the starting point is the -- the
25 constraints of bond law. Obviously we have to meet

1 those --

2 MS. CAPPPIO: Be consistent.

3 ACTING CHAIRPERSON CAREY: -- those tests.

4 Beyond that, I think we ought to strive for the absolute
5 maximum flexibility that we can.

6 MS. CAPPPIO: We got it. Thank you.

7 ACTING CHAIRPERSON CAREY: Because every --
8 every policy affects people.

9 MR. SHINE: I take it that going to Treasury
10 for a little help is useless?

11 MS. CAPPPIO: You mean asking the IRS for like
12 a letter confirming that we're not able to --

13 MR. SHINE: -- had to say it.

14 MS. PETERS: We wouldn't do that as the first
15 five or six options.

16 ACTING CHAIRPERSON CAREY: And I would -- I
17 would echo the comments, in particular appreciate
18 Ms. Wold and Ms. Jordan for personally bringing issues
19 up. I know it's not easy to come up here and present in
20 front of a group, so I appreciate that.

21 Okay. So --

22 MS. CAPPPIO: We got it.

23 ACTING CHAIRPERSON CAREY: You got it. All
24 right.

25 --o0o--

1 **Item 8. Report of the Chairman of the Audit Committee**

2 **Item 9. Discussion, recommendation and possible action**
3 **to select an auditor to perform the yearly financial**
4 **audit of both the California Housing Finance Fund and**
5 **the California Housing Loan Insurance Fund**

6 ACTING CHAIRPERSON CAREY: Moving on, we have
7 report of the chair of the Audit Committee, Mr. Smith.

8 MR. SMITH: Yes. I'd like to report back to
9 you that, as you know from the last meeting, we talked
10 about the RFP process, which we went through. We had a
11 number of questions that we reviewed in response to the
12 RFP. And through that process, we selected
13 ClifftonLarsonAllen as the new auditor, or recommend to
14 this Board that we take that action today, but the
15 committee is recommending that.

16 ClifftonLarsonAllen is the tenth largest firm
17 now. They have just recently had a merger. They scored
18 the highest in terms of the RFP, and they also came in
19 with the lowest price proposal. We think that the way
20 that they have proposed their arrangement to work with
21 us will be one where we would get a lot of hands-on
22 higher level of folks working with us and do it at a
23 price that's less.

24 Also, you should know that they currently
25 represent four housing agencies, some of which are very

1 similarly situated to ours in terms of issues that they
2 face, so we think that they, while they're not in the --
3 one of the top four in terms of the Big Four, they are
4 very qualified, and we think they'll do a good job for
5 us.

6 I do want to say that, you know, Deloitte has
7 been with us for 12 years, and I think the staff and
8 certainly the Board would say it's been great working
9 with them, and we want to thank them for all the work
10 that they have done. But as we talked at our last
11 meeting, we needed to open up the process, and we went
12 through the process, and CliftonLarsonAllen is the one
13 that came out on top in terms of the RFP and in terms of
14 the price proposal.

15 So with that, I would leave it with the Board
16 to make a decision on approving our recommendation or
17 asking any questions.

18 MR. SHINE: So moved.

19 ACTING CHAIRPERSON CAREY: Let me -- let me
20 ask for public comment before we proceed.

21 Is there anyone in the public who'd like to
22 comment on the item related to Resolution 12-04?

23 Seeing, none --

24 MR. SHINE: Moved.

25 ACTING CHAIRPERSON CAREY: Jack moved approval

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1 of the resolution.

2 MR. HUNTER: Second.

3 ACTING CHAIRPERSON CAREY: Mr. Hunter seconds.

4 I was saying earlier this is the most exciting
5 agenda item I've ever seen because to open it up and
6 find some blanks left me with suspense.

7 (Laughter.)

8 ACTING CHAIRPERSON CAREY: With that, roll
9 call.

10 MS. OJIMA: Thank you.

11 Ms. Creswell.

12 MS. CRESWELL: Yes.

13 MS. OJIMA: Mr. Hunter.

14 MR. HUNTER: Yes.

15 MS. OJIMA: Ms. Carroll.

16 MS. CARROLL: Yes.

17 MS. OJIMA: Mr. Shine.

18 MR. SHINE: Yes.

19 MS. OJIMA: Mr. Smith.

20 MR. SMITH: Yes.

21 MS. OJIMA: Ms. Peters.

22 MS. PETERS: Yes.

23 MS. OJIMA: Mr. Carey.

24 ACTING CHAIRPERSON CAREY: Yes.

25 MS. OJIMA: Resolution 12-04 has been

1 approved.

2 ACTING CHAIRPERSON CAREY: Thank you very
3 much.

4 --o0o--

5 **Item 10. Update on the status of proposed new energy**
6 **efficiency lending program**

7 ACTING CHAIRPERSON CAREY: Next up, item 10,
8 update on status of new energy efficiency lending
9 program. Mr. Spears.

10 MR. SPEARS: Mr. Chairman, given the hour, I
11 will make this very brief.

12 Just to let the Board know that we're still
13 exploring the Agency's participation in an energy
14 efficiency financing proposal. I know the California
15 Public Utilities Commission is very, very involved in
16 this with the investor-owned utilities. They issued a
17 ruling last week that is specifically targeted at
18 getting ideas to the CPC on energy efficiency financing.
19 It's been identified as a very high state objective.

20 And they particularly mentioned that low- and
21 moderate-income homes have not been adequately served
22 and multifamily homes have been particularly served, so
23 they're very interested in ideas with regard to -- to
24 those two areas. And I think that's our sweet spot, so
25 we may be able to participate, at the very least a pilot

1 program for their own borrowers on the single-family and
2 multifamily side.

3 I think, frankly, given everything else that's
4 going on, I think we're going to have to choose.
5 Because I think if we try to do something in both single
6 family and the multifamily area on a statewide basis,
7 it's a lot. So what seems most likely now is to work
8 with our multifamily borrowers and try something in that
9 area.

10 And the only problem there is -- here's a new
11 buzzword for you -- split incentive. In the multifamily
12 area, you have the owners of the building owning the
13 energy equipment, and they're the ones who make the
14 investment, but the tenants, who receive the benefits of
15 the reduced, you know, energy consumption and reduced
16 bills. So some participation by tenants is being looked
17 at through their utility bill, something along those
18 lines. So there are a few obstacles left to
19 investigate, but there may be something there for us to
20 help out with.

21 So I'd be happy to answer any questions along
22 those lines.

23 MR. HUNTER: I noticed that issue about the
24 tenants, you know, the individual metering in the report
25 from last month. And the -- you know, there are a lot

1 of the -- particularly the high-name projects,
2 supportive housing projects, that are overstocked that
3 don't have individual metering. And so the -- the costs
4 of the utilities really is bound to the operating costs
5 of the owner/operator of the building, so since
6 they're -- they're a really high priority need because
7 they're trying to preserve these very narrow operating
8 margins because of the extremely low rents, it seems to
9 me. Again, I'd have to say we could look at that.

10 MR. SPEARS: That might be some of the lower
11 hanging fruit. We could, you know, try that first
12 because you wouldn't have to worry about this objective.
13 And there may be -- there's the PACE approach, the
14 property accessed clean energy, that on the
15 single-family side it's been made more troublesome
16 because of a decision that was made by FHFA, that Fannie
17 and Freddie loans cannot be purchased with those.
18 That's kind of put the brakes on that. But what they're
19 looking into is perhaps you could do that on the -- on
20 the commercial side where you could place that payment
21 on the property tax bill of that supported housing
22 owner. Unfortunately, if it's a nonprofit and they're
23 not paying property taxes, that creates a problem.

24 So ongoing repayment is something that they're
25 looking at seriously through this ruling process.

1 They've asked for comments by the end of the month.
2 There's a workshop that's planned in February and more
3 after that. So it's real focused.

4 The only problem is that if we could get
5 something done through the PUC, we still have the rest
6 of the state with municipal -- you know, like SMUD, East
7 Bay MUD, L.A. Department of Water and Power. That would
8 have to be -- you'd have to approach those individually
9 to bring those -- the people in those service areas into
10 the -- into the fold.

11 That's it.

12 ACTING CHAIRPERSON CAREY: Good to hear it's
13 still real.

14 --o0o--

15 **Item 11. Reports**

16 ACTING CHAIRPERSON CAREY: Anything specific
17 in the reports that Board members have questions about?

18 I did notice that the sales are up and the REO
19 inventory is down, which is great.

20 --o0o--

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

22 ACTING CHAIRPERSON CAREY: With that, any
23 other Board items?

24 --o0o--

25 **Item 13. Public testimony**

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1 ACTING CHAIRPERSON CAREY: This is an
2 opportunity for the public to address the Board on any
3 remaining non-agenda items. If there's anyone who
4 wishes to address the Board, please indicate.

5 There's someone in the back. I see a hand.

6 MR. SCHWALB: Hello. My name is Charlie
7 Schwalb, and I'm not exactly prepared to be here today
8 because I got an e-mail from NACA last night, and so
9 they told me about this meeting today.

10 We bought our house in December of 2003, and
11 the -- it was a fixed rate of 5.25 from Washington
12 Mutual. And CalHFA purchased that loan shortly
13 thereafter. And, you know, there was nothing to ever
14 say that CalHFA would purchase the loan.

15 Subsequently, I worked for a wholesale heating
16 and air conditioner distributor for 18 years, a branch
17 manager. And we -- because of construction being way
18 down, we had a lot of cut-backs, 7-percent pay decrease.
19 The final straw was three days of work furlough per
20 month, which affected my income drastically.

21 So I did find a new job that paid about
22 \$65,000 a year. Our mortgage is \$2800 a year -- a
23 month. And so my wife proceeded to, you know, try to
24 get a restructure from CalHFA.

25 CalHFA kept coming back to us saying that

1 basically we'd have no hardship because I found another
2 job, basically, that paid what I was making. Well, you
3 know, we submitted all the documents to them showing
4 them of where our monthly expenses were. Well, when you
5 take \$2800 out of 65,000 a year, it doesn't take much to
6 do the math to figure out that there was not enough
7 left, and basically credit card debts keep increasing.

8 So CalHFA was insisting that, you know, we had
9 no problem because my mortgage was kept current. My
10 mortgage is kept current because I keep running up the
11 credit cards. When I got the loan in 2003, I had no
12 debt, okay. None. It was paid off.

13 And so we recently -- well, I actually lost
14 the job in July of -- of 2011. And we were able to --
15 at that point, now CalHFA is willing to help out because
16 we actually have a real -- what they consider a real
17 hardship because I don't have a job anymore. So we were
18 able to actually get the mortgage assistance program,
19 which is great, and they're paying the mortgage for six
20 months. Great. Appreciate that. You know, I'm still
21 looking for work.

22 But as far as restructuring the loan, CalHFA
23 is insistent that we don't really have a problem, when
24 it doesn't take a rocket scientist to do the math and
25 figure it out.

1 So I mean, my wife wrote a letter to the
2 Governor, and then, you know -- then CalHFA pays a
3 little more attention because the Governor sent the
4 CalHFA a letter.

5 So, you know, I'm sure there's a lot of
6 homeowners in my same predicament, that just because
7 we're keeping the mortgage payment current and because
8 that's important to us, doesn't mean that we're not
9 struggling, and -- and so you need to look at the big
10 picture and look at -- I mean, your debt ratio should
11 not be over 35 percent, max, of your income that goes
12 toward housing.

13 So I mean -- and CalHFA is given money by the
14 federal government and the federal -- to help homeowners
15 like myself to, you know -- but yet CalHFA is also
16 telling us that because of their bonds, that they're not
17 able to basically restructure the loan because of bonds.
18 And I got a piece of paper that says that here.

19 And so, I mean, I don't under- -- I mean, I
20 didn't get my loan with CalHFA. CalHFA didn't tell me
21 that the bonds would not be, you know -- they couldn't
22 restructure. I'm not thinking at that point, anyways,
23 but now my loan is owned by CalHFA, but yet my hands
24 seem to be tied as to what -- what I can do, even though
25 the government has provided this money to help

1 homeowners.

2 So I guess I would like to get a little
3 feedback as to, you know, why, you know, CalHFA isn't,
4 you know -- isn't putting out the money that the -- and
5 why, if they can't -- if they can't, you know -- the
6 bonds are going to be a certain rate that's promised to
7 the bondholders, okay, well, why can't they subsidize
8 that in a different way?

9 ACTING CHAIRPERSON CAREY: Yeah, sure.

10 MS. CAPPPIO: I don't know the exact
11 circumstances of your situation, but I would be glad to
12 talk with you after and set someone up with you and
13 review your circumstances and the facts and see what we
14 can do. I just want to make sure that we give that
15 extra effort to you in an effort to either come to a
16 different conclusion or tell you exactly why in another
17 way we're limited in -- in helping you out. I would be
18 glad to do that.

19 MR. SCHWALB: That'd be good, but I'd also
20 like to -- I mean, this just isn't about me. There's a
21 lot of homeowners out there. That's why NACA was here
22 today. There's a lot of homeowners out there, where we
23 went to NACA, NACA ends up submitting the information to
24 CalHFA, and CalHFA ends up, you know, letting us know
25 that they can't -- even though CalHFA was basically

1 asking the same information, the information that was
2 submitted from NACA, they can't work with. You need to
3 resubmit the whole package again.

4 I mean, I'm not just here on behalf of myself,
5 on behalf of -- of other homeowners who are in this
6 circumstances.

7 MS. CAPPPIO: I appreciate that.

8 ACTING CHAIRPERSON CAREY: And I think we did
9 hear quite a bit this morning from a number of folks
10 from NACA and their interest, the organization's
11 interest, in working more closely with CalHFA, and that
12 will be looked at.

13 MR. SCHWALB: All right. Thank you.

14 ACTING CHAIRPERSON CAREY: Thank you for
15 taking the time.

16 Is there anybody else who wishes to address
17 the Board?

18 --o0o--

19 **Item 14. Adjournment**

20 ACTING CHAIRPERSON CAREY: Seeing none, the
21 meeting is adjourned.

22 (The meeting concluded at 1:55 p.m.)

23 --o0o--

REPORTER'S CERTIFICATE

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

In witness whereof, I have hereunto set my hand this 1st day of February 2012.

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

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State of California

MEMORANDUM

To: Board of Directors

Date: March 14, 2012



Tim Hsu, Financing Risk Manager

From: CALIFORNIA HOUSING FINANCE AGENCY

Subject: Resolution 12-05 would i) rescind resolution 95-07 which was the adoption of an Investment Policy dated March 9, 1995, and ii) approve the adoption of a new Investment Policy ("Policy").

The Policy is intended to provide guidelines for the prudent investment of funds authorized to be deposited or invested by the California Housing Finance Agency. In methods, procedures and practices, the policy formalizes the framework for the Agency's activities. The highlights of the Policy are as follows:

- All investments shall be made in conformance with:
 - The State of California Government Code: Division 4, Part 2, Chapter 3
 - The State of California Health and Safety Code Division 31, Part 3, Chapter 3; and
 - Bond covenants applicable to any debt issued by the Agency
- The Agency's primary investment objectives, in priority order, are safety, liquidity and return on investment.
- All individuals authorized to make investments on behalf of the Agency shall be held to the prudent investor standard applicable to California municipal entities.
- The Director of Financing and the Financing Risk Manager have the ultimate responsibility for the decisions regarding the investment of bond proceeds and other Agency funds.
- The trustees under the bond resolutions along with the Comptroller are responsible for the execution of the Agency's investment decisions.
- For foreign investments, the sovereign debt of the home country should be rated double A by at least one credit rating service.
- The Agency's investment parameters regarding credit risk, interest-rate risk and reinvestment risk is summarized.
- The Financing Director or Financing Risk Manager will prepare and present to the Board an annual investment report.

The Financing Risk Manager will give a presentation to the Board on the specifics of this Resolution.

Attachments

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RESOLUTION NO. 12- 05

RESOLUTION OF THE CALIFORNIA HOUSING
FINANCE AGENCY TO ADOPT THE NEW CALIFORNIA
HOUSING FINANCE AGENCY INVESTMENT POLICY

WHEREAS, the California Housing Finance Agency (the “Agency”) Board of Directors (“Board”) resolved on March 9, 1995, pursuant to Resolution No. 95-07 to adopt an Investment Policy (“Policy”) for the Agency; and

WHEREAS, the Agency desires to revise the Policy to better reflect the Agency’s investment practices and policies; and

WHEREAS, such Policy authorizes that bond moneys be invested in accordance with the provisions of each bond indenture, as authorized by State law and resolution of the Board, and

WHEREAS, Section 51003 of Part 3 of Division 31 of the California Health and Safety Code requires the Agency to direct the Treasurer to invest moneys in the California Housing Finance fund which are not required for its current needs, including proceeds from the sale of any bonds, in any eligible securities specified in Section 16430 of the California Government Code, and authorizes the Agency to direct the Treasurer to invest such moneys in other investment vehicles as specified in Section 51003;

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

1. Resolution No. 95-07 is hereby rescinded.
2. That the Policy presented to this meeting is hereby adopted.
3. This Resolution shall take effect immediately.

SECRETARY'S CERTIFICATE

I, Victor James, 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. 12-05 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 14th day of March, 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 14th day of March, 2012.

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

California Housing Finance Agency Investment Policy

Introduction and Purpose

This Investment Policy and the related exhibits (collectively, the “Policy”) are intended to provide guidelines for the prudent investment of funds authorized to be deposited or invested by the California Housing Finance Agency (the “Agency”). In methods, procedures and practices, the policy formalizes the framework for the Agency’s investment activities that must be exercised to ensure effective and judicious fiscal and investment management of the Agency’s funds. The ultimate goal is to enhance the Agency’s financial return consistent with the prudent protection of the Agency’s investments while conforming to all applicable state statutes governing the investment of these funds.

Governing Authority

All investments shall be made in conformance with the State of California Government Code: Division 4, Part 2, Chapter 3; the State of California Health and Safety Code: Division 31, Part 3, Chapter 3 as well as bond covenants applicable to any debt issued by the Agency.

Scope

It is intended that this Policy cover the deposit or investment of the following funds:

Bond Proceeds

- Home Mortgage Revenue Bonds
- Residential Mortgage Revenue Bonds
- Multifamily Housing Revenue Bonds II
- Multifamily Housing Revenue Bonds III
- Affordable Multifamily Housing Refunding Revenue Bonds 2009 Series A 21 and 22, and
- Housing Program Bonds

Agency General Obligation (“G-O”) Accounts

- Housing Assistance Trust
- Supplementary Bond Security Account
- Emergency Reserve Account
- Agency’s Operating Account

This Policy does not cover the deposit or investment of funds of entities for which the Agency serves as the conduit issuer of bonds.

General Objectives

The Agency's primary objectives, in priority order, of investment activities shall be:

Safety: Safety of principal is the foremost objective. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The goal will be to mitigate credit risk.

Liquidity: The Agency's investments shall remain sufficiently liquid to meet all operating and cash flow requirements that may be reasonably anticipated.

Return on Investment: The Agency seeks to optimize the yield on its investments, consistent with constraints imposed by its safety and liquidity objectives.

Prudence

The individuals authorized to make investment decisions on behalf of the Agency shall be held to the prudent investor standard applicable to California municipal entities: When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

Ethics and Conflicts of Interest

The Director of Financing or his/her designees (the "Director of Financing") the Financing Risk Manager or his/her designees (the "Risk Manager"), the Comptroller or his/her designees (the "Comptroller) as well as investment advisors and trustees involved in funds management operations shall operate in a manner that is consistent with applicable conflict of interest and incompatible activity laws of the State. They shall refrain from personal business activities that could conflict with the proper execution of the funds management program, or which could impair their ability to make impartial investment decisions, advise on investment decisions, or perform their fund management activities impartially, as applicable.

Investment Authority and Cash Management Operations

Investment Authority: The Director of Financing and the Risk Manager have the ultimate responsibility for the decisions regarding the investment of bond proceeds and other Agency funds and shall act in accordance with this investment

policy. The Director of Financing and the Risk Manager may also retain and consult with legal, financial and other investment professionals and advisors.

Cash Management Operations: The trustees under the bond resolutions along with the Comptroller are responsible for the execution of the Agency's investment decisions and for the safekeeping of investment securities.

Permitted Investments and Investment Authority

Agency Investments - Attached are the provisions of State law which describe the types of investments that are authorized for the Agency (exhibit #1: Section 51003 of Part 3 of Division 31 of the California Health and Safety Code).

Agency Deposit of Non-Bond Proceeds in the State Treasury and Investment in Securities: Moneys other than bond moneys shall generally be invested, as authorized by State law, in the Surplus Money Investment Fund ("SMIF"), a State of California investment pool administered by the California State Treasurer under the supervision of the State's Pooled Money Investment Board ("PMIB") or in eligible securities. Attached are the provisions of State law which describe the types of investments that are authorized for the State of California (exhibit #2: Section 16430 of Part 2 of Division 4 of the State of California Government Code).

- a) Investment in SMIF: the Comptroller may direct the State Treasurer's Office ("STO") to deposit funds in the State Treasury to be invested in SMIF.
- b) Investment in securities: the Financing Director or the Risk Manager may direct the STO to invest funds that are not required for its current needs in eligible securities.
- c) Interest-bearing bank accounts: the Comptroller may deposit or direct the STO to deposit funds in interest bearing bank accounts.

Agency Investment of Bond Proceeds held by Bond Trustees Outside the STO: Bond moneys shall be invested in accordance with the provisions of each bond indenture and the Agency's governing authority. Attached are the provisions for the following bond indentures:

Home Mortgage Revenue Bonds (exhibit #3)
 Residential Mortgage Revenue Bonds (exhibit #4)
 Multifamily Housing Revenue Bonds II (exhibit #5)
 Multifamily Housing Revenue Bonds III (exhibit #6)
 Affordable Multifamily Housing Refunding Revenue Bonds 2009
 Series A 21 and 22(exhibit #7), and
 Housing Program Bonds (exhibit #8)

Investment funds that are proceeds of bonds or are set aside and pledged to secure payment of bonds and are held by bond trustees shall be invested as follows:

- a) Investment in Guaranteed Investment Contracts (“GICS”): If a decision is made, by the Director of Financing or the Risk Manager, to use a GIC for the investment of bond proceeds, the Comptroller may directly deposit or direct the trustee to deposit funds in the GIC (note: a competitive bid process, which counsel to the Agency advises is in compliance with Federal Tax law, shall be used to award a GIC).
- b) Investment in Securities: the Financing Director or the Risk Manager may direct the Trustee to invest funds that are not required for its current needs in any eligible securities.
- c) Investment in Money Market Funds (MMF): the Financing Director or Risk Manager may direct the Trustee to invest funds that are not required for its current needs in eligible MMFs.
- d) Investment in U.S. Bank N.A. Open Repurchase Agreements: the Financing Director or Risk Manager may direct the Trustee to invest funds that are not required for its current needs in U.S. Bank N.A. Open Repurchase Agreements.
- e) Investment of Funds in the State Treasury: the Financing Director or Risk Manager may direct the trustee to invest funds in the State Treasury.
- f) Interest-Bearing Bank Accounts: the Financing Director or Risk Manager may direct the trustee to invest funds in interest bearing bank accounts.

Safekeeping and Custody of Securities

Third Party Safekeeping: Securities will be held by an independent third-party trustee or other custodial arrangement. All securities will be held by the third party in the Agency’s name.

Delivery vs. Payment: All trades of securities will be cleared and settled on a delivery vs. payment basis to ensure that securities are deposited with the third party trustee prior to the release of funds.

Internal Controls: The Risk Manager or the Comptroller, as applicable, shall establish a system of internal controls. The internal control structure shall be designed to ensure that the assets of the Agency are protected from loss, theft or misuse and to provide reasonable assurance that these objectives are met.

Investment Parameters

In general the Agency primarily has three types of risk:

- 1) credit (counterparty) risk
- 2) interest-rate risk
- 3) reinvestment risk

And five classes of investments:

- 1) guaranteed investment contracts (GICs)
- 2) mortgage-backed securities (MBSs)
- 3) Money Market Funds (MMFs)
- 4) U.S. Bank N.A. Open Repurchase Agreements, and
- 5) the State of California's Surplus Money Investment Fund (SMIF);

The Agency's policy regarding monitoring these risks for each class of investment is as follows:

Credit risk: is the risk that an investment will lose some or all of its value due to a real or perceived change in the ability of the investment provider to meet its obligations.

Guaranteed Investment Contracts: All GICs shall include provisions protecting the Agency's interests in the event of a credit rating downgrade of the provider. Investment contracts with foreign financial institutions are allowed only if the Agency is sufficiently protected from the added risks of foreign investment: i) the sovereign debt of the home country should be rated double A by at least one credit rating service acceptable to the Agency; ii) the agreement should be with a domestic branch of the foreign institution so that it is enforceable under the laws of the United States.

The Agency's Risk Manager has developed, and shall maintain, an automated process in which the Agency is automatically notified by Bloomberg if there is a change in the rating(s) of any of our counterparties. In addition to the automatic notification by Bloomberg, counterparties are required, via a signed investment contract, to notify the trustee and/or Agency, within a certain number of days that they were downgraded.

A credit downgrade triggers a review by the Risk Manager of all the investment contracts related to the downgraded counterparty (since the Agency's credits are only rated by Moody's and Standard and Poor's ("S&P"), rating downgrades by other rating agencies are ignored)

The majority of the Agency's GICs have language that provides the following options if either rating drops to single "A" or if both ratings drop to single "A":

- i. the GIC provider could elect to assign or transfer its obligations to a related or unrelated entity, that has acceptable ratings.
- ii. the GIC provider could elect to post collateral as specified in the investment contract
- iii. if the GIC provider elects not to post collateral and notifies the Agency of this decision, the Agency has the option to:
 - a) terminate the GIC and receive the invested principal and accrued interest to date.
 - b) keep the GIC with the provider at the lower credit rating.

In general, the Agency's policy on the retention of a "triggered" investment agreement is:

- i. if the provider has a split rating of double "A" and single "A", the Agency's Risk Manager has unlimited discretion to maintain the invested funds.
- ii. if the provider has two single "A" ratings, the Agency's Risk Manager cannot maintain more than \$10 million of the invested funds in the GIC.
- iii. if the provider has only one single "A" rating, the Agency's Risk Manager cannot maintain more than \$5 million of the invested funds in the GIC.
- iv. if the provider does not have at least one single "A" rating, the Agency's Risk Manager must terminate the GIC.

In all cases the Risk Manager will consider factors such as:

- i. reason for the change, prognosis for recovery or further rating drops
- ii. interest rate on the GIC, and
- iii. debt management issues

Mortgage Back Securities: the majority of the Agency's MBSs were created by securitizing the Agency's whole loans. The scheduled principal and interest payments on these MBSs are guaranteed by Fannie Mae or Ginnie Mae and carry a triple A rating by Moody's and an AA+ rating by S&P, therefore, they have minimal credit risk.

Money Market Funds: The MMF that the Agency currently invests in is the First American Government Obligation Fund. The Agency's Risk Manager believes that the First American Government Obligation Fund is well managed, sufficiently diversified, and generally adheres to the parameters set forth in the investment objectives. The Funds's strategy is to seek to provide maximum current income and daily liquidity by purchasing high-quality U.S. government securities and repurchase agreements collateralized at more than 100%. The Fund is rated AAAM by Standard & Poor's and Aaa-mf by Moody's. The Agency's Risk Manager believes it has minimal credit risk. Additional information on the First American Government Obligation Fund can be obtained via the internet at [www.firstamericanfunds.com/home/money-market-funds/money-market-funds.aspx/d=1028/title= Government Obligations/class=D](http://www.firstamericanfunds.com/home/money-market-funds/money-market-funds.aspx/d=1028/title=Government%20Obligations/class=D)

U. S. Bank Open Repurchase Agreements: The Agency has entered into open repurchase agreements with U.S. Bank N.A. for most of the Agency's programs except for Home Mortgage Revenue Bonds. An open repurchase agreement has no specific end date; it continues to earn interest until the buyer requests the funds to be returned. The open repurchase agreement allows for greater liquidity by providing flexibility to make adjustments or redeem at any point in time. Under the U.S. Bank Open Repurchase Agreement the Agency's credit risk is with U.S. Bank N.A.

Surplus Money Investment Fund: SMIF is part of the State of California Pooled Money Investment Account (PMIA) which is managed by the Pooled Money Investment Board (PMIB) which has the oversight responsibility for SMIF. Additional information on the PMIA investment policy and PMIA investment reports can be obtained via the internet at www.treasurer.ca.gov/pmia-laif/answer/policy.

Interest Rate Risk and Reinvestment Risk: for the purpose of this Policy, investment risk is defined as the potential loss of principal and accrued interest if the investment were to be drawn upon, sold or terminated early and reinvestment risk is defined as the risk that if an investment matures or is terminated early you will not be able to reinvest the funds at a comparable rate.

Guaranteed Investment Contracts: the GICs have a fixed interest rate and the term of the GIC is matched to the term of the applicable bond issue, therefore, they have no interest rate or reinvestment risk

Mortgage Back Securities: the majority of the Agency's MBSs were created by securitizing the Agency's whole loans with the intent of holding the security until maturity; because of this intent to hold the security to maturity, the MBSs have minimal interest rate and reinvestment risk.

Money Market Funds: since the Agency's objective in investing in a MMF is to maintain a NAV of \$1 by investing in short-term, high-grade debt instruments, there is no interest rate risk for the MMF but there is reinvestment risk.

U. S. Bank Open Repurchase Agreements: similar to the MMF, has no interest rate risk but it does have reinvestment risk.

Surplus Money Investment Fund: similar to the MMF, SMIF has no interest rate risk but it does have reinvestment risk.

Reporting

The Financing Director or Risk Manager will prepare and present to the Agency's Board of Directors an annual investment report. The report will include, at a minimum, the following information:

- A summary of the dollar amount invested in each type of investment.
- A summary of the dollar amount invested in Guaranteed Investment Contracts ("GIC"s) by provider.
- Moody's and Standard & Poors' investment ratings for each GIC provider
- A summary of the dollar amount invested in GICs at each rating
- A summary of securities by type of security showing the par value, market value, weighted average coupon and weighted average remaining maturity of the securities.
- A list of the current mortgage backed securities showing the bond series that owns the security, the pass-thru rate, the yield to the bond series, the mortgage rate, the type of security, the pool number, the CUSIP number, the settlement date, the maturity date and the then outstanding principal balance of the mortgage backed security.

Annual Review of Investment Policy

The investment policy will be reviewed at least annually by the Director of Financing or the Risk Manager to ensure its consistency with the overall objectives of preservation of principal, liquidity and return, and its relevance to current law and financial and economic trends.

STATE OF CALIFORNIA
Health and Safety Code
Division 31, Part 3, Chapter 3

51003. **Investment of moneys; repurchase and reverse repurchase agreements; investment agreements; eligible securities; financial institutions; increments**

The agency shall, from time to time, direct the Treasurer to invest moneys in the fund which are not required for its current needs, including proceeds from the sale of any bonds, in any eligible securities specified in Section 16430 of the Government Code which the agency shall designate. The agency may direct the Treasurer to invest the moneys by entering into repurchase agreements or reverse repurchase agreements, which, for purposes of this section, shall mean agreements for the purchase or sale of eligible securities pursuant to which the seller or buyer agrees to repurchase or sell back the securities on or before a specified date and for a specified amount. The agency may direct the Treasurer to invest the moneys in investment agreements with corporations, financial institutions, or national associations within the United States which are rated by a nationally recognized rating service within the top three ratings of the service. For purposes of this section, investment agreements shall mean any agreement for the investment of moneys in the fund whether at fixed or variable interest rates, and may include, but not be limited to, repurchase agreements, notes, uncollateralized time deposits and certificates of deposit. The agency may direct the Treasurer to deposit moneys in interest-bearing accounts in state or national banks or other financial institutions having principal offices in this state.

Subject to any agreement with holders of particular bonds, in furtherance of the provisions of Section 51373, and to the extent permitted by law, the agency may also invest moneys of the fund in obligations or financial institutions as are permitted by board resolution. The agency may alternatively require the transfer of moneys in the fund to the Surplus Money Investment Fund for investment pursuant to Article 4 (commencing with Section 16470) of Chapter 3 of Part 2 of Division 4 of Title 2 of the Government Code.

All interest or other increment resulting from such investment or deposit shall be deposited in the fund, notwithstanding Section 16305.7 of the Government Code. Moneys in the fund shall not be subject to transfer to any other fund pursuant to any provision of Part 2 (commencing with Section 16300) of Division 4 of Title 2 of the Government Code, excepting the Surplus Money Investment Fund.

STATE OF CALIFORNIA
Government Code
Division 4, Part 2, Chapter 3

16430. Eligible securities for the investment of surplus moneys shall be any of the following:

(a) Bonds or interest-bearing notes or obligations of the United States, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

(b) Bonds or interest-bearing notes on obligations that are guaranteed as to principal and interest by a federal agency of the United States.

(c) Bonds, notes, and warrants of this state, or those for which the faith and credit of this state are pledged for the payment of principal and interest.

(d) Bonds or warrants, including, but not limited to, revenue warrants, of any county, city, metropolitan water district, California water district, California water storage district, irrigation district in the state, municipal utility district, or school district of this state.

(e) Any of the following:

(1) Bonds, consolidated bonds, collateral trust debentures, consolidated debentures, or other obligations issued by federal land banks or federal intermediate credit banks established under the Federal Farm Loan Act, as amended (12 U.S.C. Sec. 2001 et seq.).

(2) Debentures and consolidated debentures issued by the Central Bank for Cooperatives and banks for cooperatives established under the Farm Credit Act of 1933, as amended (12 U.S.C. Sec. 2001 et seq.).

(3) Bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act (12 U.S.C. Sec. 1421 et seq.).

(4) Stocks, bonds, debentures, and other obligations of the Federal National Mortgage Association established under the National Housing Act, as amended (12 U.S.C. Sec. 1701 et seq.).

(5) Bonds of any federal home loan bank established under that act.

(6) Obligations of the Federal Home Loan Mortgage Corporation.

(7) Bonds, notes, and other obligations issued by the Tennessee Valley Authority under the Tennessee Valley Authority Act, as amended (16 U.S.C. Sec. 831 et seq.).

(8) Other obligations guaranteed by the Commodity Credit Corporation for the export of California agricultural products under the Commodity Credit Corporation Charter Act, as amended (15 U.S.C. Sec. 714 et seq.).

(f) (1) Commercial paper of "prime" quality as defined by a nationally recognized organization that rates these securities, if the commercial paper is issued by a corporation, trust, or limited liability company that is approved by the Pooled Money Investment Board as meeting the conditions specified in either subparagraph (A) or subparagraph (B):

(A) Both of the following conditions:

(i) Organized and operating within the United States.

(ii) Having total assets in excess of five hundred million dollars (\$500,000,000).

(B) Both of the following conditions:

(i) Organized within the United States as a special purpose

corporation, trust, or limited liability company.

(ii) Having program wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or surety bond.

(2) A purchase of eligible commercial paper may not do any of the following:

(A) Exceed 180 days' maturity.

(B) Represent more than 10 percent of the outstanding paper of an issuing corporation, trust, or limited liability company.

(C) Exceed 30 percent of the resources of an investment program.

(3) At the request of the Pooled Money Investment Board, an investment made pursuant to this subdivision shall be secured by the issuer by depositing with the Treasurer securities authorized by Section 53651 of a market value at least 10 percent in excess of the amount of the state's investment.

(g) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances, that are eligible for purchase by the Federal Reserve System.

(h) Negotiable certificates of deposits issued by a federally or state-chartered bank or savings and loan association, a state-licensed branch of a foreign bank, or a federally or state-chartered credit union. For the purposes of this section, negotiable certificates of deposits are not subject to Chapter 4 (commencing with Section 16500) and Chapter 4.5 (commencing with Section 16600).

(i) The portion of bank loans and obligations guaranteed by the United States Small Business Administration or the United States Farmers Home Administration.

(j) Bank loans and obligations guaranteed by the Export-Import Bank of the United States.

(k) Student loan notes insured under the Guaranteed Student Loan Program established pursuant to the Higher Education Act of 1965, as amended (20 U.S.C. Sec. 1001 and following) and eligible for resale to the Student Loan Marketing Association established pursuant to Section 133 of the Education Amendments of 1972, as amended (20 U.S.C. Sec. 1087-2).

(l) Obligations issued, assumed, or guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the International Finance Corporation, or the **Government** Development Bank of Puerto Rico.

(m) Bonds, debentures, and notes issued by corporations organized and operating within the United States. Securities eligible for investment under this subdivision shall be within the top three ratings of a nationally recognized rating service.

(n) Negotiable Order of Withdrawal Accounts (NOW Accounts), invested in accordance with Chapter 4 (commencing with Section 16500).

EXHIBIT 3**California Housing Finance Agency
General Indenture Relating to Home Mortgage Revenue Bonds**

“Investment Securities” means any of the following which at the time are lawful investments under the laws of the State including the Act for the moneys held under the Indenture then proposed to be invested therein: (i) direct general obligations of the United States of America, or obligations the payment of the principal of and interest on which is unconditionally guaranteed by the United States of America or any federal agency of the United States of America or the State; (ii) bonds, consolidated bonds, collateral trust debentures, consolidated debentures, or other obligations issued by Federal Intermediate Credit Banks established under the Federal Farm Loan Act, as amended, debentures and consolidated debentures issued by the Central Bank for Cooperatives and Banks for Cooperatives established under the Farm Credit Act of 1933, as amended, bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act, bonds, debentures and other obligations of the Federal National Mortgage Association or of the Government National Mortgage Association, established under the National Housing Act, as amended, bonds of any Federal Home Loan Bank established under said act, bonds, notes, and other obligations issued by the Tennessee Valley Authority under the Tennessee Valley Authority Act, as amended; (iii) the portion of bank loans and obligations guaranteed by the United States Small Business Administration or the United States Farmers Home Administration; (iv) bonds, debentures, and notes issued by corporations organized and operating within the United States of America and within the top two ratings of a nationally recognized rating service; (v) negotiable certificates of deposit issued by a nationally or state-chartered bank or savings and loan association which, to the extent they are not insured by Federal deposit insurance, are collateralized by securities eligible to secure public deposits in the State, or which are issued by such an institution rated within the top two ratings of a nationally recognized rating service; (vi) interest bearing accounts in State or national banks or other financial institutions which, to the extent they are not insured by federal deposit insurance, are collateralized by securities eligible to secure public deposits in the State, or which are issued by such an institution rated within the top two ratings by a nationally recognized rating service, provided that the amounts of such deposits shall not be based on the relative participation of the different types of financial institutions as qualified mortgage lenders under the Act; or (vii) deposits in the Surplus Money Investment Fund referred to in Section 51002 of the Act.

EXHIBIT 4**California Housing Finance Agency
General Indenture relating to Residential Mortgage Revenue Bonds**

“Investment Obligations” means, to the extent authorized by law for investment of moneys of the Agency at the time of such investment,

(i) (A) Government Obligations, or (B) obligations rated in either of the two highest rating categories of each Rating Agency of any state of the United States of America or any political subdivision of such a state, payment of which is secured by an irrevocable pledge of Government Obligations;

(ii) (A) bonds, debentures or other obligations issued by Federal Home Loan Banks, Tennessee Valley Authority, Federal Farm Credit System Obligations, World Bank, International Bank for Reconstruction and Development and Inter-American Development Bank; or (B) bonds, debentures or other obligations issued by Fannie Mae and Federal Home Loan Mortgage Corporation (excluding mortgage securities which are valued greater than par on the portion of unpaid principal or mortgage securities which represent payments of principal only or interest only with respect to the underlying mortgage loans);

(iii) obligations issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America, or temporary notes, preliminary loan notes or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America, in each case rated in either of the two highest rating categories (or the highest rating of short-term obligations if the investment is a short-term obligation) by each Rating Agency;

(iv) time deposits, certificates of deposit or any other deposit with a bank, trust company, national banking association, savings bank, federal mutual savings bank, savings and loan association, federal savings and loan association or any other institution chartered or licensed by any state or the U.S. Comptroller of the Currency to accept deposits in such state (as used herein, “deposits” shall mean obligations evidencing deposit liability which rank at least on a parity with the claims of general creditors in liquidation), which are (a) fully secured by any of the obligations described in (i) above having a market value (exclusive of accrued interest) not less than the uninsured amount of such deposit or (b) (1) unsecured or (2) secured to the extent, if any, required by the Agency and, in both (1) and (2), made with an institution whose unsecured debt securities are rated in either of the two highest rating categories and the highest short term rating category (or the highest rating of short-term obligations if the investment is a short-term obligation) by each Rating Agency;

(v) repurchase agreements backed by or related to obligations described in (i) or (ii) above with any institution whose unsecured debt securities are rated in either of the two highest rating categories (or the highest rating of

short-term obligations if the investment is a short-term obligation) by each Rating Agency;

(vi) investment agreements, secured or unsecured as required by the Agency, with any institution whose debt securities are rated in either of the two highest rating categories (or the highest rating of short-term obligations if the investment is a short-term obligation) by each Rating Agency;

(vii) direct and general obligations of or obligations unconditionally guaranteed by the State, the payment of the principal of and interest on which the full faith and credit of the State is pledged, and certificates of participation in obligations of the State which obligation may be subject to annual appropriations, which obligations are rated in either of the two highest rating categories by each Rating Agency;

(viii) direct and general obligations of or obligations unconditionally guaranteed by any state, municipality or political subdivision or agency thereof, which obligations are rated in either of the two highest rating categories by each Rating Agency;

(ix) bonds, debentures, or other obligations issued by any insurance company, corporation, government or governmental entity (foreign or domestic), provided, that such bonds, debentures or other obligations are (a) payable in any coin or currency of the United States of America which at the time of payment will be legal tender for the payment of public and private debts, and (b) rated in either of the two highest rating categories by each Rating Agency;

(x) commercial paper (having original maturities of not more than 365 days) rated in the highest rating category by each Rating Agency;

(xi) money market funds which invest in Government Obligations and which funds have been rated in the highest rating category by each Rating Agency;

(xii) deposits in the Surplus Money Investment Fund referred to in Section 51003 of the Act or any successor fund thereto if each Rating Agency has confirmed that investment therein, in and of itself, will not adversely affect the then-existing rating of the Bonds by such Rating Agency; or

(xiii) any investments authorized in a Series Indenture authorizing Bonds, as long as the related Bonds are rated by each Rating Agency.

EXHIBIT 5**California Housing Finance Agency
General Indenture Relating to Multifamily Housing Revenue Bonds II**

"Investment Obligation" means any of the following which at the time are lawful investments under the laws of the State for the moneys held hereunder then proposed to be invested therein: (1) direct general obligations of the United States of America or of the State, or obligations the payment of the principal of and interest on which are unconditionally guaranteed by the United States of America, any federal agency of the United States of America, or the State; (2) bonds, consolidated bonds, collateral trust debentures, consolidated debentures, or other obligations issued by Federal Land Banks or Federal Intermediate Credit Banks established under the Federal Farm Loan Act, as amended, debentures and consolidated debentures issued by the Central Bank for Cooperatives and Banks for Cooperatives established under the Farm Credit Act of 1933, as amended, bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act, stock, bonds, debentures and other obligations of Fannie Mae or of the Government National Mortgage Association, established under the National Housing Act, as amended, bonds of any Federal Home Loan Bank established under said act, bonds, debentures and other obligations of the Federal Home Loan Mortgage Corporation guaranteeing timely payment of principal and interest, bonds, notes, and other obligations issued by the Tennessee Valley Authority under the Tennessee Valley Authority Act, as amended, except, in each case, securities evidencing ownership interests in specified portions of the interest on or principal of such obligations; (3) commercial paper rated within the highest Rating Category of each Rating Agency and issued by corporations (a) organized and operating within the United States; and (b) having total assets in excess of five hundred million dollars (\$500,000,000); (4) bills of exchange or time drafts drawn on and accepted by a commercial bank the general obligations of which are rated within the highest two Rating Categories by each Rating Agency, otherwise known as bankers acceptances, which are eligible for purchase by the Federal Reserve System, and negotiable certificates of deposits issued by a nationally or state-chartered bank or savings and loan association which are insured by federal deposit insurance, or which are issued by an institution the general obligations of which are rated within the highest two Rating Categories by each Rating Agency; (5) bonds, debentures, and notes issued by corporations organized and operating within the United States and rated within the two highest Rating Categories by each Rating Agency; (6) repurchase agreements or reverse repurchase agreements, with nationally recognized broker-dealers which are agreements for the purchase or sale of Investment Obligations pursuant to which the seller or buyer agrees to repurchase or sell back such securities on or before a specified date and for a specified amount, which seller or buyer has outstanding long-term indebtedness which are rated within the highest two Rating Categories by each Rating Agency; (7) investment agreements with corporations, financial institutions or national associations within the United States the general obligations of which (or, if payment of such investment agreement is guaranteed, the general obligations of the guarantor) are rated within the two highest Rating Categories by each Rating Agency; (8) interest bearing accounts in State or national banks or other financial institutions having principal offices in the State (including those of the Trustee or its affiliates) which, to the extent they are not insured by federal deposit insurance, are issued by an institution the general obligations of which are rated within the highest two Rating Categories by each Rating Agency; (9) interests in any short term investment fund (including those of the Trustee or its affiliates) restricted to investment in obligations described in any of clauses (1) through (5) of this definition, which are rated within the highest two Rating Categories by each Rating Agency; (10) deposits in the Surplus Money Investment Fund referred to in Section 51003 of the Act; or (11) other investment securities acceptable to each Credit Provider which will not cause the rating on any Bonds to be reduced or withdrawn.

EXHIBIT 6**California Housing Finance Agency****General Indenture Relating to Multifamily Housing Revenue Bonds III**

"Investment Obligation" means any of the following which at the time are lawful investments under the laws of the State for the moneys held hereunder then proposed to be invested therein: (1) direct general obligations of the United States of America or of the State, or obligations the payment of the principal of and interest on which are unconditionally guaranteed by the United States of America, any federal agency of the United States of America, or the State; (2) bonds, consolidated bonds, collateral trust debentures, consolidated debentures, or other obligations issued by Federal Land Banks or Federal Intermediate Credit Banks established under the Federal Farm Loan Act, as amended, debentures and consolidated debentures issued by the Central Bank for Cooperatives and Banks for Cooperatives established under the Farm Credit Act of 1933, as amended, bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act, stock, bonds, debentures and other obligations of Fannie Mae or of the Government National Mortgage Association, established under the National Housing Act, as amended, bonds of any Federal Home Loan Bank established under said act, bonds, debentures and other obligations of the Federal Home Loan Mortgage Corporation guaranteeing timely payment of principal and interest, bonds, notes, and other obligations issued by the Tennessee Valley Authority under the Tennessee Valley Authority Act, as amended, except, in each case, securities evidencing ownership interests in specified portions of the interest on or principal of such obligations; (3) commercial paper rated within the highest three Rating Categories of each Rating Agency and issued by corporations (a) organized and operating within the United States; and (b) having total assets in excess of five hundred million dollars (\$500,000,000); (4) bills of exchange or time drafts drawn on and accepted by a commercial bank the general obligations of which are rated within the highest three Rating Categories by each Rating Agency, otherwise known as bankers acceptances, which are eligible for purchase by the Federal Reserve System, and negotiable certificates of deposits issued by a nationally or state-chartered bank or savings and loan association which are insured by federal deposit insurance, or which are issued by an institution the general obligations of which are rated within the highest three Rating Categories by each Rating Agency; (5) bonds, debentures, and notes issued by corporations organized and operating within the United States and rated within the highest three Rating Categories by each Rating Agency; (6) repurchase agreements or reverse repurchase agreements, with nationally recognized broker-dealers which are agreements for the purchase or sale of Investment Obligations pursuant to which the seller or buyer agrees to repurchase or sell back such securities on or before a specified date and for a specified amount, which seller or buyer has outstanding long-term indebtedness which are rated within the highest three Rating Categories by each Rating Agency; (7) investment agreements with corporations, financial institutions or national associations within the United States the general obligations of which (or, if payment of such investment agreement is guaranteed, the general obligations of the guarantor) are rated within the highest three Rating Categories by each Rating Agency; (8) interest bearing accounts in State or national banks or other financial institutions having principal

offices in the State (including those of the Trustee or its affiliates) which, to the extent they are not insured by federal deposit insurance, are issued by an institution the general obligations of which are rated within the highest three Rating Categories by each Rating Agency; (9) interests in any short term investment fund (including those of the Trustee or its affiliates) restricted to investment in obligations described in any of clauses (1) through (5) of this definition, which are rated within the highest three Rating Categories by each Rating Agency; (10) deposits in the Surplus Money Investment Fund referred to in Section 51003 of the Act; or (11) other investment securities which will not cause any Unenhanced Rating on any Bonds to be reduced or withdrawn.

EXHIBIT 7**California Housing Finance Agency
General Indenture Relating to Affordable Multifamily Housing Revenue Bonds**

“Investment Obligation” means any of the following which at the time are lawful investments under the laws of the State for the moneys held hereunder then proposed to be invested therein: (1) direct general obligations of the United States of America or of the State, or obligations the payment of the principal of and interest on which are unconditionally guaranteed by the United States of America, any federal agency of the United States of America, or the State; (2) bonds, consolidated bonds, collateral trust debentures, consolidated debentures, or other obligations issued by Federal Land Banks or Federal Intermediate Credit Banks established under the Federal Farm Loan Act, as amended, debentures and consolidated debentures issued by the Central Bank for Cooperatives and Banks for Cooperatives established under the Farm Credit Act of 1933, as amended, bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act, bonds, debentures and other obligations of Fannie Mae or of the Government National Mortgage Association, established under the National Housing Act, as amended, bonds of any Federal Home Loan Bank established under said act, bonds, debentures and other obligations of the Federal Home Loan Mortgage Corporation guaranteeing timely payment of principal and interest, bonds, notes, and other obligations issued by the Tennessee Valley Authority under the Tennessee Valley Authority Act, as amended, except, in each case, securities evidencing ownership interests in specified portions of the interest on or principal of such obligations; (3) commercial paper rated within the highest short-term Rating Category of each Rating Agency and issued by corporations (a) organized and operating within the United States; and (b) having total assets in excess of five hundred million dollars (\$500,000,000); (4) bills of exchange or time drafts drawn on and accepted by a commercial bank the general obligations of which are rated within the highest short-term rating and the highest two Rating Categories by each Rating Agency, otherwise known as bankers acceptances, which are eligible for purchase by the Federal Reserve System, and negotiable certificates of deposits issued by a nationally or state chartered bank or savings and loan association which are insured by federal deposit insurance, or which are issued by an institution the general obligations of which are rated within the highest short-term rating and the highest two Rating Categories by each Rating Agency; (5) repurchase agreements or reverse repurchase agreements, with nationally recognized broker dealers which are agreements for the purchase or sale of Investment Obligations pursuant to which the seller or buyer agrees to repurchase or sell back such securities on or before a specified date and for a specified amount, which seller or buyer has outstanding long-term indebtedness which are rated within the highest two Rating Categories by each Rating Agency; (6) investment agreements with corporations, financial institutions or national associations within the United States the general obligations of which (or, if payment of such investment agreement is guaranteed, the general obligations of the guarantor) are rated within the two highest Rating Categories

by each Rating Agency; (7) interest bearing accounts in State or national banks or other financial institutions having principal offices in the State (including those of the Trustee or its affiliates) which are issued by an institution the general obligations of which are rated within the highest short-term rating and the highest two Rating Categories by each Rating Agency; (8) interests in any short term investment fund (including those of the Trustee or its affiliates) restricted to investment in obligations described in any of clauses (1) through (5) of this definition, which are rated within the highest two Rating Categories by each Rating Agency; (9) deposits in the Surplus Money Investment Fund referred to in Section 51003 of the Act if each Rating Agency has confirmed that investment therein, in and of itself, will not adversely affect the then-existing rating on the Bonds; (10) other investment securities acceptable to each Credit Provider which will not cause the rating on any Bonds to be reduced or withdrawn; or (11) any investments authorized in a Series Indenture authorizing Bonds, as long as the related Bonds are rated by each Rating Agency.

EXHIBIT 8**California Housing Finance Agency
General Indenture Relating to Housing Program Bonds**

“Investment Obligations” means and includes any of the following securities, if and to the extent the same are at the time legal for investment of the Agency’s funds:

(a) Direct obligations of, or obligations which are guaranteed by the full faith and credit of, the United States of America;

(b) Obligations, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following, provided that they are backed by the full faith and credit of the United States of America: Bank for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Federal National Mortgage Association (excluding mortgage strip securities, principal strips valued greater than par and interest obligation strips); Farmers Home Administration; Federal Home Loan Mortgage Corporation (including participation certificates only if they guarantee timely payment of principal and interest); Government National Mortgage Association; Federal Financing Bank; or Federal Housing Administration, or, in each case, any successor federally sponsored association or agency;

(c) Repurchase agreements with depositories, acting as principal or agent, for securities described in (a) and (b) above, if such securities are delivered to the Trustee or are supported by a safe-keeping receipt issued by a qualified Depository (A) rated by each Rating Agency sufficiently high to maintain the then current rating on any Bonds then rated by such Rating Agency or (B) collateralized in such manner to meet all requirements for collateralized repurchase agreements of each Rating Agency in order to maintain the then current rating on any Bonds then rated by such Rating Agency;

(d) Obligations issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or temporary notes, preliminary loan notes or project notes issued by public agencies or municipalities, in each case, fully secured as to the payment of both principal and interest by requisition or payment agreement with the United States of America and having a rating from each Rating Agency sufficiently high to maintain the then current rating on any Bonds then rated by such Rating Agency;

(e) Obligations of Investment Providers under investment agreements approved in a Series Indenture or other investment agreements having substantially similar terms;

(f) Units of a money market fund comprised solely of obligations guaranteed by the full faith and credit of the United States of America or fully secured by such obligations which fund is rated by each Rating Agency sufficiently high to maintain the then current rating on any Bonds then rated by such Rating Agency;

(g) Certificates of deposit, interest-bearing time deposits, or other similar banking arrangements, including investment agreements, with a bank or banks (i) rated by each Rating Agency sufficiently high to maintain the then current rating on any Bonds then rated by such Rating Agency or (ii) collateralized in such manner to meet all requirements for collateralized agreements of each Rating Agency in order to maintain the then current rating on any Bonds then rated by such Rating Agency;

(h) Units of a money market mutual fund which has a rating from each Rating Agency sufficiently high to maintain the then current rating on any Bonds then rated by such Rating Agency;

(i) Deposits in the Surplus Money Investment Fund referred to in Section 51003 of the Act, or any successor fund thereto; and

(j) Any other securities, if and to the extent the same are at the time legal for investment of any of the Agency's funds.

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State of California

MEMORANDUM

To: Board of Directors

Date: March 14, 2012



Tim Hsu, Financing Risk Manager

From: CALIFORNIA HOUSING FINANCE AGENCY

Subject: Resolution 12-06: Authorization for the California Housing Finance Agency to Borrow Funds from the Earned Surplus Account

Resolution 12-06 would authorize the Agency to borrow moneys from the Earned Surplus Account in order to better manage its short-term liquidity demands. A summary of the terms of the borrowing is as follows:

- The Agency will borrow to meet short-term liquidity demands.
- The Agency will only borrow such amount which is not expected to be needed for the purposes of the Earned Surplus Account.
- The Agency will maintain a minimum of \$10 million dollars in the Earned Surplus Account.
- The Agency will repay each amount borrowed within three-months of the initial borrowing.
- The Agency will pay interest on the borrowed funds.
- The Agency will return the funds once the funds are no longer needed.
- The Earned Surplus Account can demand the borrowed funds back with a seven (7) day notice.

The Financing Risk Manager will give a presentation to the Board on the specifics of this Resolution.

Attachments

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RESOLUTION NO. 12-06

RESOLUTION OF THE CALIFORNIA HOUSING
FINANCE AGENCY TO AUTHORIZE LIMITED
BORROWING FROM THE EARNED SURPLUS ACCOUNT

WHEREAS, there are in the California Housing Finance Fund of the California Housing Finance Agency (the "Agency") certain accumulated moneys designated "Earned Surplus Funds," the use of which is established and limited by Section 51206 of Part 3 of Division 31 of the Health and Safety Code of the State of California; and

WHEREAS, the Agency has to date accumulated Earned Surplus Funds in the Earned Surplus Account in excess of fifty million dollars; and

WHEREAS, the Agency from time to time may need to borrow these funds in the form of an interaccount borrowing in order to better manage its short-term liquidity demands; and,

WHEREAS, such short term interaccount borrowing will not jeopardize the use of the Earned Surplus Funds for their statutorily mandated purpose;

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

1. The Agency may transfer moneys from the Earned Surplus Account to the Agency's Operating Account in the manner and on the repayment terms as set forth below.
2. The Agency will (i) maintain in the Earned Surplus Account at all times at least \$10 million or such greater amount as the Agency expects to use from the Earned Surplus Account over the period prior to the expected repayment of the amount borrowed, (ii) pay to the Earned Surplus Account interest on the amount borrowed, until repaid, at a rate equal to the most recent quarterly SMIF rate plus 50 bps (iii) repay each amount borrowed within three-months of the initial borrowing (iv) give notice to the Earned Surplus Account of the repayment of any portion of the amount borrowed at least seven (7) days prior to such repayment, and (v) repay all or any portion of the amount borrowed within seven (7) days of receipt of a demand from the Earned Surplus Account for such repayment.
3. This Resolution shall take effect immediately.

SECRETARY'S CERTIFICATE

I, Victor James, 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. 12-05 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 14th day of March, 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 14th day of March, 2012.

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

State of California

MEMORANDUM

To: CalHFA Board of Directors

Date: March 14, 2012

From: Robert Deaner, Director of Multifamily Programs *RD*
CALIFORNIA HOUSING FINANCING AGENCY

Subject: 1. CalHFA Portfolio Preservation Loan Program
2. New Issue Bond Program Update – 2011 Results

1. CALHFA PORTFOLIO PRESERVATION LOAN PROGRAM

OVERVIEW

As a financing tool to preserve and maintain affordability of its multifamily portfolio projects, the California Housing Finance Agency (“**CalHFA**”) Portfolio Preservation Loan Program (“**PPLP**”) will provide loan funds for Borrowers seeking to acquire, rehabilitate, and secure permanent financing for existing CalHFA housing developments. The PPLP will be administered via CalHFA’s existing 50/50 Risk Share Program through the Department of Housing and Urban Development (“**HUD**”) with full mortgage insurance issued through the Federal Housing Administration (“**FHA**”). As a result, CalHFA and HUD will share the risk on each loan on a 50/50 basis. All loans financed under the PPLP shall be fixed interest rate loans.

The PPLP may access bond funds utilizing CalHFA’s New Issue Bond Program (“**NIBP**”), which was extended by the United States Treasury through December 31, 2012. Up to \$400 million of NIBP dollars may be available for portfolio preservation loans. However, loans will need to be closed and funded by year end 2012 when the NIBP expires. The NIBP allows CalHFA to issue tax exempt and taxable bonds for the financing of multifamily loans, which are sold to the U.S. Treasury at a fixed interest rate. Nevertheless, CalHFA has the option to finance these projects without using the NIBP.

BACKGROUND

The Risk Share Program is a unique partnership between CalHFA and HUD. The Risk Share Agreement allows housing finance agencies such as CalHFA to provide multifamily mortgage loans for existing affordable housing projects or new affordable housing projects using mortgage insurance provided by the FHA. CalHFA has participated in this program as a 50/50 risk share lender since it was first established as a pilot program in FY1993/1994. In 2001, the Risk Share Program became a permanent program via the FY 2001 Appropriations Act. CalHFA and HUD are in the process of updating the Risk Share Agreement to reflect current terms and conditions. However, the existing Risk Share Agreement remains in effect.

For the first time in CalHFA's history, the multifamily portfolio loans are reaching their maturity date, which means our regulatory agreement, including rent and income restrictions could cease. This poses a threat to the low and very low income tenants residing in these units. Between now and 2020, over 6,000 income restricted units could

become unrestricted. In addition, more than 100 loans will mature during this time frame. Most of these properties require substantial rehabilitation to modernize, provide energy efficiencies, and to continue provide safe and decent housing. For existing CalHFA portfolio loans, CalHFA establishes and maintains a Replacement Reserve impound account for project repair and maintenance. However, given the current state of these projects, without access to capital for rehabilitation, some if not most of the Replacement Reserve impounds lack sufficient funds to complete the rehabilitation process.

The goals and objectives of implementing the PPLP are to preserve and extend the affordability of numerous CalHFA multifamily housing projects by: 1) providing much needed capital for rehabilitation, 2) creating opportunities to upgrade projects with energy efficient appliances and materials, and 3) extending the economic life of CalHFA projects for its tenants and their owners for years to come.

All projects under the PPLP will be presented to the CalHFA Board for their review and approval before the issuance of a final commitment.

There are currently 519 CalHFA loans whose projects represent:

- 23,744 low income units
- 8,916 Section 8 units
- 10,835 elderly units
- 1,566 handicap designated units

2. NEW ISSUE BOND PROGRAM (“NIBP”) UPDATE – MULTIFAMILY RESULTS

- **2011 CALENDAR YEAR RESULTS**
- **2010 AND 2011 CUMULATIVE RESULTS**

2011 CALENDAR YEAR RESULTS:

- **\$147,110,000** in total bond issuance (\$122,040,000 in NIBP, \$25,070,000 Private Placement)
 - **6 projects** (5 acq/rehab, 1 new construction)
 - ~ 4 of the 6 projects were CalHFA portfolio projects (all acq/rehab)
 - **969 units** (881 units @ 60%AMI or below, 88 units at market)
 - **\$1,630,356** in NIBP Fees (Application, Issuer, Special Issuer, and Admin)
- **\$1,175,000** in CalHFA Prepayment Fees (representing 4 CalHFA projects paid off with NIBP funds)

2010 AND 2011 CUMULATIVE RESULTS:

- **22 projects** (19 acq/rehab, 3 new construction)
- **2,809 units** (2,486 units @ 60%AMI or below, 323 units @ 80% AMI-market)
- **\$331,620,000** in total bond issuance (\$287,080,000 in NIBP, \$44,540,000 Private Placement). The amount does not include NIBP bonds issued for portfolio refunding.
- **\$4,153,685** in NIBP Fees (Application, Issuer, Special Issuer, and Admin)
- **\$1,362,578** in CalHFA Prepayment Fees (for CalHFA loans paid off with NIBP funds).

M E M O R A N D U M**To: Board of Directors****Date:** March 6, 2012**From: Claudia Cappio, Executive Director****Subject: Draft CalHFA Business Strategy Framework for 2012-13**

Since December, 2011, the CalHFA senior management team has completed five day-long work sessions to map out an overall business strategy for 2012-13. We have devoted this time because of the need to reconfigure our business model to respond to the continued challenges with the financial and lending climate, the need for new revenue sources and the Administration's proposed changes in agency organization between CalHFA and HCD.

One of the key discussions early on in our work was the fact that we are in a new stage of this Agency's life. We concluded that we remain relevant, perhaps more so and that we can play an important and effective role in delivery of affordable housing services in California. Our continued ability to operate independently is critical. The big question is whether the Governor and legislature want CalHFA to continue to manage financial risk and debt in order to provide another set of tools for affordable housing. We ourselves answered this question with a resounding "yes."

While the senior management team has more work to accomplish over the next few months, we thought it was important to present a preliminary business strategy framework to the Board. We plan to complete our work and tie the new business plan to the proposed 2012-13 budget for the May, 2012 board meeting.

We identified five broad policy priorities:

- 1) Restructure Debt
- 2) Pursue New Sources of Capital and Income
- 3) Pursue Multiple Family Lending that Focuses on Preservation and Recapitalization
- 4) Reorganize and Increase Efficiencies for REO – Loss Mitigation – Loan Modifications and Delinquencies
- 5) Pursue Merger Opportunities with HCD

We identified both transactional and transformational strategies that must be combined into an effective business plan. As a start, we identified the four most important market segments to focus on, along with the value that they count on from CalHFA. Our preliminary priority business strategies are listed in the attached table. It is a work in progress. There may be changes in the coming weeks as we continue to focus on the best ways to direct CalHFA's resources and organize actions for results.

We developed a task list that held a particular urgency. These will most likely fall under a broader set of either programmatic or divisional strategies as the planning continues. There is some redundancy here, but the outline below represents what the senior management team considers to be some of the most urgent actions during the next fiscal year:

- Overall reorganization and evaluation of portfolio management – loss mitigation – REO – short sales with an emphasis on quicker intervention with loan delinquencies and quicker overall performance on REO's and short sales.
- Aggressively pursue KYHC – pursue new ways to reach out and new methods of assistance with possible partnerships.
- Re-apply for Performance Based Contract Administration (asset management and monitoring of the HUD portfolio).
- Pursue a permanent/sustainable source of income for affordable housing in CA.
- Complete the United States Treasury (UST) TCLP and NIBP extension plan and implement actions in that plan.

CalHFA
Priority Business Strategies
March 2012

Area and Priority Market Segment	Strategy
<p>Multifamily – Preservation</p> <p><i>Value = allows developers to achieve affordable housing mission.</i></p>	<p>1. Price/Cost – price loans 25 bps under market competitors; use bucket pricing – Start w/ #1; premium if move to #2 or #3</p> <p>2. HUD Risk Share terms – 30/17 loan product resolves this issues over time; <i>Allow prepayment if Agency “made whole”</i></p> <p>3. Regulatory Requirements – 17 years to match preservation loan; for Asset Mgt piece – match fed alignment – tasks per risk (1-3 yrs on physical inspections and financial audits) – RFR up min. request to \$25k based on risk.</p> <p>4. Process -- streamline, “improve” for efficiency and effectiveness.</p>
<p>Single Family – Homebuyer</p> <p><i>Value = achieve pride in owning the place I want to live and grow my family with a safe affordable financial deal</i></p>	<p>1. Market to targeted homebuyers – who, where, what and when based on market conditions as they change.</p> <p>2. Provide loans that provide low risk (e.g., FHA) and with reasonable U/W terms (e.g., FICO) and affordable terms</p> <p>3. Provide streamlined/ seamless processing from U/W to servicing.</p> <p>4. Provide job loss mortgage protection and potential additional homeowner’s insurance.</p>
<p>Finance – Guarantors</p> <p><i>Value = Rely upon CalHFA’s dependability sustainability and flexibility in achieving funding of an affordable housing vision.</i></p>	<p>1. Speed of delivery and loan commitment – (A) review business processes for loan commitment. Reflect as much as practical process and time. (B) Move up loan committee review to pre-commitment – making sure that loan met criteria and risk assessment.</p> <p>2. Pursue a focused loan program for energy efficiency and water conservation retrofits for older buildings – on preservation deal (pilot project)</p> <p>3. Review MF Portfolio – for non-cash flowing properties – pursue refi so they perform better.</p>
<p>Rulemakers – Legislature</p> <p><i>Value = Serving constituents, improving the quality of life for constituents and being good stewards of public dollars</i></p>	<p>1. HUD certified HO counseling prior to loan</p> <p>2. Access to free credit counseling during occupancy</p> <p>3. Access to credit repair counseling for tenants</p> <p>4. Lease to own</p> <p>3. Complete cost study</p> <p>4. Tie perm source to cost containment</p> <p>5. Be more strategic about MF projects funded – location & type.</p> <p>6. Build coalitions with similar goals</p> <p>7. More tours – educate legislators about existing affordable housing in their area.</p>

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State of California

MEMORANDUM

To: CalHFA Board of Directors

Date: 5 March 2012

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

Subject: Keep Your Home California Update

While we still have not seen the Servicer participation we had hoped for the Principal Reduction Program, there is still positive news to report;

- We have currently committed more than \$252 million to 12,268 unique homeowners.
 - 7,846 UMA homeowners for \$143.9 million
 - 732 PRP homeowners for \$34.9 million
 - 4,035 MRAP homeowners for \$73.1 million
 - 65 TAP homeowners for \$313,000.
- As of February 29, we have funded 7,249 unique homeowners, for approximately \$90 million.
- The quarter ending December 31, 2011 represented a 61% increase in volume.
- We are anticipating another 24% increase at the end of this current quarter (end of March).

Marketing efforts continue, including the increased use of radio traffic sponsorships, social media (Twitter, Facebook and blogs), billboards and KYHC program links on a wide range of websites. A new flight of television PSAs began this month, and will run on numerous stations between Sacramento and San Diego. Crossing TV is also running PSAs in five different languages (four Asian dialects and Russian). Advertising in movie theaters throughout the state ended at the end of February. New opportunities are currently being considered.

The Local Innovation Fund has finally started funding its first transactions:

- Neighborworks Sacramento is in the early stages of screening its original applicants for its Rent-to-Own program.
- Community Housing Works has received funding to eliminate ten junior liens. Activity on this program is expected to increase significantly in the coming weeks.

- Los Angeles Housing Department has not yet executed its contract with us. LAHD is still negotiating with Neighborhood Legal Services of Los Angeles County for services related to their proposal.

Finally, we continue to closely track reasons homeowners are found ineligible for each of the programs. Based on recent evaluations, we will be working with US Treasury to adopt additional changes that we believe has the potential to significantly increase program participation.

State of California

MEMORANDUM

To Board of Directors

Date: March 7, 2012



Timothy Hsu, Financing Risk Manager

From: CALIFORNIA HOUSING FINANCE AGENCY

Subject: REPORT OF FINAL REPAYMENT ON POOLED MONEY INVESTMENT
ACCOUNT LOAN

CalHFA originally established a Pooled Money Investment Account (PMIA) loan in May 1994 in the amount of \$50 million for the purpose of warehousing single family loans prior to bond issuance. The PMIA loan amount peaked at \$350 million in October 2006 and remained at this level until December 2008 when PMIA disbursements were frozen for all bond funded projects. Over the following 3 calendar years, CalHFA repaid \$340 million of the loan. The final payment, in the amount of \$10 million, was made on March 6, 2012.

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State of California

MEMORANDUM

To: Board of Directors

Date: February 23, 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 December 31, 2011 by insurance type,
- Delinquencies as of December 31, 2011 by product (loan) type,
- Delinquencies as of December 31, 2011 by loan servicer,
- Delinquencies as of December 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 August 2009 thru December 2011)
- A chart of the number of CalHFA's Conventional Delinquent Loan Trend for 30-90 Day and 120 Day (for the period of August 2009 thru December 2011)
- A graph of CalHFA's 90-day+ ratios for FHA and Conventional loans (for the period of December 2009 through December 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 January 31, 2012,
- Accumulated Uninsured Losses from January 1, 2008 through January 31, 2012,
- Disposition of 1st Trust Deed Gain/(Loss) for January 1 through January 31, 2012, and
- Write-Offs of subordinate loans for January 1 through January 31, 2012

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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 December 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	9,533 **	\$ 1,173,993,111	28.96%	596	6.25%	206	2.16%	644	6.76%	1,446	15.17%
VA	286	40,025,239	0.99%	6	2.10%	3	1.05%	23	8.04%	32	11.19%
RHS	89	16,542,617	0.41%	7	7.87%	0	0.00%	18	20.22%	25	28.09%
Conventional loans											
with MI											
CalHFA MI Fund	6,223	1,637,022,345	40.38%	279	4.48%	149	2.39%	765	12.29%	1,193	19.17%
without MI											
Orig with no MI	5,066	1,001,282,049	24.70%	135	2.66%	90	1.78%	284	5.61%	509	10.05%
MI Cancelled*	1,333	185,586,387	4.58%	34	2.55%	9	0.68%	44	3.30%	87	6.53%
Total CalHFA	22,530	\$ 4,054,451,748	100.00%	1,057	4.69%	457	2.03%	1,778	7.89%	3,292	14.61%

*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 December 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	9,533	\$ 1,173,993,111	28.96%	596	6.25%	206	2.16%	644	6.76%	1,446	15.17%
VA	286	40,025,239	0.99%	6	2.10%	3	1.05%	23	8.04%	32	11.19%
RHS	89	16,542,617	0.41%	7	7.87%	0	0.00%	18	20.22%	25	28.09%
Conventional - with MI	3,349	787,774,638	19.43%	126	3.76%	57	1.70%	321	9.58%	504	15.05%
Conventional - w/o MI	5,619	1,001,420,549	24.70%	134	2.38%	80	1.42%	253	4.50%	467	8.31%
40-yr level amort											
Conventional - with MI	476	136,782,904	3.37%	28	5.88%	9	1.89%	72	15.13%	109	22.90%
Conventional - w/o MI	199	39,522,935	0.97%	7	3.52%	2	1.01%	15	7.54%	24	12.06%
5-yr IOP, 30-yr amort											
Conventional - with MI	2,398	712,464,802	17.57%	125	5.21%	83	3.46%	372	15.51%	580	24.19%
Conventional - w/o MI	581	145,924,952	3.60%	28	4.82%	17	2.93%	60	10.33%	105	18.07%
Total CalHFA	22,530	\$ 4,054,451,748	100.00%	1,057	4.69%	457	2.03%	1,778	7.89%	3,292	14.61%
<i>Weighted average of conventional loans:</i>				448	3.55%	248	1.96%	1,093	8.66%	1,789	14.17%



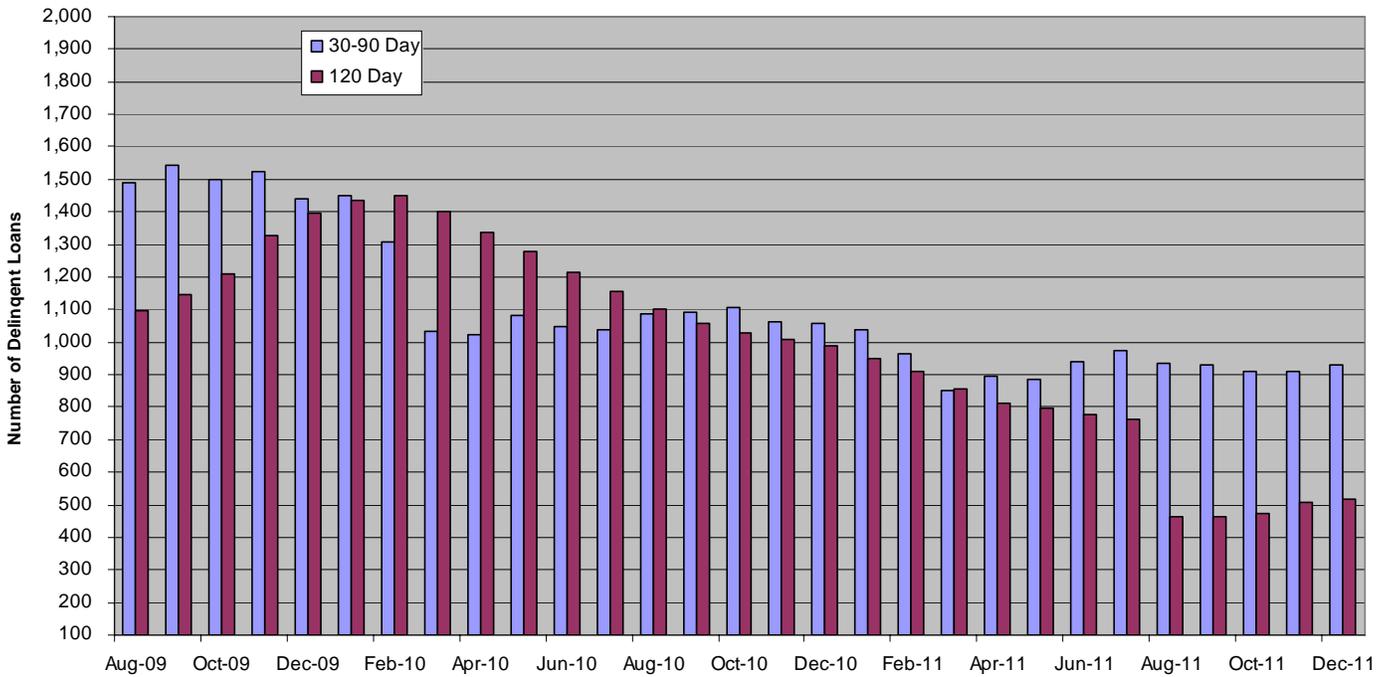
**Reconciled Loan Delinquency Summary
All Active Loans By Loan Servicer
As of December 31, 2011**

	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	8,482	\$ 1,896,518,127	46.78%	322	3.80%	161	1.90%	595	7.01%	1,078	12.71%
GUILD MORTGAGE	5,257	898,028,145	22.15%	287	5.46%	119	2.26%	341	6.49%	747	14.21%
WELLS FARGO HOME MORTGAGE	2,336	269,628,179	6.65%	86	3.68%	35	1.50%	180	7.71%	301	12.89%
BAC HOME LOANS SERVICING, LP	2,080	398,341,069	9.82%	125	6.01%	75	3.61%	342	16.44%	542	26.06%
EVERHOME MORTGAGE COMPANY	2,035	192,911,618	4.76%	146	7.17%	30	1.47%	81	3.98%	257	12.63%
FIRST MORTGAGE CORP	896	176,329,030	4.35%	31	3.46%	18	2.01%	103	11.50%	152	16.96%
GMAC MORTGAGE CORP	882	117,278,613	2.89%	47	5.33%	12	1.36%	53	6.01%	112	12.70%
BANK OF AMERICA, NA	266	44,569,569	1.10%	7	2.63%	1	0.38%	32	12.03%	40	15.04%
WASHINGTON MUTUAL BANK	193	45,697,211	1.13%	5	2.59%	3	1.55%	36	18.65%	44	22.80%
CITIMORTGAGE, INC.	51	11,574,394	0.29%	1	1.96%	2	3.92%	12	23.53%	15	29.41%
DOVENMUEHLE MORTGAGE, INC.	45	1,369,513	0.03%	0	0.00%	1	2.22%	1	2.22%	2	4.44%
WESCOM CREDIT UNION	6	1,899,889	0.05%	0	0.00%	0	0.00%	2	33.33%	2	33.33%
PROVIDENT CREDIT UNION	1	306,392	0.01%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Total CalHFA	22,530	\$ 4,054,451,748	100.00%	1,057	4.69%	457	2.03%	1,778	7.89%	3,292	14.61%

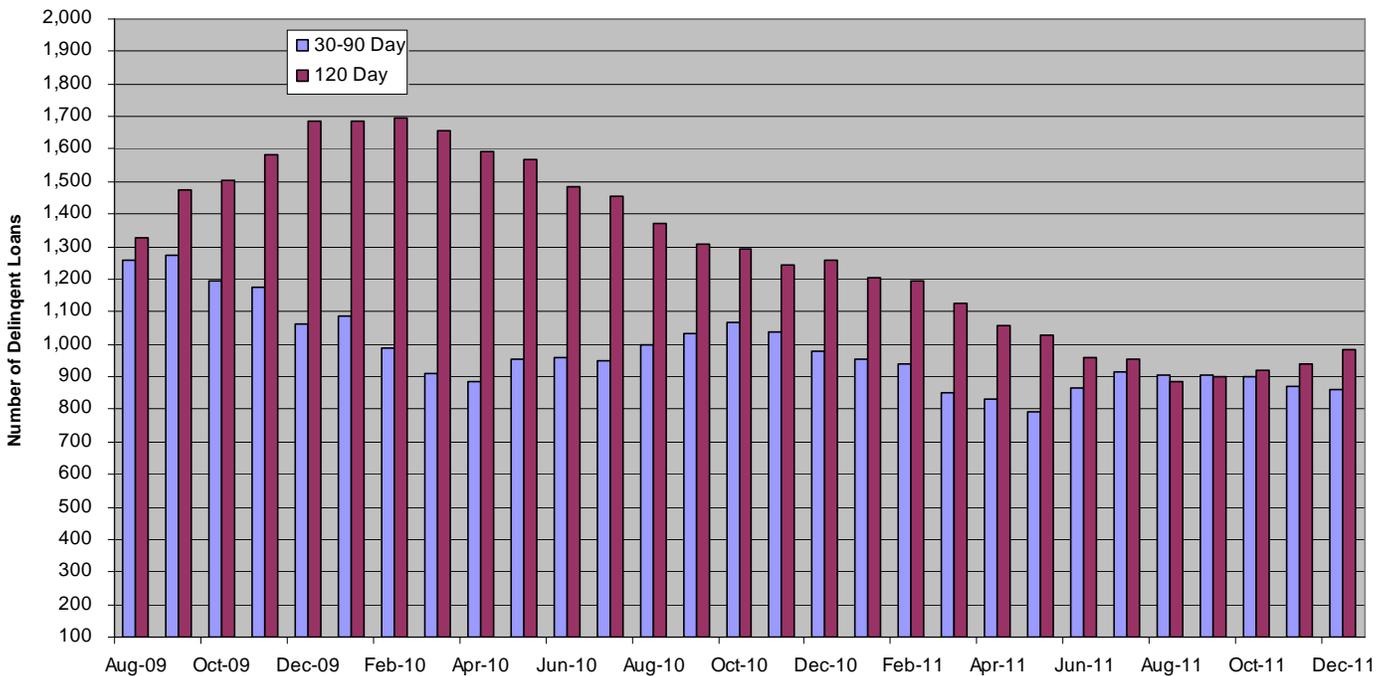
**Reconciled Loan Delinquency Summary
All Active Loans By County
As of December 31, 2011**

	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	3,725	\$ 766,729,869	18.91%	173	4.64%	74	1.99%	280	7.52%	527	14.15%
SAN DIEGO	2,093	448,963,651	11.07%	86	4.11%	38	1.82%	219	10.46%	343	16.39%
SANTA CLARA	1,578	414,383,392	10.22%	41	2.60%	22	1.39%	88	5.58%	151	9.57%
KERN	1,340	139,858,955	3.45%	101	7.54%	28	2.09%	68	5.07%	197	14.70%
SACRAMENTO	1,131	199,725,306	4.93%	54	4.77%	24	2.12%	133	11.76%	211	18.66%
ORANGE	1,130	254,230,945	6.27%	45	3.98%	12	1.06%	82	7.26%	139	12.30%
FRESNO	1,107	101,125,455	2.49%	76	6.87%	25	2.26%	63	5.69%	164	14.81%
TULARE	1,084	99,231,633	2.45%	74	6.83%	26	2.40%	72	6.64%	172	15.87%
SAN BERNARDINO	1,076	178,596,720	4.40%	58	5.39%	33	3.07%	135	12.55%	226	21.00%
RIVERSIDE	1,053	169,114,692	4.17%	65	6.17%	34	3.23%	140	13.30%	239	22.70%
ALAMEDA	984	234,863,630	5.79%	14	1.42%	10	1.02%	63	6.40%	87	8.84%
CONTRA COSTA	788	172,574,671	4.26%	30	3.81%	19	2.41%	69	8.76%	118	14.97%
VENTURA	571	151,420,048	3.73%	12	2.10%	11	1.93%	44	7.71%	67	11.73%
IMPERIAL	513	51,294,172	1.27%	37	7.21%	13	2.53%	35	6.82%	85	16.57%
SONOMA	436	87,455,477	2.16%	17	3.90%	7	1.61%	15	3.44%	39	8.94%
OTHER COUNTIES	3,921	584,883,130	14.43%	174	4.44%	81	2.07%	272	6.94%	527	13.44%
Total CalHFA	22,530	\$ 4,054,451,748	100.00%	1,057	4.69%	457	2.03%	1,778	7.89%	3,292	14.61%

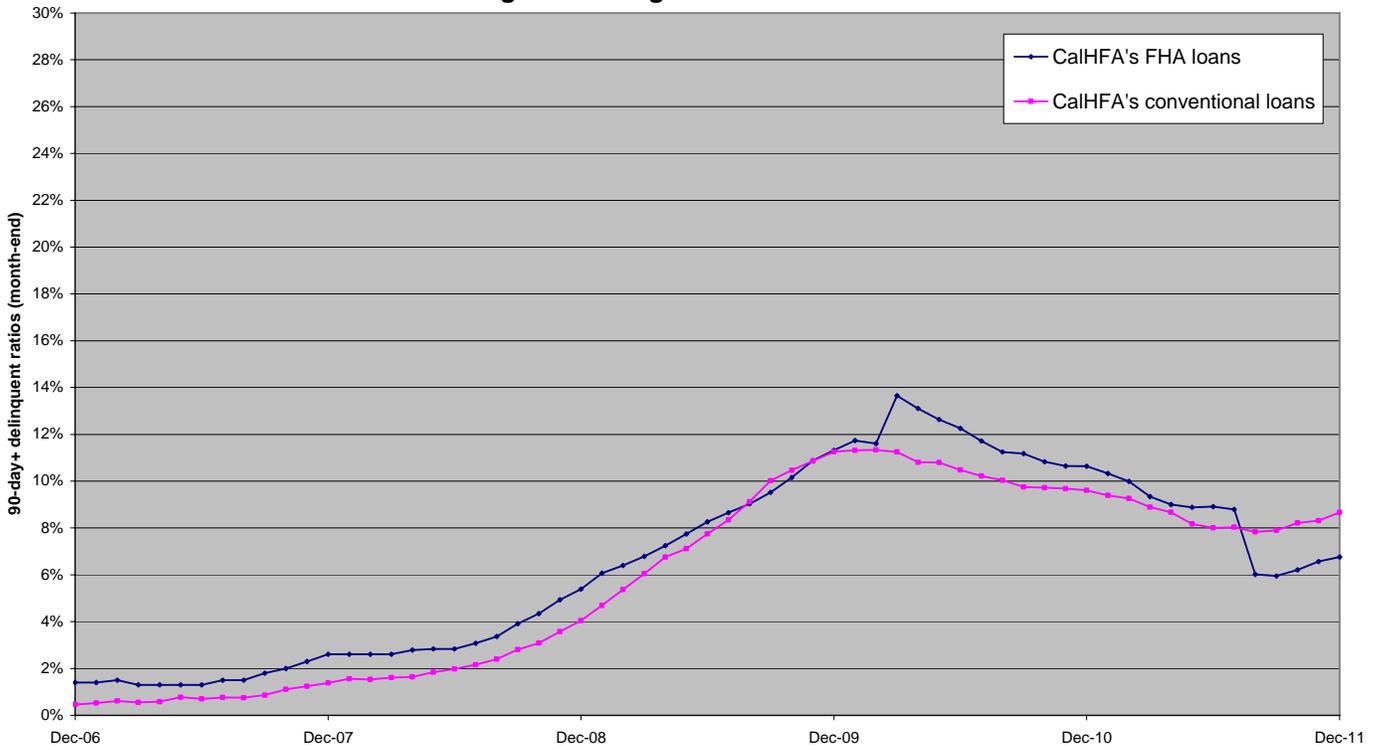
CalHFA's FHA Delinquent Loan Trend for 30-90 Day and 120 Day



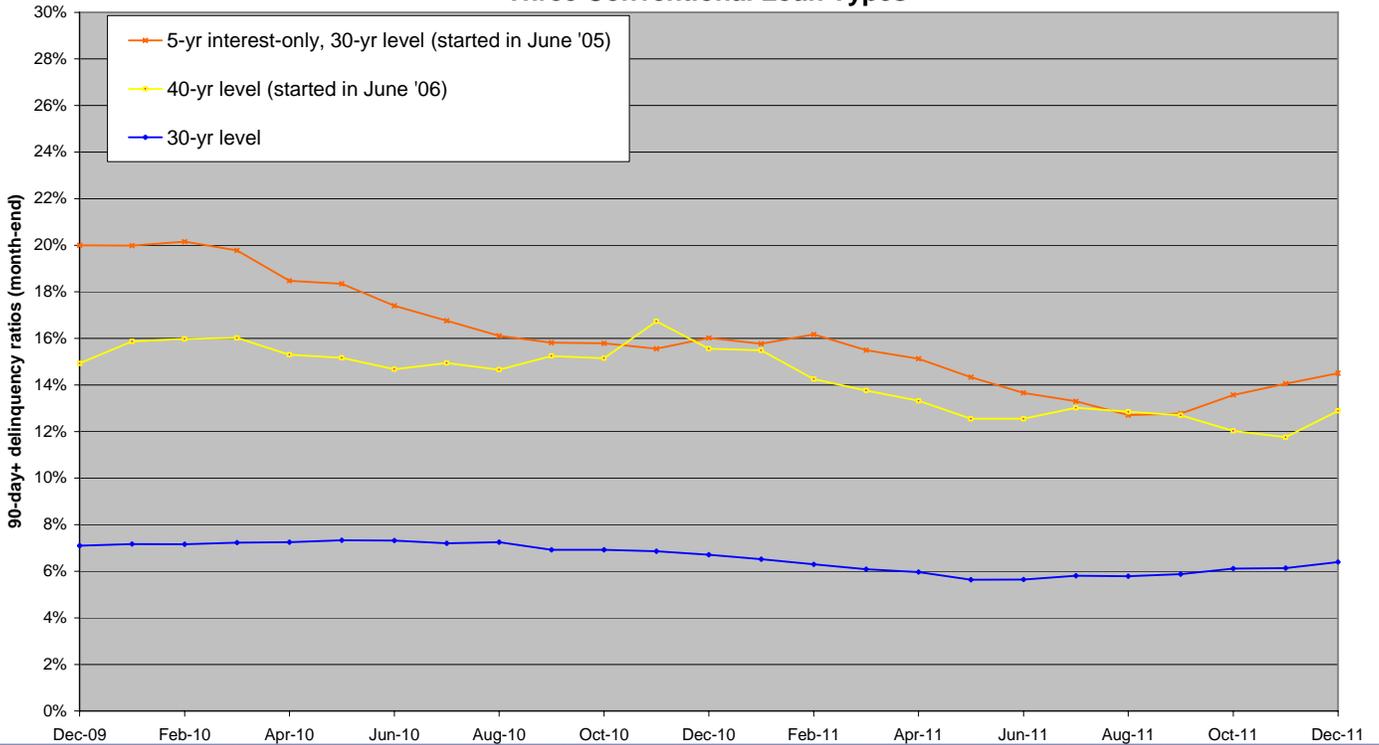
CalHFA's Conventional Delinquent Loan Trend for 30-90 Day and 120 Day



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 2012 (As of January 31, 2012)													
Loan Type	Beginning Balance # of Loans	Prior Calendar Adj.	**Trustee Sales				Disposition of REO(s)					Ending Balance # of Loans	UPB of REO's Owned
			Reverted to CalHFA January	Reverted to CalHFA	REO Rescinded	Total Trustee Sales	Repurchased by Lender January	Market Sale(s) January	Repurchased by Lender	Market Sale(s)	Total Disposition of REO(s)		
FHA/RHS/VA	124	(5)	40			40	15				15	144	\$ 26,587,281
Conventional	565	7	114			114		113			113	573	130,674,782
Total	689	2	154	0	0	154	15	113	0	0	128	717	\$ 157,262,063

Calendar Year 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 2011	Repurchased by Lender 2011	Market Sale(s) 2011		
FHA/RHS/VA	198	496	570		124	\$ 22,948,976
Conventional	1084	1311		1830	565	123,482,821
Total	1282	1807	570	1830	689	\$ 146,431,797

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, twenty two (22) 3rd party sales in calendar year 2011, and there are three (3) 3rd party sale to date 2012.

Accumulated Uninsured Losses as of January 31, 2012						
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	3,632	\$ (104,333,866)	2,576	\$ (116,157,265)		
Short Sales	659	(17,449,333)	395	(17,459,484)	1,932	\$ (17,600,969)
3rd Party Sales	34	(188,301)	4	(170,867)	68	(592,324)
Active REOs			24	(1,212,385)		
Write-offs resulting from foreclosures					8,210	(79,036,834)
Total:	4,325	\$ (121,971,500)	2,999	\$ (135,000,000)	10,210	\$ (97,230,128)

(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 FundTM) provided 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 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, this maximum amount was reached in August 2011. The indemnification is payable solely from available funds held in a sub account within the California Housing Finance Fund.

(3) Includes both FHA/Conventional Loans.

**2012 Year to Date Composition of 1st Trust Deed Gain/(Loss)
(As of January 31, 2012)**

Loan Type	Disposition				Principal Write-Offs	Actual GAP Claim Payments
	Repurchased by Lender	Market Sales	Short Sales	Loan Balance at Sales		
FHA/RHS/VA	15		1	\$ 2,737,805		
Conventional		113	23	37,516,436	\$ (8,959,154)	\$ (354,671)
	15	113	24	\$ 40,254,242	\$ (8,959,154)	\$ (354,671)

**2012 Year to Date Composition of Subordinate Write-Offs by Loan Type⁽¹⁾
(As of January 31, 2012)**

Loan Type	Active Loans		Write-Offs			
	Active Loans	Dollar Amount	Number of Write-Offs	% (of Portfolio)	Dollar Amount	% (of Portfolio)
CHAP/HiCAP	9,131	\$97,478,386	105	1.15%	\$1,173,096	1.20%
CHDAP/ECTP/HiRAP	20,954	164,511,186	114	0.54%	892,995	0.54%
Other ⁽²⁾	243	3,299,084	1	0.41%	1,950	0.06%
	30,328	\$265,288,656	220	0.73%	\$2,068,041	0.78%

(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: March 2, 2012



Timothy Hsu, Financing Risk Manager

From: CALIFORNIA HOUSING FINANCE AGENCY

Subject: AGENCY BONDS, INTEREST RATE SWAPS, AND FINANCING RISK FACTORS REPORT

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

- Outstanding Bonds
- Variable Rate Debt
 - Variable Rate Debt Exposure
 - Types of Variable Rate Debt
 - Liquidity Providers
 - Interest Rate Swaps
- Financing Risk Factors
 - Unhedged Variable Rate Risk
 - Basis Risk
 - Amortization Risk
 - Termination Risk
 - Collateral Posting Risk

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OUTSTANDING BONDS

Below is the Agency's outstanding debt position. This table does not include any pass-thru, conduit or escrow (NIBP) financings which makes up an additional \$1.4 billion.

BONDS OUTSTANDING
As of February 1, 2012
(*\$ in millions*)

	<u>Fixed Rate</u>	<u>Variable Rate</u>	<u>Totals</u>
Single Family	\$1,919	\$2,774	\$4,693
Multifamily	<u>342</u>	<u>636</u>	<u>978</u>
TOTALS	\$2,261	\$3,410	\$5,671

VARIABLE RATE DEBT**VARIABLE RATE DEBT EXPOSURE**

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

This section 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), and HPB (Housing Program Bonds--CalHFA's multipurpose indenture, used to finance a variety of loans including the Agency's downpayment assistance loans).

The total amount of CalHFA variable rate debt is \$3.41 billion, 60% of our \$5.7 billion of total indebtedness as of February 1, 2012.

VARIABLE RATE DEBT
(*\$ in millions*)

	<u>Swapped to Fixed Rate</u>	<u>Not Swapped or Tied to Variable Rate Assets</u>	<u>Total Variable Rate Debt</u>
HMRB (SF)	\$1,376	\$1,370	\$2,746
MHRB (MF)	412	186	598
HPB (SF & MF)	<u>0</u>	<u>66</u>	<u>66</u>
Total	\$1,788	\$1,622	\$3,410

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 Rate & Similar Securities</u>	<u>Indexed Rate Bonds</u>	<u>Variable Rate Demand Obligations</u>	<u>Total Variable Rate Debt</u>
HMRB	\$0	\$828	\$1,918	\$2,746
MHRB	110	0	488	598
HPB	<u>0</u>	<u>0</u>	<u>66</u>	<u>66</u>
Total	\$110	\$828	\$2,472	\$3,410

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 2/1/2012
(*\$ in millions*)

<u>Financial Institution</u>	<u>\$ Amount of Bonds</u>
Freddie Mac	\$1,236
Fannie Mae	<u>1,236</u>
Total	\$2,472

Interest Rate Swaps

Currently, we have a total of 97 “fixed-payer” swaps with thirteen different counterparties for a combined notional amount of \$2.3 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	\$1,534	\$193	\$1,727
MHRB	<u>576</u>	<u>0</u>	<u>576</u>
TOTALS	\$2,110	\$193	\$2,303

SWAPS

(\$ in millions)

	<u>Hedging Bonds</u>	<u>Not Hedging Bonds</u>	<u>Totals</u>
HMRB	\$1,376	\$351	\$1,727
MHRB	<u>412</u>	<u>164</u>	<u>576</u>
TOTALS	\$1,788	\$515	\$2,303

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 February 1, 2012 semiannual debt service payment date we made a total of \$49 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.

The table on the following page 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 2/1/12 (\$ in millions)</u>	<u>Number of Swaps</u>
	<u>Moody's</u>	<u>S & P</u>		
JPMorgan Chase Bank, N.A.	Aa1	A+	\$ 594	19
Bank of America, N.A.	A2	A	593	30
Goldman Sachs Mitsui Marine Derivative Products, , L.P.	Aa1	AAA	232	7
Citigroup Financial Products, Inc.	A3	A-	211	8
AIG Financial Products, Corp. ²	Baa1	A-	199	7
Deutsche Bank AG	Aa3	A+	195	11
Morgan Stanley Capital Services, Inc.	A2	A-	112	2
Merrill Lynch Derivative Products	Aa3	AAA	62	6
BNP Paribas	Aa3	AA-	54	2
Bank of New York Mellon	Aaa	AA-	25	1
UBS AG	Aa3	A	14	2
Dexia Credit Local New York Agency ²	Baa1	BBB+	10	1
Merrill Lynch Capital Services, Inc. ²	Baa1	A-	2	1
			\$ 2,303 ¹	97

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

FINANCING RISK FACTORS

UNHEDGED VARIABLE RATE RISK

As shown in Variable Rate Debt table, our "net" variable rate exposure is \$1.6 billion, 28.6% of our indebtedness. The net amount of variable rate bonds is the amount that is neither swapped to fixed rates nor directly backed by complementary variable rate loans or investments. The \$1.6

billion of net variable rate exposure (\$719 million taxable and \$903 million tax-exempt) is offset by the Agency's variable rate investments and excess swap positions. The Agency's balance sheet has: i) \$564 million (six month average balance) of non-bond indenture related funds invested in the State Treasurer's investment pool (SMIF) earning a variable rate of interest; and, ii) \$515 million notional amount of interest rate swaps in excess of the hedged bonds. From a risk management perspective, these two positions serve as a balance sheet hedge for the \$1.6 billion of net variable rate exposure.

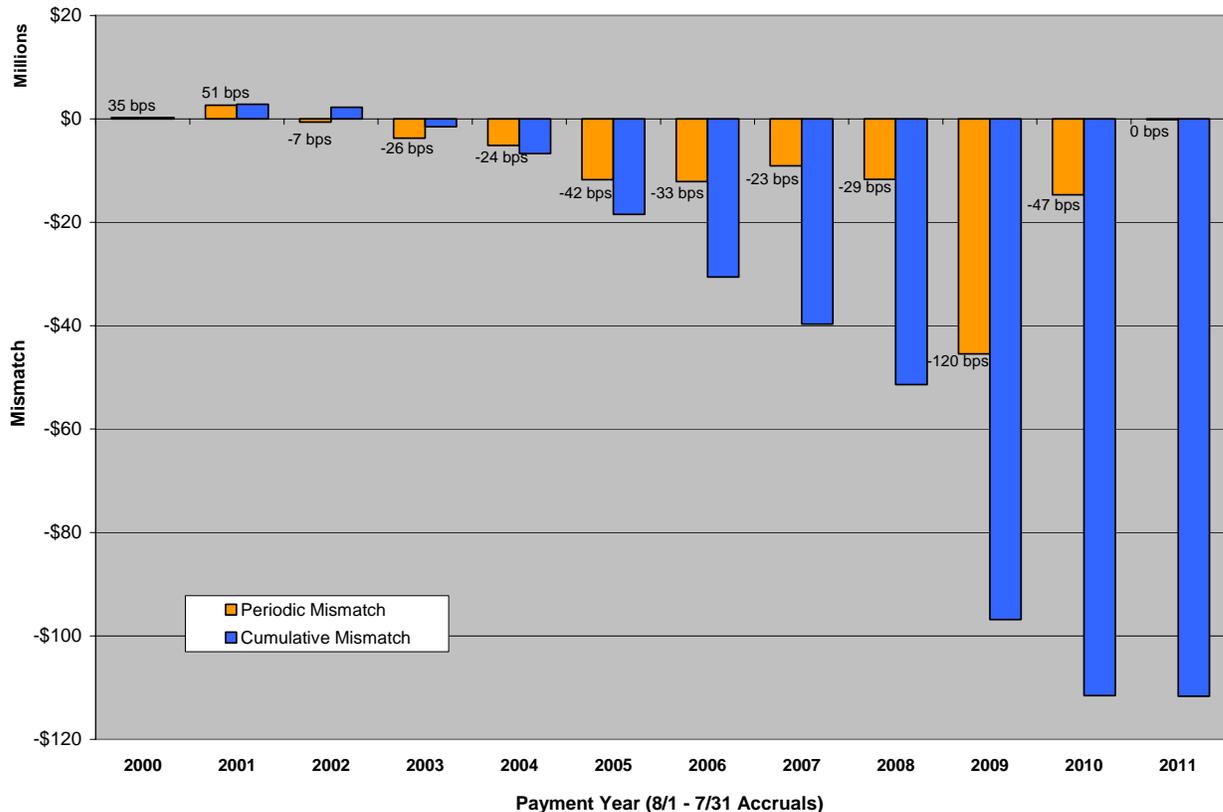
In order to estimate the "true" unhedged position to the Agency, first, the overhedged swaps were used to offset the unhedged bonds. Then, the remaining tax-exempt unhedged bonds were converted into their equivalent taxable basis. Using this conversion method, the \$1.6 billion of net variable rate exposure translates to \$1 billion of net variable rate exposure. This \$1 billion is further reduced by the \$564 million of funds invested in SMIF. Thus the "true" net variable rate debt, from the Agency's balance sheet perspective, is \$465 million.

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.

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 24 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			
2005	73%	2009	123%
2006	68%	2010	96%
2007	69%	2011	79%
2008	84%	2012 to date	36%

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)	\$1,478	\$0	\$1,478
SIFMA (+ spread)	397	0	397
Stepped % of LIBOR ¹	215	0	215
3 mo. LIBOR (+ spread)	0	116	116
% of SIFMA	20	0	20
1 mo. LIBOR	0	46	46
3 mo. LIBOR	0	18	18
6 mo. LIBOR	<u>0</u>	<u>13</u>	<u>13</u>
TOTALS	\$2,110	\$193	\$2,303

- 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 a sufficiently wide ranges of prepayment speeds. In addition, swaps that were entered into after 2003 had swap termination options which allowed the Agency to terminate all or portions of the swap at par (no cost to terminate). The table below shows the par terminations that the Agency has exercised to date.

	Swap Par Options Exercised (\$ in thousands)
2004	\$12,145
2005	35,435
2006	20,845
2007	28,120
2008	18,470
2009	370,490
2010	186,465
2011	288,700
2012 to date	<u>275,945</u>
	<u>\$1,236,615</u>

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 \$515 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.

TERMINATION VALUE HISTORY

<u>Date</u>	<u>Termination Value (\$ in millions)</u>
12/31/10	(\$258)
3/31/11	(\$232)
6/30/11*	(\$253)
9/30/11	(\$338)
12/31/11	(\$330)

* As reported in the Financial Statements

COLLATERAL POSTING RISK

Some ISDA agreements that we have entered into with the swap counterparties have collateral posting requirements. These postings are a function of the mark-to-market, ratings, 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 2/22/2012 (\$ in millions)

	<u>JPMorgan</u>	<u>Goldman Sachs</u>	<u>BofA</u>	<u>BofA / Merrill Lynch</u>	<u>Deutsche</u>	<u>AIG</u>	<u>Total</u>
Marked-to-Market	72.49	36.42	62.67	37.73	39.48	19.27	
Collateral Threshold at A3/A- Posting Requirement	40	15	75	14	30	20	
	32.49	21.42	-12.33	23.73	9.48	-0.73	
Credit Support Amount	37.49	22.67	6.25	23.73	9.48	0	99.62

State of California

MEMORANDUM

To: CalHFA Board of Directors

Date: 5 March 2012

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

Subject: Legislative Report

Just passed the deadline for introducing bills this year. While a lot of bills have been introduced, many of them still lack real meat on the bone. We may have an inkling of where they are headed, but things can always take an unexpected turn. For now, I have highlighted the bills I think will be of most interest to you. As always, if you have any bills you would like me to add to the list or have any questions, give me a call.

Affordable Housing

SB 1220 (**DeSaulnier D**) Housing Opportunity Trust Fund Act of 2012.

Status: 2/24/2012-From printer. May be acted upon on or after March 25.

Summary: Under existing law, there are programs providing assistance for, among other things, emergency housing, multifamily housing, farmworker housing, home ownership for very low and low-income households, and downpayment assistance for first-time homebuyers. Existing law also authorizes the issuance of bonds in specified amounts pursuant to the State General Obligation Bond Law. Existing law requires that proceeds from the sale of these bonds are used to finance various existing housing programs, capital outlay related to infill development, brownfield cleanup that promotes infill development, and housing-related parks. This bill would enact the Housing Opportunity Trust Fund Act of 2012. The bill would make several legislative findings and declarations relating to the need for establishing permanent, ongoing sources of funding dedicated to affordable housing development. The bill would impose a fee of \$75 to be paid at the time of the recording of every real estate instrument, paper, or notice required or permitted by law to be recorded. The bill would require revenues from this fee be sent quarterly to the Department of Housing and Community Development for deposit in the Housing Opportunity Trust Fund, which the bill would create within the State Treasury. The bill would provide that moneys in the fund may be expended for the purpose of supporting affordable housing, as specified. The bill would impose certain auditing and reporting requirements. This bill contains other related provisions and other existing laws.

SB 1421 (Correa D) Affordable housing.

Status: 2/27/2012-Read first time.

Summary: Existing law restricts a local agency from disapproving an affordable housing development project, as prescribed. With respect to that law, legislative findings and declarations state that there is a severe shortage of affordable housing and that changes in the law, which are designed to, among other things, expedite the local and state residential development process, are needed to encourage the development of new housing. This bill would make technical, nonsubstantive changes to those legislative findings and declarations.

Bonds

SB 633 (Huff R) Bonds: fine for unauthorized use.

Status: 1/23/2012-In Assembly. Read first time. Held at Desk.

Summary: The State General Obligation Bond Law provides procedures for use in authorizing the issuance and sale and providing for the repayment of state general obligation bonds. This bill would incorporate into the State General Obligation Bond Law a provision that provides that if the Department of Finance determines that funds from a bond act are expended for a purpose not authorized by the bond act, and the entity responsible for the funds does not take the corrective action prescribed by the department within a time to be determined by the department, then the Department of Finance may prohibit the entity that was responsible for the unauthorized use from allocating any additional funds from the bond act. According to the author, "Since 2006, Californians have authorized the sale of \$54 billion in general obligation bonds. Administration of such huge sums of money creates significant risk of wasteful or fraudulent spending, and California's present fiscal crisis places a premium on ensuring every public dollar delivers maximum value. However, there are currently no meaningful penalties for the misuse of bond funds. SB 633 provides the much needed punitive consequences that will correct improper expenditures and ensure compliance with bond authorization acts."

CalHFA Misc

SB 447 (DeSaulnier D) Housing: California Housing Finance Agency.

Status: 1/23/2012-In Assembly. Read first time. Held at Desk.

Summary: This bill would prohibit the California Housing Finance Agency from foreclosing on a mortgage for a single-family residence that was financed by a revenue bond that is owned or serviced by the agency for the sole reason that the mortgagor is using the residence as a rental property. This bill was introduced in response to a report from the Senate Committee on Oversight and Accountability.

The author has stated that since CalHFA amended its rental policy to address this issue, he has no intention of moving this bill in its current form.

Econ Develop

Energy Efficiency

AB 1124 (Skinner D) Energy: energy efficiency.

Status: 2/16/2012-Referred to Com. on E., U. & C.

Summary: Existing law requires the Public Utilities Commission (PUC) to order certain electrical corporations to collect and spend certain funds for public benefit programs, including cost-effective energy efficiency and conservation programs. Existing law requires the PUC, by March 1, 2010, to have opened a new proceeding or amended an existing proceeding to investigate the ability of electrical corporations and gas corporations to provide energy efficiency financing options to their customers to implement the comprehensive energy efficiency program for certain residential and nonresidential buildings developed by the State Energy Resources Conservation and Development Commission pursuant to a specified provision of law. Existing law also requires the PUC to include an assessment of each electrical corporation's and each gas corporation's implementation of that program in a specified triennial report required under existing law. This bill would require the PUC, in its review of the energy efficiency programs of electrical corporations and gas corporations, to ensure compliance with specified principles. According to the author, this bill would allow the use of ratepayer energy efficiency funds for heating and hot water systems and common-area energy efficiency measures in low-income multifamily rental apartment buildings.

SB 1130 (De León D) Energy: energy assessment: commercial buildings: financing.

Status: 2/22/2012-From printer. May be acted upon on or after March 23.

Summary: Existing law requires the California Alternative Energy and Advanced Transportation Financing Authority to establish programs to provide financial assistance to participating parties to purchase alternative source energy and to develop renewable energy projects. Existing law authorizes the authority to issue revenue bonds secured by revenues generated by a project to provide financing for those purposes. This bill would enact the Commercial Building Energy Retrofit Financing Act of 2012 and would require the authority to establish the Commercial Building Energy Retrofit Financing Program to provide financial assistance, through the issuance of revenue bonds, to owners of eligible buildings for implementing energy efficiency retrofit measures for the buildings. The bill would provide that the bonds are secured by the recording of an energy remittance repayment agreement, as defined, on the deed of the building for which the energy efficiency retrofits are performed. The bill would require the State Board of Equalization to collect installment payments from owners of eligible buildings whose applications have

been approved by the authority. This bill would authorize the authority and the State Board of Equalization to assess a fee to reimburse them for the administrative costs incurred in implementing the program.

HCD

AB 1699 (Torres D) Affordable housing.

Status: 2/23/2012-Referred to Com. on H. & C.D.

Summary: Existing law authorizes the Department of Housing and Community Development to provide technical assistance to groups and persons with various housing needs and to administer various housing loan programs. Existing law authorizes the department to extend the term of existing multifamily housing loans made under specified programs upon the request of any borrower, subject to certain conditions, as provided. This bill would authorize the department to extend the term of an existing department loan, subordinate a department loan to new debt, and authorize an investment of tax credit equity under certain rental housing finance programs, subject to specified conditions. The bill would authorize the department to adopt guidelines that are not subject to the Administrative Procedures Act.

Insurance

AB 1603 (Feuer D) Mortgages and deeds of trust: mortgage servicers: force placed insurance.

Status: 2/7/2012-From printer. May be heard in committee March 8.

Summary: Existing law generally regulates mortgages and deeds of trust, including, among other things, recording mortgages and deeds of trust, disclosures in connection with mortgages and deeds of trust, and foreclosure procedures for mortgages and deeds of trust. This bill would regulate the arranging by a mortgage servicer, as defined, of a replacement policy of hazard, flood, or homeowner's insurance, collectively defined as "force-placed insurance," with respect to a residential property securing a mortgage loan, when a borrower has failed to make payments on hazard, flood, or homeowner's insurance sufficient to satisfy the terms of the mortgage loan agreement. The bill would require a mortgage servicer to make reasonable efforts to continue or reestablish the borrower's insurance with respect to the property, as specified, prior to arranging for force-placed insurance.

AB 2303 (Committee on Insurance) Insurance omnibus.

Status: 2/27/2012-Read first time.

Summary: Existing law regulates mortgage insurance and defines it as including guaranteeing of the payment of the principal, interest, and other sums agreed to be paid under the terms of any note or bond secured by mortgage, or other sums secured under the terms of the mortgage, in its entirety, or of any undivided or other partial interest in the mortgage, or in a group of mortgages, and the guaranteeing or insuring, directly or indirectly, against loss thereon. This bill would prohibit mortgage insurance from being an insurance product that may be offered in this state.

SB 1450 (Calderon D) Mortgage guaranty insurance.

Status: 2/27/2012-Read first time.

Summary: Existing law requires a mortgage guaranty insurer to limit its coverage, for the class of insurance that insures against financial loss by reason of nonpayment of principal, interest, and other sums under any evidence of indebtedness secured by a mortgage, deed of trust, or other instrument constituting a first lien or charge on a residential building or a condominium unit or buildings designed for occupancy by not more than 4 families, to no more than a net of 30% at risk of the entire indebtedness to the insured, or a mortgage guaranty insurer may elect to pay the entire indebtedness to the insured and acquire title to the authorized real estate security. Existing law authorizes a mortgage guaranty insurer to extend its coverage for this class of insurance beyond the established limits provided the excess is insured by a contract of reinsurance. This bill would delete those requirements with regard to that class of insurance.

Landlord Tenant

AB 1953 (Ammiano D) Housing.

Status: 2/24/2012-From printer. May be heard in committee March 25.

Summary: Existing law requires the Department of Housing and Community Development to provide to tenants and other interested persons information concerning their legal rights and options when their building is being proposed for conversion.

SB 1191 (Simitian D) Landlord-tenant relations: disclosure of notice of sale.

Status: 3/1/2012-Referred to Com. on JUD.

Summary: Existing law generally regulates the hiring of real property, including, among other things, specifying certain obligations imposed on landlords and obligations imposed on tenants. Existing law, until January 1, 2013, requires a resident of property upon which a notice of sale has been posted to be provided a specified notice advising the resident that, among other things, if the person is renting the property, the new property owner may either give the tenant a new lease or rental agreement, or provide the tenant with a 60-day eviction notice, and that other laws may prohibit the eviction or provide the tenant with a longer notice before eviction. This bill would require every landlord who is in default under a mortgage or deed of trust and who has received a notice of sale from the mortgagee, trustee, or

other person authorized to take the sale to disclose the notice of sale to any prospective tenant prior to executing a lease agreement for the property to be sold. The bill would also provide that a violation of those provisions would invalidate the lease and entitle the tenant to recovery of all rent paid under the lease.

Misc

AB 1954 (Nestande R) Housing.

Status: 2/24/2012-From printer. May be heard in committee March 25.

Summary: Existing law sets forth various legislative findings and declarations relating to housing, including a legislative finding and declaration that the availability of housing is of vital statewide importance. This bill would make technical, nonsubstantive changes to these provisions.

AB 2447 (Skinner D) The California Neighborhood Stabilization Partnership Act of 2012.

Status: 2/27/2012-Read first time.

Summary: The Housing and Emergency Shelter Trust Fund Act of 2006 authorizes the issuance of bonds to finance various housing programs, capital outlay related to infill development, brownfield cleanup that promotes infill development, housing-related parks, and transit-oriented development programs. This bill would state the intent of the Legislature to enact legislation that would establish the California Neighborhood Stabilization Partnership Act of 2012.

AB 2639 (Fong D) State government: governmental linguistics.

Status: 2/27/2012-Read first time.

Summary: Existing law requires each department, commission, office, or other administrative agency of state government to use plain, straightforward language in a state agency document. Existing law defines a state agency document as any contract, form, license, announcement, regulation, manual, memorandum, or any other written communication that is necessary to carry out the agency's responsibilities under the law. This bill would make technical, nonsubstantive changes to these provisions.

SB 1057 (Huff R) Housing availability.

Status: 3/1/2012-Referred to Com. on RLS.

Summary: The Planning and Zoning Law requires each city, county, and city and county to prepare and adopt a general plan that contains certain mandatory elements, including a housing element that analyzes existing and projected housing needs. Existing law includes various legislative findings and declarations related to

the statewide importance of housing availability and the responsibility of local government to address regional housing needs. This bill would make a technical, nonsubstantive change to these legislative findings and declarations.

Mortgage Banking

SB 1069 (Corbett D) Deficiency judgments.

Status: 3/1/2012-Referred to Com. on JUD.

Summary: Existing law provides that no deficiency judgment shall lie following a judicial foreclosure with respect to, among other things, a deed of trust or mortgage given to the vendor to secure payment of the balance of the purchase price of real property, or under a deed of trust or mortgage on a dwelling to secure repayment of a purchase money loan which was in fact used to pay all or part of the purchase price of that dwelling. This bill would additionally provide, as defined, that a purchase money loan does not lose that status and the protection from deficiency liability, if, among other things, it is renewed, refinanced, consolidated, restructured, modified, assigned, or assumed on or after January 1, 2013. The bill would also provide, however, that the protection from deficiency liability for a purchase money obligation extends only to the outstanding amount of the purchase money obligation, and that the obligor has the burden of establishing that amount, as specified. The bill would provide that a deficiency judgment may lie in certain circumstances where a vendor has subordinated its loan to a construction loan for a commercial project, the construction loan has funded a substantial portion of the project, and the construction lender has foreclosed on the property, extinguishing all or part of the vendor's subordinated lien.

Mortgage Lending

AB 1547 (Eng D) Residential mortgage loans: foreclosure procedures.

Status: 2/9/2012-Referred to Coms. on B. & F. and JUD.

Summary: Existing law, until January 1, 2013, requires a 30-day notice, as specified, to be given to the borrower of certain home mortgages, as specified, before a mortgagee, trustee, beneficiary, or authorized agent may file a notice of default. Existing law requires the notice of default to include certain information, as specified. Existing law also requires contact with the borrower, as defined, in order to assess the borrower's financial situation and explore options for the borrower to avoid foreclosure. Existing law authorizes a borrower to designate a HUD-certified housing counseling agency, attorney, or other advisor to discuss with the mortgagee, beneficiary, or authorized agent, on the borrower's behalf, options for the borrower to avoid foreclosure. Under existing law, it is a crime to tear down the

notice of sale posted on a property within 72 hours of posting. This bill would delete the repeal clause for these provisions and thus extend the operation of these provisions indefinitely

AB 1557 (Skinner D) Real property: maintenance of foreclosed property: violations.

Status: 2/9/2012-Referred to Com. on B. & F.

Summary: Existing law, until January 1, 2013, requires a legal owner to maintain vacant residential property purchased at a foreclosure sale, or acquired by that owner through foreclosure under a mortgage or deed of trust. Existing law, until January 1, 2013, authorizes a governmental entity to impose civil fines and penalties for failure to maintain that property of up to \$1,000 per day for a violation. Existing law, until January 1, 2013, requires a governmental entity that seeks to impose those fines and penalties to give notice of the claimed violation and an opportunity to correct the violation at least 14 days prior to imposing the fines and penalties, and to allow a hearing for contesting those fines and penalties.

AB 1599 (Feuer D) Mortgages and deeds of trust: foreclosure: languages.

Status: 2/7/2012-From printer. May be heard in committee March 8.

Summary: Existing law requires that, upon a breach of the obligation of a mortgage or transfer of an interest in property, the mortgagee, trustee, or beneficiary record a notice of default in the office of the county recorder where the mortgaged or trust property is situated and mail the notice of default to the mortgagor or trustor. Existing law specifies other requirements and procedures for completion of a foreclosure sale. Existing law requires, under specified circumstances, that a summary of mortgage terms be provided to the borrower in one of 5 specified languages. This bill would require a mortgagee, trustee, beneficiary, or authorized agent to provide all documents to a mortgagor or trustor relating to a delinquency, default, loan modification, foreclosure proceeding, or foreclosure sale concerning that mortgage or deed of trust in the primary language spoken by the mortgagor or trustor.

AB 1763 (Davis D) Grand jury proceedings: Attorney General: powers and duties.

Status: 3/1/2012-Referred to Com. on PUB. S.

Summary: Existing law authorizes the Attorney General to convene the grand jury to investigate and consider certain criminal matters. The Attorney General is authorized to take full charge of the presentation of the matters to the grand jury, issue subpoenas, prepare indictments, and do all other things incident thereto to the same extent as the district attorney may do. This bill would provide that when the grand jury is convened by the Attorney General, the Attorney General is required to take full charge of the presentation of the matters to the grand jury, issue subpoenas, prepare indictments, and do all other things incident thereto to the same extent as the district attorney may do. Sponsored by AG.

AB 1950 (Davis D) Mortgages and deeds of trust: prohibited practices: enforcement.

Status: 2/24/2012-From printer. May be heard in committee March 25.

Summary: Existing law, until January 1, 2013, prohibits any person who negotiates or arranges residential mortgage loan modifications, as specified, for a fee, from demanding or receiving preperformance compensation, as specified, or requiring

security as collateral or taking a power of attorney from the borrower. This bill would extend the operation of the above-described provisions indefinitely. By extending the operation of an existing offense, this bill would impose a state-mandated local program. This bill contains other related provisions and other existing laws. Sponsored by AG.

AB 2057 (Carter D) Mortgages and deeds of trust.

Status: 2/24/2012-From printer. May be heard in committee March 25.

Summary: Existing law specifies the time during which a mortgagor, trustor, or other authorized person may cure a default on an obligation secured by deed of trust or mortgage on real property that has been declared due by reason of default, as specified. Existing law also provides that if the trustor, mortgagor, or other person authorized to cure the default, as specified, does cure the default, the beneficiary or mortgagee or the agent for the beneficiary or mortgagee is required to, within 21 days following the reinstatement, execute and deliver to the trustee a notice of rescission that rescinds the declaration of default and demand for sale and advises the trustee of the date of reinstatement. This bill would make a nonsubstantive change to those provisions.

AB 2225 (Perea D) Taxation: cancellation of indebtedness: mortgage debt forgiveness.

Status: 2/27/2012-Read first time.

Summary: The Personal Income Tax Law conforms to specified provisions of the federal Mortgage Forgiveness Debt Relief Act of 2007, as amended by the federal Emergency Economic Stabilization Act of 2008, relating to the exclusion of the discharge of qualified principal residence indebtedness, as defined, from an individual's income if that debt is discharged after January 1, 2007, and before January 1, 2013, as provided. This bill would make findings and declarations regarding mortgage debt forgiveness and would state the intent of the Legislature to enact legislation that would conform to federal law with regard to any extension of the exclusion described above.

AB 2425 (Mitchell D) Mortgages and deeds of trust: foreclosure.

Status: 2/27/2012-Read first time.

Summary: Existing law generally regulates mortgages and deeds of trust, including establishing procedures for foreclosure in the case of default. This bill would express the intent of Legislature to enact legislation to amend the state's foreclosure laws to implement and make permanent the servicing standards and other provisions of the National Mortgage Settlement. Sponsored by AG.

AB 2528 (John A. Pérez D) Mortgages and deeds of trust: foreclosure: military members.

Status: 2/27/2012-Read first time.

Summary: Existing law regulates various aspects of mortgages and deeds of trust, including, among other things, foreclosure procedures applicable when a borrower is in default on one of those instruments. This bill would express the intent of the Legislature to enact legislation to preclude foreclosure proceedings when the borrower is an active member of the military, unless the lender has first attempted a loan modification.

AB 2532 (Wagner R) Mortgages and deeds of trust: foreclosure.

Status: 2/27/2012-Read first time.

Summary: Existing law regulates the terms and conditions of mortgages and deeds of trust secured by real property. Existing law provides that a mortgagee, trustee, beneficiary, or authorized agent may not file a notice of default until 30 days after initial contact with the borrower is made, as specified, or 30 days after satisfying specified due diligence requirements. This bill would make a nonsubstantive change to these provisions.

AB 2610 (Skinner D) Mortgages and deeds of trust: foreclosure: tenants.

Status: 2/27/2012-Read first time.

Summary: Existing law generally regulates mortgages and deeds of trust, including establishing procedures for foreclosure in case of default. Existing law, until January 1, 2013, grants certain rights to a tenant residing in a housing unit that is sold in foreclosure. This bill would express the intent of the Legislature to enact legislation to improve protections for tenants residing in housing units that are subject to foreclosure. Sponsored by AG.

SB 62 (Liu D) Local government: Los Angeles County: notice of recordation.

Status: 8/1/2011-Chaptered by the Secretary of State, Chapter Number 141, Statutes of 2011

Summary: Existing law authorizes the Los Angeles County Recorder, following the adoption of an authorizing resolution by the Los Angeles County Board of Supervisors, to mail a notice of recordation to the party or parties executing a deed, quitclaim deed, or deed of trust within 30 days of the recording of one of those documents. This bill, until January 1, 2015, would modify that authorization to additionally include notice of default or notice of sale, provided by mail by the recorder or a designee of the board, to a party or parties subject to a notice of default or notice of sale of a property, including the occupants of that property, within 5 days, but in any event no more than 20 days, of recordation. If the board of supervisors adopts an authorizing resolution, as specified, the bill would require the County of Los Angeles to submit a report with prescribed information to certain committees of the Legislature on or before January 1, 2014.

SB 708 (Corbett D) Residential mortgage loans: foreclosure procedures.

Status: 1/23/2012-In Assembly. Read first time. Held at Desk.

Summary: Upon a breach of the obligation of a mortgage or transfer of an interest in property, existing law requires the trustee, mortgagee, or beneficiary to comply with certain procedures, including recording a notice of default, and mailing the notice of default to the mortgagor or trustor. Existing law, until January 1, 2013, imposes additional requirements on mortgagees, trustees, beneficiaries, and authorized agents for residential mortgage loans made from January 1, 2003, to December 31, 2007, inclusive, including prohibiting the filing of a notice of default on a mortgage or deed of trust secured by owner-occupied real property until 30 days after the borrower is contacted or 30 days after satisfying due diligence requirements to contact the borrower, as specified. Existing law, until January 1, 2013, gives a tenant or subtenant in possession of a rental housing unit, at the time the property is sold in

foreclosure, 60 days to remove himself or herself from the property. Existing law requires a trustee or authorized representative to post a notice on the property to be sold that contains specified information relating to the rights of the resident of the property, and makes it a crime to tear down the notice within 72 hours of the time the notice is posted. This bill would extend the operation of all of the provisions specified above to January 1, 2018. The bill would also revise the notice relating to the rights of the resident.

SB 980 (Vargas D) Mortgage loans.

Status: 2/2/2012-Referred to Coms. on B. & F.I. and JUD.

Summary: Existing law, until January 1, 2013, prohibits any person who negotiates, attempts to negotiate, arranges, attempts to arrange, or otherwise offers to perform residential mortgage loan modifications for mortgages and deeds of trust secured by real property containing 4 or fewer dwelling units, or other forms of mortgage loan forbearance for a fee paid by the borrower, from demanding or receiving any preperformance compensation, requiring collateral to secure payment, or taking a power of attorney from the borrower. Existing law makes the violation of those provisions a crime and, with respect to an attorney, cause for imposition of discipline. This bill would extend the operation of those provisions until January 1, 2017.

SB 1276 (Wyland R) Personal property: liens.

Status: 2/24/2012-From printer. May be acted upon on or after March 25.

Summary: Existing law provides that a person having a lien on personal property cannot recover damages for its conversion from a person with a right superior to his or her right, after the lien is discharged, greater than the amount secured by the lien and the compensation allowed for loss of time and expenses. This bill would make technical, nonsubstantive changes to these provisions.

SB 1470 (Leno D) Mortgages and deeds of trust: foreclosure.

Status: 2/27/2012-Read first time.

Summary: Existing law generally regulates mortgages and deeds of trust, including establishing procedures for foreclosure in the case of default. This bill would express the intent of Legislature to enact legislation to amend the state's foreclosure laws to implement and make permanent the servicing standards and other provisions of the National Mortgage Settlement. Sponsored by AG.

SB 1471 (DeSaulnier D) Mortgages and deeds of trust: foreclosure.

Status: 2/27/2012-Read first time.

Summary: Existing state and federal law regulate the terms and conditions of mortgages and deeds of trust secured by real property. Existing state law requires, upon a breach of the obligation of a mortgage or deed of trust secured by real property, that the trustee, mortgagee, or beneficiary record a notice of default in the office of the county recorder where the mortgaged or trust property is situated and mail the notice of default to the mortgagor or trustor, among other acts, prior to exercising a power of sale. Existing state law, until January 1, 2013, prohibits the filing of a notice of default on a mortgage or deed of trust, as specified, secured by owner-occupied real property, as defined, until 30 days after specified parties contact the borrower or 30 days after satisfying due diligence requirements in this

regard. This bill would express the intent of the Legislature to enact legislation that would improve protections for homeowners who are subject to foreclosure.
Sponsored by AG.

SB 1473 (Hancock D) Mortgages and deeds of trust: foreclosure: tenants.

Status: 2/27/2012-Read first time.

Summary: Existing law generally regulates mortgages and deeds of trust, including establishing procedures for foreclosure in case of default. Existing law, until January 1, 2013, grants certain rights to a tenant residing in a housing unit that is sold in foreclosure. This bill would express the intent of the Legislature to enact legislation to improve protections for tenants residing in housing units that are subject to foreclosure. Sponsored by AG.

SB 1474 (Hancock D) Attorney General.

Status: 2/27/2012-Read first time.

Summary: The California Constitution provides that the Attorney General is the chief law enforcement officer of the state with the duty to see that the laws of the state are uniformly and adequately enforced. Existing law requires the Attorney General to prosecute and defend all causes to which the state or state officers in their official capacities are parties. This bill would express the intent of the Legislature to enact legislation that would enhance the ability of the Attorney General to enforce state law. Sponsored by AG.

Public Records

SB 1002 (Yee D) Public records: electronic format.

Status: 2/16/2012-Referred to Com. on JUD.

Summary: The California Public Records Act requires state and local agencies to make their records available for public inspection and, upon request of any person, to provide a copy of any public record unless the record is exempt from disclosure. The act requires any agency that has information that constitutes an identifiable public record not otherwise exempt from disclosure that is in an electronic format to make that information available in an electronic format when requested by any person. The act requires the agency to make the information available in any electronic format in which it holds the information. This bill would authorize an agency, when requested by a person, to provide an electronic record in a format in which the text in the electronic record is searchable by commonly used software. The bill would require the requester to bear the cost of converting the electronic record into a searchable format.

Redevelopment

AB 1585 (John A. Pérez D) Redevelopment.

Status: 2/9/2012-Referred to Coms. on H. & C.D. and L. GOV.

Summary: Existing law dissolves redevelopment agencies and community development agencies, as of February 1, 2012, and designates successor agencies, as defined. Existing law requires successor agencies to wind down the affairs of the dissolved redevelopment agencies and to, among other things, repay enforceable obligations, as defined, and to remit unencumbered balances of redevelopment agency funds, including housing funds, to the county auditor-controller for distribution to taxing entities. This bill would modify the scope of the term "enforceable obligation" and modify provisions relating to the transfer of housing funds and responsibilities associated with dissolved redevelopment agencies. The bill would provide that any amounts on deposit in the Low and Moderate Income Housing Fund of a dissolved redevelopment agency be transferred to specified entities. The bill would make conforming changes.

AB 1692 (Wieckowski D) Bankruptcy: redevelopment: successor agencies.

Status: 2/16/2012-From printer. May be heard in committee March 17.

Summary: Existing law suspended various activities of redevelopment agencies and prohibited those agencies from incurring indebtedness for a specified period. Existing law dissolved redevelopment agencies on February 1, 2012, and provides for the designation of successor agencies, as defined. Existing law requires successor agencies to wind down the affairs of the dissolved redevelopment agencies and to, among other things, repay enforceable obligations, as defined, and to remit unencumbered balances of redevelopment agency funds, including housing funds, to the county auditor-controller for distribution to taxing entities. This bill would authorize a successor agency to file for bankruptcy under applicable federal bankruptcy law, subject to existing procedures.

AB 2314 (Carter D) Real property blight.

Status: 2/27/2012-Read first time.

Summary: Existing law authorizes local government entities to impose civil fines on specified property owners when the condition of their property constitutes a nuisance. This bill would express the intent of the Legislature to enact legislation to amend the Civil Code and the Health and Safety Code to provide communities throughout California with additional tools to fight blight. Sponsor: AG

SB 654 (Steinberg D) Redevelopment.

Status: 2/1/2012-In Assembly. Read first time. Held at Desk.

Summary: Existing law suspends various activities of redevelopment agencies and prohibits the agencies from incurring indebtedness for a specified period. Existing law also dissolves redevelopment agencies and community development agencies, as of October 1, 2011, and designates successor agencies, as defined. Existing law requires successor agencies to wind down the affairs of the dissolved

redevelopment agencies and to, among other things, repay enforceable obligations, as defined, and to remit unencumbered balances of redevelopment agency funds, including housing funds, to the county auditor-controller for distribution to taxing entities. This bill would revise the definition of the term "enforceable obligation" and modify provisions relating to the transfer of housing funds and responsibilities associated with dissolved redevelopment agencies. The bill would provide that any amounts on deposit in the Low and Moderate Income Housing Fund of a dissolved redevelopment agency be transferred to specified entities.

SB 986 (Dutton R) Redevelopment: bond proceeds.

Status: 2/16/2012-Referred to Com. on GOV. & F.

Summary: Existing law dissolves redevelopment agencies and community development agencies, as of February 1, 2012, and designates successor agencies, as defined. Existing law requires that successor entities perform certain duties, including, among others, remitting unencumbered funds of that agency to the county auditor-controller, and overseeing the use of bond proceeds. Existing law requires each successor agency to have an oversight board that is composed of 7 members who meet certain qualifications. Existing law requires the oversight board to approve certain actions of the successor agency. This bill would provide that all bond proceeds that were generated by the former redevelopment agency shall be deemed to be encumbered and would prohibit a successor agency from remitting these proceeds to the county auditor-controller. This bill would also require that the proceeds of bonds issued by a former redevelopment agency must be used by the successor agency for the purposes for which the bonds were sold pursuant to an enforceable obligation, as defined, that was entered into either by the former redevelopment agency prior to its dissolution, or is entered into by the successor agency by December 14, 2014. This bill would also provide that if an enforceable obligation is not entered into by that time, or if the purpose for which the bonds were sold can no longer be achieved, then the bond proceeds shall be used to defease the bonds or to purchase outstanding bonds on the open market for cancellation.

SB 1151 (Steinberg D) Redevelopment: long range asset management plan.

Status: 3/1/2012-Referred to Com. on GOV. & F.

Summary: Existing law dissolved redevelopment agencies and community development agencies, as of February 1, 2012, and provides for the designation of successor agencies, as defined. Existing law imposes various requirements on successor agencies and subjects successor agency actions to the review of oversight boards. Existing law requires successor agencies to wind down the affairs of the dissolved redevelopment agencies and to, among other things, dispose of assets and properties of the former redevelopment agencies, as directed by the oversight board. Proceeds from the sale of assets are transferred to the county auditor-controller for distribution as property tax proceeds to taxing entities, as prescribed. This bill would require the successor agency to prepare a long range asset management plan that outlines a strategy for maximizing the long-term value of the real property and assets of the former redevelopment agency for ongoing economic development and housing functions. The bill would require the successor agency to submit the plan to the Department of Finance and the oversight board by December 1, 2012, and would require the approval of the plan by the department and oversight board by December 31, 2012.

SB 1156 (Steinberg D) Community Development and Housing Joint Powers Authority.

Status: 3/1/2012-Referred to Coms. on T. & H. and GOV. & F.

Summary: The Community Redevelopment Law authorizes the establishment of redevelopment agencies in communities to address the effects of blight, as defined. Existing law dissolved redevelopment agencies and community development agencies, as of February 1, 2012, and provides for the designation of successor agencies. Existing law requires that the successor agency, among other things, wind down the affairs of the former redevelopment agency and dispose of assets and properties of the former redevelopment agency, as directed by an oversight board. This bill would declare the intent of the Legislature to establish and authorize the use of new joint powers authorities and a new financing option for cities and counties throughout the state to develop sustainable economic development and affordable housing. The bill would authorize the legislative body of the city and county representing the geographic territory covering the area served by a former redevelopment agency to elect to form a Community Development and Housing Joint Powers Authority (authority). The bill would require the authority to assume from a successor agency the responsibility for managing the assets and property of the former redevelopment agency. The bill would authorize the authority to exercise specified powers enumerated in the Community Redevelopment Law, to enter into agreements to facilitate articulated career technical education pathways, and to exercise certain other powers relating to the financing of its activities.

SB 1157 (Berryhill R) Redevelopment: successor agencies: duties.

Status: 3/1/2012-Referred to Com. on RLS.

Summary: The Community Redevelopment Law authorizes the establishment of redevelopment agencies in communities to address the effects of blight, as defined. Existing law dissolved redevelopment agencies as of February 1, 2012, and provides for the designation successor agencies to act as successor entities to the dissolved redevelopment agencies. Existing law requires a successor agency to, among other things, continue to make payments due for enforceable obligations, remit unencumbered balances to the auditor-controller for distribution, and dispose of assets, as directed. This bill would make technical, nonsubstantive changes to the provisions of law relating to the duties of the successor agency.

SB 1472 (Pavley D) Real property: blight.

Status: 2/27/2012-Read first time.

Summary: Existing law authorizes local government entities to impose civil fines on specified property owners when the condition of their property constitutes a nuisance. This bill would express the intent of the Legislature to enact legislation to amend the Civil Code and the Health and Safety Code to provide communities throughout California with additional tools to fight blight. Sponsored by AG/

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